

# Auditing Procedures Report

Issued under Public Act 2 of 1968, as amended .

|              |                          |                 |            |             |            |          |        |
|--------------|--------------------------|-----------------|------------|-------------|------------|----------|--------|
| Unit Name    | Mecosta County, Michigan | County          | MECOSTA    | Type        | COUNTY     | MuniCode | 540000 |
| Opinion Date | 06/19/2008               | Audit Submitted | 06/25/2008 | Fiscal Year | 12/31/2007 |          |        |

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

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

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

|                            |   |
|----------------------------|---|
| General Fund Revenue:      | <input type="text" value="\$11,522,820"/> |
| General Fund Expenditure:  | <input type="text" value="\$12,238,768"/> |
| Major Fund Deficit Amount: | <input type="text"/>                      |

|  |   |
|--|---|
| General Fund Balance:                                      | <input type="text" value="\$6,437,191"/>  |
| Governmental Activities Long-Term Debt (see instructions): | <input type="text" value="\$12,673,104"/> |

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

|                    |                         |                       |                |                          |            |          |          |           |                |
|--------------------|-------------------------|-----------------------|----------------|--------------------------|------------|----------|----------|-----------|----------------|
| CPA (First Name)   | Stephen                 | Last Name             | Blann          | Ten Digit License Number | 1101024801 |          |          |           |                |
| CPA Street Address | 2330 East Paris Ave. SE | City                  | Grand Rapids   | State                    | MI         | Zip Code | 49546    | Telephone | (616) 975-4400 |
| CPA Firm Name      | Rehmann Robson          | Unit's Street Address | 400 Elm Street | City                     | Big Rapids |          | Zip Code | 49307     |                |



**COUNTY OF MECOSTA, MICHIGAN**

**FINANCIAL STATEMENTS  
AND SINGLE AUDIT ACT COMPLIANCE**

**FOR THE YEAR ENDED DECEMBER 31, 2007**



**REHMANN ROBSON**

*Certified Public Accountants*

**COUNTY OF MECOSTA, MICHIGAN**

**ORGANIZATION**

**COUNTY BOARD OF COMMISSIONERS**

Kevin M. Courtney

Jerry Williams

Linda Howard

Raymond Steinke

Ruth L. Hess

Eric O'Neil

William Routley

**COUNTY OFFICIALS**

|                    |                          |
|--------------------|--------------------------|
| Paul E. Bullock    | Controller/Administrator |
| Connie L. Scott    | Treasurer                |
| Marcee M. Purcell  | Clerk                    |
| Julia E. Tetsworth | Finance Officer          |
| Peter M. Jaklevic  | Prosecuting Attorney     |

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**REHMANN ROBSON**

*Certified Public Accountants*

A member of THE REHMANN GROUP

## INDEPENDENT AUDITORS' REPORT

June 19, 2008

Honorable Chairman and Members  
of the Board of Commissioners  
County of Mecosta  
Big Rapids, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *County of Mecosta, Michigan*, as of and for the year ended December 31, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the County of Mecosta, Michigan. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Mecosta County Road Commission or the Mecosta County Medical Center discretely presented component units, which represent 40.3 percent and 58.8 percent, respectively, of the assets, and 13.3 percent and 86.6 percent, respectively, of the revenues of the aggregate discretely presented component units. We also did not audit the Mecosta County Parks Commission, a blended component unit which is reported as a major enterprise fund. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Mecosta County Road Commission, the Mecosta County Medical Center, and the Mecosta County Parks Commission, is based on the reports 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 reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information for the County of Mecosta, Michigan as of December 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund and each major special revenue fund 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 a report dated June 19, 2008, on our consideration of the County of Mecosta, Michigan'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 on pages 3-12 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Mecosta, Michigan's basic financial statements. The combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the County of Mecosta, Michigan's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, and is also not a required part of the basic financial statements of the County. The combining and individual fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of basic financial statements and, in our opinion, are fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

As discussed in Note 17 to the financial statements, certain errors resulting in overstatement of previously reported equity as of December 31, 2007, were discovered during the current year. Accordingly, an adjustment has been made to equity as of January 1, 2007, to correct the error.

A handwritten signature in cursive script that reads "Lehmann Johnson".

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## Management's Discussion and Analysis

As management of the County of Mecosta, Michigan, we offer readers of the financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended December 31, 2007. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

### Financial Highlights

Prior to 2003, the County received revenue sharing payments from the State of Michigan under the State Constitution and the State Revenue Sharing Act of 1971, amended 1998 and revenue sharing payments were distributed in accordance with the 1998 amendment. However, 2003 brought a slowed economy. As a result, revenue sharing, to virtually all County and local governments in the State including Mecosta County, were reduced by Executive Order of the Governor.

In 2004, Public Act 357 of 2004 was enacted. This Act provided a funding mechanism to serve as a substitute to state revenue sharing payments. This substitute funding mechanism involved a gradual shift of county property tax millage from a winter tax levy to a summer tax levy and additionally, required the establishment of a restricted fund, the Revenue Sharing Reserve Fund. The shift of property tax collection and the creation of the restricted Revenue Sharing Reserve Fund are based on county operating millages only – not special millages. Annually, Mecosta County may make use of the Revenue Sharing Reserve Fund in amounts equal to its October 1, 2003 through September 30, 2004 Revenue Sharing payments adjusted for inflation. The inflation rate is defined by MCL 211.34d(1)(1).

In spite of the reduction in revenue sharing payments, Mecosta County fared well again in 2007 due to several factors, including the tax shift revenue-sharing plan put into place in 2005. Again this year, the County experienced a fairly strong real estate market in *industrial and retail* growth. Both new construction and resale of property enabled the taxable value of the County to increase by 7.88% between 2006 and 2007. Since the County levies a millage for operations, this increase in taxable value increased revenues proportionally. State Equalized Value (a number reflecting 50% of the true cash value of property) increased 5.35% during the year. Again this year, the County saw an increase in court cases again this year, increasing fees, fines and costs. The board/care of Federal prisoners remained at a regular capacity and Federal transports remained the same. Both of these affect the County's federal revenue. Other significant contributing factors were a fair return on investments, new fees for the County Clerk performing marriage ceremonies, taking passport photos, and finally, an increase in revenues due to increased birth, death and marriage records requests via the Internet.

On April 29, 2003 the qualified electors of the County of Mecosta voted to authorize the issuance of bonds in the principal amount of \$11,140,000 for the purpose of defraying the cost of renovating, expanding and equipping the Mecosta County Medical Center. The bonds are a general obligation of the County of Mecosta and are secured by the County's full faith and credit and the County's unlimited tax pledged in accordance with Act 118, Act 230, Act 34 and the Unlimited Tax Election Act which is Act 189 of the Public Act of Michigan of 1979, as amended and pursuant to which the County shall levy, in addition to other taxes which the County may be authorized to levy, ad valorem taxes on all taxable property within the boundaries of the County without limitation as to rate or amount of the extent necessary to pay the principal of and interest on the bonds when due. The affect of these bonds on the County's financial statements is that the debt associated with these bonds is displayed within the County (the primary government) financial statements while the capital assets constructed with the proceeds are displayed as capital assets of the Mecosta County Medical Center (a discretely presented component unit).

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

This discussion and analysis is intended to serve as an introduction to the County financial statements. The County basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The *statement of net assets* presents information on all of the County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., accrued interest expense).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include governmental operations.

The government-wide financial statements include not only the County itself (known as the *primary government*), but also legally separate component units for which the County is financially accountable. Financial information for *discretely presented component units* is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 13-15 of this report

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains numerous individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, emergency medical services fund, commission on aging fund, hospital bond fund, and revenue sharing reserve fund, each of which is considered to be a major fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The County adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets for the general and major special revenue funds.

The basic governmental fund financial statements can be found on pages 16-26 of this report.

**Proprietary funds.** The County maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for its parks commission, information services contracts, assessing and mapping activities, and delinquent taxes. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the various County functions. The County uses internal service funds to account for its central store and similar activities.

The basic proprietary fund financial statements can be found on pages 27-29 of this report.

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

The basic fiduciary fund financial statement can be found on page 30 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 33-60 of this report.

**Other information.** The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the notes to the financial statement. Combining and individual fund statements and schedules can be found on pages 61-88 of this report.

## **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$15,405,595 at the close of the most recent fiscal year. A large portion of the County's net assets represents its investment in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure) less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

### **Net Assets**

The County uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. Investment in capital assets, net of related debt, is 38% of total net assets. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay the debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The County's total net assets decreased approximately 2%, or \$367,868 to \$15,405,595 from \$15,773,463 for the year ended December 31, 2007.

## Mecosta County's Net Assets

|   | Governmental Activities |              | Business-type Activities |              | Total        |              |
|---|-------------------------|--------------|--------------------------|--------------|--------------|--------------|
|   | 2007                    | 2006         | 2007                     | 2006         | 2007         | 2006         |
| <b>Assets</b>                                   |                         |              |                          |              |              |              |
| Current and other assets                        | \$18,798,004            | \$20,094,668 | \$ 5,092,351             | \$ 6,078,920 | \$23,890,355 | \$26,173,588 |
| Capital assets, net                             | 6,169,139               | 6,467,867    | 1,210,642                | 1,218,986    | 7,379,781    | 7,686,853    |
| Total assets                                    | 24,967,143              | 26,562,535   | 6,302,993                | 7,297,906    | 31,270,136   | 33,860,441   |
| <b>Liabilities</b>                              |                         |              |                          |              |              |              |
| Long-term liabilities                           | 11,865,577              | 12,164,506   | 7,100                    | 15,264       | 11,872,677   | 12,179,770   |
| Other liabilities                               | 3,823,960               | 5,634,246    | 167,904                  | 92,748       | 3,991,864    | 5,726,994    |
| Total liabilities                               | 15,689,537              | 17,798,752   | 175,004                  | 108,012      | 15,864,541   | 17,906,764   |
| <b>Net assets</b>                               |                         |              |                          |              |              |              |
| Invested in capital assets, net of related debt | 4,688,557               | 4,887,285    | 1,210,642                | 1,218,986    | 5,899,199    | 6,106,271    |
| Restricted                                      | 8,964,432               | 9,697,539    | -                        | -            | 8,964,432    | 9,697,539    |
| Unrestricted                                    | (4,375,383)             | (5,821,041)  | 4,917,347                | 5,970,908    | 541,964      | 149,867      |
| Total net assets                                | \$ 9,277,606            | \$ 8,763,783 | \$ 6,127,989             | \$ 7,189,894 | \$15,405,595 | \$15,953,677 |

## Mecosta County's Changes in Net Assets

|  | Governmental Activities |                     | Business-type Activities |                     | Total               |                     |
|--|-------------------------|---------------------|--------------------------|---------------------|---------------------|---------------------|
|  | 2007                    | 2006                | 2007                     | 2006                | 2007                | 2006                |
| <b>Revenues</b>                            |                         |                     |                          |                     |                     |                     |
| Program revenues:                          |                         |                     |                          |                     |                     |                     |
| Charges for services                       | \$ 4,249,868            | \$ 4,954,812        | \$ 1,376,967             | \$ 1,333,888        | \$ 5,626,835        | \$ 6,288,700        |
| Operating grants and contributions         | 3,175,145               | 2,619,409           | -                        | -                   | 3,175,145           | 2,619,409           |
| Capital grants and contributions           | -                       | -                   | 42,500                   | -                   | 42,500              | -                   |
| General revenues:                          |                         |                     |                          |                     |                     |                     |
| Property taxes                             | 9,650,761               | 10,774,659          | -                        | -                   | 9,650,761           | 10,774,659          |
| Unrestricted investment earnings           | 637,576                 | 616,764             | 23,850                   | 25,122              | 661,426             | 641,886             |
| Gain on sale of capital assets             | 11,522                  | 2,758               | -                        | -                   | 11,522              | 2,758               |
| Total revenues                             | 17,724,872              | 18,968,402          | 1,443,317                | 1,359,010           | 19,168,189          | 20,327,412          |
| <b>Expenses</b>                            |                         |                     |                          |                     |                     |                     |
| General government                         | 2,905,115               | 3,307,439           | -                        | -                   | 2,905,115           | 3,307,439           |
| Legislative                                | 411,135                 | 418,190             | -                        | -                   | 411,135             | 418,190             |
| Judicial                                   | 1,955,717               | 1,948,474           | -                        | -                   | 1,955,717           | 1,948,474           |
| Public safety                              | 5,066,311               | 4,529,693           | -                        | -                   | 5,066,311           | 4,529,693           |
| Public works                               | 117,128                 | 112,745             | -                        | -                   | 117,128             | 112,745             |
| Health and welfare                         | 5,382,558               | 5,697,329           | -                        | -                   | 5,382,558           | 5,697,329           |
| Community and economic development         | 2,187,162               | 368,440             | -                        | -                   | 2,187,162           | 368,440             |
| Other activities                           | -                       | -                   | 374                      | 747                 | 374                 | 747                 |
| Interest on long-term debt                 | 530,630                 | 494,830             | -                        | -                   | 530,630             | 494,830             |
| Indirect cost allocation                   | -                       | (24,427)            | -                        | 24,427              | -                   | -                   |
| Parks                                      | -                       | -                   | 970,549                  | 967,340             | 970,549             | 967,340             |
| Tax collection                             | -                       | -                   | 9,378                    | 8,934               | 9,378               | 8,934               |
| Total expenses                             | 18,555,756              | 16,852,713          | 980,301                  | 1,001,448           | 19,536,057          | 17,854,161          |
| Change in net assets before transfers      | (830,884)               | 2,115,689           | 463,016                  | 357,562             | (367,868)           | 2,473,251           |
| <b>Transfers</b>                           | 1,524,921               | 139,815             | (1,524,921)              | (139,815)           | -                   | -                   |
| Change in net assets                       | 694,037                 | 2,255,504           | (1,061,905)              | 217,747             | (367,868)           | 2,473,251           |
| Net assets, beginning of year, as restated | 8,583,569               | 6,328,065           | 7,189,894                | 6,972,147           | 15,773,463          | 13,300,212          |
| <b>Net assets, end of year</b>             | <u>\$ 9,277,606</u>     | <u>\$ 8,583,569</u> | <u>\$ 6,127,989</u>      | <u>\$ 7,189,894</u> | <u>\$15,405,595</u> | <u>\$15,773,463</u> |

### **Governmental activities**

Governmental activities increased the County's net assets by \$694,037. The sizeable difference between the change in fund balances and the change in net assets is mostly due to large capital outlays in the current year, which are expensed under the modified accrual basis method and accounted as capital assets under full accrual basis. A smaller portion of the difference is due to principal payments on debts that are expensed under the modified accrual method are booked as reductions in long-term debt under the full accrual basis.

Government activities include:

- Legislative activities – Expenses related to the Board of Commissioners and high-level administrative expenditures.
- Judicial activities – Expenses related to the administration of Circuit, District, and Probate/Family courts and Court Probation units.
- General government activities – Expenses related to the support departments of the County such as Administration, Human Resources, Treasury, Information Services, Facilities Management, and Finance.
- Public safety – Expenses related to the Sheriff's administration and road patrol and County corrections services.
- Public works activities – Expenses related to the County drain commissioner
- Health and welfare – Expenses related to veteran's service, medical examiner fees, expansion of the local hospital (a separate legal entity), operations of the commission on aging, and childcare care programs.
- Community and economic development – Expenses related to planning and zoning activities.

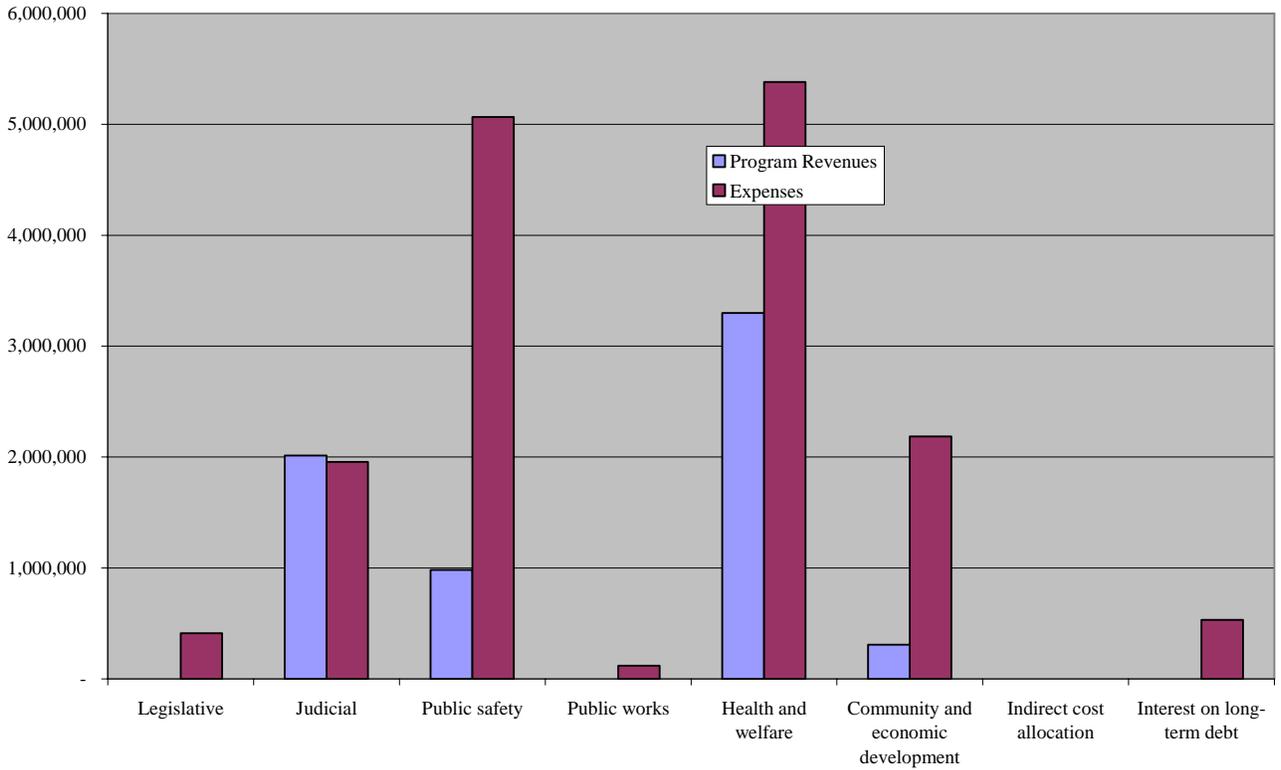
### **Business-type activities**

The business-type activities of the County include enterprise fund operations. The change in business-type activities net assets decreased the County's net assets by \$1,061,905. This decrease was due to large payment on the County's defined benefit plan liability, paid out of the delinquent tax revolving fund.

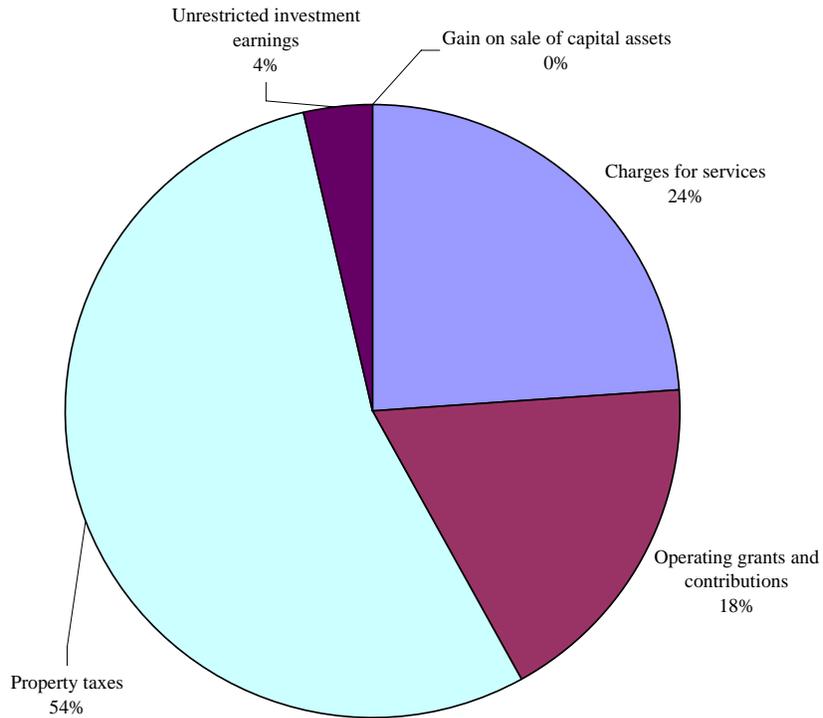
Business-type activities include:

- Delinquent tax revolving fund – This fund was established as a means to provide the local governments within the County's jurisdiction with 100% of the property tax distributions owed to them annually. The County then acts as the collection agency for the outstanding delinquent taxes. Current policy is to maintain cash and investments to fund 100% of the prior year's delinquent tax settlement.
  - Mecosta County Park Commission – This fund is a blended component unit that operates four major parks in the Mecosta County area.
-

**Expenses and Program Revenues - Governmental Activities**



**Revenues by Source - Governmental Activities**



## Financial Analysis of the Government's Funds

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

**Governmental funds.** The focus of the County *governmental fund statements* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the County financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The fund balance of the general fund has increased by \$1,123,271 from \$5,313,920 to \$6,437,191. This is primarily attributable to budgeted contingency funds that were not used and conservative budgeting for investment income.

**Proprietary funds.** The County proprietary funds provide the same type of information found in the government wide financial statements, but in more detail.

|                               | <u>Total Net Assets</u>   |                           |
|-------------------------------|---------------------------|---------------------------|
|                               | <u>2007</u>               | <u>2006</u>               |
| <b>Enterprise Funds</b>       |                           |                           |
| Park Commission               | \$ 1,642,016              | \$ 1,604,634              |
| Delinquent Tax Revolving      | 4,476,893                 | 5,576,436                 |
| Nonmajor Funds                | 9,080                     | 9,094                     |
| <b>Total</b>                  | <b><u>\$6,127,989</u></b> | <b><u>\$7,189,894</u></b> |
| <br>                          |                           |                           |
| <b>Internal Service Funds</b> | <b><u>\$ 44,616</u></b>   | <b><u>\$ 38,472</u></b>   |

Other factors considering the finances of these funds have been addressed in the discussion of the County's business-type activities.

### General Fund Budgetary Highlights

Over the course of the year, the County Board of Commissioners amended the budget to take into account events during the year. Specifically, the Board made several changes to the budget that fall into three categories:

- Amendments and supplemental appropriations to reflect the actual beginning account balances and prevention of budget overruns.
- Changes made to account for additional, unexpected revenues from loan repayments, refunds or grants and unexpected costs pertaining to: upgrading software, building repairs, technology upgrades and maintenance, accumulated absence payouts due to retirements and position reclassifications, additional payments to MERS, an increase in the courts caseloads, an increase in autopsies, increasing health care costs, microfilming records, and increasing fuel costs.
- Board approved capital expenditures for software, County vehicles, and updating marine equipment and other equipment.

After all adjustments, the County's 2007 actual general fund revenues exceeded budget and actual expenditures fell well below final budget amounts.

### Capital Asset and Debt Administration

- **Capital assets** - A capital asset is an asset whose cost exceeds \$5,000 and useful life is greater than two years. Included in the cost of a capital asset are items such as labor and freight and any other costs associated with bringing the asset into full operation. Assets are depreciated using the straight-line method over the course of their useful lives.

During the year, the County purchased capital assets including several new vehicles, computers, video arraignment equipment. Software, passport cameras, in-car video equipment, faxes, workstations, and marine equipment.

- **Debt administration** – Debt incurred in the course of constructing or acquiring a capital asset is recorded and paid for from a debt service fund.

The County has two general obligation bonds for their major capital projects this year. The second bond issue in 2004 was solely for the renovation of the Mecosta County Hospital and is payable over 20 years.

### Mecosta County Capital Assets (net of depreciation)

|                            | Governmental activities |                     | Business-type activities |                     | Total               |                     |
|----------------------------|-------------------------|---------------------|--------------------------|---------------------|---------------------|---------------------|
|                            | 2007                    | 2006                | 2007                     | 2006                | 2007                | 2006                |
| Land                       | \$ 323,000              | \$ 323,000          | \$ -                     | \$ -                | \$ 323,000          | \$ 323,000          |
| Construction in progress   | 104,027                 | 26,927              | 63,668                   | -                   | 167,695             | 26,927              |
| Land improvements          | -                       | -                   | 354,733                  | 379,091             | 354,733             | 379,091             |
| Buildings and improvements | 5,273,515               | 5,504,364           | 662,222                  | 692,104             | 5,935,737           | 6,196,468           |
| Equipment and furniture    | 304,068                 | 360,703             | 130,019                  | 147,791             | 434,087             | 508,494             |
| Vehicles                   | 164,529                 | 252,873             | -                        | -                   | 164,529             | 252,873             |
| <b>Total</b>               | <b>\$ 6,169,139</b>     | <b>\$ 6,467,867</b> | <b>\$ 1,210,642</b>      | <b>\$ 1,218,986</b> | <b>\$ 7,373,781</b> | <b>\$ 7,686,853</b> |

Additional information on the County's capital assets can be found in Note 7 on pages 47-50 of this report.

**Long-term debt** – debt is classified as long-term if the debt matures in a period greater than one year.

### Mecosta County Outstanding Debt (General Obligation Bonds)

|                          | Governmental activities |               |
|--------------------------|-------------------------|---------------|
|                          | 2007                    | 2006          |
| General obligation bonds | \$ 12,040,000           | \$ 12,390,000 |

Additional information on the County's long-term debt can be found in Note 9 on pages 51-53 of this report.

## **Economic Factors and Next Year's Budgets and Rates**

The County's budget for 2008 does not increase property tax rates. This is due to the County's strong growth in its tax base. Because of the impact of Proposal A, however, the County needs to continue to watch its budget very closely. The statewide tax reform act limits growth in taxable value on any individual property to the lesser of inflation or 5% unless there is a transfer of ownership. Because some properties increase in value by less than inflation, the mathematical result of this is that the total taxable value for the County will grow less than by inflation, before considering new property additions. Generally, properties that have transfer of ownership will offset the properties that do not increase by the rate of inflation, resulting in an actual increase in value by more than the rate of inflation before new construction.

Although having faced revenue shortages from the State over the last three years, the overall County adopted 2008 budget is expected to be a stable one. Mecosta County's economic base continues to grow, with new businesses/industry coming to the area. This growth adds to the local economy and creates new jobs. Unemployment for Mecosta County is one of the lowest in the area at 7.5%. In addition, property values are expected to increase above inflation.

The above indicators were considered when adopting the general fund budget for 2007. As we prepare for the 2008 budget, those same indicators will guide us in our budget deliberations, in addition to such things as additional grant revenue, cost of living adjustments, the cost of post retirement benefits, and the rising cost of health care. After all estimates are calculated, the County's budget for 2008 is expected to grow modestly.

### **Requests for Information**

This financial report is designed to provide a general overview of the County finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Mecosta County Finance Department, 400 Elm St., Big Rapids, Michigan, 49307. Additional information can be found at our website at [www.co.mecosta.mi.us](http://www.co.mecosta.mi.us).

## **BASIC FINANCIAL STATEMENTS**

**COUNTY OF MECOSTA, MICHIGAN**

**Statement of Net Assets**

**December 31, 2007**

|   | Primary Government         |                             |                      | Component<br>Units   |
|---|----------------------------|-----------------------------|----------------------|----------------------|
|   | Governmental<br>Activities | Business-type<br>Activities | Total                |                      |
| <b>Assets</b>                                   |                            |                             |                      |                      |
| Cash and pooled investments                     | \$ 15,812,037              | \$ 3,538,241                | \$ 19,350,278        | \$ 5,294,219         |
| Investments                                     | 121,600                    | -                           | 121,600              | 5,158,133            |
| Receivables                                     | 2,757,222                  | 1,515,379                   | 4,272,601            | 6,025,382            |
| Internal balances                               | (34,967)                   | 34,967                      | -                    | -                    |
| Prepays   | 142,112                    | 3,764                       | 145,876              | 2,217,954            |
| Capital assets not being depreciated            | 427,027                    | 63,668                      | 490,695              | 8,912,954            |
| Capital assets being depreciated, net           | 5,742,112                  | 1,146,974                   | 6,889,086            | 43,003,445           |
| <b>Total assets</b>                             | <b>24,967,143</b>          | <b>6,302,993</b>            | <b>31,270,136</b>    | <b>70,612,087</b>    |
| <b>Liabilities</b>                              |                            |                             |                      |                      |
| Accounts payable and accrued liabilities        | 1,081,630                  | 101,684                     | 1,183,314            | 5,213,073            |
| Unearned revenue                                | 1,934,803                  | 49,140                      | 1,983,943            | -                    |
| Noncurrent liabilities:                         |                            |                             |                      |                      |
| Due within one year                             | 807,527                    | 17,080                      | 824,607              | 1,042,206            |
| Bonds payable, net of current portion           | 11,615,000                 | -                           | 11,615,000           | 7,411,578            |
| Compensated absences, net of current portion    | 250,577                    | 7,100                       | 257,677              | 223,220              |
| <b>Total liabilities</b>                        | <b>15,689,537</b>          | <b>175,004</b>              | <b>15,864,541</b>    | <b>13,890,077</b>    |
| <b>Net assets</b>                               |                            |                             |                      |                      |
| Invested in capital assets, net of related debt | 4,688,557                  | 1,210,642                   | 5,899,199            | 43,637,615           |
| Restricted for:                                 |                            |                             |                      |                      |
| Property tax acceleration                       | 3,550,577                  | -                           | 3,550,577            | -                    |
| Health and welfare programs                     | 3,031,755                  | -                           | 3,031,755            | -                    |
| Public safety programs                          | 686,206                    | -                           | 686,206              | -                    |
| Judicial programs                               | 20,692                     | -                           | 20,692               | -                    |
| Debt service                                    | 120,289                    | -                           | 120,289              | 993,180              |
| Capital improvements                            | 479,007                    | -                           | 479,007              | 102,404              |
| Permanent fund nonexpendable                    | 100,000                    | -                           | 100,000              | -                    |
| Permanent fund expendable                       | 28,073                     | -                           | 28,073               | -                    |
| Other state mandated programs                   | 947,833                    | -                           | 947,833              | 143,984              |
| Unrestricted (deficit)                          | (4,375,383)                | 4,917,347                   | 541,964              | 11,844,827           |
| <b>Total net assets</b>                         | <b>\$ 9,277,606</b>        | <b>\$ 6,127,989</b>         | <b>\$ 15,405,595</b> | <b>\$ 56,722,010</b> |

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

**COUNTY OF MECOSTA, MICHIGAN**

**Statement of Activities**

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

| <b>Functions / Programs</b>                  | <b>Expenses</b>      | <b>Indirect<br/>Expense<br/>Allocation</b> | <b>Program Revenues</b>         |   | <b>Net<br/>(Expense)<br/>Revenue</b> |   |
|--|----------------------|--|---------------------------------|---|--------------------------------------|---|
|  |                      |  | <b>Charges<br/>for Services</b> | <b>Operating<br/>Grants and<br/>Contributions</b> |                                      | <b>Capital<br/>Grants and<br/>Contributions</b> |
| <b>Primary government</b>                    |                      |  |                                 |   |                                      |   |
| Governmental activities:                     |                      |  |                                 |   |                                      |   |
| General government                           | \$ 2,905,115         | \$ (32,745)                                | \$ 645,305                      | \$ 179,169  | \$ -                                 | \$ (2,047,896)                                  |
| Legislative                                  | 411,135              | -  | -                               | -   | -                                    | (411,135)                                       |
| Judicial                                     | 1,955,717            | -  | 1,127,143                       | 885,802   | -                                    | 57,228  |
| Public safety                                | 5,066,311            | -  | 510,001                         | 471,941   | -                                    | (4,084,369)                                     |
| Public works                                 | 117,128              | -  | -                               | -   | -                                    | (117,128)                                       |
| Health and welfare                           | 5,382,558            | -  | 1,675,083                       | 1,623,592   | -                                    | (2,083,883)                                     |
| Community and economic development           | 2,187,162            | 32,745                                     | 292,336                         | 14,641  | -                                    | (1,912,930)                                     |
| Interest expense                             | 530,630              | -  | -                               | -   | -                                    | (530,630)                                       |
| Total governmental activities                | <u>18,555,756</u>    | <u>-</u>                                   | <u>4,249,868</u>                | <u>3,175,145</u>                                  | <u>-</u>                             | <u>(11,130,743)</u>                             |
| Business-type activities:                    |                      |  |                                 |   |                                      |   |
| Parks Commission                             | 970,549              | -  | 941,851                         | -   | 42,500                               | 13,802  |
| Delinquent tax collection and administration | 9,378                | -  | 434,756                         | -   | -                                    | 425,378   |
| Other  | 374                  | -  | 360                             | -   | -                                    | (14)  |
| Total business-type activities               | <u>980,301</u>       | <u>-</u>                                   | <u>1,376,967</u>                | <u>-</u>  | <u>42,500</u>                        | <u>439,166</u>                                  |
| Total primary government                     | <u>\$ 19,536,057</u> | <u>\$ -</u>                                | <u>\$ 5,626,835</u>             | <u>\$ 3,175,145</u>                               | <u>\$ 42,500</u>                     | <u>\$ (10,691,577)</u>                          |
| <b>Component units</b>                       |                      |  |                                 |   |                                      |   |
| Road Commission                              | \$ 6,247,493         | \$ -                                       | \$ 983,846                      | \$ 4,126,538                                      | \$ 1,225,464                         | \$ 88,355                                       |
| Brownfield Redevelopment                     | 87                   | -  | -                               | -   | -                                    | (87)  |
| Drain Commission                             | 61,328               | -  | 12,165                          | 4,707   | -                                    | (44,456)  |
| Medical Center                               | 41,742,309           | -  | 40,721,821                      | 418,947   | -                                    | (601,541)                                       |
| Total component units                        | <u>\$ 48,051,217</u> | <u>\$ -</u>                                | <u>\$ 41,717,832</u>            | <u>\$ 4,550,192</u>                               | <u>\$ 1,225,464</u>                  | <u>\$ (557,729)</u>                             |

Continued...

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

**COUNTY OF MECOSTA, MICHIGAN**

**Statement of Activities (Concluded)**

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

|  | <u>Primary Government</u>          |                                     |                      | <u>Component<br/>Units</u> |
|--|------------------------------------|-------------------------------------|----------------------|----------------------------|
|  | <u>Governmental<br/>Activities</u> | <u>Business-type<br/>Activities</u> | <u>Total</u>         |                            |
| <b>Changes in net assets</b>               |                                    |                                     |                      |                            |
| Net (expense) revenue                      | \$ (11,130,743)                    | \$ 439,166                          | \$ (10,691,577)      | \$ (557,729)               |
| General revenues (expenses):               |                                    |                                     |                      |                            |
| Property taxes                             | 9,650,761                          | -                                   | 9,650,761            | -                          |
| Interest revenue                           | 637,576                            | 23,850                              | 661,426              | -                          |
| Gain on sale of capital assets             | 11,522                             | -                                   | 11,522               | 15,774                     |
| Transfers - internal activities            | 1,524,921                          | (1,524,921)                         | -                    | -                          |
| Total general revenues and transfers       | 11,824,780                         | (1,501,071)                         | 10,323,709           | 15,774                     |
| Change in net assets                       | 694,037                            | (1,061,905)                         | (367,868)            | (541,955)                  |
| Net assets, beginning of year, as restated | 8,583,569                          | 7,189,894                           | 15,773,463           | 57,263,965                 |
| <b>Net assets, end of year</b>             | <u>\$ 9,277,606</u>                | <u>\$ 6,127,989</u>                 | <u>\$ 15,405,595</u> | <u>\$ 56,722,010</u>       |

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

**COUNTY OF MECOSTA, MICHIGAN**

**Balance Sheet**

**Governmental Funds**

**December 31, 2007**

|  | <b>General<br/>Fund<br/>(101)</b> | <b>Emergency<br/>Medical<br/>Services<br/>(210)</b> | <b>Commission<br/>on Aging<br/>(274)</b> | <b>Revenue<br/>Sharing<br/>Reserve<br/>(285)</b> |
|--|-----------------------------------|---|--|--|
| <b>Assets</b>                                  |                                   |   |  |  |
| Cash and pooled investments                    | \$ 6,294,351                      | \$ 919,884  | \$ 843,442                               | \$ 3,534,691                                     |
| Investments                                    | -                                 | -   | -  | -  |
| Accounts receivable                            | 30,906                            | 320,214   | 942                                      | -  |
| Interest receivable                            | 58,394                            | 4,134   | 3,934                                    | 15,886   |
| Taxes receivable                               | 435,507                           | 501,142   | 499,932                                  | -  |
| Due from other governments                     | 61,562                            | -   | 17,334                                   | -  |
| Due from other funds                           | 8,186                             | -   | -  | -  |
| Prepays  | 142,112                           | -   | -  | -  |
| <b>Total assets</b>                            | <b>\$ 7,031,018</b>               | <b>\$ 1,745,374</b>                                 | <b>\$ 1,365,584</b>                      | <b>\$ 3,550,577</b>                              |
| <b>Liabilities and fund balances</b>           |                                   |   |  |  |
| <b>Liabilities</b>                             |                                   |   |  |  |
| Accounts payable                               | \$ 175,972                        | \$ 30,358   | \$ 14,887                                | \$ -   |
| Accrued liabilities                            | 171,176                           | 41,041  | 15,719                                   | -  |
| Due to other funds                             | -                                 | -   | -  | -  |
| Due to other governments                       | -                                 | -   | -  | -  |
| Deferred revenue                               | 246,679                           | 854,876   | 609,839                                  | -  |
| <b>Total liabilities</b>                       | <b>593,827</b>                    | <b>926,275</b>                                      | <b>640,445</b>                           | <b>-</b>   |
| <b>Fund balances</b>                           |                                   |   |  |  |
| Reserved for permanent fund corpus             | -                                 | -   | -  | -  |
| Reserved for prepaid items                     | 142,112                           | -   | -  | -  |
| Unreserved, undesignated                       | 6,295,079                         | 819,099   | 725,139                                  | 3,550,577  |
| Unreserved, undesignated reported in nonmajor: |                                   |   |  |  |
| Special revenue funds                          | -                                 | -   | -  | -  |
| Debt service funds                             | -                                 | -   | -  | -  |
| Capital projects funds                         | -                                 | -   | -  | -  |
| Permanent funds                                | -                                 | -   | -  | -  |
| <b>Total fund balances</b>                     | <b>6,437,191</b>                  | <b>819,099</b>                                      | <b>725,139</b>                           | <b>3,550,577</b>                                 |
| <b>Total liabilities and fund balances</b>     | <b>\$ 7,031,018</b>               | <b>\$ 1,745,374</b>                                 | <b>\$ 1,365,584</b>                      | <b>\$ 3,550,577</b>                              |

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

| <b>Hospital<br/>Bond<br/>(311)</b> | <b>Nonmajor<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|------------------------------------|--|---|
| \$ 358,393                         | \$ 3,815,966                               | \$ 15,766,727                           |
| -                                  | 121,600                                    | 121,600                                 |
| -                                  | 6,084                                      | 358,146                                 |
| 1,611                              | -  | 83,959                                  |
| 558,674                            | -  | 1,995,255                               |
| -                                  | 240,966                                    | 319,862                                 |
| -                                  | -  | 8,186                                   |
| -                                  | -  | 142,112                                 |
| <u>\$ 918,678</u>                  | <u>\$ 4,184,616</u>                        | <u>\$ 18,795,847</u>                    |
| <br>                               |  |   |
| \$ -                               | \$ 120,587                                 | \$ 341,804                              |
| -                                  | 29,795                                     | 257,731                                 |
| -                                  | 43,153                                     | 43,153                                  |
| -                                  | 345,440                                    | 345,440                                 |
| 680,960                            | 36,085                                     | 2,428,439                               |
| <u>680,960</u>                     | <u>575,060</u>                             | <u>3,416,567</u>                        |
| <br>                               |  |   |
| -                                  | 100,000                                    | 100,000                                 |
| -                                  | -  | 142,112                                 |
| 237,718                            | -  | 11,627,612                              |
| -                                  | 3,032,712                                  | 3,032,712                               |
| -                                  | 8,532                                      | 8,532                                   |
| -                                  | 440,239                                    | 440,239                                 |
| -                                  | 28,073                                     | 28,073                                  |
| <u>237,718</u>                     | <u>3,609,556</u>                           | <u>15,379,280</u>                       |
| <u>\$ 918,678</u>                  | <u>\$ 4,184,616</u>                        | <u>\$ 18,795,847</u>                    |

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

Fund balances - total governmental funds \$ 15,379,280

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

Capital assets used in governmental activities are not financial resources, and therefore are not reported in the fund statement.

|  |           |
|--|-----------|
| Add: capital assets not being depreciated  | 427,027   |
| Add: capital assets being depreciated, net | 5,742,112 |

The focus of governmental funds is on short-term financing. Accordingly, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred revenue in the governmental funds, and thus are not included in fund balance.

|   |         |
|---|---------|
| Add: deferred property taxes                  | 250,914 |
| Add: deferred emergency medical services fees | 242,722 |

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

|  |        |
|--|--------|
| Add: net assets of governmental activities accounted for in internal service funds | 44,616 |
|--|--------|

Certain liabilities, such as bonds payable, are not due and payable in the current period, and therefore are not reported in the funds.

|   |              |
|---|--------------|
| Deduct: bonds payable                             | (12,040,000) |
| Deduct: compensated absences                      | (633,104)    |
| Deduct: accrued interest on long-term liabilities | (125,961)    |
| Deduct: estimated claims liability                | (10,000)     |
|   | (12,809,065) |

|                                       |              |
|---------------------------------------|--------------|
| Net assets of governmental activities | \$ 9,277,606 |
|---------------------------------------|--------------|

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

**COUNTY OF MECOSTA, MICHIGAN**  
**Statement of Revenue, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2007**

|   | <b>General<br/>Fund<br/>(101)</b> | <b>Emergency<br/>Medical<br/>Services<br/>(210)</b> | <b>Commission<br/>on Aging<br/>(274)</b> | <b>Revenue<br/>Sharing<br/>Reserve<br/>(285)</b> |
|---|-----------------------------------|---|--|--|
| <b>Revenue</b>                                |                                   |   |  |  |
| Taxes   | \$ 7,686,186                      | \$ 589,109  | \$ 588,975                               | \$ -   |
| Licenses and permits                          | 47,218                            | -   | -  | -  |
| Intergovernmental:                            |                                   |   |  |  |
| Federal                                       | 91,286                            | -   | 75,727                                   | -  |
| State   | 694,827                           | -   | 75,226                                   | -  |
| Local   | 186,160                           | -   | -  | -  |
| Charges for services                          | 2,181,584                         | 993,416   | 46,545                                   | -  |
| Interest                                      | 635,109                           | 45,519  | 43,464                                   | 158,263  |
| Other revenue                                 | 450                               | 158   | 55,193                                   | -  |
|   | <u>11,522,820</u>                 | <u>1,628,202</u>                                    | <u>885,130</u>                           | <u>158,263</u>                                   |
| Total revenue                                 |                                   |   |  |  |
| <b>Expenditures</b>                           |                                   |   |  |  |
| Current:                                      |                                   |   |  |  |
| General government                            | 1,755,642                         | -   | -  | -  |
| Legislative                                   | 411,135                           | -   | -  | -  |
| Judicial                                      | 1,713,169                         | -   | -  | -  |
| Public safety                                 | 3,649,466                         | -   | -  | -  |
| Health and welfare                            | 246,222                           | 1,538,500   | 708,003                                  | -  |
| Community and economic development            | 89,176                            | -   | -  | -  |
| Other expenditures                            | 4,373,958                         | -   | -  | -  |
| Debt service:                                 |                                   |   |  |  |
| Principal                                     | -                                 | -   | -  | -  |
| Interest                                      | -                                 | -   | -  | -  |
| Capital outlay                                | -                                 | -   | -  | -  |
|   | <u>12,238,768</u>                 | <u>1,538,500</u>                                    | <u>708,003</u>                           | <u>-</u>   |
| Total expenditures                            |                                   |   |  |  |
| Revenue (under) over expenditures             | <u>(715,948)</u>                  | <u>89,702</u>                                       | <u>177,127</u>                           | <u>158,263</u>                                   |
| <b>Other financing sources (uses)</b>         |                                   |   |  |  |
| Transfers in                                  | 2,245,325                         | -   | -  | -  |
| Transfers out                                 | (423,718)                         | (100,500)   | (32,076)                                 | (776,398)  |
| Sale of capital assets                        | 17,612                            | 1,740   | -  | -  |
|   | <u>1,839,219</u>                  | <u>(98,760)</u>                                     | <u>(32,076)</u>                          | <u>(776,398)</u>                                 |
| Total other financing sources (uses)          |                                   |   |  |  |
| Net change in fund balances                   | 1,123,271                         | (9,058)   | 145,051                                  | (618,135)  |
| Fund balances, beginning of year, as restated | <u>5,313,920</u>                  | <u>828,157</u>                                      | <u>580,088</u>                           | <u>4,168,712</u>                                 |
| <b>Fund balances, end of year</b>             | <u><u>\$ 6,437,191</u></u>        | <u><u>\$ 819,099</u></u>                            | <u><u>\$ 725,139</u></u>                 | <u><u>\$ 3,550,577</u></u>                       |

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

| <b>Hospital<br/>Bond<br/>(311)</b> | <b>Nonmajor<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|------------------------------------|--|---|
| \$ 693,376                         | \$ -                                       | \$ 9,557,646                            |
| -                                  | 243,553                                    | 290,771                                 |
| -                                  | 442,782                                    | 609,795                                 |
| -                                  | 1,309,514                                  | 2,079,567                               |
| -                                  | 11,187                                     | 197,347                                 |
| -                                  | 596,697                                    | 3,818,242                               |
| 12,538                             | 31,255                                     | 926,148                                 |
| -                                  | 151,684                                    | 207,485                                 |
| <u>705,914</u>                     | <u>2,786,672</u>                           | <u>17,687,001</u>                       |
| -                                  | 31,887                                     | 1,787,529                               |
| -                                  | -  | 411,135                                 |
| -                                  | 70,331                                     | 1,783,500                               |
| -                                  | 465,718                                    | 4,115,184                               |
| -                                  | 2,199,618                                  | 4,692,343                               |
| -                                  | 273,928                                    | 363,104                                 |
| -                                  | -  | 4,373,958                               |
| 250,000                            | 100,000                                    | 350,000                                 |
| 415,844                            | 70,609                                     | 486,453                                 |
| -                                  | 347,283                                    | 347,283                                 |
| <u>665,844</u>                     | <u>3,559,374</u>                           | <u>18,710,489</u>                       |
| <u>40,070</u>                      | <u>(772,702)</u>                           | <u>(1,023,488)</u>                      |
| 153,210                            | 612,294                                    | 3,010,829                               |
| -                                  | (153,216)                                  | (1,485,908)                             |
| -                                  | -  | 19,352                                  |
| <u>153,210</u>                     | <u>459,078</u>                             | <u>1,544,273</u>                        |
| 193,280                            | (313,624)                                  | 520,785                                 |
| 44,438                             | 3,923,180                                  | 14,858,495                              |
| <u>\$ 237,718</u>                  | <u>\$ 3,609,556</u>                        | <u>\$ 15,379,280</u>                    |

**COUNTY OF MECOSTA, MICHIGAN**  
**Reconciliation of the Statement of Revenue, Expenditures**  
**and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**For the Year Ended December 31, 2007**

Net change in fund balances - total governmental funds \$ 520,785

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

|   |           |
|---|-----------|
| Add: capital outlay                               | 242,107   |
| Deduct: depreciation expense                      | (533,005) |
| Deduct: net book value of disposed capital assets | (7,830)   |

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year.

|   |        |
|---|--------|
| Add: net change in property tax revenue               | 93,115 |
| Add: net change in emergency medical services revenue | 93,770 |

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets

|  |         |
|--|---------|
| Add: principal payments on long-term liabilities | 350,000 |
|--|---------|

Some expenses 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.

|  |          |
|--|----------|
| Deduct: increase in accrued interest on bonds            | (44,177) |
| Deduct: increase in the accrual for compensated absences | (28,872) |

An internal service fund is used by management to charge the costs of certain services to individual governmental funds. The net revenue (expense) attributable to those funds is reported with governmental activities.

|  |       |
|--|-------|
| Add: income from governmental activities in internal service funds | 6,144 |
| Add: change in estimated liability for claims                      | 2,000 |

|   |            |
|---|------------|
| Change in net assets of governmental activities | \$ 694,037 |
|---|------------|

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

**COUNTY OF MECOSTA, MICHIGAN**  
**Statement of Revenue, Expenditures and Changes in Fund Balances**  
**Budget and Actual**  
**General Fund**  
**For the Year Ended December 31, 2007**

|                                 | Original<br>Budget | Final<br>Budget   | Actual            | Actual Over<br>(Under) Final<br>Budget |
|---------------------------------|--------------------|-------------------|-------------------|--|
| <b>Revenue</b>                  |                    |                   |                   |  |
| Taxes                           | \$ 7,383,000       | \$ 7,383,000      | \$ 7,686,186      | \$ 303,186                             |
| Licenses and permits            | 39,690             | 39,690            | 47,218            | 7,528                                  |
| Intergovernmental:              |                    |                   |                   |  |
| Federal                         | 76,500             | 76,500            | 91,286            | 14,786                                 |
| State                           | 638,820            | 638,820           | 694,827           | 56,007                                 |
| Local                           | 179,500            | 179,500           | 186,160           | 6,660                                  |
| Charges for services            | 2,089,018          | 2,089,018         | 2,181,584         | 92,566                                 |
| Interest                        | 400,000            | 400,000           | 635,109           | 235,109                                |
| Other revenue                   | -                  | -                 | 450               | 450                                    |
| Total revenue                   | <u>10,806,528</u>  | <u>10,806,528</u> | <u>11,522,820</u> | <u>716,292</u>                         |
| <b>Expenditures</b>             |                    |                   |                   |  |
| General government:             |                    |                   |                   |  |
| Elections                       | 29,012             | 29,012            | 16,573            | 12,439                                 |
| County clerk                    | 239,266            | 239,266           | 233,020           | 6,246                                  |
| Register of deeds               | 234,120            | 234,120           | 205,853           | 28,267                                 |
| Drain commission                | 120,512            | 120,512           | 117,128           | 3,384                                  |
| Equalization                    | 196,507            | 196,507           | 188,141           | 8,366                                  |
| County treasurer                | 173,258            | 178,684           | 178,023           | 661                                    |
| Cooperative education           | 160,151            | 160,551           | 154,674           | 5,877                                  |
| Central services                | 123,546            | 123,546           | 117,284           | 6,262                                  |
| Mimeo and photocopy             | 27,000             | 27,000            | 16,285            | 10,715                                 |
| Courthouse building and grounds | 512,035            | 512,035           | 487,434           | 24,601                                 |
| Corporate counsel               | 25,000             | 25,000            | 20,727            | 4,273                                  |
| Audit                           | 21,000             | 21,000            | 20,500            | 500                                    |
| Total general government        | <u>1,861,407</u>   | <u>1,867,233</u>  | <u>1,755,642</u>  | <u>111,591</u>                         |
| Legislative:                    |                    |                   |                   |  |
| Board of commissioners          | 433,139            | 433,139           | 411,135           | 22,004                                 |
| Judicial:                       |                    |                   |                   |  |
| Circuit court - probation       | 5,300              | 5,300             | 3,844             | 1,456                                  |
| 49th circuit court              | 610,391            | 617,391           | 562,149           | 55,242                                 |
| 77th district court             | 499,896            | 499,896           | 493,774           | 6,122                                  |
| District court probation        | 123,887            | 123,887           | 121,299           | 2,588                                  |
| Jury board                      | 8,941              | 8,941             | 7,127             | 1,814                                  |
| 18th probate court              | 514,764            | 539,764           | 524,976           | 14,788                                 |
| Total judicial                  | <u>1,763,179</u>   | <u>1,795,179</u>  | <u>1,713,169</u>  | <u>82,010</u>                          |
| Public safety:                  |                    |                   |                   |  |
| Sheriff                         | 3,123,283          | 3,123,283         | 3,034,321         | 88,962                                 |
| Marine patrol                   | 43,941             | 46,941            | 32,811            | 14,130                                 |
| Civil defense                   | 52,285             | 52,285            | 50,586            | 1,699                                  |
| Prosecutor                      | 462,737            | 462,737           | 453,966           | 8,771                                  |
| Plat board                      | 193                | 193               | -                 | 193                                    |
| Animal shelter                  | 30,005             | 30,005            | 30,005            | -                                      |
| Canine restraint                | 500                | 500               | 330               | 170                                    |
| Animal control                  | 48,403             | 48,403            | 47,447            | 956                                    |
| Total public safety             | <u>3,761,347</u>   | <u>3,764,347</u>  | <u>3,649,466</u>  | <u>114,881</u>                         |

**COUNTY OF MECOSTA, MICHIGAN**  
**Statement of Revenue, Expenditures and Changes in Fund Balances**  
**Budget and Actual (Concluded)**  
**General Fund**  
**For the Year Ended December 31, 2007**

|                                       | <b>Original<br/>Budget</b> | <b>Final<br/>Budget</b> | <b>Actual</b>       | <b>Actual Over<br/>(Under) Final<br/>Budget</b> |
|---------------------------------------|----------------------------|-------------------------|---------------------|---|
| <b>Expenditures (concluded)</b>       |                            |                         |                     |   |
| Health and welfare:                   |                            |                         |                     |   |
| Communicable diseases                 | \$ 7,000                   | \$ 7,000                | \$ 2,420            | \$ 4,580  |
| Medical examiner                      | 69,701                     | 69,701                  | 57,704              | 11,997  |
| State institutes                      | 166,912                    | 166,912                 | 166,912             | -   |
| Veterans' burial services             | 12,000                     | 12,000                  | 9,350               | 2,650   |
| Veterans' affairs                     | 9,159                      | 10,109                  | 9,836               | 273   |
| Total health and welfare              | <u>264,772</u>             | <u>265,722</u>          | <u>246,222</u>      | <u>19,500</u>                                   |
| Community and economic development:   |                            |                         |                     |   |
| Planning and zoning                   | 91,874                     | 91,874                  | 89,176              | 2,698   |
| Other:                                |                            |                         |                     |   |
| Appropriations                        | 431,252                    | 441,295                 | 436,120             | 5,175   |
| Bonds and insurance                   | 1,705,961                  | 4,074,888               | 3,937,838           | 137,050   |
| Contingencies                         | 550,000                    | 493,964                 | -                   | 493,964   |
| Total other expenditures              | <u>2,687,213</u>           | <u>5,010,147</u>        | <u>4,373,958</u>    | <u>636,189</u>                                  |
| Total expenditures                    | <u>10,862,931</u>          | <u>13,227,641</u>       | <u>12,238,768</u>   | <u>988,873</u>                                  |
| Revenues over (under) expenditures    | <u>(56,403)</u>            | <u>(2,421,113)</u>      | <u>(715,948)</u>    | <u>1,705,165</u>                                |
| <b>Other financing sources (uses)</b> |                            |                         |                     |   |
| Transfers in                          | 767,413                    | 2,236,340               | 2,245,325           | 8,985   |
| Transfers (out)                       | (719,501)                  | (723,718)               | (423,718)           | 300,000   |
| Sale of capital assets                | 8,500                      | 8,500                   | 17,612              | 9,112   |
| Total other financing sources (uses)  | <u>56,412</u>              | <u>1,521,122</u>        | <u>1,839,219</u>    | <u>318,097</u>                                  |
| Net change in fund balances           | 9                          | (899,991)               | 1,123,271           | 2,023,262                                       |
| Fund balances, beginning of year      | <u>5,313,920</u>           | <u>5,313,920</u>        | <u>5,313,920</u>    | <u>-</u>  |
| <b>Fund balances, end of year</b>     | <u>\$ 5,313,929</u>        | <u>\$ 4,413,929</u>     | <u>\$ 6,437,191</u> | <u>\$ 2,023,262</u>                             |

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

**COUNTY OF MECOSTA, MICHIGAN**  
**Statement of Revenue, Expenditures and Changes in Fund Balances**  
**Budget and Actual**  
**Emergency Medical Services Fund**  
**For the Year Ended December 31, 2007**

|   | <b>Original<br/>Budget</b> | <b>Final<br/>Budget</b> | <b>Actual</b>     | <b>Actual Over<br/>(Under) Final<br/>Budget</b> |
|---|----------------------------|-------------------------|-------------------|---|
| <b>Revenue</b>                              |                            |                         |                   |   |
| Taxes                                       | \$ 571,407                 | \$ 589,007              | \$ 589,109        | \$ 102  |
| Charges for services                        | 1,120,000                  | 812,606                 | 993,416           | 180,810   |
| Interest                                    | 16,000                     | 38,000                  | 45,519            | 7,519   |
| Other revenue                               | 1,000                      | 158                     | 158               | -   |
| <b>Total revenue</b>                        | <b>1,708,407</b>           | <b>1,439,771</b>        | <b>1,628,202</b>  | <b>188,431</b>                                  |
| <b>Expenditures</b>                         |                            |                         |                   |   |
| Health and welfare:                         |                            |                         |                   |   |
| Emergency medical services                  | 1,788,652                  | 1,602,652               | 1,538,500         | 64,152  |
| <b>Revenue over (under) expenditures</b>    | <b>(80,245)</b>            | <b>(162,881)</b>        | <b>89,702</b>     | <b>252,583</b>                                  |
| <b>Other financing sources (uses)</b>       |                            |                         |                   |   |
| Transfers out                               | (100,500)                  | (100,500)               | (100,500)         | -   |
| Sale of capital assets                      | 1,000                      | 1,500                   | 1,740             | 240   |
| <b>Total other financing sources (uses)</b> | <b>(99,500)</b>            | <b>(99,000)</b>         | <b>(98,760)</b>   | <b>240</b>                                      |
| <b>Net change in fund balances</b>          | <b>(179,745)</b>           | <b>(261,881)</b>        | <b>(9,058)</b>    | <b>252,823</b>                                  |
| Fund balances, beginning of year            | 828,157                    | 828,157                 | 828,157           | -   |
| <b>Fund balances, end of year</b>           | <b>\$ 648,412</b>          | <b>\$ 566,276</b>       | <b>\$ 819,099</b> | <b>\$ 252,823</b>                               |

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

**COUNTY OF MECOSTA, MICHIGAN**  
**Statement of Revenue, Expenditures and Changes in Fund Balances**  
**Budget and Actual**  
**Commission on Aging**  
**For the Year Ended December 31, 2007**

|                                       | <b>Original<br/>Budget</b> | <b>Final<br/>Budget</b> | <b>Actual</b>     | <b>Actual Over<br/>(Under) Final<br/>Budget</b> |
|---------------------------------------|----------------------------|-------------------------|-------------------|---|
| <b>Revenue</b>                        |                            |                         |                   |   |
| Taxes                                 | \$ 567,400                 | \$ 567,400              | \$ 588,975        | \$ 21,575                                       |
| Intergovernmental:                    |                            |                         |                   |   |
| Federal                               | 75,272                     | 75,272                  | 75,727            | 455   |
| State                                 | 52,733                     | 52,733                  | 75,226            | 22,493  |
| Charges for services                  | 38,800                     | 38,800                  | 46,545            | 7,745   |
| Interest                              | 24,000                     | 24,000                  | 43,464            | 19,464  |
| Other revenue                         | 47,850                     | 47,850                  | 55,193            | 7,343   |
| <b>Total revenue</b>                  | <b>806,055</b>             | <b>806,055</b>          | <b>885,130</b>    | <b>79,075</b>                                   |
| <b>Expenditures</b>                   |                            |                         |                   |   |
| Health and welfare                    | 709,997                    | 715,928                 | 708,003           | 7,925   |
| Revenues over expenditures            | 96,058                     | 90,127                  | 177,127           | 87,000  |
| <b>Other financing sources (uses)</b> |                            |                         |                   |   |
| Transfers out                         | (32,076)                   | (32,076)                | (32,076)          | -   |
| Net change in fund balances           | 63,982                     | 58,051                  | 145,051           | 87,000  |
| Fund balances, beginning of year      | 580,088                    | 580,088                 | 580,088           | -   |
| <b>Fund balances, end of year</b>     | <b>\$ 644,070</b>          | <b>\$ 638,139</b>       | <b>\$ 725,139</b> | <b>\$ 87,000</b>                                |

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

**COUNTY OF MECOSTA, MICHIGAN**  
**Statement of Revenue, Expenditures and Changes in Fund Balances**  
**Budget and Actual**  
**Revenue Sharing Reserve**  
**For the Year Ended December 31, 2007**

|                                       | <b>Original<br/>Budget</b> | <b>Final<br/>Budget</b> | <b>Actual</b>       | <b>Actual Over<br/>(Under) Final<br/>Budget</b> |
|---------------------------------------|----------------------------|-------------------------|---------------------|---|
| <b>Revenue</b>                        |                            |                         |                     |   |
| Interest on deposits                  | \$ 20,000                  | \$ 20,000               | \$ 158,263          | \$ 138,263                                      |
| <b>Other financing sources (uses)</b> |                            |                         |                     |   |
| Transfers out                         | (767,413)                  | (773,403)               | (776,398)           | (2,995)   |
| Net change in fund balances           | (747,413)                  | (753,403)               | (618,135)           | 135,268   |
| Fund balances, beginning of year      | 4,168,712                  | 4,168,712               | 4,168,712           | -   |
| <b>Fund balances, end of year</b>     | <b>\$ 3,421,299</b>        | <b>\$ 3,415,309</b>     | <b>\$ 3,550,577</b> | <b>\$ 135,268</b>                               |

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

**COUNTY OF MECOSTA, MICHIGAN**

**Statement of Net Assets**

**Proprietary Funds**

**December 31, 2007**

|  | <b>Business-type Activities - Enterprise Funds</b> |   |  |                     | <b>Governmental</b>                   |
|--|--|---|--|---------------------|---------------------------------------|
|  | <b>Mecosta<br/>County<br/>Park<br/>Commission</b>  | <b>Delinquent<br/>Tax<br/>Revolving<br/>(516)</b> | <b>Nonmajor<br/>Enterprise<br/>Funds</b> | <b>Total</b>        | <b>Internal<br/>Service<br/>Funds</b> |
| <b>Assets</b>  |  |   |  |                     |                                       |
| Current assets:                                      |  |   |  |                     |                                       |
| Cash and pooled investments                          | \$ 559,895   | \$ 2,969,266                                      | \$ 9,080                                 | \$ 3,538,241        | \$ 45,310                             |
| Accounts receivable                                  | 26,418   | 4,729   | -  | 31,147              | -                                     |
| Taxes receivable                                     | -  | 1,329,854   | -  | 1,329,854           | -                                     |
| Interest receivable                                  | -  | 1,579   | -  | 1,579               | -                                     |
| Prepays  | 3,764  | -   | -  | 3,764               | -                                     |
| Due from other funds                                 | -  | 34,967  | -  | 34,967              | -                                     |
| Due from component unit                              | -  | 25,000  | -  | 25,000              | -                                     |
| Due from other governments                           | -  | 127,799   | -  | 127,799             | -                                     |
| Total current assets                                 | <u>590,077</u>                                     | <u>4,493,194</u>                                  | <u>9,080</u>                             | <u>5,092,351</u>    | <u>45,310</u>                         |
| Noncurrent assets:                                   |  |   |  |                     |                                       |
| Capital assets not being depreciated                 | 63,668   | -   | -  | 63,668              | -                                     |
| Capital assets being depreciated, net                | <u>1,146,974</u>                                   | <u>-</u>  | <u>-</u>                                 | <u>1,146,974</u>    | <u>-</u>                              |
| Total capital assets, net                            | <u>1,210,642</u>                                   | <u>-</u>  | <u>-</u>                                 | <u>1,210,642</u>    | <u>-</u>                              |
| Total assets   | <u>1,800,719</u>                                   | <u>4,493,194</u>                                  | <u>9,080</u>                             | <u>6,302,993</u>    | <u>45,310</u>                         |
| <b>Liabilities</b>                                   |  |   |  |                     |                                       |
| Current liabilities:                                 |  |   |  |                     |                                       |
| Accounts payable                                     | 52,151   | -   | -  | 52,151              | 694                                   |
| Accrued liabilities                                  | 9,381  | -   | -  | 9,381               | -                                     |
| Due to other governments                             | 25,430   | 14,722  | -  | 40,152              | -                                     |
| Unearned revenue                                     | 47,561   | 1,579   | -  | 49,140              | -                                     |
| Current portion of compensated absences payable      | <u>17,080</u>                                      | <u>-</u>  | <u>-</u>                                 | <u>17,080</u>       | <u>-</u>                              |
| Total current liabilities                            | 151,603  | 16,301  | -  | 167,904             | 694                                   |
| Long-term liabilities:                               |  |   |  |                     |                                       |
| Compensated absences payable, net of current portion | <u>7,100</u>                                       | <u>-</u>  | <u>-</u>                                 | <u>7,100</u>        | <u>-</u>                              |
| Total liabilities                                    | <u>158,703</u>                                     | <u>16,301</u>                                     | <u>-</u>                                 | <u>175,004</u>      | <u>694</u>                            |
| <b>Net assets</b>                                    |  |   |  |                     |                                       |
| Invested in capital assets                           | 1,210,642  | -   | -  | 1,210,642           | -                                     |
| Unrestricted   | <u>431,374</u>                                     | <u>4,476,893</u>                                  | <u>9,080</u>                             | <u>4,917,347</u>    | <u>44,616</u>                         |
| Total net assets                                     | <u>\$ 1,642,016</u>                                | <u>\$ 4,476,893</u>                               | <u>\$ 9,080</u>                          | <u>\$ 6,127,989</u> | <u>\$ 44,616</u>                      |

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

**COUNTY OF MECOSTA, MICHIGAN**  
**Statement of Revenue, Expenses**  
**and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended December 31, 2007**

|  | <u>Business-type Activities - Enterprise Funds</u> |                     |                   |                     | <u>Governmental</u> |
|--|--|---------------------|-------------------|---------------------|---------------------|
|  | <u>Mecosta</u>                                     | <u>Delinquent</u>   | <u>Nonmajor</u>   | <u>Total</u>        | <u>Internal</u>     |
|  | <u>County</u>                                      | <u>Tax</u>          | <u>Enterprise</u> |                     | <u>Service</u>      |
|  | <u>Park</u>  | <u>Revolving</u>    | <u>Funds</u>      |                     | <u>Funds</u>        |
|  | <u>Commission</u>                                  | <u>(516)</u>        |                   |                     |                     |
| <b>Operating revenues</b>                |  |                     |                   |                     |                     |
| Charges for services                     | \$ 938,698   | \$ 434,756          | \$ 360            | \$ 1,373,814        | \$ 78,231           |
| <b>Operating expenses</b>                |  |                     |                   |                     |                     |
| Personnel services                       | 576,275  | -                   | -                 | 576,275             | -                   |
| Supplies                                 | 54,411   | 2,198               | 8                 | 56,617              | 17,446              |
| Postage                                  | -  | 5,629               | 6                 | 5,635               | 40,423              |
| Other services and charges               | 215,529  | 1,551               | 360               | 217,440             | 14,218              |
| Depreciation                             | 124,334  | -                   | -                 | 124,334             | -                   |
| Total operating expenses                 | 970,549  | 9,378               | 374               | 980,301             | 72,087              |
| Operating (loss) income                  | (31,851)   | 425,378             | (14)              | 393,513             | 6,144               |
| <b>Non-operating revenues (expenses)</b> |  |                     |                   |                     |                     |
| Interest income                          | 23,850   | -                   | -                 | 23,850              | -                   |
| Other income                             | 3,153  | -                   | -                 | 3,153               | -                   |
| Donated capital items                    | 42,500   | -                   | -                 | 42,500              | -                   |
| Total non-operating revenues (expenses)  | 69,503   | -                   | -                 | 69,503              | -                   |
| Income (loss) before transfers           | 37,652   | 425,378             | (14)              | 463,016             | 6,144               |
| <b>Transfers in (out)</b>                |  |                     |                   |                     |                     |
| Transfers in                             | -  | 6                   | -                 | 6                   | -                   |
| Transfers out                            | -  | (1,524,927)         | -                 | (1,524,927)         | -                   |
| Total transfers                          | -  | (1,524,921)         | -                 | (1,524,921)         | -                   |
| Net income (loss)                        | 37,652   | (1,099,543)         | (14)              | (1,061,905)         | 6,144               |
| Net assets, beginning of year            | 1,604,364  | 5,576,436           | 9,094             | 7,189,894           | 38,472              |
| <b>Net assets, end of year</b>           | <b>\$ 1,642,016</b>                                | <b>\$ 4,476,893</b> | <b>\$ 9,080</b>   | <b>\$ 6,127,989</b> | <b>\$ 44,616</b>    |

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

**COUNTY OF MECOSTA, MICHIGAN**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended December 31, 2007**

|  | Business-type Activities - Enterprise Funds |   |                                 |                     | Governmental<br>Activities   |
|--|---|---|---------------------------------|---------------------|------------------------------|
|  | Mecosta<br>County<br>Park<br>Commission     | Delinquent<br>Tax<br>Revolving<br>(516) | Nonmajor<br>Enterprise<br>Funds | Total               | Internal<br>Service<br>Funds |
| <b>Cash flows from operating activities</b>  |   |   |                                 |                     |                              |
| Receipts from interfund services provided  | \$ -  | \$ -                                    | \$ -                            | \$ -                | \$ 81,067                    |
| Receipts from customers and users  | 937,300                                     | 337,387                                 | 360                             | 1,275,047           | -                            |
| Payments to suppliers  | (228,513)                                   | (5,582)                                 | (375)                           | (234,470)           | (71,568)                     |
| Payments to employees  | (554,919)                                   | -                                       | -                               | (554,919)           | -                            |
| Net cash provided by (used in) operating activities  | <u>153,868</u>                              | <u>331,805</u>                          | <u>(15)</u>                     | <u>485,658</u>      | <u>9,499</u>                 |
| <b>Cash flows from non-capital financing activities</b>  |   |   |                                 |                     |                              |
| Transfers in   | -   | 6                                       | -                               | 6                   | -                            |
| Transfers (out)  | -   | (1,524,927)                             | -                               | (1,524,927)         | -                            |
| Net cash used in non-capital related financing activities  | <u>-</u>                                    | <u>(1,524,921)</u>                      | <u>-</u>                        | <u>(1,524,921)</u>  | <u>-</u>                     |
| <b>Cash flows from capital and related financing activities</b>  |   |   |                                 |                     |                              |
| Purchases of capital assets  | (117,182)                                   | -                                       | -                               | (117,182)           | -                            |
| Proceeds from sale of capital assets   | 1,460                                       | -                                       | -                               | 1,460               | -                            |
| Other  | 2,353                                       | -                                       | -                               | 2,353               | -                            |
| Net cash used in capital and related financing activities  | <u>(113,369)</u>                            | <u>-</u>                                | <u>-</u>                        | <u>(113,369)</u>    | <u>-</u>                     |
| <b>Cash flows from investing activities</b>  |   |   |                                 |                     |                              |
| Interest earned on investments   | 23,850                                      | -                                       | -                               | 23,850              | -                            |
| Proceeds from state grants   | 29,800                                      | -                                       | -                               | 29,800              | -                            |
| Net cash provided by investing activities  | <u>53,650</u>                               | <u>-</u>                                | <u>-</u>                        | <u>53,650</u>       | <u>-</u>                     |
| Net increase (decrease) in cash and pooled investments   | 94,149                                      | (1,193,116)                             | (15)                            | (1,098,982)         | 9,499                        |
| Cash and pooled investments, beginning of year   | 465,746                                     | 4,162,382                               | 9,095                           | 4,637,223           | 35,811                       |
| <b>Cash and pooled investments, end of year</b>  | <u>\$ 559,895</u>                           | <u>\$ 2,969,266</u>                     | <u>\$ 9,080</u>                 | <u>\$ 3,538,241</u> | <u>\$ 45,310</u>             |
| <b>Cash flows from operating activities</b>  |   |   |                                 |                     |                              |
| Operating income (loss)  | \$ (31,851)                                 | \$ 425,378                              | \$ (14)                         | \$ 393,513          | \$ 6,144                     |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: |   |   |                                 |                     |                              |
| Depreciation   | 124,334                                     | -                                       | -                               | 124,334             | -                            |
| Gain on sale of assets   | (268)                                       | -                                       | -                               | (268)               | -                            |
| Change in:   |   |   |                                 |                     |                              |
| Accounts receivable  | (1,398)                                     | (960)                                   | -                               | (2,358)             | 2,836                        |
| Taxes receivable   | -   | (116,963)                               | -                               | (116,963)           | -                            |
| Prepaid expenses   | 1,433                                       | -                                       | -                               | 1,433               | -                            |
| Due from other funds   | -   | 80,746                                  | -                               | 80,746              | -                            |
| Due from other governments   | -   | (35,192)                                | -                               | (35,192)            | -                            |
| Due from component unit  | -   | (25,000)                                | -                               | (25,000)            | -                            |
| Accounts payable   | 19,563                                      | -                                       | (1)                             | 19,562              | 519                          |
| Accrued liabilities  | 10  | -                                       | -                               | 10                  | -                            |
| Due to other governments   | 25,430                                      | 3,796                                   | -                               | 29,226              | -                            |
| Unearned revenue   | 24,481                                      | -                                       | -                               | 24,481              | -                            |
| Compensated absences payable   | (7,866)                                     | -                                       | -                               | (7,866)             | -                            |
| Net cash provided by (used in) operating activities  | <u>\$ 153,868</u>                           | <u>\$ 331,805</u>                       | <u>\$ (15)</u>                  | <u>\$ 485,658</u>   | <u>\$ 9,499</u>              |

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

**COUNTY OF MECOSTA, MICHIGAN**  
**Statement of Fiduciary Assets and Liabilities**  
**Agency Funds**  
**December 31, 2007**

**Assets**

|                           |            |
|---------------------------|------------|
| Cash and cash equivalents | \$ 780,377 |
|---------------------------|------------|

**Liabilities**

|                          |            |
|--------------------------|------------|
| Accounts payable         | \$ 543,415 |
| Due to other governments | 236,962    |

|                          |                   |
|--------------------------|-------------------|
| <b>Total liabilities</b> | <b>\$ 780,377</b> |
|--------------------------|-------------------|

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

**COUNTY OF MECOSTA, MICHIGAN**  
**Combining Statement of Net Assets**  
**Discretely Presented Component Units**  
**December 31, 2007**

|   | <u>Road<br/>Commission</u> | <u>Brownfield<br/>Redevelopment<br/>Authority</u> | <u>Drain<br/>Commission</u> | <u>Medical<br/>Center</u> | <u>Total</u>         |
|---|----------------------------|---|-----------------------------|---------------------------|----------------------|
| <b>Assets</b>                                   |                            |   |                             |                           |                      |
| Cash and pooled investments                     | \$ 988,171                 | \$ 222  | \$ 135,329                  | \$ 4,170,497              | \$ 5,294,219         |
| Investments                                     | -                          | -   | -                           | 5,158,133                 | 5,158,133            |
| Receivables                                     | 795,122                    | -   | 175,435                     | 5,054,825                 | 6,025,382            |
| Inventory                                       | 550,466                    | -   | -                           | -                         | 550,466              |
| Prepaid items and other assets                  | 7,396                      | -   | -                           | 1,660,092                 | 1,667,488            |
| Capital assets not being depreciated            | 8,603,969                  | -   | -                           | 308,985                   | 8,912,954            |
| Capital assets being depreciated, net           | 17,549,794                 | -   | 262,907                     | 25,190,744                | 43,003,445           |
| <b>Total assets</b>                             | <u>28,494,918</u>          | <u>222</u>  | <u>573,671</u>              | <u>41,543,276</u>         | <u>70,612,087</u>    |
| <b>Liabilities</b>                              |                            |   |                             |                           |                      |
| Accounts payable and accrued liabilities        | 515,834                    | -   | 2,661                       | 4,411,199                 | 4,929,694            |
| Due to primary government                       | -                          | -   | 25,000                      | -                         | 25,000               |
| Noncurrent liabilities:                         |                            |   |                             |                           |                      |
| Due within one year                             | -                          | -   | 35,000                      | 1,007,206                 | 1,042,206            |
| Advance from State                              | 258,379                    | -   | -                           | -                         | 258,379              |
| Bonds payable - long-term portion               | -                          | -   | 140,000                     | 7,271,578                 | 7,411,578            |
| Compensated absences                            | 223,220                    | -   | -                           | -                         | 223,220              |
| <b>Total liabilities</b>                        | <u>997,433</u>             | <u>-</u>  | <u>202,661</u>              | <u>12,689,983</u>         | <u>13,890,077</u>    |
| <b>Net assets</b>                               |                            |   |                             |                           |                      |
| Invested in capital assets, net of related debt | 26,153,763                 | -   | 262,907                     | 17,220,945                | 43,637,615           |
| Restricted for:                                 |                            |   |                             |                           |                      |
| Debt service                                    | -                          | -   | -                           | 993,180                   | 993,180              |
| Hospital renovations                            | -                          | -   | -                           | 102,404                   | 102,404              |
| Other restricted funds                          | -                          | -   | -                           | 143,984                   | 143,984              |
| Unrestricted                                    | 1,343,722                  | 222   | 108,103                     | 10,392,780                | 11,844,827           |
| <b>Total net assets</b>                         | <u>\$ 27,497,485</u>       | <u>\$ 222</u>                                     | <u>\$ 371,010</u>           | <u>\$ 28,853,293</u>      | <u>\$ 56,722,010</u> |

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

**COUNTY OF MECOSTA, MICHIGAN**

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

|                                    | <u>Road<br/>Commission</u> | <u>Brownfield<br/>Redevelopment<br/>Authority</u> | <u>Drain<br/>Commission</u> | <u>Medical<br/>Center</u> | <u>Total</u>         |
|------------------------------------|----------------------------|---|-----------------------------|---------------------------|----------------------|
| <b>Expenses</b>                    |                            |   |                             |                           |                      |
| Road Commission                    | \$ 6,247,493               | \$ -  | \$ -                        | \$ -                      | \$ 6,247,493         |
| Brownfield Redevelopment           | -                          | 87  | -                           | -                         | 87                   |
| Drain Commission                   | -                          | -   | 61,328                      | -                         | 61,328               |
| Medical Center                     | -                          | -   | -                           | 41,742,309                | 41,742,309           |
| Total expenses                     | <u>6,247,493</u>           | <u>87</u>   | <u>61,328</u>               | <u>41,742,309</u>         | <u>48,051,217</u>    |
| <b>Program revenues</b>            |                            |   |                             |                           |                      |
| Charges for services               | 983,846                    | -   | 12,165                      | 40,721,821                | 41,717,832           |
| Operating grants and contributions | 4,126,538                  | -   | 4,707                       | 418,947                   | 4,550,192            |
| Capital grants and contributions   | 1,225,464                  | -   | -                           | -                         | 1,225,464            |
| Total program revenues             | <u>6,335,848</u>           | <u>-</u>  | <u>16,872</u>               | <u>41,140,768</u>         | <u>47,493,488</u>    |
| Net (expense) revenue              | <u>88,355</u>              | <u>(87)</u>                                       | <u>(44,456)</u>             | <u>(601,541)</u>          | <u>(557,729)</u>     |
| <b>General revenues</b>            |                            |   |                             |                           |                      |
| Gain on sale of capital assets     | 15,774                     | -   | -                           | -                         | 15,774               |
| Change in net assets               | 104,129                    | (87)  | (44,456)                    | (601,541)                 | (541,955)            |
| Net assets, beginning of year      | <u>27,393,356</u>          | <u>309</u>  | <u>415,466</u>              | <u>29,454,834</u>         | <u>57,263,965</u>    |
| <b>Net assets, end of year</b>     | <u>\$ 27,497,485</u>       | <u>\$ 222</u>                                     | <u>\$ 371,010</u>           | <u>\$ 28,853,293</u>      | <u>\$ 56,722,010</u> |

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

## **NOTES TO FINANCIAL STATEMENTS**

# COUNTY OF MECOSTA, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the County of Mecosta conform to generally accepted accounting principles as applicable to governments. The following is a summary of the most significant policies:

#### *The Reporting Entity*

As required by generally accepted accounting principles, these financial statements present the County of Mecosta and its component units, entities with which the County is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, are part of the County's operations, so data from these units are combined with data of the primary government. Discretely presented component units are reported in a separate column in the financial statements to emphasize they are legally separate from the County. A separate section of the Basic Financial Statements provides detailed financial information on the discretely presented component units.

#### **Blended Component Units**

**Building Authority** – The Building Authority was created for the purpose of financing and constructing office buildings and related facilities to meet County needs. Mecosta County appoints a voting majority of the County Building Authority Board and can approve or modify the Building Authority's budget.

**County of Mecosta Park Commission** – The County of Mecosta Park Commission operates four major parks within the County of Mecosta. The Commission provides camping, cabins, park access, picnic facilities, youth camps, and boat ramp access to the public. The Commission's activity is included in the Enterprise Fund section of the report. The Commission is reported as of its year ended December 31, 2007.

Separate audited financial statements with disclosures may be obtained from the administrative office at the following address:

County of Mecosta Park Commission  
22250 Northland Drive  
Paris, MI 49338

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

**County Drain Funds and Bond Redemption Funds** – Each of the drainage districts are separate legal entities with the power to contract, to sue and to be sued, to hold, manage, and dispose of real and personal property, etc. The full faith and credit of the County may be given for the debt of the drainage districts.

**Brownfield Redevelopment Authority** – The Authority was created for the purpose of revitalizing the City and improving environmentally distressed areas.

# COUNTY OF MECOSTA, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2007

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**County of Mecosta Road Commission** – The County of Mecosta Road Commission, which is established pursuant to the County Road Law (MCL 224.1), is governed by an elected three member Board of County Road Commissioners. The Road Commission may not issue debt without the County’s approval and property tax levies for road purposes are subject to County Board of Commissioners’ approval.

The criteria established by the Government Accounting Standards Board (GASB) Statement No. 14 “The Financial Reporting Entity” for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if the component unit data were not included. Based on the above criteria, these financial statements present the County of Mecosta Road Commission Operating fund.

The Road Commission Operating Fund is used to control the expenditures of Michigan Transportation Fund monies distributed to the County, which are earmarked by law for street and highway purposes. The Board of County Road Commissioners is responsible for the administration of the Road Commission Operating Fund.

Separate audited financial statements with disclosures may be obtained from the administrative office at the following address:

County of Mecosta Road Commission  
120 DeKraft  
Big Rapids, MI 49307

**Mecosta County Medical Center** – Mecosta County controls the Medical Center under the provisions of Act 230 of the Public Acts of Michigan of 1987, known as the County Health Facilities Corporations Act. The County may take any actions it deems necessary to protect the best interest of the County, but operation of the Hospital rests with its board of trustees. The Mecosta County Medical Center combined statements, including the Mecosta County General Hospital Foundation and Mecosta County General Hospital Foundation, Inc., are included in the County report as a discretely presented component unit as of June 30, 2007. All intercompany transactions have been eliminated in the consolidation of these statements.

The Mecosta County General Hospital Foundation is a non-stock, non-profit Michigan corporation whose purpose is to accumulate funds through voluntary contributions, the earnings of which will be used to replace equipment, expand services, create education opportunities in health careers, support rehabilitation services, and to create endowments for the future of health care services at Mecosta County Medical Center.

Mecosta Health Services, Inc. was formed as a taxable municipal health facilities subsidiary corporation under the provisions of Act 230, with the Hospital as its sole corporate member. The Hospital’s board of trustees nominates the MHS board of trustees members, subject to County approval.

# COUNTY OF MECOSTA, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2007

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Separate audited financial statements with disclosures may be obtained from the administrative office at the following address:

Mecosta County Medical Center  
605 Oak Street  
Big Rapids, MI 49307

#### **Jointly Governed Organizations**

**Northern Michigan Substance Abuse Services, Inc.** – The County participates jointly with numerous other Northern Michigan Counties in the operation of this agency. The funding formula requires the County to appropriate 50% of its convention facility revenue each year, which amounted to \$98,223 for the year ended December 31, 2007.

**District Health Department #10** – The County participates jointly in the operation of this Health Department with ten other area counties. All financial operations of the Health Department are recorded in Missaukee County. The County appropriated \$248,795 to the Health Department for the year ended December 31, 2007.

**Central Michigan Community Mental Health Authority** – The County participates jointly in the operation of this Authority with four other area counties. All financial operations of the Authority are recorded in the Isabella County reporting entity. The County appropriated \$166,912 to the Authority for the year ended December 31, 2007.

**Meceola Consolidated Central Dispatch Authority** – Mecosta and Osceola Counties participate jointly in the operation of the Meceola Consolidated Central Dispatch Authority. The County makes no appropriations to this Authority.

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

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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

# COUNTY OF MECOSTA, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2007

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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.

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary funds. Agency funds do not have a measurement focus.

Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. After March 1 of each year, the Delinquent Tax Revolving Fund pays the County, and is responsible for collecting any outstanding taxes as of that date. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period if collected within 60 days of fiscal year end. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the County.

The County reports the following major governmental funds:

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

The *Emergency Medical Services Fund* is used to account for emergency medical services provided which are financed by charges for services, grants, Medicare and Medicaid reimbursements, and insurance reimbursements.

The *Commission On Aging Fund* accounts for restricted funds that are limited to providing services to the aged community.

The *Revenue Sharing Reserve Fund* accounts for restricted funds that are limited to distributions which replace amounts previously reported as state revenue sharing. State law governs the amounts distributed annually, which can be used to fund governmental operations.

The *Hospital Bond Fund* accounts for the collection of property taxes which are utilized to service the 2003 Hospital Bonds. The assets purchased with the proceeds of this bond are included of the financial statements of the Mecosta County Medical Center (a discretely presented component unit).

# COUNTY OF MECOSTA, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2007

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The County reports the following major proprietary funds:

The *County of Mecosta Park Commission* is used to account for the operations of four major parks in the County of Mecosta. The County of Mecosta Park Commission is a blended component unit of the County of Mecosta.

The *Delinquent Tax Revolving Fund* is used to account for the delinquent property tax collection process administered by the County.

Additionally, the County reports the following fund types:

The *Special Revenue Funds* are used to account for proceeds from specific revenue sources (other than perpetual trusts or major capital projects) and related expenditures which are restricted for specific purposes by administrative action or law.

*Debt Service Funds* are used to account for the accumulation and disbursement of funds for payment of outstanding indebtedness.

The *Capital Projects Funds* are used to account for the accumulation and disbursement of assets for major capital items.

The *Permanent Fund* is used to account for resources that are legally restricted to the extent that only earnings, and not principal may be used for purposes that support the County programs.

The *Internal Service Funds* account for services provided to the County departments on a cost reimbursement basis.

The *Agency Funds* are used to account for assets held on behalf of outside parties, including other governments.

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

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 fund are charges for services. The principal operating revenues of the County's internal service funds are charges to County departments for mailing and other central services. Operating expenses for the enterprise funds include depreciation on capital assets, labor, supplies and contracted services. Operating expenses for the internal funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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.

# COUNTY OF MECOSTA, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2007

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#### *Budgets and Budgetary Accounting*

Comparisons to budget are presented for General and major Special Revenue Funds. The General and Special Revenue Funds adopt a legal budget with remaining funds maintaining budgets as a management control device. The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The County Administrator submits to the County Board of Commissioners a proposed operating budget for the fiscal year commencing the following January 1.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to January 1, the budget is legally enacted through passage of a resolution.
4. Formal budgetary integration is employed for the governmental fund types as a management control device.
5. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Annual budgets lapse at year end.
6. Adoption and amendments of all budgets used by the County are governed by Public Act 621, which was followed during the year. The appropriations resolution is based on the projected expenditures budget of the department heads of the County. Any amendment to the original budget must meet the requirements of Public Act 621. Any revisions that alter the total expenditures of any fund must be approved by the County Board of Commissioners. The County Administrator is authorized to transfer budgeted amounts within an activity subject to the condition that the total expenditures do not exceed the approved appropriations by activity. Supplemental appropriations were necessary during the year.

Budgets for expenditures are adopted on an activity level basis in the General Fund and by function in the Special Revenue funds. Thus, expenditures may not legally exceed the budgeted amounts by activity for the General Fund and by function for the Special Revenue funds.

#### *Cash and Pooled Investments*

For the purpose of the statement of cash flows, the County considers all balances in the cash and investments pool to be cash and cash equivalents because the balances are available for withdrawal at any time, similar to demand deposit accounts.

#### *Investments*

Investments are stated at fair value at the balance sheet date.

#### *Receivables*

All receivables are recorded at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Uncollectible balances are estimated to be \$106,738 at year-end, based on outstanding billings for ambulance services in the EMS Special Revenue Fund.

# COUNTY OF MECOSTA, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

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### *Net Patient Service Revenue – Mecosta County Medical Center*

The Medical Center has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactively calculated adjustments arising under reimbursement agreements with third-party payors are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

### *Due to/from Other Funds*

During the course of its operations, the County has numerous transactions between funds to finance operations, to provide services, construct assets and service debt. To the extent that certain transactions between funds had not been paid or received as of fiscal year end, balances of interfund accounts receivable or payable have been recorded.

### *Inventories and Prepaid Items*

Inventories of the County of Mecosta Road Commission are priced at cost as determined on the average unit cost method. Inventory items are charged to road construction and maintenance, equipment repairs, and operations, as used. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

### *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items acquired or constructed since 1980), are reported in the governmental and business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such 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 costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

# COUNTY OF MECOSTA, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2007

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Depreciation on capital assets (including infrastructure), as well as the component units, is computed using the straight-line method over the following estimated useful lives:

|                            | <u>Years</u> |
|----------------------------|--------------|
| Buildings and improvements | 10-40        |
| Infrastructure             | 30-50        |
| Vehicles                   | 3-5          |
| Equipment and furniture    | 5-10         |
| Computer equipment         | 2-5          |
| Infrastructure – roads     | 8-30         |
| Infrastructure – bridges   | 10-50        |

#### *Long-Term Obligations*

In the government-wide financial statements and proprietary fund types in the fund financial statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. For new bond issuances after the implementation of GASB Statement No. 34, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

#### *Compensated Absences*

Under contracts negotiated with employee groups, individual employees have a vested right to receive payments for unused sick and vacation pay benefits under formulas and conditions specified in the contracts. All sick pay is accrued when the employee is vested, after various years of employment with the County, based on position and bargaining unit. All vacation pay is accrued when incurred.

Accumulated vacation time of governmental funds is recorded on the statement of net assets and not on the governmental fund balance sheets, as a liability is reported for governmental amounts only if they have matured. Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees. No liability is recorded for nonvesting accumulating rights to receive sick-pay benefits; however, a liability is recognized for vested accumulated sick pay benefits.

# COUNTY OF MECOSTA, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2007

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#### *Taxes Receivable – Current*

Heretofore, County property taxes have been levied on December 1 of each year (the lien date) and were due in full by March 1 of the year following the levy, at which time uncollected taxes became delinquent. Pursuant to Public Act 357 of 2005, which provides a funding mechanism to replace state revenue sharing payments to counties, the County's levy date is gradually shifting (or accelerating) from December 1 to July 1 of each year. As such, for the year ended December 31, 2007, the County recognized the entire July 1, 2007 levy.

#### *Taxes Receivable – Delinquent*

The delinquent taxes receivable, which are recorded in the enterprise funds, consist of unpaid balances of delinquent real property taxes which were purchased from all of the taxing units in Mecosta County by the County's delinquent tax funds.

#### *Interfund Transactions*

During the course of normal operations, the County has numerous transactions between funds, including expenditures and transfers of resources to provide services and to service debt. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers.

## 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

### A. Budgetary Information

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the County's actual expenditures and budgeted expenditures for the budgetary funds have been shown on an activity level for the General Fund and on a functional basis for special revenue funds. The approved budgets of the County for these budgetary funds were adopted on the activity level in the General Fund and the function level in other funds.

Budgeted amounts were exceeded as follows:

|                               | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> |
|-------------------------------|---------------|---------------|-----------------|
| Revenue Sharing Reserve Fund: |               |               |                 |
| Transfers out                 | \$ 773,403    | \$ 776,398    | \$ 2,995        |

# COUNTY OF MECOSTA, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

### B. Deficit net assets

The negative balance in unrestricted net assets of governmental activities is the direct result of the County of Mecosta Medical Center emergency and operation room (ER/OR) renovation. Pursuant to the provisions of Act 118, Public Acts of Michigan, 1923, as amended, the qualified electors of the County of Mecosta voted favorably to authorize the issuance of bonds in the principal amount of \$11,140,000 for the purpose of defraying the cost of renovating, expanding and equipping the Medical Center. Under full accrual accounting, bond proceeds are eliminated in the revenue section and recorded as a liability. Throughout the life of the bonds, as principal is paid, the liability will decrease. The payment of principal and interest is paid from ad valorem taxes levied on all taxable property in the County.

### 3. CASH AND INVESTMENTS

The captions on the government-wide and fund statements relating to cash and investments are as follows:

|                             | <u>Primary<br/>Government</u> | <u>Component<br/>Units</u> | <u>Fiduciary<br/>Funds</u> | <u>Total</u>                |
|-----------------------------|-------------------------------|----------------------------|----------------------------|-----------------------------|
| Cash and pooled investments | \$ 19,350,278                 | \$ 5,294,219               | \$ 780,377                 | \$ 25,424,874               |
| Investments                 | <u>121,600</u>                | <u>5,158,133</u>           | <u>-</u>                   | <u>5,279,733</u>            |
|                             | <u><b>\$ 19,471,878</b></u>   | <u><b>\$10,452,352</b></u> | <u><b>\$ 780,377</b></u>   | <u><b>\$ 30,704,607</b></u> |

Cash and investments consist of the following at December 31, 2007:

|   |                             |
|---|-----------------------------|
| Petty cash  | \$ 1,490                    |
| Checking / savings accounts                       | 9,883,131                   |
| Certificates of deposit (all due within one year) | 15,138,386                  |
| Investments                                       | <u>5,681,600</u>            |
| <b>Total deposits</b>                             | <u><b>\$ 30,704,607</b></u> |

These deposits are in five financial institutions located in Michigan in varying amounts. State policy limits the Treasurer's investing options to financial institutions located in Michigan. All accounts are in the name of the County and a specific fund or common account. They are recorded in County records at market value. Interest is recorded when earned.

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned. State law does not require, and the County does not have, a policy for deposit custodial credit risk. As of year-end, \$24,017,647 of the County's bank balance of \$25,146,626 was exposed to custodial credit risk because it was uninsured and uncollateralized.

# COUNTY OF MECOSTA, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2007

#### Investments

The County chooses to disclose its investments by specifically identifying each. As of year-end, the County had the following investments:

|  | <u>Maturity</u> | <u>Fair Value</u>          | <u>Rating</u> |
|--|-----------------|----------------------------|---------------|
| U.S. government securities                                   | N/A             | \$ 5,560,000               | Moody's Aaa   |
| Franklin Limited Maturity U.S.<br>Government Securities Fund | N/A             | 47,234                     | S&P AAA       |
| Oppenheimer Money Market Fund                                | N/A             | <u>74,366</u>              | Unrated       |
|  |                 | <u><u>\$ 5,681,600</u></u> |               |

#### *Investment and Deposit Risk*

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

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

*Custodial Credit Risk – Investments.* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the County does not have a policy for investment custodial credit risk. Custodial credit risk has not been disclosed for mutual funds because mutual funds do not consist of specifically identifiable securities. As of December 31, 2007, none of the County's investments were exposed to risk since the securities are held in the County's name by the counterparty.

*Concentration of Credit Risk.* State law limits allowable investments but does not limit concentration of credit risk. County policy limits investments, with the exception of U.S. Treasury securities, to no more than 50% of the County's pooled cash investment portfolio in a single security type or with a single financial institution. The County had no amounts exceeding this requirement at year-end. All investments held at year-end are reported above.

The Medical Center had investments that individually exceeded 5 percent of its total investments at year-end. These investments are as follows:

|                                      |            |
|--------------------------------------|------------|
| U.S. Government – FHLB discount note | \$ 998,600 |
| U.S. Government – FNMA discount note | 755,637    |

# COUNTY OF MECOSTA, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

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### *Investments*

State statutes authorize the County to invest in the following:

- a. Bonds, securities, other obligations and repurchase agreements 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 qualified financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended through December 31, 1992.

Interest revenue on cash deposits and investments is allocated only to those funds required by the state to earn income on interest-bearing accounts. Income is allocated based on the cash balance of each fund in comparison to the cash balance of the County as a whole. All interest income remaining after the allocation has been made is credited to the general fund.

### 4. RECEIVABLES

The composition of receivables in the government-wide financial statements is as follows:

|                            | <b>Governmental<br/><u>Activities</u></b> | <b>Business-type<br/><u>Activities</u></b> | <b>Component<br/><u>Units</u></b> |
|----------------------------|---|--|-----------------------------------|
| Taxes (current)            | \$ 1,995,255                              | \$ -                                       | \$ -                              |
| Taxes (delinquent)         | -   | 1,329,854                                  | -                                 |
| Accounts                   | 358,146                                   | 31,147                                     | 6,025,382                         |
| Interest                   | 83,959                                    | 1,579                                      | -                                 |
| Due from component unit    | -   | 25,000                                     | -                                 |
| Due from other governments | <u>319,862</u>                            | <u>127,799</u>                             | <u>-</u>                          |
|                            | <b><u>\$ 2,757,222</u></b>                | <b><u>\$ 1,515,379</u></b>                 | <b><u>\$ 6,025,382</u></b>        |

# COUNTY OF MECOSTA, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2007

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. All governmental activities defer revenue recognition in connection with resources that have been received, but not earned. At the end of the current fiscal year, the various components of deferred revenue reported in governmental activities were as follows:

|                            | <b>Unavailable</b> | <b>Unearned</b>     | <b>Total</b>        |
|----------------------------|--------------------|---------------------|---------------------|
| <b>Governmental Funds:</b> |                    |                     |                     |
| Property taxes receivable  | \$ 250,914         | \$ 1,897,661        | \$ 2,148,575        |
| Grants receivable          | -                  | 36,085              | 36,085              |
| Ambulance fees receivable  | 242,722            | -                   | 242,722             |
| Other                      | -                  | 1,057               | 1,057               |
|                            | <b>\$ 493,636</b>  | <b>\$ 1,934,803</b> | <b>\$ 2,428,439</b> |

#### 5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The composition of accounts payable and accrued liabilities in the government-wide financial statements is as follows:

|                                    | <b>Governmental<br/>Activities</b> | <b>Business-type<br/>Activities</b> | <b>Component<br/>Units</b> |
|------------------------------------|------------------------------------|-------------------------------------|----------------------------|
| Accounts payable                   | \$ 342,498                         | \$ 52,151                           | \$ 4,929,694               |
| Accrued liabilities                | 267,731                            | 9,381                               | -                          |
| Due to other governments           | 345,440                            | 40,152                              | 258,379                    |
| Due to primary government          | -                                  | -                                   | 25,000                     |
| Accrued interest on long-term debt | 125,961                            | -                                   | -                          |
|                                    | <b>\$ 1,081,630</b>                | <b>\$ 101,684</b>                   | <b>\$ 5,213,073</b>        |

**COUNTY OF MECOSTA, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2007**

**6. INTERFUND TRANSACTIONS**

The composition of interfund balances as of December 31, 2007, was as follows:

**Due to and from other funds**

|                               | <u>Interfund<br/>Receivable</u> | <u>Interfund<br/>Payable</u> |
|-------------------------------|---------------------------------|------------------------------|
| General fund                  | \$ 8,186                        | \$ -                         |
| Nonmajor governmental funds   | -                               | 43,153                       |
| Delinquent tax revolving fund | <u>34,967</u>                   | <u>-</u>                     |
|                               | <b><u>\$ 43,153</u></b>         | <b><u>\$ 43,153</u></b>      |

The balances result from funds with negative balances in the County's pooled cash and investments.

**Due to and from component units**

|                                 | <u>Due from<br/>Component Units</u> | <u>Due to<br/>Component Units</u> |
|---------------------------------|-------------------------------------|-----------------------------------|
| Revolving drain fund (Fund 802) | \$ 15,812                           | \$ -                              |
| Drain fund (Fund 801)           | <u>-</u>                            | <u>15,812</u>                     |
|                                 | <b><u>\$ 15,812</u></b>             | <b><u>\$ 15,812</u></b>           |

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

|                                 | <u>Transfers Out</u>       | <u>Transfers In</u>        |
|---------------------------------|----------------------------|----------------------------|
| General fund                    | \$ 423,718                 | \$ 2,245,325               |
| Emergency medical services      | 100,500                    | -                          |
| Commission on aging             | 32,076                     | -                          |
| Revenue sharing revenue fund    | 776,398                    | -                          |
| Hospital bond debt service fund | -                          | 153,210                    |
| Nonmajor governmental funds     | 153,216                    | 612,294                    |
| Delinquent tax revolving fund   | <u>1,524,927</u>           | <u>6</u>                   |
|                                 | <b><u>\$ 3,010,835</u></b> | <b><u>\$ 3,010,835</u></b> |

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

**COUNTY OF MECOSTA, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2007**

**7. CAPITAL ASSETS**

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

|   | <u>Balance<br/>January 1,<br/>2007</u> | <u>Additions</u>    | <u>Dispositions</u> | <u>Balance<br/>December 31,<br/>2007</u> |
|---|--|---------------------|---------------------|--|
| <b>Governmental activities</b>              |  |                     |                     |  |
| Capital assets, not being depreciated:      |  |                     |                     |  |
| Land  | \$ 323,000                             | \$ -                | \$ -                | \$ 323,000                               |
| Construction in progress                    | 26,927                                 | 77,100              | -                   | 104,027                                  |
| Total capital assets, not being depreciated | <u>349,927</u>                         | <u>77,100</u>       | <u>-</u>            | <u>427,027</u>                           |
| Capital assets, being depreciated:          |  |                     |                     |  |
| Buildings and improvements                  | 8,897,033                              | 21,284              | -                   | 8,918,317                                |
| Equipment and furniture                     | 865,712                                | 54,172              | (2,392)             | 917,492                                  |
| Vehicles                                    | 1,453,999                              | 89,551              | (266,684)           | 1,276,866                                |
| Total capital assets, being depreciated     | <u>11,216,744</u>                      | <u>165,007</u>      | <u>(269,076)</u>    | <u>11,112,675</u>                        |
| Less accumulated depreciation for:          |  |                     |                     |  |
| Buildings and improvements                  | 3,392,669                              | 252,133             | -                   | 3,644,802                                |
| Equipment and furniture                     | 505,009                                | 108,415             | -                   | 613,424                                  |
| Vehicles                                    | 1,201,126                              | 172,457             | (261,246)           | 1,112,337                                |
| Total accumulated depreciation              | <u>5,098,804</u>                       | <u>533,005</u>      | <u>(261,246)</u>    | <u>5,370,563</u>                         |
| Net capital assets, being depreciated       | <u>6,117,940</u>                       | <u>(367,998)</u>    | <u>(7,830)</u>      | <u>5,742,112</u>                         |
| Net governmental activities capital assets  | <u>\$ 6,467,867</u>                    | <u>\$ (290,898)</u> | <u>\$ (7,830)</u>   | <u>\$ 6,169,139</u>                      |

Depreciation expense was allocated to the various functions of governmental activities as follows:

|                    |                   |
|--------------------|-------------------|
| General government | \$ 140,727        |
| Judicial           | 3,078             |
| Public safety      | 264,830           |
| Health and welfare | <u>124,370</u>    |
|                    | <u>\$ 533,005</u> |

**COUNTY OF MECOSTA, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2007**

A summary of changes in the Park Commission's capital assets is as follows:

|  | <b>Balance<br/>January 1,<br/>2007</b> | <b>Additions</b> | <b>Dispositions</b> | <b>Balance<br/>December 31,<br/>2007</b> |
|--|--|------------------|---------------------|--|
| <b>Business-type activities</b>              |  |                  |                     |  |
| Capital assets not being depreciated         |  |                  |                     |  |
| Construction in progress                     | \$ -                                   | \$ 63,668        | \$ -                | \$ 63,668                                |
| Capital assets, being depreciated            |  |                  |                     |  |
| Land improvements                            | 1,127,000                              | 7,825            | -                   | 1,134,825                                |
| Buildings and improvements                   | 1,039,661                              | 18,343           | -                   | 1,058,004                                |
| Machinery and equipment                      | 508,511                                | 27,346           | (40,099)            | 495,758                                  |
| Total capital assets, being depreciated      | 2,675,172                              | 53,514           | (40,099)            | 2,688,587                                |
| Less accumulated depreciation for:           |  |                  |                     |  |
| Land improvements                            | 747,909                                | 32,183           | -                   | 780,092                                  |
| Buildings and improvements                   | 347,557                                | 48,225           | -                   | 395,782                                  |
| Machinery and equipment                      | 360,720                                | 43,926           | (38,907)            | 365,739                                  |
| Total accumulated depreciation               | 1,456,186                              | 124,334          | (38,907)            | 1,541,613                                |
| Capital assets being depreciated, net        | 1,218,986                              | (70,820)         | (1,192)             | 1,146,974                                |
| Business-type activities capital assets, net | \$ 1,218,986                           | \$ (7,152)       | \$ (1,192)          | \$ 1,210,642                             |

A summary of changes in the Drain Commission's capital assets is as follows:

|  | <b>Balance<br/>January 1,<br/>2007</b> | <b>Additions</b> | <b>Dispositions</b> | <b>Balance<br/>December 31,<br/>2007</b> |
|--|--|------------------|---------------------|--|
| <b>Drain Commission Component Unit</b> |  |                  |                     |  |
| Infrastructure                         | \$ 1,631,426                           | \$ 13,659        | \$ -                | \$ 1,645,085                             |
| Less accumulated depreciation          | 1,334,251                              | 47,927           | -                   | 1,382,178                                |
| Drain Commission capital assets, net   | \$ 297,175                             | \$ (34,268)      | \$ -                | \$ 262,907                               |

# COUNTY OF MECOSTA, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2007

A summary of changes in the Medical Center's capital assets is as follows:

|   | <u>Balance<br/>July 1, 2006</u> | <u>Additions</u>     | <u>Dispositions</u> | <u>Balance<br/>June 30, 2007</u> |
|---|---------------------------------|----------------------|---------------------|----------------------------------|
| <b>Medical Center Component Unit</b>    |                                 |                      |                     |                                  |
| Capital assets not being depreciated    | \$ -                            | \$ 308,246           | \$ -                | \$ 308,246                       |
| Capital assets, being depreciated       |                                 |                      |                     |                                  |
| Land and land improvements              | 1,101,863                       | 12,523               | -                   | 1,114,386                        |
| Buildings and improvements              | 29,791,271                      | -                    | (164,003)           | 29,627,268                       |
| Equipment                               | 25,517,512                      | 1,623,907            | (908,618)           | 26,232,801                       |
| Leasehold improvements                  | 380,246                         | 698                  | -                   | 380,944                          |
| Total capital assets, being depreciated | <u>56,790,892</u>               | <u>1,637,128</u>     | <u>(1,072,621)</u>  | <u>57,355,399</u>                |
| Less accumulated depreciation for:      |                                 |                      |                     |                                  |
| Land and land improvements              | 192,297                         | 9,697                | -                   | 201,994                          |
| Buildings and improvements              | 11,933,039                      | 758,733              | -                   | 12,691,772                       |
| Equipment                               | 17,421,974                      | 1,447,269            | (908,618)           | 17,960,625                       |
| Leasehold improvements                  | 551,456                         | 758,808              | -                   | 1,310,264                        |
| Total accumulated depreciation          | <u>30,098,766</u>               | <u>2,974,507</u>     | <u>(908,618)</u>    | <u>32,164,655</u>                |
| Capital assets being depreciated, net   | <u>26,692,126</u>               | <u>(1,337,379)</u>   | <u>(164,003)</u>    | <u>25,190,744</u>                |
| Medical Center capital assets, net      | <u>\$ 26,692,126</u>            | <u>\$(1,028,394)</u> | <u>\$ (164,003)</u> | <u>\$ 25,499,729</u>             |

A summary of changes in the Road Commission's capital assets is as follows:

|   | <u>Balance<br/>January 1,<br/>2007</u> | <u>Additions</u> | <u>Dispositions</u> | <u>Balance<br/>December 31,<br/>2007</u> |
|---|--|------------------|---------------------|--|
| <b>Road Commission Component Unit</b>       |  |                  |                     |  |
| Capital assets, not being depreciated:      |  |                  |                     |  |
| Land  | \$ 415,313                             | \$ -             | \$ -                | \$ 415,313                               |
| Infrastructure land improvements            | 8,150,414                              | 38,243           | -                   | 8,188,656                                |
| Total capital assets, not being depreciated | <u>8,565,727</u>                       | <u>38,243</u>    | <u>-</u>            | <u>8,603,969</u>                         |
| Capital assets, being depreciated:          |  |                  |                     |  |
| Buildings                                   | 2,382,685                              | -                | -                   | 2,382,685                                |
| Road equipment                              | 5,508,577                              | 532,824          | 251,270             | 5,790,131                                |
| Shop equipment                              | 39,850                                 | 10,150           | -                   | 50,000                                   |
| Office equipment                            | 103,768                                | 4,396            | -                   | 108,164                                  |
| Engineering equipment                       | 54,328                                 | -                | -                   | 71,030                                   |
| Infrastructure – bridges                    | 3,013,907                              | 521,142          | -                   | 3,535,049                                |
| Infrastructure – roads                      | 25,246,129                             | 1,305,951        | 996,361             | 25,555,719                               |
| Total capital assets, being depreciated     | <u>36,365,946</u>                      | <u>2,374,463</u> | <u>1,247,631</u>    | <u>37,492,778</u>                        |

# COUNTY OF MECOSTA, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2007

|                                       | <b>Balance<br/>January 1,<br/>2007</b> | <b>Additions</b> | <b>Dispositions</b> | <b>Balance<br/>December 31,<br/>2007</b> |
|---------------------------------------|--|------------------|---------------------|--|
| Less accumulated depreciation for:    |  |                  |                     |  |
| Buildings                             | \$ 1,108,380                           | \$ 77,089        | \$ -                | \$ 1,185,469                             |
| Road equipment                        | 4,192,694                              | 572,327          | 251,270             | 4,513,751                                |
| Shop equipment                        | 39,850                                 | 1,148            | -                   | 33,876                                   |
| Office equipment                      | 103,768                                | 5,774            | -                   | 84,387                                   |
| Engineering equipment                 | 54,328                                 | 3,416            | -                   | 57,744                                   |
| Infrastructure – bridges              | 1,557,271                              | 67,487           | -                   | 1,624,758                                |
| Infrastructure – roads                | 11,826,085                             | 1,613,275        | 996,361             | 12,442,999                               |
| Total accumulated depreciation        | 18,850,099                             | 2,340,516        | 1,247,631           | 19,942,984                               |
| Net capital assets, being depreciated | 17,515,847                             | 33,947           | -                   | 17,549,794                               |
| Road Commission capital assets, net   | \$ 26,081,574                          | \$ 72,190        | \$ -                | \$ 26,153,763                            |

#### 8. LEASES – OPERATING

The County of Mecosta Park Commission, (the “Lessor”) leases the land for Brower Park. The Park Commission entered into a lease with Consumers Energy Company dated October 16, 1999 that extends from May 1, 1999 to May 1, 2024. Rent is paid annually and is to be based on an allocation of the annual expenses the Lessor expects to incur in administering the various leases, licenses, and license agreements that the Lessor expects to have in place for its FERC – regulated hydro project lands. The rental amount currently is set at \$2,400 per year and shall be revised every fifth year during the term of the lease, based on projected data for the year of the revision.

The following is a schedule of the future minimum lease payments required under the operating lease which has initial or remaining noncancelable lease terms in excess of one year as of December 31, 2006. The amount for the year ended December 31, 2008 and after is subject to changes based on the agreement discussed above.

| <b>Year</b> | <b>Amount</b>   |
|-------------|-----------------|
| 2008        | \$ 2,400        |
| 2009        | 2,400           |
| 2010        | 2,400           |
| 2011        | 2,400           |
| 2012        | 2,400           |
| 2013-2017   | 12,000          |
| 2018-2022   | 12,000          |
| 2023-2024   | 4,800           |
|             | <b>\$40,800</b> |

**COUNTY OF MECOSTA, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2007**

**9. LONG-TERM DEBT**

The following is a summary of debt transactions of the County for the year ended December 31, 2007:

|  | <u>Balance<br/>January 1,<br/>2007</u> | <u>Additions</u>  | <u>Deletions</u>    | <u>Balance<br/>December 31,<br/>2007</u> | <u>Due<br/>Within<br/>One<br/>Year</u> |
|--|--|-------------------|---------------------|--|--|
| <i>Governmental Activities</i>   |  |                   |                     |  |  |
| Building Authority Bonds, due in annual installments of \$25,000 to \$250,000 through March 1, 2016; interest at 4.00% to 4.60%, payable semi-annually | \$ 1,675,000                           | \$ -              | \$ (100,000)        | \$ 1,575,000                             | \$ 125,000                             |
| Hospital Bonds, due in annual installments from \$200,000 to \$1,000,000 through March 1, 2023; interest at 3.00% to 4.125%, payable semi-annually.    | 10,715,000                             | -                 | (250,000)           | 10,465,000                               | 300,000                                |
| <b>Total installment debt</b>  | <b>12,390,000</b>                      | <b>-</b>          | <b>(350,000)</b>    | <b>12,040,000</b>                        | <b>425,000</b>                         |
| Accrued compensated absences   | 604,232                                | 403,899           | (375,027)           | 633,104                                  | 382,527                                |
| <b>Total governmental activities</b>   | <b>\$ 12,994,232</b>                   | <b>\$ 403,899</b> | <b>\$ (725,027)</b> | <b>\$ 12,673,104</b>                     | <b>\$ 807,527</b>                      |
| <i>Business-type Activities</i>  |  |                   |                     |  |  |
| Compensated absences   | \$ 32,046                              | \$ 8,916          | \$ (16,782)         | \$ 24,180                                | \$ 17,080                              |

The annual requirements to amortize all debt outstanding (excluding accrued employee benefits) as of December 31, 2007 are as follows:

| <u>Year Ending<br/>December 31,</u> | <u>Governmental Activities</u> |                    |
|-------------------------------------|--------------------------------|--------------------|
|                                     | <u>Principal</u>               | <u>Interest</u>    |
| 2008                                | \$ 425,000                     | \$ 474,801         |
| 2009                                | 475,000                        | 461,144            |
| 2010                                | 550,000                        | 444,693            |
| 2011                                | 600,000                        | 423,506            |
| 2012                                | 675,000                        | 397,675            |
| 2013-2017                           | 4,040,000                      | 1,507,933          |
| 2018-2022                           | 4,275,000                      | 676,281            |
| 2023                                | 1,000,000                      | 21,254             |
| <b>Total</b>                        | <b>\$12,040,000</b>            | <b>\$4,407,287</b> |

Accrued compensated absences for governmental activities are generally liquidated by the general fund.

# COUNTY OF MECOSTA, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2007

#### Component Units

The County Drain Commissioner's Office is not obligated in any manner for special assessment debt (Chippewa Lake Sanitary Drain Bonds) of \$175,000. The County is only acting as an agent for the property owners in collecting the assessments, making disbursements to contractors, and making disbursements for debt retirement. At December 31, 2007, \$40,798 was available in the Debt Service Fund for retirement of the Chippewa Lake Sanitary Drain Bonds.

The long-term debt of the Drain Commission is summarized as follows:

|   | <b>Balance<br/>January 1,<br/>2007</b> | <b>Additions</b> | <b>Deletions</b> | <b>Balance<br/>December 31,<br/>2007</b> | <b>Due<br/>Within<br/>One Year</b> |
|---|--|------------------|------------------|--|------------------------------------|
| Special assessment debt, due in annual installments of \$10,000 to 35,000 through October 2012; interest at 5.75%, payable annually | \$ 210,000                             | \$ -             | \$ (35,000)      | \$ 175,000                               | \$ 35,000                          |

The following is a schedule of future principal and interest payments at December 31:

|              | <b>Principal</b>  | <b>Interest</b>  |
|--------------|-------------------|------------------|
| 2008         | \$ 35,000         | \$ 10,063        |
| 2009         | 35,000            | 8,050            |
| 2010         | 35,000            | 6,038            |
| 2011         | 35,000            | 4,025            |
| 2012         | 35,000            | 2,013            |
| <b>Total</b> | <b>\$ 175,000</b> | <b>\$ 30,189</b> |

The long-term debt of the Road Commission is summarized as follows:

|                          | <b>Balance<br/>January 1,<br/>2007</b> | <b>Additions</b> | <b>Deletions</b> | <b>Balance<br/>December 31,<br/>2007</b> | <b>Due<br/>Within<br/>One Year</b> |
|--------------------------|--|------------------|------------------|--|------------------------------------|
| Vested Employee Benefits |  |                  |                  |  |                                    |
| Vacation Benefits        | \$ 61,894                              | \$ -             | \$ (1,215)       | \$ 60,679                                | \$ -                               |
| Sick Leave Benefits      | 165,080                                | -                | (2,539)          | 162,541                                  | -                                  |
| <b>Total</b>             | <b>\$ 226,974</b>                      | <b>\$ -</b>      | <b>\$ -</b>      | <b>\$ 223,220</b>                        | <b>\$ -</b>                        |

# COUNTY OF MECOSTA, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2007

The long-term debt of the Medical Center is summarized as follows:

|                             | <b>Balance<br/>July 1, 2006</b> | <b>Additions</b>  | <b>Deletions</b>    | <b>Balance<br/>June 30, 2007</b> | <b>Due Within<br/>One Year</b> |
|-----------------------------|---------------------------------|-------------------|---------------------|----------------------------------|--------------------------------|
| Bonds payable, 1999         | \$ 6,200,000                    | \$ -              | \$ (375,000)        | \$ 5,825,000                     | \$ 400,000                     |
| Notes payable               | 1,166,386                       | -                 | (149,567)           | 1,016,819                        | 157,466                        |
| Notes payable – MRI         | 1,469,316                       | -                 | (334,926)           | 1,134,390                        | 413,680                        |
| Other                       | 14,503                          | 313,989           | (25,917)            | 302,575                          | 36,060                         |
| <b>Total long-term debt</b> | <b>\$ 8,850,205</b>             | <b>\$ 313,989</b> | <b>\$ (885,410)</b> | <b>\$ 8,278,784</b>              | <b>\$ 1,007,206</b>            |

The bonds payable bear interest ranging from 5.75 percent to 6.00 percent, with principal payable annually in amounts ranging from \$400,000 to \$695,000. The bonds are collateralized by all property of the Hospital.

Notes payable represent amounts due under the terms of two mortgage agreements entered into with a local bank. The first agreement is in connection with the construction of a physician's office building. The note requires monthly principal payments of \$4,385, plus interest, through September 2018. The interest rate as of June 30, 2007 is 4.95 percent. The second agreement is in connection with the purchase of a physician's office building. The note requires monthly payments of \$10,220, including interest, through August 2012. The interest rate as of June 30, 2007 is 5.24 percent.

Note payable to bank – MRI represents borrowings obtained through a note payable through a local bank that was due on demand. The Hospital used funds drawn from the note payable to temporarily finance the purchase of an MRI. Subsequent to June 30, 2006, the Hospital refinanced the note payable under the terms of an equipment loan entered into with a local bank. The loan requires monthly payments of \$37,144, including interest, through February 2010 and bears interest at 3.33 percent.

The following is a schedule of future principal and interest payments at June 30:

|              | <b>Principal</b>   | <b>Interest</b>    |
|--------------|--------------------|--------------------|
| 2008         | \$ 1,007,206       | \$ 450,409         |
| 2009         | 1,057,635          | 401,985            |
| 2010         | 944,288            | 351,677            |
| 2011         | 689,063            | 309,294            |
| 2012         | 732,356            | 268,400            |
| 2013-2017    | 3,153,236          | 766,268            |
| 2018         | 695,000            | 41,700             |
| <b>Total</b> | <b>\$8,278,784</b> | <b>\$2,589,733</b> |

# COUNTY OF MECOSTA, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

### 10. PENSION PLANS

#### *Defined Benefit Pension Plan*

##### **Plan Description**

Based on hire date, some of the primary government's full-time employees are eligible to participate in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer, defined benefit pension plan. The System is administered by the MERS retirement board. MERS provides retirement and disability benefits, as well as death benefits to plan members and beneficiaries. The plan is currently closed to all employees who are currently offered participation in the defined contribution plan instead.

Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. A publicly available financial report that includes financial statements and required supplementary information for MERS may be obtained by writing to the Municipal Employees Retirement System of Michigan, 1134 Municipal Way, Lansing, Michigan 48917, or by calling (800) 767-6377.

The County is required to contribute at an actuarially determined rate. The contribution requirements of the County are established and may be amended by the MERS Retirement Board. The contribution requirements of employees are established and may be amended by labor agreements.

The contribution rate at December 31, 2007 ranged from \$-0- to \$21,231 per month for the County, and from 0% to 3.39% of covered payroll for employees, depending on bargaining unit and position.

For the year ended December 31, 2007, the County's annual pension cost of \$646,236 for MERS was equal to the County's required and actual contributions. Employee contributions were \$50,689. The required contribution was determined as part of the December 31, 2005 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included: (a) a rate of return on the investment of present and future assets of eight (8.0) percent; and (b) projected salary increases of four and one-half (4.5) percent per year compounded annually based on inflation, plus a percentage based on an age-related scale to reflect merit, longevity and promotional salary increases. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return and includes an adjustment to reflect fair value. The County's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2006, the date of the latest actuarial valuation, was 22 years. However, as noted below, this amortization period was effectively closed during 2007, through the payment of a discretionary contribution to eliminate the UAAL.

#### **Trend Information**

| <b>Year Ended</b> | <b>Annual Pension Cost (APC)</b> | <b>Percentage of APC Contributed</b> | <b>Net Pension Obligation</b> |
|-------------------|----------------------------------|--------------------------------------|-------------------------------|
| 2005              | \$ 589,871                       | 100%                                 | \$ -                          |
| 2006              | 671,679                          | 100%                                 | -                             |
| 2007              | 646,236                          | 100%                                 | -                             |

# COUNTY OF MECOSTA, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2007

In addition to the required contribution, during the year, the County made a discretionary payment of \$3,037,806, to eliminate the unfunded actuarially accrued liability (UAAL). No pension asset has been reported inasmuch as this discretionary payment effectively closed the amortization period for the UAAL.

#### Schedule of Funding Progress

| <b>Actuarial<br/>Valuation<br/>Date</b> | <b>Actuarial<br/>Value of<br/>Assets<br/>(a)</b> | <b>Actuarial<br/>Accrued<br/>Liability (AAL)<br/>Entry Age<br/>(b)</b> | <b>Unfunded<br/>AAL<br/>(UAAL)<br/>(b-a)</b> | <b>Funded<br/>Ratio<br/>Total</b> | <b>Covered<br/>Payroll<br/>(c)</b> | <b>UAAL as a<br/>Percentage<br/>of Covered<br/>Payroll<br/>((b-a)/c)</b> |
|---|--|--|--|-----------------------------------|------------------------------------|--|
| 12/31/2004                              | \$ 16,345,778                                    | \$ 20,258,422  | \$ 3,912,644                                 | 81%                               | \$ 3,558,911                       | 110%   |
| 12/31/2005                              | 17,489,572                                       | 21,668,757   | 4,179,185                                    | 81%                               | 3,444,442                          | 121%   |
| 12/31/2006                              | 20,156,336                                       | 23,302,314   | 3,145,978                                    | 86%                               | 3,375,889                          | 93%  |

#### ROAD COMMISSION

##### Description of Plan and Plan Assets

The Mecosta County Road Commission participates in an agent, multiple-employer defined benefit pension plan with the Municipal Employee' Retirement System (MERS), administered by the State of Michigan. The system provides the following provisions: normal retirement, deferred retirement, service retirement, allowance, disability retirement allowance, nonduty-connected death and post-retirement adjustments to plan members and their beneficiaries. There are four groups of employees, general, union supervision, administration, and management. The service requirement for general employees, union supervision, and administrative staff is computed using credited service at the time of termination of membership multiplied by the sum of 1.7% times the final averaged compensation. The service requirement for the manager is computed using credit service at the time of termination of membership multiplied by the sum of 2% times the final average compensation. The most recent period for which actuarial data was available was for the fiscal year ended December 31, 2006.

##### 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 unit and personnel policy, which requires members to contribute 4.7% of annual compensation. During 2007, the employees' contributions totaled \$80,230. The Road Commission is required to contribute at an actuarially determined rate, which was 4.6% of the annual payroll for the union , 8.4% for supervisors, and 7.11% for administration based on the 2004 actuarial valuation beginning on January 1, 2007.

**COUNTY OF MECOSTA, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2007**

**Annual Pension Cost**

During the calendar year ended December 31, 2007, the Road Commission's contributions were \$153,103 in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2004. The Road commission paid the required contribution of \$158,103. 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 unfounded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) requirement to accumulate sufficient assets at the members' retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8% and annual salary increases of 4.5% based on an age-related scale to reflect merit, longevity, and promotional salary increases.

**Trend Information**

| <b>Year Ended</b> | <b>Annual Pension Cost (APC)</b> | <b>Percentage of APC Contributed</b> | <b>Net Pension Obligation</b> |
|-------------------|----------------------------------|--------------------------------------|-------------------------------|
| 2005              | \$ 79,225                        | 100%                                 | \$ -                          |
| 2006              | 101,051                          | 100%                                 | -                             |
| 2007              | 158,103                          | 100%                                 | -                             |

**Schedule of Funding Progress**

| <b>Actuarial Valuation Date</b> | <b>Actuarial Value of Assets (a)</b> | <b>Actuarial Accrued Liability (AAL) Entry Age (b)</b> | <b>Unfunded (Overfunded) AAL (UAAL) (b-a)</b> | <b>Funded Ratio Total</b> | <b>Covered Payroll (c)</b> | <b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b> |
|---------------------------------|--------------------------------------|--|---|---------------------------|----------------------------|--|
| 12/31/2004                      | \$ 6,674,690                         | \$ 7,097,253   | \$ 422,563                                    | 94%                       | \$ 1,682,593               | 25%  |
| 12/31/2005                      | 6,896,710                            | 7,379,294  | 482,584                                       | 93%                       | 1,703,395                  | 28%  |
| 12/31/2006                      | 7,306,608                            | 7,688,204  | 381,596                                       | 95%                       | 1,704,406                  | 22%  |

**MEDICAL CENTER**

**Description of Plan and Plan Assets**

The Mecosta County Medical Center participated in an agent, multiple-employer defined benefit pension plan with the Municipal Employee' Retirement System (MERS), administered by the State of Michigan. The Hospital began a withdrawal from the plan in 1995, therefore, none of the Hospital's current payroll is covered by the plan. MERS requires terminated plans to maintain a 100 percent margin for experience fluctuation. If the Hospital is unable to meet the funding requirements at any time prior to December 31, 2008, the Hospital would be required to make a payment of the difference between the 100 percent minimum required funding and the market value of the assets, divided by the remaining years between the current year and December 31, 2008. Employers who have elected to withdraw from MERS are to receive a refund from MERS for funds in excess of 120 percent of the actuarial accrued liability.

# COUNTY OF MECOSTA, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2007

During 2007, the Hospital was notified by MERS that the market value of assets on deposit with MERS (approximately \$8,947,000) was less than the 115 percent minimum of the actuarial valuation accrued liability (approximately \$9,051,000) as of December 31, 2006, resulting in a shortfall of approximately \$240,000, which, when divided by two years, yields a payable of approximately \$100,000. The Hospital has recorded an adequate payable for the year ended June 30, 2007.

#### Schedule of Funding Progress

| <u>Actuarial<br/>Valuation<br/>Date</u> | <u>Actuarial<br/>Value of<br/>Assets<br/>(a)</u> | <u>Actuarial<br/>Accrued<br/>Liability (AAL)<br/>Entry Age<br/>(b)</u> | <u>Unfunded<br/>AAL<br/>(UAAL)<br/>(b-a)</u> | <u>Funded<br/>Ratio<br/>Total</u> |
|---|--|--|--|-----------------------------------|
| 12/31/2004                              | \$ 8,219,000                                     | \$ 7,592,000   | \$ (626,000)                                 | 108%                              |
| 12/31/2005                              | 8,206,000  | 7,679,000  | (527,000)                                    | 107%                              |
| 12/31/2006                              | 8,947,000  | 7,870,000  | (1,077,000)                                  | 114%                              |

#### *Defined Contribution (Money Purchase) Pension Plan - County*

The County of Mecosta contributes to a defined contribution retirement plan administered by MERS with the International City Management Association Retirement Corporation (ICMA) acting as an investment fiduciary.

The County contributed \$225,190 to the plan during the year ended December 31, 2007, and employee contributions totaled \$69,314. The County contribution to the plan is 6% and the County will also match employee contributions up to an additional 3%.

#### *Defined Contribution Pension Plan – Medical Center*

The Hospital has established a defined contribution retirement plan covering substantially all employees. The employer discretionary contribution is based on the prior year net income and is distributed to employees with more than 1,000 hours of service and one year of employment. The employer contribution is calculated as the lesser of 20 percent of the employee's contribution of 1 percent of the employee's gross wages.

For the year ended June 30, 2007, the amount of pension expense was \$512,876.

Mecosta Health Services, Inc. also has a defined contribution retirement plan covering substantially all employees. The expense is determined in accordance with a plan formula that calls for an employer-discretionary contribution distributed to employees with more than nine months of service. For the year ended June 30, 2007, the amount of pension expense was \$95,799.

# COUNTY OF MECOSTA, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2007

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#### 11. DEFERRED COMPENSATION PLAN

County of Mecosta offers all employees a deferred compensation plan created in accordance with the Internal Revenue code, Section 457. The assets of the plans were held in trust, (custodial account or annuity contract) as described in IRC Section 457 (g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodian thereof of the exclusive benefit of the participants holds the custodial account for the beneficiaries of this section 457 plan, and the assets may not be diverted to any other use. In accordance with the provisions of GASB Statement 32, plan balances and activities are not reflected in County of Mecosta's financial statements.

#### 12. COMPENSATED ABSENCES – COUNTY GENERAL EMPLOYEES

All employees of the County of Mecosta accrue vacation leave based on the number of years of service. Up to thirty days worth of vacation leave may be accumulated, but hours in excess of this are forfeited.

Sick leave is earned at a rate of one sick day per month if the employee works or is compensated by the employer for fifteen days that month, not to exceed twelve days per year with maximum accumulation depending on the bargaining unit. Employees also have the option of being paid at 50% of sick leave not used each year after 1986.

Upon termination of employment, vacation leave is paid at 100% of the hours accrued. Sick leave is paid for 50% of the hours accrued.

A summary of accrued compensated absences at December 31, 2006 is as follows:

|              |                         |
|--------------|-------------------------|
| Vacation     | \$312,129               |
| Sick leave   | <u>320,975</u>          |
| <b>Total</b> | <b><u>\$633,104</u></b> |

#### Component Units

##### *Mecosta County Park Commission*

##### Vacation and Similar Leave Absences

Sick and vacation pay is accrued and it is the Park Commission's policy to permit employees to accumulate earned but unused sick and vacation pay. Amounts estimated to be payable within one year are shown as current liabilities and remaining amounts are classified as non-current liabilities.

At December 31, 2007, the vacation and sick benefits accrued were \$24,180.

# COUNTY OF MECOSTA, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2007

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#### *Mecosta County Road Commission*

##### Vested Employee Vacation Benefits

Road Commission employment policies provide for vacation benefits to be earned in varying amounts depending on the number of years of service of each employee. Administrative and supervisory union employees may accumulate vacation leave time of up to five weeks and non-supervisory employees may accumulate up to four weeks. If union employees are unable to use their vacation benefits and will lose them, they may apply to the engineer/administrator four weeks in advance of the end of their vacation eligibility year for permission to carry their unused vacation into the following year. The total vested vacation benefits were \$60,679 at December 31, 2007.

##### Vested Employee Sick Leave Benefits

All employees shall accumulate one sick leave day per month, not to exceed twelve, eight-hour days per year. Upon retirement or death, all union employees shall be paid at his or her regular rate of pay of up to 400 hours unused sick leave. All union employees may accumulate up to 1200 hours and administrative employees have no limit on the accumulation of sick leave. The total sick leave benefits were \$162,541 at December 31, 2007.

Annually, on each supervisory union employee's anniversary date, the employer can pay all sick hours in excess of 400 hours, a lump sum payment calculated at \$9 per hour.

### 13. RISK MANAGEMENT

#### **Primary Government**

Mecosta County (including the Parks Commission) is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. The County participates in the Michigan Municipal Risk Management Authority (MMRMA). The Authority is a self-insured association organized under the laws of the State of Michigan to provide self-insurance protection against loss and risk management services to Michigan cities, counties, townships, and special purpose governments. Mecosta County is responsible for paying all losses, including damages, loss adjustment expenses, and defense costs, for each occurrence that falls within the County's self-insured retention (SIR). The County's self-insurance retention is the first \$75,000 for liability, \$15,000 for vehicle/\$30,000 per occurrence for vehicle physical damage, and 10% up to \$100,000 for property and crime coverage.

Settled claims have not exceeded insurance coverage in the history of the self-insurance program. The changes in the claims liability for the previous two years are as follows:

|      | <u>Beginning<br/>of Year<br/>Liability</u> | <u>Current Year<br/>Claims and<br/>Changes in<br/>Estimates</u> | <u>Claim<br/>Payments</u> | <u>End<br/>of Year<br/>Liability</u> |
|------|--|---|---------------------------|--------------------------------------|
| 2006 | \$ 43,809                                  | \$ (29,071)   | \$ 2,738                  | \$ 12,000                            |
| 2007 | 12,000                                     | 3,820   | 5,820                     | 10,000                               |

# COUNTY OF MECOSTA, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2007

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#### 14. CONTINGENT LIABILITES

The County has received significant financial assistance from state and federal agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the County. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statement of the individual fund types included herein or on the overall financial position of the County at December 31, 2007.

#### 15. OTHER POST-EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 10, the County provides post-employment benefits to all retired employees and/or their spouses. The benefit includes the provision that a retiree pays 100% of the cost of the premium. An actuarial valuation of the County's liability for the implicit rate subsidy in accordance with GASB Statement No. 43 has not been performed. Management has determined that the actuarially accrued liability would be immaterial to the financial statements taken as a whole.

The Road Commission provides post-retirement health care benefits, in accordance with labor contracts and personnel policy, to all employees who retire from the Road Commission. For the retired employees only, between 60 and 65 years of age, premiums of medical benefits are paid in full by the Road Commission. When the retired employee attains the age of 65 years, the employer's contribution shall end under the contracts. Currently, three retirees meet those eligibility requirements. Expenditures for post-employment health care benefits are recognized as the insurance premiums become due. During the year, net expenditures of \$14,677 were recognized for post-retirement healthcare.

#### 16. HOSPITAL RENOVATION

Included in health and welfare expenditures is \$109,421 of expenses relating to costs to renovate, expand, and equip the Mecosta Medical Center (a separate entity). This is being funded through bonds issued in prior years.

#### 17. RESTATEMENT

Beginning fund balance of the Friend of the Court special revenue fund and beginning net assets of governmental activities were decreased by \$180,214 to adjust for over-reimbursed federal grants in prior years.

\* \* \* \* \*

**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**

**NONMAJOR GOVERNMENTAL FUNDS**

**COUNTY OF MECOSTA, MICHIGAN**

**Combining Balance Sheet  
Nonmajor Governmental Funds  
December 31, 2007**

|  | <b>Special Revenue</b>                            |   |  |  |  |
|--|---|---|--|--|--|
|  | <b>Medical<br/>First<br/>Responders<br/>(211)</b> | <b>District<br/>Court<br/>Alcohol<br/>Assessments<br/>(213)</b> | <b>District<br/>Court<br/>Case Flow<br/>Management<br/>(214)</b> | <b>Friend<br/>of The<br/>Court<br/>(215)</b> | <b>Prosecutor's<br/>Drug<br/>Forfeitures<br/>(216)</b> |
| <b>Assets</b>                              |   |   |  |  |  |
| Cash and equivalents                       | \$ 28,413   | \$ 1,596  | \$ 3,739   | \$ 372,001                                   | \$ 3,274   |
| Investments                                | -   | -   | -  | -  | -  |
| Accounts receivable                        | -   | -   | -  | -  | -  |
| Due from other governments                 | -   | -   | -  | 64,718                                       | -  |
| <b>Total assets</b>                        | <b>\$ 28,413</b>                                  | <b>\$ 1,596</b>   | <b>\$ 3,739</b>  | <b>\$ 436,719</b>                            | <b>\$ 3,274</b>  |
| <b>Liabilities and fund balances</b>       |   |   |  |  |  |
| <b>Liabilities</b>                         |   |   |  |  |  |
| Accounts payable                           | \$ 17,875   | \$ -  | \$ 732   | \$ 2,665                                     | \$ 41  |
| Accrued liabilities                        | -   | -   | -  | 7,239  | -  |
| Due to other funds                         | -   | -   | -  | -  | -  |
| Due to other governments                   | -   | -   | -  | 212,963                                      | -  |
| Deferred revenue                           | -   | -   | -  | -  | -  |
| <b>Total liabilities</b>                   | <b>17,875</b>                                     | <b>-</b>  | <b>732</b>   | <b>222,867</b>                               | <b>41</b>  |
| <b>Fund balances</b>                       |   |   |  |  |  |
| Reserved for permanent fund corpus         | -   | -   | -  | -  | -  |
| Unreserved, undesignated reported in:      |   |   |  |  |  |
| Special revenue funds                      | 10,538  | 1,596   | 3,007  | 213,852                                      | 3,233  |
| Debt service funds                         | -   | -   | -  | -  | -  |
| Capital projects funds                     | -   | -   | -  | -  | -  |
| Permanent funds                            | -   | -   | -  | -  | -  |
| <b>Total fund balances</b>                 | <b>10,538</b>                                     | <b>1,596</b>  | <b>3,007</b>   | <b>213,852</b>                               | <b>3,233</b>   |
| <b>Total liabilities and fund balances</b> | <b>\$ 28,413</b>                                  | <b>\$ 1,596</b>   | <b>\$ 3,739</b>  | <b>\$ 436,719</b>                            | <b>\$ 3,274</b>  |

**Special Revenue**

| <b>Family<br/>Counseling<br/>(217)</b> | <b>Remonu-<br/>mentation<br/>Grant<br/>(232)</b> | <b>County<br/>Housing<br/>Rehab<br/>Program<br/>(234)</b> | <b>District<br/>Court<br/>Tether<br/>Program<br/>(236)</b> | <b>Building<br/>Improvement<br/>(245)</b> | <b>Building<br/>Department<br/>(249)</b> | <b>Drunk<br/>Driving<br/>(250)</b> | <b>Salvage<br/>Vehicle<br/>Inspection<br/>Fees<br/>(253)</b> |
|--|--|---|--|---|--|------------------------------------|--|
| \$ 76,604                              | \$ -   | \$ 49,787   | \$ 11,465  | \$ 134,231                                | \$ 311,858                               | \$ 1,516                           | \$ 20,185  |
| -                                      | -  | -   | -  | -   | -  | -                                  | -  |
| -                                      | -  | -   | 75   | -   | 135                                      | -                                  | -  |
| -                                      | 40,583   | -   | -  | -   | -  | -                                  | -  |
| <b>\$ 76,604</b>                       | <b>\$ 40,583</b>                                 | <b>\$ 49,787</b>  | <b>\$ 11,540</b>   | <b>\$ 134,231</b>                         | <b>\$ 311,993</b>                        | <b>\$ 1,516</b>                    | <b>\$ 20,185</b>   |
| <br>                                   |  |   |  |   |  |                                    |  |
| \$ -                                   | \$ 7,819   | \$ 364  | \$ 50  | \$ 1,045                                  | \$ 4,330                                 | \$ -                               | \$ -   |
| -                                      | -  | -   | -  | -   | 6,416                                    | -                                  | 210  |
| -                                      | 29,954   | -   | -  | -   | 8,186                                    | -                                  | -  |
| -                                      | -  | -   | -  | -   | -  | -                                  | -  |
| -                                      | -  | -   | -  | -   | -  | -                                  | -  |
| -                                      | 37,773   | 364   | 50   | 1,045                                     | 18,932                                   | -                                  | 210  |
| <br>                                   |  |   |  |   |  |                                    |  |
| -                                      | -  | -   | -  | -   | -  | -                                  | -  |
| 76,604                                 | 2,810  | 49,423  | 11,490   | 133,186                                   | 293,061                                  | 1,516                              | 19,975   |
| -                                      | -  | -   | -  | -   | -  | -                                  | -  |
| -                                      | -  | -   | -  | -   | -  | -                                  | -  |
| -                                      | -  | -   | -  | -   | -  | -                                  | -  |
| <b>76,604</b>                          | <b>2,810</b>                                     | <b>49,423</b>   | <b>11,490</b>  | <b>133,186</b>                            | <b>293,061</b>                           | <b>1,516</b>                       | <b>19,975</b>  |
| <b>\$ 76,604</b>                       | <b>\$ 40,583</b>                                 | <b>\$ 49,787</b>  | <b>\$ 11,540</b>   | <b>\$ 134,231</b>                         | <b>\$ 311,993</b>                        | <b>\$ 1,516</b>                    | <b>\$ 20,185</b>   |

continued...

**COUNTY OF MECOSTA, MICHIGAN**

**Combining Balance Sheet (Continued)**

**Nonmajor Governmental Funds**

**December 31, 2007**

|  | <u>Special Revenue</u>                                |   |   |                                       |   |
|--|---|---|---|---------------------------------------|---|
|  | <b>Emergency<br/>Planning<br/>Committee<br/>(254)</b> | <b>Register<br/>of Deeds<br/>Automation<br/>(256)</b> | <b>Budget<br/>Stabilization<br/>(257)</b> | <b>D.A.R.E.<br/>Program<br/>(258)</b> | <b>Township<br/>Law<br/>Enforcement<br/>(261)</b> |
| <b>Assets</b>                              |   |   |   |                                       |   |
| Cash and equivalents                       | \$ 6,985  | \$ 68,860   | \$ 879,000                                | \$ 58,079                             | \$ 19,949   |
| Investments                                | -   | -   | -   | -                                     | -   |
| Accounts receivable                        | -   | -   | -   | -                                     | -   |
| Due from other governments                 | -   | -   | -   | -                                     | -   |
| <b>Total assets</b>                        | <b>\$ 6,985</b>                                       | <b>\$ 68,860</b>                                      | <b>\$ 879,000</b>                         | <b>\$ 58,079</b>                      | <b>\$ 19,949</b>                                  |
| <b>Liabilities and fund balances</b>       |   |   |   |                                       |   |
| <b>Liabilities</b>                         |   |   |   |                                       |   |
| Accounts payable                           | \$ -  | \$ 27   | \$ -                                      | \$ 108                                | \$ -  |
| Accrued liabilities                        | -   | -   | -   | -                                     | -   |
| Due to other funds                         | -   | -   | -   | -                                     | -   |
| Due to other governments                   | -   | -   | -   | -                                     | -   |
| Deferred revenue                           | -   | -   | -   | -                                     | -   |
| <b>Total liabilities</b>                   | <b>-</b>  | <b>27</b>   | <b>-</b>                                  | <b>108</b>                            | <b>-</b>  |
| <b>Fund balances</b>                       |   |   |   |                                       |   |
| Reserved for permanent fund corpus         | -   | -   | -   | -                                     | -   |
| Unreserved, undesignated reported in:      |   |   |   |                                       |   |
| Special revenue funds                      | 6,985   | 68,833  | 879,000                                   | 57,971                                | 19,949  |
| Debt service funds                         | -   | -   | -   | -                                     | -   |
| Capital projects funds                     | -   | -   | -   | -                                     | -   |
| Permanent funds                            | -   | -   | -   | -                                     | -   |
| <b>Total fund balances</b>                 | <b>6,985</b>  | <b>68,833</b>   | <b>879,000</b>                            | <b>57,971</b>                         | <b>19,949</b>                                     |
| <b>Total liabilities and fund balances</b> | <b>\$ 6,985</b>                                       | <b>\$ 68,860</b>                                      | <b>\$ 879,000</b>                         | <b>\$ 58,079</b>                      | <b>\$ 19,949</b>                                  |

**Special Revenue**

| <b>Corrections<br/>Officer<br/>Training<br/>(262)</b> | <b>Jail<br/>Maintenance<br/>(264)</b> | <b>Drug Law<br/>Enforcement<br/>(265)</b> | <b>Dive<br/>Team<br/>(266)</b> | <b>Community<br/>Corrections<br/>Program<br/>(267)</b> | <b>Law<br/>Library<br/>(269)</b> | <b>Commission<br/>on Aging<br/>Liability<br/>Reserve<br/>(272)</b> | <b>Commission<br/>on Aging<br/>Meals<br/>(273)</b> | <b>Law<br/>Enforcement<br/>Training<br/>(287)</b> |
|---|---------------------------------------|---|--------------------------------|--|----------------------------------|--|--|---|
| \$ 66,543   | \$ 105,248                            | \$ 12,625                                 | \$ 5,979                       | \$ 51,776  | \$ 3,021                         | \$ 98,548  | \$ 182,343   | \$ 8,416  |
| -   | -                                     | -   | -                              | -  | -                                | -  | -  | -   |
| -   | -                                     | -   | -                              | 180  | -                                | -  | 3,799  | -   |
| -   | -                                     | -   | -                              | 10,385   | -                                | -  | 12,158   | -   |
| <b>\$ 66,543</b>                                      | <b>\$ 105,248</b>                     | <b>\$ 12,625</b>                          | <b>\$ 5,979</b>                | <b>\$ 62,341</b>                                       | <b>\$ 3,021</b>                  | <b>\$ 98,548</b>   | <b>\$ 198,300</b>                                  | <b>\$ 8,416</b>                                   |
| <br>  |                                       |   |                                |  |                                  |  |  |   |
| \$ 3,131  | \$ 2,518                              | \$ -                                      | \$ -                           | \$ 378   | \$ 1,655                         | \$ -   | \$ 4,383   | \$ 575  |
| -   | -                                     | -   | -                              | 2,459  | -                                | -  | 6,145  | -   |
| -   | -                                     | -   | -                              | -  | -                                | -  | -  | -   |
| -   | -                                     | -   | -                              | -  | -                                | -  | -  | -   |
| -   | -                                     | -   | -                              | -  | -                                | -  | -  | -   |
| <b>3,131</b>  | <b>2,518</b>                          | <b>-</b>                                  | <b>-</b>                       | <b>2,837</b>   | <b>1,655</b>                     | <b>-</b>   | <b>10,528</b>                                      | <b>575</b>  |
| <br>  |                                       |   |                                |  |                                  |  |  |   |
| -   | -                                     | -   | -                              | -  | -                                | -  | -  | -   |
| 63,412  | 102,730                               | 12,625                                    | 5,979                          | 59,504   | 1,366                            | 98,548   | 187,772  | 7,841   |
| -   | -                                     | -   | -                              | -  | -                                | -  | -  | -   |
| -   | -                                     | -   | -                              | -  | -                                | -  | -  | -   |
| -   | -                                     | -   | -                              | -  | -                                | -  | -  | -   |
| <b>63,412</b>   | <b>102,730</b>                        | <b>12,625</b>                             | <b>5,979</b>                   | <b>59,504</b>  | <b>1,366</b>                     | <b>98,548</b>  | <b>187,772</b>                                     | <b>7,841</b>                                      |
| <b>\$ 66,543</b>                                      | <b>\$ 105,248</b>                     | <b>\$ 12,625</b>                          | <b>\$ 5,979</b>                | <b>\$ 62,341</b>                                       | <b>\$ 3,021</b>                  | <b>\$ 98,548</b>   | <b>\$ 198,300</b>                                  | <b>\$ 8,416</b>                                   |

continued...

**COUNTY OF MECOSTA, MICHIGAN**

**Combining Balance Sheet (Continued)**

**Nonmajor Governmental Funds**

**December 31, 2007**

|  | <u>Special Revenue</u>                         |   |  |                                 |
|--|--|---|--|---------------------------------|
|  | <b>Secondary<br/>Road<br/>Patrol<br/>(289)</b> | <b>Department<br/>of Human<br/>Services<br/>(290)</b> | <b>Probate<br/>Court<br/>Diversion<br/>Program<br/>(291)</b> | <b>Child<br/>Care<br/>(292)</b> |
| <b>Assets</b>                              |  |   |  |                                 |
| Cash and equivalents                       | \$ 646   | \$ 102,246  | \$ 8,760   | \$ 592,020                      |
| Investments                                | -  | -   | -  | -                               |
| Accounts receivable                        | -  | -   | -  | -                               |
| Due from other governments                 | 17,461   | 60,320  | -  | 20,685                          |
| <b>Total assets</b>                        | <b>\$ 18,107</b>                               | <b>\$ 162,566</b>                                     | <b>\$ 8,760</b>  | <b>\$ 612,705</b>               |
| <b>Liabilities and fund balances</b>       |  |   |  |                                 |
| <b>Liabilities</b>                         |  |   |  |                                 |
| Accounts payable                           | \$ 458   | \$ 7,039  | \$ -   | \$ 16,542                       |
| Accrued liabilities                        | 2,624  | -   | -  | 1,640                           |
| Due to other funds                         | -  | -   | -  | -                               |
| Due to other governments                   | -  | 119,442   | -  | 13,035                          |
| Deferred revenue                           | -  | 36,085  | -  | -                               |
| <b>Total liabilities</b>                   | <b>3,082</b>                                   | <b>162,566</b>  | <b>-</b>   | <b>31,217</b>                   |
| <b>Fund balances</b>                       |  |   |  |                                 |
| Reserved for permanent fund corpus         | -  | -   | -  | -                               |
| Unreserved, undesignated reported in:      |  |   |  |                                 |
| Special revenue funds                      | 15,025   | -   | 8,760  | 581,488                         |
| Debt service funds                         | -  | -   | -  | -                               |
| Capital projects funds                     | -  | -   | -  | -                               |
| Permanent funds                            | -  | -   | -  | -                               |
| <b>Total fund balances</b>                 | <b>15,025</b>                                  | <b>-</b>  | <b>8,760</b>   | <b>581,488</b>                  |
| <b>Total liabilities and fund balances</b> | <b>\$ 18,107</b>                               | <b>\$ 162,566</b>                                     | <b>\$ 8,760</b>  | <b>\$ 612,705</b>               |

| Special Revenue                     |                       |                        | Debt Service         |   | Capital Projects                |                           |                         |
|-------------------------------------|-----------------------|------------------------|----------------------|---|---------------------------------|---------------------------|-------------------------|
| Soldiers' and Sailors' Relief (293) | Veterans' Trust (294) | Runaway Services (297) | Jail Expansion (318) | Mecosta County Building Authority (569) | County Building Expansion (403) | Hospital Renovation (404) | Capital Equipment (405) |
| \$ 25,381                           | \$ 1,189              | \$ 6,112               | \$ 241               | \$ 8,291                                | \$ 94,418                       | \$ -                      | \$ 388,148              |
| -                                   | -                     | -                      | -                    | -                                       | -                               | -                         | -                       |
| -                                   | -                     | 1,895                  | -                    | -                                       | -                               | -                         | -                       |
| -                                   | -                     | 13,733                 | -                    | -                                       | -                               | -                         | 923                     |
| <u>\$ 25,381</u>                    | <u>\$ 1,189</u>       | <u>\$ 21,740</u>       | <u>\$ 241</u>        | <u>\$ 8,291</u>                         | <u>\$ 94,418</u>                | <u>\$ -</u>               | <u>\$ 389,071</u>       |
| \$ -                                | \$ -                  | \$ 5,602               | \$ -                 | \$ -                                    | \$ -                            | \$ -                      | \$ 43,250               |
| -                                   | -                     | 3,062                  | -                    | -                                       | -                               | -                         | -                       |
| -                                   | -                     | 5,013                  | -                    | -                                       | -                               | -                         | -                       |
| -                                   | -                     | -                      | -                    | -                                       | -                               | -                         | -                       |
| -                                   | -                     | -                      | -                    | -                                       | -                               | -                         | -                       |
| -                                   | -                     | 13,677                 | -                    | -                                       | -                               | -                         | 43,250                  |
| -                                   | -                     | -                      | -                    | -                                       | -                               | -                         | -                       |
| 25,381                              | 1,189                 | 8,063                  | -                    | -                                       | -                               | -                         | -                       |
| -                                   | -                     | -                      | 241                  | 8,291                                   | -                               | -                         | -                       |
| -                                   | -                     | -                      | -                    | -                                       | 94,418                          | -                         | 345,821                 |
| -                                   | -                     | -                      | -                    | -                                       | -                               | -                         | -                       |
| <u>25,381</u>                       | <u>1,189</u>          | <u>8,063</u>           | <u>241</u>           | <u>8,291</u>                            | <u>94,418</u>                   | <u>-</u>                  | <u>345,821</u>          |
| <u>\$ 25,381</u>                    | <u>\$ 1,189</u>       | <u>\$ 21,740</u>       | <u>\$ 241</u>        | <u>\$ 8,291</u>                         | <u>\$ 94,418</u>                | <u>\$ -</u>               | <u>\$ 389,071</u>       |

continued...

**COUNTY OF MECOSTA, MICHIGAN**

**Combining Balance Sheet (Concluded)**

**Nonmajor Governmental Funds**

**December 31, 2007**

|  | <u>Permanent</u>                      |                     |
|--|---------------------------------------|---------------------|
|  | <b>Broomfield<br/>Trust<br/>(757)</b> | <b>Total</b>        |
|  | <u>(757)</u>                          | <u>Total</u>        |
| <b>Assets</b>                              |                                       |                     |
| Cash and equivalents                       | \$ 6,473                              | \$ 3,815,966        |
| Investments                                | 121,600                               | 121,600             |
| Accounts receivable                        | -                                     | 6,084               |
| Due from other governments                 | -                                     | 240,966             |
|  | <u>          </u>                     | <u>          </u>   |
| <b>Total assets</b>                        | <b>\$ 128,073</b>                     | <b>\$ 4,184,616</b> |
|  | <u>          </u>                     | <u>          </u>   |
| <b>Liabilities and fund balances</b>       |                                       |                     |
| <b>Liabilities</b>                         |                                       |                     |
| Accounts payable                           | \$ -                                  | \$ 120,587          |
| Accrued liabilities                        | -                                     | 29,795              |
| Due to other funds                         | -                                     | 43,153              |
| Due to other governments                   | -                                     | 345,440             |
| Deferred revenue                           | -                                     | 36,085              |
|  | <u>          </u>                     | <u>          </u>   |
| <b>Total liabilities</b>                   | <b>-</b>                              | <b>575,060</b>      |
|  | <u>          </u>                     | <u>          </u>   |
| <b>Fund balances</b>                       |                                       |                     |
| Reserved for permanent fund corpus         | 100,000                               | 100,000             |
| Unreserved, undesignated reported in:      |                                       |                     |
| Special revenue funds                      | -                                     | 3,032,712           |
| Debt service funds                         | -                                     | 8,532               |
| Capital projects funds                     | -                                     | 440,239             |
| Permanent funds                            | 28,073                                | 28,073              |
|  | <u>          </u>                     | <u>          </u>   |
| <b>Total fund balances</b>                 | <b>128,073</b>                        | <b>3,609,556</b>    |
|  | <u>          </u>                     | <u>          </u>   |
| <b>Total liabilities and fund balances</b> | <b>\$ 128,073</b>                     | <b>\$ 4,184,616</b> |
|  | <u>          </u>                     | <u>          </u>   |

concluded

**COUNTY OF MECOSTA, MICHIGAN**  
**Combining Statement of Revenue, Expenditures**  
**and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended December 31, 2007**

|   | Special Revenue  |                 |                 |                   |                 |
|---|------------------|-----------------|-----------------|-------------------|-----------------|
|   | Medical          | District        | District        | Friend            | Prosecutor's    |
|   | First            | Court           | Court           | of the            | Drug            |
|   | Responders       | Alcohol         | Case Flow       | Court             | Forfeitures     |
|   | (211)            | (213)           | (214)           | (215)             | (216)           |
| <b>Revenue</b>                                |                  |                 |                 |                   |                 |
| License and permits                           | \$ -             | \$ -            | \$ -            | \$ -              | \$ -            |
| Intergovernmental:                            |                  |                 |                 |                   |                 |
| Federal                                       | -                | -               | -               | 299,280           | -               |
| State   | -                | -               | 22,394          | -                 | -               |
| Local   | -                | -               | -               | -                 | -               |
| Charges for services                          | -                | -               | -               | 97,882            | 409             |
| Interest and rentals                          | -                | -               | -               | -                 | 149             |
| Other revenue                                 | -                | -               | -               | -                 | -               |
| <b>Total revenue</b>                          | <b>-</b>         | <b>-</b>        | <b>22,394</b>   | <b>397,162</b>    | <b>558</b>      |
| <b>Expenditures</b>                           |                  |                 |                 |                   |                 |
| Current:                                      |                  |                 |                 |                   |                 |
| General government                            | -                | -               | -               | -                 | -               |
| Judicial                                      | -                | -               | 52,257          | -                 | -               |
| Public safety                                 | -                | -               | -               | -                 | 532             |
| Health and welfare                            | 100,500          | 1,208           | -               | 416,364           | -               |
| Community & economic development              | -                | -               | -               | -                 | -               |
| Debt service:                                 |                  |                 |                 |                   |                 |
| Principal                                     | -                | -               | -               | -                 | -               |
| Interest                                      | -                | -               | -               | -                 | -               |
| Capital outlay                                | -                | -               | -               | -                 | -               |
| <b>Total expenditures</b>                     | <b>100,500</b>   | <b>1,208</b>    | <b>52,257</b>   | <b>416,364</b>    | <b>532</b>      |
| Revenue over (under) expenditures             | (100,500)        | (1,208)         | (29,863)        | (19,202)          | 26              |
| <b>Other financing sources (uses)</b>         |                  |                 |                 |                   |                 |
| Transfers in                                  | 100,500          | 500             | -               | -                 | -               |
| Transfers out                                 | -                | -               | -               | -                 | -               |
| Sale of capital assets                        | -                | -               | -               | -                 | -               |
| <b>Total other financing sources (uses)</b>   | <b>100,500</b>   | <b>500</b>      | <b>-</b>        | <b>-</b>          | <b>-</b>        |
| Net change in fund balances                   | -                | (708)           | (29,863)        | (19,202)          | 26              |
| Fund balances, beginning of year, as restated | 10,538           | 2,304           | 32,870          | 233,054           | 3,207           |
| <b>Fund balances, end of year</b>             | <b>\$ 10,538</b> | <b>\$ 1,596</b> | <b>\$ 3,007</b> | <b>\$ 213,852</b> | <b>\$ 3,233</b> |

**Special Revenue**

| <b>Family<br/>Counseling<br/>(217)</b> | <b>Remon-<br/>umentation<br/>Grant<br/>(232)</b> | <b>County<br/>Housing<br/>Rehab<br/>Program<br/>(234)</b> | <b>District<br/>Court<br/>Tether<br/>Program<br/>(236)</b> | <b>Building<br/>Improvement<br/>(245)</b> | <b>Building<br/>Department<br/>(249)</b> | <b>Drunk<br/>Driving<br/>(250)</b> | <b>Salvage<br/>Vehicle<br/>Inspection<br/>Fees<br/>(253)</b> |
|--|--|---|--|---|--|------------------------------------|--|
| \$ -                                   | \$ -   | \$ -  | \$ -   | \$ -                                      | \$ 243,553                               | \$ -                               | \$ -   |
| -                                      | -  | -   | -  | -   | -  | -                                  | -  |
| -                                      | 69,991   | -   | -  | -   | -  | 4,149                              | -  |
| -                                      | -  | -   | -  | -   | -  | -                                  | -  |
| 3,735                                  | -  | -   | 4,013  | -   | 4,771                                    | -                                  | 18,667   |
| -                                      | -  | -   | -  | -   | 14,641                                   | -                                  | -  |
| -                                      | -  | 17,104  | -  | -   | -  | -                                  | -  |
| 3,735                                  | 69,991   | 17,104  | 4,013  | -   | 262,965                                  | 4,149                              | 18,667   |
| -                                      | -  | -   | -  | -   | -  | -                                  | -  |
| -                                      | -  | -   | -  | -   | -  | -                                  | -  |
| -                                      | 70,025   | -   | 2,445  | -   | -  | 3,068                              | 4,718  |
| 500                                    | -  | 41,447  | -  | -   | -  | -                                  | -  |
| -                                      | -  | -   | -  | -   | 273,928                                  | -                                  | -  |
| -                                      | -  | -   | -  | -   | -  | -                                  | -  |
| -                                      | -  | -   | -  | -   | -  | -                                  | -  |
| -                                      | -  | -   | -  | 28,737                                    | -  | -                                  | -  |
| 500                                    | 70,025   | 41,447  | 2,445  | 28,737                                    | 273,928                                  | 3,068                              | 4,718  |
| 3,235                                  | (34)   | (24,343)  | 1,568  | (28,737)                                  | (10,963)                                 | 1,081                              | 13,949   |
| -                                      | -  | -   | -  | 50,000                                    | -  | -                                  | -  |
| -                                      | -  | -   | -  | -   | -  | -                                  | -  |
| -                                      | -  | -   | -  | -   | -  | -                                  | -  |
| -                                      | -  | -   | -  | 50,000                                    | -  | -                                  | -  |
| 3,235                                  | (34)   | (24,343)  | 1,568  | 21,263                                    | (10,963)                                 | 1,081                              | 13,949   |
| 73,369                                 | 2,844  | 73,766  | 9,922  | 111,923                                   | 304,024                                  | 435                                | 6,026  |
| \$ 76,604                              | \$ 2,810   | \$ 49,423   | \$ 11,490  | \$ 133,186                                | \$ 293,061                               | \$ 1,516                           | \$ 19,975  |

continued...

**COUNTY OF MECOSTA, MICHIGAN**  
**Combining Statement of Revenue, Expenditures**  
**and Changes in Fund Balances (Continued)**  
**Nonmajor Governmental Funds**  
**For the Year Ended December 31, 2007**

|                                       | Special Revenue                             |   |                                  |                              |   |
|---------------------------------------|---|---|----------------------------------|------------------------------|---|
|                                       | Emergency<br>Planning<br>Committee<br>(254) | Register<br>of Deeds<br>Automation<br>(256) | Budget<br>Stabilization<br>(257) | D.A.R.E.<br>Program<br>(258) | Township<br>Law<br>Enforcement<br>(261) |
| <b>Revenue</b>                        |   |   |                                  |                              |   |
| License and permits                   | \$ -  | \$ -  | \$ -                             | \$ -                         | \$ -                                    |
| Intergovernmental:                    |   |   |                                  |                              |   |
| Federal                               | 13,585                                      | -   | -                                | -                            | -                                       |
| State                                 | -   | -   | -                                | -                            | -                                       |
| Local                                 | -   | -   | -                                | -                            | 6,609                                   |
| Charges for services                  | 136   | 47,490                                      | -                                | -                            | -                                       |
| Interest and rentals                  | -   | -   | -                                | 2,466                        | -                                       |
| Other revenue                         | -   | -   | -                                | 21,679                       | -                                       |
|                                       | <hr/>                                       |   |                                  |                              |   |
| Total revenue                         | 13,721                                      | 47,490                                      | -                                | 24,145                       | 6,609                                   |
|                                       | <hr/>                                       |   |                                  |                              |   |
| <b>Expenditures</b>                   |   |   |                                  |                              |   |
| Current:                              |   |   |                                  |                              |   |
| General government                    | -   | 28,024                                      | -                                | -                            | -                                       |
| Judicial                              | -   | -   | -                                | -                            | -                                       |
| Public safety                         | 503   | -   | -                                | 9,825                        | 4,802                                   |
| Health and welfare                    | -   | -   | -                                | -                            | -                                       |
| Community & economic development      | -   | -   | -                                | -                            | -                                       |
| Debt service:                         |   |   |                                  |                              |   |
| Principal                             | -   | -   | -                                | -                            | -                                       |
| Interest                              | -   | -   | -                                | -                            | -                                       |
| Capital outlay                        | 6,588                                       | -   | -                                | -                            | -                                       |
|                                       | <hr/>                                       |   |                                  |                              |   |
| Total expenditures                    | 7,091                                       | 28,024                                      | -                                | 9,825                        | 4,802                                   |
|                                       | <hr/>                                       |   |                                  |                              |   |
| Revenue over (under) expenditures     | 6,630                                       | 19,466                                      | -                                | 14,320                       | 1,807                                   |
|                                       | <hr/>                                       |   |                                  |                              |   |
| <b>Other financing sources (uses)</b> |   |   |                                  |                              |   |
| Transfers in                          | -   | -   | -                                | -                            | -                                       |
| Transfers out                         | -   | -   | -                                | -                            | -                                       |
| Sale of capital assets                | -   | -   | -                                | -                            | -                                       |
|                                       | <hr/>                                       |   |                                  |                              |   |
| Total other financing sources (uses)  | -   | -   | -                                | -                            | -                                       |
|                                       | <hr/>                                       |   |                                  |                              |   |
| Net change in fund balances           | 6,630                                       | 19,466                                      | -                                | 14,320                       | 1,807                                   |
|                                       | <hr/>                                       |   |                                  |                              |   |
| Fund balances, beginning of year      | 355   | 49,367                                      | 879,000                          | 43,651                       | 18,142                                  |
|                                       | <hr/>                                       |   |                                  |                              |   |
| <b>Fund balances, end of year</b>     | <b>\$ 6,985</b>                             | <b>\$ 68,833</b>                            | <b>\$ 879,000</b>                | <b>\$ 57,971</b>             | <b>\$ 19,949</b>                        |
|                                       | <hr/>                                       |   |                                  |                              |   |

**Special Revenue**

| <b>Corrections<br/>Officer<br/>Training<br/>(262)</b> | <b>Jail<br/>Maintenance<br/>(264)</b> | <b>Drug Law<br/>Enforcement<br/>(265)</b> | <b>Dive<br/>Team<br/>(266)</b> | <b>Community<br/>Corrections<br/>Program<br/>(267)</b> | <b>Law<br/>Library<br/>(269)</b> | <b>Commission<br/>on Aging<br/>Liability<br/>Reserve<br/>(272)</b> | <b>Commission<br/>on Aging<br/>Meals<br/>(273)</b> | <b>Law<br/>Enforcement<br/>Training<br/>(287)</b> |
|---|---------------------------------------|---|--------------------------------|--|----------------------------------|--|--|---|
| \$ -  | \$ -                                  | \$ -                                      | \$ -                           | \$ -   | \$ -                             | \$ -   | \$ -   | \$ -  |
| -   | -                                     | -   | -                              | -  | -                                | -  | 115,493  | -   |
| -   | -                                     | -   | 50                             | 97,579   | -                                | -  | 41,291   | 5,282   |
| -   | -                                     | -   | 4,578                          | -  | -                                | -  | -  | -   |
| 23,019  | 54,859                                | 4,676                                     | -                              | 18,400   | 8,442                            | -  | 22,273   | -   |
| -   | -                                     | 435                                       | 1                              | -  | 3                                | -  | 6,227  | -   |
| -   | -                                     | -   | -                              | -  | -                                | -  | 112,901  | -   |
| 23,019  | 54,859                                | 5,111                                     | 4,629                          | 115,979  | 8,445                            | -  | 298,185  | 5,282   |
| -   | -                                     | -   | -                              | -  | -                                | -  | -  | -   |
| -   | -                                     | -   | -                              | -  | 18,074                           | -  | -  | -   |
| 7,343   | 73,460                                | -   | 1,650                          | 109,658  | -                                | -  | -  | 5,736   |
| -   | -                                     | -   | -                              | -  | -                                | 1,452  | 297,399  | -   |
| -   | -                                     | -   | -                              | -  | -                                | -  | -  | -   |
| -   | -                                     | -   | -                              | -  | -                                | -  | -  | -   |
| -   | -                                     | -   | -                              | -  | -                                | -  | -  | -   |
| 7,343   | 73,460                                | -   | 1,650                          | 109,658  | 18,074                           | 1,452  | 297,399  | 5,736   |
| 15,676  | (18,601)                              | 5,111                                     | 2,979                          | 6,321  | (9,629)                          | (1,452)  | 786  | (454)   |
| -   | -                                     | -   | 3,000                          | 6,217  | 11,000                           | -  | 36,076   | -   |
| -   | -                                     | -   | -                              | -  | (6)                              | -  | -  | -   |
| -   | -                                     | -   | -                              | -  | -                                | -  | -  | -   |
| -   | -                                     | -   | 3,000                          | 6,217  | 10,994                           | -  | 36,076   | -   |
| 15,676  | (18,601)                              | 5,111                                     | 5,979                          | 12,538   | 1,365                            | (1,452)  | 36,862   | (454)   |
| 47,736  | 121,331                               | 7,514                                     | -                              | 46,966   | 1                                | 100,000  | 150,910  | 8,295   |
| \$ 63,412   | \$ 102,730                            | \$ 12,625                                 | \$ 5,979                       | \$ 59,504  | \$ 1,366                         | \$ 98,548  | \$ 187,772   | \$ 7,841  |

continued...

**COUNTY OF MECOSTA, MICHIGAN**  
**Combining Statement of Revenue, Expenditures**  
**and Changes in Fund Balances (Continued)**  
**Nonmajor Governmental Funds**  
**For the Year Ended December 31, 2007**

|   | Special Revenue                      |   |   |                        |
|---|--------------------------------------|---|---|------------------------|
|   | Secondary<br>Road<br>Patrol<br>(289) | Department<br>of Human<br>Services<br>(290) | Probate<br>Court<br>Diversion<br>Program<br>(291) | Child<br>Care<br>(292) |
| <b>Revenue</b>                              |                                      |   |   |                        |
| License and permits                         | \$ -                                 | \$ -  | \$ -  | \$ -                   |
| Intergovernmental:                          |                                      |   |   |                        |
| Federal                                     | -                                    | -   | -   | 14,424                 |
| State                                       | 77,595                               | 754,927                                     | -   | 150,158                |
| Local                                       | -                                    | -   | -   | -                      |
| Charges for services                        | -                                    | 237,271                                     | -   | 32,589                 |
| Interest and rentals                        | -                                    | -   | -   | -                      |
| Other revenue                               | -                                    | -   | -   | -                      |
| <b>Total revenue</b>                        | <b>77,595</b>                        | <b>992,198</b>                              | <b>-</b>  | <b>197,171</b>         |
| <b>Expenditures</b>                         |                                      |   |   |                        |
| Current:                                    |                                      |   |   |                        |
| General government                          | -                                    | -   | -   | -                      |
| Judicial                                    | -                                    | -   | -   | -                      |
| Public safety                               | 78,514                               | -   | -   | -                      |
| Health and welfare                          | -                                    | 1,011,817                                   | -   | 321,675                |
| Community & economic development            | -                                    | -   | -   | -                      |
| Debt service:                               |                                      |   |   |                        |
| Principal                                   | -                                    | -   | -   | -                      |
| Interest                                    | -                                    | -   | -   | -                      |
| Capital outlay                              | -                                    | -   | -   | -                      |
| <b>Total expenditures</b>                   | <b>78,514</b>                        | <b>1,011,817</b>                            | <b>-</b>  | <b>321,675</b>         |
| Revenue over (under) expenditures           | (919)                                | (19,619)                                    | -   | (124,504)              |
| <b>Other financing sources (uses)</b>       |                                      |   |   |                        |
| Transfers in                                | -                                    | 8,001                                       | -   | 100,000                |
| Transfers out                               | -                                    | -   | -   | -                      |
| Sale of capital assets                      | -                                    | -   | -   | -                      |
| <b>Total other financing sources (uses)</b> | <b>-</b>                             | <b>8,001</b>                                | <b>-</b>  | <b>100,000</b>         |
| Net change in fund balances                 | (919)                                | (11,618)                                    | -   | (24,504)               |
| Fund balances, beginning of year            | 15,944                               | 11,618                                      | 8,760   | 605,992                |
| <b>Fund balances, end of year</b>           | <b>\$ 15,025</b>                     | <b>\$ -</b>                                 | <b>\$ 8,760</b>                                   | <b>\$ 581,488</b>      |

| Special Revenue                     |                       |                        | Debt Service         |   | Capital Projects                |                           |                         |
|-------------------------------------|-----------------------|------------------------|----------------------|---|---------------------------------|---------------------------|-------------------------|
| Soldiers' and Sailors' Relief (293) | Veterans' Trust (294) | Runaway Services (297) | Jail Expansion (318) | Mecosta County Building Authority (569) | County Building Expansion (403) | Hospital Renovation (404) | Capital Equipment (405) |
| \$ -                                | \$ -                  | \$ -                   | \$ -                 | \$ -                                    | \$ -                            | \$ -                      | \$ -                    |
| -                                   | -                     | -                      | -                    | -                                       | -                               | -                         | -                       |
| -                                   | 5,970                 | 80,128                 | -                    | -                                       | -                               | -                         | -                       |
| -                                   | -                     | -                      | -                    | -                                       | -                               | -                         | -                       |
| -                                   | -                     | 17,022                 | -                    | -                                       | -                               | -                         | 1,043                   |
| -                                   | -                     | -                      | -                    | -                                       | -                               | -                         | -                       |
| -                                   | -                     | -                      | -                    | -                                       | -                               | -                         | -                       |
| -                                   | 5,970                 | 97,150                 | -                    | -                                       | -                               | -                         | 1,043                   |
| -                                   | -                     | -                      | -                    | 89                                      | -                               | -                         | -                       |
| -                                   | -                     | -                      | -                    | -                                       | -                               | -                         | -                       |
| -                                   | -                     | 93,439                 | -                    | -                                       | -                               | -                         | -                       |
| 2,273                               | 4,983                 | -                      | -                    | -                                       | -                               | -                         | -                       |
| -                                   | -                     | -                      | -                    | -                                       | -                               | -                         | -                       |
| -                                   | -                     | -                      | 100,000              | -                                       | -                               | -                         | -                       |
| -                                   | -                     | -                      | 70,609               | -                                       | -                               | -                         | -                       |
| -                                   | -                     | -                      | -                    | -                                       | -                               | 109,421                   | 202,537                 |
| 2,273                               | 4,983                 | 93,439                 | 170,609              | 89                                      | -                               | 109,421                   | 202,537                 |
| (2,273)                             | 987                   | 3,711                  | (170,609)            | (89)                                    | -                               | (109,421)                 | (201,494)               |
| -                                   | -                     | -                      | 56,000               | -                                       | -                               | -                         | 241,000                 |
| -                                   | -                     | -                      | -                    | -                                       | -                               | (153,210)                 | -                       |
| -                                   | -                     | -                      | -                    | -                                       | -                               | -                         | -                       |
| -                                   | -                     | -                      | 56,000               | -                                       | -                               | (153,210)                 | 241,000                 |
| (2,273)                             | 987                   | 3,711                  | (114,609)            | (89)                                    | -                               | (262,631)                 | 39,506                  |
| 27,654                              | 202                   | 4,352                  | 114,850              | 8,380                                   | 94,418                          | 262,631                   | 306,315                 |
| \$ 25,381                           | \$ 1,189              | \$ 8,063               | \$ 241               | \$ 8,291                                | \$ 94,418                       | \$ -                      | \$ 345,821              |

continued....

**COUNTY OF MECOSTA, MICHIGAN**  
**Combining Statement of Revenue, Expenditures**  
**and Changes in Fund Balances (Concluded)**  
**Nonmajor Governmental Funds**  
**For the Year Ended December 31, 2007**

|                                       | <b>Permanent</b>                      |                     |
|---------------------------------------|---------------------------------------|---------------------|
|                                       | <b>Broomfield<br/>Trust<br/>(757)</b> | <b>Total</b>        |
| <b>Revenue</b>                        |                                       |                     |
| License and permits                   | \$ -                                  | \$ 243,553          |
| Intergovernmental:                    |                                       |                     |
| Federal                               | -                                     | 442,782             |
| State                                 | -                                     | 1,309,514           |
| Local                                 | -                                     | 11,187              |
| Charges for services                  | -                                     | 596,697             |
| Interest and rentals                  | 7,333                                 | 31,255              |
| Other revenue                         | -                                     | 151,684             |
|                                       | <u>7,333</u>                          | <u>2,786,672</u>    |
| Total revenue                         |                                       |                     |
| <b>Expenditures</b>                   |                                       |                     |
| Current:                              |                                       |                     |
| General government                    | 3,774                                 | 31,887              |
| Judicial                              | -                                     | 70,331              |
| Public safety                         | -                                     | 465,718             |
| Health and welfare                    | -                                     | 2,199,618           |
| Community & economic development      | -                                     | 273,928             |
| Debt service:                         |                                       |                     |
| Principal                             | -                                     | 100,000             |
| Interest                              | -                                     | 70,609              |
| Capital outlay                        | -                                     | 347,283             |
|                                       | <u>3,774</u>                          | <u>3,559,374</u>    |
| Total expenditures                    |                                       |                     |
| Revenue over (under) expenditures     | <u>3,559</u>                          | <u>(772,702)</u>    |
| <b>Other financing sources (uses)</b> |                                       |                     |
| Transfers in                          | -                                     | 612,294             |
| Transfers out                         | -                                     | (153,216)           |
| Sale of capital assets                | -                                     | -                   |
|                                       | <u>-</u>                              | <u>-</u>            |
| Total other financing sources (uses)  |                                       |                     |
| Net change in fund balances           | <u>3,559</u>                          | <u>(313,624)</u>    |
| Fund balances, beginning of year      | <u>124,514</u>                        | <u>3,923,180</u>    |
| <b>Fund balances, end of year</b>     | <u>\$ 128,073</u>                     | <u>\$ 3,609,556</u> |

Concluded

**NONMAJOR ENTERPRISE FUNDS**

**COUNTY OF MECOSTA, MICHIGAN**  
**Combining Statement of Net Assets**  
**Nonmajor Enterprise Funds**  
**December 31, 2007**

|                            | <b>Prescription<br/>Health<br/>Plan<br/>(501)</b> | <b>Plat<br/>Review<br/>(506)</b> | <b>Public<br/>Works<br/>(641)</b> | <b>Totals</b> |
|----------------------------|---|----------------------------------|-----------------------------------|---------------|
|                            |   |                                  |                                   |               |
| <b>Current assets</b>      |   |                                  |                                   |               |
| Cash and cash equivalents  | \$ 2,312  | \$ 6,228                         | \$ 540                            | \$ 9,080      |
| <b>Current liabilities</b> |   |                                  |                                   |               |
| Accounts payable           | -   | -                                | -                                 | -             |
| <b>Net assets</b>          |   |                                  |                                   |               |
| Unrestricted               | \$ 2,312  | \$ 6,228                         | \$ 540                            | \$ 9,080      |

**COUNTY OF MECOSTA, MICHIGAN**  
**Combining Statement of Revenue, Expenses,**  
**and Changes in Fund Net Assets**  
**Nonmajor Enterprise Funds**  
**For the Year Ended December 31, 2007**

|                                | <b>Prescription<br/>Health<br/>Plan<br/>(501)</b> | <b>Plat<br/>Review<br/>(506)</b> | <b>Public<br/>Works<br/>(641)</b> | <b>Totals</b>   |
|--------------------------------|---|----------------------------------|-----------------------------------|-----------------|
| <b>Operating revenue</b>       |   |                                  |                                   |                 |
| Charges for services           | \$ 360  | \$ -                             | \$ -                              | \$ 360          |
| <b>Operating expenses</b>      |   |                                  |                                   |                 |
| Supplies                       | 8   | -                                | -                                 | 8               |
| Postage                        | 6   | -                                | -                                 | 6               |
| Other services and charges     | 360   | -                                | -                                 | 360             |
| Total operating expenses       | 374   | -                                | -                                 | 374             |
| Change in net assets           | (14)  | -                                | -                                 | (14)            |
| Net assets, beginning of year  | 2,326   | 6,228                            | 540                               | 9,094           |
| <b>Net assets, end of year</b> | <b>\$ 2,312</b>                                   | <b>\$ 6,228</b>                  | <b>\$ 540</b>                     | <b>\$ 9,080</b> |

**COUNTY OF MECOSTA, MICHIGAN**  
**Combining Statement of Cash Flows**  
**Nonmajor Enterprise Funds**  
**For the Year Ended December 31, 2007**

|  | <b>Prescription<br/>Health<br/>Plan<br/>(501)</b> | <b>Plat<br/>Review<br/>Fees<br/>(506)</b> | <b>Public<br/>Works<br/>(641)</b> | <b>Total</b>    |
|--|---|---|-----------------------------------|-----------------|
| <b>Cash flows from operating activities</b>  |   |   |                                   |                 |
| Receipts from customers and users  | \$ 360  | \$ -                                      | \$ -                              | \$ 360          |
| Payments to suppliers  | (375)   | -   | -                                 | (375)           |
| Net decrease in cash and pooled investments  | (15)  | -   | -                                 | (15)            |
| Cash and pooled investments, beginning of year   | 2,327   | 6,228                                     | 540                               | 9,095           |
| <b>Cash and pooled investments, end of year</b>  | <b>\$ 2,312</b>                                   | <b>\$ 6,228</b>                           | <b>\$ 540</b>                     | <b>\$ 9,080</b> |
| <b>Cash flows from operating activities</b>  |   |   |                                   |                 |
| Operating loss   | \$ (14)   | \$ -                                      | \$ -                              | \$ (14)         |
| Adjustments to reconcile operating income (loss) to net cash used in operating activities: |   |   |                                   |                 |
| (Increase) decrease in:  |   |   |                                   |                 |
| Accounts payable   | (1)   | -   | -                                 | (1)             |
| Net cash used in operating activities  | \$ (15)   | \$ -                                      | \$ -                              | \$ (15)         |

## **INTERNAL SERVICE FUNDS**

**COUNTY OF MECOSTA, MICHIGAN**  
**Combining Statement of Net Assets**  
**Internal Service Funds**  
**December 31, 2007**

|                             | <b>Central<br/>Stores<br/>(633)</b> | <b>Equalization<br/>Revolving<br/>(646)</b> | <b>Mailing<br/>Department<br/>(653)</b> | <b>Total</b> |
|-----------------------------|-------------------------------------|---|---|--------------|
| <b>Current assets</b>       |                                     |   |   |              |
| Cash and pooled investments | \$ 894                              | \$ 43,158                                   | \$ 1,258                                | \$ 45,310    |
| <b>Current liabilities</b>  |                                     |   |   |              |
| Accounts payable            | 438                                 | 256   | -                                       | 694          |
| <b>Net assets</b>           |                                     |   |   |              |
| Unrestricted                | \$ 456                              | \$ 42,902                                   | \$ 1,258                                | \$ 44,616    |

**COUNTY OF MECOSTA, MICHIGAN**  
**Combining Statement of Revenue, Expenses**  
**and Changes in Fund Net Assets**  
**Internal Service Funds**  
**For the Year Ended December 31, 2007**

|                                | Central<br>Stores<br>(633) | Equalization<br>Revolving<br>(646) | Mailing<br>Department<br>(653) | Total            |
|--------------------------------|----------------------------|------------------------------------|--------------------------------|------------------|
| <b>Operating revenue</b>       |                            |                                    |                                |                  |
| Charges for services           | \$ 13,003                  | \$ 36,591                          | \$ 28,637                      | \$ 78,231        |
| <b>Operating expenses</b>      |                            |                                    |                                |                  |
| Supplies                       | 13,184                     | 4,262                              | -                              | 17,446           |
| Postage                        | -                          | 11,423                             | 29,000                         | 40,423           |
| Other services and charges     | -                          | 14,218                             | -                              | 14,218           |
| Total operating expenses       | 13,184                     | 29,903                             | 29,000                         | 72,087           |
| Operating (loss) income        | (181)                      | 6,688                              | (363)                          | 6,144            |
| Net assets, beginning of year  | 637                        | 36,214                             | 1,621                          | 38,472           |
| <b>Net assets, end of year</b> | <b>\$ 456</b>              | <b>\$ 42,902</b>                   | <b>\$ 1,258</b>                | <b>\$ 44,616</b> |

**COUNTY OF MECOSTA, MICHIGAN**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Year Ended December 31, 2007**

|  | <b>Central<br/>Stores<br/>(633)</b> | <b>Equalization<br/>Revolving<br/>(646)</b> | <b>Mailing<br/>Department<br/>(653)</b> | <b>Total</b>     |
|--|-------------------------------------|---|---|------------------|
| <b>Cash flows from operating activities</b>  |                                     |   |   |                  |
| Receipts from interfund services provided  | \$ 13,003                           | \$ 39,427                                   | \$ 28,637                               | \$ 81,067        |
| Payments to suppliers  | (12,895)                            | (29,673)                                    | (29,000)                                | (71,568)         |
| Net cash provided by (used in) operating activities  | 108                                 | 9,754                                       | (363)                                   | 9,499            |
| Cash and pooled investments, beginning of year   | 786                                 | 33,404                                      | 1,621                                   | 35,811           |
| <b>Cash and pooled investments, end of year</b>  | <b>\$ 894</b>                       | <b>\$ 43,158</b>                            | <b>\$ 1,258</b>                         | <b>\$ 45,310</b> |
| <b>Cash flows from operating activities</b>  |                                     |   |   |                  |
| Operating (loss) income  | \$ (181)                            | \$ 6,688                                    | \$ (363)                                | \$ 6,144         |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: |                                     |   |   |                  |
| (Increase) decrease in:  |                                     |   |   |                  |
| Accounts receivable  | -                                   | 2,836                                       | -                                       | 2,836            |
| Accounts payable   | 289                                 | 230   | -                                       | 519              |
| Net cash provided by (used in) operating activities  | \$ 108                              | \$ 9,754                                    | \$ (363)                                | \$ 9,499         |

## **FIDUCIARY FUNDS**

**COUNTY OF MECOSTA, MICHIGAN**  
**Combining Balance Sheet**  
**Agency Funds**  
**December 31, 2007**

|                                 | <b>Trust And<br/>Agency<br/>(701)</b> | <b>Library<br/>Penal Fine<br/>Fund<br/>(721)</b> | <b>District<br/>Court<br/>Criminal<br/>(759)</b> | <b>District<br/>Court<br/>Trust<br/>(760)</b> |
|---------------------------------|---------------------------------------|--|--|---|
| <b>Assets</b>                   |                                       |  |  |   |
| Cash and cash equivalents       | \$ 485,798                            | \$ 140,459                                       | \$ 44,174  | \$ 98,654                                     |
| <b>Liabilities</b>              |                                       |  |  |   |
| Accounts payable                | \$ 248,836                            | \$ 140,459                                       | \$ 44,174  | \$ 98,654                                     |
| Due to other governmental units | 236,962                               | -  | -  | -   |
| Total liabilities               | \$ 485,798                            | \$ 140,459                                       | \$ 44,174  | \$ 98,654                                     |

| <b>Inmate<br/>Trust<br/>(764)</b> | <b>Inmate<br/>Commissary<br/>(765)</b> | <b>Total</b> |
|-----------------------------------|--|--------------|
| \$ 1,862                          | \$ 9,430                               | \$ 780,377   |
| \$ 1,862                          | \$ 9,430                               | \$ 543,415   |
| -                                 | -                                      | 236,962      |
| \$ 1,862                          | \$ 9,430                               | \$ 780,377   |

## **COMPONENT UNITS**

**COUNTY OF MECOSTA, MICHIGAN**

**Balance Sheet / Statement of Net Assets**

**Office of the Drain Commissioner**

**December 31, 2007**

|   | <b>Governmental Funds</b>       |   |  | <b>Total</b>      |
|---|---------------------------------|---|--|-------------------|
|   | <b>Drain<br/>Fund<br/>(801)</b> | <b>Revolving<br/>Drain<br/>Fund<br/>(802)</b> | <b>Chippewa<br/>Lake Bond<br/>Redemption<br/>(820)</b> |                   |
| <b>Assets</b>                             |                                 |   |  |                   |
| Cash and cash equivalents                 | \$ 89,474                       | \$ 5,057                                      | \$ 40,798  | \$ 135,329        |
| Accounts receivable                       | 435                             | -   | 175,000  | 175,435           |
| Due from other funds                      | -                               | 15,812  | -  | 15,812            |
| Capital assets being depreciated, net     | -                               | -   | -  | -                 |
| <b>Total assets</b>                       | <b>\$ 89,909</b>                | <b>\$ 20,869</b>                              | <b>\$ 215,798</b>                                      | <b>\$ 326,576</b> |
| <b>Liabilities</b>                        |                                 |   |  |                   |
| Accounts payable                          | \$ 2,661                        | \$ -  | \$ -   | \$ 2,661          |
| Due to other funds                        | 15,812                          | -   | -  | 15,812            |
| Due to primary government                 | 25,000                          | -   | -  | 25,000            |
| Deferred revenue                          | -                               | -   | 175,000  | 175,000           |
| Long-term debt:                           |                                 |   |  |                   |
| Due in one year                           | -                               | -   | -  | -                 |
| Due in more than one year                 | -                               | -   | -  | -                 |
| <b>Total liabilities</b>                  | <b>43,473</b>                   | <b>-</b>                                      | <b>175,000</b>   | <b>218,473</b>    |
| <b>Fund balance</b>                       |                                 |   |  |                   |
| Unrestricted                              | 46,436                          | 20,869  | 40,798   | 108,103           |
| <b>Total liabilities and fund balance</b> | <b>\$ 89,909</b>                | <b>\$ 20,869</b>                              | <b>\$ 215,798</b>                                      | <b>\$ 326,576</b> |
| <b>Net assets</b>                         |                                 |   |  |                   |
| Invested in capital assets                |                                 |   |  |                   |
| Unrestricted                              |                                 |   |  |                   |
| <b>Total net assets</b>                   |                                 |   |  |                   |

| <u>Adjustments</u> | <u>Statement<br/>of Net<br/>Assets</u> |
|--------------------|--|
| \$ -               | \$ 135,329                             |
| -                  | 175,435                                |
| (15,812)           | -                                      |
| <u>262,907</u>     | <u>262,907</u>                         |
| <br>               |  |
| <u>\$ 247,095</u>  | <u>573,671</u>                         |
| <br>               |  |
| \$ -               | 2,661                                  |
| (15,812)           | -                                      |
| -                  | 25,000                                 |
| (175,000)          | -                                      |
| <br>               |  |
| 35,000             | 35,000                                 |
| <u>140,000</u>     | <u>140,000</u>                         |
| <br>               |  |
| (15,812)           | 202,661                                |
| <br>               |  |
| <u>(108,103)</u>   |  |
| <br>               |  |
| 262,907            | 262,907                                |
| <u>108,103</u>     | <u>108,103</u>                         |
| <br>               |  |
| <u>\$ 371,010</u>  | <u>\$ 371,010</u>                      |

**COUNTY OF MECOSTA, MICHIGAN**  
**Reconciliation of Fund Balances on the Balance Sheet**  
**for Governmental Funds to Net Assets**  
**of Governmental Activities on the Statement of Net Assets**  
**Office of the Drain Commissioner**  
**December 31, 2007**

|  |            |
|--|------------|
| Fund balances - total governmental funds   | \$ 108,103 |
| Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:  |            |
| Capital assets used in governmental activities are not financial resources, and therefore are not reported in the fund statement.  |            |
| Add: capital assets, net of accumulated depreciation   | 262,907    |
| Certain assets, such as assessments receivable from local units, are not due and receivable in the current period and therefore are offset with deferred revenue in the fund statement |            |
| Add: deferred assessments receivable   | 175,000    |
| Certain liabilities, such as bonds payable, are not due and payable in the current period, and therefore are not reported in the funds.  |            |
| Deduct: bonds payable, current   | (35,000)   |
| Deduct: bonds payable, long-term   | (140,000)  |
|  | (175,000)  |
| Net assets of governmental activities  | \$ 371,010 |

**COUNTY OF MECOSTA, MICHIGAN**  
**Combining Statement of Revenue, Expenditures,**  
**and Changes in Fund Balances / Statement of Activities**  
**Office of the Drain Commissioner**  
**For the Year Ended December 31, 2007**

|  | <b>Governmental Funds</b>       |   |  | <b>Total</b>             |
|--|---------------------------------|---|--|--------------------------|
|  | <b>Drain<br/>Fund<br/>(801)</b> | <b>Revolving<br/>Drain<br/>Fund<br/>(802)</b> | <b>Chippewa<br/>Lake Bond<br/>Redemption<br/>(820)</b> |                          |
| <b>Revenues</b>                              |                                 |   |  |                          |
| Charges for services                         | \$ 90                           | \$ -  | \$ 47,075  | \$ 47,165                |
| Interest                                     | 4,330                           | 195   | 182  | 4,707                    |
| <b>Total operating revenue</b>               | <u>4,420</u>                    | <u>195</u>                                    | <u>47,257</u>  | <u>51,872</u>            |
| <b>Expenditures/expenses</b>                 |                                 |   |  |                          |
| Current:                                     |                                 |   |  |                          |
| Public works                                 | 17,086                          | -   | -  | 17,086                   |
| Depreciation                                 | -                               | -   | -  | -                        |
| Debt service:                                |                                 |   |  |                          |
| Principal                                    | -                               | -   | 35,000   | 35,000                   |
| Interest                                     | -                               | -   | 9,974  | 9,974                    |
| <b>Total operating expenditures/expenses</b> | <u>17,086</u>                   | <u>-</u>                                      | <u>44,974</u>  | <u>62,060</u>            |
| <b>Change in fund balances/net assets</b>    | (12,666)                        | 195   | 2,283  | (10,188)                 |
| <b>Fund balances/net assets</b>              |                                 |   |  |                          |
| Beginning of year                            | <u>59,102</u>                   | <u>20,674</u>                                 | <u>38,515</u>  | <u>118,291</u>           |
| <b>End of year</b>                           | <u><u>\$ 46,436</u></u>         | <u><u>\$ 20,869</u></u>                       | <u><u>\$ 40,798</u></u>                                | <u><u>\$ 108,103</u></u> |

| <u>Adjustments</u> | <u>Statement<br/>of<br/>Activities</u> |
|--------------------|--|
| \$ (35,000)        | \$ 12,165                              |
| -                  | 4,707                                  |
| <u>(35,000)</u>    | <u>16,872</u>                          |
| (13,659)           | 3,427                                  |
| 47,927             | 47,927                                 |
| (35,000)           | -                                      |
| <u>-</u>           | <u>9,974</u>                           |
| <u>(732)</u>       | <u>61,328</u>                          |
| (34,268)           | (44,456)                               |
| <u>297,175</u>     | <u>415,466</u>                         |
| <u>\$ 262,907</u>  | <u>\$ 371,010</u>                      |

**COUNTY OF MECOSTA, MICHIGAN**  
**Reconciliation of the Statement of Revenue, Expenditures**  
**and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**Office of the Drain Commissioner**  
**For the Year Ended December 31, 2007**

Net change in fund balances - total governmental funds \$ (10,188)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

|                              |          |
|------------------------------|----------|
| Deduct: depreciation expense | (47,927) |
| Add: capital outlay          | 13,659   |

Assessments receivable are long-term in nature and are collectable over several years. However, the current receipts are reflected as revenues on the fund statements.

|   |          |
|---|----------|
| Deduct: change in deferred assessments receivable | (35,000) |
|---|----------|

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

|  |               |
|--|---------------|
| Add: principal payments on long-term liabilities | <u>35,000</u> |
|--|---------------|

|   |                           |
|---|---------------------------|
| Change in net assets of governmental activities | <u><u>\$ (44,456)</u></u> |
|---|---------------------------|

**SINGLE AUDIT SECTION**



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

June 19, 2008

Honorable Chairman and Members  
of the Board of Commissioners  
County of Mecosta  
Big Rapids, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **County of Mecosta, Michigan** as of and for the year ended December 31, 2007, which collectively comprise the County's basic financial statements and have issued our report thereon dated June 19, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We did not audit the financial statements of the Road Commission and Medical Center discretely presented component units or the Park Commission blended component unit. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our report on these financial statements insofar as it relates to the amounts included for the Road Commission, Park Commission, and Medical Center, was based solely on the reports of other auditors.

**Internal Control Over Financial Reporting**

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

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

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiency described in item 2007-1 in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Agency's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 2007-1 to be a material weakness.

### **Compliance and Other Matters**

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

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

The County of Mecosta, Michigan's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the County of Mecosta, Michigan's response and, accordingly, we express no opinion on it.

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

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



**REHMANN ROBSON**

*Certified Public Accountants*

A member of **THE REHMANN GROUP**

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

June 19, 2008

Honorable Chairman and Members  
of the Board of Commissioners  
County of Mecosta  
Big Rapids, Michigan

**Compliance**

We have audited the compliance of the *County of Mecosta, Michigan*, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2007. The County of Mecosta, Michigan's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Mecosta County, Michigan's, management. Our responsibility is to express an opinion on the County of Mecosta, Michigan's compliance based on our audit.

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

In our opinion, the County of Mecosta, Michigan complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2007.

### **Internal Control Over Compliance**

The management of the County of Mecosta, Michigan 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 the County of Mecosta, Michigan's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County of Mecosta, Michigan's internal control over compliance.

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

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2007-2 to be a significant deficiency.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider item 2007-2 to be a material weakness.

The County of Mecosta, Michigan's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the County of Mecosta, Michigan's response and, accordingly, we express no opinion on it.

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



**COUNTY OF MECOSTA, MICHIGAN**

**Schedule of Expenditures of Federal Awards**

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

| <b>Federal / Pass-through Grantor<br/>Program Title</b>                               | <b>CFDA<br/>Number</b> | <b>Federal / Pass-through<br/>Grantor Number</b> | <b>Award<br/>Amount</b> | <b>Federal<br/>Expenditures</b> |
|---|------------------------|--|-------------------------|---------------------------------|
| <b>U.S. Department of Justice</b>   |                        |  |                         |                                 |
| Passed-through State Department of Human Services:                                    |                        |  |                         |                                 |
| Juvenile Accountability Incentive Block Grant   | 16.523                 | JABGN-07-54001                                   | 14,925                  | \$ 14,424                       |
| <b>U.S. Department of Health and Human Services</b>                                   |                        |  |                         |                                 |
| Passed-through Michigan Department of Human Services:                                 |                        |  |                         |                                 |
| Friend of the Court Federal Incentives  | 93.563                 |  | 73,197                  | 73,197                          |
| Prosecuting Attorney Cooperative Reimbursement Program - Title IV-D                   | 93.563                 | CS/PA-07-54002                                   | 68,677                  | 53,686                          |
| Friend of the Court Cooperative Reimbursement Program - Title IV-D                    | 93.563                 | CS/FOC/07-54001                                  | 309,771                 | 226,084                         |
|   |                        |  |                         | <u>352,967</u>                  |
| <br>Title IV-E  | <br>93.658             | <br>PROFC-07-54001-2                             | <br>35,786              | <br><u>3,581</u>                |
| Passed-through Area Agency on Aging<br>of Western Michigan Inc. (AAAWM):              |                        |  |                         |                                 |
| Senior Center Staffing Title IIIB 06-07   | 93.044                 | 51.72  | 6,000                   | 6,000                           |
| Assisted Transportation, Title IIIB (AAA) 06-07                                       | 93.044                 | 51.72  | 19,315                  | 14,575                          |
| Assisted Transportation, Title IIIB (AAA) 07-08                                       | 93.044                 | 51.72  | 19,315                  | 5,095                           |
| Homemaker Aide, Title IIIB 06-07  | 93.044                 | 51.72  | 13,000                  | 12,053                          |
| Homemaker Aide, Title IIIB 07-08  | 93.044                 | 51.72  | 13,000                  | 363                             |
| Outreach Assistance, Title IIIB 06-07   | 93.044                 | 61.72  | 10,762                  | 5,663                           |
| Outreach Assistance, Title IIIB 07-08   | 93.044                 | 61.72  | 10,762                  | 3,905                           |
| Congregate Meals Title IIIC-1 06-07   | 93.045                 | 61.72  | 21,955                  | 17,328                          |
| Congregate Meals Title IIIC-1 07-08   | 93.045                 | 61.72  | 18,955                  | 3,736                           |
| Home Delivered Meals Title IIIC-2 06-07   | 93.045                 | 61.72  | 64,045                  | 47,307                          |
| Home Delivered Meals Title IIIC-2 07-08   | 93.045                 | 61.72  | 64,045                  | 17,456                          |
| Federal Respite IIIE 06-07  | 93.052                 | 51.72  | 24,395                  | 21,881                          |
| Federal Respite IIIE 07-08  | 93.052                 | 51.72  | 21,395                  | 1,658                           |
| NSIP 06-07  | 93.053                 | 61.72  | 29,270                  | 22,499                          |
| NSIP 07-08  | 93.053                 | 61.72  | 29,193                  | 7,167                           |
| Title IIID Health 06-07   | 93.043                 | 51.72  | 5,500                   | 4,100                           |
| Title IIID Health 07-08   | 93.043                 | 51.72  | 4,800                   | 434                             |
|   |                        |  |                         | <u>191,220</u>                  |
| <br>Total U.S. Department of Health and Human Services                                |                        |  |                         | <u>547,768</u>                  |
| <b>U.S. Department of Homeland Security</b>   |                        |  |                         |                                 |
| Passed-through Michigan Department of State Police,<br>Emergency Management Division: |                        |  |                         |                                 |
| Emergency Management Performance Grant  | 97.062                 |  | 15,495                  | 15,495                          |
| Homeland Security Grant Program   | 97.004                 |  | 18,564                  | 13,585                          |
|   |                        |  |                         | <u>29,080</u>                   |
| Passed-through Michigan Department of Natural Resources:                              |                        |  |                         |                                 |
| Marine Safety Program   | 97.012                 |  | 18,523                  | 18,523                          |
| <br>Total U.S. Department of Homeland Security  |                        |  |                         | <u>47,603</u>                   |
| <b>Total Expenditures of Federal Awards</b>   |                        |  |                         | <u><b>\$ 609,795</b></u>        |

# COUNTY OF MECOSTA, MICHIGAN

## Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2007

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### SECTION I – SUMMARY OF AUDITORS’ RESULTS

#### Financial Statements

Type of auditors’ report issued: *Unqualified on basic financial statements*

Internal controls over financial reporting:

|  |                   |                            |
|--|-------------------|----------------------------|
| Material weakness(es) identified?  | <u>  x  </u> yes  | <u>      </u> no           |
| Significant deficiency(ies) identified not considered to be material weaknesses? | <u>      </u> yes | <u>  x  </u> none reported |
| Noncompliance material to financial statements noted?                            | <u>      </u> yes | <u>  x  </u> no            |

#### *Federal Awards*

Internal Control over major programs:

|  |                   |                            |
|--|-------------------|----------------------------|
| Material weakness(es) identified?  | <u>  x  </u> yes  | <u>      </u> no           |
| Significant deficiency(ies) identified not considered to be material weaknesses? | <u>      </u> yes | <u>  x  </u> none reported |

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

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)

|                   |                 |
|-------------------|-----------------|
| <u>      </u> yes | <u>  x  </u> no |
|-------------------|-----------------|

#### *Identification of Major Programs*

| <i>CFDA Number</i> | <i>Name of Federal Program or Cluster</i> |
|--------------------|---|
| 93.563             | Title IV-D Cooperative Reimbursement      |

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

|  |                  |                  |
|--|------------------|------------------|
| Auditee qualified as low-risk auditee? | <u>  x  </u> yes | <u>      </u> no |
|--|------------------|------------------|

# COUNTY OF MECOSTA, MICHIGAN

## Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2007

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### SECTION II – FINANCIAL STATEMENT FINDINGS

#### Finding 2007-1 – Material Audit Adjustments

|                                |  |
|--------------------------------|--|
| Criteria:                      | Management is responsible for maintaining its accounting records in accordance with generally accepted accounting principles (GAAP).   |
| Condition:                     | During our audit, we identified and proposed several material adjustments (which were approved and posted by management) to adjust the County's general ledger to the appropriate balances. These adjustments included adjusting taxes receivable and the related revenue/deferred revenue to the correct amounts, adjusting the allowance for doubtful EMS service fees receivable to a more appropriate balance, and recording a prior period adjustment for over-reimbursed Title IV-D revenue (Refer to finding 2007-2). |
| Cause:                         | This condition was the result of a management oversight in setting up the year-end receivables.  |
| Effect:                        | As a result of this condition, the County's accounting records were initially misstated by amounts material to the financial statements.   |
| Recommendation:                | We recommend that the County review all balance sheet accounts for reasonableness prior to audit fieldwork, and contact its independent auditors with any questions prior to this time.  |
| View of Responsible Officials: | Management has reviewed the appropriate accounting treatment for the above transactions with its auditors in order to prevent similar errors in future years.  |

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

#### Finding 2007-2 – Reporting CFDA # 93.563: Title IV-D Child Support Enforcement

|            |   |
|------------|---|
| Criteria:  | The County is responsible for accurately accumulating costs relating to federal awards and reporting the correct amounts for reimbursements under the terms of the grant agreement.                                       |
| Condition: | Salaries expense related to two employees shared with the Title IV-D department of another county were reported and reimbursed by the State for the full amount of the expense, instead of Mecosta County's portion only. |
| Cause:     | This condition was caused by a formula error in the monthly expenditure reports that was not discovered by the County, or its third-party report preparation company.   |

# COUNTY OF MECOSTA, MICHIGAN

## Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2007

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### SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

#### Finding 2007-2 – Reporting (Continued)

|                                |   |
|--------------------------------|---|
| Effect:                        | As a result of this condition, the County was reimbursed in excess of actual costs incurred.  |
| Questioned costs:              | \$32,868  |
| Recommendation:                | We recommend that the County review its procedures for departmental review of outsourced report preparation, and determine if any revisions are deemed necessary.                                     |
| View of Responsible Officials: | The County and its third-party contractor have corrected the spreadsheet error for future report submissions. The cumulative errors have been calculated and will be repaid to the State of Michigan. |

### SECTION IV – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

|                       |   |
|-----------------------|---|
| <b>Finding 2006-1</b> | The County did not properly account for service fees receivable in the Emergency Services special revenue fund, and the balances required adjustments in amounts that were more than inconsequential. The finding was substantially corrected for the year ended December 31, 2007, except for a material adjustment that was required to adjust the allowance for doubtful accounts to a more reasonable amount. (Refer to finding 2007-1) |
|-----------------------|---|

\* \* \* \* \*



# REHMANN ROBSON

*Certified Public Accountants*

A member of THE REHMANN GROUP

June 19, 2008

To the Board of Commissioners of the  
County of Mecosta, Michigan  
Big Rapids, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *County of Mecosta, Michigan* (the "County") for the year ended December 31, 2007, and have issued our report thereon dated June 19, 2008. Professional standards require that we provide you with the following information related to our audit.

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

As stated in our engagement letter dated March 10, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

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

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the County's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on the County's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the County's compliance with those requirements.

**Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter and our discussions about planning matters in January 2008.

**Significant Audit Findings***Qualitative Aspects of Accounting Practices*

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

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

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.
- Management's estimate of the allowance for uncollectible receivable balances is based on past experience and future expectation for collection of various account balances.

Management's estimate that the unfunded actuarially accrued liability for other postemployment benefits, if properly calculated, would be immaterial to the financial statements taken as a whole is based on the fact that only a small percentage of County employees have historically participated in the County's retiree healthcare program (in which retirees pay the full cost of retaining their health insurance coverage after retirement.)

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

*Difficulties Encountered in Performing the Audit*

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

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, material misstatements detected as a result of audit procedures were corrected by management to adjust property taxes receivable and the related deferred revenue to actual amounts, to adjust the EMS allowance for uncollectible accounts to a more accurate balance, and to record a prior period adjustment for over-reimbursed Child Support Enforcement revenue.

*Disagreements with Management*

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

*Management Representations*

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

*Management Consultations with Other Independent Accountants*

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

*Other Audit Findings or Issues*

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

This information is intended solely for the use of the governing body and management of the County of Mecosta, Michigan and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "Lehmann Johnson". The signature is written in a cursive style with a large, prominent initial 'L'.

# Mecosta County

## Comments and Recommendations

For the Year Ended December 31, 2007

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

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

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

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. The deficiencies we noted that we consider to be material weaknesses are described in the Schedule of Findings and Questioned Costs in the County's Single Audit report.

### **Other Matters**

#### *Independent Review and Approval of Journal Entries*

During our audit, we noted that general journal entries are not consistently subject to review and signed approval by an independent administrator. Through discussions with the management, we understand that copies of journal entries posted are generally reviewed with the appropriate department head. In order to enhance the internal controls over this process, we recommend that such reviews be evidenced by having the journal entry form signed or initialed by the reviewer.

# Mecosta County

## Comments and Recommendations

For the Year Ended December 31, 2007

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### *Other Postemployment Benefits*

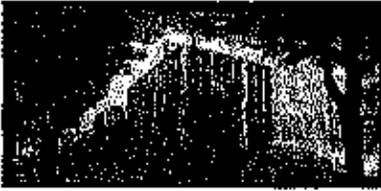
The Governmental Accounting Standards Board (GASB) has issued two new pronouncements (GASB Statements No. 43 and 45) related to postemployment benefits other than pension plans (commonly referred to as "other postemployment benefits" or OPEB.) Effective for the year ended December 31, 2007, local governments with total revenues of at least \$10 million that offer postemployment benefits are now required to have an actuarial valuation completed at least biennially. Based on the results of that valuation, governments are then required to disclose the "actuarially required contribution" (ARC) necessary to pre-fund these benefits. Governments are not required to actually pre-fund their OPEB liabilities. However, if they elect not to do so (i.e., continue to finance OPEB costs on the pay-as-you-go method), then they must disclose a liability for the difference between the amount actually paid and the ARC beginning with the fiscal year ended December 31, 2008.

In some cases, determining whether a government provides other postemployment benefits is simple. The most obvious example is when a government pays all or a part of retiree healthcare costs. However, at times, OPEB liabilities (as defined by the GASB) may exist and not be immediately evident, such as with the "implicit rate subsidy" described by GASB Statement 43. An implicit rate subsidy exists when a government allows retirees to pay the full cost of participating in the government's health insurance program, but does not obtain a separate age-adjusted premium for the retirees. The GASB's argument is that the cost paid by the government for the health insurance coverage of active employees is necessarily higher than it would have been without the inclusion of retirees in the pool of participants. This presumed incremental increase in premiums being paid by the government is termed an "implicit rate subsidy" (i.e., the retirees are paying a lower rate than the one to which they would otherwise be entitled, and that difference is being subsidized by the government), and is subject to the requirements of GASB 43 and 45.

Inasmuch as the County offers no OPEB other than the implicit rate subsidy, management elected to not incur the cost of obtaining an actuarial valuation of its potential OPEB liability for the year ended December 31, 2007. Management has determined, and we have concurred, that any actuarially accrued liability would likely be immaterial to the financial statements taken as a whole, and has indicated this in the notes to the County's financial statements.

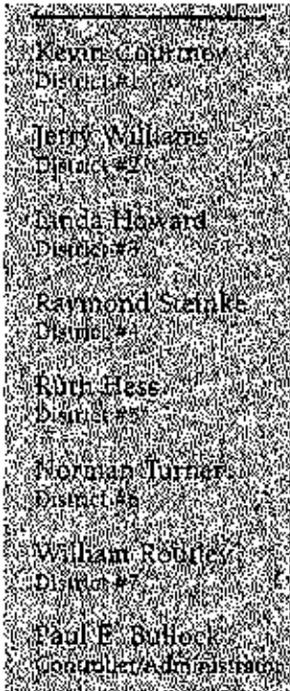
While we agree with management that the actuarially accrued liability would likely be immaterial to the financial statements, we nevertheless recommend that for the year ended December 31, 2008 the County either (1) obtain a formal actuarial valuation to confirm this estimate, or (2) determine a separate age-adjusted premium for participating retirees to pay, which would eliminate the implicit rate subsidy, and exempt the County from the requirements of GASB 43 and 45.

\* \* \* \* \*



**COUNTY OF MECOSTA**  
**BOARD OF COMMISSIONERS**  
400 ELM STREET, BIG RAPIDS, MI 49307 (231) 796-2505

June 19, 2008



Rehmann Robson  
2330 East Paris Ave. SE  
Grand Rapids, MI 49546

We are providing this letter in connection with your audit of the financial statements of *Mecosta County, Michigan* as of December 31, 2007 and for the year then ended for the purpose of expressing opinions as to whether the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of *Mecosta County, Michigan* and the respective changes in financial position and, where applicable, cash flows thereof in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control, and preventing and detecting fraud.

We confirm, to the best of our knowledge and belief, as of June 19, 2008, the following representations made to you during your audit.

1. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
2. We have made available to you all—
  - a. Financial records and related data and all audit or relevant monitoring reports, if any, received from funding sources.
  - b. Minutes of the meetings of the Board of Commissioners or summaries of actions of recent meetings for which minutes have not yet been prepared.
3. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

4. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements or the schedule of expenditures of federal awards.
5. We are in agreement with the adjusting journal entries you have proposed, and they have been posted. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.
6. We have no knowledge of any fraud or suspected fraud affecting the entity involving:
  - a. Management,
  - b. Employees who have significant roles in internal control, or
  - c. Others where the fraud could have a material effect on the financial statements.
7. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, or others.
8. We have a process to track the status of audit findings and recommendations.
9. We have identified to you any previous financial audits, attestation engagements, performance audits, or other studies related to the objectives of the audit being undertaken and the corrective actions taken to address significant findings and recommendations.
10. We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
11. The County has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
12. The following, if any, have been properly recorded or disclosed in the financial statements:
  - a. Related party transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.

For the purposes of this letter, related parties mean members of the governing body; board members; administrative officials; immediate families of administrative officials,

board members, and members of the governing body; and affiliated governmental units that are not included in the financial statements as part of the reporting entity.

- b. Guarantees, whether written or oral, under which the County is contingently liable.
  - c. All accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates and measurements. We believe the estimates and measurements are reasonable in the circumstances, consistently applied, and adequately disclosed.
13. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts, or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
14. There are no—
- a. Violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
  - b. We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with Financial Accounting Standards Board (FASB) Statement No. 5 or which would affect federal award programs, and we have not consulted a lawyer concerning litigation, claims, or assessments.
  - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by FASB Statement No. 5.
  - d. Reservations or designation of fund equity that were not properly authorized and approved.

15. As part of your audit, you prepared the draft financial statements and related notes and schedule of expenditures of federal awards. We have designated a competent management-level individual to oversee your services and have made all management decisions and performed all management functions. We have reviewed, approved, and accepted responsibility for those financial statements and related notes and schedule of expenditures of federal awards
16. The County has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
17. The County has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
18. The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
19. The financial statements properly classify all funds and activities.
20. All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
21. Net asset components (invested in capital assets, net of related debt; restricted; and unrestricted) and fund balance reserves and designations are properly classified and, if applicable, approved.
22. Provisions for uncollectible receivables have been properly identified and recorded.
23. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
24. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
25. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
26. Deposits and investment securities are properly classified as to risk, and investments are properly valued.

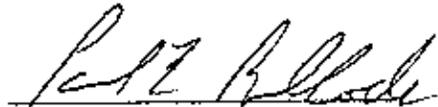
27. Capital assets, including infrastructure assets, are properly capitalized, reported, and, if applicable, depreciated.
28. Required supplementary information (RSI) is measured and presented within prescribed guidelines.
29. With respect to federal award programs:
  - a. We are responsible for complying and have complied with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.
  - b. We have, in accordance with OMB Circular A-133, identified in the schedule of expenditures of federal awards, expenditures made during the audit period for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance.
  - c. We are responsible for complying with, and have complied with in all material respects, the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major federal program.
  - d. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance requirements applicable to federal programs that provides reasonable assurance that we are managing our federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended. Also, no changes have been made in internal control over compliance or other factors to the date of this letter that might significantly affect internal control, including any corrective action taken with regard to significant deficiencies (including material weaknesses) reported in the schedule of findings and questioned costs.
  - e. We have made available to you all contracts and grant agreements (including amendments, if any) and any other

correspondence with federal agencies or pass-through entities relating to major federal programs.

- f. We have received no requests from a federal agency to audit one or more specific programs as a major program.
- g. We have complied, in all material respects, with the compliance requirements, including when applicable, those set forth in the *OMB Circular A-133 Compliance Supplement*, relating to federal awards and have identified and disclosed to you all amounts questioned and any known noncompliance with the requirements of federal awards, including those resulting from other audits or program reviews.
- h. Amounts claimed or used for matching were determined in accordance with relevant guidelines in *OMB Circular A-87, Cost Principles for State, Local, and Tribal Governments*, and *OMB's Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*.
- i. We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- j. We have made available to you all documentation related to the compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- k. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.
- l. We have charged costs to federal awards in accordance with applicable cost principles.
- m. The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
- n. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by *OMB Circular A-133* and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.

- o. We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by OMB Circular A-133, and we are responsible for preparing and implementing a corrective action plan for each audit finding.
- p. We have disclosed to you all contracts or other agreements with service organizations, and we have disclosed to you all communications from the service organizations relating to noncompliance at the service organizations.

No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements or in the schedule of findings and questioned costs.



Paul Bullock  
Mecosta County Controller/Administrator



Raymond Steinke  
Chair, Mecosta County  
Board of Commissioners