

# St. Joseph County, Michigan



## FINANCIAL STATEMENTS AND SINGLE AUDIT ACT COMPLIANCE

For the Fiscal Year Ended  
December 31, 2010

**ST. JOSEPH COUNTY, MICHIGAN**  
**For the Fiscal Year Ended December 31, 2010**

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## ***FINANCIAL SECTION***

**INDEPENDENT AUDITORS' REPORT**

June 17, 2011

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, 2010, 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, 2010, 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 17, 2011, 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, Michigan's basic financial statements. The combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of St. Joseph County. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

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

## 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, 2010. 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 \$43.0 million (*net assets*). Of this amount, approximately \$25.0 million (*unrestricted net assets*) may be used to meet the government's ongoing obligations.
- The government's total net assets increased by approximately \$2.1 million, or 5.0 percent over the prior year.
- As of the close of the fiscal year, the County's governmental funds reported combined ending fund balances of approximately \$12.2 million, an increase of approximately \$1.0 million or 8.9 percent more than the prior year. Of this total, approximately \$12.2 million or 99.6 percent is available for spending (*unreserved and undesignated fund balance*); however, the major portion of this amount (approximately \$6.5 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 \$5.6 million, an amount equal to 39 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 \$452,438 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, and 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			
	2010	2009	2010	2009	2010	2009
<b>Assets</b>						
Current and other assets	\$15,915,842	\$14,750,956	\$19,377,010	\$18,504,336	\$35,292,852	\$33,255,292
Capital assets	11,368,744	11,184,947	8,327	7,118	11,377,071	11,192,065
Total assets	<u>27,284,586</u>	<u>25,935,903</u>	<u>19,385,337</u>	<u>18,511,454</u>	<u>46,669,923</u>	<u>44,447,357</u>
<b>Liabilities</b>						
Current	3,709,937	3,538,148	3,825	3,294	3,713,762	3,541,442
Non-current	-	-	-	-	-	-
Total liabilities	<u>3,709,937</u>	<u>3,538,148</u>	<u>3,825</u>	<u>3,294</u>	<u>3,713,762</u>	<u>3,541,442</u>
<b>Net Assets</b>						
Invested in capital assets – net of related debt	11,368,744	11,184,947	8,327	7,118	11,377,071	11,192,065
Restricted	6,563,660	6,635,866	-	-	6,563,660	6,635,866
Unrestricted	5,642,245	4,576,942	19,373,185	18,501,042	25,015,430	23,077,984
Total net assets	<u><b>\$23,574,649</b></u>	<u><b>\$22,397,755</b></u>	<u><b>\$19,381,512</b></u>	<u><b>\$18,508,160</b></u>	<u><b>\$42,956,161</b></u>	<u><b>\$40,905,915</b></u>

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 \$43.0 million at the close of the fiscal year. This amount compares favorably with the prior year where net assets totaled \$40.9 million.

The County's net assets include approximately \$11.4 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 (\$25.0 million or 58 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	
	2010	2009	2010	2009	2010	2009
<b>Revenues</b>						
Program revenue:						
Charges for services	\$ 3,738,613	\$ 3,500,607	\$ 1,009,598	\$ 946,691	\$ 4,748,211	\$ 4,447,298
Operating grants and contributions	4,611,497	3,600,522	-	-	4,611,497	3,600,522
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Property taxes	11,677,616	11,540,584	-	-	11,677,616	11,540,584
Investment earnings	74,675	47,758	76,291	124,082	150,966	171,840
Miscellaneous	-	-	-	-	-	-
Transfers	50,312	30,751	(48,486)	(30,751)	1,826	-
Total revenues	<u>20,152,713</u>	<u>18,720,222</u>	<u>1,037,403</u>	<u>1,040,022</u>	<u>21,190,116</u>	<u>19,760,244</u>
<b>Expenses</b>						
General government	7,565,282	7,321,767	-	-	7,565,282	7,321,767
Public safety	6,471,923	6,458,721	-	-	6,471,923	6,458,721
Public works	76,145	180,109	-	-	76,145	180,109
Health and social services	3,593,153	3,504,806	-	-	3,593,153	3,504,806
Parks, recreation and cultural	344,932	303,868	-	-	344,932	303,868
Community development	310,145	193,062	-	-	310,145	193,062
Unallocated depreciation	614,239	604,713	-	-	614,239	604,713
Other	-	-	164,051	123,985	164,051	123,985
Total expenses	<u>18,975,819</u>	<u>18,567,046</u>	<u>164,051</u>	<u>123,985</u>	<u>19,139,870</u>	<u>18,691,031</u>
Increase in net assets	1,176,894	153,176	873,352	916,037	2,050,246	1,069,213
Net assets, beginning of year	<u>22,397,755</u>	<u>22,244,579</u>	<u>18,508,160</u>	<u>17,592,123</u>	<u>40,905,915</u>	<u>39,836,702</u>
Net assets, end of year	<u><b>\$23,574,649</b></u>	<u><b>\$22,397,755</b></u>	<u><b>\$19,381,512</b></u>	<u><b>\$18,508,160</b></u>	<u><b>\$42,956,161</b></u>	<u><b>\$40,905,915</b></u>

The preceding table shows that the net assets of governmental activities increased by approximately \$1.18 million or 5.2 percent during 2010 as compared to a increase of approximately \$.15 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 \$807,000 while net assets of the other nonmajor enterprise funds increased by approximately \$66,000.

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

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

*Governmental funds.* The focus of the County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of approximately \$12.2 million. This represents an increase of approximately \$1.0 million in comparison with the prior year. A \$.5 million decrease in fund balance is explained by a transfer to General Fund from the Revenue Sharing Reserve, which provided an alternative to the elimination of State Revenue Sharing. The County Facilities Maintenance Fund decreased its fund balance by approximately \$332,000. The General Fund increased its fund balance by \$1,065,000, the Central Dispatch by 280,000, the Central Dispatch Wireless by 96,000 and the Commission on Aging Fund by \$262,000.

Approximately \$12.2 million or 99.6 percent of total fund balance constitutes *unreserved and undesignated fund balance*, which is available for spending. However approximately \$6.5 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 \$.05 million), or is *designated* to support capital and other projects (approximately \$.3 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 \$5.6 million, while the unreserved/undesignated fund balance of the General Fund was approximately \$5.6 million, an amount equal to 39 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 \$1,065,000 during the current fiscal year, and compares favorably with the approximately \$668,000 increase in the General Fund balance reported during the prior year.

The Revenue Sharing Reserve Fund has exhausted its fund balance in 2010. The County must now rely on the State as its source of revenue sharing.

### **General Fund Budgetary Highlights**

The original General Fund budget of \$14.6 million increased to \$14.9 million after revisions; however, actual expenditures totaled only \$14.1 million for a net savings of approximately \$800,000 or 5.4 percent under the revised budget. Expenditure savings came from many departments. Juvenile Division of Probate Court, Buildings & Grounds, and Utilities & General Services were under budget.

Actual revenues came in at just over \$15.1 million or within 1.8 percent of the revised budget of \$14.9 million. Charges for services were less than expected and fines and forfeits and other revenue were more than anticipated.

### **Capital Asset and Debt Administration**

Capital Assets - At the end of 2010, the County had invested \$11,377,071, and \$1,896,932 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 \$11,101,439 for the primary government. Depreciation charges for the fiscal year totaled \$616,162 for the primary government and \$63,980 for the component units.

The largest expenditure of approximately \$272,000 at the jail was financed almost entirely by an Energy Conservation Grant and included washers and dryers, solar roof panels, and solar H2O. Approximately \$239,000 was expended on the organization-wide phone system upgrade.

	<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>	\$ 542,921				\$ 542,921
<b>Land Improvements, Net</b>	956,400	-	-	-	<b>956,400</b>
<b>Buildings, net</b>	7,462,116	-	-	-	<b>7,462,116</b>
<b>Vehicles and Equipment, net</b>	2,407,307	8,327	-	2,605	<b>2,418,239</b>
<b>Drains, net</b>	-	-	1,894,327	-	<b>1,894,327</b>
<b>Capital assets, net</b>	<b>\$ 11,368,744</b>	<b>\$ 8,327</b>	<b>\$ 1,894,327</b>	<b>\$ 2,605</b>	<b>\$ 13,274,003</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, 2010:**

<b>Primary Government</b>	<b><u>Jan. 1, 2010</u></b>	<b><u>Additions</u></b>	<b><u>Deletions</u></b>	<b><u>Dec. 31, 2010</u></b>
Governmental Activities				
Loans Payable	\$ -	\$ -	\$ -	\$ -
<b>Component Units</b>				
Board of Public Works				
Water and Sewer Bonds	2,900,000	-	330,000	2,570,000
Drainage Districts				
Drain Bonds and Notes	<u>825,908</u>	-	<u>122,438</u>	<u>703,470</u>
<b>Total Component Units</b>	<u>3,725,908</u>	<u>-</u>	<u>452,438</u>	<u>3,273,470</u>
<b>Total Reporting Entity</b>	<b><u>\$ 3,725,908</u></b>	<b>\$ -</b>	<b><u>\$ 452,438</u></b>	<b><u>\$ 3,273,470</u></b>
<b>Debt Limit (10% of SEV)</b>				<b><u>\$ 242,045,014</u></b>
<b>Available Statutory Debt Limit</b>				<b><u>\$ 238,771,544</u></b>

There were no additions to Outstanding Debt in 2010.

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, 2009 was approximately \$2.420 billion; therefore the County's debt limitation was approximately \$242 million. The County remains well below its legal debt limit by over \$238 million.

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

- Revenue Sharing payments are facing significant cutbacks due to State budget concerns.
- This continued uncertainty over the State's budget situation may lead to decreases in other areas of State funding.
- Taxable property values for the County have remained flat for the last 3 years and the County can no longer count on increases in property tax revenue to cover higher personnel costs such as health insurance.

These factors were considered in adopting the Budget for 2011. 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, 2010**

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Totals	
<b>Assets</b>				
Cash and cash equivalents	\$ 10,098,897	\$ 8,833,249	\$ 18,932,146	\$ 3,148,770
Investments	2,023,793	7,645,086	9,668,879	631,983
Receivables, net	3,414,297	2,898,675	6,312,972	5,974,647
Other assets	378,855	-	378,855	1,370,635
Capital assets not being depreciated	542,921	-	542,921	8,921,213
Capital assets being depreciated, net	10,825,823	8,327	10,834,150	27,098,098
<b>Total assets</b>	<b>27,284,586</b>	<b>19,385,337</b>	<b>46,669,923</b>	<b>47,145,346</b>
<b>Liabilities</b>				
Accounts payable and accrued expenses	1,606,511	3,825	1,610,336	1,776,532
Interest payable	-	-	-	46,844
Unearned revenue	2,103,426	-	2,103,426	1,303,180
Long-term liabilities:				
Due within one year	-	-	-	610,503
Due in more than one year	-	-	-	5,251,965
Other noncurrent liability - net other postemployment benefit liability	-	-	-	576,558
<b>Total liabilities</b>	<b>3,709,937</b>	<b>3,825</b>	<b>3,713,762</b>	<b>9,565,582</b>
<b>Net assets</b>				
Invested in capital assets, net of related debt	11,368,744	8,327	11,377,071	33,221,115
Restricted for:				
Debt service	-	-	-	103,170
Capital projects	283,746	-	283,746	-
Other purposes	6,265,587	-	6,265,587	450,000
Permanent trust	14,327	-	14,327	-
Unrestricted	5,642,245	19,373,185	25,015,430	3,805,479
<b>Total net assets</b>	<b>\$ 23,574,649</b>	<b>\$ 19,381,512</b>	<b>\$ 42,956,161</b>	<b>\$ 37,579,764</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, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary government</b>					
Governmental activities:					
General government	\$ 7,565,282	\$ 1,971,637	\$ 3,060,426	\$ -	\$ (2,533,219)
Public safety	6,471,923	784,354	679,485	-	(5,008,084)
Public works	76,145	244,324	-	-	168,179
Health and social services	3,593,153	344,701	574,199	-	(2,674,253)
Parks, recreation, and cultural	344,932	84,933	81,919	-	(178,080)
Community development	310,145	308,664	215,468	-	213,987
Unallocated depreciation	614,239	-	-	-	(614,239)
Total governmental activities	18,975,819	3,738,613	4,611,497	-	(10,625,709)
Business-type activities:					
Tax Payment Fund	-	359,555	-	-	359,555
Other	164,051	650,043	-	-	485,992
Total business-type activities	164,051	1,009,598	-	-	845,547
<b>Total primary government</b>	\$ 19,139,870	\$ 4,748,211	\$ 4,611,497	\$ -	\$ (9,780,162)
<b>Component units</b>					
Board of Public Works	\$ 127,115	\$ -	\$ 127,115	\$ -	\$ -
Drainage Districts	300,865	35,669	-	138,385	(126,811)
Economic Development Corporation	233,293	38,858	189,683	-	(4,752)
Road Commission	6,720,612	361,537	5,732,598	-	(626,477)
Community Mental Health Authority	13,042,434	11,016,020	2,128,737	-	102,323
<b>Total component units</b>	\$ 20,424,319	\$ 11,452,084	\$ 8,178,133	\$ 138,385	\$ (655,717)

Continued...

**ST. JOSEPH COUNTY, MICHIGAN**  
**Statement of Activities (Concluded)**  
**For the Year Ended December 31, 2010**

	<b>Primary Government</b>			<b>Component Units</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Totals</b>	
<b>Change in net assets</b>				
Net (expense) revenue	\$ (10,625,709)	\$ 845,547	\$ (9,780,162)	\$ (655,717)
General revenues:				
Property taxes	11,677,616	-	11,677,616	1,223,682
Unrestricted investment earnings	74,675	76,291	150,966	11,243
Transfers - internal activities	50,312	(48,486)	1,826	-
Total general revenues and transfers	11,802,603	27,805	11,830,408	1,234,925
Change in net assets	1,176,894	873,352	2,050,246	579,208
Net assets, beginning of year	22,397,755	18,508,160	40,905,915	37,000,556
<b>Net assets, end of year</b>	<b>\$ 23,574,649</b>	<b>\$ 19,381,512</b>	<b>\$ 42,956,161</b>	<b>\$ 37,579,764</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, 2010**

	<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	\$ 3,061,096	\$ 1,245,132	\$ 1,779,050	\$ 1,856,700	\$ 1,700,329	\$ 9,642,307
Investments	2,023,793	-	-	-	-	2,023,793
Receivables:						
Property taxes	835,717	1,401,060	-	-	-	2,236,777
Accounts, net	124,602	-	19,760	-	142,019	286,381
Interest receivable	8,976	-	-	-	-	8,976
Due from other governments-						
Federal/State	708,404	2,000	50,116	-	110,207	870,727
Due from other funds	89,568	-	-	-	-	89,568
Inventory	33,064	-	2,056	-	-	35,120
Prepays	-	-	12,606	-	4,137	16,743
Other assets	56,261	10,652	18,160	-	6,891	91,964
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 6,941,481</u></b>	<b><u>\$ 2,658,844</u></b>	<b><u>\$ 1,881,748</u></b>	<b><u>\$ 1,856,700</u></b>	<b><u>\$ 1,963,583</u></b>	<b><u>\$ 15,302,356</u></b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>						
<b>Liabilities</b>						
Accounts payable	\$ 292,753	\$ 8,479	\$ 117,920	\$ -	\$ 22,125	\$ 441,277
Accrued liabilities	304,188	36,216	49,532	-	39,422	429,358
Due to other governmental units-						
Federal/State	-	-	32,893	-	-	32,893
Due to other funds	-	-	-	-	89,568	89,568
Deferred revenue	702,366	1,401,060	-	-	-	2,103,426
<b>Total liabilities</b>	<b><u>1,299,307</u></b>	<b><u>1,445,755</u></b>	<b><u>200,345</u></b>	<b><u>-</u></b>	<b><u>151,115</u></b>	<b><u>3,096,522</u></b>
<b>Fund balances</b>						
Reserved for:						
Inventory	33,064	-	2,056	-	-	35,120
Prepays	-	-	12,606	-	4,137	16,743
Unreserved:						
Undesignated	5,609,110	1,213,089	1,666,741	1,856,700	-	10,345,640
Undesignated, reported in nonmajor:						
Special revenue funds	-	-	-	-	1,510,258	1,510,258
Capital project funds	-	-	-	-	283,746	283,746
Permanent fund	-	-	-	-	14,327	14,327
<b>Total fund balances</b>	<b><u>5,642,174</u></b>	<b><u>1,213,089</u></b>	<b><u>1,681,403</u></b>	<b><u>1,856,700</u></b>	<b><u>1,812,468</u></b>	<b><u>12,205,834</u></b>
<b><u>TOTAL LIABILITIES AND FUND BALANCES</u></b>	<b><u>\$ 6,941,481</u></b>	<b><u>\$ 2,658,844</u></b>	<b><u>\$ 1,881,748</u></b>	<b><u>\$ 1,856,700</u></b>	<b><u>\$ 1,963,583</u></b>	<b><u>\$ 15,302,356</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, 2010**

<b>Fund balances - governmental funds</b>		\$ 12,205,834
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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	\$ 22,451,960		
Deduct - accumulated depreciation	<u>(11,083,216)</u>		11,368,744

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>71</u>
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<b>Net assets of governmental activities</b>		<u><u>\$ 23,574,649</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, 2010**

	<u>Special Revenue Funds</u>				Nonmajor Governmental Funds	Total Governmental Funds
	General	Central Dispatch	Commission on Aging	Budget Stabilization		
<b>Revenues</b>						
Property taxes	\$ 8,790,905	\$ 1,445,442	\$ 1,441,317	\$ -	\$ -	\$ 11,677,664
Licenses and permits	114,447	-	-	-	7,184	121,631
Intergovernmental-						
Federal/State	3,366,602	-	409,070	-	1,143,367	4,919,039
Charges for services	1,725,324	-	94,253	-	535,252	2,354,829
Fines and forfeitures	199,623	-	-	-	279,159	478,782
Interest and rents	70,213	12,847	-	-	6,605	89,665
Miscellaneous	196,792	834	236,278	-	26,887	460,791
	<u>14,463,906</u>	<u>1,459,123</u>	<u>2,180,918</u>	<u>-</u>	<u>1,998,454</u>	<u>20,102,401</u>
<b>Expenditures</b>						
Current:						
General government	7,834,147	-	-	-	186,616	8,020,763
Public safety	4,404,257	1,158,316	-	-	909,350	6,471,923
Public works	62,063	-	-	-	14,082	76,145
Health and social services	1,221,217	-	1,919,324	-	452,612	3,593,153
Community development	-	-	-	-	298,656	298,656
Parks, recreation and culture	11,489	-	-	-	344,932	356,421
Capital outlay	-	-	-	-	342,166	342,166
	<u>13,533,173</u>	<u>1,158,316</u>	<u>1,919,324</u>	<u>-</u>	<u>2,548,414</u>	<u>19,159,227</u>
Revenues over (under) expenditures	<u>930,733</u>	<u>300,807</u>	<u>261,594</u>	<u>-</u>	<u>(549,960)</u>	<u>943,174</u>
<b>Other financing sources (uses)</b>						
Transfers in	684,589	-	-	-	825,306	1,509,895
Transfers out	(549,630)	(21,000)	-	-	(888,953)	(1,459,583)
	<u>134,959</u>	<u>(21,000)</u>	<u>-</u>	<u>-</u>	<u>(63,647)</u>	<u>50,312</u>
Net change in fund balances	1,065,692	279,807	261,594	-	(613,607)	993,486
Fund balances, beginning of year	4,576,482	933,282	1,419,809	1,856,700	2,426,075	11,212,348
<b>Fund balances, end of year</b>	<u>\$ 5,642,174</u>	<u>\$ 1,213,089</u>	<u>\$ 1,681,403</u>	<u>\$ 1,856,700</u>	<u>\$ 1,812,468</u>	<u>\$ 12,205,834</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, 2010**

**Net change in fund balance - total governmental funds** \$ 993,486

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	\$	885,589	
Deduct - depreciation expense		(614,239)	
Deduct - loss on disposal of capital assets		<u>(87,553)</u>	183,797

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>(389)</u>
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<b>Change in net assets of governmental activities</b>			<u><u>\$ 1,176,894</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, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget + (-)</u>
<b>Revenues</b>				
Taxes	\$ 8,711,218	\$ 8,711,218	\$ 8,790,905	\$ 79,687
Licenses and permits	118,000	118,000	114,447	(3,553)
Intergovernmental-				
Federal/State	2,948,860	3,230,433	3,366,602	136,169
Charges for services	1,827,480	1,827,480	1,725,324	(102,156)
Fines and forfeitures	150,000	155,500	199,623	44,123
Interest and rents	65,300	65,300	70,213	4,913
Miscellaneous	55,606	55,606	196,792	141,186
	<u>13,876,464</u>	<u>14,163,537</u>	<u>14,463,906</u>	<u>300,369</u>
<b>Expenditures</b>				
Current:				
General government administration	8,741,711	8,545,324	7,834,147	711,177
Public safety	4,123,349	4,449,409	4,404,257	45,152
Public works	63,358	63,358	62,063	1,295
Health and social services	1,175,040	1,263,040	1,221,217	41,823
Community development	12,971	12,971	11,489	1,482
	<u>14,116,429</u>	<u>14,334,102</u>	<u>13,533,173</u>	<u>800,929</u>
Revenues over (under) expenditures	<u>(239,965)</u>	<u>(170,565)</u>	<u>930,733</u>	<u>1,101,298</u>
<b>Other financing sources (uses)</b>				
Transfers in	719,595	720,195	684,589	(35,606)
Transfers out	(479,630)	(549,630)	(549,630)	-
	<u>239,965</u>	<u>170,565</u>	<u>134,959</u>	<u>(35,606)</u>
Net changes in fund balance	-	-	1,065,692	1,065,692
Fund balance, beginning of year	<u>4,576,482</u>	<u>4,576,482</u>	<u>4,576,482</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u><u>\$ 4,576,482</u></u>	<u><u>\$ 4,576,482</u></u>	<u><u>\$ 5,642,174</u></u>	<u><u>\$ 1,065,692</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, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget + (-)</u>
<b>Revenues</b>				
Taxes	\$ 1,420,923	\$ 1,420,923	\$ 1,445,442	\$ 24,519
Interest and rents	5,000	5,000	12,847	7,847
Miscellaneous	3,000	3,000	834	(2,166)
	<u>1,428,923</u>	<u>1,428,923</u>	<u>1,459,123</u>	<u>30,200</u>
<b>Expenditures</b>				
Current:				
Public safety	<u>1,407,923</u>	<u>1,407,923</u>	<u>1,158,316</u>	<u>249,607</u>
Revenues over expenditures	21,000	21,000	300,807	279,807
<b>Other financing uses</b>				
Transfers out	<u>(21,000)</u>	<u>(21,000)</u>	<u>(21,000)</u>	<u>-</u>
Net change in fund balance	-	-	279,807	279,807
Fund balance, beginning of year	<u>933,282</u>	<u>933,282</u>	<u>933,282</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u><u>\$ 933,282</u></u>	<u><u>\$ 933,282</u></u>	<u><u>\$ 1,213,089</u></u>	<u><u>\$ 279,807</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, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget + (-)</u>
<b>Revenues</b>				
Taxes	\$ 1,480,057	\$ 1,471,679	\$ 1,441,317	\$ (30,362)
Intergovernmental-				
Federal/State	372,983	416,161	409,070	(7,091)
Charges for services	43,525	51,755	94,253	42,498
Miscellaneous	<u>223,940</u>	<u>223,940</u>	<u>236,278</u>	<u>12,338</u>
Total revenues	<u>2,120,505</u>	<u>2,163,535</u>	<u>2,180,918</u>	<u>17,383</u>
<b>Expenditures</b>				
Current-				
Health and social services	<u>2,120,505</u>	<u>2,163,535</u>	<u>1,919,324</u>	<u>244,211</u>
Net change in fund balance	-	-	261,594	261,594
Fund balance, beginning of year	<u>1,419,809</u>	<u>1,419,809</u>	<u>1,419,809</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u><u>\$ 1,419,809</u></u>	<u><u>\$ 1,419,809</u></u>	<u><u>\$ 1,681,403</u></u>	<u><u>\$ 261,594</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, 2010**

	<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	\$ 8,298,677	\$ 534,572	\$ 8,833,249	\$ 456,590
Investments	7,645,086	-	7,645,086	-
Receivables:				
Property taxes	2,831,923	-	2,831,923	-
Accounts, net	27,841	23,613	51,454	11,436
Interest receivable	15,298	-	15,298	-
Prepays	-	-	-	235,028
Total current assets	<u>18,818,825</u>	<u>558,185</u>	<u>19,377,010</u>	<u>703,054</u>
Noncurrent assets-				
Equipment	-	8,327	8,327	-
<b>Total assets</b>	<u>18,818,825</u>	<u>566,512</u>	<u>19,385,337</u>	<u>703,054</u>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	315	1,733	2,048	-
Accrued liabilities	-	1,777	1,777	-
Current portion of-				
Accrued compensated absences	-	-	-	702,983
<b>Total liabilities</b>	<u>315</u>	<u>3,510</u>	<u>3,825</u>	<u>702,983</u>
<b>Net assets</b>				
Invested in capital assets	-	8,327	8,327	-
Unrestricted	<u>18,818,510</u>	<u>554,675</u>	<u>19,373,185</u>	<u>71</u>
<b>Total net assets</b>	<u>\$ 18,818,510</u>	<u>\$ 563,002</u>	<u>\$ 19,381,512</u>	<u>\$ 71</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, 2010**

	<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	\$ -	\$ 226,223	\$ 226,223	\$ 2,534,716
Interest on taxes	730,552	-	730,552	-
Other revenues	-	52,823	52,823	-
	<u>730,552</u>	<u>279,046</u>	<u>1,009,598</u>	<u>2,534,716</u>
<b>Operating expenses</b>				
Personal services and benefits	-	162,128	162,128	2,535,105
Depreciation	-	1,923	1,923	-
	<u>-</u>	<u>164,051</u>	<u>164,051</u>	<u>2,535,105</u>
Total operating revenues	730,552	114,995	845,547	(389)
Operating income (loss)	730,552	114,995	845,547	(389)
<b>Nonoperating revenues</b>				
Interest income	76,665	(374)	76,291	-
	<u>76,665</u>	<u>(374)</u>	<u>76,291</u>	<u>-</u>
Income (loss) before transfers	807,217	114,621	921,838	(389)
	<u>807,217</u>	<u>114,621</u>	<u>921,838</u>	<u>(389)</u>
<b>Transfers out</b>	-	(48,486)	(48,486)	-
	<u>-</u>	<u>(48,486)</u>	<u>(48,486)</u>	<u>-</u>
Change in net assets	807,217	66,135	873,352	(389)
	<u>807,217</u>	<u>66,135</u>	<u>873,352</u>	<u>(389)</u>
Net assets, beginning of year	18,011,293	496,867	18,508,160	460
	<u>18,011,293</u>	<u>496,867</u>	<u>18,508,160</u>	<u>460</u>
<b>Net assets, end of year</b>	<u>\$ 18,818,510</u>	<u>\$ 563,002</u>	<u>\$ 19,381,512</u>	<u>\$ 71</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, 2010**

	<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	\$ 485,250	\$ 230,572	\$ 715,822	\$ 2,523,386
Cash received from others	-	52,718	52,718	-
Cash paid to/for employees	-	(49,498)	(49,498)	(2,506,735)
Cash paid to suppliers	-	(112,099)	(112,099)	-
	<u>485,250</u>	<u>121,693</u>	<u>606,943</u>	<u>16,651</u>
Net cash provided by operating activities				
	485,250	121,693	606,943	16,651
<b>Cash flows from non-capital financing activities</b>				
Transfers out	-	(48,486)	(48,486)	-
	<u>-</u>	<u>(48,486)</u>	<u>(48,486)</u>	<u>-</u>
<b>Cash flows from capital and related financing activities</b>				
Capital acquisitions		(3,132)	(3,132)	-
		<u>(3,132)</u>	<u>(3,132)</u>	<u>-</u>
<b>Cash flows from investing activities</b>				
Purchase of investments	(1,601,915)	-	(1,601,915)	-
Interest received	76,665	(374)	76,291	-
	<u>(1,525,250)</u>	<u>(374)</u>	<u>(1,525,624)</u>	<u>-</u>
Net cash used by investing activities				
	(1,525,250)	(374)	(1,525,624)	-
Net increase (decrease) in cash and cash equivalents	(1,040,000)	69,701	(970,299)	16,651
Cash and cash equivalents, beginning of year	9,338,677	464,871	9,803,548	439,939
	<u>9,338,677</u>	<u>464,871</u>	<u>9,803,548</u>	<u>439,939</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 8,298,677</u>	<u>\$ 534,572</u>	<u>\$ 8,833,249</u>	<u>\$ 456,590</u>

Continued...

**ST. JOSEPH COUNTY, MICHIGAN**  
**Statement of Cash Flows (Concluded)**  
**Proprietary Funds**  
**For the Year Ended December 31, 2010**

	<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 (loss)	\$ 730,552	\$ 114,995	\$ 845,547	\$ (389)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation and amortization	-	1,923	1,923	-
Change in assets and liabilities:				
Taxes receivable	(252,971)	-	(252,971)	-
Accounts receivable	(1,283)	3,870	2,587	(596)
Interest receivable	8,952	374	9,326	-
Prepays	-	-	-	(10,734)
Accounts payable	-	280	280	-
Accrued liabilities	-	251	251	-
Accrued compensated absences	-	-	-	28,370
<b>Net cash provided by operating activities</b>	<u>\$ 485,250</u>	<u>\$ 121,693</u>	<u>\$ 606,943</u>	<u>\$ 16,651</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, 2010**

**Assets**

Cash and cash equivalents	\$ 1,773,573
Accounts receivable	<u>236,162</u>

<b>Total assets</b>	<b><u><u>\$ 2,009,735</u></u></b>
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**Liabilities**

Due to individuals/agencies	\$ 1,940,376
Due to other governmental units	<u>69,359</u>

<b>Total liabilities</b>	<b><u><u>\$ 2,009,735</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, 2010**

	<u>Department of Public Works</u>	<u>Drainage Districts</u>	<u>Economic Development Corporation</u>	<u>Road Commission</u>	<u>Community Mental Health Authority</u>	<u>Total</u>
<b>Assets</b>						
Cash and cash equivalents	\$ 555	\$ 423,918	\$ 24,268	\$ 899,154	\$ 1,800,875	\$ 3,148,770
Investments	-	-	-	-	631,983	631,983
Receivables:						
Special assessments	-	636,361	-	-	-	636,361
Accounts, net	-	-	47,934	2,040,784	646,789	2,735,507
Leases receivable	2,602,779	-	-	-	-	2,602,779
Inventories	-	-	-	1,263,179	-	1,263,179
Prepays	-	-	-	-	107,456	107,456
Capital assets not being depreciated	-	-	-	8,587,469	333,744	8,921,213
Capital assets being depreciated, net	-	1,894,327	2,605	22,468,023	2,733,143	27,098,098
<b>Total assets</b>	<u>2,603,334</u>	<u>2,954,606</u>	<u>74,807</u>	<u>35,258,609</u>	<u>6,253,990</u>	<u>47,145,346</u>
<b>Liabilities</b>						
Accounts payable	-	-	26,239	123,850	966,247	1,116,336
Accrued liabilities	-	-	3,556	47,636	352,532	403,724
Interest payable	33,334	13,510	-	-	-	46,844
Due to other governments	-	-	-	-	182,516	182,516
Unearned revenue	-	-	-	1,215,339	87,841	1,303,180
Advances from primary government	-	73,956	-	-	-	73,956
Long-term debt:						
Due within one year	195,000	123,959	-	45,380	246,164	610,503
Due in more than one year	2,375,000	579,511	-	131,494	2,165,960	5,251,965
Other noncurrent liability - net other postemployment benefit liability	-	-	-	576,558	-	576,558
<b>Total liabilities</b>	<u>2,603,334</u>	<u>790,936</u>	<u>29,795</u>	<u>2,140,257</u>	<u>4,001,260</u>	<u>9,565,582</u>
<b>Net assets</b>						
Invested in capital assets, net of related debt	-	1,190,857	2,605	31,024,057	1,003,596	33,221,115
Restricted for debt service	-	103,170	-	-	-	103,170
Restricted for future contributions	-	-	-	-	450,000	450,000
Unrestricted	-	869,643	42,407	2,094,295	799,134	3,805,479
<b>Total net assets</b>	<u>\$ -</u>	<u>\$ 2,163,670</u>	<u>\$ 45,012</u>	<u>\$ 33,118,352</u>	<u>\$ 2,252,730</u>	<u>\$ 37,579,764</u>

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, 2010**

	<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	\$ 127,115	\$ 300,865	\$ 233,293	\$ -	\$ -	\$ 661,273
Highways and streets	-	-	-	6,720,612	-	6,720,612
Community Mental Health	-	-	-	-	13,042,434	13,042,434
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	127,115	300,865	233,293	6,720,612	13,042,434	20,424,319
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Program revenues</b>						
Charges for services	-	-	-	361,537	11,002,108	11,363,645
Operating grants and contributions	127,115	35,669	228,541	5,732,598	2,128,737	8,252,660
Capital grants and contributions	-	138,385	-	-	-	138,385
Other revenue	-	-	-	-	13,912	13,912
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total program revenues	127,115	174,054	228,541	6,094,135	13,144,757	19,768,602
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net program revenue (expense)	-	(126,811)	(4,752)	(626,477)	102,323	(655,717)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>General revenues</b>						
Property taxes	-	-	-	1,223,682	-	1,223,682
Unrestricted investment earnings	-	971	588	6,149	3,535	11,243
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total general revenues	-	971	588	1,229,831	3,535	1,234,925
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Change in net assets	-	(125,840)	(4,164)	603,354	105,858	579,208
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net assets, beginning of year	-	2,289,510	49,176	32,514,998	2,146,872	37,000,556
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net assets, end of year</b>	<b>\$ -</b>	<b>\$ 2,163,670</b>	<b>\$ 45,012</b>	<b>\$ 33,118,352</b>	<b>\$ 2,252,730</b>	<b>\$ 37,579,764</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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. The Authority has a September 30th fiscal year end.

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.

# ST. JOSEPH COUNTY, MICHIGAN

## Notes to Financial Statements

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

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

### 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.

# ST. JOSEPH COUNTY, MICHIGAN

## Notes to Financial Statements

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

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

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.

# ST. JOSEPH COUNTY, MICHIGAN

## Notes to Financial Statements

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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.

#### 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 \$1,000 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 remonumentation grant and the register of deeds special revenue funds reported deficit fund balances of \$19,674 and \$6,486, respectively, as of December 31, 2010.

### 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	\$	9,527
Carrying amount of deposits		25,585,029
Carrying amount of investments		<u>8,560,795</u>
		<b><u>\$ 34,155,351</u></b>

	<b><u>Primary Government</u></b>	<b><u>Component Units</u></b>	<b><u>Fiduciary Funds</u></b>	<b><u>Total</u></b>
Cash and cash equivalents	\$ 18,932,146	\$ 3,148,770	\$ 1,773,573	\$ 23,854,489
Investments	<u>9,668,879</u>	<u>631,983</u>	<u>-</u>	<u>10,300,862</u>
Total	<b><u>\$ 28,601,025</u></b>	<b><u>\$ 3,780,753</u></b>	<b><u>\$ 1,773,573</u></b>	<b><u>\$ 34,155,351</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.	03/02/11	\$ 2,023,676	S & P AM
Commercial Paper	05/02/11	1,464,931	A1 + P1
Western Asset Govt MM	N/A	273	not rated
MBIA short term funds	N/A	<u>5,071,915</u>	not rated
		<u>\$ 8,560,795</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, \$21,913,745 of the County's bank balance of \$25,865,749 (total book balance was \$25,585,029) 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, 2010 are summarized as follows:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Component Units</b>
Property taxes	\$ 2,236,777	\$ 2,831,923	\$ -
Accounts receivable	297,817	51,454	2,735,507
Interest receivable	8,976	15,298	-
Special assessments	-	-	636,361
Lease receivable	-	-	2,602,779
Due from other governments	870,727	-	-
	<b>\$ 3,414,297</b>	<b>\$ 2,898,675</b>	<b>\$ 5,974,647</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, 2010. 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, 2010 is as follows:

	<b>Receivable</b>	<b>Payable</b>
<b>Due from (to) other funds</b>		
General fund	\$ 89,568	\$ -
Nonmajor governmental funds	-	89,568
	<b>\$ 89,568</b>	<b>\$ 89,568</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, 2010, interfund transfers consisted of the following:

	<b>Transfers In</b>	<b>Transfers Out</b>
General fund	\$ 684,589	\$ 549,630
Central dispatch fund	-	21,000
Nonmajor governmental funds	825,306	888,953
Nonmajor enterprise funds	-	48,486
Adjustment for different fiscal year	-	1,826
	<b>\$ 1,509,895</b>	<b>\$ 1,509,895</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, 2010 was as follows:

	<b>Balance December 31, 2009</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31, 2010</b>
<b><u>Governmental Activities</u></b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 441,196	\$ 101,725	\$ -	\$ 542,921
<b>Capital assets being depreciated:</b>				
Land improvements	1,805,020	-	-	1,805,020
Buildings and improvements	15,008,145	235,030	-	15,243,175
Vehicles and equipment	4,947,161	548,834	635,151	4,860,844
<b>Subtotal</b>	<b>21,760,326</b>	<b>783,864</b>	<b>635,151</b>	<b>21,909,039</b>
<b>Accumulated depreciation:</b>				
Land improvements	784,997	63,623	-	848,620
Buildings and improvements	7,531,323	249,736	-	7,781,059
Vehicles and equipment	2,700,255	300,880	547,598	2,453,537
<b>Total accumulated depreciation</b>	<b>11,016,575</b>	<b>614,239</b>	<b>547,598</b>	<b>11,083,216</b>
<b>Total capital assets being depreciated - net</b>	<b>10,743,751</b>	<b>169,625</b>	<b>87,553</b>	<b>10,825,823</b>
<b>Governmental activities capital assets - net</b>	<b>\$ 11,184,947</b>	<b>\$ 271,350</b>	<b>\$ 87,553</b>	<b>\$ 11,368,744</b>

Depreciation expense in governmental activities is not allocated by function.

# ST. JOSEPH COUNTY, MICHIGAN

## Notes to Financial Statements

	<b>Balance December 31, 2009</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31, 2010</b>
<b><u>Business-type Activities</u></b>				
<b>Capital assets being depreciated:</b>				
Vehicles and equipment	\$ 23,418	\$ 3,132	\$ -	\$ 26,550
<b>Accumulated depreciation:</b>				
Vehicles and equipment	16,300	1,923	-	18,223
<b>Total capital assets being depreciated - net</b>	<b>\$ 7,118</b>	<b>\$ 1,209</b>	<b>\$ -</b>	<b>\$ 8,327</b>

### **Discretely Presented Component Units**

	<b>Balance December 31, 2009</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31, 2010</b>
<b>Drainage Districts</b>				
<b>Capital assets being depreciated:</b>				
Drain infrastructure	\$ 2,550,218	\$ -	\$ -	\$ 2,550,218
<b>Accumulated depreciation:</b>				
Drain infrastructure	592,136	63,755	-	655,891
<b>Total capital assets being depreciated - net</b>	<b>\$ 1,958,082</b>	<b>\$ (63,755)</b>	<b>\$ -</b>	<b>\$ 1,894,327</b>

Depreciation expenses was charged to the Public Works function in 2010.

	<b>Balance December 31, 2009</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31, 2010</b>
<b><u>Economic Development</u></b>				
<b>Capital assets being depreciated:</b>				
Equipment	\$ 8,278	\$ 1,609	\$ -	\$ 9,887
<b>Accumulated depreciation:</b>				
Equipment	7,057	225	-	7,282
<b>Total capital assets being depreciated - net</b>	<b>\$ 1,221</b>	<b>\$ 1,384</b>	<b>\$ -</b>	<b>\$ 2,605</b>

Depreciation expense was charged to the Community Development function in 2010.

# ST. JOSEPH COUNTY, MICHIGAN

## Notes to Financial Statements

	<b>Balance December 31, 2009</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31, 2010</b>
<b><u>Road Commission</u></b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 226,258	\$ -	\$ -	\$ 226,258
Infrastructure land improvements	8,238,004	123,207	-	8,361,211
<b>Capital assets not being depreciated</b>	<b>8,464,262</b>	<b>123,207</b>	<b>-</b>	<b>8,587,469</b>
<b>Capital assets being depreciated:</b>				
Buildings and improvements	1,470,288	-	-	1,470,288
Road equipment	7,515,012	198,244	298,141	7,415,115
Shop equipment	365,185	24,584	-	389,769
Office equipment	161,008	2,887	1,386	162,509
Engineers' equipment	57,262	3,181	6,282	54,161
Yard and storage	24,355	-	-	24,355
Depleteable assets	128,851	-	-	128,851
Infrastructure	46,477,333	1,373,535	23,999	47,826,869
<b>Subtotal</b>	<b>56,199,294</b>	<b>1,602,431</b>	<b>329,808</b>	<b>57,471,917</b>
<b>Accumulated depreciation and depletion:</b>				
Buildings and improvements	639,886	40,677	-	680,563
Equipment	7,762,634	190,661	305,809	7,647,486
Depleteable assets	82,906	-	-	82,906
Infrastructure	25,186,050	1,430,888	23,999	26,592,939
<b>Total accumulated depreciation and depletion</b>	<b>33,671,476</b>	<b>1,662,226</b>	<b>329,808</b>	<b>35,003,894</b>
<b>Total capital assets being depreciated - net</b>	<b>22,527,818</b>	<b>(59,795)</b>	<b>-</b>	<b>22,468,023</b>
<b>Capital assets - net</b>	<b>\$ 30,992,080</b>	<b>\$ 63,412</b>	<b>\$ -</b>	<b>\$ 31,055,492</b>

Depreciation expense was charged to the Highway and Streets function in 2010.

# ST. JOSEPH COUNTY, MICHIGAN

## Notes to Financial Statements

	<b>Balance December 31, 2009</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31, 2010</b>
<b><u>Community Mental Health</u></b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 333,744	\$ -	\$ -	\$ 333,744
<b>Capital assets being depreciated:</b>				
Buildings	2,703,684	-	-	2,703,684
Equipment and furnishings	336,958	-	-	336,958
Computers	71,541	-	-	71,541
Vehicles	64,298	-	-	64,298
<b>Total capital assets being depreciated</b>	<b>3,176,481</b>	<b>-</b>	<b>-</b>	<b>3,176,481</b>
<b>Accumulated depreciation for:</b>				
Buildings	24,597	108,230	-	132,827
Equipment and furnishings	131,807	51,000	-	182,807
Computers	71,324	217	-	71,541
Vehicles	45,414	10,749	-	56,163
<b>Total accumulated depreciation</b>	<b>273,142</b>	<b>170,196</b>	<b>-</b>	<b>443,338</b>
<b>Total capital assets being depreciated, net</b>	<b>2,903,339</b>	<b>170,196</b>	<b>-</b>	<b>2,733,143</b>
<b>Capital assets, net</b>	<b>\$ 3,237,083</b>	<b>\$ 170,196</b>	<b>\$ -</b>	<b>\$ 3,066,887</b>

### 5. PAYABLES

Accounts payable and accrued liabilities as of December 31, 2010 are summarized as follows:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Component Units</b>
Accounts payable	\$ 441,277	\$ 2,048	\$ 1,116,336
Accrued liabilities	429,358	1,777	403,724
Due to other governments	32,893	-	182,516
Compensated absences payable	702,983	-	-
Advances payable	-	-	73,956
	<b>\$ 1,606,511</b>	<b>\$ 3,825</b>	<b>\$ 1,776,532</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	4.00%	2016	\$ 427,000	\$ 256,200
Grover and Coohan Drain	4.19%	2020	220,000	159,730
Portage Lake Drain	3.38%	2011	200,000	31,494
Colon # 1 Drain	4.40%	2017	365,780	256,046
				<u><u>\$ 703,470</u></u>

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>
2011	\$ 123,959	\$ 29,412
2012	93,020	24,491
2013	93,596	20,530
2014	94,196	16,598
2015	94,821	12,631
2016-2020	203,878	17,939
	<u><u>\$ 703,470</u></u>	<u><u>\$ 121,601</u></u>

# 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 White Pigeon.Klinger Lake #8	5.00-5.25%	2017	\$ 1,400,000	\$ 155,000
1997 Limited Tax Water Supply System #13	5.25%	2017	165,000	105,000
1998 Limited Tax Sewage Disposal System #14	4.50-5.00%	2017	1,640,000	775,000
2002 Limited Tax Sanitary Sewer System #15	4.35-5.10%	2022	1,510,000	1,295,000
2005 Limited Tax Water Supply System #16	3.50-4.65%	2019	335,000	240,000
				<b><u><u>\$ 2,570,000</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>
2011	\$ 195,000	\$ 123,926
2012	290,000	110,513
2013	310,000	96,179
2014	245,000	80,808
2015	260,000	68,846
2016-2020	1,015,000	168,881
2021-2025	255,000	13,101
	<b><u><u>\$ 2,570,000</u></u></b>	<b><u><u>\$ 662,254</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 September 30, 2010, are as follows:

	<b>Principal</b>	<b>Interest</b>
2011	\$ 47,771	\$ 113,761
2012	50,347	111,185
2013	53,066	108,466
2014	55,930	105,602
2015	58,951	102,581
2016-2020	346,079	461,581
2021-2025	450,149	357,511
2026-2030	585,529	222,131
2031-2034	532,556	53,728
	\$ 2,180,378	\$ 1,636,546

*Changes in long-term debt.* Long-term debt activity for the year ended December 31, 2010 was as follows:

<b><u>Component Units</u></b>	<b><u>Beginning Balance</u></b>	<b><u>Additions</u></b>	<b><u>Reductions</u></b>	<b><u>Ending Balance</u></b>	<b><u>Due Within One Year</u></b>
<b>Board of Public Works</b>					
General obligation bonds	\$ 2,900,000	\$ -	\$ 330,000	\$ 2,570,000	\$ 195,000
<b>Drainage Districts</b>					
Drain bonds and notes	\$ 825,908	\$ -	\$ 122,438	\$ 703,470	\$ 123,959
<b>Road Commission</b>					
Land contract and installment leases	\$ -	\$ 48,195	\$ 16,760	\$ 31,435	\$ 15,380
Compensated absences	156,731	-	11,292	145,439	30,000
	\$ 156,731	\$ 48,195	\$ 28,052	\$ 176,874	\$ 45,380
<b>Community Mental Health Authority</b>					
Mortgage payable	\$ 2,233,487	\$ -	\$ 53,109	\$ 2,180,378	\$ 47,771
Compensated absences	220,074	210,065	198,393	231,746	198,393
	\$ 2,453,561	\$ 210,065	\$ 251,502	\$ 2,412,124	\$ 246,164

# 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, 2010.

# 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 September 30, 2010, the balance of this loan was \$2,180,378.

### 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 2010 levies, for which revenue was recognized in fiscal 2010, was \$1,868,080,386. 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, 2010, 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, 2010, the Road Commission had no contributions to the Plan. Retirees receiving benefits in 2010 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	10,092
Adjustment to annual required contribution	(10,234)
	288,208
Net OPEB cost (expense)	288,208
Contributions made	-
	288,208
Increase in net OPEB obligation	288,208
Net OPEB obligation, beginning of year	288,350
	\$ 576,558

The Road Commission's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2010 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
12/31/10	288,208	0%	576,558

*Funded status and funding progress.* As of December 31, 2010, 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*—2010 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, 2010, was thirty years.

# ST. JOSEPH COUNTY, MICHIGAN

## Notes to Financial Statements

### 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 2010 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 27.68%. 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 8.16%, and the Sheriff Administration division employees are required to contribute 8.16%. 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, 2010, the annual MERS pension cost of \$101,344, \$213,431 and \$65,332 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, 2009 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.

The funded status of each plan as of December 31, 2009, the most recent actuarial valuation date, was as follows:

	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a % of Covered Payroll</b>
General Division	\$ 19,444,044	\$ 15,363,396	\$ (4,080,648)	126.6%	\$ 5,023,036	0.0%
Sheriff Department - POAM	9,119,682	10,638,662	1,518,980	85.7%	1,939,637	78.3%
Sheriff - Administration Division	1,483,402	2,208,358	724,956	67.2%	277,800	261.0%

# ST. JOSEPH COUNTY, MICHIGAN

## Notes to Financial Statements

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Three-year trend information for annual pension costs is as follows:

<u>Years Ended December 31,</u>	<u>Annual Pension Cost</u>	<u>Percentage Contributed</u>	<u>Year 2010 Net Pension Obligation</u>
<b>General Division</b>			
2008	\$ 167,596	100%	\$ -
2009	105,550	100%	-
2010	101,344	100%	-
<b>Sheriff Department - POAM</b>			
2008	\$ 222,399	100%	\$ -
2009	216,484	100%	-
2010	213,431	100%	-
<b>Sheriff - Administration Division</b>			
2008	\$ 44,763	100%	\$ -
2009	45,766	100%	-
2010	65,332	100%	-

The schedules of funding progress, presented as required supplementary information following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

### **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, 2010, the Commission on Aging made the required contribution of \$37,561.

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

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 7% 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.

# ST. JOSEPH COUNTY, MICHIGAN

## Notes to Financial Statements

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The Road Commission's contributions for each employee (and interest allocated to the employee's account) are partially vested after three (2) years of continuous service and fully vested after seven (6) years of continuous service.

For the plan year ended October 31, 2010, the Road Commission contributed \$128,185 (representing 7% of covered payroll) to the plan.

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

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, 2010, were \$179,283.

### **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	-
2009	19,444,044	15,363,396	(4,080,648)	126.6%	5,023,036	-
<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%
2009	9,119,682	10,638,662	1,518,980	85.7%	1,989,637	76.3%
<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%
2009	1,483,402	2,208,358	724,956	67.2%	277,800	261.0%

**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%
2010	101,344	101,344	100.0%
<b>SHERIFF DEPARTMENT - POAM</b>			
2008	\$ 222,399	\$ 222,399	100.0%
2009	216,484	216,484	100.0%
2010	213,431	213,431	100.0%
<b>SHERIFF - ADMINISTRATION DIVISION</b>			
2008	\$ 44,763	\$ 44,763	100.0%
2009	45,766	45,766	100.0%
2010	65,332	65,332	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. Accordingly, 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, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget + (-)</u>
<b>Taxes</b>				
Property taxes	\$ 7,971,218	\$ 7,971,218	\$ 7,962,738	\$ (8,480)
Industrial facilities tax	275,000	275,000	340,943	65,943
Delinquent taxes	465,000	465,000	487,224	22,224
Total taxes	<u>8,711,218</u>	<u>8,711,218</u>	<u>8,790,905</u>	<u>79,687</u>
<b>Permits and regulatory licenses</b>				
Marriage	2,950	2,950	3,490	540
Dog licenses	101,000	101,000	89,187	(11,813)
Pistol permits	14,050	14,050	21,770	7,720
Total permits and regulatory licenses	<u>118,000</u>	<u>118,000</u>	<u>114,447</u>	<u>(3,553)</u>
<b>Intergovernmental - federal/state</b>				
SCAAP grant	5,000	5,000	-	(5,000)
Highway safety	-	2,990	2,990	-
Cooperative reimbursement - FOC	710,000	710,000	734,302	24,302
FEMA	19,044	19,044	23,707	4,663
Judicial salary	102,845	102,845	102,802	(43)
Drug case flow grant	600	600	855	255
Victims rights	5,500	5,500	3,803	(1,697)
Marine safety grant	20,000	20,000	47,490	27,490
Juvenile officer grant	27,317	27,317	27,317	-
Probate court	45,724	45,724	46,062	338
Circuit court	45,724	45,724	45,724	-
District court	91,448	91,448	91,448	-
Traffic safety	-	9,849	9,848	(1)
Convention and tourism	206,562	206,562	200,965	(5,597)
Cigarette tax	11,357	11,357	10,306	(1,051)
Liquor license fees	12,000	12,000	13,238	1,238
State aid-case flow assistance	23,000	23,000	18,178	(4,822)
State court equity funding	410,000	410,000	355,346	(54,654)
Election reimbursement	22,739	22,739	25,880	3,141
State revenue sharing	1,180,000	1,180,000	1,313,632	133,632
Miscellaneous	10,000	278,734	292,709	13,975
Total intergovernmental - federal/state	<u>2,948,860</u>	<u>3,230,433</u>	<u>3,366,602</u>	<u>136,169</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, 2010**

	<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	\$ 725,500	\$ 725,500	\$ 655,999	\$ (69,501)
District Court	20,300	20,300	19,940	(360)
Probate Court	58,200	58,200	43,390	(14,810)
Treasurer	6,000	6,000	3,667	(2,333)
Clerk	225,230	225,230	237,151	11,921
Register of deeds	398,175	398,175	300,420	(97,755)
Friend of the Court	75,050	75,050	93,758	18,708
Sheriff Department:	154,250	154,250	191,791	37,541
Equalization	104,775	104,775	106,660	1,885
Animal control	8,500	8,500	11,402	2,902
Miscellaneous	51,500	51,500	61,146	9,646
Total charges for services	<u>1,827,480</u>	<u>1,827,480</u>	<u>1,725,324</u>	<u>(102,156)</u>
<b>Fines and forfeitures</b>				
Ordinance fines and costs	\$ 141,000	\$ 141,000	\$ 152,538	\$ 11,538
Bond forfeitures	6,500	12,000	43,885	31,885
Miscellaneous	2,500	2,500	3,200	700
Total fines and forfeitures	<u>150,000</u>	<u>155,500</u>	<u>199,623</u>	<u>44,123</u>
<b>Interest and rents</b>				
Interest on investments	61,000	61,000	60,485	(515)
Rental fees	4,300	4,300	9,728	5,428
Total interest and rents	<u>65,300</u>	<u>65,300</u>	<u>70,213</u>	<u>4,913</u>
<b>Other</b>				
Sale of capital assets	500	500	775	275
Reimbursements and refunds	50,479	50,979	172,130	121,151
Miscellaneous	4,627	4,127	23,887	19,760
Total other	<u>55,606</u>	<u>55,606</u>	<u>196,792</u>	<u>141,186</u>
<b>Total revenues</b>	13,876,464	14,163,537	14,463,906	300,369
<b>Other financing sources</b>				
Transfers in	719,595	720,195	684,589	(35,606)
<b>Total revenues and other financing sources</b>	<u>\$ 14,596,059</u>	<u>\$ 14,883,732</u>	<u>\$ 15,148,495</u>	<u>\$ 264,763</u>

**ST. JOSEPH COUNTY, MICHIGAN**  
**Detailed Schedule of Expenditures and**  
**Other Financing Uses - Budget and Actual**  
**General Fund**  
**For the Year Ended December 31, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget + (-)</u>
<b>General government</b>				
Board of commissioners	\$ 165,686	\$ 165,686	\$ 153,245	\$ 12,441
Circuit court	285,594	286,179	272,489	13,690
District court	1,016,481	1,016,481	968,914	47,567
Friend of the court	782,123	782,123	765,311	16,812
Jury commission	600	600	311	289
Probate court	326,121	333,381	326,744	6,637
Family court	738,541	758,541	665,740	92,801
Appeals court	40,765	40,765	28,961	11,804
Public defender	461,000	461,000	460,796	204
Administrator	147,483	147,483	146,399	1,084
Elections	94,839	94,839	52,022	42,817
Finance	207,257	207,507	207,500	7
Clerk	392,447	405,095	395,223	9,872
Equalization	298,478	298,478	292,724	5,754
Human resources	419,483	419,483	358,406	61,077
Geographic information systems	114,445	114,445	113,435	1,010
Prosecuting attorney	619,324	619,824	619,444	380
Register of Deeds	227,048	227,648	192,698	34,950
Treasurer	261,183	261,183	257,255	3,928
Cooperative Extension	270,001	270,001	194,579	75,422
Information Technology	221,249	221,249	218,480	2,769
Building and Grounds	383,722	383,722	303,235	80,487
Utilities	365,825	365,825	324,797	41,028
Insurance	380,953	380,953	313,924	67,029
Drain Commission	57,945	69,303	69,044	259
Court security	100,174	100,174	90,910	9,264
Contingency	321,196	71,608	-	71,608
Other	41,748	41,748	41,561	187
Total general government	<u>8,741,711</u>	<u>8,545,324</u>	<u>7,834,147</u>	<u>711,177</u>
<b>Public safety</b>				
Sheriff - General	1,812,993	1,840,832	1,838,187	2,645
Sheriff - Corrections	10,484	10,484	8,166	2,318
Jail	2,052,795	2,344,263	2,316,835	27,428
Marine safety	29,214	29,214	24,710	4,504
Animal Control	155,626	161,126	153,754	7,372
Emergency Services	61,737	62,990	62,175	815
Other	500	500	430	70
Total public safety	<u>4,123,349</u>	<u>4,449,409</u>	<u>4,404,257</u>	<u>45,152</u>
<b>Public works</b>				
Public works	10,858	10,858	9,563	1,295
Soil	22,500	22,500	22,500	-
Appropriation to road commission	30,000	30,000	30,000	-
Total public safety	<u>63,358</u>	<u>63,358</u>	<u>62,063</u>	<u>1,295</u>

Continued....

**ST. JOSEPH COUNTY, MICHIGAN**  
**Detailed Schedule of Expenditures and**  
**Other Financing Uses - Budget and Actual (Concluded)**  
**General Fund**  
**For the Year Ended December 31, 2010**

	<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	\$ 53,300	\$ 53,300	\$ 43,315	\$ 9,985
District health	409,550	409,550	388,765	20,785
Community Mental Health	347,268	347,268	347,268	-
Health and human services appropriation	8,200	8,200	8,200	-
Health and human services appropriation - child care	160,000	248,000	248,000	-
Medical examiner	42,900	42,900	39,317	3,583
Substance abuse	103,281	103,281	100,483	2,798
Veterans	12,450	12,450	9,270	3,180
Veterans services	38,091	38,091	36,599	1,492
Total health and social services	<u>1,175,040</u>	<u>1,263,040</u>	<u>1,221,217</u>	<u>41,823</u>
<b>Community development</b>				
Planning	<u>12,971</u>	<u>12,971</u>	<u>11,489</u>	<u>1,482</u>
<b>Total expenditures</b>	<u>14,116,429</u>	<u>14,334,102</u>	<u>13,533,173</u>	<u>800,929</u>
<b>Other financing uses - transfers out</b>				
Appropriations:				
Probate Child Care	326,854	326,854	326,854	-
Parks and Recreation	95,276	95,276	95,276	-
Disaster Relief	500	500	500	-
Other operating transfers out	20,000	60,000	60,000	-
Other:				
Circuit Court Law Library	1,000	1,000	1,000	-
Secondary Road Patrol	30,000	60,000	60,000	-
Land Corners	<u>6,000</u>	<u>6,000</u>	<u>6,000</u>	<u>-</u>
<b>Total other financing uses</b>	<u>479,630</u>	<u>549,630</u>	<u>549,630</u>	<u>-</u>
<b>Total expenditures and other financing uses</b>	<u><u>\$ 14,596,059</u></u>	<u><u>\$ 14,883,732</u></u>	<u><u>\$ 14,082,803</u></u>	<u><u>\$ 800,929</u></u>

**ST. JOSEPH COUNTY, MICHIGAN**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**December 31, 2010**

	<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	\$ 62,812	\$ 233,346	\$ 70,238	\$ 3,765	\$ 15,092
Receivables-					
Accounts, net	3,468	-	-	-	-
Due from other governmental units	-	48,564	-	-	-
Prepays	-	-	-	-	-
Other assets	3,656	-	-	-	-
	<u>3,656</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 69,936</u>	<u>\$ 281,910</u>	<u>\$ 70,238</u>	<u>\$ 3,765</u>	<u>\$ 15,092</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>					
<b>Liabilities</b>					
Accounts payable	\$ 985	\$ -	\$ 173	\$ -	\$ -
Accrued liabilities	2,282	1,907	9,476	-	-
Due to other funds	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>3,267</u>	<u>1,907</u>	<u>9,649</u>	<u>-</u>	<u>-</u>
<b>Fund balances</b>					
Reserved for prepaids	-	-	-	-	-
Unreserved:					
Designated for capital projects	-	-	-	-	-
Undesignated (deficit)	66,669	280,003	60,589	3,765	15,092
	<u>66,669</u>	<u>280,003</u>	<u>60,589</u>	<u>3,765</u>	<u>15,092</u>
Total fund balances (deficit)	<u>66,669</u>	<u>280,003</u>	<u>60,589</u>	<u>3,765</u>	<u>15,092</u>
	<u>\$ 69,936</u>	<u>\$ 281,910</u>	<u>\$ 70,238</u>	<u>\$ 3,765</u>	<u>\$ 15,092</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>
\$ 7,056	\$ 32,174	\$ 14,614	\$ 145,854	\$ 127,740	\$ 326	\$ 38,200	\$ 1,842
-	-	-	66,282	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 7,056</u>	<u>\$ 32,174</u>	<u>\$ 14,614</u>	<u>\$ 212,136</u>	<u>\$ 127,740</u>	<u>\$ 326</u>	<u>\$ 38,200</u>	<u>\$ 1,842</u>
\$ 482	\$ 342	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	1,683	-	-	-	-	-	-
-	-	-	-	-	20,000	-	-
<u>482</u>	<u>2,025</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,000</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
6,574	30,149	14,614	212,136	127,740	(19,674)	38,200	1,842
<u>6,574</u>	<u>30,149</u>	<u>14,614</u>	<u>212,136</u>	<u>127,740</u>	<u>(19,674)</u>	<u>38,200</u>	<u>1,842</u>
<u>\$ 7,056</u>	<u>\$ 32,174</u>	<u>\$ 14,614</u>	<u>\$ 212,136</u>	<u>\$ 127,740</u>	<u>\$ 326</u>	<u>\$ 38,200</u>	<u>\$ 1,842</u>

Continued...

**ST. JOSEPH COUNTY, MICHIGAN**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds (Continued)**  
**December 31, 2010**

	<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	\$ 4,884	\$ 8,185	\$ 30,882	\$ 23,365	\$ 77,282
Receivables-					
Accounts, net	20	-	-	-	-
Due from other governmental units	-	16,586	11,938	-	-
Prepays	-	1,197	-	-	-
Other assets	-	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 4,904</u></b>	<b><u>\$ 25,968</u></b>	<b><u>\$ 42,820</u></b>	<b><u>\$ 23,365</u></b>	<b><u>\$ 77,282</u></b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>					
<b>Liabilities</b>					
Accounts payable	\$ -	\$ -	\$ 5,862	\$ 2,540	\$ -
Accrued liabilities	-	2,279	1,960	33	-
Due to other funds	11,390	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	11,390	2,279	7,822	2,573	-
<b>Fund balances</b>					
Reserved for prepaids	-	1,197	-	-	-
Unreserved:					
Designated for capital projects	-	-	-	-	-
Undesignated (deficit)	(6,486)	23,689	34,998	20,792	77,282
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balances (deficit)	(6,486)	23,689	34,998	20,792	77,282
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b><u>TOTAL LIABILITIES AND FUND BALANCES</u></b>	<b><u>\$ 4,904</u></b>	<b><u>\$ 25,968</u></b>	<b><u>\$ 42,820</u></b>	<b><u>\$ 23,365</u></b>	<b><u>\$ 77,282</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>
\$ 76,941	\$ 30,617	\$ 33,598	\$ 42,284	\$ 3,101	\$ 97,623	\$ 102,861
72,161	-	-	-	-	-	-
-	-	4,289	22,096	-	-	-
-	-	2,940	-	-	-	-
-	-	3,235	-	-	-	-
<u>\$ 149,102</u>	<u>\$ 30,617</u>	<u>\$ 44,062</u>	<u>\$ 64,380</u>	<u>\$ 3,101</u>	<u>\$ 97,623</u>	<u>\$ 102,861</u>
\$ 22	\$ 1,033	\$ -	\$ 400	\$ -	\$ 50	\$ -
7,815	-	5,681	947	-	310	-
-	-	-	58,178	-	-	-
<u>7,837</u>	<u>1,033</u>	<u>5,681</u>	<u>59,525</u>	<u>-</u>	<u>360</u>	<u>-</u>
-	-	2,940	-	-	-	-
-	-	-	-	-	-	-
<u>141,265</u>	<u>29,584</u>	<u>38,381</u>	<u>4,855</u>	<u>3,101</u>	<u>97,263</u>	<u>102,861</u>
<u>141,265</u>	<u>29,584</u>	<u>38,381</u>	<u>4,855</u>	<u>3,101</u>	<u>97,263</u>	<u>102,861</u>
<u>\$ 149,102</u>	<u>\$ 30,617</u>	<u>\$ 44,062</u>	<u>\$ 64,380</u>	<u>\$ 3,101</u>	<u>\$ 97,623</u>	<u>\$ 102,861</u>

Continued...

**ST. JOSEPH COUNTY, MICHIGAN**  
**Combining Balance Sheet**  
**December 31, 2010**  
**Nonmajor Governmental Funds (Concluded)**

	<u>Special Revenue Funds</u>				
	<u>Sheriffs Justice Training</u>	<u>Department of Human Services</u>	<u>Child Care Probate Court</u>	<u>Child Care Human Services</u>	<u>Revenue Sharing Reserve</u>
<b><u>ASSETS</u></b>					
<b>Assets</b>					
Cash and cash equivalents	\$ 11,805	\$ -	\$ 98,481	\$ -	\$ -
Receivables-					
Accounts, net	-	-	-	-	-
Due from other governmental units	-	-	5,725	-	-
Prepays	-	-	-	-	-
Other assets	-	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 11,805</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 104,206</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>					
<b>Liabilities</b>					
Accounts payable	\$ -	\$ -	\$ 10,236	\$ -	\$ -
Accrued liabilities	-	-	5,049	-	-
Due to other funds	-	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>          </u>	<u>          </u>	<u>15,285</u>	<u>          </u>	<u>          </u>
<b>Fund balances</b>					
Reserved for prepaids	-	-	-	-	-
Unreserved:					
Designated for capital projects	-	-	-	-	-
Undesignated (deficit)	11,805	-	88,921	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balances	<u>11,805</u>	<u>          </u>	<u>88,921</u>	<u>          </u>	<u>          </u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b><u>TOTAL LIABILITIES AND FUND BALANCES</u></b>	<b><u>\$ 11,805</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 104,206</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>

Capital Projects Funds				Permanent Trust Funds	
Veterans Trust Fund	Board of Public Works Administration	Information Technology Improvement	County Facilities Maintenance	Cemetery	Total
\$ 7,376	\$ 10,777	\$ 190,668	\$ 82,301	\$ 14,239	\$ 1,700,329
-	-	-	-	88	142,019
1,009	-	-	-	-	110,207
-	-	-	-	-	4,137
-	-	-	-	-	6,891
<u>\$ 8,385</u>	<u>\$ 10,777</u>	<u>\$ 190,668</u>	<u>\$ 82,301</u>	<u>\$ 14,327</u>	<u>\$ 1,963,583</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,125
-	-	-	-	-	39,422
-	-	-	-	-	89,568
-	-	-	-	-	151,115
-	-	-	-	-	4,137
-	10,777	190,668	82,301	-	283,746
8,385	-	-	-	14,327	1,524,585
8,385	10,777	190,668	82,301	14,327	1,812,468
<u>\$ 8,385</u>	<u>\$ 10,777</u>	<u>\$ 190,668</u>	<u>\$ 82,301</u>	<u>\$ 14,327</u>	<u>\$ 1,963,583</u>

**ST. JOSEPH COUNTY, MICHIGAN**  
**Combining Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended December 31, 2010**

**Special Revenue Funds**

	<b>Parks and Recreation</b>	<b>Central Dispatch Wireless</b>	<b>Meyer Broadway Park</b>	<b>Facilities and Land Acquisition</b>	<b>Friend of the Court</b>
<b>Revenues</b>					
Licenses and permits	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental-					
Federal/state	3,468	-	-	-	-
Charges for services	12,708	-	12,496	-	19,458
Fines and forfeitures	-	212,001	-	-	-
Interest and rent	-	1,652	5,310	5	1,028
Miscellaneous	797	50	1,557	200	-
Total revenues	<u>16,973</u>	<u>213,703</u>	<u>19,363</u>	<u>205</u>	<u>20,486</u>
<b>Expenditures</b>					
Current:					
General government	-	-	-	-	1
Public safety	-	117,371	-	-	-
Public works	-	-	-	-	-
Health and social services	-	-	-	-	-
Community development	-	-	-	-	-
Parks, recreation and culture	116,358	-	78,152	-	-
Capital outlay	-	-	-	-	-
Total expenditures	<u>116,358</u>	<u>117,371</u>	<u>78,152</u>	<u>-</u>	<u>1</u>
Revenue over (under) expenditures	<u>(99,385)</u>	<u>96,332</u>	<u>(58,789)</u>	<u>205</u>	<u>20,485</u>
<b>Other financing sources (uses)</b>					
Transfers in	95,276	-	31,982	-	-
Transfers out	-	-	-	-	(11,100)
Total other financing sources (uses)	<u>95,276</u>	<u>-</u>	<u>31,982</u>	<u>-</u>	<u>(11,100)</u>
Net change in fund balances	(4,109)	96,332	(26,807)	205	9,385
Fund balances (deficit), beginning of year	<u>70,778</u>	<u>183,671</u>	<u>87,396</u>	<u>3,560</u>	<u>5,707</u>
<b>Fund balances (deficit), end of year</b>	<u>\$ 66,669</u>	<u>\$ 280,003</u>	<u>\$ 60,589</u>	<u>\$ 3,765</u>	<u>\$ 15,092</u>

**Special Revenue Funds**

<b>Family Counseling</b>	<b>Cade Lake Park</b>	<b>Court Caseflow Assistance</b>	<b>Waste Management Fund</b>	<b>Traffic Safety Program</b>	<b>Remonum- entation Grant</b>	<b>Animal Shelter Donation</b>	<b>Veterans Memorial Fund</b>
\$ 7,184	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	78,451	-	-	-	17,505	-	-
-	51,910	-	244,324	42,552	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	155	-	-	-	-	4,013	-
<u>7,184</u>	<u>130,516</u>	<u>-</u>	<u>244,324</u>	<u>42,552</u>	<u>17,505</u>	<u>4,013</u>	<u>-</u>
9,114	-	-	-	-	48,112	-	-
-	-	-	-	36,890	-	-	-
-	-	-	14,082	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	79,938	-	-	-	-
-	150,422	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>9,114</u>	<u>150,422</u>	<u>-</u>	<u>94,020</u>	<u>36,890</u>	<u>48,112</u>	<u>-</u>	<u>-</u>
<u>(1,930)</u>	<u>(19,906)</u>	<u>-</u>	<u>150,304</u>	<u>5,662</u>	<u>(30,607)</u>	<u>4,013</u>	<u>-</u>
-	125,001	-	-	-	6,000	-	-
-	(101,726)	-	(89,326)	-	(1,650)	-	-
-	23,275	-	(89,326)	-	4,350	-	-
<u>(1,930)</u>	<u>3,369</u>	<u>-</u>	<u>60,978</u>	<u>5,662</u>	<u>(26,257)</u>	<u>4,013</u>	<u>-</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>
<u>\$ 6,574</u>	<u>\$ 30,149</u>	<u>\$ 14,614</u>	<u>\$ 212,136</u>	<u>\$ 127,740</u>	<u>\$ (19,674)</u>	<u>\$ 38,200</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, 2010**

	<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>Revenues</b>					
Licenses and permits	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental-					
Federal/state	-	58,863	104,100	-	-
Charges for services	56,248	-	-	40,229	29,300
Fines and forfeitures	-	-	-	-	-
Interest and rent	972	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total revenues</b>	<b>57,220</b>	<b>58,863</b>	<b>104,100</b>	<b>40,229</b>	<b>29,300</b>
<b>Expenditures</b>					
Current:					
General government	53,265	59,393	-	-	-
Public safety	-	-	119,813	31,560	19,297
Public works	-	-	-	-	-
Health and social services	-	-	-	-	-
Community development	-	-	-	-	-
Parks, recreation and culture	-	-	-	-	-
Capital outlay	-	-	-	-	-
<b>Total expenditures</b>	<b>53,265</b>	<b>59,393</b>	<b>119,813</b>	<b>31,560</b>	<b>19,297</b>
Revenue over (under) expenditures	3,955	(530)	(15,713)	8,669	10,003
<b>Other financing sources (uses)</b>					
Transfers in	-	-	16,641	-	-
Transfers out	-	-	-	(16,641)	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>16,641</b>	<b>(16,641)</b>	<b>-</b>
Net change in fund balances	3,955	(530)	928	(7,972)	10,003
Fund balances (deficit), beginning of year	(10,441)	24,219	34,070	28,764	67,279
<b>Fund balances (deficit), end of year</b>	<b>\$ (6,486)</b>	<b>\$ 23,689</b>	<b>\$ 34,998</b>	<b>\$ 20,792</b>	<b>\$ 77,282</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>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
306,132	13,442	90,513	85,122	-	-	215,468
10,940	15,087	-	-	-	-	-
-	49,852	-	-	-	17,306	-
-	-	-	-	-	-	-
-	-	-	-	6,500	-	-
<u>317,072</u>	<u>78,381</u>	<u>90,513</u>	<u>85,122</u>	<u>6,500</u>	<u>17,306</u>	<u>215,468</u>
-	-	-	-	5,970	10,761	-
306,368	27,120	161,710	84,755	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	218,718
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>306,368</u>	<u>27,120</u>	<u>161,710</u>	<u>84,755</u>	<u>5,970</u>	<u>10,761</u>	<u>218,718</u>
<u>10,704</u>	<u>51,261</u>	<u>(71,197)</u>	<u>367</u>	<u>530</u>	<u>6,545</u>	<u>(3,250)</u>
-	-	60,000	-	-	-	-
<u>(7,611)</u>	<u>(40,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(7,611)</u>	<u>(40,000)</u>	<u>60,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3,093	11,261	(11,197)	367	530	6,545	(3,250)
<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>\$ 141,265</u>	<u>\$ 29,584</u>	<u>\$ 38,381</u>	<u>\$ 4,855</u>	<u>\$ 3,101</u>	<u>\$ 97,263</u>	<u>\$ 102,861</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, 2010**

**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	5,174	-	143,093	-	-
Charges for services	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Interest and rent	-	-	-	-	-
Miscellaneous	-	-	13,615	-	-
Total revenues	<u>5,174</u>	<u>-</u>	<u>156,708</u>	<u>-</u>	<u>-</u>
<b>Expenditures</b>					
Current:					
General government	-	-	-	-	-
Public safety	4,466	-	-	-	-
Public works	-	-	-	-	-
Health and social services	-	-	436,291	-	-
Community development	-	-	-	-	-
Parks, recreation and culture	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	<u>4,466</u>	<u>-</u>	<u>436,291</u>	<u>-</u>	<u>-</u>
Revenue over (under) expenditures	<u>708</u>	<u>-</u>	<u>(279,583)</u>	<u>-</u>	<u>-</u>
<b>Other financing sources (uses)</b>					
Transfers in	-	-	326,854	-	-
Transfers out	-	-	-	-	(495,898)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>326,854</u>	<u>-</u>	<u>(495,898)</u>
Net change in fund balances	708	-	47,271	-	(495,898)
Fund balances (deficit), beginning of year	<u>11,097</u>	<u>-</u>	<u>41,650</u>	<u>-</u>	<u>495,898</u>
<b>Fund balances (deficit), end of year</b>	<u>\$ 11,805</u>	<u>\$ -</u>	<u>\$ 88,921</u>	<u>\$ -</u>	<u>\$ -</u>

Capital Projects Funds				Permanent Trust Fund	
Veterans Trust Fund	Board of Public Works Administration	Information Technology Improvement	County Facilities Maintenance	Cemetery	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,184
22,036	-	-	-	-	1,143,367
-	-	-	-	-	535,252
-	-	-	-	-	279,159
-	-	-	-	(2,362)	6,605
-	-	-	-	-	26,887
22,036	-	-	-	(2,362)	1,998,454
-	-	-	-	-	186,616
-	-	-	-	-	909,350
-	-	-	-	-	14,082
16,321	-	-	-	-	452,612
-	-	-	-	-	298,656
-	-	-	-	-	344,932
-	-	(6,914)	349,080	-	342,166
16,321	-	(6,914)	349,080	-	2,548,414
5,715	-	6,914	(349,080)	(2,362)	(549,960)
-	-	21,826	141,726	-	825,306
-	-	-	(125,001)	-	(888,953)
-	-	21,826	16,725	-	(63,647)
5,715	-	28,740	(332,355)	(2,362)	(613,607)
2,670	10,777	161,928	414,656	16,689	2,426,075
\$ 8,385	\$ 10,777	\$ 190,668	\$ 82,301	\$ 14,327	\$ 1,812,468

**ST. JOSEPH COUNTY, MICHIGAN**  
**Combining Statement of Net Assets**  
**Nonmajor Enterprise Funds**  
**December 31, 2010**

	<b>Forfeiture/ Foreclosure Fund</b>	<b>Inmate Store Fund</b>	<b>Three Rivers Community Center</b>	<b>Total</b>
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 465,220	\$ 19,323	\$ 50,029	\$ 534,572
Receivables-				
Accounts, net	22,915	593	105	23,613
Total current assets	<u>488,135</u>	<u>19,916</u>	<u>50,134</u>	<u>558,185</u>
Noncurrent assets -				
Equipment	-	7,577	750	8,327
<b>Total assets</b>	<u>488,135</u>	<u>27,493</u>	<u>50,884</u>	<u>566,512</u>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	-	735	998	1,733
Accrued liabilities	-	-	1,777	1,777
Total current liabilities	<u>-</u>	<u>735</u>	<u>2,775</u>	<u>3,510</u>
<b>Total liabilities</b>	<u>-</u>	<u>735</u>	<u>2,775</u>	<u>3,510</u>
<b>Net assets</b>				
Invested in capital assets	-	7,577	750	8,327
Unrestricted	<u>488,135</u>	<u>19,181</u>	<u>47,359</u>	<u>554,675</u>
<b>Total net assets</b>	<u>\$ 488,135</u>	<u>\$ 26,758</u>	<u>\$ 48,109</u>	<u>\$ 563,002</u>

**ST. JOSEPH COUNTY, MICHIGAN**  
**Combining Statement of Revenues, Expenses and**  
**Changes in Net Assets**  
**Nonmajor Enterprise Funds**  
**For the Year Ended December 31, 2010**

	<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	\$ 209,632	\$ 16,591	\$ -	\$ 226,223
Other revenues	-	-	52,823	52,823
	<u>209,632</u>	<u>16,591</u>	<u>52,823</u>	<u>279,046</u>
<b>Operating expenses</b>				
Personal services and benefits	96,873	15,607	49,648	162,128
Depreciation and amortization	-	854	1,069	1,923
	<u>96,873</u>	<u>16,461</u>	<u>50,717</u>	<u>164,051</u>
Operating income	112,759	130	2,106	114,995
<b>Nonoperating revenues</b>				
Interest income	(374)	-	-	(374)
	<u>(374)</u>	<u>-</u>	<u>-</u>	<u>(374)</u>
Income before transfers	112,385	130	2,106	114,621
<b>Transfers out</b>	<u>(48,486)</u>	<u>-</u>	<u>-</u>	<u>(48,486)</u>
Change in net assets	63,899	130	2,106	66,135
Net assets, beginning of year	<u>424,236</u>	<u>26,628</u>	<u>46,003</u>	<u>496,867</u>
<b>Net assets, end of year</b>	<u>\$ 488,135</u>	<u>\$ 26,758</u>	<u>\$ 48,109</u>	<u>\$ 563,002</u>

**ST. JOSEPH COUNTY, MICHIGAN**  
**Combining Statement of Cash Flows**  
**Nonmajor Enterprise Funds**  
**For the Year Ended December 31, 2010**

	<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	\$ 213,981	\$ 16,591	\$ -	\$ 230,572
Cash received from others	-	-	52,718	52,718
Cash paid to/for employees	-	-	(49,498)	(49,498)
Cash paid to suppliers	(96,873)	(15,226)	-	(112,099)
Net cash provided by operating activities	<u>117,108</u>	<u>1,365</u>	<u>3,220</u>	<u>121,693</u>
<b>Cash flows from non-capital and related financing activities</b>				
Transfers out	(48,486)	-	-	(48,486)
<b>Cash flows from capital and related financing activities</b>				
Capital acquisitions	-	(3,132)	-	(3,132)
<b>Cash flows from investing activities</b>				
Interest received	(374)	-	-	(374)
Net increase (decrease) in cash and cash equivalents	68,248	(1,767)	3,220	69,701
Cash and cash equivalents, beginning of year	396,972	21,090	46,809	464,871
<b>Cash and cash equivalents, end of year</b>	<u>\$ 465,220</u>	<u>\$ 19,323</u>	<u>\$ 50,029</u>	<u>\$ 534,572</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>				
Operating income	\$ 112,759	\$ 130	\$ 2,106	\$ 114,995
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation and amortization	-	854	1,069	1,923
Change in assets and liabilities:				
Accounts receivable	3,975	-	(105)	3,870
Interest receivable	374	-	-	374
Accounts payable	-	381	(101)	280
Accrued liabilities	-	-	251	251
<b>Net cash provided by operating activities</b>	<u>\$ 117,108</u>	<u>\$ 1,365</u>	<u>\$ 3,220</u>	<u>\$ 121,693</u>

**ST. JOSEPH COUNTY, MICHIGAN**  
**Combining Statement of Assets and Liabilities**  
**Agency Funds**  
**December 31, 2010**

	<u>Trust and Agency</u>	<u>Library</u>	<u>Inmate Trust Account</u>	<u>Total</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 1,640,828	\$ 121,760	\$ 10,985	\$ 1,773,573
Accounts receivable	236,162	-	-	236,162
Total assets	<u>\$ 1,876,990</u>	<u>\$ 121,760</u>	<u>\$ 10,985</u>	<u>\$ 2,009,735</u>
<b>Liabilities</b>				
Due to individuals/agencies	\$ 1,807,631	\$ 121,760	\$ 10,985	\$ 1,940,376
Due to other governmental units	69,359	-	-	69,359
Total liabilities	<u>\$ 1,876,990</u>	<u>\$ 121,760</u>	<u>\$ 10,985</u>	<u>\$ 2,009,735</u>

**ST. JOSEPH COUNTY, MICHIGAN**  
**Statement of Net Assets and**  
**Governmental Funds Balance Sheet**  
**Drainage Districts Component Unit**  
**December 31, 2010**

	Debt Service Funds		
	Regular Drain	Fish Lake Drain	Lamberson Dam Drain
<b>Assets</b>			
Cash and cash equivalents	\$ 95,008	\$ 8,072	\$ 90
Special assessments receivable	535,961	-	-
Capital assets being depreciated, net	-	-	-
<b>Total assets</b>	<b>\$ 630,969</b>	<b>\$ 8,072</b>	<b>\$ 90</b>
<b>Liabilities</b>			
Interest payable	\$ -	\$ -	\$ -
Deferred revenue	535,961	-	-
Advances from primary government	-	-	-
Long-term debt:			
Due within one year	-	-	-
Due in more than one year	-	-	-
<b>Total liabilities</b>	535,961	-	-
<b>Fund balances / net assets</b>			
Fund balances - unreserved	95,008	8,072	90
<b>Total liabilities and fund balances</b>	<b>\$ 630,969</b>	<b>\$ 8,072</b>	<b>\$ 90</b>
Net assets:			
Invested in capital assets, net of related debt			
Restricted			
Unrestricted			
<b>Total net assets</b>			

**Capital Projects Funds**

<u>Regular Drain</u>	<u>Long Lake Level Revolving</u>	<u>Klinger Lake Lake Level</u>	<u>Revolving Drain</u>	<u>Revolving Drain Maintenance</u>	<u>Omena Lake Proposed Assessment</u>	<u>Palmer and Long Lake Level</u>
\$ 192,488	\$ 22,690	\$ 21,783	\$ 35,500	\$ 9,419	\$ 17,027	\$ -
11,222	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 203,710</u>	<u>\$ 22,690</u>	<u>\$ 21,783</u>	<u>\$ 35,500</u>	<u>\$ 9,419</u>	<u>\$ 17,027</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
203,710	22,690	21,783	35,500	9,419	17,027	-
<u>\$ 203,710</u>	<u>\$ 22,690</u>	<u>\$ 21,783</u>	<u>\$ 35,500</u>	<u>\$ 9,419</u>	<u>\$ 17,027</u>	<u>\$ -</u>

**ST. JOSEPH COUNTY, MICHIGAN**  
**Statement of Net Assets and**  
**Governmental Funds Balance Sheet (Concluded)**  
**Drainage Districts Component Unit**  
**December 31, 2010**

	<u>Capital Projects Funds</u>			
	<u>Grey Lake Level Study</u>	<u>Pleasant/Clear Lake Proposed Assessment</u>	<u>Minnewauken Lake Study</u>	<u>Eberhard Lake Level</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 1,034	\$ 20,108	\$ -	\$ 699
Special assessments receivable	-	89,178	-	-
Capital assets being depreciated, net	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total assets</b>	<u>\$ 1,034</u>	<u>\$ 109,286</u>	<u>\$ -</u>	<u>\$ 699</u>
<b>Liabilities</b>				
Interest payable	\$ -	\$ -	\$ -	\$ -
Deferred revenue	-	33,237	-	-
Advances from primary government	-	73,956	-	-
Long-term debt:				
Due within one year	-	-	-	-
Due in more than one year	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total liabilities</b>	-	107,193	-	-
<b>Fund balances / net assets</b>				
Fund balances - unreserved	<hr/> 1,034	<hr/> 2,093	<hr/> -	<hr/> 699
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total liabilities and fund balances</b>	<u>\$ 1,034</u>	<u>\$ 109,286</u>	<u>\$ -</u>	<u>\$ 699</u>
<b>Net assets:</b>				
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>
\$ 423,918	\$ -	\$ 423,918
636,361	-	636,361
-	1,894,327	1,894,327
<u>\$ 1,060,279</u>	<u>1,894,327</u>	<u>2,954,606</u>
\$ -	13,510	13,510
569,198	(569,198)	-
73,956	-	73,956
-	123,959	123,959
-	579,511	579,511
643,154	147,782	790,936
417,125	(417,125)	-
<u>\$ 1,060,279</u>		
	1,190,857	1,190,857
	103,170	103,170
	869,643	869,643
	<u>\$ 2,163,670</u>	<u>\$ 2,163,670</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, 2010**

<b>Fund balances - governmental funds</b>	\$	417,125
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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>(655,891)</u>	1,894,327

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		569,198
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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		(703,470)	
Deduct - interest payable		<u>(13,510)</u>	<u>(716,980)</u>

<b>Net assets of governmental activities</b>	<b>\$</b>	<b><u>2,163,670</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, 2010**

	<b>Debt Service Funds</b>		
	<b>Regular Drain</b>	<b>Fish Lake Drain</b>	<b>Lamberson Dam Drain</b>
<b>Revenues</b>			
Special assessments	\$ 156,391	\$ 18,158	\$ -
Interest revenue	261	15	92
Miscellaneous	-	-	-
Total revenues	<u>156,652</u>	<u>18,173</u>	<u>92</u>
<b>Expenditures / expenses</b>			
Public works	-	-	171
Capital outlay - construction and maintenance	-	-	-
Principal	122,438	-	-
Interest and fiscal charges	<u>34,419</u>	<u>-</u>	<u>-</u>
Total expenditures / expenses	<u>156,857</u>	<u>-</u>	<u>171</u>
Revenues over (under) expenditures/expenses	<u>(205)</u>	<u>18,173</u>	<u>(79)</u>
<b>Other financing sources (uses)</b>			
Transfers in	-	-	-
Transfers out	<u>-</u>	<u>(6,827)</u>	<u>-</u>
Net change in fund balances	<u>(205)</u>	<u>11,346</u>	<u>(79)</u>
Change in net assets	-	-	-
Fund balance/Net assets (deficit), beginning of year	<u>95,213</u>	<u>(3,274)</u>	<u>169</u>
<b>Net assets, end of year</b>	<u><u>\$ 95,008</u></u>	<u><u>\$ 8,072</u></u>	<u><u>\$ 90</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>
\$ 11,813	\$ 5,168	\$ -	\$ -	\$ -	\$ -	\$ -
353	35	38	89	13	30	-
13,344	-	-	22,325	-	-	-
25,510	5,203	38	22,414	13	30	-
42,752	11,542	401	52,084	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
42,752	11,542	401	52,084	-	-	-
(17,242)	(6,339)	(363)	(29,670)	13	30	-
-	-	-	61,577	4,790	-	-
(36,380)	(15,834)	-	-	-	-	-
(53,622)	(22,173)	(363)	31,907	4,803	30	-
-	-	-	-	-	-	-
257,332	44,863	22,146	3,593	4,616	16,997	-
<u>\$ 203,710</u>	<u>\$ 22,690</u>	<u>\$ 21,783</u>	<u>\$ 35,500</u>	<u>\$ 9,419</u>	<u>\$ 17,027</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, 2010**

	<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	\$ -	\$ 55,941	\$ -	\$ -
Interest revenue	2	42	-	1
Miscellaneous	-	-	-	-
Total revenues	<u>2</u>	<u>55,983</u>	<u>-</u>	<u>1</u>
<b>Expenditures / expenses</b>				
Public works	-	95,045	-	75
Capital outlay - construction and maintenance	-	-	-	-
Principal	-	-	-	-
Interest and fiscal charges	-	2,671	-	-
Total expenditures / expenses	<u>-</u>	<u>97,716</u>	<u>-</u>	<u>75</u>
Revenues over (under) expenditures/expenses	<u>2</u>	<u>(41,733)</u>	<u>-</u>	<u>(74)</u>
<b>Other financing sources (uses)</b>				
Transfers in	-	-	-	-
Transfers out	-	(7,326)	-	-
Net change in fund balances	<u>2</u>	<u>(49,059)</u>	<u>-</u>	<u>(74)</u>
Change in net assets	-	-	-	-
Fund balance/Net assets (deficit), beginning of year	<u>1,032</u>	<u>51,152</u>	<u>-</u>	<u>773</u>
<b>Net assets (deficit), end of year</b>	<u><u>\$ 1,034</u></u>	<u><u>\$ 2,093</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 699</u></u>

<u>Total</u>	<u>GASB 34 Adjustments</u>	<u>Statement of Activities</u>
\$ 247,471	\$ (109,086)	\$ 138,385
971	-	971
35,669	-	35,669
<u>284,111</u>	<u>(109,086)</u>	<u>175,025</u>
202,070	63,755	265,825
-	-	-
122,438	(122,438)	-
37,090	(2,050)	35,040
<u>361,598</u>	<u>(60,733)</u>	<u>300,865</u>
<u>(77,487)</u>	<u>(48,353)</u>	<u>(125,840)</u>
66,367	(66,367)	-
<u>(66,367)</u>	<u>66,367</u>	<u>-</u>
<u>(77,487)</u>	<u>77,487</u>	<u>-</u>
-	(125,840)	(125,840)
<u>494,612</u>	<u>1,794,898</u>	<u>2,289,510</u>
<u>\$ 417,125</u>	<u>\$ 1,746,545</u>	<u>\$ 2,163,670</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, 2010**

**Net change in fund balance - total governmental funds** \$ (77,487)

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 (109,086)

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 122,438

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 2,050

**Change in net assets of governmental activities** \$ (125,840)

**ST. JOSEPH COUNTY, MICHIGAN**  
**Statement of Net Assets and**  
**Governmental Funds Balance Sheet**  
**Department of Public Works Component Unit**  
**December 31, 2010**

	<b>Debt Service Funds</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					

<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
-	-	-	-	2,602,779	2,602,779
<u>\$ 138</u>	<u>\$ 42</u>	<u>\$ 25</u>	<u>\$ 555</u>	<u>\$ 2,602,779</u>	<u>\$ 2,603,334</u>
\$ -	\$ -	\$ -	\$ -	\$ 33,334	\$ 33,334
-	-	-	-	195,000	195,000
-	-	-	-	2,375,000	2,375,000
-	-	-	-	2,603,334	2,603,334
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, 2010**

<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		2,602,779
Deduct - accrued interest payable	(33,334)	
Deduct - bonds and notes payable	(2,570,000)	
	(2,570,000)	(2,603,334)
<b>Net assets of governmental activities</b>	<b>\$</b>	<b>-</b>

**ST. JOSEPH COUNTY, MICHIGAN**  
**Statement of Activities and**  
**Governmental Fund Revenues, Expenditures**  
**and Changes in Fund Balance**  
**Department of Public Works Component Unit**  
**For the Year Ended December 31, 2010**

	<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	\$ 153,881	\$ 31,163	\$ 2,482	\$ 1,737	\$ 21,206
Total revenues	<u>153,881</u>	<u>31,163</u>	<u>2,482</u>	<u>1,737</u>	<u>21,206</u>
<b>Expenditures / expenses</b>					
Debt service:					
Principal	150,000	20,000	-	-	15,000
Interest and fiscal charges	<u>3,881</u>	<u>11,163</u>	<u>2,482</u>	<u>1,737</u>	<u>6,206</u>
Total expenditures/expenses	<u>153,881</u>	<u>31,163</u>	<u>2,482</u>	<u>1,737</u>	<u>21,206</u>
Net change in fund balances	-	-	-	-	-
Fund balance/Net assets, beginning of year	<u>-</u>	<u>-</u>	<u>32</u>	<u>318</u>	<u>-</u>
<b>Net assets, end of year</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 32</u></u>	<u><u>\$ 318</u></u>	<u><u>\$ -</u></u>

<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>
\$ 131,360	\$ -	\$ 117,921	\$ 459,750	\$ (332,635)	\$ 127,115
131,360	-	117,921	459,750	(332,635)	127,115
90,000	-	55,000	330,000	(330,000)	-
41,360	-	62,921	129,750	(2,635)	127,115
131,360	-	117,921	459,750	(332,635)	127,115
-	-	-	-	-	-
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, 2010**

<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		(332,635)
<p>Bond proceeds provide current financial resources to 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 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	\$ 330,000	
Add - decrease in accrual for interest payable on bonds and notes	<u>2,635</u>	<u>332,635</u>
<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b>-</b>

**ST. JOSEPH COUNTY, MICHIGAN**  
**Statement of Net Assets and**  
**Governmental Funds Balance Sheet**  
**Economic Development Corporation Component Unit**  
**December 31, 2010**

	<u>Special Revenue</u>	<u>GASB 34 Adjustments</u>	<u>Statement of Net Assets</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 24,268	\$ -	\$ 24,268
Due from other governments	47,934	-	47,934
Capital assets being depreciated, net	-	2,605	2,605
<b>Total assets</b>	<u>\$ 72,202</u>	<u>2,605</u>	<u>74,807</u>
<b>Liabilities</b>			
Accounts payable	\$ 26,239	-	26,239
Accrued liabilities	3,556	-	3,556
<b>Total liabilities</b>	<u>29,795</u>	<u>-</u>	<u>29,795</u>
<b>Fund balance / net assets</b>			
Fund balance - unreserved- Undesignated	42,407	(42,407)	-
<b>Total fund balance</b>	<u>42,407</u>	<u>(42,407)</u>	<u>-</u>
<b>Total liabilities and fund balance</b>	<u>\$ 72,202</u>		
Net assets- Unrestricted		45,012	45,012
<b>Total net assets</b>		<u>\$ 45,012</u>	<u>\$ 45,012</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, 2010**

<b>Fund balances - governmental funds</b>	\$	42,407
<p>Amounts reported for governmental activities in the Statement of Net Assets are different because:</p> <p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.</p>		
Add - equipment	\$	9,887
Deduct - accumulated depreciation		<u>(7,282)</u>
		<u>2,605</u>
<b>Net assets of governmental activities</b>	<b>\$</b>	<b><u><u>45,012</u></u></b>

**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, 2010**

	<u>Special Revenue</u>	<u>GASB 34 Adjustments</u>	<u>Statement of Activities</u>
<b>Revenues</b>			
Intergovernmental:			
Federal/State	\$ 109,745	\$ -	\$ 109,745
Local	79,938	-	79,938
Interest revenue	588	-	588
Miscellaneous	38,858	-	38,858
	<hr/>	<hr/>	<hr/>
Total revenues	229,129	-	229,129
<b>Expenditures / expenses</b>			
Community development	233,068	225	233,293
Capital outlay	1,609	(1,609)	-
	<hr/>	<hr/>	<hr/>
Total expenditures / expenses	234,677	(1,384)	233,293
Net change in fund balance	(5,548)	5,548	-
Change in net assets	-	(4,164)	(4,164)
Net assets, beginning of year	47,955	1,221	49,176
	<hr/>	<hr/>	<hr/>
<b>Net assets, end of year</b>	<u>\$ 42,407</u>	<u>\$ 2,605</u>	<u>\$ 45,012</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, 2010**

**Net change in fund balance - total governmental funds** \$ (5,548)

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	1,609
Deduct - depreciation expense	(225)
	(4,164)

**Change in net assets of governmental activities** \$ (4,164)

# SINGLE AUDIT ACT COMPLIANCE

**St. Joseph County, Michigan**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2010**

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	\$ 215,468
<b>Total U.S. Department of Housing and Urban Development</b>				<u>215,468</u>
<b>U.S. Department of Justice</b>				
Direct Program:				
Bullet Proof Vest Partnership Program	16.607		1,436	1,436
Recovery Act - 09/10 Edward Byrne Memorial Grant (JAG)	16.804	N/A	13,442	14,808
Passed through City of Three Rivers -				
Recovery Act - 09/10 Edward Byrne Memorial Grant (JAG)	16.804	N/A	14,808	13,442
Passed through Michigan Department of Human Services -				
Juvenile Justice and Delinquency Prevention -				
2010 Basic Grant	16.540	N/A	13,805	<u>13,805</u>
<b>Total U.S. Department of Justice</b>				<u>43,491</u>
<b>U.S. Department of Transportation</b>				
Passed-through the Michigan Department of State Police				
Office Of Highway Safety Planning:				
2010 Highway Safety Project Enforcement Grant	20.600	PT-10-38	2,990	2,990
FY09 HMEP	20.703		2,013	<u>2,013</u>
<b>Total U.S. Department of Transportation</b>				<u>5,003</u>
<b>U.S. Environmental Protection Agency</b>				
Direct Program:				
Brownfield Assessment and Clean-up	66.818	BF00E34701	200,000	77,086
Brownfield Assessment and Clean-up	66.818	BF00E96201	200,000	<u>8,272</u>
<b>Total U.S. Environmental Protection Agency</b>				<u>85,358</u>

continued...

**St. Joseph County, Michigan**  
**Schedule of Expenditures of Federal Awards (Continued)**  
**For the Year Ended December 31, 2010**

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 FY09/10 Disease Prevention	93.043	n/a	\$ 1,834	\$ 1,834
Title 111B Special Programs for the Aging FY09/10	93.044	n/a	26,490	25,235
Title 111C Special Programs for the Aging FY09/10 Nutrition Congregate	93.045	n/a	60,631	57,344
FY09/10 Nutrition Home Delivered Meals	93.045	n/a	51,200	51,200
National Family Caregiver Support FY09/10	93.052	n/a	28,809	27,887
Nutrition Services Incentive Program 09/10 Elderly Feeding (Congregate)	93.053	n/a	29,943	29,203
09/10 Elderly Feeding (Home Delivered Meals)	93.053	n/a	47,663	47,663
09/10 ARRA (Congregate)	93.707	n/a	8,296	8,296
09/10 ARRA(Home Delivered Meals)	93.705	n/a	6,390	6,390
09/10 ARRA(Path)	93.725	n/a	13,340	2,844
Child Support Enforcement: Title IV-D	93.563	CSCOM-10-75003	628,271	620,527
Incentive Payments 2010 Regular	93.563	n/a	113,775	<u>113,775</u>
<b>Total U.S. Department of Health and Human Services</b>				<u>992,198</u>

continued...

**St. Joseph County, Michigan**  
**Schedule of Expenditures of Federal Awards (Concluded)**  
**For the Year Ended December 31, 2010**

Federal/Pass-through Grantor Program Title	CFDA Number	Pass-through Grantor Number	Award Amount	Federal Expenditures
<b>U.S. Department of Energy</b>				
Passed-through the Michigan Department of Energy, Labor & Economic Growth - Recovery Act - Energy Efficiency and Conservation Block Grant	81.128	n/a	\$ 267,014	<u>\$ 267,014</u>
<b>Total U.S. Department of Energy</b>				<u>267,014</u>
<b>U.S. Department of Homeland Security</b>				
Passed-through Michigan Department of Natural Resources and Environment - 2010 Marine Safety Grant	97.012	n/a	24,710	24,710
Passed through Michigan State Police Homeland Security Grant Program: FY10 Emergency Management Performance Grant	97.042	n/a	23,707	23,707
2007-HSGP-SHSP & LETPP (Through VanBuren)	97.067		4,477	4,109
2008-HSGP-SHSP & LETPP (Through VanBuren)	97.067		80,645	<u>80,645</u>
<b>Total U.S. Department of Homeland Security</b>				<u>133,171</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>				<u><u>\$ 1,741,703</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 17, 2011

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, 2010, and have issued our report thereon dated June 17, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2010-1 to be a material weakness.

### **Compliance and Other Matters**

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

We noted certain matters that we reported to management of St. Joseph County, Michigan in a separate letter dated June 17, 2011.

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

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 THAT COULD HAVE A DIRECT AND MATERIAL  
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

June 17, 2011

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, 2010. 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, 2010.

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

**COUNTY OF ST. JOSEPH, MICHIGAN**

**Schedule of Findings and Questioned Costs**

**For the Year Ended December 31, 2010**

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

**Financial Statements**

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?  X  yes   no

Significant deficiency(ies) identified?   yes  X  none reported

Noncompliance material to financial statements noted?   yes  X  no

**Federal Awards**

Internal Control over major programs:

Material weakness(es) identified?   yes  X  no

Significant deficiency(ies) identified?   yes  X  none reported

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

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

**COUNTY OF ST. JOSEPH, MICHIGAN**

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

**For the Year Ended December 31, 2010**

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

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**

**2010-1      Bank Reconciliations - Material Weakness in Internal Controls over Cash**

**Criteria.** A strong system of internal control mandates that all cash and investment accounts are reconciled on a periodic basis.

**Condition.** The County is not preparing bank reconciliations in a timely manner. The bank reconciliations throughout 2010 for the pooled cash account and other accounts were not prepared timely on a monthly basis. As the bank reconciliations were completed in 2011 they included many reconciling amounts that required large adjustments and correcting transfers.

**Cause.** Many factors including an illness in the Treasurer's office lead to the bank reconciliation process not getting done on a timely basis.

**Effect.** When the County does not reconcile its cash and investment accounts on a timely basis, these accounts are more susceptible to fraud and misstatement.

**Recommendation.** We recommend the County review its current bank reconciliation procedures and make appropriate changes to those procedures to ensure that all bank accounts are reconciled on a timely basis throughout the year. We also recommend that the procedures provide for the timely resolution and correction of reconciling items.

**View of Responsible Officials.**

In the future, the Treasurer's office will strive to reconcile all cash and investment accounts on a timely basis.

**COUNTY OF ST. JOSEPH, MICHIGAN**  
**Schedule of Findings and Questioned Costs (Concluded)**  
**For the Year Ended December 31, 2010**

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

No matters were reported.

**SECTION IV – PRIOR YEAR FINDINGS**

No matters were reported.

\* \* \* \* \*

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

June 17, 2011

To the Board of Commissioners  
St. Joseph County

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *St. Joseph County* (the “County”) for the year ended December 31, 2010, and have issued our report thereon dated June 17, 2011. 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 11, 2011, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

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

As part of obtaining reasonable assurance about whether the County’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the County’s compliance with the types of compliance requirements described in the *U.S. Office of*

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

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

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter and our meeting about planning matters on April 25, 2011.

### **Significant Audit Observations**

#### *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 17, 2011.

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

## St. Joseph County

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

For the Year Ended December 31, 2010

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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, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered the County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding 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 have been identified.

*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. The deficiency we noted that we consider to be a material weakness is described in the Schedule of Findings and Questioned Costs in the County's Single Audit report.

*A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

#### **Other Matters**

##### *Cash receipting – Register of Deeds - (repeat comment)*

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, 2010

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#### Cash receipting – District Court

During the cash receipts walkthrough procedures it was noted that there is no indication (initials and date) of an independent review of the monthly transmittal indicating the total cash collected agrees with the “Daily Deposit Receipt Log.” We recommend that the monthly transmittals be initialed by the Court Administrator in order to enhance internal controls.

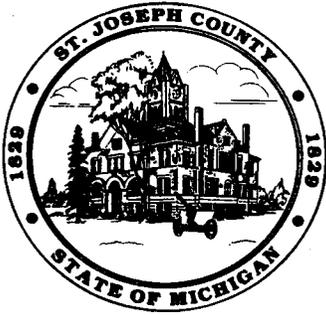
#### New Accounting Pronouncement – GASB 54 (Information Point)

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, which will be effective for the County for the fiscal year ending December 31, 2011. This Statement changes the classifications of fund balance in governmental funds, and somewhat modifies the definition of special revenue funds for external financial reporting.

Under GASB 54, fund balances have new classification terminology. In summary, nonspendable fund balance is required to be intact, restricted fund balance will represent specific sources stipulated by external resource providers, committed fund balance is used for specific purposes as determined by formal action of the board, assigned fund balance will represent fund balance intended to be used for specific purposes by management, and unassigned fund balance is the residual with no restrictions or designations.

As with any new accounting standard, other issues are sure to arise during its implementation, and we will continue to monitor emerging best practices in this area. In the meantime, if you have any questions or concerns, please do not hesitate to contact us.

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## COUNTY ADMINISTRATOR

Telephone: (269) 467-5617  
Fax: (269) 467-5628

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

June 17, 2011

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, 2010 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 17, 2011, 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 Board of Commissioners or summaries of actions of recent meetings for which minutes have not yet been prepared.
3. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
4. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements or the schedule of expenditures of federal awards.

5. We are in agreement with the adjusting journal entries you have proposed, and they have been posted. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.
6. We have no knowledge of any fraud or suspected fraud affecting the entity involving:
  - a. Management,
  - b. Employees who have significant roles in internal control, or
  - c. Others where the fraud could have a material effect on the financial statements.
7. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, or others.
8. We have 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.
9. We have a process to track the status of audit findings and recommendations.
10. 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.
11. We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
12. The County has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
13. 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 any companies affiliated with or owned by such individuals.
  - 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.

14. 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.
15. 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.
16. 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.
17. 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.
18. 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.
19. 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.
20. The financial statements properly classify all funds and activities.
21. 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.
22. 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.

23. Provisions for uncollectible receivables have been properly identified and recorded.
24. 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.
25. 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.
26. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
27. Deposits and investment securities are properly classified as to risk, and investments are properly valued.
28. Capital assets, including infrastructure assets, are properly capitalized, reported, and, if applicable, depreciated.
29. The government meets the GASB-established requirements for accounting for eligible infrastructure assets using the modified approach.
30. Required supplementary information (RSI) is measured and presented within prescribed guidelines.
31. With respect to federal award programs:
  - a. We are responsible for complying and have complied with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.
  - b. We have, in accordance with OMB Circular A-133, identified in the schedule of expenditures of federal awards, expenditures made during the audit period for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance.
  - c. We are responsible for complying with, and have complied with in all material respects, the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major federal program.
  - d. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance requirements applicable to federal programs that provides reasonable assurance that we are managing our federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended. Also, no changes have been made in

internal control over compliance or other factors to the date of this letter that might significantly affect internal control, including any corrective action taken with regard to significant deficiencies (including material weaknesses) reported in the schedule of findings and questioned costs.

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

- p. We have disclosed to you all contracts or other agreements with service organizations, and we have disclosed to you all communications from the service organizations relating to noncompliance at the service organizations.

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

Judy Westling  
Signature

Council Administrator  
Title

Daniel P. Carey  
Signature

Finance Director  
Title