

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

| | | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|------------------------------------------------------|--------------------|
| Local Unit of Government Type <input checked="" type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other | | Local Unit Name Montcalm County | County Montcalm |
| Fiscal Year End September 30, 2007 | Opinion Date April 30, 2008 | Date Audit Report Submitted to State May 21, 2008 | |

We affirm that:

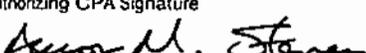
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO Check each applicable box below. (See instructions for further detail.)
- All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 - There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 - The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - The local unit has adopted a budget for all required funds.
 - A public hearing on the budget was held in accordance with State statute.
 - The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 - The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - The local unit only holds deposits/investments that comply with statutory requirements.
 - The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 - There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 - The local unit is free of repeated comments from previous years.
 - The audit opinion is UNQUALIFIED.
 - The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - The board or council approves all invoices prior to payment as required by charter or statute.
 - To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

| We have enclosed the following: | Enclosed | Not Required (enter a brief justification) |
|------------------------------------------------------------------------------------------------------------------|---------------------------------------|--------------------------------------------|
| Financial Statements | <input checked="" type="checkbox"/> | |
| The letter of Comments and Recommendations | <input checked="" type="checkbox"/> | |
| Other (Describe) | <input checked="" type="checkbox"/> | Single Audit |
| Certified Public Accountant (Firm Name) Abraham & Gaffney, P.C. | Telephone Number 517-351-6836 | |
| Street Address 3511 Coolidge Road, Suite 100 | City East Lansing | State MI |
| | | Zip 48823 |
| Authorizing CPA Signature  | Printed Name Aaron M. Stevens, CPA | License Number 1101024055 |

Montcalm County, Michigan

FINANCIAL STATEMENTS

September 30, 2007

Montcalm County, Michigan

September 30, 2007

BOARD OF COMMISSIONERS

| | |
|-----------------|------------------|
| Patrick Q. Carr | Chairperson |
| Ronald Retzloff | Vice Chairperson |
| Marcia Walker | Commissioner |
| Dan Petersen | Commissioner |
| John Johansen | Commissioner |
| Carl Paepke | Commissioner |
| Roger Caris | Commissioner |
| John McCrackin | Commissioner |
| Ronald Baker | Commissioner |

ADMINISTRATION AND OTHER ELECTED OFFICIALS

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

Montcalm County, Michigan

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Principals

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
of Montcalm County
Stanton, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of Montcalm County, Michigan as of and for the year ended September 30, 2007, 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 73% of the assets and 50% of the revenues of the component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us. Our opinion expressed herein, insofar as it relates to the amounts included for the Road Commission, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the audit of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of Montcalm County, Michigan as of September 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2008, on our consideration of Montcalm County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Montcalm County's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

April 30, 2008

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, 2007. 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

This is the fifth year of implementation of Governmental Accounting Standards Board (GASB) Statement number 34. The reporting becomes similar to that of a private sector entity. All of the governmental activities and all of the business type activities are separately combined to report a government wide financial statement for each of the separate activity types. Some of the results for this fiscal year can be reviewed and highlighted.

- Governmental Activities Net Assets increased significantly during the 2008 fiscal year. Net Assets increased \$1,030,480 to \$8,230,405, a 14.3% increase. Unrestricted net assets increased from \$5,558,064 to \$6,904,256, a 24.2% increase.
- Business-Type Activities Net Assets increased \$566,001 to \$10,408,927, a 5.8% increase. Unrestricted Net Assets increased from \$8,983,783 to \$9,615,979.
- Governmental Activities expenses totaled \$18,223,817. \$7,767,735 of those expenses was financed by service charges, contributions, or grants. Tax revenue, revenue sharing, transfers from Business-Type Activities, and other general revenues financed expenses of \$11,486,562.
- The Ambulance Fund expenses totaled \$2,602,238. Service charges and grants financed \$1,911,586 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 \$825,410. The revenue exceeded expenses by \$684,038, before considering interest earnings generated by the funds.
- The depreciated cost of the governmental capital assets at September 30, 2007 was \$13,331,682.
- The Ambulance Fund generated a positive cash flow of \$287,453 during 2007.
- The Delinquent Tax Funds generated a positive cash flow of \$597,472 during 2007.
- Pension Trust Fund net assets increased \$1,475,285 to \$17,656,930. This was primarily due to increase in the interest rate on investments.

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

| Type of Statements | Fund Statements | | | |
|----------------------------------------|----------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------|
| | Government-wide | Government Funds | Proprietary Fund | Fiduciary Funds |
| Scope | 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 |
| Required financial statements | <ul style="list-style-type: none"> • Statement of net assets • Statement of activities | <ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures & changes in fund balances | <ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows | <ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets |
| Accounting basis and measurement focus | 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 |
| Type of asset/liability information | 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 |
| Type of inflow/outflow information | All revenues and expenses during year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter | All revenues and expenses during year, regardless of when cash is received or paid | All revenues and expenses during year, regardless of when cash is received or paid |

Government-wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

The County has three kinds of funds:

- *Governmental funds* - Most of the County's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page that explains the relationship (or differences) between them.
- *Proprietary funds* - Services for which the County charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information.
 - In fact, the County's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.
 - We use *internal services* (the other kind of proprietary fund) to report activities that provide supplies and services for the County's other programs and activities - such as the County's Office Equipment Pool Fund.

- *Fiduciary funds* - The County is the trustee, or *fiduciary*, for its employees' pension plans. It is also responsible for other assets that - because of a trust arrangement - can be used only for the trust beneficiaries. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the County's government-wide financial statements because the County cannot use these assets to finance its operations.

Financial Analysis of the County as a Whole

Net assets. The County's combined net assets increased 9.37% to \$18,639,332 at September 30, 2007. (See Table A-1)

| | Governmental | | Business-type | | Total | | Total |
|----------------------------------------------------|---------------------|---------------------|----------------------|---------------------|----------------------|----------------------|---------------|
| | Activities | | Activities | | | | Percentage |
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 | Change |
| Current and Other Assets | \$ 8,714,958 | \$ 7,924,911 | \$ 9,722,979 | \$ 9,309,223 | \$ 18,437,937 | \$ 17,234,134 | 6.98% |
| Capital Assets | 13,331,682 | 14,099,050 | 798,711 | 889,353 | 14,130,393 | 14,988,403 | -6.07% |
| Total Assets | 22,046,640 | 22,023,961 | 10,521,690 | 10,198,576 | 32,568,330 | 32,222,537 | 1.07% |
| Long-term debt outstanding | 12,099,153 | 12,809,043 | - | 6,087 | 12,099,153 | 12,815,130 | -6.22% |
| Other Liabilities | 1,717,082 | 2,014,993 | 112,763 | 349,563 | 1,829,845 | 2,364,556 | -26.83% |
| Total Liabilities | 13,816,235 | 14,824,036 | 112,763 | 355,650 | 13,928,998 | 15,179,686 | -8.98% |
| Net Assets | | | | | | | |
| Invested in capital assets, net of related debt | 637,278 | 775,521 | 792,948 | 859,143 | 1,430,226 | 1,634,664 | -14.29% |
| Restricted | 688,871 | 866,340 | - | - | 688,871 | 866,340 | -25.76% |
| Unrestricted | 6,904,256 | 5,558,064 | 9,615,979 | 8,983,783 | 16,520,235 | 14,541,847 | 13.60% |
| Total Net Assets | \$ 8,230,405 | \$ 7,199,925 | \$ 10,408,927 | \$ 9,842,926 | \$ 18,639,332 | \$ 17,042,851 | 9.37% |

Of the total Current and Other Assets figure of \$18,437,937, \$11,105,809 is Cash or Investments. That represents 60% of the total current assets, down from 65% from the previous year. Of the total cash and investments amount, \$6,629,608 was in the Delinquent Tax Revolving Fund. This figure is up \$777,014 from the previous year. The fund's primary purpose is to administer collection and distribution of delinquent real property taxes. Any surplus in the fund is currently pledged to the payment of debt service on new construction indebtedness that began in 2000 and to increased operating costs of a county jail that was expanded and began full operation in 2002. Receivables of \$6,303,326 represent another 36% of the current assets. \$2,730,475, or 43%, of that amount were Delinquent Tax Receivables.

The total depreciated cost of capital assets reported in the governmental activities statement of net assets is \$13,331,682, compared to \$14,099,050 in the previous year. The gross cost of those assets is \$25,498,182, compared to \$25,301,178 at the end of the previous year. The accumulated depreciation on those assets is \$12,166,500, compared to \$11,202,128 at the end of the previous year.

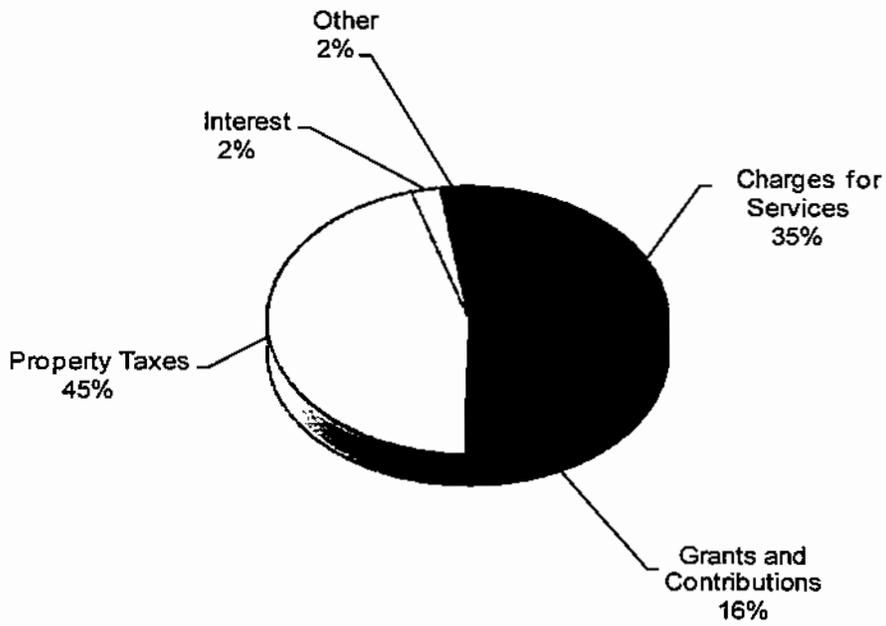
Changes in net assets. The County's net assets increased by \$1,596,481 (See Table A-2). Governmental activities net assets increased \$1,030,480. Business-Type activities net assets increased by \$566,001.

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

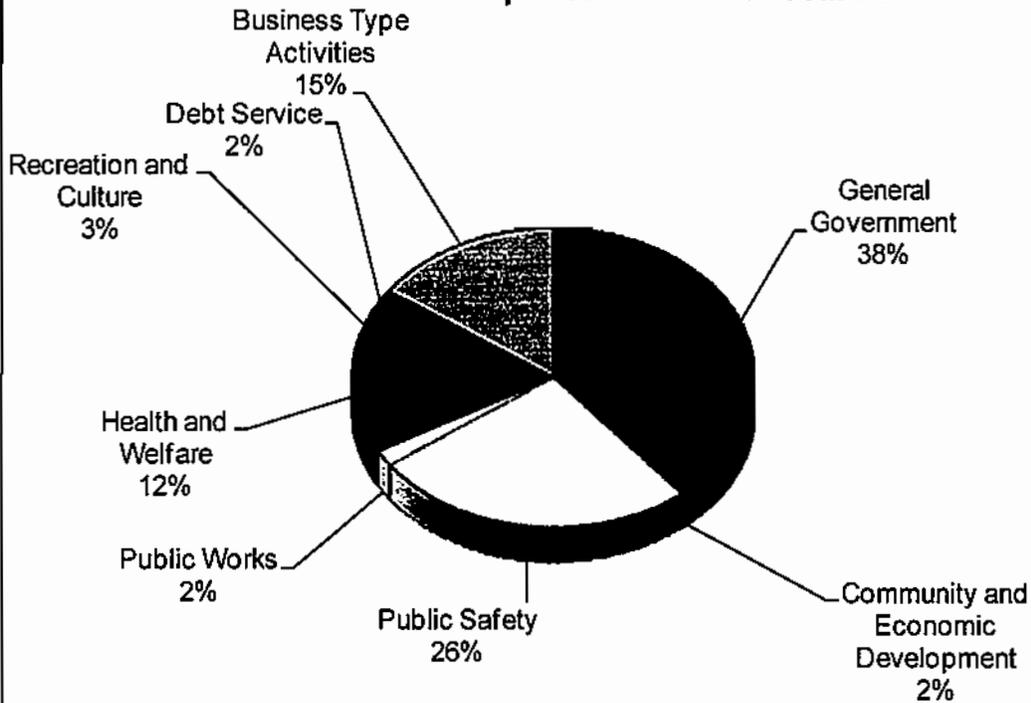
| | Governmental Activities | | Business-type Activities | | Total | | Total Percentage Change 2006-2007 |
|------------------------------------------|----------------------------|-------------------|-----------------------------|---------------------|---------------------|-------------------|--------------------------------------------|
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 | |
| Revenues | | | | | | | |
| Program Revenues | | | | | | | |
| Charges for Services | \$ 5,051,129 | \$ 4,967,979 | \$ 3,213,453 | \$ 2,683,743 | \$ 8,264,582 | \$ 7,651,722 | 8.01% |
| Grants and Contributions | 2,716,606 | 3,511,527 | 16,562 | 32,441 | 2,733,168 | 3,543,968 | -22.88% |
| General Revenues | | | | | | | |
| Property Taxes | 10,274,327 | 9,307,075 | 733,733 | 691,360 | 11,008,060 | 9,998,435 | 10.10% |
| Interest | 259,790 | 303,537 | 307,399 | 220,458 | 567,189 | 523,995 | 8.24% |
| Other | 384,578 | 457,618 | 136,606 | 50,614 | 521,184 | 508,232 | 2.55% |
| Total Revenues | 18,686,430 | 18,547,736 | 4,407,753 | 3,678,616 | 23,094,183 | 22,226,352 | 3.90% |
| Expenses | | | | | | | |
| General Government | 8,085,007 | 8,377,371 | | | 8,085,007 | 8,377,371 | -3.49% |
| Public Safety | 5,562,978 | 5,743,943 | | | 5,562,978 | 5,743,943 | -3.15% |
| Public Works | 381,311 | 369,825 | | | 381,311 | 369,825 | 3.11% |
| Health and Welfare | 2,623,513 | 2,800,887 | | | 2,623,513 | 2,800,887 | -6.33% |
| Community and Economic Development | 329,639 | 193,996 | | | 329,639 | 193,996 | 69.92% |
| Recreation and Cultural | 728,982 | 728,910 | | | 728,982 | 728,910 | 0.01% |
| Other | - | 139,449 | | | - | 139,449 | -100.00% |
| Debt Service | 512,387 | 578,702 | | | 512,387 | 578,702 | -11.46% |
| Delinquent Tax | | | 141,372 | 141,542 | 141,372 | 141,542 | -0.12% |
| Jail Commissary | | | 99,061 | 95,669 | 99,061 | 95,669 | 3.55% |
| Building Official | | | 431,214 | 451,109 | 431,214 | 451,109 | -4.41% |
| Ambulance | | | 2,602,238 | 2,563,796 | 2,602,238 | 2,563,796 | 1.50% |
| Total Expenses | 18,223,817 | 18,933,083 | 3,273,885 | 3,252,116 | 21,497,702 | 22,185,199 | -3.10% |
| Excess (deficiency) before transfers | 462,613 | (385,347) | 1,133,868 | 426,500 | 1,596,481 | 41,153 | |
| Transfers | 567,867 | 614,438 | (567,867) | (614,438) | -0- | -0- | |
| Increase (decrease) in net assets | \$ 1,030,480 | \$ 229,091 | \$ 566,001 | \$ (187,938) | \$ 1,596,481 | \$ 41,153 | |

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 are not contributing enough to pay for the services they are currently receiving. The allocation of revenues and expenses to the categories displayed in the Statement of Changes in Net Assets can be displayed graphically, as follows:

Sources of Revenue for Fiscal Year 2007



Functional Expenses for Fiscal Year 2007



Financial Analysis of the County's Funds

Governmental Funds

Governmental Funds include the General Fund, Special Revenue Funds (Parks, Commission on Aging, Child Care Fund, etc.), Debt Service Funds, and Capital Project Funds. For the fiscal year ended September 30, 2007, the County's governmental funds reported a total Fund Balance of \$7,653,232. Of that amount, \$6,377,388 was unreserved and undesignated. The unreserved/undesignated Fund Balance increased \$1,134,011 from its September 30, 2006 level. This change will be examined more closely on an individual fund basis.

General Fund. The total General Fund Fund Balance increased by \$792,754 to \$3,298,176 at September 30, 2007. The increase is allocated to the following categories of Fund Balance:

| | |
|--------------------------------------|----------------|
| Reserved for Prepayments | \$ 23,014 |
| Unreserved-Undesignated Fund Balance | <u>769,740</u> |
| Total Increase | \$ 792,754 |

The reserve for prepayments increased as the result of payments for workers compensation insurance and property and liability insurance being paid for before the end of the fiscal year. Expenditures for these items that were paid during the 2007 fiscal year, but benefit periods after the end of the fiscal year, are recorded as prepaid expenditures.

General Fund Activities include the Economic Development Reserve, Michigan Justice Training Program, and the Survey and Remonumentation Program. Grant funds and contributions for these programs that are not used are reserved and dedicated to the future activities of those programs. The Economic Development Reserve has been used to fund the activities of the Montcalm Alliance and the newly formed Planning Commission. The Reserve will fund a countywide master land use plan future fiscal years.

The unreserved-undesignated Fund Balance increased \$769,740 to \$2,607,797 at September 30, 2007. The year-end unreserved-undesignated Fund Balance figure represents 20.3% of 2007 General Fund expenditures. The increase was due realizing additional property tax monies resulting from the tax shift due to elimination of revenue sharing. 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 \$272,244. General Fund revenue for 2007 totaled \$16,783,826 vs. \$15,488,457 in 2006, a \$1,295,369 increase. The following items were the reason for the revenue increase:

- Property Taxes increased from \$8,312,406 in 2006 to \$9,199,766 in 2007. This was due to the increase in property value and new construction.

General Fund Expenditures was less than the final amended budget by \$624,369. General Fund expenditures totaled \$15,991,072 in 2007 vs. \$15,473,918 in 2006, a \$517,154 increase. Increases to the General Fund were due to increase healthcare costs, additions of new staff and high cost of court appointed fees.

Special Revenue Funds. The Special Revenue Funds in total ended the 2007 fiscal year with an unreserved-undesignated Fund Balance of \$2,791,760. All but one of these funds meets the criteria for nonmajor funds for financial reporting purposes. The Fund Balances for each of the individual funds at September 30, 2007 as compared to September 30, 2006 are as follows:

| Fund | 2007 Total Fund Balance | 2006 Total Fund Balance | Change | 2007 Unreserved Fund Balance | 2006 Unreserved Fund Balance | Change |
|------------------------------|----------------------------------|----------------------------------|---------------------|---------------------------------------|---------------------------------------|-------------------|
| Parks and Recreation | \$ 91 | \$ 19 | \$ 72 | \$ 91 | \$ 19 | \$ 72 |
| Solid Waste Planning | 223,123 | 303,862 | (80,739) | 223,123 | 303,862 | (80,739) |
| Friend of the Court | 117,707 | 114,558 | 3,149 | 24,624 | 21,475 | 3,149 |
| Law Enforcement | 420 | 1,125 | (705) | - | 705 | (705) |
| County Libraries | 8,108 | 4,870 | 3,238 | 8,108 | 4,870 | 3,238 |
| Law Library | - | 2,562 | (2,562) | - | 2,562 | (2,562) |
| Commission on Aging | 158,747 | 208,027 | (49,280) | 158,747 | 208,027 | (49,280) |
| DHS Child Care | - | - | - | - | - | - |
| CDBG Housing | - | 24,440 | (24,440) | - | 24,440 | (24,440) |
| Juvenile Child Care | 1,544 | 46,950 | (45,406) | 1,544 | 46,950 | (45,406) |
| Drug Law Enforcement | 6,978 | 6,973 | 5 | 6,978 | 6,973 | 5 |
| CIS | 16,898 | 19,195 | (2,297) | 16,898 | 19,195 | (2,297) |
| Veterans Trust | 6,618 | 2,052 | 4,566 | 6,618 | 2,052 | 4,566 |
| Public Improvement | 16,538 | 18,717 | (2,179) | 16,538 | 18,717 | (2,179) |
| Soldiers and Sailors Relief | 1,453 | 3,790 | (2,337) | 1,453 | 3,790 | (2,337) |
| DHS | - | 49,000 | (49,000) | - | 49,000 | (49,000) |
| CMET | - | - | - | - | - | - |
| Register of Deeds Automation | 166,908 | 115,541 | 51,367 | 166,908 | 115,541 | 51,367 |
| Cemetery | 9,720 | 11,868 | (2,148) | - | - | - |
| Law Enforcement Trust | 28,558 | 24,281 | 4,277 | - | - | - |
| Victim Support Team | 13 | 2,683 | (2,670) | - | - | - |
| Local CO Training | 29,749 | 27,018 | 2,731 | 29,749 | 27,018 | 2,731 |
| Revenue Sharing Reserve | 2,313,827 | 1,504,323 | 809,504 | 2,313,827 | 1,504,323 | 809,504 |
| Total | <u>\$ 3,107,000</u> | <u>\$ 2,491,854</u> | <u>\$ (615,146)</u> | <u>\$ 2,975,206</u> | <u>\$ 2,359,519</u> | <u>\$ 615,687</u> |

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

- The Solid Waste Planning Fund decreased its fund balance to \$223,123, after grants to local units.
- The Register of Deeds Automation Fund increased its fund balance to \$166,908 at the end of the 2007 fiscal year from \$115,541 at the end of the 2006 fiscal year.

Proprietary Funds

Proprietary Funds include Enterprise Funds (Ambulance Fund, Delinquent Tax Funds, Inmate Commissary Fund, Building Official Fund) and Internal Service Funds (Office Equipment Fund, Retiree Health Benefits Fund). The Enterprise Funds had total net assets at September 30, 2007 of \$10,408,927. Of that amount, \$792,948 was invested in capital assets, net of related debt. Internal Service Funds had net assets of \$159,642 at September 30, 2007 with \$4,725 of that amount invested in capital assets, net of related debt.

Enterprise Funds. The Ambulance Fund had net assets of \$1,062,096 at September 30, 2007. Of that amount, \$777,060 was invested in capital assets, net of related debt. The net assets increased by \$153,399 during the 2007 fiscal year. The Ambulance Fund financial results compared to the prior fiscal year are as follows:

| | Sept. 30, <u>2006</u> | Sept. 30, <u>2007</u> |
|--------------------------------|--------------------------|--------------------------|
| Operating Revenues | \$ 1,523,874 | \$ 2,019,690 |
| Operating Expenses | 2,563,796 | 2,602,238 |
| Operating Income (Loss) | <u>(1,039,922)</u> | <u>(582,548)</u> |
| Nonoperating Revenues | 667,756 | 736,126 |
| Income (Loss) Before Transfers | <u>(372,166)</u> | <u>153,578</u> |
| Transfers In (Out) | (157) | (179) |
| Change in Net Assets | <u>\$ (372,323)</u> | <u>\$ 153,399</u> |

The Delinquent Tax Revolving Fund had net assets of \$9,321,460 at the end of the 2007 fiscal year. The net assets increased \$402,220 during the fiscal year. The fund generated a net income of \$1,017,355 during the fiscal year, but then transferred \$615,135 to the General Fund.

General Fund Budgetary Highlights

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

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

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

| <u>Revenue</u> | <u>Original Budget</u> | <u>Amended Budget</u> | <u>Change</u> | <u>% Change</u> |
|---------------------------------------------|------------------------|-----------------------|-------------------|-----------------|
| Taxes | \$ 8,650,100 | \$ 8,650,100 | \$ - | 0.00% |
| Licenses and Permits | 131,500 | 131,500 | - | 0.00% |
| Intergovernmental | 1,511,874 | 1,465,661 | (46,213) | -3.15% |
| Charges for Services | 3,153,300 | 3,399,225 | 245,925 | 7.23% |
| Fines or Forfeits | 120,050 | 135,050 | 15,000 | 11.11% |
| Interest and Rents | 282,515 | 282,515 | - | 0.00% |
| Other | 366,262 | 357,837 | (8,425) | -2.35% |
| Other Financing Sources | <u>2,089,694</u> | <u>2,089,694</u> | - | 0.00% |
| Total Revenue and Other Financing Sources | <u>\$ 16,305,295</u> | <u>\$ 16,511,582</u> | <u>\$ 206,287</u> | 1.25% |
| <u>Expenditures</u> | | | | |
| General Government | \$ 6,978,726 | \$ 7,161,176 | \$ 182,450 | 2.55% |
| Public Safety | 5,136,239 | 5,058,089 | (78,150) | -1.55% |
| Public Works | 114,800 | 114,800 | - | 0.00% |
| Health and Welfare | 877,196 | 884,896 | 7,700 | 0.87% |
| Community and Economic Dev. | 5,000 | 6,000 | 1,000 | 16.67% |
| Other | 150,000 | 169,100 | 19,100 | 11.30% |
| Debt Service | 199,730 | 183,681 | (16,049) | -8.74% |
| Other Financing Uses | <u>2,951,150</u> | <u>3,037,699</u> | <u>86,549</u> | 2.85% |
| Total Expenditures and Other Financing Uses | <u>\$ 16,412,841</u> | <u>\$ 16,615,441</u> | <u>\$ 202,600</u> | 1.22% |

Description of Significant Capital Asset and Long-Term Debt Activity

As of the of the 2006 fiscal year, the County had invested over \$27 million in a broad range of capital assets, including police equipment, buildings, park facilities, and computer equipment. (See Table A-4)

| <u>Category</u> | <u>Business Type</u> | |
|---------------------------------|--------------------------------|---------------------------------|
| | <u>Governmental Activities</u> | <u>Business Type Activities</u> |
| Land and Land Improvements | \$ 86,822 | \$ 28,151 |
| Buildings and Additions | 22,642,422 | 432,070 |
| Equipment and Furniture | 1,961,459 | 703,429 |
| Vehicles | 807,479 | 1,304,516 |
| Total at Historical Cost | \$ 25,498,182 | \$ 2,468,166 |

The depreciated value of the assets in total as of September 30, 2007 for Governmental Activities and Business-Type Activities was \$13,331,682 and \$798,711, respectively. Capital Asset additions totaled \$197,004 for the Governmental Activities and \$126,111 for the Business-Type Activities.

As of September 30, 2007, the County, excluding its component units, had \$12,961,590 in long-term debt outstanding. The most significant single debt issue of the total is the Building Authority Bond issued in September 2000 for the construction of the court and public safety complex. Of the total of \$15.0 million in debt issued, \$3.35 million and the 2005 bond refunding of 9.085 million remains outstanding. Debt related to compensated absences (vacation and sick leave) totaled another \$261,423.

Economic Factors and Next Year's Budget and Rates

- The unemployment rate for the County as of December 2007 was 10.3%. The rate has decreased from 12.5% as of January 2007. The State of Michigan's unemployment rate was 7.4% for December 2007.

The County considered these factors in preparing the budget for 2008. The following factors will also affect the County's financial position and operations into the future:

- The State of Michigan's budget problems continue to affect the County's finances. The creation of the revenue sharing reserve fund will provide the County with secure funding for the next five fiscal years. Cash flow problems associated with the revenue stream will need to be dealt with in future fiscal years. An increase in fund balance will be needed or short-term cash flow financing may be required.
- The Electrolux Corporation has ceased operating in Greenville in 2006. Electrolux is the County's largest employer with over 2,700 employees.

Contacting the County's Financial Management

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

BASIC FINANCIAL STATEMENTS

Montcalm County, Michigan

STATEMENT OF NET ASSETS

September 30, 2007

| | Primary Government | | Total | Component Units |
|-------------------------------------------------|-------------------------|--------------------------|----------------------|----------------------|
| | Governmental Activities | Business-type Activities | | |
| ASSETS | | | | |
| Current assets | | | | |
| Cash and cash equivalents | \$ 2,346,276 | \$ 3,308,658 | \$ 5,654,934 | \$ 2,864,082 |
| Investments | 1,791,935 | 3,010,342 | 4,802,277 | 1,107,885 |
| Receivables | 3,333,928 | 225,085 | 3,559,013 | 2,048,985 |
| Delinquent tax receivable | - | 2,730,475 | 2,730,475 | - |
| Interest receivable | - | 13,838 | 13,838 | - |
| Internal balances | 504,369 | (504,369) | -0- | - |
| Due from other governmental units | 282,018 | 349,660 | 631,678 | 2,169,197 |
| Inventories | - | - | -0- | 828,567 |
| Prepaid expenses | 105,098 | 812 | 105,910 | 52,777 |
| Total current assets | 8,363,624 | 9,134,501 | 17,498,125 | 9,071,493 |
| Noncurrent assets | | | | |
| Cash - restricted | - | - | -0- | 7,561 |
| Investments - restricted | - | - | -0- | 259,493 |
| Investments | - | 648,598 | 648,598 | - |
| Internal balances | 164,318 | (164,318) | -0- | - |
| Advance to other governmental units | 187,016 | 104,198 | 291,214 | - |
| Capital assets not being depreciated | 81,157 | 10,660 | 91,817 | 4,794,713 |
| Capital assets, net of accumulated depreciation | 13,250,525 | 788,051 | 14,038,576 | 32,495,814 |
| Total noncurrent assets | 13,683,016 | 1,387,189 | 15,070,205 | 37,557,581 |
| TOTAL ASSETS | 22,046,640 | 10,521,690 | 32,568,330 | 46,629,074 |
| LIABILITIES | | | | |
| Current liabilities | | | | |
| Accounts payable | 338,783 | 31,323 | 370,106 | 201,765 |
| Accrued liabilities | 282,723 | 67,209 | 349,932 | 261,511 |
| Due to other governmental units | - | - | -0- | 109,090 |
| Accrued interest payable | 238,499 | - | 238,499 | 59,061 |
| Unearned revenue | 403 | 8,468 | 8,871 | 479,629 |
| Current portion of compensated absences | 151,729 | - | 151,729 | 75,726 |
| Current portion of long-term debt | 704,945 | 5,763 | 710,708 | 695,636 |
| Total current liabilities | 1,717,082 | 112,763 | 1,829,845 | 1,882,418 |
| Noncurrent liabilities | | | | |
| Advances from other governmental units | | | | |
| State | - | - | -0- | 169,637 |
| Local | - | - | -0- | 366,214 |
| Noncurrent portion of compensated absences | 109,694 | - | 109,694 | 378,330 |
| Noncurrent portion of long-term debt | 11,989,459 | - | 11,989,459 | 3,765,198 |
| Total noncurrent liabilities | 12,099,153 | -0- | 12,099,153 | 4,679,379 |
| TOTAL LIABILITIES | 13,816,235 | 112,763 | 13,928,998 | 6,561,797 |
| NET ASSETS | | | | |
| Invested in capital assets, net of related debt | 637,278 | 792,948 | 1,430,226 | 32,829,693 |
| Restricted for: | | | | |
| Public safety | 7,411 | - | 7,411 | - |
| Solid waste planning | 223,123 | - | 223,123 | - |
| Other purposes | 458,337 | - | 458,337 | 2,238,714 |
| Unrestricted | 6,904,256 | 9,615,979 | 16,520,235 | 4,998,870 |
| TOTAL NET ASSETS | \$ 8,230,405 | \$ 10,408,927 | \$ 18,639,332 | \$ 40,067,277 |

See accompanying notes to financial statements.

Montcalm County, Michigan

GOVERNMENTAL FUNDS BALANCE SHEET

September 30, 2007

| | General | Revenue Sharing Reserve | Nonmajor Governmental Funds |
|------------------------------------------------|----------------------------|-------------------------------|-----------------------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 1,612,044 | \$ 617,134 | \$ 40,137 |
| Investments | 32,899 | - | 1,679,956 |
| Accounts receivable | 49,958 | - | 154,961 |
| Taxes receivable | 2,844,109 | - | - |
| Due from other funds | 6,617 | 1,696,693 | 28,005 |
| Due from other governmental units | | | |
| Federal/State | 148,384 | - | 133,634 |
| Prepays | 103,801 | - | 1,297 |
| Land contracts receivable | 142,450 | - | 142,450 |
| Advances to other funds | - | - | 164,318 |
| Advances to other governmental units | 187,016 | - | - |
| TOTAL ASSETS | <u>\$ 5,127,278</u> | <u>\$ 2,313,827</u> | <u>\$ 2,344,758</u> |
| LIABILITIES AND FUND BALANCES | | | |
| LIABILITIES | | | |
| Accounts payable | \$ 232,796 | \$ - | \$ 104,863 |
| Accrued wages | 243,717 | - | 32,856 |
| Accrued liabilities | - | - | 6,150 |
| Due to other funds | 1,210,139 | - | 16,807 |
| Deferred revenue | 142,450 | - | 142,853 |
| TOTAL LIABILITIES | 1,829,102 | -0- | 303,529 |
| FUND BALANCES | | | |
| Reserved for | | | |
| Prepays | 103,801 | - | 1,297 |
| Marriage counseling | - | - | 91,786 |
| Advances | 187,016 | - | 164,318 |
| General fund activities | 399,562 | - | - |
| Trust activities | - | - | 143,171 |
| K-9 program | - | - | 420 |
| Debt service | - | - | 1,027 |
| Unreserved | | | |
| Designated for capital expenditures | - | - | 183,446 |
| Undesignated, reported in: | | | |
| General fund | 2,607,797 | - | - |
| Special revenue funds | - | 2,313,827 | 477,933 |
| Capital projects funds | - | - | 977,831 |
| TOTAL FUND BALANCES | <u>3,298,176</u> | <u>2,313,827</u> | <u>2,041,229</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 5,127,278</u> | <u>\$ 2,313,827</u> | <u>\$ 2,344,758</u> |

See accompanying notes to financial statements.

Total
Governmental
Funds

\$ 2,269,315
1,712,855
204,919
2,844,109
1,731,315

282,018
105,098
284,900
164,318
187,016

\$ 9,785,863

\$ 337,659
276,573
6,150
1,226,946
285,303

2,132,631

105,098
91,786
351,334
399,562
143,171
420
1,027

183,446

2,607,797
2,791,760
977,831

7,653,232

\$ 9,785,863

Montcalm County, Michigan

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

September 30, 2007

Total fund balance - governmental funds **\$ 7,653,232**

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

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

| | | |
|-------------------------------|---------------------|------------|
| The cost of capital assets is | \$ 25,498,182 | |
| Accumulated depreciation is | <u>(12,166,500)</u> | 13,331,682 |

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

| | | |
|------------------------|----------------|---------|
| Office Equipment Pool | 22,951 | |
| Post-Retirement Health | <u>131,966</u> | 154,917 |

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

| | | |
|---------------------------|--|---------|
| Unamortized defeased debt | | 600,020 |
|---------------------------|--|---------|

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

| | | |
|------------------|--|---------|
| Deferred revenue | | 284,900 |
|------------------|--|---------|

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 | (13,294,424) | |
| Accrued interest payable | (238,499) | |
| Compensated absences | <u>(261,423)</u> | <u>(13,794,346)</u> |

Net assets of governmental activities **\$ 8,230,405**

See accompanying notes to financial statements.

Montcalm County, Michigan

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended September 30, 2007

| | General | Revenue Sharing Reserve | Nonmajor Governmental Funds |
|---------------------------------------------------------|---------------------|-------------------------------|-----------------------------------|
| REVENUES | | | |
| Taxes | \$ 9,260,284 | \$ - | \$ 1,014,042 |
| Licenses and permits | 144,640 | - | 7,935 |
| Intergovernmental | 1,449,952 | - | 1,267,464 |
| Charges for services | 3,421,395 | - | 501,843 |
| Fines and forfeits | 137,306 | - | - |
| Interest and rents | 170,288 | - | 1,024,812 |
| Other | 308,385 | - | 54,684 |
| TOTAL REVENUES | 14,892,250 | -0- | 3,870,780 |
| EXPENDITURES | | | |
| Current | | | |
| General government | 6,688,799 | - | 778,842 |
| Public safety | 4,894,442 | - | 146,046 |
| Public works | 106,735 | - | 270,687 |
| Health and welfare | 867,255 | - | 1,673,515 |
| Community and economic development | 6,000 | - | 320,277 |
| Recreation and cultural | - | - | 703,379 |
| Other | 169,046 | - | - |
| Debt service | 138,228 | - | 1,124,241 |
| Capital outlay | - | - | 349,856 |
| TOTAL EXPENDITURES | 12,870,505 | -0- | 5,366,843 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 2,021,745 | -0- | (1,496,063) |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | 1,891,576 | 1,977,950 | 1,062,129 |
| Transfers out | (3,120,567) | (1,168,446) | (114,775) |
| TOTAL OTHER FINANCING SOURCES (USES) | (1,228,991) | 809,504 | 947,354 |
| NET CHANGE IN FUND BALANCES | 792,754 | 809,504 | (548,709) |
| Fund balances, beginning of year | 2,505,422 | 1,504,323 | 2,589,938 |
| Fund balances, end of year | <u>\$ 3,298,176</u> | <u>\$ 2,313,827</u> | <u>\$ 2,041,229</u> |

See accompanying notes to financial statements.

Total
Governmental
Funds

\$ 10,274,326
152,575
2,717,416
3,923,238
137,306
1,195,100
363,069

18,763,030

7,467,641
5,040,488
377,422
2,540,770
326,277
703,379
169,046
1,262,469
349,856

18,237,348

525,682

4,931,655
(4,403,788)

527,867

1,053,549

6,599,683

\$ 7,653,232

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, 2007

Net change in fund balances - total governmental funds **\$ 1,053,549**

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 | \$ 197,004 | |
| Depreciation expense | <u>(964,372)</u> | |
| Excess of depreciation expense over capital outlay | | (767,368) |

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

| | | |
|------------------------|--------------|-------|
| Office Equipment Pool | 6,440 | |
| Post-Retirement Health | <u>2,471</u> | 8,911 |

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

| | | |
|----------------------------|--|----------|
| Change in deferred revenue | | (36,600) |
|----------------------------|--|----------|

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

| | | |
|------------------------------------------------------|----------------|---------|
| Amortization of defeased debt | (34,446) | |
| Bond and loan principal and capital lease retirement | <u>663,571</u> | 629,125 |

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 | 120,957 | |
| Decrease in accrued compensated absences | <u>21,906</u> | <u>142,863</u> |

Change in net assets of governmental activities **\$ 1,030,480**

See accompanying notes to financial statements.

Montcalm County, Michigan
Proprietary Funds
STATEMENT OF NET ASSETS
September 30, 2007

| | Business-type | |
|-------------------------------------------------|--------------------------------|---------------------|
| | Delinquent Tax Revolving | Ambulance |
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 2,976,341 | \$ 309,250 |
| Investments | 3,004,669 | 1,886 |
| Accounts receivable, net | - | 225,085 |
| Delinquent taxes receivable | 2,730,475 | - |
| Interest receivable | 13,838 | - |
| Due from other governmental units - local | 349,660 | - |
| Prepays | - | 812 |
| Total current assets | 9,074,983 | 537,033 |
| Noncurrent assets | | |
| Investments | 648,598 | - |
| Advances to other governmental units | 104,198 | - |
| Capital assets not being depreciated | - | 10,660 |
| Capital assets, net of accumulated depreciation | - | 772,163 |
| Total noncurrent assets | 752,796 | 782,823 |
| TOTAL ASSETS | 9,827,779 | 1,319,856 |
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable | 1,950 | 23,525 |
| Accrued wages | - | 55,686 |
| Due to other funds | 504,369 | - |
| Deferred revenue | - | 8,468 |
| Current portion of lease payable | - | 5,763 |
| Total current liabilities | 506,319 | 93,442 |
| Noncurrent liabilities | | |
| Advances from other funds | - | 164,318 |
| TOTAL LIABILITIES | 506,319 | 257,760 |
| NET ASSETS | | |
| Invested in capital assets, net of related debt | - | 777,060 |
| Unrestricted | 9,321,460 | 285,036 |
| TOTAL NET ASSETS | \$ 9,321,460 | \$ 1,062,096 |

See accompanying notes to financial statements.

| Activities | | Governmental |
|---------------------------------|---------------|------------------------------|
| Nonmajor Enterprise Funds | Total | Internal Service Funds |
| \$ 23,067 | \$ 3,308,658 | \$ 76,961 |
| 3,787 | 3,010,342 | 79,080 |
| - | 225,085 | - |
| - | 2,730,475 | - |
| - | 13,838 | - |
| - | 349,660 | - |
| - | 812 | - |
| 26,854 | 9,638,870 | 156,041 |
| - | 648,598 | - |
| - | 104,198 | - |
| - | 10,660 | - |
| 15,888 | 788,051 | 4,725 |
| 15,888 | 1,551,507 | 4,725 |
| 42,742 | 11,190,377 | 160,766 |
| 5,848 | 31,323 | 1,124 |
| 11,523 | 67,209 | - |
| - | 504,369 | - |
| - | 8,468 | - |
| - | 5,763 | - |
| 17,371 | 617,132 | 1,124 |
| - | 164,318 | - |
| 17,371 | 781,450 | 1,124 |
| 15,888 | 792,948 | 4,725 |
| 9,483 | 9,615,979 | 154,917 |
| \$ 25,371 | \$ 10,408,927 | \$ 159,642 |

Montcalm County, Michigan

Proprietary Funds

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

Year Ended September 30, 2007

| | Business-type | |
|--------------------------------------------|--------------------------------|------------------|
| | Delinquent Tax Revolving | Ambulance |
| OPERATING REVENUES | | |
| Charges for services | \$ 399,778 | \$ 1,895,024 |
| Sales | - | - |
| Intergovernmental | | |
| Federal/State | - | 16,562 |
| Penalties and interest on delinquent taxes | 425,632 | - |
| Other | 28,502 | 108,104 |
| TOTAL OPERATING REVENUES | 853,912 | 2,019,690 |
| OPERATING EXPENSES | | |
| Personnel services | - | 1,391,272 |
| Fringe benefits | - | 395,927 |
| Operating supplies | 28,994 | 225,958 |
| Contractual services | 82,011 | 55,795 |
| Repairs and maintenance | - | 156,867 |
| Insurance | - | 1,107 |
| Rent expense | - | 59,860 |
| Vehicle expense | - | 3,814 |
| Depreciation | - | 207,437 |
| Communications | - | 20,233 |
| Utilities | - | 10,606 |
| Training | - | 6,760 |
| Indirect operating | - | 63,126 |
| Other | 30,367 | 3,476 |
| TOTAL OPERATING EXPENSES | 141,372 | 2,602,238 |
| OPERATING INCOME (LOSS) | 712,540 | (582,548) |
| NONOPERATING REVENUES | | |
| Tax revenue | - | 733,733 |
| Interest revenue | 304,815 | 2,393 |
| TOTAL NONOPERATING REVENUES | 304,815 | 736,126 |
| INCOME (LOSS) BEFORE TRANSFERS | 1,017,355 | 153,578 |
| TRANSFERS IN (OUT) | | |
| Transfers in | - | - |
| Transfers out | (615,135) | (179) |
| TOTAL TRANSFERS IN (OUT) | (615,135) | (179) |
| CHANGE IN NET ASSETS | 402,220 | 153,399 |
| Net assets, beginning of year | 8,919,240 | 908,697 |
| Net assets, end of year | \$ 9,321,460 | \$ 1,062,096 |

See accompanying notes to financial statements.

| Activities | | Governmental Activities |
|---------------------------------|---------------|------------------------------|
| Nonmajor Enterprise Funds | Total | Internal Service Funds |
| \$ 384,263 | \$ 2,679,065 | \$ - |
| 108,756 | 108,756 | - |
| - | 16,562 | - |
| - | 425,632 | - |
| - | 136,606 | 36,965 |
| 493,019 | 3,366,621 | 36,965 |
| 283,139 | 1,674,411 | - |
| 91,265 | 487,192 | - |
| 95,881 | 350,833 | 3,262 |
| 10,808 | 148,614 | 10,298 |
| 541 | 157,408 | - |
| 3,443 | 4,550 | - |
| - | 59,860 | - |
| 974 | 4,788 | - |
| 9,316 | 216,753 | 3,025 |
| 5,936 | 26,169 | - |
| - | 10,606 | - |
| - | 6,760 | - |
| - | 63,126 | - |
| 28,972 | 62,815 | 58,480 |
| 530,275 | 3,273,885 | 75,065 |
| (37,256) | 92,736 | (38,100) |
| - | 733,733 | - |
| 191 | 307,399 | 3,986 |
| 191 | 1,041,132 | 3,986 |
| (37,065) | 1,133,868 | (34,114) |
| 47,447 | 47,447 | 40,000 |
| - | (615,314) | - |
| 47,447 | (567,867) | 40,000 |
| 10,382 | 566,001 | 5,886 |
| 14,989 | 9,842,926 | 153,756 |
| \$ 25,371 | \$ 10,408,927 | \$ 159,642 |

Montcalm County, Michigan

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended September 30, 2007

| | Business-type | |
|---------------------------------------------------------------------------------|--------------------------------|------------------|
| | Delinquent Tax Revolving | Ambulance |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash receipts from customers | \$ 623,290 | \$ 2,058,207 |
| Cash receipts from federal operating grants | - | 9,446 |
| Cash receipts from state | - | 7,116 |
| Cash receipts from other funds | 825,119 | - |
| Cash paid to other governmental units | (219,703) | - |
| Cash paid to suppliers | (141,372) | (647,039) |
| Cash paid for fringe benefits | - | (395,927) |
| Cash paid to employees | - | (1,391,272) |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | 1,087,334 | (359,469) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Transfers from other funds | - | - |
| Transfers to other funds | (615,135) | (179) |
| Tax revenue | - | 733,733 |
| NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES | (615,135) | 733,554 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Capital acquisitions | - | (122,363) |
| Transfers from other funds | - | - |
| Payments on borrowings | - | (24,447) |
| NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES | -0- | (146,810) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of investments | (179,542) | - |
| Maturity of investments | - | 57,785 |
| Interest revenue | 304,815 | 2,393 |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | 125,273 | 60,178 |

| Activities | | Governmental Activities |
|---------------------------------|--------------|------------------------------|
| Nonmajor Enterprise Funds | Total | Internal Service Funds |
| \$ 493,019 | \$ 3,174,516 | \$ 36,965 |
| - | 9,446 | - |
| - | 7,116 | - |
| - | 825,119 | - |
| - | (219,703) | - |
| (147,355) | (935,766) | (32,448) |
| (91,755) | (487,682) | (58,480) |
| (283,139) | (1,674,411) | - |
| (29,230) | 698,635 | (53,963) |
| 47,447 | 47,447 | 20,000 |
| - | (615,314) | - |
| - | 733,733 | - |
| 47,447 | 165,866 | 20,000 |
| (3,748) | (126,111) | - |
| - | -0- | 20,000 |
| - | (24,447) | - |
| (3,748) | (150,558) | 20,000 |
| - | (179,542) | - |
| - | 57,785 | - |
| - | 307,208 | - |
| -0- | 185,451 | -0- |

Montcalm County, Michigan

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended September 30, 2007

| | Business-type | |
|---------------------------------------------------------------------------------------------------------|--------------------------------|---------------------|
| | Delinquent Tax Revolving | Ambulance |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | \$ 597,472 | \$ 287,453 |
| Cash and cash equivalents, beginning of year | 2,378,869 | 21,797 |
| Cash and cash equivalents, end of year | <u>\$ 2,976,341</u> | <u>\$ 309,250</u> |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities | | |
| Operating income (loss) | \$ 712,540 | \$ (582,548) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities | | |
| Depreciation | - | 207,437 |
| (Increase) decrease in receivables | (230,622) | 50,891 |
| Decrease in prepaids | - | - |
| Decrease in due from other funds | 322,130 | - |
| (Increase) in due from other government units | (205,720) | - |
| (Decrease) in accounts payable | - | (37,681) |
| (Decrease) in accrued liabilities | - | (1,756) |
| Increase in due to other funds | 502,989 | - |
| (Decrease) in due to other governmental units | (13,983) | - |
| Increase in deferred revenue | - | 4,188 |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | <u>\$ 1,087,334</u> | <u>\$ (359,469)</u> |

See accompanying notes to financial statements.

| Activities | | Governmental Activities |
|---------------------------------|---------------------|------------------------------|
| Nonmajor Enterprise Funds | Total | Internal Service Funds |
| \$ 14,469 | \$ 899,394 | \$ (13,963) |
| 8,598 | 2,409,264 | 90,924 |
| <u>\$ 23,067</u> | <u>\$ 3,308,658</u> | <u>\$ 76,961</u> |
| | | |
| \$ (37,256) | \$ 92,736 | \$ (38,100) |
| | | |
| 9,316 | 216,753 | 3,025 |
| - | (179,731) | - |
| 3,600 | 3,600 | - |
| - | 322,130 | - |
| - | (205,720) | - |
| (4,400) | (42,081) | (18,888) |
| (490) | (2,246) | - |
| - | 502,989 | - |
| - | (13,983) | - |
| - | 4,188 | - |
| | | |
| <u>\$ (29,230)</u> | <u>\$ 698,635</u> | <u>\$ (53,963)</u> |

Montcalm County, Michigan
 Fiduciary Funds
 STATEMENT OF NET ASSETS
 September 30, 2007

| | Agency Funds | Pension Fund |
|------------------------------------|---------------------|----------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 4,087,862 | \$ 257,734 |
| Investments | | |
| U.S. Treasury Notes | - | 6,218,512 |
| U.S. Government obligations | - | 2,792,519 |
| Corporate bonds and notes | - | 2,641,033 |
| Common stocks | - | 5,018,155 |
| Foreign stocks | - | 728,977 |
| | <u>\$ 4,087,862</u> | <u>17,656,930</u> |
| LIABILITIES | | |
| Due to other governmental units | | |
| Federal/State | \$ 3,821,615 | - |
| Local | 128,743 | - |
| Due to individuals and agencies | 137,504 | - |
| | <u>\$ 4,087,862</u> | <u>-0-</u> |
| NET ASSETS | | |
| Held in trust for pension benefits | | <u>\$ 17,656,930</u> |

See accompanying notes to financial statements.

Montcalm County, Michigan

Pension Trust Fund

STATEMENT OF CHANGES IN PLAN NET ASSETS

Year Ended September 30, 2007

| | <u>Pension Fund</u> |
|------------------------------------------------------|-----------------------------|
| ADDITIONS | |
| Investment income | |
| Interest and dividends | \$ 508,692 |
| Net increase in fair value of investments | 1,246,737 |
| Less investment expenses | <u>(68,779)</u> |
| Net investment income | 1,686,650 |
| Contributions | |
| Employer | 336,267 |
| Employee | <u>281,430</u> |
| Total additions | 2,304,347 |
| DEDUCTIONS | |
| Benefit payments | 807,653 |
| Administrative expenses | <u>21,409</u> |
| Total deductions | <u>829,062</u> |
| CHANGE IN NET ASSETS | 1,475,285 |
| NET ASSETS HELD IN TRUST FOR PENSION BENEFITS | |
| Beginning of year | <u>16,181,645</u> |
| End of year | <u><u>\$ 17,656,930</u></u> |

See accompanying notes to financial statements.

Montcalm County, Michigan

Component Units

COMBINING STATEMENT OF NET ASSETS

September 30, 2007

| | Drainage Districts | Central Dispatch Authority | District Health |
|-------------------------------------------------|-----------------------|----------------------------------|---------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | \$ 1,229,598 | \$ 419,518 | \$ 789,837 |
| Investments | 692,175 | 415,710 | - |
| Accounts receivable | 16,200 | 99,562 | 227,805 |
| Special assessment receivable | 1,678,924 | - | - |
| Due from other governmental units | - | - | 548,262 |
| Inventories | - | - | 350,954 |
| Prepaid expenses | - | - | 52,777 |
| Total current assets | 3,616,897 | 934,790 | 1,969,635 |
| Noncurrent assets | | | |
| Cash - restricted | - | - | - |
| Investments - restricted | - | - | - |
| Capital assets not being depreciated | 75,650 | - | - |
| Capital assets, net of accumulated depreciation | 5,499,279 | 104,312 | 241,994 |
| Total noncurrent assets | 5,574,929 | 104,312 | 241,994 |
| TOTAL ASSETS | 9,191,826 | 1,039,102 | 2,211,629 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable | 6,073 | 1,129 | 64,880 |
| Accrued liabilities | 1,490 | 33,306 | 207,041 |
| Due to other governmental units | - | - | - |
| Accrued interest payable | 58,348 | 713 | - |
| Deferred revenue | - | - | 479,629 |
| Current portion of compensated absences | - | - | 75,726 |
| Current portion of long-term debt | 244,858 | 34,084 | - |
| Total current liabilities | 310,769 | 69,232 | 827,276 |
| Noncurrent liabilities | | | |
| Advances from other governmental units | 291,214 | - | - |
| Advance from State | - | - | - |
| Noncurrent portion of compensated absences | - | - | 302,903 |
| Noncurrent portion of long-term debt | 2,730,060 | 35,138 | - |
| Total noncurrent liabilities | 3,021,274 | 35,138 | 302,903 |
| TOTAL LIABILITIES | 3,332,043 | 104,370 | 1,130,179 |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 2,600,011 | 35,090 | 241,994 |
| Restricted for County Roads | - | - | - |
| Unrestricted | 3,259,772 | 899,642 | 839,456 |
| TOTAL NET ASSETS | \$ 5,859,783 | \$ 934,732 | \$ 1,081,450 |

See accompanying notes to financial statements.

| <u>Road Commission</u> | <u>Total Component Units</u> |
|----------------------------|--------------------------------------|
| \$ 425,129 | \$ 2,864,082 |
| - | 1,107,885 |
| 26,494 | 370,061 |
| - | 1,678,924 |
| 1,620,935 | 2,169,197 |
| 477,613 | 828,567 |
| - | 52,777 |
| <u>2,550,171</u> | <u>9,071,493</u> |
| 7,561 | 7,561 |
| 259,493 | 259,493 |
| 4,719,063 | 4,794,713 |
| <u>26,650,229</u> | <u>32,495,814</u> |
| <u>31,636,346</u> | <u>37,557,581</u> |
| 34,186,517 | 46,629,074 |
| 129,683 | 201,765 |
| 19,674 | 261,511 |
| 109,090 | 109,090 |
| - | 59,061 |
| - | 479,629 |
| - | 75,726 |
| <u>416,694</u> | <u>695,636</u> |
| 675,141 | 1,882,418 |
| 75,000 | 366,214 |
| 169,637 | 169,637 |
| 75,427 | 378,330 |
| <u>1,000,000</u> | <u>3,765,198</u> |
| <u>1,320,064</u> | <u>4,679,379</u> |
| <u>1,995,205</u> | <u>6,561,797</u> |
| 29,952,598 | 32,829,693 |
| 2,238,714 | 2,238,714 |
| - | 4,998,870 |
| <u>\$ 32,191,312</u> | <u>\$ 40,067,277</u> |

Montcalm County, Michigan

Component Units

STATEMENT OF ACTIVITIES

Year Ended September 30, 2007

| 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 | \$ 618,514 | \$ 22,046 | \$ - | \$ 1,319,621 | \$ 723,153 | \$ - | \$ 723,153 |
| Central Dispatch Authority | 1,218,115 | 1,381,954 | - | - | 163,839 | - | 163,839 |
| District Health | 6,885,393 | 1,512,271 | 3,913,560 | - | (1,459,562) | - | (1,459,562) |
| Road Commission | 9,276,403 | 965,441 | 5,728,620 | 3,302,966 | 720,624 | - | 720,624 |
| Total governmental activities | 17,998,425 | 3,881,712 | 9,642,180 | 4,622,587 | 148,054 | -0- | 148,054 |
| Business-type activities | | | | | | | |
| Drainage Districts | 224,965 | 127,051 | - | - | - | (97,914) | (97,914) |
| Total component units | \$ 18,223,390 | \$ 4,008,763 | \$ 9,642,180 | \$ 4,622,587 | 148,054 | (97,914) | 50,140 |
| | | General revenues | | | | | |
| | | | | | 591 | - | 591 |
| | | | | | 81,272 | 71,198 | 152,470 |
| | | | | | 1,310,571 | - | 1,310,571 |
| | | | | | 70,166 | - | 70,166 |
| | | | | | 5,000 | - | 5,000 |
| | | | | | 19,379 | - | 19,379 |
| | | | Total general revenues | | 1,486,979 | 71,198 | 1,558,177 |
| | | | Change in net assets | | 1,635,033 | (26,716) | 1,608,317 |
| | | | Net assets, beginning of year | | 36,095,905 | 2,363,055 | 38,458,960 |
| | | | Net assets, end of year | | \$ 37,730,938 | \$ 2,336,339 | \$ 40,067,277 |

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

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

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

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

1. Reporting Entity

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

2. Blended Component Units

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

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

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

3. Discretely Presented Component Units

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

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

Montcalm County, Michigan
NOTES TO FINANCIAL STATEMENTS

September 30, 2007

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

3. Discretely Presented Component Units - continued

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

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

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

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

4. Joint Venture

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

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

Montcalm County is responsible to fund 39% of the required local contribution to cover operational costs. For the year ended September 30, 2007, the County contributed \$484,229 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, 2007, are available at the Department's administrative offices. As of September 30, 2007, the Department had net assets of \$1,081,450.

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.

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

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

5. Related Organizations - continued

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

Statement on Michigan Governmental Accounting and Auditing No. 5 allows, because the Authority is legally separate and fiscally independent, for the Authority's financial information to be presented within the County's notes to the financial statements only, instead of in the body of the financial statements. The following financial information was obtained from the most recent audited financial statements available of the Board for their year ended September 30, 2006. A copy of the financial statements is available at the Board's administrative offices. As of September 30, 2007, the Board had total assets of \$2,491,012; total liabilities of \$797,807; and total net assets of \$1,693,205. For year ended September 30, 2006, the Board had total revenues of \$7,178,141; total expenditures of \$7,090,106; and a net increase in net assets of \$88,035.

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

Statement on Michigan Governmental Accounting and Auditing No. 5 allows, because the Commission is legally separate and fiscally independent, for the Commission's financial information to be presented within the County's notes to the financial statements only, instead of in the body of the financial statements. The following financial information was obtained from the most recent audited financial statements available of the Commission for their year ended December 31, 2006. A copy of the financial statements is available at the Commission's administrative offices. As of December 31, 2006, the Commission had total assets of \$1,319,302; total liabilities of \$24,334, and total net assets of \$1,294,968. For the year ended December 31, 2006, the Commission had total revenues of \$1,301,705; total expenses of \$1,146,374; and a net increase in net assets of \$155,331.

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, 2007 the County's contribution to the Commission was \$13,545.

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, 2007

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

7. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

FUND FINANCIAL STATEMENTS

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

The major funds of the County are:

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

8. Measurement Focus

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

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

8. Measurement Focus - continued

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

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

9. Basis of Accounting

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

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

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

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

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

10. Cash and Cash Equivalents

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

Montcalm County, Michigan
NOTES TO FINANCIAL STATEMENTS

September 30, 2007

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

11. Restricted Cash

A portion of the cash of the Road Commission (Component Unit) is classified as restricted cash because their use is limited. The Road Commission's cash restriction consists of \$200,000 to be used for the Road Commission's portion of construction of a new salt storage facility and \$67,054 for road improvements.

12. Investments

Investments are reported at market value. Investments consist of Pension Fund securities and commercial paper with an original maturity of over 90 days.

13. Receivables

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

14. Prepayments

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

15. Inventories

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

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

16. Capital Assets

PRIMARY GOVERNMENT AND COMPONENT UNIT - DRAINAGE DISTRICTS

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

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

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

Montcalm County, Michigan
NOTES TO FINANCIAL STATEMENTS

September 30, 2007

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

16. Capital Assets - continued

COMPONENT UNIT - DISTRICT HEALTH DEPARTMENT

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

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

| | |
|-----------|--------------|
| Equipment | 5 - 20 years |
|-----------|--------------|

The Department has no assets that would be classified as infrastructure assets.

COMPONENT UNIT - ROAD COMMISSION

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

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

17. 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.

18. 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.

Montcalm County, Michigan
NOTES TO FINANCIAL STATEMENTS

September 30, 2007

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

19. Advances to Other Funds/Governmental Units

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

20. 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, 2007, including related payroll taxes, is recorded in the government-wide financial statements.

Vested vacation and sick leave earned as of September 30, 2007, for the District Health Department and Road Commission (component units) is recorded in the respective component unit's government-wide financial statements.

21. 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.

22. 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.

Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

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

22. Budgets and Budgetary Accounting - continued

- 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.

23. 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.

24. Federal Programs

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

NOTE B: POOLING OF CASH AND INVESTMENTS

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

Cash disbursed in excess of amounts recorded as assets as of September 30, 2007, 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 | | | |
| Special Revenue Funds | | | |
| Homeland Security Grant | \$(1,297) | \$ - | \$(1,297) |
| Register of Deeds Automation | (79,740) | - | (79,740) |
| County Libraries | (58,781) | - | (58,781) |
| CDBG Housing Grant | (31,989) | 17,482 | (14,507) |
| Juvenile Child Care | (4,869) | - | (4,869) |
| Cemetery | (1,448) | - | (1,448) |
| Capital Projects Funds | | | |
| General Projects | (403,531) | - | (403,531) |
| Proprietary Funds | | | |
| Building Official | <u>(3,884)</u> | <u>-</u> | <u>(3,884)</u> |
| TOTAL PRIMARY GOVERNMENT | <u>\$(585,539)</u> | <u>\$ 17,482</u> | <u>\$(568,057)</u> |

Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE C: CASH, CASH EQUIVALENTS, AND INVESTMENTS

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

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

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

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

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

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

Deposits

As of September 30, 2007, 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 | \$ 5,768,667 | \$ 3,396,637 |

Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

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

Deposits - continued

| <u>ACCOUNT TYPE</u> | <u>Carrying Amount</u> | <u>Bank Balance</u> |
|------------------------|------------------------|---------------------|
| FIDUCIARY FUNDS | | |
| Checking | \$ 4,213,312 | \$ 4,213,312 |
| COMPONENT UNITS | | |
| Checking | <u>2,600,036</u> | <u>1,621,015</u> |
| TOTAL REPORTING ENTITY | <u>\$ 12,582,015</u> | <u>\$ 9,230,964</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, 2007, the primary government and component unit accounts were insured by the FDIC for \$300,617 and the amount of \$8,930,347 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, 2007.

As of September 30, 2007, the market values, which are the carrying values for each investment, are as follows:

Investments

| <u>INVESTMENT TYPE</u> | <u>Carrying Amount</u> | <u>Market Value</u> | <u>Moody's Rating</u> | <u>Weighted Average Maturity</u> |
|---------------------------------------|------------------------|---------------------|-----------------------|----------------------------------|
| PRIMARY GOVERNMENT | | | | |
| Federal National Mortgage Association | \$ 648,598 | \$ 648,598 | Aaa | 3.25 years |
| Uncategorized pooled investment funds | <u>4,680,396</u> | <u>4,680,396</u> | N/A | 48 days |
| Total primary government | 5,328,994 | 5,328,994 | | |
| FIDUCIARY FUNDS | | | | |
| U.S. Government Securities | 2,792,520 | 2,792,520 | Aa2 | 4.0 years |
| Corporate Bonds and Notes | 2,641,033 | 2,641,033 | Aa2 | 4.0 years |
| Common Stock | 5,018,155 | 5,018,155 | Aa2 | 4.0 years |
| Foreign Stock | 728,977 | 728,977 | Aa2 | 4.0 years |
| Uncategorized pooled investment funds | 2,104,614 | 2,104,614 | Aa2 | 4.0 years |
| Uncategorized pooled investment funds | 132,282 | 132,282 | N/A | 48 days |
| Uncategorized pooled investment funds | <u>4,113,899</u> | <u>4,113,899</u> | N/A | N/A |
| Total fiduciary funds | 17,531,480 | 17,531,480 | | |
| COMPONENT UNITS | | | | |
| Uncategorized pooled investment funds | 260,518 | 260,518 | Aa2 | 4.0 years |
| Uncategorized pooled investment funds | <u>1,378,317</u> | <u>1,378,317</u> | N/A | 48 days |
| Total component units | <u>1,638,835</u> | <u>1,638,835</u> | | |
| TOTAL REPORTING ENTITY | <u>\$24,499,309</u> | <u>\$24,499,309</u> | | |

Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

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

Investments - continued

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

The County has investments purchased for the County employee's Pension Trust Fund through three (3) banks. Michigan Compiled Law, Section 38.1121, authorizes the County to invest pension assets in a wide variety of investments including: stocks, bonds, certificates of deposit, real estate, annuity contracts, obligations of a specified nature, and real or personal property. Specific limitations apply to the various investment types. As of September 30, 2007, the market value, which is the carrying amount of the pension trust plan assets were \$17,399,196.

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, 2007, rating information on the County's investments is presented above.

Interest rate risk

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

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, 2007:

| | <u>Primary Government</u> | <u>Component Units</u> | <u>Fiduciary Funds</u> | <u>Reporting Entity</u> |
|---------------------------|-------------------------------|----------------------------|----------------------------|-----------------------------|
| Cash and cash equivalents | \$ 5,654,934 | \$ 2,864,082 | \$ 4,345,596 | \$12,864,612 |
| Cash - restricted | - | 7,561 | - | 7,561 |
| Investments | 5,450,875 | 1,107,885 | 17,399,196 | 23,957,956 |
| Investments - restricted | - | <u>259,493</u> | - | <u>259,493</u> |
| | <u>\$11,105,809</u> | <u>\$ 4,239,021</u> | <u>\$21,744,792</u> | <u>\$37,089,622</u> |

Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

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

The primary government cash and cash equivalents captions on the financial statements include \$8,148 in imprest cash. The component unit cash and cash equivalents captions on the financial statements includes \$150 in imprest cash.

NOTE D: INTERFUND TRANSFERS

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

| | |
|------------------------------------------------|---------------------|
| Transfers to General Fund from: | |
| Revenue Sharing Reserve Fund | \$ 1,168,446 |
| Delinquent Tax Revolving Fund | 615,135 |
| Nonmajor governmental funds | <u>107,995</u> |
| | <u>\$ 1,891,576</u> |
| Transfer to Revenue Sharing Reserve Fund from: | |
| General Fund | <u>\$ 1,977,950</u> |
| Transfers to nonmajor governmental funds from: | |
| General Fund | \$ 1,055,170 |
| Ambulance Fund | 179 |
| Nonmajor governmental funds | <u>6,780</u> |
| | <u>\$ 1,062,129</u> |
| Transfers to nonmajor enterprise funds from: | |
| General Fund | <u>\$ 47,447</u> |
| Transfer to Internal Service Funds from: | |
| General Fund | <u>\$ 40,000</u> |
| Transfers to Component Unit Funds from: | |
| Component Unit Funds | <u>\$ 263,485</u> |

NOTE E: INTERFUND RECEIVABLES AND PAYABLES

The following schedule details interfund receivables and payables related to the primary government at September 30, 2007:

| | |
|--------------------------------------|---------------------|
| Due to General Fund from: | |
| Nonmajor governmental funds | <u>\$ 6,617</u> |
| Due to Revenue Sharing Reserve from: | |
| General Fund | \$ 1,207,961 |
| Delinquent Tax Revolving Fund | <u>488,732</u> |
| | <u>\$ 1,696,693</u> |

Montcalm County, Michigan
NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE E: INTERFUND RECEIVABLES AND PAYABLES - CONTINUED

| | |
|------------------------------------------|------------------|
| Due to nonmajor governmental funds from: | |
| General Fund | \$ 2,178 |
| Delinquent Tax Revolving Fund | 15,637 |
| Other nonmajor governmental funds | <u>10,190</u> |
| | <u>\$ 28,005</u> |

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

The following schedule details interfund receivables and payables between the component units at September 30, 2007:

| | |
|-----------------------------------|-----------------|
| Due to Component Unit Funds from: | |
| Component Unit Funds | <u>\$ 1,518</u> |

NOTE F: ADVANCES RECEIVABLE AND PAYABLE

The following schedule details advances receivable and payable between funds of the primary government at September 30, 2007:

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

The advances were made to finance capital acquisitions.

NOTE G: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2007, was as follows:

Primary Government

| | Balance <u>Oct. 1, 2006</u> | <u>Additions</u> | <u>Deletions</u> | Balance <u>Sept. 30, 2007</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 | 22,573,558 | 68,864 | - | 22,642,422 |
| Equipment and furniture | 1,913,139 | 48,320 | - | 1,961,459 |
| Vehicles | <u>727,659</u> | <u>79,820</u> | - | <u>807,479</u> |
| Subtotal | 25,220,021 | 197,004 | -0- | 25,417,025 |

Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE G: CAPITAL ASSETS - CONTINUED

Primary Government - continued

| | <u>Balance</u> <u>Oct. 1, 2006</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>Sept. 30, 2007</u> |
|-----------------------------------------|---------------------------------------|----------------------|------------------|-----------------------------------------|
| Governmental activities - continued | | | | |
| Less accumulated depreciation for | | | | |
| Land improvements | \$(1,133) | \$(567) | \$ - | \$(1,700) |
| Buildings and additions | (9,259,397) | (709,101) | - | (9,968,498) |
| Equipment and furniture | (1,459,808) | (157,410) | - | (1,617,218) |
| Vehicles | <u>(481,790)</u> | <u>(97,294)</u> | <u>-</u> | <u>(579,084)</u> |
| Subtotal | <u>(11,202,128)</u> | <u>(964,372)</u> | <u>-0-</u> | <u>(12,166,500)</u> |
| Net capital assets being depreciated | <u>14,017,893</u> | <u>(767,368)</u> | <u>-0-</u> | <u>13,250,525</u> |
| Total Net Capital Assets | <u>\$ 14,099,050</u> | <u>\$(767,368)</u> | <u>\$ -0-</u> | <u>\$ 13,331,682</u> |

Depreciation expense was charged to the following governmental activities:

| | |
|--------------------------|-------------------|
| Governmental activities: | |
| General government | \$ 418,390 |
| Public safety | 470,556 |
| Health and welfare | 57,070 |
| Recreation and cultural | <u>18,356</u> |
| | <u>\$ 964,372</u> |

| | <u>Balance</u> <u>Oct. 1, 2006</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>Sept. 30, 2007</u> |
|-----------------------------------------|---------------------------------------|---------------------|------------------|-----------------------------------------|
| Business-type activities | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 10,660 | \$ - | \$ - | \$ 10,660 |
| Capital assets being depreciated | | | | |
| Land improvements | 17,491 | - | - | 17,491 |
| Buildings and improvements | 432,070 | - | - | 432,070 |
| Equipment and furniture | 695,755 | 7,674 | - | 703,429 |
| Vehicles | <u>1,186,079</u> | <u>118,437</u> | <u>-</u> | <u>1,304,516</u> |
| Subtotal | 2,331,395 | 126,111 | -0- | 2,457,506 |
| Less accumulated depreciation for | | | | |
| Land improvements | (17,491) | - | - | (17,491) |
| Buildings and additions | (32,548) | (21,619) | - | (54,167) |
| Equipment and furniture | (515,208) | (68,561) | - | (583,769) |
| Vehicles | <u>(887,455)</u> | <u>(126,573)</u> | <u>-</u> | <u>(1,014,028)</u> |
| Subtotal | <u>(1,452,702)</u> | <u>(216,753)</u> | <u>-0-</u> | <u>(1,669,455)</u> |
| Net capital assets being depreciated | <u>878,693</u> | <u>(90,642)</u> | <u>-0-</u> | <u>788,051</u> |
| Total Net Capital Assets | <u>\$ 889,353</u> | <u>\$(90,642)</u> | <u>\$ -0-</u> | <u>\$ 798,711</u> |

Montcalm County, Michigan
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE G: CAPITAL ASSETS - CONTINUED

Component Units

| | <u>Balance</u> <u>Oct. 1, 2006</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>Sept. 30, 2007</u> |
|----------------------------------------------------|---------------------------------------|---------------------|------------------|-----------------------------------------|
| Component Unit - Drainage Districts | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 75,650 | \$ - | \$ - | \$ 75,650 |
| Capital assets being depreciated | | | | |
| Drains | 5,963,345 | 431,146 | - | 6,394,491 |
| Less accumulated depreciation for | | | | |
| Drains | <u>(769,401)</u> | <u>(125,811)</u> | <u>-</u> | <u>(895,212)</u> |
| Net capital assets being depreciated | <u>5,193,944</u> | <u>305,335</u> | <u>-0-</u> | <u>5,499,279</u> |
| Total Net Capital Assets | <u>\$ 5,269,594</u> | <u>\$ 305,335</u> | <u>\$ -0-</u> | <u>\$ 5,574,929</u> |
| Component Unit - Central Dispatch Authority | | | | |
| Capital Assets being depreciated | | | | |
| Equipment and furniture | \$ 560,126 | \$ - | \$(2,307) | \$ 557,819 |
| Accumulated depreciation | | | | |
| Equipment and furniture | <u>(377,745)</u> | <u>(78,069)</u> | <u>2,307</u> | <u>(453,507)</u> |
| Total Net Capital Assets | <u>\$ 182,381</u> | <u>\$(78,069)</u> | <u>\$ -0-</u> | <u>\$ 104,312</u> |
| Component Unit - Road Commission | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 33,708 | \$ - | \$(5,000) | \$ 28,708 |
| Infrastructure - land improvements | <u>4,690,355</u> | <u>-</u> | <u>-</u> | <u>4,690,355</u> |
| Subtotal | 4,724,063 | -0- | (5,000) | 4,719,063 |
| Capital assets being depreciated | | | | |
| Buildings | 2,192,253 | 12,532 | - | 2,204,785 |
| Road equipment | 6,789,438 | 42,800 | - | 6,832,238 |
| Shop equipment | 112,644 | 6,310 | - | 118,954 |
| Office equipment | 158,663 | 3,100 | - | 161,763 |
| Engineer's equipment | 38,043 | 6,849 | - | 44,892 |
| Yard and storage | 372,215 | - | (12,532) | 359,683 |
| Infrastructure - bridges | 8,922,527 | 228,678 | - | 9,151,205 |
| Infrastructure - roads | 50,500,853 | 2,779,584 | - | 53,280,437 |
| Depletable assets | <u>6,750</u> | <u>-</u> | <u>-</u> | <u>6,750</u> |
| Subtotal | 69,093,386 | 3,079,853 | (12,532) | 72,160,707 |
| Less accumulated depreciation for | | | | |
| Building | <u>(570,823)</u> | <u>(45,305)</u> | <u>-</u> | <u>(616,128)</u> |
| Road equipment | <u>(5,947,709)</u> | <u>(330,975)</u> | <u>-</u> | <u>(6,278,684)</u> |

Montcalm County, Michigan
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2007

NOTE G: CAPITAL ASSETS - CONTINUED

Component Units - continued

| | Balance <u>Oct. 1, 2006</u> | <u>Additions</u> | <u>Deletions</u> | Balance <u>Sept. 30, 2007</u> |
|---------------------------------------------------------|--------------------------------|----------------------|---------------------|----------------------------------|
| Component Unit - Road Commission - continued | | | | |
| Less accumulated depreciation for - cont. | | | | |
| Shop equipment | \$(74,482) | \$(2,391) | \$ - | \$(76,873) |
| Office equipment | (127,282) | (13,165) | - | (140,447) |
| Engineer's equipment | (37,375) | (667) | - | (38,042) |
| Yard and storage | (359,683) | - | - | (359,683) |
| Infrastructure - bridges | (3,158,868) | (190,184) | - | (3,349,052) |
| Infrastructure - roads | (32,412,750) | (2,232,069) | - | (34,644,819) |
| Depletable assets | <u>(6,750)</u> | <u>-</u> | <u>-</u> | <u>(6,750)</u> |
| Subtotal | <u>(42,695,722)</u> | <u>(2,814,756)</u> | <u>-0-</u> | <u>(45,510,478)</u> |
| Net capital assets being depreciated | <u>26,397,664</u> | <u>265,097</u> | <u>(12,532)</u> | <u>26,650,229</u> |
| Total Net Capital Assets | <u>\$ 31,121,727</u> | <u>\$ 265,097</u> | <u>\$(17,532)</u> | <u>\$ 31,369,292</u> |

The reduction to Yard and Storage of \$12,532 and the increase to Buildings is due to a prior year misclassification corrected in 2007.

Depreciation expense was charged to the following activities:

| | |
|--------------------------------|---------------------|
| Net Equipment Expense | |
| Direct equipment | \$ 330,975 |
| Indirect equipment | |
| Buildings | 36,043 |
| Shop equipment | 2,391 |
| Net Administrative Expense | |
| Buildings | 9,262 |
| Office equipment and furniture | 13,165 |
| Distributive Expense | |
| Engineer's equipment | 667 |
| Infrastructure | <u>2,422,253</u> |
| Total depreciation expense | <u>\$ 2,814,756</u> |

| | Balance <u>Oct. 1, 2006</u> | <u>Additions</u> | <u>Deletions</u> | Balance <u>Sept. 30, 2007</u> |
|--------------------------------------------------------|--------------------------------|-------------------|------------------|----------------------------------|
| Component Unit - District Health Department | | | | |
| Equipment | \$ 585,337 | \$ 74,907 | \$(39,480) | \$ 620,764 |
| Less accumulated depreciation for: Equipment | <u>(367,143)</u> | <u>(51,107)</u> | <u>39,480</u> | <u>(378,770)</u> |
| Total Net Capital Assets | <u>\$ 218,194</u> | <u>\$ 23,800</u> | <u>\$ -0-</u> | <u>\$ 241,994</u> |

Montcalm County, Michigan
NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE H: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portion) of the County for the year ended September 30, 2007:

| | <u>Balance</u> <u>Oct. 1, 2006</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>Sept. 30, 2007</u> | <u>Amounts</u> <u>Due Within</u> <u>One Year</u> |
|--------------------------------------|---------------------------------------|----------------------------|-------------------------------|-----------------------------------------|--------------------------------------------------------|
| PRIMARY GOVERNMENT | | | | | |
| Governmental Activities | | | | | |
| Direct County Obligations | \$13,957,995 | \$ - | \$(663,571) | \$13,294,424 | \$ 739,391 |
| Compensated absences | 283,329 | 465,339 | (487,245) | 261,423 | 151,729 |
| Business-type Activities | | | | | |
| Capital leases | <u>30,210</u> | <u>-</u> | <u>(24,447)</u> | <u>5,763</u> | <u>5,763</u> |
| | 14,271,534 | 465,339 | (1,175,263) | 13,561,610 | 896,883 |
| Less: deferred amounts on refunding | <u>(634,466)</u> | <u>-</u> | <u>34,446</u> | <u>(600,020)</u> | <u>(34,446)</u> |
| TOTAL PRIMARY GOVERNMENT | 13,637,068 | 465,339 | (1,140,817) | 12,961,590 | 862,437 |
| COMPONENT UNIT FUNDS | | | | | |
| Drainage Districts | | | | | |
| Governmental Activities | | | | | |
| Drain bonds and notes | 1,734,412 | 252,900 | (267,394) | 1,719,918 | 225,358 |
| Business-type Activities | | | | | |
| Big Whitefish Lake | | | | | |
| Drain bonds and notes | 14,000 | - | (14,000) | -0- | - |
| Little Whitefish Lake | | | | | |
| Drain bonds | 1,273,500 | - | (18,500) | 1,255,000 | 19,500 |
| Central Dispatch Authority | | | | | |
| Installment purchase agreement | 102,288 | - | (33,066) | 69,222 | 34,084 |
| District Health Department | | | | | |
| Compensated absences | 385,649 | 380,518 | (387,538) | 378,629 | 75,726 |
| Road Commission | | | | | |
| Michigan transportation revenue note | 1,400,000 | - | (200,000) | 1,200,000 | 200,000 |
| Installment purchase agreements | 237,062 | - | (20,368) | 216,694 | 216,694 |
| Compensated absences | <u>74,880</u> | <u>15,520</u> | <u>(14,973)</u> | <u>75,427</u> | <u>-</u> |
| TOTAL COMPONENT UNITS | <u>5,221,791</u> | <u>648,938</u> | <u>(955,839)</u> | <u>4,914,890</u> | <u>771,362</u> |
| TOTAL REPORTING ENTITY | <u>\$18,858,859</u> | <u>\$ 1,114,277</u> | <u>\$(2,096,656)</u> | <u>\$17,876,480</u> | <u>\$ 1,633,799</u> |

PRIMARY GOVERNMENT

Direct County Obligations

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

The Montcalm County Board of Commissioners is also party to seven (7) long-term loan agreements. The proceeds of these loans were used to defray the cost of capital acquisition and construction.

Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE H: LONG-TERM DEBT - CONTINUED

PRIMARY GOVERNMENT - CONTINUED

Direct County Obligations - continued

Bonds and loans payable at September 30, 2007 are as follows:

| | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| \$15,000,000 Montcalm County Building Authority - Jail Expansion Bonds Series 2000, dated September 1, 2000, due in annual installments ranging from \$270,000 to \$560,000 through May 1, 2014, with interest ranging from 5 to 5.125 percent, payable semi-annually. | \$ 3,350,000 |
| \$82,699 Montcalm County installment loan payable, dated December 18, 2003, due in annual installments of \$16,540 through December 18, 2008 with interest of 2.9 percent, payable annually. | 31,265 |
| \$227,000 Montcalm County installment loan payable, dated June 9, 2004, due in annual installments of \$32,430 through June 1, 2012 with interest of 3.04 percent, payable annually. | 148,159 |
| \$500,000 Capital Improvement Bonds, dated December 15, 2005, due in annual installments ranging from \$95,000 to \$105,000 through November 1, 2010 with interest ranging from 3.60 percent to 3.90 percent, payable semi-annually. | 405,000 |
| \$9,320,000 Building Authority Refunding Bonds, dated October 4, 2005, due in annual installments ranging from \$35,000 to \$945,000 through May 1 2025 with interest ranging from 3.50 percent to 5.00 percent, payable semi-annually. | 9,085,000 |
| \$275,000 Capital Improvement Bonds, dated July 28, 2006, due in annual installments of \$55,000 through November 1, 2011 with interest ranging from 3.95 percent to 4.15 percent, payable semi-annually. | <u>275,000</u> |
| | <u>\$13,294,424</u> |

Capital Leases

The County has entered into a lease purchase agreement which qualifies as a capital lease for accounting purposes (title transfers to County) and therefore has been recorded at the present value of future minimum lease payments as of the date of inception. The following are additional details regarding the lease.

Business-type activities

| | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|
| \$48,700 Montcalm County Capital lease payable dated December 1, 2005, due in monthly installments of approximately \$1,921 through December 1, 2007. | \$ <u>5,763</u> |
|-------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|

Compensated Absences

In accordance with County personnel policies and/or contracts negotiated with various employee groups of the County, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in their respective personnel policies and/or contracts. The dollar amount of these vested rights, including related payroll taxes, amounted to \$187,527 and \$73,896 for vacation and sick, respectively, at September 30, 2007. Of the total liability of \$261,423, \$151,729 has been reported as a current liability and \$109,694 has been reported as a noncurrent liability.

Montcalm County, Michigan
NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE H: LONG-TERM DEBT - CONTINUED

PRIMARY GOVERNMENT - CONTINUED

Advance Refunding - Prior

On October 4, 2005 the county defeased a portion of the 2000 Montcalm County Building Authority - Jail Expansion Bonds which are due and payable May 1, 2025. This was accomplished by creating an irrevocable trust with an escrow agent composed of cash and U.S. government securities sufficient to meet the applicable principal and interest payments. The County issued Building Authority 2005 Refunding Bonds in the amount of \$9,320,000 to fund escrow amounts, and pay the cost of issuance of refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bond are not included in the County's financial statements. At September 30, 2007, bonds due and payable May 1, 2014 through May 1, 2025 for the 2000 Montcalm County Building Authority - Jail Expansion Bonds in the amount of \$8,635,000 are considered defeased.

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, 2007, per respective Drain projects serviced from the Component Unit Debt Service Funds are as follows:

| | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| \$100,000 Village of Pierson Sanitary Drain District Bonds, Series A, dated November 1, 1985 due in annual installments ranging from \$2,000 to \$6,000 through November 1, 2014 with interest of 5.0 percent payable semi-annually. | \$ 39,000 |
| \$405,000 Weatherby Drain District Bonds, Series 2002, dated August 1, 2002, due in annual installments of \$60,000 through June 1, 2009 with interest ranging from 3.40 to 3.70 percent, payable semi-annually. | 120,000 |
| \$180,500 Stillwater Drain District Note dated May 20, 2003, due in annual installments of \$25,786 through June 1, 2010 with interest of 3.50 percent, payable annually. | 77,356 |
| \$140,000 Crystal Sewer Drain District Note dated December 1, 2004, due in annual installments of \$35,000 through June 1, 2008 with interest of 3.46 percent, payable annually. | 35,000 |
| \$1,151,000 Duck Lake Drain District Bonds, Series A and B, dated March 17, 2004, due in annual installments ranging from \$21,000 to \$59,000 through March 1, 2034 with interest of 4.50 percent, payable semi-annually. | 990,005 |
| Various drain notes due in various annual installments and interest rates through 2014. | <u>458,557</u> |
| | <u>\$ 1,719,918</u> |

Montcalm County, Michigan
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE H: LONG-TERM DEBT - CONTINUED

COMPONENT UNIT - DRAINAGE DISTRICTS - CONTINUED

Drain Bonds and Notes - continued

Bonds and notes payable at September 30, 2007 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 \$18,000 to \$55,000 through November 1, 2036, with interest of 5.0 percent, payable semi-annually. \$ 1,138,000

\$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. 117,000

\$ 1,255,000

COMPONENT UNIT - CENTRAL DISPATCH AUTHORITY

\$165,978 Montcalm County installment loan payable, dated July 7, 2004, due in annual installments of \$36,221 through June 1, 2009 with interest of 3.04 percent, payable annually. \$ 69,222

COMPONENT UNIT - DISTRICT HEALTH DEPARTMENT

Compensated Absences

In accordance with the District Health Department personnel policies and/or contracts negotiated with various employee groups, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in their respective personnel policies and/or contracts. The dollar amounts of these vested rights including the related payroll taxes reported by the District Health Department at September 30, 2007, amounts to \$378,629. Of the total liability, \$75,726 has been reported as a current liability and \$302,903 has been reported as a noncurrent liability.

COMPONENT UNIT - ROAD COMMISSION

Notes Payable - Michigan Department of Transportation

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

Montcalm County, Michigan
 NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE H: LONG-TERM DEBT - CONTINUED

COMPONENT UNIT - ROAD COMMISSION - CONTINUED

Installment Leases

The Road Commission for Montcalm County entered into a lease agreement for \$176,944 at 4 percent interest on February 1, 2002 from Caterpillar Financial Services for the purpose of financing a grader. The lease agreement called for 59 monthly payments of principal and interest of \$1,675 and one payment of \$105,000. \$ 110,064

The Road Commission for Montcalm County entered into a lease agreement for \$128,175 at 4 percent interest on February 1, 2002 from Caterpillar Financial Services for the purpose of financing a grader. The lease agreement called for 59 monthly payments of principal and interest of \$777 and on payment of \$105,000. 106,630

\$ 216,694

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 \$75,427 at September 30, 2007.

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 | | Capital Leases | |
| | Principal | Interest | Principal | Interest |
| 2008 | \$ 739,391 | \$ 569,655 | \$ 5,763 | \$ 324 |
| 2009 | 770,262 | 535,834 | - | - |
| 2010 | 789,608 | 500,434 | - | - |
| 2011 | 700,520 | 463,838 | - | - |
| 2012 | 614,643 | 433,634 | - | - |
| 2013-2017 | 3,095,000 | 1,740,888 | - | - |
| 2018-2022 | 3,855,000 | 1,026,525 | - | - |
| 2023-2025 | <u>2,730,000</u> | <u>224,035</u> | <u>-</u> | <u>-</u> |
| | <u>\$13,294,424</u> | <u>\$ 5,494,843</u> | <u>\$ 5,763</u> | <u>\$ 324</u> |

Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE H: LONG-TERM DEBT - CONTINUED

| Year Ending September 30, | Component Units | | | | | |
|------------------------------|-----------------------|---------------------|------------------------------------|-----------------|----------------------------------|-------------------|
| | Drain Bonds and Notes | | Installment Purchase Agreements | | Road Commission Notes Payable | |
| | Principal | Interest | Principal | Interest | Payment | Interest |
| 2008 | \$ 244,858 | \$ 135,862 | \$ 250,778 | \$ 4,273 | \$ 200,000 | \$ 34,900 |
| 2009 | 204,055 | 126,199 | 35,138 | 1,083 | 200,000 | 30,400 |
| 2010 | 146,056 | 117,686 | - | - | 200,000 | 25,300 |
| 2011 | 121,272 | 111,318 | - | - | 200,000 | 19,500 |
| 2012 | 124,272 | 105,757 | - | - | 200,000 | 13,300 |
| 2013-2017 | 398,900 | 455,962 | - | - | 200,000 | 6,800 |
| 2018-2022 | 359,000 | 373,284 | - | - | - | - |
| 2023-2027 | 455,000 | 277,625 | - | - | - | - |
| 2028-2032 | 559,500 | 156,942 | - | - | - | - |
| 2033-2037 | 326,505 | 46,565 | - | - | - | - |
| 2038-2042 | 28,000 | 5,851 | - | - | - | - |
| 2043-2047 | 7,500 | 370 | - | - | - | - |
| | <u>\$ 2,974,918</u> | <u>\$ 1,913,421</u> | <u>\$ 285,916</u> | <u>\$ 5,356</u> | <u>\$ 1,200,000</u> | <u>\$ 130,200</u> |

NOTE I: EMPLOYEE RETIREMENT SYSTEMS

RETIREMENT SYSTEM - COUNTY GENERAL

Montcalm County is in a combined County single employer defined-benefit pension plan covering substantially all of its employees. The plan is administered by the Montcalm County Controller/Administrator and the County Pension Trust Committee. The plan is funded through the purchase of various investment vehicles as described in Note C. To be eligible for the plan, an employee must be a regular full-time employee who is not employed on a contract or fee basis with the County, provided such employee is not eligible for coverage, by reason of compensation received from the County, under any pension plan or retirement system other than that provided by the Social Security Act. The County's contributions for the year ended September 30, 2007, and 2006, were based on the payroll for employees covered by the plan for the year ending December 31, 2007 and 2006. The covered payroll for 2007 and 2006 was \$5,581,076 and \$5,608,251, respectively. The total payroll for the year ended September 30, 2007, and 2006, for the County General employees was \$8,900,402 and \$8,726,041, 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, 2007, membership consisted of 84 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them and 140 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.

Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE I: EMPLOYEE RETIREMENT SYSTEMS - CONTINUED

RETIREMENT SYSTEM - COUNTY GENERAL - CONTINUED

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

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

The funding policy provides for periodic employer contributions at actuarially determined rates. Administrative costs of the plan are financed through investment earnings. The actuarially determined combined employer and employee contributions for the plan year ended December 31, 2006, were \$543,958 and actual contributions were \$618,315. The actual employer contribution for the year ended September 30, 2007, was \$175,614. Employee contributions for the year ended September 30, 2007, were \$281,430.

SCHEDULE OF FUNDING PROGRESS

| <u>Actuarial Valuation Date</u> | <u>Actuarial Value of Assets (a)</u> | <u>Actuarial Accrued Liability (b)</u> | <u>Unfunded AAL (UAAL) (a-b)</u> | <u>Funded Ratio (a/b)</u> | <u>Covered Payroll (c)</u> | <u>UAAL as a % of Covered Payroll</u> |
|---------------------------------|--------------------------------------|----------------------------------------|----------------------------------|---------------------------|----------------------------|---------------------------------------|
| 1/1/05 | \$ 14,429,363 | \$ 19,721,021 | \$(5,291,658) | 73.17 % | \$ 5,657,627 | 93.53 % |
| 1/1/06 | 15,145,142 | 20,021,389 | (4,876,247) | 75.64 | 5,608,251 | 86.94 |
| 1/1/07 | 16,648,958 | 20,980,177 | (4,331,219) | 79.36 | 5,581,076 | 77.61 |

SCHEDULE OF EMPLOYER CONTRIBUTIONS

| <u>Plan Year Ended December 31,</u> | <u>Annual Recommended Contribution</u> | <u>Actual Contributions</u> | <u>Percentage Contributed</u> |
|-------------------------------------|----------------------------------------|-----------------------------|-------------------------------|
| 2006 | \$ 284,908 | \$ 363,914 | 127.73 % |
| 2005 | 348,844 | 369,651 | 105.96 |
| 2004 | 546,082 | 425,235 | 77.87 |

Montcalm County, Michigan
NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE I: EMPLOYEE RETIREMENT SYSTEMS - CONTINUED

RETIREMENT SYSTEM - COUNTY GENERAL - CONTINUED

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2006, the latest actuarial valuation follows:

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

* Information not provided in actuarial valuation report.

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

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

During the year ended September 30, 2007, the contributions to the plan by employer and employee were \$151,349 and \$105,945, respectively.

RETIREMENT SYSTEM - COMPONENT UNIT - DISTRICT HEALTH DEPARTMENT

Plan Description

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

Funding Policy

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

Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE I: EMPLOYEE RETIREMENT SYSTEMS - CONTINUED

RETIREMENT SYSTEM - COMPONENT UNIT - DISTRICT HEALTH DEPARTMENT - CONTINUED

Annual Pension Cost

For the year ended September 30, 2007, the Department's annual pension cost of \$232,583 for the plan was equal to the Department's required and actual contribution. The estimated annual required contribution was determined as part of an actuarial valuation at December 31, 2006, using the entry actual age cost method. Actual required contributions are based on actual reported monthly payroll. Significant actuarial assumptions used include (a) a 8.00 percent investment rate of return (b) projected salary increases of 4.5 percent per year compounded annually, attributable to inflation (c) additional salary increases ranging from 0% to 8.4% per year depending on age, seniority and merit, and (d) assumption benefits will increase 2.5% per year after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five (5) year period. The unfunded actuarial liability is being amortized as a level percentage of payroll contributions over 30 years.

Three (3) year trend information

| | Year Ended December 31, | | |
|-----------------------------------------------|-------------------------|--------------|--------------|
| | <u>2004</u> | <u>2005</u> | <u>2006</u> |
| Actuarial value of assets | \$ 4,736,069 | \$ 5,102,145 | \$ 5,542,334 |
| Actuarial accrued liability (AAL) (entry age) | 5,280,923 | 5,692,860 | 6,193,621 |
| Unfunded AAL | 544,854 | 590,715 | 651,287 |
| Funded ratio | 90 % | 90 % | 89 % |
| Covered payroll | 2,743,285 | 2,886,089 | 3,148,011 |
| UAAL as a percentage of covered payroll | 20 % | 20 % | 21 % |

| | Year Ended September 30, | | |
|-------------------------------|--------------------------|-------------|-------------|
| | <u>2005</u> | <u>2006</u> | <u>2007</u> |
| Annual pension cost | \$ 291,913 | \$ 283,421 | \$ 232,583 |
| Percentage of APC contributed | 100 % | 100 % | 100 % |
| Net pension obligation | - | - | - |

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

RETIREMENT SYSTEM - COMPONENT UNIT - ROAD COMMISSION

Description of Plan and Plan Assets

The Road Commission for Montcalm County is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: Normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, nonduty-connected death allowance, duty-connected death allowance, post-retirement adjustments, and death-after-retirement surviving spouse benefit. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.0% of the final average compensation (FAC). The service requirement for salaried employees and commissioners is under the B-4 provision of the retirement contract. This requirement is computed using the same criteria as the B-2 provisions except a sum of 2.5% of the FAC is used. The most recent period for which actuarial data was available was for the fiscal year ended December 31, 2006.

MERS was organized pursuant to Section 12a of Public Act 156 of 1851 (MSA 5.333 (a); MCLA 46.12 (a)), as amended, State of Michigan. MERS is regulated under Public Act 220 of 1996, as amended. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 1134 Municipal Way, Lansing, Michigan, 48917.

Montcalm County, Michigan
 NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE I: EMPLOYEE RETIREMENT SYSTEMS - CONTINUED

RETIREMENT SYSTEM - COMPONENT UNIT - ROAD COMMISSION - CONTINUED

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 \$41,353 during the calendar year ended December 31, 2006. The Road Commission is required to contribute at an actuarially determined rate; the rate was 12.80% for general employees and 25.99% for the manager for the calendar year ending December 31, 2006.

Annual Pension Cost

For the year ended December 31, 2006, the Road Commission's annual pension cost was \$489,512. 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 31 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5 percent based on an age-related scale to reflect merit, longevity and promotional salary increases.

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

| | Year Ended December 31, | | |
|-------------------------------|-------------------------|-------------|-------------|
| | <u>2004</u> | <u>2005</u> | <u>2006</u> |
| Annual pension cost | \$ 389,163 | \$ 373,284 | 489,512 |
| Percentage of APC contributed | 100 % | 100 % | 100 % |

Required Supplementary Information for GASB Statement No. 27

| | Year Ended September 30, | | |
|----------------------------|--------------------------|--------------|--------------|
| | <u>2004</u> | <u>2005</u> | <u>2006</u> |
| Actuarial value of assets | \$ 7,611,830 | \$ 8,035,791 | \$ 8,660,369 |
| Accrued liability (AAL) | 10,696,031 | 11,380,187 | 12,091,658 |
| (Overfunded) AAL (UAAL) | 3,084,201 | 3,344,396 | 3,431,289 |
| Funded ratio | 71 % | 71 % | 72 % |
| Covered payroll | 1,964,443 | 2,089,052 | 1,919,975 |
| Percent of covered payroll | 157 % | 160 % | 179 % |

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE J: POST-EMPLOYMENT BENEFITS

Road Commission (Component Unit)

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

Currently, 29 retirees meet those eligibility requirements. Expenditures for post-employment health care benefits are recognized when insurance premiums are paid. Premiums paid by the Road Commission for the fiscal year ending September 30, 2007, totaled \$98,511. The expenditures are recognized as the insurance premiums become due on a pay-as-you-go-basis.

NOTE K: FEDERAL GRANTS

The Michigan Department of Transportation (MDOT) requires that road commissions report all Federal and State grants pertaining to their county. During the fiscal year ended September 30, 2007, the Federal aid received and expended by the Road Commission was \$388,873 for contracted projects and \$0 for negotiated projects. Contracted projects are defined as projects performed by private contractors paid for and administered by MDOT. The contracted Federal projects are not subject to single audit requirements by the road commissions, as they are included in MDOT's single audit. Negotiated projects are defined as projects performed by Road Commission employees or private contractors paid for and administered by the Road Commission.

NOTE L: RISK MANAGEMENT

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

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

Road Commission (Component Unit)

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE L: RISK MANAGEMENT - CONTINUED

Road Commission (Component Unit) - continued

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

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

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

NOTE M: PROPERTY TAXES AND TAXES RECEIVABLE

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

Beginning with the 2004 tax levy the State has mandated the creation of a Revenue Sharing Reserve fund into which one-third of the County's 2004 to 2007 ad valorem operating tax is being recognized. The purpose of the fund is to accumulate reserves of the County's own local funds from which an amount similar to Revenue Sharing payments, formerly made by the State, will be made back to the General Fund. As part of this process, the County's tax levy is shifting over the three year period from winter to summer.

The County's Winter 2006 and Summer 2007 ad valorem taxes were levied and collectible on December 1, 2006, and July 1, 2007, 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 2006 and Summer 2007 tax levies have been recognized as revenue in the current fiscal year. The 2006 taxable value of Montcalm County amounted to \$1,504,394,669 on which ad valorem taxes levied for County general operating purposes consisted of 1.4723 mills for Winter 2006 and 4.4082 mills for Summer 2007. For the year ended September 30, 2007, the County levied 0.2433 mills for the Commission on Aging, 0.4959 mills for Ambulance Services, 0.4407 mills for the library, and 0.0010 mills for Veterans.

By resolution of the Board of Commissioners and agreement with various taxing authorities, the County purchased at face value the real property taxes receivable returned delinquent on March 1, 2007. 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.

Montcalm County, Michigan
 NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE N: FUND BALANCE RESERVES AND DESIGNATIONS

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

The following are the various fund balance reserves as of September 30, 2007:

PRIMARY GOVERNMENT

| | |
|-------------------------|-------------------|
| General Fund | |
| Reserved for | |
| Prepays | \$ 103,801 |
| General fund activities | 399,562 |
| Advances | <u>187,016</u> |
| | <u>\$ 690,379</u> |

Nonmajor governmental funds

| | |
|---------------------|-------------------|
| Reserved for | |
| Prepays | \$ 1,297 |
| Marriage counseling | 91,786 |
| Advances | 164,318 |
| Trust activities | 143,171 |
| K-9 program | 420 |
| Debt service | <u>1,027</u> |
| | <u>\$ 402,019</u> |

COMPONENT UNITS

| | |
|---------------------------------|-------------------|
| Central Dispatch Authority | |
| Reserved for wireless surcharge | <u>\$ 248,798</u> |

The following are the various fund balance designations as of September 30, 2007:

PRIMARY GOVERNMENT

| | |
|---------------------------------|-------------------|
| Nonmajor governmental funds | |
| Designated for capital projects | <u>\$ 183,446</u> |

COMPONENT UNITS

| | |
|---------------------------------|---------------------|
| Drainage Districts | |
| Designated for capital projects | <u>\$ 1,007,021</u> |

Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE O: RESTRICTED NET ASSETS

Restrictions on net assets shown in the Government-wide financial statements indicate that restrictions imposed by the funding source preclude their use for unrestricted purposes. The following are the various net asset restrictions as of September 30, 2007:

| | |
|------------------------------|-------------------|
| PRIMARY GOVERNMENT | |
| Governmental activities | |
| Restricted for | |
| Public safety | |
| Drug law enforcement | \$ 6,978 |
| Law enforcement | 420 |
| Victim support team | <u>13</u> |
| | <u>\$ 7,411</u> |
| Solid waste planning | <u>\$ 223,123</u> |
| Other purposes | |
| Public improvement | \$ 16,538 |
| Cemetery | 114,600 |
| Register of Deeds Automation | 166,908 |
| Commission on Aging | 158,747 |
| Childcare - juvenile | <u>1,544</u> |
| | <u>\$ 458,337</u> |

NOTE P: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

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

During the year ended September 30, 2007, the County incurred expenditures in the General Fund and Special Revenue Funds in excess of the amounts appropriated as follows:

| | <u>Amounts Appropriated</u> | <u>Amounts Expended</u> | <u>Variance</u> |
|------------------------------------|---------------------------------|-----------------------------|-----------------|
| General Fund | | | |
| Other financing uses | | | |
| Transfers out | \$ 3,037,699 | \$ 3,120,567 | \$ 82,868 |
| Revenue Sharing Reserve Fund | 1,160,559 | 1,168,446 | 7,887 |
| Solid Waste Planning Fund | 259,950 | 270,687 | 10,737 |
| Law Library Fund | 11,500 | 11,579 | 79 |
| CDBG Housing Fund | 310,000 | 317,428 | 7,428 |
| Community Information Systems Fund | 5,950 | 6,038 | 88 |

Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE Q: SUBSEQUENT EVENT

Subsequent to year end the County settled a lawsuit in the amount of \$75,000. This amount will be paid from the General Fund's unreserved and undesignated fund balance.

REQUIRED SUPPLEMENTARY INFORMATION

Montcalm County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES
AND OTHER FINANCING SOURCES

Year Ended September 30, 2007

| | Budgeted Amounts | | Actual | Variance with |
|------------------------------------------------|------------------|------------------|------------------|----------------------------------------|
| | Original | Final | | Final Budget Positive (Negative) |
| Taxes | | | | |
| Current property taxes | \$ 8,623,792 | \$ 8,623,792 | \$ 9,199,766 | \$ 575,974 |
| Delinquent property taxes | 20,000 | 20,000 | 33,823 | 13,823 |
| Payments in lieu of taxes | 1,000 | 1,000 | 23,181 | 22,181 |
| Mobile home park taxes | 3,500 | 3,500 | 3,143 | (357) |
| Other taxes | 1,808 | 1,808 | 371 | (1,437) |
| Total taxes | 8,650,100 | 8,650,100 | 9,260,284 | 610,184 |
| Licenses and permits | | | | |
| Dog licenses | 125,000 | 125,000 | 137,531 | 12,531 |
| Marriage license fees | 2,500 | 2,500 | 4,125 | 1,625 |
| Gun permits | 4,000 | 4,000 | 2,984 | (1,016) |
| Total licenses and permits | 131,500 | 131,500 | 144,640 | 13,140 |
| Intergovernmental - Federal/State | | | | |
| Cooperative reimbursement - Prosecutor | 71,081 | 71,081 | 58,725 | (12,356) |
| Central Michigan Enforcement Team | 81,000 | 35,000 | 35,853 | 853 |
| Probate Judge's salary | 105,098 | 105,098 | 102,038 | (3,060) |
| Judicial salary standardization | 137,172 | 137,172 | 137,172 | -0- |
| Case flow assistance | 10,225 | 10,225 | 13,730 | 3,505 |
| Sheriff secondary road patrol | 118,000 | 118,000 | 115,368 | (2,632) |
| Marine safety | 27,000 | 27,000 | 24,481 | (2,519) |
| Victims Rights Act | 44,900 | 44,900 | 43,782 | (1,118) |
| Juvenile officer grant | 27,320 | 27,320 | 35,317 | 7,997 |
| State remonumentation | 104,778 | 104,778 | 111,400 | 6,622 |
| Convention and tourism tax | 180,000 | 191,787 | 191,787 | -0- |
| Cigarette tax | 39,000 | 39,000 | 36,184 | (2,816) |
| Liquor license fees | 8,000 | 8,000 | 9,405 | 1,405 |
| Michigan justice training | 6,000 | 6,000 | 6,113 | 113 |
| BVP grant | 1,000 | 1,000 | 11,002 | 10,002 |
| Community corrections grant | 179,300 | 179,300 | 163,105 | (16,195) |
| Court equity | 360,000 | 360,000 | 340,008 | (19,992) |
| Help America vote | - | - | 2,496 | 2,496 |
| Highway safety | 12,000 | - | 11,986 | 11,986 |
| Total intergovernmental - Federal/State | 1,511,874 | 1,465,661 | 1,449,952 | (15,709) |

Montcalm County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES
AND OTHER FINANCING SOURCES - CONTINUED

Year Ended September 30, 2007

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|-----------------------------------------------|------------------|---------------|---------------|---------------------------------------------------------|
| | Original | Final | | |
| Charges for services | | | | |
| District Court | \$ 798,000 | \$ 823,000 | \$ 832,811 | \$ 9,811 |
| Circuit Court | 84,100 | 109,100 | 121,077 | 11,977 |
| Probate Court | 45,800 | 45,800 | 45,143 | (657) |
| County Treasurer | 73,100 | 73,100 | 49,504 | (23,596) |
| County Clerk | 156,475 | 180,475 | 192,706 | 12,231 |
| Register of Deeds | 645,437 | 695,400 | 638,547 | (56,853) |
| Sheriff department | 318,450 | 318,450 | 349,979 | 31,529 |
| Care of prisoners | 643,150 | 703,150 | 775,631 | 72,481 |
| Animal shelter | 5,000 | 5,000 | 11,895 | 6,895 |
| Phone services | 67,000 | 79,000 | 77,343 | (1,657) |
| Central services | 315,038 | 365,000 | 321,128 | (43,872) |
| Mapping services | - | - | 3,574 | 3,574 |
| Other | 1,750 | 1,750 | 2,057 | 307 |
| Total charges for services | 3,153,300 | 3,399,225 | 3,421,395 | 22,170 |
| Fines and forfeits | | | | |
| Ordinance fines and costs | 120,050 | 135,050 | 137,306 | 2,256 |
| Interest and rents | | | | |
| Interest revenue | 151,015 | 151,015 | 168,788 | 17,773 |
| Rental fees | 131,500 | 131,500 | 1,500 | (130,000) |
| Total interest and rents | 282,515 | 282,515 | 170,288 | (112,227) |
| Other | | | | |
| Insurance dividends | 40,000 | 40,000 | 23,009 | (16,991) |
| Sale of capital assets | 20,000 | 20,000 | 41,412 | 21,412 |
| Reimbursement and refunds | 277,562 | 249,137 | 217,025 | (32,112) |
| Remonumentation contribution | 24,700 | 24,700 | 25,200 | 500 |
| Other | 4,000 | 24,000 | 1,739 | (22,261) |
| Total other | 366,262 | 357,837 | 308,385 | (49,452) |
| TOTAL REVENUES | 14,215,601 | 14,421,888 | 14,892,250 | 470,362 |
| OTHER FINANCING SOURCES | | | | |
| Transfers in | 2,089,694 | 2,089,694 | 1,891,576 | (198,118) |
| TOTAL REVENUES AND OTHER FINANCING SOURCES | \$ 16,305,295 | \$ 16,511,582 | \$ 16,783,826 | \$ 272,244 |

Montcalm County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES AND
OTHER FINANCING USES BY ACTIVITY

Year Ended September 30, 2007

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|----------------------------|------------------|------------|------------|---------------------------------------------------------|
| | Original | Final | | |
| General government | | | | |
| Board of Commissioners | \$ 159,382 | \$ 165,382 | \$ 165,366 | \$ 16 |
| Circuit Court | 379,498 | 431,698 | 431,675 | 23 |
| Circuit Court probation | 5,500 | 5,500 | 5,327 | 173 |
| District Court | 651,949 | 671,949 | 670,121 | 1,828 |
| District Court probation | 176,363 | 176,363 | 169,068 | 7,295 |
| Probate Court | 884,452 | 914,452 | 892,571 | 21,881 |
| Jury Board | 4,200 | 4,200 | 4,115 | 85 |
| Witness fees | 14,420 | 14,720 | 13,927 | 793 |
| Elections | 86,066 | 113,066 | 103,548 | 9,518 |
| Clerk | 369,958 | 369,958 | 325,372 | 44,586 |
| Professional consultants | 53,000 | 71,500 | 71,164 | 336 |
| Controller | 310,355 | 310,355 | 305,852 | 4,503 |
| Equalization | 337,182 | 287,182 | 257,529 | 29,653 |
| Prosecuting Attorney | 503,056 | 503,056 | 488,751 | 14,305 |
| Register of Deeds | 286,497 | 291,997 | 291,948 | 49 |
| Information Systems | 46,000 | 91,000 | 89,544 | 1,456 |
| Central services | 14,650 | 14,650 | 13,036 | 1,614 |
| Survey and remonumentation | 156,778 | 192,478 | 176,733 | 15,745 |
| Treasurer | 319,854 | 319,854 | 316,184 | 3,670 |
| Cooperative extension | 224,277 | 224,277 | 222,370 | 1,907 |
| Building and grounds | 793,636 | 785,636 | 781,518 | 4,118 |
| Building rent | 1,013,119 | 1,013,119 | 704,314 | 308,805 |
| Drain Commission | 188,534 | 188,784 | 188,766 | 18 |
| Total general government | 6,978,726 | 7,161,176 | 6,688,799 | 472,377 |
| Public safety | | | | |
| Sheriff - general | 1,786,970 | 1,785,270 | 1,784,903 | 367 |
| Sheriff - road patrol | 171,897 | 174,797 | 169,726 | 5,071 |
| Contracted police service | 259,295 | 259,295 | 251,915 | 7,380 |
| Justice training | 6,000 | 6,300 | 6,288 | 12 |
| Building security | 108,795 | 111,895 | 111,849 | 46 |
| Marine safety | 52,091 | 53,641 | 53,603 | 38 |
| Jail | 2,577,762 | 2,492,762 | 2,351,334 | 141,428 |
| West Michigan Planning | 22,615 | 22,615 | 13,545 | 9,070 |
| Disaster relief | 500 | 1,200 | 1,178 | 22 |
| Animal control | 150,314 | 150,314 | 150,101 | 213 |
| Total public safety | 5,136,239 | 5,058,089 | 4,894,442 | 163,647 |
| Public works | | | | |
| Drains at large | 114,800 | 114,800 | 106,735 | 8,065 |

Montcalm County, Michigan

General Fund

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

Year Ended September 30, 2007

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|------------------------------------------------|------------------|---------------|---------------|---------------------------------------------------------|
| | Original | Final | | |
| Health and welfare | | | | |
| Contagious diseases | \$ 5,700 | \$ 7,500 | \$ 6,922 | \$ 578 |
| Medical examiner | 99,640 | 99,640 | 86,107 | 13,533 |
| Veterans burials | 7,115 | 7,115 | 6,050 | 1,065 |
| Substance Abuse Commission | 90,000 | 95,900 | 95,894 | 6 |
| Mental Health | 188,053 | 188,053 | 188,053 | -0- |
| District Health Department | 486,688 | 486,688 | 484,229 | 2,459 |
| Total health and welfare | 877,196 | 884,896 | 867,255 | 17,641 |
| Community and economic development | | | | |
| Economic development | 5,000 | 6,000 | 6,000 | -0- |
| Other | | | | |
| Insurance | 150,000 | 169,100 | 169,046 | 54 |
| Debt service | | | | |
| Principal | 169,000 | 152,951 | 111,540 | 41,411 |
| Interest | 30,730 | 30,730 | 26,688 | 4,042 |
| Total debt service | 199,730 | 183,681 | 138,228 | 45,453 |
| TOTAL EXPENDITURES | 13,461,691 | 13,577,742 | 12,870,505 | 707,237 |
| OTHER FINANCING USES | | | | |
| Transfers to other funds | | | | |
| Parks and Recreation Fund | 30,000 | 45,000 | 39,700 | 5,300 |
| Revenue Sharing Reserve Fund | 1,977,950 | 1,977,950 | 1,977,950 | -0- |
| Friend of the Court Fund | 16,000 | 16,000 | 7,927 | 8,073 |
| DHS Fund | 5,000 | 5,000 | 9,000 | (4,000) |
| Juvenile Child Care Fund | 650,000 | 650,000 | 645,319 | 4,681 |
| DHS Child Care Fund | 6,000 | 10,000 | 10,000 | -0- |
| Law Enforcement Fund | 1,200 | 1,200 | 2,103 | (903) |
| Law Library Fund | 5,000 | 5,000 | 9,017 | (4,017) |
| CDBG Housing | - | - | 45,613 | (45,613) |
| Homeland Security | - | - | 57,316 | (57,316) |
| Equipment Purchase and Replacement Fund | 125,000 | 145,100 | 145,090 | 10 |
| Office Equipment Fund | 20,000 | 20,000 | 20,000 | -0- |
| Register of Deeds Automation Fund | 95,000 | 95,000 | 84,085 | 10,915 |
| Building Official Fund | - | 47,449 | 47,447 | 2 |
| Post-Employment Health Fund | 20,000 | 20,000 | 20,000 | -0- |
| TOTAL OTHER FINANCING USES | 2,951,150 | 3,037,699 | 3,120,567 | (82,868) |
| TOTAL EXPENDITURES AND OTHER FINANCING USES | \$ 16,412,841 | \$ 16,615,441 | \$ 15,991,072 | \$ 624,369 |

Montcalm County, Michigan

Revenue Sharing Reserve Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended September 30, 2007

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|-----------------------------------------|---------------------|---------------------|---------------------|---------------------------------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Interest | \$ 10,000 | \$ 10,000 | \$ - | \$ (10,000) |
| EXPENDITURES | - | - | - | -0- |
| EXCESS OF REVENUES OVER EXPENDITURES | 10,000 | 10,000 | -0- | (10,000) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 1,977,950 | 1,977,950 | 1,977,950 | -0- |
| Transfers out | (1,160,559) | (1,160,559) | (1,168,446) | (7,887) |
| TOTAL OTHER FINANCING SOURCES (USES) | 817,391 | 817,391 | 809,504 | (7,887) |
| NET CHANGE IN FUND BALANCE | 827,391 | 827,391 | 809,504 | (17,887) |
| Fund balance, beginning of year | 1,504,323 | 1,504,323 | 1,504,323 | -0- |
| Fund balance, end of year | <u>\$ 2,331,714</u> | <u>\$ 2,331,714</u> | <u>\$ 2,313,827</u> | <u>\$ (17,887)</u> |

OTHER SUPPLEMENTARY INFORMATION

Montcalm County, Michigan
 Nonmajor Governmental Funds
 COMBINING BALANCE SHEET
 September 30, 2007

| | Special | | |
|------------------------------------------------|-------------------------|-------------------------|-----------------------------------------|
| | Parks and Recreation | Solid Waste Planning | Local Correction Officer Training |
| ASSETS | | | |
| Cash and cash equivalents | \$ 1,569 | \$ 184,988 | \$ 29,779 |
| Investments | - | - | - |
| Accounts receivable | - | 52,907 | - |
| Land contract receivable | - | - | - |
| Due from other funds | - | - | - |
| Due from other governmental units | | | |
| Federal/State | - | - | - |
| Advances to other funds | - | - | - |
| Prepays | - | - | - |
| TOTAL ASSETS | \$ 1,569 | \$ 237,895 | \$ 29,779 |
| LIABILITIES AND FUND BALANCES | | | |
| LIABILITIES | | | |
| Accounts payable | \$ 742 | \$ 14,772 | \$ 30 |
| Accrued wages | 736 | - | - |
| Accrued liabilities | - | - | - |
| Due to other funds | - | - | - |
| Deferred revenue | - | - | - |
| TOTAL LIABILITIES | 1,478 | 14,772 | 30 |
| FUND BALANCES | | | |
| Reserved for | | | |
| Prepays | - | - | - |
| Marriage counseling | - | - | - |
| Advances | - | - | - |
| Trust activities | - | - | - |
| K-9 program | - | - | - |
| Debt service | - | - | - |
| Unreserved | | | |
| Designated for capital expenditures | - | - | - |
| Undesignated, reported in: | | | |
| Special revenue funds | 91 | 223,123 | 29,749 |
| Capital projects funds | - | - | - |
| TOTAL FUND BALANCES | 91 | 223,123 | 29,749 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 1,569 | \$ 237,895 | \$ 29,779 |

Revenue

| Friend of the Court | Law Enforcement | County Libraries | Law Library | Commission on Aging |
|------------------------|--------------------|---------------------|-----------------|------------------------|
| \$ 39,267 | \$ 8,864 | \$ (58,781) | \$ 1,022 | \$ 155,100 |
| 11,412 | - | - | - | 414 |
| 1,577 | - | 71,659 | - | 21,327 |
| - | - | - | - | - |
| - | 2,164 | 1,380 | - | - |
| 88,018 | - | - | - | - |
| - | - | - | - | - |
| 1,297 | - | - | - | - |
| <u>\$ 141,571</u> | <u>\$ 11,028</u> | <u>\$ 14,258</u> | <u>\$ 1,022</u> | <u>\$ 176,841</u> |
| | | | | |
| \$ 4,160 | \$ - | \$ - | \$ 1,022 | \$ 5,678 |
| 19,704 | - | - | - | 12,416 |
| - | - | 6,150 | - | - |
| - | 10,608 | - | - | - |
| - | - | - | - | - |
| 23,864 | 10,608 | 6,150 | 1,022 | 18,094 |
| | | | | |
| 1,297 | - | - | - | - |
| 91,786 | - | - | - | - |
| - | - | - | - | - |
| - | - | - | - | - |
| - | 420 | - | - | - |
| - | - | - | - | - |
| - | - | - | - | - |
| 24,624 | - | 8,108 | - | 158,747 |
| - | - | - | - | - |
| <u>117,707</u> | <u>420</u> | <u>8,108</u> | <u>-0-</u> | <u>158,747</u> |
| | | | | |
| <u>\$ 141,571</u> | <u>\$ 11,028</u> | <u>\$ 14,258</u> | <u>\$ 1,022</u> | <u>\$ 176,841</u> |

Montcalm County, Michigan
 Nonmajor Governmental Funds
 COMBINING BALANCE SHEET - CONTINUED
 September 30, 2007

| | Special | | |
|------------------------------------------------|-------------------|-------------------|------------------------|
| | DHS Child Care | CDBG - Housing | Juvenile Child Care |
| ASSETS | | | |
| Cash and cash equivalents | \$ - | \$ (14,507) | \$ (4,869) |
| Investments | - | 22,578 | - |
| Accounts receivable | - | - | - |
| Land contract receivable | - | - | - |
| Due from other funds | - | 14 | - |
| Due from other governmental units | | | |
| Federal/State | - | - | 42,816 |
| Advances to other funds | - | - | - |
| Prepays | - | - | - |
| TOTAL ASSETS | \$ -0- | \$ 8,085 | \$ 37,947 |
| LIABILITIES AND FUND BALANCES | | | |
| LIABILITIES | | | |
| Accounts payable | \$ - | \$ 8,085 | \$ 36,403 |
| Accrued wages | - | - | - |
| Accrued liabilities | - | - | - |
| Due to other funds | - | - | - |
| Deferred revenue | - | - | - |
| TOTAL LIABILITIES | -0- | 8,085 | 36,403 |
| FUND BALANCES | | | |
| Reserved for | | | |
| Prepays | - | - | - |
| Marriage counseling | - | - | - |
| Advances | - | - | - |
| Trust activities | - | - | - |
| K-9 program | - | - | - |
| Debt service | - | - | - |
| Unreserved | | | |
| Designated for capital expenditures | - | - | - |
| Undesignated, reported in: | | | |
| Special revenue funds | - | - | 1,544 |
| Capital projects funds | - | - | - |
| TOTAL FUND BALANCES | -0- | -0- | 1,544 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ -0- | \$ 8,085 | \$ 37,947 |

| | | Revenue | | | |
|----------------------|-------------------------|-------------------------------|-----------------|--------------------|--|
| Drug Law Enforcement | Homeland Security Grant | Community Information Systems | Veterans Trust | Public Improvement | |
| \$ 6,978 | \$ (1,297) | \$ 9,332 | \$ 3,939 | \$ 3,242 | |
| - | - | 4,721 | - | 13,296 | |
| - | 4,491 | 3,000 | - | - | |
| - | - | - | - | - | |
| - | - | - | - | - | |
| - | - | - | 2,800 | - | |
| - | - | - | - | - | |
| - | - | - | - | - | |
| <u>\$ 6,978</u> | <u>\$ 3,194</u> | <u>\$ 17,053</u> | <u>\$ 6,739</u> | <u>\$ 16,538</u> | |
| \$ - | \$ 2,791 | \$ 155 | \$ 121 | \$ - | |
| - | - | - | - | - | |
| - | - | - | - | - | |
| - | - | - | - | - | |
| - | 403 | - | - | - | |
| -0- | 3,194 | 155 | 121 | -0- | |
| - | - | - | - | - | |
| - | - | - | - | - | |
| - | - | - | - | - | |
| - | - | - | - | - | |
| - | - | - | - | - | |
| - | - | - | - | 16,538 | |
| 6,978 | - | 16,898 | 6,618 | - | |
| - | - | - | - | - | |
| <u>6,978</u> | <u>-0-</u> | <u>16,898</u> | <u>6,618</u> | <u>16,538</u> | |
| <u>\$ 6,978</u> | <u>\$ 3,194</u> | <u>\$ 17,053</u> | <u>\$ 6,739</u> | <u>\$ 16,538</u> | |

Montcalm County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

September 30, 2007

| | Special | | |
|----------------------------------------|-----------------------------------|-------------------|------------------------------------|
| | Soldiers and Sailors Relief | DHS | Register of Deeds Automation |
| ASSETS | | | |
| Cash and cash equivalents | \$ 1,453 | \$ - | \$ (79,740) |
| Investments | - | - | 249,598 |
| Accounts receivable | - | - | - |
| Land contract receivable | - | - | - |
| Due from other funds | - | - | - |
| Due from other governmental units | | | |
| Federal/State | - | - | - |
| Advances to other funds | - | - | - |
| Prepays | - | - | - |
| | <u> </u> | <u> </u> | <u> </u> |
| TOTAL ASSETS | <u>\$ 1,453</u> | <u>\$ -0-</u> | <u>\$ 169,858</u> |
| LIABILITIES AND FUND BALANCES | | | |
| LIABILITIES | | | |
| Accounts payable | \$ - | \$ - | \$ 2,950 |
| Accrued wages | - | - | - |
| Accrued liabilities | - | - | - |
| Due to other funds | - | - | - |
| Deferred revenue | - | - | - |
| | <u> </u> | <u> </u> | <u> </u> |
| TOTAL LIABILITIES | -0- | -0- | 2,950 |
| FUND BALANCES | | | |
| Reserved for | | | |
| Prepays | - | - | - |
| Marriage counseling | - | - | - |
| Advances | - | - | - |
| Trust activities | - | - | - |
| K-9 program | - | - | - |
| Debt service | - | - | - |
| Unreserved | | | |
| Designated for capital expenditures | - | - | 166,908 |
| Undesignated, reported in: | | | |
| Special revenue funds | 1,453 | - | - |
| Capital projects funds | - | - | - |
| | <u> </u> | <u> </u> | <u> </u> |
| TOTAL FUND BALANCES | <u>1,453</u> | <u>-0-</u> | <u>166,908</u> |
| | <u> </u> | <u> </u> | <u> </u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 1,453</u> | <u>\$ -0-</u> | <u>\$ 169,858</u> |

| | Revenue | | Debt Service | Capital Projects |
|-----------------|-----------------------|---------------------|--------------------|--------------------|
| | Law Enforcement Trust | Victim Support Team | Building Authority | Building Authority |
| Cemetery | | | | |
| \$ (1,448) | \$ 28,558 | \$ 3,972 | \$ 2,783 | \$ 26,548 |
| 11,168 | - | - | 619 | 11,183 |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | - | 13,839 |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | - | - |
| <u>\$ 9,720</u> | <u>\$ 28,558</u> | <u>\$ 3,972</u> | <u>\$ 3,402</u> | <u>\$ 51,570</u> |
| \$ - | \$ - | \$ 135 | \$ - | \$ - |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | 3,824 | 2,375 | - |
| - | - | - | - | - |
| -0- | -0- | 3,959 | 2,375 | -0- |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | - | - |
| 9,720 | 28,558 | 13 | - | - |
| - | - | - | - | - |
| - | - | - | 1,027 | - |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | - | 51,570 |
| <u>9,720</u> | <u>28,558</u> | <u>13</u> | <u>1,027</u> | <u>51,570</u> |
| <u>\$ 9,720</u> | <u>\$ 28,558</u> | <u>\$ 3,972</u> | <u>\$ 3,402</u> | <u>\$ 51,570</u> |

Montcalm County, Michigan
 Nonmajor Governmental Funds
 COMBINING BALANCE SHEET - CONTINUED
 September 30, 2007

| | Capital | | |
|------------------------------------------------|----------------------------|-------------------------|--------------------------|
| | General Projects | Jail Improvement | Park Improvements |
| ASSETS | | | |
| Cash and cash equivalents | \$ (403,531) | \$ 11,878 | \$ 58,569 |
| Investments | 1,246,001 | - | 3,040 |
| Accounts receivable | - | - | - |
| Land contract receivable | - | - | 142,450 |
| Due from other funds | - | - | - |
| Due from other governmental units | | | |
| Federal/State | - | - | - |
| Advances to other funds | 164,318 | - | - |
| Prepays | - | - | - |
| TOTAL ASSETS | <u>\$ 1,006,788</u> | <u>\$ 11,878</u> | <u>\$ 204,059</u> |
| LIABILITIES AND FUND BALANCES | | | |
| LIABILITIES | | | |
| Accounts payable | \$ - | \$ - | \$ - |
| Accrued wages | - | - | - |
| Accrued liabilities | - | - | - |
| Due to other funds | - | - | - |
| Deferred revenue | - | - | 142,450 |
| TOTAL LIABILITIES | -0- | -0- | 142,450 |
| FUND BALANCES | | | |
| Reserved for | | | |
| Prepays | - | - | - |
| Marriage counseling | - | - | - |
| Advances | 164,318 | - | - |
| Trust activities | - | - | - |
| K-9 program | - | - | - |
| Debt service | - | - | - |
| Unreserved | | | |
| Designated for capital expenditures | - | - | - |
| Undesignated, reported in: | | | |
| Special revenue funds | - | - | - |
| Capital projects funds | 842,470 | 11,878 | 61,609 |
| TOTAL FUND BALANCES | <u>1,006,788</u> | <u>11,878</u> | <u>61,609</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 1,006,788</u> | <u>\$ 11,878</u> | <u>\$ 204,059</u> |

| <u>Projects</u> <u>Equipment</u> <u>Purchase and</u> <u>Replacement</u> | <u>Permanent</u> <u>Cemetery</u> | <u>Total</u> <u>Nonmajor</u> <u>Governmental</u> <u>Funds</u> |
|----------------------------------------------------------------------------------|-----------------------------------------|------------------------------------------------------------------------|
| \$ 26,469 | \$ - | \$ 40,137 |
| 1,046 | 104,880 | 1,679,956 |
| - | - | 154,961 |
| - | - | 142,450 |
| 10,608 | - | 28,005 |
| - | - | 133,634 |
| - | - | 164,318 |
| - | - | 1,297 |
| <u>\$ 38,123</u> | <u>\$ 104,880</u> | <u>\$ 2,344,758</u> |
| | | |
| \$ 27,819 | \$ - | \$ 104,863 |
| - | - | 32,856 |
| - | - | 6,150 |
| - | - | 16,807 |
| - | - | 142,853 |
| | | |
| 27,819 | -0- | 303,529 |
| | | |
| - | - | 1,297 |
| - | - | 91,786 |
| - | - | 164,318 |
| - | 104,880 | 143,171 |
| - | - | 420 |
| - | - | 1,027 |
| - | - | 183,446 |
| - | - | 477,933 |
| 10,304 | - | 977,831 |
| <u>10,304</u> | <u>104,880</u> | <u>2,041,229</u> |
| | | |
| <u>\$ 38,123</u> | <u>\$ 104,880</u> | <u>\$ 2,344,758</u> |

Montcalm County, Michigan

Nonmajor Governmental Funds

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

Year Ended September 30, 2007

| | Special | | |
|---------------------------------------------------------|-------------------------|-------------------------|-----------------------------------------|
| | Parks and Recreation | Solid Waste Planning | Local Correction Officer Training |
| REVENUES | | | |
| Taxes | \$ - | \$ - | \$ - |
| Licenses and permits | - | - | - |
| Intergovernmental - Federal/State | - | - | - |
| Charges for services | 14,155 | 188,466 | 22,974 |
| Interest and rents | - | - | - |
| Other | - | 1,482 | - |
| TOTAL REVENUES | 14,155 | 189,948 | 22,974 |
| EXPENDITURES | | | |
| Current | | | |
| General government | - | - | - |
| Public safety | - | - | 20,243 |
| Public works | - | 270,687 | - |
| Health and welfare | - | - | - |
| Community and economic development | - | - | - |
| Recreation and cultural | 53,783 | - | - |
| Capital outlay | - | - | - |
| Debt service | - | - | - |
| TOTAL EXPENDITURES | 53,783 | 270,687 | 20,243 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (39,628) | (80,739) | 2,731 |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | 39,700 | - | - |
| Transfers out | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | 39,700 | -0- | -0- |
| NET CHANGE IN FUND BALANCES | 72 | (80,739) | 2,731 |
| Fund balances, beginning of year | 19 | 303,862 | 27,018 |
| Fund balances, end of year | \$ 91 | \$ 223,123 | \$ 29,749 |

| Revenue | | | | |
|------------------------|--------------------|---------------------|----------------|------------------------|
| Friend of the Court | Law Enforcement | County Libraries | Law Library | Commission on Aging |
| \$ - | \$ - | \$ 652,834 | \$ - | \$ 359,916 |
| 7,935 | - | - | - | - |
| 582,994 | - | - | - | 180,252 |
| 133,988 | - | - | - | 25,014 |
| 575 | 42 | - | - | 1,471 |
| - | - | - | - | 13,157 |
| 725,492 | 42 | 652,834 | -0- | 579,810 |
| 730,270 | - | - | 11,579 | - |
| - | 2,850 | - | - | - |
| - | - | - | - | - |
| - | - | - | - | 589,881 |
| - | - | - | - | - |
| - | - | 649,596 | - | - |
| - | - | - | - | - |
| - | - | - | - | 32,430 |
| 730,270 | 2,850 | 649,596 | 11,579 | 622,311 |
| (4,778) | (2,808) | 3,238 | (11,579) | (42,501) |
| 7,927 | 2,103 | - | 9,017 | - |
| - | - | - | - | (6,779) |
| 7,927 | 2,103 | -0- | 9,017 | (6,779) |
| 3,149 | (705) | 3,238 | (2,562) | (49,280) |
| 114,558 | 1,125 | 4,870 | 2,562 | 208,027 |
| \$ 117,707 | \$ 420 | \$ 8,108 | \$ -0- | \$ 158,747 |

Montcalm County, Michigan

Nonmajor Governmental Funds

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

Year Ended September 30, 2007

| | Special | | |
|---------------------------------------------------------|-------------------|-------------------|------------------------|
| | DHS Child Care | CDBG - Housing | Juvenile Child Care |
| REVENUES | | | |
| Taxes | \$ - | \$ - | \$ - |
| Licenses and permits | - | - | - |
| Intergovernmental - | | | |
| Federal/State | - | 183,955 | 231,172 |
| Charges for services | - | 48,857 | 67,989 |
| Interest and rents | - | 904 | - |
| Other | - | 13,659 | 25 |
| TOTAL REVENUES | -0- | 247,375 | 299,186 |
| EXPENDITURES | | | |
| Current | | | |
| General government | - | - | - |
| Public safety | - | - | - |
| Public works | - | - | - |
| Health and welfare | 10,000 | - | 989,911 |
| Community and economic development | - | 317,428 | - |
| Recreation and cultural | - | - | - |
| Capital outlay | - | - | - |
| Debt service | - | - | - |
| TOTAL EXPENDITURES | 10,000 | 317,428 | 989,911 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (10,000) | (70,053) | (690,725) |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | 10,000 | 45,613 | 645,319 |
| Transfers out | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | 10,000 | 45,613 | 645,319 |
| NET CHANGE IN FUND BALANCES | -0- | (24,440) | (45,406) |
| Fund balances, beginning of year | - | 24,440 | 46,950 |
| Fund balances, end of year | <u>\$ -0-</u> | <u>\$ -0-</u> | <u>\$ 1,544</u> |

| | | Revenue | | | | |
|-------------------------|----------------------------|-------------------------------------|-------------------|-----------------------|--|--|
| Drug Law Enforcement | Homeland Security Grant | Community Information Systems | Veterans Trust | Public Improvement | | |
| \$ - | \$ - | \$ - | \$ - | \$ - | | |
| - | - | - | - | - | | |
| - | 65,134 | - | 22,556 | - | | |
| - | - | - | - | - | | |
| - | - | 741 | - | 670 | | |
| <u>5</u> | <u>-</u> | <u>3,000</u> | <u>-</u> | <u>-</u> | | |
| 5 | 65,134 | 3,741 | 22,556 | 670 | | |
| - | - | 6,038 | - | - | | |
| - | 122,629 | - | - | - | | |
| - | - | - | - | - | | |
| - | - | - | 17,990 | - | | |
| - | - | - | - | 2,849 | | |
| - | - | - | - | - | | |
| <u>-0-</u> | <u>122,629</u> | <u>6,038</u> | <u>17,990</u> | <u>2,849</u> | | |
| 5 | (57,495) | (2,297) | 4,566 | (2,179) | | |
| - | 57,495 | - | - | - | | |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | | |
| <u>-0-</u> | <u>57,495</u> | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> | | |
| 5 | -0- | (2,297) | 4,566 | (2,179) | | |
| <u>6,973</u> | <u>-</u> | <u>19,195</u> | <u>2,052</u> | <u>18,717</u> | | |
| <u>\$ 6,978</u> | <u>\$ -0-</u> | <u>\$ 16,898</u> | <u>\$ 6,618</u> | <u>\$ 16,538</u> | | |

Montcalm County, Michigan

Nonmajor Governmental Funds

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

Year Ended September 30, 2007

| | Special | | |
|---------------------------------------------------------|-----------------------------------|-----------------|------------------------------------|
| | Soldiers and Sailors Relief | DHS | Register of Deeds Automation |
| REVENUES | | | |
| Taxes | \$ 1,292 | \$ - | \$ - |
| Licenses and permits | - | - | - |
| Intergovernmental - Federal/State | - | 1,401 | - |
| Charges for services | - | - | - |
| Interest and rents | - | - | 10,481 |
| Other | - | 25 | 430 |
| TOTAL REVENUES | 1,292 | 1,426 | 10,911 |
| EXPENDITURES | | | |
| Current | | | |
| General government | - | - | 28,407 |
| Public safety | - | - | - |
| Public works | - | - | - |
| Health and welfare | 3,629 | 59,426 | - |
| Community and economic development | - | - | - |
| Recreation and cultural | - | - | - |
| Capital outlay | - | - | 15,222 |
| Debt service | - | - | - |
| TOTAL EXPENDITURES | 3,629 | 59,426 | 43,629 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (2,337) | (58,000) | (32,718) |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | - | 9,000 | 84,085 |
| Transfers out | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | -0- | 9,000 | 84,085 |
| NET CHANGE IN FUND BALANCES | (2,337) | (49,000) | 51,367 |
| Fund balances, beginning of year | 3,790 | 49,000 | 115,541 |
| Fund balances, end of year | \$ 1,453 | \$ -0- | \$ 166,908 |

| | Revenue | | Debt Service | Capital Projects |
|----------|-----------------------|---------------------|--------------------|--------------------|
| | Law Enforcement Trust | Victim Support Team | Building Authority | Building Authority |
| \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - |
| - | - | - | - | - |
| 400 | - | - | - | - |
| - | - | 8 | 933,840 | 15,815 |
| - | 4,601 | - | - | - |
| 400 | 4,601 | 8 | 933,840 | 15,815 |
| 2,548 | - | - | - | - |
| - | 324 | - | - | - |
| - | - | - | - | - |
| - | - | 2,678 | - | - |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | 1,091,811 | - |
| 2,548 | 324 | 2,678 | 1,091,811 | -0- |
| (2,148) | 4,277 | (2,670) | (157,971) | 15,815 |
| - | - | - | - | - |
| - | - | - | - | - |
| -0- | -0- | -0- | -0- | -0- |
| (2,148) | 4,277 | (2,670) | (157,971) | 15,815 |
| 11,868 | 24,281 | 2,683 | 158,998 | 35,755 |
| \$ 9,720 | \$ 28,558 | \$ 13 | \$ 1,027 | \$ 51,570 |

Montcalm County, Michigan

Nonmajor Governmental Funds

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

Year Ended September 30, 2007

| | Capital | | |
|---------------------------------------------------------|---------------------|---------------------|----------------------|
| | General Projects | Jail Improvement | Park Improvements |
| REVENUES | | | |
| Taxes | \$ - | \$ - | \$ - |
| Licenses and permits | - | - | - |
| Intergovernmental - Federal/State | - | - | - |
| Charges for services | - | - | - |
| Interest and rents | 48,536 | 1,956 | 1,920 |
| Other | - | - | 18,300 |
| TOTAL REVENUES | 48,536 | 1,956 | 20,220 |
| EXPENDITURES | | | |
| Current | | | |
| General government | - | - | - |
| Public safety | - | - | - |
| Public works | - | - | - |
| Health and welfare | - | - | - |
| Community and economic development | - | - | - |
| Recreation and cultural | - | - | - |
| Capital outlay | - | 26,700 | 15,068 |
| Debt service | - | - | - |
| TOTAL EXPENDITURES | -0- | 26,700 | 15,068 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 48,536 | (24,744) | 5,152 |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | - | - | - |
| Transfers out | (107,996) | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | (107,996) | -0- | -0- |
| NET CHANGE IN FUND BALANCES | (59,460) | (24,744) | 5,152 |
| Fund balances, beginning of year | 1,066,248 | 36,622 | 56,457 |
| Fund balances, end of year | <u>\$ 1,006,788</u> | <u>\$ 11,878</u> | <u>\$ 61,609</u> |

| <u>Projects</u> <u>Equipment</u> <u>Purchase and</u> <u>Replacement</u> | <u>Permanent</u> <u>Cemetery</u> | <u>Total</u> <u>Nonmajor</u> <u>Governmental</u> <u>Funds</u> |
|----------------------------------------------------------------------------------|-----------------------------------------|------------------------------------------------------------------------|
| \$ - | \$ - | \$ 1,014,042 |
| - | - | 7,935 |
| - | - | 1,267,464 |
| - | - | 501,843 |
| 2,005 | 5,848 | 1,024,812 |
| - | - | 54,684 |
| <u>2,005</u> | <u>5,848</u> | <u>3,870,780</u> |
| - | - | 778,842 |
| - | - | 146,046 |
| - | - | 270,687 |
| - | - | 1,673,515 |
| - | - | 320,277 |
| - | - | 703,379 |
| 292,866 | - | 349,856 |
| - | - | 1,124,241 |
| <u>292,866</u> | <u>-0-</u> | <u>5,366,843</u> |
| (290,861) | 5,848 | (1,496,063) |
| 151,870 | - | 1,062,129 |
| - | - | (114,775) |
| <u>151,870</u> | <u>-0-</u> | <u>947,354</u> |
| (138,991) | 5,848 | (548,709) |
| <u>149,295</u> | <u>99,032</u> | <u>2,589,938</u> |
| <u>\$ 10,304</u> | <u>\$ 104,880</u> | <u>\$ 2,041,229</u> |

Montcalm County, Michigan

Nonmajor Enterprise Funds

COMBINING STATEMENT OF NET ASSETS

September 30, 2007

| | <u>Inmate Commissary</u> | <u>Building Official</u> | <u>Total Nonmajor Enterprise Funds</u> |
|-------------------------------------------------|------------------------------|------------------------------|----------------------------------------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | \$ 26,951 | \$ (3,884) | \$ 23,067 |
| Investments | - | 3,787 | 3,787 |
| Total current assets | 26,951 | (97) | 26,854 |
| Noncurrent assets | | | |
| Capital assets, net of accumulated depreciation | - | 15,888 | 15,888 |
| TOTAL ASSETS | 26,951 | 15,791 | 42,742 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable | 4,874 | 974 | 5,848 |
| Accrued wages | - | 11,523 | 11,523 |
| TOTAL LIABILITIES | 4,874 | 12,497 | 17,371 |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | - | 15,888 | 15,888 |
| Unrestricted | 22,077 | (12,594) | 9,483 |
| TOTAL NET ASSETS | <u>\$ 22,077</u> | <u>\$ 3,294</u> | <u>\$ 25,371</u> |

Montcalm County, Michigan

Nonmajor Enterprise Funds

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

Year Ended September 30, 2007

| | Inmate Commissary | Building Official | Total Nonmajor Enterprise Funds |
|---------------------------------------|----------------------|----------------------|------------------------------------------|
| OPERATING REVENUES | | | |
| Charges for services | \$ - | \$ 384,263 | \$ 384,263 |
| Sales | 108,756 | - | 108,756 |
| TOTAL OPERATING REVENUES | 108,756 | 384,263 | 493,019 |
| OPERATING EXPENSES | | | |
| Personnel services | - | 283,139 | 283,139 |
| Fringe benefits | - | 91,265 | 91,265 |
| Operating supplies | 88,989 | 6,892 | 95,881 |
| Contractual services | - | 10,808 | 10,808 |
| Communications | - | 5,936 | 5,936 |
| Depreciation | - | 9,316 | 9,316 |
| Insurance | - | 3,443 | 3,443 |
| Vehicle expense | - | 974 | 974 |
| Repairs and maintenance | - | 541 | 541 |
| Other | 10,072 | 18,900 | 28,972 |
| TOTAL OPERATING EXPENSES | 99,061 | 431,214 | 530,275 |
| OPERATING INCOME (LOSS) | 9,695 | (46,951) | (37,256) |
| NONOPERATING REVENUES | | | |
| Interest revenue | - | 191 | 191 |
| INCOME (LOSS) BEFORE TRANSFERS | 9,695 | (46,760) | (37,065) |
| TRANSFERS IN | - | 47,447 | 47,447 |
| CHANGE IN NET ASSETS | 9,695 | 687 | 10,382 |
| Net assets, beginning of year | 12,382 | 2,607 | 14,989 |
| Net assets, end of year | <u>\$ 22,077</u> | <u>\$ 3,294</u> | <u>\$ 25,371</u> |

Nonmajor Enterprise Funds

COMBINING STATEMENT OF CASH FLOWS

Year Ended September 30, 2007

| | Inmate Commissary | Building Official | Total Nonmajor Enterprise Funds |
|-----------------------------------------------------------------------------------------------------------------|----------------------|----------------------|------------------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash receipts from customers | \$ 108,756 | \$ 384,263 | \$ 493,019 |
| Cash paid to suppliers | (103,367) | (43,988) | (147,355) |
| Cash paid for employee benefits | - | (91,755) | (91,755) |
| Cash paid to employees | - | (283,139) | (283,139) |
| | <u>5,389</u> | <u>(34,619)</u> | <u>(29,230)</u> |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | | | |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | |
| Transfers from other funds | - | 47,447 | 47,447 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Capital acquisitions | - | (3,748) | (3,748) |
| | <u>5,389</u> | <u>9,080</u> | <u>14,469</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | | |
| Cash and cash equivalents, beginning of year | <u>21,562</u> | <u>(12,964)</u> | <u>8,598</u> |
| Cash and cash equivalents, end of year | <u>\$ 26,951</u> | <u>\$ (3,884)</u> | <u>\$ 23,067</u> |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities | | | |
| Operating income (loss) | \$ 9,695 | \$ (46,951) | \$ (37,256) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities | | | |
| Depreciation | - | 9,316 | 9,316 |
| Decrease in prepaids | - | 3,600 | 3,600 |
| (Decrease) in accounts payable | (4,306) | (94) | (4,400) |
| (Decrease) in accrued liabilities | - | (490) | (490) |
| | <u>5,389</u> | <u>(34,619)</u> | <u>(29,230)</u> |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | | | |

Montcalm County, Michigan

Internal Service Funds

COMBINING STATEMENT OF NET ASSETS

September 30, 2007

| | Office Equipment Pool | Post- Employment Health | Total |
|-------------------------------------------------|-----------------------------|-------------------------------|------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | \$ 24,075 | \$ 52,886 | \$ 76,961 |
| Investments | - | 79,080 | 79,080 |
| Total current assets | 24,075 | 131,966 | 156,041 |
| Noncurrent assets | | | |
| Capital assets, net of accumulated depreciation | 4,725 | - | 4,725 |
| TOTAL ASSETS | 28,800 | 131,966 | 160,766 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable | 1,124 | - | 1,124 |
| NET ASSETS | | | |
| Invested in capital assets | 4,725 | - | 4,725 |
| Unrestricted | 22,951 | 131,966 | 154,917 |
| TOTAL NET ASSETS | \$ 27,676 | \$ 131,966 | \$ 159,642 |

Montcalm County, Michigan

Internal Service Funds

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

Year Ended September 30, 2007

| | Office Equipment Pool | Post- Employment Health | Total |
|-------------------------------|-----------------------------|-------------------------------|-------------------|
| OPERATING REVENUES | | | |
| Other | \$ - | \$ 36,965 | \$ 36,965 |
| OPERATING EXPENSES | | | |
| Contractual services | 10,298 | - | 10,298 |
| Supplies | 3,262 | - | 3,262 |
| Depreciation | 3,025 | - | 3,025 |
| Other | - | 58,480 | 58,480 |
| TOTAL OPERATING EXPENSES | <u>16,585</u> | <u>58,480</u> | <u>75,065</u> |
| OPERATING (LOSS) | (16,585) | (21,515) | (38,100) |
| NONOPERATING REVENUES | | | |
| Interest revenue | - | 3,986 | 3,986 |
| LOSS BEFORE TRANSFERS | (16,585) | (17,529) | (34,114) |
| TRANSFERS IN | <u>20,000</u> | <u>20,000</u> | <u>40,000</u> |
| CHANGE IN NET ASSETS | 3,415 | 2,471 | 5,886 |
| Net assets, beginning of year | <u>24,261</u> | <u>129,495</u> | <u>153,756</u> |
| Net assets, end of year | <u>\$ 27,676</u> | <u>\$ 131,966</u> | <u>\$ 159,642</u> |

Montcalm County, Michigan

Internal Service Funds

COMBINING STATEMENT OF CASH FLOWS

Year Ended September 30, 2007

| | Office Equipment Pool | Post- Employment Health | Total |
|------------------------------------------------------------------------------------------|-----------------------------|-------------------------------|---------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash receipts from customers | \$ - | \$ 36,965 | \$ 36,965 |
| Cash paid to suppliers | (32,448) | - | (32,448) |
| Cash paid for fringe benefits | - | (58,480) | (58,480) |
| NET CASH (USED) BY OPERATING ACTIVITIES | (32,448) | (21,515) | (53,963) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | |
| Transfers from other funds | - | 20,000 | 20,000 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Transfer from other funds | 20,000 | - | 20,000 |
| NET (DECREASE) IN CASH AND CASH EQUIVALENTS | (12,448) | (1,515) | (13,963) |
| Cash and cash equivalents, beginning of year | 36,523 | 54,401 | 90,924 |
| Cash and cash equivalents, end of year | <u>\$ 24,075</u> | <u>\$ 52,886</u> | <u>\$ 76,961</u> |
| Reconciliation of operating (loss) to net cash (used) by operating activities | | | |
| Operating (loss) | \$ (16,585) | \$ (21,515) | \$ (38,100) |
| Adjustments to reconcile operating loss to net cash used by operating activities | | | |
| Depreciation | 3,025 | - | 3,025 |
| (Decrease) in accounts payable | (18,888) | - | (18,888) |
| NET CASH (USED) BY OPERATING ACTIVITIES | <u>\$ (32,448)</u> | <u>\$ (21,515)</u> | <u>\$ (53,963)</u> |

Montcalm County, Michigan

Agency Funds

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

September 30, 2007

| | Agency Funds | | | Total Agency Funds |
|---------------------------------|---------------------|-----------------|-------------------|--------------------------|
| | Trust and Agency | Inmate Trust | Library Fund | |
| ASSETS | | | | |
| Cash and cash equivalents | <u>\$ 3,957,300</u> | <u>\$ 1,819</u> | <u>\$ 128,743</u> | <u>\$ 4,087,862</u> |
| LIABILITIES | | | | |
| Due to other governmental units | | | | |
| Federal/State | \$ 3,821,615 | \$ - | \$ - | \$ 3,821,615 |
| Local | - | - | 128,743 | 128,743 |
| Due to individuals and agencies | <u>135,685</u> | <u>1,819</u> | <u>-</u> | <u>137,504</u> |
| TOTAL LIABILITIES | <u>\$ 3,957,300</u> | <u>\$ 1,819</u> | <u>\$ 128,743</u> | <u>\$ 4,087,862</u> |

Montcalm County, Michigan

Component Unit Funds

COMBINING BALANCE SHEET - DRAINAGE DISTRICTS

September 30, 2007

| | Debt Service | Capital | |
|-------------------------------------------------|---------------------|-------------------|--------------------|
| | Regular Drain | Regular Drain | Drain Revolving |
| ASSETS | | | |
| Cash and cash equivalents | \$ - | \$ 234,712 | \$ 170,016 |
| Investments | - | 141,900 | - |
| Accounts receivable | - | - | - |
| Special assessments receivable | 1,493,918 | - | - |
| Due from other funds | - | - | - |
| Capital assets not being depreciated | - | - | - |
| Capital assets, net of accumulated depreciation | - | - | - |
| TOTAL ASSETS | \$ 1,493,918 | \$ 376,612 | \$ 170,016 |
| LIABILITIES AND FUND EQUITY | | | |
| LIABILITIES | | | |
| Accounts payable | \$ - | \$ 5,193 | \$ - |
| Accrued wages | - | 1,490 | - |
| Due to other funds | - | - | - |
| Accrued interest payable | - | - | - |
| Deferred revenue | 1,493,918 | - | - |
| Bonds and notes payable | - | - | - |
| Advances from other governmental units | - | - | 170,016 |
| TOTAL LIABILITIES | 1,493,918 | 6,683 | 170,016 |
| FUND EQUITY | | | |
| Net assets | | | |
| Invested in capital assets, net of related debt | - | - | - |
| Unrestricted | - | - | - |
| Fund balances | | | |
| Unreserved | | | |
| Designated for capital expenditures | - | 369,929 | - |
| TOTAL FUND EQUITY | -0- | 369,929 | -0- |
| TOTAL LIABILITIES AND FUND EQUITY | \$ 1,493,918 | \$ 376,612 | \$ 170,016 |

| Drain Maintenance Revolving | Projects | | Enterprise | | Total |
|-----------------------------------|-------------------|----------------------------|--------------------------|-----------------------------|---------------------|
| | Lake Level | Lake Level Revolving | Big Whitefish Lake | Little Whitefish Lake | |
| \$ 107,557 | \$ 334,231 | \$ 15,482 | \$ 215,930 | \$ 151,670 | \$ 1,229,598 |
| - | 196,822 | - | - | 353,453 | 692,175 |
| - | - | - | 3,879 | 12,321 | 16,200 |
| - | - | - | - | 185,006 | 1,678,924 |
| - | - | 1,518 | - | - | 1,518 |
| - | - | - | 75,650 | - | 75,650 |
| - | - | - | 586,698 | 2,159,263 | 2,745,961 |
| <u>\$ 107,557</u> | <u>\$ 531,053</u> | <u>\$ 17,000</u> | <u>\$ 882,157</u> | <u>\$ 2,861,713</u> | <u>\$ 6,440,026</u> |
| \$ - | \$ - | \$ - | \$ 880 | \$ - | \$ 6,073 |
| - | - | - | - | - | 1,490 |
| - | 1,518 | - | - | - | 1,518 |
| - | - | - | 21,653 | 25,800 | 47,453 |
| - | - | - | - | - | 1,493,918 |
| - | - | - | - | 1,255,000 | 1,255,000 |
| - | - | 17,000 | 104,198 | - | 291,214 |
| -0- | 1,518 | 17,000 | 126,731 | 1,280,800 | 3,096,666 |
| - | - | - | 558,150 | 904,263 | 1,462,413 |
| - | - | - | 197,276 | 676,650 | 873,926 |
| <u>107,557</u> | <u>529,535</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,007,021</u> |
| <u>107,557</u> | <u>529,535</u> | <u>-0-</u> | <u>755,426</u> | <u>1,580,913</u> | <u>3,343,360</u> |
| <u>\$ 107,557</u> | <u>\$ 531,053</u> | <u>\$ 17,000</u> | <u>\$ 882,157</u> | <u>\$ 2,861,713</u> | <u>\$ 6,440,026</u> |

Montcalm County, Michigan

Component Unit Funds

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

September 30, 2007

Total fund balance - governmental funds **\$ 1,007,021**

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

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

| | | |
|-------------------------------|------------------|-----------|
| The cost of capital assets is | \$ 2,863,010 | |
| Accumulated depreciation is | <u>(109,692)</u> | 2,753,318 |

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

| | | |
|------------------|--|-----------|
| Deferred revenue | | 1,493,918 |
|------------------|--|-----------|

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 | (1,719,918) | |
| Accrued interest payable | <u>(10,895)</u> | <u>(1,730,813)</u> |

Net assets of governmental activities **\$ 3,523,444**

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, 2007

| | Debt Service | Capital | |
|---------------------------------------------------------|------------------|-------------------|--------------------|
| | Regular Drain | Regular Drain | Drain Revolving |
| REVENUES | | | |
| Licenses and permits | \$ - | \$ - | \$ - |
| Charges for services | - | - | - |
| Interest | - | 7,178 | - |
| Other | | | |
| Special assessments | 81,100 | 585,919 | - |
| Other | - | 18,019 | - |
| | | | |
| TOTAL REVENUES | 81,100 | 611,116 | -0- |
| EXPENDITURES | | | |
| Current | | | |
| Public works | - | 115,307 | - |
| Capital outlay | - | 431,146 | - |
| Debt service | | | |
| Principal | 267,394 | - | - |
| Interest and fiscal charges | 77,191 | - | - |
| | | | |
| TOTAL EXPENDITURES | 344,585 | 546,453 | -0- |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (263,485) | 64,663 | -0- |
| OTHER FINANCING SOURCES (USES) | | | |
| Proceeds from notes | - | 252,900 | - |
| Transfers in | 263,485 | - | - |
| Transfers out | - | (263,485) | - |
| | | | |
| TOTAL OTHER FINANCING SOURCES (USES) | 263,485 | (10,585) | -0- |
| NET CHANGE IN FUND BALANCES | -0- | 54,078 | -0- |
| Fund balances, beginning of year | - | 315,851 | - |
| | | | |
| Fund balances, end of year | <u>\$ -0-</u> | <u>\$ 369,929</u> | <u>\$ -0-</u> |

| Drain Maintenance Revolving | Projects | | Total |
|-----------------------------------|-------------------|----------------------------|---------------------|
| | Lake Level | Lake Level Revolving | |
| \$ 7,510 | \$ - | \$ - | \$ 7,510 |
| 14,536 | - | - | 14,536 |
| - | 9,919 | - | 17,097 |
| - | 469,026 | - | 1,136,045 |
| 181 | 1,150 | - | 19,350 |
| 22,227 | 480,095 | -0- | 1,194,538 |
| 16,976 | 356,073 | - | 488,356 |
| - | - | - | 431,146 |
| - | - | - | 267,394 |
| - | - | - | 77,191 |
| 16,976 | 356,073 | -0- | 1,264,087 |
| 5,251 | 124,022 | -0- | (69,549) |
| - | - | - | 252,900 |
| - | - | - | 263,485 |
| - | - | - | (263,485) |
| -0- | -0- | -0- | 252,900 |
| 5,251 | 124,022 | -0- | 183,351 |
| 102,306 | 405,513 | - | 823,670 |
| <u>\$ 107,557</u> | <u>\$ 529,535</u> | <u>\$ -0-</u> | <u>\$ 1,007,021</u> |

Montcalm County, Michigan

Component Unit Funds

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

Year Ended September 30, 2007

Net change in fund balances - total governmental funds **\$ 183,351**

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

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

| | | |
|--------------------------------------------------------|-----------------|-------------|
| Capital outlay | \$ 431,146 | |
| Depreciation expense | <u>(52,949)</u> | |
| Excess of capital outlay over depreciation expense | | 378,197 |

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:

| | | |
|------------------------------|--|---------|
| Increase in deferred revenue | | 183,576 |
|------------------------------|--|---------|

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

| | | |
|------------------------------------|----------------|--------|
| Long-term debt proceeds | (252,900) | |
| Bond and note principal retirement | <u>267,394</u> | 14,494 |

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

| | | |
|--------------------------------------|--|-------------|
| Increase in accrued interest payable | | <u>(18)</u> |
|--------------------------------------|--|-------------|

Change in net assets of governmental activities **\$ 759,600**

Montcalm County, Michigan

Component Unit Funds

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

Year Ended September 30, 2007

| | Enterprise | | Total |
|-------------------------------------------|--------------------------|-----------------------------|--------------|
| | Big Whitefish Lake | Little Whitefish Lake | |
| OPERATING REVENUES | | | |
| Charges for services | \$ 70,673 | \$ 56,378 | \$ 127,051 |
| OPERATING EXPENSES | | | |
| Contractual services | 31,932 | 21,552 | 53,484 |
| Depreciation | 21,451 | 51,411 | 72,862 |
| Other | 18,120 | 14,696 | 32,816 |
| TOTAL OPERATING EXPENSES | 71,503 | 87,659 | 159,162 |
| OPERATING (LOSS) | (830) | (31,281) | (32,111) |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Interest revenue | 27,389 | 43,809 | 71,198 |
| Interest expense | (3,368) | (62,435) | (65,803) |
| TOTAL NONOPERATING REVENUES (EXPENSES) | 24,021 | (18,626) | 5,395 |
| CHANGE IN NET ASSETS | 23,191 | (49,907) | (26,716) |
| Net assets, beginning of year | 732,235 | 1,630,820 | 2,363,055 |
| Net assets, end of year | \$ 755,426 | \$ 1,580,913 | \$ 2,336,339 |

Montcalm County, Michigan

Component Unit Funds

COMBINING STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPES
- DRAINAGE DISTRICTS

Year Ended September 30, 2007

| | Enterprise | | Total |
|-------------------------------------------------------------------------------------------|--------------------------|-----------------------------|-------------------|
| | Big Whitefish Lake | Little Whitefish Lake | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash receipts from users | \$ 66,794 | \$ 72,613 | \$ 139,407 |
| Cash paid to suppliers | (57,633) | (41,812) | (99,445) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 9,161 | 30,801 | 39,962 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Interest expense | (3,368) | (62,435) | (65,803) |
| Payments of borrowings | (14,000) | (18,500) | (32,500) |
| NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES | (17,368) | (80,935) | (98,303) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of investments | - | (128,433) | (128,433) |
| Maturity of investments | - | 109,940 | 109,940 |
| Interest revenue | 27,389 | 43,809 | 71,198 |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | 27,389 | 25,316 | 52,705 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING YEAR | 19,182 | (24,818) | (5,636) |
| Cash and cash equivalents, beginning of year | 196,748 | 176,488 | 373,236 |
| Cash and cash equivalents, end of year | <u>\$ 215,930</u> | <u>\$ 151,670</u> | <u>\$ 367,600</u> |
| Reconciliation of operating (loss) to net cash provided by operating activities | | | |
| Operating (loss) | \$ (830) | \$ (31,281) | \$ (32,111) |
| Adjustments to reconcile operating (loss) to net cash provided by operating activities | | | |
| Depreciation | 21,451 | 51,411 | 72,862 |
| (Increase) in accounts receivable | (3,879) | (4,883) | (8,762) |
| Decrease in special assessments receivable | - | 21,118 | 21,118 |
| (Decrease) in accounts payable | (10,186) | (5,194) | (15,380) |
| Increase (decrease) in accrued interest | 2,605 | (370) | 2,235 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | \$ 9,161 | \$ 30,801 | \$ 39,962 |

Montcalm County, Michigan

Component Unit Funds

COMBINING BALANCE SHEET - CENTRAL DISPATCH AUTHORITY

September 30, 2007

| | <u>Special Revenue</u> |
|--------------------------------------------|----------------------------|
| ASSETS | |
| Current assets | |
| Cash and cash equivalents | \$ 419,518 |
| Investments | 415,710 |
| Accounts receivable | <u>99,562</u> |
| TOTAL ASSETS | <u>\$ 934,790</u> |
| LIABILITIES AND FUND BALANCES | |
| LIABILITIES | |
| Current liabilities | |
| Accounts payable | \$ 1,129 |
| Accrued liabilities | <u>33,306</u> |
| TOTAL LIABILITIES | 34,435 |
| FUND BALANCES | |
| Reserved for wireless surcharge | 248,798 |
| Unreserved | |
| Undesignated | <u>651,557</u> |
| TOTAL FUND BALANCES | <u>900,355</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 934,790</u> |

Montcalm County, Michigan

Component Unit Funds

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

September 30, 2007

Total fund balance - governmental fund \$ 900,355

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 | 557,819 | |
| Accumulated depreciation is | <u>(453,507)</u> | |
| Capital assets, net | | 104,312 |

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

Long-term liabilities at year-end consist of:

| | | |
|--------------------------------|--------------|-----------------|
| Installment purchase agreement | (69,222) | |
| Accrued interest payable | <u>(713)</u> | <u>(69,935)</u> |

Net assets of governmental activities \$ 934,732

Montcalm County, Michigan

Component Unit Funds

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

Year Ended September 30, 2007

| | <u>Special Revenue</u> |
|-------------------------------------|----------------------------|
| REVENUES | |
| Charges for services | \$ 1,381,954 |
| Interest | 22,537 |
| Other | <u>30</u> |
| TOTAL REVENUES | 1,404,521 |
| EXPENDITURES | |
| Current | |
| Public safety | 1,137,229 |
| Debt service | <u>36,221</u> |
| TOTAL EXPENDITURES | <u>1,173,450</u> |
| NET CHANGE IN FUND BALANCE | 231,071 |
| Fund balance, beginning of year | <u>669,284</u> |
| Fund balance, end of year | <u>\$ 900,355</u> |

Montcalm County, Michigan

Component Unit Funds

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

Year Ended September 30, 2007

Net change in fund balance - governmental fund \$ 231,071

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 (78,069)

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

Debt retirement 33,066

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 338

Change in net assets of governmental activities \$ 186,406

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

To the Board of Commissioners
of Montcalm County
Stanton, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of Montcalm County, Michigan as of and for the year ended September 30, 2007, and have issued our report thereon dated April 30, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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

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

Compliance and Other Matters

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

2007-1 UNFAVORABLE BUDGET VARIANCES

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

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

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

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

Corrective Action Response: Management of the County is currently reviewing and making modification to our procedures related to budgetary compliance in accordance with State law.

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

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

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

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

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

Corrective Action Response: Management of the County is currently in the progress of remitting the escheats to the State of Michigan.

2007-3 DELINQUENT ANNUAL FINANCIAL REPORT

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

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

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

Recommendation: We recommend the County assure that component unit audits are completed with sufficient time to incorporate into the County's audited financial statements and also assure that all capital asset schedules are updated in a timely manner.

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

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

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

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

April 30, 2008

Montcalm County, Michigan

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

September 30, 2007

Montcalm County, Michigan

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

To the Board of Commissioners
of Montcalm County
Stanton, Michigan

Compliance

We have audited the compliance of Montcalm County with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended September 30, 2007. Montcalm County's major Federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major Federal programs is the responsibility of Montcalm County's management. Our responsibility is to express an opinion on Montcalm County's compliance based on our audit.

Montcalm County's basic financial statements include the operations of the Road Commission of Montcalm County, which received \$388,873 in federal awards during the year ended September 30, 2007, and the Mid-Michigan District Health Department, which received \$2,077,352 in federal awards during the year ended September 30, 2007. Our audit described below did not include the operations of the Road Commission of Montcalm County or the Mid-Michigan District Health Department because the component units have engaged us or other auditors to perform separate audits in accordance with OMB Circular A-133.

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

In our opinion, Montcalm County complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ending September 30, 2007.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one (1) or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregated discretely presented component units, each major fund, and the aggregate remaining fund information of Montcalm County as of and for the year ended September 30, 2007, and have issued our report thereon dated April 30, 2008. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Montcalm County's basic financial statements. The accompanying schedule of expenditures of Federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

April 30, 2008

Montcalm County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended September 30, 2007

| <u>Federal Grantor/Pass Through Grantor/Program Title</u> | <u>Federal CFDA Number</u> | <u>Pass-Through Grantors Number</u> | <u>Current Year</u> | |
|-----------------------------------------------------------------------------------------------------------------------------|------------------------------------|---------------------------------------------|---------------------|---------------------|
| | | | <u>Revenues</u> | <u>Expenditures</u> |
| U.S. DEPARTMENT OF AGRICULTURE | | | | |
| Passed through Michigan Department of Natural Resources | | | | |
| Schools and Roads - Grants to States 2007 | 10.665 | N/A | \$ 2,364 | \$ 2,364 |
| U.S. DEPARTMENT OF HOUSING AND AND URBAN DEVELOPMENT | | | | |
| Passed through Michigan Department of Commerce | | | | |
| Community Development Block Grants (CDBG) | | | | |
| State's Program FY 06/07 (Housing) | 14.228 | MSC-2005-0765-HOA | 178,555 | 178,555 |
| NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, DEPARTMENT OF TRANSPORTATION | | | | |
| Passed through Michigan Department of State Police, Office of Highway Safety Planning | | | | |
| State and Community Highway Safety | 20.600 | PT-07-39 | 11,986 | 11,986 |
| ELECTION ASSISTANCE COMMISSION | | | | |
| Passed through Michigan Secretary of State | | | | |
| Help America Vote Act 2007 Grant | 90.401 | N/A | 2,496 | 2,496 |
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | | |
| Passed through State Department of Office on Services to the Aging and Area Agency on Aging of Western Michigan, Inc. | | | | |
| Title III-D Special Programs for the Aging (Disease Prevention and Health Promotion Services) | | | | |
| FY 06/07 | 93.043 | 51.76 | 900 | 900 |
| Title III-B Special Programs for the Aging (Grants for Supportive Services and Senior Centers) | | | | |
| FY 06/07 | 93.044 | 51.76 | 53,270 | 53,270 |
| Title III-E National Family Caregiver Support (Adult Day Care) | | | | |
| FY 06/07 | 93.052 | 51.76 | 29,006 | 29,006 |

Montcalm County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended September 30, 2007

| <u>Federal Grantor/Pass Through Grantor/Program Title</u> | <u>Federal CFDA Number</u> | <u>Pass-Through Grantors Number</u> | <u>Current Year</u> | |
|---------------------------------------------------------------------|------------------------------------|---------------------------------------------|---------------------|---------------------|
| | | | <u>Revenues</u> | <u>Expenditures</u> |
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES - CONTINUED | | | | |
| Passed through Michigan Department of Health and Human Services | | | | |
| Child Support Enforcement (Title IV-D) ^(b) | 93.563 | | | |
| Cooperative Reimbursement - Friend of the Court ^(a) | | CS/FOC-07-59001 | \$ 401,315 | \$ 401,315 |
| Cooperative Reimbursement - Prosecuting Attorney ^(a) | | CS/PA-07-59002 | <u>57,702</u> | <u>57,702</u> |
| | | | <u>459,017</u> | <u>459,017</u> |
| TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | 542,193 | 542,193 |
| U.S. DEPARTMENT OF HOMELAND SECURITY | | | | |
| The State Homeland Security Grant Program | | | | |
| Passed through Michigan Department of State Emergency Management | | | | |
| Performance Grants | 97.042 | | | |
| 2006 Emergency Management Grant | | N/A | 2,915 | 2,915 |
| 2007 Emergency Management Grant | | N/A | <u>6,530</u> | <u>6,530</u> |
| | | | 9,445 | 9,445 |
| State Homeland Security Grants | 97.067 | | | |
| 2005 Homeland Security Training Grant | | N/A | <u>65,134</u> | <u>65,134</u> |
| TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY | | | <u>74,579</u> | <u>74,579</u> |
| TOTAL FEDERAL FINANCIAL ASSISTANCE | | | <u>\$ 812,173</u> | <u>\$ 812,173</u> |

Montcalm County, Michigan

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

September 30, 2007

NOTE A: BASIS OF PRESENTATION

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

NOTE B: SUMMARY OF SIGNIFICANT EXPLANATIONS OF SCHEDULE

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

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

(b) Denotes program tested as a "major program".

NOTE C: RECONCILIATION TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The following reconciles the federal revenues reported in the September 30, 2007, Basic Financial Statements to the expenditures of the County administered Federal programs reported on the Schedule of Expenditures of Federal Awards:

| | <u>Federal/State Revenue</u> | <u>Less: State Revenue</u> | <u>Adjustments</u> | <u>Federal Expenditures</u> |
|------------------------------------|----------------------------------|--------------------------------|--------------------|---------------------------------|
| PRIMARY GOVERNMENT | | | | |
| GENERAL FUND | | | | |
| Cooperative Reimbursement | | | | |
| Prosecuting Attorney | \$ 58,785 | \$(1,083) | \$ - | \$ 57,702 |
| Highway Safety | 11,986 | - | - | 11,986 |
| Help America Vote | 2,496 | - | - | 2,496 |
| Other Programs | <u>1,376,685</u> | <u>(1,376,685)</u> | - | <u>-0-</u> |
| TOTAL GENERAL FUND | 1,449,952 | (1,377,768) | -0- | 72,184 |
| SPECIAL REVENUE FUNDS | | | | |
| Friend of the Court | 582,994 | (181,679) | - | 401,315 |
| Commission on Aging | 180,252 | (97,076) | - | 83,176 |
| Homeland Security Grant | 65,134 | - | - | 65,134 |
| CDBG - Housing | 183,955 | (5,400) | - | 178,555 |
| Other Programs | <u>255,129</u> | <u>(255,129)</u> | - | <u>-0-</u> |
| TOTAL SPECIAL REVENUE FUNDS | 1,267,464 | (539,284) | -0- | 728,180 |

Montcalm County, Michigan

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

September 30, 2007

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

| | <u>Federal/State Revenue</u> | <u>Less: State Revenue</u> | <u>Adjustments</u> | <u>Federal Expenditures</u> |
|--------------------------|----------------------------------|--------------------------------|------------------------------|---------------------------------|
| ENTERPRISE FUNDS | | | | |
| Ambulance | \$ 16,562 | \$(7,117) | \$ - | \$ 9,445 |
| TRUST AND AGENCY FUNDS | | | | |
| Trust and Agency | <u>-</u> | <u>-</u> | <u>2,364</u> ^(b) | <u>2,364</u> |
| TOTAL PRIMARY GOVERNMENT | 2,733,978 | (1,924,169) | 2,364 | 812,173 |
| COMPONENT UNITS | | | | |
| District Health | | | | |
| Special Revenue | 3,154,847 | - | (3,154,847) ^(a) | -0- |
| Road Commission | | | | |
| Special Revenue | <u>6,482,189</u> | <u>-</u> | <u>(6,482,189)</u> | <u>-0-</u> |
| TOTAL COMPONENT UNITS | <u>9,637,036</u> | <u>-0-</u> | <u>(9,637,036)</u> | <u>-0-</u> |
| TOTAL REPORTING ENTITY | <u>\$12,371,014</u> | <u>\$(1,924,169)</u> | <u>\$(9,634,672)</u> | <u>\$ 812,173</u> |

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

- (a) The District Health Federal/State revenues are eliminated from the Schedule of Expenditures of Federal Awards at the County level as they are a discretely presented component unit whose audit, issued under separate cover, was conducted separately under the Single Audit Act. Their Federal/State funds were audited under the Act at that level and were not considered in the process of performing the County's Single Audit. The separate audited financial statements and Single Audit are available at the District Health Department administrative offices.
- (b) The adjustment related to amounts reported as an increase when received and a decrease when disbursed within the trust and agency fund's activity because the County acts in a trustee capacity of these funds and distributes them to the local units of government and therefore does not recognize the funds as revenue of expenditures, but recognizes the amounts as expenditures in the Schedule of Expenditures of Federal Awards as of September 30, 2007 in accordance with OMB Circular A-133.

Principals

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

To the Board of Commissioners
of Montcalm County
Stanton, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Montcalm County, Michigan as of and for the year ended September 30, 2007, which collectively comprise Montcalm County's basic financial statements, and have issued our report thereon dated April 30, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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

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

Compliance and Other Matters

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

2007-1 UNFAVORABLE BUDGET VARIANCES

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

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

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

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

Corrective Action Response: Management of the County is currently reviewing and making modification to our procedures related to budgetary compliance in accordance with State law.

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

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

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

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

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

Corrective Action Response: Management of the County is currently in the progress of remitting the escheats to the State of Michigan.

2007-3 DELINQUENT ANNUAL FINANCIAL REPORT

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

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

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

Recommendation: We recommend the County assure that component unit audits are completed with sufficient time to incorporate into the County's audited financial statements and also assure that all capital asset schedules are updated in a timely manner.

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

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

We noted certain other matters that we reported to management of Montcalm County in a separate letter dated April 30, 2008.

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

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

April 30, 2008

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended September 30, 2007

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ Yes X No

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ Yes X None reported

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

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

Identification of major programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|-------------------------------------------|
| 93.563 | Child Support Enforcement (Title IV-D) |

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

Auditee qualified as low-risk auditee? _____ Yes X No

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

Montcalm County, Michigan

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended September 30, 2007

FINDINGS/NONCOMPLIANCE

Reportable Conditions Related to Internal Controls Over the Financial Statements.

2006-1 Delinquent Annual Financial Report

Condition: Annual audit reports are due to the State of Michigan six (6) months subsequent to the fiscal year end. For the year ended September 30, 2006, the audit report is approximately three (3) months delinquent to the State of Michigan.

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

Cause: Reconciliations for the County's pooled bank account had not been completed until several months after the fiscal year had ended.

Effect: The internal controls over cash failed to operate in the way that they were designed to operate. Material misstatements caused by error or fraud could have occurred and not have been detected within a timely period by employees in the normal course of performing their assigned functions.

Corrective Action Response: Montcalm County will takes steps in the future to assure bank reconciliations are done in a timely manner and have sufficient controls in place to detect irregularities by the departmental employees where the reconciliations are performed.

Resolution: The County's audit for the year ended September 30, 2007 will also be considered delinquent, however the cause was not due to untimely bank reconciliations. A similar finding is noted under compliance and other matters as Finding 2007-3.

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

No prior audit findings.

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

No prior audit findings.