

St. Joseph
County, Michigan



Year Ended
December 31,
2011

Financial
Statements and
Single Audit Act
Compliance

ST. JOSEPH COUNTY, MICHIGAN

Table of Contents

	<u>Page</u>
FINANCIAL SECTION	
Independent Auditors' Report	1-2
Management's Discussion and Analysis	4-9
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	12
Statement of Activities	13-14
Fund Financial Statements:	
Balance Sheet - Governmental Funds	16
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets	17
Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds	18
Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Statement of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual:	
General Fund	20
Central Dispatch	21
Commission on Aging	22
Statement of Net Assets - Proprietary Funds	23
Statement of Revenue, Expenses and Changes in Net Assets - Proprietary Funds	24
Statement of Cash Flows - Proprietary Funds	25-26
Statement of Fiduciary Net Assets and Liabilities - Fiduciary Funds	27
Combining Statement of Net Assets - Discretely Presented Component Units	28-29
Combining Statement of Activities - Discretely Presented Component Units	30-31
Notes to Financial Statements	33-59
Required Supplementary Information:	
Schedule of Funding Progress and Employer Contributions - Pension	60
Combining and Individual Fund Financial Statements	
Detailed Schedule of Revenues and Other Financing Sources - Budget and Actual General Fund	62-63
Detailed Schedule of Expenditures and Other Financing Uses - Budget and Actual General Fund	64-65
Combining Balance Sheet - Nonmajor Governmental Funds	66-71
Combining Statement of Revenue, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	72-77

ST. JOSEPH COUNTY, MICHIGAN

Table of Contents

	<u>Page</u>
Combining and Individual Fund Financial Statements (Continued)	
Combining Statement of Net Assets - Nonmajor Enterprise Funds	78
Combining Statement of Revenue, Expenses and Changes in Fund Net Assets - Nonmajor Enterprise Funds	79
Combining Statement of Cash Flows - Nonmajor Enterprise Funds	80
Combining Statement of Fiduciary Assets and Liabilities - Agency Funds	81
Component Units:	
Drainage Districts:	
Statement of Net Assets and Governmental Funds Balance Sheet	84-87
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets	88
Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balances	90-93
Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	94
Department of Public Works:	
Statement of Net Assets and Governmental Funds Balance Sheet	96-97
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets	98
Statement of Activities and Governmental Funds Revenue, Expenses and Changes in Fund Balance	100-101
Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	102
Economic Development Corporation:	
Statement of Net Assets and Governmental Funds Balance Sheet	103
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets	104
Statement of Activities and Governmental Fund Revenue, Expenditures and Changes in Fund Net Assets	105
Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	106
SINGLE AUDIT ACT COMPLIANCE	
Schedule of Expenditures of Federal Awards	108-109
Notes to Schedule of Expenditures of Federal Awards	110
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 <i>Government Auditing Standards</i>	111-112
Independent Auditors' 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	113-114

ST. JOSEPH COUNTY, MICHIGAN

■ Table of Contents

	<u>Page</u>
Schedule of Findings and Questioned Costs	115
Summary Schedule of Prior Audit Findings	116

INDEPENDENT AUDITORS' REPORT

June 12, 2012

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 (the "County"), as of and for the year ended December 31, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of St. Joseph County, Michigan. 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, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and each major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2012, on our consideration of St. Joseph County, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants, agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 9 and the pension schedules on page 60 to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining and individual nonmajor fund financial statements and schedules 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, and is also not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

ST. JOSEPH COUNTY, MICHIGAN

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, 2011. 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 \$44.3 million (net assets). Of this amount, approximately \$27.5 million (unrestricted net assets) may be used to meet the government's ongoing obligations.
- The government's total net assets increased by \$1.3 million or 3 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 \$12.8 million, an increase of approximately \$.6 million or 4.9 percent more than the prior year. Of this total, the unassigned fund balance of approximately \$7.5 million or 59 percent is available for spending. Approximately \$5.3 million or 41 percent of the total is available only for the special revenue fund purposes from which these funds are derived.
- At the end of the fiscal year the unassigned fund balance for the General Fund was approximately \$7.5 million, an amount equal to 57 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 \$318,901 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.

ST. JOSEPH COUNTY, MICHIGAN

Management's Discussion and Analysis

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 Fund, Central Dispatch Fund, and Commission on Aging fund, each of which is considered to be a major fund. For purposes of financial statement presentation the Budget Stabilization Fund and the Parks and Recreation Fund are combined with the General Fund (See Note 16). 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 fund, 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 General Fund, Central Dispatch Fund, and Commission on Aging Fund 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.

ST. JOSEPH COUNTY, MICHIGAN

Management's Discussion and Analysis

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

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 \$44.3 million at the close of the fiscal year. This amount compares favorably with the prior year where net assets totaled \$43 million.

The County's net assets include approximately \$11.5 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 \$5.3 million. The remaining balance of unrestricted net assets (\$27.5 million or 62 percent) may be used to meet the government's ongoing obligations.

	Net Assets					
	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$16,406,391	\$15,915,842	\$19,995,188	\$19,377,010	\$36,401,579	\$35,292,852
Capital assets, net	11,460,380	11,368,744	6,956	8,327	11,467,336	11,377,071
Total assets	27,866,771	27,284,586	20,002,144	19,385,337	47,868,915	46,669,923
Total liabilities	\$ 3,605,297	\$ 3,709,937	\$ 3,824	\$ 3,825	\$ 3,609,121	\$ 3,713,762
Net assets:						
Invested in capital assets, net of related debt	11,460,380	11,368,744	6,956	8,327	11,467,336	11,377,071
Restricted	5,250,575	6,563,660	-	-	5,250,575	6,563,660
Unrestricted	7,550,519	5,642,245	19,991,364	19,373,185	27,541,883	25,015,430
Total net assets	\$24,261,474	\$23,574,649	\$19,998,320	\$19,381,512	\$44,259,794	\$42,956,161

ST. JOSEPH COUNTY, MICHIGAN

Management's Discussion and Analysis

	Change in Net Assets					
	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Program revenues:						
Charges for services	\$ 3,649,834	\$ 3,738,613	\$ 939,040	\$ 1,009,598	\$ 4,588,874	\$ 4,748,211
Operating grants	4,441,153	4,611,497	-	-	4,441,153	4,611,497
Capital grants	-	-	-	-	-	-
General revenues:						
Property taxes	11,493,743	11,677,616	-	-	11,493,743	11,677,616
Investment earnings	43,192	74,675	62,750	76,291	105,942	150,966
Total revenues	19,627,922	20,102,401	1,001,790	1,085,889	20,629,712	21,188,290
Expenses:						
General government	7,895,333	7,565,282	-	-	7,895,333	7,565,282
Public safety	6,347,051	6,471,923	-	-	6,347,051	6,471,923
Public works	145,245	76,145	-	-	145,245	76,145
Health and social services	3,735,539	3,593,153	-	-	3,735,539	3,593,153
Parks, recreation and cultural	234,252	344,932	-	-	234,252	344,932
Community development	74,630	310,145	-	-	74,630	310,145
Unallocated depreciation	697,015	614,239	-	-	697,015	614,239
Other	-	-	197,014	164,051	197,014	164,051
Total expenses	19,129,065	18,975,819	197,014	164,051	19,326,079	19,139,870
Change in net assets, before transfers						
	498,857	1,126,582	804,776	921,838	1,303,633	2,048,420
Transfers	187,968	50,312	(187,968)	(48,486)	-	1,826
Change in net assets	686,825	1,176,894	616,808	873,352	1,303,633	2,050,246
Net assets:						
Beginning of year	23,574,649	22,397,755	19,381,512	18,508,160	42,956,161	40,905,915
End of year	\$24,261,474	\$23,574,649	\$19,998,320	\$19,381,512	\$ 44,259,794	\$42,956,161

The preceding table shows that the net assets of governmental activities increased by approximately \$.69 million or 2.9 percent during 2011 as compared to an increase of approximately \$1.18 million in the prior year.

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 \$12.8 million. This represents an increase of approximately \$.6 million in comparison with the prior year. The General Fund maintained its fund balance at approximately the prior year balance. The Facilities Maintenance Fund increased its fund balance by approximately \$102,000, Central Dispatch by approximately \$152,000, Central Dispatch Wireless by approximately \$129,000, the Commission on Aging by approximately \$91,000 and Child Care Probate Court by approximately \$183,000. The Information Technology Improvement Fund decreased its fund balance by approximately \$130,000.

Proprietary Funds. Net assets of the County's business-type activities increased by approximately \$.62 million. Net assets of the tax payment fund increased by approximately \$806,000 while net assets of the other nonmajor enterprise funds decreased by approximately \$190,000.

ST. JOSEPH COUNTY, MICHIGAN

Management's Discussion and Analysis

General Fund Budgetary Highlights

The original General Fund budget of \$14.7 million increased to \$15.1 million after revisions; however, actual expenditures totaled only \$14.5 million for a net savings of approximately \$660,000 or 4.4 percent under the revised budget. Expenditure savings came from many departments.

Actual revenues came in at just over \$14.4 million or within 1.2 percent of the revised budget of \$14.3 million. A number of revenue categories were less than expected. The "Other Revenue" category however was significantly more than anticipated primarily due to insurance related reimbursements and refunds.

Capital Asset and Debt Administration

Capital Assets. At the end of 2011, the County had invested \$11,467,336 and \$1,832,736 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 \$11,774,446 for the primary government. Depreciation charges for the fiscal year totaled \$698,386 for the primary government and \$64,196 for the component units.

The County expended approximately \$789,000 for capital asset additions in 2011. The most significant of the additions were land acquisition of approximately \$50,000; laptop computers for police vehicles totaling approximately \$254,000; police vehicles totaling approximately \$121,000; and renovation of the jail's roof and exterior which is shown as construction progress of \$227,881 at year end.

	Governmental Activities		Business-type Activities		Component Units	
	2011	2010	2011	2010	2011	2010
Land	\$ 593,024	\$ -	\$ -	\$ -	\$ -	\$ -
Construction in progress	227,881	-	-	-	-	-
Land improvements, net	933,870	-	-	-	-	-
Buildings, net	7,214,610	-	-	-	-	-
Vehicles and equipment, net	2,490,995	-	6,956	-	2,165	-
Drains, net	-	-	-	-	1,830,571	-
Total capital assets, net	\$11,460,380	\$ -	\$ 6,956	\$ -	\$ 1,832,736	\$ -

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.

ST. JOSEPH COUNTY, MICHIGAN

Management's Discussion and Analysis

	January 1, 2011	Additions	Reductions	December 31, 2011
Outstanding debt as of December 31, 2011				
Component units				
Board of Public Works				
Water and sewer bonds	\$ 2,415,000	\$ -	\$ 195,000	\$ 2,220,000
Drainage districts				
Drain bonds and notes	703,470	-	123,901	579,569
Total	<u>\$ 3,118,470</u>	<u>\$ -</u>	<u>\$ 318,901</u>	<u>\$ 2,799,569</u>
Debt limit (10% of SEV)				<u>\$ 244,766,120</u>
Available statutory debt limit				<u>\$ 241,966,551</u>

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, 2010 was approximately \$2.45 billion; therefore the County's debt limitation was approximately \$245 million. The County remains well below its legal debt limit by over \$241 million.

Economic Factors and Next Year's Budget and Rates

- Revenue Sharing payments are facing significant cutbacks due to State budget concerns. The continuation of these payments is possibly tied to required operational changes such as collaborating with other municipalities and/or agencies, changes to employee pension benefits and the creation of web based financial "dashboards".
- 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 2012. The County continues to look for ways to increase efficiencies and reduce the cost of doing business. In addition, during 2011 the Board of Commissioners began exploring ways in which the County could lead economic development initiatives to help promote and create job opportunities, enhance the quality of life for St. Joseph County residents and to attract people to relocate to St. Joseph County.

Requests for Information

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, smithj@stjosephcountymi.org.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

ST. JOSEPH COUNTY, MICHIGAN

Statement of Net Assets

December 31, 2011

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 11,042,093	\$ 15,969,642	\$ 27,011,735	\$ 2,718,536
Investments	1,999,246	1,001,250	3,000,496	1,240,895
Receivables, net	2,949,083	3,024,296	5,973,379	5,562,438
Other assets	415,969	-	415,969	1,677,997
Capital assets not being depreciated	820,905	-	820,905	9,012,118
Capital assets being depreciated, net	10,639,475	6,956	10,646,431	26,647,627
Total assets	27,866,771	20,002,144	47,868,915	46,859,611
Liabilities				
Accounts payable and accrued expenses	1,444,828	3,824	1,448,652	1,719,513
Interest payable	-	-	-	43,461
Unearned revenue	2,160,469	-	2,160,469	1,249,917
Long-term liabilities:				
Due within one year	-	-	-	740,430
Due in more than one year	-	-	-	5,203,104
Other noncurrent liability - net other postemployment benefit liability	-	-	-	863,914
Total liabilities	3,605,297	3,824	3,609,121	9,820,339
Net assets				
Invested in capital assets, net of related debt	11,460,380	6,956	11,467,336	32,347,716
Restricted for:				
Debt service	-	-	-	98,796
Capital projects	255,630	-	255,630	-
Other purposes	4,980,514	-	4,980,514	292,500
Permanent trust	14,431	-	14,431	-
Unrestricted	7,550,519	19,991,364	27,541,883	4,300,260
Total net assets	\$ 24,261,474	\$ 19,998,320	\$ 44,259,794	\$ 37,039,272

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

ST. JOSEPH COUNTY, MICHIGAN

Statement of Activities

For the Year Ended December 31, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities:					
General government	\$ 7,895,333	\$ 2,038,774	\$ 3,031,202	\$ -	\$ (2,825,357)
Public safety	6,347,051	946,262	657,811	-	(4,742,978)
Public works	145,245	220,998	-	-	75,753
Health and social services	3,735,539	350,322	727,289	-	(2,657,928)
Parks, recreation, and cultural	234,252	73,593	-	-	(160,659)
Community development	74,630	19,885	24,851	-	(29,894)
Unallocated depreciation	697,015	-	-	-	(697,015)
Total governmental activities	19,129,065	3,649,834	4,441,153	-	(11,038,078)
Business-type activities:					
Tax Payment Fund	-	146,908	-	-	146,908
Other	197,014	792,132	-	-	595,118
Total business-type activities	197,014	939,040	-	-	742,026
Total primary government	\$ 19,326,079	\$ 4,588,874	\$ 4,441,153	\$ -	\$ (10,296,052)
Component units					
Board of Public Works	\$ 110,122	\$ -	\$ 110,122	\$ -	\$ -
Drainage Districts	119,836	5,838	-	47,848	(66,150)
Economic Development Corporation	377,083	13,239	338,505	-	(25,339)
Road Commission	7,164,672	268,848	5,009,038	144,304	(1,742,482)
Community Mental Health Authority	14,767,392	12,433,794	2,367,650	-	34,052
Total component units	\$ 22,539,105	\$ 12,721,719	\$ 7,825,315	\$ 192,152	\$ (1,799,919)

Continued...

ST. JOSEPH COUNTY, MICHIGAN

Statement of Activities

For the Year Ended December 31, 2011

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Totals	
Change in net assets				
Net (expense) revenue	\$ (11,038,078)	\$ 742,026	\$ (10,296,052)	\$ (1,799,919)
General revenues:				
Property taxes	11,493,743	-	11,493,743	1,240,283
Unrestricted investment earnings	43,192	62,750	105,942	19,143
Transfers - internal activities	187,968	(187,968)	-	-
Total general revenues and transfers	11,724,903	(125,218)	11,599,685	1,259,426
Change in net assets	686,825	616,808	1,303,633	(540,493)
Net assets, beginning of year	23,574,649	19,381,512	42,956,161	37,579,765
Net assets, end of year	\$ 24,261,474	\$ 19,998,320	\$ 44,259,794	\$ 37,039,272

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

FUND FINANCIAL STATEMENTS

ST. JOSEPH COUNTY, MICHIGAN

Balance Sheet Governmental Funds December 31, 2011

	Special Revenue Funds				
	General	Central Dispatch	Commission on Aging	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 5,297,846	\$ 1,401,740	\$ 1,841,132	\$ 1,953,195	\$ 10,493,913
Investments	1,999,246	-	-	-	1,999,246
Receivables:					
Property taxes	870,574	1,414,586	-	-	2,285,160
Accounts, net	63,305	-	17,565	108,322	189,192
Interest receivable	2,315	-	-	-	2,315
Due from other governments-					
Federal/State	233,133	-	52,732	184,791	470,656
Due from other funds	78,178	-	-	-	78,178
Inventory	32,334	-	5,828	-	38,162
Prepays	6,158	7,023	10,137	3,299	26,617
Other assets	147,015	4,693	7,213	10,483	169,404
Total assets	\$ 8,730,104	\$ 2,828,042	\$ 1,934,607	\$ 2,260,090	\$ 15,752,843
Liabilities					
Accounts payable	\$ 144,293	\$ 15,429	\$ 107,854	\$ 44,469	\$ 312,045
Accrued liabilities	289,409	33,401	19,234	24,293	366,337
Due to other governmental units-					
Federal/State	-	-	34,720	-	34,720
Due to other funds	-	-	-	78,178	78,178
Deferred revenue	745,883	1,414,586	-	-	2,160,469
Total liabilities	1,179,585	1,463,416	161,808	146,940	2,951,749
Fund balances					
Nonspendable	38,492	7,023	15,965	3,299	64,779
Restricted	-	1,357,603	1,756,834	2,109,851	5,224,288
Unassigned	7,512,027	-	-	-	7,512,027
Total fund balances	7,550,519	1,364,626	1,772,799	2,113,150	12,801,094
Total liabilities and fund balances	\$ 8,730,104	\$ 2,828,042	\$ 1,934,607	\$ 2,260,090	\$ 15,752,843

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

ST. JOSEPH COUNTY, MICHIGAN

■ Reconciliation of Fund Balances for Governmental Funds to Net Assets of Governmental Activities December 31, 2011

Fund balances - total governmental funds	\$ 12,801,094
Amounts reported for <i>governmental activities</i> in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	820,905
Capital assets being depreciated, net	<u>10,639,475</u>
Net assets of governmental activities	<u>\$ 24,261,474</u>

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

ST. JOSEPH COUNTY, MICHIGAN

Statement of Revenue, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended December 31, 2011

	Special Revenue Funds				Total Governmental Funds
	General	Central Dispatch	Commission on Aging	Nonmajor Governmental Funds	
Revenues					
Property taxes	\$ 8,643,801	\$ 1,419,141	\$ 1,431,002	\$ -	\$ 11,493,944
Licenses and permits	119,730	-	-	6,961	126,691
Intergovernmental-					
Federal/State	2,976,021	-	415,585	1,069,221	4,460,827
Charges for services	1,825,517	-	80,743	467,512	2,373,772
Fines and forfeitures	152,986	-	-	304,724	457,710
Interest and rents	37,868	8,372	-	6,643	52,883
Miscellaneous	379,184	1,903	262,784	18,224	662,095
Total revenues	14,135,107	1,429,416	2,190,114	1,873,285	19,627,922
Expenditures					
Current:					
General government	7,949,622	-	-	163,140	8,112,762
Public safety	4,315,264	1,121,879	-	909,908	6,347,051
Public works	62,257	-	-	82,988	145,245
Health and social services	1,168,369	-	2,098,718	468,452	3,735,539
Community development	10,486	-	-	64,144	74,630
Parks, recreation and culture	118,033	-	-	116,219	234,252
Capital outlay	-	-	-	571,151	571,151
Total expenditures	13,624,031	1,121,879	2,098,718	2,376,002	19,220,630
Revenues over (under) expenditures	511,076	307,537	91,396	(502,717)	407,292
Other financing sources (uses)					
Transfers in	320,478	-	-	1,016,874	1,337,352
Transfers out	(846,578)	(156,000)	-	(146,806)	(1,149,384)
Total other financing sources (uses)	(526,100)	(156,000)	-	870,068	187,968
Net change in fund balances	(15,024)	151,537	91,396	367,351	595,260
Fund balances, beginning of year, as restated	7,565,543	1,213,089	1,681,403	1,745,799	12,205,834
Fund balances, end of year	\$ 7,550,519	\$ 1,364,626	\$ 1,772,799	\$ 2,113,150	\$ 12,801,094

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

ST. JOSEPH COUNTY, MICHIGAN

Reconciliation
of Net Changes in Fund Balances of Governmental Funds
to Change in Net Assets of Governmental Activities
For the Year Ended December 31, 2011

Net change in fund balance - total governmental funds \$ 595,260

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Similarly, governmental funds do not report non-cash donations of capital assets. However, in the statement of activities, such donations are recognized as capital grants and contributions and the estimated fair value of those assets are capitalized and depreciated over their estimated lives.

Expenditures capitalized during the year	788,697
Depreciation expense	(697,015)
Loss on disposal of capital assets	(46)

Internal service funds are used by management to charge the costs of certain activities, such as equipment usage to individual funds. The net revenue of certain internal service funds is reported with governmental activities.

Change in net assets from governmental activities accounted for in internal service funds	(71)
---	------

Change in net assets of governmental activities	\$ 686,825
---	------------

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

ST. JOSEPH COUNTY, MICHIGAN

Statement of Revenue, Expenditures and Changes in Fund Balance Budget and Actual - General Fund For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	\$ 8,663,439	\$ 8,663,439	\$ 8,643,801	\$ (19,638)
Licenses and permits	114,200	114,200	119,730	5,530
Intergovernmental- Federal/State	2,962,864	2,994,503	2,976,021	(18,482)
Charges for services	1,839,774	1,839,774	1,825,517	(14,257)
Fines and forfeitures	167,600	177,475	152,986	(24,489)
Interest and rents	65,000	65,000	37,868	(27,132)
Miscellaneous	91,060	109,127	379,184	270,057
Total revenues	13,903,937	13,963,518	14,135,107	171,589
Expenditures				
Current:				
General government administration	8,535,438	8,545,965	7,949,622	(596,343)
Public safety	4,209,246	4,343,514	4,315,264	(28,250)
Public works	63,483	63,483	62,257	(1,226)
Health and social services	1,218,504	1,191,743	1,168,369	(23,374)
Parks, recreation and culture	126,232	126,232	118,033	(8,199)
Community development	13,078	13,078	10,486	(2,592)
Total expenditures	14,165,981	14,284,015	13,624,031	(659,984)
Revenues over (under) expenditures	(262,044)	(320,497)	511,076	831,573
Other financing sources (uses)				
Transfers in	322,720	322,720	320,478	(2,242)
Transfers out	(539,043)	(847,078)	(846,578)	500
Total other financing sources (uses)	(216,323)	(524,358)	(526,100)	(1,742)
Net changes in fund balance	(478,367)	(844,855)	(15,024)	829,831
Fund balance, beginning of year, as restated	7,565,543	7,565,543	7,565,543	-
Fund balance, end of year	\$ 7,087,176	\$ 6,720,688	\$ 7,550,519	\$ 829,831

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

ST. JOSEPH COUNTY, MICHIGAN

Statement of Revenue, Expenditures and Changes in Fund Balance
 Budget and Actual - Central Dispatch Fund
 For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	\$ 1,409,028	\$ 1,409,028	\$ 1,419,141	\$ 10,113
Interest and rents	5,000	5,000	8,372	3,372
Miscellaneous	500	500	1,903	1,403
Total revenues	1,414,528	1,414,528	1,429,416	14,888
Expenditures				
Current-				
Public safety	1,931,583	1,811,583	1,121,879	(689,704)
Revenues over (under) expenditures	(517,055)	(397,055)	307,537	704,592
Other financing sources (uses)				
Transfers in	120,000	120,000	-	(120,000)
Transfers out	(36,000)	(156,000)	(156,000)	-
Total other sources (uses)	84,000	(36,000)	(156,000)	(120,000)
Net change in fund balance	(433,055)	(433,055)	151,537	584,592
Fund balance, beginning of year	1,213,089	1,213,089	1,213,089	-
Fund balance, end of year	\$ 780,034	\$ 780,034	\$ 1,364,626	\$ 584,592

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

ST. JOSEPH COUNTY, MICHIGAN

■ Statement of Revenue, Expenditures and Changes in Fund Balance
 Budget and Actual - Commission on Aging Fund
 For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	\$ 1,455,060	\$ 1,451,151	\$ 1,431,002	\$ (20,149)
Intergovernmental-				
Federal/State	390,948	420,303	415,585	(4,718)
Charges for services	56,000	56,000	80,743	24,743
Miscellaneous	423,021	330,017	262,784	(67,233)
Total revenues	<u>2,325,029</u>	<u>2,257,471</u>	<u>2,190,114</u>	<u>(67,357)</u>
Expenditures				
Current-				
Health and social services	<u>2,325,029</u>	<u>2,257,471</u>	<u>2,098,718</u>	<u>(158,753)</u>
Net change in fund balance	-	-	91,396	91,396
Fund balance, beginning of year	<u>1,681,403</u>	<u>1,681,403</u>	<u>1,681,403</u>	-
Fund balance, end of year	<u>\$ 1,681,403</u>	<u>\$ 1,681,403</u>	<u>\$ 1,772,799</u>	<u>\$ 91,396</u>

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

ST. JOSEPH COUNTY, MICHIGAN

Statement of Net Assets
 Proprietary Funds
 December 31, 2011

	Business-type Activities - Enterprise Funds			Governmental Activities
	Tax Payment Fund	Nonmajor Funds	Total	Internal Service Funds
Assets				
Current assets:				
Cash and cash equivalents	\$ 15,626,234	\$ 343,408	\$ 15,969,642	\$ 548,180
Investments	1,001,250	-	1,001,250	-
Receivables:				
Property taxes	2,985,873	-	2,985,873	-
Accounts, net	1,312	26,890	28,202	1,760
Interest receivable	10,221	-	10,221	-
Prepays	-	-	-	181,786
Total current assets	<u>19,624,890</u>	<u>370,298</u>	<u>19,995,188</u>	<u>731,726</u>
Noncurrent assets-				
Equipment	-	6,956	6,956	-
Total assets	<u>19,624,890</u>	<u>377,254</u>	<u>20,002,144</u>	<u>731,726</u>
Liabilities				
Current liabilities:				
Accounts payable	-	2,203	2,203	-
Accrued liabilities	-	1,621	1,621	-
Current portion of Accrued compensated absences	-	-	-	731,726
Total current liabilities	<u>-</u>	<u>3,824</u>	<u>3,824</u>	<u>731,726</u>
Total liabilities	<u>-</u>	<u>3,824</u>	<u>3,824</u>	<u>731,726</u>
Net assets				
Invested in capital assets	-	6,956	6,956	-
Unrestricted	19,624,890	366,474	19,991,364	-
Total net assets	<u>\$ 19,624,890</u>	<u>\$ 373,430</u>	<u>\$ 19,998,320</u>	<u>\$ -</u>

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

ST. JOSEPH COUNTY, MICHIGAN

Statement of Revenue, Expenses and Changes in Fund Net Assets Proprietary Funds For the Year Ended December 31, 2011

	Business-type Activities - Enterprise Funds			Governmental Activities
	Tax Payment Fund	Nonmajor Funds	Total	Internal Service Funds
Operating revenues				
Charges for services	\$ -	\$ 129,233	\$ 129,233	\$ 2,174,761
Interest on taxes	750,021	-	750,021	-
Other revenues	-	59,786	59,786	-
Total operating revenues	750,021	189,019	939,040	2,174,761
Operating expenses				
Personal services and benefits	-	195,643	195,643	2,174,832
Depreciation	-	1,371	1,371	-
Total operating expenses	-	197,014	197,014	2,174,832
Operating income (loss)	750,021	(7,995)	742,026	(71)
Nonoperating revenues				
Interest income	56,359	6,391	62,750	-
Income (loss) before transfers	806,380	(1,604)	804,776	(71)
Transfers out	-	(187,968)	(187,968)	-
Change in net assets	806,380	(189,572)	616,808	(71)
Net assets, beginning of year	18,818,510	563,002	19,381,512	71
Net assets, end of year	\$ 19,624,890	\$ 373,430	\$ 19,998,320	\$ -

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, 2011

	Business-type Activities - Enterprise Funds			Governmental Activities
	Tax Payment Fund	Nonmajor Funds	Total	Internal Service Funds
Cash flows from operating activities				
Cash received from customers	\$ 627,677	\$ 125,851	\$ 753,528	\$ 2,237,679
Cash received from others	-	59,005	59,005	-
Cash paid to/for employees	-	(57,486)	(57,486)	(2,146,089)
Cash paid to suppliers	(315)	(136,957)	(137,272)	-
Net cash provided by (used in) operating activities	<u>627,362</u>	<u>(9,587)</u>	<u>617,775</u>	<u>91,590</u>
Cash flows from non-capital financing activities				
Transfers out	-	(187,968)	(187,968)	-
Cash flows from investing activities				
Purchase of investments	(36,164)	-	(36,164)	-
Interest received	56,359	6,391	62,750	-
Net cash provided by investing activities	<u>20,195</u>	<u>6,391</u>	<u>26,586</u>	<u>-</u>
Net change in cash and cash equivalents	647,557	(191,164)	456,393	91,590
Cash and cash equivalents, beginning of year	14,978,677	534,572	15,513,249	456,590
Cash and cash equivalents, end of year	<u>\$ 15,626,234</u>	<u>\$ 343,408</u>	<u>\$ 15,969,642</u>	<u>\$ 548,180</u>

Continued...

ST. JOSEPH COUNTY, MICHIGAN

Statement of Cash Flows (Concluded)
 Proprietary Funds
 For the Year Ended December 31, 2011

	Business-type Activities - Enterprise Funds			Governmental Activities
	Tax Payment Fund	Nonmajor Funds	Total	Internal Service Funds
Reconciliation of operating income to net cash provided by operating activities				
Operating income (loss)	\$ 750,021	\$ (7,995)	\$ 742,026	\$ (71)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities				
Depreciation and amortization	-	1,371	1,371	-
Change in assets and liabilities:				
Taxes receivable	(153,950)	-	(153,950)	-
Accounts receivable	26,529	(3,277)	23,252	9,676
Interest receivable	5,077	-	5,077	-
Prepays	-	-	-	53,242
Accounts payable	(315)	470	155	-
Accrued liabilities	-	(156)	(156)	-
Accrued compensated absences	-	-	-	28,743
Net cash provided by (used in) operating activities	<u>\$ 627,362</u>	<u>\$ (9,587)</u>	<u>\$ 617,775</u>	<u>\$ 91,590</u>

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

ST. JOSEPH COUNTY, MICHIGAN

■ Statement of Fiduciary Assets and Liabilities

Fiduciary Funds
December 31, 2011

Assets	
Cash and cash equivalents	\$ 1,706,465
Accounts receivable	<u>253,847</u>
Total assets	<u>\$ 1,960,312</u>
Liabilities	
Due to individuals/agencies	\$ 1,854,035
Due to other governmental units	<u>106,277</u>
Total liabilities	<u>\$ 1,960,312</u>

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, 2011

	Department of Public Works	Drainage Districts	Economic Development Corporation
Assets			
Cash and cash equivalents	\$ 705	\$ 421,534	\$ 20,176
Investments	-	-	-
Receivables:			
Special assessments	-	466,295	-
Accounts, net	-	-	91,545
Leases receivable	2,249,788	-	-
Inventories	-	-	-
Prepays	-	-	-
Capital assets not being depreciated	-	-	-
Capital assets being depreciated, net	-	1,830,571	2,165
Total assets	2,250,493	2,718,400	113,886
Liabilities			
Accounts payable	-	319	91,905
Accrued liabilities	-	-	2,062
Interest payable	30,493	12,968	-
Due to other governments	-	-	-
Unearned revenue	-	-	-
Advances from primary government	-	27,330	-
Long-term debt:			
Due within one year	215,000	93,020	-
Due in more than one year	2,005,000	486,549	-
Other noncurrent liability - net other postemployment benefit liability	-	-	-
Total liabilities	2,250,493	620,186	93,967
Net assets			
Invested in capital assets, net of related debt	-	1,251,002	2,165
Restricted for debt service	-	98,796	-
Restricted for highway projects	-	-	-
Restricted for future contributions	-	-	-
Unrestricted	-	748,416	17,754
Total net assets	\$ -	\$ 2,098,214	\$ 19,919

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



Road Commission	Community Mental Health Authority	Total
\$ 1,070,734	\$ 1,205,387	\$ 2,718,536
-	1,240,895	1,240,895
-	-	466,295
2,081,389	673,421	2,846,355
-	-	2,249,788
1,566,764	-	1,566,764
-	111,233	111,233
8,639,342	372,776	9,012,118
22,222,682	2,592,209	26,647,627
<u>35,580,911</u>	<u>6,195,921</u>	<u>46,859,611</u>
81,116	1,135,731	1,309,071
39,948	252,249	294,259
-	-	43,461
-	88,853	88,853
1,242,920	6,997	1,249,917
-	-	27,330
183,659	248,751	740,430
543,827	2,167,728	5,203,104
863,914	-	863,914
<u>2,955,384</u>	<u>3,900,309</u>	<u>9,820,339</u>
30,261,987	832,562	32,347,716
-	-	98,796
-	-	-
-	292,500	292,500
2,363,540	1,170,550	4,300,260
<u>\$ 32,625,527</u>	<u>\$ 2,295,612</u>	<u>\$ 37,039,272</u>

ST. JOSEPH COUNTY, MICHIGAN

Combining Statement of Activities Discretely Presented Component Units December 31, 2011

	Department of Public Works	Drainage Districts	Economic Development Corporation
Expenses			
Public works	\$ 110,122	\$ 119,836	\$ 377,083
Highways and streets	-	-	-
Community Mental Health	-	-	-
Total expenses	<u>110,122</u>	<u>119,836</u>	<u>377,083</u>
Program revenues			
Charges for services	-	-	-
Operating grants and contributions	110,122	5,838	351,744
Capital grants and contributions	-	47,848	-
Other	-	-	-
Total program revenues	<u>110,122</u>	<u>53,686</u>	<u>351,744</u>
Net program revenue (expense)	-	(66,150)	(25,339)
General revenues			
Property taxes	-	-	-
Unrestricted investment earnings	-	694	245
Total general revenues	<u>-</u>	<u>694</u>	<u>245</u>
Change in net assets	-	(65,456)	(25,094)
Net assets, beginning of year	<u>-</u>	<u>2,163,670</u>	<u>45,013</u>
Net assets, end of year	<u>\$ -</u>	<u>\$ 2,098,214</u>	<u>\$ 19,919</u>

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



Road Commission	Community Mental Health Authority	Total
\$ -	\$ -	\$ 607,041
7,164,672	-	7,164,672
-	14,767,392	14,767,392
<u>7,164,672</u>	<u>14,767,392</u>	<u>22,539,105</u>
268,848	12,419,356	12,688,204
5,153,342	2,367,650	7,988,696
-	-	47,848
-	14,438	14,438
<u>5,422,190</u>	<u>14,801,444</u>	<u>20,739,186</u>
(1,742,482)	34,052	(1,799,919)
1,240,283	-	1,240,283
9,374	8,830	19,143
<u>1,249,657</u>	<u>8,830</u>	<u>1,259,426</u>
(492,825)	42,882	(540,493)
<u>33,118,352</u>	<u>2,252,730</u>	<u>37,579,765</u>
<u>\$ 32,625,527</u>	<u>\$ 2,295,612</u>	<u>\$ 37,039,272</u>

NOTES TO FINANCIAL STATEMENTS

ST. JOSEPH COUNTY, MICHIGAN

Notes To Financial Statements

1. 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.

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.

Discretely presented component units

Economic Development Corporation (EDC) 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 five-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 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, MICHIGAN

Notes To Financial Statements

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 Mental Health Authority (CMH) 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.

Government-Wide and Fund Financial Statements

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

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

ST. JOSEPH COUNTY, MICHIGAN

Notes To Financial Statements

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

The government reports the following major governmental funds:

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

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

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

The government reports the following major proprietary fund:

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 government reports the following fund types:

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

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. These funds are used to account for assets that the government holds for others in an agency capacity (such as taxes collected for other governments).

ST. JOSEPH COUNTY, MICHIGAN

Notes To Financial Statements

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary 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 liabilities are 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, intergovernmental revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and as such 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.

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. The General Fund provides certain central services to other funds of the County which are presented as program expenses in the funds receiving services. The related general fund revenue has been netted against program expense in the government-wide statement of activities.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds and of the government's internal service funds 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 nonoperating revenues and expenses.

Restricted net assets are assets that are subject to restrictions beyond the government's control. The restrictions may be externally imposed or imposed by law. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

ST. JOSEPH COUNTY, MICHIGAN

Notes To Financial Statements

Assets, liabilities and equity

Deposits and investments

Deposits and investments - 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, government bonds and mutual funds.

Investments are stated at fair value and consist of U.S government obligations and mutual funds.

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 fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the 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.

Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

ST. JOSEPH COUNTY, MICHIGAN

Notes To Financial Statements

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 \$5,000 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.

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 asset constructed.

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

	Years
Building and improvements	10-50
Equipment	3-7
Vehicles	5
Infrastructure - drains	40

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

	Years
Building and improvements	40
Equipment	5-8
Roads	5-30
Bridges	15-50
Infrastructure - other	8-20

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.

ST. JOSEPH COUNTY, MICHIGAN

Notes To Financial Statements

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

Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Restricted fund balance is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. As applicable, committed fund balance is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Commissioners (the government's highest level of decision-making authority). As applicable, assigned fund balances are for amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The County reports no assigned or committed fund balance amounts. Unassigned fund balance is the residual classification for the general fund.

When the government incurs an expenditure for purposes for which various fund balance classifications can be used, it is the government's policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned fund balance.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Interfund transactions

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

ST. JOSEPH COUNTY, MICHIGAN

Notes To Financial Statements

2. 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.

The County had the following excess of expenditures over appropriations:

Activity	Final Budget	Actual	Over Budget
Public safety			
Jail	\$ 2,042,948	\$ 2,043,446	\$ 498

3. DEPOSITS AND INVESTMENTS

A reconciliation of cash and investments as shown on the Statement of Net Assets and Statement of Fiduciary Net Assets to deposits and investments as classified for note disclosure purposes is as follows:

Following is a reconciliation of deposit and investment balances as of December 31, 2011:

	Primary Government	Component Units	Totals
Statement of Net Assets			
Cash and cash equivalents	\$ 27,011,735	\$ 2,718,536	\$ 29,730,271
Investments	3,000,496	1,240,895	4,241,391
Statement of Fiduciary Net Assets			
Cash and cash equivalents	1,706,465	-	1,706,465
Total	\$ 31,718,696	\$ 3,959,431	\$ 35,678,127
Deposits and investments			
Deposits			\$ 29,140,842
Investments			6,527,658
Cash on hand			9,627
Total			\$ 35,678,127

ST. JOSEPH COUNTY, MICHIGAN

Notes To Financial Statements

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

Investments	Maturity	Fair Value	Rating
Federal Farm Credit Bank	12/19/2013	\$ 500,500	AAA
Federal National Mortgage Assn.	12/27/2013	500,750	AAA
Federal National Mortgage Assn.	2/21/2012	1,999,940	AAA
Western Asset Govt MM	n/a	1,465,722	not rated
MBIA short term funds	n/a	2,060,746	not rated
		<u>\$ 6,527,658</u>	

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, \$12,688,045 of the County's bank balance of \$29,376,551 (total book balance was \$29,140,842) 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 1 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.

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.

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.

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

4. RECEIVABLES

Receivables are comprised of the following at year-end:

	Governmental Activities	Business-type Activities	Component Units
Taxes	\$ 2,285,160	\$ 2,985,873	\$ -
Accounts, net	190,952	28,202	2,846,355
Interest	2,315	10,221	-
Special assessments	-	-	466,295
Leases	-	-	2,249,788
Due from other governments	470,656	-	-
	<u>\$ 2,949,083</u>	<u>\$ 3,024,296</u>	<u>\$ 5,562,438</u>

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, 2011. 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.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Payables are comprised of the following at year-end:

	Governmental Activities	Business-type Activities	Component Units
Accounts payable	\$ 312,045	\$ 2,203	\$ 1,309,071
Accrued liabilities	366,337	1,621	294,259
Due to other governments	34,720	-	88,853
Compensated absences	731,726	-	-
Advances	-	-	27,330
	<u>\$ 1,444,828</u>	<u>\$ 3,824</u>	<u>\$ 1,719,513</u>

6. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

Interfund balances resulted primarily 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

At December 31, 2011, there were amounts due between the general fund and other nonmajor governmental funds in the amount of \$78,178.

For the year ended December 31, 2011, interfund transfers consisted of the following:

Transfers out	Transfers in		
	General Fund	Nonmajor Governmental Funds	Totals
General fund	\$ -	\$ 846,578	\$ 846,578
Central dispatch fund	36,000	120,000	156,000
Nonmajor governmental funds	96,510	50,296	146,806
Nonmajor enterprise funds	187,968	-	187,968
	<u>\$ 320,478</u>	<u>\$ 1,016,874</u>	<u>\$ 1,337,352</u>

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.

ST. JOSEPH COUNTY, MICHIGAN

Notes To Financial Statements

7. CAPITAL ASSETS

Primary government

Capital asset activity for the primary government for the year ended December 31, 2011, was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 542,921	\$ 50,103	\$ -	\$ 593,024
Construction in progress	-	227,881	-	227,881
	<u>542,921</u>	<u>277,984</u>	<u>-</u>	<u>820,905</u>
Capital assets, being depreciated:				
Land improvements	1,805,020	33,055	-	1,838,075
Buildings and improvements	15,243,175	-	-	15,243,175
Vehicles and equipment	4,860,844	477,658	25,425	5,313,077
	<u>21,909,039</u>	<u>510,713</u>	<u>25,425</u>	<u>22,394,327</u>
Less accumulated depreciation for:				
Land improvements	848,620	55,585	-	904,205
Buildings and improvements	7,781,059	247,506	-	8,028,565
Vehicles and equipment	2,453,537	393,924	25,379	2,822,082
	<u>11,083,216</u>	<u>697,015</u>	<u>25,379</u>	<u>11,754,852</u>
Total capital assets being depreciated, net	<u>10,825,823</u>	<u>(186,302)</u>	<u>46</u>	<u>10,639,475</u>
Governmental activities capital assets, net	<u>\$ 11,368,744</u>	<u>\$ 91,682</u>	<u>\$ 46</u>	<u>\$ 11,460,380</u>

Depreciation expense in governmental activities is not allocated by function.

ST. JOSEPH COUNTY, MICHIGAN

Notes To Financial Statements

	Beginning Balance	Additions	Disposals	Ending Balance
Business-type Activities				
Capital assets, being depreciated:				
Vehicles and equipment	\$ 26,550	\$ -	\$ -	\$ 26,550
Less accumulated depreciation for:				
Vehicles and equipment	18,223	1,371	-	19,594
Total capital assets being depreciated, net	\$ 8,327	\$ (1,371)	\$ -	\$ 6,956

	Beginning Balance	Additions	Disposals	Ending Balance
Discretely presented component units				
Drainage Districts				
Capital assets, being depreciated -				
Drain infrastructure	\$ 2,550,218	\$ -	\$ -	\$ 2,550,218
Less accumulated depreciation for -				
Drain infrastructure	655,891	63,756	-	719,647
Total capital assets being depreciated, net	\$ 1,894,327	\$ (63,756)	\$ -	\$ 1,830,571

Depreciation expenses was charged to the Public Works function in 2011.

	Beginning Balance	Additions	Disposals	Ending Balance
Economic Development				
Capital assets, being depreciated -				
Equipment	\$ 9,887	\$ -	\$ -	\$ 9,887
Less accumulated depreciation for -				
Equipment	7,282	440	-	7,722
Total capital assets being depreciated, net	\$ 2,605	\$ (440)	\$ -	\$ 2,165

Depreciation expenses was charged to the Community Development function in 2011.

ST. JOSEPH COUNTY, MICHIGAN

Notes To Financial Statements

	Beginning Balance	Additions	Disposals	Ending Balance
Road Commission				
Capital assets, not being depreciated:				
Land	\$ 226,258	\$ -	\$ -	\$ 226,258
Infrastructure - roads	8,361,211	51,873	-	8,413,084
	<u>8,587,469</u>	<u>51,873</u>	<u>-</u>	<u>8,639,342</u>
Capital assets, being depreciated:				
Land improvements	1,470,288	-	-	1,470,288
Buildings	7,415,115	956,168	1,117,261	7,254,022
Road equipment	389,769	11,606	20,079	381,296
Shop equipment	162,509	39,293	48,563	153,239
Office equipment	54,161	725	3,159	51,727
Engineering equipment	24,355	-	-	24,355
Yard and storage	128,851	-	-	128,851
Infrastructure - roads	47,826,869	452,490	-	48,279,359
	<u>57,471,917</u>	<u>1,460,282</u>	<u>1,189,062</u>	<u>57,743,137</u>
Less accumulated depreciation for:				
Buildings and improvements	680,563	40,460	-	721,023
Equipment	7,647,486	223,806	1,182,093	6,689,199
Depleteable assets	82,906	1,441	-	84,347
Infrastructure	26,592,939	1,432,947	-	28,025,886
	<u>35,003,894</u>	<u>1,698,654</u>	<u>1,182,093</u>	<u>35,520,455</u>
Total capital assets being depreciated, net	<u>22,468,023</u>	<u>(238,372)</u>	<u>6,969</u>	<u>22,222,682</u>
Capital assets, net	<u>\$ 31,055,492</u>	<u>\$ (186,499)</u>	<u>\$ 6,969</u>	<u>\$ 30,862,024</u>

Depreciation expense was charged to the Highway and Streets function in 2011.

ST. JOSEPH COUNTY, MICHIGAN

Notes To Financial Statements

	Beginning Balance	Additions	Disposals	Ending Balance
Community Mental Health Authority				
Capital assets, not being depreciated:				
Land	\$ 333,744	\$ -	\$ -	\$ 333,744
Construction in progress	-	39,032	-	39,032
	<u>333,744</u>	<u>39,032</u>	<u>-</u>	<u>372,776</u>
Capital assets, being depreciated:				
Buildings	2,703,684	19,294	-	2,722,978
Equipment and furnishings	336,958	-	-	336,958
Computers	71,541	-	-	71,541
Vehicles	64,298	-	-	64,298
	<u>3,176,481</u>	<u>19,294</u>	<u>-</u>	<u>3,195,775</u>
Less accumulated depreciation for:				
Buildings	132,827	109,226	-	242,053
Equipment and furnishings	182,807	45,578	-	228,385
Computers	71,541	-	-	71,541
Vehicles	56,163	5,424	-	61,587
	<u>443,338</u>	<u>160,228</u>	<u>-</u>	<u>603,566</u>
Total capital assets being depreciated, net	<u>2,733,143</u>	<u>(140,934)</u>	<u>-</u>	<u>2,592,209</u>
Capital assets, net	<u>\$ 3,066,887</u>	<u>\$ (101,902)</u>	<u>\$ -</u>	<u>\$ 2,964,985</u>

8. LONG-TERM DEBT

Long-term debt activity for the year ended December 31, 2011, was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Discretely presented component units					
Board of Public Works					
General obligation bonds	\$ 2,415,000	\$ -	\$ 195,000	\$ 2,220,000	\$ 215,000
Drainage Districts					
Drain bonds and notes	\$ 703,470	\$ -	\$ 123,901	\$ 579,569	\$ 93,020
Road Commission					
Land contract and installment leases	\$ 31,435	\$ 744,711	\$ 176,109	\$ 600,037	\$ 153,659
Compensated absences	145,439	-	17,990	127,449	30,000
	<u>\$ 176,874</u>	<u>\$ 744,711</u>	<u>\$ 194,099</u>	<u>\$ 727,486</u>	<u>\$ 183,659</u>

ST. JOSEPH COUNTY, MICHIGAN

Notes To Financial Statements

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Community Mental Health Authority					
Mortgage payable	\$ 2,180,378	\$ -	\$ 47,955	\$ 2,132,423	\$ 50,358
Compensated absences	231,746	310,044	257,734	284,056	198,393
	<u>\$ 2,412,124</u>	<u>\$ 310,044</u>	<u>\$ 305,689</u>	<u>\$ 2,416,479</u>	<u>\$ 248,751</u>

	Interest Rates	Maturity Date	Amount of Original Issue	Amount Outstanding
Drain Notes				
Felker	4.00%	2016	\$ 427,000	\$ 213,500
Colon #1	4.40%	2017	365,780	219,527
Grover and Coohan	4.19%	2020	220,000	146,542
				<u>\$ 579,569</u>

Annual debt service requirements to maturity for long-term debt are as follows:

Year Ended December 31,	Principal	Interest
2012	\$ 93,020	\$ 24,491
2013	93,596	20,530
2014	94,196	16,598
2015	94,821	12,631
2016	95,472	8,649
2017-2020	108,464	9,290
	<u>\$ 579,569</u>	<u>\$ 92,189</u>

	Interest Rates	Maturity Date	Amount of Original Issue	Amount Outstanding
Public Works				
Water Supply #13	5.25%	2017	165,000	\$ 90,000
Sewage Disposal #14	4.50-5.00%	2017	1,640,000	685,000
Sanitary Sewage #15	4.35-5.10%	2022	1,510,000	1,230,000
Water Supply #16	3.50-4.65%	2019	335,000	215,000
				<u>\$ 2,220,000</u>

ST. JOSEPH COUNTY, MICHIGAN

Notes To Financial Statements

Annual debt service requirements to maturity for long-term debt are as follows:

Year Ended December 31,	Principal	Interest
2012	\$ 215,000	\$ 102,375
2013	230,000	91,979
2014	245,000	80,808
2015	260,000	68,846
2016	280,000	55,965
2017-2021	860,000	122,702
2022	130,000	3,315
	<u>\$ 2,220,000</u>	<u>\$ 525,990</u>

Community Mental Health Authority

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%.

The annual requirements to pay principal and interest on debt outstanding are as follows:

Year ended September 30,	Principal	Interest
2012	\$ 50,358	\$ 111,174
2013	53,076	108,456
2014	55,942	105,590
2015	58,962	102,570
2016	62,145	99,387
2017-2021	364,838	442,822
2022-2026	474,558	333,102
2027-2031	617,265	190,395
2032-2034	395,279	28,853
	<u>\$ 2,132,423</u>	<u>\$ 1,522,349</u>

ST. JOSEPH COUNTY, MICHIGAN

Notes To Financial Statements

9. RISK MANAGEMENT

Primary Government

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

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.

ST. JOSEPH COUNTY, MICHIGAN

Notes To Financial Statements

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, 2011.

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.

10. 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 Authority building loan from Farmer's State Bank. The loan is for 25 years with an interest rate of 5.27%. As of September 30, 2011, the balance of this loan was \$2,132,423.

During 2011 the County began renovations on the jail exterior to replace the roof and resurface the exterior at a total cost of \$275,143. There is \$47,262 remaining on the project agreement.

11. 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 2011 levies, for which revenue was recognized in fiscal 2011, was \$1,886,113,996. The general operating tax rate for these levies were 4.5482 mills with an additional .7500 and .7500 mills levied December 1st 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.

ST. JOSEPH COUNTY, MICHIGAN

Notes To Financial Statements

12. DEFINED BENEFIT PENSION PLAN

County General, Sheriff Department POAM/FOP and Sheriff Administration

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 2011 rate for the General division is 2%; the Sheriff Department POAM/FOP division is 11%; and the Sheriff Administration division is 21.13%. 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 8.60%, and the Sheriff Administration division employees are required to contribute 8.60%. 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, 2011, the annual MERS pension cost of \$101,794, \$227,534 and \$50,486 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, 2010 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 27 years.

ST. JOSEPH COUNTY, MICHIGAN

Notes To Financial Statements

The funded status of each plan as of December 31, 2010, the most recent actuarial valuation date, was as follows:

	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
General Sheriff	\$ 20,193,872	\$ 16,427,920	\$ (3,765,862)	122.9%	\$ 4,989,325	0.0%
POAM Sheriff	9,633,210	11,343,482	1,710,272	84.9%	1,999,503	85.5%
Admin	1,531,862	2,391,338	859,476	64.1%	223,598	384.0%

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

	Three-Year Trend Information			
	Year Ended December 31,	Annual Pension Cost	Percentage Contributed	Net Pension Obligation
General	2009	\$ 105,550	100%	\$ -
	2010	101,344	100%	-
	2011	101,794	100%	-
Sheriff POAM	2009	216,484	100%	\$ -
	2010	213,431	100%	-
	2011	227,534	100%	-
Sheriff Admin	2009	45,766	100%	\$ -
	2010	65,332	100%	-
	2011	50,486	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, 2011, the Commission on Aging made the required contribution of \$39,650.

ST. JOSEPH COUNTY, MICHIGAN

Notes To Financial Statements

Defined contribution plan - Road Commission

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.

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, 2011, the Road Commission contributed \$117,373 (representing 7% of covered payroll) to the plan.

Defined contribution plan - Community Mental Health Authority

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, 2011, were \$200,629.

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.

ST. JOSEPH COUNTY, MICHIGAN

Notes To Financial Statements

13. OTHER POSTEMPLOYMENT BENEFITS

Road Commission

The Road Commission administers a single-employer defined benefit healthcare plan (the “Plan”) through St Joseph County. In addition to the retirement benefits described in Note 6, the Plan provides health insurance benefits to certain retirees and their beneficiaries, which are advance-funded on a discretionary basis. In accordance with policy, eligible retirees and their spouses receive healthcare benefits at no incremental cost for those between the ages of 62 and 65. Those over age 65 pay 100% of the premiums. As of December 31, 2009, the date of the last plan valuation, the Plan covered 48 members (44 active plan members, and 4 retirees receiving benefits that were required to pay 100% of the premiums).

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, 2011, the Road Commission had no contributions to the Plan. Retirees receiving benefits in 2011 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 Road Commission’s annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the Road Commission’s net OPEB obligation:

Annual required contribution	\$ 288,350
Interest on net OPEB obligation	20,180
Adjustment to annual required contribution	<u>(21,174)</u>
Net OPEB cost (expense)	287,356
Contributions made	<u>-</u>
Increase in net OPEB obligation	287,356
Net OPEB obligation, beginning of year	<u>576,558</u>
Net OPEB obligation, end of year	<u><u>\$ 863,914</u></u>

ST. JOSEPH COUNTY, MICHIGAN

Notes To Financial Statements

The Road Commission's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2011 and the preceding years were as follows:

Three-Year Trend Information			
Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	\$ 288,350	0%	\$ 288,350
2010	288,208	0%	576,558
2011	287,356	0%	863,914

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

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

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.

Actuarial 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.

ST. JOSEPH COUNTY, MICHIGAN

■ Notes To Financial Statements

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 2010 going forward.

Health insurance premiums - 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, 2011, was 29 years.

ST. JOSEPH COUNTY, MICHIGAN

Notes To Financial Statements

14. FUND BALANCES - GOVERNMENTAL FUNDS

	General Fund	Central Dispatch	Commission on Aging	Nonmajor Governmental Funds	Total
Nonspendable:					
Inventory	\$ 32,334	\$ -	\$ 5,828	\$ -	\$ 38,162
Prepays	6,158	7,023	10,137	3,299	26,617
	<u>\$ 38,492</u>	<u>\$ 7,023</u>	<u>\$ 15,965</u>	<u>\$ 3,299</u>	<u>\$ 64,779</u>
Restricted for:					
General government	\$ -	\$ -	\$ -	\$ 191,948	\$ 191,948
Public safety	-	1,357,603	-	957,139	2,314,742
Public works	-	-	-	210,616	210,616
Health and social services	-	-	1,756,834	276,530	2,033,364
Parks, recreation and cultural	-	-	-	75,845	75,845
Community development	-	-	-	127,712	127,712
Capital projects	-	-	-	255,630	255,630
Permanent trust	-	-	-	14,431	14,431
Total restricted	<u>\$ -</u>	<u>\$ 1,357,603</u>	<u>\$ 1,756,834</u>	<u>\$ 2,109,851</u>	<u>\$ 5,224,288</u>
Unassigned	<u>\$ 7,512,027</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,512,027</u>
Total fund balances, governmental funds	<u>\$ 7,550,519</u>	<u>\$ 1,364,626</u>	<u>\$ 1,772,799</u>	<u>\$ 2,113,150</u>	<u>\$ 12,801,094</u>

15. INVESTED IN CAPITAL ASSETS NET OF RELATED DEBT

	Governmental Activities	Business-type activities	Component Units
Capital assets:			
Capital assets not being depreciated	\$ 820,905	\$ -	\$ 9,012,118
Capital assets being depreciated, net	10,639,475	6,956	26,647,627
	<u>11,460,380</u>	<u>6,956</u>	<u>35,659,745</u>
Related debt-			
Bonds, notes, mortgage land contract and installment lease	-	-	(3,312,029)
Invested in capital assets, net of capital - related debt	<u>\$ 11,460,380</u>	<u>\$ 6,956</u>	<u>\$ 32,347,716</u>

ST. JOSEPH COUNTY, MICHIGAN

Notes To Financial Statements

16. RESTATEMENT

The County adopted the provisions of GASB Statement No. 54 in the current year. While the classifications of fund balance in the County's various governmental funds were revised, the implementation of this standard had no effect on the total fund balance. Beginning fund balance of the general fund increased by \$1,923,369. The increase is due to the following funds being combined with the general fund.

Budget Stabilization	\$ 1,856,700
Parks and Recreation	<u>66,669</u>
	<u>\$ 1,923,369</u>

In addition, elements of the Board of Public Works Statement of Net Assets were restated at December 31, 2010 by a decrease of \$155,000 in the long term debt and a decrease of \$155,000 in the special assessments leases receivable. This was due to the correction for an early pay-off of the limited tax general obligation wastewater system bonds (White Pigeon-Klinger Lake System).

17. SUBSEQUENT EVENTS

In January 2012, the County entered into an agreement in the amount of \$300,000 per year effective February 1, 2012 through December 31, 2016, with the St. Joseph County Economic Development Corporation (EDC) to provide funding for the services of Southwest Michigan Partnership, LLC (SMP) through the EDC for certain economic development services.

In May 2012, the County issued White Pigeon Sanitary System bonds in the amount of \$2,600,000 payable in payments ranging from \$85,000 to \$190,000 through November 2032 with an average coupon rate of 2.903%.



ST. JOSEPH COUNTY, MICHIGAN

Required Supplementary Information

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)
GENERAL DIVISION						
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	-
2010	20,193,872	16,427,920	(3,765,862)	122.9%	4,989,325	-
SHERIFF DEPARTMENT - POAM						
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%
2010	9,633,210	11,343,482	1,710,272	84.9%	1,999,503	85.5%
SHERIFF - ADMINISTRATION DIVISION						
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%
2010	1,531,862	2,391,338	859,476	64.1%	223,598	384.4%

Schedule of Employer Contributions

Year Ended December 31	Annual Required Contribution	Annual Actual Contribution	Percentage Contributed
GENERAL DIVISION			
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%
2011	101,794	101,794	100.0%
SHERIFF DEPARTMENT - POAM			
2008	\$ 222,399	\$ 222,399	100.0%
2009	216,484	216,484	100.0%
2010	213,431	213,431	100.0%
2011	227,534	227,534	100.0%
SHERIFF - ADMINISTRATION DIVISION			
2008	\$ 44,763	\$ 44,763	100.0%
2009	45,766	45,766	100.0%
2010	65,332	65,332	100.0%
2011	50,486	50,486	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 AND SCHEDULES**

ST. JOSEPH COUNTY, MICHIGAN

Detailed Schedule of Revenues and Other Financing Sources Budget and Actual - General Fund For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Taxes				
Property taxes	\$ 7,881,439	\$ 7,881,439	\$ 7,916,438	\$ 34,999
Industrial facilities tax	275,000	275,000	258,016	(16,984)
Delinquent taxes	507,000	507,000	469,347	(37,653)
Total taxes	8,663,439	8,663,439	8,643,801	(19,638)
Permits and regulatory licenses				
Marriage	3,150	3,150	3,419	269
Dog licenses	93,000	93,000	99,079	6,079
Pistol permits	18,050	18,050	17,232	(818)
Total permits and regulatory licenses	114,200	114,200	119,730	5,530
Intergovernmental - federal/state				
SCAAP grant	5,000	5,000	7,667	2,667
Highway safety	-	5,000	5,000	-
Cooperative reimbursement - FOC	744,000	744,000	601,637	(142,363)
Cooperative reimbursement - Prosecutor	-	-	93,990	93,990
Cooperative reimbursement - Prosecuting attorney	-	-	675	675
FEMA	18,000	18,000	18,324	324
Judicial salary	102,845	102,845	103,290	445
Drug case flow grant	800	800	1,385	585
Victims rights	4,700	4,700	5,089	389
Marine safety grant	20,000	20,000	21,811	1,811
Juvenile officer grant	27,317	27,317	27,317	-
Probate court	45,724	45,724	46,174	450
Circuit court	45,724	45,724	45,724	-
District court	91,448	91,448	91,898	450
Traffic safety	-	5,697	5,695	(2)
Convention and tourism	192,107	211,900	211,900	-
Cigarette tax	2,179	3,328	3,954	626
Liquor license fees	12,000	12,000	14,101	2,101
State aid-case flow assistance	18,500	18,500	19,394	894
State court equity funding	410,000	410,000	331,073	(78,927)
Election reimbursement	30,000	30,000	34,562	4,562
State revenue sharing	1,180,000	1,180,000	1,274,342	94,342
Miscellaneous	12,520	12,520	11,019	(1,501)
Total intergovernmental - federal/state	2,962,864	2,994,503	2,976,021	(18,482)

Continued...

ST. JOSEPH COUNTY, MICHIGAN

Detailed Schedule of Revenues and Other Financing Sources
 Budget and Actual - General Fund
 For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Charges for services				
General government:				
Circuit Court	\$ 737,500	\$ 737,500	\$ 627,007	\$ (110,493)
District Court	20,300	20,300	35,800	15,500
Probate Court	55,600	55,600	42,526	(13,074)
Treasurer	6,000	6,000	4,024	(1,976)
Clerk	234,190	234,190	245,192	11,002
Register of deeds	354,235	354,235	317,381	(36,854)
Friend of the Court	87,000	87,000	87,245	245
Sheriff Department	169,250	169,250	282,777	113,527
Equalization	103,249	103,249	104,419	1,170
Animal control	9,500	9,500	10,065	565
Miscellaneous	62,950	62,950	69,081	6,131
Total charges for services	<u>1,839,774</u>	<u>1,839,774</u>	<u>1,825,517</u>	<u>(14,257)</u>
Fines and forfeitures				
Ordinance fines and costs	160,000	160,000	134,650	(25,350)
Bond forfeitures	5,100	14,975	15,518	543
Miscellaneous	2,500	2,500	2,818	318
Total fines and forfeitures	<u>167,600</u>	<u>177,475</u>	<u>152,986</u>	<u>(24,489)</u>
Interest and rents				
Interest on investments	60,700	60,700	32,868	(27,832)
Rental fees	4,300	4,300	5,000	700
Total interest and rents	<u>65,000</u>	<u>65,000</u>	<u>37,868</u>	<u>(27,132)</u>
Other				
Sale of capital assets	500	500	2,203	1,703
Reimbursements and refunds	79,933	98,000	349,271	251,271
Miscellaneous	10,627	10,627	27,710	17,083
Total other	<u>91,060</u>	<u>109,127</u>	<u>379,184</u>	<u>270,057</u>
Total revenues	13,903,937	13,963,518	14,135,107	171,589
Other financing sources				
Transfers in	<u>322,720</u>	<u>322,720</u>	<u>320,478</u>	<u>(2,242)</u>
Total revenues and other financing sources	<u>\$ 14,226,657</u>	<u>\$ 14,286,238</u>	<u>\$ 14,455,585</u>	<u>\$ 169,347</u>

Continued...

ST. JOSEPH COUNTY, MICHIGAN

Detailed Schedule of Expenditures and Other Financing Sources Budget and Actual - General Fund For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
General government				
Board of commissioners	\$ 155,755	\$ 183,060	\$ 177,798	\$ (5,262)
Circuit court	278,039	278,039	265,592	(12,447)
District court	922,138	922,138	886,029	(36,109)
Friend of the court	722,758	722,758	720,833	(1,925)
Jury commission	600	600	342	(258)
Probate court	320,452	320,452	315,311	(5,141)
Family court	701,428	713,588	690,025	(23,563)
Appeals court	40,765	40,765	35,965	(4,800)
Public defender	461,000	461,000	460,000	(1,000)
Administrator	146,630	146,630	145,130	(1,500)
Elections	45,550	45,550	30,924	(14,626)
Finance	192,790	198,785	191,704	(7,081)
Clerk	406,008	406,335	405,945	(390)
Equalization	306,143	306,143	299,690	(6,453)
Human resources	402,833	404,833	377,818	(27,015)
Geographic information systems	118,392	118,392	115,795	(2,597)
Prosecuting attorney	627,512	645,336	645,336	-
Register of Deeds	170,908	170,908	165,732	(5,176)
Treasurer	248,997	251,997	222,640	(29,357)
Cooperative Extension	213,291	213,291	175,270	(38,021)
Information Technology	256,645	256,645	233,393	(23,252)
Building and Grounds	345,191	345,191	284,827	(60,364)
Utilities	373,950	373,950	335,496	(38,454)
Insurance	676,432	676,432	576,922	(99,510)
Drain Commission	76,881	77,381	77,217	(164)
Court security	98,883	98,883	88,421	(10,462)
Contingency	200,000	141,416	-	(141,416)
Other	25,467	25,467	25,467	-
Total general government	8,535,438	8,545,965	7,949,622	(596,343)
Public safety				
Sheriff - General	1,963,639	2,029,336	2,020,499	(8,837)
Sheriff - Corrections	9,692	9,692	6,839	(2,853)
Jail	1,984,252	2,042,948	2,043,446	498
Marine safety	29,925	29,925	24,992	(4,933)
Animal Control	158,598	168,473	162,855	(5,618)
Emergency Services	62,640	62,640	56,644	(5,996)
Other	500	500	(11)	(511)
Total public safety	4,209,246	4,343,514	4,315,264	(28,250)

Continued...

ST. JOSEPH COUNTY, MICHIGAN

Detailed Schedule of Expenditures and Other Financing Sources
 Budget and Actual - General Fund
 For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Public works				
Public works	\$ 10,983	\$ 10,983	\$ 9,757	\$ (1,226)
Soil	22,500	22,500	22,500	-
Appropriation to road commission	30,000	30,000	30,000	-
Total public safety	<u>63,483</u>	<u>63,483</u>	<u>62,257</u>	<u>(1,226)</u>
Health and social services				
Child care probate	53,295	53,295	42,756	(10,539)
District health	379,479	342,821	342,821	-
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	250,000	250,000	250,000	-
Medical examiner	38,100	38,100	25,759	(12,341)
Substance abuse	96,053	105,950	105,950	-
Veterans	10,450	10,450	10,230	(220)
Veterans services	35,659	35,659	35,385	(274)
Total health and social services	<u>1,218,504</u>	<u>1,191,743</u>	<u>1,168,369</u>	<u>23,374</u>
Parks, recreation and culture	<u>126,232</u>	<u>126,232</u>	<u>118,033</u>	<u>(8,199)</u>
Community development				
Planning	<u>13,078</u>	<u>13,078</u>	<u>10,486</u>	<u>(2,592)</u>
Total expenditures	<u>14,165,981</u>	<u>14,284,015</u>	<u>13,624,031</u>	<u>(659,984)</u>
Other financing uses - transfers out				
Appropriations:				
Probate Child Care	327,335	327,335	327,335	-
Disaster Relief	500	500	-	(500)
Other operating transfers out	95,000	403,035	403,035	-
Other:				
Secondary Road Patrol	90,208	90,208	90,208	-
Information technology	20,000	20,000	20,000	-
Land Corners	6,000	6,000	6,000	-
Total other financing uses	<u>539,043</u>	<u>847,078</u>	<u>846,578</u>	<u>(500)</u>
Total expenditures and other financing uses	<u>\$ 14,705,024</u>	<u>\$ 15,131,093</u>	<u>\$ 14,470,609</u>	<u>\$ (660,484)</u>

ST. JOSEPH COUNTY, MICHIGAN

Combining Balance Sheet
 Nonmajor Governmental Funds
 December 31, 2011

	Special Revenue Funds				
	Central Dispatch Wireless	Meyer Broadway Park	Facilities and Land Acquisition	Friend of the Court	Family Counseling
Assets					
Cash and cash equivalents	\$ 361,537	\$ 49,135	\$ 3,794	\$ 20,585	\$ 6,234
Receivables-					
Accounts, net	-	-	-	-	-
Due from other governmental units	49,616	-	-	-	-
Prepays	-	-	-	-	-
Other assets	-	-	-	-	-
Total assets	<u>\$ 411,153</u>	<u>\$ 49,135</u>	<u>\$ 3,794</u>	<u>\$ 20,585</u>	<u>\$ 6,234</u>
Liabilities					
Accounts payable	\$ 200	\$ 3,159	\$ -	\$ -	\$ -
Accrued liabilities	1,895	1,242	-	-	-
Due to other funds	-	-	-	-	-
Total liabilities	<u>2,095</u>	<u>4,401</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances					
Nonspendable	-	-	-	-	-
Restricted	409,058	44,734	3,794	20,585	6,234
Total fund balances	<u>409,058</u>	<u>44,734</u>	<u>3,794</u>	<u>20,585</u>	<u>6,234</u>
Total liabilities and fund balances	<u>\$ 411,153</u>	<u>\$ 49,135</u>	<u>\$ 3,794</u>	<u>\$ 20,585</u>	<u>\$ 6,234</u>



Special Revenue Funds					
Cade Lake Park	Court Caseflow Assistance	Waste Management Fund	Traffic Safety Program	Remonumentation Grant	Animal Shelter Donation
\$ 34,651	\$ 14,614	\$ 153,897	\$ 145,365	\$ 29	\$ 40,713
-	-	56,719	-	960	-
-	-	-	-	25,794	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 34,651</u>	<u>\$ 14,614</u>	<u>\$ 210,616</u>	<u>\$ 145,365</u>	<u>\$ 26,783</u>	<u>\$ 40,713</u>
\$ 3,153	\$ -	\$ -	\$ 1,200	\$ 200	\$ -
387	-	-	-	-	-
-	-	-	-	20,000	-
<u>3,540</u>	<u>-</u>	<u>-</u>	<u>1,200</u>	<u>20,200</u>	<u>-</u>
-	-	-	-	-	-
<u>31,111</u>	<u>14,614</u>	<u>210,616</u>	<u>144,165</u>	<u>6,583</u>	<u>40,713</u>
<u>31,111</u>	<u>14,614</u>	<u>210,616</u>	<u>144,165</u>	<u>6,583</u>	<u>40,713</u>
<u>\$ 34,651</u>	<u>\$ 14,614</u>	<u>\$ 210,616</u>	<u>\$ 145,365</u>	<u>\$ 26,783</u>	<u>\$ 40,713</u>

Continued...

ST. JOSEPH COUNTY, MICHIGAN

Combining Balance Sheet
 Nonmajor Governmental Funds
 December 31, 2011

	Special Revenue Funds				
	Veterans Memorial Fund	Register of Deeds Automation	Victims Rights Advocacy	Community Correction Advisory Board	Community Correction Program
Assets					
Cash and cash equivalents	\$ 1,842	\$ 18,058	\$ 7,231	\$ 29,524	\$ 25,588
Receivables-					
Accounts, net	-	-	-	-	-
Due from other governmental units	-	-	16,237	10,529	-
Prepays	-	-	943	-	-
Other assets	-	-	-	-	-
Total assets	\$ 1,842	\$ 18,058	\$ 24,411	\$ 40,053	\$ 25,588
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ 5,373	\$ 2,411
Accrued liabilities	-	-	748	613	-
Due to other funds	-	-	-	-	-
Total liabilities	-	-	748	5,986	2,411
Fund balances					
Nonspendable	-	-	943	-	-
Restricted	1,842	18,058	22,720	34,067	23,177
Total fund balances	1,842	18,058	23,663	34,067	23,177
Total liabilities and fund balances	\$ 1,842	\$ 18,058	\$ 24,411	\$ 40,053	\$ 25,588

Special Revenue Funds					
Local Corrections Officers Training	Law Enforcement	Drug Law Enforcement	Secondary Road Patrol	Homeland Security Grant	County Law Library
\$ 70,715	\$ 95,920	\$ 45,015	\$ 36,065	\$ 16,692	\$ 2,960
-	50,576	-	-	-	-
-	-	-	-	47,653	-
-	-	-	2,356	-	-
-	4,806	-	5,677	-	-
<u>\$ 70,715</u>	<u>\$ 151,302</u>	<u>\$ 45,015</u>	<u>\$ 44,098</u>	<u>\$ 64,345</u>	<u>\$ 2,960</u>
\$ -	\$ -	\$ 3,092	\$ 1,998	\$ 295	\$ 93
-	10,753	-	1,936	1,183	-
-	-	-	-	58,178	-
-	10,753	3,092	3,934	59,656	93
-	-	-	2,356	-	-
70,715	140,549	41,923	37,808	4,689	2,867
70,715	140,549	41,923	40,164	4,689	2,867
<u>\$ 70,715</u>	<u>\$ 151,302</u>	<u>\$ 45,015</u>	<u>\$ 44,098</u>	<u>\$ 64,345</u>	<u>\$ 2,960</u>

Continued...

ST. JOSEPH COUNTY, MICHIGAN

Combining Balance Sheet
 Nonmajor Governmental Funds
 December 31, 2011

	Special Revenue Funds				
	Principal Residence Denial	Community Development Block Grant	Sheriffs Justice Training	Child Care Probate Court	Veterans Trust Fund
Assets					
Cash and cash equivalents	\$ 96,853	\$ 127,712	\$ 10,425	\$ 263,853	\$ 2,405
Receivables-					
Accounts, net	-	-	-	-	-
Due from other governmental units	-	-	-	33,953	1,009
Prepays	-	-	-	-	-
Other assets	-	-	-	-	-
Total assets	<u>\$ 96,853</u>	<u>\$ 127,712</u>	<u>\$ 10,425</u>	<u>\$ 297,806</u>	<u>\$ 3,414</u>
Liabilities					
Accounts payable	\$ 50	\$ -	\$ 150	\$ 20,807	\$ 499
Accrued liabilities	310	-	-	5,226	-
Due to other funds	-	-	-	-	-
Total liabilities	<u>360</u>	<u>-</u>	<u>150</u>	<u>26,033</u>	<u>499</u>
Fund balances					
Nonspendable	-	-	-	-	-
Restricted	96,493	127,712	10,275	271,773	2,915
Total fund balances	<u>96,493</u>	<u>127,712</u>	<u>10,275</u>	<u>271,773</u>	<u>2,915</u>
Total liabilities and fund balances	<u>\$ 96,853</u>	<u>\$ 127,712</u>	<u>\$ 10,425</u>	<u>\$ 297,806</u>	<u>\$ 3,414</u>



Capital Projects Funds			Permanent Trust Funds	
Board of Public Works Administration	Information Technology Improvement	County Facilities Maintenance	Cemetery	Total
\$ 10,777	\$ 60,177	\$ 186,465	\$ 14,364	\$ 1,953,195
-	-	-	67	108,322
-	-	-	-	184,791
-	-	-	-	3,299
-	-	-	-	10,483
<u>\$ 10,777</u>	<u>\$ 60,177</u>	<u>\$ 186,465</u>	<u>\$ 14,431</u>	<u>\$ 2,260,090</u>
\$ -	\$ -	\$ 1,789	\$ -	\$ 44,469
-	-	-	-	24,293
-	-	-	-	78,178
-	-	1,789	-	146,940
-	-	-	-	3,299
<u>10,777</u>	<u>60,177</u>	<u>184,676</u>	<u>14,431</u>	<u>2,109,851</u>
<u>10,777</u>	<u>60,177</u>	<u>184,676</u>	<u>14,431</u>	<u>2,113,150</u>
<u>\$ 10,777</u>	<u>\$ 60,177</u>	<u>\$ 186,465</u>	<u>\$ 14,431</u>	<u>\$ 2,260,090</u>

ST. JOSEPH COUNTY, MICHIGAN

Combining Statement of Revenue, Expenditures, and Changes
in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2011

	Special Revenue Funds				
	Central Dispatch Wireless	Meyer Broadway Park	Facilities and Land Acquisition	Friend of the Court	Family Counseling
Revenue					
Licenses and permits	\$ -	\$ -	\$ -	\$ -	\$ 6,961
Intergovernmental-					
Federal/state	-	-	-	-	-
Charges for services	-	7,588	-	19,585	-
Fines and forfeitures	214,119	-	-	-	-
Interest and rent	1,438	4,893	29	108	-
Miscellaneous	-	998	-	-	-
Total revenues	215,557	13,479	29	19,693	6,961
Expenditures					
Current:					
General government	-	-	-	-	7,301
Public safety	86,502	-	-	-	-
Public works	-	-	-	-	-
Health and social services	-	-	-	-	-
Community development	-	-	-	-	-
Parks, recreation and culture	-	69,334	-	-	-
Cemetery	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	86,502	69,334	-	-	7,301
Revenues over (under) expenditures	129,055	(55,855)	29	19,693	(340)
Other financing sources (uses)					
Transfers in	-	40,000	-	-	-
Transfers out	-	-	-	(14,200)	-
Total other financing sources (uses)	-	40,000	-	(14,200)	-
Net change in fund balances	129,055	(15,855)	29	5,493	(340)
Fund balances (deficit), beginning of year	280,003	60,589	3,765	15,092	6,574
Fund balances, end of year	\$ 409,058	\$ 44,734	\$ 3,794	\$ 20,585	\$ 6,234

Special Revenue Funds					
Cade Lake Park	Court Caseflow Assistance	Waste Management Fund	Traffic Safety Program	Remonumentation Grant	Animal Shelter Donation
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	2,200	69,887	-
47,508	-	220,998	37,740	-	-
-	-	-	-	-	-
-	-	-	-	-	-
339	-	-	-	-	3,592
<u>47,847</u>	<u>-</u>	<u>220,998</u>	<u>39,940</u>	<u>69,887</u>	<u>3,592</u>
-	-	-	-	47,980	-
-	-	-	23,515	-	1,079
-	-	82,988	-	-	-
-	-	-	-	-	-
-	-	64,144	-	-	-
46,885	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>46,885</u>	<u>-</u>	<u>147,132</u>	<u>23,515</u>	<u>47,980</u>	<u>1,079</u>
962	-	73,866	16,425	21,907	2,513
-	-	-	-	6,000	-
-	-	(75,386)	-	(1,650)	-
-	-	(75,386)	-	4,350	-
962	-	(1,520)	16,425	26,257	2,513
<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>\$ 31,111</u>	<u>\$ 14,614</u>	<u>\$ 210,616</u>	<u>\$ 144,165</u>	<u>\$ 6,583</u>	<u>\$ 40,713</u>

Continued...

ST. JOSEPH COUNTY, MICHIGAN

Combining Statement of Revenue, Expenditures, and Changes
in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2011

	Special Revenue Funds				
	Veterans Memorial Fund	Register of Deeds Automation	Victims Rights Advocacy	Community Correction Advisory Board	Community Correction Program
Revenue					
Licenses and permits	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental-					
Federal/state	-	-	60,161	96,781	-
Charges for services	-	54,617	-	-	39,975
Fines and forfeitures	-	-	-	-	-
Interest and rent	-	71	-	-	-
Miscellaneous	-	-	-	-	-
Total revenues	-	54,688	60,161	96,781	39,975
Expenditures					
Current:					
General government	-	30,144	60,187	-	-
Public safety	-	-	-	108,008	27,294
Public works	-	-	-	-	-
Health and social services	-	-	-	-	-
Community development	-	-	-	-	-
Parks, recreation and culture	-	-	-	-	-
Cemetery	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	-	30,144	60,187	108,008	27,294
Revenues over (under) expenditures	-	24,544	(26)	(11,227)	12,681
Other financing sources (uses)					
Transfers in	-	-	-	10,296	-
Transfers out	-	-	-	-	(10,296)
Total other financing sources (uses)	-	-	-	10,296	(10,296)
Net change in fund balances	-	24,544	(26)	(931)	2,385
Fund balances (deficit), beginning of year	1,842	(6,486)	23,689	34,998	20,792
Fund balances, end of year	\$ 1,842	\$ 18,058	\$ 23,663	\$ 34,067	\$ 23,177

Special Revenue Funds					
Local Corrections Officers Training	Law Enforcement	Drug Law Enforcement	Secondary Road Patrol	Homeland Security Grant	County Law Library
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	309,742	3,500	80,100	105,584	-
21,500	6,908	11,093	-	-	-
-	-	80,581	-	-	-
-	-	-	-	-	-
-	-	-	-	-	6,500
<u>21,500</u>	<u>316,650</u>	<u>95,174</u>	<u>80,100</u>	<u>105,584</u>	<u>6,500</u>
-	-	-	-	-	6,734
28,067	312,092	42,835	168,525	105,750	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>28,067</u>	<u>312,092</u>	<u>42,835</u>	<u>168,525</u>	<u>105,750</u>	<u>6,734</u>
<u>(6,567)</u>	<u>4,558</u>	<u>52,339</u>	<u>(88,425)</u>	<u>(166)</u>	<u>(234)</u>
-	-	-	90,208	-	-
-	(5,274)	(40,000)	-	-	-
-	(5,274)	(40,000)	90,208	-	-
(6,567)	(716)	12,339	1,783	(166)	(234)
<u>77,282</u>	<u>141,265</u>	<u>29,584</u>	<u>38,381</u>	<u>4,855</u>	<u>3,101</u>
<u>\$ 70,715</u>	<u>\$ 140,549</u>	<u>\$ 41,923</u>	<u>\$ 40,164</u>	<u>\$ 4,689</u>	<u>\$ 2,867</u>

Continued...

ST. JOSEPH COUNTY, MICHIGAN

Combining Statement of Revenue, Expenditures, and Changes
in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2011

	Special Revenue Funds				
	Principal Residence Denial	Community Development Block Grant	Sheriffs Justice Training	Child Care Probate Court	Veterans Trust Fund
Revenue					
Licenses and permits	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental-					
Federal/state	-	24,851	4,711	291,168	20,536
Charges for services	-	-	-	-	-
Fines and forfeitures	10,024	-	-	-	-
Interest and rent	-	-	-	-	-
Miscellaneous	-	-	-	6,795	-
Total revenues	10,024	24,851	4,711	297,963	20,536
Expenditures					
Current:					
General government	10,794	-	-	-	-
Public safety	-	-	6,241	-	-
Public works	-	-	-	-	-
Health and social services	-	-	-	442,446	26,006
Community development	-	-	-	-	-
Parks, recreation and culture	-	-	-	-	-
Cemetery	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	10,794	-	6,241	442,446	26,006
Revenues over (under) expenditures	(770)	24,851	(1,530)	(144,483)	(5,470)
Other financing sources (uses)					
Transfers in	-	-	-	327,335	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	327,335	-
Net change in fund balances	(770)	24,851	(1,530)	182,852	(5,470)
Fund balances (deficit), beginning of year	97,263	102,861	11,805	88,921	8,385
Fund balances, end of year	\$ 96,493	\$ 127,712	\$ 10,275	\$ 271,773	\$ 2,915

Capital Projects Funds			Permanent Trust Fund	
Board of Public Works Administration	Information Technology Improvement	County Facilities Maintenance	Cemetery	Total
\$ -	\$ -	\$ -	\$ -	\$ 6,961
-	-	-	-	1,069,221
-	-	-	-	467,512
-	-	-	-	304,724
-	-	-	104	6,643
-	-	-	-	18,224
-	-	-	104	1,873,285
-	-	-	-	163,140
-	-	-	-	909,908
-	-	-	-	82,988
-	-	-	-	468,452
-	-	-	-	64,144
-	-	-	-	116,219
-	-	-	-	-
-	270,491	300,660	-	571,151
-	-	-	-	-
-	-	-	-	-
-	270,491	300,660	-	2,376,002
-	(270,491)	(300,660)	104	(502,717)
-	140,000	403,035	-	1,016,874
-	-	-	-	(146,806)
-	140,000	403,035	-	870,068
-	(130,491)	102,375	104	367,351
10,777	190,668	82,301	14,327	1,745,799
\$ 10,777	\$ 60,177	\$ 184,676	\$ 14,431	\$ 2,113,150

ST. JOSEPH COUNTY, MICHIGAN

Combining Statement of Net Assets
 Nonmajor Enterprise Funds
 December 31, 2011

	Forfeiture/ Foreclosure Fund	Inmate Store Fund	Three Rivers Community Center	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 268,187	\$ 23,673	\$ 51,548	\$ 343,408
Receivables-				
Accounts, net	26,890	-	-	26,890
Total current assets	<u>295,077</u>	<u>23,673</u>	<u>51,548</u>	<u>370,298</u>
Noncurrent assets -				
Equipment	-	6,528	428	6,956
Total assets	<u>295,077</u>	<u>30,201</u>	<u>51,976</u>	<u>377,254</u>
Liabilities				
Current liabilities:				
Accounts payable	-	504	1,699	2,203
Accrued liabilities	-	-	1,621	1,621
Total current liabilities	<u>-</u>	<u>504</u>	<u>3,320</u>	<u>3,824</u>
Total liabilities	<u>-</u>	<u>504</u>	<u>3,320</u>	<u>3,824</u>
Net assets				
Invested in capital assets	-	6,528	428	6,956
Unrestricted	295,077	23,169	48,228	366,474
Total net assets	<u>\$ 295,077</u>	<u>\$ 29,697</u>	<u>\$ 48,656</u>	<u>\$ 373,430</u>

ST. JOSEPH COUNTY, MICHIGAN

Combining Statement of Revenue, Expenses
and Changes in Fund Net Assets
Nonmajor Enterprise Funds
For the Year Ended December 31, 2011

	Forfeiture/ Foreclosure Fund	Inmate Store Fund	Three Rivers Community Center	Total
Operating revenues				
Charges for services	\$ 106,469	\$ 22,764	\$ -	\$ 129,233
Other revenues	-	886	58,900	59,786
Total operating revenues	106,469	23,650	58,900	189,019
Operating expenses				
Personal services and benefits	117,950	19,662	58,031	195,643
Depreciation and amortization	-	1,049	322	1,371
Total operating expenses	117,950	20,711	58,353	197,014
Operating income	(11,481)	2,939	547	(7,995)
Nonoperating revenues				
Interest income	6,391	-	-	6,391
Income (loss) before transfers	(5,090)	2,939	547	(1,604)
Transfers out	(187,968)	-	-	(187,968)
Change in net assets	(193,058)	2,939	547	(189,572)
Net assets, beginning of year	488,135	26,758	48,109	563,002
Net assets, end of year	\$ 295,077	\$ 29,697	\$ 48,656	\$ 373,430

ST. JOSEPH COUNTY, MICHIGAN

Combining Statement of Cash Flows
 Nonmajor Enterprise Funds
 For the Year Ended December 31, 2011

	Forfeiture/ Foreclosure Fund	Inmate Store Fund	Three Rivers Community Center	Total
Cash flows from operating activities				
Cash received from customers	\$ 102,494	\$ 23,357	\$ -	\$ 125,851
Cash received from others	-	-	59,005	59,005
Cash paid to/for employees	-	-	(57,486)	(57,486)
Cash paid to suppliers	(117,950)	(19,007)	-	(136,957)
Net cash provided by (used in) operating activities	(15,456)	4,350	1,519	(9,587)
Cash flows from non-capital and related financing activities				
Transfers out	(187,968)	-	-	(187,968)
Net cash used by non-capital financing activities	(187,968)	-	-	(187,968)
Cash flows from investing activities				
Interest received	6,391	-	-	6,391
Net change in cash and cash equivalents	(197,033)	4,350	1,519	(191,164)
Cash and cash equivalents, beginning of year	465,220	19,323	50,029	534,572
Cash and cash equivalents, end of year	\$ 268,187	\$ 23,673	\$ 51,548	\$ 343,408
Cash flows from operating activities				
Operating income (loss)	\$ (11,481)	\$ 2,939	\$ 547	\$ (7,995)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation and amortization	-	1,049	322	1,371
Change in assets and liabilities:				
Accounts receivable	(3,975)	593	105	(3,277)
Accounts payable	-	(231)	701	470
Accrued liabilities	-	-	(156)	(156)
Net cash provided by (used in) operating activities	\$ (15,456)	\$ 4,350	\$ 1,519	\$ (9,587)

ST. JOSEPH COUNTY, MICHIGAN

■ Combining Statement of Fiduciary Assets and Liabilities
 Agency Funds
 For the Year Ended December 31, 2011

	Trust and Agency	Library	Inmate Trust Account	Total
Assets				
Cash and cash equivalents	\$ 1,595,649	\$ 101,748	\$ 9,068	\$ 1,706,465
Accounts receivable	253,847	-	-	253,847
Total assets	\$ 1,849,496	\$ 101,748	\$ 9,068	\$ 1,960,312
Liabilities				
Due to individuals/agencies	\$ 1,743,219	\$ 101,748	\$ 9,068	\$ 1,854,035
Due to other governmental units	106,277	-	-	106,277
Total liabilities	\$ 1,849,496	\$ 101,748	\$ 9,068	\$ 1,960,312

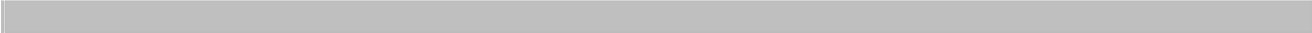
**COMPONENT UNIT FUND FINANCIAL
STATEMENTS AND SCHEDULES**

This page intentionally left blank

ST. JOSEPH COUNTY, MICHIGAN

Statement of Net Assets and
 Governmental Funds Balance Sheet
 Drainage Districts Component Unit
 December 31, 2011

	Debt Service Funds		
	Regular Drain	Fish Lake Drain	Lamberson Dam Drain
Assets			
Cash and cash equivalents	\$ 90,622	\$ 8,084	\$ 90
Special assessments receivable	388,160	-	-
Capital assets being depreciated, net	-	-	-
Total assets	<u>\$ 478,782</u>	<u>\$ 8,084</u>	<u>\$ 90</u>
Liabilities			
Accounts payable	\$ -	\$ -	\$ -
Interest payable	-	-	-
Deferred revenue	388,160	-	-
Advances from primary government	-	-	-
Long-term debt:			
Due within one year	-	-	-
Due in more than one year	-	-	-
Total liabilities	388,160	-	-
Fund balances / net assets			
Restricted	<u>90,622</u>	<u>8,084</u>	<u>90</u>
Total liabilities and fund balances	<u>\$ 478,782</u>	<u>\$ 8,084</u>	<u>\$ 90</u>
Net assets:			
Invested in capital assets, net of related debt			
Restricted			
Unrestricted			
Total net assets			



Capital Projects Funds						
Regular Drain	Long Lake Level Revolving	Klinger Lake Level	Revolving Drain	Revolving Drain Maintenance	Omena Lake Proposed Assessment	Palmer and Long Lake Level
\$ 196,492	\$ 20,729	\$ 21,816	\$ 28,704	\$ 9,433	\$ 17,053	\$ -
51,952	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 248,444</u>	<u>\$ 20,729</u>	<u>\$ 21,816</u>	<u>\$ 28,704</u>	<u>\$ 9,433</u>	<u>\$ 17,053</u>	<u>\$ -</u>
\$ -	\$ 19	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
32,695	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
32,695	19	-	-	-	-	-
215,749	20,710	21,816	28,704	9,433	17,053	-
<u>\$ 248,444</u>	<u>\$ 20,729</u>	<u>\$ 21,816</u>	<u>\$ 28,704</u>	<u>\$ 9,433</u>	<u>\$ 17,053</u>	<u>\$ -</u>

ST. JOSEPH COUNTY, MICHIGAN

Statement of Net Assets and
 Governmental Funds Balance Sheet
 Drainage Districts Component Unit
 December 31, 2011

	Capital Projects Funds			
	Grey Lake Level Study	Pleasant/Clear Lake Proposed Assessment	Minnewauken Lake Study	Eberhard Lake Level
Assets				
Cash and cash equivalents	\$ 1,036	\$ 26,775	\$ -	\$ 700
Special assessments receivable	-	26,183	-	-
Capital assets being depreciated, net	-	-	-	-
Total assets	<u>\$ 1,036</u>	<u>\$ 52,958</u>	<u>\$ -</u>	<u>\$ 700</u>
Liabilities				
Accounts payable	\$ -	\$ 300	\$ -	\$ -
Interest payable	-	-	-	-
Deferred revenue	-	17,874	-	-
Advances from primary government	-	27,330	-	-
Long-term debt:				
Due within one year	-	-	-	-
Due in more than one year	-	-	-	-
Total liabilities	-	45,504	-	-
Fund balances / net assets				
Fund balances - unreserved	<u>1,036</u>	<u>7,454</u>	<u>-</u>	<u>700</u>
Total liabilities and fund balances	<u>\$ 1,036</u>	<u>\$ 52,958</u>	<u>\$ -</u>	<u>\$ 700</u>
Net assets:				
Invested in capital assets, net of related debt				
Restricted				
Unrestricted				
Total net assets				

Total	GASB 34 Adjustments	Statement of Net Assets
-------	---------------------	-------------------------

\$ 421,534	\$ -	\$ 421,534
466,295	-	466,295
-	1,830,571	1,830,571
<u>\$ 887,829</u>	<u>1,830,571</u>	<u>2,718,400</u>

\$ 319	-	319
-	12,968	12,968
438,729	(438,729)	-
27,330	-	27,330
-	93,020	93,020
-	486,549	486,549

466,378	153,808	620,186
421,451	(421,451)	-
<u>\$ 887,829</u>		

1,251,002	1,251,002
98,796	98,796
748,416	748,416
<u>\$ 2,098,214</u>	<u>\$ 2,098,214</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, 2011

Fund balances - governmental funds	\$ 421,451
<p>Amounts reported for <i>governmental activities</i> in the Statement of Net Assets are different because:</p>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets being depreciated, net	1,830,571
<p>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.</p>	
Deferred special assessments	438,729
<p>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.</p>	
Long-term debt payable	(579,569)
Interest payable	(12,968)
	<hr/>
Net assets of governmental activities	<u>\$ 2,098,214</u>

This page intentionally left blank

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, 2011

	Debt Service Funds		
	Regular Drain	Fish Lake Drain	Lamberson Dam Drain
Revenues			
Special assessments	\$ 147,788	\$ -	\$ -
Interest revenue	187	12	-
Miscellaneous	-	-	-
Total revenues	<u>147,975</u>	<u>12</u>	<u>-</u>
Expenditures / expenses			
Public works	-	-	-
Debt service:			
Principal	123,901	-	-
Interest and fiscal charges	29,275	-	-
Total expenditures / expenses	<u>153,176</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures/expenses	<u>(5,201)</u>	<u>12</u>	<u>-</u>
Other financing sources (uses)			
Transfers in	815	-	-
Transfers out	-	-	-
Total other financing sources	<u>815</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(4,386)</u>	<u>12</u>	<u>-</u>
Change in net assets	-	-	-
Fund balance/Net assets, beginning of year	<u>95,008</u>	<u>8,072</u>	<u>90</u>
Net assets, end of year	<u>\$ 90,622</u>	<u>\$ 8,084</u>	<u>\$ 90</u>



Capital Projects Funds						
Regular Drain	Long Lake Level Revolving	Klinger Lake Level	Revolving Drain	Revolving Drain Maintenance	Omena Lake Proposed Assessment	Palmer and Long Lake Level
\$ 22,225	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
285	33	33	50	14	26	-
5,838	-	-	-	-	-	-
<u>28,348</u>	<u>33</u>	<u>33</u>	<u>50</u>	<u>14</u>	<u>26</u>	<u>-</u>
9,995	2,013	-	12,345	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>9,995</u>	<u>2,013</u>	<u>-</u>	<u>12,345</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>18,353</u>	<u>(1,980)</u>	<u>33</u>	<u>(12,295)</u>	<u>14</u>	<u>26</u>	<u>-</u>
-	-	-	5,499	-	-	-
<u>(6,314)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(6,314)</u>	<u>-</u>	<u>-</u>	<u>5,499</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>12,039</u>	<u>(1,980)</u>	<u>33</u>	<u>(6,796)</u>	<u>14</u>	<u>26</u>	<u>-</u>
-	-	-	-	-	-	-
<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>
<u>\$ 215,749</u>	<u>\$ 20,710</u>	<u>\$ 21,816</u>	<u>\$ 28,704</u>	<u>\$ 9,433</u>	<u>\$ 17,053</u>	<u>\$ -</u>

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

	Capital Projects Funds			
	Grey Lake Level Study	Pleasant/Clear Lake Proposed Assessment	Minnewauken Lake Study	Eberhard Lake Level
Revenues				
Special assessments	\$ -	\$ 8,304	\$ -	\$ -
Interest revenue	2	51	-	1
Miscellaneous	-	-	-	-
Total revenues	2	8,355	-	1
Expenditures / expenses				
Public works	-	1,838	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	1,156	-	-
Total expenditures / expenses	-	2,994	-	-
Revenues over (under) expenditures/expenses	2	5,361	-	1
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources	-	-	-	-
Net change in fund balances	2	5,361	-	1
Change in net assets	-	-	-	-
Fund balance/Net assets, beginning of year	1,034	2,093	-	699
Net assets, end of year	\$ 1,036	\$ 7,454	\$ -	\$ 700

Total	GASB 34 Adjustments	Statement of Activities
\$ 178,317	\$ (130,469)	\$ 47,848
694	-	694
<u>5,838</u>	<u>-</u>	<u>5,838</u>
184,849	(130,469)	54,380
26,191	63,756	89,947
123,901	(123,901)	-
<u>30,431</u>	<u>(542)</u>	<u>29,889</u>
180,523	(60,687)	119,836
<u>4,326</u>	<u>(69,782)</u>	<u>(65,456)</u>
6,314	(6,314)	-
<u>(6,314)</u>	<u>6,314</u>	<u>-</u>
-	-	-
<u>4,326</u>	<u>(4,326)</u>	<u>-</u>
-	(65,456)	(65,456)
<u>417,125</u>	<u>1,746,545</u>	<u>2,163,670</u>
<u>\$ 421,451</u>	<u>\$ 1,676,763</u>	<u>\$ 2,098,214</u>

ST. JOSEPH COUNTY, MICHIGAN

■ Reconciliation of the Statement of Revenue, Expenditures and Change in Fund Balances of Governmental Funds to the Statement of Activities Drainage Districts Component Unit For the Year Ended December 31, 2011

Net change in fund balance - total governmental funds	\$ 4,326
Amounts reported for <i>governmental activities</i> 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.	
Change in deferred special assessments	(130,469)
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.	
Depreciation expense	(63,756)
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.	
Repayment of bond principal	123,901
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.	
Change in accrual for interest payable on long-term debt	<u>542</u>
Change in net assets of governmental activities	<u>\$ (65,456)</u>

This page intentionally left blank

ST. JOSEPH COUNTY, MICHIGAN

Statement of Net Assets and
 Governmental Funds Balance Sheet
 Department of Public Works Component Unit
 December 31, 2011

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

White Pigeon Water Supply	Constantine Village Waste Water	Constantine Village Sewer Construction	Constantine Village Sewer	Total	GASB 34 Adjustments	Statement of Net Assets
\$ -	\$ 138	\$ 42	\$ 175	\$ 705	\$ -	\$ 705
-	-	-	-	-	2,249,788	2,249,788
<u>\$ -</u>	<u>\$ 138</u>	<u>\$ 42</u>	<u>\$ 175</u>	<u>\$ 705</u>	<u>\$ 2,249,788</u>	<u>\$ 2,250,493</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,493	\$ 30,493
-	-	-	-	-	215,000	215,000
-	-	-	-	-	2,005,000	2,005,000
-	-	-	-	-	2,250,493	2,250,493
-	138	42	175	705	(705)	-
<u>\$ -</u>	<u>\$ 138</u>	<u>\$ 42</u>	<u>\$ 175</u>	<u>\$ 705</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, 2011

Fund balances - governmental funds	\$	705
Amounts reported for <i>governmental activities</i> in the Statement of Net Assets are different because:		
Bonds payable of various municipalities are to be repaid by the municipality, and the amount due is not reported as receivable in the funds		
Leases receivable		2,249,788
Interest payable		(30,493)
Bonds and notes payable		<u>(2,220,000)</u>
Net assets of governmental activities		<u><u>-</u></u>

This page intentionally left blank

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, 2011

	Debt Service Funds			
	White Pigeon Klinger Lake Sewer	Lockport Water Supply	Fish Lake Sewer	White Pigeon Klinger Lake Sewer Ext.
Revenues				
Intergovernmental - local	\$ -	\$ 35,433	\$ -	\$ -
Expenditures / expenses				
Debt service:				
Principal	-	25,000	-	-
Interest and fiscal charges	-	10,433	-	-
Total expenditures/expenses	-	35,433	-	-
Revenues over expenditures/expenses	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balance/Net assets, beginning of year	-	-	32	318
Net assets, end of year	\$ -	\$ -	\$ 32	\$ 318

White Pigeon Water Supply	Constantine Village Waste Water	Constantine Village Sewer Construction	Constantine Village Sewer	Total	GASB 34 Adjustments	Statement of Activities
\$ 20,419	\$ 126,800	\$ -	\$ 125,461	\$ 308,113	\$ (197,991)	\$ 110,122
15,000	90,000	-	65,000	195,000	(195,000)	-
5,419	36,800	-	60,311	112,963	(2,841)	110,122
20,419	126,800	-	125,311	307,963	(197,841)	110,122
-	-	-	150	150	(150)	-
-	-	-	150	150	(150)	-
-	138	42	25	555	(555)	-
\$ -	\$ 138	\$ 42	\$ 175	\$ 705	\$ (705)	\$ -

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, 2011

Net change in fund balance - total governmental funds	\$ 150
<p>Amounts reported for <i>governmental activities</i> in the Statement of Activities are different because:</p>	
<p>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.</p>	
Change in collections attributable to bond principal and accrued interest	(197,991)
<p>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.</p>	
Repayment of bond principal	195,000
<p>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.</p>	
Change in accrual for interest payable on long-term debt	<u>2,841</u>
Change in net assets of governmental activities	<u><u>\$ -</u></u>

ST. JOSEPH COUNTY, MICHIGAN

Statement of Net Assets and
 Governmental Funds Balance Sheet
 Economic Development Corporation Component Unit
 December 31, 2011

	Special Revenue	GASB 34 Adjustments	Statement of Net Assets
Assets			
Cash and cash equivalents	\$ 20,176	\$ -	\$ 20,176
Due from other governments	91,545	-	91,545
Capital assets being depreciated, net	-	2,165	2,165
Total assets	<u>\$ 111,721</u>	<u>2,165</u>	<u>113,886</u>
Liabilities			
Accounts payable	\$ 91,905	-	91,905
Accrued liabilities	2,062	-	2,062
Total liabilities	<u>93,967</u>	<u>-</u>	<u>93,967</u>
Fund balance / net assets			
Restricted	<u>17,754</u>	<u>(17,754)</u>	<u>-</u>
Total fund balance	<u>17,754</u>	<u>(17,754)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 111,721</u>		
Net assets-			
Unrestricted		<u>19,919</u>	<u>19,919</u>
Total net assets		<u>\$ 19,919</u>	<u>\$ 19,919</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, 2011

Fund balances - governmental funds	\$ 17,754
Amounts reported for <i>governmental activities</i> in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets being depreciated, net	<u>2,165</u>
Net assets of governmental activities	<u><u>\$ 19,919</u></u>

ST. JOSEPH COUNTY, MICHIGAN

Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance Economic Development Corporation Component Unit For the Year Ended December 31, 2011

	Special Revenue	GASB 34 Adjustments	Statement of Activities
Revenues			
Intergovernmental:			
Federal/State	\$ 274,361	\$ -	\$ 274,361
Local	64,144	-	64,144
Interest revenue	245	-	245
Miscellaneous	13,239	-	13,239
	<u>351,989</u>	<u>-</u>	<u>351,989</u>
Total revenues	351,989	-	351,989
Expenditures / expenses			
Community development	<u>376,643</u>	<u>440</u>	<u>377,083</u>
Net change in fund balance	(24,654)	24,654	-
Change in net assets	-	(25,094)	(25,094)
Net assets, beginning of year	<u>42,408</u>	<u>2,605</u>	<u>45,013</u>
Net assets, end of year	<u>\$ 17,754</u>	<u>\$ 2,165</u>	<u>\$ 19,919</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, 2011

Net change in fund balance - total governmental funds	\$ (24,654)
Amounts reported for <i>governmental activities</i> 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.	
Depreciation expense	<u>(440)</u>
Change in net assets of governmental activities	<u><u>\$ (25,094)</u></u>

SINGLE AUDIT ACT COMPLIANCE

ST JOSEPH COUNTY

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2011

Federal Agency / Program Title / Cluster	CFDA Number	Direct / Pass-through Grantor	Pass-through / Grantor Number	Federal Expenditures
U.S. Department of Justice				
Juvenile Justice and Delinquency Prevention - 2011 Basic Grant	16.540	MDCH	-n/a-	\$ 17,993
State Criminal Alien Assistance Program	16.606	Direct	2011-AP-BX-0739	7,667
Bullet Proof Vest Partnership Program	16.607	Direct	-n/a-	919
Total U.S. Department of Justice				26,579
U.S. Department of Transportation				
2011 Highway Safety Project Enforcement Grant	20.600	MSP	PT-11-39	5,000
Hazardous Materials Emergency Planning	20.703	MSP	HM-HMP-0189-10-01-00	1,350
Total U.S. Department of Transportation				6,350
U.S. Environmental Protection Agency				
Brownfield Assessment and Clean-up	66.460	MDNR	BF00E962010	95,663
Brownfield Assessment and Clean-up	66.460	MDNR	BF00E347010	35,943
Brownfield Assessment and Clean-up	66.460	MDNR	BF00E003670	14,194
Total U.S. Environmental Protection Agency				145,800
U.S. Department of Health and Human Services				
Aging Cluster:				
** Title III-D Special Programs for the Aging FY10/11 Disease Prevention	93.043	MDSAR3C	-n/a-	1,835
** Title III-B Special Programs for the Aging FY10/11 Disease Prevention	93.044	MDSAR3C	-n/a-	25,996
** Title III-C Special Programs for the Aging FY10/11 Nutrition Congregate	93.045	MDSAR3C	-n/a-	63,465
FY10/11 Nutrition Home Delivered Meals	93.045	MDSAR3C	-n/a-	50,100
** Title III-E National Family Caregiver Support	93.052	MDSAR3C	-n/a-	29,138
** Nutrition Services Incentive Program				
FY10/11 Elderly Feeding (Congregate)	93.053	MDSAR3C	-n/a-	38,550
FY10/11 Elderly Feeding (Home Delivered Meals)	93.053	MDSAR3C	-n/a-	54,458
** ARRA (Path) - FY 10/11	93.725	MDSAR3C	-n/a-	14,122
Passed through the Michigan Department of Human Services:				277,664
Child Support Enforcement Cluster:				
Title IV-D - Incentive Payments	93.563	DHS	CSCOM-10-75003	114,268
Title IV-D - Friend of the Court	93.563	DHS	CSCOM-10-75003	486,338
Total U.S. Department of Health and Human Services				878,270

Continued...

ST JOSEPH COUNTY

Schedule of Expenditures of Federal Awards
 For the Year Ended December 31, 2011

Federal Agency / Program Title / Cluster	CFDA Number	Direct / Pass-through Grantor	Pass-through / Grantor Number	Federal Expenditures
U.S. Department of Homeland Security				
Emergency Management Performance Grant	97.042	MSP	EMW-2011-EP-00044-S01	\$ 18,324
2008 State Domestic Preparedness	97.067	VBC	-n/a-	52,897
2009 State Domestic Preparedness	97.067	VBC	-n/a-	<u>52,687</u>
Total U.S. Department of Homeland Security				<u>123,908</u>
Total Expenditures of Federal Awards				<u><u>\$ 1,180,907</u></u>

** Grant activity is reported in a 9/30 year-end fund

See notes to schedule of expenditures of federal awards.

ST JOSEPH COUNTY

Notes to Schedule of Expenditures of Federal Awards

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of St. Joseph County, Michigan (the "County") under programs of the federal government for the year ended December 31, 2011. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net assets or cash flows of the County.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting, which is described in Note 1 to the County's financial statements. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Cash received is recorded on the cash basis; expenditures are recorded on the modified accrual basis of accounting. Revenues are recognized when the qualifying expenditures have been included and all grant requirements have been met.

3. FISCAL REPORTING

Certain departments report on a different fiscal year than the County. Grants accounted for and reported on year-ends other than December 31, 2011 are denoted as such in the Schedule.

4. PASS-THROUGH AGENCIES

The County receives certain federal grant as subawards from non-federal entities. Pass-through entities, where applicable, have been identified in the Schedule with an abbreviation, defined as follows:

Pass-through Agency Abbreviation	Pass-through Agency Name
MDCH	Michigan Department of Community Health
MSP	Michigan State Police
MDNR	Michigan Department of Natural Resources
MDSAR3C	Michigan Department of Offices on Services to the Aging and Region IIIC - Area Agency on Aging
DHS	Michigan Department of Human Services
VBC	Van Buren County



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 12, 2012

To the Board of Commissioners of
St. Joseph County
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* (the "County"), as of and for the year ended December 31, 2011, which collectively comprise the basic financial statements of the County, and have issued our report thereon dated June 12, 2012. 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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph in this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain other matters that we reported to management of St. Joseph County, Michigan in a separate letter dated June 12, 2012.

This report is intended solely for the information and use of management, the audit committee, the Board of Commissioners, others within the organization, 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. However, it is a matter of public record, and its distribution is not limited.

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

INDEPENDENT AUDITORS' 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 12, 2012

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

Compliance

We have audited St. Joseph County, Michigan's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of St. Joseph County, Michigan's major federal programs for the year ended December 31, 2011. 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 St. Joseph County, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinion. Our audit does not provide a legal determination of St. Joseph County, Michigan's compliance with those requirements.

In our opinion, St. Joseph County, Michigan complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

Internal Control Over Compliance

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 to determine the 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 management, the audit committee, the Board of Commissioners, others within the organization, 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. However, it is a matter of public record, and its distribution is not limited.

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

ST JOSEPH COUNTY

Schedule of Findings and Questioned Costs For the Year Ended December 31, 2011

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? yes X 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

Identification of major programs:

CFDA Number Name of Federal Program or Cluster

93.563 Child Support Enforcement
97.067 Homeland Security Grant Program

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

Auditee qualified as low-risk auditee? yes X no

SECTION II - FINANCIAL STATEMENT FINDINGS

None reported

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported

ST JOSEPH COUNTY

■ Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2011



None Reported

