Leelanau County, Michigan



Year Ended December 31, 2014

Financial Statements



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#### INDEPENDENT AUDITORS' REPORT

June 3, 2015

Honorable Members of the Board of Commissioners Leelanau County Suttons Bay, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the businesstype activities, each discretely presented component unit, each major fund, and the aggregate remaining fund information of *Leelanau County*, *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.

#### Independent Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Leelanau County Road Commission which represents 96 percent, 98 percent, and 96, percent respectively, of the assets, net position, and revenues of the discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Leelanau County Road Commission, is based solely on the report of the other auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

#### Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each discretely presented component unit, each major fund, and the aggregate remaining fund information of Leelanau County, Michigan as of December 31, 2014, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparisons for the general fund and each major special revenue fund 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 and schedules of funding progress and employer contributions for pension and other postemployment benefits 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. 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 listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

#### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 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.

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### MANAGEMENT'S DISCUSSION AND ANALYSIS

#### Management's Discussion and Analysis

As management of Leelanau County, Michigan, we offer readers of the financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended December 31, 2014. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

#### Financial Highlights

Key metrics and financial highlights of the County for the year ended December 31, 2014 are as follows:

Total net position	\$44,372,526
Unrestricted net position	23,117,337
Change in net position	339,221
Fund balances, governmental funds	14,707,963
Change in fund balances, governmental funds	(740,171)
Fund balance, general fund	9,669,524
(as percentage of general fund expenditures and transfers out)	75%
Unassigned fund balance, general fund	9,539,348
(as percentage of general fund expenditures and transfers out)	74%

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

This discussion and analysis is intended to serve as an introduction to the County's 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, deferred outflows of resources, liabilities and deferred inflows of resources, with the residual 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 government'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 taxes and earned but unused vacation leave).

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 various services within the legislative, general government, judicial, public safety, public works, health and welfare, and recreation and cultural functions. The business-type activities of the County include delinquent tax administration, building inspection and tax reversion functions.

The government-wide financial statements include not only the County itself (known as the *primary government*), but also the legally separate Leelanau County Road Commission, Brownfield Redevelopment Authority and Land Bank Authority for which the County is financially accountable. Financial information for discretely presented *component units* is reported separately from the financial information presented for the primary government itself.

#### Management's Discussion and Analysis

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 government'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 government'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*.

The County maintains numerous individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, revenue sharing reserve special revenue fund and Village of Northport sewer debt retirement fund, each of which is considered to be a major fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The County adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets for the general and major special revenue fund.

Proprietary funds. The County maintains two different types of 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 its delinquent tax collection, building inspection and treasurer's tax reversion activities. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the various County functions.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. 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 management discussion and analysis and the schedules of funding progress and employer contributions for the County pension and other postemployment benefits plans.

The combining statements referred to earlier in connection with nonmajor funds are presented following the required supplementary information.

#### Management's Discussion and Analysis

#### Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the County, assets and deferred outflows exceeded liabilities and deferred inflows by \$44,372,526 at the close of the most recent fiscal year. A large portion of the County's net position represents its investment in capital assets (e.g., land, buildings, vehicles, 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.

#### Net Position

The County uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. Net investment in capital assets is 34.5% of the total net position. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay the debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The County's total net position increased approximately .8%, or \$339,221, to \$44,372,526 from \$44,033,305 for the year ended December 31, 2014.

	Net Position								
	Government	tal Activities	Business-typ	be Activities	Total				
	2014	2013	2014	2013	2014	2013			
Assets									
Current and other assets	\$ 30,823,430	\$ 31,282,181	\$ 10,227,941	\$ 9,831,708	\$ 41,051,371	\$ 41,113,889			
Capital assets, net	20,295,590	21,197,490	-	-	20,295,590	21,197,490			
Total assets	51,119,020	52,479,671	10,227,941	9,831,708	61,346,961	62,311,379			
Deferred outflow of resources	123,617	133,126	-		123,617	133,126			
Liabilities									
Long-term liabilities	15,220,705	16,103,743	4,890	5,413	15,225,595	16,109,156			
Other liabilities	768,253	1,178,884	37,815	81,893	806,068	1,260,777			
Total liabilities	15,988,958	17,282,627	42,705	87,306	16,031,663	17,369,933			
Deferred inflows of resources	1,066,389	1,041,267	-		1,066,389	1,041,267			
Net position									
Net investment in capital assets	15,308,129	15,799,406	-	-	15,308,129	15,799,406			
Restricted	5,947,060	5,763,377	-	-	5,947,060	5,763,377			
Unrestricted	12,932,101	12,726,120	10,185,236	9,744,402	23,117,337	22,470,522			
Total net position	\$ 34,187,290	\$ 34,288,903	\$ 10,185,236	\$ 9,744,402	\$ 44,372,526	\$ 44,033,305			

#### Management's Discussion and Analysis

		Change in Net Position							
	Government	al Activities	Business-ty	pe Activities	Тс	otal			
	2014	2013	2014	2013	2014	2013			
Revenues									
Program revenues:									
Charges for services	\$ 1,901,541	\$ 1,910,830	\$ 1,610,196	\$ 1,923,040	\$ 3,511,737	\$ 3,833,870			
Operating grants	1,372,439	1,568,729	-	-	1,372,439	1,568,729			
General revenues:									
Property taxes	9,859,585	9,628,701	-	-	9,859,585	9,628,701			
Unrestricted investment									
earnings	65,409	109,624	31,202	(16,435)	96,611	93,189			
Other	256,260	255,772	-	-	256,260	255,772			
Total revenues	13,455,234	13,473,656	1,641,398	1,906,605	15,096,632	15,380,261			
Expenses									
Legislative	509,349	471,039	-	-	509,349	471,039			
General government	3,683,134	3,568,615	-	-	3,683,134	3,568,615			
Judicial	1,342,938	1,478,695	-	-	1,342,938	1,478,695			
Public safety	5,896,734	6,105,682	-	-	5,896,734	6,105,682			
Public works	494,842	492,806	-	-	494,842	492,806			
Health and welfare	1,806,846	2,156,999	-	-	1,806,846	2,156,999			
Recreation and cultural	97,791	89,460	-	-	97,791	89,460			
Interest on long-term debt	294,813	311,566	-	-	294,813	311,566			
Delinquent tax collection	-	-	17,843	125,243	17,843	125,243			
Building inspections	-	-	562,760	477,875	562,760	477,875			
Treasurer's tax reversion	-	-	50,361	58,281	50,361	58,281			
Total expenses	14,126,447	14,674,862	630,964	661,399	14,757,411	15,336,261			
Change in net position,									
before transfers	(671,213)	(1,201,206)	1,010,434	1,245,206	339,221	44,000			
Transfers	569,600	484,995	(569,600)	(484,995)					
Change in net position	(101,613)	(716,211)	440,834	760,211	339,221	44,000			
Net position:	(,	(	,	,		,			
Beginning of year	34,288,903	35,005,114	9,744,402	8,984,191	44,033,305	43,989,305			
End of year	\$ 34,187,290	\$ 34,288,903	\$ 10,185,236	\$ 9,744,402	\$ 44,372,526	\$ 44,033,305			
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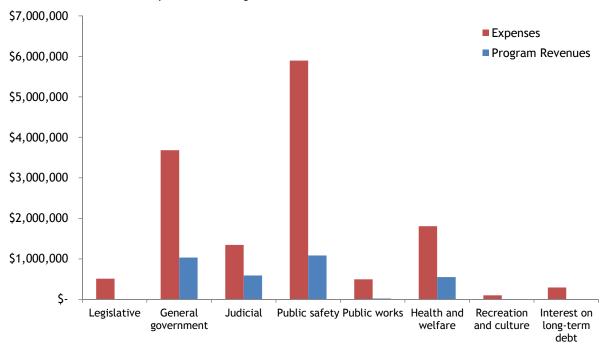
#### Governmental activities

Governmental activities decreased the County's net position by \$101,613, compared to a decrease of \$716,211 in the prior year. The most significant reason for the difference between years is due to adjustments in the County's net other postemployment benefits obligation, due to changes in plan provisions during 2014.

#### Management's Discussion and Analysis

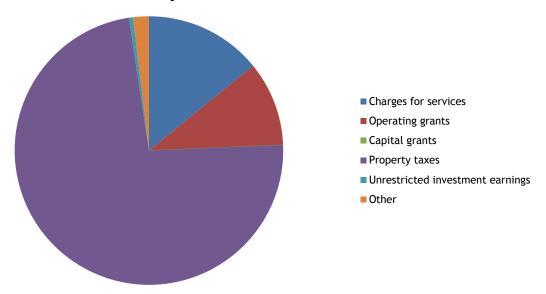
Government activities include:

- Legislative activities expenses related to support the Board of Commissioners and high-level administrative expenditures.
- General government activities expenses related to support the departments of the County such as administration, human resources, treasury, information services, facilities management and finance.
- Judicial activities expenses related to the administration of circuit, district and probate/family courts and court probation units.
- · Public safety expenses related to sheriff's administration and road patrol and County corrections services.
- Public works expenses related to the County drain commissioner.
- Health and welfare expenses related to veterans' services, medical examiner fees, expansion of a local hospital (a legally separate entity), operations of the Commission on Aging and childcare programs.
- · Recreational and cultural activities expenses related to County owned parks.



Expenses and Program Revenues - Governmental Activities

#### Management's Discussion and Analysis



#### **Revenues by Source - Governmental Activities**

Business-type activities

The business-type activities of the County include enterprise fund operations. Business-type activities increased the County's net position by \$440,834, compared to an increase of \$760,211 in the prior year. The most significant reason for the difference between years is due to reductions to revenue amounts during the current year for interest and administrative fees in the Unpledged Delinquent Tax Revolving fund.

Business-type activities include:

- Unpledged Delinquent Tax Revolving fund this fund was established as a means to provide the local governments within the County's jurisdiction with 100% of the property tax distributions owed to them annually. The County then acts as the collection agency for the outstanding delinquent taxes. Current policy is to maintain cash and investments to fund 100% of the prior year's delinquent tax settlements.
- Other nonmajor enterprise funds These consist of the building inspection fund which provides inspection services within the County and surrounding areas and the Treasurer's tax reversion fund which accounts for the collection of tax revenue on foreclosed properties.

Financial Analysis of the County'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 government's net resources available for spending at the end of the fiscal year.

The fund balance of the general fund has decreased by \$15,233 during 2014, compared to an increase of \$611,408 in the prior year. The primary reason for the difference between years is due to the additional voluntary contributions made to the County's pension plan during 2014.

#### Management's Discussion and Analysis

Proprietary funds. The County's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail. Other factors considering the finances of these funds have been addressed in the discussion of the County's business-type activities.

#### General Fund Budgetary Highlights

Over the course of the year, the County Board of Commissioners amended the budget to take into account events during the year. Specifically, the Board made several changes to the budget that fall into these categories:

- Amendments and supplemental appropriations to reflect the actual beginning balances and prevention of budget overruns.
- Amendments to provide for the additional voluntary contributions made to the County's pension plan.
- Board approved capital expenditures for capital assets.

#### Capital Asset and Debt Administration

Capital assets - A capital asset is an asset whose cost exceeds \$5,000 and useful life is greater than two years. Included in the cost of a capital asset are items such as labor and freight and any other costs associated with bringing the asset into full operation. Assets are depreciated using the straight-line method over the course of their useful lives.

During the year, the County purchased capital assets related to the installation of natural gas lines for the administrative facility and various tower projects.

	Capital Ass Depred	ets (Net of ciation)
	Government	tal Activities
	2014	2013
Land	\$ 1,305,276	\$ 1,501,660
Infrastructure	2,833,354	2,784,065
Building and improvements	14,432,820	15,137,384
Land improvements	60,600	64,561
Towers	1,102,627	1,026,078
Equipment and furniture	267,567	400,400
Vehicles	293,346	283,342
Total capital assets, net	\$20,295,590	\$21,197,490

#### Management's Discussion and Analysis

Long-Term Debt. General obligation bonds consist of bonds of the Department of Public Works maturing in 2028 and a general bond refunded during 2012 for construction of the County Law Enforcement Center maturing in 2027.

	Government	tal Activities	Business-Type Activities			
	2014	2013	2014	2013		
General obligation bonds Bond premiums, net	\$14,575,000 286,078	\$15,455,000 308,084	\$ - -	\$ - -		
Compensated absences	359,627	340,659	4,890	5,413		
Total long-term debt	\$15,220,705	\$16,103,743	\$ 4,890	\$ 5,413		

#### Economic Factors and Next Year's Budget and Rates

The County's budget for 2015 does not increase property tax rates. Because of the impact of Proposal A, however, the County will continue to monitor its budget very closely. The Headlee statewide tax reform act limits growth in taxable value on any individual property to the lesser of inflation or 5% unless there is a transfer of ownership. Because some properties increase in value by less than inflation, the mathematical result of this is that the total taxable value for the County could grow less than inflation, before considering new property additions. Generally, properties that have transfer of ownership will offset the properties that do not increase by the rate of inflation, resulting in an actual increase in value by more than the rate of inflation before new construction.

Although having faced revenue shortages from the State over the last four years, the overall County adopted 2015 budget is expected to be a stable one.

The above indicators were considered when adopting the general fund budget for 2014. As we prepare for the 2015 budget, those same indicators will guide us in our budget deliberations, in addition to such things as additional grant revenue, cost of living adjustments, the cost of post retirement benefits, and the rising cost of health care. After all estimates are calculated, the County's budget for 2015 is expected to remain steady.

#### **Requests for Information**

This financial report is designed to provide a general overview of the County finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Leelanau County, 8527 E. Government Center Drive, Suite 101, Suttons Bay, Michigan, 49682. Additional information can be found at our website at www.co.leelanau.mi.us.

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### BASIC FINANCIAL STATEMENTS

## Statement of Net Position December 31, 2014

	Р			
		Business-		
	Governmental	type		Component
	Activities	Activities	Total	Units
Assets				
Cash and investments	\$ 14,805,846	\$ 7,617,794	\$ 22,423,640	\$ 617,600
Receivables, net	12,644,440	2,502,895	15,147,335	2,140,859
Prepaid items	204,156	448	204,604	29,721
Inventory	-	-	-	1,162,661
Internal balances	(25,000)	25,000	-	-
Due from component units	-	50,684	50,684	-
Long-term advances to component units	565,592	,	565,592	-
Assets held for resale	-	31,120	31,120	1,447,203
Net pension asset	2,628,396	, -	2,628,396	996,874
Capital assets:	, ,		, ,	,
Not being depreciated	1,305,276	-	1,305,276	13,274,776
Being depreciated, net	18,990,314	-	18,990,314	20,440,150
- <b>5</b>				
Total assets	51,119,020	10,227,941	61,346,961	40,109,844
Deferred outflow of resources				
Loss on advance refunding	123,617		123,617	
Liabilities				
Accounts payable and accrued liabilities	716,464	37,815	754,279	255,269
Unearned revenue	11,394	-	11,394	314,446
Due to primary government	-	-	-	50,684
Long-term advance from primary government	-	-	-	565,592
Notes payable	-	-	-	429,903
Long-term liabilities:				
Due within one year	967,969	-	967,969	108,310
Due in more than one year	14,252,736	4,890	14,257,626	58,321
Net other postemployment benefits obligation	40,395		40,395	
Total liabilities	15,988,958	42,705	16,031,663	1,782,525
Deferred inflows of resources				
Taxes levied for a subsequent period	1,066,389	-	1,066,389	1,161,383
Other state grants			-	124,966
Total deferred inflows of resources	1,066,389	-	1,066,389	1,286,349
Net position				
Net investment in capital assets Restricted for:	15,308,129	-	15,308,129	33,714,926
Capital projects	833,441	-	833,441	-
Other state mandated programs	5,113,619	-	5,113,619	2,604,078
Unrestricted	12,932,101	10,185,236	23,117,337	721,966
Total net position	\$ 34,187,290	\$ 10,185,236	\$ 44,372,526	\$ 37,040,970

Statement of Activities For the Year Ended December 31, 2014

Functions/Programs	Expenses	Charges For Services	Operating Grants And Contributions	Capital Grants And Contributions	Net (Expenses) Revenues
Primary government					
Governmental activities:					
Legislative	\$ 509,349	\$ -	\$ -	\$ -	\$ (509,349)
General government	3,683,134	739,529	292,061	-	(2,651,544)
Judicial	1,342,938	334,442	253,696	-	(754,800)
Public safety	5,896,734	658,342	425,391	-	(4,813,001)
Public works	494,842	19,604	-	-	(475,238)
Health and welfare	1,806,846	149,624	401,074	-	(1,256,148)
Recreation and cultural	97,791	-	217	-	(97,574)
Interest on long-term debt	294,813				(294,813)
Total governmental activities	14,126,447	1,901,541	1,372,439		(10,852,467)
Business-type activities:					
Delinquent tax collection	17,843	738,327	-	-	720,484
Building inspections	562,760	672,402	-	-	109,642
Treasurer's tax reversion	50,361	199,467		-	149,106
Total business-type activities	630,964	1,610,196			979,232
Total primary government	\$ 14,757,411	\$ 3,511,737	\$ 1,372,439	\$ -	\$ (9,873,235)
Component units					
Road Commission	\$ 5,112,167	\$ 775,230	\$ 1,868,275	\$ 3,426,997	\$ 958,335
Brownfield Redevelopment Authority	24,615	64,408	6,542	-	46,335
Land Bank Authority	50,821	158,766	-	42,391	150,336
Total component units	\$ 5,187,603	\$ 998,404	\$ 1,874,817	\$ 3,469,388	\$ 1,155,006

continued...

#### **Statement of Activities**

For the Year Ended December 31, 2014

	Pr			
	Governmental Activities	Business- type Activities	Total	Component Units
Changes in net position				
Net (expenses) revenues	\$ (10,852,467)	\$ 979,232	\$ (9,873,235)	\$ 1,155,006
General revenues:				
Property taxes	9,859,585	-	9,859,585	1,232,513
Grants and contributions not restricted				
to specific programs	256,260	-	256,260	-
Unrestricted investment earnings	65,409	31,202	96,611	7,562
Gain on sale of assets Transfers	- 569,600	- (569,600)	-	14,500
	507,000	(307,000)		
Total general revenues and transfers	10,750,854	(538,398)	10,212,456	1,254,575
Change in net position	(101,613)	440,834	339,221	2,409,581
Net position, beginning of year	34,288,903	9,744,402	44,033,305	34,631,389
Net position, end of year	\$ 34,187,290	\$ 10,185,236	\$ 44,372,526	\$ 37,040,970

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Balance Sheet Governmental Funds

December 31, 2014

December 31, 2014		General		Revenue Sharing Reserve	ا S	Village of Northport ewer Debt etirement		Nonmajor vernmental Funds		Total
Assets	\$	9,433,977	ć	3,066,903	ć		\$	1,662,937	ć	14 162 917
Cash and cash equivalents Receivables:	Ş	9,433,977	\$	3,000,903	Ş	-	Ş	1,002,937	Ş	14,163,817
Accounts		162,229		-		-		2,031		164,260
Loans				-		-		904,931		904,931
Taxes		441,130		-		-		979,518		1,420,648
Leases		-		-		9,750,000		-		9,750,000
Interest		9,388		9,561		-		-		18,949
Due from other governments		259,325		-		-		72,793		332,118
Due from other funds		-		-		-		3,162		3,162
Prepaid items		30,176		-		-		3,967		34,143
Long-term advance to component units		100,000		-		-		465,592		565,592
Total assets	\$	10,436,225	\$	3,076,464	\$	9,750,000	\$	4,094,931	\$	27,357,620
Liabilities										
Accounts payable	\$	128,632	\$	-	\$	-	\$	90,233	\$	218,865
Accrued liabilities	Ŷ	323,947	Ŷ	-	Ŷ	-	Ŷ	9,531	Ŷ	333,478
Due to other funds		-		-		-		28,162		28,162
Due to other governments		-		-		-		30,020		30,020
Unearned revenue		11,394		-		-		-		11,394
Total liabilities		463,973		-		-		157,946		621,919
Deferred inflows of resources										
Unavailable revenue - property taxes		302,728		_		-		3,690		306,418
Unavailable revenue - loans receivable		502,720		_		-		904,931		904,931
Unavailable revenue - leases receivable		_		-		9,750,000		-		9,750,000
Taxes levied for a subsequent period		-		-		-		1,066,389		1,066,389
Total deferred inflows of resources		302,728		-		9,750,000		1,975,010		12,027,738
Fund balances										
Nonspendable		130,176						469,559		599,735
•		130,170		- 3,076,464		-		469,559		
Restricted Unassigned		- 9,539,348		5,070,404		-		1,410		4,568,880 9,539,348
onassigned		7,557,540								7,557,540
Total fund balances		9,669,524		3,076,464		-		1,961,975		14,707,963
Total liabilities, deferred inflows										
of resources and fund balances	\$	10,436,225	\$	3,076,464	\$	9,750,000	\$	4,094,931	\$	27,357,620

Reconciliation	
Fund Balances for Governmental Funds	
to Net Position of Governmental Activities	
December 31, 2014	
Fund balances - total governmental funds	\$ 14,707,963
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources, and therefore not reported in the funds.	
Capital assets not being depreciated	1,305,276
Capital assets being depreciated, net	18,990,314
Less amounts accounted for in internal service funds	(362,119)
The focus of governmental funds is on short-term financing. Accordingly, some assets will not be	
available to pay for current-period expenditures. Those assets (such as certain receivables) are	
offset by deferred inflows of resources in the governmental funds, and thus are not included in fund balance.	
Unavailable property taxes receivable	306,418
Unavailable loans receivable	904,931
Unavailable leases receivable	9,750,000
Due from local units for accrued interest on sewer debt issues	39,610
Internal service funds are used by management to charge the costs of certain activities,	
such as insurance and other centralized costs, to individual funds. The assets and liabilities of	
internal service funds are included in governmental activities in the statement of net position.	
Net position of governmental activities accounted for in internal service funds	1,106,306
Pension contributions made in excess of the annual required contribution are not available for current	
period expenditures and, therefore, are not reported as assets in the funds.	o (oo oo)
Net pension asset	2,628,396
Certain liabilities are not due and payable in the current period, and therefore are not reported	
in the funds.	
Bonds payable	(14,575,000)
Premium on bonds payable	(286,078)
Compensated absences	(359,627)
Deferred loss on advance refunding	123,617 (52,322)
Accrued interest on long-term liabilities Net other postemployment benefits obligation	(40,395)
Net other postemptoyment benefits obligation	(40,393)
Net position of governmental activities	\$ 34,187,290

#### Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended December 31, 2014

	General	Revenue Sharing Reserve	Village of Northport Sewer Debt Retirement	Nonmajor Governmental Funds	Total
Revenues					
Property taxes	\$ 8,951,036	ş -	\$ -	\$ 1,043,438	\$ 9,994,474
Special assessments	-	-	-	168	168
Licenses and permits	27,003	-	-	-	27,003
Intergovernmental	1,011,222	-	778,434	413,893	2,203,549
Charges for services	792,499	-	-	392,822	1,185,321
Refunds and reimbursements	128,038	-	-	134,061	262,099
Fines and forfeitures	3,152	-	-	-	3,152
Interest	28,963	15,687	-	3,509	48,159
Other	311,877			60,080	371,957
Total revenues	11,253,790	15,687	778,434	2,047,971	14,095,882
Expenditures					
Current:					
Legislative	517,244	-	-	-	517,244
General government	2,565,635	-	-	70,775	2,636,410
Judicial	1,366,349	-	-	-	1,366,349
Public safety	5,424,426	-	-	187,454	5,611,880
Public works	-	-	-	367,522	367,522
Health and welfare	1,071,476	-	-	748,640	1,820,116
Recreation and cultural	92,751	-	-	-	92,751
Other expenditures	1,294,948	-	-	-	1,294,948
Debt service:					
Principal	-	-	615,000	265,000	880,000
Interest and fiscal charges	-	-	163,434	156,325	319,759
Capital outlay				377,090	377,090
Total expenditures	12,332,829		778,434	2,172,806	15,284,069
Revenues over (under) expenditures	(1,079,039)	15,687		(124,835)	(1,188,187)
Other financing sources (uses)					
Transfers in	1,606,715	-	-	583,969	2,190,684
Transfers out	(542,909)	(429,921)	-	(769,838)	(1,742,668)
Total other financing sources (uses)	1,063,806	(429,921)		(185,869)	448,016
Net change in fund balances	(15,233)	(414,234)	-	(310,704)	(740,171)
Fund balances, beginning of year	9,684,757	3,490,698		2,272,679	15,448,134
Fund balances, end of year	\$ 9,669,524	\$ 3,076,464	\$-	\$ 1,961,975	\$ 14,707,963

Reconciliation           Net Change in Fund Balances of Governmental Lucks to Change in Net Position of Governmental Activities For the Year Ended December 31, 2014           Net change in fund balances - total governmental funds         \$ (740,171)           Amounts reported for governmental activities in the statement of activities are different because:         Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.         372,784           Acquisition/construction of capital assets         (1,208,763)         159,891           Less depreciation expense         (1,208,763)         159,891           Loss on disposal of capital assets         (196,386)         (196,386)           Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.         (134,889)           Change in unavailable property tax receivables         (18,283)         (18,283)           Change in unavailable class receivable         (108,283)         (18,283)           Change in accured compensetal dasences         (18,989)         (18,989)           Change in accured ongenested absences         (18,968)         (14,890)           Change in unavailable property tax receivable         (18,968)         (14,890)           Change in accured ongenested absences         (18,968)		 
to Change in Net Position of Governmental Activities For the Year Ended December 31, 2014 Net change in fund balances - total governmental funds \$ (740,171) Amounts reported for governmental activities in the statement of activities are different because: Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Acquisition/construction of capital assets (12,08,763) Less depreciation expense accounted for in governmental internal service funds (196,386) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the statement of activities with the repayment reduces long-term liabilities in the statement of activities in the statement of net position. Repayment of bond principal is an expediture in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Principal payments on long-term debt Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as sequentities in governmental funds. Change in accrued interest on bonds payable Change in accrued interest on bonds payable Change in accrued compensated absences Change in accrued compensated absences Change in accrued compensated basences Change in net other postemployment benefits obligation Change in net other postemployment benefits obligati	Reconciliation	
For the Year Ended December 31, 2014         Net change in fund balances - total governmental funds       \$ (740,171)         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 these assets is allocated over their estimated useful lives and reported as depreciation expense.       372,784         Acquisition/construction of capital assets       372,784         Depreciation expense accounted for in governmental internal service funds       159,891         Loss on disposal of capital assets       (166,386)         Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.       (134,889)         Change in unavailable loans receivable       (0615,000)         The issuance of long-term debt provides current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net position.       880,000         Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as sevenditures in governmental funds.       2,940         Change in accrued compensated absences       (18,968)       2,940         Change in nect pension asset       2,940       415,152         Change in accrued compensated absences       (18,968)       2,940         Chan	-	
Net change in fund balances - total governmental funds       \$ (740,171)         Anounts reported for governmental activities in the statement of activities are different because:       Image: Comparison of Capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.       372,784         Acquisition/construction of capital assets       372,784       (1,208,763)         Less depreciation expense accounted for in governmental internal service funds       159,891         Loss on disposal of capital assets       (134,889)         Change in unavailable property tax receivables       (134,889)         Change in unavailable loans receivable       (134,889)         Change in unavailable loans receivables       (815,000)         The issuance of long-term debt provides current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net position.       880,000         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 governmental funds.       2,940         Change in accrured compensated absences       (18,968)       2		
Amounts reported for governmental activities in the statement of activities are different because:         Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.       372,784         Acquisition/construction of capital assets       372,784         Depreciation expense       (1.208,763)         Less depreciation expense accounted for in governmental internal service funds       159,891         Loss on disposal of capital assets       (196,386)         Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.       (134,889)         Change in unavailable loans receivables       (134,889)         Change in unavailable loans receivables       (615,000)         The issuance of long-term debt provides current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.       880,000         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 governmental funds.       2,940         Change in accrued compensated absences       (18,668)       2,940         Change in net pension asset       917,763	For the Year Ended December 31, 2014	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.       372,784         Acquisition/construction of capital assets       372,784         Depreciation expense       (1,208,763)         Less depreciation expense accounted for in governmental internal service funds       159,891         Loss on disposal of capital assets       (196,386)         Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.       (134,889)         Change in unavailable property tax receivables       (134,889)         Change in unavailable cloans receivable       (615,000)         The issuance of long-term debt provides current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net position.       Reported is increases long-term liabilities in the statement of net position.         Principal payments on long-term debt       880,000         Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as sevenditures in governmental funds.       2,940         Change in net other postemployment benefits obligation       (145,968)         Change in net pension asset       (9,509)         Internal service funds are used by management to charge the costs of certain activities, suc	Net change in fund balances - total governmental funds	\$ (740,171)
the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Acquisition/construction of capital assets Depreciation expense accounted for in governmental internal service funds Less depreciation expense accounted for in governmental internal service funds (1,208,763) Less on disposal of capital assets (196,386) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Change in unavailable property tax receivables (134,889) Change in unavailable loars receivable (615,000) The issuance of long-term debt provides current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Principal payments on long-term debt 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 governmental funds. Change in accrued interest on bonds payable Change in accrued interest on bonds payable Change in net other posternito abbigation Amortization of bond premium 22,006 Amortization of deferred loss on advance refunding Internal service funds are used by management to charge the costs of certain activities, such as equipment usage to individual funds. The net revenue (expense) of internal service funds is reported with governmental activities. Gain on sale of capital assets in governmental internal service funds Net operating transfers in from governmental internal service funds Net operating transfers in from governmental internal service funds Net operating loss from governmental internal service funds Net operating loss from governmental activities accounted for in internal service funds Net operating loss from governmental internal service funds	Amounts reported for governmental activities in the statement of activities are different because:	
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Acquisition/construction of capital assets       372,784         Depreciation expense       (1,208,763)         Less depreciation expense accounted for in governmental internal service funds       159,891         Loss on disposal of capital assets       (196,386)         Revenues in the statement of activities that do not provide current financial resources are not reported       as revenues in the funds.         Change in unavailable cons peceivable       (108,283         Change in unavailable cons receivable       (615,000)         The issuance of long-term debt provides current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.       880,000         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 governmental funds.       2,940         Change in accrued interest on bonds payable       2,940         Change in net other postemployment benefits obligation       415,152         Change in net other postemployment benefits obligation       415,152         Change in net pension asset       917,678         Amortization of bond premium       22,000         Amortization of bond premium       22,000         Amortizatio	the cost of those assets is allocated over their estimated useful lives and reported as depreciation	
Depreciation expense(1,208,763)Less depreciation expense accounted for in governmental internal service funds159,891Loss on disposal of capital assets(196,386)Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.(134,889)Change in unavailable property tax receivables(134,889)Change in unavailable loans receivable(108,283Change in unavailable leases receivable(615,000)The issuance of long-term debt provides current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Principal payments on long-term debt880,000Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. Change in accrued interest on bonds payable2,940Change in net other postemployment benefits obligation Amortization of bond premium 22,006 Amortization of deferred loss on advance refunding917,678Internal service funds are used by management to charge the costs of certain activities, such as equipment usage to individual funds. The net revenue (expense) of internal service funds investment income from governmental internal service funds Met operating transfers in from governmental activities accounted for in internal service funds Met operating transfers in from governmental activities accounted for in internal service funds Met operating loss from governmental activit	expense.	
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Change in net pension asset917,678Amortization of bond premium22,006Amortization of deferred loss on advance refunding(9,509)Internal service funds are used by management to charge the costs of certain activities, such as equipment usage to individual funds. The net revenue (expense) of internal service funds is reported with governmental activities. Gain on sale of capital assets in governmental internal service funds8,507 3,456Investment income from governmental internal service funds3,456Net operating transfers in from governmental activities accounted for in internal service funds121,584 (187,710)	Change in accrued compensated absences	(18,968)
Amortization of bond premium22,006Amortization of deferred loss on advance refunding(9,509)Internal service funds are used by management to charge the costs of certain activities, such as equipment usage to individual funds. The net revenue (expense) of internal service funds is reported with governmental activities. Gain on sale of capital assets in governmental internal service funds8,507 3,456 3,456 Net operating transfers in from governmental activities accounted for in internal service funds21,084 (187,710)	Change in net other postemployment benefits obligation	415,152
Amortization of deferred loss on advance refunding(9,509)Internal service funds are used by management to charge the costs of certain activities, such as equipment usage to individual funds. The net revenue (expense) of internal service funds is reported with governmental activities. Gain on sale of capital assets in governmental internal service funds8,507 3,456 1,456 3,456 1,21,584 Net operating loss from governmental activities accounted for in internal service funds121,584 (187,710)	Change in net pension asset	917,678
Internal service funds are used by management to charge the costs of certain activities, such as equipment usage to individual funds. The net revenue (expense) of internal service funds is reported with governmental activities. Gain on sale of capital assets in governmental internal service funds8,507 3,456Investment income from governmental internal service funds3,456 121,584 Net operating loss from governmental activities accounted for in internal service funds121,584 (187,710)	Amortization of bond premium	22,006
equipment usage to individual funds. The net revenue (expense) of internal service funds is reportedwith governmental activities.Gain on sale of capital assets in governmental internal service fundsInvestment income from governmental internal service funds3,456Net operating transfers in from governmental activities accounted for in internal service funds121,584Net operating loss from governmental activities accounted for in internal service funds(187,710)	Amortization of deferred loss on advance refunding	(9,509)
equipment usage to individual funds. The net revenue (expense) of internal service funds is reportedwith governmental activities.Gain on sale of capital assets in governmental internal service fundsInvestment income from governmental internal service fundsNet operating transfers in from governmental activities accounted for in internal service funds121,584Net operating loss from governmental activities accounted for in internal service funds(187,710)	Internal service funds are used by management to charge the costs of certain activities, such as	
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Gain on sale of capital assets in governmental internal service funds8,507Investment income from governmental internal service funds3,456Net operating transfers in from governmental activities accounted for in internal service funds121,584Net operating loss from governmental activities accounted for in internal service funds(187,710)		
Investment income from governmental internal service funds3,456Net operating transfers in from governmental activities accounted for in internal service funds121,584Net operating loss from governmental activities accounted for in internal service funds(187,710)		8 507
Net operating transfers in from governmental activities accounted for in internal service funds121,584Net operating loss from governmental activities accounted for in internal service funds(187,710)		
Net operating loss from governmental activities accounted for in internal service funds (187,710)		
Change in net position of governmental activities \$ (101,613)	net operating togs from governmental activities accounted for in internal service funds	 (107,710)
· · · · · · · · · · · · · · · · · · ·	Change in net position of governmental activities	\$ (101,613)

# Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - General Fund

For the Year Ended December 31, 2014

δ		Original Budget		Final Budget		Actual		ctual Over nder) Final Budget
Revenues	÷	0 007 (00	~	0.040.074	~	0.054.034	÷	440.045
Property taxes	\$	8,827,603	\$	8,840,971	\$	8,951,036	\$	110,065
Licenses and permits		18,500		18,500		27,003		8,503
Intergovernmental		806,781		917,518		1,011,222		93,704
Charges for services		755,420		797,345		792,499		(4,846)
Refunds and reimbursements		96,421		96,421		128,038		31,617
Fines and forfeitures		1,000		1,000		3,152		2,152
Interest		20,000		20,000		28,963		8,963
Other		109,281		300,514		311,877		11,363
Total revenues		10,635,006		10,992,269		11,253,790		261,521
Expenditures								
Legislative:								
Board of Commissioners		406,840		549,242		517,244		(31,998)
General government:								
Accounting		175,309		175,309		168,741		(6,568)
Elections		84,752		84,752		32,821		(51,931)
County clerk		343,606		370,762		347,838		(22,924)
Circuit court clerk		15,284		15,284		7,116		(8,168)
Equalization		360,323		374,849		374,199		(650)
Attorney/legal fees		78,981		78,981		69,744		(9,237)
Remonumentation		33,000		38,837		38,837		-
Prosecuting attorney		433,477		444,790		414,631		(30,159)
Prosecuting attorney - social services		63,537		66,554		65,147		(1,407)
Victim services		65,201		66,658		66,310		(348)
Register of deeds		282,986		282,986		280,330		(2,656)
Plat board		496		496		-		(496)
Treasurer		286,094		316,932		316,848		(84)
Cooperative extension		203,706		220,444		219,825		(619)
Drain commission		39,894		53,472		53,442		(30)
Soil conservation		60,000		60,000		60,000		-
County audit		48,500		50,000		49,806		(194)
Total general government		2,575,146		2,701,106		2,565,635		(135,471)

continued...

# Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - General Fund

For the Year Ended December 31, 2014

Expenditures (continued)				
Judicial:				
Circuit court \$	268,621	\$ 268,621	\$ 194,609	\$ (74,012)
Circuit court - family	288,606	288,606	227,811	(60,795)
Friend of the court	57,000	57,000	57,000	-
Circuit court - family volume	450	450	393	(57)
Circuit court - juvenile	110,171	113,771	111,603	(2,168)
Family coordinating council	12,000	12,000	9,000	(3,000)
District court	436,936	436,936	389,958	(46,978)
Jury fees	12,187	12,187	7,485	(4,702)
Probate court	307,169	307,169	303,833	(3,336)
Friend of the court	60,300	60,300	53,085	(7,215)
Law library	9,000	16,023	11,572	(4,451)
Total judicial	1,562,440	1,573,063	1,366,349	(206,714)
Public safety:				
Sheriff	1,825,841	1,893,732	1,863,505	(30,227)
Emergency medical service	100	100	-	(100)
Marine	76,079	76,079	75,951	(128)
Sheriff secondary road patrol	93,989	93,989	82,955	(11,034)
Jail	1,718,931	1,824,712	1,820,861	(3,851)
Planning department	258,258	258,258	250,540	(7,718)
Planning commission	15,246	15,246	8,020	(7,226)
COPS Fast	-	56,146	51,780	(4,366)
Township/Village police services	96,299	96,299	88,599	(7,700)
Anti-Drug	94,304	94,304	92,429	(1,875)
Emergency services	68,907	97,036	95,449	(1,587)
Disaster contingency	500	500	450	(50)
Animal control	81,793	81,793	74,546	(7,247)
Community corrections	9,556	9,556	9,556	-
911	946,971	958,284	909,785	(48,499)
Total public safety	5,286,774	5,556,034	5,424,426	(545,037)

continued...

## Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - General Fund

For the Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures (concluded)		-		
Health and welfare: Benzie/Leelanau health department	\$ 283,460	\$ 283,460	\$ 280,553	\$ (2,907)
Substance abuse	5 205,400 65,000	100,000	99,848	(152)
Ambulance services	300	300	-	(300)
Medical examiner	21,160	25,297	24,634	(663)
Mental health board	139,700	139,700	139,700	-
American legion	3,000	3,000	2,393	(607)
Veteran's affairs Veteran's burial	52,454 13,500	52,454 13,500	52,454 13,305	- (195)
Department of human services	13,500	13,500	12,000	(1,500)
Child care	502,026	582,026	431,023	(151,003)
Soldiers and sailors	3,500	3,500	2,420	(1,080)
Juvenile justice	38,065	38,065	13,146	(24,919)
Total health and welfare	1,135,665	1,254,802	1,071,476	(183,326)
Recreation and cultural:				
Parks and recreation	102,739	102,739	92,751	(9,988)
Other expenditures:				
Insurance	225,000	1,250,867	1,206,261	(44,606)
Bonds	11,000	11,000	8,817	(2,183)
Unemployment compensation	18,000	18,000	7,479	(10,521)
Workers compensation insurance NW Michigan council of governments	62,000 5,454	67,000 5,454	66,937 5,454	(63)
	·			
Total other expenditures	321,454	1,352,321	1,294,948	(57,373)
Total expenditures	11,391,058	13,089,307	12,332,829	(1,169,907)
Revenues under expenditures	(756,052)	(2,097,038)	(1,079,039)	1,017,999
Other financing sources (uses)				
Transfers in	1,089,735	1,603,490	1,606,715	(3,225)
Transfers out	(776,700)	(716,845)	(542,909)	(173,936)
Total other financing sources (uses)	313,035	886,645	1,063,806	177,161
Net change in fund balance	(443,017)	(1,210,393)	(15,233)	1,195,160
Fund balance, beginning of year	9,684,757	9,684,757	9,684,757	
Fund balance, end of year	\$ 9,241,740	\$ 8,474,364	\$ 9,669,524	\$ 1,195,160

concluded

#### Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - Revenue Sharing Reserve Fund

Budget and Actual - Revenue Sharing Reserve Fund For the Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	actual Over Jnder) Final Budget
Revenues Interest	\$ 22,000	\$ 22,000	\$ 15,687	\$ (6,313)
Other financing uses Transfers out	 (430,345)	 (430,345)	 (429,921)	(424)
Net change in fund balance	(408,345)	(408,345)	(414,234)	(5,889)
Fund balance, beginning of year	 3,490,698	 3,490,698	 3,490,698	 -
Fund balance, end of year	\$ 3,082,353	\$ 3,082,353	\$ 3,076,464	\$ (5,889)

#### **Statement of Net Position**

Proprietary Funds December 31, 2014

,		Governmental		
	Business-typ	e Activities - Ente	erprise Funds	Activities
	Unpledged	Nonmajor		
	Delinquent	Enterprise		Internal
	Tax Revolving	Funds	Total	Service Funds
Assets				
Current assets:				
Cash and investments	\$ 6,320,780	\$ 1,297,014	\$ 7,617,794	\$ 642,029
Receivables:				
Accounts	-	-	-	13,924
Delinquent taxes	1,998,997	-	1,998,997	-
Interest on delinquent taxes	503,898	-	503,898	-
Due from component units	-	50,684	50,684	-
Due from other funds	25,000	-	25,000	-
Prepaid items	-	448	448	170,013
Assets held for resale	-	31,120	31,120	-
Total current assets	8,848,675	1,379,266	10,227,941	825,966
Noncurrent assets:				
Capital assets being depreciated, net	·	·	·	362,119
Total assets	8,848,675	1,379,266	10,227,941	1,188,085
Liabilities				
Current liabilities:				
Accounts payable	-	30,035	30,035	8,763
Accrued liabilities	-	7,700	7,700	73,016
Due to other governments	80		80	-
Total current liabilities	80	37,735	37,815	81,779
Noncurrent liabilities:				
Compensated absences	_	4,890	4,890	_
compensated absences		4,090	4,090	
Total liabilities	80	42,625	42,705	81,779
Net position				
Net investment in capital assets	-	-	-	362,119
Unrestricted	8,848,595	1,336,641	10,185,236	744,187
Total net position	\$ 8,848,595	\$ 1,336,641	\$ 10,185,236	\$ 1,106,306
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### Statement of Revenues, Expenses and Changes in Fund Net Position

Proprietary Funds

For the Year Ended December 31, 2014

Business-type Activities - Enterprise Funds         Activities           Unpledged Delinquent Tax Revolving         Nonmajor Enterprise Funds         Total         Internal Service Funds           Operating revenues Charges for services Interest on delinquent taxes         \$ 134,896 603,431         \$ 871,869 603,431         \$ 1,006,765 603,431         \$ 2,618,243           Total operating revenues         738,327         871,869         \$ 1,610,196         2,618,243           Operating expenses Salaries and fringes         -         209,868         209,868         264,884           Depreciation Other operating expenses         17,843         403,253         421,096         2,805,953           Operating income (loss)         720,484         258,748         979,232         (187,710)           Nonoperating revenues Gain on sale of capital assets Income (loss) before transfers         -         -         -         8,507           Investment income         31,202         -         31,202         3,456         -         11,963           Income (loss) before transfers         751,686         258,748         1,010,434         (175,747)           Transfers Transfers in Transfers out         -         -         -         121,584           Total transfers out         (525,000)         (44,600)         (569,600)					Governmental		
Delinquent Tax RevolvingEnterprise FundsTotalInternal Service FundsOperating revenues Charges for services Interest on delinquent taxes\$ 134,896 603,431\$ 871,869 603,431\$ 1,006,765 603,431\$ 2,618,243Total operating revenues738,327871,8691,610,1962,618,243Operating expenses Salaries and fringes Depreciation Other operating expenses209,868209,868264,884Depreciation Other operating expenses17,843403,253421,0962,381,178Total operating expenses17,843613,121630,9642,805,953Operating income (loss)720,484258,748979,232(187,710)Nonoperating revenues Gain on sale of capital assets Gain on sale of capital assets8,507Investment income31,202-31,2023,456Total nonoperating revenues Gain on sale of capital assets Transfers in Transfers out5,51,686258,7481,010,434(175,747)Transfers out(525,000)(44,600)(569,600)-121,584		Business-typ	Business-type Activities - Enterprise Funds				
Tax RevolvingFundsTotalService FundsOperating revenues Charges for services Interest on delinquent taxes $$$ $$$ $134,896$ $$$ $871,869$ $$$ $1,006,765$ $$$ $2,618,243$ Total operating revenues $738,327$ $871,869$ $1,610,196$ $2,618,243$ Operating expenses Salaries and fringes Depreciation $ 209,868$ $209,868$ $264,884$ Depreciation $   159,891$ Other operating expenses $17,843$ $403,253$ $421,096$ $2,381,178$ Total operating expenses $17,843$ $613,121$ $630,964$ $2,805,953$ Operating income (loss) $720,484$ $258,748$ $979,232$ $(187,710)$ Nonoperating revenues Gain on sale of capital assets Investment income $31,202$ $ 31,202$ $3,456$ Total nonoperating revenues $31,202$ $ 31,202$ $11,963$ Income (loss) before transfers $751,686$ $258,748$ $1,010,434$ $(175,747)$ Transfers in Transfers out $   121,584$		Unpledged	Nonmajor				
Operating revenues Charges for services Interest on delinquent taxes         \$ 134,896 603,431         \$ 871,869 603,431         \$ 1,006,765 603,431         \$ 2,618,243 603,431           Total operating revenues         738,327         871,869         1,610,196         2,618,243           Operating expenses Salaries and fringes         -         209,868         209,868         264,884           Depreciation         -         -         159,891         -         159,891           Other operating expenses         17,843         403,253         421,096         2,381,178           Total operating expenses         17,843         613,121         630,964         2,805,953           Operating income (loss)         720,484         258,748         979,232         (187,710)           Nonoperating revenues Gain on sale of capital assets         -         -         8,507           Investment income         31,202         -         31,202         3,456           Total nonoperating revenues         31,202         -         31,202         1,963           Income (loss) before transfers         751,686         258,748         1,010,434         (175,747)           Transfers in Transfers out         -         -         -         121,584			Enterprise		Internal		
Charges for services Interest on delinquent taxes       \$ 134,896 603,431       \$ 871,869 603,431       \$ 1,006,765 603,431       \$ 2,618,243         Total operating revenues       738,327       871,869       1,610,196       2,618,243         Operating expenses Salaries and fringes       -       209,868       209,868       264,884         Depreciation       -       -       159,891         Other operating expenses       17,843       403,253       421,096       2,381,178         Total operating expenses       17,843       613,121       630,964       2,805,953         Operating income (loss)       720,484       258,748       979,232       (187,710)         Nonoperating revenues       -       -       8,507         Gain on sale of capital assets       -       -       -       8,507         Investment income       31,202       -       31,202       3,456         Total nonoperating revenues       31,202       -       31,202       3,456         Total nonoperating revenues       -       -       -       8,507         Income (loss) before transfers       751,686       258,748       1,010,434       (175,747)         Transfers in       -       -       -       -       121,584 <td></td> <td>Tax Revolving</td> <td>Funds</td> <td>Total</td> <td>Service Funds</td>		Tax Revolving	Funds	Total	Service Funds		
Charges for services Interest on delinquent taxes       \$ 134,896 603,431       \$ 871,869 603,431       \$ 1,006,765 603,431       \$ 2,618,243         Total operating revenues       738,327       871,869       1,610,196       2,618,243         Operating expenses Salaries and fringes       -       209,868       209,868       264,884         Depreciation       -       -       159,891         Other operating expenses       17,843       403,253       421,096       2,381,178         Total operating expenses       17,843       613,121       630,964       2,805,953         Operating income (loss)       720,484       258,748       979,232       (187,710)         Nonoperating revenues       -       -       8,507         Gain on sale of capital assets       -       -       -       8,507         Investment income       31,202       -       31,202       3,456         Total nonoperating revenues       31,202       -       31,202       3,456         Total nonoperating revenues       -       -       -       8,507         Income (loss) before transfers       751,686       258,748       1,010,434       (175,747)         Transfers in       -       -       -       -       121,584 <td></td> <td></td> <td></td> <td></td> <td></td>							
Interest on delinquent taxes         603,431         -         603,431         -           Total operating revenues         738,327         871,869         1,610,196         2,618,243           Operating expenses         Salaries and fringes         -         209,868         209,868         264,884           Depreciation         -         -         159,891         -         159,891           Other operating expenses         17,843         403,253         421,096         2,381,178           Total operating expenses         17,843         613,121         630,964         2,805,953           Operating income (loss)         720,484         258,748         979,232         (187,710)           Nonoperating revenues         -         -         8,507           Investment income         31,202         -         31,202         3,456           Total nonoperating revenues         31,202         -         31,202         11,963           Income (loss) before transfers         751,686         258,748         1,010,434         (175,747)           Transfers in         -         -         -         121,584           Transfers out         (525,000)         (44,600)         (569,600)         -							
Total operating revenues       738,327       871,869       1,610,196       2,618,243         Operating expenses       Salaries and fringes       209,868       209,868       264,884         Depreciation       -       159,891       159,891       159,891         Other operating expenses       17,843       403,253       421,096       2,381,178         Total operating expenses       17,843       613,121       630,964       2,805,953         Operating income (loss)       720,484       258,748       979,232       (187,710)         Nonoperating revenues       -       -       8,507         Investment income       31,202       -       31,202       3,456         Total nonoperating revenues       31,202       -       31,202       11,963         Income (loss) before transfers       751,686       258,748       1,010,434       (175,747)         Transfers       -       -       -       121,584         Transfers out       (525,000)       (44,600)       (569,600)       -	-		\$ 871,869		\$ 2,618,243		
Operating expenses Salaries and fringes Depreciation       209,868       209,868       264,884         Depreciation       -       -       159,891         Other operating expenses       17,843       403,253       421,096       2,381,178         Total operating expenses       17,843       613,121       630,964       2,805,953         Operating income (loss)       720,484       258,748       979,232       (187,710)         Nonoperating revenues       -       -       8,507         Investment income       31,202       -       31,202       3,456         Total nonoperating revenues       31,202       -       31,202       11,963         Income (loss) before transfers       751,686       258,748       1,010,434       (175,747)         Transfers       -       -       -       121,584         Transfers out       (525,000)       (44,600)       (569,600)       -	Interest on delinquent taxes	603,431	-	603,431	-		
Salaries and fringes       -       209,868       209,868       264,884         Depreciation       -       -       159,891         Other operating expenses       17,843       403,253       421,096       2,381,178         Total operating expenses       17,843       613,121       630,964       2,805,953         Operating income (loss)       720,484       258,748       979,232       (187,710)         Nonoperating revenues       -       -       8,507         Investment income       31,202       -       31,202       3,456         Total nonoperating revenues       31,202       -       31,202       3,456         Income (loss) before transfers       751,686       258,748       1,010,434       (175,747)         Transfers       -       -       -       121,584         Transfers in       -       -       -       121,584	Total operating revenues	738,327	871,869	1,610,196	2,618,243		
Salaries and fringes       -       209,868       209,868       264,884         Depreciation       -       -       159,891         Other operating expenses       17,843       403,253       421,096       2,381,178         Total operating expenses       17,843       613,121       630,964       2,805,953         Operating income (loss)       720,484       258,748       979,232       (187,710)         Nonoperating revenues       -       -       8,507         Investment income       31,202       -       31,202       3,456         Total nonoperating revenues       31,202       -       31,202       3,456         Income (loss) before transfers       751,686       258,748       1,010,434       (175,747)         Transfers       -       -       -       121,584         Transfers in       -       -       -       121,584	Operating expenses						
Depreciation         -         -         159,891           Other operating expenses         17,843         403,253         421,096         2,381,178           Total operating expenses         17,843         613,121         630,964         2,805,953           Operating income (loss)         720,484         258,748         979,232         (187,710)           Nonoperating revenues         -         -         -         8,507           Investment income         31,202         -         31,202         3,456           Total nonoperating revenues         31,202         -         31,202         11,963           Income (loss) before transfers         751,686         258,748         1,010,434         (175,747)           Transfers         -         -         -         121,584           Transfers out         -         -         -         121,584		-	209.868	209.868	264.884		
Other operating expenses         17,843         403,253         421,096         2,381,178           Total operating expenses         17,843         613,121         630,964         2,805,953           Operating income (loss)         720,484         258,748         979,232         (187,710)           Nonoperating revenues         31,202         -         8,507           Gain on sale of capital assets         -         -         -         8,507           Investment income         31,202         -         31,202         3,456           Total nonoperating revenues         31,202         -         31,202         11,963           Income (loss) before transfers         751,686         258,748         1,010,434         (175,747)           Transfers         -         -         -         121,584           Transfers out         -         -         -         121,584	-	-					
Total operating expenses       17,843       613,121       630,964       2,805,953         Operating income (loss)       720,484       258,748       979,232       (187,710)         Nonoperating revenues       3in on sale of capital assets       -       -       8,507         Investment income       31,202       -       31,202       3,456         Total nonoperating revenues       31,202       -       31,202       11,963         Income (loss) before transfers       751,686       258,748       1,010,434       (175,747)         Transfers       -       -       -       121,584         Transfers out       (525,000)       (44,600)       (569,600)       -	•	17,843	403,253	421,096			
Operating income (loss)       720,484       258,748       979,232       (187,710)         Nonoperating revenues       Gain on sale of capital assets       -       -       8,507         Investment income       31,202       -       31,202       3,456         Total nonoperating revenues       31,202       -       31,202       11,963         Income (loss) before transfers       751,686       258,748       1,010,434       (175,747)         Transfers       -       -       -       121,584         Transfers out       (525,000)       (44,600)       (569,600)       -		· · ·	· · · ·		<u> </u>		
Nonoperating revenues       .       .       .       .       .       8,507         Investment income       31,202       .       31,202       3,456         Total nonoperating revenues       31,202       .       31,202       11,963         Income (loss) before transfers       751,686       258,748       1,010,434       (175,747)         Transfers       .       .       .       .       121,584         Transfers out       (525,000)       (44,600)       (569,600)       .	Total operating expenses	17,843	613,121	630,964	2,805,953		
Gain on sale of capital assets       -       -       -       8,507         Investment income       31,202       -       31,202       3,456         Total nonoperating revenues       31,202       -       31,202       11,963         Income (loss) before transfers       751,686       258,748       1,010,434       (175,747)         Transfers       -       -       -       121,584         Transfers out       (525,000)       (44,600)       (569,600)       -	Operating income (loss)	720,484	258,748	979,232	(187,710)		
Gain on sale of capital assets       -       -       -       8,507         Investment income       31,202       -       31,202       3,456         Total nonoperating revenues       31,202       -       31,202       11,963         Income (loss) before transfers       751,686       258,748       1,010,434       (175,747)         Transfers       -       -       -       121,584         Transfers out       (525,000)       (44,600)       (569,600)       -	Nononerating revenues						
Investment income       31,202       -       31,202       3,456         Total nonoperating revenues       31,202       -       31,202       11,963         Income (loss) before transfers       751,686       258,748       1,010,434       (175,747)         Transfers       Transfers in       -       -       -       121,584         Transfers out       (525,000)       (44,600)       (569,600)       -		-	-	-	8 507		
Total nonoperating revenues       31,202       -       31,202       11,963         Income (loss) before transfers       751,686       258,748       1,010,434       (175,747)         Transfers       -       -       -       -       121,584         Transfers out       (525,000)       (44,600)       (569,600)       -	-	31,202	-	31,202			
Income (loss) before transfers       751,686       258,748       1,010,434       (175,747)         Transfers       Transfers in       -       -       121,584         Transfers out       (525,000)       (44,600)       (569,600)       -		51,202		51,202			
Transfers       -       -       121,584         Transfers out       (525,000)       (44,600)       (569,600)       -	Total nonoperating revenues	31,202		31,202	11,963		
Transfers       -       -       121,584         Transfers out       (525,000)       (44,600)       (569,600)       -	Income (loss) before transfers	751.686	258.748	1.010.434	(175,747)		
Transfers in       -       -       121,584         Transfers out       (525,000)       (44,600)       (569,600)       -		,		.,,	(		
Transfers out (525,000) (44,600) (569,600) -	Transfers						
	Transfers in	-	-	-	121,584		
Total transfers (525,000) (44,600) (569,600) 121,584	Transfers out	(525,000)	(44,600)	(569,600)	<u> </u>		
	Total transfers	(525,000)	(44,600)	(569,600)	171 584		
		(323,000)	(+1,000)	(307,000)	121,304		
Change in net position         226,686         214,148         440,834         (54,163)	Change in net position	226,686	214,148	440,834	(54,163)		
Net position, beginning of year 8,621,909 1,122,493 9,744,402 1,160,469	Net position, beginning of year	8,621,909	1,122,493	9,744,402	1,160,469		
Net position, end of year \$ 8,848,595 \$ 1,336,641 \$ 10,185,236 \$ 1,106,306	Net position, end of year	\$ 8,848,595	\$ 1,336,641	\$ 10,185,236	\$ 1,106,306		

### Statement of Cash Flows

Proprietary Funds For the Year Ended December 31, 2014

	Duraha ana dura		unania a Frunda	Governmental
		e Activities - Ente	erprise Funds	Activities
	Unpledged	Nonmajor		
	Delinquent	Enterprise		Internal
	Tax Revolving	Funds	Total	Service Funds
Cash flows from operating activities				
Cash received from interfund services	\$-	\$-	\$-	\$ 2,620,603
Cash received from customers	4,385,224	871,869	5,257,093	-
Cash payments for delinquent taxes	(3,195,496)	-	(3,195,496)	-
Cash payments to suppliers for				
goods and services	(81,054)	(351,975)	(433,029)	(915,147)
Cash payments to employees for services	-	(209,143)	(209,143)	(1,776,421)
Net cash provided by (used in)	1 109 674	210 751	1 410 425	(70.045)
operating activities	1,108,674	310,751	1,419,425	(70,965)
Cash flows from noncapital financing activiti	es			
Transfers in	-	-	-	121,584
Transfers out	(525,000)	(44,600)	(569,600)	-
	(323,000)	(11,000)	(307,000)	
Net cash provided by (used in) noncapital				
financing activities	(525,000)	(44,600)	(569,600)	121,584
5				
Cash flows from capital and related				
financing activities				
Purchases of capital assets	-	-	-	(132,602)
Proceeds from sale of capital assets	-	-	-	10,644
Net cash used in capital and related				
financing activities	-	-	-	(121,958)
Cash flows from investing activities				
Investment income	31,202		31,202	3,456
	(44.07/		004 007	(17,002)
Net change in cash and investments	614,876	266,151	881,027	(67,883)
Cash and investments, beginning of year	5,705,904	1,030,863	6,736,767	709,912
			. ,	,
Cash and investments, end of year	\$ 6,320,780	\$ 1,297,014	\$ 7,617,794	\$ 642,029

continued...

#### Statement of Cash Flows

Proprietary Funds For the Year Ended December 31, 2014

							Gov	vernmental
	B	Business-type Activities - Enterprise Funds					P	ctivities
	Ur	pledged	No	onmajor				
	De	linquent	En	terprise				Internal
	Тах	Revolving		Funds		Total	Ser	vice Funds
Cash flows from operating activities								
Reconciliation of operating income (loss)								
to net cash provided by (used in)								
operating activities								
Operating income (loss)	\$	720,484	\$	258,748	\$	979,232	\$	(187,710)
Adjustments to reconcile operating								
income (loss) to net cash provided by								
(used in) operating activities:								
Depreciation		-		-		-		159,891
Changes in operating assets and								
liabilities which provided (used) ca	ash:							
Receivables:								
Accounts		-		-		-		(13,924)
Delinquent taxes		402,421		-		402,421		-
Interest on delinquent taxes		(6,910)		-		(6,910)		-
Due from other governments		80,810		-		80,810		-
Due from component units		-		5,000		5,000		-
Due from other funds		(25,000)		-		(25,000)		-
Prepaid items		-		(295)		(295)		(5,761)
Assets held for resale		-		28,768		28,768		-
Accounts payable		(63,211)		17,805		(45,406)		(41,004)
Accrued liabilities		-		1,248		1,248		17,543
Due to other governments		80		-		80		-
Compensated absences		-		(523)		(523)		-
Not each provided by (used in)								
Net cash provided by (used in) operating activities	\$	1,108,674	\$	310,751	Ş	1,419,425	\$	(70,965)
טירו מנוויץ מכנויונוכי	ڊ	1,100,074	ڔ	510,751	ڔ	1,417,423	ڔ	(70,703)

concluded

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### Statement of Fiduciary Assets and Liabilities

Agency Funds December 31, 2014

	Agency Funds
Assets	
Cash and cash equivalents	\$ 754,014
Liabilities	
Accounts payable	\$ 455,953
Due to other governments	4,806
Undistributed collections	113,549
Trust deposits	130,000
Other current liabilities	 49,706
Total liabilities	\$ 754,014

# Combining Statement of Net Position Discretely Presented Component Units

December 31, 2014

	Road Commission	Brownfield Redevelopment Authority	Land Bank Authority	Total
Assets				
Cash and cash equivalents	\$ 296,117	\$ 117,957	\$ 203,526	\$ 617,600
Receivables, net	2,136,664	4,195	-	2,140,859
Prepaid items	29,721	-	-	29,721
Inventory	1,162,661	-	-	1,162,661
Assets held for resale	-	1,421,000	26,203	1,447,203
Net pension asset	996,874	-	-	996,874
Capital assets:				
Not being depreciated	13,274,776	-	-	13,274,776
Being depreciated, net	20,440,150			20,440,150
Total assets	38,336,963	1,543,152	229,729	40,109,844
Liabilities				
Accounts payable and accrued liabilities	250,533	635	4,101	255,269
Unearned revenue	314,446	-	-	314,446
Due to primary government	-	-	50,684	50,684
Long-term advance from primary government	-	565,592	-	565,592
Notes payable	-	429,903	-	429,903
Long-term liabilities:				
Due within one year	108,310	-	-	108,310
Due in more than one year	58,321		-	58,321
Total liabilities	731,610	996,130	54,785	1,782,525
Deferred inflows of resources				
Taxes levied for a subsequent period	1,161,383	-	-	1,161,383
Other state grants	124,966			124,966
Total deferred inflows of resources	1,286,349			1,286,349
Net position				
Net investment in capital assets Restricted for:	33,714,926	-	-	33,714,926
Other state mandated programs	2,604,078	-	-	2,604,078
Unrestricted		547,022	174,944	721,966
Total net position	\$ 36,319,004	\$ 547,022	\$ 174,944	\$ 37,040,970

Combining Statement of Activities Discretely Presented Component Units For the Year Ended December 31, 2014

	Road Commission	Brownfield Redevelopment Authority	Land Bank Authority	Total
Expenses				
Road Commission	\$ 5,112,16	7\$-	\$-	\$ 5,112,167
Brownfield Redevelopment Authority		- 24,615	-	24,615
Land Bank Authority			50,821	50,821
Total expenses	5,112,16	7 24,615	50,821	5,187,603
Program revenues				
Charges for services	775,23	0 64,408	158,766	998,404
Operating grants and contributions	1,868,27	5 6,542	-	1,874,817
Capital grants and contributions	3,426,99	7	42,391	3,469,388
Total program revenues	6,070,50	2 70,950	201,157	6,342,609
Net revenue (expense)	958,33	5 46,335	150,336	1,155,006
General revenues				
Property taxes	1,164,92	6 60,377	7,210	1,232,513
Unrestricted investment earnings	7,00	0 562	-	7,562
Gain on sale of assets	14,50	0		14,500
Total general revenues	1,186,42	6 60,939	7,210	1,254,575
Change in net position	2,144,76	1 107,274	157,546	2,409,581
Net position, beginning of year	34,174,24	3 439,748	17,398	34,631,389
Net position, end of year	\$ 36,319,00	4 \$ 547,022	\$ 174,944	\$ 37,040,970

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

NOTES TO FINANCIAL STATEMENTS

# Notes to Financial Statements

## . SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Leelanau County, Michigan (the "County") was organized in 1863 and covers an area of approximately 334 square miles with the county seat located in Suttons Bay, Michigan. The County operates under an elected Board of Commissioners of seven members and provides services, assistance and care to its more than 21,000 residents, primarily from the operations of its general and special revenue funds. The County's services, assistance and care include the (1) general county departments, boards and commissions; (2) court system administration; (3) law enforcement and corrections; (4) assistance and/or institutional care to the aged, needy, wards of the court, neglected children and public and mental health recipients; (5) libraries; and (6) recreation.

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

## **Reporting Entity**

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the County and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational and financial relationship with the County.

## Discretely presented component units

Leelanau County Road Commission (the "Road Commission") - The Road Commission is responsible for the maintenance and construction of the County road system. The County appoints the members of the Road Commission and is a direct beneficiary of the services provided. The Road Commission may not issue debt or levy a tax without the approval of the County Board of Commissioners. The Road Commission is audited individually and complete financial statements can be obtained from the Road Commission at 10550 E. Eckerle Road, Suttons Bay, MI 49682.

Brownfield Redevelopment Authority (the "Brownfield") - Members of the governing board of the Brownfield are appointed by the County Board of Commissioners. The Brownfield reviews and approves plans for business development within designated areas of the County where property was once contaminated. Property tax revenues from the "captured" portion of these properties are restricted to pay for site clean-up expenditures and future development depending on the development plan adopted for each project. The County has the ability to significantly influence the operations of the Brownfield Redevelopment Authority and has accountability for fiscal matters. There are no separately issued financial statements for the Brownfield.

Land Bank Authority (the "Land Bank") - The Land Bank was incorporated pursuant to the Michigan Land Bank Fast Track Act (Public Act 258) and an intergovernmental agreement between the Land Bank and Leelanau County. The agreement established the Land Bank Authority as a separate legal entity and public body corporate to administer and execute Land Bank Authority objectives. Because members of the Land Bank are appointed by the Leelanau County Board of Commissioners, the County exercises effective control over its activities. There are no separately issued financial statements for the Land Bank.

# Notes to Financial Statements

#### Regional joint operations

The County participates jointly in the operations of the Benzie-Leelanau District Health Department. The financial operations of the Benzie-Leelanau District Health Department are recorded as a component unit of Benzie County. The County's appropriation to the Benzie-Leelanau District Health Department for the year ended December 31, 2014 was \$280,460.

The County participates in the operation of the Northwest Michigan Regional Airport Commission with Grand Traverse County. The Airport Commission operates with a separate treasurer. Separate financial statements for the Airport Commission are available from the Northwest Michigan Regional Airport Commission, Cherry Capital Airport Administrative Office, Traverse City, MI 49684.

The County participates jointly in the operations of the Grand Traverse County 86<sup>th</sup> District Court and 13<sup>th</sup> Circuit Court, including the Friend of the Count. The financial operations of the courts are reported in the financial statements of Grand Traverse County. Leelanau County provides financial support of the Friend of the Court through an appropriation, which amounted to \$48,625 for the year ended December 31, 2014.

#### 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. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable.

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

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

The government reports the following major governmental funds:

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

The *Revenue Sharing Reserve Fund* accounts for the funding mechanism that substitutes for state revenue sharing payments, which is the gradual acceleration of the County property tax levy.

## Notes to Financial Statements

The *Village of Northport Sewer Debt Retirement Fund* accounts for the debt payments made to retire the Northport Village sewer bond issue and the related receivable due from the Village.

The government reports the following major proprietary fund:

The Unpledged Delinquent Tax Revolving (DTR) Fund accounts for the County's administration and collection of delinquent real property taxes for all taxing units in Leelanau County.

Additionally, the government reports the following fund types:

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

*Debt Service Funds* are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

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

*Enterprise Funds* account for those operations that are financed and operated in a manner similar to private business or where the County has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

*Internal Service Funds* account for the fleet and equipment management, building and grounds, data processing, copy machine, mailing department, and insurance services provided to other departments or agencies of the government on a cost reimbursement basis.

Agency Funds are custodial in nature and do not present results of operations or have a measurement focus. These funds are used to account for assets that the government holds for others in an agency capacity (such as taxes collected for other governments).

#### Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

# Notes to Financial Statements

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

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. The General Fund provides certain central services to other funds of the County which are presented as program expenses in the funds receiving services. The related General Fund revenue has been netted against program expense in the government-wide statement of activities.

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

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

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Equity

#### Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the County to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments (except those with a fluctuating per share value).

# Notes to Financial Statements

#### Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

#### Prepaid Items

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

#### Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the asset constructed.

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

	Years
In fire stars stress	0.50
Infrastructure	8-50
Building and improvements	5-30
Land improvements	5-30
Towers	40
Equipment	3-10
Vehicles	2-5
Office furniture	3-10

#### Assets Held for Resale

Assets held for resale consist of parcels of land held by the County resulting from tax foreclosed properties. The assets held for resale in the Brownfield Redevelopment Authority component unit consists of land valued based on an actuarial valuation of the related property that took place in December 2013.

# Notes to Financial Statements

#### Deferred Outflows 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 will not be recognized as an outflow of resources (expense/expenditure) until a future period. The County has recorded a deferred loss on an advance refunding as a deferred outflow in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

#### Compensated Absences

County employees are granted vacation hours on their anniversary date of hire. The number of hours is dependent upon years of service. Unused vacation hours are accrued at fiscal year-end. Upon termination an employee may be paid for unused vacation up to a maximum of 240 hours. All vacation and personal leave is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignation or retirements.

#### Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as a component of interest expense when incurred.

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

## Deferred Inflows of Resources

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 will not be recognized as an inflow of resources (revenue) until a future period. The governmental funds report unavailable revenues, which arises only under a modified accrual basis of accounting, from several sources: loans receivable, leases receivable, property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In addition, deferred inflows of resources are reported in the government-wide and governmental fund financial statements for property taxes levied during the year that were intended to finance future periods.

# Notes to Financial Statements

## Fund Equity

Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Restricted fund balance is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Commissioners (the government's highest level of decision-making authority). A formal resolution of the Board of Commissioners is required to establish, modify, or rescind a fund balance commitment. The County reports assigned fund balance, when applicable for amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Commissioners has delegated the authority to assign fund balance to the County Administrator or his/her designee. Unassigned fund balance is the residual classification for the General Fund.

The County Board of Commissioners has formally established a budget stabilization arrangement under which it commits General Fund fund balance in an amount equal to the lessor of 15 percent of the prior year's General Fund balance or the average of the last five year's General Fund budgets to insulate County programs and current service levels from large (\$400,000 or more) and unanticipated one time General Fund expenditure requirements, reductions in budgeted General Fund revenues due to a change in state or federal requirements, adverse litigation, catastrophic loss, or any similar swift unforeseen event. This commitment may be used if one of the several potential qualifying events occurs (as detailed in a Board of Commissioners resolution), the County Commissioners estimates the qualifying event will cost \$400,000 or more, and the Board of Commissioners, by majority vote of members present, affirms the qualifying event. As of December 31, 2014, the balance in the stabilization arrangement was \$1,149,418.

The County Board of Commissioners has adopted a minimum fund balance policy in which the total unassigned fund balance of the General Fund will be equal to at least 10 percent of the current year's adopted General Fund budgeted expenditures and transfers out. If the General Fund balance falls below the minimum range, the County will replenish shortages or deficiencies using budget strategies and timeframes as detailed in the policy.

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

## Interfund Transactions

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

## Use of Estimates

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

# Notes to Financial Statements

#### 2. BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the general and special revenue funds. All annual appropriations lapse at fiscal year end. During the November board meeting of each year, the Board of Commissioners adopts, by resolution, the budget for the next fiscal year.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing board for the general and special revenue funds is the activity and function level, respectively, which is the level at which expenditures may not legally exceed appropriations. The County Administrator may make transfers of appropriations between departments within any funds; however, any supplemental appropriations that amend the total expenditures of any fund require Board of Commissioner's resolution.

Public Act 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount budgeted. During the year ended December 31, 2014, the County had no expenditures in budgetary funds which were in excess of the amounts budgeted.

## 3. DEPOSITS AND INVESTMENTS

	G	Primary overnment	Component Units		Totals
Statement of net position Cash and investments	\$	22,423,640	\$	617,600	\$ 23,041,240
Statement of fiduciary assets and liabilities Cash and cash equivalents		754,014		-	754,014
Total	\$	23,177,654	\$	617,600	\$ <u> </u>
Deposits and investments Cash on hand Checking and savings accounts Certificates of deposit: Due within one year Due in one to five years Investments					\$ 800 15,623,899 1,004,828 1,315,693 5,850,034
Total					\$ 23,795,254

Following is a reconciliation of deposit and investment balances as of December 31, 2014:

# Notes to Financial Statements

*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, \$15,109,004 of the combined bank balance of \$18,096,093 was exposed to custodial credit risk because it was uninsured and uncollateralized. The County believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the County evaluates each financial institution with which it deposits County funds and assesses the level of risk of each institution; only those institutions with an acceptable level are used as depositories.

*Custodial Credit Risk - Investments.* Investments are exposed to custodial credit risk if the securities are unsecured, unregistered or held by a counterparty or its agency but not in the government's name. All investments are held in the name of the County, and thus are not exposed to custodial credit risk.

Investment	Fair Value	Rating	Maturity
Federal Home Loan Bank Bond	\$ 247,460	S&P AA+	03/20/2015
Saginaw Michigan Hospital Refunding Bonds	104,312	S&P A	07/01/2015
Holland Michigan Water Supply Bonds	101,217	Not rated	07/01/2015
New Baltimore Michigan Refunding Bonds	101,118	S&P AA-	10/01/2015
Federal Home Loan Mortgage Corp	497,645	S&P AA+	06/27/2016
Federal Home Loan Bank Bond	248,605	S&P AA+	12/19/2016
Federal Home Loan Mortgage Corp	189,515	S&P AA+	12/30/2016
Federal Farm Credit Bank Bond	494,670	S&P AA+	05/01/2017
Chippewa Valley Michigan Schools Refunding Bonds	93,565	S&P AA-	05/01/2017
Michigan State Refunding Bond	263,094	S&P AA-	11/01/2017
Federal Home Loan Mortgage Assn	247,360	S&P AA+	02/21/2018
Federal Home Loan Bank Bond	499,250	S&P AA+	03/29/2018
Federal Home Loan Bank Bond	245,655	S&P AA+	07/25/2018
Federal Home Loan Bank Bond	199,990	S&P AA+	05/28/2019
Federal Home Loan Bank Bond	248,365	S&P AA+	12/30/2019
Federal Home Loan Bank Bond	158,954	S&P AA+	12/30/2019
White Cloud Michigan Schools Refunding Bonds	99,278	Moody AA2	05/01/2020
Federal Home Loan Bank Bond	249,027	S&P AA+	05/20/2021
Federal Home Loan Bank Bond	249,430	S&P AA+	04/30/2024
Federal Home Loan Bank Bond	595,986	S&P AA+	06/26/2024
Federal Home Loan Bank Bond	249,728	S&P AA+	10/22/2024
Federal Home Loan Bank Bond	238,387	S&P AA+	12/30/2024
Federal Home Loan Bank Bond	94,810	S&P AA+	07/25/2025
Federal Home Loan Bank Bond	132,613	S&P AA+	09/19/2029
Total	\$ 5,850,034		

Following is a summary of the County's investments as of December 31, 2014:

# Notes to Financial Statements

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

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the 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. Maturities of investments, where applicable, have been identified above for the County's investments.

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

#### . RECEIVABLES AND DEFERRED INFLOWS OF RESOURCES

	 Governmental Activities		siness-type Activities	C	omponent Units
Accounts	\$ 178,184	\$	-	\$	17,109
Loans	904,931		-		-
Taxes	1,420,648		1,998,997		1,161,383
Leases	9,750,000		-		-
Interest	58,559		503,898		-
Due from other governments	332,118		-		962,367
	\$ 12,644,440	\$	2,502,895	\$	2,140,859

Receivables are comprised of the following at year-end:

Leases receivable from local units of government in the governmental activities are due from the Village of Northport. The terms of the leases, which relate to sewer systems financed by the County on behalf of the Village, match the debt maturity requirements of the related bonds. At year end, the County reported leases receivable in governmental activities of \$9,750,000, of which \$9,125,000 is not expected to be collected within one year.

# Notes to Financial Statements

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Resources intended to provide financing for a subsequent period are reported as deferred inflows of resources in the government-wide financial statements.

	Unavailable			ubsequent Years' Resources	Total		
Governmental funds							
Property taxes receivable	\$	306,418	\$	-	\$	306,418	
Loans receivable		904,931		-		904,931	
Leases receivable		9,750,000		-		9,750,000	
Property taxes levied to finance							
subsequent years' operations		-		1,066,389		1,066,389	
	ć	10 061 3/0	¢	1 066 380	ć	12 027 738	
	\$	10,961,349	\$	1,066,389	\$	12,027,738	

#### 5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Payables are comprised of the following at year-end:

	Governmental Activities		Business-type Activities		omponent Units
Accounts Accrued liabilities Accrued interest Due to other governments	\$	227,628 406,494 52,322 30,020	\$ 30,035 7,700 - 80	\$	151,348 69,009 - 34,912
	\$	716,464	\$ 37,815	\$	255,269

#### 6. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

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

The composition of interfund balances as of December 31, 2014, was as follows:

Due to and from primary government funds and component units

	Due from Other Funds			Due to Other Funds		
Nonmajor governmental funds Unpledged delinquent tax revolving fund	\$	3,162 25,000	\$	28,162 -		
	\$	28,162	\$	28,162		

# Notes to Financial Statements

#### Due to and from primary government funds and component units

	Con	e from nponent Jnits	Due to Primary Government	
Nonmajor enterprise funds Land Bank Authority	\$	50,684 -	\$	- 50,684
	\$	50,684	\$	50,684

Advances to and from primary government funds and component units

	Р	nces from rimary vernment	Advances to Component Units		
General fund Nonmajor governmental funds Brownfield Redevelopment Authority	\$	- - 565,592	\$	100,000 465,592 -	
	\$	565,592	\$	565,592	

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

For the year ended December 31, 2014, interfund transfers consisted of the following:

		Transfers in								
Transfers out	Ge	Nonmajor Governmental eneral Fund Funds		mental Service			Totals			
General fund	\$	-	\$	421,325	\$	121,584	\$	542,909		
Revenue sharing reserve fund		429,921		-		-		429,921		
Nonmajor governmental funds Unpledged delinquent tax		607,194		162,644		-		769,838		
revolving fund		525,000		-		-		525,000		
Nonmajor enterprise funds		44,600		-		-		44,600		
	\$	1,606,715	\$	583,969	\$	121,584	\$	2,312,268		

Interfund transfers are for: (1) using unassigned revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, (2) to transfer funds for reimbursement of administration earned in the CDBG Repayment and Home Funds to the CDBG Administration Fund, and (3) to transfer property taxes as required by State of Michigan Public Act 357 of 2004.

# Notes to Financial Statements

# 7. CAPITAL ASSETS

Capital asset activity for the primary government for the year ended December 31, 2014, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental Activities					
Capital assets not being depree					
Land	\$ 1,501,660	\$ -	\$ (196,384)	<u>\$</u> -	\$ 1,305,276
Capital assets being depreciate	ed:				
Infrastructure	3,853,942	180,004	-	-	4,033,946
Buildings and improvements	19,317,331	-	-	-	19,317,331
Land improvements	131,012	-	-	-	131,012
Towers	1,418,833	164,658	-	-	1,583,491
Equipment	1,541,052	28,122	(32,492)	-	1,536,682
Vehicles	1,063,722	127,364	(84,159)	-	1,106,927
Office furniture	430,274	5,238	(3,606)	-	431,906
	27,756,166	505,386	(120,257)	-	28,141,295
Less accumulated depreciation	o for:				
Infrastructure	(1,069,877)	(130,715)	-	-	(1,200,592)
Buildings and improvements	(4,179,947)	(704,564)	-	-	(4,884,511)
Land improvements	(66,451)	(3,961)	-	-	(1,001,911) (70,412)
Towers	(392,755)	(88,109)	-	-	(480,864)
Equipment	(1,257,382)	(117,729)	30,353	-	(1,344,758)
Vehicles	(780,380)	(117,360)	84,159	-	(813,581)
Office furniture	(313,544)	(46,325)	3,606	-	(356,263)
	(8,060,336)	(1,208,763)	118,118	-	(9,150,981)
Total capital assets	(-,,,	(')===):===)			(,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
being depreciated, net	19,695,830	(703,377)	(2,139)	-	18,990,314
3 . , ,	, , ,				, ,
Governmental activities					
capital assets, net	\$ 21,197,490	\$ (703,377)	\$ (198,523)	<u>\$</u> -	\$ 20,295,590

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

Depreciation of governmental activities by function	
General government	\$ 514,419
Public safety	400,476
Public works	127,210
Health and welfare	363
Recreation and culture	6,404
Internal service funds	 159,891
	\$ 1,208,763

# Notes to Financial Statements

	Beginning Balance	Additions	Adjustments / Disposals	Ending Balance
Component Unit - Road Commission				
Capital assets not being depreciated:				
Land	\$ 37,276	\$ -	\$-	\$ 37,276
Infrastructure - roads	12,682,944	554,556	-	13,237,500
	12,720,220	554,556	-	13,274,776
Capital assets being depreciated:				
Land improvements	52,064	-	-	52,064
Buildings	1,584,166	177,766	-	1,761,932
Road equipment	9,494,442	466,579	(83,872)	9,877,149
Shop equipment	154,280	-	-	154,280
Office equipment	17,315	-	-	17,315
Engineering equipment	28,378	-	-	28,378
Yard and storage	601,188	-	-	601,188
Infrastructure - roads	28,537,123	2,872,441	-	31,409,564
	40,468,956	3,516,786	(83,872)	43,901,870
Less accumulated depreciation for:				
Land improvements	(52,064)	-	-	(52,064)
Buildings	(800,900)	(31,525)	-	(832,425)
Road equipment	(7,818,504)	(479,046)	83,872	(8,213,678)
Shop equipment	(154,015)	(265)	-	(154,280)
Office equipment	(14,511)	(715)	-	(15,226)
Engineering equipment	(28,378)	-	-	(28,378)
Yard and storage	(416,469)	(16,071)	-	(432,540)
Infrastructure - roads	(12,306,273)	(1,426,856)	-	(13,733,129)
	(21,591,114)	(1,954,478)	83,872	(23,461,720)
Total capital assets				
being depreciated, net	18,877,842	1,562,308		20,440,150
Component Unit - Road Commission				
capital assets, net	\$ 31,598,062	\$ 2,116,864	<u>\$</u> -	\$ 33,714,926

# Notes to Financial Statements

# 8. LONG-TERM DEBT

Long-term debt activity for the year ended December 31, 2014, was as follows:

	Beginning Balance		Additions		Deductions		Ending Balance		Due Within Year	
Governmental Activities \$13,290,000 sewage disposal bonds due in annual installments of \$565,000 to \$775,000 through April 1, 2028, interest at 1.625%.	\$ 10,365,000	\$	-	\$	(615,000)	\$	9,750,000	\$	625,000	
\$5,360,000 law enforcement bonds due in annual installments of \$270,000 to \$455,000 through June 1, 2027, at interest ranging										
from 2% to 4%.	 5,090,000		-		(265,000)		4,825,000		285,000	
Total installment debt	15,455,000		-		(880,000)		14,575,000		910,000	
Bond premiums, net	308,084		-		(22,006)		286,078		22,006	
Compensated absences	 340,659		53,034		(34,066)		359,627		35,963	
	\$ 16,103,743	\$	53,034	\$	(936,072)	\$	15,220,705	\$	967,969	
Business-type Activities Compensated absences	\$ 5,413	\$	_	\$	(523)	\$	4,890	\$	_	

# Notes to Financial Statements

Year Ended December 31,	Principal	Interest
2015 2016 2017 2018	\$ 910,000 945,000 950,000 980,000	\$ 303,059 285,322 265,697 245,684
2019 2020-2024 2025-2028	1,015,000 5,415,000 4,360,000	223,084 746,178 159,658
	\$ 14,575,000	\$ 2,228,682

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

For governmental activities, compensated absences are generally liquidated by the general fund.

#### 9. NOTES PAYABLE

The Brownfield Redevelopment Authority has a note payable to the Michigan Department of Environmental Quality for residential development. As the loan period expired in 2012, there will be no further draws on the loan. The outstanding balance of the note, which bears interest at 2.0% and is due in June 2023, was \$429,903 at December 31, 2014.

#### **10. RISK MANAGEMENT**

## Primary Government

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.

The County participates as a member in the Michigan Municipal Risk Management Authority (the "Authority"). The Authority is a municipal self-insurance entity operating pursuant to the State of Michigan Public Act 138 of 1982. The purpose of the Authority is to administer a risk management fund, which provides members with loss protection for general and auto liability, motor vehicle physical damage and property.

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 member maximum retention on general liability is \$75,000 per occurrence and \$145,000 per policy year. The limits on auto physical damage are \$15,000 per unit and \$30,000 per occurrence. The retention limits for property and crime coverage are subject to a \$1,000 deductible per occurrence with 10 percent of the first \$100,000 to be paid by the member. The Authority administers all claims and provides the County quarterly activity statements that are used to estimate the liability for unpaid claims.

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.

# Notes to Financial Statements

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.

In addition, the Authority purchases insurance for certain risks not covered by the reinsurance agreements. The reinsurance agreements discussed above include provisions for minimum annual premiums. As of December 31, 2014, the Authority had met the minimum requirements. The County reports the activity and its share of the Reinsurance Fund in an internal service fund.

The County has transferred the risk of loss for workers' compensation and health insurance via the purchase of commercial insurance policies. Settled claims have not exceeded coverage in any of the past three fiscal years.

#### **11. CONTINGENT LIABILITIES**

There are lawsuits pending in which the County is involved. The County estimates that the potential claims against the County not covered by insurance resulting from such litigation would not materially affect the financial statements of the County.

The County participates in a number of federal and state assisted grant programs, which are subject to financial and compliance audits. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements, and is subject to audit by the grantor agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

## 12. PROPERTY TAXES

Prior to 2005, the County property taxes were levied on December 1 of each year (the lien date) and were due in full by March 1 of the year following the levy, at which time uncollected taxes became delinquent. Pursuant to Public Act 357 of 2004, which provides a funding mechanism to replace state revenue sharing payments to counties, the County's levy date gradually shifted from December 1 to July 1 of each year. As such, for the year ended December 31, 2014, the County recognized the full July 1, 2014 levy.

Property taxes are levied on the assessed taxable value of the property as established by local units, accepted by the County and equalized under State statute at approximately 50% of the current estimated market value. In March 1994, Michigan voters approved Proposal A, which limits annual increases in assessed values to the lesser of 5% or the rate of inflation with assessed value reverting to 50% of true cash value when the property is sold.

The assessed and taxable value of real and personal property for the December 1, 2013 levy, for which revenue was recognized in fiscal 2014, was \$2.5 billion. The general operating tax rate for this levy was at the maximum rate of 3.5393 mills, as adjusted by the Headlee Amendment to the State of Michigan Constitution. The County also had a voter approved tax of 0.275 mills for the Commission on Aging.

# Notes to Financial Statements

The assessed and taxable value of real and personal property for the July 1, 2014 levy, for which revenue was recognized in fiscal 2014, was \$2.5 billion. The general operating tax rate for this levy was at the maximum rate of 3.5393 mills, as adjusted by the Headlee Amendment to the State of Michigan Constitution.

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

#### **13. BENEFIT PLANS**

#### Defined Contribution Plan

The County offers a money purchase pension plan, the Leelanau County Money Purchase Pension Plan 401(a), in accordance with Internal Revenue Code Section 401(a), to all regular and grant full-time employees who have been employed for at least two years. The Plan is administered by Pebsco. Plan provisions and contribution requirements are established and may be amended by Leelanau County. The County matches 100% of employee contributions to their Section 457 deferred compensation account, ranging from a minimum of \$300 to a maximum of \$1,000 depending on the employees' years of service. For the year ended December 31, 2014, the County contributed \$30,851 based on the employee contributions into their Section 457 accounts.

## Defined Benefit Plan

*Plan Description.* The County's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The County participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the MERS Retirement Board. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 1134 Municipal Way, Lansing, Michigan 48917 or by calling (800) 767-6377.

*Funding Policy.* The County is required to contribute at an actuarially determined rate; the current rate ranges from 0% to 16.12% of annual covered payroll. Employees that are members of the County's POAM bargaining unit are required to contribute .92% of their pay. Members of the County's COAM bargaining unit are required to contribute 1.00% of their pay. Effective March 1, 2012, general and non-union County employees are required to contribute 2.52% and 2.00%, respectively of their pay to the Plan. The contribution requirements of the County are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members are established and may be amended by the County, depending on the MERS contribution program adopted by the County.

# Notes to Financial Statements

Annual Pension Cost. For the year ended December 31, 2014, the County's annual pension cost of \$659,296 for MERS was equal to the County's required contributions and the change in the value of the net pension asset. The required contribution was determined as part of the December 31, 2012 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increase of 4.5% per year compounded annually, attributable to inflation (1.0% for years 2012-2014), (c) additional projected salary increases of 0.0% to 13.0% per year, depending on age, attributable to seniority/merit, and (d) the assumption that benefits will increase 2.5% per year after retirement for certain retirees depending on the benefit option selected. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment to reflect fair value. The County's unfunded actuarial accrued liability is being amortized over 25 years as a level percentage of projected payroll on an open basis. The latest actuarial valuation was performed as of December 31, 2013. The County also remitted additional voluntary payments for plan benefits during 2014 totaling \$883,467, resulting in total actual employer contributions of \$1,576,974 for 2014. Employee contributions totaled \$50,996 in 2014.

The following table shows the components of the County's annual pension cost for the year, the amount actually contributed to the Plan, and changes in the County's net pension asset:

Annual required contribution	\$ 693,507
Interest on net pension asset	(136,857)
Adjustment to annual required contribution	102,646
Net pension cost (expense)	659,296
Contributions made	(1,576,974)
Increase in net pension asset	917,678
Net pension asset, beginning of year	1,710,718
Net pension asset, end of year	\$ 2,628,396

*Funded Status and Funding Progress.* As of December 31, 2014, the most recent actuarial valuation date, the plan was 81 percent funded. The actuarial accrued liability for benefits was \$22,782,371, and the actuarial value of assets was \$18,379,133, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,403,238. The covered payroll (annual payroll of active employees covered by the plan) was \$4,863,602, and the ratio of the UAAL to the covered payroll was 91 percent.

Three-Year Trend Information									
Years Ended	Annu	ual Pension	Net Pension						
December 31,	Cost (APC)		Contributed		Asset				
2012	\$	755,053	133%	\$	1,430,000				
2013		696,125	140%		1,710,718				
2014		659,296	239%		2,628,396				

The schedule of funding progress and schedule of employer contributions, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits and about employer contributions made to the plan over time.

# Notes to Financial Statements

#### Defined Benefit Plan - Road Commission

*Plan Description.* The Road Commission's defined benefit pension plan provides retirement and disability benefits and death benefits to plan members and beneficiaries. The Road Commission participates in the Municipal Employees Retirement System (MERS), an agent multiple-employer plan administered by the Retirement Board of MERS. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 1134 Municipal Way, Lansing, Michigan 48917 or by calling (800) 767-6377.

*Funding policy*. The Road Commission is required to maintain a retirement system for employees as established by negotiation with the Leelanau County Road Commission's competitive bargaining agreement. This agreement requires plan members to contribute 4% of their gross wages. The Road Commission's minimum required contribution is set at an actuarial determined rate. The contribution requirements of the Road Commission are established by Act No. 427 of the Public Acts of 1984, as amended, and may be amended by the Retirement Board of MERS. The Road Commission's required contribution rate was 14.97%. The Road Commission elected to contribute an additional 5%, in addition to a lump sum amount of \$80,649, contributing at a rate of 19.12% during 2014.

The Leelanau County Road Commission discontinued its Defined Benefit Pension Plan as of June 30, 2014 and adopted a Defined Contribution Plan as of July 1, 2014, thus freezing the Defined Benefit Pension Plan, requiring purchased past service credit amortization be accelerated. After that, the Road Commission's monthly employer contribution would be a fixed payment. Based upon the recommendation of the Finance Manager, the Board agreed to increase the fixed monthly payment to \$23,828 to decrease the unfunded pension liability faster.

Annual pension cost. For the year ended December 31, 2014, the Road Commission's annual pension cost of \$183,411 for MERS was equal to the Road Commission's required contributions and the change in value of the net pension asset. The required contribution was determined as part of the December 31, 2013 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment to reflect fair value. The Road Commission's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2013, the date of the latest actuarial valuation, was 25 years.

# Notes to Financial Statements

The following table shows the components of the Road Commission's annual pension cost for the year, the amount actually contributed to the Plan, and changes in the Road Commission's net pension asset:

Annual required contribution Interest on net pension asset Adjustment to annual required contribution	\$ 182,472 (49,527) 50,466
Net pension cost (expense) Contributions made	 183,411 (263,123)
Increase in net pension asset Net pension asset, beginning of year	 79,712 917,162
Net pension asset, end of year	\$ 996,874

*Funded Status and Funding Progress.* As of December 31, 2013, the most recent actuarial valuation date, the plan was 70% funded. The actuarial accrued liability (AAL) for benefits was \$6,313,182, and the actuarial value of assets was \$4,407,274, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,905,908. The covered payroll (annual payroll of active employees covered by the Plan) was \$1,143,717, and the ratio of the UAAL to covered payroll was 167 percent.

Three-Year Trend Information									
Years Ended December 31,	Annual Pension Cost (APC)		Percentage Contributed	Ne	t Pension Asset				
2012 2013 2014	\$	179,809 172,634 183,411	100% 227% 143%	\$	697,921 917,162 996,874				

The schedule of funding progress and schedule of employer contributions, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits and about employer contributions made to the plan over time.

The Road Commission established a defined contribution plan during July 2014. The plan is administered by MERS and applies to all employees. New employees are added to the defined contribution plan upon hire and previous employees have the option to participate in the plan. Employees vest immediately upon contribution. Plan members are required to contribute 4% of their annual salary. The Road Commission contributes a matching percentage. Employer contributions were \$988 and employee contributions were \$988 for 2014.

# Notes to Financial Statements

## 14. OTHER POSTEMPLOYMENT BENEFITS

*Plan Description*. Leelanau County administers a single-employer defined benefit healthcare plan (the "Plan"). In addition to the retirement benefits described in Note 13, the Plan provides health insurance benefits to certain retirees and their beneficiaries, which are funded on the pay-as-you-go basis. In accordance with County policy, certain eligible retirees and their spouses receive healthcare benefits until death, while other bargaining units receive a flat rate subsidy that can be used toward the purchase of healthcare. As of December 31, 2014, the date of the last plan valuation, the Plan covered 17 members (7 retirees' currently receiving benefits).

*Funding Policy*. The contribution requirements of Plan members and the County are established and may be amended by the County Board of Commissioners. The required contribution is based on projected pay-asyou go financing requirements, with an additional amount to prefund benefits as determined annually by the County Board of Commissioners. For the year ended December 31, 2014, the County contributed \$153,200 to the Plan, of which \$10,800 was to fund current retiree healthcare premiums and \$142,400 was to fund the MERS Health Care Savings Program. Retirees receiving benefits are not required to contribute to the Plan.

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

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

Annual required contribution	\$ 20,190
Interest on net OPEB obligation	1,244
Adjustment to annual required contribution	 (1,359)
Net OPEB cost (expense)	20,075
Contributions made	(153,200)
Adjustment due to change in benefit provisions*	 (282,027)
Decrease in net OPEB obligation	(415,152)
Net OPEB obligation, beginning of year	 455,547
Net OPEB obligation, end of year	\$ 40,395

\*During 2014, the County made its second required payment to fund the MERS Health Care Savings Program. As a result, the County is no longer required to contribute for postemployment healthcare benefits for certain bargaining units.

# Notes to Financial Statements

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2014 and the preceding years were as follows:

Three-Year Trend Information									
Years Ended December 31,	Annual OPEB Cost		Percentage of Annual OPEB Cost Contributed		et OPEB bligation				
2012 2013 2014	\$	160,682 167,330 20,075	10% 97% 763%	\$	450,717 455,547 40,395				

*Funded Status and Funding Progress.* As of December 31, 2014, the actuarial accrued liability for benefits was \$286,451, all of which was unfunded. The covered payroll (annual payroll of the active employees covered by the Plan) was \$0 as there were no active employees covered under the plan.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits calculations.

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

The following simplifying assumptions were made:

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

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

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

# Notes to Financial Statements

*Healthcare cost trend rate* – The expected rate of increase in healthcare insurance premiums was based on projections by the County's management. A rate of 8.0 percent was used.

Health insurance premiums -2014 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Inflation rate — The expected long-term inflation assumption of 3 percent was based on projected changes in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) in *The 2006 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds* for an intermediate growth scenario.

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

Based on the historical and expected returns of the County's short-term investment portfolio, a discount rate of 4.0 percent was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2014, was 30 years.

#### 15. OPERATING LEASES - LESSOR

The County has entered into operating lease agreements with AT&T, NPI, Alltel, and Consumers Energy for space on County-owned communication towers. The parties have agreed to various lengths of rental agreements, which all contain a right to renewal. Payment on lease rentals is dependent on the location of the antenna on the tower.

The following is a summary of the minimum lease rental revenue for the remainder of the leases:

2015	\$ 223,720
2016	185,643
2017	191,147
2018	196,815
2019	202,651
2020	 208,661
	\$ 1,208,637

# Notes to Financial Statements

## 16. FUND BALANCES - GOVERNMENTAL FUNDS

The County reports fund balance in governmental funds based on the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Detailed information on fund balances of governmental funds is as follows:

	General Fund	Revenue Sharing Reserve	Ν	lonmajor Funds	Total
Nonspendable:					
Prepaids	\$ 30,176	\$ -	\$	3,967	\$ 34,143
Long-term advances	 100,000	 -		465,592	565,592
	 130,176	 -		469,559	 599,735
Restricted for:					
Revenue sharing reserve	-	3,076,464		-	3,076,464
ROD automation	-	-		114,704	114,704
Homestead audit	-	-		45,841	45,841
Equitable sharing	-	-		7,018	7,018
Inmate housing	-	-		169,117	169,117
Inmate commissary	-	-		5,139	5,139
911 Wireless	-	-		37,546	37,546
Training	-	-		23,460	23,460
Veterans campus maintenance	-	-		13,465	13,465
Gaming revenue	-	-		33,737	33,737
Communication towers	-	-		249,006	249,006
Recycling	-	-		156,962	156,962
Mapping	-	-		18,087	18,087
Case flow assistance	-	-		68,051	68,051
CDBG administration	-	-		4,838	4,838
CDBG rehabilitation	-	-		14,791	14,791
CDBG repayment	-	-		18,894	18,894
HOME	-	-		10,000	10,000
Commission on Aging	-	-		130,027	130,027
Veterans' trust	-	-		3,884	3,884
Communications	-	-		65,086	65,086
Building	-	-		263,446	263,446
Drain revolving	-	-		3,074	3,074
Special assessments	-	-		32,696	32,696
Brewery Creek drain	 -	 -		3,547	3,547
	 -	 3,076,464		1,492,416	 4,568,880
Unassigned	 9,539,348	 -		-	 9,539,348
Total fund balances,					
governmental funds	\$ 9,669,524	\$ 3,076,464	\$	1,961,975	\$ 14,707,963

# Notes to Financial Statements

# **17. NET INVESTMENT IN CAPITAL ASSETS**

The composition of the net investment in capital assets as of December 31, 2014, was as follows:

	Governmental Activities	Component Units
Capital assets:	\$ 1,305,276	\$ 13,274,776
Capital assets not being depreciated	18,990,314	20,440,150
Capital assets being depreciated, net	20,295,590	33,714,926
Related debt:	14,575,000	-
Bonds payable	286,078	-
Bond premiums, net	(123,617)	-
Deferred loss on advance refunding	(9,750,000)	-
Less bonds payable related to leases receivable	4,987,461	-
Net investment in capital assets	\$ 15,308,129	\$ 33,714,926

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# **REQUIRED SUPPLEMENTARY INFORMATION**

# **Required Supplementary Information**

Schedule of Funding Progress and Employer Contributions Pension and Other Postemployment Benefits Plans

Municipal Employees' Retirement System of Michigan							
Schedule of Funding Progress							
Actuarial Valuation	Actuarial	Actuarial Accrued	Unfunded			UAAL as a Percentage	
Date	Value of	Liability (AAL)	AAL	Funded	Covered	of Covered	
December 31,	Assets	Entry Age	(UAAL)	Ratio	Payroll	Payroll	
2008	\$ 12,065,717	\$ 17,122,237	\$ 5,056,520	70.5%	\$ 4,774,873	105.9%	
2009	12,948,760	17,640,453	4,691,693	73.4%	4,722,902	99.3%	
2010	13,857,631	18,800,296	4,942,665	73.7%	4,829,607	102.3%	
2011	16,228,305	20,205,905	3,977,600	80.3%	4,872,252	81.6%	
2012	17,278,493	21,379,708	4,101,215	80.8%	4,558,864	90.0%	
2013	18,379,133	22,782,371	4,403,238	80.7%	4,863,602	90.5%	

Schedule of Employer Contributions							
		Annual					
Year Ended	F	Required	Percentage				
December 31,	Со	ntribution	Contributed				
2009	\$	739,958	100%				
2010		741,599	100%				
2011		775,769	252%				
2012		755,053	133%				
2013		726,843	134%				
2014		693,507	227%				

Single-employer Other Postemployment Benefits Plan							
	Schedule of Funding Progress						
Actuarial		Actuarial				UAAL as a	
Valuation	Actuarial	Accrued	Unfunded			Percentage	
Date	Value of	Liability (AAL)	AAL	Funded	Covered	of Covered	
December 31,	Assets	Entry Age	(UAAL)	Ratio	Payroll	Payroll	
2010	\$-	\$ 1,843,812	\$ 1,843,812	0.0%	\$ 4,839,887	38.1%	
2014	-	286,451	286,451	0.0%	-	0.0%	

# Schedule of Employer Contributions

1 5								
		Annual						
Year Ended	Required		Percentage					
December 31,	Со	ntribution	Contributed					
2012	\$	157,120	10%					
2013		162,071	100%					
2014		20,190	759%					

Required Supplementary Information Schedule of Funding Progress and Employer Contributions Pension Plan - Road Commission Component Unit

Municipal Employees' Retirement System of Michigan							
Schedule of Funding Progress							
Actuarial Valuation	Actuarial	Actuarial Accrued	Unfunded			UAAL as a Percentage	
Date	Value of	Liability (AAL)	AAL	Funded	Covered	of Covered	
December 31,	Assets	Entry Age	(UAAL)	Ratio	Payroll	Payroll	
2008	\$ 2,576,906	\$5,091,039	\$ 2,514,133	51%	\$ 1,273,517	197%	
2009	2,827,205	5,195,940	2,368,735	54%	1,270,119	186%	
2010	3,225,089	5,355,090	2,130,001	60%	1,248,859	171%	
2011	3,664,684	5,795,983	2,131,299	63%	1,268,990	168%	
2012	3,977,198	6,005,463	2,028,265	66%	1,218,890	166%	
2013	4,407,274	6,313,182	1,905,908	70%	1,143,717	167%	

Schedule of Employer Contributions								
		Annual						
Year Ended	F	Required	Percentage					
December 31,	Со	ntribution	Contributed					
2009	\$	189,609	137%					
2010		172,836	213%					
2011		186,292	210%					
2012		179,809	100%					
2013		172,634	227%					
2014		182,472	144%					

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# COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS

Combining Balance Sheet Nonmajor Governmental Funds December 31, 2014

	Special Revenue Funds		Law Enforcement Debt Service Fund	Capital Projects Funds		Total Nonmajor Governmental Funds	
Assets							
Cash and cash equivalents	\$	1,287,503	\$-	\$	375,434	\$	1,662,937
Receivables: Accounts		2,031					2,031
Loans		904,931	-		-		904,931
Taxes		904,931 979,518			-		904,931 979,518
Due from other governments		72,793	-		_		72,793
Due from other funds		3,162	_		_		3,162
Prepaid items		3,967	-		-		3,967
Long-term advance to component units		-	-		465,592		465,592
Total assets	\$	3,253,905	\$ -	\$	841,026	\$	4,094,931
Liabilities							
Accounts payable	\$	82,648	\$ -	\$	7,585	\$	90,233
Accrued liabilities		9,531	-		-		9,531
Due to other funds		28,162	-		-		28,162
Due to other governments		30,020	-		-		30,020
Total liabilities		150,361			7,585		157,946
Deferred inflows of resources							
Unavailable revenue - property taxes		3,690	-		-		3,690
Unavailable revenue - loans receivable		904,931	-		-		904,931
Taxes levied for a subsequent period		1,066,389	-		-		1,066,389
Total deferred inflows of resources		1,975,010	<u> </u>				1,975,010
Fund balances							
Nonspendable		3,967	-		465,592		469,559
Restricted		1,124,567	-		367,849		1,492,416
Total fund balances		1,128,534			833,441		1,961,975
Total liabilities, deferred inflows							
of resources and fund balances	\$	3,253,905	\$ -	\$	841,026	\$	4,094,931

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds For the Year Ended December 31, 2014

	Special Revenue Funds	Law Enforcement Debt Service Fund	Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues Property taxes Special assessments Intergovernmental Charges for services Refunds and reimbursements Interest Other	\$ 1,043,438 413,893 392,822 134,061 2,941 60,080	\$ - - - - - - - -	\$ - 168 - - 568 -	\$ 1,043,438 168 413,893 392,822 134,061 3,509 60,080
Total revenues	2,047,235		736	2,047,971
Expenditures Current: General government Public safety Public works Health and welfare Debt service: Principal Interest and fiscal charges Capital outlay	70,775 187,454 364,076 748,640 - - -	- - - 265,000 156,325 -	- - 3,446 - - - 377,090	70,775 187,454 367,522 748,640 265,000 156,325 377,090
Total expenditures	1,370,945	421,325	380,536	2,172,806
Revenues over (under) expenditures	676,290	(421,325)	(379,800)	(124,835)
Other financing sources (uses) Transfers in Transfers out	37,644 (769,838)	421,325	125,000	583,969 (769,838)
Total other financing sources (uses)	(732,194)	421,325	125,000	(185,869)
Net change in fund balances	(55,904)	-	(254,800)	(310,704)
Fund balances, beginning of year	1,184,438		1,088,241	2,272,679
Fund balances, end of year	\$ 1,128,534	<u>\$</u> -	\$ 833,441	\$ 1,961,975

Combining Balance Sheet Nonmajor Special Revenue Funds December 31, 2014

Acceste		Inmate lousing	Inmate Commissary		Case Flow Assistance		R	ecycling
Assets Cash and cash equivalents	Ş	167,033	\$	5,166	\$	68,051	\$	239,112
Receivables:	Ŷ	107,035	7	3,100	Ŷ	00,051	Ŷ	237,112
Accounts		2,031		-		-		-
Loans		-		-		-		-
Taxes		-		-		-		332,429
Due from other governments		385		-		-		-
Due from other funds		-		-		-		-
Prepaid items		-		-		-		269
Total assets	\$	169,449	\$	5,166	\$	68,051	\$	571,810
Liabilities								
Accounts payable	\$	332	\$	27	\$	-	\$	24,290
Accrued liabilities		-		-		-		463
Due to other funds		-		-		-		-
Due to other governments		-		-		-		-
Total liabilities		332		27		-		24,753
Deferred inflows of resources								
Unavailable revenue - property taxes		-		-		-		-
Unavailable revenue - loans receivable		-		-		-		-
Taxes levied for a subsequent period		-		-		-		389,826
Total deferred inflows of resources						-		389,826
Fund balances								
Nonspendable		-		-		-		269
Restricted		169,117		5,139		68,051		156,962
Total fund balances		169,117		5,139		68,051		157,231
Total liabilities, deferred inflows of resources								
and fund balances	\$	169,449	\$	5,166	\$	68,051	\$	571,810

Wireless 911	-	911 Training	С	eterans ampus ntenance	Au	ROD tomation	Но	mestead Audit	Gaming Revenue	rections raining
\$ -	\$	13,053	\$	13,465	\$	114,704	\$	16,413	\$ 33,753	\$ 10,104
-		-		-		-		-	-	-
37,546		-		-		-		62,734 22,604	-	-
 -		1,200		-		500		-	 -	 -
\$ 37,546	\$	14,253	\$	13,465	\$	115,204	\$	101,751	\$ 33,753	\$ 10,104
\$ - - -	Ş	114 - -	\$	-	\$	-	\$	171 719 25,000 30,020	\$ 16 - -	\$ 1,558 - -
 <u> </u>		114		-		-		55,910	 16	 1,558
 -		- - -		- - -		- - -		-	- - -	-
 -		-		<u> </u>		-		-	 -	 -
 37,546		1,200 12,939		- 13,465		500 114,704		45,841	33,737	8,546
 37,546		14,139		13,465		115,204		45,841	 33,737	8,546
\$ 37,546	\$	14,253	\$	13,465	\$	115,204	\$	101,751	\$ 33,753	\$ 10,104

continued...

Combining Balance Sheet Nonmajor Special Revenue Funds December 31, 2014

	Equitable Sharing		CDBG Administration		CDBG Rehabilitation		CDBG Repayment	
Assets	ć	7 049	ć	2 ( 9 4	ċ	( 005	ć	10 004
Cash and cash equivalents Receivables:	\$	7,018	\$	3,684	\$	6,095	\$	18,894
Accounts		-		-		-		-
Loans		-		1,244		-		903,687
Taxes		-				-		-
Due from other governments		-		-		12,258		-
Due from other funds		-		3,162				-
Prepaid items		-		254		-		-
	~	7.019	ć	9.244	ć	40.252	ć	022 594
Total assets	\$	7,018	\$	8,344	\$	18,353	\$	922,581
Liabilities								
Accounts payable	\$	-	\$	967	\$	400	\$	-
Accrued liabilities	-	-	-	1,041		-		-
Due to other funds		-		-		3,162		-
Due to other governments		-		-		-		-
Total liabilities		-		2,008		3,562		-
Deferred inflows of resources								
Unavailable revenue - property taxes		-		-		-		-
Unavailable revenue - loans receivable		-		1,244		-		903,687
Taxes levied for a subsequent period		-		-		-		-
Total deferred inflows of resources		<u> </u>		1,244		-		903,687
Fund balances								
Nonspendable		-		254		-		-
Restricted		7,018		4,838		14,791		18,894
Total fund balances		7,018		5,092		14,791		18,894
Total liabilities, deferred inflows of resources								
and fund balances	\$	7,018	\$	8,344	\$	18,353	\$	922,581

	HOME		mmission on Aging	Ju	iminal Istice raining		eterans' Trust		munication Towers		Map Fund		Total
\$	10,000	\$	250,119	\$	1,975	\$	3,884	\$	286,893	\$	18,087	\$	1,287,503
	-		- - 584,355		-		-		-		-		2,031 904,931 979,518
	-		-		-		-		-		-		72,793 3,162
\$	- 10,000	\$	1,594 836,068	\$	- 1,975	\$	3,884	\$		\$	150 18,237	\$	3,967 3,253,905
ţ	10,000	<u>ب</u>	830,008	<u>ې</u>	1,775	<u>ې</u>	5,004	¢	200,075	ç	10,237	<u>,</u>	3,233,903
\$	-	\$	16,886 7,308	\$	-	\$	-	\$	37,887	\$	-	\$	82,648 9,531
	-		- -		-		-		-		-		28,162 30,020
	-		24,194		<u> </u>				37,887				150,361
	-		3,690		- -		-		-		-		3,690 904,931
	-		676,563 680,253		<u> </u>				<u> </u>		<u> </u>		1,066,389
			000,233										1,775,010
	- 10,000		1,594 130,027		- 1,975		- 3,884		- 249,006		150 18,087		3,967 1,124,567
	10,000		131,621		1,975		3,884		249,006		18,237		1,128,534
\$	10,000	\$	836,068	\$	1,975	\$	3,884	\$	286,893	\$	18,237	\$	3,253,905

concluded

#### Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Special Revenue Funds For the Year Ended December 31, 2014

	Inmate Housing	Inmate Commissary	Case Flow Assistance	Recycling
Revenues Property taxes Intergovernmental Charges for services Refunds and reimbursements Interest Other	\$ - 102,225 134,061 -	\$ - - 3,106 - - 850	\$ - 7,320 - - - -	\$ 375,022 - 12,089 - - 4,000
Total revenues	236,286	3,956	7,320	391,111
Expenditures Current: General government Public safety Public works Health and welfare	3,072	- 3,361 - -	- - - -	- - 363,104 -
Total expenditures	3,072	3,361		363,104
Revenues over (under) expenditures	233,214	595	7,320	28,007
Other financing sources (uses) Transfers in Transfers out	(196,400)	-		(15,000)
Total other financing sources (uses)	(196,400)			(15,000)
Net change in fund balances	36,814	595	7,320	13,007
Fund balances, beginning of year	132,303	4,544	60,731	144,224
Fund balances, end of year	\$ 169,117	\$ 5,139	\$ 68,051	\$ 157,231

V	Vireless 911	911 Training		Veterans Campus ROD Maintenance Automation			Homestead Audit		Gaming Revenue		rections raining	
\$	- 144,632 -	\$	- 11,146 -	\$	- -	\$	- - 35,350	\$	- - -	\$	- 70,139 -	\$ 4,030
	- - -				- - 731		-		- 13,794		-	 - - -
	144,632		11,146		731		35,350		13,794		70,139	 4,030
	- - -		6,802 - -		- 3,600 - -		17,613 - -		33,295 - -		70,692 - -	4,090 - -
	-		6,802		3,600		17,613		33,295		70,692	 4,090
	144,632		4,344	(	2,869)		17,737		(19,501)		(553)	 (60)
	(141,604) (141,604)		(10,345) (10,345)		-		-		-		-	 -
	3,028		(6,001)	(	2,869)		17,737		(19,501)		(553)	(60)
	34,518		20,140	1	6,334		97,467		65,342		34,290	8,606
\$	37,546	\$	14,139	<u>\$ 1</u>	3,465	\$	115,204	\$	45,841	\$	33,737	\$ 8,546

continued...

#### Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Special Revenue Funds For the Year Ended December 31, 2014

	Equitable Sharing	CDBG Administration	CDBG Rehabilitation	CDBG Repayment
Revenues Property taxes Intergovernmental Charges for services Refunds and reimbursements Interest Other	\$ - - - -	\$ - - - - 374	\$ - 103,675 - - -	\$
Total revenues		374	103,675	28,128
Expenditures Current: General government Public safety Public works Health and welfare	19,867 - - -	33,665	77,379	42,838
Total expenditures	19,867	33,665	77,379	42,838
Revenues over (under) expenditures	(19,867)	(33,291)	26,296	(14,710)
Other financing sources (uses) Transfers in Transfers out	- -	37,644	(18,344)	(10,346)
Total other financing sources (uses)		37,644	(18,344)	(10,346)
Net change in fund balances	(19,867)	4,353	7,952	(25,056)
Fund balances, beginning of year	26,885	739	6,839	43,950
Fund balances, end of year	\$ 7,018	\$ 5,092	\$ 14,791	\$ 18,894

	HOME	mmission on Aging	Jus	ninal tice ining	terans' Trust		munication Fowers	Map Fund	Total
Ş	- 11,240 - - -	\$ 668,416 53,482 - - 15,144	Ş	3,834 - - -	\$ - 8,425 - - -	Ş	232,675	\$ 3,347	\$ 1,043,438 413,893 392,822 134,061 2,941 60,080
	11,240	 737,042		3,834	 8,425		232,675	 3,347	 2,047,235
	- - -	- - 587,944		3,187	- - 6,814		- 92,650 - -	972	70,775 187,454 364,076 748,640
		 587,944		3,187	 6,814		92,650	 972	 1,370,945
	11,240	 149,098		647	 1,611		140,025	 2,375	 676,290
	(22,709)	 (59,734)		-	 -		(295,356)	 -	 37,644 (769,838)
	(22,709) (11,469)	 (59,734) 89,364		647	 - 1,611		(295,356) (155,331)	 2,375	 (732,194) (55,904)
	21,469	 42,257		1,328	2,273		404,337	15,862	 1,184,438
\$	10,000	\$ 131,621	\$	1,975	\$ 3,884	\$	249,006	\$ 18,237	\$ 1,128,534

concluded

Combining Balance Sheet Nonmajor Capital Project Funds December 31, 2014

	Comn	nunications	E	Building		Drain volving
Assets	÷	(5.00/	¢	274 024	÷	2.074
Cash and cash equivalents Long-term advance to	\$	65,086	\$	271,031	\$	3,074
component units		-		465,592		-
Total assets	\$	65,086	\$	736,623	\$	3,074
Liabilities						
Accounts payable	\$	-	\$	7,585	\$	-
Fund balances						
Nonspendable		-		465,592		-
Restricted		65,086		263,446		3,074
Total fund balances		65,086		729,038		3,074
Total liabilities and fund balances	\$	65,086	\$	736,623	\$	3,074

special essments	rewery Creek Drain	Total			
\$ 32,696	\$ 3,547	\$	375,434		
 -	-		465,592		
\$ 32,696	\$ 3,547	\$	841,026		
\$ -	\$ -	\$	7,585		
-	-		465,592		
 32,696	 3,547		367,849		
 32,696	3,547		833,441		
\$ 32,696	\$ 3,547	\$	841,026		

## Combining Statement of Revenues, Expenditures

and Changes in Fund Balances Nonmajor Capital Project Funds For the Year Ended December 31, 2014

	Comm	nunications	E	Building	Drain volving
Revenues					
Special assessments Interest	\$	-	\$	- 568	\$ -
Total revenues				568	 
Expenditures Current:					
Public works		-		-	-
Capital outlay		164,658		212,432	 -
Total expenditures		164,658		212,432	 -
Revenues under expenditures		(164,658)		(211,864)	-
Other financing sources		425 000			
Transfers in		125,000		-	 -
Net change in fund balances		(39,658)		(211,864)	-
Fund balances, beginning of year		104,744		940,902	3,074
Fund balances, end of year	\$	65,086	\$	729,038	\$ 3,074

pecial essments	Brewery Creek Drain		Total
\$ 168 -	\$	-	\$ 168 568
 168		-	736
3,446		-	3,446 377,090
 3,446		-	 380,536
(3,278)		-	(379,800)
		-	125,000
(3,278)		-	(254,800)
35,974	3,54	17	1,088,241
\$ 32,696	\$ 3,54		\$ 833,441

Combining Statement of Net Position Nonmajor Enterprise Funds December 31, 2014

Assets Current assets: Cash and investments Due from component units Cash and investments Cash and Cash a	
Cash and investments \$ 599,219 \$ 697,795 \$ 1,297,0	
Due from component units - 50.684 50.6	
•	
	148
Assets held for resale - 31,120 31,7	20
Total assets 599,667779,5991,379,2	266
Liabilities	
Current liabilities:	
Accounts payable 27,804 2,231 30,0	)35
Accrued liabilities 7,700 - 7,7	700
Total current liabilities35,5042,23137,7	735
Noncurrent liabilities:	
	390
Total liabilities 40,394 2,231 42,6	525
Net position	
Unrestricted \$ 559,273 \$ 777,368 \$ 1,336,6	541

## Combining Statement of Revenues, Expenses

and Changes in Fund Net Position Nonmajor Enterprise Funds For the Year Ended December 31, 2014

	uilding spection	easurer's Tax eversion	Total
Operating revenues Charges for services	\$ 672,402	\$ 199,467	\$ 871,869
Operating expenses Salary and fringes Other expenses	 209,868 352,892	 - 50,361	 209,868 403,253
Total operating expenses	 562,760	 50,361	 613,121
Operating income	109,642	149,106	258,748
Transfers Transfers out	 (44,600)	 	 (44,600)
Change in net position	65,042	149,106	214,148
Net position, beginning of year	 494,231	 628,262	 1,122,493
Net position, end of year	\$ 559,273	\$ 777,368	\$ 1,336,641

# Combining Statement of Cash Flows Nonmajor Enterprise Funds

For the Year Ended December 31, 2014

	Building Inspection			easurer's Tax eversion	Total
Cash flows from operating activities Cash receipts from customers Cash payments to suppliers for goods and services Cash payments to employees for services	\$	672,402 (337,010) (209,143)	\$	199,467 (14,965) -	\$ 871,869 (351,975) (209,143)
Net cash provided by operating activities		126,249		184,502	310,751
Cash flows from noncapital financing activities Transfers out		(44,600)		-	 (44,600)
Net change in cash and investments		81,649		184,502	266,151
Cash and investments, beginning of year		517,570	1	513,293	 1,030,863
Cash and investments, end of year	\$	599,219	\$	697,795	\$ 1,297,014
Cash flows from operating activities Reconciliation of operating income to net cash provided by operating activities Operating income Adjustments to reconcile operating income to net cash provided by operating activities: Changes in operating assets and liabilities which provided (used) cash:	\$	109,642	\$	149,106	\$ 258,748
Due from component units		- (20E)		5,000	5,000 (205)
Prepaid items Assets held for resale		(295)		۔ 28,768	(295) 28,768
Accounts payable		16,177		1,628	17,805
Accrued liabilities		1,248		-	1,248
Compensated absences		(523)		-	 (523)
Net cash provided by operating activities	\$	126,249	\$	184,502	\$ 310,751

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# Combining Statement of Net Position Internal Service Funds December 31, 2014

	lding and rounds	Pr	Data ocessing	olicating achine
Assets				
Current assets:				
Cash and investments	\$ 51,887	\$	108,482	\$ 53,494
Accounts receivable	-		-	-
Prepaid items	 2,520		48,580	 6,784
Total current assets	54,407		157,062	60,278
Noncurrent assets:				
Capital assets, net	 -		74,330	 1,313
Total assets	 54,407		231,392	 61,591
Liabilities				
Current liabilities:				
Accounts payable	4,391		419	2,842
Accrued liabilities	 6,823		3,366	-
Total liabilities	11,214		3,785	2,842
	 11,214		5,705	 2,042
Net position				
Net investment in capital assets	-		74,330	1,313
Unrestricted	 43,193		153,277	 57,436
Total net position	\$ 43,193	\$	227,607	\$ 58,749

	Mailing partment	Telecom- munications		Health Insurance		MMRMA Retention		Motor Pool		Totals
Ş	16,116 - -	\$	101,127 - -	\$	143,467 13,924 -	\$	- - 112,129	\$	167,456 - -	\$ 642,029 13,924 170,013
	16,116		101,127		157,391		112,129		167,456	 825,966
									286,476	 362,119
	16,116		101,127		157,391		112,129		453,932	 1,188,085
	-		984		62,827		-		127 -	 8,763 73,016
			984		62,827		-		127	 81,779
	- 16,116		- 100,143		- 94,564		- 112,129		286,476 167,329	 362,119 744,187
\$	16,116	\$	100,143	\$	94,564	\$	112,129	\$	453,805	\$ 1,106,306

#### Combining Statement of Revenues, Expenses and Changes in Fund Net Position

and Changes in Fund Net Position Internal Service Funds For the Year Ended December 31, 2014

	Building and Grounds		Data Processing		plicating Iachine
Operating revenues Charges for services	\$	712,170	\$	291,564	\$ 10,698
Operating expenses Salaries and fringes Depreciation Other operating expenses		172,206 1,144 531,912		92,678 44,355 219,508	- 1,970 40,245
Total operating expenses		705,262		356,541	 42,215
Operating income (loss)		6,908		(64,977)	 (31,517)
Nonoperating revenues Gain on sale of capital assets Investment income		-		-	-
Total nonoperating revenues		-		-	 -
Income (loss) before transfers		6,908		(64,977)	(31,517)
Transfers Transfers in		<u> </u>			 
Change in net position		6,908		(64,977)	(31,517)
Net position, beginning of year		36,285		292,584	 90,266
Net position, end of year	\$	43,193	\$	227,607	\$ 58,749

De	Mailing epartment	Telecom- munications		Health Insurance		MMRMA Retention		Motor Pool	Totals
\$	33,623	\$ 50,700	\$	1,388,096	\$	10,500	\$	120,892	\$ 2,618,243
	-	-		-		-		-	264,884
	- 37,570	 - 26,120		- 1,511,537		- 14,286		112,422 -	 159,891 2,381,178
	37,570	 26,120		1,511,537		14,286		112,422	 2,805,953
	(3,947)	 24,580		(123,441)		(3,786)		8,470	 (187,710)
	-	-		-		- 3,456		8,507 -	8,507 3,456
	-	 -		-		3,456		8,507	 11,963
	(3,947)	24,580		(123,441)		(330)		16,977	(175,747)
	<u> </u>	 	1	121,584				-	 121,584
	(3,947)	24,580		(1,857)		(330)		16,977	(54,163)
	20,063	 75,563		96,421		112,459		436,828	 1,160,469
\$	16,116	\$ 100,143	\$	94,564	\$	112,129	\$	453,805	\$ 1,106,306

Internal Service Funds Combining Statement of Cash Flows For the Year Ended December 31, 2014

	Iding and irounds	Р	Data processing	plicating Iachine
Cash flows from operating activities Cash received from interfund services Cash payments to suppliers for goods and services Cash payments to employees for services	\$ 712,170 (565,795) (172,206)	\$	291,564 (227,880) (92,678)	\$ 10,698 (44,829) -
Net cash provided by (used in) operating activities	 (25,831)		(28,994)	 (34,131)
Cash flows from noncapital financing activities Transfers in	 -			 -
Cash flows from capital and related financing activities Purchases of capital assets Proceeds from sale of capital assets	 -		(5,238)	 -
Net cash used in capital and related financing activities	 		(5,238)	 <u> </u>
Cash flows from investing activities Investment income	 			 <u> </u>
Net change in cash and investments	(25,831)		(34,232)	(34,131)
Cash and investments, beginning of year	 77,718		142,714	 87,625
Cash and investments, end of year	\$ 51,887	\$	108,482	\$ 53,494
Cash flows from operating activities Reconciliation of operating income (loss) to net cash provided by (used in) operating activities				
Operating income (loss) Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	\$ 6,908	\$	(64,977)	\$ (31,517)
Depreciation Changes in operating assets and liabilities that provided (used) cash:	1,144		44,355	1,970
Accounts receivable	-		-	-
Prepaid items Accounts payable Accrued liabilities	 256 (34,871) 732		207 (9,106) 527	(6,784) 2,200 -
Net cash provided by (used in) operating activities	\$ (25,831)	\$	(28,994)	\$ (34,131)

De	Mailing epartment	Telecom- munications		Health Insurance	MMRMA Retention	Motor Pool	Totals
	33,623 (37,570) -			1,390,456 - (1,511,537)	10,500 (13,956) -	\$ 120,892 - -	\$ 2,620,603 (915,147) (1,776,421)
	(3,947)	25,583		(121,081)	 (3,456)	 120,892	 (70,965)
				121,584	 <u> </u>	 <u> </u>	 121,584
	-		<u> </u>	-	 -	 (127,364) 10,644	(132,602) 10,644
				<u> </u>	 	 (116,720)	 (121,958)
	-		_	-	 3,456		 3,456
	(3,947)	25,583		503	-	4,172	(67,883)
	20,063	75,544		142,964	 -	 163,284	 709,912
\$	16,116	\$ 101,127	\$	143,467	\$ 	\$ 167,456	\$ 642,029
\$	(3,947)	\$ 24,580	\$	(123,441)	\$ (3,786)	\$ 8,470	\$ (187,710)
	-	-		-	-	112,422	159,891
	- - -	- 230 773 -		(13,924) - - 16,284	 330	 - - -	 (13,924) (5,761) (41,004) 17,543
\$	(3,947)	\$ 25,583	\$	(121,081)	\$ (3,456)	\$ 120,892	\$ (70,965)

Agency Funds Combining Statement of Fiduciary Assets and Liabilities December 31, 2014

		Trust & Agency		District Court		Library enal Fine	Circuit Court Trust	
Assets								
Cash and cash equivalents	Ş	558,579	\$	4,900	Ş	20,133	\$	144,431
Liabilities								
Accounts payable	\$	455,953	\$	-	\$	-	\$	-
Due to other governments		4,806		-		-		-
Undistributed collections		93,416		-		20,133		-
Trust deposits		-		-		-		130,000
Other current liabilities		4,404		4,900		-		14,431
Total liabilities	\$	558,579	\$	4,900	\$	20,133	\$	144,431

_	te Trust count	Imprest Payroll	Totals			
\$	5,015	\$ 20,956	\$	754,014		
\$	-	\$ -	\$	455,953		
	-	-		4,806		
	-	-		113,549		
	-	-		130,000		
	5,015	20,956		49,706		
\$	5,015	\$ 20,956	\$	754,014		

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# COMPONENT UNITS

Balance Sheet Brownfield Redevelopment Authority Component Unit December 31, 2014	
Assets	
Cash and cash equivalents	\$ 117,957
Due from other governments	4,195
Assets held for resale	 1,421,000
Total assets	\$ 1,543,152
Liabilities	
Due to other governments	\$ 635
Long-term advance from primary government	 565,592
Total liabilities	566,227
Deferred inflows of resources	
Unavailable resources - assets held for resale	1,421,000
Fund balance	
Unassigned (deficit)	 (444,075)
Total liabilities, deferred inflows of resources and fund balance	\$ 1,543,152

Reconciliation Fund Balance for Governmental Fund to Net Position of Governmental Activities Brownfield Redevelopment Authority Component Unit December 31, 2014		
Fund balance - total governmental fund	\$	(444,075)
The focus of governmental funds is on short-term financing. Accordingly, some assets will not be available to pay for current-period expenditures. Those assets (such as certain assets held for resale) are offset by deferred inflows of resources in the governmental funds and thus are not included in fund balance. Assets held for resale	,	1,421,000
Certain liabilities are not due and payable in the current period, and therefore are not reported in the funds. Notes payable		(429,903)
Net position of governmental activities	\$	547,022

## Statement of Revenues, Expenditures and Changes in Fund Balance

Brownfield Redevelopment Authority Component Unit For the Year Ended December 31, 2014

Revenues	
Taxes	\$ 60,377
Intergovernmental	6,542
Sale of Brownfield assets	136,408
Interest	 562
Total revenues	 203,889
Expenditures	
Public works	15,153
Debt service:	
Principal	43,208
Interest	 9,462
Total expenditures	 67,823
Net change in fund balance	136,066
Fund balance (deficit), beginning of year	 (580,141)
Fund balance (deficit), end of year	\$ (444,075)

Reconciliation Net Change in Fund Balance of Governmental Fund to Change in Net Position of Governmental Activities Brownfield Redevelopment Authority Component Unit For the Year Ended December 31, 2014		
Net change in fund balance - total governmental fund	\$	136,066
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Change in unavailable assets held for resale		(72,000)
The issuance of notes payable provides current financial resources to governmental funds in the period issued, but results in a liability in the statement of net position. Repayment of notes payable is an expenditure in the governmental funds, but the repayment reduces notes payable in the statement of net position.		42 209
Principal payments on notes payable Change in net position of governmental activities	<u></u>	43,208
	Ļ	107,274

## Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

Brownfield Redevelopment Authority Component Unit

For the Year Ended December 31, 2014

	Original Budget		Final Budget		Actual		Actual Over (Under) Final Budget	
Revenues								
Taxes	\$	35,000	\$	35,000	\$	60,377	\$	25,377
Intergovernmental		125,712		125,712		6,542		(119,170)
Sale of Brownfield assets		-		136,500		136,408		(92)
Interest		220		220		562		342
Total revenues		160,932		297,432		203,889		(93,543)
Expenditures								
Public works		260,932		260,932		15,153		(245,779)
Debt service:								
Principal		-		-		43,208		43,208
Interest		-		-		9,462		9,462
Total expenditures		260,932		260,932		67,823		(193,109)
Net change in fund balance		(100,000)		36,500		136,066		99,566
Fund balance (deficit), beginning of year		(580,141)		(580,141)		(580,141)		-
		(000))		(000))		(000) 11)		
Fund balance (deficit), end of year	\$	(680,141)	\$	(543,641)	\$	(444,075)	\$	99,566

Balance Sheet Land Bank Authority Component Unit December 31, 2014		
Assets	<u>,</u>	202 524
Cash and cash equivalents Assets held for resale	\$	203,526 26,203
Total assets	\$	229,729
Liabilities		
Accounts payable Due to primary government	\$	4,101 50,684
Total liabilities		54,785
Fund balance		
Nonspendable - assets held for resale Unassigned		26,203 148,741
Total fund balance		174,944
Total liabilities and fund balance	\$	229,729

## Statement of Revenues, Expenditures and Changes in Fund Balance

Land Bank Authority Component Unit For the Year Ended December 31, 2014

Revenues	
Taxes	\$ 7,210
Intergovernmental	42,391
Sale of Land Bank assets	158,155
Other revenue	 611
Total revenues	208,367
Expenditures	
Public works	 50,821
Net change in fund balance	157,546
Fund balance, beginning of year	 17,398
Fund balance, end of year	\$ 174,944

## Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

Land Bank Authority Component Unit

For the Year Ended December 31, 2014

	Original Budget		Final Budget	Actual		Actual Over (Under) Final Budget	
Revenues							
Taxes	\$	4,500	\$ 7,300	\$	7,210	\$	(90)
Intergovernmental		30,000	43,000		42,391		(609)
Sale of Land Bank assets		7,500	158,500		158,155		(345)
Other revenue		30	95		611		516
Total revenues		42,030	208,895		208,367		(528)
Expenditures Public works		42,030	 56,171		50,821		(5,350)
Net change in fund balance		-	152,724		157,546		4,822
Fund balance, beginning of year		17,398	 17,398		17,398		
Fund balance, end of year	\$	17,398	\$ 170,122	\$	174,944	\$	4,822

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# INTERNAL CONTROL AND COMPLIANCE

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**Rehmann Robson** 

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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 3, 2015

Honorable Members of the Board of Commissioners Leelanau County Suttons Bay, 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, each discretely presented component unit, each major fund, and the aggregate remaining fund information of *LeeIanau County*, *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 3, 2015. Our report includes a reference to other auditors who audited the financial statements of the LeeIanau County Road Commission discretely presented component unit, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified a certain 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item 2014-001 to be a material weakness.

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

#### **Compliance and Other Matters**

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

#### Leelanau County, Michigan's Response to Finding

The County's responses to the finding identified in our audit is described in the accompanying schedule of findings and responses. 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rehmann Lobson LLC

#### Schedule of Findings and Responses

For the Year Ended December 31, 2014

2014-001 - Material Audit Adjustments and Preparation of Financial Statements in Accordance with GAAP (Repeated from Prior Year)

Finding Type. Material Weakness in Internal Control over Financial Reporting.

Criteria. All Michigan governments are required to prepare financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP). This is a responsibility of the County's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).

Condition. During our audit we identified and proposed certain audit adjustments (each of which was reviewed, approved, and posted by management) to record assets held for resale and deferred inflows of resources in the Brownfield Redevelopment Authority, to correct taxes receivable and related deferred inflows of resources, and to record accounts payable in the Land Bank Authority. In our opinion, these adjustments collectively had a material effect on the County's financial statements. In addition, the County has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered a part of the government's internal controls.

Cause. This condition was caused by various oversights in recording adjustments for those areas noted above. This condition was also caused by the County's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the County to perform this task internally.

Effect. As a result of this condition, the County's accounting records were initially misstated by amounts material to the financial statements. Also as a result of this condition, the County lacks complete internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

Recommendation. The related correcting entries have been reviewed and approved by management, and no further corrective action is required at this time.

View of Responsible Officials. Management agrees with the proposed entries, and they have been recorded. The County has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the County to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

. . . . .



Rehmann Robson

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#### INDEPENDENT AUDITORS' COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

June 3, 2015

Honorable Members of the Board of Commissioners Leelanau County Suttons Bay, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each discretely presented component unit, each major fund, and the aggregate remaining fund information of *Leelanau County, Michigan* (the "County") as of and for the year ended December 31, 2014, and have issued our report thereon dated June 3, 2015. We did not audit the financial statements of the Leelanau County Road Commission discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion on the financial statements and this report, insofar as they relate the Leelanau County Road Commission, is based solely on the report of other auditors. Professional standards require that we advise you of the following matters relating to our audit.

#### Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated December 12, 2014, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the County solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our findings regarding internal control over financial reporting and compliance noted during our audit in a separate letter to you dated June 3, 2015.

#### Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter and in our meeting about planning matters on March 13, 2015.

#### Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm has complied with all relevant ethical requirements regarding independence.

#### Qualitative Aspects of the County's Significant Accounting Practices

#### Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the County is included in Note 1 to the financial statements.

There have been no initial selections of accounting policies and no changes in significant accounting policies or their application during the year.

No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

#### Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on 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 markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.
- Management's estimate of the insurance claims incurred but not reported is based on information provided by the entity's third party administrators and subsequent claims activity.
- The assumptions used in the actuarial valuations of the pension and other postemployment benefits plans are based on historical trends and industry standards.

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

#### Significant Difficulties Encountered During the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

#### **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The material misstatements detected as a result of audit procedures and corrected by management are described in the Schedule of Findings and Responses issued in connection with our report on internal control over financial reporting.

The schedule of adjustments passed is included with management's written representations in Attachment B to this letter, and summarizes uncorrected financial statement misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole and each applicable opinion unit.

#### Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the County's financial statements or the auditors' report. No such disagreements arose during the course of the audit.

#### **Representations Requested from Management**

We have requested certain written representations from management, which are included in Attachment B to this letter.

#### Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

#### Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the County, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the County's auditors.

#### Other Information in Documents Containing Audited Financial Statements

Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole. 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.

#### Upcoming Changes in Accounting Standards

Generally accepted accounting principles (GAAP) are continually changing in order to promote the usability and enhance the applicability of information included in external financial reporting. While it would not be practical to include an in-depth discussion of every upcoming change in professional standards, Attachment A to this letter contains a brief overview of recent pronouncements of the Governmental Accounting Standards Board (GASB) and their related effective dates. Management is responsible for reviewing these standards, determining their applicability, and implementing them in future accounting periods.

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

Very truly yours,

Rehmann Lobarn LLC

#### Attachment A – Upcoming Changes in Accounting Standards / Regulations For the December 31, 2014 Audit

The following pronouncements of the Governmental Accounting Standards Board (GASB) have been released recently and may be applicable to the County in the near future. We encourage management to review the following information and determine which standard(s) may be applicable to the County. For the complete text of these and other GASB standards, visit www.gasb.org and click on the "Standards & Guidance" tab. If you have questions regarding the applicability, timing, or implementation approach for any of these standards, please contact your audit team.

#### GASB 68 Accounting and Financial Reporting for Pensions

#### Effective 06/15/2015 (your FY 2015)

This standard establishes new requirements for governments to report a "net pension liability" for the unfunded portion of its pension plan. Governments that maintain their own pension plans (either single employer or agent multiple-employer) will report a liability for the difference between the total pension liability calculated by the plan actuaries and the amount held in the pension trust fund. Governments that participate in a cost sharing plan will report a liability for their "proportionate share" of the net pension liability of the entire system.

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 would be limited to the government-wide financial statements and proprietary funds. Changes in this liability from year to year will largely be reflected on the income statement, though certain amounts will be deferred and amortized over varying periods.

GASB 68 also requires 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. For single-employer and agent multiple-employer plans, the information for these statements will come from the annual actuarial valuation. For cost sharing plans, this information will be derived from the financial reports of the plan itself, multiplied by the government's proportionate share of plan.

While GASB 68 is only applicable to pension plans, the GASB has released exposure drafts that would implement similar requirements for other postemployment benefits (e.g., retiree healthcare) within the next few years.

#### Attachment A - Upcoming Changes in Accounting Standards / Regulations For the December 31, 2014 Audit

GASB 71 ■ Pension Transition for Contributions Made Subsequent to the Measurement Date *Effective with the Implementation of GASB 68* 

This standard is an amendment to GASB 68, and seeks to clarify certain implementation issues related to amounts that are deferred and amortized at the time GASB 68 is first adopted. It applies to situations in which the measurement date of an actuarial valuation differs from the government's fiscal year.

#### GASB 72 ■ Fair Value Measurement and Application

Effective 06/15/2016 (your FY 2016)

This standard defines "fair value" as the price that would be received to sell an asset in an orderly transaction between market participants (an "exit price"). Fair value measurement is currently applied principally to investments, which GASB 72 does not change. However, it does introduce specific methods for measuring fair value when a market price is not readily available, and establishes a 3-level hierarchy of fair value that is disclosed in the footnotes, based on the presence or absence of observable market inputs.

#### 2 CFR 200 ■ Uniform Guidance for Federal Awards

Cost Principles Effective 12/26/2014; Single Audit Requirements Effective 12/26/2015 (your FY 2015)

The Office of Management and Budget (OMB) has consolidated seven separate circulars (including administrative requirements, cost principles, and audit requirements) into a single federal regulation. The new Uniform Guidance covers all aspects of federal grants from pre-award through the single audit. While much of the guidance was simply reorganized and recodified, there were also several substantive changes to the single audit thresholds. A single audit will now only be required if total expenditures of federal awards exceed \$750,000 (up from \$500,000). The OMB has indicated that further changes to the single audit will be announced in 2015.

In addition, the Uniform Guidance now explicitly requires grant recipients to have sound internal controls that are consistent with the COSO framework and documented procedures for grant administration. Rehmann is available to assist grant recipients in developing/documenting these policies and procedures in compliance with the new requirements.



# Attachment B - Management Representations For the December 31, 2014 Audit

The following pages contain the written representations that we requested from management.



MICHELLE L. CROCKER Leelanau County Clerk Clerk of the Circuit Court

June 3, 2015

Rehmann Robson 107 S. Cass St, Suite A Traverse City, MI 49684

This representation letter is provided in connection with your audit of the financial statements of the governmental activities, the business-type activities, each discretely presented component unit, each major fund, and the aggregate remaining fund information of Leelanau County, Michigan (the "County"), as of and for the year ended December 31, 2014, and the related notes to the financial statements, for the purpose of expressing opinions on whether the basic financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows, where applicable, and the respective budgetary comparison for the General Fund and each major special revenue fund of the County in conformity with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of June 3, 1015:

#### Financial Statements

- 1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated December 12, 2014, for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP. We have reviewed, approved, and taken responsibility for the financial statements and related notes.
- 2. We have reviewed and approved the various adjusting journal entries that were proposed by you for recording in our books and records and reflected in the financial statements.
- 3. We acknowledge our responsibility for 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.
- 4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5. Significant assumptions used by us in making accounting estimates are reasonable.
- 6. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP. For the purposes of this letter, related parties mean members of the governing body; board members; administrative officials; immediate families of administrative officials, board members, and members of the governing body; and any companies affiliated with or owned by such individuals.
- 7. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- 8. The effects of uncorrected misstatements summarized in the attached schedule and aggregated by you during the current engagement are immaterial, both individually and in the aggregate, to the applicable opinion units and to the financial statements as a whole.

8527 E. Government Center Dr., Suite 103 • Suttons Bay, MI 49682 *Phone:* 231/256-9824 • *Fax:* 231/256-8295 • *Email:* mcrocker@co.leelanau.mi.us

- 9. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
- 10. With regard to items reported at fair value:
  - a. The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.
  - b. The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
  - c. The disclosures related to fair values are complete, adequate, and in conformity with U.S. GAAP.
  - d. There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.
- 11. All component units, as well as joint ventures with an equity interest, are included and other joint ventures and related organizations are properly disclosed.
- 12. All funds and activities are properly classified.
- 13. All funds that meet the quantitative criteria in GASB Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, and GASB Statement No. 37, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
- 14. All components of net position and fund balance classifications have been properly reported.
- 15. All revenues within the statement of activities have been properly classified as program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- 16. All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
- 17. All interfund and intra-entity transactions and balances have been properly classified and reported.
- 18. Special items and extraordinary items have been properly classified and reported.
- 19. Deposit and investment risks have been properly and fully disclosed.
- 20. Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
- 21. All required supplementary information is measured and presented within the prescribed guidelines.
- 22. We believe that the actuarial assumptions and methods used to measure pension and other postemployment benefit liabilities and costs for financial accounting purposes are appropriate in the circumstances.

#### Information Provided

- 23. We have provided you with:
  - a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
  - b. Additional information that you have requested from us for the purpose of the audit; and
  - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- 24. All transactions have been recorded in the accounting records and are reflected in the financial statements.

- 25. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 26. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
  - a. Management;
  - b. Employees who have significant roles in internal control; or
  - c. Others where the fraud could have a material effect on the financial statements.
- 27. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, vendors, regulators, or others.
- 28. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements and we have not consulted legal counsel concerning litigation or claims.
- 29. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
- 30. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
- 31. The government has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
- 32. We have disclosed to you all guarantees, whether written or oral, under which the government is contingently liable.
- 33. We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
- 34. There are no:
  - a. Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
  - b. Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.*
  - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62.
- 35. The government has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
- 36. We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 37. We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB-62. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.

#### Supplementary Information in Relation to the Financial Statements as a Whole

- 38. With respect to the supplementary information accompanying the financial statements:
  - a. We acknowledge our responsibility for the presentation of the supplementary information in accordance with accounting principles generally accepted in the United States of America.
  - b. We believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America.
  - c. The methods of measurement or presentation have not changed from those used in the prior period.
  - d. We believe the significant assumptions or interpretations underlying the measurement or presentation of the supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.

#### Required Supplementary Information

- 39. With respect to the required supplementary information accompanying the financial statements:
  - a. We acknowledge our responsibility for the presentation of the required supplementary information in accordance with accounting principles generally accepted in the United States of America.
  - b. We believe the required supplementary information, including its form and content, is measured and fairly presented in accordance with accounting principles generally accepted in the United States of America.
  - c. The methods of measurement or presentation have not changed from those used in the prior period.
  - d. We believe the significant assumptions or interpretations underlying the measurement or presentation of the required supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.

Michelle L. Crocker - County Clerk

ohn A. Gallagher - County

# Schedule of Adjustments Passed (SOAP) For the December 31, 2014 Audit

In accordance with generally accepted auditing standards, we have prepared the following schedule of proposed audit adjustments, which we believe are immaterial both individually and in the aggregate. We are providing this schedule to both management and those charged with governance to receive their assurance that they agree that the amounts listed below are not material to the financial statements, either individually or in the aggregate, and do not need to be recorded.

	Effect of Passed Adjustment - Over(Under)Statement									
	Assets		Liabilities		Beginning Equity		Revenues		Expenses/ Expenditures	
Governmental activities										
Unposted insurance accrual	\$	-	\$	(125,867)	\$	110,046	\$	-	\$	(15,821)
Effect of land not properly disposed in a prior year - corrected in 2014						137,500				137,500
Total governmental activities	\$		\$	(125,867)	\$	247,546	\$	-	\$	121,679
Misstatement as a percentage of total assets - governmental activities		0.0%		-0.2%		0.2%		0.0%		0.0%