

**Montcalm County, Michigan**

**FINANCIAL STATEMENTS**

**September 30, 2011**

Montcalm County, Michigan

September 30, 2011

BOARD OF COMMISSIONERS

Patrick Q. Carr	Chairperson
Ronald Retzloff	Vice Chairperson
Roger Caris	Finance Chairman
Lloyd Walker	Commissioner
Tom Lindeman	Commissioner
John Johansen	Commissioner
Carl A. Paepke	Commissioner
Ronald Baker	Commissioner
Betty Kellenberger	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, 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, 2011, 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 66% of the assets and 54% 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Montcalm County, Michigan as of September 30, 2011, 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 July 31, 2012, 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 required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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.

As discussed in Note S, during the year the County implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. As a result of this implementation, fund balance classifications in the governmental fund financial statements have been changed to reflect the new classifications under GASB Statement No. 54.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

July 31, 2012

## 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, 2011. 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 2011 fiscal year. Net Assets decreased \$733,082 to \$3,866,502, a 18.96% decrease. Unrestricted net assets decreased from \$3,241,251 to \$1,381,342, a 57.38% decrease.
- Business-Type Activities Net Assets decreased \$321,045 to \$12,417,111, a 2.52% decrease. Unrestricted Net Assets decreased from \$11,844,761 to \$11,532,448.
- Governmental Activities expenses totaled \$20,013,034. \$7,666,797 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 \$11,613,155.
- The Ambulance Fund expenses totaled \$3,361,424. Service charges and grants financed \$2,528,437 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 \$1,373,174. The revenues exceeded expenses by \$1,161,718 before considering interest earnings and other revenue generated by the funds.
- The depreciated cost of the governmental capital assets at September 30, 2011, was \$10,531,843.
- The Ambulance Fund generated a positive cash flow of \$250,868 during fiscal year 2011.
- Pension Trust Fund net assets decreased from \$17,439,707 to \$16,732,217. This was primarily due to the decrease 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> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> </ul>
	<ul style="list-style-type: none"> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of revenues, expenditures &amp; changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <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 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, parks department, and general administration. Property taxes, service charges, and 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 6.08% to \$16,283,613 at September 30, 2011. (See Table A-1)

Table A-1  
Montcalm County Net Assets

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2010-2011
	2011	2010	2011	2010	2011	2010	
Current and other assets	\$ 4,695,536	\$ 5,553,115	\$ 11,623,834	\$ 12,123,453	\$ 16,319,370	\$ 17,676,568	-7.7%
Capital assets	10,531,843	11,306,420	978,578	893,395	11,510,421	12,199,815	-5.7%
Total assets	15,227,379	16,859,535	12,602,412	13,016,848	27,829,791	29,876,383	-6.9%
Current liabilities	2,020,337	2,342,630	112,256	214,724	2,132,593	2,557,354	-16.6%
Noncurrent liabilities	9,340,540	9,917,321	73,045	-	9,413,585	9,917,321	-5.1%
Total liabilities	11,360,877	12,259,951	185,301	214,724	11,546,178	12,474,675	-7.4%
<b>Net Assets</b>							
Invested in capital assets, net of related debt	697,352	806,125	884,663	893,395	1,582,015	1,699,520	-6.9%
Restricted	1,787,808	552,208	-	-	1,787,808	552,208	223.8%
Unrestricted	1,381,342	3,241,251	11,532,448	11,844,761	12,913,790	15,086,012	-14.4%
Total net assets	<u>\$ 3,866,502</u>	<u>\$ 4,599,584</u>	<u>\$ 12,417,111</u>	<u>\$ 12,738,156</u>	<u>\$ 16,283,613</u>	<u>\$ 17,337,740</u>	203%

Of the total Current and Other Assets figure of \$16,319,370, \$7,678,160 is cash, cash equivalents, and investments. That represents 47% of the total Current and Other Assets. Of the total cash, cash equivalents, and investments amount, \$6,227,987 was in the Delinquent Tax Revolving Fund. 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 \$8,276,804 represent another 51% of the Current and Other Assets. \$3,674,815, or 44%, of that amount is Delinquent Tax Receivables.

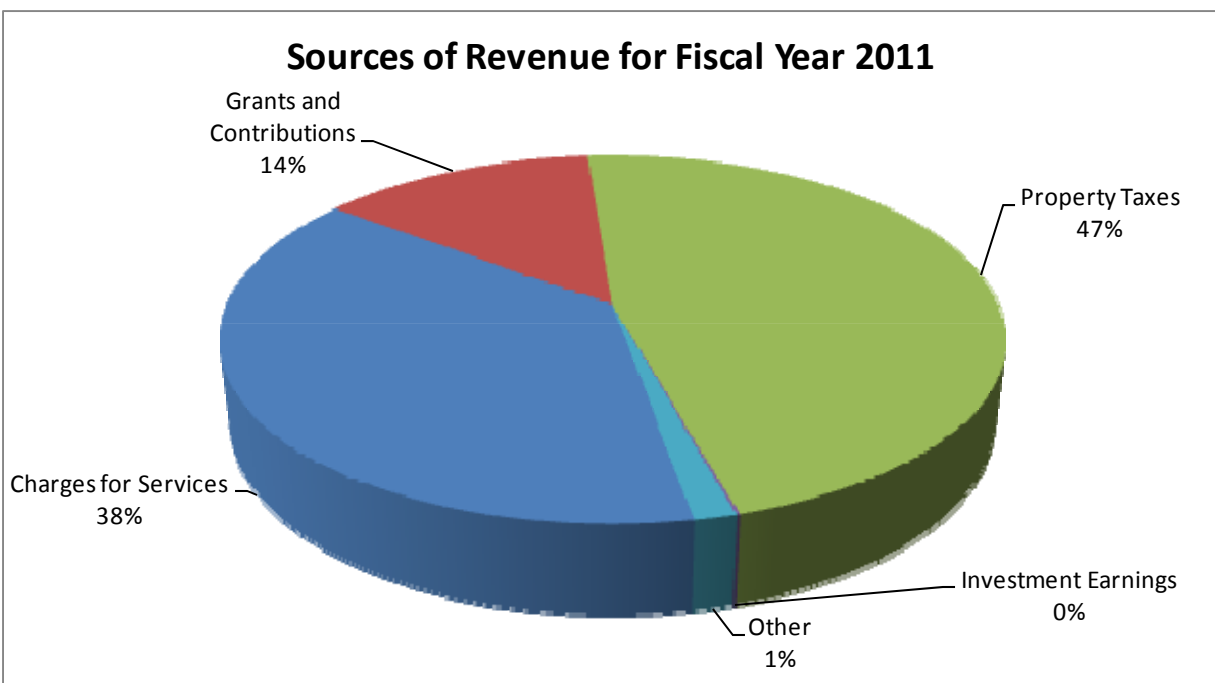
The total depreciated cost of capital assets reported in the governmental activities statement of net assets is \$10,531,843, compared to \$11,306,420 in the previous year. The gross cost of those assets is \$25,095,749, compared to \$25,181,206 at the end of the previous year. The accumulated depreciation on those assets is \$14,563,906, compared to \$13,874,786 at the end of the previous year.

**Changes in net assets.** The County's net assets decreased by \$844,921 (See Table A-2). Governmental activities net assets decreased \$733,082. Business-type activities net assets decreased by \$111,839.

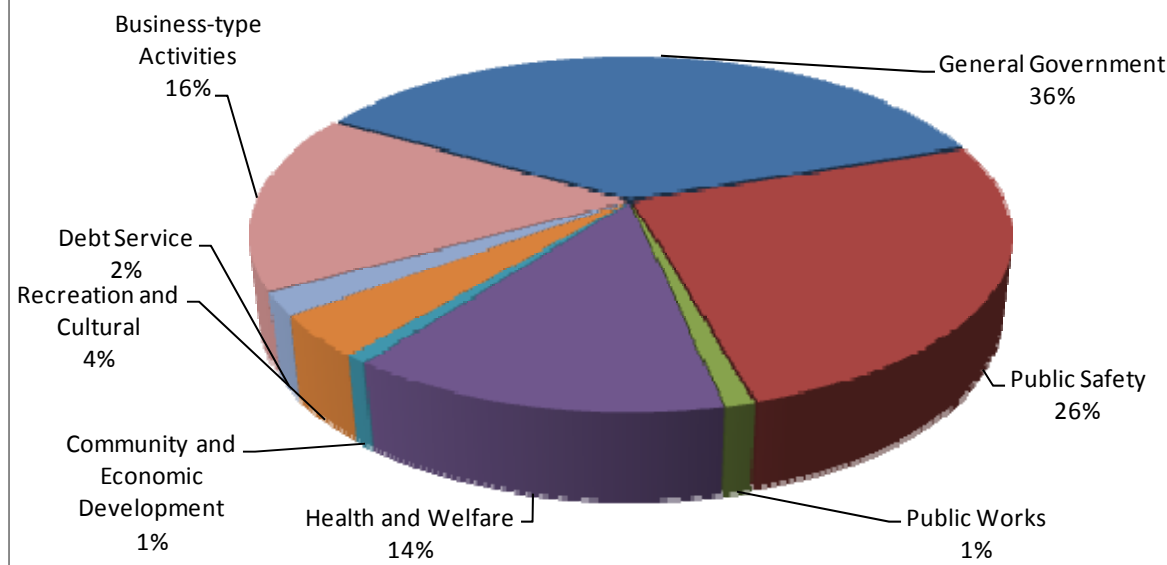
Table A-2  
Changes in Montcalm County's Net Assets

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2010-2011
	2011	2010	2011	2010	2011	2010	
<b>Revenues</b>							
Program Revenues							
Charges for Services	\$ 4,629,256	\$ 5,068,041	\$ 4,155,206	\$ 3,617,507	\$ 8,784,462	\$ 8,685,548	1%
Grants and contributions	3,037,541	3,060,629	82,509	8,196	3,120,050	3,068,825	2%
General Revenues							
Property Taxes	9,688,363	9,451,099	1,113,572	1,162,708	10,801,935	10,613,807	2%
Investment earnings	9,193	122,291	18,085	37,138	27,278	159,429	-83%
Other	257,451	550,421	86,033	79,790	343,484	630,211	-45%
<b>Total Revenues</b>	<b>17,621,804</b>	<b>18,252,481</b>	<b>5,455,405</b>	<b>4,905,339</b>	<b>23,077,209</b>	<b>23,157,820</b>	<b>0%</b>
<b>Expenses</b>							
General Government	8,720,455	8,275,324	-	-	8,720,455	8,275,324	5%
Public Safety	6,175,183	6,067,322	-	-	6,175,183	6,067,322	2%
Public Works	250,082	227,952	-	-	250,082	227,952	10%
Health and Welfare	3,274,942	2,629,341	-	-	3,274,942	2,629,341	25%
Community and Economic Develop.	186,139	81,887	-	-	186,139	81,887	127%
Recreation and Cultural	920,479	924,436	-	-	920,479	924,436	0%
Debt Service	485,754	519,975	-	-	485,754	519,975	-7%
Delinquent Tax	-	-	211,456	226,148	211,456	226,148	-6%
Jail Commissary	-	-	84,142	109,718	84,142	109,718	-23%
Building Official	-	-	252,074	271,012	252,074	271,012	-7%
Ambulance	-	-	3,361,424	3,001,556	3,361,424	3,001,556	12%
<b>Total Expenses</b>	<b>20,013,034</b>	<b>18,726,237</b>	<b>3,909,096</b>	<b>3,608,434</b>	<b>23,922,130</b>	<b>22,334,671</b>	<b>7%</b>
Excess (deficiency) before transfers	(2,391,230)	(473,756)	1,546,309	(574,718)	(844,921)	823,149	-203%
Transfers	1,658,148	110,077	(1,658,148)	(110,077)	-	-	
Increase (decrease) in net assets	<u>\$ (733,082)</u>	<u>\$ (363,679)</u>	<u>\$ (111,839)</u>	<u>\$ (684,795)</u>	<u>\$ (844,921)</u>	<u>\$ 823,149</u>	<b>-203%</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:



## Functional Expenses for Fiscal Year 2011



### Financial Analysis of the County's Funds

#### Governmental Funds

Governmental Funds include the General Fund, Special Revenue Funds (Friend of the Court, Register of Deeds Automation, Commission on Aging, etc.), Debt Service Funds, and Capital Project Funds. For the fiscal year ended September 30, 2011, the County's governmental funds reported a total Fund Balance of \$3,357,260. Of that amount, \$526,766 was nonspendable, \$1,688,604 was restricted, \$196 was assigned, and \$1,141,694 was unassigned.

**General Fund.** The total General Fund Balance decreased by \$672,398 to \$1,403,837 at September 30, 2011. The decrease is allocated to the following categories of Fund Balance:

Nonspendable	\$ (10,311)
Assigned	(399,366)
Unassigned	<u>(262,721)</u>
	<u><u>\$ (672,398)</u></u>

The nonspendable fund balance decreased as the result of payments for workers compensation insurance being paid before the end of the fiscal year. Expenditures for these items, which were paid during the 2011 fiscal year but benefit periods after the end of the fiscal year, are recorded as prepaid expenditures.

The unassigned fund balance decreased \$262,721 to \$1,141,694 at September 30, 2011. The year-end unassigned fund balance figure represents 7.5% of 2011 General Fund expenditures. The decrease was due to the loss of property tax revenue and the decrease in court costs and inmate revenue. 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 \$918,885. General Fund revenue for 2011 totaled \$12,782,133 in 2011 vs. \$13,977,945 in 2010, an \$1,195,812 decrease. The following items were the reason for the revenue decrease:

- The reason for the decrease was the lowering values of property, which decreased property taxes.

General Fund expenditures were less than the final amended budget by \$286,395. General Fund expenditures totaled \$14,179,793 in 2011 vs. \$14,648,725 in 2010, a \$468,932 decrease.

**Governmental Funds - continued**

**Special Revenue Funds.** The Special Revenue Funds in total ended the 2011 fiscal year with a fund balance of \$968,194. All of these funds meet the criteria for nonmajor funds for financial reporting purposes. The fund balances for each of the individual funds at September 30, 2011, as compared to September 30, 2010, are as follows:

<u>Fund</u>	<u>2011 Fund Balance</u>	<u>2010 Fund Balance</u>	<u>Change</u>
Victim Support Team	\$ 1,209	\$ 1,287	\$ (78)
Law Enforcement Trust	38,703	37,858	845
Friend of the Court	1,431	159	1,272
Solid Waste Planning	203,658	192,672	10,986
Community Information Systems	20,327	20,398	(71)
Homestead Property Tax	329,050	204,729	124,321
Register of Deeds Automation	234,080	210,570	23,510
Local CO Training	35,741	31,952	3,789
Drug Law Enforcement	10,309	8,428	1,881
Law Enforcement Trust	461	458	3
Law Library	8,260	8,480	(220)
County Libraries	2,856	-	2,856
Animal Shelter Donation	8,121	4,943	3,178
CDBG Housing	559	64,205	(63,646)
Commission on Aging	19,760	-	19,760
Soldiers and Sailors Relief	43,922	35,244	8,678
Veterans Trust	8,747	767	7,980
Social Welfare	1000	-	1,000
Total	<u>\$ 968,194</u>	<u>\$ 822,150</u>	<u>\$ 145,044</u>

**Proprietary Funds**

Proprietary Funds include Enterprise Funds (Ambulance Fund, Delinquent Tax Funds, Inmate Commissary Fund, and Building Official Fund) and Internal Service Funds (Office Equipment Fund and Retiree Health Benefits Fund). The Enterprise Funds had total net assets at September 30, 2011, of \$12,417,111. Of that amount, \$844,663 was invested in capital assets, net of related debt. Internal Service Funds had net assets of \$221,518 at September 30, 2011, with \$1,880 of that amount invested in capital assets, net of related debt.

**Enterprise Funds.** The Ambulance Fund had net assets of \$1,899,882 at September 30, 2011. Of that amount, \$882,742 was invested in capital assets, net of related debt. The net assets increased by \$311,327 during the 2011 fiscal year. The Ambulance Fund financial results compared to the prior fiscal year are as follows:

	<u>Sept. 30 2011</u>	<u>Sept. 30 2010</u>
Operating Revenues	\$ 2,549,672	\$ 2,164,704
Operating Expenses	<u>3,361,424</u>	<u>3,001,556</u>
Operating Income (Loss)	(811,752)	(836,852)
Nonoperating Revenues	<u>1,123,308</u>	<u>1,163,764</u>
Income (Loss) Before Transfers	311,556	326,912
Transfers In (Out)	<u>(229)</u>	<u>(239)</u>
Change in Net Assets	<u>\$ 311,327</u>	<u>\$ 326,673</u>

### Proprietary Funds - continued

The Delinquent Tax Revolving Fund had net assets of \$10,449,187 at the end of the 2011 fiscal year. The net assets decreased \$431,902 during the fiscal year. The fund generated a net income before transfers of \$1,234,861 during the fiscal year.

### 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 General Fund's original revenue and expenditure budgets to the final budget follows:

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Change</u>	<u>% Change</u>
Revenue				
Taxes	\$ 7,381,960	\$ 7,381,960	\$ -	0.00%
Licenses and Permits	131,500	125,500	(6,000)	-4.56%
Intergovernmental	2,551,924	2,559,424	7,500	0.29%
Charges for Services	3,469,410	3,126,910	(342,500)	-9.87%
Fines or Forfeits	125,120	95,120	(30,000)	-23.98%
Interest and Rents	34,750	34,750	-	0.00%
Other	377,354	377,354	-	0.00%
Other Financing Sources	<u>951,057</u>	<u>951,057</u>	<u>-</u>	<u>0.00%</u>
Total Revenue and Other Financing Sources	<u>\$ 15,023,075</u>	<u>\$ 14,652,075</u>	<u>\$ (371,000)</u>	<u>-2.47%</u>
Expenditures				
General Government	\$ 7,275,860	\$ 7,332,085	\$ 56,225	0.77%
Public Safety	5,686,213	5,612,288	(73,925)	-1.30%
Public Works	100,754	100,754	-	0.00%
Health and Welfare	906,249	954,961	48,712	5.38%
Community and Economic Development	19,054	19,054	-	0.00%
Other	250,000	276,000	26,000	10.40%
Debt Service	191,046	171,046	(20,000)	-10.47%
Other Financing Uses	<u>815,255</u>	<u>949,155</u>	<u>133,900</u>	<u>16.42%</u>
Total Expenditures and Other Financing Uses	<u>\$ 15,244,431</u>	<u>\$ 15,415,343</u>	<u>\$ 170,912</u>	<u>1.12%</u>

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

As of the 2011 fiscal year, the County had invested over \$28 million in a broad range of capital assets, including police equipment, buildings, park facilities, and computer equipment. (See Table A-4)

Table A-4  
Montcalm County's Capital Assets

<u>Category</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Land and Land Improvements	\$ 86,822	\$ -
Buildings and Additions	22,642,422	433,270
Equipment and Furniture	1,665,923	826,972
Vehicles	700,582	1,666,337
Total at Historical Cost	<u>\$ 25,095,749</u>	<u>\$ 2,926,579</u>

The depreciated value of the assets in total as of September 30, 2011, for Governmental Activities and Business-type Activities was \$10,531,843 and \$978,578, respectively. Capital Asset additions totaled \$100,726 for the Governmental Activities and \$393,756 for the Business-type Activities.

As of September 30, 2011, the County, excluding its component units, had \$10,246,927 in long-term debt outstanding. Of the approximate \$9.9 million in debt remaining, \$1.275 million and \$8.935 million remains outstanding from the 2000 and 2005 Building Authority Bonds, respectively. Debt related to compensated absences (vacation and sick leave) totaled another \$318,521.

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

The County considered these factors in preparing the budget for 2011. 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 County's amount of Revenue Sharing that they receive will continue to lower due to the State of Michigan's budget problems.

**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., P.O. Box 368, Stanton, MI 48888.

## **BASIC FINANCIAL STATEMENTS**



Montcalm County, Michigan

STATEMENT OF NET ASSETS

September 30, 2011

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ (293,881)	\$ 5,678,977	\$ 5,385,096	\$ 3,705,342
Investments	405,901	1,887,163	2,293,064	798,441
Receivables	3,608,125	-	3,608,125	2,021,493
Delinquent taxes receivable	-	3,674,815	3,674,815	-
Internal balances	157,015	(157,015)	-0-	-
Due from other governmental units	390,814	603,050	993,864	2,672,990
Inventories	-	-	-0-	924,035
Prepays	76,228	812	77,040	86,027
<b>Total current assets</b>	<b>4,344,202</b>	<b>11,687,802</b>	<b>16,032,004</b>	<b>10,208,328</b>
Noncurrent assets				
Investments - restricted	-	-	-0-	505,945
Contract receivable	-	-	-0-	174,000
Internal balances	164,318	(164,318)	-0-	-
Advances to other governmental units	187,016	100,350	287,366	-
Capital assets not being depreciated	81,157	-	81,157	10,214,699
Capital assets, net of accumulated depreciation	10,450,686	978,578	11,429,264	34,370,284
<b>Total noncurrent assets</b>	<b>10,883,177</b>	<b>914,610</b>	<b>11,797,787</b>	<b>45,264,928</b>
<b>TOTAL ASSETS</b>	<b>15,227,379</b>	<b>12,602,412</b>	<b>27,829,791</b>	<b>55,473,256</b>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	479,392	51,795	531,187	946,528
Accrued liabilities	155,821	39,591	195,412	406,412
Due to other governmental units	-	-	-0-	147,626
Due to others	303,538	-	303,538	-
Accrued interest payable	181,075	-	181,075	44,619
Unearned revenue	47,487	-	47,487	735,951
Current portion of compensated absences	270,743	-	270,743	290,487
Current portion of long-term debt	582,281	20,870	603,151	574,713
<b>Total current liabilities</b>	<b>2,020,337</b>	<b>112,256</b>	<b>2,132,593</b>	<b>3,146,336</b>
Noncurrent liabilities				
Advances from other governmental units	-	-	-0-	449,741
Noncurrent portion of compensated absences	47,778	-	47,778	194,254
Noncurrent portion of long-term debt	9,252,210	73,045	9,325,255	6,871,861
Other post-employment benefits obligation	40,552	-	40,552	863,551
<b>Total noncurrent liabilities</b>	<b>9,340,540</b>	<b>73,045</b>	<b>9,413,585</b>	<b>8,379,407</b>
<b>TOTAL LIABILITIES</b>	<b>11,360,877</b>	<b>185,301</b>	<b>11,546,178</b>	<b>11,525,743</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	697,352	884,663	1,582,015	37,138,409
Restricted	1,787,808	-	1,787,808	6,809,104
Unrestricted	1,381,342	11,532,448	12,913,790	-
<b>TOTAL NET ASSETS</b>	<b>\$ 3,866,502</b>	<b>\$ 12,417,111</b>	<b>\$ 16,283,613</b>	<b>\$ 43,947,513</b>

See accompanying notes to the financial statements.

Montcalm County, Michigan

STATEMENT OF ACTIVITIES

Year Ended September 30, 2011

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	\$ 8,720,455	\$ 3,126,335	\$ 1,058,610	\$ -	\$ (4,535,510)	\$ -	\$ (4,535,510)	\$ -
Public safety	6,175,183	1,154,767	978,590	-	(4,041,826)	-	(4,041,826)	-
Public works	250,082	167,274	87,538	-	4,730	-	4,730	-
Health and welfare	3,274,942	154,044	814,753	-	(2,306,145)	-	(2,306,145)	-
Community and economic development	186,139	5,141	98,050	-	(82,948)	-	(82,948)	-
Recreation and culture	920,479	21,695	-	-	(898,784)	-	(898,784)	-
Interest on long-term debt	485,754	-	-	-	(485,754)	-	(485,754)	-
Total governmental activities	20,013,034	4,629,256	3,037,541	-0-	(12,346,237)	-0-	(12,346,237)	-0-
Business-type activities								
Delinquent tax	211,456	1,373,174	-	-	-	1,161,718	1,161,718	-
Inmate Commissary	84,142	92,879	-	-	-	8,737	8,737	-
Building Official	252,074	243,225	-	-	-	(8,849)	(8,849)	-
Ambulance	3,361,424	2,445,928	82,509	-	-	(832,987)	(832,987)	-
Total business-type activities	3,909,096	4,155,206	82,509	-0-	-0-	328,619	328,619	-0-
Total primary government	\$ 23,922,130	\$ 8,784,462	\$ 3,120,050	\$ -0-	(12,346,237)	328,619	(12,017,618)	-0-
Component units								
Drainage Districts	\$ 1,125,424	\$ 637,058	\$ -	\$ 2,370,875	-	-	-0-	1,882,509
Central Dispatch Authority	1,322,762	1,362,456	13,500	-	-	-	-0-	53,194
District Health Department	6,265,678	1,111,646	3,504,485	-	-	-	-0-	(1,649,547)
Road Commission	11,708,698	1,439,680	7,027,248	3,818,846	-	-	-0-	577,076
Total component units	\$ 20,422,562	\$ 4,550,840	\$ 10,545,233	\$ 6,189,721	-0-	-0-	-0-	863,232
General revenues								
Taxes					9,688,363	1,113,572	10,801,935	-
Investment earnings					9,193	18,085	27,278	17,603
County appropriations					-	-	-0-	1,351,449
Cigarette tax					-	-	-0-	19,614
Other					257,451	86,033	343,484	140,794
Transfers					1,658,148	(1,658,148)	-0-	-
Total general revenues and transfers					11,613,155	(440,458)	11,172,697	1,529,460
Change in net assets					(733,082)	(111,839)	(844,921)	2,392,692
Restated net assets, beginning of the year					4,599,584	12,528,950	17,128,534	41,554,821
Net assets, end of the year					\$ 3,866,502	\$ 12,417,111	\$ 16,283,613	\$ 43,947,513

See accompanying notes to the financial statements.

Montcalm County, Michigan

Governmental Funds

BALANCE SHEET

September 30, 2011

	General	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ (1,810,280)	\$ 1,379,461	\$ (430,819)
Investments	-	323,174	323,174
Accounts receivable	536,052	125,423	661,475
Taxes receivable	2,814,250	-	2,814,250
Land contract receivable	66,200	66,200	132,400
Due from other funds	159,389	28,226	187,615
Due from other governmental units - Federal/State	294,643	96,171	390,814
Advances to other funds	-	164,318	164,318
Advances to other governmental units	187,016	-	187,016
Prepays	74,931	1,297	76,228
<b>TOTAL ASSETS</b>	<b><u>\$ 2,322,201</u></b>	<b><u>\$ 2,184,270</u></b>	<b><u>\$ 4,506,471</u></b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 406,564	\$ 72,801	\$ 479,365
Accrued wages	128,825	20,846	149,671
Accrued liabilities	-	6,150	6,150
Due to other funds	13,237	17,363	30,600
Due to others	303,538	-	303,538
Deferred revenue	66,200	113,687	179,887
<b>TOTAL LIABILITIES</b>	<b>918,364</b>	<b>230,847</b>	<b>1,149,211</b>
<b>FUND BALANCES</b>			
Nonspendable	261,947	264,819	526,766
Restricted	-	1,688,604	1,688,604
Assigned	196	-	196
Unassigned	1,141,694	-	1,141,694
<b>TOTAL FUND BALANCES</b>	<b><u>1,403,837</u></b>	<b><u>1,953,423</u></b>	<b><u>3,357,260</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 2,322,201</u></b>	<b><u>\$ 2,184,270</u></b>	<b><u>\$ 4,506,471</u></b>

See accompanying notes to the financial statements.

Montcalm County, Michigan

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

September 30, 2011

**Total fund balance - governmental funds** \$ 3,357,260

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

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

The cost of capital assets is	\$ 25,095,749	
Accumulated depreciation is	<u>(14,563,906)</u>	
Capital assets, net		10,531,843

Internal Service Funds are used by management to charge the costs of certain activities, such as the post-employment health 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.

Net assets of governmental activities accounted for in Internal Service Funds	221,518	
Net capital assets of Internal Service Funds included in total capital assets above	<u>(1,880)</u>	
		219,638

Long-term receivables are not available to pay for current period expenditures and therefore are not reported as assets in the funds. Long-term receivables at year-end consist of:

Deferred revenue		132,400
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Governmental funds report the difference between the carrying amount of 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		462,236
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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	(10,296,727)	
Accrued interest payable	(181,075)	
Compensated absences	(318,521)	
Net other post-employment benefits obligation	<u>(40,552)</u>	
		<u>(10,836,875)</u>

**Net assets of governmental activities** \$ 3,866,502

See accompanying notes to the financial statements.

Montcalm County, Michigan

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended September 30, 2011

	General	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
Property taxes	\$ 6,777,920	\$ 1,667,362	\$ 8,445,282
Licenses and permits	119,025	6,615	125,640
Intergovernmental	2,849,437	1,342,556	4,191,993
Charges for services	2,938,196	484,208	3,422,404
Fines and forfeits	70,575	6,500	77,075
Interest and rents	8,794	972,662	981,456
Other	316,226	101,378	417,604
<b>TOTAL REVENUES</b>	<b>13,080,173</b>	<b>4,581,281</b>	<b>17,661,454</b>
<b>EXPENDITURES</b>			
Current			
General government	7,231,547	902,675	8,134,222
Public safety	5,550,584	116,271	5,666,855
Public works	-	246,366	246,366
Community and economic development	16,514	166,859	183,373
Health and welfare	1,910,893	1,255,680	3,166,573
Recreation and culture	49,039	845,087	894,126
Other	275,901	-	275,901
Capital outlay	-	165,113	165,113
Debt service	165,458	999,454	1,164,912
<b>TOTAL EXPENDITURES</b>	<b>15,199,936</b>	<b>4,697,505</b>	<b>19,897,441</b>
<b>EXCESS OF REVENUES (UNDER) EXPENDITURES</b>	<b>(2,119,763)</b>	<b>(116,224)</b>	<b>(2,235,987)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	1,759,652	285,086	2,044,738
Transfers out	(315,059)	(111,531)	(426,590)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>1,444,593</b>	<b>173,555</b>	<b>1,618,148</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(675,170)</b>	<b>57,331</b>	<b>(617,839)</b>
Restated fund balances, beginning of year	2,079,007	1,896,092	3,975,099
Fund balances, end of year	<u>\$ 1,403,837</u>	<u>\$ 1,953,423</u>	<u>\$ 3,357,260</u>

See accompanying notes to the financial statements.

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, 2011

**Net change in fund balances - total governmental funds** \$ (617,839)

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	\$ 100,726	
Depreciation expense	<u>(875,303)</u>	
Excess of depreciation expense over capital outlay		(774,577)

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:

Change in net assets of Internal Service Funds	23,785	
Depreciation expense of Internal Service Funds included in the total above	<u>1,879</u>	
		25,664

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:

Change in deferred revenue		(39,650)
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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:

Amortization of deferred amounts on debt refunding	(34,446)	
Debt principal retirement	<u>700,250</u>	
		665,804

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	13,354	
(Increase) in accrued compensated absences	(715)	
(Increase) in other post-employment benefits obligation	<u>(5,123)</u>	
		<u>7,516</u>

**Change in net assets of governmental activities** \$ (733,082)

See accompanying notes to the financial statements.

Montcalm County, Michigan  
Proprietary Funds  
STATEMENT OF NET ASSETS  
September 30, 2011

	Business-type	
	Delinquent Tax Revolving	Ambulance
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 4,346,759	\$ 1,260,198
Investments	1,881,228	1,973
Delinquent taxes receivable, net	3,674,815	-
Due from other governmental units - local	603,050	-
Prepays	-	812
Total current assets	10,505,852	1,262,983
Noncurrent assets		
Advances to other governmental units	100,350	-
Capital assets, net of accumulated depreciation	-	976,657
Total noncurrent assets	100,350	976,657
TOTAL ASSETS	10,606,202	2,239,640
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	-	45,774
Accrued wages	-	35,751
Due to other funds	157,015	-
Current portion of long-term debt	-	20,870
Total current liabilities	157,015	102,395
Noncurrent liabilities		
Advances from other funds	-	164,318
Noncurrent portion of long-term debt	-	73,045
Total noncurrent liabilities	-0-	237,363
TOTAL LIABILITIES	157,015	339,758
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	-	882,742
Unrestricted	10,449,187	1,017,140
TOTAL NET ASSETS	\$ 10,449,187	\$ 1,899,882

See accompanying notes to the financial statements.

Activities		Governmental
Nonmajor Enterprise Funds	Total	Internal Service Funds
\$ 72,020	\$ 5,678,977	\$ 136,938
3,962	1,887,163	82,727
-	3,674,815	-
-	603,050	-
-	812	-
75,982	11,844,817	219,665
-	100,350	-
1,921	978,578	1,880
1,921	1,078,928	1,880
77,903	12,923,745	221,545
6,021	51,795	27
3,840	39,591	-
-	157,015	-
-	20,870	-
9,861	269,271	27
-	164,318	-
-	73,045	-
-0-	237,363	-0-
9,861	506,634	27
1,921	884,663	1,880
66,121	11,532,448	219,638
\$ 68,042	\$ 12,417,111	\$ 221,518



Montcalm County, Michigan

Proprietary Funds

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

Year Ended September 30, 2011

	Business-type	
	Delinquent Tax Revolving	Ambulance
<b>OPERATING REVENUES</b>		
Charges for services	\$ 776,013	\$ 2,445,928
Sales	-	-
Intergovernmental - Federal/State	-	82,509
Penalties and interest on delinquent taxes	597,161	-
Other	55,198	21,235
<b>TOTAL OPERATING REVENUES</b>	<b>1,428,372</b>	<b>2,549,672</b>
<b>OPERATING EXPENSES</b>		
Personal services	-	1,698,712
Fringe benefits	-	650,908
Operating supplies	30,897	306,451
Contractual services	143,673	72,585
Repairs and maintenance	-	126,099
Insurance	-	14,420
Vehicle expense	-	3,742
Communications	-	8,120
Utilities	-	11,677
Training	-	17,948
Indirect operating	-	125,301
Other	36,886	17,727
Depreciation	-	307,734
<b>TOTAL OPERATING EXPENSES</b>	<b>211,456</b>	<b>3,361,424</b>
<b>OPERATING INCOME (LOSS)</b>	<b>1,216,916</b>	<b>(811,752)</b>
<b>NONOPERATING REVENUES</b>		
Tax revenue	-	1,113,572
Interest revenue	17,945	136
Gain on sale of capital asset	-	9,600
<b>TOTAL NONOPERATING REVENUES</b>	<b>17,945</b>	<b>1,123,308</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>1,234,861</b>	<b>311,556</b>
<b>TRANSFERS</b>		
Transfers in	-	-
Transfers out	(1,666,763)	(229)
<b>TOTAL TRANSFERS</b>	<b>(1,666,763)</b>	<b>(229)</b>
<b>CHANGE IN NET ASSETS</b>	<b>(431,902)</b>	<b>311,327</b>
Restated net assets, beginning of year	10,881,089	1,588,555
Net assets, end of year	<u>\$ 10,449,187</u>	<u>\$ 1,899,882</u>

See accompanying notes to the financial statements.

Activities		Governmental Activities
Nonmajor Enterprise Funds	Total	Internal Service Funds
\$ 243,225	\$ 3,465,166	\$ -
92,879	92,879	-
-	82,509	-
-	597,161	-
-	76,433	27,118
<u>336,104</u>	<u>4,314,148</u>	<u>27,118</u>
149,119	1,847,831	-
51,026	701,934	-
76,913	414,261	3,242
7,356	223,614	13,390
-	126,099	-
4,092	18,512	-
-	3,742	-
523	8,643	-
-	11,677	-
-	17,948	-
-	125,301	-
46,348	100,961	24,900
839	308,573	1,879
<u>336,216</u>	<u>3,909,096</u>	<u>43,411</u>
(112)	405,052	(16,293)
-	1,113,572	-
4	18,085	78
-	9,600	-
<u>4</u>	<u>1,141,257</u>	<u>78</u>
(108)	1,546,309	(16,215)
8,844	8,844	40,000
-	(1,666,992)	-
<u>8,844</u>	<u>(1,658,148)</u>	<u>40,000</u>
8,736	(111,839)	23,785
<u>59,306</u>	<u>12,528,950</u>	<u>197,733</u>
<u>\$ 68,042</u>	<u>\$ 12,417,111</u>	<u>\$ 221,518</u>

Montcalm County, Michigan

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended September 30, 2011

	Business-type	
	Delinquent Tax Revolving	Ambulance
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from customers	\$ 1,301,358	\$ 2,467,163
Cash receipts from federal operating grants	-	82,509
Cash paid to other governmental units	(5,415)	-
Cash paid to suppliers	(214,249)	(817,592)
Cash paid for fringe benefits	-	(650,908)
Cash paid to employees	-	(1,698,712)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>1,081,694</b>	<b>(617,540)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Payment of interfund balances	1,666,379	-
Transfers from other funds	-	-
Transfers to other funds	(1,666,763)	(229)
Tax revenue	-	1,113,572
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>(384)</b>	<b>1,113,343</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Transfers from other funds	-	-
Capital acquisitions	-	(393,756)
Gain on sale of capital assets	-	9,600
Proceeds from issuance of long-term debt	-	104,349
Payments on borrowings	-	(10,434)
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>-0-</b>	<b>(290,241)</b>

Activities		Governmental
Nonmajor Enterprise Funds	Total	Internal Service Funds
\$ 336,104	\$ 4,104,625	\$ 27,118
-	82,509	-
-	(5,415)	-
(142,255)	(1,174,096)	(17,265)
(51,026)	(701,934)	(24,900)
(149,119)	(1,847,831)	-
(6,296)	457,858	(15,047)
-	1,666,379	-
8,844	8,844	20,000
-	(1,666,992)	-
-	1,113,572	-
8,844	1,121,803	20,000
-	-0-	20,000
-	(393,756)	-
-	9,600	-
-	104,349	-
-	(10,434)	-
-0-	(290,241)	20,000

Montcalm County, Michigan

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended September 30, 2011

	Business-type	
	Delinquent Tax Revolving	Ambulance
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	\$ (506,696)	\$ -
Maturity of investments	-	45,170
Interest revenue	17,945	136
	<u>(488,751)</u>	<u>45,306</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES		
	592,559	250,868
NET INCREASE IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents, beginning of year	<u>3,754,200</u>	<u>1,009,330</u>
Cash and cash equivalents, end of year	<u>\$ 4,346,759</u>	<u>\$ 1,260,198</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities		
Operating income (loss)	\$ 1,216,916	\$ (811,752)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Depreciation	-	307,734
(Increase) in:		
Taxes receivable	(127,014)	-
Due from other governmental units	(5,415)	-
(Decrease) in:		
Accounts payable	(2,793)	(54,793)
Accrued liabilities	-	(58,729)
	<u>(195,222)</u>	<u>(136,788)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 1,081,694</u>	<u>\$ (617,540)</u>

See accompanying notes to the financial statements.

Activities		Governmental
Nonmajor Enterprise Funds	Total	Internal Service Funds
\$ (3,962)	\$ (510,658)	\$ (78)
3,959	49,129	-
4	18,085	78
<u>1</u>	<u>(443,444)</u>	<u>-0-</u>
2,549	845,976	24,953
69,471	4,833,001	111,985
<u>\$ 72,020</u>	<u>\$ 5,678,977</u>	<u>\$ 136,938</u>
\$ (112)	\$ 405,052	\$ (16,293)
839	308,573	1,879
-	(127,014)	-
-	(5,415)	-
(538)	(58,124)	(633)
<u>(6,485)</u>	<u>(65,214)</u>	<u>-</u>
<u>\$ (6,296)</u>	<u>\$ 457,858</u>	<u>\$ (15,047)</u>

Montcalm County, Michigan

Fiduciary Funds

STATEMENT OF NET ASSETS

September 30, 2011

	<u>Agency Funds</u>	<u>Pension Fund</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 394,583	\$ 8,039
Investments	2,192,008	16,422,177
Due from other governmental units	402,362	-
Due from others	-	<u>303,538</u>
 TOTAL ASSETS	 <u><u>\$ 2,988,953</u></u>	 16,733,754
<b>LIABILITIES</b>		
Accounts payable	\$ -	1,537
Due to other governmental units		
Federal/State	2,727,533	-
Local	91,720	-
Due to individuals and agencies	<u>169,700</u>	<u>-</u>
 TOTAL LIABILITIES	 <u><u>\$ 2,988,953</u></u>	 <u>1,537</u>
<b>NET ASSETS</b>		
Held in trust for benefits and other purposes		<u><u>\$ 16,732,217</u></u>

See accompanying notes to the financial statements.

Montcalm County, Michigan

Fiduciary Funds

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

Year Ended September 30, 2011

	<u>Pension Fund</u>
ADDITIONS	
Investment income	
Net (decrease) in fair value of investments	\$ (785,820)
Interest and dividends	387,576
Less: investment expense	<u>(72,767)</u>
Net investment income	(471,011)
Contributions	
Employer	386,264
Plan Members	<u>391,434</u>
Total contributions	<u>777,698</u>
TOTAL ADDITIONS	306,687
DEDUCTIONS	
Benefits	996,851
Administrative	<u>17,326</u>
TOTAL DEDUCTIONS	<u>1,014,177</u>
CHANGE IN NET ASSETS	(707,490)
Net assets, beginning of year	<u>17,439,707</u>
Net assets, end of year	<u><u>\$ 16,732,217</u></u>

See accompanying notes to the financial statements.



Montcalm County, Michigan

Component Units

COMBINING STATEMENT OF NET ASSETS

September 30, 2011

	Drainage Districts	Central Dispatch Authority
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 2,039,697	\$ 80,197
Investments	565,401	120,008
Receivables	1,570,360	290,906
Due from other governmental units	469,281	-
Inventories	-	-
Prepays	-	-
Total current assets	4,644,739	491,111
Noncurrent assets		
Investments - restricted	-	-
Receivables	-	-
Capital assets not being depreciated	5,495,636	-
Capital assets, net of accumulated depreciation	5,963,238	31,384
Total noncurrent assets	11,458,874	31,384
<b>TOTAL ASSETS</b>	<b>16,103,613</b>	<b>522,495</b>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	521,962	3,114
Accrued liabilities	828	15,562
Due to other governments	-	-
Accrued interest payable	44,619	-
Unearned revenue	-	-
Current portion of compensated absences	-	-
Current portion of long-term debt	374,713	-
Total current liabilities	942,122	18,676
Noncurrent liabilities		
Advances from other governmental units	287,366	-
Advance from State	-	-
Noncurrent portion of compensated absences	-	-
Noncurrent portion of long-term debt	6,671,861	-
Other post-employment benefits obligation	-	-
Total noncurrent liabilities	6,959,227	-0-
<b>TOTAL LIABILITIES</b>	<b>7,901,349</b>	<b>18,676</b>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	4,412,300	31,384
Restricted	3,789,964	472,435
<b>TOTAL NET ASSETS</b>	<b>\$ 8,202,264</b>	<b>\$ 503,819</b>

See accompanying notes to the financial statements.

District Health Department	Road Commission	Total
\$ 1,449,549	\$ 135,899	\$ 3,705,342
-	113,032	798,441
144,540	15,687	2,021,493
235,340	1,968,369	2,672,990
113,519	810,516	924,035
86,027	-	86,027
<u>2,028,975</u>	<u>3,043,503</u>	<u>10,208,328</u>
-	505,945	505,945
174,000	-	174,000
-	4,719,063	10,214,699
<u>462,772</u>	<u>27,912,890</u>	<u>34,370,284</u>
<u>636,772</u>	<u>33,137,898</u>	<u>45,264,928</u>
2,665,747	36,181,401	55,473,256
81,159	340,293	946,528
315,635	74,387	406,412
-	147,626	147,626
-	-	44,619
230,006	505,945	735,951
288,332	2,155	290,487
-	200,000	574,713
<u>915,132</u>	<u>1,270,406</u>	<u>3,146,336</u>
-	-	287,366
-	162,375	162,375
127,371	66,883	194,254
-	200,000	6,871,861
<u>542,895</u>	<u>320,656</u>	<u>863,551</u>
<u>670,266</u>	<u>749,914</u>	<u>8,379,407</u>
<u>1,585,398</u>	<u>2,020,320</u>	<u>11,525,743</u>
462,772	32,231,953	37,138,409
<u>617,577</u>	<u>1,929,128</u>	<u>6,809,104</u>
<u>\$ 1,080,349</u>	<u>\$ 34,161,081</u>	<u>\$ 43,947,513</u>

Montcalm County, Michigan

Component Units

COMBINING STATEMENT OF ACTIVITIES

Year Ended September 30, 2011

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
Governmental activities							
Drainage Districts	\$ 834,528	\$ 10,856	\$ -	\$ 754,252	\$ (69,420)	\$ -	\$ (69,420)
Central Dispatch Authority	1,322,762	1,362,456	13,500	-	53,194	-	53,194
District Health Department	6,265,678	1,111,646	3,504,485	-	(1,649,547)	-	(1,649,547)
Road Commission	11,708,698	1,439,680	7,027,248	3,818,846	577,076	-	577,076
Total governmental activities	20,131,666	3,924,638	10,545,233	4,573,098	(1,088,697)	-0-	(1,088,697)
Business-type activities							
Drainage Districts	290,896	626,202	-	1,616,623	-	1,951,929	1,951,929
Total component units	<u>\$ 20,422,562</u>	<u>\$ 4,550,840</u>	<u>\$ 10,545,233</u>	<u>\$ 6,189,721</u>	(1,088,697)	1,951,929	863,232
General revenues							
Investment earnings					8,457	9,146	17,603
County appropriations					1,351,449	-	1,351,449
Cigarette tax					19,614	-	19,614
Other					39,537	101,257	140,794
Total general revenues					1,419,057	110,403	1,529,460
Change in net assets					330,360	2,062,332	2,392,692
Restated net assets, beginning of the year					39,547,802	2,007,019	41,554,821
Net assets, end of the year					<u>\$ 39,878,162</u>	<u>\$ 4,069,351</u>	<u>\$ 43,947,513</u>

See accompanying notes to the financial statements.

Montcalm County

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

**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. 4*, 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 \$5,000 per mile on drain maintenance and may borrow up to \$600,000 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, 2011

**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 40% of the required local contribution to cover operational costs. For the year ended September 30, 2011, the County contributed \$489,996 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, 2011, are available at the Department's administrative offices. As of September 30, 2011, the Department had net assets of \$1,080,349.

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

**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. 4* 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, 2011. A copy of the financial statements is available at the Board's administrative offices. As of September 30, 2011, the Board had total assets of \$2,898,701; total liabilities of \$1,336,630; and total net assets of \$1,562,071. For year ended September 30, 2011, the Board had total revenues of \$7,974,729; total expenses of \$7,987,142; and a net decrease in net assets of \$12,413.

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. 4* 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, 2010. A copy of the financial statements is available at the Commission's administrative offices. As of December 31, 2010, the Commission had total assets of \$1,200,766; total liabilities of \$53,222, and total net assets of \$1,147,544. For the year ended December 31, 2010, the Commission had total revenues of \$1,411,882; total expenses of \$1,276,597; and a net increase in net assets of \$135,285.

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, 2011, the County's contribution to the Commission was \$3,318.

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, 2011

**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 governmental fund of the County is:

- 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.

The major enterprise funds of the County are:

- a. 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.
- b. 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.

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.

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.

Montcalm County

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

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

8. Measurement Focus - continued

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

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

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.

11. Restricted Investments

A portion of the investments of the Road Commission (Component Unit) is classified as restricted investments because their use is limited. The Road Commission's investments restriction consists of \$505,945 for road improvements.



Montcalm County

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

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

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 Statement No. 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. Prepays

Prepays consist of certain insurance premiums and other expenditures representing costs applicable to future periods. Reported prepaid expenditures are equally offset by nonspendable fund balance, which indicates they do not constitute "available spendable resources" even though they are a component of net current assets.

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 are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities, business-type 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

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

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

16. Capital Assets - continued

COMPONENT UNIT - DISTRICT HEALTH DEPARTMENT

Capital assets are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements. Capital assets are those with an initial individual cost of \$5,000 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:

Leasehold improvements	10 years
Equipment	5 - 20 years

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	5 - 30 years
Infrastructure - Bridges	12 - 50 years

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.

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

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

18. Long-Term Obligations - continued

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 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. Advances are equally offset by nonspendable fund balance 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, 2011, including related payroll taxes, is recorded in the government-wide financial statements.

Vested vacation and sick leave earned as of September 30, 2011, for the District Health Department and Road Commission (component units) is recorded in the respective component unit's government-wide financial statements.

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.

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

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

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.

**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.

Montcalm County

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

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

Cash disbursed in excess of amounts recorded as assets as of September 30, 2011, 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			
General Fund	\$ (3,146,229)	\$ 1,335,949	\$ (1,810,280)
Special Revenue Funds			
Friend of the Court	(99,116)	100	(99,016)
CDBG - Housing	(3,480)	24,362	20,882
Commission on Aging	(3,048)	487	(2,561)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
TOTAL REPORTING ENTITY	<u>\$ (3,251,873)</u>	<u>\$ 1,360,898</u>	<u>\$ (1,890,975)</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.
- 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.

Montcalm County

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

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

- 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.

Deposits

As of September 30, 2011, 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	\$ 5,383,061	\$ 6,334,384
FIDUCIARY FUNDS		
Checking	402,622	497,573
COMPONENT UNITS		
Checking	<u>3,699,377</u>	<u>3,771,844</u>
TOTAL REPORTING ENTITY	<u>\$ 9,485,060</u>	<u>\$ 10,603,801</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, 2011, the primary government and component unit accounts were insured by the FDIC for \$919,581 and the amount of \$9,684,220 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, 2011.

As of September 30, 2011, 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>S&amp;P or Moody's Rating</u>	<u>Weighted Average Maturity</u>
PRIMARY GOVERNMENT				
Uncategorized pooled investment funds	\$ 127,705	\$ 127,705	AAAM	23 days
Uncategorized pooled investment funds	<u>2,165,359</u>	<u>2,165,359</u>	N/A	N/A
Total primary government	2,293,064	2,293,064		

Montcalm County

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

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

Investments - continued

<u>INVESTMENT TYPE</u>	<u>Carrying Amount</u>	<u>Market Value</u>	<u>S&amp;P or Moody's Rating</u>	<u>Weighted Average Maturity</u>
<b>FIDUCIARY FUNDS</b>				
U.S. Government Securities	\$ 1,410,410	\$ 1,410,410	AAA	4.0 years
Corporate Bonds and Notes	4,216,088	4,216,088	A3	4.0 years
Common Stock	4,563,055	4,563,055	N/A	N/A
Foreign Stock	304,270	304,270	N/A	N/A
Uncategorized pooled investment funds	2,192,008	2,192,008	AAAM	23 days
Uncategorized pooled investment funds	1,673,493	1,673,493	N/A	N/A
Uncategorized pooled investment funds	4,254,861	4,254,861	N/A	N/A
<b>Total Fiduciary Funds</b>	<b>18,614,185</b>	<b>18,614,185</b>		
<b>COMPONENT UNITS</b>				
Uncategorized pooled investment funds	798,441	798,441	AAAM	23 days
Uncategorized pooled investment funds	505,945	505,945	N/A	N/A
<b>Total component units</b>	<b>1,304,386</b>	<b>1,304,386</b>		
<b>Total reporting entity</b>	<b>\$ 22,211,635</b>	<b>\$ 22,211,635</b>		

The pension investments in U.S. Treasury Notes and other Governmental Securities, corporate bonds and notes, common stock, foreign 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, 2011, the market value, which is the carrying amount of the pension trust plan assets were \$16,422,177.

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, 2011, 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

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

**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, 2011:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Funds</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 5,385,096	\$ 3,705,342	\$ 402,622	\$ 9,493,060
Investments	2,293,064	798,441	18,614,185	21,705,690
Investments - restricted	-	505,945	-	505,945
	<u>\$ 7,678,160</u>	<u>\$ 5,009,728</u>	<u>\$ 19,016,807</u>	<u>\$ 31,704,695</u>

The primary government cash and cash equivalents captions on the financial statements include \$2,035 in imprest cash. The component unit cash and cash equivalents captions on the financial statements includes \$5,815 in imprest cash.

**NOTE D: INTERFUND RECEIVABLES AND PAYABLES**

The following schedule details interfund receivables and payables related to the primary government at September 30, 2011:

Due to General Fund from:	
Delinquent Tax Revolving Fund	\$ 157,015
Nonmajor governmental funds	<u>2,374</u>
	<u>\$ 159,389</u>
Due to nonmajor governmental funds from:	
General Fund	\$ 13,237
Nonmajor governmental funds	<u>14,989</u>
	<u>\$ 28,226</u>



Montcalm County

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

**NOTE D: INTERFUND RECEIVABLES AND PAYABLES - CONTINUED**

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

**NOTE E: ADVANCES RECEIVABLE AND PAYABLE**

The following schedule details advances receivable and payable between funds of the primary government at September 30, 2011:

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

The advances were made to finance capital acquisitions.

**NOTE F: 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 and business type funds have been eliminated.

Transfer to General Fund from:	
Delinquent Tax Revolving Fund	\$ 1,666,763
Nonmajor governmental funds	<u>92,889</u>
	<u>\$ 1,759,652</u>
Transfer to nonmajor governmental funds from:	
General Fund	\$ 266,215
Ambulance Fund	229
Nonmajor governmental funds	<u>18,642</u>
	<u>\$ 285,086</u>
Transfer to nonmajor enterprise funds from:	
General Fund	<u>\$ 8,844</u>
Transfer to internal service funds from:	
General Fund	<u>\$ 40,000</u>

The transfers made to the General Fund from nonmajor governmental funds were to offset a portion of indirect costs. The transfers made to nonmajor governmental funds from the General Fund, Ambulance Fund, and other nonmajor governmental funds were to fund current year operations. The transfers made to nonmajor enterprise funds from the General Fund were to fund current year operations. The transfers made from the General Fund to the Internal Service Funds were to cover the cost of post-employment health care.

Montcalm County

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

**NOTE G: LONG-TERM CONTRACTS RECEIVABLE**

The Health Department entered into an agreement on June 1, 2009, with Michigan Community Dental Clinics, Inc. (MCDC) to lease office space and equipment and turnover of a portion of the Department's dental services to MCDC. In return, MCDC will pay the Department a sum of money (\$270,000) over the next ten (10) years. The amounts attributable to this long-term contract receivable have been recorded at the fund level as contracts receivable and deferred revenue. The following is a summary of future annual revenue from MCDC for the agreement signed with the Department on June 1, 2009, effective for ten (10) years:

<u>Year Ended</u> <u>September 30,</u>	
2012	\$ 24,000
2013	24,000
2014	24,000
2015	24,000
2016	24,000
2017-2020	<u>78,000</u>
	<u>\$ 198,000</u>

**NOTE H: CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2011, was as follows:

PRIMARY GOVERNMENT

	<u>Balance</u> <u>Oct. 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>Sept. 30, 2011</u>
Governmental Activities				
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	1,634,711	31,212	-	1,665,923
Vehicles	817,251	69,514	(186,183)	700,582
Subtotal	25,100,049	100,726	(186,183)	25,014,592
Less accumulated depreciation for:				
Land improvements	(3,399)	(567)	-	(3,966)
Buildings and additions	(11,965,063)	(663,949)	-	(12,629,012)
Equipment and furniture	(1,320,162)	(109,947)	-	(1,430,109)
Vehicles	(586,162)	(95,666)	181,009	(500,819)
Subtotal	(13,874,786)	(870,129)	181,009	(14,563,906)
Net capital assets being depreciated	11,225,263	(769,403)	(5,174)	10,450,686
Total Net Capital Assets	<u>\$ 11,306,420</u>	<u>\$ (769,403)</u>	<u>\$ (5,174)</u>	<u>\$ 10,531,843</u>

Montcalm County

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

**NOTE H: CAPITAL ASSETS - CONTINUED**

PRIMARY GOVERNMENT - CONTINUED

The current year depreciation expense of \$870,129 has been adjusted by \$5,174 for the loss on disposal of capital assets during the year, in accordance with GASB Statement No. 34 implementation guide which states that immaterial losses may be handled as an adjustment to the current period's depreciation expense.

Depreciation expense was charged to the following governmental activities:

Governmental activities:	
General government	\$ 378,979
Public safety	422,852
Health and welfare	60,606
Recreation and culture	<u>12,866</u>
	<u>\$ 875,303</u>

	Balance Oct. 1, 2010	Additions	Deletions	Balance Sept. 30, 2011
Business-type Activities				
Capital assets being depreciated				
Buildings and improvements	\$ 433,270	\$ -	\$ -	\$ 433,270
Equipment and furniture	686,249	140,723	-	826,972
Vehicles	1,413,304	253,033	-	1,666,337
Subtotal	<u>2,532,823</u>	<u>393,756</u>	<u>-0-</u>	<u>2,926,579</u>
Less accumulated depreciation for:				
Buildings and improvements	(119,384)	(21,729)	-	(141,113)
Equipment and furniture	(559,722)	(70,464)	-	(630,186)
Vehicles	(960,322)	(216,380)	-	(1,176,702)
Subtotal	<u>(1,639,428)</u>	<u>(308,573)</u>	<u>-0-</u>	<u>(1,948,001)</u>
Total capital assets being depreciated, net	<u>893,395</u>	<u>85,183</u>	<u>-0-</u>	<u>978,578</u>
Total Net Capital Assets	<u>\$ 893,395</u>	<u>\$ 85,183</u>	<u>\$ -0-</u>	<u>\$ 978,578</u>

Montcalm County

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

**NOTE H: CAPITAL ASSETS - CONTINUED**

COMPONENT UNITS

	Balance Oct. 1, 2010	Additions	Deletions	Balance Sept. 30, 2011
<b>Drainage Districts</b>				
Capital assets not being depreciated				
Land	\$ 75,650	\$ -	\$ -	\$ 75,650
Construction in progress	400,000	5,019,986	-	5,419,986
Subtotal	475,650	5,019,986	-0-	5,495,636
Capital assets being depreciated				
Drains	7,149,737	269,042	-	7,418,779
Less accumulated depreciation for:				
Drains	(1,312,118)	(143,423)	-	(1,455,541)
Net capital assets being depreciated	5,837,619	125,619	-0-	5,963,238
Total Net Capital Assets	<u>\$ 6,313,269</u>	<u>\$ 5,145,605</u>	<u>\$ -0-</u>	<u>\$ 11,458,874</u>
<b>Central Dispatch Authority</b>				
Capital assets being depreciated				
Equipment and furniture	\$ 691,050	\$ -	\$ -	\$ 691,050
Vehicles	16,490	-	-	16,490
Subtotal	707,540	-0-	-0-	707,540
Less accumulated depreciation for:				
Equipment and furniture	(630,686)	(32,278)	-	(662,964)
Vehicles	(9,894)	(3,298)	-	(13,192)
Subtotal	(640,580)	(35,576)	-0-	(676,156)
Total Net Capital Assets	<u>\$ 66,960</u>	<u>\$ (35,576)</u>	<u>\$ -0-</u>	<u>\$ 31,384</u>
<b>District Health Department</b>				
Capital assets being depreciated				
Equipment	\$ 786,281	\$ 96,366	\$ (26,280)	\$ 856,367
Leasehold improvements	188,765	-	-	188,765
Subtotal	975,046	96,366	(26,280)	1,045,132
Less accumulated depreciation for:				
Equipment	(484,990)	(75,875)	25,697	(535,168)
Leasehold improvements	(28,315)	(18,877)	-	(47,192)
Subtotal	(513,305)	(94,752)	25,697	(582,360)
Total Net Capital Assets	<u>\$ 461,741</u>	<u>\$ 1,614</u>	<u>\$ (583)</u>	<u>\$ 462,772</u>

Montcalm County

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

**NOTE H: CAPITAL ASSETS - CONTINUED**

COMPONENT UNITS - CONTINUED

	Balance Oct. 1, 2010	Additions	Deletions	Balance Sept. 30, 2011
Road Commission				
Capital assets not being depreciated				
Land	\$ 28,708	\$ -	\$ -	\$ 28,708
Infrastructure - land improvements	4,690,355	-	-	4,690,355
Subtotal	4,719,063	-0-	-0-	4,719,063
Capital assets being depreciated				
Buildings	2,576,816	-	-	2,576,816
Road equipment	7,293,965	89,673	(163,583)	7,220,055
Shop equipment	122,926	-	-	122,926
Office equipment	161,763	-	-	161,763
Engineer's equipment	46,892	-	-	46,892
Yard and storage	359,683	-	-	359,683
Infrastructure - bridges	10,761,125	177,723	-	10,938,848
Infrastructure - roads	59,373,829	2,464,421	-	61,838,250
Depletable assets	6,750	-	-	6,750
Subtotal	80,703,749	2,731,817	(163,583)	83,271,983
Less accumulated depreciation for:				
Buildings	(754,446)	(48,857)	-	(803,303)
Road equipment	(6,767,578)	(163,556)	163,583	(6,767,551)
Shop equipment	(84,810)	(2,258)	-	(87,068)
Office equipment	(146,221)	(4,643)	-	(150,864)
Engineer's equipment	(46,891)	-	-	(46,891)
Yard and storage	(359,683)	-	-	(359,683)
Infrastructure - bridges	(3,957,659)	(209,802)	-	(4,167,461)
Infrastructure - roads	(40,984,171)	(1,985,351)	-	(42,969,522)
Depletable assets	(6,750)	-	-	(6,750)
Subtotal	(53,108,209)	(2,414,467)	163,583	(55,359,093)
Net capital assets being depreciated	27,595,540	317,350	-0-	27,912,890
Total Net Capital Assets	<u>\$ 32,314,603</u>	<u>\$ 317,350</u>	<u>\$ -0-</u>	<u>\$ 32,631,953</u>

Montcalm County

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

**NOTE H: CAPITAL ASSETS - CONTINUED**

COMPONENT UNITS - CONTINUED

Depreciation expense was charged to the following activities:

Net Equipment Expense		
Direct equipment	\$	163,556
Indirect equipment		
Buildings		39,595
Shop equipment		2,258
Net Administrative Expense		
Buildings		9,262
Office equipment and furniture		4,643
Infrastructure		2,195,153
		<u>2,414,467</u>
	\$	<u>2,414,467</u>

**NOTE I: 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, 2011:

	Balance Oct. 1, 2010	Additions	Deletions	Balance Sept. 30, 2011	Amounts Due Within One Year
<b>PRIMARY GOVERNMENT</b>					
Governmental Activities					
Direct County obligations	\$ 10,996,977	\$ -	\$ (700,250)	\$ 10,296,727	\$ 616,727
Compensated absences	317,806	220,421	(219,706)	318,521	270,743
	11,314,783	220,421	(919,956)	10,615,248	887,470
Less: deferred amounts on refunding	(496,682)	-	34,446	(462,236)	(34,446)
Total governmental activities	10,818,101	220,421	(885,510)	10,153,012	853,024
Business-type Activities					
Installment purchase agreement	-	104,349	(10,434)	93,915	20,870
<b>TOTAL PRIMARY GOVERNMENT</b>	10,818,101	324,770	(895,944)	10,246,927	873,894
<b>COMPONENT UNITS</b>					
Drainage Districts					
Governmental Activities					
Drain bonds and notes	2,086,788	385,000	(227,214)	2,244,574	264,213
Business-type Activities					
Little Whitefish Lake Drain bonds	1,192,500	-	(22,500)	1,170,000	23,500
Sidney Township Sewer Note	400,000	3,632,000	(400,000)	3,632,000	87,000
District Health Department					
Compensated absences	414,300	288,762	(287,359)	415,703	288,332
Road Commission					
Michigan transportation revenue note	600,000	-	(200,000)	400,000	200,000
Compensated absences	68,363	1,216	(541)	69,038	2,155
<b>TOTAL COMPONENT UNITS</b>	4,761,951	4,306,978	(1,137,614)	7,931,315	865,200
<b>TOTAL REPORTING ENTITY</b>	<u>\$ 15,580,052</u>	<u>\$ 4,631,748</u>	<u>\$ (2,033,558)</u>	<u>\$ 18,178,242</u>	<u>\$ 1,739,094</u>

Montcalm County

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

**NOTE I: 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 four (4) 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, 2011, 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 \$515,000 through May 1, 2014, with interest ranging from 5.000 to 5.125 percent, payable semi-annually.	\$ 1,275,000
\$227,000 Montcalm County installment loan payable, dated June 9, 2004, due in an annual installment of \$31,727 on June 1, 2012, with interest of 3.04 percent.	31,727
\$9,320,000 Building Authority Refunding Bonds dated October 4, 2005, due in annual installments ranging from \$40,000 to \$945,000 through May 1, 2025, with interest ranging from 3.50 percent to 5.00 percent, payable semi-annually.	8,935,000
\$275,000 Capital Improvement Bonds, dated July 28, 2006, due in an annual installment of \$55,000 on November 1, 2011, with interest of 4.15 percent, payable semi-annually.	<u>55,000</u>
	<u>\$ 10,296,727</u>

Installment Purchase Agreement

\$104,349 Installment Purchase Agreement, dated March 31, 2011, due in monthly installments of \$1,739 through May 2, 2016.	<u>\$ 93,915</u>
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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 \$235,694 and \$82,827 for vacation and sick, respectively, at September 30, 2011. Of the total liability of \$318,521, \$270,743 has been reported as a current liability and \$47,778 has been reported as a noncurrent liability.

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.

Montcalm County

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

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

COMPONENT UNIT - DRAINAGE DISTRICTS - CONTINUED

Drain Bonds and Notes

Bonds and notes payable at September 30, 2011, per respective Drain projects serviced from the Component Unit Debt Service Funds are as follows:

\$1,151,000 Duck Lake Drain District Bonds, Series A and B, dated March 17, 2004, due in annual installments ranging from \$5,000 to \$57,000 through March 1, 2034, with interest of 4.50 percent, payable semi-annually.	\$ 844,280
\$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.	609,417
\$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.	164,947
\$385,000 Perry Drain Bonds, Series 2010, dated October 1, 2010, due in annual installments of \$55,000 through June 1, 2018, with interest of 6.00 percent, payable annually	385,000
Various drain notes due in various annual installments and interest rates through 2015.	<u>240,930</u>
	<u>\$ 2,244,574</u>

Bonds and notes payable at September 30, 2011, 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 \$22,000 to \$55,000 through November 1, 2036, with interest of 5.0 percent, payable semi-annually.	\$ 1,060,000
\$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.	110,000
\$3,632,000 Sidney Township Sewage Disposal Bond dated December 20, 2010, due in annual installments ranging from \$87,000 to \$97,000 through June 1, 2050, with interest of 3.00 percent, payable annually.	<u>3,632,000</u>
	<u>\$ 4,802,000</u>

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 other leave amounts 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, 2011, amounts to \$415,703. Of the total liability, \$288,332 has been reported as a current liability.



Montcalm County

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

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

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.

\$ 400,000

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.

The dollar amount of these vested rights, including related payroll taxes, amounts to \$69,038 at September 30, 2011.

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		Installment Purchase Agreement	
	Principal	Interest	Principal	Interest
2012	\$ 616,727	\$ 433,634	\$ 20,870	\$ -
2013	560,000	405,570	20,870	-
2014	590,000	378,133	20,870	-
2015	615,000	348,295	20,870	-
2016	655,000	317,545	10,435	-
2017-2021	3,690,000	1,174,125	-	-
2022-2025	3,570,000	367,780	-	-
	<u>\$ 10,296,727</u>	<u>\$ 3,425,082</u>	<u>\$ 93,915</u>	<u>\$ -0-</u>

Montcalm County

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

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

Year Ending September 30,	Component Units			
	Drain		Road Commission	
	Bonds and Notes		Note Payable	
	Principal	Interest	Principal	Interest
2012	\$ 374,713	\$ 266,367	\$ 200,000	\$ 13,300
2013	376,712	250,907	200,000	6,800
2014	346,571	235,307	-	-
2015	313,442	220,964	-	-
2016	252,785	208,818	-	-
2017-2021	1,141,924	889,938	-	-
2022-2026	977,570	680,531	-	-
2027-2031	1,001,775	490,675	-	-
2032-2036	829,500	308,242	-	-
2037-2041	568,000	181,826	-	-
2042-2046	493,000	102,220	-	-
2047-2050	370,582	29,100	-	-
	<u>\$ 7,046,574</u>	<u>\$ 3,864,895</u>	<u>\$ 400,000</u>	<u>\$ 20,100</u>

**NOTE J: NONCANCELABLE OPERATING LEASE OBLIGATIONS**

The Mid-Michigan District Health Department has entered into a twenty-year, noncancelable long-term lease with NHF Sub Montcalm, a nonprofit organization, for the Montcalm branch office space. Rent expense for the year ended September 30, 2011, amounted to \$80,703.

Future minimum payments are as follows:

2012	\$ 80,073
2013	80,073
2014	80,073
2015	80,073
2016	80,073
2017-2019	<u>173,490</u>
	<u>\$ 573,855</u>

Montcalm County

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

**NOTE K: EMPLOYEE RETIREMENT SYSTEMS**

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, 2011, and 2010, were based on the payroll for employees covered by the plan for the year ending December 31, 2010 and 2009. The covered payroll for 2011 and 2010 was \$5,775,306 and \$5,766,232, respectively. The total payroll for the year ended September 30, 2011, and 2010, for the County General employees was \$10,342,696 and \$9,743,865, 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, 2010, membership consisted of 92 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them and 128 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	6.95 %
Employees not covered by any collective bargaining agreement and County General employees in Unit 1 - AFSCME prior to July 6, 1997	5.0
<u>Period</u>	
On or after July 6, 1997 and before January 3, 1998	4.5
On or after January 4, 1998 and before January 2, 1999	4.0
On or after January 3, 1999	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 after July 6, 1997 and before January 3, 1998	4.5
On or after January 4, 1998 and before January 2, 1999	4.0
On or after January 3, 1999	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, 2010, were \$998,292 and actual contributions for the fiscal year ended September 30, 2011, were \$906,273. The actual employer contribution for the year ended September 30, 2011, was \$528,315. Employee contributions for the year ended September 30, 2011, were \$390,153.

Montcalm County

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

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

COUNTY GENERAL - CONTINUED

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll
1/1/2011	\$ 17,584,920	\$ 26,888,623	\$ (9,303,703)	65.40%	\$ 5,775,306	161.09%
1/1/2010	16,648,942	25,591,776	(8,942,834)	65.06%	5,766,232	155.09%
1/1/2009	14,784,334	24,617,318	(9,832,984)	60.06%	5,611,817	175.22%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Plan Year Ended December 31,	Annual Required Contribution	Actual Contributions	Percentage Contributed
2010	\$ 687,610	\$ 528,315	76.83%
2009	791,642	288,059	36.39%
2008	380,836	312,056	81.94%

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2010, 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, 2011, the contributions to the plan by employer and employee were \$193,203 and \$135,221, respectively.

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

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

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, 2011, the Department's annual pension cost of \$218,839 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, 2009, using the entry actual age cost method. Actual required contributions are based on actual reported monthly payroll. Significant actuarial assumptions used include (a) an 8.00 percent investment rate of return (b) projected salary increases of 4.5 percent per year compounded annually, attributable to inflation (c) additional salary increases ranging from 0% to 8.4% per year depending on age, seniority and merit, and (d) assumption benefits will 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>2008</u>	<u>2009</u>	<u>2010</u>
Actuarial value of assets	\$ 6,289,028	\$ 6,601,609	\$ 6,936,701
Actuarial value of liability (AAL) (entry age)	6,988,626	7,142,541	7,581,520
Unfunded AAL	699,598	540,932	644,819
Funded ratio	90%	92%	91%
Covered payroll	\$ 2,948,806	\$ 2,886,726	\$ 2,957,858
UAAL as a percentage of covered payroll	24%	19%	22%

	Year Ended September 30,		
	<u>2009</u>	<u>2010</u>	<u>2011</u>
Annual pension cost	\$ 223,699	\$ 198,910	\$ 218,839
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -

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

Montcalm County

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

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

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-termination 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, 2010.

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 \$38,233 during the calendar year ended December 31, 2010. The Road Commission is required to contribute at an actuarially determined rate; the rate was 14.66% for general employees and 32.71% for the manager for the calendar year ending December 31, 2010.

Annual Pension Cost

For the year ended December 31, 2010, the Road Commission's annual pension cost was \$402,163. The annual required contribution was determined as part of an actuarial valuation at December 31, 2008. 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 28 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>2008</u>	<u>2009</u>	<u>2010</u>
Annual pension cost	\$ 454,962	\$ 441,792	\$ 402,163
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -

Montcalm County

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

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

COMPONENT UNIT - ROAD COMMISSION - CONTINUED

Required Supplementary Information for GASB Statement No. 27

	Year Ended December 31,		
	<u>2008</u>	<u>2009</u>	<u>2010</u>
Actuarial value of assets	\$ 9,403,721	\$ 9,584,706	\$ 9,654,400
Actuarial value of liability (AAL) (entry age)	13,512,490	13,385,323	14,236,094
Unfunded AAL (UAAL)	4,108,769	3,800,617	4,581,694
Funded ratio	70%	72%	68%
Covered payroll	\$ 2,055,176	\$ 1,937,992	\$ 1,882,239
Percent of covered payroll	200%	196%	243%

**NOTE L: OTHER POST-EMPLOYMENT BENEFITS**

COUNTY GENERAL

Plan Description

Montcalm County provides certain retiree health care benefits as other post-employment benefits (OPEB) to all applicable employees, in accordance with union agreements and/or personnel policies. The following are the Governmental Accounting Standards Board Statement No. 45 (GASB Statement 45) required disclosures and these disclosures have been implemented prospectively by the Commission. In accordance with the union agreement and personnel policy, the County provides a monthly credit of \$8 multiplied by the number of years of service for the employee (capped at 25 years) toward the premium cost of the County's health insurance plan with the retiree paying any difference. The credit is not available for a retiree's spouse, but may be purchased by the retiree at cost. OPEB is available to County employees retiring with 25 years of service or age 60 and 10 years of plan participation. OPEB expires for all retirees who become eligible for Medicare or who have comparable coverage through another employer or spouse's employer. For the year ended September 30, 2011, County expended \$24,900 for 73 participants currently eligible to receive benefits. The County's policy is to finance these benefits on a pay-as-you-go basis.

The plan does not issue a separate stand-alone financial statement.

Funding Policy

The County's annual OPEB cost is calculated based on the *annual required contribution of the employer* (ARC). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The County has no obligation to make contributions in advance of when the premiums are due for payment (i.e., may be financed on a "pay-as-you-go" basis). The current contributions being made are based on an actuarial calculated valuation. The amount of the annual required contribution is reflected in the schedule that follows. Administrative costs of the plan are paid for by the County.

Funding Progress

For the year ended September 30, 2011, the County has determined an estimated cost of providing post-employment benefits through the alternative measurement method of calculation as of September 30, 2008. The calculation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to cover the amortization of any unfunded actuarial liabilities from the past, over a period not to exceed 30 years.

Montcalm County

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

**NOTE L: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED**

COUNTY GENERAL - CONTINUED

The County's computed contribution and actual funding is summarized as follows:

Annual required contribution/Annual OPEB cost (ARC)	\$ 29,162
Interest on net OPEB obligation	2,126
Adjustment to ARC	<u>(1,265)</u>
Annual OPEB cost	30,023
Amounts contributed:	
Payments of current premiums (gross of employee reimbursement)	<u>24,900</u>
Increase in net OPEB obligation	5,123
OPEB obligation - Beginning of year	<u>35,429</u>
OPEB obligation - End of year	<u><u>\$ 40,552</u></u>

The annual OPEB costs, the percentage contributed to the plan, and the net OPEB obligation for the year ended September 30, was as follows:

	<u>2009</u>	<u>2010</u>	<u>2011</u>
Annual OPEB costs	\$ 27,997	\$ 31,336	\$ 30,023
Percentage contributed	49.1%	102.5%	82.9%
Net OPEB obligation	\$ 36,227	\$ 35,429	\$ 40,552

The current funding progress of the plan as of September 30, 2008, the most recent valuation date, is as follows:

Actuarial value of assets	\$ -
Actuarial value of liability (AAL)	190,261
Unfunded AAL (UAAL)	190,261
Funded ratio	0.0%
Annual covered payroll	\$ 3,802,387
Ratio of UAAL to covered payroll	5.0%

The actuarial valuation for the year ended September 30, 2008, which was used for the year ended September 30, 2011, contributions was the first year that an actuarial valuation was reported. Also, information related to funding progress with multiyear trend information indicating whether the actuarial value of plan assets is increasing or decreasing over time relative to the AAL for benefits is not presented since there currently are no plan assets.

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of potential occurrences of certain events in the future. Examples include assumption about future employment, mortality, healthcare costs trends, inflation, etc. Amounts determined regarding the funded status of the plan and the annual required contributions of the County are subject to continual revisions as actual results are compared with past expectations and new estimates and assumptions are made about the future.



NOTES TO FINANCIAL STATEMENTS

September 30, 2011

**NOTE L: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED**

COUNTY GENERAL - CONTINUED

Actuarial Methods and Assumptions - continued

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

In the September 30, 2008, actuarial valuation, the projected unit credit service cost method was used. The actuarial assumptions include a 6.0 percent per year rate of investment return, compounded annually net after investment expense, which is the expected long-term investment returns on plan assets. A discount rate of 6.0% was also used. There was also an inflationary rate assumption factored into the calculation.

COMPONENT UNIT - DISTRICT HEALTH DEPARTMENT

Plan Description

Mid-Michigan District Health Department provides as other post-employment benefits (OPEB) to all applicable employees, in accordance with the employment agreements and/or personnel policies, hospitalization and medical coverage on a complimentary basis for non-union employees who retire at the minimum age of 60 and have at least 20 or more years of continuous services with the agency. The following are the Governmental Accounting Standards Board (GASB) Statement #45 required disclosures and these disclosures have been implemented prospectively by the Department.

- Only employees meeting the above stated requirements, a non-union member that is a minimum age of 60 with 20 or more years of continuous service are eligible. Dependents are not eligible for any employer paid insurance and if coverage is elected for dependents, it will be 100% employee paid.
- Employees who do not meet the above state criteria will not receive employer paid benefits upon retirement.

The plan does not issue a separate stand-alone financial statement.

Funding Policy

The Mid-Michigan District Health Department's annual other post employment benefit (OPEB) cost is calculated based on the *annual required contribution of the employer* (ARC). The Health Department has elected to have an actuary calculate the ARC and related amounts. The Health Department has no obligation to make contributions in advance of when the premiums are due for payment (i.e., may be financed on a "pay-as-you-go" basis). The only current contributions being made are to pay the actual current premiums of the retirees. That amount was less than the annual required contribution and is reflected in the schedule that follows. Administrative costs of the plan are paid for by the Department.

Funding Progress

For the year ended September 30, 2011, the Department has determined an estimated cost of providing retiree post-employment benefits through actuarial valuation. The valuation computes an ARC which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to cover the amortization of any unfunded actuarial liabilities from the past, over a period not to exceed 30 years.

Montcalm County

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

**NOTE L: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED**

COMPONENT UNIT - DISTRICT HEALTH DEPARTMENT - CONTINUED

The Health Department's computed contribution and actual funding is summarized as follows:

Annual required contribution/Annual OPEB cost (ARC)	\$ 206,931
Interest on net OPEB obligation	13,681
ARC adjustment	<u>(19,736)</u>
Annual OPEB cost	200,876
Amounts contributed:	
Payments of current premiums (gross of employee reimbursement)	<u>-</u>
Increase in net OPEB obligation	200,876
OPEB obligation - Beginning of year	<u>342,019</u>
OPEB obligation - End of year	<u><u>\$ 542,895</u></u>

The annual OPEB costs, the percentage contributed to the plan, and the net OPEB obligation for the fiscal year ended September 30, 2011, were as follows:

	<u>2009</u>	<u>2010</u>	<u>2011</u>
Annual OPEB costs	\$ 160,574	\$ 188,759	\$ 200,876
Percentage contributed	4%	4%	0%
Net OPEB obligation	\$ 160,574	\$ 342,019	\$ 542,895

The current funding progress of the plan as of September 30, the most recent valuation date, is as follows:

	<u>2009</u>	<u>2010</u>	<u>2011</u>
Actuarial value of assets	\$ -	\$ -	\$ -
Actuarial value of liability (AAL)	1,082,988	1,082,988	1,082,988
Unfunded AAL (UAAL)	1,082,988	1,082,988	1,082,988
Funded ratio	0%	0%	0%
Annual covered payroll	\$ 889,665	\$ 744,592	\$ 771,494
Ratio of UAAL to covered payroll	122%	145%	140%

**Actuarial Methods and Assumptions**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of potential occurrences of certain events in the future. Examples include assumption about future employment, mortality, healthcare costs trends, inflation, etc. Amounts determined regarding the funded status of the plan and the annual required contributions of the Department are subject to constant changes and modifications as actual results are compared with past expectations and new estimates and assumptions are made about the future. The actuarial cost method used was the projected unit credit (level dollar) method. The amortization method was the level dollar method and the most recent actuarial valuation period is closed.

Montcalm County

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

**NOTE L: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED**

COMPONENT UNIT - DISTRICT HEALTH DEPARTMENT - CONTINUED

Actuarial Methods and Assumptions - continued

Projections of retiree benefits for financial reporting purposes are based on current plan activities as it is handled by the Department and the benefits are received by the eligible plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the Department and plan members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Projections of benefits for financial reporting purposes do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the Department and plan members in the future.

In the actuarial valuation, the projected unit age actuarial cost method was used. The actuarial assumptions include a 4 percent yearly rate of investment return, compounded annually net after investment expense, which is the expected long-term investment returns on plan assets and a 4% discount rate. There were also merit and seniority salary rate increase assumptions taken into consideration and those are detailed in the actuarial study and are based on age. There was also an inflationary rate assumption factored into the calculation. Per the actuarial study the assumed rate ranges from 10 percent graded down to 5 percent over 5 years for health care related costs. The UAAL is being amortized as a level dollar over a period of 30 years. A 30-year amortization period for unfunded actuarial accrued liabilities is the maximum period that complies with GASB requirements.

COMPONENT UNIT - ROAD COMMISSION

The Road Commission 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 through 65.

Currently, 36 retirees meet those eligibility requirements. There were 4 retirees that were under 60, 10 retirees that were between the ages of 60-65, 3 retirees that pay a percentage based on years of service and 19 retirees that are over 65.

Effective retroactive to October 1, 2007, the Road Commission adopted, by resolution on December 19, 2007, for establishment of a Retiree Health Insurance Section 115 Trust, to administer funds set aside for the payment of health, vision and prescription drugs. The Road Commission started contributing to the trust during the 2008 fiscal year. The trust is part of a single-employer retiree healthcare savings plan that is administered by the Road Commission as trustee of the trust. The plan covers substantially all retirees and future retirees of the Road Commission. The Road Commission may partially or fully fund the liability of the trust by periodically making contributions to the trust. The Road Commission's funding policy is to pay all premiums as they come due from the Road Fund and set aside funding in the trust at an annual rate of \$60,000. The amount set aside in the trust may be adjusted by the board from time to time as it deems appropriate. Employees are not required to contribute to the plan.

The Road Commission started prefunding the Section 115 Trust during the fiscal year September 30, 2008. As of September 30, 2011, the plan's reserves for benefits were \$143,418. Contributions made to the Retiree Health Insurance Section 115 Trust are recognized as expenditures in the Road Commission Operating Fund at the time the contribution is made. During the year, there were no post-employment expenditures made to the Retiree Health Insurance Section 115 Trust.

Montcalm County

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

**NOTE L: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED**

COMPONENT UNIT - ROAD COMMISSION - CONTINUED

At September 30, 2009, the date of the latest actuarial valuation, plan participation consisted of:

OPEB plan participants	49
Retirees and beneficiaries receiving benefits	<u>32</u>
Total plan members	<u><u>81</u></u>

Funding Policy

The Road Commission has the authority to establish and amend funding policy. Expenditures for post-employment health care benefits are recognized when health care costs are paid. The net retiree health care costs paid by the Road Commission for the fiscal year ending September 30, 2011 totaled \$191,195. The expenditures are recognized on a pay-as-you-go basis. It is the Road Commission's intent to base future Trust contributions on the ARC in subsequent annual actuarial reports; however, no Trust contributions are legally or contractually required and there were no contributions made during the year.

Annual OPEB Cost and Net OPEB Liability

The annual cost of the Road Commission's OPEB Plan is calculated based on the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liability over a period not to exceed 30 years. The following table shows the components of the Road Commission's annual OPEB Plan cost for the year, the amount actually contributed, and the changes in the net OPEB Plan obligation.

Annual required contribution/Annual OPEB cost (ARC)	\$ 274,687
Interest on net OPEB obligation	<u>15,515</u>
Annual OPEB cost (expense)	290,202
Amounts contributed	<u>191,195</u>
Increase in net OPEB obligation	99,007
OPEB obligation - Beginning of year	<u>221,649</u>
OPEB obligation - End of year	<u><u>\$ 320,656</u></u>

Three (3) year trend information

	<u>2009</u>	<u>2010</u>	<u>2011</u>
Annual OPEB costs	\$ 224,782	\$ 274,687	\$ 290,202
Percentage contributed	59.8%	52.2%	65.9%
Net OPEB obligation	\$ 90,301	\$ 221,649	\$ 320,656

Montcalm County

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

**NOTE L: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED**

COMPONENT UNIT - ROAD COMMISSION - CONTINUED

Funding Status and Funding Progress

For the year ended September 30, 2011, the Road Commission has estimated the cost of providing retiree healthcare benefits using the alternative measurement method permitted by GASB Statement No. 45 for employers in plans with fewer than one hundred total plan members. The alternative measurement method computes an annual required contribution.

The schedule of funding progress presents trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. This is the second year of implementation for GASB Statement No. 45, so only one year is presented because only one actuarial valuation is available. The Road Commission expects to have an actuarial valuation performed every three years.

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Underfunded (Overfunded) AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percent of Covered Payroll</u>
9/30/2009	\$ 120,000	\$ 2,748,334	\$ 2,628,334	4.4%	\$ 1,882,239	139.6%
9/30/2006	-	2,857,379	2,857,379	0.0%	2,067,908	138.2%

Actuarial Methods and Assumptions

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

Calculations for financial reporting purposes are based on the benefits provided under terms of the substantive plan (the plan as understood by the employer and the plan members) in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The actuarial methods and assumptions are:

Actuarial cost method	Alternate Method as provided under GASB 45
Discount rate	5.25%
Mortality prior to retirement	None
Turnover prior to retirement	Table 1 - Probability of remaining employed until assumed retirement age, by age - default values
Expected future life	Table 2 - Expected future working lifetimes of employees, by age - default values
Salary scale	1.00%
Post retirement interest rate	7.00%
Post retirement mortality	Table 3 - Based on life expectancy of age 77 for males and 81 for females
Health care inflation rate	NIH National Health Expenditure Projections, 2008-2018

Montcalm County

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

**NOTE M: 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, 2011, the Federal aid received and expended by the Road Commission was \$2,770,891 for contracted projects and \$153,847 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 projects that are performed by the Road Commission employees or private contractors paid for and administered by the Road Commission and are subject to single audit requirements, if the amount expended is \$500,000 or more. A single audit was not performed for the Road Commission during for the fiscal year ended September 30, 2011.

**NOTE N: RISK MANAGEMENT**

The County is a voluntary member of the Michigan Municipal Risk Management Authority which is organized under Public Act 138 of 1982, as amended as a governmental group self-insurance pool. Public Act 138 authorizes local units of government to exercise jointly any power, privilege, or authority which each might exercise separately. The Authority administers a risk management fund providing the County with loss protection for general liability, vehicle physical damage, property damage, and losses due to crime.

The County also participates in a pool, the Michigan Municipal League 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.

Health Department (Component Unit)

The Department carries commercial insurance for the risk of loss due to workers' compensation and healthcare professional liability claims.

The Department is a voluntary member of the Michigan Municipal Risk Management Authority which is organized under Public Act 138 of 1982, as amended as a governmental group self-insurance pool. Public Act 138 authorizes local units of government to exercise jointly any power, privilege, or authority which each might exercise separately. The Authority administers a risk management fund providing the Department with loss protection for general liability, vehicle physical damage, property damage, and losses due to crime.

Road Commission (Component Unit)

The Road Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; medical benefits provided to employees and natural disasters. 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, errors 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.

Montcalm County

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

**NOTE N: RISK MANAGEMENT - CONTINUED**

Road Commission (Component Unit) - continued

The Michigan County Road Commission Self-Insurance Pool Program (Pool) 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.

**NOTE O: 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 2010 and Summer 2011 ad valorem taxes were levied and collectible on December 1, 2010, and July 1, 2011, 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 2010 and Summer 2011 tax levies have been recognized as revenue in the current fiscal year. The 2011 taxable value of Montcalm County amounted to \$1,596,339,236 on which ad valorem taxes levied for County general operating purposes consisted of 4.4082 mills for Summer 2011. For the year ended September 30, 2011, the County levied 0.4500 mills for the Commission on Aging, 0.7000 mills for Ambulance Services, 0.5000 mills for the library, and 0.0200 mills for Veterans.

By resolution of the Board of Commissioners and agreement with various taxing authorities, the County purchased at face value the 2010 real property taxes receivable returned delinquent on March 1, 2011. 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 P: 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 Q: CONTRACTUAL COMMITMENTS**

The County has entered into a contract related to the Sidney Sewer Drain Project which was not completed at September 30, 2011. The total contractual commitment outstanding at September 30, 2011, totaled \$899,800. The County's remaining bond proceeds (i.e., fund balance) along with future anticipated investment earnings are expected to be sufficient to cover these commitments.

Montcalm County

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

**NOTE R: 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, 2011:

PRIMARY GOVERNMENT

Governmental Activities

Restricted for:

Public safety

Law enforcement trust	\$	38,703
Local correction officer training		35,741
Drug law enforcement		10,309
Law enforcement		461
		<u>461</u>

\$ 85,214

Public works

Solid waste planning	\$	203,658
		<u>203,658</u>

Health and welfare

Victim Support	\$	1,209
Commission on Aging		19,760
Soldiers and Sailors Relief		43,922
Veterans' Trust		8,747
		<u>8,747</u>

\$ 73,638

Other purposes

Friend of the Court	\$	134
Community Information Systems		20,327
Homestead Property Tax Exemption		329,050
Register of Deeds		234,080
Law library		8,260
County libraries		2,856
Animal Shelter		8,121
CDBG - Housing		559
Social Welfare		1,000
Debt service		1,049
Capital projects		719,066
Cemetery - expendable		1,592
Cemetery - nonexpendable		99,204
		<u>99,204</u>

\$ 1,425,298

COMPONENT UNITS

Restricted for:

Other purposes

Drainage Districts	\$	3,789,964
Central Dispatch Authority		472,435
Health Department		617,577
County roads		1,929,128
		<u>1,929,128</u>

\$ 6,809,104



NOTES TO FINANCIAL STATEMENTS

September 30, 2011

**NOTE S: DETAILS OF FUND BALANCE CATEGORIES AND CLASSIFICATIONS**

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

*Nonspendable* - assets that are not available in a spendable form such as inventory, prepaid expenditures, and long-term receivables not expected to be converted to cash in the near term. It also includes funds that are legally or contractually required to be maintained intact such as the corpus of a permanent fund or foundation.

*Restricted* - amounts that are required by external parties to be used for a specific purpose. Constraints are externally imposed by creditors, grantors, contributors or laws, regulations or enabling legislation.

*Committed* - amounts constrained on use imposed by formal action of the government's highest level of decision making authority (i.e., Board, Council, etc.).

*Assigned* - amounts intended to be used for specific purposes. This is determined by the governing body, the budget or finance committee or a delegated municipality official.

*Unassigned* - all other resources; the remaining fund balance after nonspendable, restrictions, commitments, and assignments. This class only occurs in the General Fund, except for cases of negative fund balances. Negative fund balances are always reported as unassigned, no matter which fund the deficit occurs in.

**Fund Balance Classification Policies and Procedures**

For committed fund balance, the Montcalm County's highest level of decision-making authority is the Board of Commissioners. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution by the Board of Commissioners.

For assigned fund balance, the Montcalm County has not adopted a policy indicating who is to assign amounts to a specific purpose. As a result, this authority is retained by the Board of Commissioners.

Montcalm County has not formally adopted a policy that defines the order of usage for fund balance amounts classified as restricted, committed, assigned, or unassigned. In the absence of such a policy, the County considers restricted amounts to have been spent first when an expenditure is incurred for which both restricted and unrestricted fund balance is available. Also for the classification of fund balances, the County considers committed, assigned, and then unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Montcalm County

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

**NOTE S: DETAILS OF FUND BALANCE CATEGORIES AND CLASSIFICATIONS - CONTINUED**

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable			
Prepays	\$ 74,931	\$ 1,297	\$ 76,228
Advances	187,016	164,318	351,334
Trust activities	-	99,204	99,204
Total nonspendable	261,947	264,819	526,766
Restricted for:			
Victim Support	-	1,209	1,209
Law enforcement trust	-	38,703	38,703
Friend of the Court	-	134	134
Solid waste planning	-	203,658	203,658
Community Information Systems	-	20,327	20,327
Homestead Property Tax Exemption	-	329,050	329,050
Register of Deeds	-	234,080	234,080
Local correction officer training	-	35,741	35,741
Drug Law Enforcement	-	10,309	10,309
Law enforcement	-	461	461
Law library	-	8,260	8,260
County libraries	-	2,856	2,856
Animal Shelter	-	8,121	8,121
CDBG - Housing	-	559	559
Commission on Aging	-	19,760	19,760
Soldiers and Sailors Relief	-	43,922	43,922
Veterans' Trust	-	8,747	8,747
Social Welfare	-	1,000	1,000
Debt service	-	1,049	1,049
Capital projects	-	719,066	719,066
Cemetery	-	1,592	1,592
Total restricted	-0-	1,688,604	1,688,604
Assigned to:			
Parks and recreation	196	-	196
Unassigned	1,141,694	-	1,141,694
TOTAL FUND BALANCE	<u>\$ 1,403,837</u>	<u>\$ 1,953,423</u>	<u>\$ 3,357,260</u>

Montcalm County

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

**NOTE T: RESTATEMENT OF EQUITY**

Beginning fund balance for the General Fund has been restated to reflect a change in accounting standards as a result of the implementation of GASB State No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The General Fund's beginning fund balance was increase \$2,772 to account for this change in accounting standards while the Parks and Recreation and Child Care funds were decreased \$197 and \$2,575, respectively. The Parks and Recreation and Child Care funds did not meet the definition of a Special Revenue fund for external financial reporting purposes under GASB No. 54.

Beginning net assets in the Delinquent Tax Fund and Business-type Activities, respectively, were restated to reflect the correction of an accounting error, the beginning net assets were decreased by \$209,206 to \$10,881,089 and \$12,528,950, respectively, to correct overstated delinquent taxes receivable.

Beginning fund balance for the Regular Drains Capital Projects Fund was adjusted to reflect the correction of an accounting error, the beginning fund balance was decreased by \$131,376 to \$354,687 to correct overstated special assessment receivables.

**NOTE U: UPCOMING ACCOUNTING PRONOUNCEMENTS**

In November 2010, the Governmental Accounting Standards Board (GASB) issued Statement No. 61, *The Financial Reporting Entity Omnibus*. This pronouncement, which is an amendment to Statement No. 14 and Statement No. 34, modifies certain requirements for inclusion of component units in the financial reporting entity. This statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. Lastly, the statement also clarifies the reporting of equity interests in legally separate organizations. The County is currently evaluating the impact this standard will have on the financial statements when adopted during the County's 2013-2014 fiscal year.

In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement incorporates into GASB literature certain accounting and financial reporting guidance issued on or before November 30, 1989 that is included in FASB Statements and Interpretations, APB Opinions, and Accounting Research Bulletins of the AICPA Committee on Accounting Procedure. The County is currently evaluating the impact this standard will have on the financial statements when adopted during the County's 2012-2013 fiscal year.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The statement will be effective for the County's 2012-2013 fiscal year. The statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Once implemented, this statement will impact the format and reporting of the balance sheet at the government-wide level and also at the fund level.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. The new pronouncement provided guidance for local units of government in recognizing the cost of pensions. The new rules will cause the financial statement to recognize the cost of providing pensions over the working life of the employee, rather than at the time of payment. The new pronouncement is effective for the County's 2014-2015 fiscal year.

**REQUIRED SUPPLEMENTARY INFORMATION**

Montcalm County, Michigan

BUDGETARY COMPARISON SCHEDULE (NON-GAAP BASIS)

Year Ended September 30, 2011

	Budgeted Amounts			Variances with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
Taxes				
Current property taxes	\$ 7,352,652	\$ 7,352,652	\$ 6,755,504	\$ (597,148)
Delinquent property taxes	22,000	22,000	12,722	(9,278)
Payments in lieu of taxes	3,500	3,500	5,021	1,521
Mobile home park taxes	3,500	3,500	4,393	893
Other taxes	308	308	280	(28)
<b>Total taxes</b>	<b>7,381,960</b>	<b>7,381,960</b>	<b>6,777,920</b>	<b>(604,040)</b>
Licenses and permits				
Dog licenses	119,000	101,000	93,281	\$ (7,719)
Cremation permits	-	12,000	11,585	(415)
Marriage license fees	3,500	3,500	2,515	(985)
Gun permits	9,000	9,000	11,644	2,644
<b>Total licenses and permits</b>	<b>131,500</b>	<b>125,500</b>	<b>119,025</b>	<b>(6,475)</b>
Intergovernmental - Federal/State				
Cooperative reimbursement - Prosecutor	60,000	60,000	59,895	(105)
Central Michigan Enforcement Team	27,500	27,500	26,487	(1,013)
Probate Judge's salary	101,655	101,655	103,219	1,564
Judicial salary standardization	137,172	137,172	136,947	(225)
Case flow assistance	13,300	13,300	14,552	1,252
Sheriff secondary road patrol	94,468	94,468	152,314	57,846
Marine safety	30,800	38,300	38,737	437
Victims Rights Act	44,900	44,900	42,209	(2,691)
Juvenile officer grant	47,317	47,317	33,924	(13,393)
State remonumentation	130,000	130,000	113,727	(16,273)
Convention and tourism tax	191,787	191,787	132,872	(58,915)
Cigarette tax	36,000	36,000	90,967	54,967
Liquor license fees	7,700	7,700	8,434	734
Michigan justice training	6,000	6,000	2,626	(3,374)
BVP grant	1,000	1,000	-	(1,000)
Community corrections grant	85,000	85,000	91,542	6,542
Court equity	300,000	300,000	277,895	(22,105)
State revenue sharing	1,223,509	1,223,509	1,243,082	19,573
Homeland security	13,816	13,816	15,289	1,473
Bryne Justice grant	-	-	4,842	4,842
<b>Total intergovernmental - Federal/State</b>	<b>2,551,924</b>	<b>2,559,424</b>	<b>2,589,560</b>	<b>30,136</b>

Montcalm County, Michigan

BUDGETARY COMPARISON SCHEDULE (NON-GAAP BASIS) - CONTINUED

Year Ended September 30, 2011

	Budgeted Amounts		Actual	Variances with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES - CONTINUED</b>				
Charges for services				
District Court	\$ 841,000	\$ 756,000	\$ 682,065	\$ (73,935)
Circuit Court	124,100	124,100	116,484	(7,616)
Probate Court	35,150	35,150	32,651	(2,499)
County Treasurer	28,600	28,600	17,778	(10,822)
County Clerk	124,450	124,450	154,072	29,622
Register of Deeds	457,100	449,600	398,457	(51,143)
Sheriff department	353,010	353,010	374,049	21,039
Care of prisoners	1,078,150	828,150	648,333	(179,817)
Animal shelter	13,000	13,000	9,526	(3,474)
Phone services	38,000	38,000	-	(38,000)
Central services	365,000	365,000	462,805	97,805
Mapping services	10,000	10,000	1,277	(8,723)
Other	1,850	1,850	3,900	2,050
<b>Total charges for services</b>	<b>3,469,410</b>	<b>3,126,910</b>	<b>2,901,397</b>	<b>(225,513)</b>
Fines and forfeits				
Ordinance fines and costs	125,120	95,120	70,575	(24,545)
Interest and rents				
Interest revenue	33,250	33,250	7,294	(25,956)
Rental fees	1,500	1,500	1,500	-0-
<b>Total interest and rents</b>	<b>34,750</b>	<b>34,750</b>	<b>8,794</b>	<b>(25,956)</b>
Other				
Insurance dividends	20,000	20,000	-	(20,000)
Sale of capital assets	20,000	20,000	19,825	(175)
Reimbursement and refunds	311,154	311,154	275,060	(36,094)
Remonumentation contribution	25,200	25,200	15,850	(9,350)
Other	1,000	1,000	4,127	3,127
<b>Total other</b>	<b>377,354</b>	<b>377,354</b>	<b>314,862</b>	<b>(62,492)</b>
<b>TOTAL REVENUES</b>	<b>14,072,018</b>	<b>13,701,018</b>	<b>12,782,133</b>	<b>(918,885)</b>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	951,057	951,057	1,759,652	808,595
<b>TOTAL REVENUES AND OTHER FINANCING SOURCES</b>	<b>15,023,075</b>	<b>14,652,075</b>	<b>14,541,785</b>	<b>(110,290)</b>

Montcalm County, Michigan

BUDGETARY COMPARISON SCHEDULE (NON-GAAP BASIS) - CONTINUED

Year Ended September 30, 2011

EXPENDITURES	Budgeted Amounts			Variances with Final Budget Positive (Negative)
	Original	Final	Actual	
Current				
General government				
Board of commissioners	\$ 176,875	\$ 176,875	\$ 173,747	\$ 3,128
Circuit Court	375,324	345,324	337,480	7,844
Circuit Court probation	4,180	4,180	4,114	66
District Court	742,315	742,315	734,245	8,070
District Court probation	192,058	192,633	192,615	18
Probate Court	916,424	1,047,124	1,047,098	26
Jury Board	4,250	5,350	5,347	3
Witness fees	9,700	14,900	14,730	170
Elections	131,326	159,826	159,403	423
Clerk	411,565	391,565	385,895	5,670
Professional consultants	69,000	54,750	59,608	(4,858)
Controller	424,732	424,732	413,976	10,756
Equalization	196,203	196,203	194,507	1,696
Prosecuting Attorney	574,229	587,329	587,235	94
Register of Deeds	315,024	315,024	307,960	7,064
Information Systems	24,600	24,600	18,810	5,790
Central services	16,650	17,650	17,573	77
Survey and remonumentation	199,062	169,062	160,747	8,315
Treasurer	383,555	383,555	372,180	11,375
Cooperative extension	210,687	220,687	211,622	9,065
Building and grounds	818,143	773,143	748,200	24,943
Building rent	868,933	874,233	874,136	97
Drain Commission	211,025	211,025	210,319	706
Total general government	7,275,860	7,332,085	7,231,547	100,538
Public safety				
Sheriff - general	2,080,854	2,170,854	2,169,703	1,151
Sheriff - road patrol	151,866	152,516	152,494	22
Contracted police service	280,789	272,089	272,004	85
Justice training	6,000	8,100	6,727	1,373
Building security	112,679	123,979	123,976	3
Marine safety	38,884	50,884	50,826	58
Jail	2,843,224	2,660,449	2,608,964	51,485
Emergency management relief	41,071	41,071	34,243	6,828
Animal control	130,846	132,346	131,647	699
Total public safety	5,686,213	5,612,288	5,550,584	61,704
Community and economic development				
West Michigan Planning	3,354	3,354	3,318	36
Planning commission	5,200	5,200	2,946	2,254
Economic development	10,500	10,500	10,250	250
Total community and economic development	19,054	19,054	16,514	2,540

Montcalm County, Michigan

BUDGETARY COMPARISON SCHEDULE (NON-GAAP BASIS) - CONTINUED

Year Ended September 30, 2011

	Budgeted Amounts		Actual	Variances with Final Budget Positive (Negative)
	Original	Final		
<b>EXPENDITURES - CONTINUED</b>				
Current - continued				
Health and welfare				
Contagious diseases	\$ 6,500	\$ 14,300	\$ 14,253	\$ 47
Medical examiner	90,140	115,140	114,583	557
Veterans burials	7,700	7,700	7,026	674
Substance Abuse Commission	97,000	106,862	106,862	-0-
Health services	14,000	20,050	19,016	1,034
Mental Health	188,053	188,053	188,053	-0-
District Health Department	502,856	502,856	489,996	12,860
Total health and welfare	906,249	954,961	939,789	15,172
Public works				
Drains at large	100,754	100,754	-	100,754
Other				
Insurance	175,000	276,000	275,901	99
Contingency	75,000	-	-	-0-
Total other	250,000	276,000	275,901	99
Debt service				
Principal	166,540	166,540	160,000	6,540
Interest	24,506	4,506	5,458	(952)
Total debt service	191,046	171,046	165,458	5,588
TOTAL EXPENDITURES	14,429,176	14,466,188	14,179,793	286,395
<b>OTHER FINANCING USES</b>				
Transfers to other funds				
Parks and Recreation Fund	40,000	40,000	33,842	6,158
Friend of the Court Fund	16,000	16,000	64,086	(48,086)
Law Library Fund	5,000	5,000	2,807	2,193
Social Welfare Fund	-	-	1,000	(1,000)
Child Care Fund	500,000	625,000	612,016	12,984
Register of Deeds Automation Fund	75,000	75,000	63,163	11,837
Equipment Purchase and Replacement Fund	139,255	139,255	128,942	10,313
Building Official Fund	-	8,900	15,061	(6,161)
Office Equipment Pool Fund	20,000	20,000	20,000	-0-
Post-Employment Health Fund	20,000	20,000	20,000	-0-
TOTAL OTHER FINANCING USES	815,255	949,155	960,917	(11,762)
TOTAL EXPENDITURES AND OTHER FINANCING USES	15,244,431	15,415,343	15,140,710	274,633
Net change in fund balance (prior to adjustments for GASB Statement No. 54)	\$ (221,356)	\$ (763,268)	(598,925)	\$ (164,343)
Adjustments for GASB Statement No. 54			(76,245)	
Net change in fund balance, end of year			\$ (675,170)	



Montcalm County, Michigan

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended September 30, 2011

**NOTE A: 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 Fund 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, 2011, 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			
General Government			
Professional Consultants	\$ 54,750	\$ 59,608	\$ 4,858
Debt Service			
Interest	4,506	5,458	952
Other financing uses			
Friend of the Court Fund	16,000	64,086	48,086
Social Welfare Fund	-	1,000	1,000
Building Official Fund	8,900	15,061	6,161
Victim Support Team Fund	-	80	80
Law Enforcement Trust Fund	-	100	100
Homeland Security Grant Fund	100,000	102,026	2,026
Homestead Property Tax Exemption Fund	-	347	347
County Libraries Fund	800,000	845,087	45,087
CDBG - Housing Fund	160,500	166,859	6,359
Commission on Aging Fund	1,195,193	1,251,634	56,441

**NOTE B: BUDGET/GAAP RECONCILIATION**

The amounts presented in the General Fund budgetary comparison schedule were adopted by the Board of Commissioners on a basis prior to the implementation of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The reconciliation on the General Fund budgetary comparison schedule reconciles the difference between the budget legally adopted by the Board of Commissioners to the actual amount presented in the basic financial statements in accordance with accounting principles generally accepted in the United States of America.

Net change in fund balance (budgetary basis)	\$ (598,925)
To adjust for the change in fund balance pertaining to the Parks and Recreation Fund	(2)
To adjust for the change in fund balance pertaining to the Child Care Fund	<u>(76,243)</u>
Net change in fund balance (GAAP basis)	<u><u>\$ (675,170)</u></u>

## **OTHER SUPPLEMENTARY INFORMATION**

Montcalm County, Michigan  
 Nonmajor Governmental Funds  
 COMBINING BALANCE SHEET  
 September 30, 2011

	Special		
	Victim Support Team	Law Enforcement Trust	Friend of the Court
<b>ASSETS</b>			
Cash and cash equivalents	\$ 988	\$ 38,703	\$ (99,016)
Investments	-	-	11,939
Accounts receivable	-	-	1,577
Land contract receivable	-	-	-
Due from other funds	221	-	-
Due from other governmental units - Federal/State	-	-	96,171
Advances to other funds	-	-	-
Prepays	-	-	1,297
<b>TOTAL ASSETS</b>	<b>\$ 1,209</b>	<b>\$ 38,703</b>	<b>\$ 11,968</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ -	\$ 433
Accrued wages	-	-	10,104
Accrued liabilities	-	-	-
Due to other funds	-	-	-
Deferred revenue	-	-	-
<b>TOTAL LIABILITIES</b>	<b>-0-</b>	<b>-0-</b>	<b>10,537</b>
<b>FUND BALANCES</b>			
Nonspendable	-	-	1,297
Restricted	1,209	38,703	134
<b>TOTAL FUND BALANCES</b>	<b>1,209</b>	<b>38,703</b>	<b>1,431</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,209</b>	<b>\$ 38,703</b>	<b>\$ 11,968</b>

Revenue

Solid Waste Planning	Homeland Security Grant	Community Information Systems	Homestead Property Tax Exemption	Register of Deeds Automation	Local Correction Training Officer
\$ 167,222	\$ 39,467	\$ 20,343	\$ 333,430	\$ 237,030	\$ 35,741
-	-	-	-	-	-
46,498	10,586	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 213,720</u>	<u>\$ 50,053</u>	<u>\$ 20,343</u>	<u>\$ 333,430</u>	<u>\$ 237,030</u>	<u>\$ 35,741</u>
\$ 10,062	\$ 1,884	\$ 16	\$ -	\$ 2,950	\$ -
-	682	-	-	-	-
-	-	-	-	-	-
-	-	-	4,380	-	-
-	47,487	-	-	-	-
10,062	50,053	16	4,380	2,950	-0-
-	-	-	-	-	-
<u>203,658</u>	<u>-</u>	<u>20,327</u>	<u>329,050</u>	<u>234,080</u>	<u>35,741</u>
<u>203,658</u>	<u>-0-</u>	<u>20,327</u>	<u>329,050</u>	<u>234,080</u>	<u>35,741</u>
<u>\$ 213,720</u>	<u>\$ 50,053</u>	<u>\$ 20,343</u>	<u>\$ 333,430</u>	<u>\$ 237,030</u>	<u>\$ 35,741</u>

Montcalm County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

September 30, 2011

	Special		
	Drug Law Enforcement	Law Enforcement	Law Library
<b>ASSETS</b>			
Cash and cash equivalents	\$ 10,309	\$ 8,905	\$ 8,480
Investments	-	-	-
Accounts receivable	-	-	-
Land contract receivable	-	-	-
Due from other funds	-	2,164	-
Due from other governmental units - Federal/State	-	-	-
Advances to other funds	-	-	-
Prepays	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 10,309</b>	<b>\$ 11,069</b>	<b>\$ 8,480</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ -	\$ 220
Accrued wages	-	-	-
Accrued liabilities	-	-	-
Due to other funds	-	10,608	-
Deferred revenue	-	-	-
<b>TOTAL LIABILITIES</b>	<b>-0-</b>	<b>10,608</b>	<b>220</b>
<b>FUND BALANCES</b>			
Nonspendable	-	-	-
Restricted	10,309	461	8,260
<b>TOTAL FUND BALANCES</b>	<b>10,309</b>	<b>461</b>	<b>8,260</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 10,309</b>	<b>\$ 11,069</b>	<b>\$ 8,480</b>

Revenue

County Libraries	Animal Shelter Donation	CDBG - Housing	Commission on Aging	Soldiers and Sailors Relief	Veterans' Trust	Social Welfare Fund
\$ 7,626	\$ 8,692	\$ 20,882	\$ (2,561)	\$ 43,922	\$ 8,848	\$ 1,000
-	-	-	-	-	-	-
-	-	-	66,762	-	-	-
-	-	-	-	-	-	-
1,380	-	14	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 9,006</u>	<u>\$ 8,692</u>	<u>\$ 20,896</u>	<u>\$ 64,201</u>	<u>\$ 43,922</u>	<u>\$ 8,848</u>	<u>\$ 1,000</u>
\$ -	\$ 571	\$ 20,337	\$ 34,381	\$ -	\$ 101	\$ -
-	-	-	10,060	-	-	-
6,150	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
6,150	571	20,337	44,441	-0-	101	-0-
-	-	-	-	-	-	-
<u>2,856</u>	<u>8,121</u>	<u>559</u>	<u>19,760</u>	<u>43,922</u>	<u>8,747</u>	<u>1,000</u>
<u>2,856</u>	<u>8,121</u>	<u>559</u>	<u>19,760</u>	<u>43,922</u>	<u>8,747</u>	<u>1,000</u>
<u>\$ 9,006</u>	<u>\$ 8,692</u>	<u>\$ 20,896</u>	<u>\$ 64,201</u>	<u>\$ 43,922</u>	<u>\$ 8,848</u>	<u>\$ 1,000</u>

Montcalm County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

September 30, 2011

	Debt Service	Capital	
	Building Authority	Public Improvement	Equipment Purchase and Replacement
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,783	\$ 32,111	\$ 17,564
Investments	641	-	1,094
Accounts receivable	-	-	-
Land contract receivable	-	-	-
Due from other funds	-	-	10,608
Due from other governmental units - Federal/State	-	-	-
Advances to other funds	-	-	-
Prepays	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 3,424</b>	<b>\$ 32,111</b>	<b>\$ 29,266</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ -	\$ 1,846
Accrued wages	-	-	-
Accrued liabilities	-	-	-
Due to other funds	2,375	-	-
Deferred revenue	-	-	-
<b>TOTAL LIABILITIES</b>	<b>2,375</b>	<b>-0-</b>	<b>1,846</b>
<b>FUND BALANCES</b>			
Nonspendable	-	-	-
Restricted	1,049	32,111	27,420
<b>TOTAL FUND BALANCES</b>	<b>1,049</b>	<b>32,111</b>	<b>27,420</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 3,424</b>	<b>\$ 32,111</b>	<b>\$ 29,266</b>

Projects				Permanent	
Jail Improvement	General Projects	Park Improvements	Building Authority	Cemetery	Total
\$ 12,274	\$ 304,184	\$ 91,558	\$ 27,384	\$ 1,592	\$ 1,379,461
-	195,417	3,180	11,699	99,204	323,174
-	-	-	-	-	125,423
-	-	66,200	-	-	66,200
-	-	-	13,839	-	28,226
-	-	-	-	-	96,171
-	164,318	-	-	-	164,318
-	-	-	-	-	1,297
<u>\$ 12,274</u>	<u>\$ 663,919</u>	<u>\$ 160,938</u>	<u>\$ 52,922</u>	<u>\$ 100,796</u>	<u>\$ 2,184,270</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 72,801
-	-	-	-	-	20,846
-	-	-	-	-	6,150
-	-	-	-	-	17,363
-	-	66,200	-	-	113,687
-0-	-0-	66,200	-0-	-0-	230,847
-	164,318	-	-	99,204	264,819
<u>12,274</u>	<u>499,601</u>	<u>94,738</u>	<u>52,922</u>	<u>1,592</u>	<u>1,688,604</u>
<u>12,274</u>	<u>663,919</u>	<u>94,738</u>	<u>52,922</u>	<u>100,796</u>	<u>1,953,423</u>
<u>\$ 12,274</u>	<u>\$ 663,919</u>	<u>\$ 160,938</u>	<u>\$ 52,922</u>	<u>\$ 100,796</u>	<u>\$ 2,184,270</u>



Montcalm County, Michigan

Nonmajor Governmental Funds

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

Year Ended September 30, 2011

	Special		
	Victim Support Team	Law Enforcement Trust	Friend of the Court
REVENUES			
Property taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	6,615
Intergovernmental	-	-	616,340
Charges for services	-	-	136,419
Fines and forfeits	-	-	-
Interest and rents	2	-	11
Other	-	945	-
<b>TOTAL REVENUES</b>	<b>2</b>	<b>945</b>	<b>759,385</b>
EXPENDITURES			
Current			
General government	-	-	822,199
Public safety	-	100	-
Public works	-	-	-
Health and welfare	80	-	-
Community and economic development	-	-	-
Recreation and culture	-	-	-
Capital outlay	-	-	-
Debt service	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>80</b>	<b>100</b>	<b>822,199</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(78)</b>	<b>845</b>	<b>(62,814)</b>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	64,086
Transfers out	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-0-</b>	<b>-0-</b>	<b>64,086</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(78)</b>	<b>845</b>	<b>1,272</b>
Fund balances, beginning of year	1,287	37,858	159
Fund balances, end of year	<u>\$ 1,209</u>	<u>\$ 38,703</u>	<u>\$ 1,431</u>

Revenue

Solid Waste Planning	Homeland Security Grant	Community Information Systems	Homestead Property Tax Exemption	Register of Deeds Automation	Local Correction Training Officer
\$ -	\$ -	\$ -	\$ 123,820	\$ -	\$ -
-	-	-	-	-	-
87,538	95,580	-	-	-	-
167,274	-	-	-	-	17,934
-	-	-	-	-	-
-	-	5	848	514	-
2,540	-	200	-	-	-
257,352	95,580	205	124,668	514	17,934
-	-	276	347	31,267	-
-	102,026	-	-	-	14,145
246,366	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	8,900	-
-	-	-	-	-	-
246,366	102,026	276	347	40,167	14,145
10,986	(6,446)	(71)	124,321	(39,653)	3,789
-	6,446	-	-	63,163	-
-	-	-	-	-	-
-0-	6,446	-0-	-0-	63,163	-0-
10,986	-0-	(71)	124,321	23,510	3,789
192,672	-	20,398	204,729	210,570	31,952
<u>\$ 203,658</u>	<u>\$ -0-</u>	<u>\$ 20,327</u>	<u>\$ 329,050</u>	<u>\$ 234,080</u>	<u>\$ 35,741</u>

Montcalm County, Michigan

Nonmajor Governmental Funds

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

Year Ended September 30, 2011

	Special		
	Drug Law Enforcement	Law Enforcement	Law Library
REVENUES			
Property taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental	-	-	-
Charges for services	-	-	-
Fines and forfeits	-	-	6,500
Interest and rents	-	3	-
Other	1,881	-	-
	<u>1,881</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES	1,881	3	6,500
EXPENDITURES			
Current			
General government	-	-	9,527
Public safety	-	-	-
Public works	-	-	-
Health and welfare	-	-	-
Community and economic development	-	-	-
Recreation and culture	-	-	-
Capital outlay	-	-	-
Debt service	-	-	-
	<u>-0-</u>	<u>-0-</u>	<u>9,527</u>
TOTAL EXPENDITURES	-0-	-0-	9,527
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,881	3	(3,027)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	2,807
Transfers out	-	-	-
	<u>-0-</u>	<u>-0-</u>	<u>2,807</u>
TOTAL OTHER FINANCING SOURCES (USES)	-0-	-0-	2,807
NET CHANGE IN FUND BALANCES	1,881	3	(220)
Fund balances, beginning of year	<u>8,428</u>	<u>458</u>	<u>8,480</u>
Fund balances, end of year	<u>\$ 10,309</u>	<u>\$ 461</u>	<u>\$ 8,260</u>

Revenue						
County Libraries	Animal Shelter Donation	CDBG - Housing	Commission on Aging	Soldiers and Sailors Relief	Veterans' Trust	Social Welfare Fund
\$ 796,708	\$ -	\$ -	\$ 715,236	\$ 31,598	\$ -	\$ -
-	-	-	-	-	-	-
-	-	98,050	423,592	-	21,456	-
-	-	5,141	132,440	-	-	-
-	-	-	-	-	-	-
-	-	22	-	-	-	-
51,235	5,984	-	18,768	-	-	-
847,943	5,984	103,213	1,290,036	31,598	21,456	-0-
-	2,806	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	1,219,204	22,920	13,476	-
845,087	-	166,859	-	-	-	-
-	-	-	-	-	-	-
-	-	-	32,430	-	-	-
845,087	2,806	166,859	1,251,634	22,920	13,476	-0-
2,856	3,178	(63,646)	38,402	8,678	7,980	-0-
-	-	-	-	-	-	1,000
-	-	-	(18,642)	-	-	-
-0-	-0-	-0-	(18,642)	-0-	-0-	1,000
2,856	3,178	(63,646)	19,760	8,678	7,980	1,000
-	4,943	64,205	-	35,244	767	-
<u>\$ 2,856</u>	<u>\$ 8,121</u>	<u>\$ 559</u>	<u>\$ 19,760</u>	<u>\$ 43,922</u>	<u>\$ 8,747</u>	<u>\$ 1,000</u>

Montcalm County, Michigan

Nonmajor Governmental Funds

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

Year Ended September 30, 2011

	Debt Service	Capital	
	Building Authority	Public Improvement	Equipment Purchase and Replacement
REVENUES			
Property taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental	-	-	-
Charges for services	-	-	-
Fines and forfeits	-	-	-
Interest and rents	967,024	3,753	-
Other	-	-	-
TOTAL REVENUES	967,024	3,753	-0-
EXPENDITURES			
Current			
General government	-	-	-
Public safety	-	-	-
Public works	-	-	-
Health and welfare	-	-	-
Community and economic development	-	-	-
Recreation and culture	-	-	-
Capital outlay	-	-	147,583
Debt service	967,024	-	-
TOTAL EXPENDITURES	967,024	-0-	147,583
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-0-	3,753	(147,583)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	147,584
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-0-	-0-	147,584
NET CHANGE IN FUND BALANCES	-0-	3,753	1
Fund balances, beginning of year	1,049	28,358	27,419
Fund balances, end of year	<u>\$ 1,049</u>	<u>\$ 32,111</u>	<u>\$ 27,420</u>

Projects				Permanent	
Jail Improvement	General Projects	Park Improvements	Building Authority	Cemetery	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,667,362
-	-	-	-	-	6,615
-	-	-	-	-	1,342,556
-	-	-	-	25,000	484,208
-	-	-	-	-	6,500
31	43	3	76	327	972,662
-	-	19,825	-	-	101,378
31	43	19,828	76	25,327	4,581,281
-	-	-	-	36,253	902,675
-	-	-	-	-	116,271
-	-	-	-	-	246,366
-	-	-	-	-	1,255,680
-	-	-	-	-	166,859
-	-	-	-	-	845,087
-	-	8,630	-	-	165,113
-	-	-	-	-	999,454
-0-	-0-	8,630	-0-	36,253	4,697,505
31	43	11,198	76	(10,926)	(116,224)
-	-	-	-	-	285,086
-	(92,889)	-	-	-	(111,531)
-0-	(92,889)	-0-	-0-	-0-	173,555
31	(92,846)	11,198	76	(10,926)	57,331
12,243	756,765	83,540	52,846	111,722	1,896,092
\$ 12,274	\$ 663,919	\$ 94,738	\$ 52,922	\$ 100,796	\$ 1,953,423

Montcalm County

Nonmajor Enterprise Funds

COMBINING STATEMENT OF FUND NET ASSETS

September 30, 2011

	<u>Inmate Commissary</u>	<u>Building Official</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 67,607	\$ 4,413	\$ 72,020
Investments	-	3,962	3,962
Total current assets	67,607	8,375	75,982
Noncurrent assets			
Capital assets, net of accumulated depreciation	-	1,921	1,921
TOTAL ASSETS	67,607	10,296	77,903
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	2,324	3,697	6,021
Accrued wages	-	3,840	3,840
TOTAL LIABILITIES	2,324	7,537	9,861
<b>NET ASSETS</b>			
Invested in capital assets	-	1,921	1,921
Unrestricted	65,283	838	66,121
TOTAL NET ASSETS	<u>\$ 65,283</u>	<u>\$ 2,759</u>	<u>\$ 68,042</u>

Montcalm County, Michigan

Nonmajor Enterprise Funds

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

September 30, 2011

	Inmate Commissary	Building Official	Total
<b>OPERATING REVENUES</b>			
Charges for services	\$ -	\$ 243,225	\$ 243,225
Sales	92,879	-	92,879
<b>TOTAL OPERATING REVENUES</b>	<b>92,879</b>	<b>243,225</b>	<b>336,104</b>
<b>OPERATING EXPENSES</b>			
Personal services	-	149,119	149,119
Fringe benefits	-	51,026	51,026
Operating supplies	73,817	3,096	76,913
Contractual services	-	7,356	7,356
Insurance	-	4,092	4,092
Communication	-	523	523
Other services and charges	10,325	36,023	46,348
Depreciation	-	839	839
<b>TOTAL OPERATING EXPENSES</b>	<b>84,142</b>	<b>252,074</b>	<b>336,216</b>
<b>OPERATING INCOME (LOSS)</b>	<b>8,737</b>	<b>(8,849)</b>	<b>(112)</b>
<b>NONOPERATING REVENUES</b>			
Interest revenue	-	4	4
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>8,737</b>	<b>(8,845)</b>	<b>(108)</b>
<b>TRANSFERS IN</b>	<b>-</b>	<b>8,844</b>	<b>8,844</b>
<b>CHANGE IN NET ASSETS</b>	<b>8,737</b>	<b>(1)</b>	<b>8,736</b>
Net assets, beginning of year	56,546	2,760	59,306
Net assets, end of year	<u>\$ 65,283</u>	<u>\$ 2,759</u>	<u>\$ 68,042</u>



Montcalm County, Michigan  
Nonmajor Enterprise Funds  
STATEMENT OF CASH FLOWS  
September 30, 2011

	Inmate Commissary	Building Official	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts from customers	\$ 92,879	\$ 243,225	\$ 336,104
Cash paid to suppliers	(84,858)	(57,397)	(142,255)
Cash paid for fringe benefits	-	(51,026)	(51,026)
Cash paid to employees	-	(149,119)	(149,119)
	8,021	(14,317)	(6,296)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers from other funds	-	8,844	8,844
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of investments	-	(3,962)	(3,962)
Maturity of investments	-	3,959	3,959
Interest revenue	-	4	4
	-0-	1	1
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>			
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
	8,021	(5,472)	2,549
Cash and cash equivalents, beginning of year	59,586	9,885	69,471
Cash and cash equivalents, end of year	\$ 67,607	\$ 4,413	\$ 72,020
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ 8,737	\$ (8,849)	\$ (112)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	-	839	839
(Increase) decrease in:			
Accounts payable	(716)	178	(538)
Accrued liabilities	-	(6,485)	(6,485)
	8,021	(14,317)	(6,296)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			

Montcalm County, Michigan

Internal Service Funds

COMBINING STATEMENT OF FUND NET ASSETS

September 30, 2011

	Office Equipment Pool	Post- Employment Health	Total
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 25,807	\$ 111,131	\$ 136,938
Investments	-	82,727	82,727
Total current assets	25,807	193,858	219,665
Noncurrent assets			
Capital assets, net of accumulated depreciation	1,880	-	1,880
TOTAL ASSETS	27,687	193,858	221,545
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	27	-	27
<b>NET ASSETS</b>			
Invested in capital assets	1,880	-	1,880
Unrestricted	25,780	193,858	219,638
TOTAL NET ASSETS	<u>\$ 27,660</u>	<u>\$ 193,858</u>	<u>\$ 221,518</u>

Montcalm County, Michigan

Internal Service Funds

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

Year Ended September 30, 2011

	Office Equipment Pool	Post- Employment Health	Total
OPERATING REVENUES			
Miscellaneous	\$ -	\$ 27,118	\$ 27,118
OPERATING EXPENSES			
Contractual services	13,390	-	13,390
Supplies	3,242	-	3,242
Other services and charges	-	24,900	24,900
Depreciation	1,879	-	1,879
TOTAL OPERATING EXPENSES	<u>18,511</u>	<u>24,900</u>	<u>43,411</u>
OPERATING INCOME (LOSS)	(18,511)	2,218	(16,293)
NONOPERATING REVENUES			
Interest revenue	<u>-</u>	<u>78</u>	<u>78</u>
INCOME (LOSS) BEFORE TRANSFERS	(18,511)	2,296	(16,215)
TRANSFERS IN	<u>20,000</u>	<u>20,000</u>	<u>40,000</u>
CHANGE IN NET ASSETS	1,489	22,296	23,785
Net assets, beginning of year	<u>26,171</u>	<u>171,562</u>	<u>197,733</u>
Net assets, end of year	<u>\$ 27,660</u>	<u>\$ 193,858</u>	<u>\$ 221,518</u>

Montcalm County, Michigan

Internal Service Funds

COMBINING STATEMENT OF CASH FLOWS

Year Ended September 30, 2011

	Office Equipment Pool	Post- Employment Health	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts from customers	\$ -	\$ 27,118	\$ 27,118
Cash paid to suppliers	(17,265)	-	(17,265)
Cash paid for fringe benefits	-	(24,900)	(24,900)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>(17,265)</b>	<b>2,218</b>	<b>(15,047)</b>
<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>			
Transfers from other funds	20,000	-	20,000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of investments	-	(78)	(78)
Interest revenue	-	78	78
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>2,735</b>	<b>22,218</b>	<b>24,953</b>
Cash and cash equivalents, beginning of year	23,072	88,913	111,985
Cash and cash equivalents, end of year	<u>\$ 25,807</u>	<u>\$ 111,131</u>	<u>\$ 136,938</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>			
Operating income (loss)	\$ (18,511)	\$ 2,218	\$ (16,293)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	1,879	-	1,879
(Decrease) in:			
Accounts payable	(633)	-	(633)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ (17,265)</b>	<b>\$ 2,218</b>	<b>\$ (15,047)</b>

Montcalm County, Michigan

Agency Funds

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

September 30, 2011

	<u>Trust and Agency</u>	<u>Inmate Trust</u>	<u>Library Fund</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 290,287	\$ 13,062	\$ 91,234	\$ 394,583
Investments	2,192,008	-	-	2,192,008
Due from other governmental units	402,362	-	-	402,362
<b>TOTAL ASSETS</b>	<b><u>\$ 2,884,657</u></b>	<b><u>\$ 13,062</u></b>	<b><u>\$ 91,234</u></b>	<b><u>\$ 2,988,953</u></b>
<b>LIABILITIES</b>				
Due to other governmental units				
Federal/State	\$ 2,727,533	\$ -	\$ -	\$ 2,727,533
Local	486	-	91,234	91,720
Due to individuals and agencies	156,638	13,062	-	169,700
<b>TOTAL LIABILITIES</b>	<b><u>\$ 2,884,657</u></b>	<b><u>\$ 13,062</u></b>	<b><u>\$ 91,234</u></b>	<b><u>\$ 2,988,953</u></b>

Montcalm County, Michigan

Component Unit Funds

COMBINING BALANCE SHEET/STATEMENT OF NET ASSETS - DRAINAGE DISTRICTS

September 30, 2011

	Debt Service	Capital	
	Regular Drain	Regular Drain	Drain Revolving
<b>ASSETS</b>			
Cash and cash equivalents	\$ 53,104	\$ 15,740	\$ 170,016
Investments	-	359,500	-
Accounts receivable	-	-	-
Special assessments receivable	1,417,106	-	-
Due from other funds	-	-	-
Due from other governmental units	-	-	-
Capital assets not being depreciated	-	-	-
Capital assets, net of accumulated depreciation	-	-	-
TOTAL ASSETS	\$ 1,470,210	\$ 375,240	\$ 170,016
<b>LIABILITIES AND FUND EQUITY</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ 19,725	\$ -
Accrued wages	-	828	-
Due to other funds	-	-	-
Accrued interest payable	-	-	-
Deferred revenue	1,470,210	-	-
Advances from other governmental units	-	-	170,016
Bonds and notes payable	-	-	-
TOTAL LIABILITIES	1,470,210	20,553	170,016
<b>FUND EQUITY</b>			
Net assets			
Invested in capital assets, net of related debt	-	-	-
Restricted	-	-	-
Fund balances			
Restricted for:			
Capital Projects	-	354,687	-
TOTAL FUND EQUITY	-0-	354,687	-0-
TOTAL LIABILITIES AND FUND EQUITY	\$ 1,470,210	\$ 375,240	\$ 170,016

Drain Maintenance Revolving	Projects		Enterprise			Total
	Lake Level	Lake Level Revolving	Big Whitefish Lake	Little Whitefish Lake	Sidney Sewer Project	
\$ 7,337	\$ 888,484	\$ 14,676	\$ 292,726	\$ 352,854	\$ 244,760	\$ 2,039,697
-	205,901	-	-	-	-	565,401
-	-	806	2,171	10,464	-	13,441
-	-	-	-	139,813	-	1,556,919
-	-	1,518	-	-	-	1,518
-	-	-	-	-	469,281	469,281
-	-	-	75,650	-	5,419,986	5,495,636
-	-	-	517,339	1,953,619	-	2,470,958
<u>\$ 7,337</u>	<u>\$ 1,094,385</u>	<u>\$ 17,000</u>	<u>\$ 887,886</u>	<u>\$ 2,456,750</u>	<u>\$ 6,134,027</u>	<u>\$ 12,612,851</u>
\$ -	\$ 20,221	\$ -	\$ 7,990	\$ 4,745	\$ 469,281	\$ 521,962
-	-	-	-	-	-	828
-	1,518	-	-	-	-	1,518
-	-	-	-	24,946	-	24,946
-	-	-	-	-	-	1,470,210
-	-	17,000	100,350	-	-	287,366
-	-	-	-	1,170,000	3,632,000	4,802,000
-0-	21,739	17,000	108,340	1,199,691	4,101,281	7,108,830
-	-	-	592,989	783,619	1,787,986	3,164,594
-	-	-	186,557	473,440	244,760	904,757
<u>7,337</u>	<u>1,072,646</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,434,670</u>
<u>7,337</u>	<u>1,072,646</u>	<u>-0-</u>	<u>779,546</u>	<u>1,257,059</u>	<u>2,032,746</u>	<u>5,504,021</u>
<u>\$ 7,337</u>	<u>\$ 1,094,385</u>	<u>\$ 17,000</u>	<u>\$ 887,886</u>	<u>\$ 2,456,750</u>	<u>\$ 6,134,027</u>	<u>\$ 12,612,851</u>

Montcalm County, Michigan

Component Unit Funds

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

September 30, 2011

**Total fund balance - governmental funds** \$ 1,434,670

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

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

The cost of capital assets is	\$ 3,887,300	
Accumulated depreciation is	<u>(395,020)</u>	
Capital assets, net		3,492,280

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

Deferred revenue		1,470,210
------------------	--	-----------

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	(2,244,574)	
Accrued interest payable	<u>(19,673)</u>	
		<u>(2,264,247)</u>

**Net assets of governmental activities** \$ 4,132,913



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, 2011

	Debt Service	Capital	
	Regular Drain	Regular Drain	Drain Revolving
REVENUES			
Licenses and permits	\$ -	\$ -	\$ -
Charges for services	-	-	-
Interest	-	480	-
Other			
Special assessments	23,609	313,878	-
Other	-	2,134	-
TOTAL REVENUES	23,609	316,492	-0-
EXPENDITURES			
Current			
Public works	-	367,879	-
Debt service			
Principal	225,991	-	-
Interest and fiscal charges	64,094	-	-
TOTAL EXPENDITURES	290,085	367,879	-0-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(266,476)	(51,387)	-0-
OTHER FINANCING SOURCES (USES)			
Bond proceeds	-	385,000	-
Transfers in	266,476	-	-
Transfers out	-	(266,476)	-
TOTAL OTHER FINANCING SOURCES (USES)	266,476	118,524	-0-
NET CHANGE IN FUND BALANCES	-0-	67,137	-0-
Fund balances, beginning of year	-	418,926	-
Prior period adjustment	-	(131,376)	-
Fund balances, end of year	<u>\$ -0-</u>	<u>\$ 354,687</u>	<u>\$ -0-</u>

Projects			
Drain Maintenance Revolving	Lake Level	Lake Level Revolving	Total
\$ 4,573	\$ -	\$ -	\$ 4,573
6,283	-	-	6,283
-	195	-	675
-	551,957	-	889,444
-	-	-	2,134
10,856	552,152	-0-	903,109
113,807	487,419	-	969,105
-	-	-	225,991
-	-	-	64,094
113,807	487,419	-0-	1,259,190
(102,951)	64,733	-0-	(356,081)
-	-	-	385,000
-	-	-	266,476
-	-	-	(266,476)
-0-	-0-	-0-	385,000
(102,951)	64,733	-0-	28,919
110,288	1,007,913	-	1,537,127
-	-	-	(131,376)
<u>\$ 7,337</u>	<u>\$ 1,072,646</u>	<u>\$ -0-</u>	<u>\$ 1,434,670</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, 2011

**Net change in fund balances - total governmental funds** \$ 28,919

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	269,042	
Depreciation expense	<u>(75,056)</u>	
Excess of capital outlay over depreciation expense		193,986

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		(135,192)
--------------------------------	--	-----------

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:

Bond proceeds	\$ 385,000	
Debt principal retirement	<u>(227,214)</u>	
		(157,786)

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>3,462</u>
--------------------------------------	--	--------------

**Change in net assets of governmental activities** \$ (66,611)

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, 2011

	Enterprise			Total
	Big Whitefish Lake	Little Whitefish Lake	Sidney Sewer Project	
OPERATING REVENUES				
Charges for services	\$ 137,959	\$ 106,342	\$ 381,901	\$ 626,202
Intergovernmental	-	-	1,616,623	1,616,623
Other	51,550	49,707	-	101,257
<b>TOTAL OPERATING REVENUES</b>	<b>189,509</b>	<b>156,049</b>	<b>1,998,524</b>	<b>2,344,082</b>
OPERATING EXPENSES				
Contractual services	60,728	32,514	-	93,242
Other	22,880	21,072	-	43,952
Depreciation	16,956	51,411	-	68,367
<b>TOTAL OPERATING EXPENSES</b>	<b>100,564</b>	<b>104,997</b>	<b>-0-</b>	<b>205,561</b>
<b>OPERATING INCOME</b>	<b>88,945</b>	<b>51,052</b>	<b>1,998,524</b>	<b>2,138,521</b>
NONOPERATING REVENUES (EXPENSES)				
Interest revenue	-	9,076	70	9,146
Interest expense	-	(56,103)	(29,232)	(85,335)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>-0-</b>	<b>(47,027)</b>	<b>(29,162)</b>	<b>(76,189)</b>
<b>CHANGE IN NET ASSETS</b>	<b>88,945</b>	<b>4,025</b>	<b>1,969,362</b>	<b>2,062,332</b>
Net assets, beginning of year	690,601	1,253,034	63,384	2,007,019
Net assets, end of year	<u>\$ 779,546</u>	<u>\$ 1,257,059</u>	<u>\$ 2,032,746</u>	<u>\$ 4,069,351</u>

Montcalm County, Michigan

Component Unit Funds

COMBINING STATEMENT CASH FLOWS - PROPRIETARY FUNDS - DRAINAGE DISTRICTS

Year Ended September 30, 2011

	Enterprise			Total
	Big Whitefish Lake	Little Whitefish Lake	Sidney Sewer Project	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash receipts from users	\$ 187,338	\$ 144,519	\$ 1,529,243	\$ 1,861,100
Cash paid to suppliers	(180,932)	(105,195)	469,281	183,154
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>6,406</b>	<b>39,324</b>	<b>1,998,524</b>	<b>2,044,254</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Capital acquisitions	-	-	(5,019,986)	(5,019,986)
Proceeds from issuance of long-term debt	-	-	3,632,000	3,632,000
Interest expense	-	(56,103)	(29,232)	(85,335)
Payments of borrowings	-	(22,500)	(400,000)	(422,500)
<b>NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>-0-</b>	<b>(78,603)</b>	<b>(1,817,218)</b>	<b>(507,835)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest revenue	-	9,076	70	9,146
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING YEAR</b>	<b>6,406</b>	<b>(30,203)</b>	<b>181,376</b>	<b>157,579</b>
Cash and cash equivalents, beginning of year	286,320	383,057	63,384	732,761
Cash and cash equivalents, end of year	<u>\$ 292,726</u>	<u>\$ 352,854</u>	<u>\$ 244,760</u>	<u>\$ 890,340</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>				
Operating income	\$ 88,945	\$ 51,052	\$ 1,998,524	\$ 2,138,521
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	16,956	51,411	-	68,367
(Increase) in:				
Accounts receivable	(2,171)	(10,464)	-	(12,635)
Due from other governmental units	-	-	(469,281)	(469,281)
Special assessments receivable	-	(1,066)	-	(1,066)
Increase (decrease) in:				
Accounts payable	(97,324)	(51,609)	469,281	320,348
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 6,406</u>	<u>\$ 39,324</u>	<u>\$ 1,998,524</u>	<u>\$ 2,044,254</u>

Montcalm County, Michigan

Component Unit Funds

BALANCE SHEET - CENTRAL DISPATCH AUTHORITY

September 30, 2011

	<u>Special Revenue</u>
ASSETS	
Cash and cash equivalents	\$ 80,197
Investments	120,008
Accounts receivable	<u>290,906</u>
TOTAL ASSETS	<u><u>\$ 491,111</u></u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable	\$ 3,114
Accrued liabilities	<u>15,562</u>
TOTAL LIABILITIES	18,676
FUND BALANCE	
Restricted for:	
Wireless surcharge	248,798
Wireless training	5,774
Public safety	<u>217,863</u>
TOTAL FUND BALANCE	<u>472,435</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 491,111</u></u>

Montcalm County, Michigan

Component Unit Funds

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

September 30, 2011

**Total fund balance - governmental fund** \$ 472,435

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	\$ 707,540	
Accumulated depreciation is	<u>(676,156)</u>	
Capital assets, net		<u>31,384</u>
<b>Net assets of governmental activities</b>		<u><u>\$ 503,819</u></u>

Montcalm County, Michigan

Component Unit Funds

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

Year Ended September 30, 2011

	<u>Special Revenue</u>
REVENUES	
Intergovernmental	\$ 13,500
Charges for services	1,362,456
Interest	<u>194</u>
 TOTAL REVENUES	 1,376,150
EXPENDITURES	
Current	
Public safety	<u>1,287,186</u>
 NET CHANGE IN FUND BALANCE	 88,964
 Fund balance, beginning of year	 <u>383,471</u>
 Fund balance, end of year	 <u><u>\$ 472,435</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, 2011

**Net change in fund balance - governmental fund** \$ 88,964

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:

Depreciation expense (35,576)

**Change in net assets of governmental activities** \$ 53,388

**Montcalm County, Michigan**

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

**September 30, 2011**

Montcalm County, Michigan

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REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT  
AND MATERIAL EFFECT ON 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 Montcalm County, Michigan's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Montcalm County's major federal programs for the year ended September 30, 2011. Montcalm County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program 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 and Montcalm County Road Commission, discretely presented component units, which received \$2,043,364 and \$2,924,738 in federal awards, respectively, which are not included in the Schedule of Expenditures of Federal Awards for the year ended September 30, 2011. Our single audit did not include the operations of the Mid-Michigan District Health Department because the component unit engaged us to perform a separate audit in accordance with OMB Circular A-133. 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, 2011, the Federal aid received and expended by the Road Commission was \$2,770,891 for contracted projects and \$153,847 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 a major federal program 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 compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ending September 30, 2011.

## Internal Control Over Compliance

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 and to test and report on internal control over compliance in accordance with *OMB Circular A-133*, 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 deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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 aggregate 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, 2011, and have issued our report thereon dated July 31, 2012. We did not audit the financial statements of the Montcalm County Road Commission, which represents 66% and 54%, respectively, of the total assets and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the Road Commission, are based solely on the reports of the other auditors.

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 management and the Board of Commissioners of Montcalm County, others within the County, pass-through grantors, and 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

July 31, 2012

Montcalm County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended September 30, 2011

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Expenditures</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Direct Program			
ARRA - Water and Waste Disposal <sup>(c)</sup> System for Rural Communities Grant	10.781	MI-00-08	\$ 1,100,200
Loan		MI-92-07	<u>3,632,000</u>
			4,732,200
Passed-through Michigan Department of Natural Resources Schools and Roads - Grants to States 2011			
	10.665	N/A	<u>5,335</u>
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			4,737,535
<b>U.S. DEPARTMENT OF COMMERCE</b>			
Passed-through Michigan State Police 2007 Public Safety Interoperable Communications Grant			
	11.555	N/A	74,982
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
Passed-through Michigan Department of Commerce Community Development Block Grants (CDBG) State's Program FY 2010/2011 (Housing)			
	14.228	MSC-2010-0765-HOA	95,241
<b>U.S. DEPARTMENT OF JUSTICE</b>			
Direct Program			
ARRA - Edward Byrne Memorial Justice Assistance Grant Program	16.804	2009-SB-B9-1212	642
Passed-through Michigan State Police ARRA -Technology Enhancement Project			
	16.738	201072345	13,500
HEMP Grant	16.804	N/A	302
Passed-through Michigan Department of Community Health Office of Drug Control Policy and City of Big Rapids Edward Byrne Memorial Justice Assistance Grant Program			
	16.738	201070894	<u>26,185</u>
<b>TOTAL U.S. DEPARTMENT OF JUSTICE</b>			40,629
<b>U.S. DEPARTMENT OF ENERGY</b>			
Passed-through Michigan Department of Energy, Labor, and Economic Growth ARRA - Energy Efficiency and Conservation Block Grant Program			
	81.128	BES-10-142	87,538

Montcalm County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended September 30, 2011

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed-through Michigan Department Office on Services to the Aging and Area Agency of Aging of Western Michigan, Inc.			
Title III-D Special Programs for the Aging (Disease Prevention and Health Promotion Services) FY 2010/2011	93.043	51.76	\$ 3,163
Title III-B Special Programs for the Aging <sup>(d)</sup> (Grants for Supportive Services and Senior Centers) FY 2010/2011	93.044	51.76	29,888
Title III-C Special Programs for the Aging <sup>(d)</sup> (Nutrition Services)	93.045		
FY 2010/2011 Nutrition Congregate		61.76	54,304
FY 2010/2011 Nutrition Home Delivered Meals		61.76	<u>73,565</u>
			127,869
Nutrition Services Incentive Programs <sup>(d)</sup>	93.053		
FY 2010/2011 Nutrition Congregate		61.76	9,457
FY 2010/2011 Nutrition Home Delivered Meals		61.76	<u>32,705</u>
			42,162
Title III-E National Family Caregiver Support (Adult Day Care) FY 2010/2011	93.052	51.76	42,168
Passed-through Michigan Department of Human Services			
Child Support Enforcement (Title IV-D)	93.563		
Cooperative Reimbursement - 2011 - Friend of the Court <sup>(a)</sup>		CS/FOC-10-59001	407,467
Cooperative Reimbursement - 2011 - Prosecuting Attorney <sup>(a)</sup>		CS/PA-10-59002	59,895
Federal Incentive Payments <sup>(b)</sup> 2010-2011		N/A	<u>125,828</u>
			<u>593,190</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			838,440

Montcalm County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended September 30, 2011

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed-through Michigan Department of Natural Resources 2010 Marine Safety Grant	97.012	N/A	\$ 38,737
Passed-through Michigan Department of State Emergency Management Performance Grants 2010 Emergency Management Grant	97.042	2010-EP-00-0002	5,005
Passed-through West Michigan Shoreline Regional Development Commission State Homeland Security Grants 2011 Homeland Security Grant Program	97.067	N/A	<u>53,360</u>
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			<u>97,102</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 5,971,467</u>



Montcalm County, Michigan

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

September 30, 2011

**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) - (d) 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) The reimbursements for the IV-D Incentive Payments Program are based on support payments collected. Expenditures have been reported to the extent of earned revenues and are 100% Federal.
- (c) Denotes program tested as a "major program".
- (d) Programs considered to be a cluster by the U.S. Department of Health and Human Services.

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

The following reconciles the federal revenues reported in the September 30, 2011, 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	\$ 59,895	\$ -	\$ -	\$ 59,895
Central Michigan Enforcement Team	26,487	-	-	26,487
Marine Safety	38,737	-	-	38,737
Byrne Justice Grant	4,842	(4,200)	-	642
Other Programs	<u>2,459,599</u>	<u>(2,459,599)</u>	-	<u>-0-</u>
<b>TOTAL GENERAL FUND</b>	2,589,560	(2,463,799)	-0-	125,761
<b>SPECIAL REVENUE FUNDS</b>				
Friend of the Court	616,340	(83,045)	-	533,295
Solid Waste Planning	87,538	-	-	87,538
Homeland Security Grant	95,580	(42,220)	-	53,360
CDBG - Housing	98,050	(2,809)	-	95,241
Commission on Aging	423,592	(178,342)	-	245,250
Other Programs	<u>21,456</u>	<u>(21,456)</u>	-	<u>-0-</u>
<b>TOTAL SPECIAL REVENUE FUNDS</b>	1,342,556	(327,872)	-0-	1,014,684

Montcalm County, Michigan

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

September 30, 2011

**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>
<b>PRIMARY GOVERNMENT - CONTINUED</b>				
<b>ENTERPRISE FUNDS</b>				
Ambulance	\$ 82,509	\$ (2,522)	\$ -	\$ 79,987
<b>TRUST AND AGENCY FUNDS</b>				
Trust and Agency	-	-	5,335 <sup>(a)</sup>	5,335
<b>TOTAL PRIMARY GOVERNMENT</b>	4,014,625	(2,794,193)	5,335	1,225,767
<b>COMPONENT UNITS</b>				
Central Dispatch	13,500	-	-	13,500
Drainage Districts	1,616,623	(516,423)	3,632,000 <sup>(d)</sup>	4,732,200
District Health Department	2,793,253	-	(2,793,253) <sup>(b)</sup>	-0-
Road Commission	8,547,621	-	(8,547,621) <sup>(c)</sup>	-0-
<b>TOTAL COMPONENT UNITS</b>	12,970,997	(516,423)	(7,708,874)	4,745,700
<b>TOTAL REPORTING ENTITY</b>	<u>\$ 16,985,622</u>	<u>\$ (3,310,616)</u>	<u>\$ (7,703,539)</u>	<u>\$ 5,971,467</u>

Following is a summary of the adjustments 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 or expenditures, but recognizes the amounts as expenditures in the Schedule of Expenditures of Federal Awards as of September 30, 2011, 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.
- (d) Represents federal expenditures reported in the financial statements as long-term debt.

Principals

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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, 2011, which collectively comprise Montcalm County's basic financial statements, and have issued our report thereon dated July 31, 2012. Other auditors audited the financial statements of the Montcalm County Road Commission, which represents 66% and 54%, respectively, of the total assets and revenues of the discretely presented component units. This report does not include the results of other auditors' testing of internal controls over financial reporting or compliance and other matters that are reported on separately by those 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 the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies described in the accompanying Schedule of Findings and Questioned Costs as Findings 2011-1 and 2011-2 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency described in the accompanying Schedule of Findings and Questioned Costs as Finding 2011-5 to be a significant deficiency.

## 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 that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as 2011-3, 2011-4, and 2011-5.

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, pass-through grantors, and 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

July 31, 2012

Montcalm County, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended September 30, 2011

**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)?  X  Yes   No

Noncompliance material to financial statements noted?  X  Yes   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:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.781	ARRA - Water and Waste Disposal System for Rural Communities

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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2011-1 MATERIAL JOURNAL ENTRIES PROPOSED BY AUDITORS

Condition: Material journal entries to properly adjust cash, accounts receivable, capital assets, accounts payable, deferred revenue, notes payable, depreciation expense, property tax, and federal revenue were proposed by the auditors. These misstatements were not detected by the County's internal control over financial reporting. These entries were brought to the attention of management and were subsequently recorded in the County's general ledger. A similar issue was noted and reported in our audit comments last year.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year Ended September 30, 2011

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

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2011-1 MATERIAL JOURNAL ENTRIES PROPOSED BY AUDITORS - CONTINUED

Criteria: Management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows, where applicable, including the recording of all appropriate journal entries so that the trial balances reflect amounts that are in conformity with U.S. generally accepted accounting principles. The auditor cannot be a part of internal controls.

Cause: Misstatements were not identified and corrected by management.

Effect: Through the identification of material journal entries that were not otherwise identified by management, the auditors are effectively part of the County's internal controls.

Recommendation: We recommend that the County take steps to ensure that material journal entries are not necessary at the time future audit analysis is performed.

Corrective Action Response: The County will work toward having all material journal entries completed before auditing fieldwork commences in the future.

2011-2 CASH RECONCILIATIONS

Condition: During our audit, it was noted that the pooled cash account was not reconciled timely and contained unresolved differences. A similar issue was noted and reported in our audit comments last year.

Criteria: Control procedures should be in place to ensure that cash reconciliations are completed and reviewed in a timely manner and all reconciling items resolved or supported.

Cause: Material differences in interfund transactions resulted in differences within the cash reconciliation.

Effect: Unresolved differences on cash reconciliations could result in misstatements, whether caused by error or fraud, in the financial statements that would go undetected. Additionally, reconciling items that are not resolved timely can become stale and are often more difficult to resolve as time passes.

Recommendation: We recommend that cash reconciliations be completed within one month of receiving the statements from the financial institutions and all differences be investigated and resolved in a timely manner.

Corrective Action Response: Management of the County is currently in the progress of researching and establishing procedures to provide greater and more timely control over cash reconciliations.

2011-3 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 seven (7) 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.

Cause: The County did not amend its budget when it became apparent spending was going to exceed the amounts appropriated in the over budget areas.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year Ended September 30, 2011

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

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2011-3 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 continually reviewing and modifying procedures related to budgetary compliance in accordance with State law.

2011-4 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.

Cause: The County did not escheat unclaimed property to the State of Michigan.

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.

2011-5 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, 2011, the audited financial statements are approximately four (4) 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.

Cause: The County was unable to reconcile some of its accounts prior to the six (6) month deadline for submission of the annual financial report.

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. In addition, for financial information to be beneficial to the users of the financial statements it needs to be timely, when the audit is submitted so late it becomes less beneficial.

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

Corrective Action Response: The County will attempt to have year-end financial information available for audit in a timely manner so the County's audited financial statements may be released prior to the State's deadline.

Montcalm County, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year Ended September 30, 2011

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

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None noted.



Montcalm County, Michigan

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended September 30, 2011

FINDINGS/NONCOMPLIANCE

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

2010-1 MATERIAL JOURNAL ENTRIES PROPOSED BY AUDITORS

Condition: Material journal entries to properly adjust cash, accounts receivable, interfund receivables and payables, capital assets, accounts payable, depreciation expense, and property tax revenue were proposed by the auditors. These misstatements were not detected by the County's internal control over financial reporting. These entries were brought to the attention of management and were subsequently recorded in the County's general ledger.

Resolution: This issue is evaluated separately each year and was not resolved during the current audit. This condition is reported for 2011.

2010-2 CASH RECONCILIATIONS

Condition: During our audit, it was noted that the pooled cash account was not reconciled timely and contained unresolved differences.

Resolution: This issue was not resolved during the current audit. This condition is reported for 2011.

2010-3 LACK OF SUPPORTING DOCUMENTATION

Condition: During the audit, it was noted that the Drains Department does not submit invoices with payment requests to the Controller's office. Invoices were not accrued appropriately at year end and the financial statements would have been materially misstated if not found by the auditors.

Resolution: This issue was not noted in the current year audit. We consider this issue resolved.

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

2010-4 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 seven (7) Special Revenue Funds.

Resolution: This issue was not resolved during the current audit. This condition is reported for 2011.

2010-5 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.

Resolution: This issue was not resolved during the current audit. This condition is reported for 2011

2010-6 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, 2010, the audited financial statements are approximately five (5) months delinquent to the State of Michigan.

Montcalm County, Michigan

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - CONTINUED

Year Ended September 30, 2011

Findings Related to Compliance with Requirements Applicable to the Financial Statements - Continued

2010-6 DELINQUENT ANNUAL FINANCIAL REPORT - CONTINUED

Resolution: This issue is evaluated separately each year and was not resolved during the current audit. This condition is reported for 2011.

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.