

# St. Joseph County, Michigan



## FINANCIAL STATEMENTS

For the Fiscal Year Ended  
December 31, 2009

**ST. JOSEPH COUNTY, MICHIGAN**  
**For the Fiscal Year Ended December 31, 2009**

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## ***FINANCIAL SECTION***

**INDEPENDENT AUDITORS' REPORT**

June 8, 2010

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of ***ST. JOSEPH COUNTY, MICHIGAN*** as of and for the year ended December 31, 2009, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of St. Joseph County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of ***St. Joseph County, Michigan***, as of December 31, 2009, and the respective changes in financial position and cash flows, where applicable, thereof, and the budgetary comparisons for the general fund and major special revenue funds, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and the Supplementary Information for the Pension Plan are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, we have also issued our report dated June 8, 2010, on our consideration of the County's internal controls over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

A handwritten signature in cursive script that reads "Lehmann Johnson". The signature is written in black ink and is positioned in the lower right area of the page.

## MANAGEMENT'S DISCUSSION and ANALYSIS



**COUNTY ADMINISTRATOR**

Telephone: (269) 467-5617

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

WestWingJ@StJosephCountyMI.org

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

As management of St. Joseph County, we offer this narrative overview and analysis of the financial activities of the County, including limited information pertaining to the separately audited Road Commission and for the separately audited Community Mental Health for the year ended December 31, 2009. For more detailed information, the Road Commission's and Community Mental Health's separately issued financial statements may be obtained from their administrative offices.

### **Financial Highlights**

- The assets of the County primary government exceeded its liabilities at the close of the fiscal year by approximately \$40.9 million (*net assets*). Of this amount, approximately \$23.1 million (*unrestricted net assets*) may be used to meet the government's ongoing obligations.
- The government's total net assets increased by approximately \$1.1 million, or 2.7 percent over the prior year.
- As of the close of the fiscal year, the County's governmental funds reported combined ending fund balances of approximately \$11.2 million, a decrease of approximately \$.6 million or 4.7 percent less than the prior year. Of this total, approximately \$11.2 million or 99.5 percent is available for spending (*unreserved and undesignated fund balance*); however, the major portion of this amount (approximately \$6.6 million) is available only for the special revenue fund purposes from which these funds are derived.
- At the end of the fiscal year, unreserved and undesignated fund balance for the General Fund was approximately \$4.5 million, an amount equal to 32 percent of total General Fund expenditures and transfers.
- The County's total net bonded debt, including that of the Drain Commission and Board of Public Works component units, decreased by a net of \$360,899 during the current fiscal year. There were no new bond issues.

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

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

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

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

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

The government-wide financial statements include not only the County itself (known as the *primary government*), but also five (5) legally separate entities: the St. Joseph County Road Commission, the St. Joseph County Community Mental Health, the Board of Public Works, the Drainage Districts, and the Economic Development Corporation. Financial information for the *component units* is reported separately from the financial information presented for the primary government itself.

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

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

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

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

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

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

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

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

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

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

## Government-wide Financial Analysis

### Statement of Net Assets

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

	Governmental		Business-type		Total	
	Activities		Activities			
	2009	2008	2009	2008	2009	2008
<b>Assets</b>						
Current and other assets	\$14,750,956	\$15,384,596	\$18,504,336	\$17,590,054	\$33,255,292	\$32,974,650
Capital assets	11,184,947	10,470,316	7,118	7,679	11,192,065	10,477,995
Total assets	25,935,903	25,854,912	18,511,454	17,597,733	44,447,357	43,452,645
<b>Liabilities</b>						
Current	3,538,148	3,610,333	3,294	5,610	3,541,442	3,615,943
Non-current	-	-	-	-	-	-
Total liabilities	3,538,148	3,610,333	3,294	5,610	3,541,442	3,615,943
<b>Net Assets</b>						
Invested in capital assets – net of related debt	11,184,947	10,470,316	7,118	7,679	11,192,065	10,477,995
Restricted	6,635,866	7,863,653	-	-	6,635,866	7,863,653
Unrestricted	4,576,942	3,910,610	18,501,042	17,584,444	23,077,984	21,495,054
Total net assets	<b>\$22,397,755</b>	<b>\$22,244,579</b>	<b>\$18,508,160</b>	<b>\$17,592,123</b>	<b>\$40,905,915</b>	<b>\$39,836,702</b>

As noted previously, net assets serve over time as a useful indicator of a government’s financial position. In the case of St. Joseph County, assets exceeded liabilities by approximately \$40.9 million at the close of the fiscal year. This amount compares favorably with the prior year where net assets totaled \$39.8 million.

The County’s net assets include approximately \$11.2 million in capital assets comprised of land, buildings, vehicles and equipment less any outstanding related debt used to acquire those assets. The County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

Certain other limitations on the use of net assets apply due primarily to legal restrictions. These restricted net assets total approximately \$6.6 million. The remaining balance of unrestricted net assets (\$4.6 million or 20 percent) may be used to meet the government’s ongoing obligations.

Statement of Activities

**St. Joseph County’s Changes in Net Assets**

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
<b>Revenues</b>						
Program revenue:						
Charges for services	\$ 3,500,607	\$ 3,591,056	\$ 946,691	\$ 724,372	\$ 4,447,298	\$ 4,315,428
Operating grants and contributions	3,600,522	2,989,792	-	-	3,600,522	2,989,792
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Property taxes	11,540,584	11,063,585	-	-	11,540,584	11,063,585
Investment earnings	47,758	404,695	124,082	420,498	171,840	825,193
Miscellaneous	-	-	-	-	-	-
Transfers	30,751	-	(30,751)	-	-	-
Total revenues	<u>18,720,222</u>	<u>18,049,128</u>	<u>1,040,022</u>	<u>1,144,870</u>	<u>19,760,244</u>	<u>19,193,998</u>
<b>Expenses</b>						
General government	7,321,767	8,014,300	-	-	7,321,767	8,014,300
Public safety	6,458,721	6,155,296	-	-	6,458,721	6,155,296
Public works	180,109	136,285	-	-	180,109	136,285
Health and social services	3,504,806	3,093,141	-	-	3,504,806	3,093,141
Parks, recreation and cultural	303,868	280,911	-	-	303,868	280,911
Community development	193,062	104,537	-	-	193,062	104,537
Unallocated depreciation	604,713	570,066	-	-	604,713	570,066
Other	-	-	123,985	122,356	123,985	122,356
Total expenses	<u>18,567,046</u>	<u>18,354,536</u>	<u>123,985</u>	<u>122,356</u>	<u>18,691,031</u>	<u>18,476,892</u>
Increase in net assets	153,176	(305,408)	916,037	1,022,514	1,069,213	717,106
Net assets, beginning of year	<u>22,244,579</u>	<u>22,549,987</u>	<u>17,592,123</u>	<u>16,569,609</u>	<u>39,836,702</u>	<u>39,119,596</u>
Net assets, end of year	<u><b>\$22,397,755</b></u>	<u><b>\$22,244,579</b></u>	<u><b>\$18,508,160</b></u>	<u><b>\$17,592,123</b></u>	<u><b>\$40,905,915</b></u>	<u><b>\$39,836,702</b></u>

The preceding table shows that the net assets of governmental activities increased by approximately \$.15 million or .7 percent during 2009 as compared to a decrease of approximately \$.3 million in the prior year.

## **Business-type Activities**

Net assets of the County's business-type activities increased by approximately \$.9 million. Net assets of the Tax payment fund increased by approximately \$717,000 while net assets of the other nonmajor enterprise funds increased by approximately \$199,000.

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

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

*Governmental funds.* The focus of the County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of approximately \$11.2 million. This represents a decrease of approximately \$.6 million in comparison with the prior year. A \$1.4 million decrease in fund balance is explained by a transfer to General Fund from the Revenue Sharing Reserve, which provides an alternative to the elimination of State Revenue Sharing. The Central Dispatch Fund decreased its fund balance by approximately \$59,000, and the Central Dispatch Wireless by \$182,000. The General Fund increased its fund balance by approximately \$669,000, and the Commission on Aging Fund by \$326,000.

Approximately \$11.2 million or 99.5 percent of total fund balance constitutes *unreserved and undesignated fund balance*, which is available for spending. However approximately \$6.6 million of this amount may only be used for special revenue fund purposes. The remainder of fund balance is either *reserved* to indicate that it is not available for new spending (approximately \$.005 million), or is *designated* to support capital and other projects (approximately \$.6 million).

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, the total fund balance was approximately \$4.6 million, while the unreserved/undesignated fund balance of the General Fund was approximately \$4.5 million, an amount equal to 32 percent of total General Fund expenditures and transfers. This level of General Fund unreserved/undesignated fund balance is consistent with recognized benchmarks that governments should strive to maintain.

The fund balance of the County's General Fund increased by approximately \$688,000 during the current fiscal year, and compares favorably with the approximately \$127,000 decrease in the General Fund balance reported during the prior year.

The Revenue Sharing Reserve Fund has a total fund balance of approximately \$.5 million. As indicated above this recently established fund, authorized by shifting forward the collection date for the County portion of the property tax levy from December to July, is intended to provide a reserve from which the County may draw amounts to replace revenues previously received from the now suspended State Revenue Sharing program. The current fund balance represents the remaining balance of a three year phase-in that ultimately provided deposits totaling approximately \$6.8 million to this fund. The balance in this fund is projected to be exhausted in fiscal year 2010 at which time the County is to revert to an alternate State sponsored revenue source.

## General Fund Budgetary Highlights

The original General Fund budget of \$14.7 million increased to \$14.9 million after revisions; however, actual expenditures totaled only \$14.1 million for a net savings of approximately \$780,000 or 5.2 percent under the revised budget. Expenditure savings came from many departments. The Sheriff Department, the Jail, the Prosecutor's Office and Central Services were under budget.

Actual revenues came in at just under \$14.9 million or within .4 percent of the revised budget of \$14.8 million. (Approximately \$150,000 was budgeted from fund balance to match revenues with expenditures.) Interest earned on investments and charges for services were both less than expected and state grants were more than anticipated.

## Capital Asset and Debt Administration

Capital Assets - At the end of 2009, the County had invested \$11,192,065, and \$1,959,303 for the component units (excluding the Road Commission and Community Mental Health, see separately issued financial statements), net of accumulated depreciation, in a broad range of capital assets (see table below). Accumulated depreciation was \$11,032,875 for the primary government. Depreciation charges for the fiscal year totaled \$606,559 for the primary government and \$63,796 for the component units.

The largest expenditure of approximately \$653,000 was incurred by the Central Dispatch Fund for additions to the County wide radio system. Approximately \$309,000 was expended on the Courthouse HVAC system.

	<b>Governmental Activities</b>	<b>Business- type Activities</b>	<b>Component Units Drains</b>	<b>Component Unit Economic Development</b>	<b>Total</b>
<b>Land</b>	\$ 441,196				\$ 441,196
<b>Land Improvements, net</b>	1,020,023				1,020,023
<b>Buildings, net</b>	7,476,822	-	-	-	7,476,822
<b>Vehicles and Equipment, net</b>	2,246,906	7,118	-	1,221	2,255,245
<b>Drains, net</b>	-	-	1,958,082	-	1,958,082
<b>Capital assets, net</b>	<b>\$ 11,184,947</b>	<b>\$ 7,118</b>	<b>\$ 1,958,082</b>	<b>\$ 1,221</b>	<b>\$ 13,151,368</b>

Long-term Debt - The County uses its full faith and credit (as a secondary obligator), to back the Board of Public Works component unit debt. The Drain Commission administers debt for various local drainage districts and water and sewer systems for local municipalities in St. Joseph County. All drain debt is payable out of assessments against the drainage districts or by contractual agreements with local units of government. The County Commission by a majority vote of 2/3 of its members may pledge the full faith and credit of the County for payment of a Drainage District note. The following table excludes the County Road Commission and Community Mental Health.

**Outstanding Debt as of December 31, 2009:**

<b>Primary Government</b>	<b><u>Jan. 1, 2009</u></b>	<b><u>Additions</u></b>	<b><u>Deletions</u></b>	<b><u>Dec. 31, 2009</u></b>
Governmental Activities				
Loans Payable	\$ -	\$ -	\$ -	\$ -
<b>Component Units</b>				
Board of Public Works				
Water and Sewer Bonds	3,140,000	-	240,000	2,900,000
Drainage Districts				
Drain Bonds and Notes	<u>946,807</u>	-	<u>120,899</u>	<u>825,908</u>
<b>Total Component Units</b>	<u>4,086,807</u>	-	<u>360,899</u>	<u>3,725,908</u>
<b>Total Reporting Entity</b>	<b><u>\$ 4,086,807</u></b>	<b>\$ -</b>	<b><u>\$ 360,899</u></b>	<b><u>\$ 3,725,908</u></b>
<b>Debt Limit (10% of SEV)</b>				<b><u>\$ 250,750,401</u></b>
<b>Available Statutory Debt Limit</b>				<b><u>\$ 247,024,493</u></b>

There were no additions to Outstanding Debt in 2009.

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

**Limitations on Debt:**

State statute limits the County's debt obligations to 10 percent of the current state equalized value (SEV). The County's SEV as of December 31, 2008 was approximately \$2.508 billion; therefore the County's debt limitation was approximately \$251 million. The County remains well below its legal debt limit by over \$247 million.

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

- The Revenue Sharing Reserve Fund was established by the State in order to replace State Revenue Sharing payments to counties. This fund will be exhausted in 2010. The State resumed revenue sharing payments to the County in 2010.
- The continued uncertainty over the State's budget situation may lead to decreases in other areas of State funding.
- 10 staff positions were eliminated in order to balance the 2010 General Fund budget.
- The organization wide phone system upgrade should be completed in 2010.

These factors were considered in adopting the Budget for 2010. The County continues to look for ways to increase efficiencies and reduce the cost of doing business.

## **CONTACTING THE COUNTY**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If there are questions about this report, or a need for additional information, contact the St. Joseph County Treasurer's Office at (269) 467-5527 or St. Joseph County Finance at (269) 467-5631 or via email, [careyd@stjosephcountymi.org](mailto:careyd@stjosephcountymi.org).

# BASIC FINANCIAL STATEMENTS

# GOVERNMENT-WIDE FINANCIAL STATEMENTS

**ST. JOSEPH COUNTY, MICHIGAN**

**Statement of Net Assets**

**December 31, 2009**

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Totals	
<b>Assets</b>				
Cash and cash equivalents	\$ 7,651,479	\$ 9,803,548	\$ 17,455,027	\$ 1,777,582
Investments	3,532,158	6,043,171	9,575,329	539,038
Receivables, net	3,222,101	2,657,617	5,879,718	6,971,973
Other assets	345,218	-	345,218	1,113,558
Capital assets not being depreciated	441,196	-	441,196	8,798,006
Capital assets being depreciated, net	10,743,751	7,118	10,750,869	27,390,460
<b>Total assets</b>	<b>25,935,903</b>	<b>18,511,454</b>	<b>44,447,357</b>	<b>46,590,617</b>
<b>Liabilities</b>				
Accounts payable and accrued expenses	1,368,803	3,294	1,372,097	1,692,057
Interest payable	-	-	-	51,529
Unearned revenue	2,169,345	-	2,169,345	1,221,926
Long-term liabilities:				
Due within one year	-	-	-	495,744
Due in more than one year	-	-	-	5,840,456
Other noncurrent liability - net other postemployment benefit liability	-	-	-	288,350
<b>Total liabilities</b>	<b>3,538,148</b>	<b>3,294</b>	<b>3,541,442</b>	<b>9,590,062</b>
<b>Net assets</b>				
Invested in capital assets, net of related debt	11,184,947	7,118	11,192,065	33,129,071
Restricted for:				
Debt service	-	-	-	92,108
Capital projects	587,361	-	587,361	-
Other purposes	6,031,816	-	6,031,816	450,000
Permanent trust	16,689	-	16,689	-
Unrestricted	4,576,942	18,501,042	23,077,984	3,329,376
<b>Total net assets</b>	<b>\$ 22,397,755</b>	<b>\$ 18,508,160</b>	<b>\$ 40,905,915</b>	<b>\$ 37,000,555</b>

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

**ST. JOSEPH COUNTY, MICHIGAN**  
**Statement of Activities**  
**For the Year Ended December 31, 2009**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Net (Expense) Revenue</b>
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	
<b>Primary government</b>					
Governmental activities:					
General government	\$ 7,321,767	\$ 1,909,490	\$ 2,249,551	\$ -	\$ (3,162,726)
Public safety	6,458,721	859,785	632,161	-	(4,966,775)
Public works	180,109	259,372	-	-	79,263
Health and social services	3,504,806	345,262	610,254	-	(2,549,290)
Parks, recreation, and cultural	303,868	90,243	14,526	-	(199,099)
Community development	193,062	36,455	94,030	-	(62,577)
Unallocated depreciation	604,713	-	-	-	(604,713)
<b>Total governmental activities</b>	<b>18,567,046</b>	<b>3,500,607</b>	<b>3,600,522</b>	<b>-</b>	<b>(11,465,917)</b>
Business-type activities:					
Tax Payment Fund	-	654,677	-	-	654,677
Other	123,985	292,014	-	-	168,029
<b>Total business-type activities</b>	<b>123,985</b>	<b>946,691</b>	<b>-</b>	<b>-</b>	<b>822,706</b>
<b>Total primary government</b>	<b>\$ 18,691,031</b>	<b>\$ 4,447,298</b>	<b>\$ 3,600,522</b>	<b>\$ -</b>	<b>\$ (10,643,211)</b>
<b>Component units</b>					
Board of Public Works	\$ 146,778	\$ -	\$ 146,778	\$ -	\$ -
Drainage Districts	356,220	18,714	-	253,079	(84,427)
Economic Development Corporation	171,885	41,100	140,858	-	10,073
Road Commission	6,358,504	377,842	6,083,785	-	103,123
Community Mental Health Authority	12,882,166	10,859,472	2,091,282	-	68,588
<b>Total component units</b>	<b>\$ 19,915,553</b>	<b>\$ 11,297,128</b>	<b>\$ 8,462,703</b>	<b>\$ 253,079</b>	<b>\$ 97,357</b>

Continued...

**ST. JOSEPH COUNTY, MICHIGAN**  
**Statement of Activities (Concluded)**  
**For the Year Ended December 31, 2009**

	<b>Primary Government</b>			<b>Component Units</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Totals</b>	
<b>Change in net assets</b>				
Net (expense) revenue	\$ (11,465,917)	\$ 822,706	\$ (10,643,211)	\$ 97,357
General revenues:				
Property taxes	11,540,584	-	11,540,584	1,177,102
Unrestricted investment earnings	47,758	124,082	171,840	19,450
Transfers - internal activities	30,751	(30,751)	-	-
Total general revenues and transfers	11,619,093	93,331	11,712,424	1,196,552
Change in net assets	153,176	916,037	1,069,213	1,293,909
Net assets, beginning of year	22,244,579	17,592,123	39,836,702	35,706,646
<b>Net assets, end of year</b>	<b>\$ 22,397,755</b>	<b>\$ 18,508,160</b>	<b>\$ 40,905,915</b>	<b>\$ 37,000,555</b>

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

# FUND FINANCIAL STATEMENTS

**ST. JOSEPH COUNTY, MICHIGAN**  
**Balance Sheet - Governmental Funds**  
**December 31, 2009**

	<u>Special Revenue Funds</u>					<u>Total Governmental Funds</u>
	<u>General</u>	<u>Central Dispatch</u>	<u>Commission on Aging</u>	<u>Budget Stabilization</u>	<u>Other Governmental Funds</u>	
<b><u>ASSETS</u></b>						
<b>Assets</b>						
Cash and cash equivalents	\$ 635,245	\$ 975,341	\$ 1,449,354	\$ 1,856,700	\$ 2,294,900	\$ 7,211,540
Investments	3,532,158	-	-	-	-	3,532,158
Receivables:						
Property taxes	858,738	1,418,477	-	-	-	2,277,215
Accounts, net	117,796	-	28,584	-	124,833	271,213
Interest receivable	6,070	-	-	-	-	6,070
Due from other governments-						
Federal/State	401,852	-	33,350	-	221,561	656,763
Due from other funds	112,178	-	-	-	-	112,178
Inventory	36,283	-	3,805	-	-	40,088
Prepays	-	-	10,368	-	3,042	13,410
Other assets	34,817	8,317	16,910	-	7,382	67,426
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 5,735,137</u></b>	<b><u>\$ 2,402,135</u></b>	<b><u>\$ 1,542,371</u></b>	<b><u>\$ 1,856,700</u></b>	<b><u>\$ 2,651,718</u></b>	<b><u>\$ 14,188,061</u></b>
 <b><u>LIABILITIES AND FUND BALANCES</u></b>						
<b>Liabilities</b>						
Accounts payable	\$ 146,839	\$ 20,667	\$ 46,031	\$ -	\$ 85,782	\$ 299,319
Accrued liabilities	260,948	29,709	42,217	-	27,683	360,557
Due to other governmental units-						
Federal/State	-	-	34,314	-	-	34,314
Due to other funds	-	-	-	-	112,178	112,178
Deferred revenue	750,868	1,418,477	-	-	-	2,169,345
<b>Total liabilities</b>	<b>1,158,655</b>	<b>1,468,853</b>	<b>122,562</b>	<b>-</b>	<b>225,643</b>	<b>2,975,713</b>
<b>Fund balances</b>						
Reserved for:						
Inventory	36,283	-	3,805	-	-	40,088
Prepays	-	-	10,368	-	3,042	13,410
Unreserved:						
Undesignated	4,540,199	933,282	1,405,636	1,856,700	-	8,735,817
Undesignated, reported in nonmajor:						
Special revenue funds	-	-	-	-	1,818,983	1,818,983
Capital project funds	-	-	-	-	587,361	587,361
Permanent fund	-	-	-	-	16,689	16,689
<b>Total fund balances</b>	<b>4,576,482</b>	<b>933,282</b>	<b>1,419,809</b>	<b>1,856,700</b>	<b>2,426,075</b>	<b>11,212,348</b>
<b><u>TOTAL LIABILITIES AND FUND BALANCES</u></b>	<b><u>\$ 5,735,137</u></b>	<b><u>\$ 2,402,135</u></b>	<b><u>\$ 1,542,371</u></b>	<b><u>\$ 1,856,700</u></b>	<b><u>\$ 2,651,718</u></b>	<b><u>\$ 14,188,061</u></b>

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

**ST. JOSEPH COUNTY, MICHIGAN**  
**Reconciliation of Fund Balances on the Balance Sheet**  
**for Governmental Funds to Net Assets of**  
**Governmental Activities on the Statement of Net Assets**  
**December 31, 2009**

<b>Fund balances - governmental funds</b>		\$ 11,212,348
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

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

Add - capital assets	\$ 22,201,522	
Deduct - accumulated depreciation	<u>(11,016,575)</u>	11,184,947

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

Add - net assets of governmental activities accounted for in the internal service fund		<u>460</u>
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<b>Net assets of governmental activities</b>		<u><u>\$ 22,397,755</u></u>
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The accompanying notes are an integral part of these financial statements.

**ST. JOSEPH COUNTY, MICHIGAN**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2009**

	<u>Special Revenue Funds</u>				<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
	<b>General</b>	<b>Central Dispatch</b>	<b>Commission on Aging</b>	<b>Budget Stabilization</b>		
<b>Revenues</b>						
Property taxes	\$ 8,788,013	\$ 1,374,019	\$ 1,378,780	\$ -	\$ -	\$ 11,540,812
Licenses and permits	119,098	-	-	-	6,390	125,488
Intergovernmental-						
Federal/State	2,283,438	-	398,971	-	953,466	3,635,875
Charges for services	1,818,141	-	65,978	-	568,194	2,452,313
Fines and forfeitures	160,533	-	-	-	286,897	447,430
Interest and rents	34,209	13,958	-	-	7,440	55,607
Miscellaneous	124,814	4,525	257,882	-	44,725	431,946
	<u>13,328,246</u>	<u>1,392,502</u>	<u>2,101,611</u>	<u>-</u>	<u>1,867,112</u>	<u>18,689,471</u>
<b>Expenditures</b>						
Current:						
General government	8,104,620	-	-	-	169,618	8,274,238
Public safety	3,938,642	1,733,515	-	-	786,564	6,458,721
Public works	61,791	-	-	-	118,318	180,109
Health and social services	1,209,715	-	1,775,601	-	519,490	3,504,806
Community development	-	-	-	-	181,402	181,402
Parks, recreation and culture	11,660	-	-	-	303,868	315,528
Capital outlay	-	-	-	-	364,362	364,362
	<u>13,326,428</u>	<u>1,733,515</u>	<u>1,775,601</u>	<u>-</u>	<u>2,443,622</u>	<u>19,279,166</u>
Revenues over (under) expenditures	<u>1,818</u>	<u>(341,013)</u>	<u>326,010</u>	<u>-</u>	<u>(576,510)</u>	<u>(589,695)</u>
<b>Other financing sources (uses)</b>						
Transfers in	1,532,838	300,000	-	-	928,879	2,761,717
Transfers out	(865,813)	(18,000)	-	-	(1,847,153)	(2,730,966)
	<u>667,025</u>	<u>282,000</u>	<u>-</u>	<u>-</u>	<u>(918,274)</u>	<u>30,751</u>
Net change in fund balances	668,843	(59,013)	326,010	-	(1,494,784)	(558,944)
Fund balances, beginning of year	<u>3,907,639</u>	<u>992,295</u>	<u>1,093,799</u>	<u>1,856,700</u>	<u>3,920,859</u>	<u>11,771,292</u>
<b>Fund balances, end of year</b>	<u><u>\$ 4,576,482</u></u>	<u><u>\$ 933,282</u></u>	<u><u>\$ 1,419,809</u></u>	<u><u>\$ 1,856,700</u></u>	<u><u>\$ 2,426,075</u></u>	<u><u>\$ 11,212,348</u></u>

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

**ST. JOSEPH COUNTY, MICHIGAN**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended December 31, 2009**

**Net change in fund balance - total governmental funds** \$ (558,944)

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

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

Add - capital outlay	\$ 1,328,994	
Deduct - depreciation expense	(604,713)	
Deduct - loss on disposal of capital assets	<u>(9,650)</u>	714,631

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

Deduct - net operating loss from governmental activities in internal service fund		<u>(2,511)</u>
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<b>Change in net assets of governmental activities</b>		<u><u>\$ 153,176</u></u>
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The accompanying notes are an integral part of these financial statements.

**ST. JOSEPH COUNTY, MICHIGAN**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**  
**General Fund**  
**For the Year Ended December 31, 2009**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget + (-)</b>
<b>Revenues</b>				
Taxes	\$ 8,792,966	\$ 8,792,966	\$ 8,788,013	\$ (4,953)
Licenses and permits	108,100	108,100	119,098	10,998
Intergovernmental-				
Federal/State	1,779,889	1,826,391	2,283,438	457,047
Charges for services	1,936,649	1,936,664	1,818,141	(118,523)
Fines and forfeitures	225,100	232,100	160,533	(71,567)
Interest and rents	306,300	306,300	34,209	(272,091)
Miscellaneous	66,413	81,447	124,814	43,367
	<u>13,215,417</u>	<u>13,283,968</u>	<u>13,328,246</u>	<u>44,278</u>
<b>Expenditures</b>				
Current:				
General government administration	8,619,967	8,556,388	8,104,620	451,768
Public safety	4,095,958	4,205,428	3,938,642	266,786
Public works	63,100	63,100	61,791	1,309
Health and social services	1,062,421	1,235,081	1,209,715	25,366
Community development	13,332	13,332	11,660	1,672
	<u>13,854,778</u>	<u>14,073,329</u>	<u>13,326,428</u>	<u>746,901</u>
Total expenditures	<u>13,854,778</u>	<u>14,073,329</u>	<u>13,326,428</u>	<u>746,901</u>
Revenues over (under) expenditures	<u>(639,361)</u>	<u>(789,361)</u>	<u>1,818</u>	<u>791,179</u>
<b>Other financing sources (uses)</b>				
Transfers in	1,513,174	1,513,174	1,532,838	19,664
Transfers out	(873,813)	(873,813)	(865,813)	8,000
	<u>639,361</u>	<u>639,361</u>	<u>667,025</u>	<u>27,664</u>
Total other sources (uses)	<u>639,361</u>	<u>639,361</u>	<u>667,025</u>	<u>27,664</u>
Net changes in fund balance	-	(150,000)	668,843	818,843
Fund balance, beginning of year	<u>3,907,639</u>	<u>3,907,639</u>	<u>3,907,639</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u><u>\$ 3,907,639</u></u>	<u><u>\$ 3,757,639</u></u>	<u><u>\$ 4,576,482</u></u>	<u><u>\$ 818,843</u></u>

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

**ST. JOSEPH COUNTY, MICHIGAN**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**  
**Central Dispatch Special Revenue Fund**  
**For the Year Ended December 31, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget + (-)</u>
<b>Revenues</b>				
Taxes	\$ 1,371,965	\$ 1,371,965	\$ 1,374,019	\$ 2,054
Interest and rents	5,000	5,000	13,958	8,958
Miscellaneous	11,000	13,250	4,525	(8,725)
	<u>1,387,965</u>	<u>1,390,215</u>	<u>1,392,502</u>	<u>2,287</u>
<b>Expenditures</b>				
Current-				
Public safety	<u>1,369,965</u>	<u>1,908,213</u>	<u>1,733,515</u>	<u>174,698</u>
Revenues over (under) expenditures	18,000	(517,998)	(341,013)	176,985
<b>Other financing sources (uses)</b>				
Transfers in	-	300,000	300,000	-
Transfers out	<u>(18,000)</u>	<u>(18,000)</u>	<u>(18,000)</u>	<u>-</u>
Total other sources (uses)	<u>(18,000)</u>	<u>282,000</u>	<u>282,000</u>	<u>-</u>
Net change in fund balance	-	(235,998)	(59,013)	176,985
Fund balance, beginning of year	<u>992,295</u>	<u>992,295</u>	<u>992,295</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u><u>\$ 992,295</u></u>	<u><u>\$ 756,297</u></u>	<u><u>\$ 933,282</u></u>	<u><u>\$ 176,985</u></u>

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

**ST. JOSEPH COUNTY, MICHIGAN**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**  
**Commission on Aging Revenue Fund**  
**For the year ended September 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget + (-)</u>
<b>Revenues</b>				
Taxes	\$ 1,411,901	\$ 1,411,901	\$ 1,378,780	\$ (33,121)
Intergovernmental-				
Federal/State	393,512	400,393	398,971	(1,422)
Charges for services	51,800	51,100	65,978	14,878
Miscellaneous	200,980	242,924	257,882	14,958
	<u>2,058,193</u>	<u>2,106,318</u>	<u>2,101,611</u>	<u>(4,707)</u>
<b>Expenditures</b>				
Current:				
Health and social services	<u>2,058,193</u>	<u>2,106,318</u>	<u>1,775,601</u>	<u>330,717</u>
Total expenditures	2,058,193	2,106,318	1,775,601	330,717
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>326,010</u>	<u>326,010</u>
<b>Other financing sources</b>				
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	326,010	326,010
Fund balance, beginning of year	<u>1,093,799</u>	<u>1,093,799</u>	<u>1,093,799</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u><u>\$ 1,093,799</u></u>	<u><u>\$ 1,093,799</u></u>	<u><u>\$ 1,419,809</u></u>	<u><u>\$ 326,010</u></u>

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

**ST. JOSEPH COUNTY, MICHIGAN**

**Statement of Net Assets**

**Proprietary Funds**

**December 31, 2009**

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental Activities - Internal Service Funds</u>
	<u>Tax Payment Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>	
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 9,338,677	\$ 464,871	\$ 9,803,548	\$ 439,939
Investments	6,043,171	-	6,043,171	-
Receivables:				
Property taxes	2,578,952	-	2,578,952	-
Accounts, net	26,558	27,483	54,041	10,840
Interest receivable	24,250	374	24,624	-
Prepays	-	-	-	224,294
Total current assets	<u>18,011,608</u>	<u>492,728</u>	<u>18,504,336</u>	<u>675,073</u>
Noncurrent assets-				
Equipment	-	7,118	7,118	-
<b>Total assets</b>	<u>18,011,608</u>	<u>499,846</u>	<u>18,511,454</u>	<u>675,073</u>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	315	1,453	1,768	-
Accrued liabilities	-	1,526	1,526	-
Accrued compensated absences	-	-	-	674,613
<b>Total liabilities</b>	<u>315</u>	<u>2,979</u>	<u>3,294</u>	<u>674,613</u>
<b>Net assets</b>				
Invested in capital assets	-	7,118	7,118	-
Unrestricted	<u>18,011,293</u>	<u>489,749</u>	<u>18,501,042</u>	<u>460</u>
<b>Total net assets</b>	<u>\$ 18,011,293</u>	<u>\$ 496,867</u>	<u>\$ 18,508,160</u>	<u>\$ 460</u>

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

**ST. JOSEPH COUNTY, MICHIGAN**  
**Statement of Revenues, Expenses and**  
**Changes in Net Assets**  
**Proprietary Funds**  
**For the Year Ended December 31, 2009**

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental Activities - Internal Service Funds</u>
	<u>Tax Payment Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>	
<b>Operating revenues</b>				
Charges for services	\$ -	\$ 286,923	\$ 286,923	\$ 1,989,357
Interest on taxes	596,897	-	596,897	-
Other revenues	-	62,871	62,871	-
	<u>596,897</u>	<u>349,794</u>	<u>946,691</u>	<u>1,989,357</u>
<b>Operating expenses</b>				
Personal services and benefits	-	122,139	122,139	1,991,868
Depreciation	-	1,846	1,846	-
	<u>-</u>	<u>123,985</u>	<u>123,985</u>	<u>1,991,868</u>
Total operating expenses	-	123,985	123,985	1,991,868
Operating income	596,897	225,809	822,706	(2,511)
<b>Nonoperating revenues</b>				
Interest income	120,326	3,756	124,082	-
Income before transfers	717,223	229,565	946,788	(2,511)
<b>Transfers out</b>	<u>-</u>	<u>(30,751)</u>	<u>(30,751)</u>	<u>-</u>
Change in net assets	717,223	198,814	916,037	(2,511)
Net assets, beginning of year	<u>17,294,070</u>	<u>298,053</u>	<u>17,592,123</u>	<u>2,971</u>
<b>Net assets, end of year</b>	<u>\$ 18,011,293</u>	<u>\$ 496,867</u>	<u>\$ 18,508,160</u>	<u>\$ 460</u>

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

**ST. JOSEPH COUNTY, MICHIGAN**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended December 31, 2009**

	<u>Business-type Activities - Enterprise Funds</u>			<b>Governmental Activities - Internal Service Funds</b>
	<b>Tax Payment Fund</b>	<b>Nonmajor Funds</b>	<b>Total</b>	
<b>Cash flows from operating activities</b>				
Cash received from customers	\$ 313,923	\$ 287,110	\$ 601,033	\$ 1,925,742
Cash received from others	-	62,871	62,871	-
Cash paid to/for employees	-	(45,823)	(45,823)	(1,991,406)
Cash paid to suppliers	-	(78,632)	(78,632)	-
	<u>313,923</u>	<u>225,526</u>	<u>539,449</u>	<u>(65,664)</u>
Net cash provided by (used in) operating activities				
	<u>313,923</u>	<u>225,526</u>	<u>539,449</u>	<u>(65,664)</u>
<b>Cash flows from non-capital financing activities</b>				
Transfers out	-	(30,751)	(30,751)	-
	<u>-</u>	<u>(30,751)</u>	<u>(30,751)</u>	<u>-</u>
<b>Cash flows from capital and related financing activities</b>				
Capital acquisitions		(2,285)	(2,285)	
Proceeds from sale of capital assets	-	1,000	1,000	-
	<u>-</u>	<u>1,000</u>	<u>1,000</u>	<u>-</u>
Net cash used in capital and related financing activities				
	<u>-</u>	<u>(1,285)</u>	<u>(1,285)</u>	<u>-</u>
<b>Cash flows from investing activities</b>				
Purchase of investments	(1,463,171)	-	(1,463,171)	-
Maturity of investments	6,211,008		6,211,008	
Interest received	120,326	3,756	124,082	-
	<u>4,868,163</u>	<u>3,756</u>	<u>4,871,919</u>	<u>-</u>
Net cash provided by investing activities				
	<u>4,868,163</u>	<u>3,756</u>	<u>4,871,919</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	5,182,086	197,246	5,379,332	(65,664)
Cash and cash equivalents, beginning of year	<u>4,156,591</u>	<u>267,625</u>	<u>4,424,216</u>	<u>505,603</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 9,338,677</u>	<u>\$ 464,871</u>	<u>\$ 9,803,548</u>	<u>\$ 439,939</u>

Continued...

**ST. JOSEPH COUNTY, MICHIGAN**  
**Statement of Cash Flows (Concluded)**  
**Proprietary Funds**  
**For the Year Ended December 31, 2009**

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental Activities - Internal Service Funds</u>
	<u>Tax Payment Fund</u>	<u>Delinquent Nonmajor Funds</u>	<u>Total</u>	
<b>Reconciliation of operating income to net cash provided by operating activities</b>				
Operating income	\$ 596,897	\$ 225,809	\$ 822,706	\$ (2,511)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation and amortization	-	1,846	1,846	-
Change in assets and liabilities:				
Taxes receivable	(324,760)	-	(324,760)	-
Accounts receivable	(1,843)	220	(1,623)	(2,765)
Interest receivable	43,629	(33)	43,596	-
Prepays	-	-	-	(60,850)
Accounts payable	-	(2,024)	(2,024)	-
Accrued liabilities	-	(292)	(292)	-
Accrued compensated absences	-	-	-	462
<b>Net cash provided by (used in) operating activities</b>	<u>\$ 313,923</u>	<u>\$ 225,526</u>	<u>\$ 539,449</u>	<u>\$ (65,664)</u>

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

**ST. JOSEPH COUNTY, MICHIGAN**  
**Statement of Fiduciary Net Assets and Liabilities - Fiduciary Funds**  
**December 31, 2009**

**Assets**

Cash and cash equivalents	\$ 1,682,680
Accounts receivable	<u>233,697</u>

<b>Total assets</b>	<b><u><u>\$ 1,916,377</u></u></b>
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**Liabilities**

Due to individuals/agencies	\$ 1,859,067
Due to other governmental units	<u>57,310</u>

<b>Total liabilities</b>	<b><u><u>\$ 1,916,377</u></u></b>
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The accompanying notes are an integral part of these financial statements.

**ST. JOSEPH COUNTY, MICHIGAN**  
**Combining Statement of Net Assets**  
**Discretely Presented Component Units**  
**December 31, 2009**

	<b>Department of Public Works</b>	<b>Drainage Districts</b>	<b>Economic Development Corporation</b>	<b>Road Commission</b>	<b>Community Mental Health Authority</b>	<b>Total</b>
<b>Assets</b>						
Cash and cash equivalents	\$ 555	\$ 349,561	\$ 51,050	\$ 337,216	\$ 1,039,200	\$ 1,777,582
Investments	-	-	-	-	539,038	539,038
Receivables:						
Special assessments	-	945,768	-	-	-	945,768
Accounts, net	-	-	247	2,035,340	1,055,204	3,090,791
Leases receivable	2,935,414	-	-	-	-	2,935,414
Inventories	-	-	-	1,021,335	-	1,021,335
Prepays	-	-	-	-	92,223	92,223
Capital assets not being depreciated	-	-	-	8,464,262	333,744	8,798,006
Capital assets being depreciated, net	-	1,958,082	1,221	22,527,818	2,903,339	27,390,460
<b>Total assets</b>	<b>2,935,969</b>	<b>3,253,411</b>	<b>52,518</b>	<b>34,385,971</b>	<b>5,962,748</b>	<b>46,590,617</b>
<b>Liabilities</b>						
Accounts payable	-	46,791	181	181,571	805,834	1,034,377
Accrued liabilities	-	-	3,161	31,392	371,129	405,682
Interest payable	35,969	15,560	-	-	-	51,529
Due to other governments	-	-	-	-	176,355	176,355
Unearned revenue	-	-	-	1,212,929	8,997	1,221,926
Advances from primary government	-	75,643	-	-	-	75,643
Long-term debt:						
Due within one year	255,000	122,402	-	30,000	88,342	495,744
Due in more than one year	2,645,000	703,506	-	126,731	2,365,219	5,840,456
Other noncurrent liability - net other postemployment benefit liability	-	-	-	288,350	-	288,350
<b>Total liabilities</b>	<b>2,935,969</b>	<b>963,902</b>	<b>3,342</b>	<b>1,870,973</b>	<b>3,815,876</b>	<b>9,590,062</b>
<b>Net assets</b>						
Invested in capital assets, net of related debt	-	1,132,174	1,221	30,992,080	1,003,596	33,129,071
Restricted for debt service	-	92,108	-	-	-	92,108
Restricted for future contributions	-	-	-	-	450,000	450,000
Unrestricted	-	1,065,227	47,955	1,522,918	693,276	3,329,376
<b>Total net assets</b>	<b>\$ -</b>	<b>\$ 2,289,509</b>	<b>\$ 49,176</b>	<b>\$ 32,514,998</b>	<b>\$ 2,146,872</b>	<b>\$ 37,000,555</b>

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

**ST. JOSEPH COUNTY, MICHIGAN**  
**Combining Statement of Activities**  
**Discretely Presented Component Units**  
**For the Year Ended December 31, 2009**

	<b>Department of Public Works</b>	<b>Drainage Districts</b>	<b>Economic Development Corporation</b>	<b>Road Commission</b>	<b>Community Mental Health Authority</b>	<b>Total</b>
<b>Expenses</b>						
Public works	\$ 146,778	\$ 356,220	\$ 171,885	\$ -	\$ -	\$ 674,883
Highways and streets	-	-	-	6,358,504	-	6,358,504
Community Mental Health	-	-	-	-	12,882,166	12,882,166
<b>Total expenses</b>	<b>146,778</b>	<b>356,220</b>	<b>171,885</b>	<b>6,358,504</b>	<b>12,882,166</b>	<b>19,915,553</b>
<b>Program revenues</b>						
Charges for services	-	-	-	377,842	10,854,899	11,232,741
Operating grants and contributions	146,778	18,714	181,958	6,083,785	2,091,282	8,522,517
Capital grants and contributions	-	253,079	-	-	-	253,079
Other revenue	-	-	-	-	4,573	4,573
<b>Total program revenues</b>	<b>146,778</b>	<b>271,793</b>	<b>181,958</b>	<b>6,461,627</b>	<b>12,950,754</b>	<b>20,012,910</b>
<b>Net program revenue (expense)</b>	<b>-</b>	<b>(84,427)</b>	<b>10,073</b>	<b>103,123</b>	<b>68,588</b>	<b>97,357</b>
<b>General revenues</b>						
Property taxes	-	-	-	1,177,102	-	1,177,102
Unrestricted investment earnings	-	315	521	5,885	12,729	19,450
<b>Total general revenues</b>	<b>-</b>	<b>315</b>	<b>521</b>	<b>1,182,987</b>	<b>12,729</b>	<b>1,196,552</b>
<b>Change in net assets</b>	<b>-</b>	<b>(84,112)</b>	<b>10,594</b>	<b>1,286,110</b>	<b>81,317</b>	<b>1,293,909</b>
<b>Net assets, beginning of year</b>	<b>-</b>	<b>2,373,621</b>	<b>38,582</b>	<b>31,228,888</b>	<b>2,065,555</b>	<b>35,706,646</b>
<b>Net assets, end of year</b>	<b>\$ -</b>	<b>\$ 2,289,509</b>	<b>\$ 49,176</b>	<b>\$ 32,514,998</b>	<b>\$ 2,146,872</b>	<b>\$ 37,000,555</b>

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

## NOTES to the FINANCIAL STATEMENTS

# ST. JOSEPH COUNTY, MICHIGAN

## Notes to Financial Statements

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### A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### 1. *Reporting Entity*

As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government’s operations and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the government.

#### **Blended Component Unit**

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

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

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

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

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

# ST. JOSEPH COUNTY, MICHIGAN

## Notes to Financial Statements

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

St. Joseph County Community Mental Health Authority – is governed by a twelve-member Board that is appointed by the County Board of Commissioners. The Community Health Authority was established to carry out the requirements of the Mental Health Code, Section 205, MCL 330.1205. The County has the ability to terminate the Authority by a majority vote of the County Board of Commissioners. Complete financial statements for the Authority may be obtained by contacting the St. Joseph County Community Mental Health Authority at 677 E Main St, Centreville, Michigan 49032.

Beginning with the fiscal year 2009 audit, Rehmann Robson determined that while the St. Joseph County Board of Commissioners is not responsible for the debts or liabilities of the CMH, the CMH as an Authority does have to be presented as a component unit of the County based on the criteria noted in the preceding paragraph.

### Joint Venture

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

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

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

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who

# ST. JOSEPH COUNTY, MICHIGAN

## Notes to Financial Statements

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purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

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

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

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

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

The County reports the following major governmental funds:

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

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

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

# ST. JOSEPH COUNTY, MICHIGAN

## Notes to Financial Statements

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

The County reports the following major proprietary funds:

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

Additionally, the County reports the following fund types:

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

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

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

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

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

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

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

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds and of the government's internal service fund are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

# ST. JOSEPH COUNTY, MICHIGAN

## Notes to Financial Statements

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

Deposits and Investment – The County pools cash resources of various funds in order to facilitate the management of cash; however, cash applicable to a particular fund is readily identifiable. Sufficient cash is retained in the pooled cash accounts to meet current operating requirements and excess cash is invested in various interest bearing securities and disclosed as part of the County’s investments. Cash equivalents consist of temporary investments in certificates of deposit, with maturities from date of purchase of 90 days or less, investment trust funds, and mutual funds. The investment trust funds have the general characteristics of demand deposit accounts.

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

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

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

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

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

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

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

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

# ST. JOSEPH COUNTY, MICHIGAN

## Notes to Financial Statements

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

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

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

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

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

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

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

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

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

# ST. JOSEPH COUNTY, MICHIGAN

## Notes to Financial Statements

### B. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

#### 1. Budgetary Information

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

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

#### 2. Deficit Fund Equity

The register of deeds special revenue fund reported a deficit fund balance of \$10,441 as of December 31, 2009. Also, the Drainage Districts component unit Fish Lake Drain debt service fund reported deficit net assets of \$3,274 as of December 31, 2009.

### C. DETAIL NOTES ON ALL FUNDS

#### 1. Deposits and investments

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

Cash on hand	\$	9,477
Carrying amount of deposits		16,657,568
Carrying amount of investments		<u>14,362,611</u>
		<b><u>\$ 31,029,656</u></b>

	<b><u>Primary Government</u></b>	<b><u>Component Units</u></b>	<b><u>Fiduciary Funds</u></b>	<b><u>Total</u></b>
Cash and cash equivalents	\$ 17,455,027	\$ 1,777,582	\$ 1,682,680	\$ 20,915,289
Investments	<u>9,575,329</u>	<u>539,038</u>	<u>-</u>	<u>10,114,367</u>
Total	<b><u>\$ 27,030,356</u></b>	<b><u>\$ 2,316,620</u></b>	<b><u>\$ 1,682,680</u></b>	<b><u>\$ 31,029,656</u></b>

# ST. JOSEPH COUNTY, MICHIGAN

## Notes to Financial Statements

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

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>
Federal Nat. Mtg. Assn.	05/04/10	\$ 2,018,192	S&P – AAA
U.S. Treasury	03/25/10	1,513,848	not rated
U.S. Treasury	02/11/10	1,462,941	not rated
Western Asset Govt MM	N/A	347	not rated
Treasury Portfolio Class B	N/A	5,002,417	not rated
MBIA short term funds	N/A	<u>4,364,866</u>	not rated
		<u>\$ 14,362,611</u>	

### Investment and deposit risk

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

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

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned. State law does not require and the County does not have a policy for deposit custodial credit risk. However, the County Treasurer's Office monitors the financial stability of financial institutions using online guidance from "BankRate.com". As of year end, \$13,834,131 of the County's bank balance of \$17,050,374 (total book balance was \$16,657,568) was exposed to custodial credit risk because it was uninsured and uncollateralized.

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

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

# ST. JOSEPH COUNTY, MICHIGAN

## Notes to Financial Statements

### 2. RECEIVABLES

Receivables as of December 31, 2009 are summarized as follows:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Component Units</b>
Property taxes	\$ 2,277,215	\$ 2,578,952	\$ -
Accounts receivable	282,053	54,041	3,090,791
Interest receivable	6,070	24,624	-
Special assessments	-	-	945,768
Lease receivable	-	-	2,935,414
Due from other governments	656,763	-	-
	<b><u>\$ 3,222,101</u></b>	<b><u>\$ 2,657,617</u></b>	<b><u>\$ 6,971,973</u></b>

Leases receivable in the Department of Public Works component unit represents amounts receivable from other local governments for the water and sewer systems constructed for them using bonds issued by the County. The receivable is equal to the outstanding bond principal plus accrued interest as of December 31, 2009. The current portion of the receivable is equal to the current portion of the related debt plus accrued interest. Unearned revenue in the governmental activities consists entirely of property taxes to be received in subsequent years.

### 3. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund receivables and payables at December 31, 2009 is as follows:

	<b>Receivable</b>	<b>Payable</b>
<b>Due from (to) other funds</b>		
General fund	\$ 112,178	\$ -
Nonmajor governmental funds	-	112,178
	<b><u>\$ 112,178</u></b>	<b><u>\$ 112,178</u></b>

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

# ST. JOSEPH COUNTY, MICHIGAN

## Notes to Financial Statements

For the year ended December 31, 2009, interfund transfers consisted of the following:

	<b>Transfers In</b>	<b>Transfers Out</b>
General fund	\$ 1,532,838	\$ 865,813
Central dispatch fund	300,000	18,000
Nonmajor governmental funds	928,879	1,847,153
Nonmajor enterprise funds	-	30,751
	<b>\$ 2,761,717</b>	<b>\$ 2,761,717</b>

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

#### 4. CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2009 was as follows:

	<b>Balance December 31, 2008</b>	<b>Restatement and Reclassifications</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31, 2009</b>
<b>Governmental Activities</b>					
<b>Capital assets not being depreciated:</b>					
Land	\$ 441,196	\$ -	\$ -	\$ -	\$ 441,196
Construction in progress	382,584	-	-	382,584	-
<b>Total capital assets not being depreciated</b>	<b>823,780</b>	<b>-</b>	<b>-</b>	<b>382,584</b>	<b>441,196</b>
<b>Capital assets being depreciated:</b>					
Land improvements	1,734,932	-	70,088	-	1,805,020
Buildings and improvements	14,653,547	(170,279)	524,877	-	15,008,145
Vehicles and equipment	3,756,448	170,279	1,116,613	96,179	4,947,161
<b>Subtotal</b>	<b>20,144,927</b>	<b>-</b>	<b>1,711,578</b>	<b>96,179</b>	<b>21,760,326</b>
<b>Accumulated depreciation</b>					
Land improvements	712,422	-	72,575	-	784,997
Buildings and improvements	7,283,302	-	248,021	-	7,531,323
Vehicles and equipment	2,502,667	-	284,117	86,529	2,700,255
<b>Total accumulated depreciation</b>	<b>10,498,391</b>	<b>-</b>	<b>604,713</b>	<b>86,529</b>	<b>11,016,575</b>
<b>Total capital assets being depreciated - net</b>	<b>9,646,536</b>	<b>-</b>	<b>1,106,865</b>	<b>9,650</b>	<b>10,743,751</b>
<b>Governmental activities capital assets - net</b>	<b>\$ 10,470,316</b>	<b>\$ -</b>	<b>\$ 1,106,865</b>	<b>\$ 392,234</b>	<b>\$ 11,184,947</b>

Depreciation expense in governmental activities is not allocated by function.

# ST. JOSEPH COUNTY, MICHIGAN

## Notes to Financial Statements

	Balance December 31, 2008	Additions	Deductions	Balance December 31, 2009
<b><u>Business-type Activities</u></b>				
<b>Capital assets being depreciated -</b>				
Vehicles and equipment	\$ 22,133	\$ 2,285	\$ 1,000	\$ 23,418
<b>Accumulated depreciation -</b>				
Vehicles and equipment	14,454	1,846	-	16,300
<b>Total capital assets being depreciated - net</b>	<b>\$ 7,679</b>	<b>\$ 439</b>	<b>\$ 1,000</b>	<b>\$ 7,118</b>

### **Discretely Presented Component Units**

	Balance December 31, 2008	Additions	Deductions	Balance December 31, 2009
<b>Drainage Districts</b>				
<b>Capital assets being depreciated -</b>				
Drain infrastructure	\$ 2,550,218	\$ -	\$ -	\$ 2,550,218
<b>Accumulated depreciation -</b>				
Drain infrastructure	528,381	63,755	-	592,136
<b>Total capital assets being depreciated - net</b>	<b>\$ 2,021,837</b>	<b>\$ (63,755)</b>	<b>\$ -</b>	<b>\$ 1,958,082</b>

Depreciation expenses was charged to the Public Works function in 2009.

	Balance December 31, 2008	Additions	Deductions	Balance December 31, 2009
<b>Economic Development</b>				
<b>Capital assets being depreciated -</b>				
Equipment	\$ 7,265	\$ 1,013	\$ -	\$ 8,278
<b>Accumulated depreciation -</b>				
Equipment	7,016	41	-	7,057
<b>Total capital assets being depreciated - net</b>	<b>\$ 249</b>	<b>\$ 972</b>	<b>\$ -</b>	<b>\$ 1,221</b>

Depreciation expense was charged to the Community Development function in 2009.

# ST. JOSEPH COUNTY, MICHIGAN

## Notes to Financial Statements

Road Commission	Balance December 31, 2008	Additions	Deductions	Balance December 31, 2009
<b>Capital assets not being depreciated:</b>				
Land	\$ 226,258	\$ -	\$ -	\$ 226,258
Infrastructure land improvements	8,073,798	164,206	-	8,238,004
<b>Total capital assets not being depreciated:</b>	<b>8,300,056</b>	<b>164,206</b>	<b>-</b>	<b>8,464,262</b>
<b>Capital assets being depreciated:</b>				
Buildings and improvements	1,451,679	18,609	-	1,470,288
Equipment	8,057,552	112,416	47,146	8,122,822
Depletable assets	128,851	-	-	128,851
Infrastructure	43,959,600	2,526,733	9,000	46,477,333
<b>Total capital assets being depreciated:</b>	<b>53,597,682</b>	<b>2,657,758</b>	<b>56,146</b>	<b>56,199,294</b>
<b>Accumulated depreciation</b>				
Buildings and improvements	598,776	41,110	-	639,886
Equipment	7,589,584	220,171	47,121	7,762,634
Depletable assets	74,557	8,349	-	82,906
Infrastructure	23,799,744	1,395,306	9,000	25,186,050
<b>Total accumulated depreciation</b>	<b>32,062,661</b>	<b>1,664,936</b>	<b>56,121</b>	<b>33,671,476</b>
<b>Total capital assets being depreciated - net</b>	<b>21,535,021</b>	<b>992,822</b>	<b>25</b>	<b>22,527,818</b>
<b>Component unit capital assets - net</b>	<b>\$ 29,835,077</b>	<b>\$ 1,157,028</b>	<b>\$ 25</b>	<b>\$ 30,992,080</b>

Depreciation expense was charged to the Highway and Streets function in 2009.

# ST. JOSEPH COUNTY, MICHIGAN

## Notes to Financial Statements

### Community Mental Health

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets not being depreciated:				
Land	\$ 249,396	\$ 84,348	\$ -	\$ 333,744
Construction in progress	165,747	-	(165,747)	-
Total capital assets not being depreciated	415,143	84,348	(165,747)	333,744
Capital assets being depreciated:				
Buildings	-	2,703,684	-	2,703,684
Equipment and furnishings	211,050	125,908	-	336,958
Computers	71,541	-	-	71,541
Vehicles	64,298	-	-	64,298
Total capital assets being depreciated	346,889	2,829,592	-	3,176,481
Less accumulated depreciation for:				
Buildings	-	24,597	-	24,597
Equipment and furnishings	101,911	29,896	-	131,807
Computers	62,071	9,253	-	71,324
Vehicles	29,339	16,075	-	45,414
Total accumulated depreciation	193,321	79,821	-	273,142
Total capital assets being depreciated, net	153,568	2,749,771	-	2,903,339
Capital assets, net	<b>\$ 568,711</b>	<b>\$ 2,834,119</b>	<b>\$ (165,747)</b>	<b>\$ 3,237,083</b>

### 5. PAYABLES

Accounts payable and accrued liabilities as of December 31, 2009 are summarized as follows:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Component Units</b>
Accounts payable	\$ 299,319	\$ 1,768	\$ 1,034,377
Accrued liabilities	360,557	1,526	405,682
Due to other governments	34,314	-	176,355
Compensated absences payable	674,613	-	-
Advances payable	-	-	75,643
	<b>\$ 1,368,803</b>	<b>\$ 3,294</b>	<b>\$ 1,692,057</b>

# ST. JOSEPH COUNTY, MICHIGAN

## Notes to Financial Statements

### 6. LONG-TERM DEBT

#### Drain Commission component unit

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

<u>Purpose</u>	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Amount Outstanding</u>
<b>Component unit – Drainage District</b>				
Felker Drain	4%	2016	\$ 427,000	\$ 298,900
Grover and Coohan Dam	4.19%	2020	220,000	172,425
Portage Lake Drain	3.38%	2011	200,000	61,959
Colon #1 Drain	4.55%	2017	365,780	292,624
				<b><u>\$ 825,908</u></b>

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

<u>Year Ending December 31,</u>	<u>Component Unit - Drain</u>	
	<u>Principal</u>	<u>Interest</u>
2010	\$ 122,402	\$ 34,312
2011	123,960	29,412
2012	93,020	24,491
2013	93,596	20,530
2014	94,196	16,598
2015-2019	279,638	29,770
2020-2024	19,096	800
	<b><u>\$ 825,908</u></b>	<b><u>\$ 155,913</u></b>

# ST. JOSEPH COUNTY, MICHIGAN

## Notes to Financial Statements

### **Board of Public Works component unit**

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

<b><u>Purpose</u></b>	<b><u>Interest Rates</u></b>	<b><u>Maturity Date</u></b>	<b><u>Amount of Original Issue</u></b>	<b><u>Amount Outstanding</u></b>
<b>Component unit – Public Works</b>				
1997 Limited Tax GO Wastewater System #10 & 11	5.00-5.25	2017	\$ 1,400,000	\$ 305,000
1997 Limited Tax Water Supply System #13	5.25	2017	165,000	120,000
1998 Limited Tax Sewage Disposal System #14	4.50-5.00	2017	1,640,000	865,000
2002 Limited Tax Sanitary Sewer System #15	4.35-5.10	2022	1,510,000	1,350,000
2005 Limited Tax Water Supply System #16	3.50-4.65	2019	335,000	260,000
				<b><u><u>\$ 2,900,000</u></u></b>

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

<b><u>Year Ending December 31,</u></b>	<b><u>Component Unit - BPW</u></b>	
	<b><u>Principal</u></b>	<b><u>Interest</u></b>
2010	\$ 255,000	\$ 136,325
2011	270,000	123,926
2012	290,000	110,513
2013	310,000	96,179
2014	245,000	80,808
2015-2019	1,150,000	221,660
2020-2024	380,000	29,168
	<b><u><u>\$ 2,900,000</u></u></b>	<b><u><u>\$ 798,579</u></u></b>

### **Community Mental Health Authority component unit**

#### **Mortgage Payable**

On October 28, 2008, the Authority entered into a mortgage agreement for the construction of a new facility in Centreville, Michigan, not to exceed \$2.7 million. During the construction period, the interest rate on the outstanding balance was 5.27%. On January 28, 2010, the Authority amended the mortgage for completion of the project. The outstanding balance at the time of completion was \$2,233,487 to be repaid over 296 months plus interest at a fixed rate of 5.27%.

# ST. JOSEPH COUNTY, MICHIGAN

## Notes to Financial Statements

The annual requirements to pay principal and interest on debt outstanding at December 31, 2009, are as follows:

	<u>Principal</u>	<u>Interest</u>
2010	\$ 39,342	\$ 77,684
2011	47,027	114,505
2012	49,565	111,967
2013	52,240	109,292
2014	55,061	106,471
2015-2019	323,241	484,419
2020-2024	420,447	387,213
2025-2029	546,891	260,769
2030-2034	699,673	96,307
	<u>\$ 2,233,487</u>	<u>\$ 1,748,627</u>

*Changes in long-term debt.* Long-term debt activity for the year ended December 31, 2009 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b><u>Component Units</u></b>					
<b>Board of Public Works</b>					
General obligation bonds	\$ 3,140,000	\$ -	\$ 240,000	\$ 2,900,000	\$ 255,000
<b>Drainage Districts</b>					
Drain bonds and notes	\$ 946,807	\$ -	\$ 120,899	\$ 825,908	\$ 122,402
<b>Road Commission</b>					
Land contract and installment leases	\$ 96,926	\$ -	\$ 96,926	\$ -	\$ -
Compensated absences	151,929	4,802	-	156,731	30,000
	<u>\$ 248,855</u>	<u>\$ 4,802</u>	<u>\$ 96,926</u>	<u>\$ 156,731</u>	<u>\$ 30,000</u>
<b>Community Mental Health Authority</b>					
Mortgage payable	\$ -	\$ 2,233,487	\$ -	\$ 2,233,487	\$ 39,342
Compensated absences	201,985	67,046	48,957	220,074	49,000
	<u>\$ 201,985</u>	<u>\$ 2,300,533</u>	<u>\$ 48,957</u>	<u>\$ 2,453,561</u>	<u>\$ 88,342</u>

# ST. JOSEPH COUNTY, MICHIGAN

## Notes to Financial Statements

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### 7. RISK MANAGEMENT

The County is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The County has purchased commercial insurance for employee medical benefit claims, and participates in the Michigan Municipal League Workers' Compensation Fund for workers compensation claims. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to a special assessment to make up the deficiency. The County has not been informed of any special assessments being required. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

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

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

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

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

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

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

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

The Road Commission is also self-insured for workers' compensation as a member of the County Road Association Self Insurance Fund. The estimated amount of the IBNR, or "incurred but not reported" claims associated with the self-insurance arrangements is not considered to be material at December 31, 2009.

# ST. JOSEPH COUNTY, MICHIGAN

## Notes to Financial Statements

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

### 8. CONTINGENT LIABILITIES

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

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

On October 28, 2008, the County Board guaranteed the \$2.7 million Community Mental Health building loan from Farmer's State Bank. The loan is for 25 years with an interest rate of 5.27%. As of December 31, 2009, draws on this loan amounted to \$2,233,487.

### 9. PROPERTY TAXES

County operating property taxes are levied annually on July 1 (the lien date) to fund operations for the current year. The property taxes are due in full within nine months (prior to March 1), at which time uncollected taxes became delinquent.

Property taxes are levied on the assessed taxable value of the property as established by local units, accepted by the County and equalized under State statute at approximately 50% of the current estimated market value. The assessed and taxable value of real and personal property for the 2009 levies, for which revenue was recognized in fiscal 2009, was \$1,891,302,939. The general operating tax rate for these levies were 4.5482 mills with an additional .7500 and .7500 mills levied December 1<sup>st</sup> for central dispatch and the commission on aging, respectively.

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

### 10. POSTEMPLOYMENT HEALTH CARE BENEFITS

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

*Plan description.* St. Joseph County Road Commission administers a single-employer defined benefit healthcare plan (the "Plan"). The Plan provides health insurance benefits to certain retirees and their beneficiaries, which are advance-funded on a discretionary basis. Eligible retirees and their spouses receive healthcare benefits at no incremental cost for those between the ages of 62 and 65. Those over age 65 pay 100% of the premiums. As of December 31, 2009, the date of the last plan valuation, the Plan covered 48 members (44 active plan members, and 4 retirees receiving benefits that were required to pay 100% of the premiums).

# ST. JOSEPH COUNTY, MICHIGAN

## Notes to Financial Statements

*Funding policy.* The contribution requirements of Plan members and the Road Commission are established and may be amended by the Road Commission Board. The required contribution is based on projected pay-as-you go financing requirements, with an additional amount to prefund benefits as determined annually by the Road Commission Board. For the year ended December 31, 2009, the Road Commission had no contributions to the Plan. Retirees receiving benefits in 2009 were required to pay 100% of plan premiums.

*Annual OPEB Cost and Net OPEB Obligation.* The Road Commission's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The Road Commission has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the St. Joseph County Road Commission's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the net OPEB obligation:

Annual required contribution	\$ 288,350
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
	-
Net OPEB cost (expense)	288,350
Contributions made	-
	-
Increase in net OPEB obligation	288,350
Net OPEB obligation, beginning of year	-
	-
Net OPEB obligation, end of year	\$ 288,350

The Road Commission's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2009 was as follows:

Year Ending	Annual OPEB Cost	Percent of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/09	\$ 288,350	0%	\$ 288,350

*Funded status and funding progress.* As of December 31, 2009, the actuarial accrued liability for benefits was \$2,634,418 all of which was unfunded. The covered payroll (annual payroll of the active employees covered by the Plan) was \$1,891,151 and the ratio of the UAAL to the covered payroll was 139.3 percent.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

# ST. JOSEPH COUNTY, MICHIGAN

## Notes to Financial Statements

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The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits calculations.

*Methods and Assumptions.* 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 employer and plan members to that point. The 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.

The following simplifying assumptions were made:

*Retirement age for active employees*—Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 62.5.

*Marital status*—Marital status of members at the calculation date was assumed to continue throughout retirement.

*Mortality*—Life expectancies were based on mortality tables from the National Center for Health Statistics. The 2006 United States Life Tables for Males and for Females were used.

*Turnover*—Non-group-specific age-based turnover data from GASB Statement 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

*Healthcare cost trend rate*—The expected rate of increase in healthcare insurance premiums was based on projections by the Road Commission's management. An initial rate of 40.0 percent was used for the subsequent year, based on known amounts. A projected increase of 10.0 percent was used for years 2011 going forward.

*Health insurance premiums*—2009 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

*Inflation rate*—The expected long-term inflation assumption of 3.3 percent was based on projected changes in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) in *The 2006 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds* for an intermediate growth scenario.

*Payroll growth rate*—The expected long-term payroll growth rate was assumed to equal the rate of inflation.

Based on the historical and expected returns of the Road Commission's short-term investment portfolio, a discount rate of 3.5 percent was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2009, was thirty years.

# ST. JOSEPH COUNTY, MICHIGAN

## Notes to Financial Statements

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### 11. DEFINED BENEFIT PENSION PLAN

#### **Defined benefit plan – County General, Sheriff Department POAM/FOP, and Sheriff Administration divisions**

Effective April 1, 2007, the County participates in the Michigan Municipal Employees Retirement System (MERS), an agent multiple-employer plan administered by the MERS Retirement Board. This plan covers substantially all County employees; except for Commission on Aging and the Road Commission. The Plans provide retirement and disability benefits, annual cost of living adjustments, and death benefits to eligible members and beneficiaries. The MERS Retirement Board establishes and amends plan benefit provisions as authorized under State statutes. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS, 447 N. Canal Road, Lansing, Michigan 48917, or by calling (800) 767-6377.

The employer is required to contribute at an actuarially determined rate; of annual covered payroll, the current 2009 rate for the General division is 0% although the employer contributed 2%; the Sheriff Department POAM/FOP division is 11%; and the Sheriff Administration division is 16.54%. Of their annual covered payroll, the County General division employees are required to contribute 1.0%, the Sheriff Department POAM/FOP division employees are required to contribute 5.68%, and the Sheriff Administration division employees are required to contribute 7.7%. Employer contribution requirements are established and may be amended by the MERS Retirement Board. The contribution requirements of plan members are established and may be amended by the County, subject to collective bargaining agreements and depending on the MERS contribution program adopted by the County.

For the year ended December 31, 2009, the annual MERS pension cost of \$105,550, \$216,484 and \$45,766 for the General division, the Sheriff Department POAM/FOP division, the Sheriff Administration division, respectively, was equal to the required and actual contributions. The required contributions were determined as part of the December 31, 2008 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included: (a) a rate of return on the investment of present and future assets of 8.0%; (b) projected salary increase of 4.5% per year compounded annually, attributable to inflation; and (c) additional projected salary increases based on an age-related scale to reflect merit, longevity and promotional salary increases.

The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment to reflect fair value. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis over 28 years.

# ST. JOSEPH COUNTY, MICHIGAN

## Notes to Financial Statements

The County's annual pension cost and net pension obligation for the current year was as follows:

	<b>General</b>	<b>Sheriff POAM/FOP</b>	<b>Sheriff Administration</b>
Actuarial value of assets	\$18,702,990	\$ 8,944,804	\$ 1,385,273
Actuarial accrued liability (AAL)	15,062,639	10,500,122	1,974,724
Unfunded AAL	(3,640,351)	1,555,318	589,451
Funded ratio	124%	85%	70%
Covered payroll	4,903,868	1,939,737	161,269
UAAL as a percentage of covered payroll	-	80%	366%
Annual pension cost	105,550	216,484	47,766
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-	-	-

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

Effective June 8, 1988, the St. Joseph County Commission on Aging established a defined contribution plan with Fifth Third Bank and Edward Jones, Inc. Substantially all full time employees with three years of service are eligible for this plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employer contributions are based on a fixed weekly rate for each employee covered by the personnel policy. Employees are not required to contribute to the plan. Plan provisions and contribution requirements are established and may be amended by the Board of County Commissioners. For the year ended September 30, 2009, the Commission on Aging made the required contribution of \$31,486.

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

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

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

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

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

For the plan year ended October 31, 2009, the Road Commission contributed \$107,664 (representing 6% of covered payroll) to the plan.

# ST. JOSEPH COUNTY, MICHIGAN

## Notes to Financial Statements

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### **Community Mental Health Authority component unit – defined contribution plan**

The Community Mental Health Authority maintains a defined contribution plan for its eligible employees. The name of this plan is the “Community Mental Health Services of St. Joseph County Money Purchase Pension Plan” and became effective February 1, 1989. The plan provides retirement and death benefits to plan members and their beneficiaries.

The Authority’s defined contribution plan is administered by VALIC. Benefit provisions and contribution requirements are established and may be amended by the Board. The Authority makes contributions of 5% of union member’s salary and 9.5% of all other eligible employee’s compensation. Total contributions for the year ended September 30, 2009, were \$182,129.

### **Alternative Social Security Plan**

The Authority contributes 6.2% of all non union personnel’s salary to the plan. Employees are also required to contribute 6.2% of their salary into this plan. The contributions to the plan are made in lieu of federal social security contributions. Under this plan, employees are 100% vested in their account at inception. Employees of the Authority not eligible to participate in this plan are covered by the federal social security system.

\* \* \* \* \*

## Required Supplementary Information

**ST JOSEPH COUNTY, MICHIGAN**  
**Municipal Employees' Retirement System of Michigan**  
**Required Supplementary Information**

**Schedule of Funding Progress**

Actuarial Valuation Date December 31	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry Age	(3) Unfunded AAL (UAAL) (2-1)	(4) Funded Ratio (1/2)	(5) Covered Payroll	(6) UAAL as a % of Covered Payroll (3/5)
<b>GENERAL DIVISION</b>						
2007	\$ 18,095,358	\$ 14,294,695	\$ (3,800,663)	126.6%	\$ 5,054,679	-
2008	18,702,990	15,062,639	(3,640,351)	124.2%	4,903,868	-
<b>SHERIFF DEPARTMENT . POAM</b>						
2007	\$ 8,922,629	\$ 10,160,230	\$ 1,237,601	87.8%	\$ 2,012,984	61.5%
2008	8,944,804	10,500,122	1,555,318	85.2%	1,939,737	80.2%
<b>SHERIFF - ADMINISTRATION DIVISION</b>						
2007	\$ 948,522	\$ 1,396,952	\$ 448,430	67.9%	\$ 237,302	189.0%
2008	1,385,273	1,974,724	589,451	70.2%	161,269	365.5%

**Schedule of Employer Contributions**

Year Ended December 31	Annual Required Contribution	Annual Actual Contribution	Percentage Contributed
<b>GENERAL DIVISION</b>			
2007	\$ 215,212	\$ 215,212	100.0%
2008	167,596	167,596	100.0%
2009	105,550	105,550	100.0%
<b>SHERIFF DEPARTMENT - POAM</b>			
2008	\$ 222,399	\$ 222,399	100.0%
2009	216,484	216,484	100.0%
<b>SHERIFF - ADMINISTRATION DIVISION</b>			
2008	\$ 44,763	\$ 44,763	100.0%
2009	45,766	45,766	100.0%

Note: In 2007 the County switched their General Division to MERS from the plan that was managed by the Retirement System Board of Trustees in prior years, thus no data is available for prior years.

**COMBINING AND INDIVIDUAL FUND  
STATEMENTS/SCHEDULES**

**ST. JOSEPH COUNTY, MICHIGAN**  
**Detailed Schedule of Revenues and**  
**Other Financing Sources - Budget and Actual**  
**General Fund**  
**For the Year Ended December 31, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget + (-)</u>
<b>Taxes</b>				
Property taxes	\$ 8,002,966	\$ 8,002,966	\$ 8,054,309	\$ 51,343
Industrial facilities tax	275,000	275,000	306,669	31,669
Delinquent taxes	515,000	515,000	427,035	(87,965)
Total taxes	<u>8,792,966</u>	<u>8,792,966</u>	<u>8,788,013</u>	<u>(4,953)</u>
<b>Permits and regulatory licenses</b>				
Marriage	5,050	5,050	3,020	(2,030)
Dog licenses	95,000	95,000	93,242	(1,758)
Pistol permits	8,050	8,050	22,836	14,786
Total permits and regulatory licenses	<u>108,100</u>	<u>108,100</u>	<u>119,098</u>	<u>10,998</u>
<b>Intergovernmental - federal/state</b>				
SCAAP grant	5,000	5,000	14,540	9,540
Highway safety	-	46,502	39,788	(6,714)
Cooperative reimbursement - FOC	617,000	694,154	673,016	(21,138)
Cooperative reimbursement - Prosecutor	4,818	4,818	4,696	(122)
Cooperative reimbursement - Prosecuting attorney	-	-	1,868	1,868
FEMA	28,000	28,000	29,135	1,135
Judicial salary	102,548	102,548	102,528	(20)
Drug case flow grant	900	900	660	(240)
Victims Rights	5,500	5,500	4,017	(1,483)
Marine safety grant	20,000	20,000	27,348	7,348
Juvenile officer grant	27,317	27,317	27,317	-
Probate court	45,724	45,724	45,724	-
Circuit court	45,724	45,724	45,724	-
District court	91,673	91,673	91,448	(225)
Convention and tourism	213,698	213,698	200,277	(13,421)
Cigarette tax	18,833	18,833	15,543	(3,290)
Liquor license fees	12,000	12,000	14,382	2,382
State aid-case flow assistance	24,000	24,000	19,336	(4,664)
State court equity funding	410,000	410,000	376,783	(33,217)
Election reimbursement	15,000	15,000	34,052	19,052
State revenue sharing	-	-	500,008	500,008
Miscellaneous	92,154	15,000	15,248	248
Total intergovernmental - federal/state	<u>1,779,889</u>	<u>1,826,391</u>	<u>2,283,438</u>	<u>457,047</u>

Continued...

**ST. JOSEPH COUNTY, MICHIGAN**  
**Detailed Schedule of Revenues and**  
**Other Financing Sources - Budget and Actual (Continued)**  
**General Fund**  
**For the Year Ended December 31, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget + (-)</u>
<b>Charges for services</b>				
General government:				
Circuit Court	\$ 746,700	\$ 746,700	\$ 681,484	\$ (65,216)
District Court	21,600	21,600	23,670	2,070
Probate Court	58,520	58,520	50,125	(8,395)
Treasurer	6,600	6,600	4,578	(2,022)
Clerk	229,670	229,685	197,159	(32,526)
Register of deeds	447,959	447,959	343,683	(104,276)
Friend of the Court	90,050	90,050	72,010	(18,040)
Sheriff Department:	169,550	169,550	269,923	100,373
Equalization	101,500	101,500	107,826	6,326
Central services	32,600	32,600	36,138	3,538
Animal control	8,500	8,500	10,991	2,491
Miscellaneous	23,400	23,400	20,554	(2,846)
Total charges for services	<u>1,936,649</u>	<u>1,936,664</u>	<u>1,818,141</u>	<u>(118,523)</u>

Continued...

**ST. JOSEPH COUNTY, MICHIGAN**  
**Detailed Schedule of Revenues and**  
**Other Financing Sources - Budget and Actual (Concluded)**  
**General Fund**  
**For the Year Ended December 31, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget + (-)</u>
<b>Fines and forfeitures</b>				
Ordinance fines and costs	\$ 200,000	\$ 200,000	\$ 130,592	\$ (69,408)
Bond forfeitures	23,100	30,100	27,521	(2,579)
Miscellaneous	2,000	2,000	2,420	420
Total fines and forfeitures	<u>225,100</u>	<u>232,100</u>	<u>160,533</u>	<u>(71,567)</u>
<b>Interest and rents</b>				
Interest on investments	301,000	301,000	29,997	(271,003)
Rental fees	5,300	5,300	4,212	(1,088)
Total interest and rents	<u>306,300</u>	<u>306,300</u>	<u>34,209</u>	<u>(272,091)</u>
<b>Other</b>				
Sale of capital assets	1,500	1,500	3,692	2,192
Reimbursements and refunds	58,311	72,858	101,328	28,470
Miscellaneous	6,602	7,089	19,794	12,705
Total other	<u>66,413</u>	<u>81,447</u>	<u>124,814</u>	<u>43,367</u>
<b>Total revenues</b>	13,215,417	13,283,968	13,328,246	44,278
<b>Other financing sources</b>				
Transfers in	<u>1,513,174</u>	<u>1,513,174</u>	<u>1,532,838</u>	<u>19,664</u>
<b>Total revenues and other financing sources</b>	<u>\$ 14,728,591</u>	<u>\$ 14,797,142</u>	<u>\$ 14,861,084</u>	<u>\$ 63,942</u>

**ST. JOSEPH COUNTY, MICHIGAN**  
**Detailed Schedule of Expenditures and**  
**Other Financing Uses - Budget and Actual**  
**General Fund**  
**For the Year Ended December 31, 2009**

	Original Budget	Final Budget	Actual	Variance with Final Budget + (-)
<b>General government</b>				
Board of commissioners	\$ 180,173	\$ 180,173	\$ 144,597	\$ 35,576
Circuit court	276,552	276,552	249,132	27,420
District court	1,015,326	1,015,326	996,955	18,371
Friend of the court	722,103	722,103	716,358	5,745
Jury commission	2,000	2,000	1,580	420
Probate court	320,283	320,108	309,822	10,286
Family court	810,389	808,889	786,394	22,495
Appeals court	40,765	40,765	34,957	5,808
Public defender	461,000	461,000	460,000	1,000
Administrator	145,598	145,598	143,234	2,364
Elections	41,600	41,600	35,101	6,499
Finance	242,201	242,201	241,918	283
Clerk	375,720	375,720	365,538	10,182
Equalization	328,438	328,338	311,133	17,205
Human resources	107,839	107,839	100,869	6,970
Geographic information systems	107,899	107,999	104,374	3,625
Prosecuting attorney	592,205	592,205	548,265	43,940
Central services	375,608	375,608	325,176	50,432
Register of Deeds	250,715	250,715	246,334	4,381
Treasurer	249,902	249,902	242,627	7,275
Cooperative Extension	277,338	277,338	249,702	27,636
Information Technology	240,563	249,123	238,522	10,601
Building and Grounds	363,641	387,841	387,766	75
Utilities	363,050	356,050	324,670	31,380
Insurance	305,000	312,000	327,569	(15,569)
Drain Commission	90,189	90,189	75,752	14,437
Court security	110,099	110,776	105,509	5,267
Contingency	197,060	101,717	-	101,717
Other	26,711	26,713	30,766	(4,053)
Total general government	8,619,967	8,556,388	8,104,620	451,768
<b>Public safety</b>				
Sheriff - General	1,781,694	1,903,013	1,789,002	114,011
Sheriff - Corrections	12,488	11,773	9,444	2,329
Jail	2,004,207	1,985,573	1,860,896	124,677
Marine safety	31,507	32,007	28,180	3,827
Animal Control	176,040	183,040	163,189	19,851
Emergency Services	89,522	89,522	87,831	1,691
Other	500	500	100	400
Total public safety	4,095,958	4,205,428	3,938,642	266,786
<b>Public works</b>				
Public works	10,600	10,600	9,291	1,309
Soil	22,500	22,500	22,500	-
Appropriation to road commission	30,000	30,000	30,000	-
Total public safety	63,100	63,100	61,791	1,309

Continued....

**ST. JOSEPH COUNTY, MICHIGAN**  
**Detailed Schedule of Expenditures and**  
**Other Financing Uses - Budget and Actual (Concluded)**  
**General Fund**  
**For the Year Ended December 31, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget + (-)</u>
<b>Health and social services</b>				
Child care probate	\$ 52,087	\$ 53,587	\$ 49,682	\$ 3,905
District health	414,388	414,388	412,286	2,102
Community Mental Health	257,268	257,268	257,268	-
Health and human services appropriation	8,200	8,200	8,200	-
Health and human services appropriation - child care	140,000	302,500	302,500	-
Medical examiner	41,900	41,900	32,896	9,004
Substance abuse	106,849	106,849	100,139	6,710
Veterans	3,300	11,100	8,700	2,400
Veterans services	38,429	39,289	38,044	1,245
Total health and social services	<u>1,062,421</u>	<u>1,235,081</u>	<u>1,209,715</u>	<u>25,366</u>
<b>Community development</b>				
Planning	<u>13,332</u>	<u>13,332</u>	<u>11,660</u>	<u>1,672</u>
<b>Total expenditures</b>	<u>13,854,778</u>	<u>14,073,329</u>	<u>13,326,428</u>	<u>746,901</u>
<b>Other financing uses - transfers out</b>				
Appropriations:				
Probate Child Care	326,854	326,854	326,854	-
Parks and Recreation	163,959	163,959	163,959	-
Disaster Relief	500	500	-	500
Other operating transfers out	309,000	309,000	309,000	-
Other:				
Contractual Services	20,000	20,000	20,000	-
Circuit Court Law Library	7,500	7,500	-	7,500
Secondary Road Patrol	40,000	40,000	40,000	-
Land Corners	6,000	6,000	6,000	-
<b>Total other financing uses</b>	<u>873,813</u>	<u>873,813</u>	<u>865,813</u>	<u>8,000</u>
<b>Total expenditures and other financing uses</b>	<u>\$ 14,728,591</u>	<u>\$ 14,947,142</u>	<u>\$ 14,192,241</u>	<u>\$ 754,901</u>

**ST. JOSEPH COUNTY, MICHIGAN**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**December 31, 2009**

	<u>Special Revenue Funds</u>				
	<u>Parks and Recreation</u>	<u>Central Dispatch Wireless</u>	<u>Meyer Broadway Park</u>	<u>Facilities and Land Acquisition</u>	<u>Friend of the Court</u>
<b><u>ASSETS</u></b>					
<b>Assets</b>					
Cash and cash equivalents	\$ 65,974	\$ 136,884	\$ 91,245	\$ 3,559	\$ 5,660
Receivables:					
Accounts, net	4,604	-	-	1	47
Due from other governmental units	-	48,637	-	-	-
Prepays	-	-	-	-	-
Other assets	3,863	-	-	-	-
	<u>3,863</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 74,441</u>	<u>\$ 185,521</u>	<u>\$ 91,245</u>	<u>\$ 3,560</u>	<u>\$ 5,707</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>					
<b>Liabilities</b>					
Accounts payable	\$ 1,000	\$ 205	\$ 1,609	\$ -	\$ -
Accrued liabilities	2,663	1,645	2,240	-	-
Due to other funds	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>3,663</u>	<u>1,850</u>	<u>3,849</u>	<u>-</u>	<u>-</u>
<b>Fund balances</b>					
Reserved for prepaids	-	-	-	-	-
Unreserved:					
Designated for capital projects	-	-	-	-	-
Undesignated (deficit)	70,778	183,671	87,396	3,560	5,707
	<u>70,778</u>	<u>183,671</u>	<u>87,396</u>	<u>3,560</u>	<u>5,707</u>
Total fund balances (deficit)	<u>70,778</u>	<u>183,671</u>	<u>87,396</u>	<u>3,560</u>	<u>5,707</u>
	<u>\$ 74,441</u>	<u>\$ 185,521</u>	<u>\$ 91,245</u>	<u>\$ 3,560</u>	<u>\$ 5,707</u>
<b><u>TOTAL LIABILITIES AND FUND BALANCES</u></b>					

**Special Revenue Funds**

<b>Family Counseling</b>	<b>Cade Lake Park</b>	<b>Court Caseflow Assistance</b>	<b>Waste Management Fund</b>	<b>Traffic Safety Program</b>	<b>Remonum- entation Grant</b>	<b>Animal Shelter Donation</b>	<b>Veterans Memorial Fund</b>
\$ 10,445	\$ 26,858	\$ 14,614	\$ 83,214	\$ 122,107	\$ 9,321	\$ 34,187	\$ 1,842
-	-	-	67,944	-	-	-	-
-	-	-	-	-	17,262	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 10,445</u>	<u>\$ 26,858</u>	<u>\$ 14,614</u>	<u>\$ 151,158</u>	<u>\$ 122,107</u>	<u>\$ 26,583</u>	<u>\$ 34,187</u>	<u>\$ 1,842</u>
\$ 1,941	\$ 78	\$ -	\$ -	\$ 29	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	20,000	-	-
<u>1,941</u>	<u>78</u>	<u>-</u>	<u>-</u>	<u>29</u>	<u>20,000</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
8,504	26,780	14,614	151,158	122,078	6,583	34,187	1,842
<u>8,504</u>	<u>26,780</u>	<u>14,614</u>	<u>151,158</u>	<u>122,078</u>	<u>6,583</u>	<u>34,187</u>	<u>1,842</u>
<u>\$ 10,445</u>	<u>\$ 26,858</u>	<u>\$ 14,614</u>	<u>\$ 151,158</u>	<u>\$ 122,107</u>	<u>\$ 26,583</u>	<u>\$ 34,187</u>	<u>\$ 1,842</u>

Continued...

**ST. JOSEPH COUNTY, MICHIGAN**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds (Continued)**  
**December 31, 2009**

	<b>Special Revenue Funds</b>				
	<b>Register of Deeds Automation</b>	<b>Victims Rights Advocacy</b>	<b>Community Correction Advisory Board</b>	<b>Community Correction Program</b>	<b>Local Corrections Officers Training</b>
<b><u>ASSETS</u></b>					
<b>Assets</b>					
Cash and cash equivalents	\$ 23,346	\$ 12,133	\$ 30,477	\$ 32,239	\$ 67,279
Receivables:					
Accounts, net	213	-	-	-	-
Due from other governmental units	-	13,265	14,858	-	-
Prepays	-	877	-	60	-
Other assets	-	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 23,559</u></b>	<b><u>\$ 26,275</u></b>	<b><u>\$ 45,335</u></b>	<b><u>\$ 32,299</u></b>	<b><u>\$ 67,279</u></b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>					
<b>Liabilities</b>					
Accounts payable	\$ -	\$ -	\$ 9,477	\$ 3,535	\$ -
Accrued liabilities	-	2,056	1,788	-	-
Due to other funds	34,000	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>34,000</u>	<u>2,056</u>	<u>11,265</u>	<u>3,535</u>	<u>-</u>
<b>Fund balances</b>					
Reserved for prepaids	-	877	-	60	-
Unreserved:					
Designated for capital projects	-	-	-	-	-
Undesignated (deficit)	(10,441)	24,219	34,070	28,764	67,279
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balances (deficit)	<u>(10,441)</u>	<u>24,219</u>	<u>34,070</u>	<u>28,764</u>	<u>67,279</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b><u>TOTAL LIABILITIES AND FUND BALANCES</u></b>	<b><u>\$ 23,559</u></b>	<b><u>\$ 26,275</u></b>	<b><u>\$ 45,335</u></b>	<b><u>\$ 32,299</u></b>	<b><u>\$ 67,279</u></b>

**Special Revenue Funds**

<b>Law Enforcement</b>	<b>Drug Law Enforcement</b>	<b>Secondary Road Patrol</b>	<b>Homeland Security Grant</b>	<b>County Law Library</b>	<b>Principal Residence Denial</b>	<b>Community Development Block Grant</b>
\$ 94,941	\$ 19,678	\$ 45,504	\$ 47,196	\$ 2,971	\$ 90,980	\$ 71,221
51,871	-	-	-	-	-	-
-	-	4,005	17,021	-	-	68,031
-	-	2,105	-	-	-	-
-	-	3,519	-	-	-	-
<u>\$ 146,812</u>	<u>\$ 19,678</u>	<u>\$ 55,133</u>	<u>\$ 64,217</u>	<u>\$ 2,971</u>	<u>\$ 90,980</u>	<u>\$ 139,252</u>
\$ -	\$ 1,355	\$ -	\$ 1,551	\$ 400	\$ -	\$ 33,141
8,640	-	5,555	-	-	262	-
-	-	-	58,178	-	-	-
<u>8,640</u>	<u>1,355</u>	<u>5,555</u>	<u>59,729</u>	<u>400</u>	<u>262</u>	<u>33,141</u>
-	-	2,105	-	-	-	-
-	-	-	-	-	-	-
<u>138,172</u>	<u>18,323</u>	<u>49,578</u>	<u>4,488</u>	<u>2,571</u>	<u>90,718</u>	<u>106,111</u>
<u>138,172</u>	<u>18,323</u>	<u>49,578</u>	<u>4,488</u>	<u>2,571</u>	<u>90,718</u>	<u>106,111</u>
<u>\$ 146,812</u>	<u>\$ 19,678</u>	<u>\$ 55,133</u>	<u>\$ 64,217</u>	<u>\$ 2,971</u>	<u>\$ 90,980</u>	<u>\$ 139,252</u>

Continued...

**ST. JOSEPH COUNTY, MICHIGAN**  
**Combining Balance Sheet**  
**December 31, 2009**  
**Nonmajor Governmental Funds (Concluded)**

	Special Revenue Funds				
	Sheriffs Justice Training	Department of Human Services	Child Care Probate Court	Child Care Human Services	Revenue Sharing Reserve
<b><u>ASSETS</u></b>					
<b>Assets</b>					
Cash and cash equivalents	\$ 11,097	\$ -	\$ 30,971	\$ -	\$ 495,898
Receivables:					
Accounts, net	-	-	-	-	-
Due from other governmental units	-	-	37,473	-	-
Prepays	-	-	-	-	-
Other assets	-	-	-	-	-
	<b><u>TOTAL ASSETS</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 68,444</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 495,898</u></b>
 <b><u>LIABILITIES AND FUND BALANCES</u></b>					
<b>Liabilities</b>					
Accounts payable	\$ -	\$ -	\$ 23,960	\$ -	\$ -
Accrued liabilities	-	-	2,834	-	-
Due to other funds	-	-	-	-	-
	Total liabilities	-	26,794	-	-
<b>Fund balances</b>					
Reserved for prepaids	-	-	-	-	-
Unreserved:					
Designated for capital projects	-	-	-	-	-
Undesignated (deficit)	11,097	-	41,650	-	495,898
	Total fund balances	11,097	41,650	-	495,898
	<b><u>TOTAL LIABILITIES AND FUND BALANCES</u></b>	<b><u>\$ 11,097</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 68,444</u></b>	<b><u>\$ -</u></b>
		<b><u>\$ 11,097</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 68,444</u></b>	<b><u>\$ -</u></b>
			<b><u>\$ 68,444</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 495,898</u></b>

<b>Capital Projects Funds</b>				<b>Permanent Trust Funds</b>	
<b>Veterans Trust Fund</b>	<b>Board of Public Works Administration</b>	<b>Information Technology Improvement</b>	<b>County Facilities Maintenance</b>	<b>Cemetery</b>	<b>Total</b>
\$ 1,661	\$ 10,777	\$ 161,928	\$ 422,157	\$ 16,536	\$ 2,294,900
-	-	-	-	153	124,833
1,009	-	-	-	-	221,561
-	-	-	-	-	3,042
-	-	-	-	-	7,382
<u>\$ 2,670</u>	<u>\$ 10,777</u>	<u>\$ 161,928</u>	<u>\$ 422,157</u>	<u>\$ 16,689</u>	<u>\$ 2,651,718</u>
\$ -	\$ -	\$ -	\$ 7,501	\$ -	\$ 85,782
-	-	-	-	-	27,683
-	-	-	-	-	112,178
-	-	-	7,501	-	225,643
-	-	-	-	-	3,042
-	10,777	161,928	414,656	-	587,361
2,670	-	-	-	16,689	1,835,672
2,670	10,777	161,928	414,656	16,689	2,426,075
<u>\$ 2,670</u>	<u>\$ 10,777</u>	<u>\$ 161,928</u>	<u>\$ 422,157</u>	<u>\$ 16,689</u>	<u>\$ 2,651,718</u>

**ST. JOSEPH COUNTY, MICHIGAN**  
**Combining Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended December 31, 2009**

**Special Revenue Funds**

	<b>Parks and Recreation</b>	<b>Central Dispatch Wireless</b>	<b>Meyer Broadway Park</b>	<b>Facilities and Land Acquisition</b>	<b>Friend of the Court</b>
<b>Revenues</b>					
Licenses and permits	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental:					
Federal/state	14,526	-	-	-	-
Charges for services	10,517	-	11,349	-	16,314
Fines and forfeitures	-	212,243	-	-	-
Interest and rent	900	2,593	2,965	17	159
Miscellaneous	1,145	-	2,951	2,037	-
Total revenues	<u>27,088</u>	<u>214,836</u>	<u>17,265</u>	<u>2,054</u>	<u>16,473</u>
<b>Expenditures</b>					
Current:					
General government	-	-	-	-	-
Public safety	-	90,966	-	-	-
Public works	-	-	-	-	-
Health and social services	-	-	-	-	-
Community development	-	-	-	-	-
Parks, recreation and culture	186,172	-	64,285	-	-
Capital outlay	-	-	-	-	-
Total expenditures	<u>186,172</u>	<u>90,966</u>	<u>64,285</u>	<u>-</u>	<u>-</u>
Revenue over (under) expenditures	<u>(159,084)</u>	<u>123,870</u>	<u>(47,020)</u>	<u>2,054</u>	<u>16,473</u>
<b>Other financing sources (uses)</b>					
Transfers in	163,959	-	47,224	-	-
Transfers out	-	(306,000)	-	-	(17,500)
Total other financing sources (uses)	<u>163,959</u>	<u>(306,000)</u>	<u>47,224</u>	<u>-</u>	<u>(17,500)</u>
Net change in fund balances	4,875	(182,130)	204	2,054	(1,027)
Fund balances (deficit), beginning of year	<u>65,903</u>	<u>365,801</u>	<u>87,192</u>	<u>1,506</u>	<u>6,734</u>
<b>Fund balances (deficit), end of year</b>	<u>\$ 70,778</u>	<u>\$ 183,671</u>	<u>\$ 87,396</u>	<u>\$ 3,560</u>	<u>\$ 5,707</u>

**Special Revenue Funds**

<b>Family Counseling</b>	<b>Cade Lake Park</b>	<b>Court Caseflow Assistance</b>	<b>Waste Management Fund</b>	<b>Traffic Safety Program</b>	<b>Remonum- entation Grant</b>	<b>Animal Shelter Donation</b>	<b>Veterans Memorial Fund</b>
\$ 6,390	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	44,647	-	-
-	55,762	-	259,372	37,678	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	4,654	-	-	-	6	3,969	-
<u>6,390</u>	<u>60,416</u>	<u>-</u>	<u>259,372</u>	<u>37,678</u>	<u>44,653</u>	<u>3,969</u>	<u>-</u>
9,579	-	-	-	-	33,170	-	-
-	-	-	-	24,268	-	-	-
-	-	-	118,318	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	79,938	-	-	-	-
-	53,411	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>9,579</u>	<u>53,411</u>	<u>-</u>	<u>198,256</u>	<u>24,268</u>	<u>33,170</u>	<u>-</u>	<u>-</u>
<u>(3,189)</u>	<u>7,005</u>	<u>-</u>	<u>61,116</u>	<u>13,410</u>	<u>11,483</u>	<u>3,969</u>	<u>-</u>
-	-	-	-	-	6,000	-	-
-	-	-	(85,653)	-	(1,600)	-	-
-	-	-	(85,653)	-	4,400	-	-
<u>(3,189)</u>	<u>7,005</u>	<u>-</u>	<u>(24,537)</u>	<u>13,410</u>	<u>15,883</u>	<u>3,969</u>	<u>-</u>
<u>11,693</u>	<u>19,775</u>	<u>14,614</u>	<u>175,695</u>	<u>108,668</u>	<u>(9,300)</u>	<u>30,218</u>	<u>1,842</u>
<u>\$ 8,504</u>	<u>\$ 26,780</u>	<u>\$ 14,614</u>	<u>\$ 151,158</u>	<u>\$ 122,078</u>	<u>\$ 6,583</u>	<u>\$ 34,187</u>	<u>\$ 1,842</u>

Continued...

**ST. JOSEPH COUNTY, MICHIGAN**  
**Combining Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances (Continued)**  
**Nonmajor Governmental Funds**  
**For the Year Ended December 31, 2009**

	Special Revenue Funds				
	Register of Deeds Automation	Victims Rights Advocacy	Community Correction Advisory Board	Community Correction Program	Local Corrections Officers Training
<b>Revenues</b>					
Licenses and permits	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental:					
Federal/state	-	53,702	100,095	-	-
Charges for services	63,350	-	-	51,507	18,538
Fines and forfeitures	-	-	-	-	-
Interest and rent	686	-	-	-	-
Miscellaneous	-	-	-	-	-
Total revenues	<u>64,036</u>	<u>53,702</u>	<u>100,095</u>	<u>51,507</u>	<u>18,538</u>
<b>Expenditures</b>					
Current:					
General government	57,202	54,648	-	-	-
Public safety	-	-	115,489	30,638	1,100
Public works	-	-	-	-	-
Health and social services	-	-	-	-	-
Community development	-	-	-	-	-
Parks, recreation and culture	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	<u>57,202</u>	<u>54,648</u>	<u>115,489</u>	<u>30,638</u>	<u>1,100</u>
Revenue over (under) expenditures	<u>6,834</u>	<u>(946)</u>	<u>(15,394)</u>	<u>20,869</u>	<u>17,438</u>
<b>Other financing sources (uses)</b>					
Transfers in	-	-	15,842	-	-
Transfers out	-	-	-	(15,842)	(14,547)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>15,842</u>	<u>(15,842)</u>	<u>(14,547)</u>
Net change in fund balances	6,834	(946)	448	5,027	2,891
Fund balances (deficit), beginning of year	<u>(17,275)</u>	<u>25,165</u>	<u>33,622</u>	<u>23,737</u>	<u>64,388</u>
<b>Fund balances (deficit), end of year</b>	<u>\$ (10,441)</u>	<u>\$ 24,219</u>	<u>\$ 34,070</u>	<u>\$ 28,764</u>	<u>\$ 67,279</u>

**Special Revenue Funds**

<b>Law Enforcement</b>	<b>Drug Law Enforcement</b>	<b>Secondary Road Patrol</b>	<b>Homeland Security Grant</b>	<b>County Law Library</b>	<b>Principal Residence Denial</b>	<b>Community Development Block Grant</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
262,465	-	90,000	77,809	-	-	94,030
22,290	21,517	-	-	-	-	-
-	45,028	-	-	-	29,626	-
-	-	-	-	-	-	-
-	2,061	-	-	6,500	-	-
<u>284,755</u>	<u>68,606</u>	<u>90,000</u>	<u>77,809</u>	<u>6,500</u>	<u>29,626</u>	<u>94,030</u>
-	-	-	-	5,492	9,527	-
266,487	25,259	144,577	78,074	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	101,464
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>266,487</u>	<u>25,259</u>	<u>144,577</u>	<u>78,074</u>	<u>5,492</u>	<u>9,527</u>	<u>101,464</u>
<u>18,268</u>	<u>43,347</u>	<u>(54,577)</u>	<u>(265)</u>	<u>1,008</u>	<u>20,099</u>	<u>(7,434)</u>
-	-	40,000	-	-	-	-
<u>(9,392)</u>	<u>(40,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(9,392)</u>	<u>(40,000)</u>	<u>40,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
8,876	3,347	(14,577)	(265)	1,008	20,099	(7,434)
<u>129,296</u>	<u>14,976</u>	<u>64,155</u>	<u>4,753</u>	<u>1,563</u>	<u>70,619</u>	<u>113,545</u>
<u>\$ 138,172</u>	<u>\$ 18,323</u>	<u>\$ 49,578</u>	<u>\$ 4,488</u>	<u>\$ 2,571</u>	<u>\$ 90,718</u>	<u>\$ 106,111</u>

Continued...

**ST. JOSEPH COUNTY, MICHIGAN**  
**Combining Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances (Concluded)**  
**Nonmajor Governmental Funds**  
**For the Year Ended December 31, 2009**

**Special Revenue Funds**

	<b>Sheriffs Justice Training</b>	<b>Department of Human Services</b>	<b>Child Care Probate Court</b>	<b>Child Care Human Services</b>	<b>Revenue Sharing Reserve</b>
<b>Revenues</b>					
Licenses and permits	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental:					
Federal/state	4,909	-	184,085	-	-
Charges for services	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Interest and rent	-	-	-	-	-
Miscellaneous	-	-	21,402	-	-
<b>Total revenues</b>	<b>4,909</b>	<b>-</b>	<b>205,487</b>	<b>-</b>	<b>-</b>
<b>Expenditures</b>					
Current:					
General government	-	-	-	-	-
Public safety	9,706	-	-	-	-
Public works	-	-	-	-	-
Health and social services	-	-	491,551	-	-
Community development	-	-	-	-	-
Parks, recreation and culture	-	-	-	-	-
Capital outlay	-	-	-	-	-
<b>Total expenditures</b>	<b>9,706</b>	<b>-</b>	<b>491,551</b>	<b>-</b>	<b>-</b>
Revenue over (under) expenditures	(4,797)	-	(286,064)	-	-
<b>Other financing sources (uses)</b>					
Transfers in	-	-	326,854	-	-
Transfers out	-	-	-	-	(1,356,619)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>326,854</b>	<b>-</b>	<b>(1,356,619)</b>
<b>Net change in fund balances</b>	<b>(4,797)</b>	<b>-</b>	<b>40,790</b>	<b>-</b>	<b>(1,356,619)</b>
Fund balances (deficit), beginning of year	15,894	-	860	-	1,852,517
<b>Fund balances (deficit), end of year</b>	<b>\$ 11,097</b>	<b>\$ -</b>	<b>\$ 41,650</b>	<b>\$ -</b>	<b>\$ 495,898</b>

Capital Projects Funds				Permanent Trust Fund	
Veterans Trust Fund	Board of Public Works Administration	Information Technology Improvement	County Facilities Maintenance	Cemetery	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,390
27,198	-	-	-	-	953,466
-	-	-	-	-	568,194
-	-	-	-	-	286,897
-	-	-	-	120	7,440
-	-	-	-	-	44,725
27,198	-	-	-	120	1,867,112
-	-	-	-	-	169,618
-	-	-	-	-	786,564
-	-	-	-	-	118,318
27,939	-	-	-	-	519,490
-	-	-	-	-	181,402
-	-	-	-	-	303,868
-	-	14,952	349,410	-	364,362
27,939	-	14,952	349,410	-	2,443,622
(741)	-	(14,952)	(349,410)	120	(576,510)
-	-	40,000	289,000	-	928,879
-	-	-	-	-	(1,847,153)
-	-	40,000	289,000	-	(918,274)
(741)	-	25,048	(60,410)	120	(1,494,784)
3,411	10,777	136,880	475,066	16,569	3,920,859
\$ 2,670	\$ 10,777	\$ 161,928	\$ 414,656	\$ 16,689	\$ 2,426,075

**ST. JOSEPH COUNTY, MICHIGAN**  
**Combining Statement of Net Assets**  
**Nonmajor Enterprise Funds**  
**December 31, 2009**

	<u>Forfeiture/ Foreclosure Fund</u>	<u>Inmate Store Fund</u>	<u>Three Rivers Community Center</u>	<u>Total</u>
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 396,972	\$ 21,090	\$ 46,809	\$ 464,871
Receivables:				
Accounts, net	26,890	593	-	27,483
Interest receivable	374	-	-	374
Total current assets	<u>424,236</u>	<u>21,683</u>	<u>46,809</u>	<u>492,728</u>
Noncurrent assets -				
Equipment	<u>-</u>	<u>5,299</u>	<u>1,819</u>	<u>7,118</u>
<b>Total assets</b>	<u>424,236</u>	<u>26,982</u>	<u>48,628</u>	<u>499,846</u>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	-	354	1,099	1,453
Accrued liabilities	-	-	1,526	1,526
Total current liabilities	<u>-</u>	<u>354</u>	<u>2,625</u>	<u>2,979</u>
<b>Total liabilities</b>	<u>-</u>	<u>354</u>	<u>2,625</u>	<u>2,979</u>
<b>Net assets</b>				
Invested in capital assets	-	5,299	1,819	7,118
Unrestricted	<u>424,236</u>	<u>21,329</u>	<u>44,184</u>	<u>489,749</u>
<b>Total net assets</b>	<u>\$ 424,236</u>	<u>\$ 26,628</u>	<u>\$ 46,003</u>	<u>\$ 496,867</u>

**ST. JOSEPH COUNTY, MICHIGAN**  
**Combining Statement of Revenues, Expenses and**  
**Changes in Net Assets**  
**Nonmajor Enterprise Funds**  
**For the Year Ended December 31, 2009**

	<b>Forfeiture/ Foreclosure Fund</b>	<b>Inmate Store Fund</b>	<b>Three Rivers Community Center</b>	<b>Total</b>
<b>Operating revenues</b>				
Charges for services	\$ 263,923	\$ 22,760	\$ 240	\$ 286,923
Other revenues	-	-	62,871	62,871
Total operating revenues	<u>263,923</u>	<u>22,760</u>	<u>63,111</u>	<u>349,794</u>
<b>Operating expenses</b>				
Personal services and benefits	61,189	16,425	44,525	122,139
Depreciation and amortization	-	468	1,378	1,846
Total operating expenses	<u>61,189</u>	<u>16,893</u>	<u>45,903</u>	<u>123,985</u>
Operating income	202,734	5,867	17,208	225,809
<b>Nonoperating revenues</b>				
Interest income	<u>3,756</u>	-	-	<u>3,756</u>
Total nonoperating revenues	<u>3,756</u>	-	-	<u>3,756</u>
Income before transfers	206,490	5,867	17,208	229,565
<b>Transfers out</b>	<u>(30,751)</u>	-	-	<u>(30,751)</u>
Change in net assets	175,739	5,867	17,208	198,814
Net assets, beginning of year	<u>248,497</u>	<u>20,761</u>	<u>28,795</u>	<u>298,053</u>
<b>Net assets, end of year</b>	<u><u>\$ 424,236</u></u>	<u><u>\$ 26,628</u></u>	<u><u>\$ 46,003</u></u>	<u><u>\$ 496,867</u></u>

**ST. JOSEPH COUNTY, MICHIGAN**  
**Combining Statement of Cash Flows**  
**Nonmajor Enterprise Funds**  
**For the Year Ended December 31, 2009**

	<b>Forfeiture/ Foreclosure Fund</b>	<b>Inmate Store Fund</b>	<b>Three Rivers Community Center</b>	<b>Total</b>
<b>Cash flows from operating activities</b>				
Cash received from customers	\$ 263,890	\$ 22,760	\$ 460	\$ 287,110
Cash received from others	-	-	62,871	62,871
Cash paid to/for employees	-	-	(45,823)	(45,823)
Cash paid to suppliers	(62,450)	(16,182)	-	(78,632)
Net cash provided by operating activities	<u>201,440</u>	<u>6,578</u>	<u>17,508</u>	<u>225,526</u>
<b>Cash flows from non-capital and related financing activities</b>				
Transfers out	(30,751)	-	-	(30,751)
<b>Cash flows from capital and related financing activities</b>				
Capital acquisitions	-	(2,285)	-	(2,285)
Proceeds from sale of capital assets	-	-	1,000	1,000
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>(2,285)</u>	<u>1,000</u>	<u>(1,285)</u>
<b>Cash flows from investing activities</b>				
Interest received	3,756	-	-	3,756
Net increase in cash and cash equivalents	174,445	4,293	18,508	197,246
Cash and cash equivalents, beginning of year	<u>222,527</u>	<u>16,797</u>	<u>28,301</u>	<u>267,625</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 396,972</u></u>	<u><u>\$ 21,090</u></u>	<u><u>\$ 46,809</u></u>	<u><u>\$ 464,871</u></u>
<b>Reconciliation of operating income to net cash provided by (used in) operating activities</b>				
Operating income	\$ 202,734	\$ 5,867	\$ 17,208	\$ 225,809
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation and amortization	-	468	1,378	1,846
Change in assets and liabilities:				
Accounts receivable	-	-	220	220
Interest receivable	(33)	-	-	(33)
Accounts payable	(1,261)	243	(1,006)	(2,024)
Accrued liabilities	-	-	(292)	(292)
<b>Net cash provided by operating activities</b>	<u><u>\$ 201,440</u></u>	<u><u>\$ 6,578</u></u>	<u><u>\$ 17,508</u></u>	<u><u>\$ 225,526</u></u>

**ST. JOSEPH COUNTY, MICHIGAN**  
**Combining Statement of Assets and Liabilities**  
**Agency Funds**  
**December 31, 2009**

	<u>Trust and Agency</u>	<u>Library</u>	<u>Inmate Trust Account</u>	<u>Total</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 1,562,967	\$ 107,948	\$ 11,765	\$ 1,682,680
Accounts receivable	233,697	-	-	233,697
Total assets	<u>\$ 1,796,664</u>	<u>\$ 107,948</u>	<u>\$ 11,765</u>	<u>\$ 1,916,377</u>
<b>Liabilities</b>				
Due to individuals/agencies	\$ 1,739,354	\$ 107,948	\$ 11,765	\$ 1,859,067
Due to other governmental units	57,310	-	-	57,310
Total liabilities	<u>\$ 1,796,664</u>	<u>\$ 107,948</u>	<u>\$ 11,765</u>	<u>\$ 1,916,377</u>

**ST. JOSEPH COUNTY, MICHIGAN**  
**Statement of Net Assets and**  
**Governmental Funds Balance Sheet**  
**Drainage Districts Component Unit**  
**December 31, 2009**

	<b>Debt Service Funds</b>		
	<b>Regular Drain</b>	<b>Fish Lake Drain</b>	<b>Lamberson Dam Drain</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 95,213	\$ 17	\$ 169
Special assessments receivable	678,284	-	-
Capital assets being depreciated, net	-	-	-
<b>Total assets</b>	<b>\$ 773,497</b>	<b>\$ 17</b>	<b>\$ 169</b>
<b>Liabilities</b>			
Accounts payable	\$ -	\$ 2,910	\$ -
Interest payable	-	-	-
Deferred revenue	678,284	-	-
Advances from primary government	-	381	-
Long-term debt:			
Due within one year	-	-	-
Due in more than one year	-	-	-
<b>Total liabilities</b>	<b>678,284</b>	<b>3,291</b>	<b>-</b>
<b>Fund balances / net assets</b>			
Fund balances - unreserved (deficit)	95,213	(3,274)	169
<b>Total liabilities and fund balances</b>	<b>\$ 773,497</b>	<b>\$ 17</b>	<b>\$ 169</b>
Net assets:			
Invested in capital assets, net of related debt			
Restricted			
Unrestricted			
<b>Total net assets</b>			

**Capital Projects Funds**

<b>Regular Drain</b>	<b>Long Lake Level Revolving</b>	<b>Klinger Lake Lake Level</b>	<b>Revolving Drain</b>	<b>Revolving Drain Maintenance</b>	<b>Omena Lake Proposed Assessment</b>	<b>Palmer and Long Lake Level</b>
\$ 189,099	\$ -	\$ 22,145	\$ 3,597	\$ 4,616	\$ 16,997	\$ -
90,141	54,383	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 279,240</u>	<u>\$ 54,383</u>	<u>\$ 22,145</u>	<u>\$ 3,597</u>	<u>\$ 4,616</u>	<u>\$ 16,997</u>	<u>\$ -</u>
\$ 21,908	\$ 9,520	\$ -	\$ 4	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
21,908	9,520	-	4	-	-	-
257,332	44,863	22,145	3,593	4,616	16,997	-
<u>\$ 279,240</u>	<u>\$ 54,383</u>	<u>\$ 22,145</u>	<u>\$ 3,597</u>	<u>\$ 4,616</u>	<u>\$ 16,997</u>	<u>\$ -</u>

**ST. JOSEPH COUNTY, MICHIGAN**  
**Statement of Net Assets and**  
**Governmental Funds Balance Sheet (Concluded)**  
**Drainage Districts Component Unit**  
**December 31, 2009**

	<b>Capital Projects Funds</b>			
	<b>Grey Lake Level Study</b>	<b>Pleasant/Clear Lake Proposed Assessment</b>	<b>Minnewauken Lake Study</b>	<b>Eberhard Lake Level</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 1,032	\$ 15,903	\$ -	\$ 773
Special assessments receivable	-	122,960	-	-
Capital assets being depreciated, net	-	-	-	-
<b>Total assets</b>	<b><u>\$ 1,032</u></b>	<b><u>\$ 138,863</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 773</u></b>
<b>Liabilities</b>				
Accounts payable	\$ -	\$ 12,449	\$ -	\$ -
Interest payable	-	-	-	-
Deferred revenue	-	-	-	-
Advances from primary government	-	75,262	-	-
Long-term debt:				
Due within one year	-	-	-	-
Due in more than one year	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>87,711</b>	<b>-</b>	<b>-</b>
<b>Fund balances / net assets</b>				
Fund balances - unreserved (deficit)	<u>1,032</u>	<u>51,152</u>	<u>-</u>	<u>773</u>
<b>Total liabilities and fund balances</b>	<b><u>\$ 1,032</u></b>	<b><u>\$ 138,863</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 773</u></b>
Net assets:				
Invested in capital assets, net of related debt				
Restricted				
Unrestricted				
<b>Total net assets</b>				

<u>Total</u>	<u>GASB 34 Adjustments</u>	<u>Statement of Net Assets</u>
\$ 349,561	\$ -	\$ 349,561
945,768	-	945,768
-	1,958,082	1,958,082
<u>\$ 1,295,329</u>	<u>1,958,082</u>	<u>3,253,411</u>
\$ 46,791	-	46,791
-	15,560	15,560
678,284	(678,284)	-
75,643	-	75,643
-	122,402	122,402
-	703,506	703,506
800,718	163,184	963,902
494,611	(494,611)	-
<u>\$ 1,295,329</u>		
	1,132,174	1,132,174
	92,108	92,108
	1,065,227	1,065,227
	<u>\$ 2,289,509</u>	<u>\$ 2,289,509</u>

**ST. JOSEPH COUNTY, MICHIGAN**  
**Reconciliation of Fund Balances on the Balance Sheet**  
**for Governmental Funds to Net Assets of**  
**Governmental Activities on the Statement of Net Assets**  
**Drainage Districts Component Unit**  
**December 31, 2009**

<b>Fund balances - governmental funds</b>	\$	494,611
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

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

Add - capital assets	\$	2,550,218	
Deduct - accumulated depreciation		<u>(592,136)</u>	1,958,082

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

Add - deferred special assessments		678,284
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Long-term bonded debt is not due and payable in the current period and refundings, and interest payable are not reported in the funds. However, these amounts are included in the Statement of Net Assets. This is the net effect of these balances on the statement.

Deduct - long-term debt payable		(825,908)	
Deduct - interest payable		<u>(15,560)</u>	<u>(841,468)</u>

<b>Net assets of governmental activities</b>	<b>\$</b>	<b><u>2,289,509</u></b>
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**ST. JOSEPH COUNTY, MICHIGAN**  
**Statement of Activities and**  
**Governmental Fund Revenues, Expenditures**  
**and Changes in Fund Balance**  
**Drainage Districts Component Unit**  
**For the Year Ended December 31, 2009**

	<b>Debt Service Funds</b>		
	<b>Regular Drain</b>	<b>Fish Lake Drain</b>	<b>Lamberson Dam Drain</b>
<b>Revenues</b>			
Special assessments	\$ 142,245	\$ -	\$ (302)
Interest revenue	86	-	8
Miscellaneous	-	-	-
Total revenues	<u>142,331</u>	<u>-</u>	<u>(294)</u>
<b>Expenditures / expenses</b>			
Public works	-	3,373	3,960
Debt service:			
Principal	120,899	-	-
Interest and fiscal charges	<u>39,353</u>	<u>19</u>	<u>-</u>
Total expenditures / expenses	<u>160,252</u>	<u>3,392</u>	<u>3,960</u>
Revenues over (under) expenditures/expenses	<u>(17,921)</u>	<u>(3,392)</u>	<u>(4,254)</u>
<b>Other financing sources (uses)</b>			
Transfers in	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(17,921)</u>	<u>(3,392)</u>	<u>(4,254)</u>
Change in net assets	-	-	-
Fund balance/Net assets (deficit), beginning of year	<u>113,134</u>	<u>118</u>	<u>4,423</u>
<b>Net assets (deficit), end of year</b>	<u><u>\$ 95,213</u></u>	<u><u>\$ (3,274)</u></u>	<u><u>\$ 169</u></u>

**Capital Projects Funds**

<b>Regular Drain</b>	<b>Long Lake Level Revolving</b>	<b>Klinger Lake Level</b>	<b>Revolving Drain</b>	<b>Revolving Drain Maintenance</b>	<b>Omena Lake Proposed Assessment</b>	<b>Palmer and Long Lake Level</b>
\$ 103,619	\$ 54,383	\$ -	\$ -	\$ -	\$ 165	\$ (1,138)
111	-	14	24	6	10	44
4,100	-	-	14,614	-	-	-
<u>107,830</u>	<u>54,383</u>	<u>14</u>	<u>14,638</u>	<u>6</u>	<u>175</u>	<u>(1,094)</u>
50,942	14,322	1,931	46,239	-	384	118,542
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>50,942</u>	<u>14,322</u>	<u>1,931</u>	<u>46,239</u>	<u>-</u>	<u>384</u>	<u>118,542</u>
<u>56,888</u>	<u>40,061</u>	<u>(1,917)</u>	<u>(31,601)</u>	<u>6</u>	<u>(209)</u>	<u>(119,636)</u>
-	4,793	-	-	-	-	42
-	-	-	(48)	(4,790)	-	-
-	4,793	-	(48)	(4,790)	-	42
<u>56,888</u>	<u>44,854</u>	<u>(1,917)</u>	<u>(31,649)</u>	<u>(4,784)</u>	<u>(209)</u>	<u>(119,594)</u>
-	-	-	-	-	-	-
<u>200,444</u>	<u>9</u>	<u>24,062</u>	<u>35,242</u>	<u>9,400</u>	<u>17,206</u>	<u>119,594</u>
<u>\$ 257,332</u>	<u>\$ 44,863</u>	<u>\$ 22,145</u>	<u>\$ 3,593</u>	<u>\$ 4,616</u>	<u>\$ 16,997</u>	<u>\$ -</u>

**ST. JOSEPH COUNTY, MICHIGAN**  
**Statement of Activities and**  
**Governmental Fund Revenues, Expenditures**  
**and Changes in Fund Balance (Concluded)**  
**Drainage Districts Component Unit**  
**For the Year Ended December 31, 2009**

	<b>Capital Projects Funds</b>			
	<b>Grey Lake Level Study</b>	<b>Pleasant/Clear Lake Proposed Assessment</b>	<b>Minnewauken Lake Study</b>	<b>Eberhard Lake Level</b>
<b>Revenues</b>				
Special assessments	\$ -	\$ 123,265	\$ -	\$ -
Interest revenue	1	10	-	1
Miscellaneous	-	-	-	-
Total revenues	<u>1</u>	<u>123,275</u>	<u>-</u>	<u>1</u>
<b>Expenditures / expenses</b>				
Public works	291	13,773	-	3,735
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	(1,880)	-	-
Total expenditures / expenses	<u>291</u>	<u>11,893</u>	<u>-</u>	<u>3,735</u>
Revenues over (under) expenditures/expenses	<u>(290)</u>	<u>111,382</u>	<u>-</u>	<u>(3,734)</u>
<b>Other financing sources (uses)</b>				
Transfers in	-	3	-	-
Transfers out	-	-	-	-
Total other financing sources	<u>-</u>	<u>3</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(290)</u>	<u>111,385</u>	<u>-</u>	<u>(3,734)</u>
Change in net assets	-	-	-	-
Fund balance/Net assets (deficit), beginning of year	<u>1,322</u>	<u>(60,233)</u>	<u>-</u>	<u>4,507</u>
<b>Net assets (deficit), end of year</b>	<u><u>\$ 1,032</u></u>	<u><u>\$ 51,152</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 773</u></u>

<u>Total</u>	<u>GASB 34 Adjustments</u>	<u>Statement of Activities</u>
\$ 422,237	\$ (169,158)	\$ 253,079
315	-	315
18,714	-	18,714
<u>441,266</u>	<u>(169,158)</u>	<u>272,108</u>
257,492	63,755	321,247
120,899	(120,899)	-
37,492	(2,519)	34,973
<u>415,883</u>	<u>(59,663)</u>	<u>356,220</u>
<u>25,383</u>	<u>(109,495)</u>	<u>(84,112)</u>
4,838	(4,838)	-
(4,838)	4,838	-
<u>-</u>	<u>-</u>	<u>-</u>
<u>25,383</u>	<u>(25,383)</u>	<u>-</u>
-	(84,112)	(84,112)
<u>469,228</u>	<u>1,904,393</u>	<u>2,373,621</u>
<u>\$ 494,611</u>	<u>\$ 1,794,898</u>	<u>\$ 2,289,509</u>

**ST. JOSEPH COUNTY, MICHIGAN**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Change in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**Drainage Districts Component Unit**  
**For the Year Ended December 31, 2009**

**Net change in fund balance - total governmental funds** \$ 25,383

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

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

Deduct - decrease in deferred special assessments (169,158)

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

Deduct - depreciation expense (63,755)

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

Add - repayment of bond principal 120,899

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

Add - decrease in accrual for interest payable on long-term debt 2,519

**Change in net assets of governmental activities** \$ (84,112)

**ST. JOSEPH COUNTY, MICHIGAN**  
**Statement of Net Assets and**  
**Governmental Funds Balance Sheet**  
**Department of Public Works Component Unit**  
**December 31, 2009**

	<b>Debt</b>				
	<b>White Pigeon Klinger Lake Sewer</b>	<b>Lockport Water Supply</b>	<b>Fish Lake Sewer</b>	<b>White Pigeon Klinger Lake Sewer Ext.</b>	<b>White Pigeon Water Supply</b>
<b>Assets</b>					
Cash and cash equivalents	\$ -	\$ -	\$ 32	\$ 318	\$ -
Lease receivable	-	-	-	-	-
<b>Total assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 32</b>	<b>\$ 318</b>	<b>\$ -</b>
<b>Liabilities</b>					
Interest payable	\$ -	\$ -	\$ -	\$ -	\$ -
Long-term debt:					
Due within one year	-	-	-	-	-
Due in more than one year	-	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balances / net assets</b>					
Fund balance- unreserved, undesignated	-	-	32	318	-
<b>Total liabilities and fund balances</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 32</b>	<b>\$ 318</b>	<b>\$ -</b>
Net assets - unrestricted					

**Service Funds**

<b>Constantine Village Waste Water</b>	<b>Constantine Village Sewer Construction</b>	<b>Constantine Village Sewer</b>	<b>Total</b>	<b>GASB 34 Adjustments</b>	<b>Statement of Net Assets</b>
\$ 138	\$ 42	\$ 25	\$ 555	\$ -	\$ 555
-	-	-	-	2,935,414	2,935,414
<u>\$ 138</u>	<u>\$ 42</u>	<u>\$ 25</u>	<u>\$ 555</u>	<u>\$ 2,935,414</u>	<u>\$ 2,935,969</u>
\$ -	\$ -	\$ -	\$ -	\$ 35,969	\$ 35,969
-	-	-	-	255,000	255,000
-	-	-	-	2,645,000	2,645,000
-	-	-	-	2,935,969	2,935,969
138	42	25	555	(555)	-
<u>\$ 138</u>	<u>\$ 42</u>	<u>\$ 25</u>	<u>\$ 555</u>		
				<u>\$ -</u>	<u>\$ -</u>

**ST. JOSEPH COUNTY, MICHIGAN**  
**Reconciliation of Fund Balances on the Balance Sheet**  
**for Governmental Funds to Net Assets of**  
**Governmental Activities on the Statement of Net Assets**  
**Department of Public Works Component Unit**  
**December 31, 2009**

<b>Fund balances - governmental funds</b>		\$ 555
<p>Amounts reported for governmental activities in the Statement of Net Assets are different because:</p>		
<p style="padding-left: 40px;">Bonds payable of various municipalities are to be repaid by the municipality, and the amount due is not reported as receivable in the funds</p>		
Add - leases receivable		2,935,414
Deduct - bonds and notes payable	\$ (2,900,000)	
Deduct - interest payable	<u>(35,969)</u>	<u>(2,935,969)</u>
<b>Net assets of governmental activities</b>		<u><u>\$ -</u></u>

**ST. JOSEPH COUNTY, MICHIGAN**  
**Statement of Activities and**  
**Governmental Fund Revenues, Expenditures**  
**and Changes in Fund Balance**  
**Department of Public Works Component Unit**  
**For the Year Ended December 31, 2009**

	<b>White Pigeon Klinger Lake Sewer</b>	<b>Lockport Water Supply</b>	<b>Fish Lake Sewer</b>	<b>Debt White Pigeon Klinger Lake Sewer Ext.</b>	<b>Service Funds White Pigeon Water Supply</b>
<b>Revenues</b>					
Intergovernmental - local	\$ 95,025	\$ 31,883	\$ -	\$ -	\$ 21,994
<b>Expenditures / expenses</b>					
Debt service:					
Principal	75,000	20,000	-	-	15,000
Interest and fiscal charges	20,025	11,883	-	-	6,994
Total expenditures/expenses	95,025	31,883	-	-	21,994
Revenues over (under) expenditures/expenses	-	-	-	-	-
Net change in fund balances	-	-	-	-	-
Fund balance/Net assets, beginning of year	-	-	32	318	-
<b>Net assets, end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 32</b>	<b>\$ 318</b>	<b>\$ -</b>

<u>Constantine Village Waste Water</u>	<u>Constantine Village Sewer Construction</u>	<u>Constantine Village Sewer</u>	<u>Total</u>	<u>GASB 34 Adjustments</u>	<u>Statement of Activities</u>
\$ 130,218	\$ -	\$ 110,096	\$ 389,216	\$ (242,438)	\$ 146,778
85,000	-	45,000	240,000	(240,000)	-
45,218	-	65,096	149,216	(2,438)	146,778
130,218	-	110,096	389,216	(242,438)	146,778
-	-	-	-	-	-
-	-	-	-	-	-
138	42	25	555	(555)	-
<u>\$ 138</u>	<u>\$ 42</u>	<u>\$ 25</u>	<u>\$ 555</u>	<u>\$ (555)</u>	<u>\$ -</u>

**ST. JOSEPH COUNTY, MICHIGAN**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Change in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**Department of Public Works Component Unit**  
**For the Year Ended December 31, 2009**

<b>Net change in fund balance - total governmental funds</b>		\$ -
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
Deduct - collections attributable to bond principal and accrued interest		(242,438)
<p>Bond proceeds provide current financial resources to governmental funds of Net Assets. Repayment of bond principal is an expenditure in governmental funds, but the repayment reduces long-term bonded debt in the Statement of Net Assets.</p>		
Add - debt principal payments as expenditures in the funds	\$ 240,000	
Add - decrease in accrual for interest payable on bonds and notes	2,438	242,438
<b>Change in net assets of governmental activities</b>		<b>\$ -</b>

**ST. JOSEPH COUNTY, MICHIGAN**  
**Statement of Net Assets and**  
**Governmental Funds Balance Sheet**  
**Economic Development Corporation Component Unit**  
**December 31, 2009**

	<u>Special Revenue</u>	<u>GASB 34 Adjustments</u>	<u>Statement of Net Assets</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 51,050	\$ -	\$ 51,050
Due from other governments	247	-	247
Capital assets being depreciated, net	-	1,221	1,221
<b>Total assets</b>	<u>\$ 51,297</u>	<u>1,221</u>	<u>52,518</u>
<b>Liabilities</b>			
Accounts payable	\$ 181	-	181
Accrued liabilities	3,161	-	3,161
<b>Total liabilities</b>	<u>3,342</u>	<u>-</u>	<u>3,342</u>
<b>Fund balance / net assets</b>			
Fund balance - unreserved:			
Undesignated	47,955	(47,955)	-
<b>Total liabilities and fund balance</b>	<u>\$ 51,297</u>		
Net assets:			
Unrestricted		49,176	49,176
<b>Total net assets</b>		<u>\$ 49,176</u>	<u>\$ 49,176</u>

**ST. JOSEPH COUNTY, MICHIGAN**  
**Statement of Activities and**  
**Governmental Fund Revenues, Expenditures**  
**and Changes in Fund Balance**  
**Economic Development Corporation Component Unit**  
**For the Year Ended December 31, 2009**

	<u>Special Revenue</u>	<u>GASB 34 Adjustments</u>	<u>Statement of Activities</u>
<b>Revenues</b>			
Intergovernmental:			
Federal/State	\$ 60,920	\$ -	\$ 60,920
Local	79,938	-	79,938
Interest revenue	521	-	521
Miscellaneous	41,100	-	41,100
	<hr/>	<hr/>	<hr/>
Total revenues	182,479	-	182,479
<b>Expenditures / expenses</b>			
Community development	171,844	41	171,885
Capital outlay	1,013	(1,013)	-
	<hr/>	<hr/>	<hr/>
Total expenditures / expenses	172,857	(972)	171,885
Net change in fund balance	9,622	(9,622)	-
Change in net assets	-	10,594	10,594
Net assets, beginning of year	38,333	249	38,582
	<hr/>	<hr/>	<hr/>
<b>Net assets, end of year</b>	<u>\$ 47,955</u>	<u>\$ 1,221</u>	<u>\$ 49,176</u>

**ST. JOSEPH COUNTY, MICHIGAN**  
**Reconciliation of Fund Balances on the Balance Sheet**  
**for Governmental Funds to Net Assets of**  
**Governmental Activities on the Statement of Net Assets**  
**Economic Development Corporation Component Unit**  
**December 31, 2009**

<b>Fund balances - governmental funds</b>	\$	47,955
-------------------------------------------	----	--------

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

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

Add - equipment	\$	8,278	
Deduct - accumulated depreciation		<u>(7,057)</u>	<u>1,221</u>

<b>Net assets of governmental activities</b>	\$	<u><u>49,176</u></u>
----------------------------------------------	----	----------------------

**ST. JOSEPH COUNTY, MICHIGAN**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Change in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**Economic Development Corporation Component Unit**  
**For the Year Ended December 31, 2009**

<b>Net change in fund balance - total governmental funds</b>	\$ 9,622
--------------------------------------------------------------	----------

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

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

Add - capital outlay	1,013
Deduct - depreciation expense	(41)
	10,594

<b>Change in net assets of governmental activities</b>	<b>\$ 10,594</b>
--------------------------------------------------------	------------------

***SINGLE AUDIT ACT COMPLIANCE***

**St. Joseph County, Michigan**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2009**

Federal/Pass-through Grantor Program Title	CFDA Number	Pass-through Grantor Number	Award Amount	Federal Expenditures
<b>U.S. Department of Housing and Urban Development</b>				
Passed-through the Michigan State				
Housing Development Authority				
Community Development Block Grant (CDBG 06/08 (Housing))	14.228	MSC-2008-1067-HOA	343,750	<u>94,030</u>
<b>Total U.S. Department of Housing and Urban Development</b>				<u>94,030</u>
<b>U.S. Department of Justice</b>				
Direct Programs:				
2009 State Criminal Alien Assistance Program	16.606	2009-AP-BX-0620	14,540	14,540
Bullet Proof Vest Partnership Program	16.607		825	<u>825</u>
Total direct programs				15,365
Passed through Michigan Department of Human Services -				
Juvenile Justice and Delinquency Prevention - 2009 Basic Grant	16.540	N/A	23,267	<u>23,267</u>
<b>Total U.S. Department of Justice</b>				<u>38,632</u>
<b>U.S. Department of Transportation</b>				
Passed-through the Michigan Department of State Police				
Office Of Highway Safety Planning				
2009 Safe Communities Grant	20.600	PT-09-12	49,102	39,788
FY08 HMEP	20.703		1,973	1,973
FY09 HMEP	20.703		4,245	<u>4,245</u>
<b>Total U.S. Department of Transportation</b>				<u>46,006</u>
<b>U.S. Environmental Protection Agency</b>				
Direct Program:				
Brownfield Assessment and Clean-up	66.818	BF00E34701	200,000	28,370
Brownfield Assessment and Clean-up	66.818	BF00E96201	200,000	<u>11,986</u>
<b>Total U.S. Environmental Protection Agency</b>				<u>40,356</u>

continued...

**St. Joseph County, Michigan**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2009**

Federal/Pass-through Grantor Program Title	CFDA Number	Pass-through Grantor Number	Award Amount	Federal Expenditures
<b>U.S. Department of Health and Human Services</b>				
Passed through Michigan Department of Office on Services to the Aging and Region 111C:				
Area Agency on Aging				
Title 111D Special Programs for the Aging FY08/09 Disease Prevention	93.043	n/a	1,015	1,015
Title 111B Special Programs for the Aging FY08/09	93.044	n/a	46,445	43,142
Title 111C Special Programs for the Aging:				
FY08/09 Nutrition Congregate	93.045	n/a	67,625	67,625
FY08/09 Nutrition Home Delivered Meals	93.045	n/a	35,905	35,905
National Family Caregiver Support FY08/09	93.052	n/a	26,146	25,733
Nutrition Services Incentive Program:				
08/09 Elderly Feeding (Congregate)	93.053	n/a	28,852	28,852
08/09 Elderly Feeding (Home Delivered Meals)	93.053	n/a	40,494	40,494
08/09 AARA (Congregate)	93.707	n/a	4,153	4,153
08/09 AARA(Home Delivered Meals)	93.705	n/a	2,043	2,043
Child Support Enforcement:				
Title 1V-D				
09/10	93.563	CSCOM-09-75003	541,512	555,358
Incentive Payments				
2009 Regular	93.563	n/a	117,658	<u>117,658</u>
<b>Total U.S. Department of Health and Human Services</b>				<u>921,978</u>

continued...

**St. Joseph County, Michigan**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2009**

Federal/Pass-through Grantor Program Title	CFDA Number	Pass-through Grantor Number	Award Amount	Federal Expenditures
<b>U.S. Department of Homeland Security</b>				
Passed-Through the Michigan Department of Natural Resources - Marine Safety Program Grant	97.012	n/a		<u>27,348</u>
Passed through Michigan State Police - Homeland Security Grant Program FY09 EMPG	97.042	n/a	29,135	<u>29,135</u>
Passed through VanBuren County:				
2006-HSGP-SHSP & LETPF	97.067		2,435	2,435
2007-HSGP-SHSP & LETPF	97.067		75,374	<u>75,374</u>
Total passed through VanBuren County				77,809
<b>Total U.S. Department of Homeland Security</b>				<u>134,292</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>				<u><u>\$ 1,275,294</u></u>

# COUNTY OF ST. JOSEPH, MICHIGAN

## Notes to Schedule of Expenditures of Federal Awards

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### 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of St. Joseph County, Michigan (the "County") and is presented on the accrual basis of accounting.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

June 8, 2010

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of *St. Joseph County, Michigan*, as of and for the year ended December 31, 2009, and have issued our report thereon dated June 8, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

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 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

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

We noted certain matters that we reported to management of St. Joseph County in a separate letter dated June 8, 2010.

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

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

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

June 8, 2010

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

**Compliance**

We have audited the compliance of *St. Joseph County, Michigan* (the “County”) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2009. The County’s major federal programs are identified in the summary of auditors’ results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County’s management. Our responsibility is to express an opinion on the County’s compliance based on our audit.

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

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009.

## **Internal Control Over Compliance**

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

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

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

**COUNTY OF ST. JOSEPH, MICHIGAN**

**Schedule of Findings and Questioned Costs**

**For the Year Ended December 31, 2009**

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

**Financial Statements**

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

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

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

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

**Federal Awards**

Internal Control over major programs:

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

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

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

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

**COUNTY OF ST. JOSEPH, MICHIGAN**

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

**For the Year Ended December 31, 2009**

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

Identification of major programs:

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

**SECTION II – FINANCIAL STATEMENT FINDINGS**

No matters were reported.

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

No matters were reported.

**SECTION IV – PRIOR YEAR FINDINGS**

No matters were reported.

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June 8, 2010

To the Board of Commissioners of  
St. Joseph County

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *St. Joseph County* (the “County”) for the year ended December 31, 2009, and have issued our report thereon dated June 8, 2010. Professional standards require that we provide you with the following information related to our audit.

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

As stated in our engagement letter dated January 14, 2010, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

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

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

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

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter and our meeting about planning matters on April 26, 2010.

### **Significant Audit Findings**

#### *Qualitative Aspects of Accounting Practices*

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

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

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.

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

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

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

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

*Disagreements with Management*

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

*Management Representations*

We have requested certain representations from management that are included in the attached management representation letter dated June 8, 2010.

*Management Consultations with Other Independent Accountants*

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

*Other Audit Findings or Issues*

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

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

Very truly yours,

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

## St. Joseph County

### Attachment A - Consideration of Internal Control Over Financial Reporting

For the Year Ended December 31, 2009

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In planning and performing our audit of the financial statements of the St. Joseph County (the "County") as of and for the year ended December 31, 2009, in accordance with auditing standards generally accepted in the United States of America, we considered the County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies, or material weaknesses and, therefore, there can be no assurance that all such deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

#### **Other Matters**

##### *Capital Asset Threshold*

During the testing of capital assets it was noted that the capitalization threshold for capital assets was \$300, which is substantially lower than most other entities of similar size. Due to the potential for substantial extra work to maintain fixed asset schedules for all assets \$300 and above, we recommend that the County consider raising the capitalization threshold to at least \$1,000, or even \$5,000, which would be more comparable with similar sized entities.

##### *Cash receipting – Register of Deeds*

During the cash receipts walkthrough procedures it was noted that all clerks at the Register of Deed's office receive or collect money at the counter. Daily, one clerk agrees the cash and checks on hand to the summary reports before taking the support to the Treasurer's Office for deposit. We recommend that an overall review of the summary and deposit be completed by someone independent of the cash receipting process. We also recommend that the preparer and the reviewer sign and date the reports.

## St. Joseph County

### Attachment A - Consideration of Internal Control Over Financial Reporting (Concluded)

For the Year Ended December 31, 2009

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#### Bank Reconciliations

Effective internal control procedures should provide a clear evidence trail of who performed what procedure and when. During testing it was noted that documentation noting the preparer and reviewer of the bank reconciliations was not always present. The preparer and reviewer of each monthly bank reconciliation should initial and date the document for a proper documentation of this key internal control process.

#### Employee versus Contractor (Informational point)

We have seen over the past year an increase in federal IRS audits of governmental and non-profit organizations. These audits have concentrated on employee versus independent contractor issues, as well as identification of insufficient documentation on file for vendor payments in order to demonstrate that a payee is a corporation (and therefore a 1099 need not be filed). Because the federal government is looking for new sources of revenue, it is targeting the governmental and non-profit organization sector and, in many cases, has been assessing significant penalties related to this lack of documentation maintained to support contractor versus employee, etc.

Accordingly, we urge the County to continually monitor its “1099 documentation processes” to ensure it is adhering to IRS rules in this area.

\* \* \* \* \*



## COUNTY ADMINISTRATOR

Telephone: (269) 467-5617

Fax: (269) 467-5628

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

June 8, 2010

Rehmann Robson  
675 Robinson Road  
Jackson, MI 49203

We are providing this letter in connection with your audit of the financial statements of *St. Joseph County* as of December 31, 2009 and for the year then ended for the purpose of expressing opinions as to whether the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of St. Joseph County and the respective changes in financial position and, where applicable, cash flows thereof in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control, and preventing and detecting fraud.

We confirm, to the best of our knowledge and belief, as of June 8, 2010, the following representations made to you during your audit.

1. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
2. We have made available to you all—
  - a. Financial records and related data and all audit or relevant monitoring reports, if any, received from funding sources.
  - b. Minutes of the meetings of the Board of Commissioners or summaries of actions of recent meetings for which minutes have not yet been prepared.
3. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
4. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements or the schedule of expenditures of federal awards.
5. We are in agreement with the adjusting journal entries you have proposed, and they have been posted.
6. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.

7. We have no knowledge of any fraud or suspected fraud affecting the entity involving:
  - a. Management,
  - b. Employees who have significant roles in internal control, other than the irregularity in the Register of Deeds Office already communicated to us, or
  - c. Others where the fraud could have a material effect on the financial statements.
8. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, or others.
9. We have taken timely and appropriate steps to remedy fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse that you have reported to us.
10. We have a process to track the status of audit findings and recommendations.
11. We have identified to you any previous financial audits, attestation engagements, performance audits, or other studies related to the objectives of the audit being undertaken and the corrective actions taken to address significant findings and recommendations.
12. We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
13. The County has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
14. The following, if any, have been properly recorded or disclosed in the financial statements:
  - a. Related party transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.

For the purposes of this letter, related parties mean members of the governing body; board members; administrative officials; immediate families of administrative officials, board members, and members of the governing body; and affiliated governmental units that are not included in the financial statements as part of the reporting entity.
  - b. Guarantees, whether written or oral, under which the County is contingently liable.
  - c. All accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates and measurements. We believe the estimates and measurements are reasonable in the circumstances, consistently applied, and adequately disclosed.
15. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial

statement amounts, or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.

16. There are no—
  - a. Violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
  - b. Unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with *Financial Accounting Standards Board (FASB) Statement No. 5, Accounting for Contingencies*.
  - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by FASB Statement No. 5.
  - d. Reservations or designation of fund equity that were not properly authorized and approved.
17. As part of your audit, you prepared the draft financial statements and related notes and schedule of expenditures of federal awards. We have designated a competent management-level individual to oversee your services and have made all management decisions and performed all management functions. We have reviewed, approved, and accepted responsibility for those financial statements and related notes and schedule of expenditures of federal awards.
18. The County has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
19. The County has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
20. The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
21. The financial statements properly classify all funds and activities.
22. All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
23. Net asset components (invested in capital assets, net of related debt; restricted; and unrestricted) and fund balance reserves and designations are properly classified and, if applicable, approved.
24. Provisions for uncollectible receivables have been properly identified and recorded.
25. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.

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

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

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

Judy Westling  
Signature      6-7-10

County Administrator  
Title

Daniel P. Carey  
Signature      6/7/10

Finance Director  
Title