

Montcalm County, Michigan

FINANCIAL STATEMENTS

September 30, 2015

Montcalm County, Michigan

September 30, 2015

BOARD OF COMMISSIONERS

| | |
|--------------------|------------------|
| Patrick Q. Carr | Chairperson |
| Ronald Retzloff | Vice-Chairperson |
| Dale Reyburn | Commissioner |
| Tom Porter | Commissioner |
| Tom Lindeman | Commissioner |
| John Johansen | Commissioner |
| Ronald Braman | Commissioner |
| Ronald Baker | Commissioner |
| Betty Kellenberger | Commissioner |

ADMINISTRATION AND OTHER ELECTED OFFICIALS

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

Montcalm County, Michigan

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
of Montcalm County
Stanton, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Montcalm County, Michigan (the County), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Montcalm County Road Commission, which represents 71 percent, 79 percent, and 79 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Montcalm County Road Commission, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Montcalm County, Michigan, as of September 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principles

As discussed in Note T to the financial statements, the Department implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, during the year. As a result, the financial statements now recognize the County's unfunded defined pension benefit obligation as a liability for the first time and more comprehensively and comparably measures the annual costs of pension benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). Our opinions are not modified with respect to this matter.

Also as discussed in Note T to the financial statements, the Department implemented GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*, during the year. As a result, the County recognized a beginning deferred outflow of resources for its pension contributions made subsequent to the measurement date of the beginning net pension liability. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the procedures performed as described above, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2016, on our consideration of the County's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

May 31, 2016

This section of Montcalm County's annual financial report presents our discussion and analysis of the County's financial performance during the fiscal year that ended on September 30, 2015. Please read it in conjunction with the County's financial statements, which follow this section. For discussion and analysis of the financial statements of the Road Commission for Montcalm County please see their separately issued financial statements.

Financial Highlights

- Governmental Activities Net Position decreased during the 2015 fiscal year. Net position decreased \$1,336,832 to a deficit of \$13,259,382, an approximate 10% decrease.
- Business-Type Activities Net Position decreased \$78,390 to \$15,018,283 during the 2015 fiscal year, a decrease of less than 1%. Unrestricted Net Position decreased from \$14,285,094 to \$14,087,372.
- Governmental Activities expenses totaled \$20,315,484. \$7,775,307 of those expenses was financed by service charges, contributions, or grants. Tax revenue, revenue sharing, transfers from Business-Type Activities, and other general revenues financed expenses of \$10,187,344.
- The Ambulance Fund expenses totaled \$3,640,217. Operating revenues (service charges and grants) financed \$2,391,168 of that amount.
- The Delinquent Tax Funds generated service charge revenue of \$1,300,011. The revenues exceeded expenses by \$1,071,706 before considering nonoperating revenues (interest earnings) generated by the funds.
- The depreciated cost (cost net of depreciation) of the governmental capital assets at September 30, 2015, was \$7,866,284.
- Pension Trust Fund net position increased from \$21,671,237 to \$22,309,584.

Overview of the Financial Statements

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

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

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

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

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

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

Government-wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

The County has three kinds of funds:

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

Financial Analysis of the County as a Whole

Net position. The County's combined net position decreased approximately 45% to \$1,758,901 at September 30, 2015. (See Table A-1)

Table A-1
Montcalm County Net Assets

| | Governmental Activities | | Business-type Activities | | Total | | Total Percentage Change 2014-2015 |
|----------------------------------|-------------------------|-----------------|--------------------------|---------------|---------------|---------------|-----------------------------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | |
| Current and other assets | \$ 3,574,010 | \$ 3,651,211 | \$ 12,574,788 | \$ 14,401,317 | \$ 16,148,798 | \$ 18,052,528 | -10.5% |
| Capital assets | 7,866,284 | 8,462,561 | 943,085 | 842,884 | 8,809,369 | 9,305,445 | -5.3% |
| Total assets | 11,440,294 | 12,113,772 | 13,517,873 | 15,244,201 | 24,958,167 | 27,357,973 | -8.8% |
| Deferred outflows of resources | 355,406 | 358,898 | 2,786 | - | 358,192 | 358,898 | 100.0% |
| Current liabilities | 2,580,801 | 2,155,774 | 129,084 | 137,093 | 2,709,885 | 2,292,867 | 18.2% |
| Noncurrent liabilities | 22,474,281 | 22,239,446 | - | 10,435 | 22,474,281 | 22,249,881 | 1.0% |
| Total liabilities | 25,055,082 | 24,395,220 | 129,084 | 147,528 | 25,184,166 | 24,542,748 | 2.6% |
| Net Position | | | | | | | |
| Net investment in capital assets | - | - | 930,911 | 811,579 | 930,911 | 811,579 | 14.7% |
| Restricted | 2,231,938 | 2,226,029 | 1,626,708 | - | 3,858,646 | 2,226,029 | 73.3% |
| Unrestricted | (15,491,320) | (14,148,579) | 12,460,664 | 14,285,094 | (3,030,656) | 136,515 | -2320.0% |
| Total net position | \$ (13,259,382) | \$ (11,922,550) | \$ 15,018,283 | \$ 15,096,673 | \$ 1,758,901 | \$ 3,174,123 | -2232% |

Of the total Current and Other Assets figure of \$15,239,461, \$9,762,507 is cash, cash equivalents, and investments. That represents approximately 64% of the total Current and Other Assets. Of the total cash, cash equivalents, and investments amount, \$6,943,661 was in the Delinquent Tax Revolving Fund. The fund's primary purpose is to administer collection and distribution of delinquent real property taxes. Any surplus in the fund is currently pledged to the payment of debt service on new construction indebtedness that began in 2000 and to increased operating costs of a county jail that was expanded and began full operation in 2002. Receivables of \$6,241,105 represent another approximate 41% of the Current and Other Assets.

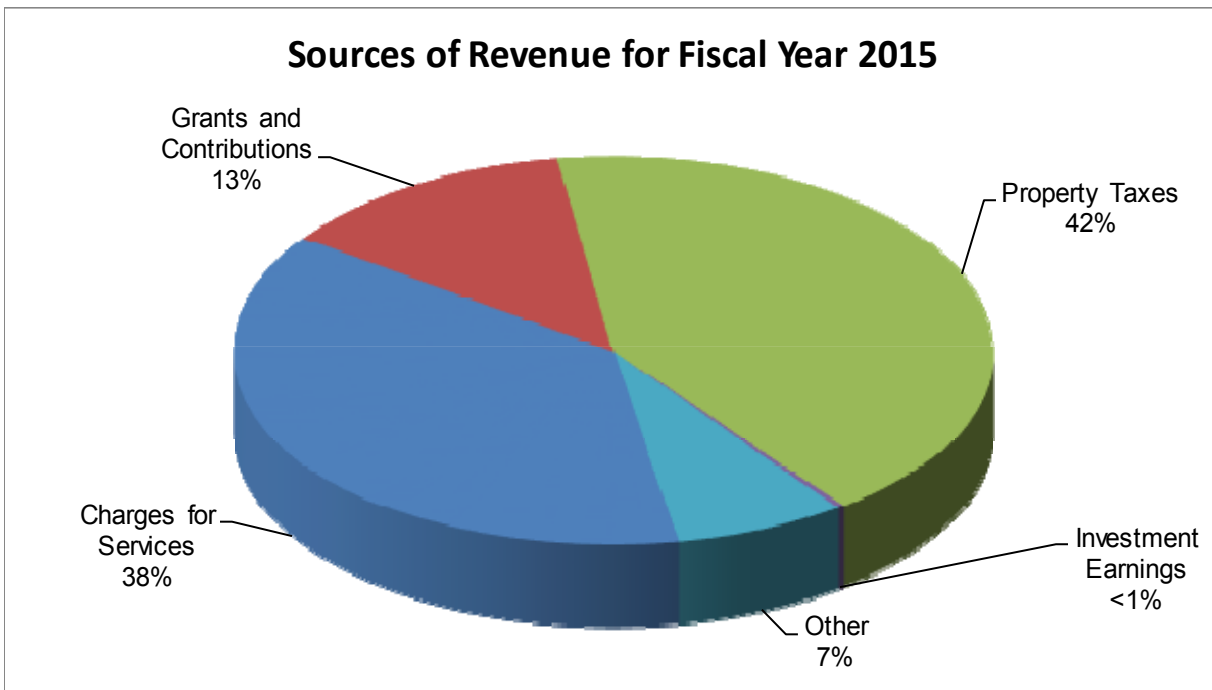
The total depreciated cost of capital assets reported in the governmental activities statement of net position is \$7,866,284, compared to \$8,462,561 in the previous year. The gross cost of those assets is \$24,949,060, compared to \$25,160,651 at the end of the previous year. The accumulated depreciation on those assets is \$17,082,776, compared to \$16,698,090 at the end of the previous year.

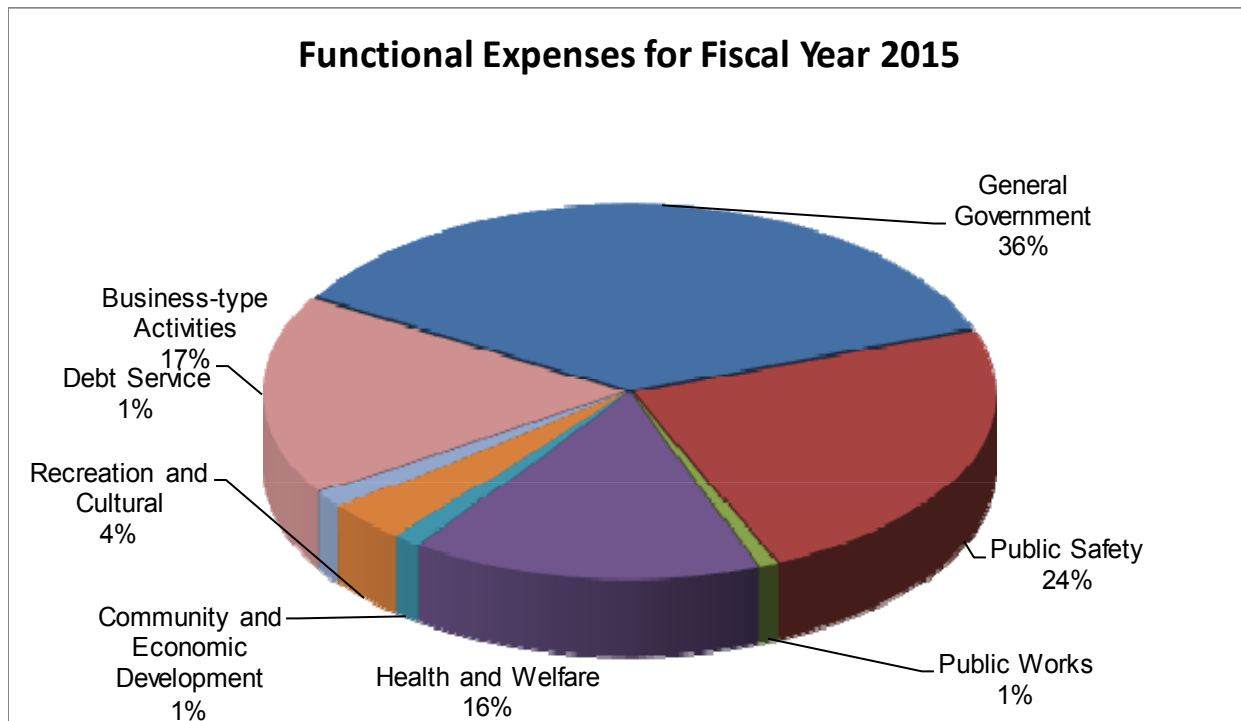
Changes in net position. The County's combined net position decreased by \$1,415,222 (See Table A-2). Governmental activities net position decreased \$1,336,832 or approximately 10%. Business-type activities net position decreased \$78,390 or less than 1%. (Note: the 2014 columns are prior to the implementation of GASB Statement No. 68.)

Management's Discussion and Analysis

| | Governmental Activities | | Business-type Activities | | Total | | Total Percentage Change 2014-2015 |
|--------------------------------------|-------------------------|---------------------|--------------------------|-------------------|-----------------------|---------------------|-----------------------------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | |
| Revenues | | | | | | | |
| Program Revenues | | | | | | | |
| Charges for Services | \$ 4,746,727 | \$ 4,599,535 | \$ 3,947,278 | \$ 4,921,378 | \$ 8,694,005 | \$ 9,520,913 | -9% |
| Operating Grants and Contributions | 2,914,401 | 2,871,319 | 68,987 | 22,642 | 2,983,388 | 2,893,961 | 3% |
| Capital Grants and Contributions | 114,179 | 107,678 | - | - | 114,179 | 107,678 | 100% |
| General Revenues | | | | | | | |
| Property Taxes | 8,670,259 | 8,616,998 | 1,039,120 | 1,036,735 | 9,709,379 | 9,653,733 | 1% |
| State Shared Revenue | 1,191,311 | 961,105 | - | - | 1,191,311 | 961,105 | 100% |
| Investment earnings | 25,071 | 9,698 | 42,024 | 67,776 | 67,095 | 77,474 | -13% |
| Other | 300,703 | 299,414 | 92,474 | 92,551 | 393,177 | 391,965 | 0% |
| Total Revenues | 17,962,651 | 17,465,747 | 5,189,883 | 6,141,082 | 23,152,534 | 23,606,829 | -2% |
| Expenses | | | | | | | |
| General Government | 8,915,638 | 8,649,757 | - | - | 8,915,638 | 8,649,757 | 3% |
| Public Safety | 5,833,192 | 5,809,168 | - | - | 5,833,192 | 5,809,168 | 0% |
| Public Works | 194,851 | 248,846 | - | - | 194,851 | 248,846 | -22% |
| Health and Welfare | 3,829,260 | 3,759,141 | - | - | 3,829,260 | 3,759,141 | 2% |
| Community and Economic Develop. | 298,869 | 267,771 | - | - | 298,869 | 267,771 | 12% |
| Recreation and Cultural | 872,943 | 900,461 | - | - | 872,943 | 900,461 | -3% |
| Debt Service | 370,731 | 400,948 | - | - | 370,731 | 400,948 | -8% |
| Delinquent Tax | - | - | 228,305 | 241,041 | 228,305 | 241,041 | -5% |
| Jail Commissary | - | - | 85,574 | 100,247 | 85,574 | 100,247 | -15% |
| Building Official | - | - | 298,176 | 259,442 | 298,176 | 259,442 | 15% |
| Ambulance | - | - | 3,640,217 | 3,580,328 | 3,640,217 | 3,580,328 | 2% |
| Total Expenses | 20,315,484 | 20,036,092 | 4,252,272 | 4,181,058 | 24,567,756 | 24,217,150 | 1% |
| Excess (deficiency) before transfers | (2,352,833) | (2,570,345) | 937,611 | 1,960,024 | (1,415,222) | (610,321) | 132% |
| Transfers | 1,016,001 | 1,837,290 | (1,016,001) | (1,837,290) | - | - | |
| Increase (decrease) in net assets | <u>\$ (1,336,832)</u> | <u>\$ (733,055)</u> | <u>\$ (78,390)</u> | <u>\$ 122,734</u> | <u>\$ (1,415,222)</u> | <u>\$ (610,321)</u> | 132% |

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





Financial Analysis of the County's Funds

Governmental Funds

Governmental Funds include the General Fund, Special Revenue Funds (Friend of the Court, Register of Deeds Automation, Commission on Aging, etc.), Debt Service Funds, and Capital Project Funds. For the fiscal year ended September 30, 2015, the County's governmental funds reported a total Fund Balance of \$2,005,846. Of that amount, \$594,962 was considered nonspendable, \$1,786,493 was considered restricted, and unassigned fund balance was a deficit of \$375,609.

General Fund. The total General Fund Balance decreased by \$405,785 to \$44,215 at September 30, 2015. The decrease is allocated to the following categories of Fund Balance:

| | |
|--------------|----------------------------|
| Nonspendable | \$ 24,164 |
| Assigned | (133,509) |
| Unassigned | <u>(296,440)</u> |
| | <u><u>\$ (405,785)</u></u> |

The nonspendable fund balance decreased as the result of payments for workers compensation insurance being paid before the end of the fiscal year. Expenditures for these items, which were paid during the 2015 fiscal year but benefit periods after the end of the fiscal year, are recorded as prepaid expenditures.

The unassigned fund balance decreased from \$13,891 at September 30, 2014, to (\$282,549) at September 30, 2015. The decrease was largely related to revenues not meeting expectations and the General Fund supplementing the expenditures in other funds as the County did not require those funds to pay the General Fund for certain expenditures in 2015 compared to 2014.

Actual General Fund revenue for the 2015 fiscal year totaled \$13,473,689 vs. \$13,034,455 in 2014, an increase of \$439,234. The approximate 3% increase in actual General Fund revenue was the result of an increase in State and Federal funding which cannot be counted on to continue each and every year.

Management's Discussion and Analysis

Actual General Fund expenditures for the 2015 fiscal year totaled \$14,473,488 vs. \$14,724,127 in 2014, a decrease of \$250,639.

Special Revenue Funds. The Special Revenue Funds in total ended the 2015 fiscal year with a fund balance of \$1,279,136. All of these funds meet the criteria for nonmajor funds for financial reporting purposes. The fund balances for each of the individual funds at September 30, 2015, as compared to September 30, 2014, are as follows:

| <u>Fund</u> | <u>2015 Fund Balance</u> | <u>2014 Fund Balance</u> | <u>Change</u> |
|-------------------------------|----------------------------------|----------------------------------|------------------|
| Victim Support Team | \$ 1,715 | \$ 1,713 | \$ 2 |
| Law Enforcement Trust | 27,279 | 34,477 | (7,198) |
| Friend of the Court | (37,139) | 398 | (37,537) |
| Solid Waste Planning | 235,108 | 238,464 | (3,356) |
| Homeland Security Grant | 48,615 | 48,615 | - |
| Community Information Systems | 18,605 | 18,729 | (124) |
| Homestead Property Tax | 506,885 | 466,865 | 40,020 |
| Register of Deeds Automation | 264,219 | 252,660 | 11,559 |
| Concealed Pistol Licensing | 5,198 | - | 5,198 |
| Local CO Training | 23,605 | 26,351 | (2,746) |
| Drug Law Enforcement | 7,898 | 7,898 | - |
| Law Enforcement Trust | 465 | 464 | 1 |
| Law Library | 1,040 | 5,070 | (4,030) |
| County Libraries | 12,182 | 12,049 | 133 |
| Animal Shelter Donation | 16,983 | 13,867 | 3,116 |
| CDBG Housing | 104,223 | 51,759 | 52,464 |
| Commission on Aging | (48,175) | 220 | (48,395) |
| Soldiers and Sailors Relief | 86,671 | 84,987 | 1,684 |
| Veterans Trust | 2,759 | 1,787 | 972 |
| Social Welfare | 1,000 | 1,000 | - |
| Total | <u>\$ 1,279,136</u> | <u>\$ 1,267,373</u> | <u>\$ 11,763</u> |

Proprietary Funds

Proprietary Funds include Enterprise Funds (Ambulance Fund, Delinquent Tax Funds, Inmate Commissary Fund, and Building Official Fund) and Internal Service Funds (Office Equipment Fund and Retiree Health Benefits Fund). The Enterprise Funds had total net position at September 30, 2015, of \$15,018,283. Of that amount, \$930,911 was invested in capital assets, net of related debt. Internal Service Funds had net position of \$161,657 at September 30, 2015, with \$2,224 of that amount invested in capital assets, net of related debt.

Enterprise Funds. The Ambulance Fund had net position of \$4,171,093 at September 30, 2015. Of that amount, \$930,292 was invested in capital assets, net of related debt. The net position decreased by \$209,905 during the 2015 fiscal year. The Ambulance Fund financial results compared to the prior fiscal year are as follows:

| | <u>Sept. 30, 2015</u> | <u>Sept. 30, 2014</u> |
|-------------------------|-----------------------|-----------------------|
| Operating Revenues | \$ 2,391,168 | \$ 3,268,193 |
| Operating Expenses | <u>3,640,217</u> | <u>3,576,951</u> |
| Operating Income (Loss) | (1,249,049) | (308,758) |
| Nonoperating Revenues | <u>1,039,144</u> | <u>1,033,605</u> |
| Change in Net Assets | <u>\$ (209,905)</u> | <u>\$ 724,847</u> |

The Delinquent Tax Revolving Fund had net position of \$10,664,565 at the end of the 2015 fiscal year. The net position increased \$97,701 during the fiscal year. The fund generated a net income before transfers of \$1,113,702 during the fiscal year.

General Fund Budgetary Highlights

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

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

A comparison of General Fund's original revenue and expenditure budgets to the final budget follows:

| | Original Budget | Amended Budget | Change | % Change |
|--|----------------------|----------------------|-------------------|-------------|
| Revenue | | | | |
| Taxes | \$ 7,225,107 | \$ 7,225,107 | \$ - | 0.00% |
| Licenses and Permits | 136,200 | 136,200 | - | 0.00% |
| Intergovernmental | 2,690,731 | 2,805,731 | 115,000 | 4.27% |
| Charges for Services | 3,082,608 | 3,082,608 | - | 0.00% |
| Fines or Forfeits | 105,400 | 105,400 | - | 0.00% |
| Interest and Rents | 6,560 | 6,560 | - | 0.00% |
| Other | 279,620 | 329,620 | 50,000 | 17.88% |
| Other Financing Sources | 1,166,000 | 1,166,000 | - | 0.00% |
| Total Revenue and Other Financing Sources | <u>\$ 14,692,226</u> | <u>\$ 14,857,226</u> | <u>\$ 165,000</u> | 1.12% |
| Expenditures | | | | |
| General Government | \$ 6,967,542 | \$ 7,066,142 | \$ 98,600 | 1.42% |
| Public Safety | 5,507,860 | 5,217,160 | (290,700) | -5.28% |
| Public Works | 75,800 | 75,800 | - | 0.00% |
| Health and Welfare | 913,109 | 1,019,743 | 106,634 | 11.68% |
| Community and Economic Development | 117,328 | 128,450 | 11,122 | 9.48% |
| Other | 240,500 | 216,100 | (24,400) | -10.15% |
| Other Financing Uses | 1,003,597 | 1,253,797 | 250,200 | 24.93% |
| Total Expenditures and Other Financing Uses | <u>\$ 14,825,736</u> | <u>\$ 14,977,192</u> | <u>\$ 151,456</u> | 1.02% |

Actual General Fund revenue and other financing sources ended the 2015 fiscal year \$590,904 less than the final amended budget while actual General Fund expenditures and other financing uses ended the 2015 fiscal year \$336,780 less than the final amended budget.

Description of Significant Capital Asset and Long-Term Debt Activity

As of the 2015 fiscal year, the County had invested nearly \$28 million in a broad range of capital assets, including police equipment, buildings, park facilities, and computer equipment. (See Table A-4)

Table A-4
Montcalm County's Capital Assets

| <u>Category</u> | <u>Governmental Activities</u> | <u>Business-Type Activities</u> |
|----------------------------|------------------------------------|-------------------------------------|
| Land and Land Improvements | \$ 86,822 | \$ - |
| Buildings and Additions | 22,658,972 | 437,476 |
| Equipment and Furniture | 1,399,531 | 840,359 |
| Vehicles | 803,735 | 1,723,679 |
| Total at Historical Cost | <u>\$ 24,949,060</u> | <u>\$ 3,001,514</u> |

The depreciated value of the assets in total as of September 30, 2015, for Governmental Activities and Business-type Activities was \$7,866,284 and \$943,085, respectively. Capital Asset additions totaled \$222,068 for the Governmental Activities and \$451,422 for the Business-type Activities. Please refer to Note G to the financial statements for additional information on capital assets.

As of September 30, 2015, the County, excluding its component units, had \$8,100,740 in long-term debt outstanding. Of the approximate \$8.1 million in debt remaining, approximately \$7.9 million remains outstanding from the 2005 Building Authority Bonds. Debt related to compensated absences (vacation and sick leave) totaled another \$349,265. Please refer to Note H to the financial statements for additional information on long-term debt.

Economic Factors and Next Year's Budget and Rates

The County considered the following factors in preparing the budget for the 2016 fiscal year. The following factors are also expected to affect the County's financial position and operations into the future:

- The County Board of Commissioners originally approved a budget for the General Fund that anticipates a decrease in expenditures while revenues hold relatively steady from the 2015 fiscal year.
- The County has also seen a slight decrease in inmate lodging from other municipalities.
- The funding received from the State of Michigan continues to affect the County's finances.
- The County will be conservative in their approach of expected the revenue streams until the economy approves.
- The County is reviewing different measures on revenue enhancement by working with the local Economic Development agency to help in job creation and retention.

Contacting the County's Financial Management

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

BASIC FINANCIAL STATEMENTS

Montcalm County, Michigan
STATEMENT OF NET POSITION
September 30, 2015

| | Primary Government | | | Component |
|--|----------------------------|-----------------------------|---------------------|----------------------|
| | Governmental Activities | Business-type Activities | Total | Units |
| ASSETS | | | | |
| Current assets | | | | |
| Cash and cash equivalents | \$ 2,104,717 | \$ 4,119,291 | \$ 6,224,008 | \$ 3,262,151 |
| Investments | - | 3,538,499 | 3,538,499 | 1,108,862 |
| Receivables | 284,279 | 261,898 | 546,177 | 2,795,435 |
| Delinquent taxes receivable, net | 1,888,057 | 2,977,623 | 4,865,680 | - |
| Due from other governmental units | 410,623 | 131,259 | 541,882 | - |
| Internal balances | (1,609,319) | 1,609,319 | -0- | - |
| Inventories | - | - | -0- | 631,612 |
| Prepays | 144,319 | 867 | 145,186 | 67,889 |
| Total current assets | 3,222,676 | 12,638,756 | 15,861,432 | 7,865,949 |
| Noncurrent assets | | | | |
| Internal balances | 164,318 | (164,318) | -0- | - |
| Advances to other governmental units | 187,016 | 100,350 | 287,366 | - |
| Capital assets not being depreciated | 81,157 | - | 81,157 | 5,347,912 |
| Capital assets, net of accumulated depreciation | 7,785,127 | 943,085 | 8,728,212 | 41,066,617 |
| Net pension asset | - | 1,626,708 | 1,626,708 | - |
| Total noncurrent assets | 8,217,618 | 2,505,825 | 10,723,443 | 46,414,529 |
| TOTAL ASSETS | 11,440,294 | 15,144,581 | 26,584,875 | 54,280,478 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Deferred charges on refunding | 324,452 | - | 324,452 | - |
| Deferred outflows of resources related to pensions | 30,954 | 2,786 | 33,740 | 564,138 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | 355,406 | 2,786 | 358,192 | 564,138 |
| LIABILITIES | | | | |
| Current liabilities | | | | |
| Accounts payable | 261,152 | 28,288 | 289,440 | 815,491 |
| Accrued liabilities | 238,242 | 67,806 | 306,048 | 30,571 |
| Due to other governmental units | 909,337 | 7,691 | 917,028 | - |
| Accrued interest payable | 132,311 | - | 132,311 | 81,827 |
| Unearned revenue | - | - | -0- | 16,902 |
| Compensated absences | 336,140 | 13,125 | 349,265 | 143,057 |
| Current portion of long-term debt | 703,619 | 12,174 | 715,793 | 606,080 |
| Total current liabilities | 2,580,801 | 129,084 | 2,709,885 | 1,693,928 |
| Noncurrent liabilities | | | | |
| Advances from other governmental units | - | - | -0- | 609,716 |
| Noncurrent portion of long-term debt | 7,360,134 | - | 7,360,134 | 6,110,211 |
| Net other post-employment benefits obligation | 178,013 | - | 178,013 | 303,246 |
| Net pension liability | 14,936,134 | - | 14,936,134 | 8,717,356 |
| Total noncurrent liabilities | 22,474,281 | -0- | 22,474,281 | 15,740,529 |
| TOTAL LIABILITIES | 25,055,082 | 129,084 | 25,184,166 | 17,434,457 |
| NET POSITION | | | | |
| Net investment in capital assets | - | 930,911 | 930,911 | 39,698,238 |
| Restricted | 2,231,938 | 1,626,708 | 3,858,646 | 3,194,221 |
| Unrestricted | (15,491,320) | 12,460,664 | (3,030,656) | (5,482,300) |
| TOTAL NET POSITION | \$ (13,259,382) | \$ 15,018,283 | \$ 1,758,901 | \$ 37,410,159 |

See accompanying notes to financial statements.

Montcalm County, Michigan
STATEMENT OF ACTIVITIES
Year Ended September 30, 2015

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | | |
|--|----------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|---------------------|----------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | | Component Units |
| | | | | | Governmental Activities | Business-type Activities | Total | |
| Primary government | | | | | | | | |
| Governmental activities | | | | | | | | |
| General government | \$ 8,915,638 | \$ 3,371,222 | \$ 1,221,512 | \$ - | \$ (4,322,904) | \$ - | \$ (4,322,904) | \$ - |
| Public safety | 5,833,192 | 844,636 | 745,627 | - | (4,242,929) | - | (4,242,929) | - |
| Public works | 194,851 | 178,614 | - | - | (16,237) | - | (16,237) | - |
| Health and welfare | 3,829,260 | 319,342 | 734,386 | - | (2,775,532) | - | (2,775,532) | - |
| Community and economic development | 298,869 | 420 | 212,876 | 114,179 | 28,606 | - | 28,606 | - |
| Recreation and culture | 872,943 | 32,493 | - | - | (840,450) | - | (840,450) | - |
| Interest on long-term debt | 370,731 | - | - | - | (370,731) | - | (370,731) | - |
| Total governmental activities | 20,315,484 | 4,746,727 | 2,914,401 | 114,179 | (12,540,177) | -0- | (12,540,177) | -0- |
| Business-type activities | | | | | | | | |
| Delinquent tax | 228,305 | 1,215,802 | - | - | - | 987,497 | 987,497 | - |
| Inmate Commissary | 85,574 | 107,450 | - | - | - | 21,876 | 21,876 | - |
| Building Official | 298,176 | 309,360 | - | - | - | 11,184 | 11,184 | - |
| Ambulance | 3,640,217 | 2,314,666 | 68,987 | - | - | (1,256,564) | (1,256,564) | - |
| Total business-type activities | 4,252,272 | 3,947,278 | 68,987 | -0- | -0- | (236,007) | (236,007) | -0- |
| Total primary government | <u>\$ 24,567,756</u> | <u>\$ 8,694,005</u> | <u>\$ 2,983,388</u> | <u>\$ 114,179</u> | (12,540,177) | (236,007) | (12,776,184) | -0- |
| Component units | | | | | | | | |
| Drainage Districts | \$ 1,207,750 | \$ 430,518 | \$ - | \$ 1,209,087 | - | - | -0- | 431,855 |
| Central Dispatch Authority | 1,560,529 | 1,590,215 | - | - | - | - | -0- | 29,686 |
| Road Commission | 11,772,975 | 1,559,854 | 5,887,759 | 4,436,423 | - | - | -0- | 111,061 |
| Total component units | <u>\$ 14,541,254</u> | <u>\$ 3,580,587</u> | <u>\$ 5,887,759</u> | <u>\$ 5,645,510</u> | -0- | -0- | -0- | 572,602 |
| General revenues | | | | | | | | |
| Taxes | | | | | 8,670,259 | 1,039,120 | 9,709,379 | - |
| State shared revenue | | | | | 1,191,311 | - | 1,191,311 | - |
| Investment earnings | | | | | 25,071 | 42,024 | 67,095 | 5,251 |
| Other | | | | | 300,703 | 92,474 | 393,177 | 323,014 |
| Transfers | | | | | 1,016,001 | (1,016,001) | -0- | - |
| Total general revenues and transfers | | | | | 11,203,345 | 157,617 | 11,360,962 | 328,265 |
| Change in net position | | | | | (1,336,832) | (78,390) | (1,415,222) | 900,867 |
| Restated net position, beginning of the year | | | | | (11,922,550) | 15,096,673 | 3,174,123 | 36,509,292 |
| Net position, end of the year | | | | | <u>\$ (13,259,382)</u> | <u>\$ 15,018,283</u> | <u>\$ 1,758,901</u> | <u>\$ 37,410,159</u> |

See accompanying notes to financial statements.

Montcalm County, Michigan

Governmental Funds

BALANCE SHEET

September 30, 2015

| | General | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---------------------|-----------------------------------|--------------------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 85,910 | \$ 1,857,220 | \$ 1,943,130 |
| Accounts receivable | 232,459 | 51,820 | 284,279 |
| Taxes receivable | 1,888,057 | - | 1,888,057 |
| Due from other governmental units - Federal/State | 243,378 | 167,245 | 410,623 |
| Due from other funds | 13,225 | 80,562 | 93,787 |
| Advances to other funds | - | 164,318 | 164,318 |
| Advances to other governmental units | 187,016 | - | 187,016 |
| Prepays | 139,748 | 4,571 | 144,319 |
| TOTAL ASSETS | \$ 2,789,793 | \$ 2,325,736 | \$ 5,115,529 |
| LIABILITIES | | | |
| Accounts payable | \$ 190,919 | \$ 70,233 | \$ 261,152 |
| Accrued wages | 200,439 | 37,803 | 238,242 |
| Due to other governmental units | 909,337 | - | 909,337 |
| Due to other funds | 1,444,883 | 256,069 | 1,700,952 |
| TOTAL LIABILITIES | 2,745,578 | 364,105 | 3,109,683 |
| FUND BALANCES | | | |
| Nonspendable | 326,764 | 268,198 | 594,962 |
| Restricted | - | 1,786,493 | 1,786,493 |
| Unassigned | (282,549) | (93,060) | (375,609) |
| TOTAL FUND BALANCES | 44,215 | 1,961,631 | 2,005,846 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 2,789,793 | \$ 2,325,736 | \$ 5,115,529 |

See accompanying notes to financial statements.

Montcalm County, Michigan

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

September 30, 2015

Total fund balance - governmental funds \$ 2,005,846

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

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

| | | |
|-------------------------------|---------------------|-----------|
| The cost of capital assets is | \$ 24,894,286 | |
| Accumulated depreciation is | <u>(17,030,226)</u> | |
| Capital assets, net | | 7,864,060 |

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

| | | |
|--|--|---------|
| Net position of governmental activities accounted for in Internal Service Funds | | 161,657 |
|--|--|---------|

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

| | | |
|---------------------------|--|---------|
| Unamortized defeased debt | | 324,452 |
|---------------------------|--|---------|

Governmental funds report actual pension expenditures for the fiscal year, whereas the governmental activities will recognize the net pension liability as of the measurement date. Pension contributions subsequent to the measurement date will be deferred in the statement of net position. In addition, resources related to changes of assumptions, differences between expected and actual experience, and differences between projected and actual pension plan investment earnings will be deferred over time in the government-wide financial statements. These amounts consist of:

| | | |
|--|--|--------|
| Deferred outflows of resources related to pensions | | 30,954 |
|--|--|--------|

Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet. Long-term liabilities at year-end consist of:

| | | |
|--|---------------------|-------------------------------|
| Direct County obligations | (7,915,000) | |
| Capital lease | (148,753) | |
| Accrued interest payable | (132,311) | |
| Compensated absences | (336,140) | |
| Net other post-employment benefits obligation | (178,013) | |
| Net pension liability | <u>(14,936,134)</u> | |
| | | <u>(23,646,351)</u> |
| Net position of governmental activities | | <u><u>\$ (13,259,382)</u></u> |

See accompanying notes to financial statements.

Montcalm County, Michigan

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended September 30, 2015

| | General | Nonmajor Governmental Funds | Total Governmental Funds |
|--|--------------|-----------------------------------|--------------------------------|
| REVENUES | | | |
| Property taxes | \$ 7,098,694 | \$ 1,571,565 | \$ 8,670,259 |
| Licenses and permits | 136,051 | 11,693 | 147,744 |
| Intergovernmental | 2,853,509 | 1,259,067 | 4,112,576 |
| Charges for services | 2,889,752 | 457,870 | 3,347,622 |
| Fines and forfeits | 97,910 | - | 97,910 |
| Interest and rents | 18,846 | 989,263 | 1,008,109 |
| Other | 378,927 | 69,504 | 448,431 |
| TOTAL REVENUES | 13,473,689 | 4,358,962 | 17,832,651 |
| EXPENDITURES | | | |
| Current | | | |
| General government | 6,996,779 | 868,441 | 7,865,220 |
| Public safety | 5,127,168 | 28,294 | 5,155,462 |
| Public works | - | 185,371 | 185,371 |
| Health and welfare | 2,028,923 | 1,446,825 | 3,475,748 |
| Community and economic development | 123,487 | 160,841 | 284,328 |
| Recreation and culture | 27,390 | 798,253 | 825,643 |
| Other | 169,741 | - | 169,741 |
| Capital outlay | - | 302,459 | 302,459 |
| Debt service | - | 964,097 | 964,097 |
| TOTAL EXPENDITURES | 14,473,488 | 4,754,581 | 19,228,069 |
| EXCESS OF REVENUES (UNDER) EXPENDITURES | (999,799) | (395,619) | (1,395,418) |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | 1,100,999 | 405,757 | 1,506,756 |
| Transfers out | (506,985) | (87,520) | (594,505) |
| TOTAL OTHER FINANCING SOURCES (USES) | 594,014 | 318,237 | 912,251 |
| NET CHANGE IN FUND BALANCES | (405,785) | (77,382) | (483,167) |
| Fund balances, beginning of year | 450,000 | 2,039,013 | 2,489,013 |
| Fund balances, end of year | \$ 44,215 | \$ 1,961,631 | \$ 2,005,846 |

See accompanying notes to financial statements.

Montcalm County, Michigan

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

Year Ended September 30, 2015

Net change in fund balances - total governmental funds \$ (483,167)

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

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

| | | |
|--|------------------|-----------|
| Capital outlay | \$ 222,068 | |
| Depreciation expense | <u>(816,122)</u> | |
| Excess of depreciation expense over capital outlay | | (594,054) |

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

| | |
|--|---------|
| Change in net position from governmental activities accounted for in Internal Service Funds | (7,383) |
|--|---------|

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. In the current period, these amounts consist of:

| | |
|-------------------------------|---------|
| Related party operating lease | 130,000 |
|-------------------------------|---------|

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

| | | |
|--|---------------|---------|
| Amortization of deferred amounts on debt refunding | (34,446) | |
| Debt principal retirement | 615,000 | |
| Capital lease payments | <u>46,289</u> | |
| | | 626,843 |

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

| | | |
|---|------------------|--------------------|
| Decrease in accrued interest payable | 12,812 | |
| Decrease in accrued compensated absences | 15,617 | |
| (Increase) in other post-employment benefits obligation | (167,334) | |
| (Increase) in net pension liability | (771,120) | |
| Increase in deferred outflows related to pensions | 30,954 | |
| (increase) in related party operating lease | <u>(130,000)</u> | |
| | | <u>(1,009,071)</u> |

Change in net position of governmental activities \$ (1,336,832)

See accompanying notes to financial statements.

Montcalm County, Michigan

Proprietary Funds

STATEMENT OF NET POSITION

September 30, 2015

| | Business-type | |
|--|--------------------------------|---------------------|
| | Delinquent Tax Revolving | Ambulance |
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 3,405,162 | \$ 519,926 |
| Investments | 3,538,499 | - |
| Accounts receivable, net | 5,202 | 256,696 |
| Delinquent taxes receivable, net | 2,977,623 | - |
| Due from other governmental units - local | 131,259 | - |
| Due from other funds | 558,970 | 1,102,849 |
| Prepays | - | 867 |
| Total current assets | 10,616,715 | 1,880,338 |
| Noncurrent assets | | |
| Advances to other governmental units | 100,350 | - |
| Capital assets, net of accumulated depreciation | - | 942,466 |
| Net pension asset | - | 1,626,708 |
| Total noncurrent assets | 100,350 | 2,569,174 |
| TOTAL ASSETS | 10,717,065 | 4,449,512 |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred outflows of resources related to pensions | - | 2,786 |
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable | - | 22,277 |
| Accrued wages | - | 61,620 |
| Due to other governmental units | - | 7,691 |
| Due to other funds | 52,500 | - |
| Compensated absences | - | 13,125 |
| Long-term debt | - | 12,174 |
| Total current liabilities | 52,500 | 116,887 |
| Noncurrent liabilities | | |
| Advances from other funds | - | 164,318 |
| TOTAL LIABILITIES | 52,500 | 281,205 |
| NET POSITION | | |
| Net investment in capital assets | - | 930,292 |
| Restricted | - | 1,626,708 |
| Unrestricted | 10,664,565 | 1,614,093 |
| TOTAL NET POSITION | \$ 10,664,565 | \$ 4,171,093 |

See accompanying notes to financial statements.

| Activities | | Governmental |
|------------|---------------|--------------|
| Nonmajor | | Activities |
| Enterprise | | Internal |
| Funds | Total | Service |
| | | Funds |
| \$ 194,203 | \$ 4,119,291 | \$ 161,587 |
| - | 3,538,499 | - |
| - | 261,898 | - |
| - | 2,977,623 | - |
| - | 131,259 | - |
| - | 1,661,819 | - |
| - | 867 | - |
| 194,203 | 12,691,256 | 161,587 |
| - | 100,350 | - |
| 619 | 943,085 | 2,224 |
| - | 1,626,708 | - |
| 619 | 2,670,143 | 2,224 |
| 194,822 | 15,361,399 | 163,811 |
| - | 2,786 | - |
| 6,011 | 28,288 | - |
| 6,186 | 67,806 | - |
| - | 7,691 | - |
| - | 52,500 | 2,154 |
| - | 13,125 | - |
| - | 12,174 | - |
| 12,197 | 181,584 | 2,154 |
| - | 164,318 | - |
| 12,197 | 345,902 | 2,154 |
| 619 | 930,911 | 2,224 |
| - | 1,626,708 | - |
| 182,006 | 12,460,664 | 159,433 |
| \$ 182,625 | \$ 15,018,283 | \$ 161,657 |

Montcalm County, Michigan

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Year Ended September 30, 2015

| | Business-type | |
|--|--------------------------------|--------------|
| | Delinquent Tax Revolving | Ambulance |
| OPERATING REVENUES | | |
| Charges for services, net | \$ 700,671 | \$ 2,314,666 |
| Sales | - | - |
| Intergovernmental - Federal/State | - | 68,987 |
| Penalties and interest on delinquent taxes | 515,131 | - |
| Other | 84,209 | 7,515 |
| TOTAL OPERATING REVENUES | 1,300,011 | 2,391,168 |
| OPERATING EXPENSES | | |
| Personal services | - | 1,978,213 |
| Fringe benefits | - | 576,747 |
| Operating supplies | 49,476 | 285,977 |
| Contractual services | 132,222 | 50,787 |
| Repairs and maintenance | - | 128,332 |
| Insurance | - | 31,117 |
| Vehicle expense | - | 1,440 |
| Communications | - | 10,013 |
| Utilities | - | 11,463 |
| Training | - | 74,975 |
| Indirect operating | 46,607 | 126,411 |
| Other services and charges | - | 14,008 |
| Depreciation | - | 350,734 |
| TOTAL OPERATING EXPENSES | 228,305 | 3,640,217 |
| OPERATING INCOME (LOSS) | 1,071,706 | (1,249,049) |
| NONOPERATING REVENUES (EXPENSES) | | |
| Tax revenue | - | 1,039,120 |
| Interest revenue | 41,996 | 24 |
| Gain on sale of capital assets | - | - |
| TOTAL NONOPERATING REVENUES | 41,996 | 1,039,144 |
| INCOME (LOSS) BEFORE TRANSFERS | 1,113,702 | (209,905) |
| TRANSFERS | | |
| Transfers in | - | - |
| Transfers out | (1,016,001) | - |
| TOTAL TRANSFERS | (1,016,001) | -0- |
| CHANGE IN NET POSITION | 97,701 | (209,905) |
| Restated net position, beginning of year | 10,566,864 | 4,380,998 |
| Net position, end of year | \$ 10,664,565 | \$ 4,171,093 |

See accompanying notes to financial statements.

| Activities | | Governmental |
|---------------------------------|---------------|------------------------------|
| Nonmajor Enterprise Funds | Total | Internal Service Funds |
| \$ 309,360 | \$ 3,324,697 | \$ - |
| 107,450 | 107,450 | - |
| - | 68,987 | - |
| - | 515,131 | - |
| - | 91,724 | 16,660 |
| 416,810 | 4,107,989 | 16,660 |
| 193,882 | 2,172,095 | - |
| 63,686 | 640,433 | - |
| 78,842 | 414,295 | 2,883 |
| 3,087 | 186,096 | 98,636 |
| - | 128,332 | - |
| 2,553 | 33,670 | - |
| - | 1,440 | - |
| 641 | 10,654 | - |
| - | 11,463 | - |
| - | 74,975 | - |
| - | 173,018 | - |
| 40,573 | 54,581 | 24,140 |
| 486 | 351,220 | 2,223 |
| 383,750 | 4,252,272 | 127,882 |
| 33,060 | (144,283) | (111,222) |
| - | 1,039,120 | - |
| 4 | 42,024 | 89 |
| 750 | 750 | - |
| 754 | 1,081,894 | 89 |
| 33,814 | 937,611 | (111,133) |
| - | -0- | 103,750 |
| - | (1,016,001) | - |
| -0- | (1,016,001) | 103,750 |
| 33,814 | (78,390) | (7,383) |
| 148,811 | 15,096,673 | 169,040 |
| \$ 182,625 | \$ 15,018,283 | \$ 161,657 |

Montcalm County, Michigan

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended September 30, 2015

| | Business-type | |
|---|--------------------------------|--------------|
| | Delinquent Tax Revolving | Ambulance |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash receipts from customers | \$ 1,686,928 | \$ 2,554,065 |
| Cash receipts from federal operating grants | - | 68,987 |
| Cash receipts from other governmental units | 138,312 | 4,080 |
| Cash paid to suppliers | (228,305) | (743,322) |
| Cash paid for fringe benefits | - | (576,747) |
| Cash paid to employees | - | (2,056,575) |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | 1,596,935 | (749,512) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Payment (receipt) of interfund balances | (215,826) | 621,786 |
| Transfers to other funds | (1,016,001) | - |
| Tax revenue | - | 1,039,120 |
| NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES | (1,231,827) | 1,660,906 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Transfers from other funds | - | - |
| Sale of capital assets | - | - |
| Capital acquisitions | - | (451,422) |
| Payments on borrowings | - | (19,131) |
| NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES | -0- | (470,553) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of investments | (3,538,499) | - |
| Maturity of investments | 3,542,832 | 8,151 |
| Interest received | 41,996 | 24 |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | 46,329 | 8,175 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 411,437 | 449,016 |
| Cash and cash equivalents, beginning of year | 2,993,725 | 70,910 |
| Cash and cash equivalents, end of year | \$ 3,405,162 | \$ 519,926 |

| Activities | | Governmental |
|---------------------------------|--------------|------------------------------|
| Nonmajor Enterprise Funds | Total | Internal Service Funds |
| \$ 416,810 | \$ 4,657,803 | \$ 16,660 |
| - | 68,987 | - |
| - | 142,392 | - |
| (129,564) | (1,101,191) | (99,623) |
| (63,686) | (640,433) | (24,140) |
| (193,882) | (2,250,457) | - |
| 29,678 | 877,101 | (107,103) |
| - | 405,960 | (72,327) |
| - | (1,016,001) | - |
| - | 1,039,120 | - |
| -0- | 429,079 | (72,327) |
| - | -0- | 103,750 |
| 750 | 750 | - |
| - | (451,422) | - |
| - | (19,131) | - |
| 750 | (469,803) | 103,750 |
| - | (3,538,499) | - |
| - | 3,550,983 | - |
| 4 | 42,024 | 89 |
| 4 | 54,508 | 89 |
| 30,432 | 890,885 | (75,591) |
| 163,771 | 3,228,406 | 237,178 |
| \$ 194,203 | \$ 4,119,291 | \$ 161,587 |

Montcalm County, Michigan

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended September 30, 2015

| | Business-type | |
|---|--------------------------------|---------------------|
| | Delinquent Tax Revolving | Ambulance |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities | | |
| Operating income (loss) | \$ 1,071,706 | \$ (1,249,049) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities | | |
| Depreciation | - | 350,734 |
| (Increase) decrease in: | | |
| Accounts receivable | 154,489 | 231,884 |
| Taxes receivable | 232,428 | - |
| Due from other governmental units | 138,312 | - |
| Prepays | - | (867) |
| Net pension asset | - | (83,984) |
| Deferred charges | - | (2,786) |
| Increase (decrease) in: | | |
| Accounts payable | - | (7,932) |
| Accrued liabilities | - | 6,215 |
| Due to other governmental units | - | 4,080 |
| Compensated absences | - | 2,193 |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | <u>\$ 1,596,935</u> | <u>\$ (749,512)</u> |

See accompanying notes to financial statements.

| Activities | | Governmental |
|------------------|-------------------|---------------------|
| Nonmajor | | Activities |
| Enterprise | | Internal |
| Funds | Total | Service |
| | | Funds |
| \$ 33,060 | \$ (144,283) | \$ (111,222) |
| 486 | 351,220 | 2,223 |
| - | 386,373 | - |
| - | 232,428 | - |
| - | 138,312 | - |
| - | (867) | 1,896 |
| - | (83,984) | - |
| - | (2,786) | - |
| (4,409) | (12,341) | - |
| 541 | 6,756 | - |
| - | 4,080 | - |
| - | 2,193 | - |
| <u>\$ 29,678</u> | <u>\$ 877,101</u> | <u>\$ (107,103)</u> |

Montcalm County, Michigan

Fiduciary Funds

STATEMENT OF NET POSITION

September 30, 2015

| | <u>Agency Funds</u> | <u>Pension Fund (Dec. 31, 2014)</u> |
|-----------------------------------|---------------------|---|
| ASSETS | | |
| Cash and cash equivalents | \$ 6,256,300 | \$ 8,052 |
| Investments | - | 21,784,650 |
| Due from other governmental units | <u>812,484</u> | <u>516,882</u> |
| TOTAL ASSETS | <u>\$ 7,068,784</u> | 22,309,584 |
| LIABILITIES | | |
| Due to other governmental units | | |
| Federal/State | \$ 4,237,264 | - |
| Local | 2,619,250 | - |
| Due to individuals and agencies | <u>212,270</u> | <u>-</u> |
| TOTAL LIABILITIES | <u>\$ 7,068,784</u> | <u>-0-</u> |
| NET POSITION | | |
| Held in trust for benefits | | <u>\$ 22,309,584</u> |

See accompanying notes to financial statements.

Montcalm County, Michigan

Fiduciary Funds

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Year Ended December 31, 2014

| | Pension Fund |
|---|-----------------------------|
| ADDITIONS | |
| Investment income | |
| Net increase in fair value of investments | \$ 734,086 |
| Interest and dividends | 424,206 |
| Less: investment expense | <u>(80,075)</u> |
| Net investment income | 1,078,217 |
| Contributions | |
| Employer | 536,125 |
| Plan Members | <u>400,487</u> |
| Total contributions | <u>936,612</u> |
| TOTAL ADDITIONS | 2,014,829 |
| DEDUCTIONS | |
| Benefits | 1,368,958 |
| Administrative | <u>7,524</u> |
| TOTAL DEDUCTIONS | <u>1,376,482</u> |
| CHANGE IN NET POSITION | 638,347 |
| Net position, beginning of year | <u>21,671,237</u> |
| Net position, end of year | <u><u>\$ 22,309,584</u></u> |

See accompanying notes to financial statements.

Montcalm County, Michigan

Component Units

COMBINING STATEMENT OF NET POSITION

September 30, 2015

| | Drainage Districts | Central Dispatch Authority |
|--|-----------------------|----------------------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 2,858,813 | \$ 276,885 |
| Investments | - | - |
| Receivables | 864,167 | 354,770 |
| Inventories | - | - |
| Prepays | - | - |
| Total current assets | 3,722,980 | 631,655 |
| Noncurrent assets | | |
| Capital assets not being depreciated | 75,650 | - |
| Capital assets, net of accumulated depreciation | 11,056,131 | 60,032 |
| Total noncurrent assets | 11,131,781 | 60,032 |
| TOTAL ASSETS | 14,854,761 | 691,687 |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred outflows of resources related to pensions | - | 167 |
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable | 171,329 | 2,118 |
| Accrued liabilities | 1,694 | 26,627 |
| Accrued interest payable | 68,370 | - |
| Unearned revenue | - | - |
| Current portion of compensated absences | - | 32,288 |
| Current portion of long-term debt | 262,356 | - |
| Total current liabilities | 503,749 | 61,033 |
| Noncurrent liabilities | | |
| Advances from other governmental units | 287,366 | - |
| Advance from State | - | - |
| Noncurrent portion of long-term debt | 5,171,921 | - |
| Other post-employment benefits obligation | - | 49,593 |
| Net pension liability | - | 1,478,825 |
| Total noncurrent liabilities | 5,459,287 | 1,528,418 |
| TOTAL LIABILITIES | 5,963,036 | 1,589,451 |
| NET POSITION | | |
| Net investment in capital assets | 5,697,504 | 60,032 |
| Restricted | 3,194,221 | - |
| Unrestricted | - | (957,629) |
| TOTAL NET POSITION | \$ 8,891,725 | \$ (897,597) |

See accompanying notes to financial statements.

| <u>Road Commission</u> | <u>Total</u> |
|----------------------------|----------------------|
| \$ 126,453 | \$ 3,262,151 |
| 1,108,862 | 1,108,862 |
| 1,576,498 | 2,795,435 |
| 631,612 | 631,612 |
| 67,889 | 67,889 |
| <u>3,511,314</u> | <u>7,865,949</u> |
| 5,272,262 | 5,347,912 |
| <u>29,950,454</u> | <u>41,066,617</u> |
| <u>35,222,716</u> | <u>46,414,529</u> |
| 38,734,030 | 54,280,478 |
| 563,971 | 564,138 |
| 642,044 | 815,491 |
| 2,250 | 30,571 |
| 13,457 | 81,827 |
| 16,902 | 16,902 |
| 110,769 | 143,057 |
| <u>343,724</u> | <u>606,080</u> |
| 1,129,146 | 1,693,928 |
| - | 287,366 |
| 322,350 | 322,350 |
| 938,290 | 6,110,211 |
| 253,653 | 303,246 |
| <u>7,238,531</u> | <u>8,717,356</u> |
| <u>8,752,824</u> | <u>15,740,529</u> |
| <u>9,881,970</u> | <u>17,434,457</u> |
| 33,940,702 | 39,698,238 |
| - | 3,194,221 |
| <u>(4,524,671)</u> | <u>(5,482,300)</u> |
| <u>\$ 29,416,031</u> | <u>\$ 37,410,159</u> |

Montcalm County, Michigan

Component Units

COMBINING STATEMENT OF ACTIVITIES

Year Ended September 30, 2015

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | |
|--|----------------------|-------------------------|--|--|--|-----------------------------|----------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total |
| Governmental activities | | | | | | | |
| Drainage Districts | \$ 619,257 | \$ 7,673 | \$ - | \$ 1,209,087 | \$ 597,503 | \$ - | \$ 597,503 |
| Central Dispatch Authority | 1,560,529 | 1,590,215 | - | - | 29,686 | - | 29,686 |
| Road Commission | 11,772,975 | 1,559,854 | 5,887,759 | 4,436,423 | 111,061 | - | 111,061 |
| Total governmental activities | 13,952,761 | 3,157,742 | 5,887,759 | 5,645,510 | 738,250 | -0- | 738,250 |
| Business-type activities | | | | | | | |
| Drainage Districts | 588,493 | 422,845 | - | - | - | (165,648) | (165,648) |
| Total component units | <u>\$ 14,541,254</u> | <u>\$ 3,580,587</u> | <u>\$ 5,887,759</u> | <u>\$ 5,645,510</u> | 738,250 | (165,648) | 572,602 |
| General revenues | | | | | | | |
| Investment earnings | | | | | 793 | 4,458 | 5,251 |
| Other | | | | | 295,695 | 27,319 | 323,014 |
| Total general revenues | | | | | 296,488 | 31,777 | 328,265 |
| Change in net position | | | | | 1,034,738 | (133,871) | 900,867 |
| Restated net position, beginning of the year | | | | | 32,215,565 | 4,293,727 | 36,509,292 |
| Net position, end of the year | | | | | <u>\$ 33,250,303</u> | <u>\$ 4,159,856</u> | <u>\$ 37,410,159</u> |

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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

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

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

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements present the financial activities of the County (primary government) and its component units. The component units described in Sections 2 and 3 below should be included in the County's reporting entity because of the significance of their operational or financial relationship with the County. Blended component units, although legally separate entities, are in substance, part of the County's operations, so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the County.

2. Blended Component Units

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

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

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

3. Discretely Presented Component Units

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

The Drainage Districts in the County come under the jurisdiction of the Montcalm County Drain Commissioner. This includes planning, developing, and maintaining surface water drainage systems. A complete file of finance, construction, and maintenance is maintained for each of the drains. The Drain Commissioner has authority to spend up to \$5,000 per mile on drain maintenance and may borrow up to \$600,000 from any source to provide for maintenance of a drain without Board of Commissioner approval and without going through the Local Audit and Finance Division, State of Michigan. The Drain Commissioner has authority to levy special assessments on properties benefiting from maintenance.

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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

3. Discretely Presented Component Units - continued

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

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

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

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

4. Joint Venture

The following entity described in the subsequent paragraphs is reported in the County's fiduciary funds financial statements since it is material to the County financial statements and the County has some fiduciary responsibility for the entity.

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

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

The County is responsible to fund 40% of the required local contribution to cover operational costs. For the year ended September 30, 2015, the County contributed \$482,856 to cover its share of operational costs. Some of the treasury functions for the Department rest with the Montcalm County Treasurer, but for the most part it is simply a fiduciary signer on their bank accounts and the County Treasurer does some investing at the direction of the Department. As a result, in accordance with GASB Statement No. 61, the pooled cash and cash equivalents of the Department that is part of the County's pooled accounts at year-end is reflected in a fiduciary fund in the primary government statements.

The financial activities of the Department are accounted for and reported separately from the participating units. Separate audited financial statements for their year ended September 30, 2015, are available at the Department's administrative offices. As of September 30, 2015, the Department had a net position of \$1,111,204.

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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

5. Related Organizations

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

Montcalm Care Network - The County appoints all of the twelve (12) Board members. The County does not have an ongoing day-to-day financial interest or responsibility for the Board.

The Montcalm Care Network (formerly the Montcalm Center for Behavioral Health - Mental Health Authority) is legally separate and fiscally independent, for the Network's financial information to be presented within the County's notes to the financial statements only, instead of in the body of the financial statements. The following financial information was obtained from the most recent audited financial statements available of the Board for their year ended September 30, 2015. A copy of the financial statements is available at the administrative offices. As of September 30, 2015, the Network had total assets and deferred outflows of resources of \$4,573,501; total liabilities and deferred inflows of resources of \$4,706,324; and total deficit net position of \$132,823. For year ended September 30, 2015, the Network had total revenues of \$14,078,081; total expenses of \$14,231,049; and a net decrease in net position of \$152,968.

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

The Commission is legally separate and fiscally independent, for the Commission's financial information to be presented within the County's notes to the financial statements only, instead of in the body of the financial statements. The following financial information was obtained from the most recent audited financial statements available of the Commission for their year ended December 31, 2014. A copy of the financial statements is available at the Commission's administrative offices. As of December 31, 2014, the Commission had total assets of \$678,960; total liabilities of \$39,427, and total net position of \$639,533. For the year ended December 31, 2014, the Commission had total revenues of \$915,088; total expenses of \$1,092,963; and a net decrease in net position of \$177,875.

6. Jointly Governed Organizations

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

West Michigan Regional Planning Commission - Montcalm County, in conjunction with 10 other Counties, has entered into an agreement which created the West Michigan Regional Planning Commission. This organization's Board is composed of 20 members, of which two (2) are appointed by Montcalm County. The County's financial responsibility is to contribute a pro rata share of "local match" funds based on the proportion of State equalized valuation. For the year ended September 30, 2015, the County's contribution to the Commission was \$4,691.

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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

7. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

FUND FINANCIAL STATEMENTS

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

The major governmental funds of the County are:

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

The major enterprise funds of the County are:

- a. The Delinquent Tax Revolving Fund accounts for money advanced by the County to other local taxing units and various county funds to pay for their delinquent taxes. Revenues are generated by the collection of the delinquent taxes, penalties, and interest.
- b. The Ambulance Fund is used to report ambulance services which are financed primarily by user charges or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control, or other purposes.

Additionally, the County reports internal service funds to account for the management of fringe benefits provided to various departments of the County on cost reimbursement basis and to account for the management of an office equipment pool provided to other departments of the County on a cost reimbursement basis.

The Pension Fund accounts for the activities of the County's pension plan, which accumulates resources for pension benefit payments to qualified former County employees. The Pension Fund is reported as of December 31, 2014.

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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

FUND FINANCIAL STATEMENTS - CONTINUED

7. Basis of Presentation - continued

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

8. Measurement Focus

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

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

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

9. Basis of Accounting

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

If/when both restricted and unrestricted resources are available for use, it is the County's practice to use restricted resources first, then unrestricted resources as they are needed.

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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

10. Cash and Cash Equivalents

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

11. Investments

Investments during the year consisted of Pension Fund securities, commercial paper, certificates of deposit, and U.S. Government Securities with original maturities of greater than ninety (90) days. Investments are recorded at market value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

12. Receivables

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

13. Prepays

Prepays consist of certain insurance premiums and other expenditures representing costs applicable to future periods. Reported prepaid expenditures are equally offset by nonspendable fund balance, which indicates they do not constitute "available spendable resources" even though they are a component of fund balance.

14. Inventories

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

15. Capital Assets

PRIMARY GOVERNMENT AND COMPONENT UNITS (EXCEPT ROAD COMMISSION)

Capital assets are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities, business-type activities, and component unit columns. Capital assets are those with an initial individual cost of \$5,000 or more and an estimated useful life of more than one (1) year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

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

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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

15. Capital Assets - continued

COMPONENT UNIT - ROAD COMMISSION

Capital assets, which include property, plant and equipment, and infrastructure assets (e.g., roads, bridges and similar items), are reported in the government-wide financial statements. Capital assets are defined by Montcalm County Road Commission as assets with an initial individual cost of more than \$1,500 and an estimated useful life in excess of five (5) years. However, all equipment items (regardless of purchase price or useful life) that have a Schedule C code and rate (Michigan Department of Transportation's "Equipment Rental Rates" report) are capitalized. Capital assets are stated at historical cost or estimated historical cost of purchase or construction. Donated capital assets are recorded at estimated fair market value at the date of donation. Cost relating to maintenance and repairs are charged to expense, whereas those for renewals and betterments, when significant in amount, are capitalized.

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

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

16. Unearned Revenue

Unearned revenue consists of amounts that have been received but have not been earned. The Statement of Net Position reports unearned revenue to indicate that revenue has not been recognized because it has not been earned.

17. Long-Term Obligations

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

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

18. Treatment Rights

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

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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

19. Advances to Other Funds/Governmental Units

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

20. Accrued Compensated Absences

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

Vested vacation and sick leave earned as of September 30, 2015, including related payroll taxes, is recorded in the government-wide financial statements.

Vested vacation and sick leave earned as of September 30, 2015, for the Road Commission (component unit) is recorded in the respective component unit government-wide financial statements.

21. Net Pension Liability and Net Other Post-Employment Benefits Obligation

The net pension liability and net other post-employment benefits obligation are deemed to be noncurrent liabilities and are recognized in the government-wide financial statements.

22. Interfund Transactions

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

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

23. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position or balance sheet will, when applicable, report separate sections for deferred outflows of resources and deferred inflows of resources. *Deferred outflows of resources*, a separate financial statement element, represents a consumption of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. *Deferred inflows of resources*, a separate financial statement element, represents an acquisition of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

The County reports deferred amounts which correspond to the County's net pension liability and are related to differences between expected and actual experience, changes in assumptions, differences between projected and actual pension plan investment earnings, and contributions made subsequent to the measurement date. These amounts are deferred in the government-wide financial statements and are recognized as an outflow or inflow of resources in the period to which they apply.

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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

23. Deferred Outflows/Inflows of Resources - continued

The County reports deferred inflows of resources, unavailable revenue, in the General Operating Fund in connection with long-term receivables that are not considered available to liquidate liabilities of the current period, and which arises only under a modified accrual basis of accounting. These amounts are recognized as an inflow of resources in the period that the amounts become available.

24. Budgets and Budgetary Accounting

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

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

25. Federal Programs

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

26. Comparative Data

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS

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

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

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

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

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

Deposits

As of September 30, 2015, the carrying amounts and bank balance for each type of bank account are as follows:

| <u>Account Type</u> | <u>Carrying Amount</u> | <u>Bank Balance</u> |
|--------------------------|----------------------------|-------------------------|
| PRIMARY GOVERNMENT | | |
| Checking and savings | \$ 4,378,911 | \$ 4,474,134 |
| Certificates of deposit | <u>1,033,813</u> | <u>1,033,813</u> |
| TOTAL PRIMARY GOVERNMENT | 5,412,724 | 5,507,947 |

Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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

Deposits - continued

| <u>Account Type</u> | <u>Carrying Amount</u> | <u>Bank Balance</u> |
|-------------------------|----------------------------|-------------------------|
| FIDUCIARY FUNDS | | |
| Checking | \$ 2,349,467 | \$ 2,528,651 |
| Certificates of deposit | 14,765 | 14,765 |
| | | |
| TOTAL FIDUCIARY FUNDS | 2,364,232 | 2,543,416 |
| | | |
| COMPONENT UNITS | | |
| Checking | 2,644,188 | 2,644,205 |
| Certificates of deposit | 4,947 | 4,947 |
| | | |
| TOTAL COMPONENT UNITS | 2,649,135 | 2,649,152 |
| | | |
| TOTAL REPORTING ENTITY | \$ 10,426,091 | \$ 10,700,515 |

Deposits of the County are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the County. As of September 30, 2015, the primary government and component unit accounts were insured by the FDIC for \$1,029,547 and the amount of \$9,670,968 was uninsured and uncollateralized.

Due to significantly higher cash flow at certain periods during the current period, the amount the County held as cash and cash equivalents increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at September 30, 2015.

As of September 30, 2015, the market values, which are the carrying values for each investment, are as follows:

Investments

| <u>INVESTMENT TYPE</u> | <u>Carrying Amount</u> | <u>Market Value</u> | <u>Moody's/ S&P Rating</u> | <u>Weighted Average Maturity</u> |
|---------------------------------------|----------------------------|-------------------------|------------------------------------|--|
| PRIMARY GOVERNMENT | | | | |
| U.S. Government Securities | \$ 1,502,679 | \$ 1,502,679 | AA+ | 2.94 years |
| Uncategorized pooled investment funds | 1,843,062 | 1,843,062 | AAAm | 55 days |
| Uncategorized pooled investment funds | 1,002,007 | 1,002,007 | N/A | N/A |
| | | | | |
| Total primary government | 4,347,748 | 4,347,748 | | |

Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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

Investments - continued

| <u>INVESTMENT TYPE</u> | <u>Carrying Amount</u> | <u>Market Value</u> | <u>Moody's/ S&P Rating</u> | <u>Weighted Average Maturity</u> |
|---------------------------------------|----------------------------|-------------------------|------------------------------------|--|
| FIDUCIARY FUNDS | | | | |
| U.S. Government Securities | \$ 1,454,819 | \$ 1,454,819 | AA+ | 2.84 years |
| Corporate Bonds and Notes | 388,116 | 388,116 | A | 4.31 years |
| Corporate Bonds and Notes | 303,309 | 303,309 | A+ | 4.31 years |
| Corporate Bonds and Notes | 491,850 | 491,850 | A- | 4.31 years |
| Corporate Bonds and Notes | 261,378 | 261,378 | A-1 | 4.31 years |
| Corporate Bonds and Notes | 282,615 | 282,615 | A-1+ | 4.31 years |
| Corporate Bonds and Notes | 576,626 | 576,626 | A-2 | 4.31 years |
| Corporate Bonds and Notes | 344,976 | 344,976 | BBB+ | 4.31 years |
| Corporate Bonds and Notes | 294,330 | 294,330 | BBB- | 4.31 years |
| Corporate Bonds and Notes | 267,925 | 267,925 | NR | 4.31 years |
| Municipal Bonds | 166,262 | 166,262 | AA- | 3.50 years |
| Common Stock | 6,854,634 | 6,854,634 | N/A | N/A |
| Uncategorized pooled investment funds | 3,900,120 | 3,900,120 | AAAm | 55 days |
| Uncategorized pooled investment funds | 3,799,667 | 3,799,667 | N/A | N/A |
| Uncategorized pooled investment funds | 6,298,143 | 6,298,143 | N/A | N/A |
| Total Fiduciary Funds | 25,684,770 | 25,684,770 | | |
| COMPONENT UNITS | | | | |
| Uncategorized pooled investment funds | 612,816 | 612,816 | AAAm | 55 days |
| Uncategorized pooled investment funds | 1,108,862 | 1,108,862 | N/A | N/A |
| Total component units | 1,721,678 | 1,721,678 | | |
| Total reporting entity | <u>\$ 31,754,196</u> | <u>\$ 31,754,196</u> | | |

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

The County has investments purchased for the County employee's Pension Trust Fund through two (2) banks. Michigan Compiled Law, Section 38.1121, authorizes the County to invest pension assets in a wide variety of investments including: stocks, bonds, certificates of deposit, real estate, annuity contracts, obligations of a specified nature, and real or personal property. Specific limitations apply to the various investment types. As of December 31, 2014, the market value, which is the carrying amount of the pension trust plan assets were \$21,784,650.

Credit risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of September 30, 2015, rating information on the County's investments is presented above.

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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

Interest rate risk

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

Concentration of credit risk

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

Custodial credit risk

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

- Limiting investments to the types of securities listed in this investment policy.
- Pre-qualifying the financial institutions, brokers/dealers, intermediaries, and advisors with which the County will do business in accordance with this investment policy.

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the financial statements, based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of September 30, 2015:

| | <u>Primary Government</u> | <u>Fiduciary Funds</u> | <u>Component Units</u> | <u>Reporting Entity</u> |
|---------------------------|-------------------------------|----------------------------|----------------------------|-----------------------------|
| Cash and cash equivalents | \$ 6,224,008 | \$ 6,264,352 | \$ 3,262,151 | \$ 15,750,511 |
| Investments | <u>3,538,499</u> | <u>21,784,650</u> | <u>1,108,862</u> | <u>26,432,011</u> |
| | <u>\$ 9,762,507</u> | <u>\$ 28,049,002</u> | <u>\$ 4,371,013</u> | <u>\$ 42,182,522</u> |

The primary government cash and cash equivalents captions on the financial statements include \$2,035 in imprest cash. The component unit cash and cash equivalents captions on the financial statements includes \$200 in imprest cash.

NOTE C: ACCOUNTS RECEIVABLE

The following is an analysis of accounts receivable for the Delinquent Tax Fund and Ambulance Fund as of December 31, 2015:

| | <u>Delinquent Tax Revolving</u> | <u>Ambulance</u> |
|---------------------------------------|-------------------------------------|-------------------|
| Receivable, gross | \$ 3,069,068 | \$ 619,290 |
| Less: allowance for doubtful accounts | <u>(86,243)</u> | <u>(362,594)</u> |
| Accounts receivable, net | <u>\$ 2,982,825</u> | <u>\$ 256,696</u> |

Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE D: INTERFUND RECEIVABLES AND PAYABLES

The following schedule details interfund receivables and payables related to the primary government at September 30, 2015:

| | |
|--|---------------------|
| Due to General Fund from: | |
| Nonmajor governmental funds | <u>\$ 13,225</u> |
| Due to Delinquent Tax Revolving Fund from: | |
| General Fund | <u>\$ 558,970</u> |
| Due to Ambulance Fund from: | |
| General Fund | \$ 857,851 |
| Nonmajor governmental funds | 242,844 |
| Internal service funds | <u>2,154</u> |
| | <u>\$ 1,102,849</u> |
| Due to nonmajor governmental funds from: | |
| General Fund | \$ 28,062 |
| Delinquent Tax Revolving Fund | <u>52,500</u> |
| | <u>\$ 80,562</u> |

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

NOTE E: ADVANCES RECEIVABLE AND PAYABLE

The following schedule details advances receivable and payable between funds of the primary government at September 30, 2015:

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

The advances were made to finance capital acquisitions.

Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE F: INTERFUND TRANSFERS

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

| | | |
|---|----|------------------|
| Transfer to General Fund from: | | |
| Nonmajor governmental funds | \$ | 84,998 |
| Delinquent Tax Revolving Fund | | <u>1,016,001</u> |
| | \$ | <u>1,100,999</u> |
| Transfer to nonmajor governmental funds from: | | |
| General Fund | \$ | 403,235 |
| Nonmajor governmental funds | | <u>2,522</u> |
| | \$ | <u>405,757</u> |
| Transfer to internal service funds from: | | |
| General Fund | \$ | <u>103,750</u> |

The transfers made to the General Fund from nonmajor governmental funds were to offset a portion of indirect costs. The transfers made to nonmajor governmental funds from the General Fund and nonmajor governmental funds were to fund current year operations. The transfers made from the General Fund to the Internal Service Funds were to cover the cost of post-employment health care. Transfers made from the Delinquent Tax Revolving Fund to the General Fund were to fund current year operations.

NOTE G: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2015, was as follows:

PRIMARY GOVERNMENT

| | Balance Oct. 1, 2014 | Additions | Deletions | Balance Sept. 30, 2015 |
|--------------------------------------|-------------------------|----------------|------------------|---------------------------|
| Governmental Activities | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 81,157 | \$ - | \$ - | \$ 81,157 |
| Capital assets being depreciated | | | | |
| Land improvements | 5,665 | - | - | 5,665 |
| Buildings and additions | 22,642,422 | 16,550 | - | 22,658,972 |
| Equipment and furniture | 1,557,504 | 63,869 | (221,842) | 1,399,531 |
| Vehicles | <u>873,903</u> | <u>141,649</u> | <u>(211,817)</u> | <u>803,735</u> |
| Subtotal | 25,079,494 | 222,068 | (433,659) | 24,867,903 |

Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE G: CAPITAL ASSETS - CONTINUED

PRIMARY GOVERNMENT - CONTINUED

| | Balance Oct. 1, 2014 | Additions | Deletions | Balance Sept. 30, 2015 |
|---|-------------------------|---------------------|-------------------|---------------------------|
| Governmental Activities - continued | | | | |
| Less accumulated depreciation for: | | | | |
| Land improvements | \$ (5,665) | \$ - | \$ - | \$ (5,665) |
| Buildings and additions | (14,602,524) | (657,574) | - | (15,260,098) |
| Equipment and furniture | (1,331,921) | (92,003) | 221,842 | (1,202,082) |
| Vehicles | (757,980) | (65,434) | 208,483 | (614,931) |
| Subtotal | (16,698,090) | (815,011) | 430,325 | (17,082,776) |
| Net capital assets being depreciated | 8,381,404 | (592,943) | (3,334) | 7,785,127 |
| Total Net Capital Assets | <u>\$ 8,462,561</u> | <u>\$ (592,943)</u> | <u>\$ (3,334)</u> | <u>\$ 7,866,284</u> |

Depreciation expense was charged to the following governmental activities:

| | |
|--------------------------|-------------------|
| Governmental activities: | |
| General government | \$ 353,447 |
| Public safety | 414,069 |
| Health and welfare | 45,755 |
| Recreation and culture | 5,074 |
| | <u>\$ 818,345</u> |

The current period depreciation expense of \$815,011 has been adjusted by \$3,334 for the loss on disposal of capital assets during the period, in accordance with GASB Statement No. 34 implementation guide which states that immaterial losses may be handled as an adjustment to the current period's depreciation expense.

| | Balance Oct. 1, 2014 | Additions | Deletions | Balance Sept. 30, 2015 |
|------------------------------------|-------------------------|-------------------|---------------|---------------------------|
| Business-type Activities | | | | |
| Capital assets being depreciated | | | | |
| Buildings and improvements | \$ 437,476 | \$ - | \$ - | \$ 437,476 |
| Equipment and furniture | 700,468 | 139,891 | - | 840,359 |
| Vehicles | 1,597,821 | 311,531 | (185,673) | 1,723,679 |
| Subtotal | 2,735,765 | 451,422 | (185,673) | 3,001,514 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (207,160) | (22,129) | - | (229,289) |
| Equipment and furniture | (590,992) | (81,544) | - | (672,536) |
| Vehicles | (1,094,729) | (247,548) | 185,673 | (1,156,604) |
| Subtotal | (1,892,881) | (351,221) | 185,673 | (2,058,429) |
| Total Net Capital Assets | <u>\$ 842,884</u> | <u>\$ 100,201</u> | <u>\$ -0-</u> | <u>\$ 943,085</u> |

Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE G: CAPITAL ASSETS - CONTINUED

COMPONENT UNITS

| | Balance Oct. 1, 2014 | Additions | Deletions | Balance Sept. 30, 2015 |
|---|-------------------------|---------------------|---------------|---------------------------|
| Drainage Districts | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 75,650 | \$ - | \$ - | \$ 75,650 |
| Capital assets being depreciated | | | | |
| Drains | 13,464,229 | 130,000 | - | 13,594,229 |
| Less accumulated depreciation for: | | | | |
| Drains | (2,222,424) | (315,674) | - | (2,538,098) |
| Net capital assets being depreciated | 11,241,805 | (185,674) | -0- | 11,056,131 |
| Total Net Capital Assets | <u>\$ 11,317,455</u> | <u>\$ (185,674)</u> | <u>\$ -0-</u> | <u>\$ 11,131,781</u> |
| Central Dispatch Authority | | | | |
| Capital assets being depreciated | | | | |
| Equipment and furniture | \$ 783,849 | \$ - | \$ (68,844) | \$ 715,005 |
| Vehicles | 16,490 | - | - | 16,490 |
| Subtotal | 800,339 | -0- | (68,844) | 731,495 |
| Less accumulated depreciation for: | | | | |
| Equipment and furniture | (705,257) | (18,560) | 68,844 | (654,973) |
| Vehicles | (16,490) | - | - | (16,490) |
| Subtotal | (721,747) | (18,560) | 68,844 | (671,463) |
| Total Net Capital Assets | <u>\$ 78,592</u> | <u>\$ (18,560)</u> | <u>\$ -0-</u> | <u>\$ 60,032</u> |
| Road Commission | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 45,227 | \$ - | \$ - | \$ 45,227 |
| Infrastructure - land improvements | 5,227,035 | - | - | 5,227,035 |
| Construction in progress | 25,711 | - | (25,711) | -0- |
| Subtotal | 5,297,973 | -0- | (25,711) | 5,272,262 |

Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE G: CAPITAL ASSETS - CONTINUED

COMPONENT UNITS - CONTINUED

| | Balance Oct. 1, 2014 | Additions | Deletions | Balance Sept. 30, 2015 |
|---|-------------------------|-------------------|--------------------|---------------------------|
| Road Commission - continued | | | | |
| Capital assets being depreciated | | | | |
| Buildings | \$ 2,595,508 | \$ 235,213 | \$ - | \$ 2,830,721 |
| Road equipment | 8,396,750 | 926,823 | (569,096) | 8,754,477 |
| Shop equipment | 93,925 | 7,847 | - | 101,772 |
| Office equipment | 155,112 | 2,771 | - | 157,883 |
| Engineer's equipment | 71,636 | - | - | 71,636 |
| Yard and storage | 366,508 | - | - | 366,508 |
| Infrastructure - bridges | 12,432,386 | 86,628 | - | 12,519,014 |
| Infrastructure - roads | 37,750,600 | 2,806,765 | (1,459,682) | 39,097,683 |
| Subtotal | 61,862,425 | 4,066,047 | (2,028,778) | 63,899,694 |
| Less accumulated depreciation for: | | | | |
| Buildings | (972,138) | (57,748) | - | (1,029,886) |
| Road equipment | (6,758,718) | (794,101) | 534,948 | (7,017,871) |
| Shop equipment | (71,183) | (3,944) | - | (75,127) |
| Office equipment | (139,226) | (2,390) | - | (141,616) |
| Engineer's equipment | (42,212) | (4,426) | - | (46,638) |
| Yard and storage | (359,683) | - | - | (359,683) |
| Infrastructure - bridges | (4,886,892) | (254,459) | - | (5,141,351) |
| Infrastructure - roads | (19,487,225) | (2,109,525) | 1,459,682 | (20,137,068) |
| Subtotal | (32,717,277) | (3,226,593) | 1,994,630 | (33,949,240) |
| Net capital assets being depreciated | 29,145,148 | 839,454 | (34,148) | 29,950,454 |
| Total Net Capital Assets | <u>\$ 34,443,121</u> | <u>\$ 839,454</u> | <u>\$ (59,859)</u> | <u>\$ 35,222,716</u> |

Depreciation expense was charged to the following activities:

| | |
|---------------------------------|---------------------|
| Net equipment expense | |
| Direct equipment | \$ 794,099 |
| Indirect equipment | |
| Buildings | 57,748 |
| Shop equipment | 3,944 |
| Distributive expense - overhead | 2,390 |
| Net administrative expense | |
| Office equipment and furniture | 4,426 |
| Infrastructure | 2,363,986 |
| | <u>\$ 3,226,593</u> |

Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE H: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portion) of the County for the year ended September 30, 2015:

| | Balance Oct. 1, 2014 | Additions | Deletions | Balance Sept. 30, 2015 | Amounts Due Within One Year |
|-----------------------------------|-------------------------|---------------------|-----------------------|---------------------------|-----------------------------------|
| PRIMARY GOVERNMENT | | | | | |
| Governmental Activities | | | | | |
| Direct County obligations | \$ 8,530,000 | \$ - | \$ (615,000) | \$ 7,915,000 | \$ 655,000 |
| Capital lease | 195,042 | - | (46,289) | 148,753 | 48,619 |
| Compensated absences | 351,757 | 396,296 | (411,913) | 336,140 | 336,140 |
| Total governmental activities | 9,076,799 | 396,296 | (1,073,202) | 8,399,893 | 1,039,759 |
| Business-type Activities | | | | | |
| Installment purchase agreement | 31,305 | - | (19,131) | 12,174 | 12,174 |
| Compensated absences | 10,933 | 43,795 | (41,603) | 13,125 | 13,125 |
| Total business-type activities | 42,238 | 43,795 | (60,734) | 25,299 | 25,299 |
| TOTAL PRIMARY GOVERNMENT | 9,119,037 | 440,091 | (1,133,936) | 8,425,192 | 1,065,058 |
| | Balance Oct. 1, 2014 | Additions | Deletions | Balance Sept. 30, 2015 | Amounts Due Within One Year |
| COMPONENT UNITS | | | | | |
| Central Dispatch | | | | | |
| Compensated absences | 33,697 | 71,731 | (73,140) | 32,288 | 32,288 |
| Drainage Districts | | | | | |
| Governmental Activities | | | | | |
| Drain bonds | 1,347,298 | 130,000 | (194,021) | 1,283,277 | 148,356 |
| Business-type Activities | | | | | |
| Little Whitefish Lake Drain bonds | 1,096,000 | - | (27,000) | 1,069,000 | 27,000 |
| Sidney Township Sewer bond | 3,369,000 | - | (287,000) | 3,082,000 | 87,000 |
| Road Commission | | | | | |
| Installment purchase agreements | 1,024,549 | 500,067 | (242,602) | 1,282,014 | 343,724 |
| Compensated absences | 95,008 | 15,761 | - | 110,769 | 110,769 |
| TOTAL COMPONENT UNITS | 6,965,552 | 717,559 | (823,763) | 6,859,348 | 749,137 |
| TOTAL REPORTING ENTITY | \$ 16,084,589 | \$ 1,157,650 | \$ (1,957,699) | \$ 15,284,540 | \$ 1,814,195 |

Direct County Obligations

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

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

Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE H: LONG-TERM DEBT - CONTINUED

Bonds and loans payable at September 30, 2015, are as follows:

\$9,320,000 Building Authority Refunding Bonds dated October 4, 2005, due in annual installments ranging from \$655,000 to \$945,000 through May 1, 2025, with interest ranging from 4.00 percent to 4.10 percent, payable semi-annually. \$ 7,915,000

Capital Lease

\$199,613 Capital lease dated January 31, 2014, due in monthly installments of \$4,571 through April 1, 2018. \$ 148,753

Installment Purchase Agreement

\$104,349 Installment Purchase Agreement, dated March 31, 2011, due in monthly installments of \$1,739 through May 2, 2016. \$ 12,174

Compensated Absences

In accordance with County personnel policies and/or contracts negotiated with various employee groups of the County, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in their respective personnel policies and/or contracts. All of the total liability of \$336,140 and \$13,125 for Governmental and Business-type activities, respectively, has been reported as a current liability.

COMPONENT UNIT - CENTRAL DISPATCH

In accordance with County personnel policies and/or contracts negotiated with various employee groups of the County, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in their respective personnel policies and/or contracts. The dollar amount of these vested rights, including related payroll taxes, amounted to \$32,288 for vacation at September 30, 2015. All of the total liability of \$32,288 has been reported as a current liability.

COMPONENT UNIT - DRAINAGE DISTRICTS

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

Drain Bonds

Bonds payable at September 30, 2015, per respective Drain projects serviced from the Component Unit Debt Service Funds are as follows:

\$1,151,000 Duck Lake Drain District Bonds, Series A, dated March 17, 2004, due in annual installments ranging from \$22,000 to \$45,000 through March 1, 2034, with interest of 4.50 percent, payable semi-annually. \$ 582,000

\$761,772 Greenville West Drain District Bonds, Series 2008, dated February 7, 2008, due in annual installments of \$50,785, through June 1, 2023, with interest of 3.84 percent, payable semi-annually. 406,277

Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE H: LONG-TERM DEBT - CONTINUED

COMPONENT UNIT - DRAINAGE DISTRICTS - CONTINUED

Drain Bonds - continued

\$385,000 Perry Drain Bonds, Series 2010, dated October 1, 2010, due in annual installments of \$55,000 through June 1, 2018, with interest of 6.00 percent, payable annually. \$ 165,000

\$130,000 Tow Drain Bonds, Series 2015, dated August 12, 2015, due in annual installments of \$18,571, through June 1, 2022, with interest ranging from 1.00 percent to 2.75 percent payable annually 130,000

\$ 1,283,277

Bonds payable at September 30, 2015, per respective Drain projects serviced from the Component Unit proprietary funds are as follows:

\$1,262,000 Little Whitefish Lake Sanitary Sewer System G.O. Bonds dated March 18, 1997 due in annual installments ranging from \$27,000 to \$55,000 through November 1, 2036, with interest of 5.0 percent, payable semi-annually. \$ 966,000

\$121,500 Little Whitefish Lake Sanitary Sewer System G.O. Bonds dated January 24, 2003 due in annual installments ranging from \$2,000 to \$8,000 through May 1, 2043, with interest of 4.625 percent, payable semi-annually. 103,000

\$3,632,000 Sidney Township Sewage Disposal Bond dated December 20, 2010, due in annual installments ranging from \$87,000 to \$97,000 through June 1, 2050, with interest of 3.00 percent, payable annually. 3,082,000

\$ 4,151,000

COMPONENT UNIT - ROAD COMMISSION

Installment Purchase Agreements

On April 29, 2013, the Road Commission borrowed \$620,296 from Chemical bank at an annual interest rate of 1.99% for five (5) years with an annual payment of \$131,563. The installment purchase agreement is for the purchase of two (2) 2014 Model 367 Peterbilt Trucks and three (3) 2014 Model Peterbilt Trucks with PACCAR MX 13L from Peterbilt. \$ 379,486

On April 29, 2013, the Road Commission borrowed \$475,469 from Chemical bank at an annual interest rate of 1.99% for five (5) years with an annual payment of \$100,845. The installment purchase agreement is for the purchase of two (2) 2014 Single-axle units 2/7-ft RH Jr. Paraglide Wings, two (2) Tandem-axle units with single wings, and one (1) Tandem-axle unit with wings on both sides from Truck & Trailer Specialties, Inc. 290,883

On July 15, 2014, the Road Commission entered into an installment purchase agreement with Caterpillar Financial in the amount of \$132,177 at an annual interest rate of 2.19% for five (5) years with monthly payments of \$2,328. The installment purchase agreement is for the purchase of a 2014 Cat 930k Loader. 100,476

Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE H: LONG-TERM DEBT - CONTINUED

COMPONENT UNIT - ROAD COMMISSION - CONTINUED

Installment Purchase Agreements - continued

On September 18, 2014, the Road Commission entered into an installment purchase agreement with Capital Advantage Leasing, who later assigned the agreement to The Bank of Holland, for the purchase, delivery, and installation of telecommunications equipment from Millennia Telecom in the amount of \$13,751 at an annual interest rate of 6.785% for five (5) years with monthly payments of \$271.

\$ 11,101

On November 3, 2014, the Road Commission entered into an installment purchase agreement with JX Enterprises, Inc., and Chemical bank, as assignee of JX Enterprises, Inc. The purchase agreement is for the purchase of two (2) 2015 Model 367 Peterbilt Trucks. The total purchase price was \$266,762. The lease agreement calls for an annual interest rate of 1.99% for five (5) years with annual payments of \$56,579.

266,762

On March 9, 2015, the Road Commission entered into an installment purchase agreement with Truck & Trailer Specialties, Inc., and Chemical bank, as assignee of Truck & Trailer Specialties, Inc. The installment purchase agreement is for the purchase of: two (2) 9' Paraglide Wing Plows, two (2) Central Hydraulic Systems, two (2) Dickey-John Controllers, two (2) Custom Lighting and two (2) Crysteel Dumps with Marathon Hoists and Other Miscellaneous Parts for a purchase price of \$233,306. The lease agreement calls for an annual interest rate of 1.99% for five years with annual payments of \$49,484.

233,306

\$ 1,282,014

Compensated Absences

In accordance with Commission personnel policies and/or contracts negotiated with various employee groups of the Commission, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in their respective personnel policies and/or contracts. The dollar amount of these vested rights, including related payroll taxes, amounts to \$110,769 at September 30, 2015.

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

| Year Ending September 30, | Primary Government | | | |
|------------------------------|---------------------------|---------------------|--------------------------------|---------------|
| | Direct County Obligations | | Installment Purchase Agreement | |
| | Principal | Interest | Principal | Interest |
| 2016 | \$ 655,000 | \$ 317,545 | \$ 12,174 | \$ - |
| 2017 | 675,000 | 291,345 | - | - |
| 2018 | 705,000 | 264,345 | - | - |
| 2019 | 740,000 | 236,145 | - | - |
| 2020 | 770,000 | 206,545 | - | - |
| 2021-2025 | 4,370,000 | 543,525 | - | - |
| | <u>\$ 7,915,000</u> | <u>\$ 1,859,450</u> | <u>\$ 12,174</u> | <u>\$ -0-</u> |

Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE H: LONG-TERM DEBT - CONTINUED

| Year Ending September 30, | Component Units | | | |
|------------------------------|---------------------|---------------------|---|------------------|
| | Drain Bonds | | Road Commission Installment Purchase Agreement | |
| | Principal | Interest | Principal | Interest |
| 2016 | \$ 262,356 | \$ 213,499 | \$ 343,724 | \$ 25,932 |
| 2017 | 264,356 | 200,476 | 350,756 | 18,898 |
| 2018 | 267,356 | 190,182 | 357,940 | 11,715 |
| 2019 | 214,356 | 179,768 | 125,601 | 4,390 |
| 2020 | 217,857 | 169,281 | 103,993 | 2,070 |
| 2021-2025 | 975,996 | 732,118 | - | - |
| 2026-2030 | 918,500 | 554,068 | - | - |
| 2031-2035 | 907,500 | 374,500 | - | - |
| 2036-2040 | 622,000 | 224,354 | - | - |
| 2041-2045 | 499,000 | 132,893 | - | - |
| 2046-2050 | 285,000 | 58,200 | - | - |
| | <u>\$ 5,434,277</u> | <u>\$ 3,029,339</u> | <u>\$ 1,282,014</u> | <u>\$ 63,005</u> |

Advance Refunding - Prior

The County has issued various refunding bonds to defease bonded debt. These refundings were accomplished by establishing irrevocable trusts with escrow agents composed of cash and U.S. Government Securities sufficient to meet the applicable principal and interest payments. The various refunding bonds were used to fund escrow amounts, pay the cost of issuance of the refunding bonds, and to pay the remaining balances the defeased obligations. Accordingly, the various trust account assets and liabilities for the defeased bonds are not included in the County's financial statements.

NOTE I: EMPLOYEE RETIREMENT SYSTEMS

Plan Description

Montcalm County is in a combined County single employer defined-benefit pension plan covering substantially all of its employees. The plan is administered by the Montcalm County Controller/Administrator and the County Pension Trust Committee. The plan is funded through the purchase of various investment vehicles. To be eligible for the plan, any employee whose employment is for 1,000 hours or more each plan year or who received more than 50% of all compensation from the employer and provided the required employee contributions commence, except non-union and AFSCME employees hired after December 31, 2003 are not eligible to participate in the plan; also, employees hired prior to January 1, 2004 who elected during 2004 to participate in the defined contribution plan no longer participate in this plan; employees of MCCDA are ineligible if hired after July 6, 2005.

Summary of Significant Accounting Policies

For the purposes of measuring the Net Pension Liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County of Montcalm Pension Plan and additions to/deductions from the County's fiduciary net position have been determined on the same basis as they are reported by the County. For this purposes, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Montcalm County, Michigan
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE I: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

Benefits Provided

Benefits provided include plans with multipliers ranging from 2.00% to 2.50%.

Vesting period ranging from 5 to 8 years depending on bargaining unit.

Normal retirement age is 60 with 10 years of service or early unreduced retirement at 55 with 25 years of service for Officers/Sherriff and Central Dispatch. Normal retirement age is 60 or 10 years of service for all other participants. A reduced benefit is available age 55 with 25 years of service.

Final average compensation is 2% or 2.5% of average monthly compensation reduced by 1/2% per month for early retirement with a maximum of 75% of final average annual compensation. Member contributions range from 3.5% to 11.96%.

At the December 31, 2014, valuation date, the following employees were covered by the benefit terms:

| | |
|---|-------------------|
| Inactive employees or beneficiaries receiving benefits | 85 |
| Inactive employees entitled to but not yet receiving benefits | 15 |
| Active employees | <u>109</u> |
| | <u><u>209</u></u> |

Contributions

Employees will contribute a fixed portion of their pay at rates specified in the plan document, and the employer will contribute any remaining required amounts as determined by an annual actuarial valuation.

Employer contribution rate is at 9.93%. There were no divisions closed to new hires as of December 31, 2014.

Net Pension Liability

The employer's Net Pension Liability was measured as of December 31, 2014, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability in the December 31, 2014, annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 0%

Salary increases: 3.0% annual increases

Investment rate of return: 5.76%, net of investment expenses

Mortality rates used were based on the RP-2000 Mortality table adjusted with Scale AA, with pre-retirement rates adjusted for mortality improvement through the year of valuation with a further projection period of 15 years; and post-retirement rates adjusted for mortality improvement through the year of valuation with a further projection period of 7 years.

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE I: EMPLOYEE RETIREMENT SYSTEM - CONTINUEDActuarial Assumptions - continued

The long-term expected rate of return on retirement plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of retirement plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the retirement plan's target asset allocation as of December 31, 2014 are summarized in the following table (target allocations and expected rates of return were provide separately by the two asset managers and combined for purposes of the whole plan):

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|------------------------------------|--------------------------|---|
| Domestic Equity Macatawa | 33.00% | 8.00% |
| International Equity Macatawa | 9.00% | 7.50% |
| Fixed Income Macatawa | 28.00% | 3.50% |
| Real Estate Macatawa | 1.00% | 7.50% |
| Cash Macatawa | 1.00% | 1.00% |
| Domestic Equity Raymond James | 12.00% | 5.50% |
| International Equity Raymond James | 4.00% | 7.60% |
| Fixed Income Raymond James | 12.00% | 3.50% |

Discount Rate

The discount rate used to measure the total pension liability is 5.16%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that County contributions will be made at rates equal to the most recent actual county contribution expressed as a percentage of covered payroll. Based on those assumptions, the retirement plan's fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits. From the year that benefit payments were not projected to be covered by the projected assets (the "depletion date"), projected benefits were discounted at a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield. A single equivalent discount rate that yields the same present value of benefits is calculated. This discount rate is used to determine the Total Pension Liability.

Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE I: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

Changes in Net Pension Liability

| Calculating the Net Pension Liability | | | |
|---|-----------------------------------|---------------------------------------|-------------------------------------|
| | Increase (Decrease) | | |
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a)-(b) |
| Balances at December 31, 2013 | \$ 35,160,471 | \$ 21,135,705 | \$ 14,024,766 |
| Changes for the year | | | |
| Service cost | 1,006,943 | - | 1,006,943 |
| Interest on total pension liability | 1,779,050 | - | 1,779,050 |
| Changes in benefits | - | - | -0- |
| Difference between expected and actual experience | - | - | -0- |
| Changes in assumptions | - | - | -0- |
| Employer contributions | - | 554,145 | (554,145) |
| Employee contributions | - | 390,146 | (390,146) |
| Net investment income | - | 1,160,603 | (1,160,603) |
| Benefit payments, including employee refunds | (1,365,511) | (1,365,511) | -0- |
| Administrative expense | - | (82,386) | 82,386 |
| Other changes | - | - | -0- |
| Net changes | 1,420,482 | 656,997 | 763,485 |
| Balances as of December 31, 2014 | <u>\$ 36,580,953</u> | <u>\$ 21,792,702</u> | <u>\$ 14,788,251</u> |

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the Net Pension Liability of the employer, calculated using the discount rates of 5.16%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1% lower (4.16%) or 1% higher (6.16%) than the current rate.

| | 1% Decrease | Current Discount Rate | 1% Increase |
|-----------------------|---------------|--------------------------|---------------|
| Net pension liability | \$ 19,815,024 | \$ 14,788,251 | \$ 10,612,600 |

Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE I: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

Pension Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - continued

For the year ended December 31, 2014, the employer recognized pension expenses of \$1,281,215. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ - | \$ - |
| Changes in assumptions | - | - |
| Net difference between projected and actual earnings on pension plan investments | 33,907 | - |
| Contributions subsequent to the measurement date* | - | - |
| Total | <u>\$ 33,907</u> | <u>\$ -0-</u> |

- * The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the year ending September 30, 2016.

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ended September 30,</u> | <u>Pension Expense</u> |
|-------------------------------------|----------------------------|
| 2015 | \$ 8,477 |
| 2016 | 8,477 |
| 2017 | 8,477 |
| 2018 | 8,476 |

COMPONENT UNIT - ROAD COMMISSION

The Road Commission participates in a separately defined benefit pension plan through the Municipal Employees Retirement Systems (MERS) of Michigan which provides certain retirement, disability, and death benefits to plan members and beneficiaries. Details applicable to the Road Commission pension plan are available in their separately issued financial statements. The actuarially determined contribution requirements have been met.

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE J: OTHER POST-EMPLOYMENT BENEFITS

COUNTY GENERAL AND CENTRAL DISPATCH AUTHORITY

Plan Description

Montcalm County provides certain retiree health care benefits as other post-employment benefits (OPEB) to all applicable employees, in accordance with union agreements and/or personnel policies. The following are the Governmental Accounting Standards Board (GASB) Statement No. 45 required disclosures and these disclosures have been implemented prospectively by the Commission. In accordance with the union agreement and personnel policy, the County provides a monthly credit of \$8 multiplied by the number of years of service for the employee (capped at 25 years) toward the premium cost of the County's health insurance plan with the retiree paying any difference. The credit is not available for a retiree's spouse, but may be purchased by the retiree at cost. OPEB is available to County employees retiring with 25 years of service or age 60 and 10 years of plan participation. OPEB expires for all retirees who become eligible for Medicare or who have comparable coverage through another employer or spouse's employer. For the year ended September 30, 2015, County expended \$7,480 for 73 participants currently eligible to receive benefits. The County's policy is to finance these benefits on a pay-as-you-go basis.

The plan does not issue a separate stand-alone financial statement.

Funding Policy

The County's annual OPEB cost is calculated based on the *annual required contribution of the employer* (ARC). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The County has no obligation to make contributions in advance of when the premiums are due for payment (i.e., may be financed on a "pay-as-you-go" basis). The current contributions being made are based on an actuarial calculated valuation. The amount of the annual required contribution is reflected in the schedule that follows. Administrative costs of the plan are paid for by the County.

Funding Progress

For the year ended September 30, 2015, the County has determined an estimated cost of providing post-employment benefits through the alternative measurement method of calculation as of September 30, 2015. The calculation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to cover the amortization of any unfunded actuarial liabilities from the past, over a period not to exceed thirty (30) years.

Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE J: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

COUNTY GENERAL AND CENTRAL DISPATCH AUTHORITY - CONTINUED

Funding Progress - continued

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

| | County | Central Dispatch | Total |
|---|------------|---------------------|------------|
| Annual required contribution | \$ 173,958 | \$ 45,754 | \$ 219,712 |
| Interest on net OPEB obligation | 390 | 98 | 488 |
| Adjustment to ARC | (1,091) | (273) | (1,364) |
| Annual OPEB cost | 173,257 | 45,579 | 218,836 |
| Amounts contributed: | | | |
| Payments of current premiums (gross of employee reimbursement) | 5,923 | 1,557 | 7,480 |
| Increase in net OPEB obligation | 167,334 | 44,022 | 211,356 |
| Net OPEB obligation - Beginning of year | 10,679 | 5,571 | 16,250 |
| Net OPEB obligation - End of year | \$ 178,013 | \$ 49,593 | \$ 227,606 |

The annual OPEB costs, the percentage contributed to the plan, and the net OPEB obligation for the year ended September 30, 2015 was as follows:

| | 2013 | 2014 | 2015 |
|------------------------|-----------|-----------|------------|
| Annual OPEB costs | \$ 22,193 | \$ 23,287 | \$ 218,836 |
| Percentage contributed | 143.4% | 110.7% | 3.4% |
| Net OPEB obligation | \$ 18,732 | \$ 16,250 | \$ 227,606 |

The current funding progress of the plan as of September 30, 2015, the most recent valuation date, is as follows:

| | 2008 | 2011 | 2015 |
|------------------------------------|--------------|--------------|--------------|
| Actuarial value of assets | \$ - | \$ - | \$ - |
| Actuarial value of liability (AAL) | 190,261 | 131,903 | 1,719,774 |
| Unfunded AAL (UAAL) | 190,261 | 131,903 | 1,719,774 |
| Funded ratio | 0.0% | 0.0% | 0.0% |
| Annual covered payroll | \$ 3,802,387 | \$ 3,899,679 | \$ 3,640,445 |
| Ratio of UAAL to covered payroll | 5.0% | 3.4% | 47.2% |

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE J: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

COUNTY GENERAL AND CENTRAL DISPATCH AUTHORITY - CONTINUED

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of potential occurrences of certain events in the future. Examples include assumption about future employment, mortality, healthcare costs trends, inflation, etc. Amounts determined regarding the funded status of the plan and the annual required contributions of the County are subject to continual revisions as actual results are compared with past expectations and new estimates and assumptions are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the County and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the September 30, 2015, actuarial valuation, the projected unit credit service cost method was used. The actuarial assumptions include a 3.0 percent per year rate of investment return, compounded annually net after investment expense, which is the expected long-term investment returns on plan assets. A discount rate of 3.0 percent was also used. There was also an inflationary rate assumption factored into the calculation.

COMPONENT UNIT - ROAD COMMISSION

In addition to the pension benefits, the Montcalm County Road Commission provides post-employment health care insurance benefits to all retired employees by a group insurance plan. The benefits are provided in accordance with articles of the labor contract and personnel policy to all employees who retire from the Road Commission. The Road Commission's obligation ceases upon the employee attaining the minimum age for Medicare coverage. Details applicable to the Road Commission plan are available in their separately issued financial statements.

NOTE K: FEDERAL GRANTS

The Michigan Department of Transportation (MDOT) requires that road commissions report all Federal and State grants pertaining to their county. During the fiscal year ended September 30, 2015, the Federal aid received and expended by the Road Commission was \$1,309,527 for contracted projects and \$181,741 for negotiated projects. Contracted projects are defined as projects performed by private contractors paid for and administrated by MDOT. The contracted Federal projects are not subject to single audit requirements by the road commissions, as they are included in MDOT's single audit. Negotiated projects are projects that are performed by the Road Commission employees or private contractors paid for and administered by the Road Commission and are subject to single audit requirements, if the amount expended is \$500,000 or more. A single audit was not performed for the Road Commission during for the fiscal year ended September 30, 2015.

NOTE L: RISK MANAGEMENT

The County is a voluntary member of the Michigan Municipal Risk Management Authority which is organized under Public Act 138 of 1982, as amended as a governmental group self-insurance pool. Public Act 138 authorizes local units of government to exercise jointly any power, privilege, or authority which each might exercise separately. The Authority administers a risk management fund providing the County with loss protection for general liability, vehicle physical damage, property damage, and losses due to crime. Settled claims relating to the insurance have not exceeded the amount of insurance coverage in any of the past three (3) fiscal years.

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE L: RISK MANAGEMENT - CONTINUED

The County also carries commercial insurance for the risk of loss due to workers' compensation and healthcare professional liability claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three (3) years.

Road Commission (Component Unit)

The Road Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; medical benefits provided to employees and natural disasters. The Road commission has purchased commercial insurance for medical benefits claims other than dental and participates in the Michigan County Road Commission Self-Insurance Pool for claims relating to general liability, excess liability, auto liability, trunkline liability, errors and omissions, physical damage (equipment, buildings and contents) and workers' compensation. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three (3) years.

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

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

NOTE M: PROPERTY TAXES AND TAXES RECEIVABLE

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

The County's Winter 2014 and Summer 2015 ad valorem taxes were levied and collectible on December 1, 2014, and July 1, 2015, respectively. It is the County's policy to recognize revenues from the tax levy in the year when the proceeds of the levy are budgeted and made available for the financing of County operations. As a result, the County's Winter 2014 and Summer 2015 tax levies have been recognized as revenue in the current fiscal year. The 2015 taxable value of Montcalm County amounted to \$1,666,234,647 on which ad valorem taxes levied for County general operating purposes consisted of 4.4082 mills for Summer 2015. For the year ended September 30, 2015, the County levied 0.4500 mills for the Commission on Aging, 0.6500 mills for Ambulance Services, 0.5000 mills for the library, and 0.0200 mills for Veterans on December 1, 2014, using the 2014 taxable value of \$1,641,697,068.

By resolution of the Board of Commissioners and agreement with various taxing authorities, the County purchased at face value the 2014 real property taxes receivable returned delinquent on March 1, 2015. Subsequent collections of delinquent taxes receivable, plus interest thereon and investment earnings, are used to repay the funds distributed by the Delinquent Tax Revolving Fund. This activity is accounted for in the Delinquent Tax Revolving (Enterprise) Fund.

Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE N: CONTINGENT LIABILITIES

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

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

NOTE O: RESTRICTED NET POSITION

Restrictions on net position shown in the government-wide financial statements indicate that restrictions imposed by the funding source preclude their use for unrestricted purposes. The following are the various net position restrictions as of September 30, 2015:

PRIMARY GOVERNMENT

Governmental Activities

Restricted

Public safety

| | |
|-----------------------------------|-----------|
| Law enforcement trust | \$ 27,279 |
| Homeland Security | 48,615 |
| Local correction officer training | 23,605 |
| Drug law enforcement | 7,898 |
| Law enforcement | 465 |

\$ 107,862

Public works

| | |
|----------------------|------------|
| Solid waste planning | \$ 235,108 |
|----------------------|------------|

Health and welfare

| | |
|-----------------------------|----------|
| Child Care | \$ 1,715 |
| Victim Support | 86,671 |
| Soldiers and Sailors Relief | 2,759 |

| | |
|-----------------|------------------|
| Veterans' Trust | <u>\$ 91,145</u> |
|-----------------|------------------|

Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE O: RESTRICTED NET POSITION - CONTINUED

PRIMARY GOVERNMENT - CONTINUED

Governmental Activities - continued

Restricted - continued

Other purposes

| | |
|----------------------------------|------------|
| General purposes | \$ 187,016 |
| Community Information Systems | 18,605 |
| Homestead Property Tax Exemption | 506,885 |
| Register of Deeds | 264,219 |
| Law library | 1,040 |
| County libraries | 12,182 |
| Animal Shelter | 16,983 |
| CDBG - Housing | 104,223 |
| Social Welfare | 1,000 |
| Debt service | 1,050 |
| Capital projects | 585,311 |
| Cemetery - nonexpendable | 99,309 |

\$ 1,797,823

Business-type Activities

Restricted

| | |
|---------------|---------------------|
| Pension Trust | <u>\$ 1,626,708</u> |
|---------------|---------------------|

COMPONENT UNITS

Restricted

Other purposes

| | |
|--------------------|---------------------|
| Drainage Districts | <u>\$ 3,194,221</u> |
|--------------------|---------------------|

NOTE P: DETAILS OF FUND BALANCE CLASSIFICATIONS

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The following are the five (5) fund balance classifications under this standard:

Nonspendable - assets that are not available in a spendable form such as inventory, prepaid expenditures, and long-term receivables not expected to be converted to cash in the near term. It also includes funds that are legally or contractually required to be maintained intact such as the corpus of a permanent fund or foundation.

Restricted - amounts that are required by external parties to be used for a specific purpose. Constraints are externally imposed by creditors, grantors, contributors or laws, regulations or enabling legislation.

Committed - amounts constrained on use imposed by formal action of the government's highest level of decision making authority (i.e., Board, Council, etc.).

Assigned - amounts intended to be used for specific purposes. This is determined by the governing body, the budget or finance committee or a delegated municipality official.

Unassigned - all other resources; the remaining fund balance after nonspendable, restrictions, commitments, and assignments. This class only occurs in the General Fund, except for cases of negative fund balances. Negative fund balances are always reported as unassigned, no matter which fund the deficit occurs in.

Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE P: DETAILS OF FUND BALANCE CLASSIFICATIONS - CONTINUED

Fund Balance Classification Policies and Procedures

For committed fund balance, the Montcalm County's highest level of decision-making authority is the Board of Commissioners. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution by the Board of Commissioners.

For assigned fund balance, the Montcalm County has not adopted a policy indicating who is to assign amounts to a specific purpose. As a result, this authority is retained by the Board of Commissioners.

Montcalm County has not formally adopted a policy that defines the order of usage for fund balance amounts classified as restricted, committed, assigned, or unassigned. In the absence of such a policy, the County considers restricted amounts to have been spent first when an expenditure is incurred for which both restricted and unrestricted fund balance is available. Also for the classification of fund balances, the County considers committed, assigned, and then unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

| | General Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|-----------------------------------|-----------------|-----------------------------------|--------------------------------|
| Nonspendable | | | |
| Prepays | \$ 139,748 | \$ 4,571 | \$ 144,319 |
| Advances | 187,016 | 164,318 | 351,334 |
| Trust activities | - | 99,309 | 99,309 |
| Total nonspendable | 326,764 | 268,198 | 594,962 |
| Restricted | | | |
| Victim Support | - | 1,715 | 1,715 |
| Law enforcement trust | - | 27,279 | 27,279 |
| Solid waste planning | - | 235,108 | 235,108 |
| Homeland Security | - | 48,615 | 48,615 |
| Community Information Systems | - | 18,605 | 18,605 |
| Homestead Property Tax Exemption | - | 506,885 | 506,885 |
| Register of Deeds | - | 264,219 | 264,219 |
| Concealed Pistol Licensing | - | 5,198 | 5,198 |
| Local correction officer training | - | 23,605 | 23,605 |
| Drug Law Enforcement | - | 7,898 | 7,898 |
| Law enforcement | - | 465 | 465 |
| Law library | - | 1,040 | 1,040 |
| County libraries | - | 12,182 | 12,182 |
| Animal Shelter donation | - | 16,983 | 16,983 |
| CDBG - Housing | - | 104,223 | 104,223 |
| Soldiers and Sailors Relief | - | 86,671 | 86,671 |
| Veterans' Trust | - | 2,759 | 2,759 |
| Social Welfare | - | 1,000 | 1,000 |
| Debt service | - | 1,050 | 1,050 |
| Capital projects | - | 420,993 | 420,993 |
| Total restricted | -0- | 1,786,493 | 1,786,493 |
| Unassigned | (282,549) | (93,060) | (375,609) |
| TOTAL FUND BALANCE | \$ 44,215 | \$ 1,961,631 | \$ 2,005,846 |

Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE Q: FUND BALANCE DEFICITS

The following funds of the County reported an unassigned fund balance deficit as of September 30, 2015:

| | |
|---|------------|
| Governmental Funds | |
| General Fund | \$ 282,549 |
| Friend of the Court Fund | 37,139 |
| Commission on Aging Fund | 48,175 |
| Equipment Purchase and Replacement Fund | 5,552 |
| Cemetery Fund | 2,194 |

NOTE R: RESTATEMENT OF NET POSITION

Beginning net position has been restated for the governmental activities, business-type activities, Ambulance Fund, Central Dispatch (component unit), and Road Commission (component unit) due to a change in accounting principles.

| | Governmental Activities | Business-type Activities | Ambulance Fund |
|---|-------------------------------|-----------------------------|----------------------------|
| Beginning net position | \$ 182,271 | \$ 13,553,949 | \$ 2,838,274 |
| Net pension asset | - | 1,542,724 | 1,542,724 |
| Deferred outflows of resources related to contributions | - | - | - |
| Net pension liability | (12,104,821) | - | - |
| Net restatement/prior period adjustment | (12,104,821) | 1,542,724 | 1,542,724 |
| Restated beginning net position | <u><u>\$ (11,922,550)</u></u> | <u><u>\$ 15,096,673</u></u> | <u><u>\$ 4,380,998</u></u> |

| | Component Units | |
|---|----------------------------|-----------------------------|
| | Central Dispatch | Road Commission |
| Beginning net position | \$ 475,107 | \$ 35,535,043 |
| Net pension asset | - | - |
| Deferred outflows of resources related to contributions | - | 355,077 |
| Net pension liability | (1,402,477) | (6,850,224) |
| Net restatement/prior period adjustment | (1,402,477) | (6,495,147) |
| Restated beginning net position | <u><u>\$ (927,370)</u></u> | <u><u>\$ 29,039,896</u></u> |

NOTE S: SUBSEQUENT EVENT

In November 2015, the County issued a General Obligation Limited Tax Refunding Bonds for \$8,025,000, with interest ranging from .90% to 2.65% payable annually. Future revenue is anticipated to be sufficient to pay these bonds.

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE T: CHANGES IN ACCOUNTING PRINCIPLES

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, was implemented during the year. The statement requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI).

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*, was implemented during the year as it is required to be applied simultaneously with the provisions of GASB Statement No. 68. The statement addresses an issue regarding the application of the transition provisions of GASB Statement No. 68 and amends paragraph 137 of GASB Statement No. 68 and requires that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability.

NOTE U: UPCOMING ACCOUNTING PRONOUNCEMENTS

In March 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The County is currently evaluating the impact this standard will have on the financial statements when adopted during the 2015-2016 year.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The statement will establish accounting and financial reporting requirements related to other postemployment benefit plans and specify the required approach to measuring the OPEB liability of employers. The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The County is currently evaluating the impact this standard will have on the financial statements when adopted. This statement will be effective for the 2016-2017 fiscal year.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The statement requires governments providing other postemployment benefits (OPEB) to recognize their unfunded OPEB obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of OPEB benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The County is currently evaluating the impact this standard will have on the financial statements when adopted during the 2017-2018 fiscal year.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The statement replaces the requirements of GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The County is currently evaluating the impact this standard will have on the financial statements when adopted during the 2015-2016 fiscal year.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. The statement improves financial reporting through the disclosure of information about the nature and magnitude of tax abatements that are not consistently or comprehensively reported to the public at present. The County is currently evaluating the impact this standard will have on the financial statements when adopted during the 2016-2017 fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

Montcalm County, Michigan

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

Year Ended September 30, 2015

| | Budgeted Amounts | | Actual | Variances with Final Budget Positive (Negative) |
|---|------------------|--------------|--------------|--|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes | | | | |
| Current property taxes | \$ 7,205,599 | \$ 7,205,599 | \$ 7,086,629 | \$ (118,970) |
| Delinquent property taxes | 12,000 | 12,000 | 2,810 | (9,190) |
| Payments in lieu of taxes | 3,000 | 3,000 | 5,671 | 2,671 |
| Mobile home park taxes | 4,200 | 4,200 | 3,584 | (616) |
| Other taxes | 308 | 308 | - | (308) |
| Total taxes | 7,225,107 | 7,225,107 | 7,098,694 | (126,413) |
| Licenses and permits | | | | |
| Dog licenses | 100,900 | 100,900 | 108,792 | 7,892 |
| Cremation permits | 12,500 | 12,500 | 11,070 | (1,430) |
| Marriage license fees | 2,800 | 2,800 | 2,845 | 45 |
| Gun permits | 20,000 | 20,000 | 13,344 | (6,656) |
| Total licenses and permits | 136,200 | 136,200 | 136,051 | (149) |
| Intergovernmental - Federal/State | | | | |
| Cooperative reimbursement - Prosecutor | 60,000 | 60,000 | 55,072 | (4,928) |
| Title IV E - Prosecutor | 63,071 | 63,071 | 12,957 | (50,114) |
| Central Michigan Enforcement Team | 16,520 | 16,520 | 15,825 | (695) |
| Probate Judge's salary | 103,441 | 103,441 | 103,273 | (168) |
| Judicial salary standardization | 137,172 | 137,172 | 137,172 | -0- |
| Case flow assistance | 18,300 | 18,300 | 8,349 | (9,951) |
| Sheriff secondary road patrol | 70,224 | 70,224 | 69,536 | (688) |
| Marine safety | 41,500 | 41,500 | 22,400 | (19,100) |
| Victims Rights Act | 50,300 | 50,300 | 50,835 | 535 |
| Juvenile officer grant | 32,317 | 32,317 | 25,569 | (6,748) |
| State remonumentation | 100,000 | 100,000 | 97,551 | (2,449) |
| Convention and tourism tax | 250,000 | 350,000 | 363,268 | 13,268 |
| Cigarette tax | 3,500 | 3,500 | - | (3,500) |
| Liquor license fees | 9,000 | 9,000 | 7,965 | (1,035) |
| Michigan justice training | 4,856 | 4,856 | 4,780 | (76) |
| BVP grant | 16,000 | 16,000 | - | (16,000) |
| Community corrections grant | 82,024 | 82,024 | 79,978 | (2,046) |
| Court equity | 290,000 | 290,000 | 276,757 | (13,243) |
| State revenue sharing | 1,242,506 | 1,242,506 | 1,191,311 | (51,195) |
| Homeland security | - | - | 1,138 | 1,138 |
| Brownfield grant | 100,000 | 115,000 | 114,179 | (821) |
| Total intergovernmental - Federal/State | 2,690,731 | 2,805,731 | 2,637,915 | (167,816) |

Montcalm County, Michigan

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

Year Ended September 30, 2015

| | Budgeted Amounts | | | Variances with Final Budget Positive (Negative) |
|---|------------------|------------|------------|--|
| | Original | Final | Actual | |
| REVENUES - CONTINUED | | | | |
| Charges for services | | | | |
| District Court | \$ 634,400 | \$ 634,400 | \$ 745,435 | \$ 111,035 |
| Circuit Court | 121,000 | 121,000 | 110,764 | (10,236) |
| Probate Court | 37,150 | 37,150 | 42,739 | 5,589 |
| County Treasurer | 18,100 | 18,100 | 8,965 | (9,135) |
| County Clerk | 138,000 | 138,000 | 149,255 | 11,255 |
| Register of Deeds | 498,950 | 498,950 | 560,760 | 61,810 |
| Sheriff department | 536,558 | 536,558 | 544,287 | 7,729 |
| Care of prisoners | 628,100 | 628,100 | 139,204 | (488,896) |
| Animal shelter | 11,000 | 11,000 | 12,610 | 1,610 |
| Central services | 450,000 | 450,000 | 464,090 | 14,090 |
| Mapping services | 2,500 | 2,500 | 24,248 | 21,748 |
| Other | 6,850 | 6,850 | 12,245 | 5,395 |
| Total charges for services | 3,082,608 | 3,082,608 | 2,814,602 | (268,006) |
| Fines and forfeits | | | | |
| Ordinance fines and costs | 105,400 | 105,400 | 97,910 | (7,490) |
| Interest and rents | | | | |
| Interest revenue | 5,060 | 5,060 | 3,646 | (1,414) |
| Rental fees | 1,500 | 1,500 | 15,200 | 13,700 |
| Total interest and rents | 6,560 | 6,560 | 18,846 | 12,286 |
| Other | | | | |
| Insurance dividends | 10,000 | 10,000 | - | (10,000) |
| Sale of capital assets | 1,000 | 1,000 | 8,277 | 7,277 |
| Reimbursement and refunds | 239,620 | 289,620 | 288,438 | (1,182) |
| Remonumentation contribution | 20,000 | 20,000 | 31,400 | 11,400 |
| Other | 9,000 | 9,000 | 33,190 | 24,190 |
| Total other | 279,620 | 329,620 | 361,305 | 31,685 |
| TOTAL REVENUES | 13,526,226 | 13,691,226 | 13,165,323 | (525,903) |
| OTHER FINANCING SOURCES | | | | |
| Transfers in | 1,166,000 | 1,166,000 | 1,100,999 | (65,001) |
| TOTAL REVENUES AND OTHER FINANCING SOURCES | 14,692,226 | 14,857,226 | 14,266,322 | (590,904) |

Montcalm County, Michigan

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

Year Ended September 30, 2015

| | Budgeted Amounts | | Actual | Variances with Final Budget Positive (Negative) |
|--|------------------|------------|------------|--|
| | Original | Final | | |
| EXPENDITURES | | | | |
| Current | | | | |
| General government | | | | |
| Board of commissioners | \$ 131,334 | \$ 133,384 | \$ 133,357 | \$ 27 |
| Circuit Court | 353,143 | 398,143 | 398,134 | 9 |
| Circuit Court probation | 3,050 | 3,050 | 2,941 | 109 |
| District Court | 752,320 | 707,520 | 707,422 | 98 |
| District Court probation | 132,862 | 132,862 | 128,071 | 4,791 |
| Probate Court | 997,718 | 986,718 | 985,696 | 1,022 |
| Jury Board | 5,200 | 5,950 | 5,890 | 60 |
| Witness fees | 9,300 | 11,100 | 11,059 | 41 |
| Elections | 57,088 | 52,088 | 60,903 | (8,815) |
| Clerk | 384,568 | 384,568 | 375,787 | 8,781 |
| Professional consultants | 67,500 | 80,500 | 77,379 | 3,121 |
| Controller | 407,766 | 403,766 | 403,287 | 479 |
| Equalization | 326,436 | 379,936 | 375,466 | 4,470 |
| Prosecuting Attorney | 590,317 | 576,317 | 575,977 | 340 |
| Register of Deeds | 266,588 | 259,088 | 255,611 | 3,477 |
| Information Systems | 29,000 | 26,000 | 25,655 | 345 |
| Central services | 14,100 | 14,900 | 14,647 | 253 |
| Survey and remonumentation | 120,000 | 120,000 | 81,238 | 38,762 |
| Treasurer | 315,123 | 310,123 | 306,533 | 3,590 |
| Cooperative extension | 111,179 | 111,179 | 108,711 | 2,468 |
| Building and grounds | 836,026 | 813,026 | 812,681 | 345 |
| Building rent | 865,308 | 964,308 | 964,098 | 210 |
| Drain Commission | 191,616 | 191,616 | 186,236 | 5,380 |
| Total general government | 6,967,542 | 7,066,142 | 6,996,779 | 69,363 |
| Public safety | | | | |
| Sheriff - general | 2,156,432 | 2,110,432 | 2,080,050 | 30,382 |
| Sheriff - road patrol | 73,583 | 73,583 | 71,253 | 2,330 |
| Contracted police service | 521,014 | 471,014 | 423,228 | 47,786 |
| Justice training | 4,856 | 6,056 | 6,001 | 55 |
| Building security | 29,969 | 35,469 | 33,948 | 1,521 |
| Marine safety | 48,260 | 51,860 | 50,778 | 1,082 |
| Jail | 2,533,601 | 2,331,101 | 2,324,769 | 6,332 |
| Emergency management relief | - | - | 122 | (122) |
| Animal control | 140,145 | 137,645 | 137,019 | 626 |
| Total public safety | 5,507,860 | 5,217,160 | 5,127,168 | 89,992 |
| Community and economic development | | | | |
| West Michigan Planning | 3,328 | 6,228 | 4,691 | 1,537 |
| Planning commission | 4,000 | 4,000 | 574 | 3,426 |
| Brownfield | 100,000 | 112,822 | 112,822 | -0- |
| Economic development | 10,000 | 5,400 | 5,400 | -0- |
| Total community and economic development | 117,328 | 128,450 | 123,487 | 4,963 |

Montcalm County, Michigan

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

Year Ended September 30, 2015

| | Budgeted Amounts | | Actual | Variances with Final Budget Positive (Negative) |
|--|------------------|--------------|--------------|--|
| | Original | Final | | |
| EXPENDITURES - CONTINUED | | | | |
| Current - continued | | | | |
| Health and welfare | | | | |
| Contagious diseases | \$ 6,500 | \$ 2,400 | \$ 2,398 | \$ 2 |
| Medical examiner | 120,000 | 143,500 | 143,424 | 76 |
| Veterans burials | 7,700 | 7,700 | 9,225 | (1,525) |
| Substance Abuse Commission | 97,000 | 181,634 | 181,634 | -0- |
| Health services | 8,000 | 10,600 | 10,595 | 5 |
| Mental Health | 188,053 | 188,053 | 188,053 | -0- |
| District Health Department | 485,856 | 485,856 | 482,856 | 3,000 |
| Total health and welfare | 913,109 | 1,019,743 | 1,018,185 | 1,558 |
| Public works | | | | |
| Drains at large | 75,800 | 75,800 | - | 75,800 |
| Other | | | | |
| Insurance | 165,500 | 216,100 | 169,741 | 46,359 |
| Miscellaneous | 75,000 | - | - | -0- |
| Total other | 240,500 | 216,100 | 169,741 | 46,359 |
| TOTAL EXPENDITURES | 13,822,139 | 13,723,395 | 13,435,360 | 288,035 |
| OTHER FINANCING USES | | | | |
| Transfers to other funds | | | | |
| Friend of the Court Fund | 20,000 | 35,000 | 33,790 | 1,210 |
| Law Library Fund | 5,000 | 5,000 | 4,163 | 837 |
| Child Care Fund | 713,828 | 764,028 | 668,067 | 95,961 |
| Register of Deeds Automation Fund | 75,000 | 75,000 | 74,954 | 46 |
| Equipment Purchase and Replacement Fund | 124,769 | 259,769 | 290,328 | (30,559) |
| Office Equipment Pool Fund | 65,000 | 115,000 | 103,750 | 11,250 |
| TOTAL OTHER FINANCING USES | 1,003,597 | 1,253,797 | 1,175,052 | 78,745 |
| TOTAL EXPENDITURES AND OTHER FINANCING USES | 14,825,736 | 14,977,192 | 14,610,412 | 366,780 |
| Net change in fund balance (prior to adjustments for GASB Statement No. 54) | \$ (133,510) | \$ (119,966) | (344,090) | \$ (224,124) |
| Adjustments for GASB Statement No. 54 | | | (61,695) | |
| Net change in fund balance, end of year | | | \$ (405,785) | |

Montcalm County, Michigan

SCHEDULE OF CHANGES IN COUNTY'S NET PENSION LIABILITY AND RELATED RATIOS

Last Measurement Date (Ultimately ten years will be displayed)
(Amounts were determined as of 12/31 each year)

| | <u>2014</u> |
|---|-----------------------------|
| Total Pension Liability | |
| Service cost | \$ 1,006,943 |
| Interest | 1,779,050 |
| Changes of benefit terms | - |
| Difference between expected and actual experience | - |
| Changes of assumptions | - |
| Benefit payments, including employee refunds | (1,365,511) |
| Other | <u>-</u> |
| Net Change in Total Pension Liability | 1,420,482 |
| Total Pension Liability, beginning | <u>35,160,471</u> |
| Total Pension Liability, ending | <u><u>\$ 36,580,953</u></u> |
| Plan Fiduciary Net Position | |
| Contributions-employer | \$ 554,145 |
| Contributions-employee | 390,146 |
| Net Investment income | 1,160,603 |
| Benefit payments including employee refunds | (1,365,511) |
| Administrative expense | <u>(82,386)</u> |
| Net Change in Plan Fiduciary Net Position | 656,997 |
| Plan Fiduciary Net Position, beginning | <u>21,135,705</u> |
| Plan Fiduciary Net Position, ending | <u><u>\$ 21,792,702</u></u> |
| County's Net Pension Liability | <u><u>\$ 14,788,251</u></u> |
| Plan Fiduciary Net Position as a percentage of the Total Pension Liability | 59.6% |
| Covered employee payroll | \$ 5,344,449 |
| County's Net Pension Liability as a percentage of covered employee payroll | 276.7% |

Montcalm County, Michigan

SCHEDULE OF COUNTY CONTRIBUTIONS

Last Fiscal Year (Ultimately ten fiscal years will be displayed)
(Amounts were determined as of 9/30 each fiscal year)

| | <u>2015</u> |
|---|-------------------------|
| Actuarially determined contributions | \$ 601,492 |
| Contributions in relation to the actuarially determined contribution | <u>536,125</u> |
| Contribution deficiency (excess) | <u><u>\$ 65,367</u></u> |
| Covered employee payroll | \$ 5,252,949 |
| Contributions as a percentage of covered employee payroll | 10% |

Montcalm County, Michigan

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended September 30, 2015

NOTE A: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

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

During the year ended September 30, 2015, the County incurred expenditures in the General Fund and Special Revenue Funds in excess of the amounts appropriated as follows:

| | <u>Amounts Appropriated</u> | <u>Amounts Expended</u> | <u>Variance</u> |
|---|---------------------------------|-----------------------------|-----------------|
| General Fund | | | |
| General government | | | |
| Elections | \$ 52,088 | \$ 60,903 | \$ 8,815 |
| Public Safety | | | |
| Emergency management relief | - | 122 | 122 |
| Health and Welfare | | | |
| Veterans burials | 7,700 | 9,225 | 1,525 |
| Other Financing Uses | | | |
| Equipment Purchase and Replacement Fund | 259,769 | 290,328 | 30,559 |
| Homestead Property Tax Exemption Fund | 600 | 1,359 | 759 |
| Commission on Aging | 1,378,205 | 1,403,978 | 25,773 |
| Law Enforcement Trust | - | 7,198 | 7,198 |
| Solid Waste Planning | 183,015 | 185,371 | 2,356 |

NOTE B: BUDGET/GAAP RECONCILIATION

The amounts presented in the General Fund budgetary comparison schedule were adopted by the Board of Commissioners on a basis prior to the implementation of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The reconciliation on the General Fund budgetary comparison schedule reconciles the difference between the budget legally adopted by the Board of Commissioners to the actual amount presented in the basic financial statements in accordance with accounting principles generally accepted in the United States of America.

| | |
|--|---------------------|
| Net change in fund balance (budgetary basis) | \$ (344,090) |
| To adjust for the change in fund balance pertaining to the Parks and Recreation Fund | 5,103 |
| To adjust for the change in fund balance pertaining to the Juvenile Child Care Fund | <u>(66,798)</u> |
| Net change in fund balance (GAAP basis) | <u>\$ (405,785)</u> |

OTHER SUPPLEMENTARY INFORMATION

Montcalm County, Michigan
Nonmajor Governmental Funds
COMBINING BALANCE SHEET
September 30, 2015

| | | Special | |
|---|---------------------------|-----------------------------|------------------------|
| | Victim Support Team | Law Enforcement Trust | Friend of the Court |
| ASSETS | | | |
| Cash and cash equivalents | \$ 1,494 | \$ 27,279 | \$ 580 |
| Accounts receivable | - | - | 1,577 |
| Due from other funds | 221 | - | - |
| Due from other governmental units - Federal/State | - | - | 79,823 |
| Advances to other funds | - | - | - |
| Prepays | - | - | - |
| | <u> </u> | <u> </u> | <u> </u> |
| TOTAL ASSETS | <u>\$ 1,715</u> | <u>\$ 27,279</u> | <u>\$ 81,980</u> |
| LIABILITIES | | | |
| Accounts payable | \$ - | \$ - | \$ 297 |
| Accrued wages | - | - | 16,078 |
| Due to other funds | - | - | 102,744 |
| | <u> </u> | <u> </u> | <u> </u> |
| TOTAL LIABILITIES | -0- | -0- | 119,119 |
| FUND BALANCES (DEFICITS) | | | |
| Nonspendable | - | - | - |
| Restricted | 1,715 | 27,279 | - |
| Unassigned | - | - | (37,139) |
| | <u> </u> | <u> </u> | <u> </u> |
| TOTAL FUND BALANCES (DEFICITS) | <u>1,715</u> | <u>27,279</u> | <u>(37,139)</u> |
| TOTAL LIABILITIES AND FUND BALANCES (DEFICITS) | <u>\$ 1,715</u> | <u>\$ 27,279</u> | <u>\$ 81,980</u> |

| Revenue | | | | | | |
|-------------------------|----------------------------|-------------------------------------|--|------------------------------------|----------------------------------|---------------------------------|
| Solid Waste Planning | Homeland Security Grant | Community Information Systems | Homestead Property Tax Exemption | Register of Deeds Automation | Concealed Pistol Licensing | Local Correction Training |
| \$ 195,115 | \$ 52,977 | \$ 18,605 | \$ 509,290 | \$ 262,219 | \$ 5,198 | \$ 23,815 |
| 50,243 | - | - | - | - | - | - |
| - | - | - | - | 2,000 | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| <u>\$ 245,358</u> | <u>\$ 52,977</u> | <u>\$ 18,605</u> | <u>\$ 509,290</u> | <u>\$ 264,219</u> | <u>\$ 5,198</u> | <u>\$ 23,815</u> |
| \$ 10,250 | \$ 4,362 | \$ - | \$ - | \$ - | \$ - | \$ 210 |
| - | - | - | - | - | - | - |
| - | - | - | 2,405 | - | - | - |
| 10,250 | 4,362 | -0- | 2,405 | -0- | -0- | 210 |
| - | - | - | - | - | - | - |
| 235,108 | 48,615 | 18,605 | 506,885 | 264,219 | 5,198 | 23,605 |
| - | - | - | - | - | - | - |
| <u>235,108</u> | <u>48,615</u> | <u>18,605</u> | <u>506,885</u> | <u>264,219</u> | <u>5,198</u> | <u>23,605</u> |
| <u>\$ 245,358</u> | <u>\$ 52,977</u> | <u>\$ 18,605</u> | <u>\$ 509,290</u> | <u>\$ 264,219</u> | <u>\$ 5,198</u> | <u>\$ 23,815</u> |

Montcalm County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

September 30, 2015

| | Special | | |
|---|-------------------------|--------------------|-----------------|
| | Drug Law Enforcement | Law Enforcement | Law Library |
| ASSETS | | | |
| Cash and cash equivalents | \$ 7,898 | \$ 8,909 | \$ 2,420 |
| Accounts receivable | - | - | - |
| Due from other funds | - | - | - |
| Due from other governmental units - Federal/State | - | - | - |
| Advances to other funds | - | - | - |
| Prepays | - | - | - |
| | | | |
| TOTAL ASSETS | <u>\$ 7,898</u> | <u>\$ 8,909</u> | <u>\$ 2,420</u> |
| LIABILITIES | | | |
| Accounts payable | \$ - | \$ - | \$ 1,380 |
| Accrued wages | - | - | - |
| Due to other funds | - | 8,444 | - |
| | | | |
| TOTAL LIABILITIES | -0- | 8,444 | 1,380 |
| FUND BALANCES (DEFICITS) | | | |
| Nonspendable | - | - | - |
| Restricted | 7,898 | 465 | 1,040 |
| Unassigned | - | - | - |
| | | | |
| TOTAL FUND BALANCES (DEFICITS) | <u>7,898</u> | <u>465</u> | <u>1,040</u> |
| | | | |
| TOTAL LIABILITIES AND FUND BALANCES (DEFICITS) | <u>\$ 7,898</u> | <u>\$ 8,909</u> | <u>\$ 2,420</u> |

| Revenue | | | | | | |
|------------------|-------------------------|-------------------|---------------------|-----------------------------|-----------------|---------------------|
| County Libraries | Animal Shelter Donation | CDBG - Housing | Commission on Aging | Soldiers and Sailors Relief | Veterans' Trust | Social Welfare Fund |
| \$ 16,952 | \$ 17,717 | \$ 106,806 | \$ 487 | \$ 86,910 | \$ 2,759 | \$ 1,000 |
| - | - | - | - | - | - | - |
| 1,380 | - | 14 | 52,500 | - | - | - |
| - | - | - | 87,422 | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| <u>\$ 18,332</u> | <u>\$ 17,717</u> | <u>\$ 106,820</u> | <u>\$ 140,409</u> | <u>\$ 86,910</u> | <u>\$ 2,759</u> | <u>\$ 1,000</u> |
| \$ 6,150 | \$ 734 | \$ 2,597 | \$ 33,886 | \$ 239 | \$ - | \$ - |
| - | - | - | 21,725 | - | - | - |
| - | - | - | 132,973 | - | - | - |
| 6,150 | 734 | 2,597 | 188,584 | 239 | -0- | -0- |
| - | - | - | - | - | - | - |
| 12,182 | 16,983 | 104,223 | - | 86,671 | 2,759 | 1,000 |
| - | - | - | (48,175) | - | - | - |
| <u>12,182</u> | <u>16,983</u> | <u>104,223</u> | <u>(48,175)</u> | <u>86,671</u> | <u>2,759</u> | <u>1,000</u> |
| <u>\$ 18,332</u> | <u>\$ 17,717</u> | <u>\$ 106,820</u> | <u>\$ 140,409</u> | <u>\$ 86,910</u> | <u>\$ 2,759</u> | <u>\$ 1,000</u> |

Montcalm County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

September 30, 2015

| | Debt Service | Capital | |
|---|-----------------------|-----------------------|--|
| | Building Authority | Public Improvement | Equipment Purchase and Replacement |
| ASSETS | | | |
| Cash and cash equivalents | \$ 3,425 | \$ 43,385 | \$ 1,096 |
| Accounts receivable | - | - | - |
| Due from other funds | - | - | 10,608 |
| Due from other governmental units - Federal/State | - | - | - |
| Advances to other funds | - | - | - |
| Prepays | - | - | 4,571 |
| | | | |
| TOTAL ASSETS | <u>\$ 3,425</u> | <u>\$ 43,385</u> | <u>\$ 16,275</u> |
| LIABILITIES | | | |
| Accounts payable | \$ - | \$ - | \$ 10,128 |
| Accrued wages | - | - | - |
| Due to other funds | 2,375 | - | 7,128 |
| | | | |
| TOTAL LIABILITIES | 2,375 | -0- | 17,256 |
| FUND BALANCES (DEFICITS) | | | |
| Nonspendable | - | - | 4,571 |
| Restricted | 1,050 | 43,385 | - |
| Unassigned | - | - | (5,552) |
| | | | |
| TOTAL FUND BALANCES (DEFICITS) | <u>1,050</u> | <u>43,385</u> | <u>(981)</u> |
| | | | |
| TOTAL LIABILITIES AND FUND BALANCES (DEFICITS) | <u>\$ 3,425</u> | <u>\$ 43,385</u> | <u>\$ 16,275</u> |

| Projects | | | | Permanent | |
|------------------|-------------------|-------------------|--------------------|------------------|---------------------|
| Jail Improvement | General Projects | Park Improvements | Building Authority | Cemetery | Total |
| \$ 12,309 | \$ 150,452 | \$ 161,767 | \$ 39,241 | \$ 97,115 | \$ 1,857,220 |
| - | - | - | - | - | 51,820 |
| - | - | - | 13,839 | - | 80,562 |
| - | - | - | - | - | 167,245 |
| - | 164,318 | - | - | - | 164,318 |
| - | - | - | - | - | 4,571 |
| <u>\$ 12,309</u> | <u>\$ 314,770</u> | <u>\$ 161,767</u> | <u>\$ 53,080</u> | <u>\$ 97,115</u> | <u>\$ 2,325,736</u> |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ 70,233 |
| - | - | - | - | - | 37,803 |
| - | - | - | - | - | 256,069 |
| -0- | -0- | -0- | -0- | -0- | 364,105 |
| - | 164,318 | - | - | 99,309 | 268,198 |
| 12,309 | 150,452 | 161,767 | 53,080 | - | 1,786,493 |
| - | - | - | - | (2,194) | (93,060) |
| <u>12,309</u> | <u>314,770</u> | <u>161,767</u> | <u>53,080</u> | <u>97,115</u> | <u>1,961,631</u> |
| <u>\$ 12,309</u> | <u>\$ 314,770</u> | <u>\$ 161,767</u> | <u>\$ 53,080</u> | <u>\$ 97,115</u> | <u>\$ 2,325,736</u> |

Montcalm County, Michigan

Nonmajor Governmental Funds

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

Year Ended September 30, 2015

| | Victim Support Team | Special Law Enforcement Trust | Friend of the Court |
|---|---------------------------|--|------------------------|
| REVENUES | | | |
| Property taxes | \$ - | \$ - | \$ - |
| Licenses and permits | - | - | 6,495 |
| Intergovernmental | - | - | 584,570 |
| Charges for services | - | - | 130,184 |
| Interest and rents | 2 | - | 9 |
| Other | - | - | - |
| TOTAL REVENUES | 2 | -0- | 721,258 |
| EXPENDITURES | | | |
| Current | | | |
| General government | - | - | 791,589 |
| Public safety | - | 7,198 | - |
| Public works | - | - | - |
| Health and welfare | - | - | - |
| Community and economic development | - | - | - |
| Recreation and culture | - | - | - |
| Capital outlay | - | - | - |
| Debt service | - | - | - |
| TOTAL EXPENDITURES | -0- | 7,198 | 791,589 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 2 | (7,198) | (70,331) |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | - | - | 33,790 |
| Transfers out | - | - | (996) |
| TOTAL OTHER FINANCING SOURCES (USES) | -0- | -0- | 32,794 |
| NET CHANGE IN FUND BALANCES | 2 | (7,198) | (37,537) |
| Fund balances, beginning of year | 1,713 | 34,477 | 398 |
| Fund balances (deficits), end of year | \$ 1,715 | \$ 27,279 | \$ (37,139) |

| Revenue | | | | | | |
|-------------------------|----------------------------|-------------------------------------|--|------------------------------------|----------------------------------|---|
| Solid Waste Planning | Homeland Security Grant | Community Information Systems | Homestead Property Tax Exemption | Register of Deeds Automation | Concealed Pistol Licensing | Local Correction Training Officer |
| \$ - | \$ - | \$ - | \$ 20,490 | \$ - | \$ - | \$ - |
| - | - | - | - | - | 5,198 | - |
| - | - | - | - | - | - | - |
| 178,614 | - | - | - | - | - | 18,350 |
| - | - | 5 | 20,889 | 288 | - | - |
| 3,401 | - | - | - | - | - | - |
| 182,015 | -0- | 5 | 41,379 | 288 | 5,198 | 18,350 |
| - | - | 129 | 1,359 | 58,196 | - | - |
| - | - | - | - | - | - | 21,096 |
| 185,371 | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | 7,272 | - | - |
| - | - | - | - | - | - | - |
| 185,371 | -0- | 129 | 1,359 | 65,468 | -0- | 21,096 |
| (3,356) | -0- | (124) | 40,020 | (65,180) | 5,198 | (2,746) |
| - | - | - | - | 76,739 | - | - |
| - | - | - | - | - | - | - |
| -0- | -0- | -0- | -0- | 76,739 | -0- | -0- |
| (3,356) | -0- | (124) | 40,020 | 11,559 | 5,198 | (2,746) |
| 238,464 | 48,615 | 18,729 | 466,865 | 252,660 | - | 26,351 |
| \$ 235,108 | \$ 48,615 | \$ 18,605 | \$ 506,885 | \$ 264,219 | \$ 5,198 | \$ 23,605 |

Montcalm County, Michigan

Nonmajor Governmental Funds

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

Year Ended September 30, 2015

| | Special | | |
|---|-------------------------|--------------------|-----------------|
| | Drug Law Enforcement | Law Enforcement | Law Library |
| REVENUES | | | |
| Property taxes | \$ - | \$ - | \$ - |
| Licenses and permits | - | - | - |
| Intergovernmental | - | - | - |
| Charges for services | - | - | - |
| Interest and rents | - | 1 | - |
| Other | - | - | - |
| | <u>-0-</u> | <u>1</u> | <u>-0-</u> |
| TOTAL REVENUES | -0- | 1 | -0- |
| EXPENDITURES | | | |
| Current | | | |
| General government | - | - | 8,193 |
| Public safety | - | - | - |
| Public works | - | - | - |
| Health and welfare | - | - | - |
| Community and economic development | - | - | - |
| Recreation and culture | - | - | - |
| Capital outlay | - | - | - |
| Debt service | - | - | - |
| | <u>-0-</u> | <u>-0-</u> | <u>8,193</u> |
| TOTAL EXPENDITURES | -0- | -0- | 8,193 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | -0- | 1 | (8,193) |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | - | - | 4,163 |
| Transfers out | - | - | - |
| | <u>-0-</u> | <u>-0-</u> | <u>4,163</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | -0- | -0- | 4,163 |
| NET CHANGE IN FUND BALANCES | -0- | 1 | (4,030) |
| Fund balances, beginning of year | <u>7,898</u> | <u>464</u> | <u>5,070</u> |
| Fund balances (deficits), end of year | <u>\$ 7,898</u> | <u>\$ 465</u> | <u>\$ 1,040</u> |

| Revenue | | | | | | |
|------------------|-------------------------|----------------|---------------------|-----------------------------|-----------------|---------------------|
| County Libraries | Animal Shelter Donation | CDBG - Housing | Commission on Aging | Soldiers and Sailors Relief | Veterans' Trust | Social Welfare Fund |
| \$ 798,386 | \$ - | \$ - | \$ 720,806 | \$ 31,883 | \$ - | \$ - |
| - | - | - | - | - | - | - |
| - | - | 212,876 | 448,001 | - | 13,620 | - |
| - | - | 420 | 130,302 | - | - | - |
| - | - | 9 | - | - | - | - |
| - | 8,104 | - | 57,999 | - | - | - |
| 798,386 | 8,104 | 213,305 | 1,357,108 | 31,883 | 13,620 | -0- |
| - | 4,988 | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | 1,403,978 | 30,199 | 12,648 | - |
| - | - | 160,841 | - | - | - | - |
| 798,253 | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| 798,253 | 4,988 | 160,841 | 1,403,978 | 30,199 | 12,648 | -0- |
| 133 | 3,116 | 52,464 | (46,870) | 1,684 | 972 | -0- |
| - | - | - | - | - | - | - |
| - | - | - | (1,525) | - | - | - |
| -0- | -0- | -0- | (1,525) | -0- | -0- | -0- |
| 133 | 3,116 | 52,464 | (48,395) | 1,684 | 972 | -0- |
| 12,049 | 13,867 | 51,759 | 220 | 84,987 | 1,787 | 1,000 |
| \$ 12,182 | \$ 16,983 | \$ 104,223 | \$ (48,175) | \$ 86,671 | \$ 2,759 | \$ 1,000 |

Montcalm County, Michigan

Nonmajor Governmental Funds

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

Year Ended September 30, 2015

| | Debt Service | Capital | |
|---|-----------------------|-----------------------|--|
| | Building Authority | Public Improvement | Equipment Purchase and Replacement |
| REVENUES | | | |
| Property taxes | \$ - | \$ - | \$ - |
| Licenses and permits | - | - | - |
| Intergovernmental | - | - | - |
| Charges for services | - | - | - |
| Interest and rents | 964,098 | 3,755 | 1 |
| Other | - | - | - |
| TOTAL REVENUES | 964,098 | 3,755 | 1 |
| EXPENDITURES | | | |
| Current | | | |
| General government | - | - | - |
| Public safety | - | - | - |
| Public works | - | - | - |
| Health and welfare | - | - | - |
| Community and economic development | - | - | - |
| Recreation and culture | - | - | - |
| Capital outlay | - | - | 292,395 |
| Debt service | 964,097 | - | - |
| TOTAL EXPENDITURES | 964,097 | -0- | 292,395 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 1 | 3,755 | (292,394) |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | - | - | 291,065 |
| Transfers out | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | -0- | -0- | 291,065 |
| NET CHANGE IN FUND BALANCES | 1 | 3,755 | (1,329) |
| Fund balances, beginning of year | 1,049 | 39,630 | 348 |
| Fund balances (deficits), end of year | \$ 1,050 | \$ 43,385 | \$ (981) |

| Projects | | | | Permanent | |
|------------------|------------------|-------------------|--------------------|-----------|--------------|
| Jail Improvement | General Projects | Park Improvements | Building Authority | Cemetery | Total |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,571,565 |
| - | - | - | - | - | 11,693 |
| - | - | - | - | - | 1,259,067 |
| - | - | - | - | - | 457,870 |
| 6 | 96 | 3 | 31 | 70 | 989,263 |
| - | - | - | - | - | 69,504 |
| 6 | 96 | 3 | 31 | 70 | 4,358,962 |
| - | - | - | - | 3,987 | 868,441 |
| - | - | - | - | - | 28,294 |
| - | - | - | - | - | 185,371 |
| - | - | - | - | - | 1,446,825 |
| - | - | - | - | - | 160,841 |
| - | - | - | - | - | 798,253 |
| - | - | 2,792 | - | - | 302,459 |
| - | - | - | - | - | 964,097 |
| -0- | -0- | 2,792 | -0- | 3,987 | 4,754,581 |
| 6 | 96 | (2,789) | 31 | (3,917) | (395,619) |
| - | - | - | - | - | 405,757 |
| - | (84,999) | - | - | - | (87,520) |
| -0- | (84,999) | -0- | -0- | -0- | 318,237 |
| 6 | (84,903) | (2,789) | 31 | (3,917) | (77,382) |
| 12,303 | 399,673 | 164,556 | 53,049 | 101,032 | 2,039,013 |
| \$ 12,309 | \$ 314,770 | \$ 161,767 | \$ 53,080 | \$ 97,115 | \$ 1,961,631 |

Montcalm County
Nonmajor Enterprise Funds
COMBINING STATEMENT OF NET POSITION
September 30, 2015

| | <u>Inmate Commissary</u> | <u>Building Official</u> | <u>Total</u> |
|---|------------------------------|------------------------------|-------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | \$ 129,440 | \$ 64,763 | \$ 194,203 |
| Noncurrent assets | | | |
| Capital assets, net of accumulated depreciation | <u>-</u> | <u>619</u> | <u>619</u> |
| TOTAL ASSETS | 129,440 | 65,382 | 194,822 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable | 3,746 | 2,265 | 6,011 |
| Accrued wages | <u>-</u> | <u>6,186</u> | <u>6,186</u> |
| TOTAL LIABILITIES | <u>3,746</u> | <u>8,451</u> | <u>12,197</u> |
| NET POSITION | | | |
| Net investment in capital assets | - | 619 | 619 |
| Unrestricted | <u>125,694</u> | <u>56,312</u> | <u>182,006</u> |
| TOTAL NET POSITION | <u>\$ 125,694</u> | <u>\$ 56,931</u> | <u>\$ 182,625</u> |

Montcalm County, Michigan

Nonmajor Enterprise Funds

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Year Ended September 30, 2015

| | Inmate Commissary | Building Official | Total |
|---------------------------------|----------------------|----------------------|------------|
| OPERATING REVENUES | | | |
| Charges for services | \$ - | \$ 309,360 | \$ 309,360 |
| Sales | 107,450 | - | 107,450 |
| TOTAL OPERATING REVENUES | 107,450 | 309,360 | 416,810 |
| OPERATING EXPENSES | | | |
| Personal services | - | 193,882 | 193,882 |
| Fringe benefits | - | 63,686 | 63,686 |
| Operating supplies | 77,027 | 1,815 | 78,842 |
| Contractual services | - | 3,087 | 3,087 |
| Insurance | - | 2,553 | 2,553 |
| Communication | - | 641 | 641 |
| Other services and charges | 8,547 | 32,026 | 40,573 |
| Depreciation | - | 486 | 486 |
| TOTAL OPERATING EXPENSES | 85,574 | 298,176 | 383,750 |
| OPERATING INCOME | 21,876 | 11,184 | 33,060 |
| NONOPERATING REVENUES | | | |
| Interest revenue | - | 4 | 4 |
| Gain on sale of capital asset | - | 750 | 750 |
| TOTAL NONOPERATING REVENUES | -0- | 754 | 754 |
| CHANGE IN NET POSITION | 21,876 | 11,938 | 33,814 |
| Net position, beginning of year | 103,818 | 44,993 | 148,811 |
| Net position, end of year | \$ 125,694 | \$ 56,931 | \$ 182,625 |

Montcalm County, Michigan

Nonmajor Enterprise Funds

COMBINING STATEMENT OF CASH FLOWS

Year Ended September 30, 2015

| | Inmate Commissary | Building Official | Total |
|---|----------------------|----------------------|------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash receipts from customers | \$ 107,450 | \$ 309,360 | \$ 416,810 |
| Cash paid to suppliers | (91,388) | (38,176) | (129,564) |
| Cash paid for fringe benefits | - | (63,686) | (63,686) |
| Cash paid to employees | - | (193,882) | (193,882) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 16,062 | 13,616 | 29,678 |
| CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES | | | |
| Sale of capital assets | - | 750 | 750 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest received | - | 4 | 4 |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | -0- | 4 | 4 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 16,062 | 14,370 | 30,432 |
| Cash and cash equivalents, beginning of year | 113,378 | 50,393 | 163,771 |
| Cash and cash equivalents, end of year | \$ 129,440 | \$ 64,763 | \$ 194,203 |
| Reconciliation of operating income to net cash provided by operating activities | | | |
| Operating income | \$ 21,876 | \$ 11,184 | \$ 33,060 |
| Adjustments to reconcile operating income to net cash provided by operating activities | | | |
| Depreciation | - | 486 | 486 |
| Increase (decrease) in: | | | |
| Accounts payable | (5,814) | 1,405 | (4,409) |
| Accrued liabilities | - | 541 | 541 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | \$ 16,062 | \$ 13,616 | \$ 29,678 |

Montcalm County, Michigan

Internal Service Funds

COMBINING STATEMENT OF NET POSITION

September 30, 2015

| | Office Equipment Pool | Post- Employment Health | Total |
|---|-----------------------------|-------------------------------|-------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | \$ - | \$ 161,587 | \$ 161,587 |
| Noncurrent assets | | | |
| Capital assets, net of accumulated depreciation | <u>2,224</u> | <u>-</u> | <u>2,224</u> |
| TOTAL ASSETS | 2,224 | 161,587 | 163,811 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Due to other funds | <u>2,154</u> | <u>-</u> | <u>2,154</u> |
| NET POSITION | | | |
| Net investment in capital assets | 2,224 | - | 2,224 |
| Unrestricted | <u>(2,154)</u> | <u>161,587</u> | <u>159,433</u> |
| TOTAL NET POSITION | <u>\$ 70</u> | <u>\$ 161,587</u> | <u>\$ 161,657</u> |

Montcalm County, Michigan

Internal Service Funds

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Year Ended September 30, 2015

| | Office Equipment Pool | Post- Employment Health | Total |
|---------------------------------|-----------------------------|-------------------------------|------------|
| OPERATING REVENUES | | | |
| Miscellaneous | \$ - | \$ 16,660 | \$ 16,660 |
| OPERATING EXPENSES | | | |
| Operating supplies | 2,883 | - | 2,883 |
| Contractual services | 98,636 | - | 98,636 |
| Other services and charges | - | 24,140 | 24,140 |
| Depreciation | 2,223 | - | 2,223 |
| TOTAL OPERATING EXPENSES | 103,742 | 24,140 | 127,882 |
| OPERATING (LOSS) | (103,742) | (7,480) | (111,222) |
| NONOPERATING REVENUES | | | |
| Interest revenue | - | 89 | 89 |
| (LOSS) BEFORE TRANSFERS | (103,742) | (7,391) | (111,133) |
| TRANSFERS IN | 103,750 | - | 103,750 |
| CHANGE IN NET POSITION | 8 | (7,391) | (7,383) |
| Net position, beginning of year | 62 | 168,978 | 169,040 |
| Net position, end of year | \$ 70 | \$ 161,587 | \$ 161,657 |

Montcalm County, Michigan

Internal Service Funds

COMBINING STATEMENT OF CASH FLOWS

Year Ended September 30, 2015

| | Office Equipment Pool | Post- Employment Health | Total |
|---|-----------------------------|-------------------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash receipts from customers | \$ - | \$ 16,660 | \$ 16,660 |
| Cash paid to suppliers | (99,623) | - | (99,623) |
| Cash paid for fringe benefits | - | (24,140) | (24,140) |
| NET CASH (USED) BY OPERATING ACTIVITIES | (99,623) | (7,480) | (107,103) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | |
| Payment of interfund balances | (72,327) | - | (72,327) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Transfer from other funds | 103,750 | - | 103,750 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest received | - | 89 | 89 |
| NET (DECREASE) IN CASH AND CASH EQUIVALENTS | (68,200) | (7,391) | (75,591) |
| Cash and cash equivalents, beginning of year | 68,200 | 168,978 | 237,178 |
| Cash and cash equivalents, end of year | <u>\$ -0-</u> | <u>\$ 161,587</u> | <u>\$ 161,587</u> |
| Reconciliation of operating (loss) to net cash (used) by operating activities | | | |
| Operating (loss) | \$ (103,742) | \$ (7,480) | \$ (111,222) |
| Adjustments to reconcile operating (loss) to net cash (used) by operating activities | | | |
| Depreciation | 2,223 | - | 2,223 |
| Decrease in: Prepays | 1,896 | - | 1,896 |
| NET CASH (USED) BY OPERATING ACTIVITIES | <u>\$ (99,623)</u> | <u>\$ (7,480)</u> | <u>\$ (107,103)</u> |

Montcalm County, Michigan

Agency Funds

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

September 30, 2015

| | Trust and Agency | Inmate Trust | Library Fund | District Health Department | Total |
|-----------------------------------|---------------------|-----------------|-------------------|-------------------------------|---------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 3,628,335 | \$ 8,715 | \$ 108,556 | \$ 2,510,694 | \$ 6,256,300 |
| Due from other governmental units | 812,484 | - | - | - | 812,484 |
| TOTAL ASSETS | \$ 4,440,819 | \$ 8,715 | \$ 108,556 | \$ 2,510,694 | \$ 7,068,784 |
| LIABILITIES | | | | | |
| Due to other governmental units | | | | | |
| Federal/State | \$ 4,237,264 | \$ - | \$ - | \$ - | \$ 4,237,264 |
| Local | - | - | 108,556 | 2,510,694 | 2,619,250 |
| Due to individuals and agencies | 203,555 | 8,715 | - | - | 212,270 |
| TOTAL LIABILITIES | \$ 4,440,819 | \$ 8,715 | \$ 108,556 | \$ 2,510,694 | \$ 7,068,784 |

Montcalm County, Michigan

Component Unit Funds

COMBINING BALANCE SHEET/STATEMENT OF NET POSITION - DRAINAGE DISTRICTS

September 30, 2015

| | Debt Service | Capital | |
|--|-------------------|---------------------|--------------------|
| | Regular Drain | Regular Drain | Drain Revolving |
| ASSETS | | | |
| Cash and cash equivalents | \$ - | \$ 1,160,391 | \$ 218,091 |
| Accounts receivable | - | - | - |
| Special assessments receivable | 751,241 | - | - |
| Due from other funds | - | 199,209 | - |
| Capital assets not being depreciated | - | - | - |
| Capital assets, net of accumulated depreciation | - | - | - |
| | | | |
| TOTAL ASSETS | <u>\$ 751,241</u> | <u>\$ 1,359,600</u> | <u>\$ 218,091</u> |
| LIABILITIES | | | |
| Accounts payable | \$ - | \$ 25,465 | \$ 48,075 |
| Accrued wages | - | 1,694 | - |
| Due to other funds | 143,829 | - | - |
| Accrued interest payable | - | - | - |
| Advances from other governmental units | - | - | 170,016 |
| Bonds and notes payable | - | - | - |
| | | | |
| TOTAL LIABILITIES | 143,829 | 27,159 | 218,091 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unavailable revenue | 774,000 | - | - |
| FUND EQUITY | | | |
| Net position | | | |
| Net investment in capital assets | - | - | - |
| Restricted | - | - | - |
| Fund balances (deficits) | | | |
| Restricted | | | |
| Capital Projects | - | 1,332,441 | - |
| Unassigned | (166,588) | - | - |
| | | | |
| TOTAL FUND EQUITY | <u>(166,588)</u> | <u>1,332,441</u> | <u>-0-</u> |
| | | | |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND EQUITY | <u>\$ 751,241</u> | <u>\$ 1,359,600</u> | <u>\$ 218,091</u> |

| Projects | | | Enterprise | | | Total |
|-----------------------------------|-------------------|----------------------------|--------------------------|-----------------------------|----------------------------|----------------------|
| Drain Maintenance Revolving | Lake Level | Lake Level Revolving | Big Whitefish Lake | Little Whitefish Lake | Sidney Sewer Project | |
| \$ - | \$ 906,640 | \$ 10,308 | \$ 364,613 | \$ 118,826 | \$ 79,944 | \$ 2,858,813 |
| - | - | 5,174 | - | 1,770 | 591 | 7,535 |
| - | - | - | - | 105,391 | - | 856,632 |
| - | - | 1,518 | - | - | - | 200,727 |
| - | - | - | 75,650 | - | - | 75,650 |
| - | - | - | 449,514 | 1,747,975 | 5,544,566 | 7,742,055 |
| <u>\$ -0-</u> | <u>\$ 906,640</u> | <u>\$ 17,000</u> | <u>\$ 889,777</u> | <u>\$ 1,973,962</u> | <u>\$ 5,625,101</u> | <u>\$ 11,741,412</u> |
| \$ 978 | \$ 74,107 | \$ - | \$ 6,870 | \$ 6,160 | \$ 9,674 | \$ 171,329 |
| - | - | - | - | - | - | 1,694 |
| 55,380 | 1,518 | - | - | - | - | 200,727 |
| - | - | - | - | 22,110 | 32,820 | 54,930 |
| - | - | 17,000 | 100,350 | - | - | 287,366 |
| - | - | - | - | 1,069,000 | 3,082,000 | 4,151,000 |
| 56,358 | 75,625 | 17,000 | 107,220 | 1,097,270 | 3,124,494 | 4,867,046 |
| - | - | - | - | - | - | 774,000 |
| - | - | - | 525,164 | 678,975 | 2,462,566 | 3,666,705 |
| - | - | - | 257,393 | 197,717 | 38,041 | 493,151 |
| - | 831,015 | - | - | - | - | 2,163,456 |
| (56,358) | - | - | - | - | - | (222,946) |
| (56,358) | 831,015 | -0- | 782,557 | 876,692 | 2,500,607 | 6,100,366 |
| <u>\$ -0-</u> | <u>\$ 906,640</u> | <u>\$ 17,000</u> | <u>\$ 889,777</u> | <u>\$ 1,973,962</u> | <u>\$ 5,625,101</u> | <u>\$ 11,741,412</u> |

Montcalm County, Michigan

Component Unit Funds

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

September 30, 2015

Total fund balance - governmental funds **\$ 1,940,510**

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

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

| | | |
|-------------------------------|------------------|-----------|
| The cost of capital assets is | 4,017,300 | |
| Accumulated depreciation is | <u>(703,224)</u> | |
| Capital assets, net | | 3,314,076 |

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

| | |
|---------------------|---------|
| Unavailable revenue | 774,000 |
|---------------------|---------|

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

| | | |
|--------------------------|-----------------|--------------------|
| Bonds payable | (1,283,277) | |
| Accrued interest payable | <u>(13,440)</u> | |
| | | <u>(1,296,717)</u> |

Net position of governmental activities **\$ 4,731,869**

Montcalm County, Michigan

Component Unit Funds

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

Year Ended September 30, 2015

| | Debt Service | Capital | |
|---|---------------------|---------------------|--------------------|
| | Regular Drain | Regular Drain | Drain Revolving |
| REVENUES | | | |
| Licenses and permits | \$ - | \$ - | \$ - |
| Charges for services | - | - | - |
| Interest | - | 485 | - |
| Other | | | |
| Special assessments | 82,423 | 708,668 | - |
| Other | - | 30,421 | - |
| | <u>82,423</u> | <u>739,574</u> | <u>-0-</u> |
| TOTAL REVENUES | 82,423 | 739,574 | -0- |
| EXPENDITURES | | | |
| Current | | | |
| Public works | - | 151,101 | - |
| Debt service | | | |
| Principal | 194,022 | - | - |
| Interest and fiscal charges | 54,989 | - | - |
| | <u>249,011</u> | <u>151,101</u> | <u>-0-</u> |
| TOTAL EXPENDITURES | 249,011 | 151,101 | -0- |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (166,588) | 588,473 | -0- |
| OTHER FINANCING SOURCES (USES) | | | |
| Bond proceeds | - | 130,000 | - |
| | <u>-</u> | <u>130,000</u> | <u>-</u> |
| NET CHANGE IN FUND BALANCES | (166,588) | 718,473 | -0- |
| Fund balances, beginning of year | - | 613,968 | - |
| | <u>-</u> | <u>613,968</u> | <u>-</u> |
| Fund balances (deficit), end of year | <u>\$ (166,588)</u> | <u>\$ 1,332,441</u> | <u>\$ -0-</u> |

| Projects | | | |
|-----------------------------------|-------------------|----------------------------|---------------------|
| Drain Maintenance Revolving | Lake Level | Lake Level Revolving | Total |
| \$ 6,495 | \$ - | \$ - | \$ 6,495 |
| 1,178 | - | - | 1,178 |
| - | 221 | - | 706 |
| - | 513,996 | - | 1,305,087 |
| - | 200 | - | 30,621 |
| 7,673 | 514,417 | -0- | 1,344,087 |
| 64,031 | 400,336 | - | 615,468 |
| - | - | - | 194,022 |
| - | - | - | 54,989 |
| 64,031 | 400,336 | -0- | 864,479 |
| (56,358) | 114,081 | -0- | 479,608 |
| - | - | - | 130,000 |
| (56,358) | 114,081 | -0- | 609,608 |
| - | 716,934 | - | 1,330,902 |
| <u>\$ (56,358)</u> | <u>\$ 831,015</u> | <u>\$ -0-</u> | <u>\$ 1,940,510</u> |

Montcalm County, Michigan

Component Unit Funds

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

Year Ended September 30, 2015

Net change in fund balances - total governmental funds **\$ 609,608**

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

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

| | | |
|--|-----------------|--------|
| Capital outlay | \$ 130,000 | |
| Depreciation expense | <u>(80,346)</u> | |
| Excess of capital outlay over depreciation expense | | 49,654 |

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. In the current period, these amounts consist of:

| | |
|-----------------------------------|----------|
| (Decrease) in unavailable revenue | (96,000) |
|-----------------------------------|----------|

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

| | | |
|---------------------------|----------------|--------|
| Bond proceeds | (130,000) | |
| Debt principal retirement | <u>194,021</u> | |
| | | 64,021 |

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

| | |
|--------------------------------------|--------------|
| Decrease in accrued interest payable | <u>1,547</u> |
|--------------------------------------|--------------|

Change in net position of governmental activities **\$ 628,830**

Montcalm County, Michigan

Component Unit Funds

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION - PROPRIETARY FUNDS - DRAINAGE DISTRICTS

Year Ended September 30, 2015

| | Enterprise | | | |
|---|--------------------------|-----------------------------|----------------------------|--------------|
| | Big Whitefish Lake | Little Whitefish Lake | Sidney Sewer Project | Total |
| OPERATING REVENUES | | | | |
| Charges for services | \$ 111,416 | \$ 59,563 | \$ 251,866 | \$ 422,845 |
| Other | 5,332 | 21,764 | 223 | 27,319 |
| TOTAL OPERATING REVENUES | 116,748 | 81,327 | 252,089 | 450,164 |
| OPERATING EXPENSES | | | | |
| Contractual services | 39,943 | 30,991 | 46,417 | 117,351 |
| Other | 34,414 | 18,567 | 31,998 | 84,979 |
| Depreciation | 16,956 | 51,411 | 166,961 | 235,328 |
| TOTAL OPERATING EXPENSES | 91,313 | 100,969 | 245,376 | 437,658 |
| OPERATING INCOME (LOSS) | 25,435 | (19,642) | 6,713 | 12,506 |
| NONOPERATING REVENUES (EXPENSES) | | | | |
| Interest revenue | - | 3,988 | 470 | 4,458 |
| Interest expense | - | (53,222) | (97,613) | (150,835) |
| TOTAL NONOPERATING REVENUES (EXPENSES) | -0- | (49,234) | (97,143) | (146,377) |
| CHANGE IN NET POSITION | 25,435 | (68,876) | (90,430) | (133,871) |
| Net position, beginning of year | 757,122 | 945,568 | 2,591,037 | 4,293,727 |
| Net position, end of year | \$ 782,557 | \$ 876,692 | \$ 2,500,607 | \$ 4,159,856 |

Montcalm County, Michigan

Component Unit Funds

COMBINING STATEMENT CASH FLOWS - PROPRIETARY FUNDS - DRAINAGE DISTRICTS

Year Ended September 30, 2015

| | Enterprise | | | |
|---|--------------------------|-----------------------------|----------------------------|-------------------|
| | Big Whitefish Lake | Little Whitefish Lake | Sidney Sewer Project | Total |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Cash receipts from users | \$ 116,748 | \$ 86,419 | \$ 252,378 | \$ 455,545 |
| Cash paid to suppliers | (76,220) | (48,320) | (69,589) | (194,129) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 40,528 | 38,099 | 182,789 | 261,416 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Interest paid | - | (53,781) | (98,483) | (152,264) |
| Payments of borrowings | - | (27,000) | (287,000) | (314,000) |
| NET CASH (USED) BY CAPITAL AND AND RELATED FINANCING ACTIVITIES | -0- | (80,781) | (385,483) | (466,264) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Interest received | - | 3,988 | 470 | 4,458 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING YEAR | 40,528 | (38,694) | (202,224) | (200,390) |
| Cash and cash equivalents, beginning of year | 324,085 | 157,520 | 282,168 | 763,773 |
| Cash and cash equivalents, end of year | <u>\$ 364,613</u> | <u>\$ 118,826</u> | <u>\$ 79,944</u> | <u>\$ 563,383</u> |
| Reconciliation of operating income (loss) to net cash provided by operating activities | | | | |
| Operating income (loss) | \$ 25,435 | \$ (19,642) | \$ 6,713 | \$ 12,506 |
| Adjustments to reconcile operating income (loss) net cash provided by operating activities | | | | |
| Depreciation | 16,956 | 51,411 | 166,961 | 235,328 |
| (Increase) decrease in: | | | | |
| Accounts receivable | - | (1,770) | 289 | (1,481) |
| Special assessments receivable | - | 6,862 | - | 6,862 |
| Increase (decrease) in: | | | | |
| Accounts payable | (1,863) | 1,238 | 8,826 | 8,201 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>\$ 40,528</u> | <u>\$ 38,099</u> | <u>\$ 182,789</u> | <u>\$ 261,416</u> |

Montcalm County, Michigan

Component Unit Funds

BALANCE SHEET - CENTRAL DISPATCH AUTHORITY

September 30, 2015

| | Special Revenue |
|------------------------------------|--------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 276,885 |
| Accounts receivable | <u>354,770</u> |
| TOTAL ASSETS | <u><u>\$ 631,655</u></u> |
| LIABILITIES | |
| Accounts payable | \$ 2,118 |
| Accrued liabilities | <u>26,627</u> |
| TOTAL LIABILITIES | 28,745 |
| FUND BALANCE | |
| Restricted | |
| Wireless surcharge | 248,798 |
| Wireless training | 5,774 |
| Public safety | <u>348,338</u> |
| TOTAL FUND BALANCE | <u>602,910</u> |
| TOTAL LIABILITIES AND FUND BALANCE | <u><u>\$ 631,655</u></u> |

Montcalm County, Michigan

Component Unit Funds

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

September 30, 2015

Total fund balance - governmental fund \$ 602,910

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

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

| | | |
|-------------------------------|------------------|--------|
| The cost of capital assets is | \$ 731,495 | |
| Accumulated depreciation is | <u>(671,463)</u> | |
| Capital assets, net | | 60,032 |

Governmental funds report actual pension expenditures for the fiscal year, whereas the governmental activities will recognize the net pension liability as of the measurement date. Pension contributions subsequent to the measurement date will be deferred in the statement of net position. In addition, resources related to changes of assumptions, differences between expected and actual experience, and differences between projected and actual pension plan investment earnings will be deferred over time in the government-wide financial statements. These amounts consist of:

| | |
|--|-----|
| Deferred outflows of resources related to pensions | 167 |
|--|-----|

Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet. Long-term liabilities at year-end consist of:

| | | |
|---|--------------------|--------------------|
| Compensated absences | (32,288) | |
| Net other post-employment benefits obligation | (49,593) | |
| Net pension liability | <u>(1,478,825)</u> | |
| | | <u>(1,560,706)</u> |

Net position of governmental activities \$ (897,597)

Montcalm County, Michigan

Component Unit Funds

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

Year Ended September 30, 2015

| | Special Revenue |
|---------------------------------|--------------------------|
| REVENUES | |
| Charges for services | \$ 1,590,215 |
| Interest | <u>87</u> |
| TOTAL REVENUES | 1,590,302 |
| EXPENDITURES | |
| Current | |
| Public safety | <u>1,423,175</u> |
| NET CHANGE IN FUND BALANCE | 167,127 |
| Fund balance, beginning of year | <u>435,783</u> |
| Fund balance, end of year | <u><u>\$ 602,910</u></u> |

Montcalm County, Michigan

Component Unit Funds

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

Year Ended September 30, 2015

Net change in fund balance - governmental fund **\$ 167,127**

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

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

Depreciation expense (18,560)

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

| | | |
|--|------------|------------------|
| Decrease in accrued compensated absences | \$ 1,409 | |
| (Increase) in other post-employment benefits obligation | (44,022) | |
| (Increase) in net pension liability | (76,348) | |
| Increase in deferred outflows of resources related to pensions | <u>167</u> | |
| | | <u>(118,794)</u> |

Change in net position of governmental activities **\$ 29,773**

Montcalm County, Michigan

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

September 30, 2015

Montcalm County, Michigan

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Commissioners
of Montcalm County
Stanton, Michigan

Report on Compliance for Each Major Federal Program

We have audited Montcalm County, Michigan's (the County) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the County's major federal programs for the year ended September 30, 2015. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The County's basic financial statements include the operations of the Montcalm County Road Commission, a discretely presented component unit, which expended \$1,491,268 in federal awards, which are not included in the schedule of expenditures of federal awards for the year ended September 30, 2015. The Montcalm County Road Commission did not have a single audit required because the Michigan Department of Transportation (MDOT) requires that road commissions report all federal and state grants pertaining to their county whether it is subject to single audit at their level or not. During the year ended September 30, 2015, the federal aid received and expended by the Montcalm County Road Commission was \$1,309,527 for contracted projects and \$181,741 for negotiated projects. Contracted projects are defined as projects are not subject to single audit requirements by the road commissions, as they are included in MDOT's single audit. Negotiated projects are defined as projects performed by road commission employees or private contractors paid for an administered by the road commission.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

In our opinion, Montcalm County, Michigan, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended September 30, 2015.

Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purposes.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

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 as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We did not audit the financial statements of the Montcalm County Road Commission, which represents 71 percent, 79 percent, and 79 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. We issued our report thereon dated May 31, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

May 31, 2016

Montcalm County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended September 30, 2015

| <u>Federal Grantor/Pass-Through Grantor/Program Title</u> | <u>CFDA Number</u> | <u>Pass-Through Grantors Number</u> | <u>Current Year Expenditures</u> |
|---|------------------------|---|--------------------------------------|
| U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | | | |
| Passed-through Michigan Department of Natural Resources | | | |
| Schools and Roads - Grants to States | | | |
| 2014 | 10.665 | N/A | \$ 3,854 |
| Passed-through Michigan Department of Commerce | | | |
| Community Development Block Grants (CDBG) ^(c) | | | |
| State's Program | | | |
| Housing | 14.228 | MSC-2011-0765-HOA | <u>188,974</u> |
| TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | | | 192,828 |
| U.S. DEPARTMENT OF JUSTICE | | | |
| Passed-through Michigan Department of Community Health | | | |
| Office of Drug Control Policy and County of Newaygo | | | |
| Edward Byrne Memorial Justice | | | |
| Assistance Grant Program | 16.738 | 2013-MU-BX-0051 | 15,825 |
| U.S. ENVIRONMENTAL PROTECTION AGENCY | | | |
| Direct Award | | | |
| Brownfield Assessment and Cleanup | | | |
| Cooperative Agreements | 66.818 | BF-00E00895-0 | 114,179 |
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | |
| Passed-through Michigan Department Office on Services to | | | |
| the Aging and Area Agency of Aging of Western Michigan, Inc. | | | |
| Title III-D Special Programs for the Aging | | | |
| (Disease Prevention/Health Promotion) | | | |
| FY 2014/2015 | 93.043 | 61.76 | 500 |
| Title III-B Special Programs for the Aging ^(d) | | | |
| (Grants for Supportive Services and Senior Centers) | | | |
| FY 2014/2015 | 93.044 | 61.76 | 30,172 |
| Title III-C Special Programs for the Aging ^(d) | | | |
| (Nutrition Services) | 93.045 | | |
| FY 2014/2015 Nutrition Congregate | | 61.76 | 53,267 |
| FY 2014/2015 Nutrition Home Delivered Meals | | 61.76 | <u>62,890</u> |
| | | | 116,157 |
| Nutrition Services Incentive Programs ^(d) | 93.053 | | |
| FY 2014/2015 Nutrition Congregate | | 61.76 | 11,172 |
| FY 2014/2015 Nutrition Home Delivered Meals | | 61.76 | <u>37,434</u> |
| | | | <u>48,606</u> |
| Cluster total | | | 194,935 |
| Title III-E National Family Caregiver Support | | | |
| (Adult Day Care) | | | |
| FY 2014/2015 | 93.052 | 61.76 | 22,000 |

Montcalm County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended September 30, 2015

| <u>Federal Grantor/Pass-Through Grantor/Program Title</u> | <u>CFDA Number</u> | <u>Pass-Through Grantors Number</u> | <u>Current Year Expenditures</u> |
|---|------------------------|---|--------------------------------------|
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES - CONTINUED | | | |
| Passed-through Michigan Department of Human Services | | | |
| Child Support Enforcement (Title IV-D) ^(c) | 93.563 | | |
| Cooperative Reimbursement - | | | |
| 2015 - Friend of the Court ^(a) | | CS/FOC-13-59001 | \$ 366,003 |
| Cooperative Reimbursement - | | | |
| 2015 - Prosecuting Attorney ^(a) | | CS/PA-13-59002 | 54,952 |
| Federal Incentive Payments ^(b) | | | |
| 2014-2015 | | N/A | <u>126,843</u> |
| | | | 547,798 |
| Passed-through Spectrum Health Hospitals | | | |
| Rural Health Care Services Outreach, Rural | | | |
| Health Network Development and Small Health | | | |
| Care provider Quality Improvement Program | 93.912 | HR-RHNDP14-02 | <u>8,000</u> |
| TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | 773,233 |
| U.S. DEPARTMENT OF HOMELAND SECURITY | | | |
| Passed-through Michigan Department of Natural Resources | | | |
| Marine Safety Grant | 97.012 | | |
| 2015 | | N/A | 19,000 |
| Passed-through Michigan Department of State | | | |
| Emergency Management | | | |
| Performance Grants | 97.042 | | |
| 2015 Emergency Management Grant | | 2015-EP-00029 | 15,901 |
| 2014 Emergency Management Grant | | 2014-EP-00023 | <u>16,483</u> |
| | | | <u>32,384</u> |
| TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY | | | <u>51,384</u> |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | <u>\$ 1,147,449</u> |

Montcalm County, Michigan

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

September 30, 2015

NOTE A: BASIS OF PRESENTATION

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

NOTE B: SUMMARY OF SIGNIFICANT EXPLANATIONS OF SCHEDULE

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

- (a) Reimbursement of these contracts is passed through the State Department of Human Services (DHS). The amounts reported on the Schedule of Expenditures of Federal Awards represent the Federal portion of the respective amounts based on 66% of Title IV-D eligible expenditures for the applicable grants. The entire amount paid by DHS for the reimbursed expenditures is considered Federal.
- (b) The reimbursements for the IV-D Incentive Payments Program are based on support payments collected. Expenditures have been reported to the extent of earned revenues and are 100% Federal.
- (c) Denotes program tested as a "major program".
- (d) Programs considered a cluster by the U.S. Department of Health and Human Services.

NOTE C: RECONCILIATION TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The following reconciles the federal revenues reported in the September 30, 2015, basic financial statements to the expenditures of the County administered Federal programs reported on the Schedule of Expenditures of Federal Awards:

| | <u>Federal/State Revenue</u> | <u>Less: State Revenue</u> | <u>Adjustments</u> | <u>Federal Expenditures</u> |
|-----------------------------------|----------------------------------|--------------------------------|--------------------|---------------------------------|
| PRIMARY GOVERNMENT | | | | |
| GENERAL FUND | | | | |
| Prosecuting Attorney | | | | |
| Cooperative Reimbursement | \$ 55,072 | \$ (120) | \$ - | \$ 54,952 |
| Central Michigan Enforcement Team | 15,825 | - | - | 15,825 |
| Marine Safety | 22,400 | (3,400) | - | 19,000 |
| Brownfield | 114,179 | - | - | 114,179 |
| Other Programs | 2,646,033 | (2,646,033) | - | -0- |
| | | | | |
| TOTAL GENERAL FUND | 2,853,509 | (2,649,553) | -0- | 203,956 |

Montcalm County, Michigan

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

September 30, 2015

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

| | Federal/State Revenue | Less: State Revenue | Adjustments | Federal Expenditures |
|--------------------------------------|--------------------------|------------------------|----------------------------|-------------------------|
| PRIMARY GOVERNMENT - CONTINUED | | | | |
| NONMAJOR GOVERNMENTAL FUNDS | | | | |
| Friend of the Court | \$ 584,570 | \$ (91,724) | \$ - | \$ 492,846 |
| CDBG - Housing | 212,876 | (23,902) | - | 188,974 |
| Commission on Aging | 448,001 | (230,566) | - | 217,435 |
| Other Programs | 13,620 | (13,620) | - | -0- |
| TOTAL NONMAJOR GOVERNMENTAL FUNDS | 1,259,067 | (359,812) | -0- | 899,255 |
| ENTERPRISE FUNDS | | | | |
| Ambulance | 68,987 | (28,603) | - | 40,384 |
| TRUST AND AGENCY FUNDS | | | | |
| Trust and Agency | - | - | 3,854 ^(b) | 3,854 |
| TOTAL PRIMARY GOVERNMENT | 4,181,563 | (3,037,968) | 3,854 | 1,147,449 |
| COMPONENT UNITS | | | | |
| Road Commission | 8,059,121 | (6,567,853) | (1,491,268) ^(a) | -0- |
| TOTAL REPORTING ENTITY | <u>\$ 12,240,684</u> | <u>\$ (9,605,821)</u> | <u>\$ (1,487,414)</u> | <u>\$ 1,147,449</u> |

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

- (a) The total adjustment of \$1,491,268 in Federal funds represents amounts that are not included in the Schedule of Expenditures of Federal Awards for the year ended September 30, 2015, for the Montcalm County Road Commission because they are not subject to single audit. The Michigan Department of Transportation (MDOT) requires road commissions to report all Federal and State grants pertaining to their county whether it is subject to single audit at their level or not.
- (b) The total adjustment related to amounts reported as an increase when received and a decrease when disbursed within the trust and agency fund's activity because the County acts in a trustee capacity of these funds and distributes them to the local units of government and therefore does not recognize the funds as revenue or expenditures, but recognizes the amounts as expenditures in the Schedule of Expenditures of Federal Awards as of September 30, 2015, in accordance with OMB Circular A-133.

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

To the Board of Commissioners
of Montcalm County
Stanton, Michigan

We have audited, 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Montcalm County, Michigan (the County), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated May 31, 2016. Our report includes a reference to other auditors who audited the financial statements of the Montcalm County Road Commission, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. 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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as 2015-001 and 2015-004 to be material weaknesses.

Compliance and Other Matters

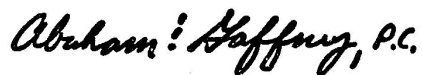
As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as 2015-002, 2015-003, 2015-005, and 2015-006.

Montcalm County, Michigan's Responses to Findings

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

May 31, 2016

Montcalm County, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended September 30, 2015

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? X Yes No

Significant deficiency(ies) identified? Yes X No

Noncompliance material to financial statements noted? X Yes No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes X No

Significant deficiency(ies)? Yes X None reported

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

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

Identification of major programs:

| CFDA Number(s) | Name of Federal Program or Cluster |
|----------------|------------------------------------|
| 14.228 | Community Development Block Grant |
| 93.563 | Cooperative Reimbursement Program |

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

Auditee qualified as low-risk auditee? Yes X No

Section II - Financial Statement Findings

2015-001 MATERIAL JOURNAL ENTRIES PROPOSED BY AUDITORS

Condition: Material journal entries to cash, accounts receivable, special assessment receivable and related deferred revenue, fund balance, and pension liability and deferred outflows of resources were proposed by the auditors. These misstatements were not detected by the County's internal control over financial reporting. These entries were brought to the attention of management and were subsequently recorded in the County's general ledger. A similar issue was noted and reported in our audit comments last year.

Criteria: Management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows, where applicable, including the recording of all appropriate journal entries so that the trial balances reflect amounts that are in conformity with U.S. generally accepted accounting principles. The auditor cannot be a part of internal controls.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year Ended September 30, 2015

Section II - Financial Statement Findings - Continued

2015-001 MATERIAL JOURNAL ENTRIES PROPOSED BY AUDITORS - CONTINUED

Cause: Misstatement were not identified and corrected by management.

Effect: Without the recording of these journal entries the financial statements would have been materially misstated.

Recommendation: We recommend that the County take steps to ensure that material journal entries are not necessary at the time future audit analysis is performed.

Corrective Action Response: The County will work toward having all material journal entries completed before auditing fieldwork commences in the future.

2015-002 UNFAVORABLE BUDGET VARIANCES

Condition: As noted in the annual financial statements, some of the budgeted activities of the County exceeded the amounts appropriated. The variances noted were in the General Fund and four (4) Special Revenue Funds. A similar issue was noted and reported in our audit comments last year.

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

Cause: The County did not amend its budget when it became apparent spending was going to exceed the amounts appropriated in the over budget areas.

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

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

Corrective Action Response: Management of the County is continually reviewing and modifying procedures related to budgetary compliance in accordance with State law.

2015-003 DELINQUENT ANNUAL FINANCIAL REPORT

Condition: Annual audited financial statements are due to the State of Michigan six (6) months subsequent to the fiscal year end. For the year ended September 30, 2015, the audited financial statements are approximately two (2) months delinquent to the State of Michigan. A similar issue was noted and reported in our audit comments last year.

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

Cause: The County was unable to reconcile some of its accounts prior to the six (6) month deadline for submission of the annual financial report.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year Ended September 30, 2015

Section II - Financial Statement Findings - Continued

2015-003 DELINQUENT ANNUAL FINANCIAL REPORT - CONTINUED

Effect: The County will be required to file the "long form" for any borrowing requiring State approval for the next fiscal year. Additional costs are associated with the filing for long form as opposed to filing the Qualifying Statement. In addition, for financial information to be beneficial to the users of the financial statements it needs to be timely, when the audit is submitted so late it becomes less relevant.

Recommendation: We recommend the County assure that the audit is completed six (6) months subsequent to the fiscal year end.

Corrective Action Response: The County will attempt to have year-end financial information available for audit in a timely manner so the County's audited financial statements may be released prior to the State's deadline.

2015-004 BANK RECONCILIATIONS

Condition: During our review of the County's internal controls, we noted that the reconciliation for the pooled cash bank account was not being completed or reviewed in a timely manner.

Criteria: The reconciliation process is an important part of the County's internal control and accounting procedures. The purpose of reconciliations is to ensure that general ledger account balances are supported by underlying transaction detail or third-party information. They also provide an important internal control, in that any differences identified between the underlying detail and an account balance through the reconciliation process may be indicative of an erroneous entry having been posted.

Cause: Management did not complete its reconciliation of the pooled cash bank account maintained by the County.

Effect: Without timely reconciliations and review procedures, there is an increased risk of misstatement of assets.

Recommendation: We recommend that all bank reconciliations be completed and reviewed in a timely manner (within one month of receiving bank statements) and any discrepancies be investigated and resolved at that time.

Corrective Action Response: The County is in the process of installing new procedures to control discrepancies and reconcile all bank accounts to the general ledger on a timely basis.

2015-005 FUND BALANCE DEFICIT

Condition: As indicated in Note Q of the notes to the financial statements, various funds of the County ended the year with an unassigned fund balance deficit.

Criteria: Michigan Public Act 275 of 1980 provides that the County shall not have deficits in one or more of the County's unrestricted fund balances/unrestricted net position.

Cause: The liabilities and deferred inflows of resources of these activities exceeded their assets and deferred outflows of resources.

Effect: The County is not in compliance with Public Act 275 of 1980. As a result the County will be required to prepare and submit a Deficit Elimination Plan to the State of Michigan.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year Ended September 30, 2015

Section II - Financial Statement Findings - Continued

2015-005 FUND BALANCE DEFICIT - CONTINUED

Recommendation: We recommend the County utilize budgetary controls to limit expenditures and/or transfer funds as needed to alleviate deficits. We also recommend that the County prepare budgets that do not plan for funds to end the fiscal year in a deficit.

Corrective Action Response: The County intends to place emphasis on monitoring these expenditures and transferring funds as needed in the coming year. The County has experienced a favorable reduction in the quantity of departments and total amounts in deficit over the last few years.

2015-006 CEMETERY FUND CORPUS

Condition: During the course of the audit, it was noted that the Cemetery Perpetual Care Fund has expended portions of the non-expendable corpus.

Criteria: Public Act 81 of 1903 requires that at least 15% of all burial sales be deposited in a fund for cemetery maintenance and that these funds be maintained in perpetuity. The Act also requires that only future interest may be spent on cemetery maintenance.

Cause: The County distributed more interest than what was actually earned.

Effect: The Cemetery Fund's fund balance is less than the non-expendable corpus allocated to each cemetery within the County.

Recommendation: We recommend that the County examine ways to supplement the fund until the corpus has been fully restored.

Corrective Action Response: The County is reviewing the process by which the fund is charged and new procedures to control discrepancies and reconcile all bank accounts to the general ledger on a timely basis.

Section III - Federal Award Findings and Questioned Costs

None noted.

Montcalm County, Michigan

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended September 30, 2015

FINDINGS/NONCOMPLIANCE

Significant Deficiencies and Material Weaknesses Related to Internal Controls Over the Financial Statements.

2014-001 MATERIAL JOURNAL ENTRIES PROPOSED BY AUDITORS

Condition: Material journal entries to cash, accounts receivable, capital assets, notes payable, unavailable revenue, fund balance, and federal revenue were proposed by the auditors. These misstatements were not detected by the County's internal control over financial reporting. These entries were brought to the attention of management and were subsequently recorded in the County's general ledger.

Resolution: This issue is evaluated separately each year and was not resolved during the current audit. This condition is reported for fiscal year 2015.

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

2014-002 UNFAVORABLE BUDGET VARIANCES

Condition: As noted in the annual financial statements, some of the budgeted activities of the County exceeded the amounts appropriated. The variances noted were in the General Fund and three (3) Special Revenue Funds.

Resolution: This issue was not resolved during the current audit. This condition is reported for fiscal year 2015.

2014-003 DELINQUENT ANNUAL FINANCIAL REPORT

Condition: Annual audited financial statements are due to the State of Michigan six (6) months subsequent to the fiscal year end. For the year ended September 30, 2014, the audited financial statements are approximately five (5) months delinquent to the State of Michigan.

Resolution: This issue is evaluated separately each year and was not resolved during the current audit. This condition is reported for fiscal year 2015.

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

No prior audit findings.