



COUNTY OF EMMET, MICHIGAN

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014



Vredeveld Haefner LLC

COUNTY OF EMMET

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INDEPENDENT AUDITORS' REPORT

June 15, 2015

Board of Commissioners
County of Emmet, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Emmet, Michigan (the County), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Emmet County Road Commission, which represents 99 percent, 99 percent, and 97 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. We also did not audit the financial statements of the Emmet County Medical Care Facility, which is a major enterprise fund and represents 32 percent, 36 percent, and 72 percent, respectively, of the assets, net position, and revenues of the business type activities. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component units, business-type activities and enterprise fund statements, is based on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Emmet County Medical Care Facility enterprise fund were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, 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 the County of Emmet, as of December 31, 2014, and the respective changes in financial position and, where applicable cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 and the information on pages 51 through 58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non Profit Organizations*, and is also not a required part of the financial statements of the County.

The combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2015 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Uredawald Haefner LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the County of Emmet, Michigan (the County), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended December 31, 2014.

Financial Highlights

The financial statements, which follow this Management's Discussion and Analysis, provide these significant key financial highlights for the 2014 fiscal year as follows:

- The County sold \$15,000,000 of general obligation bonds in 2014. The proceeds are being used for capital projects. \$1,640,379.40 of the bond money was used to reimburse the County for projects begun prior to the issuance and budgeted to be paid from County capital funds. These projects include the DPW trailer bay reconstruction project, the courthouse HVAC system and engineering/architectural work on the Headlands program/restroom/observatory. This bond issue requires interest only payments through 2017 at which time the County's 2012 refunding bonds will be paid in full.
- In 2014 the County committed to operating the ambulance/ems service for the entire county. Facilities and equipment will be funded by use of bond proceeds and other available reserves as the board and administration deem appropriate. Between the millage and charges for services it is anticipated that the program will be self-sustaining.
- There was an extensive change in management of the County in 2014. The administrator who had served for thirty years passed away. The Board of Commissioners decided to fill the position internally by promoting the assistant administrator. The new administrator has 15 years of experience in governmental finance and management, having served as finance director and in recent years as assistant administrator and human resource director. The new administrator and the Board are committed to a conservative management style.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic 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 other supplementary information in addition to the basic financial statements themselves.

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

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

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

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

public safety, public works, health and welfare, parks and recreation, and contributions to other organizations. The business-type activities of the County include the medical care facility, disposal and recycle systems, the fair committee and delinquent tax revolving funds.

The government-wide financial statements include not only the County itself (known as the primary government), but also the legally separate Road Commission, Brownfield Redevelopment Authority, Land Bank Authority and Straits Area Narcotics Enforcement Team (SANE) for which the County is financially accountable. Financial information for the Road Commission component unit can be found in separately issued financial statements.

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

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

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

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, revenue sharing reserve fund, ambulance fund, senior millage fund, housing grant fund, 2003 bond debt service fund and 2014 bond debt service fund, all of which are considered to be major funds. Data is combined into a single aggregated presentation for the other governmental funds (non-major governmental funds). Individual fund data for each of the non-major governmental funds is provided in the form of combining statements and schedules.

The County adopts an annual appropriated budget for its general fund and all special revenue funds as required by state law. Budgetary comparison statements have been provided for the general and special revenue funds to demonstrate legal compliance.

Proprietary funds The County also maintains proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for the medical care facility, disposal and recycle systems and delinquent tax revolving funds, all of which are considered to be major funds. The activity of the fair committee fund is accounted for as a nonmajor enterprise fund.

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 statement because the resources of these funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

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 required supplementary information. This is limited to this discussion and analysis, major

fund budgetary schedules and pension trend information. Supplemental information follows the required pension information and includes combining and individual fund statements and schedules.

Government-wide Financial Analysis

Statement of Net Position As noted earlier, net position may serve over time as a useful indicator of the County's financial position. In the case of the County, assets exceeded liabilities \$96,234,130 at the close of the most recent fiscal year. The following chart illustrates the composition of net position.

Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2014	2013	2014	2013	2014	2013
Assets						
Current and other assets	\$34,047,169	\$23,427,133	\$14,133,411	\$14,073,875	\$48,180,580	\$37,501,008
Long-term assets	60,233,564	56,063,271	12,677,265	12,769,256	72,910,829	68,832,527
Total assets	94,280,733	79,490,404	26,810,676	26,843,131	121,091,409	106,333,535
Liabilities						
Current liabilities	1,668,705	1,366,524	814,065	1,206,793	2,482,770	2,573,317
Long-term liabilities	20,394,353	6,245,785	-	-	20,394,353	6,245,785
Total liabilities	22,063,058	7,612,309	814,065	1,206,793	22,877,123	8,819,102
Deferred inflows	1,980,156	1,956,246	-	-	1,980,156	1,956,246
Net position						
Net investment in capital assets	49,837,310	49,685,584	9,555,489	10,410,706	49,904,519	60,096,290
Restricted	7,730,125	8,657,356	-	-	7,730,125	8,657,356
Unrestricted	12,670,084	11,578,909	16,441,122	15,225,632	38,599,486	26,804,541
Total net position	\$70,237,519	\$69,921,849	\$25,996,611	\$25,636,338	\$96,234,130	\$95,558,187

By far the largest portion of the County's net position in the amount of 52% reflects its investment in capital assets (e.g., land, buildings, machinery and equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the County's net position in the amount of 8% represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position in the amount of \$38,599,486, or 40%, may be used to meet the County's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the County is able to report positive balances in all three categories of net position, for the government as a whole, governmental activities, and the business-type activities.

Statement of Activities The County's total revenue for the fiscal year ended December 31, 2014, was \$43,607,840 while total cost of all programs and services was \$42,931,897. This results in an increase in net position of \$675,943. The following table presents a summary of the changes in net position for the years ended December 31.

Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2014	2013	2014	2013	2014	2013
Revenues						
Program revenues						
Charges for services	\$5,754,090	\$5,833,571	17,317,145	\$17,015,184	23,071,235	\$22,848,755
Operating grants and contributions	3,684,017	3,591,504	13,554	65,619	3,697,571	3,657,123
Capital grants and contributions	1,663,709	457,861	-	-	1,663,709	457,861
General revenues						
Property taxes	14,798,903	14,292,789	-	-	14,798,903	14,292,789
Interest	373,497	129,032	2,925	2,490	376,422	131,522
Total revenues	26,274,216	24,304,757	17,333,624	17,083,293	43,607,840	41,388,050
Expenses						
Legislative	173,530	148,504	-	-	173,530	148,504
Judicial	2,690,265	2,469,840	-	-	2,690,265	2,469,840
General government	5,973,572	6,092,059	-	-	5,973,572	6,092,059
Public safety	7,011,303	6,263,723	-	-	7,011,303	6,263,723
Public works	3,076,681	3,221,201	-	-	3,076,681	3,221,201
Health and welfare	3,450,165	3,093,308	-	-	3,450,165	3,093,308
Parks and recreation	961,970	865,789	-	-	961,970	865,789
Contributions to other organizations	2,244,829	2,279,115	-	-	2,244,829	2,279,115
Interest on long-term debt	343,897	184,721	-	-	343,897	184,721
Medical Care Facility	-	-	12,845,507	12,566,852	12,845,507	12,566,852
Disposal and recycle fund	-	-	3,852,281	3,660,111	3,852,281	3,660,111
Delinquent tax revolving fund	-	-	44,084	41,692	44,084	41,692
Fair committee	-	-	263,813	248,664	263,813	248,664
Total expenses	25,926,212	24,618,260	17,005,685	16,517,319	42,931,897	41,135,579
Increase (decrease) before transfers	348,004	(313,503)	327,939	565,974	675,943	252,471
Transfers in (out)	(32,334)	166,467	32,334	(166,467)	-	-
Increase (decrease) in net position	315,670	(147,036)	360,273	399,507	675,943	252,471
Net position – beginning	69,921,849	70,068,885	25,636,338	25,236,831	95,558,187	95,305,716
Net position – ending	\$70,237,519	\$69,921,849	\$25,996,611	\$25,636,338	\$96,234,130	\$95,558,187

Governmental Activities The preceding table shows that the governmental activities increased the County's net position by \$315,670 during this fiscal year. The increase is primarily the result of operating results better than budget.

Business-type Activities Business-type activities increased the County's net position by \$360,273 during the year. This increase is primarily the result of earnings in the delinquent tax revolving fund.

Financial Analysis of the Government's Funds

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

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

The general fund is the chief operating fund of the County. At the end of the current fiscal year, assigned, committed and non-spendable balances of \$1,156,533 were outstanding leaving unassigned fund balance of \$8,291,083. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 50% of total general fund expenditures.

Revenue sharing reserve fund - At the end of the current fiscal year, fund balance was \$5,968,762, a decrease of \$587,758 from the prior year. The primary reason for the decrease is legally required transfers to the general fund each year.

Ambulance fund - At the end of the current fiscal year, fund balance was \$855, a decrease of \$8,275 from the prior year. As a measure of the fund's liquidity, it may be useful to compare fund balance to total fund expenditures. Fund balance represents .01% of total fund expenditures.

Senior millage fund - At the end of the current fiscal year, fund balance was \$41,507, a decrease of \$47,703 over the prior year. The primary reason for the decrease was an increase in expenditures in the fund.

Housing grant fund - At the end of the current fiscal year, fund balance was \$177,484, an increase of \$51,586 from the prior year. Generally, grants received and any earnings on investments are used to fund grant program expenditures in this fund.

2003 bond debt service fund - At the end of the current fiscal year, fund balance was \$21,291, the same balance as the previous year. There is normally minimal change in fund balance as transfers into the fund are in an amount equal to the required debt service payments.

2014 bond debt service fund - At the end of the current fiscal year, fund balance was \$9,488,280. This is a new fund to account for the 2014 Emmet County capital improvement bonds.

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

The County of Emmet's enterprise operations consist of four separate and distinct activities. These activities are accounted for in the medical care facility fund, disposal and recycle systems fund, delinquent tax revolving fund and fair committee fund. These activities provide service to residents and businesses of the County. The medical care facility fund had an decrease in net assets of \$181,023, the disposal and recycle systems fund had an increase of \$15,147, the delinquent tax revolving fund had an increase of \$541,623, and the fair committee fund had a decrease of \$15,474.

Budgetary Highlights

- Taxable property increased by 1.22% which is .72% more than budgeted. This is the first year since 2009 that taxable property values have increased.
- Projection of interest income continues to be difficult due to market volatility, 24% of the County's interest income was the result of investment market value adjustments.

- A sale of County property projected to provide \$300,000 of revenue in 2014 was completed in 2015.
- \$283,000 of the favorable variance in unallocated benefits and insurance was due to an unbudgeted decrease in yearend accrued wages.

Capital Asset and Debt Administration

Capital assets The County's investment in capital assets for its governmental and business-type activities as of December 31, 2014, amounted to \$71,122,876 (net of accumulated depreciation). Of this amount, \$59,004,030 was for its governmental type activities and \$12,118,846 was for its business-type activities. This investment in capital assets includes land, buildings, equipment and vehicles, and infrastructure.

Significant additions to capital assets during the year include building improvements to the courthouse, EMS building and DPW building, EMS vehicle and equipment purchases, and construction of the Headlands observatory.

Additional information about the County's capital asset activity can be found in Note 6 to these financial statements.

Long-term debt At the end of the current fiscal year, the County had total long-term debt outstanding of \$18,655,000. All of this amount was for governmental activities.

Additional information on the County's long-term debt can be found in Note 8 to these financial statements.

Economic Factors and Next Year's Budgets and Rates

The following economic factors were considered in preparing the County's budget for the 2015 fiscal year:

- The County budgeted an approximately 2.75% raise for its union and non-bargaining employees for 2015. The past several years the County paid a sharing bonus in lieu of percentage wage increases.
- An increase of 1.75% in taxable property values is projected for the year.
- The County has been utilizing temporary service workers for the last several years as a budget cutting measure. With the implementation of the federal health care law financial analysis has determined this will not be as cost effective as in the past. As a result eleven positions have been budgeted to change from temp workers to employed workers.
- The County continues to invest in technology and advertising/promotion seeking to entice people to visit and residents to stay.
- 2015 construction in Emmet County has started out strong. Building permits, especially for new residential starts, are exceeding expectations.

Requests for Information

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, County of Emmet, 200 Division Street, Suite G74, Petoskey, MI 49770.

BASIC FINANCIAL STATEMENTS

COUNTY OF EMMET
STATEMENT OF NET POSITION
DECEMBER 31, 2014

	Primary Government			Component Units			
	Governmental	Business-Type	Total	Road	Brownfield	Land	SANE
	Activities	Activities		Commission	Redevelopment	Bank	
				Authority	Authority		
Assets							
Cash and pooled investments	\$ 27,421,273	\$ 12,341,446	\$ 39,762,719	\$ 318,675	\$ 85,901	\$ 80,528	\$ 78,986
Accounts receivable	200,154	1,519,356	1,719,510	951,165	-	-	-
Property tax receivable	2,306,088	2,189,550	4,495,638	-	-	-	-
Inventory	103,856	-	103,856	518,344	-	41,095	-
Due from component units	466,301	-	466,301	-	-	-	-
Due from other governments	431,848	4,000	435,848	-	-	-	43,421
Prepays and other assets	944,352	252,356	1,196,708	29,788	-	-	-
Internal balances	2,173,297	(2,173,297)	-	-	-	-	-
Long-term loans receivable	590,274	-	590,274	-	-	-	-
Due from component units - long-term	639,260	-	639,260	-	-	-	-
Net pension benefit	-	558,419	558,419	-	-	-	-
Capital assets							
Land	13,540,825	-	13,540,825	13,737,596	-	-	-
Construction in progress	1,414,799	-	1,414,799	416,854	-	-	-
Depreciable capital assets, net	44,048,406	12,118,846	56,167,252	22,631,271	-	-	-
Total assets	94,280,733	26,810,676	121,091,409	38,603,693	85,901	121,623	122,407
Liabilities							
Accounts payable	892,796	441,554	1,334,350	208,134	-	-	45,559
Deposits and advances	34,550	7,902	42,452	146,432	-	-	-
Unearned revenue	10,310	15,000	25,310	172,421	-	-	-
Accrued interest	97,471	-	97,471	15,041	-	-	-
Installment notes	-	-	-	234,161	-	-	-
Accrued liabilities	633,578	349,609	983,187	392,426	-	-	-
Noncurrent liabilities							
Installment notes - long-term	-	-	-	232,140	-	-	-
Net pension obligation	1,400,785	-	1,400,785	-	-	-	-
Unamortized bond premium	338,568	-	338,568	-	-	-	-
Due within one year	1,110,000	-	1,110,000	194,139	-	-	-
Due in more than one year	17,545,000	-	17,545,000	445,121	-	-	-
Total liabilities	22,063,058	814,065	22,877,123	2,040,015	-	-	45,559
Deferred inflows of resources							
Unavailable revenue	1,980,156	-	1,980,156	167,393	-	-	-
Net position							
Net investment in capital assets	49,837,310	9,555,489	59,392,799	35,680,160	-	-	-
Restricted for							
Revenue sharing reserve	5,968,762	-	5,968,762	-	-	-	-
Ambulance service	855	-	855	-	-	-	-
Senior services	41,507	-	41,507	-	-	-	-
Tribal allocation	289,834	-	289,834	-	-	-	-
Register of Deeds automation	43,812	-	43,812	-	-	-	-
Capital projects	1,262,543	-	1,262,543	-	-	-	-
Special projects	122,812	-	122,812	-	-	-	-
Unrestricted	12,670,084	16,441,122	29,111,206	716,125	85,901	121,623	76,848
Total net position	\$ 70,237,519	\$ 25,996,611	\$ 96,234,130	\$ 36,396,285	\$ 85,901	\$ 121,623	\$ 76,848

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

COUNTY OF EMMET

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2014

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
Primary government				
Governmental activities				
Legislative	\$ 173,530	\$ -	\$ -	\$ -
Judicial	2,690,265	1,020,350	861,071	-
General government	5,973,572	995,361	615,170	-
Public safety	7,011,303	292,950	503,311	-
Public works	3,076,681	3,011,817	2,671	1,533,709
Health and welfare	3,450,165	90,625	618,404	-
Parks and recreation	961,970	342,987	54,365	130,000
Contributions to other organizations	2,244,829	-	1,029,025	-
Interest on long-term debt	343,897	-	-	-
Total governmental activities	25,926,212	5,754,090	3,684,017	1,663,709
Business-type activities				
Medical care facility	12,845,507	12,417,240	13,554	-
Disposal and recycle systems	3,852,281	3,864,503	-	-
Delinquent tax revolving fund	44,084	787,063	-	-
Fair committee	263,813	248,339	-	-
Total business-type activities	17,005,685	17,317,145	13,554	-
Total primary government	\$ 42,931,897	\$ 23,071,235	\$ 3,697,571	\$ 1,663,709
Component units				
Road Commission	\$ 6,934,068	\$ 1,094,162	\$ 4,550,612	\$ 5,082,522
Brownfield Redevelopment Authority	470	-	-	-
Land Bank Authority	35,240	-	40,696	-
SANE	181,667	14,208	222,365	-
	\$ 7,151,445	\$ 1,108,370	\$ 4,813,673	\$ 5,082,522

(Continued)

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

COUNTY OF EMMET
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

	Primary Government			Component Units			
	Governmental Activities	Business-type Activities	Total	Road Commission	Brownfield Redevelopment Authority	Land Bank Authority	SANE
Changes in net position							
Net (expense) revenue	\$ (14,824,396)	\$ 325,014	\$ (14,499,382)	\$ 3,793,228	\$ (470)	\$ 5,456	\$ 54,906
General revenues							
Property taxes	14,798,903	-	14,798,903	-	39,286	-	-
Unrestricted interest	373,497	2,925	376,422	-	-	-	862
Transfers - internal activities	(32,334)	32,334	-	-	-	-	-
Total general revenues and transfers	<u>15,140,066</u>	<u>35,259</u>	<u>15,175,325</u>	<u>-</u>	<u>39,286</u>	<u>-</u>	<u>862</u>
Change in net position	315,670	360,273	675,943	3,793,228	38,816	5,456	55,768
Net position, beginning of year	<u>69,921,849</u>	<u>25,636,338</u>	<u>95,558,187</u>	<u>32,603,057</u>	<u>47,085</u>	<u>116,167</u>	<u>21,080</u>
Net position, end of year	<u>\$ 70,237,519</u>	<u>\$ 25,996,611</u>	<u>\$ 96,234,130</u>	<u>\$ 36,396,285</u>	<u>\$ 85,901</u>	<u>\$ 121,623</u>	<u>\$ 76,848</u>

(Concluded)

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

COUNTY OF EMMET
GOVERNMENTAL FUNDS
BALANCE SHEET
DECEMBER 31, 2014

	<u>General</u>	<u>Revenue Sharing Reserve</u>	<u>Ambulance</u>
Assets			
Cash and pooled investments	\$ 8,045,091	\$ 4,713,012	\$ -
Accounts receivable	160,222	-	-
Property tax receivable	533,381	-	588,533
Advance to other funds	-	1,255,750	-
Due from other funds	128,275	-	-
Due from other governments	100,628	-	-
Due from component unit	466,301	-	-
Loans receivable	-	-	-
Inventory	92,589	-	-
Prepaid items	715,758	-	177,946
Total assets	<u>\$ 10,242,245</u>	<u>\$ 5,968,762</u>	<u>\$ 766,479</u>
Liabilities, deferred inflows of resources and fund balances			
Liabilities			
Accounts payable	\$ 161,051	\$ -	\$ 34,536
Deposits	-	-	-
Due to other funds	-	-	71,036
Unearned revenue	-	-	-
Accrued liabilities	633,578	-	-
Total liabilities	<u>794,629</u>	<u>-</u>	<u>105,572</u>
Deferred inflows of resources			
Unavailable revenue	-	-	660,052
Fund balances			
Nonspendable			
Inventory	92,589	-	-
Prepays	715,758	-	177,946
Advances to other funds	-	1,255,750	-
Restricted			
Revenue sharing	-	4,713,012	-
Senior programs	-	-	-
Tribal allocation	-	-	-
Register of deeds	-	-	-
Equipment reserve	-	-	-
Passanger facility charges	-	-	-
Committed			
Special projects	122,812	-	-
Assigned			
Special revenue funds	-	-	-
Capital projects	-	-	-
Debt service	-	-	-
Subsequent year expenditures	225,374	-	-
Unassigned	8,291,083	-	(177,091)
Total fund balances	<u>9,447,616</u>	<u>5,968,762</u>	<u>855</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 10,242,245</u>	<u>\$ 5,968,762</u>	<u>\$ 766,479</u>

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

<u>Senior Millage</u>	<u>Housing Grant</u>	<u>2003 Bond Debt Service</u>	<u>2014 Bond Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
\$ 177,437	\$ 177,484	\$ 21,291	\$ 9,488,280	\$ 4,798,678	\$ 27,421,273
-	-	-	-	39,932	200,154
1,184,174	-	-	-	-	2,306,088
-	-	-	-	-	1,255,750
-	-	-	-	917,547	1,045,822
-	-	-	-	331,220	431,848
-	-	639,260	-	-	1,105,561
-	590,274	-	-	-	590,274
-	-	-	-	11,267	103,856
-	-	-	-	50,648	944,352
<u>\$ 1,361,611</u>	<u>\$ 767,758</u>	<u>\$ 660,551</u>	<u>\$ 9,488,280</u>	<u>\$ 6,149,292</u>	<u>\$ 35,404,978</u>
\$ -	\$ -	\$ -	\$ -	\$ 697,209	\$ 892,796
-	-	-	-	34,550	34,550
-	-	-	-	57,239	128,275
-	-	-	-	10,310	10,310
-	-	-	-	-	633,578
-	-	-	-	799,308	1,699,509
<u>1,320,104</u>	<u>590,274</u>	<u>639,260</u>	<u>-</u>	<u>-</u>	<u>3,209,690</u>
-	-	-	-	11,267	103,856
-	-	-	-	50,648	944,352
-	-	-	-	-	1,255,750
-	-	-	-	-	4,713,012
41,507	-	-	-	-	41,507
-	-	-	-	289,834	289,834
-	-	-	-	10,104	10,104
-	-	-	-	253,857	253,857
-	-	-	-	294,257	294,257
-	-	-	-	-	122,812
-	-	-	-	2,985,525	2,985,525
-	177,484	-	-	1,454,492	1,631,976
-	-	21,291	9,488,280	-	9,509,571
-	-	-	-	-	225,374
-	-	-	-	-	8,113,992
<u>41,507</u>	<u>177,484</u>	<u>21,291</u>	<u>9,488,280</u>	<u>5,349,984</u>	<u>30,495,779</u>
<u>\$ 1,361,611</u>	<u>\$ 767,758</u>	<u>\$ 660,551</u>	<u>\$ 9,488,280</u>	<u>\$ 6,149,292</u>	<u>\$ 35,404,978</u>

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COUNTY OF EMMET

RECONCILIATION OF FUND BALANCE ON THE BALANCE SHEET FOR GOVERNMENTAL FUNDS TO NET POSITION OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET POSITION

DECEMBER 31, 2014

Fund balances - total governmental funds	\$ 30,495,779
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Amounts reported for *governmental activities* in the statement of net position are different because

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

Add - land	13,540,825
Add - construction in progress	1,414,799
Add - capital assets (net of accumulated depreciation)	44,048,406

Certain assets are not due and receivable in the current period and therefore are offset with unavailable revenue in the funds.

Add - long-term receivable from component units	639,260
Add - loans receivable	590,274

Certain liabilities are not due and payable in the current period and therefore are not reported in the funds.

Deduct - bonds payable	(18,655,000)
Deduct - bond premium	(338,568)
Deduct - net pension obligation	(1,400,785)
Deduct - accrued interest on bonds payable	<u>(97,471)</u>

Net position of governmental activities	<u>\$ 70,237,519</u>
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The accompanying notes are an integral part of these financial statements.

COUNTY OF EMMET

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**

FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>General</u>	<u>Revenue Sharing Reserve</u>	<u>Ambulance</u>
Revenues			
Property taxes	\$ 12,849,159	\$ -	\$ 652,189
Intergovernmental revenues			
Federal	174,700	-	-
State	1,053,192	-	-
Local	-	-	-
Licenses and permits	731,971	-	-
Charges for services	3,809,933	-	-
Fines	28,654	-	-
Interest	259,590	77,213	(1,139)
Miscellaneous	<u>171,259</u>	<u>-</u>	<u>-</u>
Total revenues	<u>19,078,458</u>	<u>77,213</u>	<u>651,050</u>
Expenditures			
Current			
Legislative	173,530	-	-
Judicial	1,828,362	-	-
General government	4,564,325	-	-
Public safety	5,003,336	-	775,345
Public works	2,702,886	-	-
Health and welfare	403,717	-	-
Parks and recreation	-	-	-
Contributions to other organizations	1,420,275	-	-
Unallocated benefits and insurance	430,797	-	-
Debt service			
Principal	-	-	-
Interest	-	-	-
Bond issuance costs	-	-	-
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>16,527,228</u>	<u>-</u>	<u>775,345</u>
Revenues over (under) expenditure	<u>2,551,230</u>	<u>77,213</u>	<u>(124,295)</u>
Other financing sources (uses)			
Issuance of bonds	-	-	-
Transfers in	1,280,064	-	116,020
Transfers out	<u>(3,013,708)</u>	<u>(664,971)</u>	<u>-</u>
Total other financing sources (uses)	<u>(1,733,644)</u>	<u>(664,971)</u>	<u>116,020</u>
Net changes in fund balances	817,586	(587,758)	(8,275)
Fund balances, beginning of year	<u>8,630,030</u>	<u>6,556,520</u>	<u>9,130</u>
Fund balances, end of year	<u>\$ 9,447,616</u>	<u>\$ 5,968,762</u>	<u>\$ 855</u>

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

<u>Senior Millage</u>	<u>Housing Grant</u>	<u>2003 Bond Debt Service</u>	<u>2014 Bond Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
\$ 1,297,660	\$ -	\$ -	\$ -	\$ 371	\$ 14,799,379
-	114,292	-	-	2,015,018	2,304,010
-	-	-	-	716,542	1,769,734
-	-	208,131	-	140,383	348,514
-	-	-	-	-	731,971
-	-	-	-	615,068	4,425,001
-	-	-	-	62,755	91,409
244	1,662	26,900	2,640	6,387	373,497
-	9,072	-	-	1,458,977	1,639,308
<u>1,297,904</u>	<u>125,026</u>	<u>235,031</u>	<u>2,640</u>	<u>5,015,501</u>	<u>26,482,823</u>
-	-	-	-	-	173,530
-	-	-	-	575,298	2,403,660
-	-	-	-	65,689	4,630,014
-	-	-	-	567,775	6,346,456
-	-	-	-	-	2,702,886
1,342,648	133,440	-	-	1,270,098	3,149,903
-	-	-	-	861,502	861,502
-	-	-	-	824,554	2,244,829
-	-	-	-	-	430,797
-	-	1,190,000	-	-	1,190,000
-	-	154,000	121,176	-	275,176
-	-	-	206,302	-	206,302
-	-	-	-	6,965,050	6,965,050
<u>1,342,648</u>	<u>133,440</u>	<u>1,344,000</u>	<u>327,478</u>	<u>11,129,966</u>	<u>31,580,105</u>
<u>(44,744)</u>	<u>(8,414)</u>	<u>(1,108,969)</u>	<u>(324,838)</u>	<u>(6,114,465)</u>	<u>(5,097,282)</u>
-	-	-	15,338,568	-	15,338,568
12,041	60,000	1,108,969	121,176	7,058,929	9,757,199
(15,000)	-	-	(5,646,626)	(449,228)	(9,789,533)
<u>(2,959)</u>	<u>60,000</u>	<u>1,108,969</u>	<u>9,813,118</u>	<u>6,609,701</u>	<u>15,306,234</u>
(47,703)	51,586	-	9,488,280	495,236	10,208,952
<u>89,210</u>	<u>125,898</u>	<u>21,291</u>	<u>-</u>	<u>4,854,748</u>	<u>20,286,827</u>
<u>\$ 41,507</u>	<u>\$ 177,484</u>	<u>\$ 21,291</u>	<u>\$ 9,488,280</u>	<u>\$ 5,349,984</u>	<u>\$ 30,495,779</u>

COUNTY OF EMMET

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

FOR THE YEAR ENDED DECEMBER 31, 2014

Net changes in fund balances - total governmental funds	\$ 10,208,952
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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 are allocated over their estimated useful lives and reported as depreciation expense.

Add - capital outlay	7,046,606
Deduct - depreciation expense	(2,553,613)
Deduct - net book value of disposed assets	(19,547)

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

Deduct - change in receivable from component unit	(208,131)
Add - change in loans receivable	58,692

Issuance of bonds or notes provides current financial resources to governmental funds in the period issued, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond or note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Add - principal payments on debt	1,190,000
Deduct - bond issuance	(15,000,000)
Deduct - bond premium	(338,568)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Deduct - increase in accrued interest	<u>(68,721)</u>
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Change in net position of governmental activities	<u>\$ 315,670</u>
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The accompanying notes are an integral part of these financial statements.

COUNTY OF EMMET
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
DECEMBER 31, 2014

	Enterprise Funds				
	Medical Care Facility	Disposal and Recycle Systems	Delinquent Tax Revolving Fund	Nonmajor Fair Committee	Enterprise Fund Total
Assets					
Current assets					
Cash and pooled investments	\$ 1,963,882	\$ 1,319,386	\$ 8,883,854	\$ 174,324	\$ 12,341,446
Accounts receivable	1,250,033	269,323	-	-	1,519,356
Property tax receivable	-	-	2,189,550	-	2,189,550
Prepaid and other assets	251,106	-	-	1,250	252,356
Due from other governments	-	4,000	-	-	4,000
Advance to other funds	-	-	1,645,810	-	1,645,810
Total current assets	<u>3,465,021</u>	<u>1,592,709</u>	<u>12,719,214</u>	<u>175,574</u>	<u>17,952,518</u>
Long-term assets					
Net pension benefit	558,419	-	-	-	558,419
Capital assets					
Capital assets	13,588,470	11,980,465	-	169,103	25,738,038
Less accumulated depreciation	<u>(7,731,250)</u>	<u>(5,751,051)</u>	<u>-</u>	<u>(136,891)</u>	<u>(13,619,192)</u>
Net capital assets	<u>5,857,220</u>	<u>6,229,414</u>	<u>-</u>	<u>32,212</u>	<u>12,118,846</u>
Total assets	<u>9,880,660</u>	<u>7,822,123</u>	<u>12,719,214</u>	<u>207,786</u>	<u>30,629,783</u>
Liabilities					
Current liabilities					
Accounts payable	276,444	150,436	13,517	1,157	441,554
Accrued liabilities	349,609	-	-	-	349,609
Unearned revenue	-	-	-	15,000	15,000
Deposits and advances	<u>7,902</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,902</u>
Total current liabilities	<u>633,955</u>	<u>150,436</u>	<u>13,517</u>	<u>16,157</u>	<u>814,065</u>
Long-term liabilities					
Due to other funds	-	917,547	-	-	917,547
Advance from other funds	-	<u>1,645,810</u>	<u>1,255,750</u>	<u>-</u>	<u>2,901,560</u>
Total long-term liabilities	<u>-</u>	<u>2,563,357</u>	<u>1,255,750</u>	<u>-</u>	<u>3,819,107</u>
Total liabilities	<u>633,955</u>	<u>2,713,793</u>	<u>1,269,267</u>	<u>16,157</u>	<u>4,633,172</u>
Net position					
Net investment in capital assets	5,857,220	3,666,057	-	32,212	9,555,489
Unrestricted	<u>3,389,485</u>	<u>1,442,273</u>	<u>11,449,947</u>	<u>159,417</u>	<u>16,441,122</u>
Total net position	<u>\$ 9,246,705</u>	<u>\$ 5,108,330</u>	<u>\$ 11,449,947</u>	<u>\$ 191,629</u>	<u>\$ 25,996,611</u>

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

COUNTY OF EMMET

PROPRIETARY FUNDS STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEAR ENDED DECEMBER 31, 2014

	Enterprise Funds				Enterprise Fund Total
	Medical Care Facility	Disposal and Recycle Systems	Delinquent Tax Revolving Fund	Nonmajor Fair Committee	
Operating revenue					
Charges for services	\$ 12,417,240	\$ 3,864,503	\$ 787,063	\$ 230,939	\$ 17,299,745
Operating expense					
Personnel services	8,791,868	835,207	-	20,329	9,647,404
Contracted services	482,456	1,981,245	11,392	187,849	2,662,942
Supplies	1,030,563	232,658	-	8,617	1,271,838
Utilities	240,170	81,854	-	2,053	324,077
Prizes and premiums	-	-	-	17,935	17,935
Quality assurance provider tax	935,016	-	-	-	935,016
Other	712,442	179,396	-	15,798	907,636
Depreciation	652,992	541,921	-	11,232	1,206,145
Total operating expense	<u>12,845,507</u>	<u>3,852,281</u>	<u>11,392</u>	<u>263,813</u>	<u>16,972,993</u>
Operating income (loss)	<u>(428,267)</u>	<u>12,222</u>	<u>775,671</u>	<u>(32,874)</u>	<u>326,752</u>
Non-operating revenue (expense)					
Rent	-	-	-	2,400	2,400
Contributions, other sources	13,554	-	-	15,000	28,554
Interest income	-	2,925	-	-	2,925
Interest expense	-	-	(32,692)	-	(32,692)
Total non-operating revenue (expense)	<u>13,554</u>	<u>2,925</u>	<u>(32,692)</u>	<u>17,400</u>	<u>1,187</u>
Income (loss) before transfers	<u>(414,713)</u>	<u>15,147</u>	<u>742,979</u>	<u>(15,474)</u>	<u>327,939</u>
Transfers in	233,690	-	-	-	233,690
Transfers out	-	-	(201,356)	-	(201,356)
Total transfers	<u>233,690</u>	<u>-</u>	<u>(201,356)</u>	<u>-</u>	<u>32,334</u>
Changes in net position	(181,023)	15,147	541,623	(15,474)	360,273
Net position, beginning of year	<u>9,427,728</u>	<u>5,093,183</u>	<u>10,908,324</u>	<u>207,103</u>	<u>25,636,338</u>
Net position, end of year	<u>\$ 9,246,705</u>	<u>\$ 5,108,330</u>	<u>\$ 11,449,947</u>	<u>\$ 191,629</u>	<u>\$ 25,996,611</u>

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

COUNTY OF EMMET

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS**

FOR THE YEAR ENDED DECEMBER 31, 2014

	Enterprise Funds				Enterprise Fund Total
	Medical Care Facility	Disposal and Recycle Systems	Delinquent Tax Revolving Fund	Nonmajor Fair Committee	
Cash flows from operating activities					
Receipts from customers and users	\$ 12,162,906	\$ 3,886,987	\$ 4,489,991	\$ 245,939	\$ 20,785,823
Payments to employees	(11,667,788)	(835,207)	-	(20,329)	(12,523,324)
Purchase of delinquent tax roll	-	-	(3,269,919)	-	(3,269,919)
Payments to suppliers	(935,016)	(2,451,980)	(3,518)	(232,029)	(3,622,543)
Net cash provided by (used in) operating activities	<u>(439,898)</u>	<u>599,800</u>	<u>1,216,554</u>	<u>(6,419)</u>	<u>1,370,037</u>
Cash flows from non-capital financing activities					
Payment of loan from other funds	-	(140,000)	(181,750)	-	(321,750)
Receipts of loan to other funds	-	-	140,000	-	140,000
Contributions received	13,739	-	-	-	13,739
Other	1,267	-	-	-	1,267
Transfers in (out)	<u>210,000</u>	<u>-</u>	<u>(201,356)</u>	<u>-</u>	<u>8,644</u>
Net cash provided by (used in) non-capital non-capital financing activities	<u>225,006</u>	<u>(140,000)</u>	<u>(243,106)</u>	<u>-</u>	<u>(158,100)</u>
Cash flows from capital and related financing activities					
Interest expense	-	-	(32,692)	-	(32,692)
Receipt of loan from capital fund	-	917,547	-	-	917,547
Transfer in - capital	23,505	-	-	-	23,505
Other nonoperating revenue	-	-	-	17,400	17,400
Acquisitions of capital assets	(74,240)	(1,055,918)	-	-	(1,130,158)
Net cash provided by (used in) capital and related financing activities	<u>(50,735)</u>	<u>(138,371)</u>	<u>(32,692)</u>	<u>17,400</u>	<u>(204,398)</u>
Cash flows from investing activities					
Interest income	-	2,925	-	-	2,925
Net increase (decrease) in cash and pooled investments	(265,627)	324,354	940,756	10,981	1,010,464
Cash and pooled investments, beginning of year	<u>2,229,509</u>	<u>995,032</u>	<u>7,943,098</u>	<u>163,343</u>	<u>11,330,982</u>
Cash and pooled investments, end of year	<u>\$ 1,963,882</u>	<u>\$ 1,319,386</u>	<u>\$ 8,883,854</u>	<u>\$ 174,324</u>	<u>\$ 12,341,446</u>
Cash flows from operating activities					
Operating income (loss)	\$ (428,267)	\$ 12,222	\$ 775,671	\$ (32,874)	\$ 326,752
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities					
Depreciation	652,992	541,921	-	11,232	1,206,145
Provision for bad debt	87,188	-	-	-	87,188
Loss on disposal of capital assets	1,683	-	-	-	1,683
Change in operating assets and liabilities which provided (used) cash					
Accounts receivable	(161,064)	22,484	433,009	-	294,429
Net pension benefit	14,321	-	-	-	14,321
Prepaid assets and other items	(95,506)	867	-	(730)	(95,369)
Accounts payable	(83,261)	22,306	7,874	953	(52,128)
Other accrued expenses	(427,984)	-	-	-	(427,984)
Unearned revenue	-	-	-	15,000	15,000
Net cash provided by (used in) operating activities	<u>\$ (439,898)</u>	<u>\$ 599,800</u>	<u>\$ 1,216,554</u>	<u>\$ (6,419)</u>	<u>\$ 1,370,037</u>

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

COUNTY OF EMMET
FIDUCIARY FUNDS
STATEMENT OF NET POSITION/BALANCE SHEET
DECEMBER 31, 2014

	Pension Trust Fund	Agency Funds
Assets		
Cash and pooled investments	\$ -	\$ 1,056,889
Investments		
Stock mutual funds	4,373,537	-
Bond mutual funds	769,329	-
US Government securities	856,746	-
Accounts receivable	-	89,404
	5,999,612	\$ 1,146,293
Total assets		
	5,999,612	\$ 1,146,293
Liabilities		
Due to other governmental units	-	\$ 1,144,949
Deposits	-	1,344
	-	\$ 1,146,293
Total liabilities		
	-	\$ 1,146,293
Net position		
Held in trust for pension benefits	\$ 5,999,612	
	5,999,612	

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

COUNTY OF EMMET
PENSION TRUST FUND
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Pension Trust</u>
Additions	
Contributions:	
Employer	\$ 428,200
Interest and dividends	80,529
Gain (loss) on investments	<u>305,622</u>
Total Additions	<u>814,351</u>
Deductions	
Benefit payments	648,096
Administrative expenses	<u>64,135</u>
Total deductions	<u>712,231</u>
Net increase	102,120
Net position, beginning of year	<u>5,897,492</u>
Net position, end of year	<u>\$ 5,999,612</u>

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

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COUNTY OF EMMET

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the County of Emmet (the "County") conform to generally accepted accounting principles as applicable to governments. The following is a summary of the significant policies.

Reporting Entity

The County was organized in 1853 and covers an area of 461 square miles divided into 16 townships, 3 villages and 2 cities. The county seat is located in the City of Petoskey. The County operates under an elected County Board of Commissioners (seven members) and provides services to its residents in many areas including law enforcement, administration of justice, community enrichment and development, and human services.

These financial statements present the County and its component units, entities for which the County is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the County's operations, so data from these units are combined with data of the primary government. Discretely presented component units are reported in a separate column in the financial statements to emphasize they are legally separate from the County.

Blended Component Unit

The Emmet County Building Authority (the "Building Authority") is governed by a three-member Board appointed by the County Board of Commissioners. Although legally separate from the County, the Building Authority is reported as if it were part of the primary government because its sole purpose is to finance and construct the County's public buildings. A separate audit report is not issued for the Emmet County Building Authority.

Discretely Presented Component Units

The component unit columns in the government-wide financial statements include the financial data of the Emmet County Road Commission (the Road Commission), the Emmet County Brownfield Redevelopment Authority (the Brownfield Redevelopment Authority), the Emmet County Land Bank Authority (the Land Bank Authority) and Straits Area Narcotics Enforcement (SANE). They are reported in a separate column to emphasize they are legally separate from the County.

The Road Commission was established pursuant to the County Road Law (MCL 224.1) and is governed by a three-member Board of County Road Commissioners appointed by the Emmet County Board of Commissioners. The Road Commission may not issue debt or levy a tax without the approval of the County Board of Commissioners. Complete financial statements for the Road Commission can be obtained from: 2265 East Hathaway Road, Harbor Springs, MI 49470.

The Brownfield Redevelopment Authority was established pursuant to Public Act 381 of 1996 and is governed by a nine-member Board of Directors appointed by the Chair of the Emmet County Board of Commissioners with the consent of the Emmet County Board of Commissions. The County Commission has the ability to significantly influence operations of the Brownfield Redevelopment Authority. Financial statements are not separately issued for the Brownfield Redevelopment Authority.

COUNTY OF EMMET

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

The Land Bank was established pursuant to the Michigan Land Bank Fast Track Act (2003 P.A. 258, MCL 124.751) and is governed by a seven-member Board of Directors appointed by the County Board of Commissioners. The County Commission has the ability to significantly influence operations of the Land Bank Authority. Financial statements are not separately issued for the Land Bank Authority.

SANE was established pursuant to the Municipal Cooperation Act and is governed by a Board of Directors appointed by participating governments. The County Commission has the ability to significantly influence operations of the SANE. Financial statements are not separately issued for SANE.

Jointly Governed Organizations

Health Department of Northwest Michigan

Antrim, Charlevoix, Emmet, and Otsego Counties participate jointly in the operation of the Health Department of Northwest Michigan (the "Department") (formerly known as the Northwest Michigan Community Health Agency). All of the financial operations of the Department are reported in the financial statements of Charlevoix County. The funding formula approved by the member counties is based pro-rata on each county's population and equalized valuation as a percentage of total population and valuation of the Department.

A copy of the audit report may be acquired from the Health Department of Northwest Michigan, 220 West Garfield, Charlevoix, MI 49720.

North Country Community Mental Health Services

North Country Community Mental Health Services ("NCCMHS") was created on April 1, 2003, as an independent mental health authority, by the Counties of Antrim, Charlevoix, Cheboygan, Emmet, Kalkaska, and Otsego under Public Act 290, P.A 1995. NCCMHS's purpose and power is to comply with and carry out the provisions of the Michigan Mental Health Code in the six-county area it serves. It is governed by a 14-member board, with each county commission appointing its pro-rata representation based on population.

NCCMHS is not a component unit of any other reporting entity. A copy of the NCCMHS audit report may be acquired from the North Country Community Mental Health Services Board, 1420 Plaza Drive, Petoskey, MI 49770.

CCE Central Dispatch Authority

The County of Emmet has entered into a joint operation agreement with the bordering counties of Charlevoix and Cheboygan. Under the agreement, the three participating counties have agreed to establish and operate the CCE Dispatch Authority ("Dispatch Authority"), a 911 central dispatch service, in the three-county area. A member of the County's Board of Commissioners serves on the Board of the Dispatch Authority. Based on a formula specified in the agreement, the County is obligated to fund its portion of the expenditures to operate the Dispatch Authority.

The Dispatch Authority is not a component unit of any other reporting entity. A copy of the Dispatch Authority audit report may be acquired from the CCE Central Dispatch Authority's Office, 1694 South US 131 Highway, Petoskey, MI 49770.

COUNTY OF EMMET

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

Emmet County Department of Human Services

The Department of Human Services (“DHS”) Board consists of two members appointed by Emmet County’s Board of Commissioners and one member appointed by the Governor. The DHS Board meets jointly with the Charlevoix County Department of Human Services Board. The DHS Board also oversees the operations of the Emmet County Medical Care Facility, which is included as an Emmet County enterprise fund.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position 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. Exceptions to this general rule are charges between enterprise functions and other various functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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

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

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, except for agency funds which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when the 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.

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, except for reimbursement-based grants and interest which use a one year collection period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to long-term employee benefits and claims and judgments, are recorded only when payment is due.

COUNTY OF EMMET

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges for services. Operating expenses for the enterprise funds include depreciation on capital assets, labor, supplies and contracted services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The County reports the following major governmental funds:

The *General Fund* is the general operating fund of the County. It is used to account for all financial resources, except those required to be accounted for in another fund.

The *Revenue Sharing Reserve Fund* is used to account for the funding mechanism that serves as a substitute to state revenue sharing payments.

The *Ambulance Fund* is used to account for the proceeds of a special tax levy that is restricted to expenditures for ambulance and emergency related services.

The *Senior Millage Fund* is used to account for the proceeds of a special tax levy that is restricted to expenditures for programs benefiting seniors.

The *Housing Grant Fund* is used to account for the housing rehabilitation for qualifying County residents.

The *2003 Bond Service Fund* is used to account for the accumulation of resources for and payment of bond principal, interest and related costs.

The *2014 Bond Service Fund* is used to account for the accumulation of resources for and payment of bond principal, interest and related costs.

The County reports the following major proprietary funds:

The *Medical Care Facility Fund* is used to account for the operations of the County Medical Care Facility. Financing is provided by charges for services, and when necessary, general fund operating transfers.

The *Disposal and Recycle Systems Fund* is used to account for the operations of the County Sanitary Transfer Stations and Recycling Center. Financing is primarily provided by charges for services and sale of recyclable materials.

The *Delinquent Tax Revolving Fund* is used to account for the purchase and subsequent collection of delinquent real property taxes of local units of government.

COUNTY OF EMMET

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

Additionally, the County reports the following fund types:

The *Special Revenue Funds* are used to account for the proceeds of specific revenue sources (other than permanent trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

The *Capital Projects Funds* account for the accumulation and disbursement of resources for the purchase and construction of governmental fund capital assets.

The *Debt Service Funds* are used to record revenues which are restricted or otherwise provided for the payment of principal and interest on general long-term debt.

The *Enterprise Funds* are used to account for operations of the County that are financed by charges for the services provided.

The *Pension Trust Fund* is used to account for the operations of the County's Defined Benefit Plan, which provides pension benefits to County employees.

The *Agency Funds* are used to account for the collection and disbursement of funds that are collected on behalf of outside governments or other parties.

Budgets and Budgetary Accounting

Budgets are adopted by the County Board of Commissioners for the primary government's general and special revenue funds in accordance with P.A. 621 of 1978, as amended. The Board of Commissioners also adopts spending plans for capital project and enterprise funds, which are not governed by P.A. 621 of 1978, as amended. The budget basis of accounting does not differ significantly from the modified accrual basis of accounting used to reflect actual revenues and expenditures for these funds. The budget is adopted at the functional level within the general fund and at the fund level for special revenue funds.

The County does not employ encumbrance accounting as an extension of formal budgetary integration. All annual appropriations lapse at year-end.

Cash and Pooled Investments

For the purpose of the statement of cash flows the County considers all assets held in the cash and investment pool to be cash and cash equivalents because the investments are not identifiable to specific funds and the assets can be withdrawn at any time, similar to demand deposit accounts.

Investments

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

County investment policy allows for all investments authorized by State statutes. State statutes authorize the County to invest in:

- a. Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.

COUNTY OF EMMET

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

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

The County's Pension Trust Fund is also allowed to invest in corporate debt and equity securities.

Receivables/Due From Other Governments

All receivables are recorded at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. For the inmate trust fund receivables, an allowance for uncollectible accounts of \$268,210 has been established. All other estimated uncollectible balances are immaterial to the financial statements.

Prepaid and Other Assets

Certain payments to vendors represent costs applicable to future accounting periods and are recorded as prepaid and other assets in both the government-wide and fund financial statements.

Inventory

All inventories are valued at the lower of cost or market using the first-in/first-out (FIFO) method (average unit cost method used for the Road Commission). Inventory represents parts, materials, and supplies utilized in the various County operations.

Capital Assets

Capital assets, which include land and improvements, construction in progress, buildings and improvements, equipment, vehicles and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental and business-type activities columns in the government-wide financial statements.

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are valued at cost where historical records are available and at estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

No interest expense has been incurred or capitalized on capital assets reported in proprietary funds.

COUNTY OF EMMET

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

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

	<u>Years</u>
Land improvements	15-50
Buildings and improvements	15-50
Equipment	5-15
Vehicles	5
Airport infrastructure	5-50

Capital Assets of Discretely Presented Component Unit – Road Commission

Capital assets, which include land and improvements, buildings, equipment, yard and storage, depletable assets and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the component unit column in the government-wide financial statements.

Capital assets are defined by the Road Commission as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are valued at cost where historical records are available and at estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

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

	<u>Years</u>
Land improvements	5-30
Buildings	30-50
Road equipment	5-8
Shop equipment	10
Yard and storage	4-10
Engineering department	4-10
Office equipment	4-10
Infrastructure – roads	8-30
Infrastructure – bridges	12-50

Unearned Revenue

Funds report *unearned revenue* in connection with resources that have been received but not yet earned.

COUNTY OF EMMET

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

Unavailable Revenue

Funds report *unavailable revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of *unavailable revenue* reported in the funds were as follows:

Governmental funds	
Property taxes	\$1,980,156
Unavailable receivables	<u>1,229,534</u>
Total governmental funds	<u>\$3,209,690</u>

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The government has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has only two types of items, property taxes and unavailable receivables, for reporting in this category. Unavailable receivables arise only under a modified accrual basis of accounting which is reported only in the governmental funds balance sheet. The governmental funds report unavailable receivables from two sources: housing rehabilitation loans and contract payments from the Road Commission for the payment of long-term debt. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Compensated Absences

Under contracts negotiated with employee groups and personnel policy, individual employees have a vested right to receive payments for unused vacation and other compensation depending on employment agreements. Compensated absences reported for governmental activities are primarily liquidated from general fund resources.

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net position.

In the fund financial statements, governmental fund types recognize bond premiums, discounts and issuance costs in the year of issuance. The face amount of debt issued and any premiums received are reported as other financing sources. Discounts on debt issuances are reported as an other financing use. Issuance costs are reported as expenditures.

COUNTY OF EMMET

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

Net Position and Fund Balance Reporting

Governmental funds report fund balance in the following five categories:

1. Non-spendable - the related asset's form does not allow expenditure of the balance. The assets are either (a) not in a spendable form or (b) legally or contractually required to be maintained intact. Nonspendable fund balance would be equal to inventory, prepaid items, non-current financial assets, and the nonspendable portion of endowments.
2. Restricted - the related assets can only be spent for the specific purposes stipulated by constitution, external resource providers, or as identified in enabling legislation.
3. Committed - the related assets can only be spent for a specific purpose identified by formal resolution of the governing board.
4. Assigned - the related assets can only be spent for a specific purpose identified by management as authorized by the governing board.
5. Unassigned - is the residual classification and includes all spendable amounts not contained in the other classifications.

Net Position and Fund Balance Flow Assumptions

Fund Balance can only be committed by resolution of the County Board of Commissioners. When multiple net position/fund balance classifications are available for use it is the government's policy to utilize the most restricted balances first, then the next most restricted balance as needed. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position/fund balance and unrestricted – net position/fund balance, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to use restricted resources first, then unrestricted resource as they are needed. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Property Taxes

County property taxes for general operations are levied as of July 1 on property values assessed as of the same date. Property taxes for special purposes are levied as of December 1 on property values assessed as of the same day. The taxes levied as of December 1 are due February 14 of the following year and taxes levied July 1 are due on September 14 after which applicable property is subject to lien, and penalties and interest are assessed.

It is the County's policy to recognize the summer tax levy in the financial statements as current revenue because these revenues are budgeted and made "available" to fund current operations.

It is the County's policy to report the winter tax levy in the financial statements as unavailable revenue because it is intended to fund future activities. Winter taxes are recognized as revenues in the subsequent year when the proceeds of this levy are budgeted and become available for the financing of County operations.

COUNTY OF EMMET

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

Intergovernmental Revenues

Grants and assistance awards made on the basis of entitlement periods are recorded as due from other governments and revenue when entitlement occurs. Reimbursement-type grants are recorded as intergovernmental receivables and revenues when the related expenditure/expenses are incurred.

Interfund Transactions

During the course of normal operations, the County has numerous transactions between funds. Transactions that constitute reimbursement to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as a reduction of expenditures/expenses in the fund that is reimbursed. Charges between enterprise funds and other functions of the County are not reimbursements because elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. Remaining transactions are generally reflected as transfers.

2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

Michigan law provides that a local unit of government shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the County's actual and budgeted expenditures for the budgeted funds have been shown at the function level. The legal level of budgetary control defined through the County's budgetary process is the function level for the general fund and at the fund level for special revenue funds. During the year ended December 31, 2014, the County incurred the following expenditures in budgeted funds which were in excess of the amounts appropriated:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance (Unfavorable)</u>
Special Revenue Funds			
Ambulance Fund			
Public safety	\$722,519	\$775,345	\$(52,826)
Emergency Management Fund			
Public safety	311,053	329,869	(18,816)
Friend of the Court Fund			
Judicial	555,875	563,051	(7,176)
Register of Deeds Fund			
General government	60,075	65,213	(5,138)
Community Corrections Fund			
Public safety	150,506	164,774	(14,268)
Law Library Fund			
Judicial	12,000	12,247	(247)
Child Care Fund			
Health and welfare	1,221,300	1,232,187	(10,887)
Soldiers' Relief Fund			
Health and welfare	28,000	28,378	(378)

COUNTY OF EMMET

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

3. CASH AND INVESTMENTS

The captions on the financial statements relating to cash and pooled investments and investments are as follows:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and pooled investments	\$39,762,719	\$564,090	\$1,056,889	\$41,383,698
Investments	-	-	5,999,612	5,999,612
	\$39,762,719	\$564,090	\$7,056,501	\$47,383,310

The cash and investments making up the above balances are as follows:

Deposits	\$15,336,563
Investments	32,034,553
Petty cash	12,194
Total	\$47,383,310

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

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned. State law does not require, and the County does not have, a policy for deposit custodial credit risk. As of year-end, \$8,011,729 of the County's bank balance of \$15,811,959 and \$18,921 of the Road Commission's bank balance of \$282,315 was exposed to custodial credit risk because the balance was uninsured and uncollateralized.

Investments

The County chooses to specifically identify its investments. As of year-end, the County had the following investments:

	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Source</u>
Michigan CLASS pool	n/a	\$ 3,965,513	AAAm	S&P
Term Repo Agreement	02/19/15	4,000,000	Unrated	n/a
Term Repo Agreement	07/24/15	4,000,000	Unrated	n/a
<i>Agency bonds</i>				
FHLB	07/24/17	990,620	Unrated	n/a
FFCB	10/10/17	1,977,500	AA+	S&P
FHLB	10/16/17	999,780	AA+	S&P
FHLMC	10/30/17	998,070	AA+	S&P
FHLB	10/24/18	997,970	AA+	S&P
FHLB	12/19/19	997,420	AA+	S&P
FHLMC	04/15/20	488,435	Unrated	n/a
FHLB	09/28/22	24,389	AA+	S&P
FHLB	10/11/22	24,900	AA+	S&P
FHLB	11/28/22	24,724	AA+	S&P
FHLB	01/17/23	48,686	AA+	S&P
FHLB	03/20/23	24,759	AA+	S&P
FHLB	10/09/24	24,933	AA+	S&P
FHLB	11/27/24	24,972	AA+	S&P

COUNTY OF EMMET

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Source</u>
FHLB	02/28/25	24,880	AA+	S&P
FHLB	03/28/25	49,911	AA+	S&P
FHLB	10/04/27	25,003	AA+	S&P
FHLB	11/23/27	24,277	AA+	S&P
FHLB	03/27/28	24,961	AA+	S&P
<i>Municipal bonds</i>				
Romulus Community Schools	05/01/15	503,015	AA	S&P
Pontiac Wastewater Treatment	06/01/15	701,239	AAA	S&P
Wayne County	02/01/16	520,630	AA	S&P
Colon Community Schools	05/01/16	302,529	AA-	S&P
Macomb Interceptor Drain District	05/01/16	127,260	AA+	S&P
MI Municipal Bond Authority	05/01/16	514,890	A+	S&P
Byron Center Public Schools	05/01/17	200,140	AA-	S&P
Colon Community Schools	05/01/17	395,565	AA-	S&P
Dexter Community Schools	05/01/17	186,322	AA	S&P
Jackson Public Schools	05/01/17	105,978	AA2	Moody's
Macomb Interceptor Drain District	05/01/17	205,340	AA+	S&P
Taylor Tax Increment Authority	05/01/17	516,125	AA	S&P
Warren Michigan Downtown Dev	10/01/18	570,881	AA	S&P
Harper Woods School District	05/01/19	574,370	AA	S&P
MI Finance Authority	10/01/19	691,699	AA-	S&P
East Grand Rapids School District	05/01/20	503,650	AA-	S&P
<i>Corporate bonds</i>				
Celgene Corp	10/15/15	25,245	BBB+	S&P
PPG Industries Inc	01/15/16	25,266	BBB+	S&P
CR Bard Inc	01/15/16	25,546	A	S&P
Sempra Energy Inc	06/01/16	26,847	BBB+	S&P
Mattel Inc	11/01/16	25,525	BBB	S&P
Hershey Company	11/01/16	25,294	A	S&P
Sempra Energy	04/01/17	25,460	BBB+	S&P
Norfolk Southern Corp	05/15/17	22,852	BBB+	S&P
Astra Zeneca	09/15/17	22,425	AA-	S&P
McGraw-Hill Cos Inc	11/15/17	27,165	Baa2	Moody's
Netapp Inc	12/15/17	25,140	BBB+	S&P
Cardinal Health Inc	03/15/18	24,838	A-	S&P
Burlington North Santa Fe	03/15/18	22,417	BBB+	S&P
Apple Inc	05/03/18	24,629	AA+	S&P
Pepsico	11/01/18	24,332	A-	S&P
CVS Caremark Corp	12/05/18	25,224	BBB+	S&P
Alabama Power Co	02/15/19	27,827	A	S&P
Duke Energy Ohio	04/01/19	22,648	A	S&P
Verizon Communications	06/17/19	25,198	BBB+	S&P
Viacom Inc	09/15/19	22,461	BBB	S&P
Dr Pepper Snapple Group	01/15/20	24,423	BBB+	S&P
IBM Corp	05/15/20	24,097	AA-	S&P
Wal-Mart Stores Inc	10/25/20	26,150	AA	S&P
Wells Fargo Co	01/22/21	25,470	A+	S&P
JP Morgan Chase & Co	08/15/21	27,167	A	S&P
Duke Energy Corp New	09/15/21	26,099	BBB	S&P
<i>Bond funds</i>				
Fidelity Floating Rate High Income	n/a	128	AAA – BBB	S&P
Templeton Global Bond Fund	n/a	119,456	AAA – B	S&P
Equity mutual funds	n/a	4,883,888		
Total		<u>\$32,034,553</u>		

COUNTY OF EMMET

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

The aforementioned investments do not include certificates of deposit which are classified as deposits for risk identification purposes.

Investment and deposit risk

Interest Rate Risk. State law and County policy limit the allowable investments and the maturities of some of the allowable investments as identified in Note 1, the summary of significant accounting policies. The County's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The maturity date for each investment is identified above for investments held at year-end.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in Note 1, the summary of significant accounting policies. The investment policy does not have specific limits in excess of state law on investment credit risk. The rating for each investment is identified above for investments held at year-end.

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the County does not have a policy for investment custodial credit risk. Of the above \$32,034,553 of investments, the County has a custodial credit risk of \$23,185,152 because the related securities are uninsured, unregistered and held by the government's brokerage firm which is also the counterparty for these particular securities. Of the above mutual fund/pool investments the County's custodial credit risk exposure cannot be determined because the funds do not consist of specifically identifiable securities.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the County's investment in a single issuer. The County does not have an investment policy that limits the amount that may be invested in any one issuer. The County minimizes concentration of credit risk by investing primarily in U.S. government guaranteed and pooled investments. Excluding U.S. government guaranteed, mutual funds and pooled investments, investments in any one issuer that represent 5% or more of total County investments at year-end are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
Chemical Bank	Term Repo Agreement	\$8,000,000
Federal Farm Credit Banks	Federal Agency Securities	1,977,500
Federal Home Loan Banks	Federal Agency Securities	4,332,185

COUNTY OF EMMET

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

4. INTERFUND TRANSFERS

Transfers in and out for the year ended December 31, 2014 are as follows:

<u>Transfers in</u>	<u>Transfers out</u>						<u>Total</u>
	<u>General fund</u>	<u>Revenue sharing reserve fund</u>	<u>Senior millage fund</u>	<u>2014 bond service fund</u>	<u>Nonmajor governmental funds</u>	<u>Delinquent tax revolving fund</u>	
General fund	\$ -	\$664,971	\$ -	\$ -	\$413,737	\$201,356	\$1,280,064
Ambulance fund	110,000	-	-	-	6,020	-	116,020
Senior millage fund	-	-	-	-	12,041	-	12,041
Housing grant fund	60,000	-	-	-	-	-	60,000
2014 bond service fund	121,176	-	-	-	-	-	121,176
2003 bond service fund	1,108,969	-	-	-	-	-	1,108,969
Nonmajor governmental funds	1,403,563	-	-	5,646,626	8,740	-	7,058,929
Medical care facility	210,000	-	15,000	-	8,690	-	233,690
Total	\$3,013,708	\$664,971	\$15,000	\$5,646,626	\$449,228	\$201,356	\$9,990,889

Transfers are used to (1) move unrestricted revenues collected in the general fund to finance capital and other various programs accounted for in other funds in accordance with budgetary authorizations and (2) move allocated cost of general operations to applicable funds.

5. INTERFUND / INTER-ENTITY BALANCES

Interfund / inter-entity balances represent short-term borrowing (due to/from) and long-term borrowing (advances payable/receivable) between the various County funds and entities. This borrowing is used to assist the borrowing fund with additional cash flow.

The inter-entity balance of \$1,105,561 includes \$639,260 payable from the Road Commission to the County for a portion of the 2003 Building Authority bonds and the 2012 series Building Authority refunding bonds allocated to the Road Commission. The Road Commission has agreed to pay this pro-rata share of the debt service requirements on these bonds. The additional \$466,301 represents outstanding draws on an available loan from the County to the Road Commission. The total amount available under the loan is \$2,400,000.

Due from / to other funds at December 31, 2014 were as follows:

<u>Due from fund</u>	<u>Due to fund</u>			<u>Total</u>
	<u>Emergency Management</u>	<u>Ambulance</u>	<u>Disposal and Recycle Systems</u>	
General Fund	\$57,239	\$71,036	\$ -	\$ 128,275
2014 Bond Improvement Projects	-	-	917,547	917,547
Total	\$57,239	\$71,036	\$917,547	\$1,045,822

COUNTY OF EMMET

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

Advances receivables / payables at December 31, 2014 were as follows:

	Payable fund		
	<u>Delinquent Tax Revolving</u>	<u>Disposal and Recycle Systems</u>	<u>Total</u>
<u>Receivable fund</u>			
Revenue Sharing Reserve	\$1,255,750	\$ -	\$1,255,750
Delinquent Tax	-	1,645,810	1,645,810
Total	\$1,255,750	\$1,645,810	\$2,901,560

6. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	<u>Balance January 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2014</u>
Governmental Activities				
Capital assets, not being depreciated				
Land	\$13,435,110	\$ 105,715	\$ -	\$13,540,825
Construction in progress	397,029	1,264,764	246,994	1,414,799
Total capital assets, not being depreciated	13,832,139	1,370,479	246,994	14,955,624
Capital assets, being depreciated				
Land improvements	3,480,501	260,562	-	3,741,063
Buildings and improvements	27,609,507	2,430,523	-	30,040,030
Equipment	3,597,718	242,241	11,165	3,828,794
Vehicles	1,327,781	1,286,869	116,199	2,498,451
Airport infrastructure	24,331,917	1,702,926	-	26,034,843
Total capital assets, being depreciated	60,347,424	5,923,121	127,364	66,143,181
Less accumulated depreciation for				
Land improvements	1,913,292	244,840	-	2,158,132
Buildings and improvements	8,121,081	711,584	-	8,832,665
Equipment	2,768,488	253,695	10,368	3,011,815
Vehicles	843,647	420,909	97,449	1,167,107
Airport infrastructure	6,002,471	922,585	-	6,925,056
Total accumulated depreciation	19,648,979	2,553,613	107,817	22,094,775
Net capital assets, being depreciated	40,698,445	3,369,508	19,547	44,048,406
Governmental Activities capital assets, net	\$54,530,584	\$4,739,987	\$266,541	\$59,004,030

COUNTY OF EMMET

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Balance January 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2014</u>
Business-type Activities				
Capital assets, not being depreciated				
Construction in progress	\$ 85,243	\$ 871,646	\$ -	\$ 956,889
Capital assets being depreciated				
Land and improvements	1,456,624	-	-	1,456,624
Buildings and improvements	15,751,925	46,450	-	15,798,375
Equipment	7,328,841	212,062	14,753	7,526,150
Total capital assets, being depreciated	24,537,390	258,512	14,753	24,781,149
Less accumulated depreciation for				
Land and improvements	680,565	93694	-	774,259
Buildings and improvements	7,082,283	661697	-	7,743,980
Equipment	4,663,269	450754	13,070	5,100,953
Total accumulated depreciation	12,426,117	1,206,145	13,070	13,619,192
Net capital assets, being depreciated	12,111,273	(947,633)	1,683	11,161,957
Business-type Activities capital assets, net	\$12,196,516	\$ (75,987)	\$ 1,683	\$12,118,846

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities	
Judicial	\$ 286,605
General government	706,935
Public safety	726,856
Public works	373,795
Health and welfare	358,954
Parks and recreation	100,468
Total depreciation expense - governmental activities	\$2,553,613
Business-type Activities	
Medical care facility	\$ 652,992
Disposal and recycle systems	541,921
Fair committee	11,232
Total depreciation expense - business- type activities	\$1,206,145

COUNTY OF EMMET

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Balance</u> <u>January 1,</u> <u>2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>December 31,</u> <u>2014</u>
Component Unit – Road Commission				
Capital assets, not being depreciated				
Construction in progress	\$ 192,884	\$ 223,970	\$ -	\$ 416,854
Land and improvements	37,094	-	-	37,094
Infrastructure improvements	12,048,097	1,652,405	-	13,700,502
Total capital assets, not being depreciated	12,278,075	1,876,375	-	14,154,450
Capital assets, being depreciated				
Land improvements	69,789	-	-	69,789
Buildings	3,857,232	-	-	3,857,232
Equipment				
Road	7,956,244	42,639	-	7,998,883
Shop	203,890	10,519	-	214,409
Office	117,032	670	-	117,702
Engineers	71,503	-	-	71,503
Yard and storage	193,606	83,712	-	277,318
Infrastructure – roads	24,649,534	3,208,985	499,695	27,358,824
Depletable assets (gravel pits)	131,801	-	-	131,801
Total capital assets, being depreciated	37,250,631	3,346,525	499,695	40,097,461
Less accumulated depreciation	16,101,501	1,864,384	499,695	17,466,190
Net capital assets, being depreciated	21,149,130	1,482,141	-	22,631,271
Component Unit capital assets, net	\$33,427,205	\$3,358,516	\$ -	\$36,785,721

Depreciation expense was charged to programs of the Emmet County Road Commission as follows:

Equipment expense	\$ 169,706
Allocated	88,331
Administrative	8,733
Unallocated - infrastructure	1,597,614
Total depreciation expense	\$1,864,384

7. PENSION PLANS

Defined Contribution Pension Plans

Defined Contribution Money Purchase Pension Plan

The County provides pension benefits to full-time employees through a defined contribution retirement plan, administered by the County Board of Commissioners with the International City Management Association Retirement Corporation ("ICMA"), Hartford Funds, Nationwide, John Hancock Funds, FTJ Fund Choice, LLC and the Mutual Trust Life Insurance Company acting as investment fiduciaries. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Contributions are based on employment agreements between the County and employees requiring employer contributions of 8% of covered payroll.

The County contributed \$635,837 to the plan during the year ended December 31, 2014, which is equal to the required contribution percentage of covered payroll.

COUNTY OF EMMET

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

Defined Contribution Pension Plan – Road Commission

The Emmet County Road Commission provides pension benefits to all of its full-time employees hired after May 1998 through a defined contribution retirement plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Contributions are based on employment agreements between the Road Commission and employees requiring employer contributions of 10% and employee contributions of 2% of covered payroll.

The Road Commission and employees contributed \$105,487 and \$21,097 to the plan, respectively during the year which is based on covered payroll of \$1,054,868.

Defined Benefit Plans

The County of Emmet Retirement Plan and Trust

Plan Description

The County of Emmet Retirement Plan and Trust (the "Plan") is a single employer defined benefit pension plan sponsored and administered by the County Board of Commissioners. As such, it is reported with the Pension Trust Funds in the County's financial statements.

The Plan provides retirement and death benefits to Plan members and their beneficiaries, in accordance with the Retirement Plan and Trust Agreement entered into between the County and certain unions, pursuant to the provisions of collective bargaining agreements. Benefit provisions may be amended by the Plan administrator subject to the provisions of the applicable collective bargaining agreements. Separate financial statements are not issued for the Plan.

The Plan covers employees who are members of the United Steel Workers of America AFL-CIO and other electing employees who met certain age and service requirements as of December 31, 1995, the date after which the County of Emmet Money Purchase Pension Plan and Trust became effective.

Significant Accounting Policies

The financial statements of the Plan are prepared using the accrual basis of accounting. The County's contributions are recognized when due and a formal commitment to provide the contribution has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Administration of the Plan is funded through the Plan's investment earnings.

Investments

Plan investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments for which market quotations are not readily available are valued at their fair values as determined by the custodian under the direction of the County Board of Commissioners, with the assistance of a valuation service. The County Board of Commissioners can amend the plan investment allocation and strategy as deemed necessary as long as investments are within legal requirements identified in note 1 to the financial statements.

The Plan's asset allocation policy as of December 31, 2014 consisted of 20% fixed income; 70% equity and alternative funds; 10% cash equivalents.

COUNTY OF EMMET

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

The following mutual fund investments at year ended exceeded 5 percent of plan fiduciary net position:

<u>Investment</u>	<u>Amount</u>
Black Rock Capital Appreciation	\$829,829
Hartford Dividend Growth	825,139
Janus Enterprise	443,989
JP Morgan Mid Cap Value	411,306

Plan Membership

At December 31, 2014, participants included the following:

Active plan members	17
Terminated vested plan members	9
Retirees receiving benefits	53
Beneficiaries receiving benefits	5

The Plan is closed to new entrants.

Benefits

Employees who retire with minimum age and years of service requirements are entitled to annual retirement benefits, payable in monthly installments for life, in an amount equal to a percentage of their final average salary times years of credited service. The benefit payment remain constants upon retirement.

Contributions

The contribution requirements of Plan members are established and may be amended by the County Board of Commissioners in accordance with County policies, union contracts, and Plan provisions. Employees are not allowed to make contributions to the Plan. The funding policy followed by the County Board of Commissioners allows for contributions to be made at the discretion of the Board after taking into consideration such items as: 1) the funded status of the Plan 2) recent investment performance and 3) availability of resources from which to contribute. The County's contribution rates for the year ended December 31, 2014, was based on normal costs and amortization of the actuarial unfunded liability.

Rate of Return

For the year ended December 31, 2014, the annual money-weighted rate of return on pension plan investments, net of investment expense, was 6.55%. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

Net Pension Liability of the County

The components of the net pension liability of the County at December 31, 2014, were as follows:

Total pension liability	\$4,987,938
Plan fiduciary net position	<u>3,817,465</u>
County's net pension liability	<u>\$1,170,473</u>
Plan fiduciary net position as a percentage of total pension liability	<u>76.5%</u>

COUNTY OF EMMET

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

Actuarial Assumptions

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

- Inflation - No explicit price inflation assumption
- Salary increases - No salary increases
- Investment rate of return - 6.75 percent
- Mortality rates – based on SOA RP-2014 Total dataset Mortality Table

Discount Rate

The discount rate used to measure the total pension liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that County contributions will be made at the current contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the net pension liability of the County, calculated using the discount rate of 6.75 percent, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75 percent) or 1-percentage point higher (7.75 percent) than the current rate:

	One percent decrease <u>(5.75%)</u>	Current Discount rate <u>(6.75%)</u>	One percent increase <u>(7.75%)</u>
Net pension liability	\$1,600,525	\$1,170,473	\$799,103

Employer Contributions

During the year ended December 31, 2014, total contributions of \$412,914 were made in accordance with actuarially determined requirements, computed through an actuarial valuation performed as of December 31, 2013. The employer contributions consisted of \$113,444 for normal cost, and \$299,470 for amortization of the unfunded actuarial accrued liability.

Employer contributions to the Plan for the current and two prior years:

Three-Year Trend Information			
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/12	\$632,556	97%	\$2,028,975
12/31/13	581,938	208%	1,400,785
12/31/14	412,914	100%	1,400,785

The schedule of employer contributions, included in the required supplementary information (RSI) following the notes to the financial statements, presents trend information about the amounts contributed to the plan by employer in comparison to the actuarially determined which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities over a period of 6 years at December 31, 2014.

COUNTY OF EMMET

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

Defined Benefit Pension Plan – Road Commission

The Road Commission participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer defined benefit pension plan providing retirement, death and disability benefits covering certain Road Commission employees. The System is administered by the MERS retirement board.

Act No. 220 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. A publicly available financial report that includes financial statements and required supplementary information for MERS may be obtained by writing to the Municipal Employees Retirement System of Michigan, 1134 Municipal Way, Lansing, Michigan 48917.

The Road Commission is required to contribute at an actuarially determined rate, depending on bargaining unit; the monthly amount was \$61,949. Participating employees are required to contribute 2% to the plan. The contribution requirements of the Road Commission 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 Road Commission, subject to collective bargaining agreements and depending on the MERS contribution program adopted by the Road Commission.

For the year ended December 31, 2014, the Road Commission's annual pension cost for MERS was equal to the Road Commission's required and actual contributions. The required contribution was determined as part of the December 31, 2012 actuarial valuation using the entry age normal cost method. The actuarial assumptions include: (a) a rate of return on the investment of present and future assets of 8.0%; (b) projected salary increases of 4.5% per year compounded annually. Both determined using techniques that smooth the effects of short-term volatility over a 4-year period. The Road Commission's unfunded actuarial accrued liability is being amortized at a level percentage of payroll on a closed basis. The remaining amortization period at December 31, 2014, was 26 years.

The required schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities of benefits.

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/12	\$547,488	100%	-
12/31/13	623,268	100%	-
12/31/14	737,076	100%	-

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio Total	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/13	\$8,501,814	\$13,363,912	\$4,862,098	64%	\$721,914	674%

COUNTY OF EMMET

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

8. LONG-TERM DEBT

The following is a summary of the debt transactions of the County for the year ended December 31, 2014:

	<u>Balance January 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2014</u>	<u>Due Within One Year</u>
Governmental Activities					
\$13,250,000 2003 Series Emmet County Building Authority bonds; due in annual installments through May 2014; interest rate of 2.0% to 5.0%	\$ 85,000	\$ -	\$ 85,000	\$ -	\$ -
\$15,000,000 2014 Emmet County Capital Improvement bonds; due in annual installments of \$1,085,000 to \$1,470,000 through May 2029; interest rate of 2.250% to 3.375%	-	15,000,000	-	15,000,000	-
\$4,795,000 2012 Emmet County Refunding Bonds; due in annual installments of \$35,000 to \$1,330,000 through May 2017; interest rate of 2.0% to 4.0%	4,760,000	-	1,105,000	3,655,000	1,110,000
Total Governmental Activities	\$4,845,000	\$15,000,000	\$1,190,000	\$18,655,000	\$1,110,000
Component Unit – Road Commission					
Installment payable, secured by equipment, payable in monthly installments of \$13,268 including interest of 3.52%	\$ 59,515	\$ -	\$ 59,515	\$ -	\$ -
\$2,400,000 maximum note payable to Emmet County, payable in monthly installments of \$13,219 including interest of 2.5% maturing in 2023	444,084	22,217	-	466,301	234,161
\$2,417,155 apportioned Bonds payable (Series 2003) to Emmet County, including sliding scale interest rate of 3.25% to 5.00%, maturing in 2014	14,866	-	14,866	-	-
\$838,646 apportioned Bonds payable (Series 2012) to Emmet County, including sliding scale interest rate of 2.0% to 4.0%, maturing in 2017	832,525	-	193,265	639,260	194,139

COUNTY OF EMMET

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Balance</u> <u>January 1,</u> <u>2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>December 31,</u> <u>2014</u>	<u>Due</u> <u>Within One</u> <u>Year</u>
Subtotal	\$1,350,990	\$22,217	\$267,646	\$1,105,561	\$428,300
Compensated absences	335,041	-	37,399	297,642	-
Total Component Unit – Road Commission	\$1,686,031	\$22,217	\$305,045	\$1,403,203	\$428,300

The annual requirements to amortize all debt outstanding (excluding accrued employee benefits) as of December 31, 2014 are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Governmental Activities</u>		<u>Component Units</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$1,110,000	\$568,175	\$ 428,300	\$ 39,126
2016	1,215,000	527,225	368,267	17,019
2017	1,330,000	476,325	308,994	5,055
2018	1,085,000	437,519	-	-
2019	1,105,000	411,500	-	-
2020-2024	5,930,000	1,578,115	-	-
2025-2029	6,880,000	581,891	-	-
Total	\$18,655,000	\$4,580,750	\$1,105,561	\$61,200

9. RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the government carries commercial insurance and participates in the Michigan Municipal Risk Management Authority (the Authority). The County is covered for general and auto liability, motor vehicle physical damage and property coverage through the pool. The Authority has entered into reinsurance agreements providing for loss coverage in excess of the amounts to be retained by the Authority and individual members. The County's risk retention on general liability and auto liability is \$100,000. The limits on auto physical damage are \$15,000 per unit and \$30,000 per occurrence. The retention limits for property coverage are subject to a \$1,000 deductible to be paid by the member. In the event a reinsurance company does not meet its obligation to the Authority, responsibility for payment of any unreimbursed claims will be that of the Authority Reinsurance Fund. The Authority has retained certain levels of risk rather than obtaining coverage through reinsurance agreements. The Authority established the Authority Reinsurance Fund in order to participate in the reinsurance agreements. Individual members are provided the same level of coverage previously afforded through a combination of the reinsurance agreements and the Reinsurance Fund.

The change in claims liability for the years ended December 31 is as follows:

	<u>2014</u>	<u>2013</u>
Claims payable - beginning of year	\$ 30,500	\$161,078
Premiums paid by County	249,486	241,029
Claims and reinsurance premiums paid by Authority	(210,215)	(371,607)
Claims payable - end of year	<u>\$ 69,771</u>	<u>\$ 30,500</u>

COUNTY OF EMMET

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

The County has had no settled claims resulting from these risks that exceeded their coverage in any of the past three fiscal years. There have been no reductions in insurance coverage from the prior fiscal year.

Risk Management - Road Commission

The Road Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Road Commission was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The Road Commission joined together with other Road Commissions and created a public entity risk pool currently operating as a common risk management and insurance program. The Road Commission pays an annual premium to the pool for its general insurance coverage. The agreement provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$1,000 for each insured event. The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The Road Commission is unable to provide an estimate of the amounts of additional assessments.

10. JOINT VENTURES

CCE Central Dispatch Authority

In 1993, the County, with Charlevoix and Cheboygan Counties, jointly established the CCE Central Dispatch Authority (the "Dispatch Authority"), which is a Michigan municipal body formed by and on behalf of participating municipalities. The purpose of the Dispatch Authority is to centralize the dispatch of emergency service responders in the three-county area.

The Dispatch Authority is governed by a Board of Directors consisting of nine members; three representing each county. Of each county's representatives, one is a county commissioner appointed by the County, one is a city/village official and one is an elected township official.

Under the terms of the agreement creating the Dispatch Authority, each member county is responsible for providing funding, based on a formula, payable quarterly in advance. Nonpayment may result in termination of the Central Dispatch Service. The funding formula, which will be reviewed every five years, calls for each county to provide 20% of the required funding (total 60% for the three counties), plus their pro-rata share of the remaining 40%, based on telephone lines. Financial information as of December 31, 2013 (the most recent audited financial statements) is as follows:

Assets	\$7,339,065
Liabilities	219,917
Change in net position	31,512
Participant payments	
Charlevoix County	499,214
Cheboygan County	483,589
Emmet County	577,342
Total	<u>\$1,560,145</u>

COUNTY OF EMMET

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

Health Department of Northwest Michigan

The Health Department of Northwest Michigan (formerly known as the Northwest Michigan Community Health Agency) (the "Department") is a Michigan municipal body, created under Act 368 of the Public Acts of 1978. The Department is a component unit of the County of Charlevoix, Michigan which is funded through agreements with the State of Michigan, local appropriations and charges for services rendered. Financial information as of December 31, 2013 (the most recent audited financial statements) is as follows:

Assets	\$7,494,004
Liabilities	2,533,338
Change in net position	(342,425)
Participant payments	
Total participant payments	915,156
Emmet County	294,315
Emmet County percentage of total	32%

North Country Community Mental Health

North Country Community Mental Health ("NCCMH") was created on April 1, 2003, by the Counties of Antrim, Charlevoix, Cheboygan, Emmet, Kalkaska and Otsego under Public Act 290, P.A. 1995 as successor to the Northern Michigan Community Mental Health Services Board. NCCMH's purpose and power is to comply with and carry out the provisions of the Michigan Mental Health Code in the six-county area it serves. Financial information as of September 30, 2014 (the most recent audited financial statements) is as follows:

Assets	\$14,063,025
Liabilities	10,685,604
Change in net position	(5,515,732)
Participant payments	
Total participant payments	657,265
Emmet County	131,335
Emmet County percentage of total	20%

11. COMMITMENTS AND SUBSEQUENT EVENTS

At year-end, the County had outstanding commitments of approximately \$1,100,000 for construction projects. During January 2015, the County sold land to an individual for approximately \$300,000.

12. CONTINGENCIES

In the normal course of its operations, the County has become a party in various legal actions, including property tax appeals. Management of the County is of the opinion that the outcome of such actions will not have a material effect on the financial position of the County. Amounts reserved for losses related to legal actions have not been included as a liability in the financial statements.

Under the terms of various Federal and State grants and regulatory requirements, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants and requirements. Such audits could lead to reimbursement to the grantor or regulatory agencies. However, management believes such disallowances, if any, will not be material to the financial position of the County.

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REQUIRED SUPPLEMENTARY INFORMATION

COUNTY OF EMMET

GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 12,494,815	\$ 12,815,213	\$ 12,849,159	\$ 33,946
Intergovernmental revenues				
Federal	210,991	214,812	174,700	(40,112)
State	1,004,574	1,048,918	1,053,192	4,274
Licenses and permits	641,150	687,595	731,971	44,376
Charges for services	4,058,025	4,001,127	3,809,933	(191,194)
Fines	28,500	23,000	28,654	5,654
Interest	206,000	51,500	259,590	208,090
Miscellaneous	385,044	457,049	171,259	(285,790)
Total revenues	<u>19,029,099</u>	<u>19,299,214</u>	<u>19,078,458</u>	<u>(220,756)</u>
Expenditures				
Current				
Legislative	159,110	175,442	173,530	1,912
Judicial	1,864,065	1,849,579	1,828,362	21,217
General government	4,877,002	4,653,516	4,564,325	89,191
Public safety	5,132,272	5,017,046	5,003,336	13,710
Public works	2,905,718	2,970,862	2,702,886	267,976
Health and welfare	425,882	410,498	403,717	6,781
Contributions to other organizations	1,391,711	1,544,141	1,420,275	123,866
Unallocated benefits and insurance	925,114	722,075	430,797	291,278
Total expenditures	<u>17,680,874</u>	<u>17,343,159</u>	<u>16,527,228</u>	<u>815,931</u>
Revenues over (under) expenditures	<u>1,348,225</u>	<u>1,956,055</u>	<u>2,551,230</u>	<u>595,175</u>
Other financing sources (uses)				
Transfers in	2,501,327	1,280,064	1,280,064	-
Transfers out	(4,933,987)	(2,904,230)	(3,013,708)	(109,478)
Total other financing sources (uses)	<u>(2,432,660)</u>	<u>(1,624,166)</u>	<u>(1,733,644)</u>	<u>(109,478)</u>
Net changes in fund balance	(1,084,435)	331,888	817,586	485,698
Fund balance, beginning of year	<u>8,630,030</u>	<u>8,630,030</u>	<u>8,630,030</u>	<u>-</u>
Fund balance, end of year	<u>\$ 7,545,595</u>	<u>\$ 8,961,918</u>	<u>\$ 9,447,616</u>	<u>\$ 485,698</u>

COUNTY OF EMMET

**REVENUE SHARING RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL**

FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Interest	\$ 75,000	\$ 42,300	\$ 77,213	\$ 34,913
Other financing sources (uses)				
Transfers out	(664,971)	(664,971)	(664,971)	-
Net changes in fund balance	(589,971)	(622,671)	(587,758)	34,913
Fund balance, beginning of year	<u>6,556,520</u>	<u>6,556,520</u>	<u>6,556,520</u>	-
Fund balance, end of year	<u>\$ 5,966,549</u>	<u>\$ 5,933,849</u>	<u>\$ 5,968,762</u>	<u>\$ 34,913</u>

COUNTY OF EMMET

**AMBULANCE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL**

FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 638,190	\$ 643,140	\$ 652,189	\$ 9,049
Interest	175	(1,140)	(1,139)	1
Total revenues	<u>638,365</u>	<u>642,000</u>	<u>651,050</u>	<u>9,050</u>
Expenditures				
Current				
Public safety	<u>644,000</u>	<u>722,519</u>	<u>775,345</u>	<u>(52,826)</u>
Revenues over (under) expenditures	<u>(5,635)</u>	<u>(80,519)</u>	<u>(124,295)</u>	<u>(43,776)</u>
Other financing sources (uses)				
Transfers in	<u>6,000</u>	<u>76,020</u>	<u>116,020</u>	<u>40,000</u>
Net changes in fund balance	365	(4,499)	(8,275)	(3,776)
Fund balance, beginning of year	<u>9,130</u>	<u>9,130</u>	<u>9,130</u>	<u>-</u>
Fund balance, end of year	<u>\$ 9,495</u>	<u>\$ 4,631</u>	<u>\$ 855</u>	<u>\$ (3,776)</u>

COUNTY OF EMMET

**SENIOR MILLAGE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL**

FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 1,268,248	\$ 1,297,661	\$ 1,297,660	\$ (1)
Interest	300	245	244	(1)
Total revenues	1,268,548	1,297,906	1,297,904	(2)
Expenditures				
Current				
Health and welfare	1,347,294	1,342,650	1,342,648	2
Revenues over (under) expenditures	(78,746)	(44,744)	(44,744)	-
Other financing sources (uses)				
Transfers in	10,000	12,041	12,041	-
Transfers out	(15,000)	(15,000)	(15,000)	-
Total other financing sources (uses)	(5,000)	(2,959)	(2,959)	-
Net changes in fund balance	(83,746)	(47,703)	(47,703)	-
Fund balance, beginning of year	89,210	89,210	89,210	-
Fund balance, end of year	\$ 5,464	\$ 41,507	\$ 41,507	\$ -

COUNTY OF EMMET

**HOUSING GRANT FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL**

FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental revenues				
Federal	\$ 150,000	\$ 150,000	\$ 114,292	\$ (35,708)
Interest	100	-	1,662	1,662
Miscellaneous	-	8,719	9,072	353
Total Revenues	150,100	158,719	125,026	(33,693)
Expenditures				
Current				
Health and welfare	121,615	202,690	133,440	69,250
Revenues over (under) expenditures	28,485	(43,971)	(8,414)	35,557
Other financing source (uses)				
Transfers in	60,000	60,000	60,000	-
Net changes in fund balance	88,485	16,029	51,586	35,557
Fund balance, beginning of year	125,898	125,898	125,898	-
Fund balance, end of year	<u>\$ 214,383</u>	<u>\$ 141,927</u>	<u>\$ 177,484</u>	<u>\$ 35,557</u>

COUNTY OF EMMET

REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED DECEMBER 31, 2014

EMMET COUNTY DEFINED BENEFIT PENSION PLAN SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Total pension liability	
Service costs	\$ 40,000
Interest	324,278
Benefit changes	-
Difference between expected and actual experience	58,903
Assumption changes	-
Benefit payments	(471,045)
Refunds of contributions	-
	<hr/>
Net change in total pension liability	(47,864)
Total pension liability, beginning of year	<hr/> 5,035,802
Total pension liability, end of year (a)	<hr/> <u>\$ 4,987,938</u>
Plan fiduciary net position	
Contributions - employer	\$ 412,914
Contributions - non-employer	-
Contributions - member	-
Net investment income	272,594
Benefit payments	(471,045)
Administrative expense	-
Refunds of contributions	-
Transfer	-
Other	-
	<hr/>
Net change in plan fiduciary net position	214,463
Plan fiduciary net position, beginning of year	<hr/> 3,603,002
Plan fiduciary net position, end of year (b)	<hr/> <u>\$ 3,817,465</u>
Net pension liability (a-b)	<hr/> <u>\$ 1,170,473</u>
Plan fiduciary net position as a percentage of total pension liability	76.53%

Note: GASB 67 was implemented in 2014. This schedule will be added to prospectively until 10 years of data is presented.

COUNTY OF EMMET

REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED DECEMBER 31, 2014

**EMMET COUNTY DEFINED BENEFIT PENSION PLAN
SCHEDULE OF NET PENSION LIABILITY**

<u>Year Ended December 31</u>	<u>Total Pension Liability</u>	<u>Plan Net Position</u>	<u>Net Pension Liability</u>	<u>Plan Net Position as a Percentage of Total Pension Liability</u>	<u>Covered Payroll</u>	<u>Net Pension Liability as a Percent of Covered Payroll Contributed</u>
2014	\$ 4,987,938	\$ 3,817,465	\$ 1,170,473	76.53%	\$ -	n/a

Note: GASB 67 was implemented in 2014. This schedule will be added to prospectively until 10 years of data is presented

**EMMET COUNTY DEFINED BENEFIT PENSION PLAN
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

<u>Year Ended December 31</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Contribution</u>	<u>Contribution Excess (Deficiency)</u>	<u>Covered Payroll</u>	<u>Percent of Covered Payroll Contributed</u>
2005	\$ 241,057	\$ 226,857	\$ (14,200)	\$ -	n/a
2006	482,580	290,082	(192,498)	-	n/a
2007	410,197	352,812	(57,385)	-	n/a
2008	401,015	291,876	(109,139)	-	n/a
2009	439,601	303,547	(136,054)	-	n/a
2010	703,458	430,845	(272,613)	-	n/a
2011	656,177	542,815	(113,362)	-	n/a
2012	778,738	612,241	(166,497)	-	n/a
2013	726,901	1,210,128	483,227	-	n/a
2014	412,775	412,914	139	-	n/a

The actuarially determined contribution was based on the amortization of prior service costs. Actual contributions were made to meet funding requirements of the Plan. The Plan is closed to new participants, thus there is no covered payroll related to the Plan.

**EMMET COUNTY DEFINED BENEFIT PENSION PLAN
SCHEDULE OF INVESTMENT RETURNS**

<u>Year Ended December 31</u>	<u>Annual Return</u>
2014	6.55%

Note: GASB 67 was implemented in 2014. This schedule will be added to prospectively until 10 years of data is presented

COUNTY OF EMMET

REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED DECEMBER 31, 2014

**EMMET COUNTY ROAD COMMISSION DEFINED BENEFIT PENSION PLAN
SCHEDULE OF FUNDING PROGRESS**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
2011	\$ 8,153,901	\$ 12,886,445	\$ 4,732,544	63.28%	\$ 682,119	693.80%
2012	8,231,573	13,025,603	4,794,030	63.20%	704,611	680.38%
2013	8,501,814	13,363,912	4,862,098	63.62%	721,914	673.50%

Note to required supplementary information

Budgets and Budgetary Accounting

The County adopts an annual budget for the general and each special revenue fund following the GAAP basis of accounting. Unexpended appropriations lapse at year-end.

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

COUNTY OF EMMET
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2014

	<u>Special Revenue</u>				
	<u>Emergency Management</u>	<u>Parks & Recreation</u>	<u>Friend of the Court</u>	<u>Tribal Payment</u>	<u>Register of Deeds</u>
Assets					
Cash and pooled investments	\$ -	\$ 186,413	\$ 828,880	\$ 289,834	\$ 10,104
Accounts receivable	29,727	-	-	-	-
Due from other funds	-	-	-	-	-
Due from other governments	30,053	-	82,975	-	-
Inventory	-	11,267	-	-	-
Prepaid items	-	16,940	-	-	33,708
Total assets	<u>\$ 59,780</u>	<u>\$ 214,620</u>	<u>\$ 911,855</u>	<u>\$ 289,834</u>	<u>\$ 43,812</u>
Liabilities and fund balances					
Liabilities					
Accounts payable	\$ 2,541	\$ 14,176	\$ 202	\$ -	\$ -
Deposits	-	34,550	-	-	-
Unearned revenue	-	9,310	-	-	-
Due to other funds	57,239	-	-	-	-
Total liabilities	<u>59,780</u>	<u>58,036</u>	<u>202</u>	<u>-</u>	<u>-</u>
Fund balances					
Nonspendable					
Inventory	-	11,267	-	-	-
Prepays	-	16,940	-	-	33,708
Restricted					
Tribal	-	-	-	289,834	-
Register of Deeds	-	-	-	-	10,104
Equipment Reserve	-	-	-	-	-
Passanger facility charges	-	-	-	-	-
Assigned	-	128,377	911,653	-	-
Total fund balances	<u>-</u>	<u>156,584</u>	<u>911,653</u>	<u>289,834</u>	<u>43,812</u>
Total liabilities and fund balances	<u>\$ 59,780</u>	<u>\$ 214,620</u>	<u>\$ 911,855</u>	<u>\$ 289,834</u>	<u>\$ 43,812</u>

(continued)

COUNTY OF EMMET
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2014

	<u>Special Revenue</u>				
	<u>Community Corrections</u>	<u>Law Library</u>	<u>Child Care</u>	<u>Soldiers' Relief</u>	<u>Veterans' Trust</u>
Assets					
Cash and pooled investments	\$ 22,542	\$ 20,735	\$ 1,853,850	\$ 57,330	\$ 529
Accounts receivable	-	-	1,453	-	-
Due from other funds	-	-	-	-	-
Due from other governments	5,162	-	48,869	-	-
Inventory	-	-	-	-	-
Prepaid items	-	-	-	-	-
Total assets	<u>\$ 27,704</u>	<u>\$ 20,735</u>	<u>\$ 1,904,172</u>	<u>\$ 57,330</u>	<u>\$ 529</u>
Liabilities and fund balances					
Liabilities					
Accounts payable	\$ 7,862	\$ 1,155	\$ 55,884	\$ 74	\$ -
Deposits	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Due to other funds	-	-	-	-	-
Total liabilities	<u>7,862</u>	<u>1,155</u>	<u>55,884</u>	<u>74</u>	<u>-</u>
Deferred inflows of resources					
Unavailable revenue	-	-	-	-	-
Fund balances					
Nonspendable					
Inventory	-	-	-	-	-
Prepays	-	-	-	-	-
Restricted					
Tribal	-	-	-	-	-
Register of Deeds	-	-	-	-	-
Equipment reserve	-	-	-	-	-
Passanger facility charges	-	-	-	-	-
Assigned	19,842	19,580	1,848,288	57,256	529
Total fund balances	<u>19,842</u>	<u>19,580</u>	<u>1,848,288</u>	<u>57,256</u>	<u>529</u>
Total liabilities and fund balances	<u>\$ 27,704</u>	<u>\$ 20,735</u>	<u>\$ 1,904,172</u>	<u>\$ 57,330</u>	<u>\$ 529</u>

Capital Projects					Debt Service Fund	
911 Equipment Fund	Park System	2014 Bond Improvement Projects	Airport Facility	Capital Projects	2002 Bond	Total
\$ 253,857	\$ 87,703	\$ 435,928	\$ 285,505	\$ 465,468	\$ -	\$ 4,798,678
-	-	-	8,752	-	-	39,932
-	-	917,547	-	-	-	917,547
-	10,000	-	-	154,161	-	331,220
-	-	-	-	-	-	11,267
-	-	-	-	-	-	50,648
<u>\$ 253,857</u>	<u>\$ 97,703</u>	<u>\$ 1,353,475</u>	<u>\$ 294,257</u>	<u>\$ 619,629</u>	<u>\$ -</u>	<u>\$ 6,149,292</u>
\$ -	\$ 312	\$ 435,928	\$ -	\$ 179,075	\$ -	\$ 697,209
-	-	-	-	-	-	34,550
-	1,000	-	-	-	-	10,310
-	-	-	-	-	-	57,239
-	<u>1,312</u>	<u>435,928</u>	-	<u>179,075</u>	-	<u>799,308</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	11,267
-	-	-	-	-	-	50,648
-	-	-	-	-	-	289,834
-	-	-	-	-	-	10,104
253,857	-	-	-	-	-	253,857
-	-	-	294,257	-	-	294,257
-	<u>96,391</u>	<u>917,547</u>	-	<u>440,554</u>	-	<u>4,440,017</u>
<u>253,857</u>	<u>96,391</u>	<u>917,547</u>	<u>294,257</u>	<u>440,554</u>	-	<u>5,349,984</u>
<u>\$ 253,857</u>	<u>\$ 97,703</u>	<u>\$ 1,353,475</u>	<u>\$ 294,257</u>	<u>\$ 619,629</u>	<u>\$ -</u>	<u>\$ 6,149,292</u>

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COUNTY OF EMMET
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Special Revenue</u>				
	<u>Emergency Management</u>	<u>Parks & Recreation</u>	<u>Friend of the Court</u>	<u>Tribal Payment</u>	<u>Register of Deeds</u>
Revenues					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues					
Federal	42,709	-	480,270	-	-
State	-	-	34,108	-	-
Local	110,383	30,000	-	-	-
Charges for services	-	367,352	-	-	48,405
Fines	-	-	62,755	-	-
Interest	-	-	-	3,173	475
Miscellaneous	117,599	-	-	1,029,025	-
Total revenues	<u>270,691</u>	<u>397,352</u>	<u>577,133</u>	<u>1,032,198</u>	<u>48,880</u>
Expenditures					
Current					
Judicial	-	-	563,051	-	-
General government	-	-	-	-	65,213
Public safety	329,869	-	-	-	-
Health and welfare	-	-	-	-	-
Parks and recreation	-	861,502	-	-	-
Contributions to other organizations	-	-	-	824,554	-
Capital Outlay	-	-	-	-	-
Total expenditures	<u>329,869</u>	<u>861,502</u>	<u>563,051</u>	<u>824,554</u>	<u>65,213</u>
Revenues over (under) expenditures	<u>(59,178)</u>	<u>(464,150)</u>	<u>14,082</u>	<u>207,644</u>	<u>(16,333)</u>
Other financing sources (uses)					
Transfers in	59,178	466,705	-	-	-
Transfers out	-	-	-	(230,538)	-
Total other financing sources (uses)	<u>59,178</u>	<u>466,705</u>	<u>-</u>	<u>(230,538)</u>	<u>-</u>
Net changes in fund balances	-	2,555	14,082	(22,894)	(16,333)
Fund balances, beginning of year	<u>-</u>	<u>154,029</u>	<u>897,571</u>	<u>312,728</u>	<u>60,145</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 156,584</u>	<u>\$ 911,653</u>	<u>\$ 289,834</u>	<u>\$ 43,812</u>

(continued)

COUNTY OF EMMET

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**

FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Special Revenue</u>				
	<u>Community Corrections</u>	<u>Law Library</u>	<u>Child Care</u>	<u>Soldiers' Relief</u>	<u>Veterans' Trust</u>
Revenues					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues					
Federal	-	-	-	-	-
State	45,724	-	487,820	-	7,220
Local	-	-	-	-	-
Charges for services	94,819	-	-	-	-
Fines	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	3,500	90,625	-	-
Total revenues	<u>140,543</u>	<u>3,500</u>	<u>578,445</u>	<u>-</u>	<u>7,220</u>
Expenditures					
Current					
Judicial	-	12,247	-	-	-
General government	-	-	-	-	-
Public safety	164,774	-	-	-	-
Health and welfare	-	-	1,232,187	28,378	9,533
Parks and recreation	-	-	-	-	-
Contributions to other organizations	-	-	-	-	-
Capital Outlay	-	-	-	-	-
Total expenditures	<u>164,774</u>	<u>12,247</u>	<u>1,232,187</u>	<u>28,378</u>	<u>9,533</u>
Revenues over (under) expenditures	<u>(24,231)</u>	<u>(8,747)</u>	<u>(653,742)</u>	<u>(28,378)</u>	<u>(2,313)</u>
Other financing sources (uses)					
Transfers in	12,828	10,000	600,000	30,000	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>12,828</u>	<u>10,000</u>	<u>600,000</u>	<u>30,000</u>	<u>-</u>
Net changes in fund balances	(11,403)	1,253	(53,742)	1,622	(2,313)
Fund balances, beginning of year	<u>31,245</u>	<u>18,327</u>	<u>1,902,030</u>	<u>55,634</u>	<u>2,842</u>
Fund balances, end of year	<u>\$ 19,842</u>	<u>\$ 19,580</u>	<u>\$ 1,848,288</u>	<u>\$ 57,256</u>	<u>\$ 529</u>

Capital Projects					Debt Service Fund	
911 Equipment Fund	Park System	2014 Bond Improvement Projects	Airport Facility	Capital Projects	2002 Bond	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 371	\$ 371
-	-	-	-	1,492,039	-	2,015,018
-	100,000	-	-	41,670	-	716,542
-	-	-	-	-	-	140,383
-	-	-	104,492	-	-	615,068
-	-	-	-	-	-	62,755
-	-	-	2,704	-	35	6,387
-	30,000	-	-	188,228	-	1,458,977
-	130,000	-	107,196	1,721,937	406	5,015,501
-	-	-	-	-	-	575,298
-	-	-	-	-	476	65,689
73,132	-	-	-	-	-	567,775
-	-	-	-	-	-	1,270,098
-	-	-	-	-	-	861,502
-	-	-	-	-	-	824,554
-	255,160	4,729,079	-	1,980,811	-	6,965,050
73,132	255,160	4,729,079	-	1,980,811	476	11,129,966
(73,132)	(125,160)	(4,729,079)	107,196	(258,874)	(70)	(6,114,465)
60,552	127,132	5,646,626	-	45,908	-	7,058,929
-	-	-	-	-	(218,690)	(449,228)
60,552	127,132	5,646,626	-	45,908	(218,690)	6,609,701
(12,580)	1,972	917,547	107,196	(212,966)	(218,760)	495,236
266,437	94,419	-	187,061	653,520	218,760	4,854,748
\$ 253,857	\$ 96,391	\$ 917,547	\$ 294,257	\$ 440,554	\$ -	\$ 5,349,984

(concluded)

COUNTY OF EMMET

**EMERGENCY MANAGEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL**

FOR THE YEAR ENDED DECEMBER 31, 2014

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental revenues				
Federal	\$ 35,000	\$ 36,286	\$ 42,709	\$ 6,423
Local	103,525	105,105	110,383	5,278
Miscellaneous	-	107,934	117,599	9,665
Total revenues	138,525	249,325	270,691	21,366
Expenditures				
Current				
Public safety	199,326	311,053	329,869	(18,816)
Revenues over (under) expenditures	(60,801)	(61,728)	(59,178)	2,550
Other financing sources (uses)				
Transfers in	60,801	61,728	59,178	(2,550)
Net changes in fund balance	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

COUNTY OF EMMET

**PARKS AND RECREATION FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL**

FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental revenues				
Local	\$ 30,000	\$ 30,000	\$ 30,000	\$ -
Charges for services	<u>349,550</u>	<u>360,222</u>	<u>367,352</u>	<u>7,130</u>
Total revenues	379,550	390,222	397,352	7,130
Expenditures				
Current				
Parks and recreation	<u>915,638</u>	<u>880,912</u>	<u>861,502</u>	<u>19,410</u>
Revenues over (under) expenditures	(536,088)	(490,690)	(464,150)	26,540
Other financing sources (uses)				
Transfers in	<u>493,565</u>	<u>466,705</u>	<u>466,705</u>	<u>-</u>
Net changes in fund balance	(42,523)	(23,985)	2,555	26,540
Fund balance, beginning of year	<u>154,029</u>	<u>154,029</u>	<u>154,029</u>	<u>-</u>
Fund balance, end of year	<u>\$ 111,506</u>	<u>\$ 130,044</u>	<u>\$ 156,584</u>	<u>\$ 26,540</u>

COUNTY OF EMMET

**FRIEND OF THE COURT FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL**

FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental revenues				
Federal	\$ 400,000	\$ 495,600	\$ 480,270	\$ (15,330)
State	48,000	48,000	34,108	(13,892)
Fines	60,150	63,335	62,755	(580)
Total revenues	508,150	606,935	577,133	(29,802)
Expenditures				
Current				
Judicial	553,472	555,875	563,051	(7,176)
Net changes in fund balance	(45,322)	51,060	14,082	(36,978)
Fund balance, beginning of year	897,571	897,571	897,571	-
Fund balance, end of year	<u>\$ 852,249</u>	<u>\$ 948,631</u>	<u>\$ 911,653</u>	<u>\$ (36,978)</u>

COUNTY OF EMMET

**TRIBAL PAYMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL**

FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Interest	\$ 4,000	\$ 600	\$ 3,173	\$ 2,573
Miscellaneous	<u>1,090,000</u>	<u>1,029,025</u>	<u>1,029,025</u>	<u>-</u>
Total revenues	1,094,000	1,029,625	1,032,198	2,573
Expenditures				
Current				
Contributions to other organizations	<u>872,925</u>	<u>824,559</u>	<u>824,554</u>	<u>5</u>
Revenues over (under) expenditures	221,075	205,066	207,644	2,578
Other financing sources (uses)				
Transfers out	<u>(219,293)</u>	<u>(230,538)</u>	<u>(230,538)</u>	<u>-</u>
Net changes in fund balance	1,782	(25,472)	(22,894)	2,578
Fund balance, beginning of year	<u>312,728</u>	<u>312,728</u>	<u>312,728</u>	<u>-</u>
Fund balance, end of year	<u>\$ 314,510</u>	<u>\$ 287,256</u>	<u>\$ 289,834</u>	<u>\$ 2,578</u>

COUNTY OF EMMET

**REGISTER OF DEEDS FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL**

FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for services	\$ 58,000	\$ 48,400	\$ 48,405	\$ 5
Interest	500	100	475	375
Total revenues	58,500	48,500	48,880	380
Expenditures				
Current				
General government	72,766	60,075	65,213	(5,138)
Revenues over (under) expenditures	(14,266)	(11,575)	(16,333)	(4,758)
Other financing sources (uses)				
Transfers out	-	-	-	-
Net changes in fund balance	(14,266)	(11,575)	(16,333)	(4,758)
Fund balance, beginning of year	60,145	60,145	60,145	-
Fund balance, end of year	<u>\$ 45,879</u>	<u>\$ 48,570</u>	<u>\$ 43,812</u>	<u>\$ (4,758)</u>

COUNTY OF EMMET

**COMMUNITY CORRECTIONS FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL**

FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental revenues				
State	\$ 99,750	\$ 51,000	\$ 45,724	\$ (5,276)
Charges for services	83,000	85,000	94,819	9,819
Total revenues	182,750	136,000	140,543	4,543
Expenditures				
Current				
Public safety	210,904	150,506	164,774	(14,268)
Revenues over (under) expenditures	(28,154)	(14,506)	(24,231)	(9,725)
Other financing sources (uses)				
Transfers in	11,000	11,000	12,828	1,828
Net changes in fund balance	(17,154)	(3,506)	(11,403)	(7,897)
Fund balance, beginning of year	31,245	31,245	31,245	-
Fund balance, end of year	<u>\$ 14,091</u>	<u>\$ 27,739</u>	<u>\$ 19,842</u>	<u>\$ (7,897)</u>

COUNTY OF EMMET

**LAW LIBRARY FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL**

FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Miscellaneous	\$ 3,500	\$ 3,500	\$ 3,500	\$ -
Expenditures				
Current				
Judicial	<u>13,000</u>	<u>12,000</u>	<u>12,247</u>	<u>(247)</u>
Revenues over (under) expenditures	(9,500)	(8,500)	(8,747)	(247)
Other financing sources (uses)				
Transfers in	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
Net changes in fund balance	500	1,500	1,253	(247)
Fund balance, beginning of year	<u>18,327</u>	<u>18,327</u>	<u>18,327</u>	<u>-</u>
Fund balance, end of year	<u>\$ 18,827</u>	<u>\$ 19,827</u>	<u>\$ 19,580</u>	<u>\$ (247)</u>

COUNTY OF EMMET

**CHILD CARE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL**

FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental revenues				
State	\$ 385,000	\$ 461,365	\$ 487,820	\$ 26,455
Miscellaneous	81,600	91,800	90,625	(1,175)
Total Revenues	466,600	553,165	578,445	25,280
Expenditures				
Current				
Health and welfare	981,800	1,221,300	1,232,187	(10,887)
Revenues over (under) expenditures	(515,200)	(668,135)	(653,742)	14,393
Other financing sources (uses)				
Transfers in	600,000	600,000	600,000	-
Net changes in fund balance	84,800	(68,135)	(53,742)	14,393
Fund balance, beginning of year	1,902,030	1,902,030	1,902,030	-
Fund balance, end of year	<u>\$ 1,986,830</u>	<u>\$ 1,833,895</u>	<u>\$ 1,848,288</u>	<u>\$ 14,393</u>

COUNTY OF EMMET

**SOLDIERS' RELIEF FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL**

FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
Expenditures				
Current				
Health and welfare	<u>20,000</u>	<u>28,000</u>	<u>28,378</u>	<u>(378)</u>
Revenues over (under) expenditures	(20,000)	(28,000)	(28,378)	(378)
Other financing sources (uses)				
Transfers in	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>	<u>-</u>
Net changes in fund balance	10,000	2,000	1,622	(378)
Fund balance, beginning of year	<u>55,634</u>	<u>55,634</u>	<u>55,634</u>	<u>-</u>
Fund balance, end of year	<u>\$ 65,634</u>	<u>\$ 57,634</u>	<u>\$ 57,256</u>	<u>\$ (378)</u>

COUNTY OF EMMET

**VETERANS' TRUST FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL**

FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental revenues				
State	\$ 6,750	\$ 8,625	\$ 7,220	\$ (1,405)
Expenditures				
Current				
Health and welfare	<u>6,750</u>	<u>10,000</u>	<u>9,533</u>	<u>467</u>
Net changes in fund balance	-	(1,375)	(2,313)	(938)
Fund balance, beginning of year	<u>2,842</u>	<u>2,842</u>	<u>2,842</u>	<u>-</u>
Fund balance, end of year	<u>\$ 2,842</u>	<u>\$ 1,467</u>	<u>\$ 529</u>	<u>\$ (938)</u>

COUNTY OF EMMET

AGENCY FUNDS COMBINING BALANCE SHEET

DECEMBER 31, 2014

	<u>Trust and Agency</u>	<u>Cemetery</u>	<u>Library Penal Fines</u>	<u>Inmate Trust</u>	<u>Total</u>
Assets					
Cash and pooled investments	\$ 908,763	\$ -	\$ 145,948	\$ 2,178	\$ 1,056,889
Accounts receivable	<u>-</u>	<u>-</u>	<u>-</u>	<u>89,404</u>	<u>89,404</u>
Total assets	<u>\$ 908,763</u>	<u>\$ -</u>	<u>\$ 145,948</u>	<u>\$ 91,582</u>	<u>\$ 1,146,293</u>
Liabilities					
Due to other governmental units	\$ 908,763	\$ -	\$ 145,948	\$ 90,238	\$ 1,144,949
Deposits	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,344</u>	<u>1,344</u>
Total liabilities	<u>\$ 908,763</u>	<u>\$ -</u>	<u>\$ 145,948</u>	<u>\$ 91,582</u>	<u>\$ 1,146,293</u>

PASSENGER FACILITY CHARGE SECTION



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO THE PASSENGER FACILITY CHARGE PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE**

June 15, 2015

Board of Commissioners
County of Emmet, Michigan

Report on Compliance for the Passenger Facility Charge Program

We have audited the compliance of the County of Emmet, Michigan with the types of compliance requirements described in the Passenger Facility Charge Audit Guide for Public Agencies (the Guide), issued by the Federal Aviation Administration for its Passenger Facility Charge Program for the year ended December 31, 2014.

Management's Responsibility

Management of the County of Emmet is responsible for compliance with the requirements of the passenger facility charge program.

Auditor's Responsibility

Our responsibility is to express an opinion on the County of Emmet's compliance that is applicable to its passenger facility charge program 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 the Guide. Those standards and the Guide 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 the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about the County of Emmet's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County of Emmet's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, the County of Emmet, complied, in all material respects, with the requirements referred to above that are applicable to its passenger facility charge program for the year ended December 31, 2014.

Internal Control Over Compliance

The management of the County of Emmet is responsible for establishing and maintaining effective internal control over compliance with the requirements of the passenger facility charge program. In planning and performing our audit, we considered the County of Emmet's internal control over compliance with requirements that could have a direct and material effect on the passenger facility charge program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Guide, 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 of Emmet'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 the passenger facility charge 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 the passenger facility charge program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

Schedule of Expenditures of Passenger Facility Charge Funds

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the County of Emmet as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise Emmet County, Michigan's basic financial statements. We issued our report thereon dated June 15, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. We did not audit the financial statements of the Emmet County Medical Care Facility enterprise fund which is a major fund or the Emmet County Road Commission discretely presented component unit. Those financial statements were audited by other auditors whose reports thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Medical Care Facility fund and the Emmet Count Road Commission, are based on the reports of the other auditors. The accompanying schedule of expenditures of passenger facility charge funds is presented for purposes of additional analysis as required by the Guide, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Passenger Facility Charge Audit Guide for Public Agencies. Accordingly, this report is not suitable for any other purpose.

Uredaxold Haefner LLC

**COUNTY OF EMMET
PELLSTON REGIONAL AIRPORT**

SCHEDULE OF EXPENDITURES OF PASSENGER FACILITY CHARGE FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2014

Application Number	Project Description	Approved for use	Previously Expended	Current Year Expenditures
05-10-C-00-PLN	Apron expansion to the north	\$ 13,520	\$ 13,520	\$ -
	Terminal area drainage improvements	1,541	1,541	-
	Reconstruction of apron	34,298	34,298	-
	Animal control/security fencing	13,578	13,578	-
	Parking lot rehabilitation and reconstruction	32,898	32,898	-
	Snow removal equipment - plow truck with sander	9,508	9,508	-
	Snow removal equipment - plow truck with sander #2	9,053	9,053	-
	Land acquisition Ely Road	-	-	-
	Snow blower	11,538	11,538	-
	Master plan study	2,187	2,187	-
	Generator	2,375	2,375	-
			<u>130,496</u>	<u>130,496</u>
09-11-C-00-PLN	Property Acqusition - Brill property	40,063	40,063	-
	PFC administration	40,000	40,000	-
	Friction tester and pickup truck	53,286	53,286	-
	Airfield pavement marking	1,875	313	-
		<u>135,224</u>	<u>133,662</u>	<u>-</u>
12-12-C-00-PLN	Baggage claim vehicle doors	150,000	20,528	-
	ARFF Building	248,409	248,409	-
	Electrical vault	82,872	-	-
		<u>481,281</u>	<u>268,937</u>	<u>-</u>
13-13-C-00-PLN	Parking lot access road	22,536	-	-
	Passenger boarding bridges design	1,993	-	-
	Passenger boarding bridges installation	35,000	-	-
	Runway marking and crack sealing	1,823	-	-
	Taxiway marking and crack sealing	1,267	-	-
	Apron marking and crack sealing	744	-	-
	PFC administration	40,000	-	-
	Hanger access road	100,000	-	-
	Airfield guidance signage	240,000	-	-
	Relpace REILs on runway	120,000	-	-
		<u>563,363</u>	<u>-</u>	<u>-</u>
		<u>\$ 747,001</u>	<u>\$ 533,095</u>	<u>\$ -</u>

**COUNTY OF EMMET
PELLSTON REGIONAL AIRPORT**

**NOTES TO SCHEDULE OF EXPENDITURES OF PASSENGER FACILITY CHARGE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

NOTE A – SUMMARY OF ACCOUNTING POLICIES

General

The Pellston Regional Airport of Emmet County (the "Airport") is owned and operated by the County of Emmet (the "County") which is a governmental entity operated under an elected seven-member Board of Commissioners.

Defining the Reporting Entity

The County of Emmet is the primary level of government which has oversight responsibility and control over all activities related to the operations of the Airport. The operations of the Airport are included as a department within the County's general fund. The County also receives Passenger Facility Charge ("PFC") revenue from surcharges levied by airlines on behalf of the County. These revenues, as well as expenses, are accounted for in the Airport Facility Capital Projects Fund and reported in the Schedule of Expenditures of Passenger Facility Charge Funds as prescribed by the Federal Aviation Administration ("FAA").

Use of Estimates in the preparation of the Schedule of Expenditures of Passenger Facility Charge Funds

The preparation of the Schedule of Expenditures of Passenger Facility Charge Funds, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of revenues and expenditures during the reporting period. Actual amounts could differ from these estimates.

Revenue Recognition

Passenger Facility Charge revenues are recognized within the period these charges are collected by air carriers on behalf of the County.

NOTE B – PASSENGER FACILITIES CHARGE RATE

The County received approval from the Federal Aviation Administration to impose a \$4.50 passenger facility charge per enplanement beginning July 1, 2011 for use on approved projects. The current approval permits imposition of the through July 1, 2020.

NOTE C – UNEXPENDED FUNDS

Accumulated unspent passenger facility charge revenue at December 31, 2014 totaling \$294,257 includes accounts receivable and amounts held in the County's pooled cash account which has been allocated its respective share of interest earned.

**COUNTY OF EMMET
PELLSTON REGIONAL AIRPORT**

***SCHEDULE OF FINDINGS AND QUESTIONED COSTS OF PASSENGER FACILITY
CHARGE FUNDS***

FOR THE YEAR ENDED DECEMBER 31, 2014

Prior Year
No findings.

Current Year
No findings.

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SINGLE AUDIT SECTION



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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 15, 2015

Board of Commissioners
County of Emmet, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Emmet, Michigan (the County) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 15, 2015. Our report includes a reference to other auditors who audited the financial statements of the Emmet County Road Commission and the Emmet County Medical Care Facility, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Emmet County Medical Care Facility were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as finding 2014-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and 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 the County, in a separate letter dated June 15, 2015.

County's Response to Findings

The County's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Uredaxeld Haefner LLC



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

June 15, 2015

Board of Commissioners
County of Emmet, Michigan

Report on Compliance for Each Major Federal Program

We have audited the County of Emmet, Michigan's, (the County) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2014. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance 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, 2014.

Report on Internal Control Over Compliance

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

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

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

Purpose of this Report

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

Uredaxold Haefner LLC

COUNTY OF EMMET
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Grant Number	CFDA Number	Federal Expenditures
US Department of Transportation			
Federal Aviation Administration			
Airport Improvement Program	3-26-0076-3313	20.106	\$ 1,492,039
Passed through Michigan Department of State Police			
Hazardous Materials Emergency Preparedness Planning	HM-HMP-0347-13-01-00	20.703	<u>1,150</u>
Total US Department of Transportation			<u>1,493,189</u>
US Department of Health and Human Service			
Passed through Michigan Department of Human Service			
Prosecuting Attorney Child Support Enforcement	CSPA 13-24002	93.563	53,461
CRP Friend of the Court Child Support Enforcement	CSFOC 13-24001	93.563	282,869
Friend of the Court Incentive Payment		93.563	<u>51,680</u>
Total US Department of Health and Human Services			<u>388,010</u>
US Department of Housing and Urban Development			
Passed through Michigan State Housing Development Authority			
Community Development Block Grant	MSC 2011-0737-HOA	14.228	4,755
Community Development Block Grant	MSC 2011-0737-HO	14.228	49,079
Community Development Block Grant	MSC 2012-0737-HOA	14.228	<u>60,458</u>
Total US Department of Housing and Urban Development			<u>114,292</u>
US Department of Justice			
Domestic Violence Arrests	2011-WE-AX-0034	16.590	75,780
Bullet Proof Vest Program		16.607	2,379
Passed through Michigan State Police			
Byrne Memorial Justice Assistance Grant 2013-2014	2013-DJ-BX-0109	16.738	46,672
Byrne Memorial Justice Assistance Grant 2014-2015	2013-MU-BX-0051	16.738	<u>51,813</u>
Total US Department of Justice			<u>176,644</u>
US Department of Homeland Security			
Passed through Michigan Department of State Police			
Emergency Management Performance Grant	EMW-2014-EP-00023-SO1	97.042	41,559
Passed through the Transportation Security Administration			
Law Enforcement Officer Reimbursement Agreement	HSTS0208HSLR239	97.004	<u>15,538</u>
Total US Department of Homeland Security			<u>57,097</u>
Total Expenditures of Federal Award			<u>\$ 2,229,232</u>

See notes to schedule of expenditures of federal awards.

COUNTY OF EMMET

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2014

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the County of Emmet, Michigan and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in the financial statements.

2. RECONCILIATION TO FINANCIAL STATEMENTS

The following summary provides a reconciliation of revenues from federal sources per the financial statements to expenditures per the Schedule of Expenditures of Federal Awards.

Revenues from federal sources per financial statements	
General fund	\$ 174,700
Housing grant fund	114,292
Nonmajor governmental funds	<u>2,015,018</u>
	2,304,010
Included in SANE discrete component unit operating grants	98,485
State portion of child support enforcement funds	<u>(173,263)</u>
Expenditures per Schedule of Expenditures of Federal Awards	<u><u>\$2,229,232</u></u>

COUNTY OF EMMET
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2014

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued	Unqualified	
Internal control over financial reporting:		
Material weakness(es) identified?	<u> X </u> yes	<u> </u> no
Significant deficiency(ies) identified?	<u> </u> yes	<u> X </u> none reported
Noncompliance material to financial statements noted?	<u> </u> yes	<u> X </u> no

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	<u> </u> yes	<u> X </u> no
Significant deficiency(ies) identified?	<u> </u> yes	<u> X </u> none reported
Type of auditors' report issued on compliance for major programs	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	<u> </u> yes	<u> X </u> no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.106	Airport Improvement

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

Auditee qualified as low-risk auditee? yes X no

SECTION II - FINANCIAL STATEMENT FINDINGS

2014-001

Conditions: The County does not have procedures in place to prepare government-wide financial statements in accordance with generally accepted accounting principles including procedures to record certain revenue and expense accruals and to present required financial statement disclosures..

Cause: The County does not prepare government-wide financial statements in accordance with generally accepted accounting principles.

Effect: Auditing standards require that this control deficiency be reported as a material weakness.

Recommendation: The County's system of controls should be modified so that the County prepares government-wide financial statements and disclosures in accordance with generally accepted accounting principles.

Management response: The County maintains financial records throughout the year on a modified accrual basis of accounting and has determined that any benefits derived from preparing government-wide financial statements and required disclosures is not cost effective.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None were noted.

SECTION IV - SUMMARY OF PRIOR AUDIT FINDINGS

2013-001

This finding is repeated as finding 2014-001 above for the current year.

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June 15, 2015

To the Board of Commissioners
County of Emmet
Petoskey, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Emmet (the County) for the year ended December 31, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 9, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Results

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the County are described in Note 1 to the financial statements. The County adopted Statement of Governmental Accounting Standards (GASB Statement) No. 67 in 2014 which substantially changed the valuation and disclosures related to the defined benefit pension plan. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Useful lives of capital assets, the allowance for uncollectible accounts receivable, and the valuation of the pension plan obligations.

Management's estimate of the useful lives and uncollectible accounts is based on previous history and future expectations and the estimate of the pension plan obligations is based on an actuarial valuation of the plan. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosure of commitments in Note 11 and contingencies in Note 12 to the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 15, 2015.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

We also noted the following items:

Journal Entry Review

During our review of internal control over the accounting and financial reporting process we noted that journal entries are not approved. We suggest that the County create a policy for journal entry review and approval, which should require documentation of approval of each journal entry by an individual separate from the journal entry preparation and entry process.

Internal Control Review

Management is responsible for designing, implementing and monitoring the system of internal controls. Any system, regardless of fundamental soundness, may deteriorate if not reviewed periodically. Given the recent changes in personnel and positions, we recommend the County assign appropriate personnel to review periodically the accounting and administrative controls, which include systems and procedures providing for proper segregation of duties and monitoring/oversight. These reviews will help ensure the safeguarding of assets and the reliability of financial data.

Capital Assets

During our audit of capital assets, we noted numerous items that are fully depreciated and are likely no longer in service. We recommend a physical inventory of the County's capital assets and reconciliation of the updated capital assets records to the general ledger.

Other Matters

We applied certain limited procedures to the required supplementary information (RSI), as itemized in the table of contents, which supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on supplementary information which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Accounting and Financial Reporting for Pensions

Effective for the year ending December 31, 2015, the County will be required to implement a new pension reporting standard. This standard establishes new requirements for governments to report a "net pension liability" for the unfunded portion of its pension plan. Historically, governments have only been required to report a net pension obligation to the extent that they have not met the annual required contribution (ARC) in any given year. Upon implementation of this standard, governments will be required to report a net pension liability based on the current funded status of their pension plans. This liability will be limited to the full accrual basis financial statements. Changes in this liability from year to year will largely be reflected on the income statement, though certain amounts may be deferred and amortized over varying periods.

This new standard will also require more extensive note disclosures and required supplementary information, including 10 years of historical information. The methods used to determine the discount rate (the assumed rate of return on plan assets held in trust) are mandated and must be disclosed, along with what the impact would be on the net pension liability if that rate changed by 1% in either direction. Other new disclosure requirements include details of the changes in the components of the net pension liability, comparisons of actual employer contributions to actuarially determined contributions, and ratios to put the net pension liability in context.

Restriction on Use

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

Sincerely,

Uredaxold Haefner LLC