

Reset Form

Email

# Auditing Procedures Report

Issued under Public Act 2 of 1968, as amended

Unit Name	St Joseph County	County	ST. JOSEPH	Type	COUNTY	MuniCode	75-0-100
Opinion Date	June 19, 2008	Audit Submitted	June 25, 2008	Fiscal Year	2007		

If a local unit of government (authorities & 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, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

**Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".**

- 1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
- 2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
- 3. Were the local unit's actual expenditures within the amounts authorized in the budget?
- 4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
- 5. Did the local unit adopt a budget for all required funds?
- 6. Was a public hearing on the budget held in accordance with State statute?
- 7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
- 8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
- 9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
- 10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
- 11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
- 12. Is the local unit free of repeated reported deficiencies from previous years?
- 13. Is the audit opinion unqualified?      14. If not, what type of opinion is it? NA
- 15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
- 16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
- 17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
- 18. Are there reported deficiencies?       19. If so, was it attached to the audit report?

General Fund Revenue:	\$ 13,059,885.00
General Fund Expenditure:	\$ 12,746,861.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	\$ 4,035,323.00
Governmental Activities Long-Term Debt (see instructions):	\$ 0.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

CPA (First Name)	David	Last Name	Fisher	Ten Digit License Number	11010337				
CPA Street Address	675 Robinson Road	City	Jackson	State	Mi	Zip Code	49203	Telephone	+1 (517) 841-4214
CPA Firm Name	Rehmann Roibson	Unit's Street Address	125 W Main St	City	Centreville	Zip Code	49032		

# St. Joseph County, Michigan



## FINANCIAL STATEMENTS

For the Fiscal Year Ended  
December 31, 2007



**REHMANN ROBSON**

*Certified Public Accountants*

# ST. JOSEPH COUNTY, MICHIGAN

For the Fiscal Year Ended December 31, 2007

## TABLE OF CONTENTS

---

	<u>PAGE</u>
<b><i>FINANCIAL SECTION</i></b>	
Independent Auditors' Report.....	1-2
Management's Discussion and Analysis.....	3-10
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets .....	11
Statement of Activities.....	12-13
Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	14
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets .....	15
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	17
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual:	
General Fund.....	18
Special Revenue Funds:	
Revenue Sharing Reserve.....	19
Central Dispatch.....	20
Commission on Aging.....	21
Statement of Net Assets – Proprietary Funds .....	22
Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Funds.....	23
Statement of Cash Flows – Proprietary Funds.....	24-25
Statement of Fiduciary Net Assets and Liabilities – Fiduciary Funds.....	26
Statement of Changes in Plan Net Assets – Pension Trust Funds .....	27
Combining Statement of Net Assets – Discretely Presented	
Component Units .....	28
Combining Statement of Activities – Discretely Presented	
Component Units .....	29
Notes to the Financial Statements .....	30-50

**ST. JOSEPH COUNTY, MICHIGAN**

**For the Fiscal Year Ended December 31, 2007**

**TABLE OF CONTENTS (Continued)**

---

	<u>PAGE</u>
Combining and Individual Fund Financial Statements/Schedules:	
Detailed Schedule of Revenues and Other Financing Sources – Budget and Actual – General Fund .....	51-53
Detailed Schedule of Expenditures and Other Financing Uses – Budget and Actual – General Fund .....	54-55
Combining Balance Sheet – Nonmajor Governmental Funds .....	56-61
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds .....	62-67
Combining Statement of Net Assets – Nonmajor Enterprise Funds .....	68
Combining Statement of Revenues, Expenses, and Changes in Net Assets - Nonmajor Enterprise Funds .....	69
Combining Statement of Cash Flows – Nonmajor Enterprise Funds .....	70
Statement of Net Assets and Governmental Funds Balance Sheet - Drainage Districts Component Unit .....	71-74
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets – Drainage Districts Component Unit.....	75
Combining Statement of Assets and Liabilities – Agency Fund.....	76
Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balances – Drainage Districts Component Unit .....	77-80
Reconciliation of the Statement of Revenues, Expenditures and Change in Fund Balances of Governmental Funds to the Statement of Activities – Drainage Districts Component Unit .....	81
Statement of Net Assets and Governmental Funds Balance Sheet – Department of Public Works Component Unit.....	82-83
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets – Department of Public Works Component Unit.....	84
Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balances – Department of Public Works Component Unit.....	85-86
Reconciliation of the Statement of Revenues, Expenditures and Change in Fund Balances of Governmental Funds to the Statement of Activities – Department of Public Works Component Unit.....	87
Statement of Net Assets and Governmental Funds Balance Sheet – Economic Development Corporation Component Unit.....	88
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets – Economic Development Corporation Component Unit.....	89
Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balance – Economic Development Corporation Component Unit	90
Reconciliation of the Statement of Revenues, Expenditures and Change in Fund Balances of Governmental Funds to the Statement of Activities – Economic Development Corporation Component Unit.....	91

**ST. JOSEPH COUNTY, MICHIGAN**

**For the Fiscal Year Ended December 31, 2007**

**TABLE OF CONTENTS (Concluded)**

---

	<u>PAGE</u>
<b><i>SINGLE AUDIT ACT COMPLIANCE</i></b>	
Schedule of Expenditures of Federal Awards.....	92-94
Notes to the Schedule of Expenditures of Federal Awards.....	95
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	96-97
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.....	98-99
Schedule of Findings and Questioned Costs.....	100-103

\* \* \* \* \*

## ***FINANCIAL SECTION***



**INDEPENDENT AUDITORS' REPORT**

June 19, 2008

To the Board of Commissioners of  
St. Joseph County  
Centreville, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of **ST. JOSEPH COUNTY, MICHIGAN** as of and for the year ended December 31, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of St. Joseph County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of **St. Joseph County, Michigan**, as of December 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof, and the budgetary comparisons for the general fund and major special revenue funds, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3-10 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. 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.

In accordance with Government Auditing Standards, we have also issued our report dated June 19, 2008, on our consideration of the County's internal controls 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 read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise St. Joseph County's basic financial statements. The combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements of St. Joseph County. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Lehmann Johnson". The signature is written in a cursive, flowing style.

## MANAGEMENT'S DISCUSSION and ANALYSIS



**COUNTY ADMINISTRATOR**

Telephone: (269) 467-5617

125 Main St.  
P.O. Box 277  
Centreville, MI 49032-0277

WestWingJ@StJosephCountyMI.org

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

As management of St. Joseph County, we offer this narrative overview and analysis of the financial activities of the County, including limited information pertaining to the separately audited Road Commission for the year ended December 31, 2007. For more detailed information, the Road Commission's separately issued financial statements may be obtained from its administrative offices.

#### **Financial Highlights**

- The assets of the County primary government exceeded its liabilities at the close of the fiscal year by approximately \$39.1 million (*net assets*). Of this amount, approximately \$20.6 million (*unrestricted net assets*) may be used to meet the government's ongoing obligations.
- The government's total net assets increased by approximately \$1.7 million, or 4.5 percent over the prior year.
- As of the close of the fiscal year, the County's governmental funds reported combined ending fund balances of approximately \$12.2 million, an increase of approximately \$.5 million or 4.3 percent more than the prior year. Of this total, approximately \$12.1 million or 99.5 percent is available for spending (*unreserved and undesignated fund balance*), however, the major portion of this amount (approximately \$8.0 million) is available only for the special revenue fund purposes from which these funds are derived.
- At the end of the fiscal year, unreserved and undesignated fund balance for the General Fund was approximately \$4.0 million, an amount equal to 28.6 percent of total General Fund expenditures and transfers.
- The County's total net bonded debt, including that of the Drain Commission and Board of Public Works component units, decreased by a net of \$654,782 during the current fiscal year. New bond issues included \$393,780 in Drain notes.

#### **Overview of the Financial Statements**

The County's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required and other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide a broad overview of the County's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets indicate whether the financial position of the County is improving or deteriorating. The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of St. Joseph County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, public safety, public works, health and welfare, community and economic development, recreation and cultural functions. The business-type activities primarily represent the administration of the delinquent property tax system.

The government-wide financial statements include not only the County itself (known as the *primary government*), but also four (4) legally separate entities: the St. Joseph County Road Commission, the Board of Public Works, the Drainage Districts, and the Economic Development Corporation. Financial information for the *component units* is reported separately from the financial information presented for the primary government itself.

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

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains 39 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Revenue Sharing Reserve, Central Dispatch, Commission on Aging, and Budget Stabilization fund, each of which is considered to be a major fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The County adopts an annual appropriated budget for its General, special revenue, capital projects, internal service, and enterprise funds. A budgetary comparison schedule for the required major funds has been provided herein to demonstrate compliance with the County General, Revenue Sharing Reserve, Central Dispatch, and Commission on Aging funds budgets.

**Proprietary funds.** The County maintains two types of proprietary funds: enterprise and internal service. *Enterprise funds* report the same functions as business-type activities in the government-wide financial statements. The County uses an enterprise fund to account for the Tax Payment Fund which is considered to be a major fund. Data from the other nonmajor enterprise funds are combined into a single, aggregate presentation. Individual fund data for each of these nonmajor enterprise funds is provided in the form of combining statements elsewhere in this report.

*Internal service funds* report activities that provide supplies or service to the County's other operations, such as the Flexible Benefit Insurance Fund. Internal Service funds are reported as governmental activities on the government-wide statements.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the County's own programs.

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

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain other supplementary information, including combining statements of the nonmajor governmental funds and internal service funds information.

## Government-wide Financial Analysis

### Statement of Net Assets

#### St. Joseph County's Net Assets

	Governmental		Business-type		Total	
	Activities		Activities			
	2007	2006	2007	2006	2007	2006
<b>Assets</b>						
Current and other assets	\$15,533,193	\$14,302,060	\$16,569,184	\$15,093,846	\$32,102,377	\$29,395,906
Capital assets	10,334,625	10,681,626	8,336	6,508	10,342,961	10,688,134
Total assets	25,867,818	24,983,686	16,577,520	15,100,354	42,445,338	40,084,040
<b>Liabilities</b>						
Current	3,317,831	2,527,185	7,911	22,762	3,325,742	2,549,947
Non-current	-	78,879	-	-	-	78,879
Total liabilities	3,317,831	2,606,064	7,911	22,762	3,325,742	2,628,826
<b>Net Assets</b>						
Invested in capital assets – net of related debt	10,334,625	10,661,421	8,336	6,508	10,342,961	10,667,929
Restricted	8,179,392	8,107,017	-	-	8,179,392	8,107,017
Unrestricted	4,035,970	3,609,184	16,561,273	15,071,084	20,597,243	18,680,268
Total net assets	<b>\$22,549,987</b>	<b>\$22,377,622</b>	<b>\$16,569,609</b>	<b>\$15,077,592</b>	<b>\$39,119,596</b>	<b>\$37,455,214</b>

As noted previously, net assets serve over time as a useful indicator of a government's financial position. In the case of St. Joseph County, assets exceeded liabilities by approximately \$39.1 million at the close of the fiscal year. This amount compares favorably with the prior year where net assets totaled \$37.5 million.

The County's net assets include approximately \$10.3 million in capital assets comprised of land, buildings, vehicles and equipment less any outstanding related debt used to acquire those assets. The County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

Certain other limitations on the use of net assets apply due primarily to legal restrictions. These restricted net assets total approximately \$8.2 million. The remaining balance of unrestricted net assets (\$4.0 million or 18 percent) may be used to meet the government's ongoing obligations.

### Statement of Activities

#### St. Joseph County's Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
<b>Revenues</b>						
Program revenue:						
Charges for services	\$ 4,002,351	\$ 3,918,842	\$ 915,642	\$ 651,859	\$ 4,917,993	\$ 4,570,701
Operating grants and contributions	3,538,990	4,028,656	-	2,134	3,538,990	4,030,790
Capital grants and contributions	-	3,000	-	-	-	3,000
General revenues:						
Property taxes	10,274,766	11,509,858	-	-	10,274,766	11,509,858
Investment earnings	685,059	554,240	711,971	494,539	1,397,030	1,048,779
Miscellaneous	-	80,815	-	82	-	80,897
Transfers	14,673	(22,000)	(14,673)	-	-	(22,000)
Total revenues	<u>18,515,839</u>	<u>20,073,411</u>	<u>1,612,940</u>	<u>1,148,614</u>	<u>20,128,779</u>	<u>21,222,025</u>
<b>Expenses</b>						
General government	7,725,311	8,528,679	-	-	7,725,311	8,528,679
Public safety	5,829,216	5,955,404	-	-	5,829,216	5,955,404
Public works	307,306	312,293	-	-	307,306	312,293
Health and social services	3,249,025	3,238,622	-	-	3,249,025	3,238,622
Parks, recreation and cultural	286,197	94,755	-	-	286,197	94,755
Community development	305,671	279,271	-	-	305,671	279,271
Unallocated depreciation	588,503	-	-	-	588,503	-
Other	-	22,873	120,923	133,378	120,923	156,251
Total expenses	<u>18,305,314</u>	<u>18,431,897</u>	<u>120,923</u>	<u>133,378</u>	<u>18,412,152</u>	<u>18,565,275</u>
Increase in net assets	224,610	1,641,514	1,492,017	1,015,236	1,716,627	2,656,750
Net assets, beginning of year	<u>22,325,377</u>	<u>20,736,108</u>	<u>15,077,592</u>	<u>14,062,356</u>	<u>37,402,969</u>	<u>34,798,464</u>
Net assets, end of year	<u><b>\$22,549,987</b></u>	<u><b>\$22,377,622</b></u>	<u><b>\$16,569,609</b></u>	<u><b>\$15,077,592</b></u>	<u><b>\$39,119,596</b></u>	<u><b>\$37,455,214</b></u>

The preceding table shows that the net assets of governmental activities increased by approximately \$.2 million or .1 percent during 2007 as compared to approximately \$1.6 million in the prior year.

## **Business-type Activities**

Net assets of the County's business-type activities increased by approximately \$1.5 million. Net assets of the Tax payment fund increased by approximately \$1,357,000 while net assets of the other nonmajor enterprise funds increased by approximately \$135,000.

## **Financial Analysis of the Government's Funds**

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*Governmental funds.* The focus of the County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of approximately \$12.2 million. This represents an increase of approximately \$.5 million in comparison with the prior year. A \$1.3 million decrease in fund balance is explained by a transfer to General Fund from the Revenue Sharing Reserve, which provides an alternative to the elimination of State Revenue Sharing. The General Fund increased its fund balance by approximately \$512,000, the Central Dispatch Fund by \$283,000, the Commission on Aging Fund by \$538,000 and the Budget Stabilization Fund by \$425,000.

Approximately \$12.1 million or 99.5 percent of total fund balance constitutes *unreserved and undesignated fund balance*, which is available for spending. However approximately \$8.2 million of this amount may only be used for special revenue fund purposes. The remainder of fund balance is either *reserved* to indicate that it is not available for new spending (approximately \$.005 million), or is *designated* to support capital and other projects (approximately \$.2 million).

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, the total fund balance was approximately \$4.0 million, while the unreserved/undesignated fund balance of the General Fund was also approximately \$4.0 million, an amount equal to 28.6 percent of total General Fund expenditures. This level of General Fund unreserved/undesignated fund balance is consistent with recognized benchmarks that governments should strive to maintain.

The fund balance of the County's General Fund increased by approximately \$512,000 during the current fiscal year, and compares favorably with the approximately \$686,000 increase in the General Fund balance reported during the prior year.

The Revenue Sharing Reserve Fund has a total fund balance of approximately \$3.2 million. As indicated above this recently established fund, authorized by shifting forward the collection date for the County portion of the property tax levy from December to July, is intended to provide a reserve from which the County may draw amounts to replace revenues previously received from the now suspended State Revenue Sharing program. The current fund balance represents the remaining balance of a three year phase-in that ultimately provided deposits totaling approximately \$6.8 million to this fund. The balance in this fund is projected to be exhausted in fiscal year 2010 at which time the County is to revert to an alternate State sponsored revenue source.

## General Fund Budgetary Highlights

The original General Fund budget of \$13.9 million increased to \$14.5 million after revisions; however, actual expenditures totaled only \$14.0 million for a net savings of approximately \$548,000 or 3.8 percent under the revised budget. Expenditure savings came from many departments. Personnel savings resulted from family and medical leaves. Postage and supplies were under budget.

Actual revenues came in at just under \$14.5 million or within 2.7 percent of the revised budget of \$14.1 million. (Approximately \$400,000 was budgeted from fund balance to match revenues with expenditures.) Interest earned on investments and charges for services were more than anticipated.

## Capital Asset and Debt Administration

Capital Assets - At the end of 2007, the County had invested \$10,342,961, and \$2,086,464 for the component units (excluding the Road Commission, see separately issued financial statements), net of accumulated depreciation, in a broad range of capital assets (see table below). Accumulated depreciation was \$10,083,280 for the primary government. Depreciation charges for the fiscal year totaled \$590,152 for the primary government and \$63,066 for the component units.

The largest expenditure of approximately \$50,000 was incurred by the Homeland Security Grant Fund for a video enhancement system.

	Governmental Activities	Business- type Activities	Component Units Drains	Component Unit Economic Development	Total
Land	\$ 441,196				\$ 441,196
Land Improvements, net	1,036,568				1,036,568
Buildings, net	7,369,937	-	-	-	7,369,937
Vehicles and Equipment, net	1,486,924	8,336	-	697	1,495,957
Drains, net	-	-	2,085,767	-	2,085,767
<b>Capital assets, net</b>	<b>\$ 10,334,625</b>	<b>\$ 8,336</b>	<b>\$ 2,085,767</b>	<b>\$ 697</b>	<b>\$ 12,429,425</b>

Long-term Debt - As of December 31, 2007, the County Primary Government had \$.0 in truck loans outstanding for the primary government. This level of net obligation is \$20,205 less than the obligation recorded as of December 31, 2006. In addition, the County uses its full faith and credit (as a secondary obligator), to back the Board of Public Works component unit debt. The Drain Commission administers debt for various local drainage districts and water and sewer systems for local municipalities in St. Joseph County. All drain debt is payable out of assessments against the drainage districts or by contractual agreements with local units of government. The County Commission by a majority vote of 2/3 of its members may pledge the full faith and credit of the County for payment of a Drainage District note. The following table excludes the County Road Commission.

**Outstanding Debt as of December 31, 2007:**

<b>Primary Government</b>	<b><u>Jan. 1, 2007</u></b>	<b><u>Additions</u></b>	<b><u>Deletions</u></b>	<b><u>Dec. 31, 2007</u></b>
Governmental Activities				
Loans Payable	\$ 20,205	\$ -	\$ 20,205	\$ 0
<b>Component Units</b>				
Board of Public Works				
Water and Sewer Bonds	3,929,875	-	564,875	3,365,000
Drainage Districts				
Drain Bonds and Notes	<u>1,232,953</u>	<u>393,780</u>	<u>454,982</u>	<u>1,171,751</u>
<b>Total Component Units</b>	<u>5,162,828</u>	<u>393,780</u>	<u>1,019,857</u>	<u>4,536,751</u>
<b>Total Reporting Entity</b>	<b><u>\$ 5,183,033</u></b>	<b><u>\$ 393,780</u></b>	<b><u>\$ 1,040,062</u></b>	<b><u>\$ 4,536,751</u></b>
<b>Debt Limit (10% of SEV)</b>				<b><u>\$ 235,671,979</u></b>
<b>Available Statutory Debt Limit</b>				<b><u>\$ 231,135,228</u></b>

Activity for the Component Units and Drain Funds during fiscal year 2007 included the issuance of \$393,780 in drainage district notes.

A more detailed discussion of the County's long-term debt obligations is presented in Note C-6 to the financial statements.

**Limitations on Debt:**

State statute limits the County's debt obligations to 10 percent of the current state equalized value (SEV). The County's SEV as of December 31, 2006 was approximately \$2.357 billion; therefore the County's debt limitation was approximately \$235 million. The County remains well below its legal debt limit by over \$231 million.

**ST. JOSEPH COUNTY GOVERNMENT ECONOMIC OUTLOOK:**

- The Revenue Sharing Reserve Fund was established by the State in order to replace State Revenue Sharing payments to counties. This fund will be exhausted in 2010. A source of revenue to replace these funds will be needed for 2010 or cuts in services will be required.
- The continued uncertainty over the State's budget situation may lead to decreases in other areas of State funding.
- Several new capital projects are budgeted for 2008 including replacing the County-wide radio system (Central Dispatch) and a Courts Building HVAC upgrade (Facilities Maintenance Fund).

These factors were considered in adopting the Budget for 2008. A usage of \$90,687 of the County's fund balance was included to balance the General Fund Budget for 2008. The county continues to look for ways to increase efficiencies and reduce the cost of doing business.

## **CONTACTING THE COUNTY**

This financial report is designed to provide our citizens, taxpayers, customers, 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 there are questions about this report, or a need for additional information, contact the St. Joseph County Treasurer's Office at (269) 467-5527 or St. Joseph County Finance at (269) 467-5631 or via email, [careyd@stjosephcountymi.org](mailto:careyd@stjosephcountymi.org).

# BASIC FINANCIAL STATEMENTS

# GOVERNMENT-WIDE FINANCIAL STATEMENTS

**ST. JOSEPH COUNTY, MICHIGAN**

**Statement of Net Assets**

**December 31, 2007**

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Totals	
<b>Assets</b>				
Cash and cash equivalents	\$ 8,424,448	\$ 2,639,238	\$ 11,063,686	\$ 1,167,104
Investments	3,582,284	11,789,805	15,372,089	-
Receivables, net	3,185,696	2,154,814	5,340,510	6,710,458
Internal balances	14,673	(14,673)	-	-
Other assets	326,092	-	326,092	817,609
Capital assets not being depreciated	441,196	-	441,196	8,214,486
Capital assets being depreciated, net	9,893,429	8,336	9,901,765	22,919,306
<b>Total assets</b>	<b>25,867,818</b>	<b>16,577,520</b>	<b>42,445,338</b>	<b>39,828,963</b>
<b>Liabilities</b>				
Accounts payable and accrued expenses	1,269,792	7,911	1,277,703	355,853
Interest payable	-	-	-	55,005
Unearned revenue	2,048,039	-	2,048,039	1,124,550
Long-term liabilities:				
Due within one year	-	-	-	573,357
Due in more than one year	-	-	-	4,295,075
<b>Total liabilities</b>	<b>3,317,831</b>	<b>7,911</b>	<b>3,325,742</b>	<b>6,403,840</b>
<b>Net assets</b>				
Invested in capital assets, net of related debt	10,334,625	8,336	10,342,961	29,771,702
Restricted for:				
Debt service	-	-	-	145,018
Capital projects	156,972	-	156,972	-
Other purposes	8,006,455	-	8,006,455	-
Permanent trust	15,965	-	15,965	-
Unrestricted	4,035,970	16,561,273	20,597,243	3,508,403
<b>Total net assets</b>	<b>\$ 22,549,987</b>	<b>\$ 16,569,609</b>	<b>\$ 39,119,596</b>	<b>\$ 33,425,123</b>

The accompanying notes are an integral part of these financial statements.

**ST. JOSEPH COUNTY, MICHIGAN**  
**Statement of Activities**  
**For the Year Ended December 31, 2007**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary government</b>					
Governmental activities:					
General government	\$ 7,725,311	\$ 2,303,662	\$ 1,799,307	\$ -	\$ (3,622,342)
Public safety	5,829,216	1,022,486	702,150	-	(4,104,580)
Public works	307,306	316,646	-	-	9,340
Health and social services	3,249,025	281,251	822,723	-	(2,145,051)
Parks, recreation, and cultural	286,197	78,213	3,627	-	(204,357)
Community development	305,671	93	211,183	-	(94,395)
Unallocated depreciation	588,503	-	-	-	(588,503)
<b>Total governmental activities</b>	<b>18,291,229</b>	<b>4,002,351</b>	<b>3,538,990</b>	<b>-</b>	<b>(10,749,888)</b>
Business-type activities:					
Tax Payment Fund	-	857,089	-	-	857,089
Other	120,923	58,553	-	-	(62,370)
<b>Total business-type activities</b>	<b>120,923</b>	<b>915,642</b>	<b>-</b>	<b>-</b>	<b>794,719</b>
<b>Total primary government</b>	<b>\$ 18,412,152</b>	<b>\$ 4,917,993</b>	<b>\$ 3,538,990</b>	<b>\$ -</b>	<b>\$ (9,955,169)</b>
<b>Component units</b>					
Board of Public Works	\$ 165,278	\$ -	\$ 165,278	\$ -	\$ -
Drainage Districts	292,925	4,708	-	1,535,119	1,246,902
Economic Development Corporation	136,161	53,655	94,887	-	12,381
Road Commission	7,223,915	757,869	6,640,291	-	174,245
<b>Total component units</b>	<b>\$ 7,818,279</b>	<b>\$ 816,232</b>	<b>\$ 6,900,456</b>	<b>\$ 1,535,119</b>	<b>\$ 1,433,528</b>

Continued...

**ST. JOSEPH COUNTY, MICHIGAN**  
**Statement of Activities (Concluded)**  
**For the Year Ended December 31, 2007**

	<b>Primary Government</b>			<b>Component Units</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Totals</b>	
<b>Change in net assets</b>				
Net (expense) revenue	\$ (10,749,888)	\$ 794,719	\$ (9,955,169)	\$ 1,433,528
General revenues:				
Property taxes	10,274,766	-	10,274,766	1,069,958
Unrestricted investment earnings	685,059	711,971	1,397,030	90,191
Transfers - internal activities	14,673	(14,673)	-	-
Total general revenues and transfers	<u>10,974,498</u>	<u>697,298</u>	<u>11,671,796</u>	<u>1,160,149</u>
Change in net assets	224,610	1,492,017	1,716,627	2,593,677
Net assets, beginning of year, as restated	<u>22,325,377</u>	<u>15,077,592</u>	<u>37,402,969</u>	<u>30,831,446</u>
<b>Net assets, end of year</b>	<u><u>\$ 22,549,987</u></u>	<u><u>\$ 16,569,609</u></u>	<u><u>\$ 39,119,596</u></u>	<u><u>\$ 33,425,123</u></u>

The accompanying notes are an integral part of these financial statements.

# FUND FINANCIAL STATEMENTS

**ST. JOSEPH COUNTY, MICHIGAN**  
**Balance Sheet - Governmental Funds**  
**December 31, 2007**

	<u>Special Revenue Funds</u>					<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Revenue Sharing Reserve</u>	<u>Central Dispatch</u>	<u>Commission on Aging</u>	<u>Budget Stabilization</u>		
<b><u>ASSETS</u></b>							
<b>Assets</b>							
Cash and cash equivalents	\$ (218,165)	\$ 3,172,173	\$ 915,584	\$ 668,618	\$ 1,856,700	\$ 1,533,841	\$ 7,928,751
Investments	3,582,284	-	-	-	-	-	3,582,284
Receivables:							
Property taxes	801,885	-	1,308,453	-	-	-	2,110,338
Accounts, net	85,080	-	-	22,495	-	145,159	252,734
Interest rec	80,994	-	-	-	-	-	80,994
Due from other governments:							
Federal/State	529,422	-	-	34,139	-	174,350	737,911
Due from other funds	177,775	-	-	-	-	-	177,775
Inventory	36,820	-	-	6,753	-	-	43,573
Prepays	1,735	-	-	11,083	-	2,449	15,267
Other assets	74,214	-	8,421	12,942	-	7,274	102,851
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 5,152,044</u></b>	<b><u>\$ 3,172,173</u></b>	<b><u>\$ 2,232,458</u></b>	<b><u>\$ 756,030</u></b>	<b><u>\$ 1,856,700</u></b>	<b><u>\$ 1,863,073</u></b>	<b><u>\$ 15,032,478</u></b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>							
<b>Liabilities</b>							
Accounts payable	\$ 232,898	\$ -	\$ 12,801	\$ 30,265	\$ -	\$ 102,898	\$ 378,862
Accrued liabilities	144,237	-	18,388	26,965	-	15,789	205,379
Due to other governmental units:							
Federal/State	-	-	-	22,381	-	-	22,381
Due to other funds	-	-	-	-	-	163,102	163,102
Deferred revenue	739,586	-	1,308,453	-	-	-	2,048,039
<b>Total liabilities</b>	<b>1,116,721</b>	<b>-</b>	<b>1,339,642</b>	<b>79,611</b>	<b>-</b>	<b>281,789</b>	<b>2,817,763</b>
<b>Fund balances</b>							
Reserved for:							
Inventory	36,820	-	-	6,753	-	-	43,573
Prepays	1,735	-	-	11,083	-	2,449	15,267
Unreserved:							
Undesignated	3,996,768	3,172,173	892,816	658,583	1,856,700	-	10,577,040
Undesignated, reported in nonmajor:							
Special revenue funds	-	-	-	-	-	1,405,898	1,405,898
Capital project funds	-	-	-	-	-	156,972	156,972
Permanent fund	-	-	-	-	-	15,965	15,965
<b>Total fund balances</b>	<b>4,035,323</b>	<b>3,172,173</b>	<b>892,816</b>	<b>676,419</b>	<b>1,856,700</b>	<b>1,581,284</b>	<b>12,214,715</b>
<b><u>TOTAL LIABILITIES AND FUND BALANCES</u></b>	<b><u>\$ 5,152,044</u></b>	<b><u>\$ 3,172,173</u></b>	<b><u>\$ 2,232,458</u></b>	<b><u>\$ 756,030</u></b>	<b><u>\$ 1,856,700</u></b>	<b><u>\$ 1,863,073</u></b>	<b><u>\$ 15,032,478</u></b>

The accompanying notes are an integral part of these financial statements.

**ST. JOSEPH COUNTY, MICHIGAN**  
**Reconciliation of Fund Balances on the Balance Sheet**  
**for Governmental Funds to Net Assets of**  
**Governmental Activities on the Statement of Net Assets**  
**December 31, 2007**

<b>Fund balances - governmental funds</b>	\$	12,214,715
---	----	------------

Amounts reported for governmental activities in the Statement of Net Assets are different because:

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

Add - capital assets	\$ 20,405,108	
Deduct - accumulated depreciation	<u>(10,070,483)</u>	10,334,625

Internal service funds are used by management to charge costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.

Add - net assets of governmental activities accounted for in the internal service fund		<u>647</u>
--	--	------------

<b>Net assets of governmental activities</b>	\$	<u>22,549,987</u>
--	----	-------------------

The accompanying notes are an integral part of these financial statements.

**ST. JOSEPH COUNTY, MICHIGAN**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2007**

	Special Revenue Funds				Nonmajor Governmental Funds	Total Governmental Funds
	General	Revenue Sharing Reserve	Central Dispatch	Commission on Aging		
<b>Revenues</b>						
Property taxes	\$ 7,820,372	\$ -	\$ 1,199,035	\$ 1,255,412	\$ -	\$ 10,274,819
Licenses and permits	103,520	-	-	-	-	110,960
Intergovernmental:						
Federal/State	1,782,781	-	-	391,635	-	3,538,990
Charges for services	2,273,879	-	-	62,013	-	2,946,506
Fines and forfeitures	249,320	-	-	-	-	482,475
Interest and rents	607,794	-	58,063	-	-	694,219
Miscellaneous	222,219	-	1,135	209,539	-	453,197
<b>Total revenues</b>	<b>13,059,885</b>	<b>-</b>	<b>1,258,233</b>	<b>1,918,599</b>	<b>-</b>	<b>18,501,166</b>
<b>Expenditures</b>						
Current:						
General government	7,801,002	-	-	-	-	8,026,934
Public safety	3,960,697	-	959,795	-	-	5,829,216
Public works	60,930	-	-	-	-	307,306
Health and social services	884,996	-	-	1,359,999	-	3,249,025
Community development	-	-	-	-	-	266,435
Parks, recreation and culture	39,236	-	-	-	-	325,433
Capital outlay	-	-	-	-	-	(7,758)
Debt service:						
Principal	-	-	-	20,205	-	20,205
<b>Total expenditures</b>	<b>12,746,861</b>	<b>-</b>	<b>959,795</b>	<b>1,380,204</b>	<b>-</b>	<b>18,016,796</b>
Revenues over (under) expenditures	313,024	-	298,438	538,395	-	484,370
<b>Other financing sources (uses)</b>						
Transfers in	1,415,500	-	-	-	425,000	2,743,165
Transfers out	(1,216,875)	(1,287,527)	(15,000)	-	-	(2,728,492)
<b>Total other sources (uses)</b>	<b>198,625</b>	<b>(1,287,527)</b>	<b>(15,000)</b>	<b>-</b>	<b>425,000</b>	<b>14,673</b>
Net change in fund balances	511,649	(1,287,527)	283,438	538,395	425,000	499,043
Fund balances, beginning of year	3,523,674	4,459,700	609,378	138,024	1,431,700	11,715,672
<b>Fund balances, end of year</b>	<b>\$ 4,035,323</b>	<b>\$ 3,172,173</b>	<b>\$ 892,816</b>	<b>\$ 676,419</b>	<b>\$ 1,856,700</b>	<b>\$ 12,214,715</b>

The accompanying notes are an integral part of these financial statements.

**ST. JOSEPH COUNTY, MICHIGAN**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended December 31, 2007**

**Net change in fund balance - total governmental funds** \$ 499,043

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

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Add - capital outlay	\$ 299,218	
Deduct - depreciation expense	(588,503)	
Deduct - loss on disposal of capital assets	<u>(5,471)</u>	(294,756)

Bond proceeds provide current financial resources to the governmental funds by issuing debt which increases long-term bonded debt in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term bonded debt in the Statement of Net Assets.

Add - repayment of debt principal		20,205
-----------------------------------	--	--------

Internal service funds are used by management to charge costs of certain activities, such as insurance, to individual funds. The net change in net assets of the internal service funds is reported with governmental activities in the Statement of Activities.

Add - net operating income from governmental activities in internal service fund		<u>118</u>
--	--	------------

<b>Change in net assets of governmental activities</b>		<u><u>\$ 224,610</u></u>
--	--	--------------------------

The accompanying notes are an integral part of these financial statements.

**ST. JOSEPH COUNTY, MICHIGAN**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**  
**General Fund**  
**For the Year Ended December 31, 2007**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget + (-)</u>
<b>Revenues</b>				
Taxes	\$ 7,643,132	\$ 8,124,000	\$ 7,820,372	\$ (303,628)
Licenses and permits	92,630	92,630	103,520	10,890
Intergovernmental:				
Federal/State	1,756,771	1,808,596	1,782,781	(25,815)
Charges for services	2,129,350	2,115,736	2,273,879	158,143
Fines and forfeitures	201,000	206,000	249,320	43,320
Interest and rents	281,300	281,300	607,794	326,494
Miscellaneous	53,777	99,915	222,219	122,304
 Total revenues	 <u>12,157,960</u>	 <u>12,728,177</u>	 <u>13,059,885</u>	 <u>331,708</u>
<b>Expenditures</b>				
Current:				
General government administration	8,168,804	8,262,378	7,801,002	461,376
Public safety	3,958,742	4,046,510	3,960,697	85,813
Public works	62,442	62,442	60,930	1,512
Health and social services	898,421	904,396	884,996	19,400
Community development	40,992	40,992	39,236	1,756
 Total expenditures	 <u>13,129,401</u>	 <u>13,316,718</u>	 <u>12,746,861</u>	 <u>569,857</u>
 Revenues over (under) expenditures	 <u>(971,441)</u>	 <u>(588,541)</u>	 <u>313,024</u>	 <u>901,565</u>
<b>Other financing sources (uses)</b>				
Transfers in	1,368,059	1,368,059	1,415,500	47,441
Transfers out	(617,419)	(1,194,875)	(1,216,875)	(22,000)
 Total other sources (uses)	 <u>750,640</u>	 <u>173,184</u>	 <u>198,625</u>	 <u>25,441</u>
 Net changes in fund balance	 <u>(220,801)</u>	 <u>(415,357)</u>	 <u>511,649</u>	 <u>927,006</u>
Fund balance, beginning of year, as restated	<u>3,523,674</u>	<u>3,523,674</u>	<u>3,523,674</u>	<u>-</u>
 <b>Fund balance, end of year</b>	 <u><u>\$ 3,302,873</u></u>	 <u><u>\$ 3,108,317</u></u>	 <u><u>\$ 4,035,323</u></u>	 <u><u>\$ 927,006</u></u>

The accompanying notes are an integral part of these financial statements.

**ST. JOSEPH COUNTY, MICHIGAN**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**  
**Revenue Sharing Reserve Special Revenue Fund**  
**For the Year Ended December 31, 2007**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget + (-)</u>
<b>Revenues</b>				
Taxes	\$ 1,287,527	\$ 1,287,527	\$ -	\$ (1,287,527)
<b>Other financing (uses)</b>				
Transfers out	<u>(1,287,527)</u>	<u>(1,287,527)</u>	<u>(1,287,527)</u>	<u>-</u>
Net change in fund balance	-	-	(1,287,527)	(1,287,527)
Fund balance, beginning of year	<u>4,459,700</u>	<u>4,459,700</u>	<u>4,459,700</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u><u>\$ 4,459,700</u></u>	<u><u>\$ 4,459,700</u></u>	<u><u>\$ 3,172,173</u></u>	<u><u>\$ (1,287,527)</u></u>

The accompanying notes are an integral part of these financial statements.

**ST. JOSEPH COUNTY, MICHIGAN**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**  
**Central Dispatch Special Revenue Fund**  
**For the Year Ended December 31, 2007**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget + (-)</u>
<b>Revenues</b>				
Taxes	\$ 1,180,761	\$ 1,180,761	\$ 1,199,035	\$ 18,274
Interest and rents	4,000	4,000	58,063	54,063
Miscellaneous	-	-	1,135	1,135
Total revenues	<u>1,184,761</u>	<u>1,184,761</u>	<u>1,258,233</u>	<u>73,472</u>
<b>Expenditures</b>				
Current:				
Public safety	<u>1,169,761</u>	<u>1,187,411</u>	<u>959,795</u>	<u>227,616</u>
Revenues over (under) expenditures	15,000	(2,650)	298,438	301,088
<b>Other financing sources (uses)</b>				
Transfers out	<u>(15,000)</u>	<u>(15,000)</u>	<u>(15,000)</u>	<u>-</u>
Net change in fund balance	-	(17,650)	283,438	301,088
Fund balance, beginning of year	<u>609,378</u>	<u>609,378</u>	<u>609,378</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 609,378</u>	<u>\$ 591,728</u>	<u>\$ 892,816</u>	<u>\$ 301,088</u>

The accompanying notes are an integral part of these financial statements.

**ST. JOSEPH COUNTY, MICHIGAN**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**  
**Commission on Aging Revenue Fund**  
**For the Year Ended December 31, 2007**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget + (-)</u>
<b>Revenues</b>				
Taxes	\$ 1,278,675	\$ 1,278,625	\$ 1,255,412	\$ (23,213)
Intergovernmental:				
Federal/State	380,128	396,300	391,635	(4,665)
Charges for services	42,000	45,318	62,013	16,695
Miscellaneous	172,070	176,920	209,539	32,619
	<u>1,872,873</u>	<u>1,897,163</u>	<u>1,918,599</u>	<u>21,436</u>
<b>Expenditures</b>				
Current:				
Health and social services	1,872,873	1,891,043	1,359,999	531,044
Debt service	-	6,120	6,120	-
	<u>1,872,873</u>	<u>1,897,163</u>	<u>1,366,119</u>	<u>531,044</u>
Revenues over expenditures	<u>-</u>	<u>-</u>	<u>552,480</u>	<u>552,480</u>
Net change in fund balance	-	-	552,480	552,480
Fund balance, beginning of year	<u>138,024</u>	<u>138,024</u>	<u>138,024</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 138,024</u>	<u>\$ 138,024</u>	<u>\$ 690,504</u>	<u>\$ 552,480</u>

The accompanying notes are an integral part of these financial statements.

**ST. JOSEPH COUNTY, MICHIGAN**

**Statement of Net Assets**

**Proprietary Funds**

**December 31, 2007**

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental Activities - Internal Service Funds</u>
	<u>Tax Payment Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>	
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 2,483,459	\$ 155,779	\$ 2,639,238	\$ 495,697
Investments	11,789,805	-	11,789,805	-
Receivables:				
Property taxes	1,897,200	-	1,897,200	-
Accounts, net	25,139	125,086	150,225	3,719
Interest receivable	106,650	739	107,389	-
Prepays	-	-	-	164,401
Total current assets	<u>16,302,253</u>	<u>281,604</u>	<u>16,583,857</u>	<u>663,817</u>
Noncurrent assets:				
Equipment	-	8,336	8,336	-
<b>Total assets</b>	<u>16,302,253</u>	<u>289,940</u>	<u>16,592,193</u>	<u>663,817</u>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	-	6,433	6,433	-
Accrued liabilities	-	1,478	1,478	-
Due to other funds	-	14,673	14,673	-
Accrued compensated absences	-	-	-	663,170
<b>Total liabilities</b>	<u>-</u>	<u>22,584</u>	<u>22,584</u>	<u>663,170</u>
<b>Net assets</b>				
Invested in capital assets	-	8,336	8,336	-
Unrestricted	16,302,253	259,020	16,561,273	647
<b>Total net assets</b>	<u>\$ 16,302,253</u>	<u>\$ 267,356</u>	<u>\$ 16,569,609</u>	<u>\$ 647</u>

The accompanying notes are an integral part of these financial statements.

**ST. JOSEPH COUNTY, MICHIGAN**  
**Statement of Revenues, Expenses and**  
**Changes in Net Assets**  
**Proprietary funds**  
**For the Year Ended December 31, 2007**

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental Activities - Internal Service Funds</u>
	<u>Tax Payment Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>	
<b>Operating revenues</b>				
Charges for services	\$ -	\$ 227,035	\$ 227,035	\$ 1,781,088
Interest on taxes	652,118	-	652,118	-
Other revenues	-	36,489	36,489	-
Total operating revenues	<u>652,118</u>	<u>263,524</u>	<u>915,642</u>	<u>1,781,088</u>
<b>Operating expenses</b>				
Personal services and benefits	-	119,274	119,274	1,780,970
Depreciation	-	1,649	1,649	-
Total operating expenses	<u>-</u>	<u>120,923</u>	<u>120,923</u>	<u>1,780,970</u>
Operating income	652,118	142,601	794,719	118
<b>Nonoperating revenues</b>				
Interest income	<u>705,116</u>	<u>6,855</u>	<u>711,971</u>	<u>-</u>
Income before transfers	1,357,234	149,456	1,506,690	118
<b>Transfers out</b>	<u>-</u>	<u>(14,673)</u>	<u>(14,673)</u>	<u>-</u>
Change in net assets	1,357,234	134,783	1,492,017	118
Net assets, beginning of year	<u>14,945,019</u>	<u>132,573</u>	<u>15,077,592</u>	<u>529</u>
<b>Net assets, end of year</b>	<u>\$ 16,302,253</u>	<u>\$ 267,356</u>	<u>\$ 16,569,609</u>	<u>\$ 647</u>

The accompanying notes are an integral part of these financial statements.

**ST. JOSEPH COUNTY, MICHIGAN**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended December 31, 2007**

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental Activities - Internal Service Funds</u>
	<u>Tax Payment Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>	
<b>Cash flows from operating activities</b>				
Cash received from customers	\$ 728,855	\$ 101,844	\$ 830,699	\$ 1,631,817
Cash received from others	-	36,489	36,489	-
Cash paid to/for employees	-	(36,449)	(36,449)	(1,777,043)
Cash paid to suppliers	(19,273)	(63,729)	(83,002)	-
Net cash provided by (used in) operating activities	<u>709,582</u>	<u>38,155</u>	<u>747,737</u>	<u>(145,226)</u>
<b>Cash flows from noncapital financing activities</b>				
Transfer out	-	(14,673)	(14,673)	-
<b>Cash flows from capital and related financing activities</b>				
Capital acquisitions	-	(3,478)	(3,478)	-
<b>Cash flows from investing activities</b>				
Purchase of investments	(3,959,805)	-	(3,959,805)	-
Maturity of investments	3,845,931		3,845,931	
Interest received	705,116	6,855	711,971	-
Net cash provided by investing activities	<u>591,242</u>	<u>6,855</u>	<u>598,097</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	1,300,824	26,859	1,327,683	(145,226)
Cash and cash equivalents, beginning of year	<u>1,182,635</u>	<u>128,920</u>	<u>1,311,555</u>	<u>640,923</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 2,483,459</u>	<u>\$ 155,779</u>	<u>\$ 2,639,238</u>	<u>\$ 495,697</u>

Continued...

**ST. JOSEPH COUNTY, MICHIGAN**  
**Statement of Cash Flows (Concluded)**  
**Proprietary Funds**  
**For the Year Ended December 31, 2007**

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental</u>
	<u>Tax Payment Fund</u>	<u>Delinquent Nonmajor Funds</u>	<u>Total</u>	<u>Activities - Internal Service Funds</u>
<b>Reconciliation of operating income to net cash provided by (used in) operating activities</b>				
Operating income	\$ 652,118	\$ 142,601	\$ 794,719	\$ 118
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation and amortization	-	1,649	1,649	-
Change in assets and liabilities:				
Taxes receivable	54,444	-	54,444	-
Accounts receivable	(5,102)	(124,452)	(129,554)	13,739
Interest receivable	27,395	(739)	26,656	-
Prepays	-	-	-	(163,010)
Accounts payable	(19,273)	5,295	(13,978)	-
Accrued liabilities	-	(872)	(872)	-
Due to other funds	-	14,673	14,673	-
Accrued compensated absences	-	-	-	3,927
<b>Net cash provided by (used in) operating activities</b>	<u>\$ 709,582</u>	<u>\$ 38,155</u>	<u>\$ 747,737</u>	<u>\$ (145,226)</u>

The accompanying notes are an integral part of these financial statements.

**ST. JOSEPH COUNTY, MICHIGAN**  
**Statement of Fiduciary Net Assets and Liabilities - Fiduciary Funds**  
**December 31, 2007**

**Assets**

Cash and cash equivalents	\$ 1,650,912
Accounts receivable	<u>202,961</u>

<b>Total assets</b>	<b><u><u>\$ 1,853,873</u></u></b>
---------------------	-----------------------------------

**Liabilities**

Accounts payable	\$ 1,000
Due to individuals/agencies	1,779,653
Due to other governmental units	<u>73,220</u>

<b>Total liabilities</b>	<b><u><u>\$ 1,853,873</u></u></b>
--------------------------	-----------------------------------

The accompanying notes are an integral part of these financial statements.

**ST. JOSEPH COUNTY, MICHIGAN**  
**Statement of Changes in Plan Net Assets**  
**Pension Trust Funds**  
**For the Year Ended, December 31, 2007**

**Additions**

Contributions:	
Plan members	<u>\$ 19,752</u>
Investment income:	
Net appreciation in fair value of investments	167,733
Interest and dividends	<u>147,382</u>
Total investment income	315,115
Less investment expense	<u>22,828</u>
Net investment income	<u>292,287</u>
Total additions	<u>312,039</u>

**Deductions**

Benefits	167,414
Transfer to MERS retirement system	<u>17,583,580</u>
Total deductions	<u>17,750,994</u>
Net decrease in net assets	(17,438,955)

**Net assets held in trust for pension benefits**

Beginning of year	<u>17,438,955</u>
<b>End of year</b>	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these financial statements.

**ST. JOSEPH COUNTY, MICHIGAN**  
**Combining Statement of Net Assets**  
**Discretely Presented Component Units**  
**December 31, 2007**

	<u>Department of Public Works</u>	<u>Drainage Districts</u>	<u>Economic Development Corporation</u>	<u>Road Commission</u>	<u>Total</u>
<b>Assets</b>					
Cash and cash equivalents	\$ 530	\$ 493,581	\$ 52,884	\$ 620,109	\$ 1,167,104
Receivables:					
Special assessments	-	1,276,859	475		1,277,334
Accounts, net	-	-	-	2,018,494	2,018,494
Leases receivable	3,414,630	-	-	-	3,414,630
Inventories	-	-	-	817,609	817,609
Capital assets not being depreciated	-	-	-	8,214,486	8,214,486
Capital assets being depreciated, net	-	2,085,767	697	20,832,842	22,919,306
	<u>3,415,160</u>	<u>3,856,207</u>	<u>54,056</u>	<u>32,503,540</u>	<u>39,828,963</u>
<b>Total assets</b>					
<b>Liabilities</b>					
Accounts payable	-	29,425	4,114	173,223	206,762
Accrued liabilities	-	-	1,945	72,123	74,068
Interest payable	41,268	13,737	-	-	55,005
Unearned revenue	-	-	-	1,124,550	1,124,550
Advances from primary government	-	75,023	-	-	75,023
Long-term debt:					
Due within one year	225,000	224,944	-	123,413	573,357
Due in more than one year	3,140,000	946,807	-	208,268	4,295,075
	<u>3,406,268</u>	<u>1,289,936</u>	<u>6,059</u>	<u>1,701,577</u>	<u>6,403,840</u>
<b>Total liabilities</b>					
<b>Net assets</b>					
Invested in capital assets, net of related debt	-	914,016	697	28,856,989	29,771,702
Restricted for debt service	-	145,018	-	-	145,018
Unrestricted	8,892	1,507,237	47,300	1,944,974	3,508,403
	<u>\$ 8,892</u>	<u>\$ 2,566,271</u>	<u>\$ 47,997</u>	<u>\$ 30,801,963</u>	<u>\$ 33,425,123</u>
<b>Total net assets</b>					

The accompanying notes are an integral part of these financial statements.

**ST. JOSEPH COUNTY, MICHIGAN**

**Combining Statement of Activities  
Discretely Presented Component Units  
For the Year Ended December 31, 2007**

	<u>Department of Public Works</u>	<u>Drainage Districts</u>	<u>Economic Development Corporation</u>	<u>Road Commission</u>	<u>Total</u>
<b>Expenses</b>					
Public works	\$ 165,278	\$ 292,925	\$ 136,161	\$ -	\$ 594,364
Highways and streets	-	-	-	7,223,915	7,223,915
Total expenses	<u>165,278</u>	<u>292,925</u>	<u>136,161</u>	<u>7,223,915</u>	<u>7,818,279</u>
<b>Program revenues</b>					
Property taxes	-	-	-	1,069,958	1,069,958
Charges for services	-	-	-	757,869	757,869
Operating grants and contributions	165,278	4,708	145,230	6,640,291	6,955,507
Capital grants and contributions	-	1,535,119	-	-	1,535,119
Total program revenues	<u>165,278</u>	<u>1,539,827</u>	<u>145,230</u>	<u>8,468,118</u>	<u>10,318,453</u>
Net program revenue	-	1,246,902	9,069	1,244,203	2,500,174
<b>General revenues</b>					
Unrestricted investment earnings	-	28,500	3,312	61,691	93,503
Change in net assets	-	1,275,402	12,381	1,305,894	2,593,677
Net assets, beginning of year, as restated	<u>8,892</u>	<u>1,290,869</u>	<u>35,616</u>	<u>29,496,069</u>	<u>30,831,446</u>
<b>Net assets, end of year</b>	<u><u>\$ 8,892</u></u>	<u><u>\$ 2,566,271</u></u>	<u><u>\$ 47,997</u></u>	<u><u>\$ 30,801,963</u></u>	<u><u>\$ 33,425,123</u></u>

The accompanying notes are an integral part of these financial statements.

## NOTES to the FINANCIAL STATEMENTS

# ST. JOSEPH COUNTY, MICHIGAN

## Notes to Financial Statements

---

### A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of St. Joseph County, Michigan (the “County” or “government”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing U.S. governmental accounting and financial reporting principles. The more significant of the County’s accounting policies are described below.

#### 1. *Reporting Entity*

As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government’s operations and 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 combined financial statements to emphasize that they are legally separate from the government.

#### **Blended Component Unit**

St. Joseph County Department of Human Services – is governed by a three-member board, which consists of two members appointed by the County Board of Commissioners and one State-appointed member. The Board is responsible for establishing policies and overseeing the local administration of the Department of Human Services and the State of Michigan Social Welfare program. State law requires local activities to be blended with the local primary government even though the employees of the St. Joseph County Department of Human Services are employees of the State of Michigan and substantially all of the programs are financed through the State. In accordance with State law, the Department of Human Services has been included as a special revenue fund.

#### **Discretely Presented Component Units**

County Economic Development Corporation - is governed by a 15-person Board of Directors appointed by the County Board of Commissioners. The EDC may not issue debt or levy a tax without the County’s approval.

St. Joseph County Road Commission – is governed by a three-member Board of Road Commissioners that is appointed by the County Board of Commissioners. The Road Commission maintains local, state and federal trunklines in St. Joseph County with financing primarily from the distribution of gas and weight taxes, federal financial assistance, and contributions from other local governments. The County must authorize all long-term debt issuances of the Road Commission, excluding capital lease purchase agreements. Complete financial statements for the Road Commission may be obtained by contacting the St. Joseph County Road Commission at 20914 M-86, Centreville, Michigan 49032.

St. Joseph County Board of Public Works (BPW) – is governed by a seven-member Board that consists of a County Commissioner, five County Board of Commissioners appointees and the St. Joseph County Drain Commissioner. The BPW Board oversees the operations of the BPW, while establishing policy and administering various public works construction projects and debt service funds under Act 185 of the Public Acts of 1957. The BPW is financially accountable to the County because all general obligation debt issuances require County authorization and are backed by the full faith and credit of the County. The BPW does not issue separate financial statements.

# ST. JOSEPH COUNTY, MICHIGAN

## Notes to Financial Statements

---

St. Joseph County Drainage Districts – are governed by the St. Joseph County Drain Commissioner, who is responsible for planning, developing and maintaining surface water drainage systems, while maintaining a file for the financing, construction and maintenance of each County drain. The Drain Commissioner has authority to spend up to \$2,500 per mile on drain maintenance and borrow up to \$300,000 from any source to provide for drain maintenance without Board of Commissioners' approval and without going through the Michigan Municipal Finance Division. The Drain Commissioner has authority to levy special assessments on properties benefiting from maintenance. The Drainage Districts are financially accountable to the County because bond issuances greater than \$300,000 require County authorization and are backed by the full faith and credit of the County. Separate financial statements are not issued for the Drainage Districts.

### Joint Venture

A joint venture is a legal entity or other organization that results from a contractual arrangement, or interlocal agreement, which is owned, operated or governed by two or more participants. The entity is subject to joint control with financial interest and responsibility by its participants.

Branch-Hillsdale-St. Joseph Community Health Agency – is a joint venture between Branch, Hillsdale and St. Joseph counties. The Agency was established to provide public health services with a current funding formula of 30, 30, and 40 percent from Branch, Hillsdale and St. Joseph counties, respectively. Due to the treasury function resting with the Branch County Treasurer, the Agency is presented as a joint venture. Separate financial statements are available at the Agency's administrative offices.

## 2. *Government-wide and Fund Financial Statements*

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, 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. Likewise, the primary government is reported separately from certain component units for which the primary government is financially accountable.

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

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.

# ST. JOSEPH COUNTY, MICHIGAN

## Notes to Financial Statements

---

### 3. *Measurement Focus, Basis of Accounting and Financial Statement Presentation*

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Agency funds, a type of fiduciary fund, are unlike all other types of funds, reporting only assets and liabilities. Therefore, agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

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

Property taxes, state shared revenues, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The County reports the following major governmental funds:

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

The *revenue sharing reserve fund* is mandated by the State of Michigan and accounts for property tax collections to serve as a substitute for state revenue sharing payments. This substitute funding mechanism involves a gradual shift of County property tax millage from a winter to a summer tax levy.

The *central dispatch fund* accounts for the operations of the countywide 911 dispatch center and the millage approved by county voters for the operation of the facility.

The *commission on aging fund* accounts for the operations of the countywide senior services programs and the millage approved by county voters for the operation of the facility.

The *budget stabilization fund* accounts for funds to cover a general fund deficit, to prevent a reduction in services or reduction in work force at anytime in a fiscal year or when preparing the next fiscal budget, or to cover expenses related to a disaster.

# ST. JOSEPH COUNTY, MICHIGAN

## Notes to Financial Statements

---

The County reports the following major proprietary funds:

The *tax payment fund* accounts for the annual purchase of delinquent real property taxes from each of the local taxing units within the county, and the ultimate collection from the property owners of the delinquent taxes with penalty and interest.

Additionally, the County reports the following fund types:

*Special revenue funds* account for revenue sources that are legally restricted to expenditure for specific purposes (not including major capital projects).

*The capital projects funds* are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary and trust funds).

*Permanent funds* account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the government's programs.

An *internal service fund* accounts for operations that provide employee benefits to other departments of the County on a cost-reimbursement basis.

A *pension trust fund* accounts for the activities of the County's pension benefit payments to qualified employees.

*Agency funds* are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the government holds for others in an agency capacity.

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* 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 and of the government's internal service fund are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first and then unrestricted resources as they are needed.

# ST. JOSEPH COUNTY, MICHIGAN

## Notes to Financial Statements

---

### 4. *Assets, Liabilities and Equity*

Deposits and Investment – The County pools cash resources of various funds in order to facilitate the management of cash; however, cash applicable to a particular fund is readily identifiable. Sufficient cash is retained in the pooled cash accounts to meet current operating requirements and excess cash 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 maturities from date of purchase of 90 days or less, investment trust funds, and mutual funds. The investment trust funds have the general characteristics of demand deposit accounts.

Investments are stated at fair value and consist of U.S government obligations, mutual funds, and certificates of deposit with original maturities of greater than 90 days.

State statutes authorize the County to deposit in the accounts of federally insured banks, credit unions and savings and loan associations and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

Receivables and Payables – Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as “interfund receivables/payable”. Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

Receivables consist of accounts receivable related to charges for services and amounts due from governmental units for various financial assistance programs and State shared revenues. The County utilizes the direct write-off method for uncollectible receivables for all other funds as past experience indicates the write-off of accounts receivable for these funds are immaterial and do not warrant the use of allowance accounts.

Inventories – The cost of inventory items in the general and commission on aging funds is recorded as an expenditure at the time of purchase. Inventories consist of paper and office supplies and various consumer products, which are stated at the lower of first-in, first-out (FIFO) or market.

The cost of inventory items in the Road Commission is recorded as an expenditure when they are used (i.e., consumption method). Inventories of the Road Commission consist of road materials and equipment parts, which are stated at the lower of average cost or market.

Prepays – Certain payments to vendors (particularly for insurance coverage) reflect costs that are applicable to a future period and are recorded as prepaid items.

Capital Assets – Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, drains and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of \$300 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

# ST. JOSEPH COUNTY, MICHIGAN

## Notes to Financial Statements

---

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

Capital assets of the primary government and component units are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	10-50 years
Equipment	3-7 years
Vehicles	5 years
Infrastructure - drains	40 years

Capital assets of the Road Commission component unit are depreciated as follows:

Buildings	Straight-line	40 years
Equipment	Sum-of-years-digits	5-8 years
Roads	Straight-line	5-30 years
Bridges	Straight-line	15-50 years
Other infrastructure	Straight-line	8-20 years

Compensated Absences – Eligible employees are permitted to accumulate earned but unused vacation benefits in varying amounts based on length of service and certain other established criteria. Amounts not expected to be liquidated with expendable available financial resources are accrued when incurred in the government-wide and proprietary fund financial statements. A liability is reported in governmental funds only if these amounts have matured, for example, as a result of employee resignations or retirements.

Long-term Obligations – In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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

# ST. JOSEPH COUNTY, MICHIGAN

## Notes to Financial Statements

### B. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

#### 1. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and special revenue funds. All annual appropriations lapse at year-end. The legal level of budgetary control is at the activity level for the general fund and the fund level for the special revenue funds. The Board made several supplemental budgetary appropriations throughout the year that were not considered material.

Prior to November 1 of each year, the County departments working in conjunction with the Administrator's Office prepare and submit their proposed budgets, including expenditures and estimated revenues, for the fiscal year commencing the following January 1. Following a public hearing to obtain taxpayer comments, the budgets are legally enacted prior to January 1 through passage of a budget resolution.

#### 2. Excess of Expenditures over Appropriations

State statutes provide that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended December 31, 2007, the County incurred no expenditures in excess of the amounts appropriated.

#### 3. Deficit Fund Equity

The register of deeds automation special revenue fund reported a deficit fund balance of \$62,398 as of December 31, 2007.

### C. DETAIL NOTES ON ALL FUNDS

#### 1. Deposits and investments

A reconciliation of cash and investments as shown in the basic financial statements is as follows:

Cash on hand	\$	11,225
Carrying amount of deposits		18,376,318
Carrying amount of investments		<u>10,866,248</u>
	<b>\$</b>	<b><u>29,253,791</u></b>

	<b><u>Primary Government</u></b>	<b><u>Component Units</u></b>	<b><u>Fiduciary Funds</u></b>	<b><u>Total</u></b>
Cash and cash equivalents	\$ 18,893,686	\$ 1,167,104	\$ 1,650,912	\$ 21,711,702
Investments	<u>7,542,089</u>	<u>-</u>	<u>-</u>	<u>7,542,089</u>
Total	<b><u>\$ 26,435,775</u></b>	<b><u>\$ 1,167,104</u></b>	<b><u>\$ 1,650,912</u></b>	<b><u>\$ 29,253,791</u></b>

# ST. JOSEPH COUNTY, MICHIGAN

## Notes to Financial Statements

---

The County chooses to disclose its investments by specific identification. As of year end, the County had the following investments.

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>
Federal Home Loan. Mtg. Corp.	03/07/08	\$ 1,418,425	S&P – AAA
Federal Nat. Mtg. Assn.	02/01/08	2,572,225	S&P – AAA
Federal Nat. Mtg. Assn.	03/10/08	1,010,060	S&P – AAA
U.S. Treasury	05/01/08	1,130,690	not rated
U.S. Treasury	05/08/08	1,410,689	not rated
MBIA short term funds	NA	<u>3,324,159</u>	not rated
		<b><u>\$10,866,248</u></b>	

### Investment and deposit risk

*Interest Rate Risk.* State law limits the allowable investments and the maturities of some of the allowable investments as identified in the list of authorized investments above. The County's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The maturities for each investment are identified above for investments held at year end.

*Credit Risk.* State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above. The County's investment policy does not have specific limits in excess of state law on investment credit risk. The ratings for each investment are identified above for investments held at year end.

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned. State law does not require and the County does not have a policy for deposit custodial credit risk. As of year end, \$17,235,447 of the County's bank balance of \$18,298,890 [total book balance was \$18,376,318] was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial Credit Risk – Investments.* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require a policy for investment custodial credit risk. The County's investment policy limits investments to those types of securities allowed by state statutes as listed in Note A-4 above and pre-qualifies the financial institutions, broker/dealers, intermediaries and advisors with which the County does business in accordance with this policy. None of the investments above are subject to custodial credit risk.

*Concentration of Credit Risk.* State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The County's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year-end are reported above.

# ST. JOSEPH COUNTY, MICHIGAN

## Notes to Financial Statements

### 2. RECEIVABLES

Receivables as of December 31, 2007 are summarized as follows:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Component Units</b>
Property taxes	\$ 2,110,338	\$ 1,897,200	\$ -
Accounts receivable	256,453	150,225	2,018,494
Interest receivable	80,994	107,389	-
Special assessments	-	-	1,277,334
Leases receivable	-	-	3,414,630
Due from other governments	737,911	-	-
	<b>\$ 3,185,696</b>	<b>\$ 2,154,814</b>	<b>\$ 6,710,458</b>

Leases receivable in the Department of Public Works component unit represents amounts receivable from other local governments for the water and sewer systems constructed for them using bonds issued by the County. The receivable is equal to the outstanding bond principal plus accrued interest as of December 31, 2007. The current portion of the receivable is equal to the current portion of the related debt plus accrued interest.

### 3. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund receivables and payables at December 31, 2007 is as follows:

	<b>Receivable</b>	<b>Payable</b>
<b>Due from (to) other funds</b>		
General fund	\$ 177,775	\$ -
Nonmajor governmental funds	-	163,102
Nonmajor enterprise funds	-	14,673
	<b>\$ 177,775</b>	<b>\$ 177,775</b>

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

# ST. JOSEPH COUNTY, MICHIGAN

## Notes to Financial Statements

For the year ended December 31, 2007, interfund transfers consisted of the following:

	<b>Transfers In</b>	<b>Transfers Out</b>
General fund	\$ 1,415,500	\$ 1,216,875
Revenue sharing reserve	-	1,287,527
Central dispatch fund	-	15,000
Budget stabilization	425,000	-
Nonmajor governmental funds	902,665	209,090
Nonmajor enterprise funds	-	14,673
	<b>\$ 2,743,165</b>	<b>\$ 2,743,165</b>

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

#### 4. CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2007 was as follows:

	<b>Balance December 31, 2006</b>	<b>Restatement and Reclassifications</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31, 2007</b>
<b><u>Governmental Activities</u></b>					
<b>Capital assets not being depreciated:</b>					
Land	\$ -	\$ 441,196	\$ -	\$ -	\$ 441,196
<b>Capital assets being depreciated:</b>					
Land improvements	1,678,315	-	4,547	5,471	1,677,391
Buildings and improvements	14,605,026	(204,778)	25,354	-	14,425,602
Vehicles and equipment	3,696,038	3,109	269,317	107,545	3,860,919
<b>Subtotal</b>	<b>19,979,379</b>	<b>(201,669)</b>	<b>299,218</b>	<b>113,016</b>	<b>19,963,912</b>
<b>Accumulated depreciation</b>					
Land improvements	569,735	-	71,088	-	640,823
Buildings and improvements	6,834,770	-	220,895	-	7,055,665
Vehicles and equipment	1,893,248	291,772	296,520	107,545	2,373,995
<b>Total accumulated depreciation</b>	<b>9,297,753</b>	<b>291,772</b>	<b>588,503</b>	<b>107,545</b>	<b>10,070,483</b>
<b>Total capital assets being depreciated - net</b>	<b>10,681,626</b>	<b>(493,441)</b>	<b>(289,285)</b>	<b>5,471</b>	<b>9,893,429</b>
<b>Governmental activities capital assets - net</b>	<b>\$ 10,681,626</b>	<b>\$ (52,245)</b>	<b>\$ (289,285)</b>	<b>\$ 5,471</b>	<b>\$ 10,334,625</b>

# ST. JOSEPH COUNTY, MICHIGAN

## Notes to Financial Statements

Depreciation expense in governmental activities is not allocated by function.

	Balance December 31, 2006	Restatement	Additions	Deductions	Balance December 31, 2007
<b><u>Business-type Activities</u></b>					
<b>Capital assets being depreciated:</b>					
Vehicles and equipment	\$ 17,655	\$ -	\$ 3,478	\$ -	\$ 21,133
<b>Accumulated depreciation</b>					
Vehicles and equipment	11,148	-	1,649	-	12,797
<b>Total capital assets being depreciated - net</b>	<b>\$ 6,507</b>	<b>\$ -</b>	<b>\$ 1,829</b>	<b>\$ -</b>	<b>\$ 8,336</b>

### **Discretely Presented Component Units**

	Balance December 31, 2006	Restatement	Additions	Deductions	Balance December 31, 2007
<b>Drainage Districts</b>					
<b>Capital assets being depreciated:</b>					
Drain infrastructure	\$ 2,410,431	\$ -	\$ 139,787	\$ -	\$ 2,550,218
<b>Accumulated depreciation</b>					
Drain infrastructure	402,151	-	62,300	-	464,451
<b>Total capital assets being depreciated - net</b>	<b>\$ 2,008,280</b>	<b>\$ -</b>	<b>\$ 77,487</b>	<b>\$ -</b>	<b>\$ 2,085,767</b>

Depreciation expense was charged to the Public Works function in 2007.

	Balance December 31, 2006	Restatement	Additions	Deductions	Balance December 31, 2007
<b>Economic Development</b>					
<b>Capital assets being depreciated:</b>					
Equipment	\$ 8,254	\$ -	\$ -	\$ -	\$ 8,254
<b>Accumulated depreciation</b>					
Equipment	6,791	-	766	-	7,557
<b>Total capital assets being depreciated - net</b>	<b>\$ 1,463</b>	<b>\$ -</b>	<b>\$ (766)</b>	<b>\$ -</b>	<b>\$ 697</b>

Depreciation expense was charged to the Community Development function in 2007.

# ST. JOSEPH COUNTY, MICHIGAN

## Notes to Financial Statements

Road Commission	December 31, 2006	Restatement	Additions	Deductions	December 31, 2007
<b>Capital assets not being depreciated:</b>					
Land	\$ 226,258	\$ -	\$ -	\$ -	\$ 226,258
Infrastructure land improvements	7,660,723	-	327,505	-	7,988,228
<b>Total capital assets not being depreciated:</b>	<b>7,886,981</b>	<b>-</b>	<b>327,505</b>	<b>-</b>	<b>8,214,486</b>
<b>Capital assets being depreciated:</b>					
Buildings and improvements	1,238,120	-	205,008	250	1,442,878
Equipment	7,849,401	-	171,683	34,410	7,986,674
Depletable assets	128,851	-	-	-	128,851
Infrastructure	39,016,408	-	2,667,058	39,000	41,644,466
<b>Total capital assets being depreciated:</b>	<b>48,232,780</b>	<b>-</b>	<b>3,043,749</b>	<b>73,660</b>	<b>51,202,869</b>
<b>Accumulated depreciation</b>					
Buildings and improvements	519,271	-	39,326	-	558,597
Equipment	6,846,924	-	483,744	34,199	7,296,469
Depletable assets	72,898	-	1,570	-	74,468
Infrastructure	21,180,841	-	1,298,652	39,000	22,440,493
<b>Total accumulated depreciation</b>	<b>28,619,934</b>	<b>-</b>	<b>1,823,292</b>	<b>73,199</b>	<b>30,370,027</b>
<b>Total capital assets being depreciated - net</b>	<b>19,612,846</b>	<b>-</b>	<b>1,220,457</b>	<b>461</b>	<b>20,832,842</b>
<b>Component unit capital assets - net</b>	<b>\$ 27,499,827</b>	<b>\$ -</b>	<b>\$ 1,547,962</b>	<b>\$ 461</b>	<b>\$ 29,047,328</b>

Depreciation expense was charged to the Highways and Streets Function in 2007.

## 5. PAYABLES

Accounts payable and accrued liabilities as of December 31, 2007 are summarized as follows:

	Governmental Activities	Business-type Activities	Component Units
Accounts payable	\$ 378,862	\$ 6,433	\$ 206,762
Accrued liabilities	868,549	1,478	74,068
Due to other governments	22,381	-	75,023
Interest payable	-	-	55,005
	<b>\$ 1,269,792</b>	<b>\$ 7,911</b>	<b>\$ 410,858</b>

# ST. JOSEPH COUNTY, MICHIGAN

## Notes to Financial Statements

### 6. LONG-TERM DEBT

#### Governmental Activities

**Capital Leases** - The County has two capital lease contracts dated July 29, 2005, each for a truck, which are secured by the related equipment. These loans were paid off during the year ended December 31, 20007. follows:

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 sick and vacation leave under formulas and conditions specified in the policies and contracts. This liability is shown in the Internal Service fund – Compensated Absences.

#### Drain Commission component unit

**Drain notes.** The Drain Commissioner has irrevocably pledged its full faith and credit as collateral for certain drain notes. The drain notes were issued to finance the costs of the various projects and are payable out of assessments to be made against the benefitting properties.

<u>Purpose</u>	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Amount Outstanding</u>
<b>Component unit – Drainage District</b>				
Lamberson Dam	4.125	2008	\$ 775,000	\$ 77,500
Felker Drain	4.000	2016	427,000	384,300
Grover and Coohan Dam	4.190	2020	220,000	196,235
Portage Lake Drain	3.375	2011	200,000	119,936
Colon #1 Drain	4.550	2017	365,780	365,780
Clear Lake	3.490	2008	28,000	28,000
				<b><u>\$ 1,171,751</u></b>

Annual debt service requirements to maturity for drain bonds and notes are as follows:

<u>Year Ending December 31,</u>	<u>Component Unit - Drain</u>	
	<u>Principal</u>	<u>Interest</u>
2008	\$ 224,944	\$ 56,256
2009	120,901	39,139
2010	122,402	34,299
2011	123,939	29,413
2012	93,020	24,431
2013-2017	431,566	63,328
2018-2020	54,979	4,671
	<b><u>\$ 1,171,751</u></b>	<b><u>\$ 251,537</u></b>

# ST. JOSEPH COUNTY, MICHIGAN

## Notes to Financial Statements

### Board of Public Works component unit

The County has irrevocably pledged its full faith and credit as collateral for the following water and sewer system bonds. These projects are administered by the St. Joseph County Board of Public Works in conjunction with local municipalities within the County. Payments by the municipalities to the County, which are made in accordance with contractual agreements, provide the resources required to service the principal and interest on the related bonds.

<u>Purpose</u>	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Amount Outstanding</u>
<b>Component unit – Public Works</b>				
1997 Limited Tax GO Wastewater System #10 & 11	5.00-5.25	2017	\$ 1,400,000	\$ 455,000
1997 Limited Tax Water Supply System #13	5.25	2017	165,000	150,000
1998 Limited Tax Sewage Disposal System #14	4.50-5.00	2017	1,640,000	1,030,000
2002 Limited Tax Sanitary Sewer System #15	4.35-5.10	2022	1,510,000	1,430,000
2005 Limited Tax Water Supply System #16	3.50-4.65	2019	335,000	300,000
				<b><u>\$ 3,365,000</u></b>

Annual debt service requirements to maturity for Board of Public Works bonds are as follows:

<u>Year Ending December 31,</u>	<u>Component Unit - BPW</u>	
	<u>Principal</u>	<u>Interest</u>
2008	\$ 225,000	\$ 56,256
2009	240,000	39,139
2010	255,000	34,299
2011	270,000	29,413
2012	290,000	24,431
2013-2017	1,395,000	63,328
2018-2022	690,000	4,671
	<b><u>\$ 3,365,000</u></b>	<b><u>\$ 251,537</u></b>

### Road Commission component unit

#### Capital Leases

The Road Commission has a capitalized lease for 4 MSG International Trucks requiring two remaining principal payments of \$93,413 and \$96,926 in 2008 and 2009, respectively.

# ST. JOSEPH COUNTY, MICHIGAN

## Notes to Financial Statements

The annual requirements to pay principal and interest on debt outstanding at December 31, 2007, are as follows:

<u>Year Ending December 31,</u>	<u>Component Unit - Road Commission</u>	
	<u>Principal</u>	<u>Interest</u>
2008	\$ 93,413	\$ 7,257
2009	96,926	3,644
	<u>\$ 190,339</u>	<u>\$ 10,901</u>

### Accrued Sick and Vacation

After the first six months of employment, employees earn one vacation day per month of service. In addition, one floating holiday is available every January 1<sup>st</sup>. Seniority days are based on employees' length of service, up to a maximum of 18 days for 40 years of service for all employees. Also, one personal day is granted each year, which cannot be carried over. Up to 15 accrued vacation and seniority days may be carried over and used in the succeeding year. Sick leave is earned at the rate of 6 days per year and up to 60 days may be accumulated. The employees' vacation pay, no greater than 80 hours, and sick pay are payable to employees who resign with proper notice or retire.

*Changes in long-term debt.* Long-term debt activity for the year ended December 31, 2007 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b><u>Primary Government</u></b>					
<b>Governmental activities</b>					
Installment leases	\$ 20,205	\$ -	\$ 20,205	\$ -	\$ -
 <b><u>Component Units</u></b>					
<b>Board of Public Works</b>					
General obligation bonds	\$ 3,929,875	\$ -	\$ 564,875	\$ 3,365,000	\$ 225,000
 <b>Drainage Districts</b>					
Drain bonds and notes	\$ 1,232,953	\$ 393,780	\$ 454,982	\$ 1,171,751	\$ 224,944
 <b>Road Commission</b>					
Land contract and capital leases	\$ 361,136	\$ -	\$ 170,797	\$ 190,339	\$ 93,413
Compensated absences	130,800	10,542	-	141,342	30,000
	<u>\$ 491,936</u>	<u>\$ 10,542</u>	<u>\$ 170,797</u>	<u>\$ 331,681</u>	<u>\$ 123,413</u>

# ST. JOSEPH COUNTY, MICHIGAN

## Notes to Financial Statements

---

### 7. RISK MANAGEMENT

The County is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The County has purchased commercial insurance for employee medical benefit claims, and participates in the Michigan Municipal League Workers' Compensation Fund for workers compensation claims. 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 a special assessment to make up the deficiency. The County has not been informed of any special assessments being required. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The County participates in the Michigan Municipal Risk Management Authority (MMRMA) for general and automobile liability, motor vehicle physical damage and property damage coverages. The MMRMA provides risk management, underwriting, reinsurance and claim review and processing services for all member governments pursuant to its charter. Under most circumstances, the County's maximum loss retention per occurrence is \$75,000 for general and automobile liability, \$15,000 for motor vehicle physical damage, and \$10,000 for property coverage.

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

#### **Road Commission component unit**

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

The Michigan County Road Commission Self-Insurance Pool was established for the purpose of making a self-insurance pooling program available for Michigan County Road Commissions, which includes, but is not limited to, general liability coverage, auto liability coverage, property insurance coverage, stop loss insurance protection, claims administration, and risk management and loss control services pursuant to Michigan Public Act 138 of 1982.

The Road Commission pays an annual premium to the Pool for general liability, excess liability, errors and omissions, auto liability, auto comprehensive, auto collision, equipment and building and contents.

The agreement for the formation of the Pool provides that the Pool will be self-sustaining through member premiums and will purchase both specific and aggregate stop-loss insurance to the limits determined necessary by the Pool Board.

The Road Commission is also self-insured for workers' compensation as a member of the County Road Association Self Insurance Fund. The estimated amount of the IBNR, or "incurred but not reported" claims associated with the self-insurance arrangements is not considered to be material at December 31, 2007.

# ST. JOSEPH COUNTY, MICHIGAN

## Notes to Financial Statements

---

The Road Commission continues to carry commercial insurance for all other risks of loss, including life insurance, health program, data processing, commercial crime and boiler and machinery. Settled claims have not exceeded insurance coverage for the last three years.

### 8. CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and potential adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the government's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the government.

### 9. PROPERTY TAXES

Heretofore, county property taxes have been levied on December 1 of each year (the lien date) and were due in full by March 1 of the year following the levy, at which time uncollected taxes became delinquent. Pursuant to Public Act 357 of 2005, which provided a funding mechanism to replace state revenue sharing payments to counties, the County's levy date gradually shifted (or accelerated) from December 1 to July 1 of each year. As such, for the year ended December 31, 2007, the County recognized the one-third December 1, 2006 levy and the entire July 1, 2007 levy. In each year hereafter, all of the County property tax will be levied July 1.

Property taxes are levied on the assessed taxable value of the property as established by local units, accepted by the County and equalized under State statute at approximately 50% of the current estimated market value. The assessed and taxable value of real and personal property for the 2007 levies, for which revenue was recognized in fiscal 2007, was \$1,744,604,341. The general operating tax rate for these levies were 4.5482 mills with an additional .7500 and .7500 mills assessed for central dispatch and the commission on aging, respectively.

By agreement with the various taxing authorities, the County purchases at face value the real property taxes returned delinquent each March 1 and records a corresponding delinquent taxes receivable.

# ST. JOSEPH COUNTY, MICHIGAN

## Notes to Financial Statements

---

### 10. POSTEMPLOYMENT HEALTH CARE BENEFITS

#### **Road Commission component unit.**

The Road Commission provides both health and life insurance benefits for retired employees meeting specific years of continued service requirements. The Road Commission will provide 100% health insurance coverage comparable to that provided to active employees for those retirees aged 62 to 65, providing the premium for the plan selected remains under the established annual cap. If the retiree selects a plan with a premium over the cap, the Road Commission will, depending on the retiree's classification, pay either 90% or 95% of the health insurance coverage. The Road Commission will provide 100% of the premium for a \$2,000 life insurance policy for retirees aged 62 to 65. Costs incurred by the Road Commission during 2007 amounted to \$13,968. The Road Commission currently has one retired employee receiving benefits under the plan.

### 11. DEFINED BENEFIT PENSION PLANS

#### **Defined benefit plan – Sheriff Department**

The County Sheriff's department (only POAM and FOP employees, Sheriff, Undersheriff, Jail Administrator, and the Emergency Services Coordinator) participate in the Michigan Municipal Employees Retirement System (MERS), an agent multiple-employer plan administered by the MERS Retirement Board. The Plans provide retirement and disability benefits, annual cost of living adjustments, and death benefits to eligible members and beneficiaries. The MERS Retirement Board establishes and amends plan benefit provisions as authorized under State statutes. 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 MERS, 447 N. Canal Road, Lansing, Michigan 48917, or by calling (800) 767-6377.

The employer is required to contribute at an actuarially determined rate; the current rate is 11.00% for union employees and 18.65% for four administrative employees of annual covered payroll. Employees are required to contribute either 5.6% or 7.7% of their annual covered payroll, depending on employee classification or applicable bargaining unit. Employer contribution requirements are established and may be amended by the MERS Retirement Board. The contribution requirements of plan members are established and may be amended by the County, subject to collective bargaining agreements and depending on the MERS contribution program adopted by the County.

For the year ended December 31, 2007, the annual MERS pension cost of \$262,519 was equal to the required and actual contributions. The required contributions were determined as part of the December 31, 2006 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included: (a) a rate of return on the investment of present and future assets of 8.0%; (b) projected salary increase of 4.5% per year compounded annually, attributable to inflation; and (c) additional projected salary increases based on an age-related scale to reflect merit, longevity and promotional salary increases.

The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment to reflect fair value. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis over 30 years.

# ST. JOSEPH COUNTY, MICHIGAN

## Notes to Financial Statements

### Three year funding progress and trend information

	Year Ended December 31,		
	2004	2005	2006
<b>Sheriff Department</b>			
Actuarial value of assets	\$ 7,696,455	\$ 8,231,280	\$ 9,029,227
Actuarial accrued liability (AAL)	8,958,765	9,874,803	10,389,891
Unfunded AAL	1,262,310	1,643,523	1,360,664
Funded ratio	86%	83%	87%
Covered payroll	2,198,798	2,096,521	2,119,734
UAAL as a percentage of covered payroll	57%	78%	64%
Annual pension cost	232,647	257,833	262,519
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-	-	-

### **Defined benefit plan – County General**

Through March 31, 2007, the County contributed to the St. Joseph County Employees' Retirement Income Plan ("Plan"), a single-employer defined benefit plan managed by the Retirement System Board of Trustees. The plan covers substantially all County employees, except for Commission on Aging, Sheriff Department and administrative staff, and the Road Commission. Employer and employee contributions and benefit provisions are authorized and may be amended by County Board resolution and benefits may vary pursuant to collective bargaining agreements. Effective April 1, 2007, the assets and pension obligations were transferred to the Michigan Municipal Employees Retirement System (MERS). In this short period, employee contributions to the Plan were \$19,752. The County contributed 8.68% of covered payroll paid directly to MERS at the end of the first quarter and the employees contributed 2% of covered payroll.

### Three year funding progress and trend information

	Year Ended December 31,		
	2003	2004	2005
<b>Employees' Retirement System</b>			
Actuarial value of assets	\$ 13,264,588	\$ 13,675,779	\$ 14,377,213
Actuarial accrued liability (AAL)	13,532,836	13,356,731	13,957,960
Unfunded AAL	(268,248)	319,048	419,253
Funded ratio	98%	102.4%	103%
Covered payroll	4,504,916	4,812,257	4,812,415
UAAL as a percentage of covered payroll	(6.0)%	6.6%	8.7%
Annual pension cost	229,744	344,018	544,347
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-	-	-

Actuary data for this terminated plan is only available through December 31, 2005.

# ST. JOSEPH COUNTY, MICHIGAN

## Notes to Financial Statements

---

### **Defined benefit plan – County General (New Plan)**

Effective April 1, 2007, the County participates in the Michigan Municipal Employees Retirement System (MERS), an agent multiple-employer plan administered by the MERS Retirement Board. This plan covers substantially all County employees; except for Commission on Aging, Sheriff Department and administrative staff, and the Road Commission. The Plans provide retirement and disability benefits, annual cost of living adjustments, and death benefits to eligible members and beneficiaries. The MERS Retirement Board establishes and amends plan benefit provisions as authorized under State statutes. 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 MERS, 447 N. Canal Road, Lansing, Michigan 48917, or by calling (800) 767-6377.

The employer is required to contribute at an actuarially determined rate; the current rate is 2.29% of annual covered payroll. County general employees are required to contribute 1.0% of their annual covered payroll, depending on employee classification or applicable bargaining unit. Employer contribution requirements are established and may be amended by the MERS Retirement Board. The contribution requirements of plan members are established and may be amended by the County, subject to collective bargaining agreements and depending on the MERS contribution program adopted by the County.

For the year ended December 31, 2007, the annual MERS pension cost of \$215,212 was equal to the required and actual contributions. The required contributions were determined as part of the April 1, 2007, initial actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included: (a) a rate of return on the investment of present and future assets of 8.0%; (b) projected salary increase of 4.5% per year compounded annually, attributable to inflation; and (c) additional projected salary increases based on an age-related scale to reflect merit, longevity and promotional salary increases.

The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment to reflect fair value. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis over 30 years.

As this is a new plan effective April 1, 2007, information on three year funding progress and trend data is not yet available.

### **Defined contribution plan – Commission on Aging**

Effective June 8, 1988, the St. Joseph County Commission on Aging established a defined contribution plan with Fifth Third Bank and Edward Jones, Inc. Substantially all full time employees with three years of service are eligible for this plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employer contributions are based on a fixed weekly rate for each employee covered by the personnel policy. Employees are not required to contribute to the plan. Plan provisions and contribution requirements are established and may be amended by the Board of County Commissioners. For the year ended September 30, 2007, the Commission on Aging made the required contribution of \$29,040.

# ST. JOSEPH COUNTY, MICHIGAN

## Notes to Financial Statements

---

### **Road Commission component unit – defined contribution plan**

The Road Commission established the St. Joseph County Road Commission Money Purchase Pension Plan, a single-employer defined contribution plan, on October 15, 1981. The plan, established to meet the requirements of Act No. 249, Public Acts of 1943, covers substantially all employees of the Road Commission. The Road Commission is required to contribute 6% of covered payroll at the end of each plan year. Employees do not contribute to the plan. Fifth Third Bank, Kalamazoo, Michigan is the trustee and administers the pension plan.

Plan provisions and contribution requirements are established and may be amended by the Board of County Road Commissioners. There is no service requirement in order to be eligible to participate in the plan.

Upon termination of employment for reasons other than retirement, total and permanent disability, or death, a participant is entitled to receive 100% of the participant's amount representing the vested percentage of the balance in the participant's employer contribution account at the date of termination of employment.

The Road Commission's contributions for each employee (and interest allocated to the employee's account) are partially vested after three (3) years of continuous service and fully vested after seven (7) years of continuous service.

For the plan year ended October 31, 2007, the Road Commission contributed \$105,036 (representing 6% of covered payroll) to the plan.

## **12. RESTATEMENTS**

Beginning net assets of governmental activities were decreased by \$52,245 to correct cost and accumulated depreciation balances through December 31, 2007. In addition, the beginning fund balance and net assets of the Drainage District component unit was decreased by \$220,879 to correct for special assessment revenue recognition in the prior year. Also, the beginning net assets of the Board of Public Works component unit decreased by \$8,500 to correct the outstanding balance of long term debt.

\* \* \* \* \*

**COMBINING AND INDIVIDUAL FUND  
STATEMENTS/SCHEDULES**

**ST. JOSEPH COUNTY, MICHIGAN**  
**Detailed Schedule of Revenues and**  
**Other Financing Sources - Budget and Actual**  
**General Fund**  
**For the Year Ended December 31, 2007**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget + (-)</b>
<b>Taxes</b>				
Property taxes	\$ 6,853,132	\$ 7,334,000	\$ 7,000,827	\$ (333,173)
Industrial facilities tax	275,000	275,000	370,872	95,872
Delinquent taxes	515,000	515,000	448,673	(66,327)
Total taxes	<u>7,643,132</u>	<u>8,124,000</u>	<u>7,820,372</u>	<u>(303,628)</u>
<b>Permits and regulatory licenses</b>				
Marriage	3,050	3,050	3,470	420
Dog licenses	82,000	82,000	93,604	11,604
Pistol permits	7,580	7,580	6,446	(1,134)
Total permits and regulatory licenses	<u>92,630</u>	<u>92,630</u>	<u>103,520</u>	<u>10,890</u>
<b>Intergovernmental - federal/state</b>				
Emergency management assistance	26,300	26,300	25,866	(434)
SCAAP grant	6,000	6,000	21,138	15,138
Highway safety	-	35,077	32,184	(2,893)
Cooperative reimbursement - FOC	570,000	570,000	559,708	(10,292)
Cooperative reimbursement - Prosecutor	98,879	98,879	62,169	(36,710)
Judicial salary	101,674	101,674	102,266	592
Drug case flow grant	1,000	1,000	575	(425)
Victims Rights	5,500	5,500	5,258	(242)
Marine safety grant	20,000	20,000	29,577	9,577
Juvenile officer grant	27,317	27,317	27,317	-
Probate court	45,724	45,724	45,724	-
Circuit court	45,724	45,724	45,724	-
District court	91,673	91,673	91,448	(225)
Convention and tourism	191,420	191,420	190,347	(1,073)
Cigarette tax	34,860	34,860	30,125	(4,735)
Liquor license fees	12,000	12,000	13,843	1,843
State aid-case flow assistance	16,000	16,000	23,894	7,894
State court equity funding	410,000	410,000	424,011	14,011
Election reimbursement	36,700	53,448	43,127	(10,321)
Miscellaneous	16,000	16,000	8,480	(7,520)
Total intergovernmental - federal/state	<u>1,756,771</u>	<u>1,808,596</u>	<u>1,782,781</u>	<u>(25,815)</u>

Continued...

**ST. JOSEPH COUNTY, MICHIGAN**  
**Detailed Schedule of Revenues and**  
**Other Financing Sources - Budget and Actual (Continued)**  
**General Fund**  
**For the Year Ended December 31, 2007**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget + (-)</u>
<b>Charges for services</b>				
General government:				
Circuit Court	\$ 776,000	\$ 762,386	\$ 761,587	\$ (799)
District Court	20,500	20,500	22,933	2,433
Probate Court	53,120	53,120	57,499	4,379
Treasurer	2,800	2,800	5,451	2,651
Clerk	217,200	217,200	235,996	18,796
Register of deeds	601,030	601,030	449,806	(151,224)
Friend of the Court	89,800	89,800	84,726	(5,074)
Sheriff Department:	204,200	204,200	477,288	273,088
Equalization	97,000	97,000	100,641	3,641
Central services	32,600	32,600	39,259	6,659
Animal control	11,000	11,000	9,819	(1,181)
Miscellaneous	24,100	24,100	28,874	4,774
Total charges for services	<u>2,129,350</u>	<u>2,115,736</u>	<u>2,273,879</u>	<u>158,143</u>

Continued...

**ST. JOSEPH COUNTY, MICHIGAN**  
**Detailed Schedule of Revenues and**  
**Other Financing Sources - Budget and Actual (Concluded)**  
**General Fund**  
**For the Year Ended December 31, 2007**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget + (-)</u>
<b>Fines and forfeitures</b>				
Ordinance fines and costs	\$ 190,000	\$ 190,000	\$ 214,939	\$ 24,939
Bond forfeitures	9,000	14,000	31,166	17,166
Miscellaneous	2,000	2,000	3,215	1,215
Total fines and forfeitures	<u>201,000</u>	<u>206,000</u>	<u>249,320</u>	<u>43,320</u>
<b>Interest and rents</b>				
Interest on investments	276,000	276,000	603,582	327,582
Rental fees	5,300	5,300	4,212	(1,088)
Total interest and rents	<u>281,300</u>	<u>281,300</u>	<u>607,794</u>	<u>326,494</u>
<b>Other</b>				
Sale of capital assets	1,500	1,500	13,511	12,011
Reimbursements and refunds	45,964	66,065	191,382	125,317
Miscellaneous	6,313	32,350	17,326	(15,024)
Total other	<u>53,777</u>	<u>99,915</u>	<u>222,219</u>	<u>122,304</u>
<b>Total revenues</b>	12,157,960	12,728,177	13,059,885	331,708
<b>Other financing sources -</b>				
Transfers in	<u>1,368,059</u>	<u>1,368,059</u>	<u>1,415,500</u>	<u>47,441</u>
<b>Total revenues and other financing sources</b>	<u>\$ 13,526,019</u>	<u>\$ 14,096,236</u>	<u>\$ 14,475,385</u>	<u>\$ 379,149</u>

**ST. JOSEPH COUNTY, MICHIGAN**  
**Detailed Schedule of Expenditures and**  
**Other Financing Uses - Budget and Actual**  
**General Fund**  
**For the Year Ended December 31, 2007**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget + (-)</u>
<b>General government</b>				
Board of commissioners	\$ 171,262	\$ 172,462	\$ 172,320	\$ 142
Circuit court	268,015	268,015	253,954	14,061
District court	1,020,966	993,666	961,147	32,519
Friend of the court	621,297	646,280	631,893	14,387
Jury commission	1,950	1,950	1,507	443
Probate court	314,781	314,781	304,477	10,304
Family court	792,715	832,715	775,102	57,613
Appeals court	35,765	35,765	25,303	10,462
Public defender	401,000	401,000	400,229	771
Administrator	141,243	141,243	135,688	5,555
Elections	39,200	55,948	45,146	10,802
Finance	209,495	223,045	222,976	69
Clerk	375,788	375,788	358,325	17,463
Equalization	317,061	317,061	301,335	15,726
Human resources	130,374	130,374	114,543	15,831
Geographic information systems	106,714	106,714	98,105	8,609
Prosecuting attorney	695,474	683,862	657,939	25,923
Central services	411,441	411,441	362,782	48,659
Register of Deeds	217,790	217,790	209,165	8,625
Treasurer	239,989	239,989	230,473	9,516
Cooperative Extension	228,592	228,592	226,863	1,729
Information Technology	260,292	230,792	197,879	32,913
Building and Grounds	350,161	370,978	362,954	8,024
Utilities	336,600	333,600	330,185	3,415
Insurance	321,079	330,222	223,296	106,926
Drain Commission	51,586	84,891	84,863	28
Court security	77,417	79,217	79,122	95
Other	30,757	34,197	33,431	766
Total general government	<u>8,168,804</u>	<u>8,262,378</u>	<u>7,801,002</u>	<u>461,376</u>
<b>Public safety</b>				
Sheriff - General	1,730,836	1,767,893	1,704,988	62,905
Sheriff - Corrections	13,073	13,073	8,959	4,114
Jail	1,920,920	1,965,078	1,951,825	13,253
Marine safety	29,420	30,535	30,293	242
Animal Control	177,886	182,886	180,071	2,815
Emergency Services	86,107	86,545	84,465	2,080
Other	500	500	96	404
Total public safety	<u>3,958,742</u>	<u>4,046,510</u>	<u>3,960,697</u>	<u>85,813</u>
<b>Public works</b>				
Public works	9,942	9,942	8,430	1,512
Soil	22,500	22,500	22,500	-
Appropriation to road commission	30,000	30,000	30,000	-
Total public safety	<u>62,442</u>	<u>62,442</u>	<u>60,930</u>	<u>1,512</u>

Continued...

**ST. JOSEPH COUNTY, MICHIGAN**  
**Detailed Schedule of Expenditures and**  
**Other Financing Uses - Budget and Actual (Concluded)**  
**General Fund**  
**For the Year Ended December 31, 2007**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget + (-)</u>
<b>Health and social services</b>				
Child care probate	\$ 130,000	\$ 130,000	\$ 114,415	\$ 15,585
District health	406,330	406,330	403,266	3,064
Community Mental Health	192,980	192,980	192,980	-
Medical examiner	41,900	46,700	46,610	90
Substance abuse	95,710	95,710	95,174	536
Veterans	3,300	3,725	3,720	5
Veterans services	28,201	28,951	28,831	120
Total health and social services	<u>898,421</u>	<u>904,396</u>	<u>884,996</u>	<u>19,400</u>
<b>Community development</b>				
Planning	<u>40,992</u>	<u>40,992</u>	<u>39,236</u>	<u>1,756</u>
<b>Total expenditures</b>	<u>13,129,401</u>	<u>13,316,718</u>	<u>12,746,861</u>	<u>569,857</u>
<b>Other financing uses - transfers out</b>				
Appropriations:				
Probate Child Care	229,500	318,500	318,500	-
Parks and Recreation	158,591	158,591	158,591	-
Other operating transfers out	20,000	478,456	478,456	-
Other:				
DHS Social Welfare Fund	39,200	39,200	39,200	-
DHS Child Care	110,000	140,000	140,000	-
Circuit Court Law Library	4,500	4,500	4,500	-
Secondary Road Patrol	49,628	49,628	71,628	(22,000)
Land Corners	6,000	6,000	6,000	-
<b>Total other financing uses</b>	<u>617,419</u>	<u>1,194,875</u>	<u>1,216,875</u>	<u>(22,000)</u>
<b>Total expenditures and other financing uses</b>	<u>\$ 13,746,820</u>	<u>\$ 14,511,593</u>	<u>\$ 13,963,736</u>	<u>\$ 547,857</u>

**ST. JOSEPH COUNTY, MICHIGAN**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**December 31, 2007**

	<u>Special Revenue Funds</u>				
	<u>Parks and Recreation</u>	<u>Central Dispatch Wireless</u>	<u>Meyer Broadway Park</u>	<u>Facilities and Land Acquisition</u>	<u>Friend of the Court</u>
<b><u>ASSETS</u></b>					
<b>Assets</b>					
Cash and cash equivalents	\$ 54,189	\$ 355,220	\$ 79,708	\$ 1,489	\$ 14,738
Receivables:					
Accounts, net	3,627	-	-	2	51
Due from other governmental units	-	37,113	-	-	-
Prepays	-	-	-	-	-
Other assets	3,544	-	-	-	-
	<u>3,544</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 61,360</u></b>	<b><u>\$ 392,333</u></b>	<b><u>\$ 79,708</u></b>	<b><u>\$ 1,491</u></b>	<b><u>\$ 14,789</u></b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>					
<b>Liabilities</b>					
Accounts payable	\$ 2,635	\$ 27,673	\$ 260	\$ -	\$ -
Accrued liabilities	1,855	1,101	544	-	-
Due to other funds	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>4,490</u>	<u>28,774</u>	<u>804</u>	<u>-</u>	<u>-</u>
<b>Fund balances</b>					
Reserved for prepaids	-	-	-	-	-
Unreserved:					
Designated for capital projects	-	-	-	-	-
Undesignated	56,870	363,559	78,904	1,491	14,789
	<u>56,870</u>	<u>363,559</u>	<u>78,904</u>	<u>1,491</u>	<u>14,789</u>
Total fund balances (deficit)	<u>56,870</u>	<u>363,559</u>	<u>78,904</u>	<u>1,491</u>	<u>14,789</u>
<b><u>TOTAL LIABILITIES AND FUND BALANCES</u></b>	<b><u>\$ 61,360</u></b>	<b><u>\$ 392,333</u></b>	<b><u>\$ 79,708</u></b>	<b><u>\$ 1,491</u></b>	<b><u>\$ 14,789</u></b>

**Special Revenue Funds**

<b>Family Counseling</b>	<b>Cade Lake Park</b>	<b>Court Caseflow Assistance</b>	<b>Waste Management Fund</b>	<b>Traffic Safety Program</b>	<b>Remonum- entation Grant</b>	<b>Animal Shelter Donation</b>	<b>Veterans Memorial Fund</b>
\$ 10,472	\$ 15,289	\$ 14,932	\$ 66,274	\$ 124,982	\$ 26,577	\$ 29,784	\$ 1,842
-	-	-	69,634	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 10,472</u>	<u>\$ 15,289</u>	<u>\$ 14,932</u>	<u>\$ 135,908</u>	<u>\$ 124,982</u>	<u>\$ 26,577</u>	<u>\$ 29,784</u>	<u>\$ 1,842</u>
\$ 308	\$ 569	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	20,000	-	-
<u>308</u>	<u>569</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,000</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
10,164	14,720	14,932	135,908	124,982	6,577	29,784	1,842
<u>10,164</u>	<u>14,720</u>	<u>14,932</u>	<u>135,908</u>	<u>124,982</u>	<u>6,577</u>	<u>29,784</u>	<u>1,842</u>
<u>\$ 10,472</u>	<u>\$ 15,289</u>	<u>\$ 14,932</u>	<u>\$ 135,908</u>	<u>\$ 124,982</u>	<u>\$ 26,577</u>	<u>\$ 29,784</u>	<u>\$ 1,842</u>

Continued...

**ST. JOSEPH COUNTY, MICHIGAN**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds (Continued)**  
**December 31, 2007**

	<u>Special Revenue Funds</u>					
	<u>Register of Deeds Automation</u>	<u>Victims Rights Advocacy</u>	<u>Community Correction Advisory Board</u>	<u>Community Correction Program</u>	<u>Local Corrections Officers Training</u>	<u>Law Enforcement</u>
<b><u>ASSETS</u></b>						
<b>Assets</b>						
Cash and cash equivalents	\$ 22,500	\$ 14,772	\$ 30,856	\$ 33,584	\$ 54,853	\$ 72,958
Receivables:						
Accounts, net	76	-	-	-	-	71,465
Due from other governmental units	-	12,352	8,763	-	-	-
Prepays	-	777	-	-	-	-
Other assets	-	-	-	-	-	-
	<u>-\$ 22,576</u>	<u>\$ 27,901</u>	<u>\$ 39,619</u>	<u>\$ 33,584</u>	<u>\$ 54,853</u>	<u>\$ 144,423</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>						
<b>Liabilities</b>						
Accounts payable	\$ 50	\$ -	\$ 4,522	\$ 3,095	\$ -	\$ 18
Accrued liabilities	-	1,434	1,298	-	-	4,712
Due to other funds	84,924	-	-	-	-	-
	<u>84,974</u>	<u>1,434</u>	<u>5,820</u>	<u>3,095</u>	<u>-</u>	<u>4,730</u>
<b>Fund balances</b>						
Reserved for prepaids	-	777	-	-	-	-
Unreserved:						
Designated for capital projects	-	-	-	-	-	-
Undesignated	(62,398)	26,467	33,799	30,489	54,853	139,693
	<u>(62,398)</u>	<u>26,467</u>	<u>33,799</u>	<u>30,489</u>	<u>54,853</u>	<u>139,693</u>
	<u>\$ 22,576</u>	<u>\$ 27,901</u>	<u>\$ 39,619</u>	<u>\$ 33,584</u>	<u>\$ 54,853</u>	<u>\$ 144,423</u>

**Special Revenue Funds**

<b>Drug Law Enforcement</b>	<b>Secondary Road Patrol</b>	<b>Homeland Security Grant</b>	<b>County Law Library</b>	<b>Principal Residence Denial</b>
\$ 35,154	\$ 43,283	\$ 52,643	\$ 3,115	\$ 67,946
-	-	-	-	-
-	7,505	12,044	-	-
-	1,672	-	-	-
-	3,730	-	-	-
<u>\$ 35,154</u>	<u>\$ 56,190</u>	<u>\$ 64,687</u>	<u>\$ 3,115</u>	<u>\$ 67,946</u>
\$ 1,224	\$ -	\$ 710	\$ 953	\$ -
-	3,621	-	-	150
-	-	58,178	-	-
<u>1,224</u>	<u>3,621</u>	<u>58,888</u>	<u>953</u>	<u>150</u>
-	1,672	-	-	-
-	-	-	-	-
33,930	52,569	5,799	2,162	67,796
<u>33,930</u>	<u>52,569</u>	<u>5,799</u>	<u>2,162</u>	<u>67,796</u>
<u>\$ 35,154</u>	<u>\$ 56,190</u>	<u>\$ 64,687</u>	<u>\$ 3,115</u>	<u>\$ 67,946</u>

Continued...

**ST. JOSEPH COUNTY, MICHIGAN**  
**Combining Balance Sheet**  
**December 31, 2007**  
**Nonmajor Governmental Funds (Concluded)**

	<u>Special Revenue Funds</u>					
	<u>Community Development Block Grant</u>	<u>Sheriffs Justice Training</u>	<u>Department of Human Services</u>	<u>Child Care Probate Court</u>	<u>Child Care Human Services</u>	<u>Veterans Trust Fund</u>
<b><u>ASSETS</u></b>						
<b>Assets</b>						
Cash and cash equivalents	\$ 81,165	\$ 15,284	\$ -	\$ 36,763	\$ -	\$ 836
Receivables:						
Accounts, net	-	-	-	-	-	-
Due from other governmental units	62,795	-	-	30,039	-	3,739
Prepays	-	-	-	-	-	-
Other assets	-	-	-	-	-	-
	<u>-\$ 143,960</u>	<u>\$ 15,284</u>	<u>\$ -</u>	<u>\$ 66,802</u>	<u>\$ -</u>	<u>\$ 4,575</u>
<b><u>TOTAL ASSETS</u></b>						
	<u>\$ 143,960</u>	<u>\$ 15,284</u>	<u>\$ -</u>	<u>\$ 66,802</u>	<u>\$ -</u>	<u>\$ 4,575</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>						
<b>Liabilities</b>						
Accounts payable	\$ 30,415	\$ -	\$ -	\$ 30,466	\$ -	\$ -
Accrued liabilities	-	-	-	1,074	-	-
Due to other funds	-	-	-	-	-	-
	<u>30,415</u>	<u>-</u>	<u>-</u>	<u>31,540</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>30,415</u>	<u>-</u>	<u>-</u>	<u>31,540</u>	<u>-</u>	<u>-</u>
<b>Fund balances</b>						
Reserved for prepaids	-	-	-	-	-	-
Unreserved:						
Designated for subsequent year expenditures	-	-	-	-	-	-
Undesignated (deficit)	113,545	15,284	-	35,262	-	4,575
	<u>113,545</u>	<u>15,284</u>	<u>-</u>	<u>35,262</u>	<u>-</u>	<u>4,575</u>
Total fund balances	<u>113,545</u>	<u>15,284</u>	<u>-</u>	<u>35,262</u>	<u>-</u>	<u>4,575</u>
	<u>\$ 143,960</u>	<u>\$ 15,284</u>	<u>\$ -</u>	<u>\$ 66,802</u>	<u>\$ -</u>	<u>\$ 4,575</u>
<b><u>TOTAL LIABILITIES AND FUND BALANCES</u></b>						

Capital Projects Funds			Permanent Trust Funds	
Board of Public Works Administration	Information Technology Improvement	County Facilities Maintenance	Cemetery	Total
\$ 10,777	\$ 74,774	\$ 71,421	\$ 15,661	\$ 1,533,841
-	-	-	304	145,159
-	-	-	-	174,350
-	-	-	-	2,449
-	-	-	-	7,274
<u>\$ 10,777</u>	<u>\$ 74,774</u>	<u>\$ 71,421</u>	<u>\$ 15,965</u>	<u>\$ 1,863,073</u>
\$ -	\$ -	\$ -	\$ -	\$ 102,898
-	-	-	-	15,789
-	-	-	-	163,102
-	-	-	-	281,789
-	-	-	-	2,449
10,777	74,774	71,421	-	156,972
-	-	- #	15,965	1,421,863
<u>10,777</u>	<u>74,774</u>	<u>71,421</u>	<u>15,965</u>	<u>1,581,284</u>
<u>\$ 10,777</u>	<u>\$ 74,774</u>	<u>\$ 71,421</u>	<u>\$ 15,965</u>	<u>\$ 1,863,073</u>

**ST. JOSEPH COUNTY, MICHIGAN**  
**Combining Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended December 31, 2007**

**Special Revenue Funds**

	<b>Parks and Recreation</b>	<b>Central Dispatch Wireless</b>	<b>Meyer Broadway Park</b>	<b>Facilities and Land Acquisition</b>	<b>Friend of the Court</b>
<b>Revenues</b>					
Licenses and permits	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental:					
Federal/state	3,627	-	-	-	8,087
Charges for services	11,637	-	5,386	-	15,910
Fines and forfeitures	-	168,276	-	-	-
Interest and rent	900	19,999	4,100	22	791
Miscellaneous	2,330	-	1,468	-	-
Total revenues	<u>18,494</u>	<u>188,275</u>	<u>10,954</u>	<u>22</u>	<u>24,788</u>
<b>Expenditures</b>					
Current:					
General government	-	-	-	-	7,787
Public safety	-	211,751	-	-	-
Public works	-	-	-	-	-
Health and social services	-	-	-	-	-
Community development	-	-	-	-	-
Parks, recreation and culture	169,452	-	72,556	-	-
Capital outlay	-	-	-	-	-
Total expenditures	<u>169,452</u>	<u>211,751</u>	<u>72,556</u>	<u>-</u>	<u>7,787</u>
Revenue over (under) expenditures	<u>(150,958)</u>	<u>(23,476)</u>	<u>(61,602)</u>	<u>22</u>	<u>17,001</u>
<b>Other financing sources (uses)</b>					
Transfers in	158,591	-	74,392	-	-
Transfers out	-	(5,000)	-	-	(13,780)
Total other financing sources (uses)	<u>158,591</u>	<u>(5,000)</u>	<u>74,392</u>	<u>-</u>	<u>(13,780)</u>
Net change in fund balances	7,633	(28,476)	12,790	22	3,221
Fund balances (deficit), beginning of year	<u>49,237</u>	<u>392,035</u>	<u>66,114</u>	<u>1,469</u>	<u>11,568</u>
<b>Fund balances (deficit), end of year</b>	<u>\$ 56,870</u>	<u>\$ 363,559</u>	<u>\$ 78,904</u>	<u>\$ 1,491</u>	<u>\$ 14,789</u>

**Special Revenue Funds**

<b>Family Counseling</b>	<b>Cade Lake Park</b>	<b>Court Caseflow Assistance</b>	<b>Waste Management Fund</b>	<b>Traffic Safety Program</b>	<b>Remonum- entation Grant</b>	<b>Animal Shelter Donation</b>	<b>Veterans Memorial Fund</b>
\$ 7,440	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	78,759	-	-
-	52,377	-	316,646	50,224	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	15	-	-	-	-	292	-
<u>7,440</u>	<u>52,392</u>	<u>-</u>	<u>316,646</u>	<u>50,224</u>	<u>78,759</u>	<u>292</u>	<u>-</u>
2,822	-	-	-	-	83,459	-	-
-	-	-	-	4,661	-	1,206	-
-	-	-	246,376	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	57,438	-	-	-	-
-	44,189	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>2,822</u>	<u>44,189</u>	<u>-</u>	<u>303,814</u>	<u>4,661</u>	<u>83,459</u>	<u>1,206</u>	<u>-</u>
4,618	8,203	-	12,832	45,563	(4,700)	(914)	-
-	-	-	-	-	6,000	-	-
-	-	-	(102,593)	-	(1,300)	-	-
-	-	-	(102,593)	-	4,700	-	-
4,618	8,203	-	(89,761)	45,563	-	(914)	-
5,546	6,517	14,932	225,669	79,419	6,577	30,698	1,842
<u>\$ 10,164</u>	<u>\$ 14,720</u>	<u>\$ 14,932</u>	<u>\$ 135,908</u>	<u>\$ 124,982</u>	<u>\$ 6,577</u>	<u>\$ 29,784</u>	<u>\$ 1,842</u>

Continued...

**ST. JOSEPH COUNTY, MICHIGAN**  
**Combining Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances (Continued)**  
**Nonmajor Governmental Funds**  
**For the Year Ended December 31, 2007**

	Special Revenue Funds				
	Register of Deeds Automation	Victims Rights Advocacy	Community Correction Advisory Board	Community Correction Program	Local Corrections Officers Training
<b>Revenues</b>					
Licenses and permits	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental:					
Federal/state	-	52,288	101,505	-	-
Charges for services	66,775	-	-	34,393	30,782
Fines and forfeitures	-	-	-	-	-
Interest and rent	1,982	-	-	-	-
Miscellaneous	-	-	-	-	-
Total revenues	<u>68,757</u>	<u>52,288</u>	<u>101,505</u>	<u>34,393</u>	<u>30,782</u>
<b>Expenditures</b>					
Current:					
General government	55,129	53,650	-	-	-
Public safety	-	-	113,910	31,026	24,699
Public works	-	-	-	-	-
Health and social services	-	-	-	-	-
Community development	-	-	-	-	-
Parks, recreation and culture	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	<u>55,129</u>	<u>53,650</u>	<u>113,910</u>	<u>31,026</u>	<u>24,699</u>
Revenue over (under) expenditures	<u>13,628</u>	<u>(1,362)</u>	<u>(12,405)</u>	<u>3,367</u>	<u>6,083</u>
<b>Other financing sources (uses)</b>					
Transfers in	-	-	16,398	-	-
Transfers out	-	-	-	(16,398)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>16,398</u>	<u>(16,398)</u>	<u>-</u>
Net change in fund balances	13,628	(1,362)	3,993	(13,031)	6,083
Fund balances (deficit), beginning of year	(76,026)	27,829	29,806	43,520	48,770
<b>Fund balances (deficit), end of year</b>	<u>\$ (62,398)</u>	<u>\$ 26,467</u>	<u>\$ 33,799</u>	<u>\$ 30,489</u>	<u>\$ 54,853</u>

**Special Revenue Funds**

<b>Law Enforcement</b>	<b>Drug Law Enforcement</b>	<b>Secondary Road Patrol</b>	<b>Homeland Security Grant</b>	<b>County Law Library</b>	<b>Principal Residence Denial</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
231,875	405	110,538	129,018	-	-
8,090	18,394	-	-	-	-
-	54,692	-	-	-	10,187
-	-	-	-	-	-
-	-	-	-	6,500	-
<u>239,965</u>	<u>73,491</u>	<u>110,538</u>	<u>129,018</u>	<u>6,500</u>	<u>10,187</u>
-	-	-	-	14,304	8,781
228,339	18,734	142,319	128,889	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>228,339</u>	<u>18,734</u>	<u>142,319</u>	<u>128,889</u>	<u>14,304</u>	<u>8,781</u>
<u>11,626</u>	<u>54,757</u>	<u>(31,781)</u>	<u>129</u>	<u>(7,804)</u>	<u>1,406</u>
-	-	71,628	-	4,500	-
<u>(10,019)</u>	<u>(40,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(10,019)</u>	<u>(40,000)</u>	<u>71,628</u>	<u>-</u>	<u>4,500</u>	<u>-</u>
1,607	14,757	39,847	129	(3,304)	1,406
<u>138,086</u>	<u>19,173</u>	<u>12,722</u>	<u>5,670</u>	<u>5,466</u>	<u>66,390</u>
<u>\$ 139,693</u>	<u>\$ 33,930</u>	<u>\$ 52,569</u>	<u>\$ 5,799</u>	<u>\$ 2,162</u>	<u>\$ 67,796</u>

Continued...

**ST. JOSEPH COUNTY, MICHIGAN**  
**Combining Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances (Concluded)**  
**Nonmajor Governmental Funds**  
**For the Year Ended December 31, 2007**

**Special Revenue Funds**

	<b>Community Development Block Grant</b>	<b>Sheriffs Justice Training</b>	<b>Department of Human Services</b>	<b>Child Care Probate Court</b>	<b>Child Care Human Services</b>
<b>Revenues</b>					
Licenses and permits	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental:					
Federal/state	211,183	6,201	186,195	112,522	117,413
Charges for services	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Interest and rent	-	-	-	-	-
Miscellaneous	-	-	-	9,699	-
<b>Total revenues</b>	<b>211,183</b>	<b>6,201</b>	<b>186,195</b>	<b>122,221</b>	<b>117,413</b>
<b>Expenditures</b>					
Current:					
General government	-	-	-	-	-
Public safety	-	3,190	-	-	-
Public works	-	-	-	-	-
Health and social services	-	-	287,032	386,675	310,716
Community development	208,997	-	-	-	-
Parks, recreation and culture	-	-	-	-	-
Capital outlay	-	-	-	-	-
<b>Total expenditures</b>	<b>208,997</b>	<b>3,190</b>	<b>287,032</b>	<b>386,675</b>	<b>310,716</b>
Revenue over (under) expenditures	2,186	3,011	(100,837)	(264,454)	(193,303)
<b>Other financing sources (uses)</b>					
Transfers in	-	-	39,200	318,500	160,000
Transfers out	-	-	-	(20,000)	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>39,200</b>	<b>298,500</b>	<b>160,000</b>
Net change in fund balances	2,186	3,011	(61,637)	34,046	(33,303)
Fund balances (deficit), beginning of year	111,359	12,273	61,637	1,216	33,303
<b>Fund balances (deficit), end of year</b>	<b>\$ 113,545</b>	<b>\$ 15,284</b>	<b>\$ -</b>	<b>\$ 35,262</b>	<b>\$ -</b>

Capital Projects Funds				Permanent Trust Fund	
Veterans Trust Fund	Board of Public Works Administration	Information Technology Improvement	County Facilities Maintenance	Cemetery	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,440
14,958	-	-	-	-	1,364,574
-	-	-	-	-	610,614
-	-	-	-	-	233,155
-	-	-	-	568	28,362
-	-	-	-	-	20,304
14,958	-	-	-	568	2,264,449
-	-	-	-	-	225,932
-	-	-	-	-	908,724
-	-	-	-	-	246,376
19,607	-	-	-	-	1,004,030
-	-	-	-	-	266,435
-	-	-	-	-	286,197
-	-	(21,318)	13,560	-	(7,758)
19,607	-	(21,318)	13,560	-	2,929,936
(4,649)	-	21,318	(13,560)	568	(665,487)
-	-	53,456	-	-	902,665
-	-	-	-	-	(209,090)
-	-	53,456	-	-	693,575
(4,649)	-	74,774	(13,560)	568	28,088
9,224	10,777	-	84,981	15,397	1,553,196
\$ 4,575	\$ 10,777	\$ 74,774	\$ 71,421	\$ 15,965	\$ 1,581,284

# ST. JOSEPH COUNTY, MICHIGAN

## Combining Statement of Net Assets

### Nonmajor Enterprise Funds

December 31, 2007

	Forefeiture/ Foreclosure Fund	Inmate Store Fund	Three Rivers Community Center	Total
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 125,228	\$ 14,580	\$ 15,971	\$ 155,779
Receivables:				
Accounts, net	123,985	593	508	125,086
Interest receivable	739	-	-	739
Total current assets	249,952	15,173	16,479	281,604
Noncurrent assets:				
Equipment	-	3,761	4,575	8,336
<b>Total assets</b>	249,952	18,934	21,054	289,940
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	5,244	296	893	6,433
Accrued liabilities	-	-	1,478	1,478
Due to other funds	14,673	-	-	14,673
Total current liabilities	19,917	296	2,371	22,584
<b>Total liabilities</b>	19,917	296	2,371	22,584
<b>Net assets</b>				
Invested in capital assets	-	3,761	4,575	8,336
Unrestricted	230,035	14,877	14,108	259,020
<b>Total net assets</b>	\$ 230,035	\$ 18,638	\$ 18,683	\$ 267,356

**ST. JOSEPH COUNTY, MICHIGAN**  
**Combining Statement of Revenues, Expenses and**  
**Changes in Net Assets**  
**Nonmajor Enterprise Funds**  
**For the Year Ended December 31, 2007**

	<b>Forefeiture/ Foreclosure Fund</b>	<b>Inmate Store Fund</b>	<b>Three Rivers Community Center</b>	<b>Total</b>
<b>Operating revenues</b>				
Charges for services	\$ 204,971	\$ 19,555	\$ 2,509	\$ 227,035
Other revenues	-	-	36,489	36,489
	<u>204,971</u>	<u>19,555</u>	<u>38,998</u>	<u>263,524</u>
<b>Operating expenses</b>				
Personal services and benefits	68,384	14,441	36,449	119,274
Depreciation and amortization	-	163	1,486	1,649
	<u>68,384</u>	<u>14,604</u>	<u>37,935</u>	<u>120,923</u>
Total operating expenses	<u>68,384</u>	<u>14,604</u>	<u>37,935</u>	<u>120,923</u>
Operating income	136,587	4,951	1,063	142,601
<b>Nonoperating revenues (expenses)</b>				
Interest income	6,855	-	-	6,855
	<u>6,855</u>	<u>-</u>	<u>-</u>	<u>6,855</u>
Total nonoperating revenues (expenses)	<u>6,855</u>	<u>-</u>	<u>-</u>	<u>6,855</u>
Income before transfers	143,442	4,951	1,063	149,456
<b>Transfers out</b>	<u>(14,673)</u>	<u>-</u>	<u>-</u>	<u>(14,673)</u>
Change in net assets	128,769	4,951	1,063	134,783
Net assets, beginning of year	<u>101,266</u>	<u>13,687</u>	<u>17,620</u>	<u>132,573</u>
<b>Net assets, end of year</b>	<u>\$ 230,035</u>	<u>\$ 18,638</u>	<u>\$ 18,683</u>	<u>\$ 267,356</u>

**ST. JOSEPH COUNTY, MICHIGAN**  
**Combining Statement of Cash Flows**  
**Nonmajor Enterprise Funds**  
**For the Year Ended December 31, 2007**

	<b>Forfeiture/ Foreclosure Fund</b>	<b>Inmate Store Fund</b>	<b>Three Rivers Community Center</b>	<b>Total</b>
<b>Cash flows from operating activities</b>				
Cash received from customers	\$ 80,288	\$ 19,555	\$ 2,001	\$ 101,844
Cash received from others	-	-	36,489	36,489
Cash paid to/for employees	-	-	(36,449)	(36,449)
Cash paid to suppliers	(48,467)	(14,330)	(932)	(63,729)
Net cash provided by operating activities	<u>31,821</u>	<u>5,225</u>	<u>1,109</u>	<u>38,155</u>
<b>Cash flows from non-capital financing activities</b>				
Transfer out	(14,673)	-	-	(14,673)
<b>Cash flows from capital and related financing activities</b>				
Capital acquisitions	-	(3,478)	-	(3,478)
<b>Cash flows from investing activities</b>				
Interest received	6,855	-	-	6,855
Net increase in cash and cash equivalents	24,003	1,747	1,109	26,859
Cash and cash equivalents, beginning of year	101,225	12,833	14,862	128,920
<b>Cash and cash equivalents, end of year</b>	<u>\$ 125,228</u>	<u>\$ 14,580</u>	<u>\$ 15,971</u>	<u>\$ 155,779</u>
<b>Reconciliation of operating income to net cash provided by (used in) operating activities</b>				
Operating income	\$ 136,587	\$ 4,951	\$ 1,063	\$ 142,601
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation and amortization	-	163	1,486	1,649
Change in assets and liabilities:				
Accounts receivable	(123,944)	-	(508)	(124,452)
Interest receivable	(739)	-	-	(739)
Accounts payable	5,244	111	(60)	5,295
Accrued liabilities	-	-	(872)	(872)
Due to other funds	14,673	-	-	14,673
<b>Net cash provided by operating activities</b>	<u>\$ 31,821</u>	<u>\$ 5,225</u>	<u>\$ 1,109</u>	<u>\$ 38,155</u>

**ST. JOSEPH COUNTY, MICHIGAN**  
**Statement of Net Assets and**  
**Governmental Funds Balance Sheet**  
**Drainage Districts Component Unit**  
**December 31, 2007**

	<b>Debt Service Funds</b>		
	<b>Regular Drain</b>	<b>Fish Lake Drain</b>	<b>Lamberson Dam Drain</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 60,646	\$ 478	\$ 18,283
Special assessments receivable	1,052,075	-	65,956
Capital assets being depreciated, net	-	-	-
<b>Total assets</b>	<b>\$ 1,112,721</b>	<b>\$ 478</b>	<b>\$ 84,239</b>
<b>Liabilities</b>			
Accounts payable	\$ -	\$ -	\$ -
Interest payable	-	-	-
Deferred revenue	1,052,075	-	-
Advances from primary government	-	345	-
Long-term debt:			
Due within one year	-	-	-
Due in more than one year	-	-	-
<b>Total liabilities</b>	<b>1,052,075</b>	<b>345</b>	<b>-</b>
<b>Fund balances / net assets</b>			
Fund balances - unreserved (deficit)	60,646	133	84,239
<b>Total liabilities and fund balances</b>	<b>\$ 1,112,721</b>	<b>\$ 478</b>	<b>\$ 84,239</b>
Net assets:			
Invested in capital assets, net of related debt			
Restricted			
Unrestricted			
<b>Total net assets</b>			

**Capital Projects Funds**

<b>Regular Drain</b>	<b>Long Lake Level Revolving</b>	<b>Klinger Lake Lake Level</b>	<b>Revolving Drain</b>	<b>Revolving Drain Maintenance</b>	<b>Omena Lake Proposed Assessment</b>	<b>Palmer and Long Lake Level</b>
\$ 212,152	\$ 3,154	\$ 26,075	\$ 64,119	\$ 9,266	\$ -	\$ 73,396
9,555	-	-	-	-	33,425	57,925
-	-	-	-	-	-	-
<u>\$ 221,707</u>	<u>\$ 3,154</u>	<u>\$ 26,075</u>	<u>\$ 64,119</u>	<u>\$ 9,266</u>	<u>\$ 33,425</u>	<u>\$ 131,321</u>
\$ 1,260	\$ 1,440	\$ -	\$ 4,120	\$ -	\$ 8,351	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	33,425	-
-	-	-	-	-	5,213	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1,260	1,440	-	4,120	-	46,989	-
220,447	1,714	26,075	59,999	9,266	(13,564)	131,321
<u>\$ 221,707</u>	<u>\$ 3,154</u>	<u>\$ 26,075</u>	<u>\$ 64,119</u>	<u>\$ 9,266</u>	<u>\$ 33,425</u>	<u>\$ 131,321</u>

**ST. JOSEPH COUNTY, MICHIGAN**  
**Statement of Net Assets and**  
**Governmental Funds Balance Sheet (Concluded)**  
**Drainage Districts Component Unit**  
**December 31, 2007**

	<b>Capital Projects Funds</b>			
	<b>Grey Lake Level Study</b>	<b>Pleasant/Clear Lake Proposed Assessment</b>	<b>Minnewauken Lake Study</b>	<b>Eberhard Lake Level</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 1,303	\$ 9,751	\$ 10,515	\$ 4,443
Special assessments receivable	-	57,923	-	-
Capital assets being depreciated, net	-	-	-	-
<b>Total assets</b>	<b>\$ 1,303</b>	<b>\$ 67,674</b>	<b>\$ 10,515</b>	<b>\$ 4,443</b>
<b>Liabilities</b>				
Accounts payable	\$ -	\$ 14,254	\$ -	\$ -
Interest payable	-	-	-	-
Deferred revenue	-	57,923	-	-
Advances from primary government	-	69,465	-	-
Long-term debt:				
Due within one year	-	-	-	-
Due in more than one year	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>141,642</b>	<b>-</b>	<b>-</b>
<b>Fund balances / net assets</b>				
Fund balances - unreserved (deficit)	1,303	(73,968)	10,515	4,443
<b>Total liabilities and fund balances</b>	<b>\$ 1,303</b>	<b>\$ 67,674</b>	<b>\$ 10,515</b>	<b>\$ 4,443</b>
Net assets:				
Invested in capital assets, net of related debt				
Restricted				
Unrestricted				
<b>Total net assets</b>				

<u>Total</u>	<u>GASB 34 Adjustments</u>	<u>Statement of Net Assets</u>
\$ 493,581	\$ -	\$ 493,581
1,276,859	-	1,276,859
-	2,085,767	2,085,767
\$ 1,770,440	2,085,767	3,856,207
\$ 29,425	-	29,425
-	13,737	13,737
1,143,423	(1,143,423)	-
75,023	-	75,023
-	224,944	224,944
-	946,807	946,807
1,247,871	42,065	1,289,936
522,569	(522,569)	-
\$ 1,770,440		
	914,016	914,016
	145,018	145,018
	1,507,237	1,507,237
	\$ 2,566,271	\$ 2,566,271

**ST. JOSEPH COUNTY, MICHIGAN**  
**Reconciliation of Fund Balances on the Balance Sheet**  
**for Governmental Funds to Net Assets of**  
**Governmental Activities on the Statement of Net Assets**  
**Drainage Districts Component Unit**  
**December 31, 2007**

<b>Fund balances - governmental funds</b>	\$	522,569
---	----	---------

Amounts reported for governmental activities in the Statement of Net Assets are different because:

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

Add - capital assets	\$	2,550,218	
Deduct - accumulated depreciation		(464,451)	2,085,767

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current expenditures. Those assets (i.e. receivables) are offset by deferred revenues in the governmental funds and, therefore, not included in fund balance.

Add - deferred special assessments		1,143,423
------------------------------------	--	-----------

Long-term bonded debt is not due and payable in the current period and refundings, and interest payable are not reported in the funds. However, these amounts are included in the Statement of Net Assets. This is the net effect of these balances on the statement.

Deduct - long-term debt payable		(1,171,751)	
Deduct - interest payable		(13,737)	
			(1,185,488)

<b>Net assets of governmental activities</b>	<b>\$</b>	<b>2,566,271</b>
--	-----------	------------------

**ST. JOSEPH COUNTY, MICHIGAN**  
**Combining Statement of Assets and Liabilities**  
**Agency Funds**  
**December 31, 2007**

	<u>Trust and Agency</u>	<u>Library</u>	<u>Inmate Trust Account</u>	<u>Total</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 1,518,983	\$ 131,929	\$ -	\$ 1,650,912
Accounts receivable	201,961	-	1,000	202,961
Total assets	<u>\$ 1,720,944</u>	<u>\$ 131,929</u>	<u>\$ 1,000</u>	<u>\$ 1,853,873</u>
<b>Liabilities</b>				
Accounts payable	\$ -	\$ -	\$ 1,000	\$ 1,000
Due to individuals/agencies	1,647,724	131,929	-	1,779,653
Due to other governmental units	73,220	-	-	73,220
Total liabilities	<u>\$ 1,720,944</u>	<u>\$ 131,929</u>	<u>\$ 1,000</u>	<u>\$ 1,853,873</u>

**ST. JOSEPH COUNTY, MICHIGAN**  
**Statement of Activities and**  
**Governmental Fund Revenues, Expenditures**  
**and Changes in Fund Balance**  
**Drainage Districts Component Unit**  
**For the Year Ended December 31, 2007**

	<b>Debt Service Funds</b>		
	<b>Regular Drain</b>	<b>Fish Lake Drain</b>	<b>Lamberson Dam Drain</b>
<b>Revenues</b>			
Special assessments	\$ 153,374	\$ 16,900	\$ 68,360
Interest revenue	2,082	310	389
Miscellaneous	-	-	-
<b>Total revenues</b>	<b>155,456</b>	<b>17,210</b>	<b>68,749</b>
<b>Expenditures / expenses</b>			
Public works	-	4,367	-
Capital outlay - construction and maintenance	-	-	-
Debt service:			
Principal	81,482	-	77,500
Interest and fiscal charges	36,998	3	6,376
<b>Total expenditures / expenses</b>	<b>118,480</b>	<b>4,370</b>	<b>83,876</b>
Revenues over (under) expenditures/expenses	36,976	12,840	(15,127)
<b>Other financing sources (uses)</b>			
Transfers in	4,317	645	-
Transfers out	-	(13,352)	-
Long-term debt issued	-	-	-
<b>Total other financing sources</b>	<b>4,317</b>	<b>(12,707)</b>	<b>-</b>
Net change in fund balances	41,293	133	(15,127)
Change in net assets	-	-	-
Fund balance/Net assets (deficit), beginning of year, as restated	19,353	-	99,366
<b>Net assets (deficit), end of year</b>	<b>\$ 60,646</b>	<b>\$ 133</b>	<b>\$ 84,239</b>

**Capital Projects Funds**

<b>Regular Drain</b>	<b>Long Lake Level Revolving</b>	<b>Klinger Lake Lake Level</b>	<b>Revolving Drain</b>	<b>Revolving Drain Maintenance</b>	<b>Omena Lake Proposed Assessment</b>	<b>Palmer and Long Lake Level</b>
\$ 8,625	\$ -	\$ 87,587	\$ -	\$ -	\$ -	\$ 56,850
13,272	178	4,703	2,732	383	-	3,665
4,708	-	-	-	-	-	-
<u>26,605</u>	<u>178</u>	<u>92,290</u>	<u>2,732</u>	<u>383</u>	<u>-</u>	<u>60,515</u>
156,253	2,698	30,916	29,289	-	8,372	51,798
-	-	-	-	-	-	-
296,000	-	-	-	-	-	-
15,152	-	2,712	-	-	246	-
<u>467,405</u>	<u>2,698</u>	<u>33,628</u>	<u>29,289</u>	<u>-</u>	<u>8,618</u>	<u>51,798</u>
<u>(440,800)</u>	<u>(2,520)</u>	<u>58,662</u>	<u>(26,557)</u>	<u>383</u>	<u>(8,618)</u>	<u>8,717</u>
-	-	-	34,906	-	-	-
(24,660)	-	(801)	(645)	-	-	-
365,780	-	-	-	-	-	-
<u>341,120</u>	<u>-</u>	<u>(801)</u>	<u>34,261</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(99,680)</u>	<u>(2,520)</u>	<u>57,861</u>	<u>7,704</u>	<u>383</u>	<u>(8,618)</u>	<u>8,717</u>
-	-	-	-	-	-	-
<u>320,127</u>	<u>4,234</u>	<u>(31,786)</u>	<u>52,295</u>	<u>8,883</u>	<u>(4,946)</u>	<u>122,604</u>
<u>\$ 220,447</u>	<u>\$ 1,714</u>	<u>\$ 26,075</u>	<u>\$ 59,999</u>	<u>\$ 9,266</u>	<u>\$ (13,564)</u>	<u>\$ 131,321</u>

**ST. JOSEPH COUNTY, MICHIGAN**  
**Statement of Activities and**  
**Governmental Fund Revenues, Expenditures**  
**and Changes in Fund Balance (Concluded)**  
**Drainage Districts Component Unit**  
**For the Year Ended December 31, 2007**

	<b>Capital Projects Funds</b>			
	<b>Grey Lake Level Study</b>	<b>Pleasant/Clear Lake Proposed Assessment</b>	<b>Minnewauken Lake Study</b>	<b>Eberhard Lake Level</b>
<b>Revenues</b>				
Special assessments	\$ -	\$ -	\$ -	\$ -
Interest revenue	54	113	435	184
Miscellaneous	-	-	-	-
Total revenues	<u>54</u>	<u>113</u>	<u>435</u>	<u>184</u>
<b>Expenditures / expenses</b>				
Public works	-	29,517	-	8
Capital outlay - construction and maintenance	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	3,427	-	-
Total expenditures / expenses	<u>-</u>	<u>32,944</u>	<u>-</u>	<u>8</u>
Revenues over (under) expenditures/expenses	<u>54</u>	<u>(32,831)</u>	<u>435</u>	<u>176</u>
<b>Other financing sources (uses)</b>				
Transfers in	-	-	-	-
Transfers out	-	(410)	-	-
Long-term debt issued	-	28,000	-	-
Total other financing sources	<u>-</u>	<u>27,590</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>54</u>	<u>(5,241)</u>	<u>435</u>	<u>176</u>
Change in net assets	-	-	-	-
Fund balance/Net assets (deficit), beginning of year, as restated	<u>1,249</u>	<u>(68,727)</u>	<u>10,080</u>	<u>4,267</u>
<b>Net assets (deficit), end of year</b>	<u>\$ 1,303</u>	<u>\$ (73,968)</u>	<u>\$ 10,515</u>	<u>\$ 4,443</u>

<b>Total</b>	<b>GASB 34 Adjustments</b>	<b>Statement of Activities</b>
\$ 391,696	\$ 1,143,423	\$ 1,535,119
28,500	-	28,500
4,708	-	4,708
<u>424,904</u>	<u>1,143,423</u>	<u>1,568,327</u>
313,218	(77,487)	235,731
-	-	-
454,982	(454,982)	-
64,914	(7,720)	57,194
<u>833,114</u>	<u>(540,189)</u>	<u>292,925</u>
<u>(408,210)</u>	<u>1,683,612</u>	<u>1,275,402</u>
39,868	(39,868)	-
(39,868)	39,868	-
393,780	(393,780)	-
<u>393,780</u>	<u>(393,780)</u>	<u>-</u>
<u>(14,430)</u>	<u>14,430</u>	<u>-</u>
-	1,275,402	1,275,402
<u>536,999</u>	<u>753,870</u>	<u>1,290,869</u>
<u>\$ 522,569</u>	<u>\$ 2,043,702</u>	<u>\$ 2,566,271</u>

**ST. JOSEPH COUNTY, MICHIGAN**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Change in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**Drainage Districts Component Unit**  
**For the Year Ended December 31, 2007**

**Net change in fund balance - total governmental funds** \$ (14,430)

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

Revenues in the Statement of Activities that do not provide current resources are not reported as revenues in the funds, but rather are deferred to subsequent fiscal years.

Deduct - decrease in deferred special assessments 1,143,423

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Add - capital outlay	\$ -	
Deduct - depreciation expense	77,487	77,487

Bond proceeds provide current financial resources to the governmental funds by issuing debt which increases long-term bonded debt in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term bonded debt in the Statement of Net Assets.

Deduct - issuance of long-term and refunding debt	(393,780)	
Add - repayment of bond principal	454,982	61,202

Certain expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Add - decrease in accrual for interest payable on long-term debt 7,720

**Change in net assets of governmental activities** \$ 1,275,402

**ST. JOSEPH COUNTY, MICHIGAN**  
**Statement of Net Assets and**  
**Governmental Funds Balance Sheet**  
**Department of Public Works Component Unit**  
**December 31, 2007**

	<b>Debt</b>				
	<b>White Pigeon Klinger Lake Sewer</b>	<b>Lockport Water Supply</b>	<b>Fish Lake Sewer</b>	<b>White Pigeon Klinger Lake Sewer Ext.</b>	<b>White Pigeon Water Supply</b>
<b>Assets</b>					
Cash and cash equivalents	\$ -	\$ -	\$ 32	\$ 206	\$ -
Lease receivable	-	-	-	-	-
<b>Total assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 32</b>	<b>\$ 206</b>	<b>\$ -</b>
<b>Liabilities</b>					
Interest payable	\$ -	\$ -	\$ -	\$ -	\$ -
Long-term debt:					
Due within one year	-	-	-	-	-
Due in more than one year	-	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balances / net assets</b>					
Fund balance- unreserved, undesignated	-	-	32	206	-
<b>Total liabilities and fund balances</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 32</b>	<b>\$ 206</b>	<b>\$ -</b>
Net assets - unrestricted					

**Service Funds**

<b>Constantine Village Waste Water</b>	<b>Constantine Village Sewer Construction</b>	<b>Constantine Village Sewer</b>	<b>Total</b>	<b>GASB 34 Adjustments</b>	<b>Statement of Net Assets</b>
\$ 250	\$ 42	\$ -	\$ 530	\$ -	\$ 530
-	-	-	-	3,414,630	3,414,630
<u>\$ 250</u>	<u>\$ 42</u>	<u>\$ -</u>	<u>\$ 530</u>	<u>3,414,630</u>	<u>3,415,160</u>
\$ -	\$ -	\$ -	\$ -	\$ 41,268	\$ 41,268
-	-	-	-	225,000	225,000
-	-	-	-	3,140,000	3,140,000
-	-	-	-	3,406,268	3,406,268
250	42	-	530	(530)	-
<u>\$ 250</u>	<u>\$ 42</u>	<u>\$ -</u>	<u>\$ 530</u>		
				<u>\$ 8,892</u>	<u>\$ 8,892</u>

**ST. JOSEPH COUNTY, MICHIGAN**  
**Reconciliation of Fund Balances on the Balance Sheet**  
**for Governmental Funds to Net Assets of**  
**Governmental Activities on the Statement of Net Assets**  
**Department of Public Works Component Unit**  
**December 31, 2007**

<b>Fund balances - governmental funds</b>	\$	530
<p>Amounts reported for governmental activities in the Statement of Net Assets are different because:</p>		
<p style="padding-left: 40px;">Bonds payable of various municipalities are to be repaid by the municipality, and the amount due is not reported as receivable in the funds</p>		
Add - leases receivable		3,414,630
Deduct - bonds and notes payable	\$ (3,365,000)	
Deduct - interest payable	<u>(41,268)</u>	<u>(3,406,268)</u>
<b>Net assets of governmental activities</b>	<b>\$</b>	<b><u>8,892</u></b>

**ST. JOSEPH COUNTY, MICHIGAN**  
**Statement of Activities and**  
**Governmental Fund Revenues, Expenditures**  
**and Changes in Fund Balance**  
**Department of Public Works Component Unit**  
**For the Year Ended December 31, 2007**

	<b>Debt</b>				
	<b>White Pigeon Klinger Lake Sewer</b>	<b>Lockport Water Supply</b>	<b>Fish Lake Sewer</b>	<b>White Pigeon Klinger Lake Sewer Ext.</b>	<b>White Pigeon Water Supply</b>
<b>Revenues</b>					
Intergovernmental - local	\$ 31,500	\$ 33,303	\$ 280,800	\$ 158,413	\$ 23,569
<b>Expenditures / expenses</b>					
Debt service:					
Principal	29,875	20,000	252,642	142,358	15,000
Interest and fiscal charges	1,625	13,303	28,158	16,167	8,569
Total expenditures/expenses	31,500	33,303	280,800	158,525	23,569
Revenues over (under) expenditures/expenses	-	-	-	(112)	-
Net change in fund balances	-	-	-	(112)	-
Fund balance/Net assets, beginning of year, as restated	-	-	32	318	-
<b>Net assets, end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32</u>	<u>\$ 206</u>	<u>\$ -</u>

**Service Funds**

<b>Constantine Village Waste Water</b>	<b>Constantine Village Sewer Construction</b>	<b>Constantine Village Sewer</b>	<b>Total</b>	<b>GASB 34 Adjustments</b>	<b>Statement of Activities</b>
\$ 192,446	\$ -	\$ 33,824	\$ 753,855	\$ (588,577)	\$ 165,278
105,000	-	-	564,875	(564,875)	-
87,196	-	33,824	188,842	(23,564)	165,278
192,196	-	33,824	753,717	(588,439)	165,278
250	-	-	138	(138)	-
250	-	-	138	(138)	-
-	42	-	392	8,500	8,892
<u>\$ 250</u>	<u>\$ 42</u>	<u>\$ -</u>	<u>\$ 530</u>	<u>\$ 8,362</u>	<u>\$ 8,892</u>

**ST. JOSEPH COUNTY, MICHIGAN**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Change in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**Department of Public Works Component Unit**  
**For the Year Ended December 31, 2007**

<b>Net change in fund balance - total governmental funds</b>	\$	138
--	----	-----

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

Deduct - collections attributable to bond principal and accrued interest		(588,577)
--	--	-----------

Bond proceeds provide current financial resources to governmental funds of Net Assets. Repayment of bond principal is an expenditure in governmental funds, but the repayment reduces long-term bonded debt in the Statement of Net Assets.

Add - debt principal payments as expenditures in the funds	\$	564,875	
Add - decrease in accrual for interest payable on bonds and notes		23,564	588,439
		23,564	588,439

<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b><u><u>-</u></u></b>
--	-----------	------------------------

**ST. JOSEPH COUNTY, MICHIGAN**  
**Statement of Net Assets and**  
**Governmental Funds Balance Sheet**  
**Economic Development Corporation Component Unit**  
**December 31, 2007**

	<u>Special Revenue</u>	<u>GASB 34 Adjustments</u>	<u>Statement of Net Assets</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 52,884	\$ -	\$ 52,884
Due from other governments	475	-	475
Capital assets being depreciated, net	-	697	697
<b>Total assets</b>	<u>\$ 53,359</u>	<u>697</u>	<u>54,056</u>
<b>Liabilities</b>			
Accounts payable	\$ 4,114	-	4,114
Accrued liabilities	1,945	-	1,945
<b>Total liabilities</b>	<u>6,059</u>	<u>-</u>	<u>6,059</u>
<b>Fund balance / net assets</b>			
Fund balance - unreserved:			
Designated for capital expenditures	-	-	-
Undesignated	47,300	(47,300)	-
<b>Total fund balance</b>	<u>47,300</u>	<u>(47,300)</u>	<u>-</u>
<b>Total liabilities and fund balance</b>	<u>\$ 53,359</u>		
Net assets:			
Unrestricted		47,997	47,997
<b>Total net assets</b>		<u>\$ 47,997</u>	<u>\$ 47,997</u>

**ST. JOSEPH COUNTY, MICHIGAN**  
**Statement of Activities and**  
**Governmental Fund Revenues, Expenditures**  
**and Changes in Fund Balance**  
**Economic Development Corporation Component Unit**  
**For the Year Ended December 31, 2007**

	<u>Special Revenue</u>	<u>GASB 34 Adjustments</u>	<u>Statement of Activities</u>
<b>Revenues</b>			
Intergovernmental:			
Federal/State	\$ 37,449	\$ -	\$ 37,449
Local	57,438	-	57,438
Interest revenue	3,312	-	3,312
Miscellaneous	50,343	-	50,343
	<hr/>	<hr/>	<hr/>
Total revenues	148,542	-	148,542
<b>Expenditures / expenses</b>			
Community development	135,395	766	136,161
	<hr/>	<hr/>	<hr/>
Net change in fund balance	13,147	(13,147)	-
Change in net assets	-	12,381	12,381
Net assets, beginning of year	34,153	1,463	35,616
	<hr/>	<hr/>	<hr/>
<b>Net assets, end of year</b>	<u>\$ 47,300</u>	<u>\$ 697</u>	<u>\$ 47,997</u>

**ST. JOSEPH COUNTY, MICHIGAN**  
**Reconciliation of Fund Balances on the Balance Sheet**  
**for Governmental Funds to Net Assets of**  
**Governmental Activities on the Statement of Net Assets**  
**Economic Development Corporation Component Unit**  
**December 31, 2007**

<b>Fund balances - governmental funds</b>	\$	47,300
---	----	--------

Amounts reported for governmental activities in the Statement of Net Assets are different because:

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

Add - equipment	8,254		
Deduct - accumulated depreciation	(7,557)		697

<b>Net assets of governmental activities</b>	\$	<u>47,997</u>
--	----	---------------

**ST. JOSEPH COUNTY, MICHIGAN**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Change in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**Economic Development Corporation Component Unit**  
**For the Year Ended December 31, 2007**

**Net change in fund balance - total governmental funds** \$ 13,147

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

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Deduct - depreciation expense	(766)	(766)
-------------------------------	-------	-------

<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b><u>12,381</u></b>
--	-----------	----------------------

***SINGLE AUDIT ACT COMPLIANCE***

**St. Joseph County, Michigan**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2007**

<b>Federal/Pass-through Grantor Program Title</b>	<b>CFDA Number</b>	<b>Pass-through Grantor Number</b>	<b>Award Amount</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Housing and Urban Development</b>				
Passed-through the Michigan State				
Housing Development Authority:				
Community Development Block Grant (CDBG)				
06/08 (Housing)	14.228	MSC-2006-1067-HOA	\$ 275,000	<u>\$ 211,183</u>
<b>Total U.S. Department of Housing and Urban Development</b>				<u>211,183</u>
<b>U.S. Department of Justice</b>				
Direct Programs:				
2006 SCAAP	16.606	2007-AP-BX-0780	10,228	10,228
2007 SCAAP	16.606	2008-AP-BX-0465	10,910	<u>10,910</u>
Total Direct Programs				<u>21,138</u>
Passed through Michigan Department of Human Services:				
Juvenile Justice and Delinquency Prevention -				
2007 Basic Grant	16.540	N/A	25,718	<u>25,718</u>
<b>Total U.S. Department of Justice</b>				<u>46,856</u>
<b>U.S. Department of Transportation</b>				
Passed-through the Michigan				
Department of State Police:				
Office Of Highway Safety Planning				
2007 Highway Safety Enforcement Grant	20.600	PT-07-59	30,077	27,199
2007 Challenge Award Grant	20.600	PT-07-58	4,985	<u>4,985</u>
<b>Total U.S. Department of Transportation</b>				<u>32,184</u>
<b>U.S. Environmental Protection Agency</b>				
Direct Program:				
Brownfield Assessment and Clean-up	66.818	BF96552901	400,000	<u>29,541</u>
<b>Total U.S. Environmental Protection Agency</b>				<u>29,541</u>

continued...

**St. Joseph County, Michigan**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2007**

Federal/Pass-through Grantor Program Title	CFDA Number	Pass-through Grantor Number	Award Amount	Federal Expenditures
<b>U.S. Department of Health and Human Services</b>				
Passed through Michigan Department of Office on Services to the Aging and Region IIIC:				
Area Agency on Aging				
Title IIID Special Programs for the Aging				
FY06/07 Disease Prevention	93.043	n/a	\$ 2,030	\$ 2,030
Title IIIB Special Programs for the Aging				
FY06/07	93.044	n/a	46,279	44,543
Title IIIC Special Programs for the Aging				
FY06/07 Nutrition Congregate	93.045	n/a	76,901	76,901
FY06/07 Nutrition Home Delivered Meals	93.045	n/a	36,135	36,135
Title IIIE National Family Caregiver Support				
FY06/07	93.052	n/a	27,806	26,905
Nutrition Services Incentive Program				
06/07 Elderly Feeding (Congregate)	93.053	n/a	24,352	24,352
06/07 Elderly Feeding (Home Delivered Meals)	93.053	n/a	32,118	<u>32,118</u>
Total passed through Michigan Department of Office on Services to the Aging and Region IIIC Area on Aging				<u>242,984</u>
Passed through Michigan Department of Human Services:				
Child Support Enforcement:				
(Title IV-D)				
07/08	93.563	CSCOM-08-75003	526,662	409,939
Prosecuting Attorney				
07/08	93.563	CS/PA-07-75002	100,172	60,257
Medical Support Collection				
07/08	93.563	CS/MED-07-75001	21,332	8,087
Incentive Payments				
2007 Regular	93.563	n/a	149,769	<u>149,679</u>
Total Passed through Michigan Department of Human Services				<u>627,962</u>
Passed through Office of the Assistant Secretary for Preparedness and Response:				
National Bioterrorism Hospital				
Preparedness Program	93.889		-	<u>4,748</u>
<b>Total U.S. Department of Health and Human Services</b>				<u>875,694</u>

continued...

**St. Joseph County, Michigan**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2007**

<b>Federal/Pass-through Grantor Program Title</b>	<b>CFDA Number</b>	<b>Pass-through Grantor Number</b>	<b>Award Amount</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Homeland Security</b>				
Passed-Through the Michigan Department of Natural Resources: Marine Safety Program Grant	97.012	n/a	\$ -	<u>\$ 29,577</u>
Passed through Michigan State Police Homeland Security Grant Program FY07 EMPG	97.042	n/a	25,866	25,866
2005-HSGP-SHSP & LETPP	97.067		268,357	<u>68,628</u>
Total passed through Michigan State Police				<u>94,494</u>
Passed through VanBuren County 2006-HSGP-SHSP & LETPP	97.067	n/a	55,642	<u>55,642</u>
<b>Total U.S. Department of Homeland Security</b>				<u>179,713</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>				<u><u>\$ 1,375,171</u></u>

# COUNTY OF ST. JOSEPH, MICHIGAN

## Notes to Schedule of Expenditures of Federal Awards

---

### 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of St. Joseph County, Michigan (the “County”) and is presented on the 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 Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.



**INDEPENDENT AUDITORS' 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***

June 19, 2008

To the Board of Commissioners  
of the County of St. Joseph  
Centreville, 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 *St. Joseph County, Michigan*, as of and for the year ended December 31, 2007, and have issued our report thereon dated June 19, 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 *St. Joseph County, Michigan's* internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

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

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the 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 the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as item 2007-1 and 2007-2 to be significant deficiencies in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We believe that Finding 2007-3 of the significant deficiencies described in the accompanying schedule of findings and questioned costs to be a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether *St. Joseph County, Michigan'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of St. Joseph County in a separate letter dated June 19, 2008.

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the audit committee, management and 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.





## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

June 19, 2008

To the Board of Commissioners  
of the County of St. Joseph  
Centreville, Michigan

### **Compliance**

We have audited the compliance of *St. Joseph County, Michigan* (the "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 December 31, 2007. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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 Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 the County's compliance with those requirements.

In our opinion, the 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 ended December 31, 2007.

## **Internal Control Over Compliance**

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

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

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

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

This report is intended solely for the information and use of the audit committee, management and 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.

A handwritten signature in black ink that reads "Lehmann Johnson". The signature is written in a cursive, flowing style.

**COUNTY OF ST. JOSEPH, MICHIGAN**

**Schedule of Findings and Questioned Costs**

**For the Year Ended December 31, 2007**

---

**SECTION I - SUMMARY OF AUDITORS' RESULTS**

**Financial Statements**

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? \_\_\_\_\_ yes  X  no

Significant deficiencies identified not considered to be material weaknesses?  X  yes \_\_\_\_\_ none reported

Noncompliance material to financial statements noted? \_\_\_\_\_ yes  X  no

**Federal Awards**

Internal Control over major programs:

Material weaknesses identified? \_\_\_\_\_ yes  X  no

Significant deficiencies identified not considered to be material weaknesses? \_\_\_\_\_ yes  X  none reported

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

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)? \_\_\_\_\_ yes  X  no

**COUNTY OF ST. JOSEPH, MICHIGAN**

**Schedule of Findings and Questioned Costs (Continued)**

**For the Year Ended December 31, 2007**

---

**SECTION I - SUMMARY OF AUDITORS' RESULTS (Concluded)**

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.563	Child Support Enforcement
Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$300,000</u>
Auditee qualified as low-risk auditee?	<u> X </u> yes <u> </u> no

**SECTION II – FINANCIAL STATEMENT FINDINGS**

Significant Deficiencies

2007-1 – Preparation of Financial Statements in Accordance with GAAP

Criteria: The preparation of financial statements in accordance with GAAP is the responsibility of the County's management and requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting financial statements including the related footnotes (i.e., external financial reporting.)

Condition: As is the case with many smaller and medium-sized entities, the County has historically relied on its independent external auditors to assist in the preparation of the financial statements and footnotes as part of its external financial reporting process. Accordingly, the County's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered a part of the County's internal controls.

Cause: This condition was caused by management's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the County to perform this task internally.

# COUNTY OF ST. JOSEPH, MICHIGAN

## Schedule of Findings and Questioned Costs (Continued)

For the Year Ended December 31, 2007

---

Effect: As a result of this condition, the County lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

### View of Responsible

Officials: The County has evaluated the benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the district to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

### 2007-2 – Audit adjustments

Criteria: The County is responsible for the reconciliation of all general ledger accounts to their proper underlying balances for the purpose of creating a reasonably adjusted trial balance, from which the basic financial statements are derived.

Condition: During the course of the audit, there were several adjusting journal entries posted to the original “adjusted” trial balance we received. These entries were comprised of entries initiated by both the County and the auditors. Specific material items that required correction included special assessment revenue as well as the related receivables and deferrals and the County’s investment balances (including certificates of deposit) had not been adjusted to market value.

Cause: The County’s internal controls did not detect all adjustments necessary to properly record year-end balances.

Effect: As a result of this condition, the County’s accounting records were initially misstated by amounts material to the financial statements and significant audit adjustments were necessary in order to properly record revenue, receivables and deferred revenue related to special assessments as well as investments and interest revenue.

# COUNTY OF ST. JOSEPH, MICHIGAN

## Schedule of Findings and Questioned Costs (Concluded)

For the Year Ended December 31, 2007

---

View of Responsible

Officials:

County staff will make these adjustments identified above next year.

### 2007-3 – IT Controls Review

Criteria: The use of IT affects the fundamental manner in which transactions are initiated, authorized, recorded, processed and reported.

Condition: During our review of IT controls, we found that IT department personnel had the ability to make changes to the data files in the live production application. Typically programmers and IT personnel should only have access to test data and libraries.

Cause: Because of the limited size and complexity to the St. Joseph County IT department, limiting the access to the live data has not been a high priority.

Effect: As a result of this condition, a person in the IT department could delete a transaction with for which there is no authorization. If limiting access is not possible, management should explore other options such as, but not limited to, having the application and data maintained in a compiled environment.

View of Responsible officials:

County staff will work on developing a solution to this.

### SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

### SECTION IV – PRIOR YEAR FINDINGS

2006-1 Net Asset Restatement:

The County plans to continue reviewing procedures related to identifying and correcting potential errors and misstatements in the financial statements.



**REHMANN ROBSON**

*Certified Public Accountants*

A member of THE REHMANN GROUP



**COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE  
UNDER SAS NO. 114**

June 19, 2008

To the Board of Commissioners  
St. Joseph County

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 *St. Joseph County* (the "County") for the year ended December 31, 2007, and have issued our report thereon dated June 19, 2008. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility Under Auditing Standards Generally Accepted in the United States of America and OMB Circular A-133**

As stated in our engagement letter dated September 18, 2007, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the

County's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on the County's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the County's compliance with those requirements.

### **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on April 15, 2008.

### **Significant Audit Findings**

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the County are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.
- Management's estimate of the insurance claims incurred but not reported is based on information provided by the entity's third party administrators and subsequent claims activity.

We evaluated the key factors assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of prior period adjustments in Note C-12 to the financial statements relating to capital assets and special assessment revenues.

The financial statements may be affected by unusual transactions, including nonrecurring transactions. There were no significant or unusual transactions noted during the year.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were corrected by management:

- To correct investments that were not recorded at current market value
- To correct workers compensation and liability insurance amounts to amounts actually due
- To correct special assessment revenues in various drain funds to a modified accrual basis at the fund level and an accrual basis at the government-wide level

#### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated June 19, 2008.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the entity’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Commissioners and management of the *St. Joseph County* and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "Lehmann Johnson". The signature is written in a cursive, flowing style.

# **St. Joseph County**

## **Comments and Recommendations**

**For the Year Ended December 31, 2007**

---

In planning and performing our audit of the financial statements of the St. Joseph County as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

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 the entity'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 the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. The deficiencies we noted that we consider to be significant deficiencies are described in the Schedule of Findings and Questioned Costs in the County's Single Audit report.

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

### **Other Matters**

#### **Segregation of Duties – Journal Entries**

Management is responsible for establishing and maintaining effective internal control over financial reporting and the safeguarding of the County's assets. It is universally recognized that general journal entries provide a mechanism through which fraud can be concealed. Although we have no suspicions of fraudulent activity being thusly concealed, we believe internal controls can be strengthened by establishing a review and approval process for all general journal entries. Journal entries are prepared by the Finance Director and the Treasurer. While we found no evidence of fraud during our review of journal entries, we recommend that the County implement procedures to establish a review and approval process for journal entries, including having the reviewer document by signature or initial and date that they have done this step.

# St. Joseph County

## Comments and Recommendations (Continued)

For the Year Ended December 31, 2007

---

### Information Technology Controls

#### Access controls

Limiting access to company financial information. We recommend that management oversee increasing password and other controls to include, but not limited to, the following:

Limiting access to key financial data through strong password and access policies is a key IT control. St. Joseph County does not have a strong set of password controls that limit matters:

- When users vacate the work areas for any length of time they should be locking their workstations. Windows provides an effective workstation security system that can be invoked with one set of keystrokes. There is also a setting available where machines can automatically timeout when not used for a period of time. Typically this time period is 15 minutes. Locking a personal workstation is a basic control that limits access to accounting records by unauthorized individuals. We recommend that St. Joseph County require all PC users to lock their workstations when they are unattended and also set a timeout if the machine is left unattended.
- Usernames and passwords are a key control for limiting access to an organizations network and financial reporting system. Passwords should be forced by the system to be at least eight characters with a combination of letters, numbers and special characters. Currently, St. Joseph County is not consistent when applying this control. We recommend that the network and accounting systems be set to force complex passwords.

#### System changes

We noted in our review of the IT Controls that change management is informal and undocumented for all but the largest projects and processes. No audit trail is maintained for the request, authorization, and approval of system changes, additions, or deletions. The systems across the County are open to the possibility of business disruption, unauthorized and untraceable alterations, and the introduction of errors. We recommend that a more formal change management control methodology be implemented. Management should create a county-wide policy that provides for a flexible and auditable change control system.

#### Employee termination processes

St. Joseph County does not have written policy or procedures that addresses voluntary and involuntary employee termination procedures. In order to provide adequate security to computer system operations and valuable assets such as system hardware, software, and data, procedures should be developed to address employee terminations. Typical termination procedures include the following:

## St. Joseph County

### Comments and Recommendations (Concluded)

For the Year Ended December 31, 2007

---

- Immediate deletion of personnel passwords on the system.
- Immediate change of all locks or passwords giving access to hardware or software.
- Collection of system and operations documentation.
- Immediate removal of the employee from the premises.

#### Formal Disaster Recovery Policy

St. Joseph County does not have an up to date written disaster recovery policy. The time to make contingency plans is before disaster strikes, so that all personnel will be aware of their responsibilities in the event of an emergency situation that precludes the use of the existing IT facilities. We recommend the County develop a disaster recovery plan that includes, but is not limited to, the following matters:

- Location of, and access to, off-site storage.
- A listing of all data files that would have to be obtained from the off-site storage location.
- Identification of a backup location (name and telephone number) with similar or compatible equipment for emergency processing. (Management should make arrangements for such backup with another company, a computer vendor, or a service center. The agreement should be in writing.)
- Responsibilities of various personnel in an emergency.
- Priority of critical applications and reporting requirements during the emergency period.

#### District Court General Cash Account

The State of Michigan Department of Treasury *Audit Procedures Report* form has a directive that timely bank reconciliations should be completed within six weeks after the end of each month. By year end, the District Court Services had fully reconciled its bank accounts. However, during the year, bank reconciliations were prepared monthly but all reconciling items were not properly identified on a timely basis. All monthly bank reconciliations should be completed, reviewed for proper reconciling and approved within six weeks following month end (or the date of the bank statement if other than month end). This procedure will strengthen the controls over cash reconciliations.

\* \* \* \* \*