

Montcalm County, Michigan

FINANCIAL STATEMENTS

September 30, 2004

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Montcalm County	County Montcalm
Audit Date 9/30/04	Opinion Date 1/21/05	Date Accountant Report Submitted to State: 5/23/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- Yes No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- Yes No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- Yes No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- Yes No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- Yes No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- Yes No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- Yes No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- Yes No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- Yes No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).	✓		

Certified Public Accountant (Firm Name) Abraham & Gaffney, P.C.			
Street Address 108 N. Spring St.		City St. Johns	State MI
Accountant Signature <i>Abraham & Gaffney, P.C.</i>		Date 5/23/05	ZIP 48879

Montcalm County, Michigan

September 30, 2004

BOARD OF COMMISSIONERS

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

ADMINISTRATION AND OTHER ELECTED OFFICIALS

Edward Sell, Jr.	Controller
Marcia Sawdy	Treasurer
Kristen Millard	Clerk
Lori Wilson	Register of Deeds
Donald Cooper	Drain Commissioner
Andrea Krause	Prosecuting Attorney
William Barnwell	Sheriff

Montcalm County, Michigan

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ABRAHAM & GAFFNEY, P.C.
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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
of Montcalm County
Stanton, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of Montcalm County, Michigan as of and for the year ended September 30, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Road Commission for Montcalm County, which represents 77% of the assets and 60% of the revenues and other financing sources of the component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us. Our opinion expressed herein, insofar as it relates to the amounts included for the Road Commission, is based solely on the report of the other auditors.

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

In our opinion, based on our audit and the audit of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of Montcalm County, Michigan as of September 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2005, on our consideration of Montcalm County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by 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.

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

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

January 21, 2005

MONTCALM COUNTY

OFFICE OF THE COUNTY CONTROLLER

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Management's Discussion and Analysis

This section of Montcalm County's annual financial report presents our discussion and analysis of the County's financial performance during the fiscal year that ended on September 30, 2004. Please read it in conjunction with the County's financial statements, which follow this section. For discussion and analysis of the financial statements of the Road Commission for Montcalm County and the Mid-Michigan District Health Department, please see their separately issued financial statements.

Financial Highlights

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

- Governmental Activities Net Assets increased significantly during the 2004 fiscal year. Net Assets increased \$1,030,435 (after a prior period adjustment) to \$8,169,003, a 14% increase. Unrestricted net assets increased from \$ 3,496,225 to \$4,372,893, a 25% increase.
- Business-Type Activities Net Assets decreased \$416,441 to \$9,792,569, a 4% decrease. Unrestricted Net Assets decreased from \$ 9,246,409 to \$8,763,965, a 5% decrease.
- Governmental Activities expenses totaled \$17,242,389. \$9,354,798 of those expenses were financed by service charges, contributions, or grants. Tax revenue, revenue sharing, transfers from Business-Type Activities, and other general revenues financed expenses of \$8,990,292.
- The Ambulance Fund expenses totaled \$2,532,763. Service charges and grants financed \$1,627,493 of that amount. The remaining amount was financed by tax revenue, revenue sharing, other general revenue, and use of net assets.
- The Delinquent Tax Funds generated service charge revenue of \$867,435. The revenue exceeded expenses by \$783,575, before considering interest earnings generated by the funds.
- The depreciated cost of the governmental capital assets at September 30, 2004 was \$16,594,244.
- The Ambulance Fund generated a negative cash flow of \$504,671 during 2004. Capital purchases and increased operating costs were the primary reasons.
- The Delinquent Tax Funds generated a negative cash flow of \$736,554 during 2004. This was primarily due to transfers to the General Fund for debt service and operations.

- Pension Trust Fund net assets decreased \$10,024, or .07% to \$13,733,752. This was primarily due to a \$1.335 million transfer out of the plan to a new Defined Contribution Retirement Plan.

Overview of the Financial Statements

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

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the County's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the County government, reporting the County's operations in *more detail* than the government-wide statements.
- The *governmental funds* statements tell how *general government* services like public safety were financed in the *short term* as well as what remains for future spending.
- Proprietary *fund* statements offer *short-* and *long-term* financial information about the activities the government operates *like businesses*, such as the ambulance service.
- Fiduciary *fund* statements provide information about the financial relationships - like the retirement plan for the County's employees - in which the County acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

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

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

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

Type of Statements	Fund Statements			
	Government-wide	Government Funds	Proprietary Fund	Fiduciary Funds
Scope	Entire County government (except fiduciary funds)	Activities of the County that are not proprietary or fiduciary, such as police, fire, and parks	Activities the County operates similar to private businesses; the ambulance service, Building Official	Instances in which the County is the trustee or agent for someone else's resources, such as the retirement plan for County employees
Required financial statements	• Statement of net assets	• Balance sheet	• Statement of net assets	• Statement of fiduciary net assets
	• Statement of activities	• Statement of revenues, expenditures & changes in fund balances	• Statement of revenues, expenses and changes in fund net assets • Statement of cash flows	• Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term, the County's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Government-wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

The County has three kinds of funds:

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

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

Financial Analysis of the County as a Whole

Net assets. The County's combined net assets increased 3.54% to \$17,961,572 at September 30, 2004. (See Table A-1)

	Governmental		Business-type		Total		Total
	Activities		Activities		Total		Percentage
	2004	2003	2004	2003	2004	2003	Change
Current and Other Assets	7,060,619	6,316,525	9,016,331	10,078,442	16,076,950	16,394,967	-1.94%
Capital Assets	16,594,244	16,477,980	988,784	887,557	17,583,028	17,365,537	1.25%
Total Assets	23,654,863	22,794,505	10,005,115	10,965,999	33,659,978	33,760,504	-0.30%
Long-term debt outstanding	13,440,810	13,481,807	6,127	0	13,446,937	13,481,807	-0.26%
Other Liabilities	2,045,050	2,174,130	206,419	756,989	2,251,469	2,931,119	-23.19%
Total Liabilities	15,485,860	15,655,937	212,546	756,989	15,698,406	16,412,926	-4.35%
Net Assets							
Invested in capital assets, net of related debt	2,715,843	2,625,800	978,332	887,557	3,694,175	3,513,357	5.15%
Restricted	1,080,267	1,016,543	50,272	75,044	1,130,539	1,091,587	3.57%
Unrestricted	4,372,893	3,496,225	8,763,965	9,246,409	13,136,858	12,742,634	3.09%
Total Net Assets	8,169,003	7,138,568	9,792,569	10,209,010	17,961,572	17,347,578	3.54%

Total Net Assets increased 3.54%. This was primarily due to expenses coming in significantly under budget for the governmental activities. Governmental Activities net assets increased 14%. Business-Type Activities net assets decreased 4%. Business-Type Activity Net Asset decrease was primarily due to capital purchases and increased operating costs of the Ambulance Fund operations, in addition to transfers of funds out of the Delinquent Tax Funds.

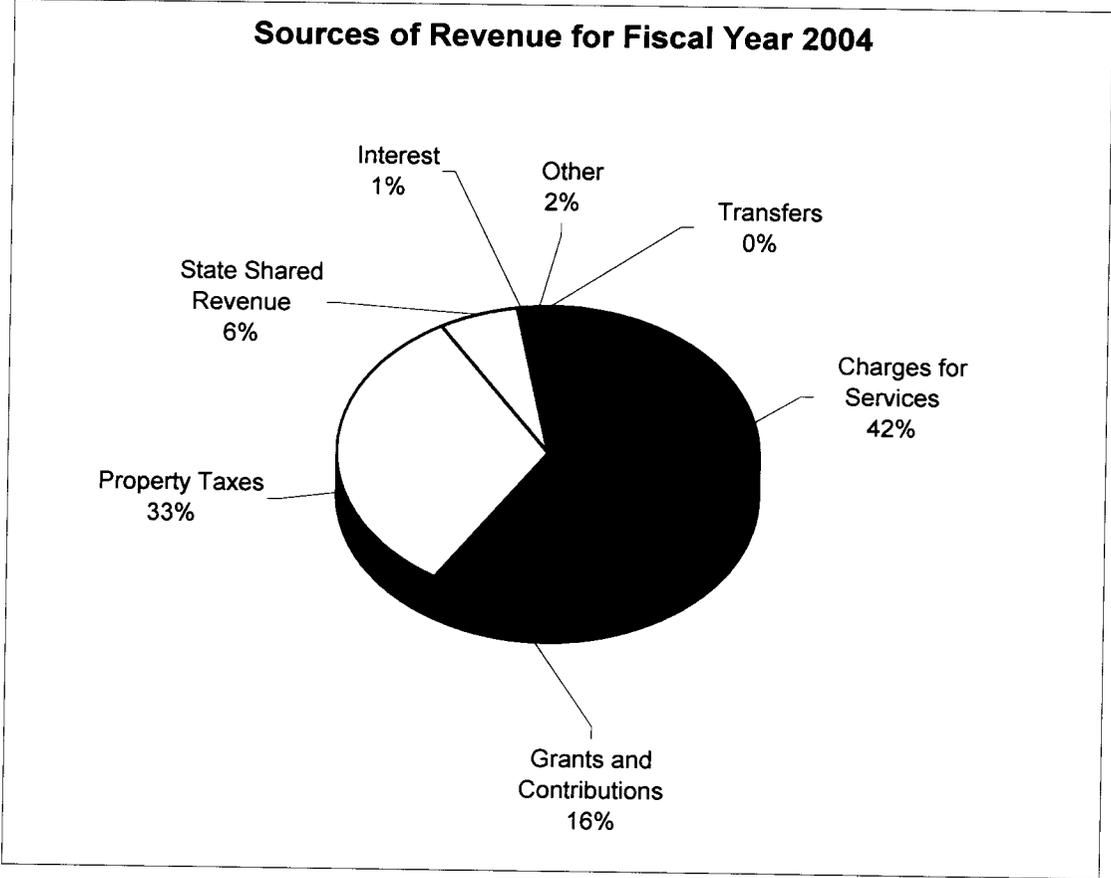
Of the total Current and Other Assets figure of \$16,076,950, \$10,960,356 is Cash or Investments. That represents 70% of the total current assets, up from 67% from the previous year. Of the total cash and investments amount, \$5,731,403 was in the Delinquent Tax Revolving Fund. This figure is down \$239,475 from the previous year. The fund's primary purpose is to administer collection and distribution of delinquent real property taxes. Any surplus in the fund is currently pledged to the payment of debt service on new construction indebtedness that began in 2000 and to increased operating costs of a county jail that was expanded and began full operation in 2002. Receivables of \$4,238,634 represent another 27% of the current assets. This is up from 22% in the previous year. \$2,254,098, or 53%, of that amount were Delinquent Tax Receivables. This is down from 61% in the previous year.

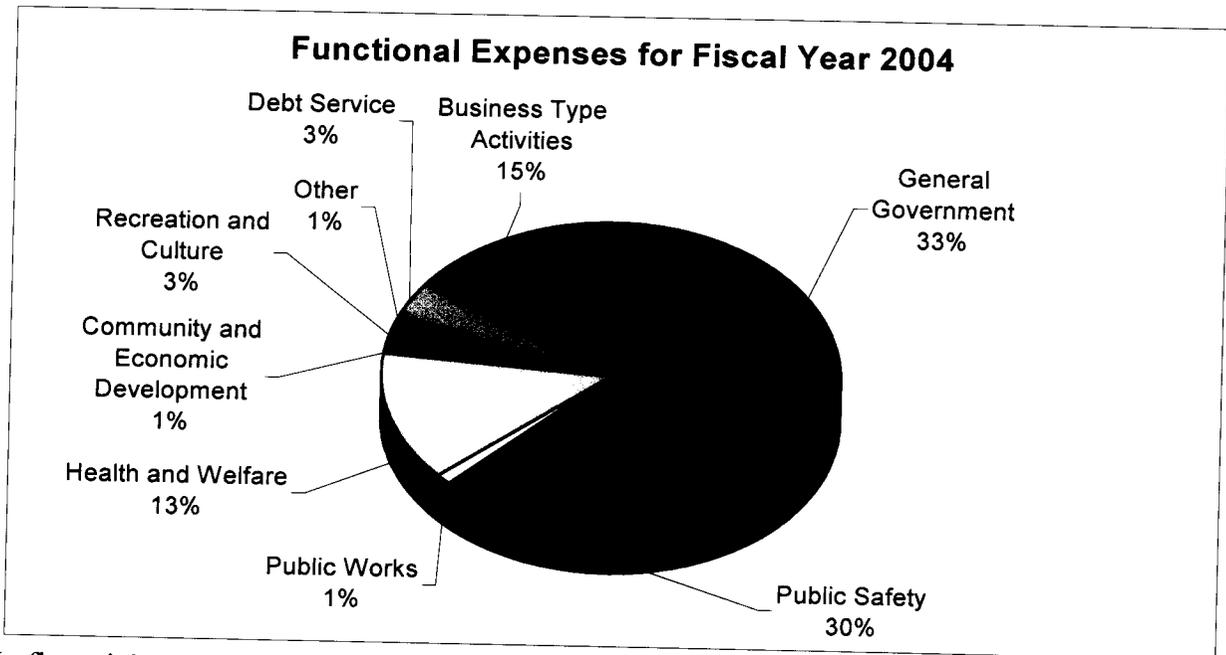
The total depreciated cost of capital assets reported in the governmental activities statement of net assets is \$16,594,244, compared to \$16,477,980 in the previous year. The gross cost of those assets is \$25,380,861, compared to \$24,956,293 at the end of the previous year. The accumulated depreciation on those assets is \$8,786,617, compared to \$8,478,313 at the end of the previous year.

Changes in net assets. The County's net assets increased by \$986,915 (See Table A-2). Governmental activities net assets increased \$1,102,701. Business-Type activities net assets decreased by \$115,786.

	Governmental		Business-type		Total		Total
	Activities		Activities		Total		Percentage
	2004	2003	2004	2003	2004	2003	Change 2003-2004
Revenues							
Program Revenues							
Charges for Services	6,072,634	6,113,304	2,956,628	2,438,726	9,029,262	8,552,030	5.58%
Grants and Contributions	3,282,164	3,227,672	43,391	65,774	3,325,555	3,293,446	0.97%
General Revenues							
Property Taxes	6,244,861	6,285,967	593,301	570,032	6,838,162	6,855,999	-0.26%
State Shared Revenue	1,288,336	1,507,935	15,481	17,582	1,303,817	1,525,517	-14.53%
Interest	70,566	84,309	105,088	362,353	175,654	446,662	-60.67%
Other	251,458	210,363	92,752		344,210	210,363	63.63%
Total Revenues	17,210,019	17,429,550	3,806,641	3,454,467	21,016,660	20,884,017	0.64%
Expenses							
General Government	6,625,210	7,481,541			6,625,210	7,481,541	-11.45%
Public Safety	6,056,858	5,688,225			6,056,858	5,688,225	6.48%
Public Works	236,200	242,612			236,200	242,612	-2.64%
Health and Welfare	2,742,372	2,558,910			2,742,372	2,558,910	7.17%
Community and Economic Development	103,313	251,272			103,313	251,272	-58.88%
Recreation and Cultural	639,176	630,991			639,176	630,991	1.30%
Other	131,115	192,547			131,115	192,547	-31.90%
Debt Service	708,145	878,434			708,145	878,434	-19.39%
Delinquent Tax			83,860	173,794	83,860	173,794	-51.75%
Jail Commissary			100,230	97,909	100,230	97,909	2.37%
Building Official			420,011	406,983	420,011	406,983	3.20%
Ambulance			2,532,763	2,264,348	2,532,763	2,264,348	11.85%
Total Expenses	17,242,389	17,924,532	3,136,864	2,943,034	20,379,253	20,867,566	-2.34%
Excess (deficiency) before special items and transfers	(32,370)	(494,982)	669,777	511,433	637,407	16,451	
Special item: Gain (loss) on Capital Asset Sales	424,845	0	(75,337)	(592)	349,508	(592)	
Transfers	710,226	576,237	(710,226)	(1,012,229)	0	(435,992)	
Increase (decrease) in net assets	1,102,701	81,255	(115,786)	(501,388)	986,915	(420,133)	

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





In financial statements prior to the 2003 fiscal year, Legislative, Judicial, and General Government activities were all reported as separate functional expenses. They are all now grouped together in the General Government function. One category that is not reported as an expense in the Statement of Activities is Capital Outlay. Those items are now reported as assets and the depreciation of those assets is reported as an expense of the function that utilizes the asset.

Financial Analysis of the County's Funds

Governmental Funds

Governmental Funds include the General Fund, Special Revenue Funds (Parks, Central Dispatch, Commission on Aging, Child Care Fund, etc.), Debt Service Funds, and Capital Project Funds. For the fiscal year ended September 30, 2004, the County's governmental funds reported a total Fund Balance of \$5,474,227. Of that amount, \$4,547,990 was unreserved and undesignated. The unreserved/undesignated Fund Balance increased \$710,715 from its September 30, 2003 level. This change will be examined more closely on an individual fund basis.

General Fund. The total General Fund Fund Balance increased by \$376,641 to \$2,106,416 at September 30, 2004. The increase is allocated to the following categories of Fund Balance:

Reserved for Prepayments	\$ (71,933)
Reserved for General Fund Activities	(10,815)
Unreserved-Undesignated Fund Balance	<u>459,389</u>
Total Increase	\$376,641

The reserve for prepayments decreased as the result of payments for health insurance being delayed until after the end of the fiscal year. Expenditures for these items that were paid during the 2004 fiscal year, but benefit periods after the end of the fiscal year, are recorded as prepaid expenditures.

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

The unreserved-undesignated Fund Balance increased \$459,389 to \$1,617,851 at September 30, 2004. The year-end unreserved-undesignated Fund Balance figure represents 13.7% of 2004 General Fund expenditures. The increase was due to a number of revenue and expenditure line items being either over or under budget respectively and some costs that were budgeted did not get incurred during the fiscal year, but will in future fiscal years. The Board of Commissioners also adopted a budget that was conservative in nature so as to protect itself from final results not meeting expectations.

General Fund Revenue was less than the final amended budget by \$291 thousand. General Fund revenue for 2004 totaled \$12,166,849 vs. \$12,766,298 in 2003, a \$599,449 decrease. The following items were the reason for the revenue decrease:

- State Revenue Sharing decreased from \$1,131,272 in 2003 to \$1,035,275 in 2004, an 8% decrease.
- Transfers in from other funds decreased from \$1,142,537 in 2003 to \$755,272 in 2004, a 34% decrease. This decrease was the result of operating costs being less than expected which allowed for the County to pass on transferring funds for operations into the General Fund from the Delinquent Tax Fund.
- Revenue generated from the operation of the county jail for boarding out of county inmates and reimbursement from prisoners for room and board decreased from \$409,726 in 2003 to \$329,308 in 2004, a 20% decrease. This was primarily due to more county inmates being housed in the jail vs. out of county inmates.

General Fund Expenditures was less than the final amended budget by approximately \$728 thousand. General Fund expenditures totaled \$11,790,208 in 2004 vs. \$12,238,146 in 2003, a \$447,938 decrease. The following items were the primary reason for the expenditure decrease:

- Overtime cost related to the county jail decreased from \$303,327 in 2003 to \$162,657 in 2004, a 46% decrease. Operating costs at the county jail also decreased by approximately \$46,000.
- The General Fund appropriation to the Child Care Fund decreased from \$680,667 in 2003 to \$441,000 in 2004, a 35% decrease. This is also a substantial decrease when compared to 2002 when the appropriation cost was over \$900,000.
- The General Fund insurance and bonds cost, including claims and judgments, decreased from \$190,224 to \$125,080, primarily related to a decrease in the claims and judgments cost.
- The Survey and Remonumentation expenditure cost decreased from \$156,064 to \$40,451. This was primarily a timing difference due to grant expenditures being incurred at different times of the fiscal year.
- Various other expenditure budgets decreased by \$5,000 to \$10,000.

Special Revenue Funds. The Special Revenue Funds in total ended the 2004 fiscal year with an unreserved-undesignated Fund Balance of \$1,541,513. All of these funds meet the criteria for nonmajor funds for financial reporting purposes. This is increased from \$1,201,521 at the end of the 2003 fiscal year. The Fund Balances for each of the individual funds at September 30, 2004 as compared to September 30, 2003 are as follows:

Fund	2004	2003	Change	2004	2003	Change
	Total Fund Balance	Total Fund Balance		Unreserved Fund Balance	Unreserved Fund Balance	
Parks and Recreation	2,112	84,691	(82,579)	2,112	34	2,078
Solid Waste Planning	628,640	553,772	74,868	628,640	553,772	74,868
Central Dispatch	709,035	505,966	203,069	567,163	390,090	177,073
Friend of the Court	128,795	97,780	31,015	35,618	12,653	22,965
Law Enforcement	3,102	3,818	(716)	2,682	993	1,689
County Libraries	1,414	2,202	(788)	1,414	2,202	(788)
Law Library	1,890	2,146	(256)	1,890	2,146	(256)
Commission on Aging	250,347	141,716	108,631	250,347	140,473	109,874
FIA Child Care	3,332	1,867	1,465	3,332	1,867	1,465
CDBG Housing	4,440	42,760	(38,320)	4,440	42,760	(38,320)
Juvenile Child Care	384	1,219	(835)	384	1,219	(835)
Drug Law Enforcement	1,239	39	1,200	1,239	39	1,200
CIS	21,575	23,238	(1,663)	21,575	23,238	(1,663)
Veterans Trust	391	1,279	(888)	391	1,279	(888)
Public Improvement	15,897	14,802	1,095	15,897	14,802	1,095
Soldiers and Sailors Relief	3,638	2,599	1,039	3,638	2,599	1,039
FIA	6,640	12,948	(6,308)	6,640	12,948	(6,308)
CMET	5,415	72,266	(66,851)	0	0	0
Register of Deeds Automation	57,305	10,384	46,921	57,305	10,384	46,921
Cemetery	13,927	13,883	44	0	0	0
Law Enforcement Trust	17,308	16,810	498	0	0	0
Victim Support Team	409	507	(98)	0	0	0
Local CO Training	10,210	0	10,210	10,008	0	10,008
Total	1,887,445	1,606,692		1,614,715	1,213,498	

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

- The Parks and Recreation total fund balance decreased due to the transfer of the park improvement reserve to its own Capital Projects Fund.
- The Solid Waste Planning Fund increased its fund balance to \$628,640, even after employing a part-time staff person, in addition to continuing other programs.
- The Central Dispatch Unreserved Fund Balance increased by \$203,069 for the 2004 fiscal year. This increase was primarily the result of unused loan funds and from personnel costs that have not been incurred due to a union contract that has not been renewed since December 31, 2002.
- The Friend of the Court Unreserved Fund Balance increased to \$35,618. The fund generated an operating income for the first time in three years.
- The Juvenile Child Care Fund had total expenditures of \$790,133 for the 2004 fiscal year. 2003 expenditures totaled \$1,118,679.

- The Register of Deeds Automation Fund increased its fund balance to \$57,305 at the end of the 2004 fiscal year from \$10,384 at the end of the 2003 fiscal year.

Proprietary Funds

Proprietary Funds include Enterprise Funds (Ambulance Fund, Delinquent Tax Funds, Inmate Commissary Fund, Building Official Fund) and Internal Service Funds (Office Equipment Fund, Retiree Health Benefits Fund). The Enterprise Funds had total net assets at September 30, 2004 of \$9,792,569. Of that amount, \$978,332 was invested in capital assets, net of related debt. Internal Service Funds had net assets of \$134,618 at September 30, 2004 with \$17,823 of that amount invested in capital assets, net of related debt.

Enterprise Funds. The Ambulance Fund had net assets of \$1,279,199 at September 30, 2004. Of that amount, \$948,633 was invested in capital assets, net of related debt. The net assets decreased by \$289,569 during the 2004 fiscal year. The decrease in net assets is primarily the result of increased operating costs. The Ambulance Fund financial results compared to the prior fiscal year are as follows:

	Sept. 30, <u>2004</u>	Sept. 30, <u>2003</u>
Operating Revenues	1,718,543	1,240,324
Operating Expenses	2,532,763	2,264,940
Operating Income (Loss)	<u>(814,220)</u>	<u>(1,024,616)</u>
Nonoperating Revenues	523,651	588,405
Income (Loss) Before Transfers	<u>(290,569)</u>	<u>(436,211)</u>
Transfers In (Out)	1,000	0
Change in Net Assets	<u><u>(289,569)</u></u>	<u><u>(436,211)</u></u>

The Delinquent Tax Revolving Fund had net assets of \$8,431,170 at the end of the 2004 fiscal year. The net assets decreased \$97,581 during the fiscal year. The fund generated a net income of \$902,136 during the fiscal year, but then transferred \$699,062 to the General Fund, resulting in the decrease in net assets.

General Fund Budgetary Highlights

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

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

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

<u>Revenue</u>	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Change</u>	<u>% Change</u>
Taxes	5,497,812	5,426,522	(71,290)	-1.30%
Licenses and Permits	104,100	146,600	42,500	40.83%
Intergovernmental	2,348,615	2,272,460	(76,155)	-3.24%
Charges for Services	3,037,723	3,003,498	(34,225)	-1.13%
Fines and Forfeits	120,120	150,250	30,130	25.08%
Interest and Rents	246,500	180,500	(66,000)	-26.77%
Other	211,857	271,826	59,969	28.31%
Other Financing Sources	994,119	1,006,283	12,164	1.22%
Total Revenue and Other Financing Sources				
	<u>12,560,846</u>	<u>12,457,939</u>	<u>(102,907)</u>	-0.82%
 <u>Expenditures</u>				
General Government	6,026,880	6,104,550	77,670	1.29%
Public Safety	4,045,659	4,223,557	177,898	4.40%
Public Works	80,404	69,175	(11,229)	-13.97%
Health and Welfare	824,175	816,152	(8,023)	-0.97%
Community and Economic Dev.	5,000	10,000	5,000	100.00%
Other	501,326	399,822	(101,504)	-20.25%
Debt Service	34,290	12,951	(21,339)	-62.23%
Other Financing Uses	1,053,900	881,723	(172,177)	-16.34%
Total Expenditures and Other Financing Uses				
	<u>12,571,634</u>	<u>12,517,930</u>	<u>(53,704)</u>	-0.43%

While the change in total revenue and total expenditures is not significant at .82% and .43% respectively, there are some individual categories that did change significantly.

Property tax revenue represents 44% of the General Fund revenue budget. It did not change significantly. The budget was reduced by 1.3%.

The Licenses and Permits revenue budget increased by 40.83%. The increase was due to an increase in revenue from dog licenses. The County instituted an amnesty program to allow licenses to be purchased without penalty. The program was followed up with a dog census to find all the dogs in the County, including those unlicensed. The result was a substantial increase in the number of dog licenses purchased.

Fines and Forfeits revenue increased by 25.08%. This was primarily due to an increase in fines collected by the District Court.

The Interest and Rent revenue budget was decreased by 26.77%. The adopted budget assumed a general increase in interest rates which would result in increased return on investments. This did not happen until early on in the 2005 fiscal year.

The Other revenue budget increased by 28.31%. This was due to revenue received from the sale of the County owned property in Pierson Township and from receipt of a premium refund from Blue Cross/Blue Shield.

The Public Safety expenditure budget increased by 4.4%. This increase was due to jail overtime cost coming in \$120,000 higher than budgeted and health insurance costs being higher than projected. The initial budget for jail overtime was \$42,000. The final budget was \$165,000. A change was made in the operation of the jail at the end of the 2004 fiscal year to bring the budget for overtime back in line with original projections.

The Other expenditure budget includes contingency. The initial contingency budget was \$350,726. It was reduced to \$267,721 by the end of the fiscal year. Contingency was reduced to transfer costs to other budgets. The remaining contingency amount related to items that will be incurred in future years or items that were budgeted as contingencies that were not needed, such as additional funding for the Child Care Fund in the amount of \$200,000.

The Other Financing Uses budget was decreased 16.43%. Funds were removed from the Child Care Fund appropriation due to costs being lesser than expected in the Child Care Fund. The budget in the Capital Outlay Appropriation was reduced by approximately \$90,000 to full account for the financing of the Munis Software in the Equipment Purchase and Replacement Fund.

Description of Significant Capital Asset and Long-Term Debt Activity

As of the of the 2004 fiscal year, the County had invested over \$27 million in a broad range of capital assets, including police equipment, buildings, park facilities, and computer equipment. (See Table A-4)

	Governmental	Business
<u>Category</u>	<u>Activities</u>	<u>Type</u>
	<u>Activities</u>	<u>Activities</u>
Land and Land Improvements	\$81,157	\$50,651
Construction in progress	172,651	280,673
Buildings and Additions	22,309,687	148,805
Equipment and Furniture	2,247,514	752,537
Vehicles	569,852	1,131,670
Total at Historical Cost	25,380,861	2,364,336

The depreciated value of the assets in total as of September 30, 2004 for Governmental Activities and Business-Type Activities was \$16,594,244 and \$988,784, respectively. Capital Asset additions totaled \$561,853 for the Governmental Activities and \$516,503 for the Business-Type Activities. The most significant addition in the Governmental Activities was the addition to the Commission on Age building and vehicles for the Sheriff's department and the jail and new accounting software for the County.

The most significant addition in the Business-Type Activities was the addition of a new ambulance facility in Stanton. The construction of the building was still in progress at fiscal year-end. The cost incurred to that point was \$280,673. The purchase of a new ambulance was also a significant purchase for the Business-Type Activities.

As of September 30, 2004, the County, excluding its component units, had \$14,117,320 in long-term debt outstanding. The most significant single debt issue of the total is the Building Authority Bond issued in September 2000 for the construction of the court and public safety complex. Of the total of \$15.0 million in debt issued, \$13.395 million remains outstanding. Debt related to compensated absences (vacation and sick leave) totaled another \$228,467. Installment purchase agreements for the Munis Software, the Commission on Aging Building Addition, and the Central Dispatch GIS System were the significant additions to long-term debt during the 2004 fiscal year.

Economic Factors and Next Year's Budget and Rates

- The unemployment rate for the County as of January 2005 was 9.2%. The rate has increased from 7.6% in September 2004, but decreased from the 9.6% unemployment rate in place in January 2004. The State of Michigan's unemployment rate was 7.1% for January 2005.
- Interest rates continue to stay at historical lows.

The County considered these factors in preparing the budget for 2005. The following factors will also affect the County's financial position and operations into the future:

- The General Fund budget for 2005, as currently amended, has a structural deficit and the increase in fund balance experienced in 2004 will be used to balance the 2005 budget.
- The State of Michigan's budget problems continue to affect the County's finances. The creation of the revenue sharing reserve fund will provide the County with secure funding for the next five fiscal years. Cash flow problems associated with the revenue stream will need to be dealt with in future fiscal years. An increase in fund balance will be needed or short-term cash flow financing may be required.
- The Electrolux Corporation has announced that it will cease operating in Greenville in 2005. Electrolux is the County's largest employer with over 2,700 employees.
- The Hitachi Corporation has announced that it will be closing in March 2005.
- The County will be participating in binding arbitration in 2005 with the COAM and POAM unions to settle bargaining agreements that expired on December 31, 2002.

Contacting the County's Financial Management

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

BASIC FINANCIAL STATEMENTS

Montcalm County, Michigan

STATEMENT OF NET ASSETS

September 30, 2004

	Primary Government		Total	Component Units
	Governmental Activities	Business-type Activities		
ASSETS				
Current assets				
Cash and cash equivalents	\$ 4,776,418	\$ 3,227,734	\$ 8,004,152	\$ 2,932,795
Investments	249,765	2,706,439	2,956,204	3,789
Receivables	1,605,219	365,479	1,970,698	2,116,890
Delinquent tax receivable	-	2,254,098	2,254,098	-
Interest receivable	-	13,838	13,838	-
Internal balances	82,814	(82,814)	-0-	-
Due from fiduciary funds	10,311	-	10,311	-
Due from other governmental units	-	427,359	427,359	2,201,246
Inventories	-	-	-0-	552,143
Prepaid expenses	107,133	-	107,133	53,164
Total current assets	6,831,660	8,912,133	15,743,793	7,860,027
Noncurrent assets				
Cash - restricted	-	-	-0-	462,393
Advance to other funds	41,943	-	41,943	-
Advance to component units	187,016	104,198	291,214	-
Capital assets, net	16,594,244	988,784	17,583,028	29,747,539
Total noncurrent assets	16,823,203	1,092,982	17,916,185	30,209,932
TOTAL ASSETS	23,654,863	10,005,115	33,659,978	38,069,959
LIABILITIES				
Current liabilities				
Accounts payable	536,185	92,881	629,066	894,944
Accrued liabilities	215,524	62,642	278,166	345,810
Due to fiduciary funds	144,658	-	144,658	-
Due to others	14,503	-	14,503	-
Due to other governmental units	110,000	-	110,000	10,805
Accrued interest payable	291,895	-	291,895	51,855
Deferred revenue	66,227	4,628	70,855	1,777,152
Current portion of compensated absences	146,477	-	146,477	65,061
Current portion of long-term debt	519,581	4,325	523,906	445,991
Total current liabilities	2,045,050	164,476	2,209,526	3,591,618
Noncurrent liabilities				
Advances from primary government	-	41,943	41,943	291,214
Advance from State	-	-	-0-	124,130
Noncurrent portion of compensated absences	81,990	-	81,990	327,139
Noncurrent portion of long-term debt	13,358,820	6,127	13,364,947	4,901,662
Total noncurrent liabilities	13,440,810	48,070	13,488,880	5,644,145
TOTAL LIABILITIES	15,485,860	212,546	15,698,406	9,235,763
NET ASSETS				
Invested in capital assets, net of related debt	2,715,843	978,332	3,694,175	24,399,886
Restricted for:				
Public safety	10,165	50,272	60,437	-
Solid waste planning	628,640	-	628,640	-
Debt service	-	-	-0-	162,902
Other purposes	441,462	-	441,462	2,215,972
Unrestricted	4,372,893	8,763,965	13,136,858	2,055,436
TOTAL NET ASSETS	\$ 8,169,003	\$ 9,792,569	\$ 17,961,572	\$ 28,834,196

See accompanying notes to financial statements.

Montcalm County, Michigan
 STATEMENT OF ACTIVITIES
 Year Ended September 30, 2004

Functions/Programs Primary government	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Component Units
Governmental activities							
General government	\$ 6,625,210	\$ 3,966,088	\$ 1,412,373	\$ 18,078	\$ (1,228,671)	\$ -	\$ (1,228,671)
Public safety	6,056,858	1,765,075	756,300	118,810	(3,416,673)	-	(3,416,673)
Health and welfare	236,200	241,893	-	-	5,693	-	5,693
Community and economic development	2,742,372	90,178	914,290	-	(1,737,904)	-	(1,737,904)
Recreation and cultural	103,313	-	57,349	-	(45,964)	-	(45,964)
Other	639,176	9,400	-	4,964	(624,812)	-	(624,812)
Interest on long-term debt	131,115	-	-	-	(131,115)	-	(131,115)
Total governmental activities	708,145	-	-	-	(708,145)	-	(708,145)
Total governmental activities	17,242,389	6,072,634	3,140,312	141,852	(7,887,591)	-0-	(7,887,591)
Business-type activities							
Delinquent tax	83,860	867,435	-	-	-	783,575	783,575
Jail Commissary	100,230	102,696	-	-	-	2,466	2,466
Building Official	420,011	402,395	-	-	-	(17,616)	(17,616)
Ambulance	2,532,763	1,584,102	43,225	166	-	(905,270)	(905,270)
Total business-type activities	3,136,864	2,956,628	43,225	166	-0-	(136,845)	(136,845)
Total primary government	\$20,379,253	\$ 9,029,262	\$ 3,183,537	\$ 142,018	(7,887,591)	(136,845)	(8,024,436)
Component units							
Drainage Districts	\$ 1,006,879	\$ 188,690	\$ -	\$ 1,081,497	-	-	-
District Health Department	5,601,921	1,363,949	3,135,780	-	-	-	263,308
Road Commission	8,407,275	1,248,565	5,905,832	3,269,010	-	-	(1,102,192)
Total component units	\$15,016,075	\$ 2,801,204	\$ 9,041,612	\$ 4,350,507	-0-	-0-	1,177,248
General revenues:							
Taxes							
State shared revenue					6,244,861	593,301	6,838,162
Interest					1,288,336	15,481	1,303,817
Appropriations from other counties					70,566	105,088	175,654
Cigarette tax					-	-	-0-
Gain on equipment disposal					-	-	-0-
Other					251,458	92,752	344,210
Transfers					710,226	(710,226)	-
Special items							
Gain (loss) on sale of capital assets					424,845	(75,337)	349,508
Total general revenues, special items, and transfers					8,990,292	21,059	9,011,351
Change in net assets					1,102,701	(115,786)	986,915
Net assets, beginning of the year					7,138,568	10,209,010	17,347,578
Prior period adjustments					(72,266)	(300,655)	(372,921)
Net assets, end of the year					\$ 8,169,003	\$ 9,792,569	\$ 17,961,572
							\$ 28,834,196

See accompanying notes to financial statements.

Montcalm County, Michigan
GOVERNMENTAL FUNDS BALANCE SHEET

September 30, 2004

	<u>Capital Projects</u>		
	<u>General</u>	<u>General Projects</u>	<u>Park Improvements</u>
ASSETS			
Cash and cash equivalents	\$ 1,914,963	\$ 1,184,734	\$ 118,164
Investments	-	-	-
Accounts receivable	75,050	-	-
Due from other funds	3,578	-	-
Due from fiduciary funds	10,311	-	-
Due from other governmental units			
Federal/State	424,095	-	-
Local	-	-	-
Prepayments	102,092	-	-
Land contracts receivable	191,250	-	191,250
Advances to other funds	-	41,943	-
Advances to component units	187,016	-	-
TOTAL ASSETS	<u>\$ 2,908,355</u>	<u>\$ 1,226,677</u>	<u>\$ 309,414</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 232,647	\$ -	\$ -
Accrued liabilities	167,228	-	-
Due to other funds	1,156	-	-
Due to fiduciary funds	144,658	-	-
Due to others	-	-	-
Due to other governmental units			
Federal/State	-	-	-
Deferred revenue	256,250	-	191,250
TOTAL LIABILITIES	801,939	-0-	191,250
FUND BALANCES			
Reserved for			
Prepayments	102,092	-	-
Marriage counseling	-	-	-
Grant expenditures	-	-	-
Wireless surcharge	-	-	-
Advances to component units	187,016	-	-
General fund activities	199,457	-	-
Trust activities	-	-	-
K-9 program	-	-	-
Unreserved			
Designated for capital expenditures	-	-	-
Undesignated, reported in:			
General fund	1,617,851	-	-
Special revenue funds	-	-	-
Debt service funds	-	-	-
Capital projects funds	-	1,226,677	118,164
TOTAL FUND BALANCES	<u>2,106,416</u>	<u>1,226,677</u>	<u>118,164</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,908,355</u>	<u>\$ 1,226,677</u>	<u>\$ 309,414</u>

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 1,440,827	\$ 4,658,688
249,765	249,765
189,332	264,382
87,402	90,980
-	10,311
482,956	907,051
51,286	51,286
5,041	107,133
-	382,500
-	41,943
-	187,016
<u>\$ 2,506,609</u>	<u>\$ 6,951,055</u>
\$ 302,603	\$ 535,250
48,296	215,524
7,010	8,166
-	144,658
14,503	14,503
110,000	110,000
1,227	448,727
483,639	1,476,828
5,041	107,133
89,161	89,161
5,415	5,415
141,049	141,049
-	187,016
-	199,457
123,384	123,384
420	420
73,202	73,202
-	1,617,851
1,541,513	1,541,513
555	555
43,230	1,388,071
<u>2,022,970</u>	<u>5,474,227</u>
<u>\$ 2,506,609</u>	<u>\$ 6,951,055</u>

Montcalm County, Michigan

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

September 30, 2004

Total fund balance - governmental funds **\$ 5,474,227**

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

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

The cost of capital assets is	\$ 25,380,861	
Accumulated depreciation is	<u>(8,786,617)</u>	16,594,244

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

Office Equipment Pool	12,167	
Post-Retirement Health	<u>104,628</u>	116,795

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

Deferred revenue		382,500
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet. Long-term liabilities at year-end consist of:

Direct County obligations	(13,874,171)	
Accrued interest payable	(291,895)	
Capital leases	(4,230)	
Compensated absences	<u>(228,467)</u>	<u>(14,398,763)</u>

Net assets of governmental activities **\$ 8,169,003**

See accompanying notes to financial statements.

Montcalm County, Michigan

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended September 30, 2004

	Capital Projects		
	General	General Projects	Park Improvements
REVENUES			
Taxes	\$ 5,408,070	\$ -	\$ -
Licenses and permits	155,092	-	-
Intergovernmental	2,225,973	-	-
Charges for services	3,044,766	-	-
Fines and forfeits	147,661	-	-
Interest and rents	182,190	12,807	669
Other	247,825	-	33,100
TOTAL REVENUES	11,411,577	12,807	33,769
EXPENDITURES			
Current			
General government	5,819,535	-	-
Public safety	4,202,824	-	-
Public works	69,175	-	-
Health and welfare	813,069	-	-
Community and economic development	7,597	-	-
Recreation and cultural	-	-	-
Other	131,115	-	-
Debt service	12,950	-	-
Capital outlay	-	64,897	-
TOTAL EXPENDITURES	11,056,265	64,897	-0-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	355,312	(52,090)	33,769
OTHER FINANCING SOURCES (USES)			
Loan proceeds	-	-	-
Operating transfers in	755,272	35,000	84,395
Operating transfers out	(733,943)	(124,046)	-
TOTAL OTHER FINANCING SOURCES (USES)	21,329	(89,046)	84,395
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	376,641	(141,136)	118,164
Fund balances, beginning of year	1,729,775	1,367,813	-
Prior period adjustments	-	-	-
Fund balances, end of year	\$ 2,106,416	\$ 1,226,677	\$ 118,164

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 836,791	\$ 6,244,861
7,455	162,547
2,287,495	4,513,468
1,353,968	4,398,734
6,500	154,161
1,154,033	1,349,699
183,219	464,144
<u>5,829,461</u>	<u>17,287,614</u>
757,853	6,577,388
1,513,388	5,716,212
167,025	236,200
1,738,497	2,551,566
95,716	103,313
630,404	630,404
-	131,115
1,145,661	1,158,611
629,415	694,312
<u>6,677,959</u>	<u>17,799,121</u>
(848,498)	(511,507)
471,017	471,017
1,023,569	1,898,236
<u>(370,021)</u>	<u>(1,228,010)</u>
<u>1,124,565</u>	<u>1,141,243</u>
276,067	629,736
1,819,169	4,916,757
<u>(72,266)</u>	<u>(72,266)</u>
<u>\$ 2,022,970</u>	<u>\$ 5,474,227</u>

Montcalm County, Michigan

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

Year Ended September 30, 2004

Net change in fund balances - total governmental funds \$ 629,736

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

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

Capital outlay	\$ 561,853	
Depreciation expense	<u>(410,339)</u>	
Excess of capital outlay over depreciation expense		151,514

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

Post-Retirement Health	(2,463)	
Office Equipment Pool	<u>15,736</u>	13,273

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

Deferred revenue		382,500
------------------	--	---------

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

Loan proceeds	(471,017)	
Bond and loan principal and capital lease retirement	<u>444,796</u>	(26,221)

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

Loss on disposal of capital assets	(35,250)	
Decrease in accrued interest payable	5,670	
(Increase) in accrued compensated absences	<u>(18,521)</u>	<u>(48,101)</u>

Change in net assets of governmental activities \$ 1,102,701

See accompanying notes to financial statements.

Montcalm County, Michigan
Proprietary Funds
STATEMENT OF NET ASSETS
September 30, 2004

	Business-type		
	Delinquent Tax Revolving	Ambulance	Nonmajor Enterprise Funds
ASSETS			
Current assets			
Cash and cash equivalents	\$ 3,024,964	\$ 133,315	\$ 69,455
Investments	2,706,439	-	-
Accounts receivable, net	-	365,479	-
Delinquent taxes receivable	2,254,098	-	-
Interest receivable	13,838	-	-
Due from State/Federal	-	14,696	-
Due from other governmental units - local	412,663	-	-
Due from other funds	89	140	-
Total current assets	8,412,091	513,630	69,455
Noncurrent assets			
Capital assets, net of accumulated depreciation	-	959,085	29,699
Advances to component units	104,198	-	-
Total noncurrent assets	104,198	959,085	29,699
TOTAL ASSETS	8,516,289	1,472,715	99,154
LIABILITIES			
Current liabilities			
Accounts payable	-	87,181	5,700
Accrued payroll	-	47,560	11,254
Other accrued liabilities	2,076	1,752	-
Due to other funds	83,043	-	-
Deferred revenue	-	4,628	-
Noncurrent portion of lease payable	-	4,325	-
Total current liabilities	85,119	145,446	16,954
Noncurrent liabilities			
Advances from other funds	-	41,943	-
Lease payable	-	6,127	-
Total noncurrent liabilities	-0-	48,070	-0-
TOTAL LIABILITIES	85,119	193,516	16,954
NET ASSETS			
Invested in capital assets, net of related debt	-	948,633	29,699
Restricted for public safety	-	-	50,272
Unrestricted	8,431,170	330,566	2,229
TOTAL NET ASSETS	\$ 8,431,170	\$ 1,279,199	\$ 82,200

See accompanying notes to financial statements.

<u>Activities</u>	<u>Governmental Activities</u>
<u>Total</u>	<u>Internal Service Funds</u>
\$ 3,227,734	\$ 117,730
2,706,439	-
365,479	-
2,254,098	-
13,838	-
14,696	-
412,663	-
229	-
<u>8,995,176</u>	<u>117,730</u>
988,784	17,823
104,198	-
<u>1,092,982</u>	<u>17,823</u>
10,088,158	135,553
92,881	935
58,814	-
3,828	-
83,043	-
4,628	-
4,325	-
<u>247,519</u>	<u>935</u>
41,943	-
6,127	-
<u>48,070</u>	<u>-0-</u>
<u>295,589</u>	<u>935</u>
978,332	17,823
50,272	-
<u>8,763,965</u>	<u>116,795</u>
<u>\$ 9,792,569</u>	<u>\$ 134,618</u>

Montcalm County, Michigan

Proprietary Funds

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

Year Ended September 30, 2004

	Business-type		
	Delinquent Tax Revolving	Ambulance	Nonmajor Enterprise Funds
OPERATING REVENUES			
Charges for services	\$ 650,664	\$ 1,578,622	\$ 402,395
Sales	-	-	102,696
Intergovernmental			
Federal/State	-	58,871	-
Penalties and interest on delinquent taxes	213,984	-	-
Other revenue	20,452	81,050	-
TOTAL OPERATING REVENUES	885,100	1,718,543	505,091
OPERATING EXPENSES			
Personnel services	-	1,352,277	280,076
Fringe benefits	-	395,241	71,888
Operating supplies	17,411	77,721	92,008
Contractual services	43,527	82,040	34,819
Repairs and maintenance	-	122,203	3,661
Insurance	-	21,384	3,979
Rent expense	-	60,100	-
Vehicle expense	-	70,186	2,593
Depreciation	-	223,757	10,086
Communications	-	21,601	5,944
Utilities	-	7,601	-
Training	-	11,623	-
Indirect operating	-	81,242	-
Other	22,922	5,787	15,187
TOTAL OPERATING EXPENSES	83,860	2,532,763	520,241
OPERATING INCOME (LOSS)	801,240	(814,220)	(15,150)
NONOPERATING REVENUES			
Tax revenue	-	592,820	-
Interest revenue	100,896	3,958	233
Loss on sale of capital assets	-	(73,127)	(2,210)
TOTAL NONOPERATING REVENUES	100,896	523,651	(1,977)
INCOME (LOSS) BEFORE TRANSFERS	902,136	(290,569)	(17,127)
TRANSFERS IN (OUT)			
Transfers in	-	1,000	-
Transfers out	(699,062)	-	(12,164)
TOTAL TRANSFERS IN (OUT)	(699,062)	1,000	(12,164)
CHANGE IN NET ASSETS	203,074	(289,569)	(29,291)
Net assets, beginning of year	8,528,751	1,568,768	111,491
Prior period adjustments	(300,655)	-	-
Net assets, end of year	\$ 8,431,170	\$ 1,279,199	\$ 82,200

See accompanying notes to financial statements.

Activities	Governmental Activities
Total	Internal Service Funds
\$ 2,631,681	\$ -
102,696	-
58,871	-
213,984	-
<u>101,502</u>	<u>23,120</u>
3,108,734	23,120
1,632,353	-
467,129	-
187,140	2,518
160,386	6,445
125,864	-
25,363	-
60,100	-
72,779	-
233,843	6,949
27,545	-
7,601	-
11,623	-
81,242	-
<u>43,896</u>	<u>27,941</u>
<u>3,136,864</u>	<u>43,853</u>
(28,130)	(20,733)
592,820	-
105,087	557
<u>(75,337)</u>	<u>-</u>
<u>622,570</u>	<u>557</u>
594,440	(20,176)
1,000	40,000
<u>(711,226)</u>	<u>-</u>
<u>(710,226)</u>	<u>40,000</u>
(115,786)	19,824
10,209,010	114,794
<u>(300,655)</u>	<u>-</u>
<u>\$ 9,792,569</u>	<u>\$ 134,618</u>

Montcalm County, Michigan

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended September 30, 2004

	Business-type		
	Delinquent Tax Revolving	Ambulance Fund	Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 915,595	\$ 1,450,454	\$ 505,091
Cash receipts from federal operating grants	-	58,871	-
Cash receipts from state	-	11,196	-
Cash receipts from other governmental units - local	352,407	-	-
Cash paid to suppliers	(666,453)	(485,478)	(153,396)
Cash paid for employee fringe benefits	-	(395,241)	(68,356)
Cash paid to employees	-	(1,352,277)	(280,076)
Cash paid to other funds	(242,859)	(49,437)	(8,904)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	358,690	(761,912)	(5,641)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	-	1,000	-
Transfers to other funds	(699,062)	-	(12,164)
Tax revenue	-	592,820	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(699,062)	593,820	(12,164)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Lease proceeds	-	12,975	-
Capital acquisitions	-	(499,028)	(17,475)
Sale of assets	-	106,096	-
Transfers from other funds	-	-	-
Advances from other funds	-	41,943	-
Transfer of capital assets	-	-	-
Payments on borrowings	-	(2,523)	-
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	-0-	(340,537)	(17,475)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	(2,706,439)	-	-
Maturity of investments	2,209,361	-	-
Interest on investments	100,896	3,958	233
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(396,182)	3,958	233

<u>Activities</u>	<u>Governmental Activities</u>
<u>Total</u>	<u>Internal Service Funds</u>
\$ 2,871,140	\$ 23,120
58,871	-
11,196	-
352,407	-
(1,305,327)	(6,480)
(463,597)	(27,941)
(1,632,353)	-
(301,200)	-
<u>(408,863)</u>	<u>(11,301)</u>
1,000	20,000
(711,226)	-
592,820	-
<u>(117,406)</u>	<u>20,000</u>
12,975	-
(516,503)	-
106,096	-
-0-	20,000
41,943	-
-0-	(13,500)
(2,523)	-
<u>(358,012)</u>	<u>6,500</u>
(2,706,439)	-
2,209,361	-
105,087	557
<u>(391,991)</u>	<u>557</u>

Montcalm County, Michigan

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended September 30, 2004

	Business-type		
	Delinquent Tax Revolving	Ambulance Fund	Nonmajor Enterprise Funds
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (736,554)	\$ (504,671)	\$ (35,047)
Cash and cash equivalents, beginning of year	3,761,518	637,986	104,502
Cash and cash equivalents, end of year	<u>\$ 3,024,964</u>	<u>\$ 133,315</u>	<u>\$ 69,455</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ 801,240	\$ (814,220)	\$ (15,150)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	-	223,757	10,086
(Increase) decrease in receivables	30,495	(209,379)	-
(Increase) in prepayments	-	12,216	3,168
(Increase) decrease in due from other funds	(89)	260	-
Decrease in due from other government units - local	352,407	-	-
Decrease in due from state	-	11,196	-
Increase (decrease) in accounts payable	(579,694)	49,815	1,627
(Decrease) in due to other funds	(242,770)	(49,697)	(8,904)
Increase (decrease) in accrued liabilities	(2,899)	13,979	3,532
Increase in deferred revenue	-	161	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 358,690</u>	<u>\$ (761,912)</u>	<u>\$ (5,641)</u>

See accompanying notes to financial statements.

<u>Activities</u>	<u>Governmental Activities</u>
<u>Total</u>	<u>Internal Service Funds</u>
\$ (1,276,272)	\$ 15,756
<u>4,504,006</u>	<u>101,974</u>
<u>\$ 3,227,734</u>	<u>\$ 117,730</u>

\$ (28,130)	\$ (20,733)
-------------	-------------

233,843	6,949
(178,884)	-
15,384	2,218
171	-
352,407	-
11,196	-
(528,252)	265
(301,371)	-
14,612	-
161	-
<u>\$ (408,863)</u>	<u>\$ (11,301)</u>

Montcalm County, Michigan

Fiduciary Funds

STATEMENT OF NET ASSETS

September 30, 2004

	Agency Funds	Pension Fund
ASSETS		
Cash and cash equivalents	\$ 2,750,754	\$ 2,907,360
Investments		
U.S. Treasury Notes	-	525,469
U.S. Government obligations	-	1,876,063
Corporate bonds and notes	-	4,064,478
Common stocks	-	4,086,428
Foreign stocks	-	137,981
Due from county funds	-	144,658
Due from fiduciary funds	29,136	-
	29,136	-
TOTAL ASSETS	\$ 2,779,890	13,742,437
LIABILITIES		
Due to county funds	\$ 2,456	7,855
Due to fiduciary funds	29,136	-
Due to other governmental units		
Federal/State	1,644,997	-
Local	298,389	-
Due to individuals and agencies	804,912	830
	804,912	830
TOTAL LIABILITIES	\$ 2,779,890	8,685
NET ASSETS		
Held in trust for pension benefits		\$ 13,733,752

See accompanying notes to financial statements.

Montcalm County, Michigan

Pension Trust Fund

STATEMENT OF CHANGES IN PLAN NET ASSETS

Year Ended September 30, 2004

	<u>Pension Fund</u>
ADDITIONS	
Investment income	
Interest and dividends	\$ 448,291
Net increase in fair value of investments	826,722
Less investment expenses	<u>(26,732)</u>
Net investment income	1,248,281
Contributions	
Employer	407,032
Employee	<u>312,467</u>
Total additions	1,967,780
DEDUCTIONS	
Benefit payments	517,741
Refunds of contributions	73,960
Administrative expenses	50,316
Transfers to defined contribution plan	<u>1,335,787</u>
Total deductions	<u>1,977,804</u>
CHANGE IN NET ASSETS	(10,024)
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	
Beginning of year	<u>13,743,776</u>
End of year	<u><u>\$ 13,733,752</u></u>

See accompanying notes to financial statements.

Montcalm County, Michigan

Component Unit

COMBINING STATEMENT OF NET ASSETS

September 30, 2004

	Drainage Districts	District Health	Road Commission	Total Component Units
ASSETS				
Current assets				
Cash and cash equivalents	\$ 1,196,770	\$ 1,072,740	\$ 663,285	\$ 2,932,795
Investments	3,789	-	-	3,789
Accounts receivable	9,762	158,578	-	168,340
Special assessment receivable	1,948,550	-	-	1,948,550
Due from other governmental units	-	400,631	1,800,615	2,201,246
Inventories	-	79,438	472,705	552,143
Prepaid expenses	-	53,164	-	53,164
Total current assets	3,158,871	1,764,551	2,936,605	7,860,027
Noncurrent assets				
Cash - restricted	225,020	-	237,373	462,393
Capital assets, net	4,506,796	259,593	24,981,150	29,747,539
Total noncurrent assets	4,731,816	259,593	25,218,523	30,209,932
TOTAL ASSETS	7,890,687	2,024,144	28,155,128	38,069,959
LIABILITIES				
Current liabilities				
Accounts payable	9,150	162,203	723,591	894,944
Accrued liabilities	-	313,224	32,586	345,810
Due to other governmental units	-	-	10,805	10,805
Accrued interest payable	51,855	-	-	51,855
Deferred revenue	1,697,714	79,438	-	1,777,152
Current portion of compensated absences	-	65,061	-	65,061
Current portion of long-term debt	227,186	-	218,805	445,991
Total current liabilities	1,985,905	619,926	985,787	3,591,618
Noncurrent liabilities				
Advances from primary government	291,214	-	-	291,214
Advance from State	-	-	124,130	124,130
Noncurrent portion of compensated absences	-	260,245	66,894	327,139
Noncurrent portion of long-term debt	3,045,028	-	1,856,634	4,901,662
Total noncurrent liabilities	3,336,242	260,245	2,047,658	5,644,145
TOTAL LIABILITIES	5,322,147	880,171	3,033,445	9,235,763
NET ASSETS				
Invested in capital assets, net of related debt	1,234,582	259,593	22,905,711	24,399,886
Restricted for debt service	162,902	-	-	162,902
Restricted for County Roads	-	-	2,215,972	2,215,972
Unrestricted	1,171,056	884,380	-	2,055,436
TOTAL NET ASSETS	\$ 2,568,540	\$ 1,143,973	\$ 25,121,683	\$ 28,834,196

See accompanying notes to financial statements.

Montcalm County, Michigan

Component Units

STATEMENT OF ACTIVITIES

Year Ended September 30, 2004

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities							
Drainage Districts	\$ 781,653	\$ 26,001	\$ -	\$ 1,081,497	\$ 325,845	\$ -	\$ 325,845
District Health	5,601,921	1,363,949	3,135,780	-	(1,102,192)	-	(1,102,192)
Road Commission	8,407,275	1,248,565	5,905,832	3,269,010	2,016,132	-	2,016,132
Total governmental activities	14,790,849	2,638,515	9,041,612	4,350,507	1,239,785	-0-	1,239,785
Business-type activities							
Drainage Districts	225,226	162,689	-	-	-	(62,537)	(62,537)
Total component units	\$ 15,016,075	\$ 2,801,204	\$ 9,041,612	\$ 4,350,507	1,239,785	(62,537)	1,177,248
General revenues							
Taxes					524	-	524
Interest					225,502	19,879	245,381
County appropriations					1,129,824	-	1,129,824
Cigarette tax					71,447	-	71,447
Gain on equipment disposal					37,291	-	37,291
Other					11,606	-	11,606
Total general revenues					1,476,194	19,879	1,496,073
Change in net assets					2,715,979	(42,658)	2,673,321
Net assets, beginning of year					23,689,077	2,508,115	26,197,192
Prior period adjustment					(36,317)	-	(36,317)
Net assets, end of year					\$ 26,368,739	\$ 2,465,457	\$ 28,834,196

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

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

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

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

1. Reporting Entity

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

2. Blended Component Units

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

The Montcalm County Commission on Aging
The Montcalm County Family Independence Agency
The Montcalm County Building Authority
The Montcalm County Library Board

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

3. Discretely Presented Component Units

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

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

Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

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

3. Discretely Presented Component Units - continued

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

4. Joint Venture

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

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

Montcalm County is responsible to fund 37% of the required local contribution to cover operational costs. For the year ended September 30, 2004, the County contributed \$606,248 to cover its share of operational costs. In addition, the treasury function for the Mid-Michigan District Health Department rests with the Montcalm County Treasurer. For this reason the District Health Department is a discretely presented component unit in the Montcalm County Financial Statements as required by accounting principles generally accepted in the United States of America.

The financial activities of the Mid-Michigan District Health Department are accounted for and reported separately from the participating units. Separate audited financial statements for their year ended September 30, 2004, are available at the Department's administrative offices. As of September 30, 2004, the Department had net assets of \$1,143,973.

5. Related Organizations

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

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

Statement on Michigan Governmental Accounting and Auditing No. 5 allows, because the Authority is legally separate and fiscally independent, for the Authority's financial information to be presented within the County's notes to the financial statements only, instead of in the body of the financial statements. The following financial information was obtained from the most recent audited financial statements available of the Board for their year ended September 30, 2004. A copy of the financial statements is available at the Board's administrative offices. As of September 30, 2004, the Board had total assets of \$2,838,901; total liabilities of \$1,006,305; and total net assets of \$1,832,596. For year ended September 30, 2004, the Board had total revenues of \$6,671,271; total expenditures of \$6,565,253; and a net increase in net assets of \$106,018.

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

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

5. Related Organizations - continued

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

Statement on Michigan Governmental Accounting and Auditing No. 5 allows, because the Commission is legally separate and fiscally independent, for the Commission's financial information to be presented within the County's notes to the financial statements only, instead of in the body of the financial statements. The following financial information was obtained from the most recent audited financial statements available of the Commission for their year ended December 31, 2003. A copy of the financial statements is available at the Commission's administrative offices. As of December 31, 2003, the Commission had total assets of \$1,412,007; total liabilities of \$113,925, and total net assets of \$1,298,082. For the year ended December 31, 2003, the Commission had total operating revenues of \$1,282,813; total operating expenses of \$1,306,530; and a net increase in net assets of \$30,125 after prior period adjustments.

6. Jointly Governed Organizations

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

West Michigan Regional Planning Commission - Montcalm County, in conjunction with 10 other Counties, has entered into an agreement which created the West Michigan Regional Planning Commission. This organization's Board is composed of 20 members, of which two (2) are appointed by Montcalm County. The County's financial responsibility is to contribute a pro rata share of "local match" funds based on the proportion of State equalized valuation. For the year ended September 30, 2004 the County's contribution to the Commission was \$2,884.

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

7. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

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

7. Basis of Presentation - continued

FUND FINANCIAL STATEMENTS

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

The major funds of the County are:

- a. The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The General Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital projects (other than those financed by Proprietary Funds and Trust Funds).
- c. The Parks Improvement Fund is used to account for financial resources to be used for capital improvements to the County's parks.
- d. The Ambulance Fund is used to report ambulance services which are financed primarily by user charges or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control, or other purposes.
- e. The Delinquent Tax Revolving Fund accounts for money advanced by the County to other local taxing units and various county funds to pay for their delinquent taxes. Revenues are generated by the collection of the delinquent taxes, penalties, and interest.

8. Measurement Focus

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

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

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

9. Basis of Accounting

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

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

9. Basis of Accounting - continued

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

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

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

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

10. Cash and Cash Equivalents

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

11. Restricted Cash

A portion of the cash of the Drainage Districts (Component Unit) is classified as restricted cash because their use is limited. The Drainage District's cash restriction is to provide for the payment of accrued debt service obligations as required by bond resolution for the Little Whitefish Lake Sewer Construction project.

12. Investments

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

13. Receivables

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

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

14. Prepayments

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

15. Inventories

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

Inventory of the District Health Department (component unit) consists of vaccines received from the State of Michigan. Inventories are stated at cost on a first in/first out basis.

16. Capital Assets

PRIMARY GOVERNMENT AND COMPONENT UNIT - DRAINAGE DISTRICTS

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

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

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

COMPONENT UNIT - DISTRICT HEALTH DEPARTMENT

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

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

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

Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

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

16. Capital Assets - continued

COMPONENT UNIT - ROAD COMMISSION

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

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

17. Long-Term Obligations

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

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

18. Treatment Rights

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

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

19. Advances to Other Funds/Component Units

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

20. Accrued Compensated Absences

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

Vested vacation and sick leave earned as of September 30, 2004, including related payroll taxes, is recorded in the government-wide financial statements.

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

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

20. Accrued Compensated Absences - continued

Vested vacation and sick leave earned as of September 30, 2004, for the District Health Department and Road Commission (component units) is recorded in the respective component unit's government-wide financial statements.

21. Interfund Transactions

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

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

22. Budgets and Budgetary Accounting

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

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

23. Comparative Data

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

Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

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

24. Federal Programs

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

NOTE B: POOLING OF CASH AND INVESTMENTS AND CASH OVERDRAFT

The County utilizes pooled cash accounts for approximately forty-six (46) funds. Cash overdrafts of individual funds as of September 30, 2004, are as follows:

<u>Fund</u>	<u>Pooled Cash Overdraft</u>	<u>Nonpooled Cash and Cash Equivalents</u>	<u>Financial Statements</u>
PRIMARY GOVERNMENT			
Special Revenue Funds			
Friend of the Court	\$(35,575)	\$ 104,320	\$ 68,745
CMET	(11,630)	-	(11,630)
Homeland Security	(21,265)	-	(21,265)
CDBG - Housing	(300)	4,776	4,476
Commission on Aging	(201,926)	454,778	252,852
Juvenile Child Care	(127,255)	-	(127,255)
Capital Projects Funds			
Equipment Purchase and Replacement	(33,543)	-	(33,543)
Enterprise Funds			
Ambulance	<u>(322,068)</u>	<u>455,383</u>	<u>133,315</u>
TOTAL PRIMARY GOVERNMENT	(753,562)	1,019,257	265,695
COMPONENT UNITS			
Drainage Districts			
Regular Drain	<u>(164,896)</u>	<u>226,641</u>	<u>61,745</u>
TOTAL REPORTING ENTITY	<u>\$(918,458)</u>	<u>\$ 1,245,898</u>	<u>\$ 327,440</u>

NOTE C: CASH, CASH EQUIVALENTS, AND INVESTMENTS

The County utilizes various pooled cash accounts and investments for approximately 46 funds. The County's pooled cash and investments consist of a common checking account, savings, treasury notes, and mutual funds.

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

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

Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

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

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

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

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

As of September 30, 2004, the carrying amounts and bank balance for each type of bank account are as follows:

<u>ACCOUNT TYPE</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
PRIMARY GOVERNMENT		
Checking	\$ 4,322,131	\$ 4,576,992
Savings	<u>1,043,738</u>	<u>1,043,738</u>
Total primary government	5,365,869	5,620,730
FIDUCIARY FUNDS		
Checking	2,621,681	2,889,760
COMPONENT UNITS		
Checking	2,677,595	2,756,587
Certificates of deposit	<u>3,789</u>	<u>3,880</u>
Total component units	<u>2,681,384</u>	<u>2,760,467</u>
TOTAL REPORTING ENTITY	<u>\$ 10,668,934</u>	<u>\$ 11,270,957</u>

Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

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

Deposits of the County are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the County. As of September 30, 2004, the primary government and component units accounts were insured by the FDIC for \$434,373 and the amount of \$10,836,584 was uninsured and uncollateralized.

Due to significantly higher cash flow at certain periods during the current period, the amount the County held as cash and cash equivalents increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at September 30, 2004.

As of September 30, 2004, the market values, which are the carrying values for each investment, are as follows:

<u>INVESTMENT TYPE</u>	<u>Carrying Amount</u>
PRIMARY GOVERNMENT	
Insured or registered for which the securities are held by the County's agent not in the County's name	
U.S. Governmental Securities	\$ 3,446,734
Uncategorized pooled investment funds	<u>2,139,543</u>
Total primary government	5,586,277
FIDUCIARY FUNDS	
U.S. Treasury Notes	525,469
U.S. Government Securities	1,876,063
Corporate Bonds and Notes	4,064,478
Common Stock	4,086,428
Foreign Stock	<u>137,981</u>
	10,690,419
Uncategorized pooled investment funds	<u>2,987,387</u>
Total fiduciary funds	13,677,806
COMPONENT UNITS	
Uncategorized pooled investment funds	<u>707,239</u>
TOTAL REPORTING ENTITY	<u>\$ 19,971,322</u>

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

The County has investments purchased for the County employee's Pension Trust Fund through three (3) banks. Michigan Compiled Law, Section 38.1121, authorizes the County to invest pension assets in a wide variety of investments including: stocks, bonds, certificates of deposit, real estate, annuity contracts, obligations of a specified nature, and real or personal property. Specific limitations apply to the various investment types. As of September 30, 2004, the market value, which is the carrying amount of the pension trust plan assets were \$13,597,779.

Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

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

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the combined balance sheet, based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of September 30, 2004:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Funds</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 8,004,152	\$ 2,932,795	\$ 5,658,114	\$16,595,061
Cash - restricted	-	462,393	-	462,393
Investments	<u>2,956,204</u>	<u>3,789</u>	<u>10,690,419</u>	<u>13,650,412</u>
	<u>\$10,960,356</u>	<u>\$ 3,398,977</u>	<u>\$16,348,533</u>	<u>\$30,707,866</u>

The primary government cash and cash equivalents captions on the financial statements include \$8,210 in imprest cash. The fiduciary funds cash and cash equivalents captions on the financial statements include \$49,046 in imprest cash. The component unit cash and cash equivalents captions on the financial statements includes \$10,354 in imprest cash.

NOTE D: INTERFUND TRANSFERS

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

Transfers to General Fund from:	
General Projects Fund	\$ 124,046
Delinquent Tax Revolving	619,062
Nonmajor enterprise funds	<u>12,164</u>
Total transfers to general fund from other funds	<u>\$ 755,272</u>
Transfers to General Projects Fund from:	
Nonmajor governmental funds	<u>\$ 35,000</u>
Transfer to Park Improvements from:	
Nonmajor governmental funds	<u>\$ 84,395</u>
Transfers to Ambulance Fund from:	
Nonmajor governmental funds	<u>\$ 1,000</u>
Transfers to nonmajor governmental funds from:	
General Fund	\$ 693,943
Nonmajor governmental funds	249,626
Delinquent Tax Revolving	<u>80,000</u>
Total transfers to nonmajor governmental funds	<u>\$ 1,023,569</u>
Transfer to Internal Service Funds from:	
General Fund	<u>\$ 40,000</u>

Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE E: INTERFUND RECEIVABLES AND PAYABLES

The following schedule details interfund receivables and payables related to the primary government at September 30, 2004:

Due to General Fund from:	
Delinquent Tax Revolving Fund	\$ 1,453
Nonmajor governmental funds	2,125
Fiduciary funds	<u>10,311</u>
	<u>\$ 13,889</u>
Due to Ambulance Fund from:	
Delinquent Tax Revolving Fund	<u>\$ 140</u>
Due to Delinquent Tax Revolving Fund from:	
General Fund	<u>\$ 89</u>
Due to nonmajor governmental funds from:	
General Fund	\$ 1,067
Nonmajor governmental funds	81,450
Delinquent Tax Revolving Fund	<u>4,885</u>
	<u>\$ 87,402</u>
Due to Fiduciary Funds from:	
General Fund	\$ 144,658
Other fiduciary funds	<u>29,136</u>
	<u>\$ 173,794</u>

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

The following schedule details interfund receivables and payables between the component units at September 30, 2004:

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

NOTE F: ADVANCES RECEIVABLE AND PAYABLE

The following schedule details advances receivable and payable between the primary government and component units at September 30, 2004:

Advance to Ambulance Fund from:	
General Projects Fund	<u>\$ 41,943</u>
Advance to Component Unit - Drainage Districts from:	
General Fund	\$ 187,016
Delinquent Tax Revolving	<u>104,198</u>
	<u>\$ 291,214</u>

The advances were made to finance capital acquisitions.

Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE G: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2004 was as follows:

Primary Government

	Balance <u>Oct. 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>Sept. 30, 2004</u>
Governmental activities				
Capital Assets Not Being Depreciated				
Land	\$ 113,407	\$ -	\$ 32,250	\$ 81,157
Construction in progress	<u>-</u>	<u>172,651</u>	<u>-</u>	<u>172,651</u>
Subtotal	113,407	172,651	32,250	253,808
Capital Assets Being Depreciated				
Buildings and additions	22,267,220	42,467	-	22,309,687
Equipment and furniture	2,064,312	229,238	46,036	2,247,514
Vehicles	<u>511,354</u>	<u>117,497</u>	<u>58,999</u>	<u>569,852</u>
Subtotal	24,842,886	389,202	105,035	25,127,053
Less accumulated depreciation for:				
Buildings and additions	(6,933,557)	(55,937)	-	(6,989,494)
Equipment and furniture	(1,202,741)	(277,668)	(46,036)	(1,434,373)
Vehicles	<u>(342,015)</u>	<u>(76,734)</u>	<u>(55,999)</u>	<u>(362,750)</u>
Subtotal	<u>(8,478,313)</u>	<u>(410,339)</u>	<u>(102,035)</u>	<u>(8,786,617)</u>
Net capital assets being depreciated	<u>16,364,573</u>	<u>(21,137)</u>	<u>3,000</u>	<u>16,340,436</u>
Total Net Capital Assets	<u>\$ 16,477,980</u>	<u>\$ 151,514</u>	<u>\$ 35,250</u>	<u>\$ 16,594,244</u>
Business-type activities				
Capital Assets Not Being Depreciated				
Land	\$ 33,160	\$ -	\$ -	\$ 33,160
Construction in progress	<u>-</u>	<u>280,673</u>	<u>-</u>	<u>280,673</u>
Subtotal	33,160	280,673	-0-	313,833
Capital Assets Being Depreciated				
Land improvements	17,491	-	-	17,491
Buildings and improvements	358,885	-	210,080	148,805
Equipment and furniture	763,115	30,450	41,028	752,537
Vehicles	<u>998,884</u>	<u>205,380</u>	<u>72,594</u>	<u>1,131,670</u>
Subtotal	2,138,375	235,830	323,702	2,050,503

Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE G: CAPITAL ASSETS - CONTINUED

Primary Government - continued

	Balance <u>Oct. 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>Sept. 30, 2004</u>
Business-type activities - continued				
Less accumulated depreciation for:				
Land improvements	\$(17,199)	\$(292)	\$ -	\$(17,491)
Buildings and additions	(58,394)	(7,935)	(33,151)	(33,178)
Equipment and furniture	(545,953)	(67,646)	(38,820)	(574,779)
Vehicles	<u>(662,432)</u>	<u>(157,970)</u>	<u>(70,298)</u>	<u>(750,104)</u>
Subtotal	<u>(1,283,978)</u>	<u>(233,843)</u>	<u>(142,273)</u>	<u>(1,375,552)</u>
Net capital assets being depreciated	<u>854,397</u>	<u>1,987</u>	<u>181,433</u>	<u>674,951</u>
Total Net Capital Assets	<u>\$ 887,557</u>	<u>\$ 282,660</u>	<u>\$ 181,433</u>	<u>\$ 988,784</u>

Depreciation expense was charged to activities of the primary government as follows:

Governmental activities:	
General government	\$ 198,761
Public safety	184,651
Health and welfare	18,155
Recreation and cultural	<u>8,772</u>
	410,339
Business-type activities:	
Ambulance	223,757
Building official	<u>10,086</u>
	<u>233,843</u>
	<u>\$ 644,182</u>

Component Units

	Balance <u>Oct. 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>Sept. 30, 2004</u>
Component Unit - Drainage Districts				
Capital Assets Not Being Depreciated				
Land (not depreciated)	\$ 75,650	\$ -	\$ -	\$ 75,650
Construction in progress	<u>-</u>	<u>1,463,792</u>	<u>-</u>	<u>1,463,792</u>
Subtotal	75,650	1,463,792	-0-	1,539,442
Capital Assets Being Depreciated				
Equipment	3,531,481	-	-	3,531,481
Less accumulated depreciation for:				
Equipment	<u>(489,009)</u>	<u>(75,118)</u>	<u>-</u>	<u>(564,127)</u>
Net capital assets being depreciated	<u>3,042,472</u>	<u>(75,118)</u>	<u>-0-</u>	<u>2,967,354</u>
Total Net Capital Assets	<u>\$ 3,118,122</u>	<u>\$ 1,388,674</u>	<u>\$ -0-</u>	<u>\$ 4,506,796</u>

Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE G: CAPITAL ASSETS - CONTINUED

Component Units - continued

	Balance <u>Oct. 1, 2003</u>	Additions	Deletions	Balance <u>Sept. 30, 2004</u>
Component Unit - Road Commission				
Capital Assets Not Being Depreciated				
Land	\$ 33,708	\$ -	\$ -	\$ 33,708
Infrastructure - land improvements	<u>4,690,355</u>	<u>-</u>	<u>-</u>	<u>4,690,355</u>
Subtotal	4,724,063	-0-	-0-	4,724,063
Capital Assets Being Depreciated				
Buildings	1,359,049	792,973	-	2,152,022
Road equipment	6,146,433	238,853	222,120	6,163,166
Shop equipment	90,249	4,495	-	94,744
Office equipment	128,885	5,794	2,666	132,013
Engineer's equipment	38,043	-	-	38,043
Yard and storage	360,382	-	995	359,383
Infrastructure - bridges	431,753	59,716	-	491,469
Infrastructure - roads	43,201,416	4,656,569	-	47,857,985
Depletable assets	6,750	-	-	6,750
Construction in progress	<u>38,352</u>	<u>-</u>	<u>38,352</u>	<u>-0-</u>
Subtotal	51,801,312	5,758,400	264,133	57,295,579
Less accumulated depreciation for:				
Building	453,440	29,253	-	482,693
Road equipment	4,933,389	529,736	209,769	5,253,356
Shop equipment	65,363	3,660	-	69,023
Office equipment	84,414	11,398	2,666	93,146
Engineer's equipment	34,996	793	-	35,789
Yard and storage	360,678	-	1,291	359,387
Infrastructure - bridges	8,831	10,806	-	19,637
Infrastructure - roads	28,075,715	2,642,996	-	30,718,711
Depletable assets	<u>6,750</u>	<u>-</u>	<u>-</u>	<u>6,750</u>
Subtotal	<u>34,023,576</u>	<u>3,228,642</u>	<u>213,726</u>	<u>37,308,492</u>
Net capital assets being depreciated	<u>17,777,736</u>	<u>2,529,758</u>	<u>50,407</u>	<u>20,257,087</u>
Total net capital assets	<u>\$ 22,501,799</u>	<u>\$ 2,529,758</u>	<u>\$ 50,407</u>	<u>\$ 24,981,150</u>
Component Unit - District Health Department				
Equipment	\$ 534,954	\$ 53,889	\$ 1,500	\$ 587,343
Less accumulated depreciation for:				
Equipment	<u>(269,327)</u>	<u>(59,923)</u>	<u>1,500</u>	<u>(327,750)</u>
Capital assets, net	<u>\$ 265,627</u>	<u>\$ (6,034)</u>	<u>\$ -0-</u>	<u>\$ 259,593</u>

Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE G: CAPITAL ASSETS - CONTINUED

Depreciation expense was charged to activities of the component units as follows:

Drains	\$	75,118
Road Commission		3,228,642
District Health Department		<u>59,923</u>
	\$	<u>3,363,683</u>

NOTE H: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portion) of the County for the year ended September 30, 2004:

	Balance Oct. 1, 2003	Additions	Deletions	Balance Sept. 30, 2004	Amounts Due Within One Year
PRIMARY GOVERNMENT					
Governmental Activities					
Direct County Obligations	\$13,841,002	\$ 471,017	\$ 437,848	\$13,874,171	\$ 515,351
Capital leases	11,178	-	6,948	4,230	4,230
Compensated absences	209,946	18,521	-	228,467	146,477
Business-type Activities					
Capital leases	-	<u>12,975</u>	<u>2,523</u>	<u>10,452</u>	<u>4,325</u>
TOTAL PRIMARY GOVERNMENT	14,062,126	502,513	447,319	14,117,320	670,383
COMPONENT UNIT FUNDS					
Drainage Districts					
Governmental Activities					
Drain bonds and notes	907,900	1,213,000	197,186	1,923,714	197,186
Enterprise Funds					
Big Whitefish Lake					
Drain bonds and notes	56,000	-	14,000	42,000	14,000
Little Whitefish Lake					
Drain bonds	1,321,500	-	15,000	1,306,500	16,000
District Health Department					
Compensated absences	324,535	771	-	325,306	65,061
Installment loan	21,551	-	21,551	-0-	-
Road Commission					
Michigan transportation revenue note	2,000,000	-	200,000	1,800,000	200,000
Installment leases	302,821	-	27,382	275,439	18,805
Compensated absences	<u>87,537</u>	-	<u>20,643</u>	<u>66,894</u>	-
TOTAL COMPONENT UNITS	<u>5,021,844</u>	<u>1,213,771</u>	<u>495,762</u>	<u>5,739,853</u>	<u>511,052</u>
TOTAL REPORTING ENTITY	<u>\$19,083,970</u>	<u>\$ 1,716,284</u>	<u>\$ 943,081</u>	<u>\$19,857,173</u>	<u>\$ 1,181,435</u>

Significant details regarding outstanding long-term debt (including current portion) are presented below:

Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE H: LONG-TERM DEBT - CONTINUED

PRIMARY GOVERNMENT

Direct County Obligations

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

The Montcalm County Board of Commissioners is also party to five (5) long-term loan agreements. The proceeds of these loans were used to defray the cost of capital acquisition and construction.

Bonds and loans payable at September 30, 2004 are as follows:

\$15,000,000 Montcalm County Building Authority - Jail Expansion Bonds Series 2000, dated September 1, 2000, due in annual installments ranging from \$490,000 to \$985,000 through May 1, 2025, with interest ranging from 5 to 5.25 percent, payable semi-annually.	\$13,395,000
\$20,581 Montcalm County installment loan payable, dated February 27, 2001, due in annual installments of \$5,687 through March 15, 2005 with interest of 4.05 percent, payable annually.	5,458
\$10,167 Montcalm County installment loan payable, dated February 27, 2001, due in annual installments of \$2,809 through March 15, 2005 with interest of 4.05 percent, payable annually.	2,696
\$227,000 Montcalm County installment loan payable, dated June 9, 2004, due in annual installments of \$32,430 through June 1, 2012 with interest of 3.04 percent, payable annually.	227,000
\$165,978 Montcalm County installment loan payable, dated July 7, 2004, due in annual installments of \$36,221 through June 1, 2009 with interest of 3.04 percent, payable annually.	<u>165,978</u>
	<u>\$13,796,132</u>

Capital Leases

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

Governmental activities

\$16,215 Montcalm County capital lease payable, dated February 12, 2002, due in annual installments of \$4,454 through February 15, 2005 with interest of 5.30 percent, payable annually.

	\$ 4,230
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Business-type activities

\$12,975 Montcalm County capital lease payable dated December 30, 2003, due in monthly installments of \$360 through February 28, 2007 with no interest.

	<u>10,452</u>
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\$ 14,682

Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE H: LONG-TERM DEBT - CONTINUED

PRIMARY GOVERNMENT - CONTINUED

Compensated Absences

In accordance with County personnel policies and/or contracts negotiated with various employee groups of the County, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in their respective personnel policies and/or contracts. The dollar amount of these vested rights, including related payroll taxes, amounted to \$187,011 and \$41,456 for vacation and sick, respectively, at September 30, 2004. Of the total liability of \$228,467, \$146,477 has been reported as a current liability and \$81,990 has been reported as a noncurrent liability.

Current Borrowing

On December 18, 2003, Montcalm County entered into an \$82,699 installment loan payable to replace the County's accounting software. As of September 30, 2004, the County has drawn a total of \$78,039, leaving the balance of \$4,660 to be drawn subsequent to year end.

COMPONENT UNIT - DRAINAGE DISTRICTS

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

Drain Bonds and Notes - General Long-Term Debt

Bonds and notes payable at September 30, 2004, per respective Drain projects serviced from the Component Unit Debt Service Funds are as follows:

\$100,000 Village of Pierson Sanitary Drain District Bonds, Series A, dated November 1, 1985 due in annual installments ranging from \$5,000 to \$6,000 through November 1, 2014 with interest of 5.0 percent payable semi-annually.	\$ 53,000
\$133,000 Whetstone Drain District Note dated April 24, 2002, due in annual installments of \$26,600 through June 1, 2007 with interest of 3.78 percent, payable annually.	79,800
\$405,000 Weatherby Drain District Bonds, Series 2002, dated August 1, 2002, due in annual installments ranging from \$55,000 to \$60,000 through June 1, 2009 with interest ranging from 3.00 to 3.70 percent, payable semi-annually.	295,000
\$180,500 Stillwater Drain District Note dated May 20, 2003, due in annual installments of \$25,786 through June 1, 2010 with interest of 3.50 percent, payable annually.	154,714
Various drain notes due in various annual installments and interest rates through 2008.	<u>212,200</u>
	<u>\$ 794,714</u>

Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE H: LONG-TERM DEBT - CONTINUED

COMPONENT UNIT - DRAINAGE DISTRICTS - CONTINUED

Drain Bonds and Notes - General Long-Term Debt - continued

Bonds and notes payable at September 30, 2004 per respective Drain projects serviced from the Component Unit proprietary funds are as follows:

\$90,000 Big Whitefish Lake Sanitary Drain Extension Drainage District Note dated March 12, 1999 due in annual installments of \$14,000 through September 1, 2007 with interest ranging from 5.35 to 5.45 percent, payable semi-annually.	\$ 42,000
\$1,262,000 Little Whitefish Lake Sanitary Sewer System G.O. Bonds dated March 18, 1997 due in annual installments ranging from \$15,000 to \$55,000 through November 1, 2036, with interest of 5.0 percent, payable semi-annually.	1,186,000
\$121,500 Little Whitefish Lake Sanitary Sewer System G.O. Bonds dated January 24, 2003 due in annual installments ranging from \$1,000 to \$8,000 through May 1, 2042, with interest of 4.625 percent payable semi-annually.	<u>120,500</u>
	<u>1,348,500</u>
TOTAL DRAIN BONDS AND NOTES	<u>\$ 2,143,214</u>

Current Borrowing

On January 16, 2004, the County authorized the issuance of \$814,000 Duck Lake Sanitary Drain Bond, Series A, and \$337,000 Duck Lake Sanitary Drain Bond, Series B, totaling \$1,151,000. As of September 30, 2004, the County had drawn down \$1,129,000, with the remaining \$22,000 drawn down subsequent to year end.

COMPONENT UNIT - DISTRICT HEALTH DEPARTMENT

Compensated Absences

In accordance with the District Health Department personnel policies and/or contracts negotiated with various employee groups, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in their respective personnel policies and/or contracts. The dollar amounts of these vested rights including the related payroll taxes reported by the District Health Department at September 30, 2004, amounts to \$325,306. Of the total liability, \$65,061 has been reported as a current liability and \$260,245 has been reported as a noncurrent liability.

COMPONENT UNIT - ROAD COMMISSION

Notes Payable - Michigan Department of Transportation

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

\$ 1,800,000

Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE H: LONG-TERM DEBT - CONTINUED

COMPONENT UNIT - ROAD COMMISSION - CONTINUED

Installment Leases

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

\$ 154,496

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

120,943

\$ 275,439

Compensated Absences

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

The dollar amount of these vested rights including related payroll taxes, amounts to \$66,894 at September 30, 2004.

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

Year Ending September 30,	Primary Government			
	Direct County Obligations		Capital Leases	
	Principal	Interest	Principal	Interest
2005	\$ 515,351	\$ 702,403	\$ 8,555	\$ 224
2006	528,303	678,469	4,325	-
2007	550,099	653,172	1,802	-
2008	571,933	626,837	-	-
2009	598,860	599,410	-	-
2010-2014	2,671,586	2,587,799	-	-
2015-2019	3,190,000	1,876,950	-	-
2020-2024	4,185,000	941,325	-	-
2025	985,000	51,713	-	-
	<u>\$13,796,132</u>	<u>\$ 8,718,078</u>	<u>\$ 14,682</u>	<u>\$ 224</u>

Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE H: LONG-TERM DEBT - CONTINUED

Year Ending September 30,	Component Units					
	Drain Bonds and Notes		Installment Leases		Road Commission Notes Payable	
	Principal	Interest	Principal	Interest	Payment	Interest
2005	\$ 227,186	\$ 95,144	\$ 18,805	\$ 10,617	\$ 200,000	\$ 46,900
2006	234,186	86,621	19,571	9,849	200,000	42,900
2007	180,186	77,823	20,367	9,053	200,000	38,900
2008	120,086	71,083	216,696	2,134	200,000	34,900
2009	112,286	66,612	-	-	200,000	30,400
2010-2014	169,284	292,688	-	-	800,000	64,900
2015-2019	153,000	254,794	-	-	-	-
2020-2024	193,000	212,143	-	-	-	-
2025-2029	250,500	157,344	-	-	-	-
2030-2034	288,500	89,510	-	-	-	-
2035-2039	189,500	21,787	-	-	-	-
2040-2043	25,500	3,122	-	-	-	-
	<u>\$2,143,214</u>	<u>\$1,428,671</u>	<u>\$ 302,821</u>	<u>\$ 43,562</u>	<u>\$1,800,000</u>	<u>\$ 258,900</u>

NOTE I: EMPLOYEE RETIREMENT SYSTEMS

RETIREMENT SYSTEM - COUNTY GENERAL

Montcalm County is in a combined County single employer defined-benefit pension plan covering substantially all of its employees. The plan is administered by the Montcalm County Controller and the County Pension Trust Committee. The plan is funded through the purchase of various investment vehicles as described in Note C. To be eligible for the plan, an employee must be a regular full-time employee who is not employed on a contract or fee basis with the County, provided such employee is not eligible for coverage, by reason of compensation received from the County, under any pension plan or retirement system other than that provided by the Social Security Act. The County's contributions for the year ended September 30, 2004 and 2003 were based on the payroll for employees covered by the plan for the year ending December 31, 2004 and 2003. The covered payroll for 2004 and 2003 was \$7,444,958 and \$7,010,825, respectively. The total payroll for the year ended September 30, 2004 and 2003 for the County General employees was \$8,031,070 and \$7,590,861, respectively. The plan provides retirement benefits, as well as death and disability benefits in accordance with benefit provisions as adopted by the Montcalm County Board of Commissioners. Retirement benefits are based on service and compensation and vested after five (5) years of service. At December 31, 2004, membership consisted of 80 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them and 204 current active employees. The plan is recorded as a Pension Trust Fund in the County financial statements and is accounted for on the accrual basis of accounting.

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

Employee Group	Contribution Rate
Fraternal Order of Police	5.5%
Employees not covered by any collective bargaining agreement and County General and Behavioral Health employees in Unit 1 - AFSCME prior to 7/6/97	5.0
<u>Period</u>	
On or after 7/6/97 and before 1/3/98	4.5%
On or after 1/4/98 but before 1/2/99	4.0
On or after 1/3/99	3.5

Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE I: EMPLOYEE RETIREMENT SYSTEMS - CONTINUED

RETIREMENT SYSTEM - COUNTY GENERAL - CONTINUED

Employee Group Probate/Juvenile Court employees of Unit 2 - AFSCME 64B District Court employees of Unit 3 - AFSCME	<u>Contribution Rate</u>
<u>Period</u>	
On or before 9/14/97 and before 1/3/98	4.5%
On or before 1/4/98 but before 1/2/99	4.0
On or after 1/3/99	3.5

The funding policy provides for periodic employer contributions at actuarially determined rates. Administrative costs of the plan are financed through investment earnings. The actuarially determined combined employer and employee contributions for the plan year ended December 31, 2003, were \$958,770 and actual contributions were \$881,742. The actual employer contribution for the year ended September 30, 2004, was \$407,032. Employee contributions for the year ended September 30, 2004, were \$312,467.

SCHEDULE OF FUNDING PROGRESS

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (b)</u>	<u>Unfunded AAL (UAAL) (a-b)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a % of Covered Payroll</u>
1/1/02	\$ 12,715,233	\$ 18,855,907	\$(6,140,674)	67.43 %	\$ 6,571,421	93.45 %
1/1/03	12,161,236	20,783,468	(8,622,232)	58.51	7,010,825	122.98
1/1/04	14,602,802	22,417,371	(7,814,569)	65.14	7,444,958	104.96

SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Plan Year Ended Dec. 31,</u>	<u>Annual Recommended Contribution</u>	<u>Actual Contributions</u>	<u>Percentage Contributed</u>
2003	\$ 662,770	\$ 567,535	85.63 %
2002	405,006	193,261	47.72
2001	322,248	371,693	115.34

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2003, the latest actuarial valuation follows:

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

* Information not provided in actuarial valuation report.

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

Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE I: EMPLOYEE RETIREMENT SYSTEMS - CONTINUED

RETIREMENT SYSTEM - COUNTY GENERAL - CONTINUED

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

During the year ended September 30, 2004, the contributions to the plan by employer and employee were \$653,691 and \$720,080, respectively.

RETIREMENT SYSTEM - DISTRICT HEALTH DEPARTMENT - COMPONENT UNIT

Plan Description

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

Funding Policy

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

Annual Pension Cost

For the year ended September 30, 2004, the Department's annual pension cost of \$258,402 for the plan was equal to the Department's required and actual contribution. The estimated annual required contribution was determined as part of an actuarial valuation at December 31, 2002, using the entry actual age cost method. Actual required contributions are based on actual reported monthly payroll. Significant actuarial assumptions used include (a) a 8.00 percent investment rate of return (b) projected salary increases of 4.5 percent per year compounded annually, attributable to inflation (c) additional salary increases ranging from 0% to 4.2% per year depending on age, seniority and merit, and (d) assumption benefits will increase 2.5% per year after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five (5) year period. The unfunded actuarial liability is being amortized as a level percentage of payroll contributions over 30 years.

Three (3) year trend information

	Year Ended December 31,		
	<u>2001</u>	<u>2002</u>	<u>2003</u>
Actuarial value of assets	\$ 3,964,850	\$ 4,082,966	\$ 4,418,331
Actuarial accrued liability (AAL) (entry age)	4,282,143	4,653,671	5,060,456
Unfunded AAL	317,293	570,705	642,125
Funded ratio	93 %	88 %	87 %
Covered payroll	2,453,116	2,693,292	2,723,172
UAAL as a percentage of covered payroll	13 %	21 %	24 %

Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE I: EMPLOYEE RETIREMENT SYSTEMS - CONTINUED

RETIREMENT SYSTEM - DISTRICT HEALTH DEPARTMENT - COMPONENT UNIT - CONTINUED

	Year Ended September 30,		
	<u>2002</u>	<u>2003</u>	<u>2004</u>
Annual pension cost	\$ 156,277	\$ 177,435	\$ 258,402
Percentage of APC contributed	100 %	100 %	100 %
Net pension obligation	-	-	-

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

RETIREMENT SYSTEM - ROAD COMMISSION - COMPONENT UNIT

Description of Plan and Plan Assets

The Road Commission for Montcalm County is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: Normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, nonduty-connected death allowance, duty-connected death allowance, post-retirement adjustments, and death-after-retirement surviving spouse benefit. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.0% of the final average compensation (FAC). The service requirement for salaried employees and commissioners is under the B-4 provision of the retirement contract. This requirement is computed using the same criteria as the B-2 provisions except a sum of 2.5% of the FAC is used. The most recent period for which actuarial data was available was for the fiscal year ended December 31, 2002.

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

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Road Commission's competitive bargaining units and requires a 1.5% contribution from general employees and a 3.5% contribution from salaried employees and commissioners. The employees contributed \$43,015 during the fiscal year ended September 30, 2004. The Road Commission is required to contribute at an actuarially determined rate; the rate was 5.8% for general employees and 17.5% for the manager for the calendar year ending December 31, 2003.

Annual Pension Cost

For the year ended December 31, 2003, the Road Commission's annual pension cost was \$344,664. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 31 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5 percent based on an age-related scale to reflect merit, longevity and promotional salary increases.

Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE I: EMPLOYEE RETIREMENT SYSTEMS - CONTINUED

RETIREMENT SYSTEM - ROAD COMMISSION - COMPONENT UNIT - CONTINUED

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

	Year Ended September 30,		
	<u>2001</u>	<u>2002</u>	<u>2003</u>
Annual pension cost	\$ 460,290	\$ 364,047	\$ 344,664
Percentage of APC contributed	100 %	100 %	100 %

Required Supplementary Information for GASB Statement No. 27

	Year Ended December 31,		
	<u>2001</u>	<u>2002</u>	<u>2003</u>
Actuarial value of assets	\$ 6,177,387	\$ 6,531,184	\$ 7,193,892
Accrued liability (AAL)	7,057,158	7,691,890	9,766,582
(Overfunded) AAL (UAAL)	879,771	1,160,706	2,572,690
Funded ratio	88 %	85 %	74 %
Covered payroll	1,916,615	2,025,510	1,805,672
Percent of covered payroll	46 %	57 %	142 %

NOTE J: CONTINGENT LIABILITIES

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

There are various legal actions pending against the County. Due to the inconclusive nature of many of the actions, it is not possible for Legal Counsel to determine the probable outcome or a reasonable estimate of the County's potential liability, if any. Those actions for which a reasonable estimate can be determined of the County's potential liability and that would not be covered by insurance and reserves, if any, are considered by County Management and Legal Counsel to be immaterial.

NOTE K: POST-EMPLOYMENT BENEFITS

Road Commission (Component Unit)

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE K: POST-EMPLOYMENT BENEFITS - CONTINUED

Road Commission (Component Unit) - continued

Currently, 12 retirees meet those eligibility requirements. Expenditures for post-employment health care benefits are recognized when insurance premiums are paid. Premiums paid by the Road Commission in 2004 totaled \$80,127. The expenditures are recognized as the insurance premiums become due on a pay-as-you-go-basis.

NOTE L: FEDERAL GRANTS

The Michigan Department of Transportation (MDOT) requires that road commissions report all Federal and State grants pertaining to their county. During the fiscal year ended September 30, 2004, the Federal aid received and expended by the Road Commission was \$780,062 for contracted projects and \$278,995 for negotiated projects. Contracted projects are defined as projects performed by private contractors paid for and administered by MDOT. The contracted Federal projects are not subject to single audit requirements by the road commissions, as they are included in MDOT's single audit. Negotiated projects are defined as projects performed by Road Commission employees or private contractors paid for and administered by the Road Commission.

NOTE M: RISK MANAGEMENT

The County participates in a pool, the Michigan Municipal Liability and Property Pool, with other municipalities for auto, property, electronic data processing equipment, crime, employee benefits, officials' errors and omissions, and liability losses. The pool is organized under Public Act 138 of 1982, as amended. The County has no liability for additional assessments based on the claims filed against the pool nor do they have rights to dividends.

The County also participates in a pool, the Michigan Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. The County has no liability for additional assessments based on the claims filed against the pool nor do they have any right to dividends.

Road Commission (Component Unit)

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

The 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, property insurance coverage, stop loss insurance protections, 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 deemed necessary by the liability board.

Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE M: RISK MANAGEMENT - CONTINUED

Road Commission (Component Unit) - continued

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 IBNR or "Incurred But Not Reported" claim associated with the self-insurance arrangements is not considered to be material at December 31, 2003.

The Road Commission continues to carry commercial insurance for all other risks of loss including health insurance. Settled claims have not exceeded insurance coverage for the last three years.

NOTE N: PROPERTY TAXES AND TAXES RECEIVABLE

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

The County's 2003 ad valorem tax is levied and collectible on December 1. It is the County's policy for all governmental fund types to recognize revenues from the current tax levy in the year when the proceeds of the levy are budgeted and made available for the financing of County operations. For all proprietary fund types who levy tax, revenue is recognized for the current year in the amount of the tax levied each December 1. The County's 2003 ad valorem tax, which was levied December 1, was recognized as revenue as of September 30, 2004.

Taxable values are established annually by the local municipalities and are equalized by the County based on state statutes at an estimated percentage of the current market value. Real and personal property in Montcalm County for the 2002 and 2003 levy had a taxable value of \$1,195,709,067 and \$1,250,870,355, respectively.

Taxes receivable recorded in the Delinquent Tax Revolving Funds at September 30, 2004, amounted to \$2,254,098.

The delinquent portion of the taxes receivable represents unpaid real property taxes in the Delinquent Tax Revolving Fund. 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 tax receivable. These receivables are pledged to a bank for the payment of the notes payable, the proceeds of which were used to liquidate the amounts owed to the General, Special Revenue and Enterprise Funds and other taxing authorities. Subsequent collection on the delinquent taxes receivable, plus interest and administration fees thereon, and investment earnings are used to service the notes payable.

NOTE O: FUND EQUITY RESERVES AND DESIGNATIONS

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

Montcalm County, Michigan
 NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE O: FUND EQUITY RESERVES AND DESIGNATIONS - CONTINUED

The following are the various fund balance reserves as of September 30, 2004:

PRIMARY GOVERNMENT	
General Fund	
Reserved for	
Advances to component units	\$ 187,016
Prepayments	102,092
General fund activities	<u>199,457</u>
	488,565
Special Revenue Funds	
Central Dispatch	
Reserved for prepayments	823
Reserved for wireless surcharge	141,049
Law Enforcement	
Reserved for K-9 program	420
Friend of the Court	
Reserved for prepayments	4,016
Reserved for marriage counseling	89,161
Cemetery	
Reserved for activities	13,927
Law Enforcement Trust	
Reserved for activities	17,308
CMET	
Reserved for grant expenditures	5,415
Victim Support Team	
Reserved for activities	409
Local Correction Officer Training	
Reserved for prepayments	202
Cemetery (permanent fund)	
Reserved for activities	<u>91,740</u>
	364,470
Fiduciary Funds	
Pension Trust Fund	
Reserved for employee retirement	<u>13,733,752</u>
TOTAL PRIMARY GOVERNMENT	14,581,372
COMPONENT UNITS	
Drainage Districts	
Debt Service Fund	
Regular Drain	
Reserved for debt service	<u>214,757</u>
TOTAL REPORTING ENTITY	<u>\$ 14,796,129</u>

Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE O: FUND EQUITY RESERVES AND DESIGNATIONS - CONTINUED

The following are the various fund balance designations as of September 30, 2004:

PRIMARY GOVERNMENT

Special Revenue Funds	
Public Improvement Fund	
Designated for capital projects	\$ 15,897
Register of Deeds Automation Fund	
Designated for capital projects	<u>57,305</u>
	73,202

COMPONENT UNITS

Drainage Districts	
Capital Project Funds	
Regular Drain	
Designated for capital projects	56,754
Drain Maintenance Revolving	
Designated for capital projects	38,069
Lake Level	
Designated for capital projects	<u>264,430</u>
	<u>359,253</u>
	<u>\$ 432,455</u>

TOTAL REPORTING ENTITY

NOTE P: RESTRICTED NET ASSETS

Restrictions on net assets shown in the Government-wide financial statements indicate that restrictions imposed by the funding source preclude their use for unrestricted purposes. The following are the various net asset restrictions as of September 30, 2004:

PRIMARY GOVERNMENT

Governmental activities	
Restricted for	
Public safety	
Drug law enforcement	\$ 1,239
CMET	5,415
Law enforcement	3,102
Victim support team	<u>409</u>
	<u>\$ 10,165</u>
Solid waste planning	<u>\$ 628,640</u>
Other purposes	
Public improvement	\$ 15,897
Cemetery	105,667
Law library	1,890
Register of Deeds Automation	57,305
Commission on aging	250,347
F.I.A. State monies	6,640
Childcare F.I.A.	3,332
Childcare - juvenile	<u>384</u>
	<u>\$ 441,462</u>

Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE P: RESTRICTED NET ASSETS - CONTINUED

PRIMARY GOVERNMENT - CONTINUED

Business-type activities
 Restricted for public safety \$ 50,272

COMPONENT UNITS

Drainage districts
 Restricted for debt service \$ 162,902

NOTE Q: PRIOR PERIOD ADJUSTMENTS

The following prior period adjustments were made during the year, which were the result of corrections of accounting errors. These adjustments were reported as changes to beginning fund balance and net assets. The effect on operations and other affected balances for the current and prior period are as follows:

	September 30,		
	<u>2004</u>	<u>2003</u>	<u>Description</u>
PRIMARY GOVERNMENT			
Governmental Activities			
Cash	\$ -	\$(72,266)	Correct overstatement of cash
Net assets - beginning	(72,266)	-	
Business-type Activities			
Accounts payable	-	300,655	Correct understatement of payables
Revenue over (under) expenses	-	(300,655)	
Net Assets - beginning	(300,655)	-	
Special Revenue Fund			
CMET			
Cash	-	(72,266)	Correct overstatement of cash
Fund balance - beginning	(72,266)	-	
Enterprise Fund			
Delinquent Tax Revolving			
Accounts payable	-	300,655	Correct understatement of payables
Revenue over (under) expenses	-	(300,655)	
Net assets - beginning	(300,655)	-	
COMPONENT UNITS			
Accounts payable	-	36,317	Correct understatement of payables
Revenues over (under) expenses	-	(36,317)	
Net assets - beginning	(36,317)	-	
Drainage Districts			
Regular Drains			
Accounts payable	-	36,317	Correct understatement of payables
Revenues over (under) expenditures	-	(36,317)	
Fund balance - beginning	(36,317)	-	

Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE R: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

In the body of the required supplementary information, the County's budgeted expenditures in the General Fund have been shown at the functional classification level. The County's budgeted expenditures for nonmajor Special Revenue Funds are not required to be reported in the financial statements. The approved budgets of the County have been adopted at the activity level for the General Fund and the total expenditure level for the Special Revenue Funds.

During the year ended September 30, 2004, the County incurred expenditures in the General and Special Revenue Funds in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
Operating Transfers to Other Funds			
FIA - Child Care	\$ -	\$ 3,000	\$ 3,000
Special Revenue Funds			
Law Enforcement	11,034	11,295	261
County Libraries	548,216	598,179	49,963
FIA	7,000	7,714	714
Homeland Security Grant	136,392	136,525	133

REQUIRED SUPPLEMENTARY INFORMATION

Montcalm County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES
AND OTHER FINANCING SOURCES

Year Ended September 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Taxes				
Current property taxes	\$ 5,450,000	\$ 5,405,000	\$ 5,386,814	\$ (18,186)
Delinquent property taxes	33,280	10,000	9,931	(69)
Payments in lieu of taxes	9,010	6,000	5,915	(85)
Mobile home park taxes	3,100	3,100	2,895	(205)
Other taxes	2,422	2,422	2,515	93
Total taxes	5,497,812	5,426,522	5,408,070	(18,452)
Licenses and permits				
Dog licenses	98,000	139,000	143,325	4,325
Marriage license fees	2,600	2,600	2,615	15
Gun permits	3,500	5,000	9,152	4,152
Total licenses and permits	104,100	146,600	155,092	8,492
Intergovernmental - Federal/State				
Cooperative reimbursement - Prosecutor	49,440	60,000	67,145	7,145
Central Michigan Enforcement Team	54,000	54,000	53,027	(973)
Probate Judge's salary	101,798	101,559	101,559	-0-
Judicial salary standardization	137,172	137,172	137,172	-0-
Case flow assistance	15,000	15,000	9,922	(5,078)
Sheriff secondary road patrol	115,928	115,928	115,928	-0-
Marine safety	35,700	25,000	25,507	507
Victims Rights Act	41,200	41,200	40,828	(372)
Juvenile officer grant	27,320	27,320	27,317	(3)
State remonumentation	87,550	87,550	35,451	(52,099)
Convention and tourism tax	148,000	150,706	150,706	-0-
Cigarette tax	53,000	36,845	36,845	-0-
State revenue sharing - income tax	990,000	937,000	937,226	226
Single business tax	105,876	98,049	98,049	-0-
Liquor license fees	8,700	7,200	7,155	(45)
Michigan justice training	6,240	6,240	5,863	(377)
JAIBG grant	6,691	6,691	99	(6,592)
Court equity	365,000	365,000	376,174	11,174
Total intergovernmental - Federal/State	2,348,615	2,272,460	2,225,973	(46,487)

Montcalm County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES
AND OTHER FINANCING SOURCES - CONTINUED

Year Ended September 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Charges for services				
District Court	\$ 711,200	\$ 777,438	\$ 811,096	\$ 33,658
Circuit Court	66,200	80,200	87,588	7,388
Probate Court	43,200	35,700	37,219	1,519
County Treasurer	92,178	89,915	85,535	(4,380)
County Clerk	95,934	94,934	118,195	23,261
Register of Deeds	792,080	786,080	786,312	232
Sheriff department	364,800	342,800	303,934	(38,866)
Care of prisoners	493,000	382,000	423,330	41,330
Animal shelter	9,000	6,800	4,900	(1,900)
Phone services	81,000	76,000	74,332	(1,668)
Central services	286,000	328,500	309,782	(18,718)
Other	3,131	3,131	2,543	(588)
Total charges for services	3,037,723	3,003,498	3,044,766	41,268
Fines and forfeits				
Ordinance fines and costs	120,120	150,250	147,661	(2,589)
Interest and rents				
Interest revenue	115,000	49,000	49,190	190
Rental fees	131,500	131,500	133,000	1,500
Total interest and rents	246,500	180,500	182,190	1,690
Other				
Insurance dividends	45,000	70,499	70,499	-0-
Sale of fixed assets	11,000	44,500	44,495	(5)
Reimbursement and refunds	155,357	153,392	120,108	(33,284)
Remonumentation contribution	-	-	5,000	5,000
Other	500	3,435	7,723	4,288
Total other	211,857	271,826	247,825	(24,001)
TOTAL REVENUES	11,566,727	11,451,656	11,411,577	(40,079)
OTHER FINANCING SOURCES				
Operating transfers in	994,119	1,006,283	755,272	(251,011)
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 12,560,846	\$ 12,457,939	\$ 12,166,849	\$ (291,090)

Montcalm County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES AND
OTHER FINANCING USES BY ACTIVITY

Year Ended September 30, 2004

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
General government				
Board of Commissioners	\$ 133,988	\$ 133,712	\$ 129,194	\$ 4,518
Circuit Court	403,068	360,068	330,294	29,774
Circuit Court probation	7,918	7,413	5,731	1,682
District Court	583,028	600,535	585,465	15,070
District Court probation	148,902	159,858	159,512	346
Probate Court	736,728	769,561	752,923	16,638
Jury Board	4,550	4,550	4,080	470
Witness fees	13,700	13,700	9,558	4,142
Elections	54,885	54,885	31,304	23,581
Clerk	279,951	286,502	279,630	6,872
Professional consultants	50,100	80,100	52,076	28,024
Controller	227,812	222,875	220,397	2,478
Risk management	1,000	1,000	-	1,000
Equalization	293,653	289,747	285,375	4,372
Prosecuting Attorney	404,846	414,193	401,920	12,273
Register of Deeds	270,599	271,735	250,524	21,211
Information Systems	53,400	50,655	49,626	1,029
Central services	2,991	13,991	13,420	571
Survey and remonumentation	87,550	87,550	40,451	47,099
Treasurer	200,004	213,977	208,705	5,272
Cooperative extension	154,006	173,131	162,909	10,222
Building and grounds	731,860	716,520	677,447	39,073
Building rent	1,016,644	1,016,644	1,016,644	-0-
Drain Commission	165,697	161,648	152,350	9,298
Total general government	6,026,880	6,104,550	5,819,535	285,015
Public safety				
Sheriff - general	1,477,276	1,525,120	1,518,832	6,288
Sheriff - road patrol	121,729	124,083	123,476	607
Contracted police service	176,070	166,061	163,496	2,565
Justice training	6,240	8,000	7,505	495
Building security	93,338	89,866	89,455	411
Marine safety	42,241	46,673	45,026	1,647
Jail	2,022,281	2,152,771	2,145,666	7,105
West Michigan Planning	2,702	3,102	2,884	218
Disaster relief	500	-	-	-0-
Animal control	103,282	107,881	106,484	1,397
Total public safety	4,045,659	4,223,557	4,202,824	20,733
Public works				
Drains at large	80,404	69,175	69,175	-0-

Montcalm County, Michigan

General Fund

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

Year Ended September 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Health and welfare				
Contagious diseases	\$ 9,120	\$ 5,500	\$ 3,474	\$ 2,026
Medical examiner	87,300	94,447	93,991	456
Veterans burials	10,095	8,595	7,995	600
Substance Abuse Commission	74,000	75,353	75,353	-0-
Mental Health	188,053	188,053	188,053	-0-
District Health Department	455,607	444,204	444,203	1
Total health and welfare	824,175	816,152	813,069	3,083
Community and economic development				
Planning commission	-	5,000	2,597	2,403
Economic development	5,000	5,000	5,000	-0-
Total community and economic development	5,000	10,000	7,597	2,403
Other				
Insurance	150,600	132,100	131,115	985
Other	350,726	267,722	-	267,722
Total other	501,326	399,822	131,115	268,707
Debt service				
Principal redemption	33,069	11,805	11,804	1
Interest redemption	1,221	1,146	1,146	-0-
Total debt service	34,290	12,951	12,950	1
TOTAL EXPENDITURES	11,517,734	11,636,207	11,056,265	579,942
OTHER FINANCING USES				
Operating Transfers to Other Funds				
Parks and Recreation Fund	27,582	27,582	26,500	1,082
Friend of the Court Fund	26,120	56,120	21,203	34,917
FIA Fund	5,000	5,000	5,000	-0-
Juvenile Child Care Fund	656,000	550,000	438,000	112,000
Juvenile Child Care FIA Fund	-	-	3,000	(3,000)
Office Equipment Pool Fund	20,000	20,000	20,000	-0-
Law Enforcement Fund	950	1,250	1,053	197
Law Library Fund	5,000	5,000	3,000	2,000
Equipment Purchase and Replacement Fund	173,248	91,771	91,497	274
Register of Deeds Fund	120,000	105,000	104,690	310
Post-Retirement Health Fund	20,000	20,000	20,000	-0-
TOTAL OTHER FINANCING USES	1,053,900	881,723	733,943	147,780
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 12,571,634	\$ 12,517,930	\$ 11,790,208	\$ 727,722

OTHER SUPPLEMENTARY INFORMATION

Montcalm County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

September 30, 2004

	Special		
	Parks and Recreation	Solid Waste Planning	Central Dispatch
ASSETS			
Cash and cash equivalents	\$ 3,841	\$ 535,738	\$ 394,098
Investments	-	-	249,765
Accounts receivable	-	93,656	78,440
Due from other funds	-	-	-
Due from other governmental units			
Federal/State	-	-	32,548
Local	-	-	-
Prepayments	-	-	823
	<u>3,841</u>	<u>629,394</u>	<u>755,674</u>
TOTAL ASSETS	\$ 3,841	\$ 629,394	\$ 755,674
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 1,163	\$ 754	\$ 28,465
Accrued liabilities	566	-	18,174
Due to other funds	-	-	-
Due to others	-	-	-
Due to other governmental units			
Federal/State	-	-	-
Deferred revenue	-	-	-
	<u>1,729</u>	<u>754</u>	<u>46,639</u>
TOTAL LIABILITIES	1,729	754	46,639
FUND BALANCES			
Reserved for			
Prepayments	-	-	823
Marriage counseling	-	-	-
Grant expenditures	-	-	-
Wireless surcharge	-	-	141,049
Trust activities	-	-	-
K-9 program	-	-	-
Unreserved			
Designated for capital expenditures	-	-	-
Undesignated, reported in:			
Special revenue funds	2,112	628,640	567,163
Debt service funds	-	-	-
Capital projects funds	-	-	-
	<u>2,112</u>	<u>628,640</u>	<u>709,035</u>
TOTAL FUND BALANCES	2,112	628,640	709,035
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,841	\$ 629,394	\$ 755,674

Revenue

Friend of the Court	Law Enforcement	County Libraries	Law Library	Commission on Aging
\$ 68,745	\$ 7,758	\$ 4,228	\$ 2,874	\$ 252,852
-	-	-	-	-
1,577	-	4,458	-	11,201
-	1,053	1,380	-	70
85,425	-	50,029	-	3,181
-	-	-	-	-
4,016	-	-	-	-
<u>\$ 159,763</u>	<u>\$ 8,811</u>	<u>\$ 60,095</u>	<u>\$ 2,874</u>	<u>\$ 267,304</u>
\$ 610	\$ -	\$ 52,532	\$ 984	\$ 9,405
15,855	-	6,149	-	7,552
-	4,885	-	-	-
14,503	-	-	-	-
-	-	-	-	-
-	824	-	-	-
30,968	5,709	58,681	984	16,957
4,016	-	-	-	-
89,161	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	420	-	-	-
-	-	-	-	-
35,618	2,682	1,414	1,890	250,347
-	-	-	-	-
-	-	-	-	-
<u>128,795</u>	<u>3,102</u>	<u>1,414</u>	<u>1,890</u>	<u>250,347</u>
<u>\$ 159,763</u>	<u>\$ 8,811</u>	<u>\$ 60,095</u>	<u>\$ 2,874</u>	<u>\$ 267,304</u>

Montcalm County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

September 30, 2004

	Special		
	FIA Child Care	CDBG - Housing	Juvenile Child Care
ASSETS			
Cash and cash equivalents	\$ 3,188	\$ 4,476	\$ (127,255)
Investments	-	-	-
Accounts receivable	-	-	-
Due from other funds	-	14	-
Due from other governmental units			
Federal/State	144	-	186,435
Local	-	-	-
Prepayments	-	-	-
TOTAL ASSETS	\$ 3,332	\$ 4,490	\$ 59,180
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ 50	\$ 58,796
Accrued liabilities	-	-	-
Due to other funds	-	-	-
Due to others	-	-	-
Due to other governmental units			
Federal/State	-	-	-
Deferred revenue	-	-	-
TOTAL LIABILITIES	-0-	50	58,796
FUND BALANCES			
Reserved for			
Prepayments	-	-	-
Marriage counseling	-	-	-
Grant expenditures	-	-	-
Wireless surcharge	-	-	-
Trust activities	-	-	-
K-9 program	-	-	-
Unreserved			
Designated for capital expenditures	-	-	-
Undesignated, reported in:			
Special revenue funds	3,332	4,440	384
Debt service funds	-	-	-
Capital projects funds	-	-	-
TOTAL FUND BALANCES	3,332	4,440	384
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,332	\$ 4,490	\$ 59,180

Montcalm County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

September 30, 2004

	Special		
	Soldiers and Sailors Relief	FIA	CMET
ASSETS			
Cash and cash equivalents	\$ 3,643	\$ 69,294	\$ (11,630)
Investments	-	-	-
Accounts receivable	-	-	-
Due from other funds	-	-	-
Due from other governmental units			
Federal/State	-	70,349	31,116
Local	-	-	51,286
Prepayments	-	-	-
TOTAL ASSETS	<u>\$ 3,643</u>	<u>\$ 139,643</u>	<u>\$ 70,772</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 5	\$ 23,003	\$ 65,357
Accrued liabilities	-	-	-
Due to other funds	-	-	-
Due to others	-	-	-
Due to other governmental units			
Federal/State	-	110,000	-
Deferred revenue	-	-	-
TOTAL LIABILITIES	5	133,003	65,357
FUND BALANCES			
Reserved for			
Prepayments	-	-	-
Marriage counseling	-	-	-
Grant expenditures	-	-	5,415
Wireless surcharge	-	-	-
Trust activities	-	-	-
K-9 program	-	-	-
Unreserved			
Designated for capital expenditures	-	-	-
Undesignated, reported in:			
Special revenue funds	3,638	6,640	-
Debt service funds	-	-	-
Capital projects funds	-	-	-
TOTAL FUND BALANCES	<u>3,638</u>	<u>6,640</u>	<u>5,415</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,643</u>	<u>\$ 139,643</u>	<u>\$ 70,772</u>

Revenue				
Register of Deeds Automation	Cemetery	Law Enforcement Trust	Victim Support Team	Local Correction Officer Training
\$ 62,105	\$ 13,927	\$ 17,308	\$ 2,534	\$ 10,170
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	202
<u>\$ 62,105</u>	<u>\$ 13,927</u>	<u>\$ 17,308</u>	<u>\$ 2,534</u>	<u>\$ 10,372</u>
\$ 4,800	\$ -	\$ -	\$ -	\$ 162
-	-	-	-	-
-	-	-	2,125	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
4,800	-0-	-0-	2,125	162
-	-	-	-	202
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	13,927	17,308	409	-
-	-	-	-	-
57,305	-	-	-	-
-	-	-	-	10,008
-	-	-	-	-
-	-	-	-	-
<u>57,305</u>	<u>13,927</u>	<u>17,308</u>	<u>409</u>	<u>10,210</u>
<u>\$ 62,105</u>	<u>\$ 13,927</u>	<u>\$ 17,308</u>	<u>\$ 2,534</u>	<u>\$ 10,372</u>

Montcalm County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

September 30, 2004

	<u>Debt Service</u>	<u>Capital Projects</u>	
	<u>Building Authority</u>	<u>Equipment Purchase and Replacement</u>	<u>Building Authority</u>
ASSETS			
Cash and cash equivalents	\$ 555	\$ (33,543)	\$ 45,819
Investments	-	-	-
Accounts receivable	-	-	-
Due from other funds	-	84,885	-
Due from other governmental units			
Federal/State	-	-	-
Local	-	-	-
Prepayments	-	-	-
	<u>555</u>	<u>51,342</u>	<u>45,819</u>
TOTAL ASSETS	\$ 555	\$ 51,342	\$ 45,819
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ 51,342	\$ 2,589
Accrued liabilities	-	-	-
Due to other funds	-	-	-
Due to others	-	-	-
Due to other governmental units			
Federal/State	-	-	-
Deferred revenue	-	-	-
	<u>-0-</u>	<u>51,342</u>	<u>2,589</u>
TOTAL LIABILITIES	-0-	51,342	2,589
FUND BALANCES			
Reserved for			
Prepayments	-	-	-
Marriage counseling	-	-	-
Grant expenditures	-	-	-
Wireless surcharge	-	-	-
Trust activities	-	-	-
K-9 program	-	-	-
Unreserved			
Designated for capital expenditures	-	-	-
Undesignated, reported in:			
Special revenue funds	-	-	-
Debt service funds	555	-	-
Capital projects funds	-	-	43,230
	<u>555</u>	<u>-0-</u>	<u>43,230</u>
TOTAL FUND BALANCES	555	-0-	43,230
TOTAL LIABILITIES AND FUND BALANCES	\$ 555	\$ 51,342	\$ 45,819

<u>Permanent Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<u>Cemetery</u>	
\$ 91,740	\$ 1,440,827
-	249,765
-	189,332
-	87,402
-	482,956
-	51,286
-	5,041
<u>\$ 91,740</u>	<u>\$ 2,506,609</u>
\$ -	\$ 302,603
-	48,296
-	7,010
-	14,503
-	110,000
-	1,227
-0-	483,639
-	5,041
-	89,161
-	5,415
-	141,049
91,740	123,384
-	420
-	73,202
-	1,541,513
-	555
-	43,230
<u>91,740</u>	<u>2,022,970</u>
<u>\$ 91,740</u>	<u>\$ 2,506,609</u>

Montcalm County, Michigan

Nonmajor Governmental Funds

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

Year Ended September 30, 2004

	Special		
	Parks and Recreation	Solid Waste Planning	Central Dispatch
REVENUES			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental -			
Federal/State	4,964	-	90,719
Local	-	-	-
Charges for services	9,400	241,893	866,448
Fines and forfeits	-	-	-
Interest and rents	-	-	1,641
Other	-	-	-
TOTAL REVENUES	14,364	241,893	958,808
EXPENDITURES			
Current			
General government	-	-	-
Public safety	-	-	866,277
Public works	-	167,025	-
Health and welfare	-	-	-
Community and economic development	-	-	-
Recreation and cultural	32,226	-	-
Capital outlay	-	-	-
Debt service	-	-	3,268
TOTAL EXPENDITURES	32,226	167,025	869,545
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(17,862)	74,868	89,263
OTHER FINANCING SOURCES (USES)			
Loan proceeds	-	-	165,978
Operating transfers in	26,500	-	-
Operating transfers out	(91,217)	-	(52,172)
TOTAL OTHER FINANCING SOURCES (USES)	(64,717)	-0-	113,806
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(82,579)	74,868	203,069
Fund balances, beginning of year	84,691	553,772	505,966
Prior period adjustments	-	-	-
Fund balances, end of year	\$ 2,112	\$ 628,640	\$ 709,035

Revenue

Friend of the Court	Law Enforcement	County Libraries	Law Library	Commission on Aging
\$ -	\$ -	\$ 537,040	\$ -	\$ 298,712
7,455	-	-	-	-
611,706	9,481	60,350	-	141,518
-	-	-	-	-
98,446	-	-	-	42,082
-	-	-	6,500	-
714	46	-	-	2,350
272	-	-	-	17,744
718,593	9,527	597,390	6,500	502,406
708,031	-	-	9,756	-
-	752	-	-	-
-	-	-	-	441,437
-	-	-	-	-
-	-	598,178	-	-
-	-	-	-	-
-	-	-	-	-
708,031	752	598,178	9,756	441,437
10,562	8,775	(788)	(3,256)	60,969
-	-	-	-	227,000
21,203	1,053	-	3,000	-
(750)	(10,544)	-	-	(179,338)
20,453	(9,491)	-0-	3,000	47,662
31,015	(716)	(788)	(256)	108,631
97,780	3,818	2,202	2,146	141,716
-	-	-	-	-
<u>\$ 128,795</u>	<u>\$ 3,102</u>	<u>\$ 1,414</u>	<u>\$ 1,890</u>	<u>\$ 250,347</u>

Montcalm County, Michigan

Nonmajor Governmental Funds

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

Year Ended September 30, 2004

	Special		
	FIA Child Care	CDBG - Housing	Juvenile Child Care
REVENUES			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental -			
Federal/State	134	24,250	303,202
Local	-	-	-
Charges for services	-	33,099	48,096
Fines and forfeits	-	-	-
Interest and rents	-	47	-
Other	-	-	-
TOTAL REVENUES	134	57,396	351,298
EXPENDITURES			
Current			
General government	-	-	-
Public safety	-	-	-
Public works	-	-	-
Health and welfare	1,669	-	790,133
Community and economic development	-	95,716	-
Recreation and cultural	-	-	-
Capital outlay	-	-	-
Debt service	-	-	-
TOTAL EXPENDITURES	1,669	95,716	790,133
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,535)	(38,320)	(438,835)
OTHER FINANCING SOURCES (USES)			
Loan proceeds	-	-	-
Operating transfers in	3,000	-	438,000
Operating transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	3,000	-0-	438,000
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	1,465	(38,320)	(835)
Fund balances, beginning of year	1,867	42,760	1,219
Prior period adjustments	-	-	-
Fund balances, end of year	\$ 3,332	\$ 4,440	\$ 384

Revenue				
Drug Law Enforcement	Homeland Security Grant	Community Information Systems	Veterans Trust	Public Improvement
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	136,526	-	5,332	-
-	-	-	-	-
-	-	-	-	-
-	-	193	-	3,845
1,200	-	-	-	-
1,200	136,526	193	5,332	3,845
-	-	1,856	-	-
-	135,526	-	-	-
-	-	-	6,220	-
-	-	-	-	-
-	-	-	-	2,750
-	-	-	-	-
-0-	135,526	1,856	6,220	2,750
1,200	1,000	(1,663)	(888)	1,095
-	-	-	-	-
-	-	-	-	-
-	(1,000)	-	-	-
-0-	(1,000)	-0-	-0-	-0-
1,200	-0-	(1,663)	(888)	1,095
39	-	23,238	1,279	14,802
-	-	-	-	-
\$ 1,239	\$ -0-	\$ 21,575	\$ 391	\$ 15,897

Montcalm County, Michigan

Nonmajor Governmental Funds

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

Year Ended September 30, 2004

	Special		
	Soldiers and Sailors Relief	FIA	CMET
REVENUES			
Taxes	\$ 1,039	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental -			
Federal/State	-	451,552	185,403
Local	-	-	244,280
Charges for services	-	-	-
Fines and forfeits	-	-	-
Interest and rents	-	-	125
Other	-	36,178	80,771
TOTAL REVENUES	1,039	487,730	510,579
EXPENDITURES			
Current			
General government	-	-	-
Public safety	-	-	505,164
Public works	-	-	-
Health and welfare	-	499,038	-
Community and economic development	-	-	-
Recreation and cultural	-	-	-
Capital outlay	-	-	-
Debt service	-	-	-
TOTAL EXPENDITURES	-0-	499,038	505,164
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,039	(11,308)	5,415
OTHER FINANCING SOURCES (USES)			
Loan proceeds	-	-	-
Operating transfers in	-	5,000	-
Operating transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-0-	5,000	-0-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	1,039	(6,308)	5,415
Fund balances, beginning of year	2,599	12,948	72,266
Prior period adjustments	-	-	(72,266)
Fund balances, end of year	\$ 3,638	\$ 6,640	\$ 5,415

Revenue

Register of Deeds Automation	Cemetery	Law Enforcement Trust	Victim Support Team	Local Correction Officer Training
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	950	-	-	13,554
280	-	-	1	-
-	-	698	2,026	-
280	950	698	2,027	13,554
37,304	906	-	-	-
-	-	200	2,125	3,344
-	-	-	-	-
-	-	-	-	-
20,745	-	-	-	-
-	-	-	-	-
58,049	906	200	2,125	3,344
(57,769)	44	498	(98)	10,210
-	-	-	-	-
104,690	-	-	-	-
-	-	-	-	-
104,690	-0-	-0-	-0-	-0-
46,921	44	498	(98)	10,210
10,384	13,883	16,810	507	-
-	-	-	-	-
<u>\$ 57,305</u>	<u>\$ 13,927</u>	<u>\$ 17,308</u>	<u>\$ 409</u>	<u>\$ 10,210</u>

Montcalm County, Michigan

Nonmajor Governmental Funds

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

Year Ended September 30, 2004

	Debt Service	Capital Projects	
	Building Authority	Equipment Purchase and Replacement	Building Authority
REVENUES			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental -			
Federal/State	-	-	-
Local	-	18,078	-
Charges for services	-	-	-
Fines and forfeits	-	-	-
Interest and rents	1,142,397	-	443
Other	-	-	44,330
TOTAL REVENUES	1,142,397	18,078	44,773
EXPENDITURES			
Current			
General government	-	-	-
Public safety	-	-	-
Public works	-	-	-
Health and welfare	-	-	-
Community and economic development	-	-	-
Recreation and cultural	-	-	-
Capital outlay	-	517,240	88,680
Debt service	1,142,393	-	-
TOTAL EXPENDITURES	1,142,393	517,240	88,680
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	4	(499,162)	(43,907)
OTHER FINANCING SOURCES (USES)			
Loan proceeds	-	78,039	-
Operating transfers in	-	421,123	-
Operating transfers out	-	-	(35,000)
TOTAL OTHER FINANCING SOURCES (USES)	-0-	499,162	(35,000)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	4	-0-	(78,907)
Fund balances, beginning of year	551	-	122,137
Prior period adjustments	-	-	-
Fund balances, end of year	\$ 555	\$ -0-	\$ 43,230

<u>Permanent Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<u>Cemetery</u>	
\$ -	\$ 836,791
-	7,455
-	2,025,137
-	262,358
-	1,353,968
-	6,500
1,951	1,154,033
-	183,219
<u>1,951</u>	<u>5,829,461</u>
-	757,853
-	1,513,388
-	167,025
-	1,738,497
-	95,716
-	630,404
-	629,415
-	1,145,661
<u>-0-</u>	<u>6,677,959</u>
1,951	(848,498)
-	471,017
-	1,023,569
-	<u>(370,021)</u>
<u>-0-</u>	<u>1,124,565</u>
1,951	276,067
89,789	1,819,169
-	<u>(72,266)</u>
<u>\$ 91,740</u>	<u>\$ 2,022,970</u>

Montcalm County, Michigan

Nonmajor Enterprise Funds

COMBINING STATEMENT OF NET ASSETS

September 30, 2004

	<u>Inmate Commissary</u>	<u>Building Official</u>	<u>Total</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 6,240	\$ 63,215	\$ 69,455
Noncurrent assets			
Capital assets, net of accumulated depreciation	-	29,699	29,699
TOTAL ASSETS	6,240	92,914	99,154
LIABILITIES			
Current liabilities			
Accounts payable	4,011	1,689	5,700
Accrued payroll	-	11,254	11,254
TOTAL LIABILITIES	4,011	12,943	16,954
NET ASSETS			
Invested in capital assets, net of related debt	-	29,699	29,699
Restricted for public safety	-	50,272	50,272
Unrestricted	2,229	-	2,229
TOTAL NET ASSETS	<u>\$ 2,229</u>	<u>\$ 79,971</u>	<u>\$ 82,200</u>

Montcalm County, Michigan

Nonmajor Enterprise Funds

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

Year Ended September 30, 2004

	Inmate Commissary	Building Official	Total
OPERATING REVENUES			
Charges for services	\$ -	\$ 402,395	\$ 402,395
Sales	102,696	-	102,696
TOTAL OPERATING REVENUES	102,696	402,395	505,091
OPERATING EXPENSES			
Personnel services	-	280,076	280,076
Fringe benefits	-	71,888	71,888
Operating supplies	86,111	5,897	92,008
Contractual services	-	34,819	34,819
Communications	-	5,944	5,944
Depreciation	-	10,086	10,086
Insurance	-	3,979	3,979
Vehicle expense	-	2,593	2,593
Repairs and maintenance	-	3,661	3,661
Other	14,119	1,068	15,187
TOTAL OPERATING EXPENSES	100,230	420,011	520,241
OPERATING INCOME (LOSS)	2,466	(17,616)	(15,150)
NONOPERATING REVENUES			
Interest revenue	-	233	233
Loss on sale of assets	-	(2,210)	(2,210)
TOTAL NONOPERATING REVENUES	-0-	(1,977)	(1,977)
INCOME (LOSS) BEFORE TRANSFERS	2,466	(19,593)	(17,127)
TRANSFERS OUT			
Transfers out	(12,164)	-	(12,164)
CHANGE IN NET ASSETS	(9,698)	(19,593)	(29,291)
Net assets, beginning of year	11,927	99,564	111,491
Net assets, end of year	<u>\$ 2,229</u>	<u>\$ 79,971</u>	<u>\$ 82,200</u>

Montcalm County, Michigan

Nonmajor Enterprise Funds

COMBINING STATEMENT OF CASH FLOWS

Year Ended September 30, 2004

	Inmate Commissary	Building Official	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 102,696	\$ 402,395	\$ 505,091
Cash paid to suppliers	(99,415)	(53,981)	(153,396)
Cash paid for employee benefits	-	(68,356)	(68,356)
Cash paid to employees	-	(280,076)	(280,076)
Cash paid to other funds	-	(8,904)	(8,904)
	<u>3,281</u>	<u>(8,922)</u>	<u>(5,641)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers out	(12,164)	-	(12,164)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital acquisitions	-	(17,475)	(17,475)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest revenue	-	233	233
	<u>(8,883)</u>	<u>(26,164)</u>	<u>(35,047)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents, beginning of year	15,123	89,379	104,502
Cash and cash equivalents, end of year	<u>\$ 6,240</u>	<u>\$ 63,215</u>	<u>\$ 69,455</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ 2,466	\$ (17,616)	\$ (15,150)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	-	10,086	10,086
Decrease in prepayments	-	3,168	3,168
Increase in accounts payable	815	812	1,627
(Decrease) in due to other funds	-	(8,904)	(8,904)
Increase in accrued liabilities	-	3,532	3,532
	<u>3,281</u>	<u>(8,922)</u>	<u>(5,641)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			

Montcalm County, Michigan

Internal Service Funds

COMBINING STATEMENT OF NET ASSETS

September 30, 2004

	Office Equipment Pool	Post- Retirement Health	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 13,102	\$ 104,628	\$ 117,730
Noncurrent assets			
Capital assets, net of accumulated depreciation	17,823	-	17,823
TOTAL ASSETS	30,925	104,628	135,553
LIABILITIES			
Current liabilities			
Accounts payable	935	-	935
NET ASSETS			
Invested in capital assets, net of related debt	17,823	-	17,823
Unrestricted	12,167	104,628	116,795
TOTAL NET ASSETS	<u>\$ 29,990</u>	<u>\$ 104,628</u>	<u>\$ 134,618</u>

Montcalm County, Michigan

Internal Service Funds

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

Year Ended September 30, 2004

	Office Equipment Pool	Post- Retirement Health	Total
OPERATING REVENUES			
Other	\$ -	\$ 23,120	\$ 23,120
OPERATING EXPENSES			
Contractual services	6,445	-	6,445
Supplies	2,518	-	2,518
Depreciation	6,949	-	6,949
Other	-	27,941	27,941
TOTAL OPERATING EXPENSES	<u>15,912</u>	<u>27,941</u>	<u>43,853</u>
OPERATING LOSS	(15,912)	(4,821)	(20,733)
NONOPERATING REVENUES			
Interest revenue	-	557	557
LOSS BEFORE TRANSFERS	(15,912)	(4,264)	(20,176)
TRANSFERS IN			
Transfers in	<u>20,000</u>	<u>20,000</u>	<u>40,000</u>
CHANGE IN NET ASSETS	4,088	15,736	19,824
Net assets, beginning of year	<u>25,902</u>	<u>88,892</u>	<u>114,794</u>
Net assets, end of year	<u>\$ 29,990</u>	<u>\$ 104,628</u>	<u>\$ 134,618</u>

Montcalm County, Michigan

Internal Service Funds

COMBINING STATEMENT OF CASH FLOWS

Year Ended September 30, 2004

	Office Equipment Pool	Post- Retirement Health	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ -	\$ 23,120	\$ 23,120
Cash paid to suppliers	(8,698)	2,218	(6,480)
Cash paid for employee fringe benefits	-	(27,941)	(27,941)
	<u> </u>	<u> </u>	<u> </u>
NET CASH USED BY OPERATING ACTIVITIES	(8,698)	(2,603)	(11,301)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	-	20,000	20,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Transfer from other funds	20,000	-	20,000
Purchase of capital assets	(13,500)	-	(13,500)
	<u> </u>	<u> </u>	<u> </u>
NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	6,500	-0-	6,500
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest revenue	-	557	557
	<u> </u>	<u> </u>	<u> </u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,198)	17,954	15,756
Cash and cash equivalents, beginning of year	15,300	86,674	101,974
	<u> </u>	<u> </u>	<u> </u>
Cash and cash equivalents, end of year	<u>\$ 13,102</u>	<u>\$ 104,628</u>	<u>\$ 117,730</u>
Reconciliation of operating loss to net cash used by operating activities			
Operating loss	\$ (15,912)	\$ (4,821)	\$ (20,733)
Adjustments to reconcile operating loss to net cash used by operating activities			
Depreciation	6,949	-	6,949
Decrease in prepayments	-	2,218	2,218
Increase in accounts payable	265	-	265
	<u> </u>	<u> </u>	<u> </u>
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (8,698)</u>	<u>\$ (2,603)</u>	<u>\$ (11,301)</u>

Montcalm County, Michigan

Agency Funds

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

September 30, 2004

	Agency Funds				Total
	Trust and Agency	Library Fund	FIA Ionia County	CMET Forfeiture Fund	
ASSETS					
Cash and cash equivalents	\$ 2,439,029	\$ 155,898	\$ 15,121	\$ 140,706	\$ 2,750,754
Due from fiduciary fund	29,136	-	-	-	29,136
TOTAL ASSETS	<u>\$ 2,468,165</u>	<u>\$ 155,898</u>	<u>\$ 15,121</u>	<u>\$ 140,706</u>	<u>\$ 2,779,890</u>
LIABILITIES					
Due to county funds	\$ 2,456	\$ -	\$ -	\$ -	\$ 2,456
Due to fiduciary fund	191	28,945	-	-	29,136
Due to other governmental units					
Federal/State	1,644,997	-	-	-	1,644,997
Local	16,461	126,953	14,269	140,706	298,389
Due to individuals and agencies	804,060	-	852	-	804,912
TOTAL LIABILITIES	<u>\$ 2,468,165</u>	<u>\$ 155,898</u>	<u>\$ 15,121</u>	<u>\$ 140,706</u>	<u>\$ 2,779,890</u>

Montcalm County, Michigan

Component Unit Funds

COMBINING BALANCE SHEET - DRAINAGE DISTRICTS

September 30, 2004

	Debt Service	Capital	
	Regular Drain	Regular Drain	Drain Revolving
ASSETS			
Cash and cash equivalents	\$ 214,757	\$ 61,745	\$ 170,016
Cash and cash equivalents - restricted	-	-	-
Investments	-	3,789	-
Accounts receivable	-	-	-
Special assessments receivable	1,697,714	-	-
Due from other funds	-	-	-
Capital assets, net of accumulated depreciation	-	-	-
TOTAL ASSETS	\$ 1,912,471	\$ 65,534	\$ 170,016
LIABILITIES AND FUND EQUITY			
LIABILITIES			
Accounts payable	\$ -	\$ 8,780	\$ -
Due to other funds	-	-	-
Accrued interest payable	-	-	-
Deferred revenue	1,697,714	-	-
Bonds and notes payable	-	-	-
Advances from primary government	-	-	170,016
TOTAL LIABILITIES	1,697,714	8,780	170,016
FUND EQUITY			
Net assets			
Unrestricted	-	-	-
Fund balances			
Reserved for debt service	214,757	-	-
Unreserved			
Designated for capital expenditures	-	56,754	-
TOTAL FUND EQUITY	214,757	56,754	-0-
TOTAL LIABILITIES AND FUND EQUITY	\$ 1,912,471	\$ 65,534	\$ 170,016

Projects			Enterprise		Total
Drain Maintenance Revolving	Lake Level	Lake Level Revolving	Big Whitefish Lake	Little Whitefish Lake	
\$ 38,207	\$ 265,948	\$ 15,482	\$ 147,560	\$ 283,055	\$ 1,196,770
-	-	-	-	225,020	225,020
-	-	-	-	-	3,789
-	-	-	2,457	7,305	9,762
-	-	-	-	250,836	1,948,550
-	-	1,518	-	-	1,518
-	-	-	729,508	2,313,496	3,043,004
<u>\$ 38,207</u>	<u>\$ 265,948</u>	<u>\$ 17,000</u>	<u>\$ 879,525</u>	<u>\$ 3,079,712</u>	<u>\$ 6,428,413</u>
\$ 138	\$ -	\$ -	\$ 232	\$ -	\$ 9,150
-	1,518	-	-	-	1,518
-	-	-	14,019	26,831	40,850
-	-	-	-	-	1,697,714
-	-	-	42,000	1,306,500	1,348,500
-	-	17,000	104,198	-	291,214
138	1,518	17,000	160,449	1,333,331	3,388,946
-	-	-	719,076	1,746,381	2,465,457
-	-	-	-	-	214,757
38,069	264,430	-	-	-	359,253
38,069	264,430	-0-	719,076	1,746,381	3,039,467
<u>\$ 38,207</u>	<u>\$ 265,948</u>	<u>\$ 17,000</u>	<u>\$ 879,525</u>	<u>\$ 3,079,712</u>	<u>\$ 6,428,413</u>

Montcalm County, Michigan

Component Unit Funds

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

September 30, 2004

Total fund balance - governmental funds \$ 574,010

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

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

Construction in progress 1,463,792

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

Long-term liabilities at year-end consist of:

Notes payable	\$ (1,923,714)	
Accrued interest payable	(11,005)	(1,934,719)
	<u> </u>	<u> </u>

Net assets of governmental activities \$ 103,083

Montcalm County, Michigan

Component Unit Funds

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

Year Ended September 30, 2004

	Debt Service	Capital	
	Regular Drain	Regular Drain	Drain Revolving
REVENUES			
Licenses and permits	\$ -	\$ -	\$ -
Charges for services	-	-	-
Interest	-	2,063	-
Other			
Special assessments	441,918	109,732	-
Other	-	162,025	-
TOTAL REVENUES	441,918	273,820	-0-
EXPENDITURES			
Current			
Public works	-	384,200	-
Capital outlay	-	1,463,792	-
Debt service			
Principal	197,186	-	-
Interest and fiscal charges	34,468	-	-
TOTAL EXPENDITURES	231,654	1,847,992	-0-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	210,264	(1,574,172)	-0-
OTHER FINANCING SOURCES			
Proceeds from notes	-	1,213,000	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	210,264	(361,172)	-0-
Fund balances, beginning of year	4,493	454,243	-
Prior period adjustments	-	(36,317)	-
Fund balances, end of year	<u>\$ 214,757</u>	<u>\$ 56,754</u>	<u>\$ -0-</u>

Projects			
Drain Maintenance Revolving	Lake Level	Lake Level Revolving	Total
\$ 9,390	\$ -	\$ -	\$ 9,390
16,611	-	-	16,611
-	1,387	-	3,450
-	378,847	-	930,497
581	-	-	162,606
26,582	380,234	-0-	1,122,554
30,060	334,611	-	748,871
-	-	-	1,463,792
-	-	-	197,186
-	-	-	34,468
30,060	334,611	-0-	2,444,317
(3,478)	45,623	-0-	(1,321,763)
-	-	-	1,213,000
(3,478)	45,623	-0-	(108,763)
41,547	218,807	-	719,090
-	-	-	(36,317)
<u>\$ 38,069</u>	<u>\$ 264,430</u>	<u>\$ -0-</u>	<u>\$ 574,010</u>

Montcalm County, Michigan

Component Unit Funds

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

Year Ended September 30, 2004

Net change in fund balances - total governmental funds \$ (108,763)

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

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

Construction in progress 1,463,792

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

Long-term debt proceeds \$ (1,213,000)
Bond and note principal retirement 197,186

Excess of note proceeds over bond and note principal retirement (1,015,814)

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

Decrease in accrued interest payable 1,686

Change in net assets of governmental activities \$ 340,901

Montcalm County, Michigan

Component Unit Funds

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

Year Ended September 30, 2004

	Enterprise		Total
	Big Whitefish Lake	Little Whitefish Lake	
OPERATING REVENUES			
Charges for services	\$ 91,904	\$ 70,785	\$ 162,689
OPERATING EXPENSES			
Contractual services	26,719	19,590	46,309
Depreciation	23,706	51,412	75,118
Other	15,527	18,287	33,814
TOTAL OPERATING EXPENSES	65,952	89,289	155,241
OPERATING INCOME (LOSS)	25,952	(18,504)	7,448
NONOPERATING REVENUES (EXPENSES)			
Interest revenue	473	19,406	19,879
Interest expense	(5,707)	(64,278)	(69,985)
TOTAL NONOPERATING REVENUES (EXPENSES)	(5,234)	(44,872)	(50,106)
CHANGE IN NET ASSETS	20,718	(63,376)	(42,658)
Net assets, beginning of year	698,358	1,809,757	2,508,115
Net assets, end of year	\$ 719,076	\$ 1,746,381	\$ 2,465,457

Montcalm County, Michigan

Component Unit Funds

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

Year Ended September 30, 2004

	Enterprise		Total
	Big Whitefish Lake	Little Whitefish Lake	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from users	\$ 92,089	\$ 119,331	\$ 211,420
Cash paid to suppliers	(45,729)	(45,973)	(91,702)
NET CASH PROVIDED BY OPERATING ACTIVITIES	46,360	73,358	119,718
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Interest expense	(5,707)	(64,278)	(69,985)
Payments of borrowings	(14,000)	(15,000)	(29,000)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(19,707)	(79,278)	(98,985)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest revenue	473	19,406	19,879
NET INCREASE IN CASH AND CASH EQUIVALENTS DURING YEAR	27,126	13,486	40,612
Cash and cash equivalents, beginning of year	120,434	494,589	615,023
Cash and cash equivalents, end of year	<u>\$ 147,560</u>	<u>\$ 508,075</u>	<u>\$ 655,635</u>
Reconciliation of operating income (loss) to net cash provided by operating activities			
Operating income (loss)	\$ 25,952	\$ (18,504)	\$ 7,448
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Depreciation	23,706	51,412	75,118
(Increase) decrease in account receivables	185	(466)	(281)
Decrease in special assessments receivable	-	49,012	49,012
(Decrease) in accounts payable	(6,030)	(7,105)	(13,135)
Increase (decrease) in accrued interest	2,547	(991)	1,556
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 46,360	\$ 73,358	\$ 119,718

Principals

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Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA

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Kurt M. Lemmen, CPA



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

To the Board of Commissioners
of Montcalm County
Stanton, Michigan

We have audited the basic financial statements of Montcalm County, Michigan as of and for the year ended September 30, 2004, and have issued our report thereon dated January 21, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Montcalm County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of Montcalm County, in a separate letter dated January 21, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Montcalm County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and 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 and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted other matters involving compliance and other matters that we have reported to management of Montcalm County, in a separate letter dated January 21, 2005.

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

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

January 21, 2005

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MANAGEMENT LETTER

To the Board of Commissioners
of Montcalm County
Stanton, Michigan

Dear Ladies/Gentlemen:

As you know, we have recently completed our audit of the records of Montcalm County, Michigan, for the year ended September 30, 2004. In connection with the audit, we feel that certain changes in your accounting procedures would be helpful in improving management's control and the operational efficiency of the accounting functions. These suggestions are a result of our evaluation of the internal control structure and our discussions with management.

1. Budgets should be monitored and amended when necessary.

As noted in the financial statements, some of the activities of the County exceeded the amounts appropriated. The variances noted were in the General Fund and four (4) Special Revenue funds.

The Michigan Public Act 621 of 1978, as amended, provides that the County adopt formal budgets for all applicable General and Special Revenue Funds, and shall not incur expenditures in excess of the amounts appropriated. Also, the Public Act requires amendments to be performed prior to incurring additional expenditures.

We suggest the County monitor expenditures against adopted budgets and make appropriate budget amendments as needed.

2. Billings for the taxes chargebacks and reconciliation should be done on a monthly basis.

During the course of our audit it was noted that the billing for the taxes chargebacks were only being done once a year. While the billing was performed during the current year, it was not kept up to date or reconciled to the general ledger.

We suggest that the Treasurer's office prepare these billings and reconciliation on a monthly basis to increase the speed of collections and simplify the reconciliation process with the controller's office.

3. The County's FIA (Special Revenue) Fund should be reconciled to the State of Michigan's trial balance on at least an annual basis.

During the course of our audit we noted that the County FIA (Special Revenue) Fund's September 30, 2004 revenue, expenditures, cash and beginning fund balance did not agree to the State of Michigan's trial balance.

We suggest the County analyze this Fund as of the end of the year in comparison to the State of Michigan's trial balance and adjust it accordingly. This process should be performed at least annually.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the basic financial statements, and this report does not affect our report on the basic financial statements, dated January 21, 2005.

This report is intended solely for the use of management and the Board of Commissioners of Montcalm County, the pass-through grantors, and the U.S. Department of Health and Human Services, Housing and Urban Development, Justice, and Agriculture, and the Federal Emergency Management Agency and is not intended to be used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these suggestions with you and to provide assistance in the implementation of improvements.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

January 21, 2005

Montcalm County, Michigan

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

September 30, 2004

Montcalm County, Michigan

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September 30, 2004

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

To the Board of Commissioners
of Montcalm County
Stanton, Michigan

Compliance

We have audited the compliance of Montcalm County with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended September 30, 2004. Montcalm County's major Federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major Federal programs is the responsibility of Montcalm County's management. Our responsibility is to express an opinion on Montcalm County's compliance based on our audit.

Montcalm County's basic financial statements include the operations of the Road Commission of Montcalm County, which received \$1,059,057 in federal awards during the year ended September 30, 2004, and the Mid-Michigan District Health Department, which received \$1,598,025 in federal awards during the year ended September 30, 2004. Our audit described below did not include the operations of the Road Commission of Montcalm County or the Mid-Michigan District Health Department because the component units have engaged auditors to perform separate audits in accordance with OMB Circular A-133.

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

In our opinion, Montcalm County complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ending September 30, 2004.

Internal Control Over Compliance

The management of Montcalm County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our audit, we considered Montcalm County's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregated discretely presented component units, each major fund, and the aggregate remaining fund information of Montcalm County as of and for the year ended September 30, 2004, and have issued our report thereon dated January 21, 2005. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Montcalm County's basic financial statements. The accompanying schedule of expenditures of Federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

January 21, 2005

Montcalm County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended September 30, 2004

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Current Year</u>	
			<u>Revenues</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF JUSTICE				
Passed through Michigan Family Independence Agency Office of Juvenile Justice and Delinquency Prevention Juvenile Accountability Incentive Block Grant 2004 Basic Grant	16.523	JAIBG-03-59001	\$ 99	\$ 99
Passed through Michigan Department of Community Health Office of Drug Control Policy The Drug Control and System Improvement Grant Program Central Michigan Enforcement Team ^(a) FY 03/04	16.579	2003-DB-BX-0026	185,403	185,403
Office of Justice Programs Bureau of Justice Assistance (Direct Program) Local Law Enforcement Block Grant FY 03/04	16.592	2004-LB-BX-0863	<u>9,481</u>	<u>9,481</u>
TOTAL U.S. DEPARTMENT OF JUSTICE			194,983	194,983
FEDERAL EMERGENCY MANAGEMENT AGENCY				
Passed through the Michigan State Police Hazard Mitigation	83.548	FEMA-1346-DR-MI	11,527	11,527
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through State Department of Office on Services to the Aging and Area Agency on Aging of Western Michigan, Inc. Title III-B Special Programs for Aging (Social Services) (Transportation) FY 03/04	93.044	51.76	63,956	63,956
Passed through Michigan Family Independence Agency Child Support Enforcement (Title IV-D) ^(c) Cooperative Reimbursement - Friend of the Court ^(a)	93.563	CS/FOC-04-59001-1	450,303	450,303
Cooperative Reimbursement - Prosecuting Attorney ^(a) FY 03/04 Federal Incentive Payments - FOC ^(b)		CS/PA-04-59002-1	64,468	64,468
		N/A	<u>137,816</u>	<u>137,816</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>652,587</u>	<u>652,587</u>
			716,543	716,543

Montcalm County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended September 30, 2004

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Current Year</u>	
			<u>Revenues</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF HOMELAND SECURITY The State Homeland Security Grant Program Passed through Michigan Department of State Police Emergency Management Division	97.004			
State Domestic Preparedness Equipment Support Program				
Homeland Security Training Grant		N/A	\$ 7,091	\$ 7,091
Solutions Area Planner		N/A	20,105	20,105
Equipment FY 2002		N/A	48,092	48,092
Equipment FY 2003		N/A	61,238	61,238
Exercise Grant		N/A	166	166
			<u>136,692</u>	<u>136,692</u>
Emergency Management Performance Grant	97.042			
FY 03/04 EMPG Regular		N/A	<u>31,697</u>	<u>31,697</u>
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			<u>168,389</u>	<u>168,389</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 1,091,442</u>	<u>\$ 1,091,442</u>

Montcalm County, Michigan

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

September 30, 2004

NOTE A: BASIS OF PRESENTATION

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

NOTE B: SUMMARY OF SIGNIFICANT EXPLANATIONS OF SCHEDULE

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

- (a) Reimbursements of these contracts are passed through the State. The amounts reported on the Schedule of Expenditures of Federal Awards represent the Federal portion of the respective amounts based on the following percentages of Federal participation:

<u>Program</u>	<u>CFDA Number</u>	<u>Percent</u>
Cooperative Reimbursement	93.563	66 %
Central Michigan Enforcement Team	16.579	50

- (b) The reimbursements for the Friend of the Court Incentive Payments Program are based on support payments collected. Expenditures have been reported to the extent of earned revenues.
- (c) Denotes program tested as a "major program".

NOTE C: RECONCILIATION TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The following reconciles the federal revenues reported in the September 30, 2004, Basic Financial Statements to the expenditures of the County administered Federal programs reported on the Schedule of Expenditures of Federal Awards:

	<u>Federal/State Revenue</u>	<u>Less: State Revenue</u>	<u>Adjustments</u>	<u>Federal Expenditures</u>
PRIMARY GOVERNMENT				
GENERAL FUND				
Cooperative Reimbursement				
Prosecuting Attorney	\$ 67,145	\$ 2,677	\$ -	\$ 64,468
JAIBG Grant	99	-	-	99
Other Programs	<u>2,158,729</u>	<u>2,158,729</u>	-	<u>-0-</u>
TOTAL GENERAL FUND	2,225,973	2,161,406	-0-	64,567
SPECIAL REVENUE FUNDS				
Friend of the Court	611,706	23,587	-	588,119
Law Enforcement	9,481	-	-	9,481
Commission on Aging	141,518	77,562	-	63,956
Homeland Security Grant	136,526	-	-	136,526
CMET	185,403	-	-	185,403
Other Programs	<u>940,503</u>	<u>940,503</u>	-	<u>-0-</u>
TOTAL SPECIAL REVENUE FUNDS	2,025,137	1,041,652	-0-	983,485

Montcalm County, Michigan

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

September 30, 2004

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

	<u>Federal/State Revenue</u>	<u>Less: State Revenue</u>	<u>Adjustments</u>	<u>Federal Expenditures</u>
ENTERPRISE FUNDS				
Ambulance	\$ 58,871	\$ 15,481	\$ -	\$ 43,390
TOTAL PRIMARY GOVERNMENT	4,309,981	3,218,539	-0-	1,091,442
COMPONENT UNITS				
District Health				
Special Revenue	2,700,867	- ^(a)	(2,700,867)	-0-
Road Commission				
Special Revenue	<u>7,055,549</u>	<u>-</u> ^(b)	<u>(7,055,549)</u>	<u>-0-</u>
TOTAL COMPONENT UNITS	<u>9,756,416</u>	<u>-0-</u>	<u>(9,756,416)</u>	<u>-0-</u>
TOTAL REPORTING ENTITY	<u>\$14,066,397</u>	<u>\$ 3,218,539</u>	<u>\$(9,756,416)</u>	<u>\$ 1,091,442</u>

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

- (a) The District Health Federal/State revenues are eliminated from the Schedule of Expenditures of Federal Awards at the County level as they are a discretely presented component unit whose audit, issued under separate cover, was conducted separately under the Single Audit Act. Their Federal/State funds were audited under the Act at that level and were not considered in the process of performing the County's Single Audit. The separate audited financial statements and Single Audit are available at the District Health Department administrative offices.
- (b) The Road Commission Federal/State revenues are eliminated from the Schedule of Expenditures of Federal Awards at the County level as they are a discretely presented component unit whose audit, issued under separate cover, was conducted by other auditors under the Single Audit Act. Their Federal/State funds were audited under the Act at that level and were not considered in the process of performing the County's Single Audit. The separate audited financial statements and Single Audit are available at the Road Commission administrative offices.

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

To the Board of Commissioners
of Montcalm County
Stanton, Michigan

We have audited the financial statements of Montcalm County, Michigan as of and for the year ended September 30, 2004, and have issued our report thereon dated January 21, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Montcalm County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of Montcalm County in a separate letter dated January 21, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Montcalm County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted other matters involving compliance and other matters that we have reported to management of Montcalm County in a separate letter dated January 21, 2005.

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

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

January 21, 2005

Montcalm County, Michigan

SCHEDULE OF FINDINGS

Year Ended September 30, 2004

SUMMARY OF AUDITOR'S RESULTS

An unqualified opinion was issued on the basic financial statements. There were no reportable conditions disclosed by the audit of the basic financial statements. We noted no instances of noncompliance with laws, regulations, contracts, and grant agreements that could have a direct and material effect on the basic financial statements.

An unqualified opinion was issued on compliance for major programs. We did not disclose any findings related to internal controls or compliance related to the major program tested.

The major program tested to cover 50 percent of the total Federal expenditures was the Child Support Enforcement (Title IV-D) (CFDA 93.563) program. Total Federal expenditures for the year ended September 30, 2004 for the major program was \$652,587, which is approximately 60 percent of total Federal expenditures. It was determined that the County did not qualify as a low-risk auditee.

The County had one (1) Type A program, the Child Support Enforcement Program (Title IV-D) (CFDA 93.563). Programs of less than \$300,000 were determined to be Type B programs.

FINDINGS/NONCOMPLIANCE

Reportable Conditions Related to Internal Control Over the Financial Statements.

None

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

None

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

None

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended September 30, 2004

FINDINGS/NONCOMPLIANCE

Reportable Conditions Related to Internal Controls Over the Financial Statements.

No prior audit findings.

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

No prior audit findings.

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

No prior audit findings.