

Montcalm County, Michigan

FINANCIAL STATEMENTS

September 30, 2012

Montcalm County, Michigan

September 30, 2012

BOARD OF COMMISSIONERS

Patrick Q. Carr	Chairperson
Ronald Retzloff	Vice-Chairperson
Steve DeWitt	Commissioner
Ronald Blanding	Commissioner
Tom Lindeman	Commissioner
John Johansen	Commissioner
Ronald Braman	Commissioner
Ronald Baker	Commissioner
Betty Kellenberger	Commissioner

ADMINISTRATION AND OTHER ELECTED OFFICIALS

Chris Hyzer	Controller/Administrator
JoAnne Vukin	Treasurer
Kristen Millard	Clerk
Lori Wilson	Register of Deeds
Sandy Raines	Drain Commissioner
Andrea Krause	Prosecuting Attorney
William Barnwell	Sheriff

Montcalm County, Michigan

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Principals

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



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

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, 2012, 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 65% of the assets and 53% of the revenues of the aggregate discretely presented 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, 2012, and the respective changes in financial position, and, where applicable, cash flows 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 September 10, 2013, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of funding progress, and schedule of employer contributions, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Montcalm County's basic financial statements as a whole. 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 accompanying other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

September 10, 2013

Management's Discussion and Analysis

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, 2012. 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 during the 2012 fiscal year. Net Assets decreased \$664,357 to \$2,224,558, a 22.99% decrease. Unrestricted net assets decreased from \$1,381,342 to (\$270,923), a 119% decrease.
- Business-Type Activities Net Assets increased \$426,966 to \$12,844,077, a 3.44% increase. Unrestricted Net Assets increased from \$11,532,448 to \$11,948,126.
- Governmental Activities expenses totaled \$20,027,700. \$8,480,942 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 \$10,882,401.
- The Ambulance Fund expenses totaled \$3,371,223. Service charges and grants financed \$2,358,703 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 \$1,364,309. The revenues exceeded expenses by \$1,158,204 before considering interest earnings and other revenue generated by the funds.
- The depreciated cost of the governmental capital assets at September 30, 2012, was \$9,806,324.
- The Ambulance Fund generated a positive cash flow of \$106,690 during fiscal year 2012.
- Pension Trust Fund net assets increased from \$16,732,217 to \$19,081,615. This was primarily due to the increase 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

Fund Statements				
<i>Type of Statements</i>	Government-wide	Government Funds	Proprietary Fund	Fiduciary Funds
<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"> • Statement of net assets 	<ul style="list-style-type: none"> • Balance sheet 	<ul style="list-style-type: none"> • Statement of net assets 	<ul style="list-style-type: none"> • Statement of fiduciary net assets
	<ul style="list-style-type: none"> • Statement of activities 	<ul style="list-style-type: none"> • Statement of revenues, expenditures & changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of changes in fiduciary net assets
<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 1.55% to \$15,068,635 at September 30, 2012. (See Table A-1)

Table A-1
Montcalm County Net Assets

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2011-2012
	2012	2011	2012	2011	2012	2011	
Current and other assets	\$ 4,358,132	\$ 4,695,536	\$ 12,066,940	\$ 11,623,834	\$ 16,425,072	\$ 16,319,370	0.6%
Capital assets	9,806,324	10,531,843	968,996	978,578	10,775,320	11,510,421	-6.4%
Total assets	14,164,456	15,227,379	13,035,936	12,602,412	27,200,392	27,829,791	-2.3%
Current liabilities	1,932,170	2,020,337	138,544	112,256	2,070,714	2,132,593	-2.9%
Noncurrent liabilities	10,007,728	9,340,540	53,315	73,045	10,061,043	9,413,585	6.9%
Total liabilities	11,939,898	11,360,877	191,859	185,301	12,131,757	11,546,178	5.1%
Net Assets							
Invested in capital assets, net of related debt	554,114	697,352	895,951	884,663	1,450,065	1,582,015	-8.3%
Restricted	1,941,367	1,787,808	-	-	1,941,367	1,787,808	8.6%
Unrestricted	(270,923)	1,381,342	11,948,126	11,532,448	11,677,203	12,913,790	-9.6%
Total net assets	\$ 2,224,558	\$ 3,866,502	\$ 12,844,077	\$ 12,417,111	\$ 15,068,635	\$ 16,283,613	-9%

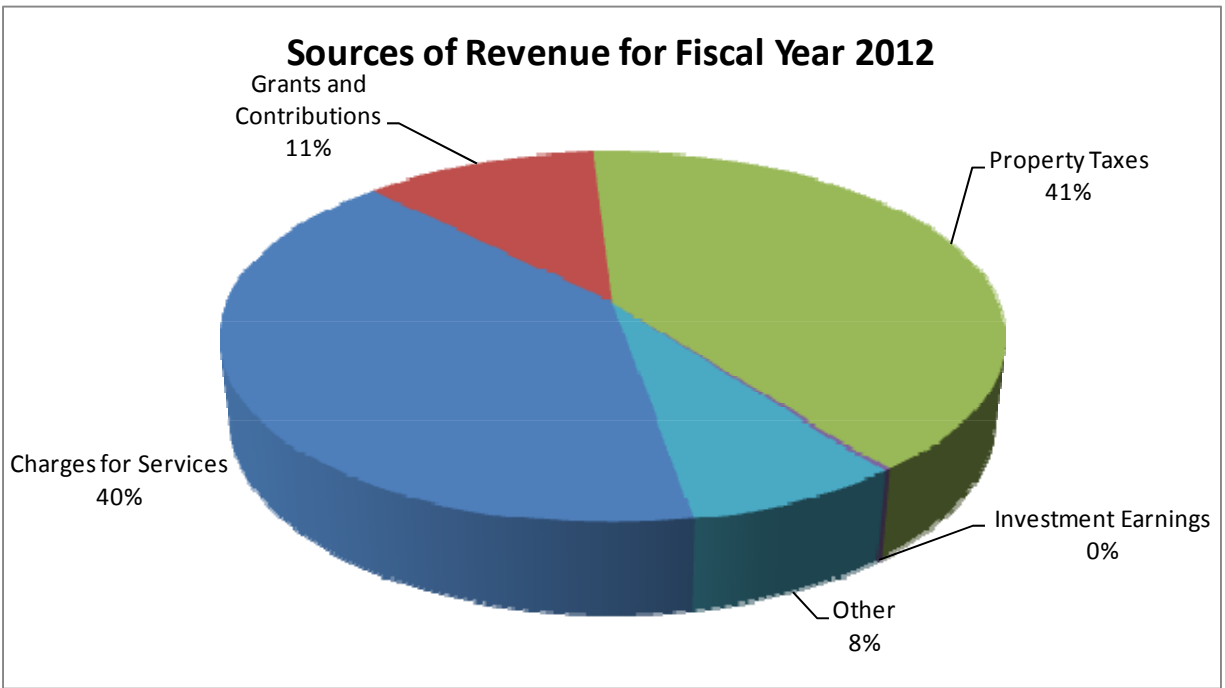
Of the total Current and Other Assets figure of \$16,425,072, \$8,792,374 is cash, cash equivalents, and investments. That represents 54% of the total Current and Other Assets. Of the total cash, cash equivalents, and investments amount, \$3,392,855 was in the Delinquent Tax Revolving Fund. The fund's 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 \$6,406,921 represent another 39% of the Current and Other Assets.

The total depreciated cost of capital assets reported in the governmental activities statement of net assets is \$9,806,324, compared to \$10,531,843 in the previous year. The gross cost of those assets is \$25,256,067, compared to \$25,095,749 at the end of the previous year. The accumulated depreciation on those assets is \$15,449,743, compared to \$14,603,802 at the end of the previous year.

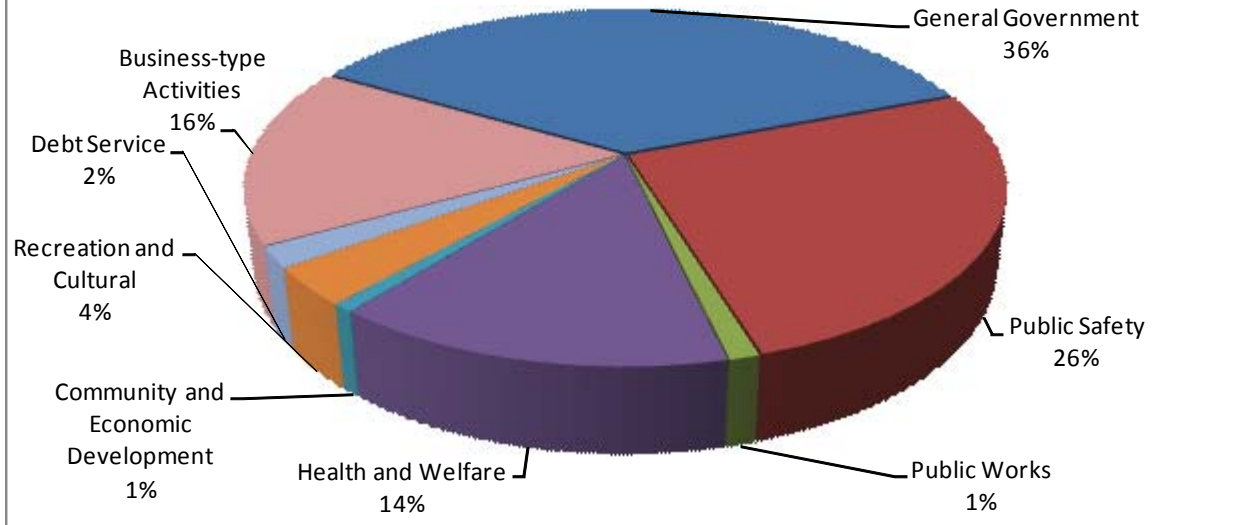
Changes in net assets. The County's net assets decreased by \$237,391 (See Table A-2). Governmental activities net assets decreased \$664,357. Business-type activities net assets increased by \$426,966.

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2011-2012
	2012	2011	2012	2011	2012	2011	
Revenues							
Program Revenues							
Charges for Services	\$ 5,533,880	\$ 4,629,256	\$ 4,047,075	\$ 4,155,206	\$ 9,580,955	\$ 8,784,462	9%
Operating Grants and Contributions	2,685,017	3,037,541	27,177	82,509	2,712,194	3,120,050	-13%
Capital Grants and Contributions	262,045	-	-	-	262,045	-	100%
General Revenues							
Property Taxes	8,502,289	9,688,363	1,098,076	1,113,572	9,600,365	10,801,935	-11%
State Shared Revenue	945,462	-	-	-	945,462	-	100%
Investment earnings	32,963	9,193	23,364	18,085	56,327	27,278	106%
Other	494,557	257,451	72,293	86,033	566,850	343,484	65%
Total Revenues	18,456,213	17,621,804	5,267,985	5,455,405	23,724,198	23,077,209	3%
Expenses							
General Government	8,582,754	8,720,455	-	-	8,582,754	8,720,455	-2%
Public Safety	6,253,497	6,175,183	-	-	6,253,497	6,175,183	1%
Public Works	262,959	250,082	-	-	262,959	250,082	5%
Health and Welfare	3,461,267	3,274,942	-	-	3,461,267	3,274,942	6%
Community and Economic Develop.	182,608	186,139	-	-	182,608	186,139	-2%
Recreation and Cultural	828,336	920,479	-	-	828,336	920,479	-10%
Debt Service	456,279	485,754	-	-	456,279	485,754	-6%
Delinquent Tax	-	-	206,105	211,456	206,105	211,456	-3%
Jail Commissary	-	-	93,582	84,142	93,582	84,142	11%
Building Official	-	-	262,979	252,074	262,979	252,074	4%
Ambulance	-	-	3,371,223	3,361,424	3,371,223	3,361,424	0%
Total Expenses	20,027,700	20,013,034	3,933,889	3,909,096	23,961,589	23,922,130	0%
Excess (deficiency) before transfers	(1,571,487)	(2,391,230)	1,334,096	1,546,309	(237,391)	(844,921)	-72%
Transfers	907,130	1,658,148	(907,130)	(1,658,148)	-	-	
Increase (decrease) in net assets	<u>\$ (664,357)</u>	<u>\$ (733,082)</u>	<u>\$ 426,966</u>	<u>\$ (111,839)</u>	<u>\$ (237,391)</u>	<u>\$ (844,921)</u>	<u>-72%</u>

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 2012



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, 2012, the County's governmental funds reported a total Fund Balance of \$3,087,927. Of that amount, \$545,121 was nonspendable, \$1,677,056 was restricted, \$83 was assigned, and \$857,667 was unassigned.

General Fund. The total General Fund Balance decreased by \$257,277 to (\$1,146,560) at September 30, 2012. The decrease is allocated to the following categories of Fund Balance:

Nonspendable	\$ 18,171
Restricted	-
Assigned	(113)
Unassigned	<u>(275,335)</u>
	<u>\$ (257,277)</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 \$275,335 to \$866,359 at September 30, 2012. The year-end unassigned fund balance figure represents (16.2%) of 2012 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 more than the final amended budget by \$289,208. General Fund revenue for 2012 totaled \$13,532,859 vs. \$12,782,133 in 2011, a \$750,726 increase. 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 \$194,539. General Fund expenditures totaled \$13,661,130 in 2012 vs. \$14,179,793 in 2011, a \$518,663 decrease.

Special Revenue Funds. The Special Revenue Funds in total ended the 2012 fiscal year with a fund balance of \$1,022,740. 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, 2012, as compared to September 30, 2011, are as follows:

Fund	2012 Fund Balance	2011 Fund Balance	Change
Victim Support Team	\$ 1,711	\$ 1,209	\$ 502
Law Enforcement Trust	32,317	38,703	(6,386)
Friend of the Court	605	1,431	(826)
Solid Waste Planning	186,753	203,658	(16,905)
Homeland Security Grant	35,985	-	35,985
Community Information Systems	19,722	20,327	(605)
Homestead Property Tax	350,238	329,050	21,188
Register of Deeds Automation	273,414	234,080	39,334
Local CO Training	15,125	35,741	(20,616)
Drug Law Enforcement	10,683	10,309	374
Law Enforcement Trust	462	461	1
Law Library	8,027	8,260	(233)
County Libraries	5,658	2,856	2,802
Animal Shelter Donation	10,207	8,121	2,086
CDBG Housing	12,246	559	11,687
Commission on Aging	2,822	19,760	(16,938)
Soldiers and Sailors Relief	55,055	43,922	11,133
Veterans Trust	710	8,747	(8,037)
Social Welfare	1,000	1,000	-
Total	<u>\$ 1,022,740</u>	<u>\$ 968,194</u>	<u>\$ 54,546</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, 2012, of \$12,844,077. Of that amount, \$895,951 was invested in capital assets, net of related debt. Internal Service Funds had net assets of \$200,563 at September 30, 2012, with \$8,896 of that amount invested in capital assets, net of related debt.

Enterprise Funds. The Ambulance Fund had net assets of \$1,987,901 at September 30, 2012. Of that amount, \$894,337 was invested in capital assets, net of related debt. The net assets increased by \$88,019 during the 2012 fiscal year. The Ambulance Fund financial results compared to the prior fiscal year are as follows:

	<u>Sept. 30, 2012</u>	<u>Sept. 30, 2011</u>
Operating Revenues	\$ 2,361,185	\$ 2,549,672
Operating Expenses	<u>3,371,223</u>	<u>3,361,424</u>
Operating Income (Loss)	(1,010,038)	(811,752)
Nonoperating Revenues	<u>1,098,135</u>	<u>1,123,308</u>
Income (Loss) Before Transfers	88,097	311,556
Transfers In (Out)	<u>(78)</u>	<u>(229)</u>
Change in Net Assets	<u>\$ 88,019</u>	<u>\$ 311,327</u>

The Delinquent Tax Revolving Fund had net assets of \$10,784,502 at the end of the 2012 fiscal year. The net assets increased \$335,315 during the fiscal year. The fund generated a net income before transfers of \$1,251,315 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	\$ 7,235,379	\$ 7,235,379	\$ -	0.00%
Licenses and Permits	149,060	149,060	-	0.00%
Intergovernmental	2,231,765	2,231,765	-	0.00%
Charges for Services	3,099,610	3,224,610	125,000	4.03%
Fines or Forfeits	110,100	110,100	-	0.00%
Interest and Rents	12,750	12,750	-	0.00%
Other	279,987	279,987	-	0.00%
Other Financing Sources	<u>990,057</u>	<u>1,290,057</u>	<u>300,000</u>	<u>30.30%</u>
Total Revenue and Other Financing Sources	<u>\$ 14,108,708</u>	<u>\$ 14,533,708</u>	<u>\$ 425,000</u>	3.01%
Expenditures				
General Government	\$ 6,945,605	\$ 7,044,986	\$ 99,381	1.43%
Public Safety	5,382,191	5,531,541	149,350	2.77%
Public Works	70,867	77,867	7,000	9.88%
Health and Welfare	889,030	937,800	48,770	5.49%
Community and Economic Development	18,824	28,474	9,650	51.26%
Other	250,000	175,000	(75,000)	-30.00%
Debt Service	60,000	60,000	-	0.00%
Other Financing Uses	<u>905,688</u>	<u>1,206,688</u>	<u>301,000</u>	<u>33.23%</u>
Total Expenditures and Other Financing Uses	<u>\$ 14,522,205</u>	<u>\$ 15,062,356</u>	<u>\$ 540,151</u>	3.72%

Description of Significant Capital Asset and Long-Term Debt Activity

As of the 2012 fiscal year, the County had invested over \$25 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	434,092
Equipment and Furniture	1,720,697	858,697
Vehicles	806,126	1,939,507
Total at Historical Cost	<u>\$ 25,256,067</u>	<u>\$ 3,232,296</u>

The depreciated value of the assets in total as of September 30, 2012, for Governmental Activities and Business-type Activities was \$9,806,324 and \$968,996, respectively. Capital Asset additions totaled \$120,422 for the Governmental Activities and \$317,838 for the Business-type Activities.

As of September 30, 2012, the County, excluding its component units, had \$9,629,135 in long-term debt outstanding. Of the approximate \$9.6 million in debt remaining, \$.785 million and \$8.895 million remains outstanding from the 2000 and 2005 Building Authority Bonds, respectively. Debt related to compensated absences (vacation and sick leave) totaled another \$303,880.

Economic Factors and Next Year's Budget and Rates

The County considered these factors in preparing the budget for 2013. 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, 2012

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 1,037,337	\$ 4,832,856	\$ 5,870,193	\$ 4,209,192
Cash and cash equivalents - restricted	-	-	-0-	105,006
Investments	393,615	2,528,566	2,922,181	686,158
Receivables	2,883,241	2,718	2,885,959	1,725,043
Delinquent taxes receivable	-	3,520,962	3,520,962	-
Internal balances	(681,504)	681,504	-0-	-
Due from other governmental units	279,710	563,490	843,200	2,749,318
Inventories	-	-	-0-	809,911
Deferred expenses	-	-	-0-	12,774
Prepays	94,399	812	95,211	102,822
Total current assets	4,006,798	12,130,908	16,137,706	10,400,224
Noncurrent assets				
Investments - restricted	-	-	-0-	282,834
Contract receivable	-	-	-0-	251,000
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	4,811,232
Capital assets, net of accumulated depreciation	9,725,167	968,996	10,694,163	40,343,780
Total noncurrent assets	10,157,658	905,028	11,062,686	45,688,846
TOTAL ASSETS	14,164,456	13,035,936	27,200,392	56,089,070
LIABILITIES				
Current liabilities				
Accounts payable	432,425	74,379	506,804	718,439
Accrued liabilities	148,937	36,837	185,774	364,021
Due to other governmental units	-	-	-0-	51,791
Due to others	404,426	-	404,426	-
Accrued interest payable	168,988	-	168,988	41,560
Unearned revenue	-	-	-0-	695,612
Current portion of compensated absences	251,840	6,458	258,298	299,470
Current portion of long-term debt	525,554	20,870	546,424	568,714
Total current liabilities	1,932,170	138,544	2,070,714	2,739,607
Noncurrent liabilities				
Advances from other governmental units	-	-	-0-	441,575
Noncurrent portion of compensated absences	44,442	1,140	45,582	208,143
Noncurrent portion of long-term debt	8,726,656	52,175	8,778,831	6,226,868
Net other post-employment benefits obligation	28,368	-	28,368	185,851
Net pension liability	1,208,262	-	1,208,262	-
Total noncurrent liabilities	10,007,728	53,315	10,061,043	7,062,437
TOTAL LIABILITIES	11,939,898	191,859	12,131,757	9,802,044
NET ASSETS				
Invested in capital assets, net of related debt	554,114	895,951	1,450,065	38,359,430
Restricted	1,941,367	-	1,941,367	7,927,596
Unrestricted	(270,923)	11,948,126	11,677,203	-
TOTAL NET ASSETS	\$ 2,224,558	\$ 12,844,077	\$ 15,068,635	\$ 46,287,026

See accompanying notes to financial statements.

Montcalm County, Michigan
STATEMENT OF ACTIVITIES
Year Ended September 30, 2012

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Units
	Expenses	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	\$ 8,582,754	\$ 3,208,707	\$ 1,077,060	\$ 60,578	\$ (4,236,409)	\$ -	\$ (4,236,409)	\$ -
Public safety	6,253,497	1,191,712	753,882	191,994	(4,115,909)	-	(4,115,909)	-
Public works	262,959	164,112	-	-	(98,847)	-	(98,847)	-
Health and welfare	3,461,267	947,619	689,139	-	(1,824,509)	-	(1,824,509)	-
Community and economic development	182,608	880	164,936	9,473	(7,319)	-	(7,319)	-
Recreation and culture	828,336	20,850	-	-	(807,486)	-	(807,486)	-
Interest on long-term debt	456,279	-	-	-	(456,279)	-	(456,279)	-
Total governmental activities	20,027,700	5,533,880	2,685,017	262,045	(11,546,758)	-0-	(11,546,758)	-0-
Business-type activities								
Delinquent tax	206,105	1,364,309	-	-	-	1,158,204	1,158,204	-
Inmate Commissary	93,582	99,973	-	-	-	6,391	6,391	-
Building Official	262,979	251,267	-	-	-	(11,712)	(11,712)	-
Ambulance	3,371,223	2,331,526	27,177	-	-	(1,012,520)	(1,012,520)	-
Total business-type activities	3,933,889	4,047,075	27,177	-0-	-0-	140,363	140,363	-0-
Total primary government	\$ 23,961,589	\$ 9,580,955	\$ 2,712,194	\$ 262,045	(11,546,758)	140,363	(11,406,395)	-0-
Component units								
Drainage Districts	\$ 1,249,560	\$ 281,879	\$ -	\$ 1,592,262	-	-	-0-	624,581
Central Dispatch Authority	1,486,010	1,667,729	700	-	-	-	-0-	182,419
District Health Department	5,245,602	1,286,102	3,279,918	-	-	-	-0-	(679,582)
Road Commission	10,386,943	1,509,472	5,372,423	4,319,242	-	-	-0-	814,194
Total component units	\$ 18,368,115	\$ 4,745,182	\$ 8,653,041	\$ 5,911,504	-0-	-0-	-0-	941,612
General revenues								
Taxes					8,502,289	1,098,076	9,600,365	-
State shared revenue					945,462	-	945,462	-
Investment earnings					32,963	23,364	56,327	12,982
County appropriations					-	-	-0-	1,329,314
Cigarette tax					-	-	-0-	8,250
Other					494,557	72,293	566,850	47,356
Transfers					907,130	(907,130)	-0-	-
Total general revenues and transfers					10,882,401	286,603	11,169,004	1,397,902
Change in net assets					(664,357)	426,966	(237,391)	2,339,514
Restated net assets, beginning of the year					2,888,915	12,417,111	15,306,026	43,947,512
Net assets, end of the year					\$ 2,224,558	\$ 12,844,077	\$ 15,068,635	\$ 46,287,026

See accompanying notes to financial statements.

Montcalm County, Michigan

Governmental Funds

BALANCE SHEET

September 30, 2012

	General	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ (421,370)	\$ 1,349,682	\$ 928,312
Investments	33,043	277,742	310,785
Accounts receivable	919,149	162,303	1,081,452
Taxes receivable	1,709,039	-	1,709,039
Land contract receivable	46,375	46,375	92,750
Due from other funds	1,269	29,478	30,747
Due from other governmental units - Federal/State	213,007	66,703	279,710
Advances to other funds	-	164,318	164,318
Advances to other governmental units	187,016	-	187,016
Prepays	93,102	1,297	94,399
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 2,780,630</u>	<u>\$ 2,097,898</u>	<u>\$ 4,878,528</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 368,780	\$ 63,457	\$ 432,237
Accrued wages	120,853	21,934	142,787
Accrued liabilities	-	6,150	6,150
Due to other funds	693,636	18,615	712,251
Due to others	404,426	-	404,426
Deferred revenue	46,375	46,375	92,750
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	1,634,070	156,531	1,790,601
FUND BALANCES			
Nonspendable	280,118	265,003	545,121
Restricted	-	1,677,056	1,677,056
Assigned	83	-	83
Unassigned	866,359	(692)	865,667
	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES	<u>1,146,560</u>	<u>1,941,367</u>	<u>3,087,927</u>
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,780,630</u>	<u>\$ 2,097,898</u>	<u>\$ 4,878,528</u>

See accompanying notes to financial statements.

Montcalm County, Michigan

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

September 30, 2012

Total fund balance - governmental funds **\$ 3,087,927**

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	\$ 25,256,067	
Accumulated depreciation is	<u>(15,449,743)</u>	
Capital assets, net		9,806,324

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	200,563	
Net capital assets of Internal Service Funds included in total capital assets above	<u>(8,896)</u>	
		191,667

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		92,750
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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		427,790
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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	(9,680,000)	
Accrued interest payable	(168,988)	
Compensated absences	(296,282)	
Net other post-employment benefits obligation	(28,368)	
Net pension liability	<u>(1,208,262)</u>	
		<u>(11,381,900)</u>

Net assets of governmental activities **\$ 2,224,558**

Montcalm County, Michigan

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended September 30, 2012

	General	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Property taxes	\$ 6,980,408	\$ 1,521,880	\$ 8,502,288
Licenses and permits	142,949	7,251	150,200
Intergovernmental	2,380,400	1,485,221	3,865,621
Charges for services	3,114,869	437,495	3,552,364
Fines and forfeits	63,968	6,500	70,468
Interest and rents	786,763	993,478	1,780,241
Other	379,681	195,000	574,681
TOTAL REVENUES	13,849,038	4,646,825	18,495,863
EXPENDITURES			
Current			
General government	6,940,252	926,138	7,866,390
Public safety	5,529,116	199,028	5,728,144
Public works	76,624	181,423	258,047
Health and welfare	1,967,978	1,366,879	3,334,857
Community and economic development	25,053	154,144	179,197
Recreation and culture	20,928	782,453	803,381
Other	115,179	-	115,179
Capital outlay	-	326,484	326,484
Debt service	56,141	994,506	1,050,647
TOTAL EXPENDITURES	14,731,271	4,931,055	19,662,326
EXCESS OF REVENUES (UNDER) EXPENDITURES	(882,233)	(284,230)	(1,166,463)
OTHER FINANCING SOURCES (USES)			
Transfers in	1,006,226	368,322	1,374,548
Transfers out	(381,270)	(96,148)	(477,418)
TOTAL OTHER FINANCING SOURCES (USES)	624,956	272,174	897,130
NET CHANGE IN FUND BALANCES	(257,277)	(12,056)	(269,333)
Fund balances, beginning of year	1,403,837	1,953,423	3,357,260
Fund balances, end of year	<u>\$ 1,146,560</u>	<u>\$ 1,941,367</u>	<u>\$ 3,087,927</u>

See accompanying notes to 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, 2012

Net change in fund balances - total governmental funds \$ (269,333)

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	\$ 120,422	
Depreciation expense	<u>(845,941)</u>	
Excess of depreciation expense over capital outlay		(725,519)

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 from governmental activities accounted for in Internal Service Funds	(20,955)	
Depreciation expense of Internal Service Funds included in the total above	4,103	
Additions to capital assets of internal service funds included in the total above	<u>(11,119)</u>	
		(27,971)

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>616,727</u>	
		582,281

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	12,087	
Decrease in accrued compensated absences	22,239	
Decrease in other post-employment benefits obligation	12,184	
(Increase) in net pension liability	<u>(230,675)</u>	
		<u>(184,165)</u>

Change in net assets of governmental activities \$ (664,357)

See accompanying notes to financial statements.

Montcalm County, Michigan
Proprietary Funds
STATEMENT OF NET ASSETS
September 30, 2012

	Business-type	
	Delinquent Tax Revolving	Ambulance
ASSETS		
Current assets		
Cash and cash equivalents	\$ 3,392,855	\$ 1,366,888
Investments	2,522,623	1,975
Accounts receivable	2,718	-
Delinquent taxes receivable, net	3,520,962	-
Due from other governmental units - local	563,490	-
Due from other funds	681,504	-
Prepays	-	812
	10,684,152	1,369,675
Noncurrent assets		
Advances to other governmental units	100,350	-
Capital assets, net of accumulated depreciation	-	967,382
	100,350	967,382
TOTAL ASSETS	10,784,502	2,337,057
LIABILITIES		
Current liabilities		
Accounts payable	-	70,872
Accrued wages	-	33,323
Current portion of compensated absences	-	6,458
Current portion of long-term debt	-	20,870
	-0-	131,523
Noncurrent liabilities		
Advances from other funds	-	164,318
Noncurrent portion of compensated absences	-	1,140
Noncurrent portion of long-term debt	-	52,175
	-0-	217,633
TOTAL LIABILITIES	-0-	349,156
NET ASSETS		
Invested in capital assets, net of related debt	-	894,337
Unrestricted	10,784,502	1,093,564
	10,784,502	1,987,901
TOTAL NET ASSETS	\$ 10,784,502	\$ 1,987,901

See accompanying notes to financial statements.

Activities		Governmental
Nonmajor Enterprise Funds	Total	Internal Service Funds
\$ 73,113	\$ 4,832,856	\$ 109,025
3,968	2,528,566	82,830
-	2,718	-
-	3,520,962	-
-	563,490	-
-	681,504	-
-	812	-
77,081	12,130,908	191,855
-	100,350	-
1,614	968,996	8,896
1,614	1,069,346	8,896
78,695	13,200,254	200,751
3,507	74,379	188
3,514	36,837	-
-	6,458	-
-	20,870	-
7,021	138,544	188
-	164,318	-
-	1,140	-
-	52,175	-
-0-	217,633	-0-
7,021	356,177	188
1,614	895,951	8,896
70,060	11,948,126	191,667
\$ 71,674	\$ 12,844,077	\$ 200,563

Montcalm County, Michigan

Proprietary Funds

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

Year Ended September 30, 2012

	Business-type	
	Delinquent Tax Revolving	Ambulance
OPERATING REVENUES		
Charges for services	\$ 747,312	\$ 2,331,526
Sales	-	-
Intergovernmental - Federal/State	-	27,177
Penalties and interest on delinquent taxes	616,997	-
Other	69,811	2,482
	<u>1,434,120</u>	<u>2,361,185</u>
TOTAL OPERATING REVENUES	1,434,120	2,361,185
OPERATING EXPENSES		
Personal services	-	1,697,890
Fringe benefits	-	634,077
Operating supplies	46,776	317,098
Contractual services	154,175	72,924
Repairs and maintenance	-	114,898
Insurance	-	31,259
Vehicle expense	-	2,630
Communications	-	7,350
Utilities	-	10,322
Training	-	8,807
Indirect operating	5,154	140,111
Other	-	8,423
Depreciation	-	325,434
	<u>206,105</u>	<u>3,371,223</u>
TOTAL OPERATING EXPENSES	206,105	3,371,223
OPERATING INCOME (LOSS)	1,228,015	(1,010,038)
NONOPERATING REVENUES		
Tax revenue	-	1,098,076
Interest revenue	23,300	59
	<u>23,300</u>	<u>1,098,135</u>
TOTAL NONOPERATING REVENUES	23,300	1,098,135
INCOME (LOSS) BEFORE TRANSFERS	1,251,315	88,097
TRANSFERS		
Transfers in	-	-
Transfers out	(916,000)	(78)
	<u>(916,000)</u>	<u>(78)</u>
TOTAL TRANSFERS	(916,000)	(78)
CHANGE IN NET ASSETS	335,315	88,019
Net assets, beginning of year	<u>10,449,187</u>	<u>1,899,882</u>
Net assets, end of year	<u>\$ 10,784,502</u>	<u>\$ 1,987,901</u>

See accompanying notes to financial statements.

Activities		Governmental
Nonmajor Enterprise Funds	Total	Internal Service Funds
\$ 251,267	\$ 3,330,105	\$ -
99,973	99,973	-
-	27,177	-
-	616,997	-
-	72,293	26,938
<u>351,240</u>	<u>4,146,545</u>	<u>26,938</u>
158,038	1,855,928	-
55,982	690,059	-
85,069	448,943	2,731
6,584	233,683	13,619
-	114,898	-
2,832	34,091	-
172	2,802	-
174	7,524	-
-	10,322	-
-	8,807	-
-	145,265	-
45,724	54,147	37,543
1,986	327,420	4,103
<u>356,561</u>	<u>3,933,889</u>	<u>57,996</u>
(5,321)	212,656	(31,058)
-	1,098,076	-
5	23,364	103
<u>5</u>	<u>1,121,440</u>	<u>103</u>
(5,316)	1,334,096	(30,955)
8,948	8,948	10,000
-	(916,078)	-
<u>8,948</u>	<u>(907,130)</u>	<u>10,000</u>
3,632	426,966	(20,955)
68,042	12,417,111	221,518
<u>\$ 71,674</u>	<u>\$ 12,844,077</u>	<u>\$ 200,563</u>

Montcalm County, Michigan

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended September 30, 2012

	Business-type	
	Delinquent Tax Revolving	Ambulance
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	\$ 1,585,255	\$ 2,334,008
Cash receipts from federal operating grants	-	27,177
Cash receipts from other governmental units	39,560	-
Cash paid to suppliers	(206,105)	(688,726)
Cash paid for fringe benefits	-	(634,077)
Cash paid to employees	-	(1,692,720)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	1,418,710	(654,338)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
(Receipt) of interfund balances	(838,519)	-
Transfers to other funds	(916,000)	(78)
Tax revenue	-	1,098,076
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(1,754,519)	1,097,998
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Transfers from other funds	-	-
Capital acquisitions	-	(316,159)
Proceeds from issuance of long-term debt	-	-
Payments on borrowings	-	(20,870)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	-0-	(337,029)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(641,395)	-
Maturity of investments	-	-
Interest received	23,300	59
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(618,095)	59
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(953,904)	106,690
Cash and cash equivalents, beginning of year	4,346,759	1,260,198
Cash and cash equivalents, end of year	<u>\$ 3,392,855</u>	<u>\$ 1,366,888</u>

Activities		Governmental Activities
Nonmajor Enterprise Funds	Total	Internal Service Funds
\$ 351,240	\$ 4,270,503	\$ 26,938
-	27,177	-
-	39,560	-
(143,395)	(1,038,226)	(16,189)
(55,982)	(690,059)	(37,543)
<u>(158,038)</u>	<u>(1,850,758)</u>	<u>-</u>
(6,175)	758,197	(26,794)
-	(838,519)	-
-	(916,078)	-
<u>-</u>	<u>1,098,076</u>	<u>-</u>
-0-	(656,521)	-0-
8,948	8,948	10,000
(1,679)	(317,838)	(11,119)
-	-0-	-
<u>-</u>	<u>(20,870)</u>	<u>-</u>
7,269	(329,760)	(1,119)
(3,968)	(645,363)	(103)
3,962	3,962	-
<u>5</u>	<u>23,364</u>	<u>103</u>
<u>(1)</u>	<u>(618,037)</u>	<u>-0-</u>
1,093	(846,121)	(27,913)
<u>72,020</u>	<u>5,678,977</u>	<u>136,938</u>
<u>\$ 73,113</u>	<u>\$ 4,832,856</u>	<u>\$ 109,025</u>

Montcalm County, Michigan

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended September 30, 2012

	Business-type	
	Delinquent Tax Revolving	Ambulance
Reconciliation of operating income (loss) to net cash provided (used) by operating activities		
Operating income (loss)	\$ 1,228,015	\$ (1,010,038)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Depreciation	-	325,434
(Increase) decrease in:		
Accounts receivable	(2,718)	-
Taxes receivable	153,853	-
Due from other governmental units	39,560	-
Increase (decrease) in:		
Accounts payable	-	25,096
Accrued liabilities	-	(2,428)
Compensated absences	-	7,598
 NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	 <u>\$ 1,418,710</u>	 <u>\$ (654,338)</u>

See accompanying notes to financial statements.

Activities		Governmental
Nonmajor Enterprise Funds	Total	Internal Service Funds
\$ (5,321)	\$ 212,656	\$ (31,058)
1,986	327,420	4,103
-	(2,718)	-
-	153,853	-
-	39,560	-
(2,514)	22,582	161
(326)	(2,754)	-
-	7,598	-
<u>\$ (6,175)</u>	<u>\$ 758,197</u>	<u>\$ (26,794)</u>

Montcalm County, Michigan

Fiduciary Funds

STATEMENT OF NET ASSETS

September 30, 2012

	Agency Funds	Pension Fund
	<u> </u>	<u> </u>
ASSETS		
Cash and cash equivalents	\$ 291,230	\$ 9,105
Investments	4,098,476	18,668,434
Due from other governmental units	576,524	-
Due from others	-	404,426
	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 4,966,230</u>	19,081,965
LIABILITIES		
Accounts payable	\$ -	350
Due to other governmental units		
Federal/State	4,740,481	-
Local	93,325	-
Due to individuals and agencies	132,424	-
	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>\$ 4,966,230</u>	350
NET ASSETS		
Held in trust for benefits and other purposes		<u>\$ 19,081,615</u>

See accompanying notes to financial statements.

Montcalm County, Michigan

Fiduciary Funds

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

Year Ended September 30, 2012

	<u>Pension Fund</u>
ADDITIONS	
Investment income	
Net increase in fair value of investments	\$ 2,233,417
Interest and dividends	409,479
Less: investment expense	<u>(72,321)</u>
Net investment income	2,570,575
Contributions	
Employer	580,756
Plan Members	<u>393,165</u>
Total contributions	<u>973,921</u>
TOTAL ADDITIONS	3,544,496
DEDUCTIONS	
Benefits	1,173,456
Administrative	<u>21,642</u>
TOTAL DEDUCTIONS	<u>1,195,098</u>
CHANGE IN NET ASSETS	2,349,398
Net assets, beginning of year	<u>16,732,217</u>
Net assets, end of year	<u><u>\$ 19,081,615</u></u>

Montcalm County, Michigan

Component Units

COMBINING STATEMENT OF NET ASSETS

September 30, 2012

	<u>Drainage Districts</u>	<u>Central Dispatch Authority</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,073,657	\$ 292,930
Cash and cash equivalents - restricted	-	-
Investments	566,122	120,036
Receivables	1,260,370	310,190
Due from other governmental units	-	-
Inventories	-	-
Deferred expenses	-	-
Prepays	-	-
	<hr/>	<hr/>
Total current assets	3,900,149	723,156
Noncurrent assets		
Investments - restricted	-	-
Receivables	-	-
Capital assets not being depreciated	75,650	-
Capital assets, net of accumulated depreciation	11,865,265	8,093
	<hr/>	<hr/>
Total noncurrent assets	11,940,915	8,093
	<hr/>	<hr/>
TOTAL ASSETS	15,841,064	731,249
LIABILITIES		
Current liabilities		
Accounts payable	34,938	3,721
Accrued liabilities	828	15,921
Due to other governments	-	-
Accrued interest payable	41,560	-
Unearned revenue	-	-
Current portion of compensated absences	-	21,448
Current portion of long-term debt	368,714	-
	<hr/>	<hr/>
Total current liabilities	446,040	41,090
Noncurrent liabilities		
Advances from other governmental units	287,366	-
Advance from State	-	-
Noncurrent portion of compensated absences	-	3,785
Noncurrent portion of long-term debt	6,226,868	-
Other post-employment benefits obligation	-	-
	<hr/>	<hr/>
Total noncurrent liabilities	6,514,234	3,785
	<hr/>	<hr/>
TOTAL LIABILITIES	6,960,274	44,875
NET ASSETS		
Invested in capital assets, net of related debt	5,345,333	8,093
Restricted	3,535,457	678,281
	<hr/>	<hr/>
TOTAL NET ASSETS	<u>\$ 8,880,790</u>	<u>\$ 686,374</u>

See accompanying notes to financial statements.

District Health Department	Road Commission	Total
\$ 1,778,524	\$ 64,081	\$ 4,209,192
-	105,006	105,006
-	-	686,158
154,145	338	1,725,043
133,505	2,615,813	2,749,318
105,920	703,991	809,911
-	12,774	12,774
102,822	-	102,822
2,274,916	3,502,003	10,400,224
-	282,834	282,834
251,000	-	251,000
-	4,735,582	4,811,232
382,351	28,088,071	40,343,780
633,351	33,106,487	45,688,846
2,908,267	36,608,490	56,089,070
47,058	632,722	718,439
275,308	71,964	364,021
18,134	33,657	51,791
-	-	41,560
307,772	387,840	695,612
272,075	5,947	299,470
-	200,000	568,714
920,347	1,332,130	2,739,607
-	-	287,366
-	154,209	154,209
124,175	80,183	208,143
-	-	6,226,868
119,333	66,518	185,851
243,508	300,910	7,062,437
1,163,855	1,633,040	9,802,044
382,351	32,623,653	38,359,430
1,362,061	2,351,797	7,927,596
\$ 1,744,412	\$ 34,975,450	\$ 46,287,026

Montcalm County, Michigan

Component Units

COMBINING STATEMENT OF ACTIVITIES

Year Ended September 30, 2012

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	\$ 883,826	\$ 11,123	\$ -	\$ 933,816	\$ 61,113	\$ -	\$ 61,113
Central Dispatch Authority	1,486,010	1,667,729	700	-	182,419	-	182,419
District Health Department	5,245,602	1,286,102	3,279,918	-	(679,582)	-	(679,582)
Road Commission	10,386,943	1,509,472	5,372,423	4,319,242	814,194	-	814,194
Total governmental activities	18,002,381	4,474,426	8,653,041	5,253,058	378,144	-0-	378,144
Business-type activities							
Drainage Districts	365,734	270,756	-	658,446	-	563,468	563,468
Total component units	<u>\$ 18,368,115</u>	<u>\$ 4,745,182</u>	<u>\$ 8,653,041</u>	<u>\$ 5,911,504</u>	378,144	563,468	941,612
General revenues							
Investment earnings					6,947	6,035	12,982
County appropriations					1,329,314	-	1,329,314
Cigarette tax					8,250	-	8,250
Other					14,309	33,047	47,356
Total general revenues					<u>1,358,820</u>	<u>39,082</u>	<u>1,397,902</u>
Change in net assets					1,736,964	602,550	2,339,514
Net assets, beginning of the year					<u>39,878,161</u>	<u>4,069,351</u>	<u>43,947,512</u>
Net assets, end of the year					<u>\$ 41,615,125</u>	<u>\$ 4,671,901</u>	<u>\$ 46,287,026</u>

See accompanying notes to financial statements.

Montcalm County

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

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 *Michigan Committee on Governmental Accounting and Auditing Statement 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.

Montcalm County

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

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, 2012, the County contributed \$443,661 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, 2012, are available at the Department's administrative offices. As of September 30, 2012, the Department had net assets of \$1,744,412.

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

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, 2012. A copy of the financial statements is available at the Board's administrative offices. As of September 30, 2012, the Board had total assets of \$2,862,474; total liabilities of \$1,084,013; and total net assets of \$1,778,461. For year ended September 30, 2012, the Board had total revenues of \$8,998,573; total expenses of \$8,782,285; and a net increase in net assets of \$216,288.

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, 2011. A copy of the financial statements is available at the Commission's administrative offices. As of December 31, 2011, the Commission had total assets of \$998,939; total liabilities of \$50,567, and total net assets of \$948,372. For the year ended December 31, 2011, the Commission had total revenues of \$1,184,396; total expenses of \$1,383,568; and a net decrease in net assets of \$199,172.

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, 2012, the County's contribution to the Commission was \$3,522.

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, 2012

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 funds of the County are:

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

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.

Additionally, the County reports an internal service fund to account for the management of fringe benefits provided to various departments of the County on cost reimbursement basis.

The Pension Fund accounts for the activities of the County's pension plan, which accumulates resources for pension benefit payments to qualified former County employees.

The County also reports agency funds to account for assets held by the County as an agent for other governments, private organizations, or individuals. Agency funds are, by nature, custodial; therefore, operation results are not measured. The County's agency funds are the Trust and Agency, Inmate Trust, and Library Funds.

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

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

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.

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.

Montcalm County

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

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

11. Restricted Cash and Investments

The use of certain assets is restricted by specific provisions in an agreement with an outside party for non-motorized project. Restricted assets held by the Road Commission at September 30, 2012, consist of \$282,834 in investments and \$105,006 in cash.

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.

Montcalm County

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

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

16. Capital Assets - continued

PRIMARY GOVERNMENT AND COMPONENT UNIT - DRAINAGE DISTRICTS - CONTINUED

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

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. Capital assets are stated at historical cost or estimated historical cost of purchase or construction. Donated capital assets are recorded at estimated fair market value at the date of donation. Cost relating to maintenance and repairs are charged to expense, whereas those for renewals and betterments, when significant in amount, are capitalized.

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

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

17. Deferred and Unearned Revenue

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

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

18. Long-Term Obligations

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

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

19. Treatment Rights

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

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

20. Advances to Other Funds/Governmental Units

Long-term advances 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, 2012, including related payroll taxes, is recorded in the government-wide financial statements.

Vested vacation and sick leave earned as of September 30, 2012, for the District Health Department and Road Commission (component units) is recorded in the respective component unit's government-wide financial statements.

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

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

22. Interfund Transactions

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

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

23. Budgets and Budgetary Accounting

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

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

24. Comparative Data

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

25. Federal Programs

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

Montcalm County

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

NOTE B: POOLING OF CASH AND INVESTMENTS

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

Cash disbursed in excess of amounts recorded as assets as of September 30, 2012, are as follows:

<u>Fund</u>	<u>Negative Pooled Cash</u>	<u>Nonpooled Cash and Cash Equivalents</u>	<u>Financial Statements</u>
PRIMARY GOVERNMENT			
Governmental Funds			
General Fund	\$ (3,982,633)	\$ 3,561,263	\$ (421,370)
Special Revenue Funds			
Friend of the Court	(67,643)	100	(67,543)
CDBG - Housing	(9,950)	25,257	15,307
Capital Project Fund			
Equipment Purchase and Replacement	(58,706)	-	(58,706)
Proprietary Funds			
Building Official Fund	(1,799)	-	(1,799)
TOTAL REPORTING ENTITY	<u>\$ (138,098)</u>	<u>\$ 25,357</u>	<u>\$ (112,741)</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.

Montcalm County

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

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

- c. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers' acceptances of United States banks.
- f. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Deposits

As of September 30, 2012, 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	\$ 5,347,819	\$ 6,334,384
Certificates of deposit	520,239	520,239
TOTAL PRIMARY GOVERNMENT	5,868,058	6,854,623
FIDUCIARY FUNDS		
Checking	296,957	497,573
Certificates of deposit	3,378	3,378
TOTAL FIDUCIARY FUNDS	300,335	500,951
COMPONENT UNITS		
Checking	4,307,010	3,879,005
Certificates of deposit	4,887	4,887
TOTAL COMPONENT UNITS	4,311,897	3,883,892
TOTAL REPORTING ENTITY	<u>\$ 10,480,290</u>	<u>\$ 11,239,466</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, 2012, the primary government and component unit accounts were insured by the FDIC for \$648,528 and the amount of \$10,590,938 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, 2012.

Montcalm County

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

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

As of September 30, 2012, 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&P or Moody's Rating</u>	<u>Weighted Average Maturity</u>
PRIMARY GOVERNMENT				
Uncategorized pooled investment funds	\$ 143,783	\$ 143,783	AAAm	38 days
Uncategorized pooled investment funds	<u>2,778,398</u>	<u>2,778,398</u>	N/A	N/A
Total primary government	2,922,181	2,922,181		
FIDUCIARY FUNDS				
U.S. Government Securities	1,148,465	1,148,465	Aaa	3.7 years
Corporate Bonds and Notes	4,349,927	4,349,927	Various	4.6 years
Common Stock	5,993,378	5,993,378	N/A	N/A
Uncategorized pooled investment funds	4,098,476	4,098,476	AAAm	38 days
Uncategorized pooled investment funds	2,146,295	2,146,295	N/A	N/A
Uncategorized pooled investment funds	<u>5,030,369</u>	<u>5,030,369</u>	N/A	N/A
Total Fiduciary Funds	22,766,910	22,766,910		
COMPONENT UNITS				
Uncategorized pooled investment funds	917,435	917,435	AAAm	38 days
Uncategorized pooled investment funds	<u>51,557</u>	<u>51,557</u>	N/A	N/A
Total component units	<u>968,992</u>	<u>968,992</u>		
Total reporting entity	<u>\$ 26,658,083</u>	<u>\$ 26,658,083</u>		

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, 2012, the market value, which is the carrying amount of the pension trust plan assets were \$18,668,434.

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, 2012, rating information on the County's investments is presented above.

Montcalm County

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

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

Interest rate risk

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

Concentration of credit risk

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

Custodial credit risk

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

- Limiting investments to the types of securities listed in 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, 2012:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Units</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 5,870,193	\$ 300,335	\$ 4,209,192	\$ 10,379,720
Cash and cash equivalents - restricted	-	-	105,006	105,006
Investments	2,922,181	22,766,910	686,158	26,375,249
Investments - restricted	-	-	282,834	282,834
	<u>\$ 8,792,374</u>	<u>\$ 23,067,245</u>	<u>\$ 5,283,190</u>	<u>\$ 37,142,809</u>

The primary government cash and cash equivalents captions on the financial statements include \$2,135 in imprest cash. The component unit cash and cash equivalents captions on the financial statements includes \$2,301 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, 2012:

Due to General Fund from:	
Nonmajor governmental funds	<u>\$ 1,269</u>
Due to Delinquent Tax Revolving Fund from:	
General Fund	<u>\$ 681,504</u>

Montcalm County

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

NOTE D: INTERFUND RECEIVABLES AND PAYABLES - CONTINUED

Due to nonmajor governmental funds from:	
General Fund	\$ 12,132
Nonmajor governmental funds	<u>17,346</u>
	<u>\$ 29,478</u>

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

NOTE E: ADVANCES RECEIVABLE AND PAYABLE

The following schedule details advances receivable and payable between funds of the primary government at September 30, 2012:

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:	
Nonmajor governmental funds	\$ 90,226
Delinquent Tax Revolving Fund	<u>916,000</u>
	<u>\$ 1,006,226</u>
Transfer to nonmajor governmental funds from:	
General Fund	\$ 362,322
Ambulance Fund	78
Nonmajor governmental funds	<u>5,922</u>
	<u>\$ 368,322</u>
Transfer to nonmajor enterprise funds from:	
General Fund	<u>\$ 8,948</u>
Transfer to internal service funds from:	
General Fund	<u>\$ 10,000</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, 2012

NOTE G: LONG-TERM CONTRACTS RECEIVABLE

The Health Department entered into an agreement on June 1, 2009 and February 1, 2011, with Michigan Community Dental Clinics, Inc. (MCDC) to lease office space and equipment and turnover the Health Department's dental services to MCDC. In return, MCDC will pay the Health Department a sum of money (\$270,000 and \$115,000) over the next ten (10) years. The amounts attributable to these long-term contracts 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 Health Department on June 1, 2009 and February 1, 2011, effective for ten (10) years:

<u>Year Ended September 30,</u>	<u>Office Lease</u>	<u>Equipment Lease</u>
2013	\$ 22,000	\$ 12,000
2014	24,000	12,000
2015	24,000	12,000
2016	24,000	12,000
2017	24,000	12,000
2018-2022	<u>54,000</u>	<u>53,000</u>
	<u>\$ 172,000</u>	<u>\$ 113,000</u>

NOTE H: LEASE AGREEMENTS

On December 1, 2008, the Mid-Michigan District Health Department entered into a lease agreement with Montcalm Area Intermediate School District to lease office space located at the Montcalm Area Career Center Facility. The effective date of the lease was December 1, 2008 until November 30, 2018, and the lease agreement calls for annual rental payments of \$1.00.

On June 2, 2011, the Mid-Michigan District Health Department entered into a lease agreement with Clinton County to lease office space located in St. Johns, Michigan. The effective date of the new lease is October 1, 2011 until September 30, 2021, and calls for annual rental payments of \$20,100. Michigan Community Dental Clinics, Inc. (MCDC) is a sub-lessee of the office space and will pay Clinton County directly each month upon commencement of this lease.

NOTE I: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2012, was as follows:

PRIMARY GOVERNMENT

	<u>Restated Balance Oct. 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Sept. 30, 2012</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	1,705,819	14,878	-	1,720,697
Vehicles	<u>700,582</u>	<u>105,544</u>	-	<u>806,126</u>
Subtotal	25,054,488	120,422	-0-	25,174,910

Montcalm County

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

NOTE I: CAPITAL ASSETS - CONTINUED

PRIMARY GOVERNMENT - CONTINUED

	Restated Balance Oct. 1, 2011	Additions	Deletions	Balance Sept. 30, 2012
Governmental Activities - continued				
Less accumulated depreciation for:				
Land improvements	\$ (3,966)	\$ (566)	\$ -	\$ (4,532)
Buildings and additions	(12,629,012)	(659,127)	-	(13,288,139)
Equipment and furniture	(1,470,005)	(92,896)	-	(1,562,901)
Vehicles	(500,819)	(93,352)	-	(594,171)
Subtotal	<u>(14,603,802)</u>	<u>(845,941)</u>	<u>-0-</u>	<u>(15,449,743)</u>
Net capital assets being depreciated	<u>10,450,686</u>	<u>(725,519)</u>	<u>-0-</u>	<u>9,725,167</u>
Total Net Capital Assets	<u>\$ 10,531,843</u>	<u>\$ (725,519)</u>	<u>\$ -0-</u>	<u>\$ 9,806,324</u>

Depreciation expense was charged to the following governmental activities:

Governmental activities:	
General government	\$ 357,023
Public safety	416,322
Health and welfare	62,933
Recreation and culture	9,663
	<u>\$ 845,941</u>

	Balance Oct. 1, 2011	Additions	Deletions	Balance Sept. 30, 2012
Business-type Activities				
Capital assets being depreciated				
Buildings and improvements	\$ 433,270	\$ 822	\$ -	\$ 434,092
Equipment and furniture	826,972	43,846	(12,121)	858,697
Vehicles	1,666,337	273,170	-	1,939,507
Subtotal	<u>2,926,579</u>	<u>317,838</u>	<u>(12,121)</u>	<u>3,232,296</u>
Less accumulated depreciation for:				
Buildings and improvements	(141,113)	(21,790)	-	(162,903)
Equipment and furniture	(630,186)	(71,822)	12,121	(689,887)
Vehicles	(1,176,702)	(233,808)	-	(1,410,510)
Subtotal	<u>(1,948,001)</u>	<u>(327,420)</u>	<u>12,121</u>	<u>(2,263,300)</u>
Total Net Capital Assets	<u>\$ 978,578</u>	<u>\$ (9,582)</u>	<u>\$ -0-</u>	<u>\$ 968,996</u>

Montcalm County

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

NOTE I: CAPITAL ASSETS - CONTINUED

COMPONENT UNITS

	Balance Oct. 1, 2011	Additions/ Reclassifications	Deletions/ Reclassifications	Balance Sept. 30, 2012
Drainage Districts				
Capital assets not being depreciated				
Land	\$ 75,650	\$ -	\$ -	\$ 75,650
Construction in progress	5,419,986	625,464	(6,045,450)	-0-
Subtotal	5,495,636	625,464	(6,045,450)	75,650
Capital assets being depreciated				
Drains	7,418,779	6,045,450	-	13,464,229
Less accumulated depreciation for:				
Drains	(1,455,541)	(143,423)	-	(1,598,964)
Net capital assets being depreciated	5,963,238	5,902,027	-0-	11,865,265
Total Net Capital Assets	\$ 11,458,874	\$ 6,527,491	\$ (6,045,450)	\$ 11,940,915
Central Dispatch Authority				
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	(662,964)	(19,993)	-	(682,957)
Vehicles	(13,192)	(3,298)	-	(16,490)
Subtotal	(676,156)	(23,291)	-0-	(699,447)
Total Net Capital Assets	\$ 31,384	\$ (23,291)	\$ -0-	\$ 8,093
District Health Department				
Capital assets being depreciated				
Equipment	\$ 856,367	\$ -	\$ (2,050)	\$ 854,317
Leasehold improvements	188,765	-	-	188,765
Subtotal	1,045,132	-0-	(2,050)	1,043,082
Less accumulated depreciation for:				
Equipment	(535,168)	(61,545)	2,050	(594,663)
Leasehold improvements	(47,192)	(18,876)	-	(66,068)
Subtotal	(582,360)	(80,421)	2,050	(660,731)
Total Net Capital Assets	\$ 462,772	\$ (80,421)	\$ -0-	\$ 382,351

Montcalm County

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

NOTE I: CAPITAL ASSETS - CONTINUED

COMPONENT UNITS - CONTINUED

	Balance Oct. 1, 2011	Additions	Deletions	Balance Sept. 30, 2012
Road Commission				
Capital assets not being depreciated				
Land	\$ 28,708	\$ 16,519	\$ -	\$ 45,227
Infrastructure - land improvements	4,690,355	-	-	4,690,355
Subtotal	4,719,063	16,519	-0-	4,735,582
Capital assets being depreciated				
Buildings	2,576,816	6,632	-	2,583,448
Road equipment	7,220,055	336,127	(50,542)	7,505,640
Shop equipment	122,926	8,078	(2,060)	128,944
Office equipment	161,763	-	-	161,763
Engineer's equipment	46,892	-	-	46,892
Yard and storage	359,683	6,825	-	366,508
Infrastructure - bridges	10,938,848	573,848	-	11,512,696
Infrastructure - roads	61,838,250	1,711,900	-	63,550,150
Depletable assets	6,750	-	-	6,750
Subtotal	83,271,983	2,643,410	(52,602)	85,862,791
Less accumulated depreciation for:				
Buildings	(803,303)	(61,673)	-	(864,976)
Road equipment	(6,767,551)	(187,260)	50,542	(6,904,269)
Shop equipment	(87,068)	(1,938)	1,236	(87,770)
Office equipment	(150,864)	(4,348)	-	(155,212)
Engineer's equipment	(46,891)	-	-	(46,891)
Yard and storage	(359,683)	-	-	(359,683)
Infrastructure - bridges	(4,167,461)	(219,626)	-	(4,387,087)
Infrastructure - roads	(42,969,522)	(1,992,560)	-	(44,962,082)
Depletable assets	(6,750)	-	-	(6,750)
Subtotal	(55,359,093)	(2,467,405)	51,778	(57,774,720)
Net capital assets being depreciated	27,912,890	176,005	(824)	28,088,071
Total Net Capital Assets	<u>\$ 32,631,953</u>	<u>\$ 192,524</u>	<u>\$ (824)</u>	<u>\$ 32,823,653</u>

Montcalm County

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

NOTE I: CAPITAL ASSETS - CONTINUED

COMPONENT UNITS - CONTINUED

Depreciation expense was charged to the following activities:

Net Equipment Expense	
Direct equipment	\$ 187,260
Indirect equipment	
Buildings	52,411
Shop equipment	1,938
Net Administrative Expense	
Buildings	9,261
Office equipment and furniture	4,348
Infrastructure	<u>2,212,187</u>
	<u>\$ 2,467,405</u>

NOTE J: 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, 2012:

	Balance Oct. 1, 2011	Additions	Deletions	Balance Sept. 30, 2012	Amounts Due Within One Year
PRIMARY GOVERNMENT					
Governmental Activities					
Direct County obligations	\$ 10,296,727	\$ -	\$ (616,727)	\$ 9,680,000	\$ 560,000
Compensated absences	318,521	425,547	(447,786)	296,282	251,840
	10,615,248	425,547	(1,064,513)	9,976,282	811,840
Less: deferred amounts on refunding	(462,236)	-	34,446	(427,790)	(34,446)
Total governmental activities	10,153,012	425,547	(1,030,067)	9,548,492	777,394
Business-type Activities					
Installment purchase agreement	93,915	-	(20,870)	73,045	20,870
Compensated absences	-	7,598	-	7,598	6,458
Total business-type activities	93,915	7,598	(20,870)	80,643	27,328
TOTAL PRIMARY GOVERNMENT	10,246,927	433,145	(1,050,937)	9,629,135	804,722

Montcalm County

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

NOTE J: LONG-TERM DEBT - CONTINUED

	Balance Oct. 1, 2011	Additions	Deletions	Balance Sept. 30, 2012	Amounts Due Within One Year
COMPONENT UNITS					
Central Dispatch					
Compensated absences	\$ -	\$ 110,255	\$ (85,022)	\$ 25,233	\$ 21,448
Drainage Districts					
Governmental Activities					
Drain bonds and notes	2,244,574	-	(338,492)	1,906,082	257,214
Business-type Activities					
Little Whitefish Lake Drain bonds	1,170,000	-	(23,500)	1,146,500	24,500
Sidney Township Sewer Note	3,632,000	-	(89,000)	3,543,000	87,000
District Health Department					
Compensated absences	415,703	265,979	(285,432)	396,250	272,075
Road Commission					
Michigan transportation revenue note	400,000	-	(200,000)	200,000	200,000
Compensated absences	69,038	17,092	-	86,130	5,947
TOTAL COMPONENT UNITS	7,931,315	393,326	(1,021,446)	7,303,195	868,184
TOTAL REPORTING ENTITY	\$ 18,178,242	\$ 826,471	\$ (2,072,383)	\$ 16,932,330	\$ 1,672,906

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 two (2) 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, 2012, 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.	\$ 785,000
\$9,320,000 Building Authority Refunding Bonds dated October 4, 2005, due in annual installments ranging from \$45,000 to \$945,000 through May 1, 2025, with interest ranging from 3.75 percent to 5.00 percent, payable semi-annually.	<u>8,895,000</u>
	<u>\$ 9,680,000</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>\$ 73,045</u>
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Montcalm County

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

NOTE J: LONG-TERM DEBT - CONTINUED

PRIMARY GOVERNMENT - CONTINUED

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 \$246,648 and \$82,465 for vacation and sick, respectively, at September 30, 2012. Of the total liability of \$329,113, \$279,746 has been reported as a current liability and \$49,367 has been reported as a noncurrent liability.

COMPONENT UNIT - CENTRAL DISPATCH

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 \$25,233 for vacation at September 30, 2012. Of the total liability of \$25,233, \$21,448 has been reported as a current liability and \$3,785 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.

Drain Bonds and Notes

Bonds and notes payable at September 30, 2012, 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, dated March 17, 2004, due in annual installments ranging from \$19,000 to \$45,000 through March 1, 2034, with interest of 4.50 percent, payable semi-annually.	\$ 689,000
\$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.	558,632
\$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.	123,710
\$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>149,740</u>
	<u>\$ 1,906,082</u>

Montcalm County

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

NOTE J: LONG-TERM DEBT - CONTINUED

COMPONENT UNIT - DRAINAGE DISTRICTS - CONTINUED

Bonds and notes payable at September 30, 2012, 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 \$23,000 to \$55,000 through November 1, 2036, with interest of 5.0 percent, payable semi-annually.	\$ 1,038,000
\$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.	108,500
\$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>3,543,000</u>
	<u>\$ 4,689,500</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, 2012, amounts to \$396,250. Of the total liability, \$272,075 has been reported as a current liability.

COMPONENT UNIT - ROAD COMMISSION

Notes Payable - Michigan Department of Transportation

On August 1, 2002, the Road Commission for Montcalm County borrowed \$2,000,000 at interest rates ranging from 2 to 3.4 percent. Payments are to be made in varying amounts for 10 years from the Michigan Department of Transportation Fund Revenue Notes of 2003 to defray the cost of constructing certain road improvements and facilities under the provisions of Public Act 143 of 1943.	\$ <u>200,000</u>
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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 \$86,130 at September 30, 2012.

Montcalm County

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

NOTE J: LONG-TERM DEBT - CONTINUED

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
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	675,000	291,345	-	-
2018-2022	3,855,000	1,026,525	-	-
2023-2025	2,730,000	224,035	-	-
	<u>\$ 9,680,000</u>	<u>\$ 2,991,448</u>	<u>\$ 73,045</u>	<u>\$ -0-</u>

Year Ending September 30,	Component Units			
	Drain Bonds and Notes		Road Commission Note Payable	
	Principal	Interest	Principal	Interest
2013	\$ 368,714	\$ 241,232	\$ 200,000	\$ 6,800
2014	338,571	225,992	-	-
2015	282,022	212,032	-	-
2016	243,785	200,290	-	-
2017	245,785	189,950	-	-
2018-2022	1,104,424	810,178	-	-
2023-2027	888,285	622,091	-	-
2028-2032	958,500	446,653	-	-
2033-2037	873,500	277,761	-	-
2038-2042	516,000	164,606	-	-
2043-2047	485,000	87,300	-	-
2048-2050	290,996	17,460	-	-
	<u>\$ 6,595,582</u>	<u>\$ 3,495,545</u>	<u>\$ 200,000</u>	<u>\$ 6,800</u>

NOTE K: 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, 2012, amounted to \$80,703.

Future minimum payments are as follows:

2013	\$ 80,073
2014	80,073
2015	80,073
2016	80,073
2017	80,073
2018-2019	93,417
	<u>\$ 493,782</u>

Montcalm County

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

NOTE L: 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, 2012, and 2011, were based on the payroll for employees covered by the plan for the year ending December 31, 2011 and 2010. The covered payroll for 2012 and 2011 was \$5,625,182 and \$5,775,306, respectively. The total payroll for the year ended September 30, 2012, and 2011, for the County General employees was \$9,643,876 and \$10,342,696, 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, 2011, membership consisted of 91 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them and 121 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, 2011, were \$1,264,185 and actual contributions for the fiscal year ended September 30, 2012, were \$848,472. The actual employer contribution for the year ended September 30, 2012, was \$393,165. Employee contributions for the year ended September 30, 2012, were \$455,307.

Montcalm County

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

NOTE L: 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
1/1/2012	\$ 17,685,373	\$ 28,466,814	\$ (10,781,441)	62.13%	\$ 5,625,182	191.66%
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%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Plan Year Ended December 31,	Annual Required Contribution	Actual Contributions	Percentage Contributed
2011	\$ 623,840	\$ 393,165	63.02%
2010	687,610	528,315	76.83%
2009	791,642	288,059	36.39%

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2011, 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	2.5%

* 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 percent of each participant's earnings to the plan. Employees are required to contribute 3.5 percent of their wages. The County's contributions are vested at a rate of 33 percent after one (1) year of service and an additional 33 percent per year for each year thereafter with full vesting after three (3) years of continuous service.

During the year ended September 30, 2012, the contributions to the plan by employer and employee were \$188,704 and \$132,093, respectively.

Montcalm County

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

NOTE L: EMPLOYEE RETIREMENT SYSTEMS - CONTINUED

COMPONENT UNIT - DISTRICT HEALTH DEPARTMENT

Plan Description

The Health 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 Health 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 Health Department is required to contribute the remaining amounts necessary to fund the system.

Annual Pension Cost

For the year ended September 30, 2012, the Health Department's annual pension cost of \$195,952 for the plan was equal to the Health Department's required and actual contribution. The estimated annual required contribution was determined as part of an actuarial valuation at December 31, 2010, 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 percent to 8.4 percent per year depending on age, seniority and merit, and (d) assumption benefits will increase 2.5 percent 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,		
	2009	2010	2011
	<u> </u>	<u> </u>	<u> </u>
Actuarial value of assets	\$ 6,601,609	\$ 6,936,701	\$ 7,231,964
Actuarial value of liability (AAL) (entry age)	7,142,541	7,581,520	8,105,589
Unfunded AAL	540,932	644,819	873,625
Funded ratio	92%	91%	89%
Covered payroll	\$ 2,886,726	\$ 2,957,858	\$ 2,837,153
UAAL as a percentage of covered payroll	19%	22%	31%

	Year Ended September 30,		
	2010	2011	2012
	<u> </u>	<u> </u>	<u> </u>
Annual pension cost	\$ 198,910	\$ 218,839	\$ 195,952
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, 2012

NOTE L: 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-retirement surviving spouse benefit. The service requirement for general employees is under the B-2 provision of the retirement contract. 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, 2011.

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, MI, 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 \$43,070 during the calendar year ended September 30, 2011. The Road Commission is required to contribute at an actuarially determined rate; the rate was 14.31% for general employees and 30.53% for the manager for the calendar year ending September 30, 2011. Effective October 1, 2011, the contributed rates change as follows: 2.5% contribution from general employees, 4.5% contributed from salaried employees and commissioners, 13.39% for the Road Commission's contribution for general employees and 29.66% for the Road Commission's contribution for salaried employees and commissioners.

Annual Pension Cost

For the calendar year ended December 31, 2011, the Road Commission's annual pension cost was \$375,351 which was equal to the county's required and actual contributions. The annual required contribution was determined as part of an actuarial valuation at December 31, 2009. 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 27 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,		
	2009	2010	2011
Annual pension cost	\$ 441,792	\$ 402,163	\$ 417,421
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -

Montcalm County

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

NOTE L: EMPLOYEE RETIREMENT SYSTEMS - CONTINUED

COMPONENT UNIT - ROAD COMMISSION - CONTINUED

Required Supplementary Information for GASB Statement No. 27

	Year Ended December 31,		
	2009	2010	2011
Actuarial value of assets	\$ 9,584,706	\$ 9,654,400	\$ 9,680,009
Actuarial value of liability (AAL) (entry age)	13,385,323	14,236,094	14,800,660
Unfunded AAL (UAAL)	3,800,617	4,581,694	5,120,651
Funded ratio	72%	68%	65%
Covered payroll	\$ 1,937,992	\$ 1,882,239	\$ 1,867,957
Percent of covered payroll	196%	243%	274%

NOTE M: 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, 2012, County expended \$34,148 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, 2012, the County has determined an estimated cost of providing post-employment benefits through the alternative measurement method of calculation as of September 30, 2011. 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 29 years.

Montcalm County

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

NOTE M: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

COUNTY GENERAL - CONTINUED

Funding Progress - continued

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

Annual required contribution/Annual OPEB cost (ARC)	\$ 24,037
Interest on net OPEB obligation	2,433
Adjustment to ARC	<u>(4,506)</u>
Annual OPEB cost	21,964
Amounts contributed:	
Payments of current premiums (gross of employee reimbursement)	<u>34,148</u>
Decrease in net OPEB obligation	(12,184)
OPEB obligation - Beginning of year	<u>40,552</u>
OPEB obligation - End of year	<u><u>\$ 28,368</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>2010</u>	<u>2011</u>	<u>2012</u>
Annual OPEB costs	\$ 31,336	\$ 30,023	\$ 21,964
Percentage contributed	102.5%	82.9%	155.5%
Net OPEB obligation	\$ 35,429	\$ 40,552	\$ 28,368

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

	<u>2008</u>	<u>2011</u>
Actuarial value of assets	\$ -	\$ -
Actuarial value of liability (AAL)	190,261	131,903
Unfunded AAL (UAAL)	190,261	131,903
Funded ratio	0.0%	0.0%
Annual covered payroll	\$ 3,802,387	\$ 3,899,679
Ratio of UAAL to covered payroll	5.0%	3.4%

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, 2012

NOTE M: 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, 2011, 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 percent 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 Health 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 Health Department.

Funding Progress

For the year ended September 30, 2012, the Health 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, 2012

NOTE M: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

COMPONENT UNIT - DISTRICT HEALTH DEPARTMENT - CONTINUED

Funding Progress - continued

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

Annual required contribution/Annual OPEB cost (ARC)	\$ 52,033
Interest on net OPEB obligation	21,716
ARC adjustment	<u>(497,311)</u>
Annual OPEB cost	(423,562)
Amounts contributed:	
Payments of current premiums (gross of employee reimbursement)	<u>-</u>
Increase in net OPEB obligation	(423,562)
OPEB obligation - Beginning of year	<u>542,895</u>
OPEB obligation - End of year	<u><u>\$ 119,333</u></u>

The annual OPEB costs, the percentage contributed to the plan, and the net OPEB obligation for the fiscal year ended September 30, 2012, were as follows:

	<u>2010</u>	<u>2011</u>	<u>2012</u>
Annual OPEB costs	\$ 188,759	\$ 200,876	\$ (423,562)
Percentage contributed	4%	0%	0%
Net OPEB obligation	\$ 342,019	\$ 542,895	\$ 119,333

The ARC adjustment noted above includes a \$452,512 reduction in the OPEB obligation due to a plan change that dropped Medicare eligible support.

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

	<u>2010</u>	<u>2011</u>	<u>2012</u>
Actuarial value of assets	\$ -	\$ -	\$ -
Actuarial value of liability (AAL)	1,082,988	1,082,988	308,900
Unfunded AAL (UAAL)	1,082,988	1,082,988	308,900
Funded ratio	0%	0%	0%
Annual covered payroll	\$ 744,592	\$ 771,494	\$ 731,319
Ratio of UAAL to covered payroll	145%	140%	42%

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 Health 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.

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

NOTE M: 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 Health 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 Health 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 Health 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 percent 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, 13 retirees meet those eligibility requirements. There was 1 retiree that was under 60, 9 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, 2012, the plan's reserves for benefits were \$183,101. 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, 2012

NOTE M: 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	46
Retirees and beneficiaries receiving benefits	<u>13</u>
Total plan members	<u><u>59</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, 2012 totaled \$197,290. 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 the Road Commission paid \$10,000 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)	\$ 210,473
Interest on net OPEB obligation	<u>3,412</u>
Annual OPEB cost (expense)	213,885
Amounts contributed	<u>196,107</u>
Increase in net OPEB obligation	17,778
OPEB obligation - Restated beginning of year	<u>48,740</u>
OPEB obligation - End of year	<u><u>\$ 66,518</u></u>

Three (3) year trend information

	<u>2010</u>	<u>2011</u>	<u>2012</u>
Annual OPEB costs	\$ 274,687	\$ 290,202	\$ 213,885
Percentage contributed	52.2%	65.9%	91.7%
Net OPEB obligation	\$ 221,649	\$ 48,740	\$ 66,518

Montcalm County

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

NOTE M: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

COMPONENT UNIT - ROAD COMMISSION - CONTINUED

Funding Status and Funding Progress

For the year ended September 30, 2012, 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 for an actuarial valuation. 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>
9/30/2012	\$ 193,100	\$ 1,923,237	\$ 1,730,137	10.0%	\$ 1,691,628	102.3%
9/30/2009	120,000	2,748,334	2,628,334	4.4%	1,882,239	139.6%

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	7.00%
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 74 for males and 80 for females
Health care inflation rate	NIH National Health Expenditure Projections, 2005-2020

Montcalm County

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

NOTE N: 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, 2012, the Federal aid received and expended by the Road Commission was \$1,501,305 for contracted projects and \$82,050 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, 2012.

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

The Health 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 Health 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, 2012

NOTE O: 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 P: 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 2011 and Summer 2012 ad valorem taxes were levied and collectible on December 1, 2011, and July 1, 2012, 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 2011 and Summer 2012 tax levies have been recognized as revenue in the current fiscal year. The 2012 taxable value of Montcalm County amounted to \$1,619,717,977 on which ad valorem taxes levied for County general operating purposes consisted of 4.4082 mills for Summer 2012. For the year ended September 30, 2012, 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 2011 real property taxes receivable returned delinquent on March 1, 2012. 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 Q: CONTINGENT LIABILITIES

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

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

NOTE R: 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, 2012:

Montcalm County

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

NOTE R: RESTRICTED NET ASSETS - CONTINUED

PRIMARY GOVERNMENT

Governmental Activities

Restricted for:

Public safety

Law enforcement trust	\$	32,317
Homeland Security		35,985
Local correction officer training		15,125
Drug law enforcement		10,683
Law enforcement		462

\$ 94,572

Public works

Solid waste planning	\$	186,753
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\$ 186,753

Health and welfare

Victim Support	\$	1,711
Commission on Aging		2,822
Soldiers and Sailors Relief		55,055
Veterans' Trust		710

\$ 60,298

Other purposes

Friend of the Court	\$	605
Community Information Systems		19,722
Homestead Property Tax Exemption		350,238
Register of Deeds		273,414
Law library		8,027
County libraries		5,658
Animal Shelter		10,207
CDBG - Housing		12,246
Social Welfare		1,000
Debt service		1,049
Capital projects		816,668
Cemetery - expendable		1,522
Cemetery - nonexpendable		99,388

\$ 1,599,744

COMPONENT UNITS

Restricted for:

Other purposes

Drainage Districts	\$	3,535,457
Central Dispatch Authority		678,281
Health Department		1,362,061
County roads		2,351,797

\$ 7,927,596

Montcalm County

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

NOTE S: DETAILS OF FUND BALANCE CATEGORIES AND CLASSIFICATIONS

GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishing 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. The following are the five (5) fund balance classifications under this standard:

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.

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable			
Prepays	\$ 93,102	\$ 1,297	\$ 94,399
Advances	187,016	164,318	351,334
Trust activities	-	99,388	99,388
Total nonspendable	280,118	265,003	545,121

Montcalm County

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

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

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Restricted			
Victim Support	\$ -	\$ 1,711	\$ 1,711
Law enforcement trust	-	32,317	32,317
Solid waste planning	-	186,753	186,753
Homeland Security	-	35,985	35,985
Community Information Systems	-	19,722	19,722
Homestead Property Tax Exemption	-	350,238	350,238
Register of Deeds	-	273,414	273,414
Local correction officer training	-	15,125	15,125
Drug Law Enforcement	-	10,683	10,683
Law enforcement	-	462	462
Law library	-	8,027	8,027
County libraries	-	5,658	5,658
Animal Shelter	-	10,207	10,207
CDBG - Housing	-	12,246	12,246
Commission on Aging	-	2,822	2,822
Soldiers and Sailors Relief	-	55,055	55,055
Veterans' Trust	-	710	710
Social Welfare	-	1,000	1,000
Debt service	-	1,049	1,049
Capital projects	-	652,350	652,350
Cemetery	-	1,522	1,522
	<u>-</u>	<u>1,677,056</u>	<u>1,677,056</u>
Total restricted	-0-	1,677,056	1,677,056
Assigned			
Parks and recreation	83	-	83
Unassigned	<u>866,359</u>	<u>(692)</u>	<u>865,667</u>
TOTAL FUND BALANCE	<u>\$ 1,146,560</u>	<u>\$ 1,941,367</u>	<u>\$ 3,087,927</u>

NOTE T: 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. This statement will be effective for the County's 2013-2014 fiscal year.

Montcalm County

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

NOTE T: UPCOMING ACCOUNTING PRONOUNCEMENTS - CONTINUED

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. This statement will be effective for 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 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. The statement will be effective for the County's 2012-2013 fiscal year.

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The Statement establishes accounting and financial reporting standards that reclassify as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statements elements deferred outflows of resources and deferred inflows of resources. The County is currently evaluating the impact this standard will have on the financial statements when adopted. The statement will be effective for the County's 2013-2014 fiscal year.

In June 2012, the GASB issued Statement No. 67, *Financial Reporting for Pension Plans*. The statement will establish accounting and financial reporting requirements related to defined benefit pension plans and specify the required approach to measuring the pension liability of employers. The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The County is currently evaluating the impact this standard will have on the financial statements when adopted. The statement will be effective for the County's 2013-2014 fiscal year.

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 statement will be effective for the County's 2014-2015 fiscal year.

In April 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The statement requires a state or local government guarantor that offers a nonexchange financial guarantee to another organization or government to recognize a liability on its financial statements when it is more likely than not that the guarantor will be required to make a payment to the obligation holders under the agreement. The statement also requires: (1) a government guarantor to consider qualitative factors when determining if a payment on its guarantee is more likely than not to be required, (2) an issuer government that is required to repay a guarantor for guarantee payments made to continue to report a liability unless legally released, and (3) a government guarantor or issuer to disclose information about the amounts and nature of nonexchange financial guarantees. The County is currently evaluating the impact this standard will have on the financial statements when adopted. The statement will be effective for the County's 2013-2014 fiscal year.

NOTE U: RESTATEMENT OF NET ASSETS

Governmental activities net assets were restated by \$977,587 to properly account for the net pension liability of the County. The restated beginning net assets for governmental activities are \$2,888,915.

REQUIRED SUPPLEMENTARY INFORMATION

Montcalm County, Michigan

BUDGETARY COMPARISON SCHEDULE (NON-GAAP BASIS) - GENERAL FUND

Year Ended September 30, 2012

	Budgeted Amounts			Variances with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes				
Current property taxes	\$ 7,205,599	\$ 7,205,599	\$ 6,965,733	\$ (239,866)
Delinquent property taxes	22,000	22,000	5,956	(16,044)
Payments in lieu of taxes	3,500	3,500	4,483	983
Mobile home park taxes	4,000	4,000	3,933	(67)
Other taxes	280	280	303	23
Total taxes	7,235,379	7,235,379	6,980,408	(254,971)
Licenses and permits				
Dog licenses	125,560	125,560	115,963	(9,597)
Cremation permits	10,000	10,000	12,060	2,060
Marriage license fees	3,500	3,500	2,780	(720)
Gun permits	10,000	10,000	12,146	2,146
Total licenses and permits	149,060	149,060	142,949	(6,111)
Intergovernmental - Federal/State				
Cooperative reimbursement - Prosecutor	60,000	60,000	62,555	2,555
Title IV E - Prosecutor	-	-	13,845	13,845
Central Michigan Enforcement Team	27,500	27,500	20,444	(7,056)
Probate Judge's salary	101,655	101,655	102,808	1,153
Judicial salary standardization	137,172	137,172	137,172	-0-
Case flow assistance	13,300	13,300	16,509	3,209
Sheriff secondary road patrol	83,600	83,600	25,970	(57,630)
Marine safety	39,800	39,800	25,184	(14,616)
Victims Rights Act	49,009	49,009	46,700	(2,309)
Juvenile officer grant	42,317	42,317	33,353	(8,964)
State remonumentation	130,000	130,000	79,058	(50,942)
Convention and tourism tax	191,787	191,787	243,770	51,983
Cigarette tax	15,000	15,000	-	(15,000)
Liquor license fees	9,000	9,000	8,940	(60)
Michigan justice training	3,000	3,000	5,302	2,302
Community corrections grant	87,055	87,055	74,770	(12,285)
Court equity	300,000	300,000	264,018	(35,982)
State revenue sharing	941,570	941,570	945,462	3,892
Highway safety	-	-	6,353	6,353
Brownfield grant	-	-	9,473	9,473
Total intergovernmental - Federal/State	2,231,765	2,231,765	2,121,686	(110,079)

Montcalm County, Michigan

BUDGETARY COMPARISON SCHEDULE (NON-GAAP BASIS) - GENERAL FUND - CONTINUED

Year Ended September 30, 2012

	Budgeted Amounts			Variances with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES - CONTINUED				
Charges for services				
District Court	\$ 740,000	\$ 740,000	\$ 664,378	\$ (75,622)
Circuit Court	124,600	124,600	124,660	60
Probate Court	35,150	35,150	35,497	347
County Treasurer	24,600	24,600	8,288	(16,312)
County Clerk	139,450	139,450	137,328	(2,122)
Register of Deeds	485,100	485,100	475,809	(9,291)
Sheriff department	371,410	371,410	381,519	10,109
Care of prisoners	726,150	726,150	651,095	(75,055)
Animal shelter	12,000	12,000	15,389	3,389
Phone services	38,000	38,000	-	(38,000)
Central services	400,000	525,000	537,689	12,689
Mapping services	900	900	2,365	1,465
Other	2,250	2,250	23,538	21,288
Total charges for services	3,099,610	3,224,610	3,057,555	(167,055)
Fines and forfeits				
Ordinance fines and costs	110,100	110,100	63,968	(46,132)
Interest and rents				
Interest revenue	11,250	11,250	5,263	(5,987)
Rental fees	1,500	1,500	781,500	780,000
Total interest and rents	12,750	12,750	786,763	774,013
Other				
Insurance dividends	20,000	20,000	24,646	4,646
Sale of capital assets	20,000	20,000	18,300	(1,700)
Reimbursement and refunds	213,287	212,287	302,009	89,722
Remonumentation contribution	25,200	25,200	16,900	(8,300)
Other	1,500	2,500	17,675	15,175
Total other	279,987	279,987	379,530	99,543
TOTAL REVENUES	13,118,651	13,243,651	13,532,859	289,208
OTHER FINANCING SOURCES				
Transfers in	990,057	1,290,057	1,006,226	(283,831)
TOTAL REVENUES AND OTHER FINANCING SOURCES	14,108,708	14,533,708	14,539,085	5,377

Montcalm County, Michigan

BUDGETARY COMPARISON SCHEDULE (NON-GAAP BASIS) - GENERAL FUND - CONTINUED

Year Ended September 30, 2012

EXPENDITURES	Budgeted Amounts			Variances with Final Budget Positive (Negative)
	Original	Final	Actual	
Current				
General government				
Board of commissioners	\$ 177,605	\$ 173,105	\$ 170,901	\$ 2,204
Circuit Court	358,744	308,744	303,561	5,183
Circuit Court probation	4,080	4,090	4,088	2
District Court	763,786	763,786	753,539	10,247
District Court probation	139,977	139,977	137,383	2,594
Probate Court	972,301	1,019,301	1,017,857	1,444
Jury Board	4,750	5,820	5,820	-0-
Witness fees	9,700	5,200	5,090	110
Elections	101,878	151,378	151,187	191
Clerk	365,240	378,740	378,714	26
Professional consultants	71,500	66,500	66,083	417
Controller	418,530	413,530	407,587	5,943
Equalization	241,733	262,034	251,807	10,227
Prosecuting Attorney	551,448	565,948	565,695	253
Register of Deeds	270,723	270,723	263,084	7,639
Information Systems	22,600	22,600	6,376	16,224
Central services	13,650	13,650	13,011	639
Survey and remonumentation	130,000	94,500	93,506	994
Treasurer	327,223	327,223	307,576	19,647
Cooperative extension	97,175	97,175	95,515	1,660
Building and grounds	818,936	783,936	777,607	6,329
Building rent	869,144	962,144	962,036	108
Drain Commission	214,882	214,882	202,229	12,653
Total general government	6,945,605	7,044,986	6,940,252	104,734
Public safety				
Sheriff - general	2,132,536	2,146,236	2,145,809	427
Sheriff - road patrol	158,870	159,870	159,835	35
Contracted police service	300,624	300,774	300,761	13
Justice training	6,000	6,000	3,581	2,419
Building security	30,806	105,806	105,215	591
Marine safety	39,085	46,085	46,082	3
Jail	2,617,893	2,650,893	2,652,488	(1,595)
Emergency management relief	-	2,400	2,387	13
Animal control	96,377	113,477	112,958	519
Total public safety	5,382,191	5,531,541	5,529,116	2,425
Community and economic development				
West Michigan Planning	3,374	3,524	3,522	2
Planning commission	4,950	4,950	2,058	2,892
Brownfield	-	9,500	9,473	27
Economic development	10,500	10,500	10,000	500
Total community and economic development	18,824	28,474	25,053	3,421

Montcalm County, Michigan

BUDGETARY COMPARISON SCHEDULE (NON-GAAP BASIS) - GENERAL FUND - CONTINUED

Year Ended September 30, 2012

	Budgeted Amounts			Variances with Final Budget Positive (Negative)
	Original	Final	Actual	
EXPENDITURES - CONTINUED				
Current - continued				
Health and welfare				
Contagious diseases	\$ 6,500	\$ 9,500	\$ 9,436	\$ 64
Medical examiner	120,000	135,000	130,489	4,511
Veterans burials	7,700	7,700	5,625	2,075
Substance Abuse Commission	97,000	122,000	121,885	115
Health services	14,000	19,770	19,616	154
Mental Health	188,053	188,053	188,053	-0-
District Health Department	455,777	455,777	443,661	12,116
Total health and welfare	889,030	937,800	918,765	19,035
Public works				
Drains at large	70,867	77,867	76,624	1,243
Other				
Insurance	175,000	175,000	115,179	59,821
Contingency	75,000	-	-	-0-
Total other	250,000	175,000	115,179	59,821
Debt service				
Principal	55,000	55,000	55,000	-0-
Interest	5,000	5,000	1,141	3,859
Total debt service	60,000	60,000	56,141	3,859
TOTAL EXPENDITURES	13,616,517	13,855,668	13,661,130	194,538
OTHER FINANCING USES				
Transfers to other funds				
Parks and Recreation Fund	-	6,500	6,465	35
Friend of the Court Fund	16,000	41,500	93,392	(51,892)
Law Library Fund	5,000	5,000	3,037	1,963
Child Care Fund	713,828	972,828	750,764	222,064
Register of Deeds Automation Fund	75,000	75,000	70,120	4,880
Equipment Purchase and Replacement Fund	95,860	95,860	95,773	87
Office Equipment Pool Fund	-	10,000	10,000	-0-
TOTAL OTHER FINANCING USES	905,688	1,206,688	1,138,499	68,189
TOTAL EXPENDITURES AND OTHER FINANCING USES	14,522,205	15,062,356	14,799,629	262,727
Net change in fund balance (prior to adjustments for GASB Statement No. 54)	<u>\$ (413,497)</u>	<u>\$ (528,648)</u>	(260,544)	<u>\$ (268,104)</u>
Adjustments for GASB Statement No. 54			<u>3,267</u>	
Net change in fund balance, end of year			<u>\$ (257,277)</u>	

Montcalm County, Michigan
 SCHEDULES OF FUNDING PROGRESS
 Year Ended September 30, 2012

DEFINED BENEFIT PENSION PLAN

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
1/1/2012	\$ 17,685,373	\$ 28,466,814	\$ (10,781,441)	62.13%	\$ 5,625,182	191.66%
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%
1/1/2008	17,584,732	23,594,621	(6,009,889)	74.53%	5,692,579	105.57%

Montcalm County, Michigan

SCHEDULES OF EMPLOYER CONTRIBUTIONS

Year Ended September 30, 2012

DEFINED BENEFIT PENSION PLAN

<u>Plan Year Ended December 31,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2011	\$ 623,840	63%	\$ 1,208,262
2010	687,610	77%	977,587
2009	791,642	36%	818,292
2008	380,836	82%	314,709
2007	234,794	135%	245,929

Montcalm County, Michigan

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended September 30, 2012

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, 2012, 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			
Public Safety			
Jail	\$ 2,650,893	\$ 2,652,488	\$ 1,595
Transfers to other funds			
Friend of the Court Fund	41,500	93,392	51,892
Law Enforcement Trust Fund	-	6,724	6,724
Friend of the Court Fund	865,685	878,255	12,570
Homeland Security Grant	100,000	156,088	56,088
Homestead Property Tax Exemption	600	5,850	5,250
Local Correction Training Officer	30,675	36,216	5,541
Commission on Aging	1,311,972	1,362,448	50,476

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)	\$ (260,544)
To adjust for the change in fund balance pertaining to the Parks and Recreation Fund	(113)
To adjust for the change in fund balance pertaining to the Child Care Fund	<u>3,380</u>
Net change in fund balance (GAAP basis)	<u>\$ (257,277)</u>

NOTE C: DEFINED BENEFIT PENSION PLAN

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, healthcare cost trends and other factors. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED

Year Ended September 30, 2012

NOTE C: DEFINED BENEFIT PENSION PLAN - CONTINUED

The accompanying schedule of employer contributions presents trend information about the amounts contributed to the plan by the employer in comparison to the Annual Required Contribution (ARC), an amount that is actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortized any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Projections of benefits for financial reporting 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 benefit costs between the employer 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 calculations. Additional information as of the latest actuarial valuations follows:

Defined Benefit Pension Plan

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 increases (includes inflation of 4.50%)	4.0%
Cost of living adjustments	2.50%

* Information not provided in actuarial valuation report.

OTHER SUPPLEMENTARY INFORMATION

Montcalm County, Michigan
 Nonmajor Governmental Funds
 COMBINING BALANCE SHEET
 September 30, 2012

	Special		
	Victim Support Team	Law Enforcement Trust	Friend of the Court
ASSETS			
Cash and cash equivalents	\$ 1,490	\$ 32,317	\$ (67,543)
Investments	-	-	11,954
Accounts receivable	-	-	1,577
Land contract receivable	-	-	-
Due from other funds	1,473	-	-
Due from other governmental units - Federal/State	-	-	66,703
Advances to other funds	-	-	-
Prepays	-	-	1,297
TOTAL ASSETS	<u>\$ 2,963</u>	<u>\$ 32,317</u>	<u>\$ 13,988</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ 3,197
Accrued wages	-	-	10,186
Accrued liabilities	-	-	-
Due to other funds	1,252	-	-
Deferred revenue	-	-	-
TOTAL LIABILITIES	1,252	-0-	13,383
FUND BALANCES			
Nonspendable	-	-	1,297
Restricted	1,711	32,317	-
Unassigned	-	-	(692)
TOTAL FUND BALANCES	<u>1,711</u>	<u>32,317</u>	<u>605</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,963</u>	<u>\$ 32,317</u>	<u>\$ 13,988</u>

Revenue

Solid Waste Planning	Homeland Security Grant	Community Information Systems	Homestead Property Tax Exemption	Register of Deeds Automation	Local Correction Training Officer
\$ 151,655	\$ 45,865	\$ 14,775	\$ 354,618	\$ 273,414	\$ 16,001
-	-	4,947	-	-	-
44,739	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 196,394</u>	<u>\$ 45,865</u>	<u>\$ 19,722</u>	<u>\$ 354,618</u>	<u>\$ 273,414</u>	<u>\$ 16,001</u>
\$ 9,055	\$ 9,771	\$ -	\$ -	\$ -	\$ 533
586	109	-	-	-	343
-	-	-	-	-	-
-	-	-	4,380	-	-
-	-	-	-	-	-
9,641	9,880	-0-	4,380	-0-	876
-	-	-	-	-	-
186,753	35,985	19,722	350,238	273,414	15,125
-	-	-	-	-	-
<u>186,753</u>	<u>35,985</u>	<u>19,722</u>	<u>350,238</u>	<u>273,414</u>	<u>15,125</u>
<u>\$ 196,394</u>	<u>\$ 45,865</u>	<u>\$ 19,722</u>	<u>\$ 354,618</u>	<u>\$ 273,414</u>	<u>\$ 16,001</u>

Montcalm County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

September 30, 2012

	Special		
	Drug Law Enforcement	Law Enforcement	Law Library
ASSETS			
Cash and cash equivalents	\$ 10,683	\$ 8,906	\$ 8,292
Investments	-	-	-
Accounts receivable	-	-	-
Land contract receivable	-	-	-
Due from other funds	-	2,164	-
Due from other governmental units - Federal/State	-	-	-
Advances to other funds	-	-	-
Prepays	-	-	-
TOTAL ASSETS	<u>\$ 10,683</u>	<u>\$ 11,070</u>	<u>\$ 8,292</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ 265
Accrued wages	-	-	-
Accrued liabilities	-	-	-
Due to other funds	-	10,608	-
Deferred revenue	-	-	-
TOTAL LIABILITIES	-0-	10,608	265
FUND BALANCES			
Nonspendable	-	-	-
Restricted	10,683	462	8,027
Unassigned	-	-	-
TOTAL FUND BALANCES	<u>10,683</u>	<u>462</u>	<u>8,027</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 10,683</u>	<u>\$ 11,070</u>	<u>\$ 8,292</u>

Revenue

County Libraries	Animal Shelter Donation	CDBG - Housing	Commission on Aging	Soldiers and Sailors Relief	Veterans' Trust	Social Welfare Fund
\$ 10,428	\$ 10,207	\$ 15,307	\$ 10,427	\$ 55,055	\$ 710	\$ 1,000
-	-	-	432	-	-	-
-	-	-	39,259	-	-	-
-	-	-	-	-	-	-
1,380	-	14	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 11,808</u>	<u>\$ 10,207</u>	<u>\$ 15,321</u>	<u>\$ 50,118</u>	<u>\$ 55,055</u>	<u>\$ 710</u>	<u>\$ 1,000</u>
\$ -	\$ -	\$ 3,075	\$ 36,586	\$ -	\$ -	\$ -
-	-	-	10,710	-	-	-
6,150	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
6,150	-0-	3,075	47,296	-0-	-0-	-0-
-	-	-	-	-	-	-
5,658	10,207	12,246	2,822	55,055	710	1,000
-	-	-	-	-	-	-
<u>5,658</u>	<u>10,207</u>	<u>12,246</u>	<u>2,822</u>	<u>55,055</u>	<u>710</u>	<u>1,000</u>
<u>\$ 11,808</u>	<u>\$ 10,207</u>	<u>\$ 15,321</u>	<u>\$ 50,118</u>	<u>\$ 55,055</u>	<u>\$ 710</u>	<u>\$ 1,000</u>

Montcalm County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

September 30, 2012

	Debt Service	Capital	
	Building Authority	Public Improvement	Equipment Purchase and Replacement
ASSETS			
Cash and cash equivalents	\$ 2,783	\$ 21,942	\$ (58,706)
Investments	641	13,926	1,095
Accounts receivable	-	-	76,728
Land contract receivable	-	-	-
Due from other funds	-	-	10,608
Due from other governmental units - Federal/State	-	-	-
Advances to other funds	-	-	-
Prepays	-	-	-
TOTAL ASSETS	\$ 3,424	\$ 35,868	\$ 29,725
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ 975
Accrued wages	-	-	-
Accrued liabilities	-	-	-
Due to other funds	2,375	-	-
Deferred revenue	-	-	-
TOTAL LIABILITIES	2,375	-0-	975
FUND BALANCES			
Nonspendable	-	-	-
Restricted	1,049	35,868	28,750
Unassigned	-	-	-
TOTAL FUND BALANCES	1,049	35,868	28,750
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,424	\$ 35,868	\$ 29,725

Projects				Permanent	
Jail Improvement	General Projects	Park Improvements	Building Authority	Cemetery	Total
\$ 12,293	\$ 278,959	\$ 109,858	\$ 27,424	\$ 1,522	\$ 1,349,682
-	130,462	3,184	11,713	99,388	277,742
-	-	-	-	-	162,303
-	-	46,375	-	-	46,375
-	-	-	13,839	-	29,478
-	-	-	-	-	66,703
-	164,318	-	-	-	164,318
-	-	-	-	-	1,297
<u>\$ 12,293</u>	<u>\$ 573,739</u>	<u>\$ 159,417</u>	<u>\$ 52,976</u>	<u>\$ 100,910</u>	<u>\$ 2,097,898</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 63,457
-	-	-	-	-	21,934
-	-	-	-	-	6,150
-	-	-	-	-	18,615
-	-	46,375	-	-	46,375
-0-	-0-	46,375	-0-	-0-	156,531
-	164,318	-	-	99,388	265,003
12,293	409,421	113,042	52,976	1,522	1,677,056
-	-	-	-	-	(692)
<u>12,293</u>	<u>573,739</u>	<u>113,042</u>	<u>52,976</u>	<u>100,910</u>	<u>1,941,367</u>
<u>\$ 12,293</u>	<u>\$ 573,739</u>	<u>\$ 159,417</u>	<u>\$ 52,976</u>	<u>\$ 100,910</u>	<u>\$ 2,097,898</u>

Montcalm County, Michigan

Nonmajor Governmental Funds

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

Year Ended September 30, 2012

	Special		
	Victim Support Team	Law Enforcement Trust	Friend of the Court
REVENUES			
Property taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	7,251
Intergovernmental	-	-	644,524
Charges for services	-	-	132,247
Fines and forfeits	-	-	-
Interest and rents	2	-	15
Other	500	338	-
	<u>502</u>	<u>338</u>	<u>-</u>
TOTAL REVENUES	502	338	784,037
EXPENDITURES			
Current			
General government	-	-	878,255
Public safety	-	6,724	-
Public works	-	-	-
Health and welfare	-	-	-
Community and economic development	-	-	-
Recreation and culture	-	-	-
Capital outlay	-	-	-
Debt service	-	-	-
	<u>-0-</u>	<u>6,724</u>	<u>-</u>
TOTAL EXPENDITURES	-0-	6,724	878,255
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	502	(6,386)	(94,218)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	93,392
Transfers out	-	-	-
	<u>-0-</u>	<u>-0-</u>	<u>93,392</u>
TOTAL OTHER FINANCING SOURCES (USES)	-0-	-0-	93,392
NET CHANGE IN FUND BALANCES	502	(6,386)	(826)
Fund balances, beginning of year	<u>1,209</u>	<u>38,703</u>	<u>1,431</u>
Fund balances, end of year	<u>\$ 1,711</u>	<u>\$ 32,317</u>	<u>\$ 605</u>

Revenue

Solid Waste Planning	Homeland Security Grant	Community Information Systems	Homestead Property Tax Exemption	Register of Deeds Automation	Local Correction Training Officer
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	191,994	-	-	-	-
164,112	-	-	-	-	15,600
-	-	-	-	-	-
-	-	7	27,038	299	-
406	-	-	-	-	-
164,518	191,994	7	27,038	299	15,600
-	-	612	5,850	31,085	-
-	156,088	-	-	-	36,216
181,423	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
181,423	156,088	612	5,850	31,085	36,216
(16,905)	35,906	(605)	21,188	(30,786)	(20,616)
-	79	-	-	70,120	-
-	-	-	-	-	-
-0-	79	-0-	-0-	70,120	-0-
(16,905)	35,985	(605)	21,188	39,334	(20,616)
203,658	-	20,327	329,050	234,080	35,741
<u>\$ 186,753</u>	<u>\$ 35,985</u>	<u>\$ 19,722</u>	<u>\$ 350,238</u>	<u>\$ 273,414</u>	<u>\$ 15,125</u>

Montcalm County, Michigan

Nonmajor Governmental Funds

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

Year Ended September 30, 2012

	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	-	1	-
Other	374	-	-
	<u>374</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES	374	1	6,500
EXPENDITURES			
Current			
General government	-	-	9,770
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>9,770</u>
TOTAL EXPENDITURES	-0-	-0-	9,770
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	374	1	(3,270)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	3,037
Transfers out	-	-	-
	<u>-0-</u>	<u>-0-</u>	<u>3,037</u>
TOTAL OTHER FINANCING SOURCES (USES)	-0-	-0-	3,037
NET CHANGE IN FUND BALANCES	374	1	(233)
Fund balances, beginning of year	<u>10,309</u>	<u>461</u>	<u>8,260</u>
Fund balances, end of year	<u>\$ 10,683</u>	<u>\$ 462</u>	<u>\$ 8,027</u>

Revenue						
County Libraries	Animal Shelter Donation	CDBG - Housing	Commission on Aging	Soldiers and Sailors Relief	Veterans' Trust	Social Welfare Fund
\$ 785,255	\$ -	\$ -	\$ 705,461	\$ 31,164	\$ -	\$ -
-	-	-	-	-	-	-
-	-	164,936	408,433	-	14,756	-
-	-	880	124,656	-	-	-
-	-	-	-	-	-	-
-	-	15	-	-	-	-
-	2,582	-	6,959	-	-	-
<u>785,255</u>	<u>2,582</u>	<u>165,831</u>	<u>1,245,509</u>	<u>31,164</u>	<u>14,756</u>	<u>-0-</u>
-	496	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	1,324,055	20,031	22,793	-
-	-	154,144	-	-	-	-
782,453	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	32,470	-	-	-
<u>782,453</u>	<u>496</u>	<u>154,144</u>	<u>1,356,525</u>	<u>20,031</u>	<u>22,793</u>	<u>-0-</u>
2,802	2,086	11,687	(111,016)	11,133	(8,037)	-0-
-	-	-	100,000	-	-	-
-	-	-	(5,922)	-	-	-
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>94,078</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
2,802	2,086	11,687	(16,938)	11,133	(8,037)	-0-
2,856	8,121	559	19,760	43,922	8,747	1,000
<u>\$ 5,658</u>	<u>\$ 10,207</u>	<u>\$ 12,246</u>	<u>\$ 2,822</u>	<u>\$ 55,055</u>	<u>\$ 710</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, 2012

	Debt Service	Capital	
	Building Authority	Public Improvement	Equipment Purchase and Replacement
REVENUES			
Property taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental	-	-	60,578
Charges for services	-	-	-
Fines and forfeits	-	-	-
Interest and rents	962,036	3,757	1
Other	-	-	165,541
	962,036	3,757	226,120
TOTAL REVENUES	962,036	3,757	226,120
EXPENDITURES			
Current			
General government	-	-	-
Public safety	-	-	-
Public works	-	-	-
Health and welfare	-	-	-
Community and economic development	-	-	-
Recreation and culture	-	-	-
Capital outlay	-	-	326,484
Debt service	962,036	-	-
	962,036	-0-	326,484
TOTAL EXPENDITURES	962,036	-0-	326,484
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-0-	3,757	(100,364)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	101,694
Transfers out	-	-	-
	-0-	-0-	101,694
TOTAL OTHER FINANCING SOURCES (USES)	-0-	-0-	101,694
NET CHANGE IN FUND BALANCES	-0-	3,757	1,330
Fund balances, beginning of year	1,049	32,111	27,420
Fund balances, end of year	\$ 1,049	\$ 35,868	\$ 28,750

Projects				Permanent	
Jail Improvement	General Projects	Park Improvements	Building Authority	Cemetery	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,521,880
-	-	-	-	-	7,251
-	-	-	-	-	1,485,221
-	-	-	-	-	437,495
-	-	-	-	-	6,500
19	46	4	54	184	993,478
-	-	18,300	-	-	195,000
19	46	18,304	54	184	4,646,825
-	-	-	-	70	926,138
-	-	-	-	-	199,028
-	-	-	-	-	181,423
-	-	-	-	-	1,366,879
-	-	-	-	-	154,144
-	-	-	-	-	782,453
-	-	-	-	-	326,484
-	-	-	-	-	994,506
-0-	-0-	-0-	-0-	70	4,931,055
19	46	18,304	54	114	(284,230)
-	-	-	-	-	368,322
-	(90,226)	-	-	-	(96,148)
-0-	(90,226)	-0-	-0-	-0-	272,174
19	(90,180)	18,304	54	114	(12,056)
12,274	663,919	94,738	52,922	100,796	1,953,423
\$ 12,293	\$ 573,739	\$ 113,042	\$ 52,976	\$ 100,910	\$ 1,941,367

Montcalm County

Nonmajor Enterprise Funds

COMBINING STATEMENT OF FUND NET ASSETS

September 30, 2012

	<u>Inmate Commissary</u>	<u>Building Official</u>	<u>Total</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 74,912	\$ (1,799)	\$ 73,113
Investments	-	3,968	3,968
Total current assets	74,912	2,169	77,081
Noncurrent assets			
Capital assets, net of accumulated depreciation	-	1,614	1,614
TOTAL ASSETS	74,912	3,783	78,695
LIABILITIES			
Current liabilities			
Accounts payable	3,238	269	3,507
Accrued wages	-	3,514	3,514
TOTAL LIABILITIES	3,238	3,783	7,021
NET ASSETS			
Invested in capital assets	-	1,614	1,614
Unrestricted	71,674	(1,614)	70,060
TOTAL NET ASSETS	\$ 71,674	\$ -0-	\$ 71,674

Montcalm County, Michigan

Nonmajor Enterprise Funds

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

Year Ended September 30, 2012

	Inmate Commissary	Building Official	Total
OPERATING REVENUES			
Charges for services	\$ -	\$ 251,267	\$ 251,267
Sales	99,973	-	99,973
TOTAL OPERATING REVENUES	99,973	251,267	351,240
OPERATING EXPENSES			
Personal services	-	158,038	158,038
Fringe benefits	-	55,982	55,982
Operating supplies	83,436	1,633	85,069
Contractual services	-	6,584	6,584
Insurance	-	2,832	2,832
Vehicle repair	-	172	172
Communication	-	174	174
Other services and charges	10,146	35,578	45,724
Depreciation	-	1,986	1,986
TOTAL OPERATING EXPENSES	93,582	262,979	356,561
OPERATING INCOME (LOSS)	6,391	(11,712)	(5,321)
NONOPERATING REVENUES			
Interest revenue	-	5	5
INCOME (LOSS) BEFORE TRANSFERS	6,391	(11,707)	(5,316)
TRANSFERS IN	-	8,948	8,948
CHANGE IN NET ASSETS	6,391	(2,759)	3,632
Net assets, beginning of year	65,283	2,759	68,042
Net assets, end of year	<u>\$ 71,674</u>	<u>\$ -0-</u>	<u>\$ 71,674</u>

Montcalm County, Michigan

Nonmajor Enterprise Funds

COMBINING STATEMENT OF CASH FLOWS

Year Ended September 30, 2012

	Inmate Commissary	Building Official	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 99,973	\$ 251,267	\$ 351,240
Cash paid to suppliers	(92,668)	(50,727)	(143,395)
Cash paid for fringe benefits	-	(55,982)	(55,982)
Cash paid to employees	-	(158,038)	(158,038)
	<u>7,305</u>	<u>(13,480)</u>	<u>(6,175)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Transfers from other funds	-	8,948	8,948
Acquisition of capital assets	-	(1,679)	(1,679)
	<u>-0-</u>	<u>7,269</u>	<u>7,269</u>
NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES			
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	-	(3,968)	(3,968)
Maturity of investments	-	3,962	3,962
Interest received	-	5	5
	<u>-0-</u>	<u>(1)</u>	<u>(1)</u>
NET CASH (USED) BY INVESTING ACTIVITIES			
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
	7,305	(6,212)	1,093
Cash and cash equivalents, beginning of year	<u>67,607</u>	<u>4,413</u>	<u>72,020</u>
Cash and cash equivalents, end of year	<u>\$ 74,912</u>	<u>\$ (1,799)</u>	<u>\$ 73,113</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ 6,391	\$ (11,712)	\$ (5,321)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	-	1,986	1,986
(Increase) decrease in:			
Accounts payable	914	(3,428)	(2,514)
Accrued liabilities	-	(326)	(326)
	<u>7,305</u>	<u>(13,480)</u>	<u>(6,175)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			

Montcalm County, Michigan

Internal Service Funds

COMBINING STATEMENT OF FUND NET ASSETS

September 30, 2012

	Office Equipment Pool	Post- Employment Health	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 8,499	\$ 100,526	\$ 109,025
Investments	-	82,830	82,830
Total current assets	8,499	183,356	191,855
Noncurrent assets			
Capital assets, net of accumulated depreciation	8,896	-	8,896
TOTAL ASSETS	17,395	183,356	200,751
LIABILITIES			
Current liabilities			
Accounts payable	188	-	188
NET ASSETS			
Invested in capital assets	8,896	-	8,896
Unrestricted	8,311	183,356	191,667
TOTAL NET ASSETS	\$ 17,207	\$ 183,356	\$ 200,563

Montcalm County, Michigan

Internal Service Funds

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

Year Ended September 30, 2012

	Office Equipment Pool	Post- Employment Health	Total
OPERATING REVENUES			
Miscellaneous	\$ -	\$ 26,938	\$ 26,938
OPERATING EXPENSES			
Supplies	2,731	-	2,731
Contractual services	13,619	-	13,619
Other services and charges	-	37,543	37,543
Depreciation	4,103	-	4,103
TOTAL OPERATING EXPENSES	<u>20,453</u>	<u>37,543</u>	<u>57,996</u>
OPERATING (LOSS)	(20,453)	(10,605)	(31,058)
NONOPERATING REVENUES			
Interest revenue	<u>-</u>	<u>103</u>	<u>103</u>
(LOSS) BEFORE TRANSFERS	(20,453)	(10,502)	(30,955)
TRANSFERS IN	<u>10,000</u>	<u>-</u>	<u>10,000</u>
CHANGE IN NET ASSETS	(10,453)	(10,502)	(20,955)
Net assets, beginning of year	<u>27,660</u>	<u>193,858</u>	<u>221,518</u>
Net assets, end of year	<u>\$ 17,207</u>	<u>\$ 183,356</u>	<u>\$ 200,563</u>

Montcalm County, Michigan

Internal Service Funds

COMBINING STATEMENT OF CASH FLOWS

Year Ended September 30, 2012

	Office Equipment Pool	Post- Employment Health	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ -	\$ 26,938	\$ 26,938
Cash paid to suppliers	(16,189)	-	(16,189)
Cash paid for fringe benefits	-	(37,543)	(37,543)
	<u> </u>	<u> </u>	<u> </u>
NET CASH (USED) BY OPERATING ACTIVITIES	(16,189)	(10,605)	(26,794)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Transfers from other funds	10,000	-	10,000
Acquisition of capital assets	(11,119)	-	(11,119)
	<u> </u>	<u> </u>	<u> </u>
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(1,119)	-0-	(1,119)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	-	(103)	(103)
Interest received	-	103	103
	<u> </u>	<u> </u>	<u> </u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	-0-	-0-	-0-
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(17,308)	(10,605)	(27,913)
Cash and cash equivalents, beginning of year	<u>25,807</u>	<u>111,131</u>	<u>136,938</u>
Cash and cash equivalents, end of year	<u>\$ 8,499</u>	<u>\$ 100,526</u>	<u>\$ 109,025</u>
Reconciliation of operating (loss) to net cash (used) by operating activities			
Operating (loss)	\$ (20,453)	\$ (10,605)	\$ (31,058)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities			
Depreciation	4,103	-	4,103
Increase in:			
Accounts payable	161	-	161
	<u> </u>	<u> </u>	<u> </u>
NET CASH (USED) BY OPERATING ACTIVITIES	<u>\$ (16,189)</u>	<u>\$ (10,605)</u>	<u>\$ (26,794)</u>

Montcalm County, Michigan

Agency Funds

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

September 30, 2012

	Trust and Agency	Inmate Trust	Library Fund	Total
ASSETS				
Cash and cash equivalents	\$ 186,696	\$ 11,719	\$ 92,815	\$ 291,230
Investments	4,098,476	-	-	4,098,476
Due from other governmental units	576,524	-	-	576,524
TOTAL ASSETS	<u>\$ 4,861,696</u>	<u>\$ 11,719</u>	<u>\$ 92,815</u>	<u>\$ 4,966,230</u>
LIABILITIES				
Due to other governmental units				
Federal/State	\$ 4,740,481	\$ -	\$ -	\$ 4,740,481
Local	510	-	92,815	93,325
Due to individuals and agencies	120,705	11,719	-	132,424
TOTAL LIABILITIES	<u>\$ 4,861,696</u>	<u>\$ 11,719</u>	<u>\$ 92,815</u>	<u>\$ 4,966,230</u>

Montcalm County, Michigan

Component Unit Funds

COMBINING BALANCE SHEET/STATEMENT OF NET ASSETS - DRAINAGE DISTRICTS

September 30, 2012

	Debt Service	Capital	
	Regular Drain	Regular Drain	Drain Revolving
ASSETS			
Cash and cash equivalents	\$ 45,517	\$ 646,518	\$ 170,016
Investments	-	359,966	-
Accounts receivable	-	-	-
Special assessments receivable	1,123,221	-	-
Due from other funds	-	-	-
Capital assets not being depreciated	-	-	-
Capital assets, net of accumulated depreciation	-	-	-
	\$ 1,168,738	\$ 1,006,484	\$ 170,016
TOTAL ASSETS			
LIABILITIES AND FUND EQUITY			
LIABILITIES			
Accounts payable	\$ -	\$ 27,125	\$ -
Accrued wages	-	828	-
Due to other funds	-	-	-
Accrued interest payable	-	-	-
Deferred revenue	1,168,738	-	-
Advances from other governmental units	-	-	170,016
Bonds and notes payable	-	-	-
	1,168,738	27,953	170,016
TOTAL LIABILITIES			
FUND EQUITY			
Net assets			
Invested in capital assets, net of related debt	-	-	-
Restricted	-	-	-
Fund balances			
Restricted for:			
Capital Projects	-	978,531	-
	-0-	978,531	-0-
TOTAL FUND EQUITY			
	\$ 1,168,738	\$ 1,006,484	\$ 170,016
TOTAL LIABILITIES AND FUND EQUITY			

	Projects			Enterprise			Total
	Drain Maintenance Revolving	Lake Level	Lake Level Revolving	Big Whitefish Lake	Little Whitefish Lake	Sidney Sewer Project	
\$ 61	\$ 363,781	\$ 14,676	\$ 318,504	\$ 300,884	\$ 213,700	\$ 2,073,657	
-	206,156	-	-	-	-	566,122	
-	-	806	3,858	-	1,580	6,244	
-	-	-	-	130,905	-	1,254,126	
-	-	1,518	-	-	-	1,518	
-	-	-	75,650	-	-	75,650	
-	-	-	500,383	1,902,208	6,045,450	8,448,041	
<u>\$ 61</u>	<u>\$ 569,937</u>	<u>\$ 17,000</u>	<u>\$ 898,395</u>	<u>\$ 2,333,997</u>	<u>\$ 6,260,730</u>	<u>\$ 12,425,358</u>	
\$ -	\$ -	\$ -	\$ 4,300	\$ 3,513	\$ -	\$ 34,938	
-	-	-	-	-	-	828	
-	1,518	-	-	-	-	1,518	
-	-	-	-	23,558	-	23,558	
-	-	-	-	-	-	1,168,738	
-	-	17,000	100,350	-	-	287,366	
-	-	-	-	1,146,500	3,543,000	4,689,500	
-0-	1,518	17,000	104,650	1,173,571	3,543,000	6,206,446	
-	-	-	576,033	755,708	2,502,450	3,834,191	
-	-	-	217,712	404,718	215,280	837,710	
<u>61</u>	<u>568,419</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,547,011</u>	
<u>61</u>	<u>568,419</u>	<u>-0-</u>	<u>793,745</u>	<u>1,160,426</u>	<u>2,717,730</u>	<u>6,218,912</u>	
<u>\$ 61</u>	<u>\$ 569,937</u>	<u>\$ 17,000</u>	<u>\$ 898,395</u>	<u>\$ 2,333,997</u>	<u>\$ 6,260,730</u>	<u>\$ 12,425,358</u>	

Montcalm County, Michigan

Component Unit Funds

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

September 30, 2012

Total fund balance - governmental funds \$ 1,547,011

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>(470,076)</u>	
Capital assets, net		3,417,224

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		1,168,738
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Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Bonds and notes payable	(1,906,082)	
Accrued interest payable	<u>(18,002)</u>	
		<u>(1,924,084)</u>

Net assets of governmental activities \$ 4,208,889

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, 2012

	Debt Service	Capital	
	Regular Drain	Regular Drain	Drain Revolving
REVENUES			
Licenses and permits	\$ -	\$ -	\$ -
Charges for services	-	-	-
Interest	-	475	-
Other			
Special assessments	387,356	845,331	-
Other	-	12,533	-
TOTAL REVENUES	387,356	858,339	-0-
EXPENDITURES			
Current			
Public works	-	213,495	-
Debt service			
Principal	316,073	-	-
Interest and fiscal charges	71,283	-	-
TOTAL EXPENDITURES	387,356	213,495	-0-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-0-	644,844	-0-
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	(21,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	-0-	(21,000)	-0-
NET CHANGE IN FUND BALANCES	-0-	623,844	-0-
Fund balances, beginning of year	-	354,687	-
Fund balances, end of year	<u>\$ -0-</u>	<u>\$ 978,531</u>	<u>\$ -0-</u>

Projects			
Drain Maintenance Revolving	Lake Level	Lake Level Revolving	Total
\$ 3,185	\$ -	\$ -	\$ 3,185
7,938	-	-	7,938
-	255	-	730
-	2,601	-	1,235,288
-	1,600	-	14,133
11,123	4,456	-0-	1,261,274
39,399	484,077	-	736,971
-	22,420	-	338,493
-	2,186	-	73,469
39,399	508,683	-0-	1,148,933
(28,276)	(504,227)	-0-	112,341
21,000	-	-	21,000
-	-	-	(21,000)
21,000	-0-	-0-	-0-
(7,276)	(504,227)	-0-	112,341
7,337	1,072,646	-	1,434,670
\$ 61	\$ 568,419	\$ -0-	\$ 1,547,011

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, 2012

Net change in fund balances - total governmental funds \$ 112,341

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 (75,056)

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

Debt principal retirement 338,492

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 1,671

Change in net assets of governmental activities \$ 75,976

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, 2012

	Enterprise			Total
	Big Whitefish Lake	Little Whitefish Lake	Sidney Sewer Project	
OPERATING REVENUES				
Charges for services	\$ 74,474	\$ 43,904	\$ 152,378	\$ 270,756
Intergovernmental	-	-	658,446	658,446
Other	25,886	7,161	-	33,047
TOTAL OPERATING REVENUES	100,360	51,065	810,824	962,249
OPERATING EXPENSES				
Contractual services	46,014	25,870	13,186	85,070
Other	23,191	19,930	5,968	49,089
Depreciation	16,956	51,411	-	68,367
TOTAL OPERATING EXPENSES	86,161	97,211	19,154	202,526
OPERATING INCOME (LOSS)	14,199	(46,146)	791,670	759,723
NONOPERATING REVENUES (EXPENSES)				
Interest revenue	-	5,662	373	6,035
Interest expense	-	(56,149)	(107,059)	(163,208)
TOTAL NONOPERATING REVENUES (EXPENSES)	-0-	(50,487)	(106,686)	(157,173)
CHANGE IN NET ASSETS	14,199	(96,633)	684,984	602,550
Net assets, beginning of year	779,546	1,257,059	2,032,746	4,069,351
Net assets, end of year	<u>\$ 793,745</u>	<u>\$ 1,160,426</u>	<u>\$ 2,717,730</u>	<u>\$ 4,671,901</u>

Montcalm County, Michigan

Component Unit Funds

COMBINING STATEMENT CASH FLOWS - PROPRIETARY FUNDS - DRAINAGE DISTRICTS

Year Ended September 30, 2012

	Enterprise			Total
	Big Whitefish Lake	Little Whitefish Lake	Sidney Sewer Project	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from users	\$ 98,673	\$ 70,437	\$ 1,278,525	\$ 1,447,635
Cash paid to suppliers	(72,895)	(47,032)	(488,435)	(608,362)
NET CASH PROVIDED BY OPERATING ACTIVITIES	25,778	23,405	790,090	839,273
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital acquisitions	-	-	(625,464)	(625,464)
Interest paid	-	(57,537)	(107,059)	(164,596)
Payments of borrowings	-	(23,500)	(89,000)	(112,500)
NET CASH (USED) BY CAPITAL AND AND RELATED FINANCING ACTIVITIES	-0-	(81,037)	(821,523)	(902,560)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	-	5,662	373	6,035
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING YEAR	25,778	(51,970)	(31,060)	(57,252)
Cash and cash equivalents, beginning of year	292,726	352,854	244,760	890,340
Cash and cash equivalents, end of year	<u>\$ 318,504</u>	<u>\$ 300,884</u>	<u>\$ 213,700</u>	<u>\$ 833,088</u>
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	\$ 14,199	\$ (46,146)	\$ 791,670	\$ 759,723
Adjustments to reconcile operating income (loss) net cash provided by operating activities				
Depreciation	16,956	51,411	-	68,367
(Increase) decrease in:				
Accounts receivable	(1,687)	10,464	(1,580)	7,197
Due from other governmental units	-	-	469,281	469,281
Special assessments receivable	-	8,908	-	8,908
(Decrease) in:				
Accounts payable	(3,690)	(1,232)	(469,281)	(474,203)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 25,778	\$ 23,405	\$ 790,090	\$ 839,273

Montcalm County, Michigan

Component Unit Funds

BALANCE SHEET - CENTRAL DISPATCH AUTHORITY

September 30, 2012

	<u>Special Revenue</u>
ASSETS	
Cash and cash equivalents	\$ 292,930
Investments	120,036
Accounts receivable	<u>310,190</u>
TOTAL ASSETS	<u><u>\$ 723,156</u></u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable	\$ 3,721
Accrued liabilities	<u>15,921</u>
TOTAL LIABILITIES	19,642
FUND BALANCE	
Restricted for:	
Wireless surcharge	248,798
Wireless training	5,774
Public safety	<u>448,942</u>
TOTAL FUND BALANCE	<u>703,514</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 723,156</u></u>

Montcalm County, Michigan

Component Unit Funds

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

September 30, 2012

Total fund balance - governmental fund \$ 703,514

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>(699,447)</u>	
Capital assets, net		8,093

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:

Compensated absences	<u>(25,233)</u>
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Net assets of governmental activities \$ 686,374

Montcalm County, Michigan

Component Unit Funds

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

Year Ended September 30, 2012

	<u>Special Revenue</u>
REVENUES	
Intergovernmental	\$ 700
Charges for services	1,667,729
Interest	<u>136</u>
 TOTAL REVENUES	 1,668,565
 EXPENDITURES	
Current	
Public safety	<u>1,437,486</u>
 NET CHANGE IN FUND BALANCE	 231,079
 Fund balance, beginning of year	 <u>472,435</u>
 Fund balance, end of year	 <u><u>\$ 703,514</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, 2012

Net change in fund balance - governmental fund \$ 231,079

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 (23,291)

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

(Increase) in accrued compensated absences (25,233)

Change in net assets of governmental activities \$ 182,555