

**LUCE COUNTY, MICHIGAN
ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2014**



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INDEPENDENT AUDITOR'S REPORT

Honorable Chairman and Members of the Board of Commissioners
Luce County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Luce 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 Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Luce County Ambulance Service, which represents 24%, 30%, and 19% of the assets, fund balance, and revenues within the governmental funds and 25%, 23%, and 19% of the assets, net position, and revenues within the governmental activities. Also, we did not audit the financial statements of the LMAS District Health Department, the Luce County Road Commission, the Economic Development Corporation, the Helen Newberry Joy Hospital, or the Luce County Housing Commission, which represents 100% 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 Medical Care Facility and Delinquent Tax Enterprise Funds, and the Land Bank Authority Component Unit, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial

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

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

Opinions

In our opinion, , based on our audit and the reports of 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County, as of December 31, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining and individual fund financial statements 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 30, 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 County's internal control over financial reporting and compliance.



Gabridge & Company, PLC
Grand Rapids, Michigan
June 30, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of Luce County, Michigan (the "County" or "government"), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended December 31, 2014. We encourage readers to consider the information presented here in conjunction with the County's financial statements, which can be found on pages 17 - 28 of this report.

Luce County is the 14th largest county in Michigan in total acreage but 2nd to last in taxable value due to the fact that well over 50% of the land is either State owned, commercial forest, or tax exempt. The County still has to provide law enforcement and rescue services to the entire county which presents a challenge to the Board of Commissioners.

Financial Highlights

- The assets of Luce County exceeded its liabilities and deferred inflows of resources at December 31, 2014 by \$6,293,910. Of this amount, \$1,650,542 may be used to meet the County's ongoing obligations to citizens and creditors.
- The County's total net position decreased \$87,892 during the year. Revenues during the year totaled \$4,777,183 and expenses during the year totaled \$4,865,075.
- At the close of the current fiscal year, the County's governmental funds reported combined fund balances of \$1,535,366, an increase of \$81,794 in comparison with the prior year. Approximately 12% of this amount (\$184,620) is available for spending at the government's discretion (unassigned fund balance).
- At December 31, 2014, unassigned fund balance for the general fund was \$184,620, or 8% of the general fund's annualized expenditures.
- Total long-term debt of the county decreased by \$27,968 from the prior year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

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

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

The *statement of activities* presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported 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 legislative, judicial, general government, public safety, public works, health and welfare, community and economic development and recreation and culture. The business-type activities of the County include a building department and delinquent tax revolving funds.

The government-wide financial statements include not only the County itself (known as the *primary government*), but also legally separate component units which include the; LMAS District Health Department, Road Commission, Economic Development Corporation, Helen Newberry Joy Hospital, and the Housing Commission. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 17 - 18 of this report.

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 assessing 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 40 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, ambulance, 911, and the county sheriff funds, which are considered to be major funds. Data from the other 36 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 in the combining and individual fund statements and schedules section of this report.

The County adopts an annual appropriated budget for its general fund and all of its special revenue funds. A budgetary comparison statement has been provided for the general fund and each major special revenue fund to demonstrate compliance with their budgets.

The basic governmental fund financial statements can be found on pages 19 - 22 of this report.

Proprietary Funds. The County maintains one type of proprietary fund, an enterprise fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprises funds to account for its building department fund and for its delinquent revolving tax funds.

Enterprise funds provide the same type of information as the government-wide financial statements, only in more detail. The enterprise fund financial statements provide separate information for the tax revolving reserve and 2013 tax revolving funds, both of which are considered to be major funds of the County. Data from the other four enterprise funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor enterprise funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The basic proprietary fund financial statements can be found on pages 23 - 25 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are *not* reported 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.

The County maintains three fiduciary funds, all of which are considered agency funds. The agency funds report resources held by the County in a custodial capacity for individuals, private organizations and other governments.

The fiduciary fund financial statements can be found on pages 26 and 72 of this report.

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

The notes to the financial statements can be found on pages 30 - 50 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the County's progress in funding its obligation to provide pension benefits to its employees, in addition to demonstrating the County's compliance with its annual budget.

Required supplementary information can be found on pages 52 - 57 of this report.

This report also presents other supplementary information which includes the nonmajor fund combining and individual statements. The combining statements are presented immediately following the required supplementary information on pensions and budgetary compliance.

Combining and individual fund statements and schedules can be found on pages 59 - 71 of this report.

Government-wide Financial Statements

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities and deferred inflows by \$6,293,910, at the close of the most recent fiscal year.

Luce County Net Position as of December 31, 2014 and December 31, 2013

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
ASSETS						
<i>Current Assets</i>						
Cash	\$ 1,376,447	\$ 1,284,697	\$ 704,420	\$ 631,146	\$ 2,080,867	\$ 1,915,843
Taxes Receivable	1,018,989	1,060,582	262,246	277,334	1,281,235	1,337,916
Accounts Receivable	242,493	291,281	-	2,887	242,493	294,168
Inventories	38,096	28,620	-	-	38,096	28,620
Prepays	52,662	49,100	-	-	52,662	49,100
Total Current Assets	2,728,687	2,714,280	966,666	911,367	3,695,353	3,625,647
<i>Noncurrent Assets</i>						
Capital Assets not being Depreciated	1,537,425	1,552,425	-	-	1,537,425	1,552,425
Capital Assets being Depreciated	2,914,360	3,125,051	-	-	2,914,360	3,125,051
Total Assets	7,180,472	7,391,756	966,666	911,367	8,147,138	8,303,123
LIABILITIES						
<i>Current Liabilities</i>						
Accounts Payable	64,807	125,862	644	490	65,451	126,352
Payroll Liabilities	52,151	49,541	-	-	52,151	49,541
Interest Payable	3,753	4,418	-	-	3,753	4,418
Current Portion of Long-term Debt	120,829	91,189	8,621	-	129,450	91,189
Internal Balances	21,311	34,206	(21,311)	(34,206)	-	-
Total Current Liabilities	262,851	305,216	(12,046)	(33,716)	250,805	271,500
<i>Noncurrent Liabilities</i>						
Compensated Absences	97,662	84,774	-	-	97,662	84,774
Long-term Debt	324,577	369,410	209,484	230,880	534,061	600,290
Total Liabilities	685,090	759,400	197,438	197,164	882,528	956,564
DEFERRED INFLOWS OF RESOURCES						
Taxes Levied for a Subsequent Period	970,700	964,757	-	-	970,700	964,757
Total Deferred Inflows of Resources	970,700	964,757	-	-	970,700	964,757
NET POSITION						
Net Investment in Capital Assets	4,006,379	4,216,877	-	-	4,006,379	4,216,877
Restricted	598,217	541,888	38,772	30,916	636,989	572,804
Unrestricted	920,086	908,834	730,456	683,287	1,650,542	1,592,121
Total Net Position	\$ 5,524,682	\$ 5,667,599	\$ 769,228	\$ 714,203	\$ 6,293,910	\$ 6,381,802

By far, the largest portion of the County's net position (\$4,006,379, or 64%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The County uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the County's net position (\$636,989, or 10%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of

\$1,650,542 (or 26%) is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

Long-term debt decreased \$12,775 during the year in the delinquent tax revolving funds. The primary reason for the decrease was the county's election to pay off its tax revolving notes payable earlier than prior years.

Restricted net position increased by \$64,185 during the year. This is largely a result of a new voter-approved millage in the County Sheriff fund and the related \$43,406 surplus that is restricted for future equipment purchases.

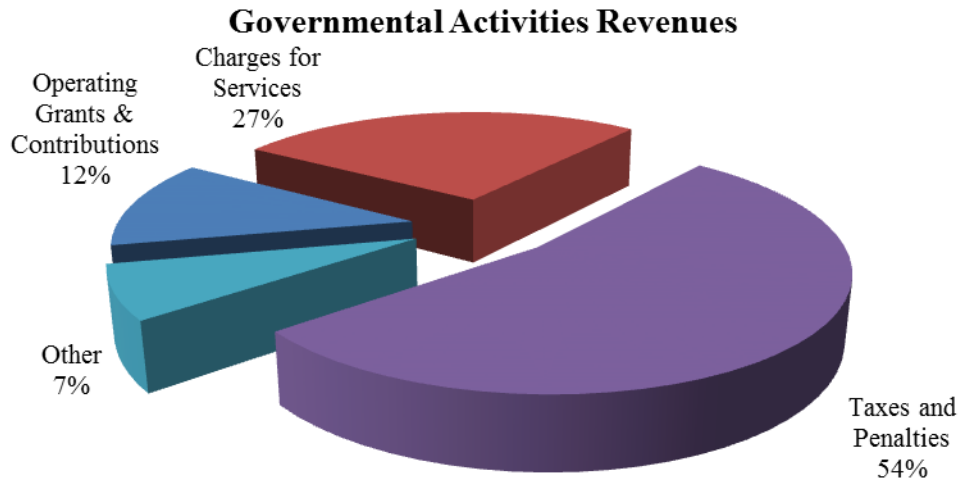
At the end of the current fiscal year, the County is able to report positive balances in all reported categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

The County's overall net position decreased \$87,892 from the prior fiscal year. The reasons for this overall decrease are discussed in the following sections for governmental activities and business-type activities.

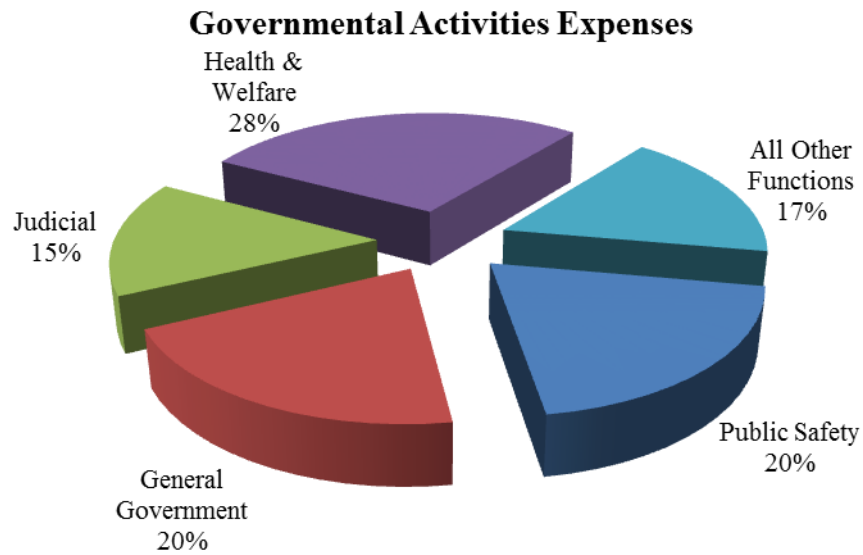
Governmental Activities. During the current fiscal year, net position for governmental activities decreased \$142,917 from the prior fiscal year for an ending balance of \$5,524,682. The decrease in the net position of governmental activities was consistent with the previous year.

Capital grants and contributions were down during 2014 by \$438,428 as the County benefited from a one-time capital grant during 2013. No such funding was available during 2014. However, the County experienced an increase in state revenue sharing of \$110,605 during the year and had an increase in property taxes of \$440,290. The increase in property taxes is related to voter-approved millages of 1.0 for the County Sheriff, .25 for Veterans, and .50 for Seniors which took effect in 2014.

The following chart summarizes the revenue sources for the governmental activities of the County for the most recent fiscal year end:



The following chart summarizes the expense sources for the governmental activities of the County for the most recent fiscal year end.



Business-type Activities. For the County’s business-type activities, the results for the current fiscal year resulted in an ending net position of \$769,228. The total increase in net position for business-type activities (building department and tax revolving funds) was \$55,025, or 8%, from the prior fiscal year. The increase in net position can be attributed to general operations of the business-type funds.

The following details the changes in net position for both the governmental and business-type activities in a comparative format for the two most recently completed fiscal years:

Luce County
Change in Net Position for Fiscal Year Ended December 31, 2014 and December 31, 2013

	Governmental Activities		Business-type Activities		Total Government	
	2014	2013	2014	2013	2014	2013
Revenue						
Program Revenues						
Charges for Services	\$ 1,256,623	\$ 1,336,084	\$ 122,654	\$ 155,056	\$ 1,379,277	\$ 1,491,140
Operating Grants & Contributions	577,126	749,090	-	-	577,126	749,090
Capital Grants & Contributions	-	438,428	-	-	-	438,428
Total Program Revenues	1,833,749	2,523,602	122,654	155,056	1,956,403	2,678,658
General Revenues						
Property Taxes	2,505,311	2,065,021	-	-	2,505,311	2,065,021
Interest Income	4,993	7,567	1,650	1,695	6,643	9,262
State Sources	110,605	-	-	-	110,605	-
Gain on Sale of Asset	23,800	-	-	-	23,800	-
Other	174,421	118,811	-	-	174,421	118,811
Transfers	32,435	25,537	(32,435)	(25,537)	-	-
Total General Revenues	2,851,565	2,216,936	(30,785)	(23,842)	2,820,780	2,193,094
Total Revenues	4,685,314	4,740,538	91,869	131,214	4,777,183	4,871,752
Expenses						
Legislative	55,012	77,973	-	-	55,012	77,973
Judicial	722,154	748,859	-	-	722,154	748,859
General Government	978,316	943,935	-	-	978,316	943,935
Public Safety	958,201	860,203	22,994	22,289	981,195	882,492
Public Works	382,359	468,725	-	-	382,359	468,725
Health & Welfare	1,346,435	1,010,575	-	-	1,346,435	1,010,575
Community & Economic Development	13,841	108,645	-	-	13,841	108,645
Recreation & Culture	250,670	302,100	-	-	250,670	302,100
Other Functions	94,851	320,488	-	-	94,851	320,488
Tax Collection	-	-	13,850	35,333	13,850	35,333
Interest on Long-term Debt	26,392	28,713	-	-	26,392	28,713
Total Expenses	4,828,231	4,870,216	36,844	57,622	4,865,075	4,927,838
Change in Net Position	(142,917)	(129,678)	55,025	73,592	(87,892)	(56,086)
<i>Net Position at Beginning of Period</i>	5,667,599	5,797,277	714,203	640,611	6,381,802	6,437,888
Net Position at End of Period	\$ 5,524,682	\$ 5,667,599	\$ 769,228	\$ 714,203	\$ 6,293,910	\$ 6,381,802

Financial Analysis of the Government’s Funds

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

Governmental Funds. The focus of the County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the County itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the County Commissioners.

At December 31, 2014, the County's governmental funds reported combined fund balances of \$1,535,366, an increase of \$81,794 in comparison with the prior year. Approximately 12% of this amount (\$184,620) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is either nonspendable, restricted, committed, or assigned to indicate that it is 1) not in spendable form (\$52,662), 2) restricted for particular purposes (\$596,033), 3) committed for particular purposes (\$53,985), or 4) assigned for particular purposes (\$648,066).

The general fund is the chief operating fund of the County. At the end of the current fiscal year, unassigned fund balance of the general fund was \$184,620, while total fund balance decreased by \$43,462 to \$288,485. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents approximately 8 percent of total general fund expenditures, while total fund balance represents approximately 10 percent of that same amount.

The ambulance fund decreased its fund balance by \$1,693 during 2014 to \$456,459. The fund balance is all restricted and represents approximately 55 percent of total ambulance fund expenditures.

The 911 fund increased its fund balance by \$23,845 during 2014 to \$340,376. The fund balance is all unassigned and represents approximately 198% of total 911 fund expenditures.

The county sheriff fund increased its fund balance by \$43,406 during 2014 to \$43,406. This large increase was due to the recent creation of a new sheriff millage of 1.0 which took effect during 2014. The fund balance is all restricted and represents approximately 28% of total county sheriff fund expenditures.

Proprietary Funds. The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the tax revolving reserve fund at the end of the year was \$574,138. Unrestricted net position for the 2013 tax revolving fund was \$19,730. The total increase in net position for both funds was \$45,405 and \$19,730, respectively. All other business-type funds ended with net position of \$175,360, which was a decrease of \$10,110 over the prior year.

Governmental Fund Budgetary Highlights

Original budget compared to final budget. During the year, the County revised its original budget several times to account for the changing environment of funding sources, generally in the federal grant and other income areas. A schedule showing the County's general fund original budget, final budget and the actual results are included as required supplementary information in the financial section of the audit report.

Final budget compared to actual results. The most significant differences between estimated expenditures and actual expenditures was related to recognition of capital lease proceeds which in turn were recorded as capital outlay expenditures as well as insurance expenditures.

Capital Assets

The County's investment in capital assets for its governmental and business-type activities as of December 31, 2014, amounts to \$4,451,785 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery, equipment, and vehicles. The total decrease in capital assets for the current fiscal year was approximately 5% and is largely a result of annual depreciation expense recognized on the capital assets.

Additional information on the County's capital assets can be found in Note 4 on pages 44 - 45 of this report.

Long-term Debt

At the end of the current fiscal year, the County had outstanding long-term debt in the amount of \$663,511. At a minimum, all the bonds are backed by the County's faith and credit.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The County is well under its statutory debt limit as of December 31, 2014.

Additional information on the County's long-term debt can be found in Note 6 on pages 47 - 48 of this report.

Economic Factors and Next Year's Budget

General Operations

Continuing reliance, by various funds, for general fund annual appropriations support and increasing health insurance and pension costs will continue to impact the future financial condition of the County. The increasing costs of health insurance and pension benefits, in particular, are a major issue for the County. Both costs have increased significantly over the past few years, and continue to do so, creating a significant strain on the financial condition of the County. The County will continue to keep these rising costs in mind when developing its long-term budget plans.

Management estimates that \$2,123,000 of revenues will be available for appropriation in the general fund in the upcoming budget. Expenditures are expected to change by small amounts compared to 2014. The County continues to review all budget line items for opportunities to reduce expenditures when possible. The budget will be monitored during the year to identify any necessary amendments. In 2015, the County plans again to use current revenues to provide essential services and to maintain the County's financial reserves at similar levels. The ongoing costs of providing essential services for the citizens of the County will again need to be monitored in order to maintain the financial condition of the County.

The local Economy is heavily dependent on the Newberry Correctional Facility which employs 300 workers in Luce County. If the facility was to close, it would have a tremendous negative impact on the local economy.

Component Units

A complete financial statement and management's discussion and analysis may be obtained from the LMAS District Health Department, Luce County Housing Commission, Helen Newberry Joy Hospital, the Luce County Economic Development Corporation, and Luce County Road Commission.

Contacting the County

This financial report is designed to provide a general overview of the County's 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 the:

County offices at Luce County
407 W. Harrie Street
Newberry, MI 49868

(906) 293- 5521

BASIC FINANCIAL STATEMENTS

Luce County
Statement of Net Position
December 31, 2014

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
<i>Current Assets</i>				
Cash	\$ 1,376,447	\$ 704,420	\$ 2,080,867	\$ 3,669,293
Investments	--	--	--	1,713,013
Taxes Receivable	1,018,989	262,246	1,281,235	--
Accounts Receivable	242,493	--	242,493	6,068,601
Loans Receivable	--	--	--	328,904
Due from Other Governments	--	--	--	849,336
Inventories	38,096	--	38,096	1,037,962
Prepays	52,662	--	52,662	682,428
Other Assets	--	--	--	47,471
Total Current Assets	2,728,687	966,666	3,695,353	14,397,008
<i>Noncurrent Assets</i>				
Beneficial Interest in Assets held by Foundation	--	--	--	28,990
Capital Assets not being Depreciated	1,537,425	--	1,537,425	508,453
Capital Assets being Depreciated	2,914,360	--	2,914,360	15,351,308
Total Assets	7,180,472	966,666	8,147,138	30,285,759
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	64,807	644	65,451	1,189,832
Payroll Liabilities	52,151	--	52,151	88,109
Unearned Revenue	--	--	--	258,575
Interest Payable	3,753	--	3,753	--
Accrued Liabilities	--	--	--	1,875,338
Current Portion of Long-term Debt	120,829	8,621	129,450	484,219
Internal Balances	21,311	(21,311)	--	--
Total Current Liabilities	262,851	(12,046)	250,805	3,896,073
<i>Noncurrent Liabilities</i>				
Compensated Absences	97,662	--	97,662	114,664
Long-term Debt	324,577	209,484	534,061	4,856,000
Other Post-employment Benefits Payable	--	--	--	388,541
Total Liabilities	685,090	197,438	882,528	9,255,278
DEFERRED INFLOWS OF RESOURCES				
Taxes Levied for a Subsequent Period	970,700	--	970,700	72,212
Total Deferred Inflows of Resources	970,700	--	970,700	72,212
NET POSITION				
Net Investment in Capital Assets	4,006,379	--	4,006,379	10,266,968
<i>Restricted for:</i>				
Health & Welfare	--	--	--	181,971
Building Department	--	38,772	38,772	--
Ambulance	456,459	--	456,459	--
Parks & Recreation	22,600	--	22,600	--
Coop Extension	28,612	--	28,612	--
Airport	8,180	--	8,180	--
Library	6,994	--	6,994	--
Child Care	75,372	--	75,372	--
<i>Unrestricted</i>	920,086	730,456	1,650,542	10,509,330
Total Net Position	\$ 5,524,682	\$ 769,228	\$ 6,293,910	\$ 20,958,269

The Notes to the Financial Statements are an integral part of these Financial Statements

Luce County
Statement of Activities
For the Year Ended December 31, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary Government								
Governmental Activities:								
Legislative	\$ 55,012	\$ --	\$ --	\$ --	\$ (55,012)	\$ --	\$ (55,012)	\$ --
Judicial	722,154	233,862	136,141	--	(352,151)	--	(352,151)	--
General Government	978,316	60,081	145,643	--	(772,592)	--	(772,592)	--
Public Safety	958,201	99,338	212,709	--	(646,154)	--	(646,154)	--
Health and Welfare	1,346,435	709,016	45,409	--	(592,010)	--	(592,010)	--
Recreation and Culture	250,670	43,579	29,085	--	(178,006)	--	(178,006)	--
Other	94,851	--	--	--	(94,851)	--	(94,851)	--
Public Works	382,359	106,378	3,139	--	(272,842)	--	(272,842)	--
Community and Economic Development	13,841	4,369	5,000	--	(4,472)	--	(4,472)	--
Interest on Long-term Debt	26,392	--	--	--	(26,392)	--	(26,392)	--
Total Governmental Activities	4,828,231	1,256,623	577,126	--	(2,994,482)	--	(2,994,482)	--
Business-type Activities:								
Building Department	22,994	30,748	--	--	--	7,754	7,754	--
Tax Revolving Reserve	715	--	--	--	--	(715)	(715)	--
2010 Tax Revolving	--	879	--	--	--	879	879	--
2011 Tax Revolving	--	22,890	--	--	--	22,890	22,890	--
2012 Tax Revolving	3,259	38,560	--	--	--	35,301	35,301	--
2013 Tax Revolving	9,876	29,577	--	--	--	19,701	19,701	--
Total Business-type Activities	36,844	122,654	--	--	--	85,810	85,810	--
Total Primary Government	\$ 4,865,075	\$ 1,379,277	\$ 577,126	\$ --	\$ (2,994,482)	\$ 85,810	\$ (2,908,672)	--
Component Units								
Total Component Units	\$ 40,451,462	\$ 33,760,656	\$ 4,221,721	\$ 811,092	--	--	--	(1,657,993)
Total Component Units	\$ 40,451,462	\$ 33,760,656	\$ 4,221,721	\$ 811,092	--	--	--	(1,657,993)
General Purpose Revenues and Transfers:								
Revenues								
Taxes					2,505,311	--	2,505,311	--
State Sources					110,605	--	110,605	--
Other Revenues					174,421	--	174,421	4,899
Interest					4,993	1,650	6,643	134,069
Gain on Sale of Asset					23,800	--	23,800	18,000
Transfers					32,435	(32,435)	--	--
Total General Revenues and Transfers					2,851,565	(30,785)	2,820,780	156,968
Change in Net Position					(142,917)	55,025	(87,892)	(1,501,025)
<i>Net Position at Beginning of Period</i>					5,667,599	714,203	6,381,802	22,459,294
Net Position at End of Period					\$ 5,524,682	\$ 769,228	\$ 6,293,910	\$ 20,958,269

The Notes to the Financial Statements are an integral part of these Financial Statements

**Luce County
Balance Sheet
Governmental Funds
December 31, 2014**

	Special Revenue				Other Governmental Funds	Total Governmental Funds
	General	Ambulance	911	County Sheriff		
ASSETS						
Cash	\$ 149,948	\$ 402,779	\$ 299,002	\$ 58,233	\$ 466,485	\$ 1,376,447
Taxes Receivable	91,512	177,309	--	176,509	573,659	1,018,989
Accounts Receivable	78,870	91,267	45,497	--	26,859	242,493
Inventories	--	--	--	--	38,096	38,096
Prepaid Expenditures	49,880	--	--	598	2,184	52,662
Due from Other Funds	49,803	--	--	--	--	49,803
<i>Total Assets</i>	\$ 420,013	\$ 671,355	\$ 344,499	\$ 235,340	\$ 1,107,283	\$ 2,778,490
LIABILITIES						
Accounts Payable	\$ 21,654	\$ 23,441	\$ 3,269	\$ 539	\$ 15,904	\$ 64,807
Payroll Liabilities	25,522	14,146	854	4,714	6,915	52,151
Due to Other Funds	--	--	--	--	71,114	71,114
<i>Total Liabilities</i>	47,176	37,587	4,123	5,253	93,933	188,072
DEFERRED INFLOWS OF RESOURCES						
Taxes Levied for a Subsequent Period	84,352	177,309	--	186,681	606,710	1,055,052
<i>Total Liabilities and Deferred Inflows of Resources</i>	131,528	214,896	4,123	191,934	700,643	1,243,124
FUND BALANCE						
Nonspendable	49,880	--	--	598	2,184	52,662
Restricted	--	456,459	--	--	139,574	596,033
Committed	53,985	--	--	--	--	53,985
Assigned	--	--	340,376	42,808	264,882	648,066
Unassigned	184,620	--	--	--	--	184,620
<i>Total Fund Balance</i>	288,485	456,459	340,376	43,406	406,640	1,535,366
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i>	\$ 420,013	\$ 671,355	\$ 344,499	\$ 235,340	\$ 1,107,283	\$ 2,778,490

The Notes to the Financial Statements are an integral part of these Financial Statements

Luce County
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
December 31, 2014

Total Fund Balance - Governmental Funds	\$ 1,535,366
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. This amount represents capital assets of \$7,853,001 less accumulated depreciation of \$4,523,344, plus Ambulance Authority net capital assets of \$1,122,128.	4,451,785
Certain liabilities are not due and payable in the current period and are not reported in the funds. Those liabilities consist of: bonds payable \$445,406, accrued interest \$3,753 and compensated absences \$97,662.	(546,821)
Unavailable revenues are not available to pay current period expenditures and, therefore, are deferred inflows of resources in the funds.	84,352
Total Net Position - Governmental Funds	\$ <u>5,524,682</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

Luce County
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2014

	<u>Special Revenue</u>				Other Governmental Funds	Total Governmental Funds
	<u>General</u>	<u>Ambulance</u>	<u>911</u>	<u>County Sheriff</u>		
Revenues						
Taxes	\$ 1,458,758	\$ 187,779	\$ --	\$ 192,358	\$ 668,406	\$ 2,507,301
Licenses and Permits	7,107	--	--	--	525	7,632
Federal Sources	162,134	--	--	--	32,476	194,610
State Sources	110,605	--	123,063	5,242	183,871	422,781
Contributions from Local Units	29,468	--	--	--	43,382	72,850
Reimbursements from Other Agencies	68,396	--	--	--	34,337	102,733
Charges for Services	183,052	699,760	69,929	--	154,780	1,107,521
Fines and Forfeitures	3,602	--	--	--	2,024	5,626
Rents	7,113	--	--	--	19,080	26,193
Other Revenues	189,606	--	1,945	997	10,082	202,630
Interest	1,106	1,155	836	276	1,620	4,993
Total Revenues	<u>2,220,947</u>	<u>888,694</u>	<u>195,773</u>	<u>198,873</u>	<u>1,150,583</u>	<u>4,654,870</u>
Expenditures						
Legislative	55,012	--	--	--	--	55,012
Judicial	661,006	--	--	--	61,148	722,154
General Government	767,544	--	--	--	190,536	958,080
Public Safety	498,086	--	171,928	111,152	73,772	854,938
Public Works	--	--	--	--	267,072	267,072
Health and Welfare	110,445	815,060	--	--	238,764	1,164,269
Community and Economic Development	8,841	--	--	--	5,000	13,841
Recreation and Culture	--	--	--	--	250,670	250,670
Other	89,783	--	--	--	5,068	94,851
Capital Outlay	161,837	--	--	20,537	--	182,374
Debt Service - Principal	7,592	--	--	20,563	87,000	115,155
Debt Service - Interest	1,115	9,942	--	3,215	12,785	27,057
Total Expenditures	<u>2,361,261</u>	<u>825,002</u>	<u>171,928</u>	<u>155,467</u>	<u>1,191,815</u>	<u>4,705,473</u>
Excess of Revenues Over (Under) Expenditures	<u>(140,314)</u>	<u>63,692</u>	<u>23,845</u>	<u>43,406</u>	<u>(41,232)</u>	<u>(50,603)</u>
Other Financing Sources (Uses)						
Proceeds from Lease	99,962	--	--	--	--	99,962
Transfers from Other Funds	4,490	--	--	--	106,250	110,740
Transfers to Other Funds	(7,600)	(65,385)	--	--	(5,320)	(78,305)
Net Other Financing Sources (Uses)	<u>96,852</u>	<u>(65,385)</u>	<u>--</u>	<u>--</u>	<u>100,930</u>	<u>132,397</u>
Net Change in Fund Balance	(43,462)	(1,693)	23,845	43,406	59,698	81,794
<i>Fund Balance at Beginning of Period</i>	331,947	458,152	316,531	--	346,942	1,453,572
Fund Balance at End of Period	<u>\$ 288,485</u>	<u>\$ 456,459</u>	<u>\$ 340,376</u>	<u>\$ 43,406</u>	<u>\$ 406,640</u>	<u>\$ 1,535,366</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

Luce County
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance with statement of activities
For the Year Ended December 31, 2014

Total Net Change in Fund Balances - Governmental Funds	\$	81,794
Compensated absences not payable from current year resources are not reported as expenditures of the current year in the funds. In the statement of activities, those cost represent expenses of the current year.		(12,888)
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. This amount represents capital outlay expenditures of \$182,374 less depreciation expense of \$248,776 and net change in the ambulance authority of \$159,289.		(225,691)
Long-term debt payments are reported as financing uses in the governmental funds and thus contribute to the change in fund balance. However, long-term debt payments reduce long-term liabilities on the statement of net position. This represents the amount of long-term debt principal payments made during the year of \$115,155, change in accrued interest of \$665, less proceeds from capital lease of \$99,962.		15,858
Revenues in the statement of activities that do not provide current financial resources are reported as deferred inflows of resources.		(1,990)
Changes in Net Position - Governmental Funds	\$	<u>(142,917)</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

**Luce County
Statement of Net Position
Proprietary Funds
December 31, 2014**

Business-type Activities - Enterprise Funds

	<u>Tax Revolving Reserve</u>	<u>2013 Tax Revolving</u>	<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>
ASSETS				
<i>Current Assets</i>				
Cash	\$ 548,678	\$ 22,473	\$ 133,269	\$ 704,420
Taxes Receivable	970	207,272	54,004	262,246
Due from Other Funds	25,000	--	--	25,000
Total Current Assets	<u>574,648</u>	<u>229,745</u>	<u>187,273</u>	<u>991,666</u>
<i>Noncurrent Assets</i>				
Total Assets	<u>574,648</u>	<u>229,745</u>	<u>187,273</u>	<u>991,666</u>
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	220	--	424	644
Current Portion of Long-term Debt	--	--	8,621	8,621
Due to Other Funds	290	531	2,868	3,689
Total Current Liabilities	<u>510</u>	<u>531</u>	<u>11,913</u>	<u>12,954</u>
<i>Noncurrent Liabilities</i>				
Long-term Debt	--	209,484	--	209,484
Total Liabilities	<u>510</u>	<u>210,015</u>	<u>11,913</u>	<u>222,438</u>
NET POSITION				
<i>Restricted for:</i>				
Building Department	--	--	38,772	38,772
<i>Unrestricted</i>	574,138	19,730	136,588	730,456
Total Net Position	<u>\$ 574,138</u>	<u>\$ 19,730</u>	<u>\$ 175,360</u>	<u>\$ 769,228</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

Luce County
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2014

	Business-type Activities - Enterprise Funds			
	Tax Revolving Reserve	2013 Tax Revolving	Other Enterprise Funds	Total Enterprise Funds
Operating Revenues				
Charges for Services	\$ --	\$ 14,634	\$ 46,685	\$ 61,319
Interest	--	14,943	46,392	61,335
Total Operating Revenues	--	29,577	93,077	122,654
Operating Expenses				
Public Safety	--	--	22,994	22,994
Other	715	8,081	2,588	11,384
Total Operating Expenses	715	8,081	25,582	34,378
Operating Income (Loss)	(715)	21,496	67,495	88,276
Non-Operating Revenues (Expenses)				
Interest	1,361	29	260	1,650
Interest Expense	--	(1,795)	(671)	(2,466)
Net Non-Operating Revenues (Expenses)	1,361	(1,766)	(411)	(816)
Income Before Contributions and Transfers	646	19,730	67,084	87,460
Transfers In	77,194	--	--	77,194
Transfers Out	(32,435)	--	(77,194)	(109,629)
Change In Net Position	45,405	19,730	(10,110)	55,025
<i>Net Position at Beginning of Period</i>	528,733	--	185,470	714,203
Net Position at End of Period	\$ 574,138	\$ 19,730	\$ 175,360	\$ 769,228

The Notes to the Financial Statements are an integral part of these Financial Statements

Luce County
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2014

Business-type Activities - Enterprise Funds

	<u>Tax Revolving Reserve</u>	<u>2013 Tax Revolving</u>	<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>
Cash Flows from Operating				
Receipts from Customers	\$ --	\$ 29,577	\$ 318,804	\$ 348,381
Payments to Suppliers	(1,465)	(215,353)	(25,158)	(241,976)
Payments to Employees	--	--	--	--
Total Cash Flows from Operating Activities	<u>(1,465)</u>	<u>(185,776)</u>	<u>293,646</u>	<u>106,405</u>
Cash Flows from Non-capital Financing Activities				
Proceeds from Note Payable	--	419,000	--	419,000
Principal Payments	--	(209,516)	(222,259)	(431,775)
Interest Payments	--	(1,795)	(671)	(2,466)
Decrease (Increase) Due from Other Funds	12,500	--	--	12,500
Increase (Decrease) Due to Other Funds	(2,433)	531	2,297	395
Operating Transfers In	77,194	--	--	77,194
Operating Transfers Out	(32,435)	--	(77,194)	(109,629)
Total Cash Flows from Non-capital Financing Activities	<u>54,826</u>	<u>208,220</u>	<u>(297,827)</u>	<u>(34,781)</u>
Cash Flows from Investing Activities				
Interest Earnings	1,361	29	260	1,650
Total Cash Flows from Investing Activities	<u>1,361</u>	<u>29</u>	<u>260</u>	<u>1,650</u>
Net Increase (Decrease) in Cash Equivalents	54,722	22,473	(3,921)	73,274
Cash & Equivalents - Beginning of the Year	493,956	--	137,190	631,146
Cash & Equivalents - End of the Year	<u>\$ 548,678</u>	<u>\$ 22,473</u>	<u>\$ 133,269</u>	<u>\$ 704,420</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating Income (Loss)	\$ (715)	\$ 21,496	\$ 67,495	\$ 88,276
Adjustments to Reconcile Operating Income (Loss) to Net Cash				
Change in Assets and Liabilities:				
Taxes Receivable	(480)	(207,272)	225,727	17,975
Accounts Payable	(270)	--	424	154
Net Cash Provided (Used) by Operating Activities	<u>\$ (1,465)</u>	<u>\$ (185,776)</u>	<u>\$ 293,646</u>	<u>\$ 106,405</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

Luce County
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2014

	Agency
ASSETS	
Cash	\$ 276,430
<i>Total Assets</i>	276,430
LIABILITIES	
Undistributed Receipts	10,796
Undistributed Tax Collections	265,634
<i>Total Liabilities</i>	276,430

The Notes to the Financial Statements are an integral part of these Financial Statements

**Luce County
Statement of Net Position
Component Units
December 31, 2014**

	LMAS District Health Department	Road Commission	Economic Development Corporation	Helen Newberry Joy Hospital	Housing Commission	Total Component Units
ASSETS						
<i>Current Assets</i>						
Cash	\$ 211,751	\$ 1,713,138	\$ 568,193	\$ 913,478	\$ 262,733	\$ 3,669,293
Investments	--	--	--	1,209,925	503,088	1,713,013
Accounts Receivable	87,318	2,266	--	5,967,413	11,604	6,068,601
Loans Receivable	--	--	328,904	--	--	328,904
Due from Other Governments	280,780	568,556	--	--	--	849,336
Inventories	--	238,596	--	799,366	--	1,037,962
Prepays	--	73,366	--	603,259	5,803	682,428
Other Assets	--	--	--	47,471	--	47,471
Total Current Assets	579,849	2,595,922	897,097	9,540,912	783,228	14,397,008
<i>Noncurrent Assets</i>						
Beneficial Interest in Assets held by Foundation	--	--	--	28,990	--	28,990
Capital Assets not being Depreciated	--	156,891	--	351,562	--	508,453
Capital Assets being Depreciated	48,349	6,263,429	236,994	8,283,363	519,173	15,351,308
Total Assets	628,198	9,016,242	1,134,091	18,204,827	1,302,401	30,285,759
LIABILITIES						
<i>Current Liabilities</i>						
Accounts Payable	162,999	4,442	2,153	1,014,249	5,989	1,189,832
Payroll Liabilities	58,366	29,743	--	--	--	88,109
Unearned Revenue	--	258,575	--	--	--	258,575
Accrued Liabilities	--	166,528	727	1,677,276	30,807	1,875,338
Current Portion of Long-term Debt	--	--	19,800	464,419	--	484,219
Total Current Liabilities	221,365	459,288	22,680	3,155,944	36,796	3,896,073
<i>Noncurrent Liabilities</i>						
Compensated Absences	103,876	--	--	--	10,788	114,664
Long-term Debt	--	--	--	4,856,000	--	4,856,000
Other Post-employment Benefits Payable	--	388,541	--	--	--	388,541
Total Liabilities	325,241	847,829	22,680	8,011,944	47,584	9,255,278
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenues	--	72,212	--	--	--	72,212
Total Deferred Inflows of Resources	--	72,212	--	--	--	72,212
NET POSITION						
Net Investment in Capital Assets	48,349	6,420,320	236,994	3,042,132	519,173	10,266,968
<i>Helen Newberry Joy Hospital</i>	--	--	--	179,471	--	179,471
Breast Health Fund	2,500	--	--	--	--	2,500
<i>Unrestricted</i>	252,108	1,675,881	874,417	6,971,280	735,644	10,509,330
Total Net Position	\$ 302,957	\$ 8,096,201	\$ 1,111,411	\$ 10,192,883	\$ 1,254,817	\$ 20,958,269

The Notes to the Financial Statements are an integral part of these Financial Statements

**Luce County
Statement of Activities
Component Units
For the Year Ended December 31, 2014**

	LMAS District Health Department	Road Commission	Economic Development Corporation	Helen Newberry Joy Hospital	Housing Commission	Total Component Units
Expenses						
Public Works	\$ --	\$ 3,040,310	\$ --	\$ --	\$ --	\$ 3,040,310
Health and Welfare	2,334,578	--	--	33,931,313	--	36,265,891
Community and Economic Development	--	--	195,418	--	724,209	919,627
Other	--	--	89,058	--	--	89,058
Interest Expense	--	--	--	136,576	--	136,576
Total Expenses	2,334,578	3,040,310	284,476	34,067,889	724,209	40,451,462
Program Revenues						
Charges for Services	578,509	1,040,254	98,497	31,892,103	151,293	33,760,656
Operating Grants and Contributions	1,852,955	1,895,053	--	49,932	423,781	4,221,721
Capital Grants and Contributions	--	811,092	--	--	--	811,092
Total Program Revenues	2,431,464	3,746,399	98,497	31,942,035	575,074	38,793,469
Net Program Revenues (Expenses)	96,886	706,089	(185,979)	(2,125,854)	(149,135)	(1,657,993)
General Revenue						
Other Revenues	--	--	84	--	4,815	4,899
Interest	263	6,656	2,883	120,380	3,887	134,069
Gain (Loss) on Asset Disposal	--	18,000	--	--	--	18,000
Total General Revenues	263	24,656	2,967	120,380	8,702	156,968
Change in Net Position	97,149	730,745	(183,012)	(2,005,474)	(140,433)	(1,501,025)
<i>Net Position at Beginning of Period</i>	205,808	7,365,456	1,294,423	12,198,357	1,395,250	22,459,294
Net Position at End of Period	\$ 302,957	\$ 8,096,201	\$ 1,111,411	\$ 10,192,883	\$ 1,254,817	\$ 20,958,269

The Notes to the Financial Statements are an integral part of these Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

Luce County

Notes to the Financial Statements

Note 1 - Reporting Entity & Summary of Significant Accounting Policies

The accounting policies of the County of Luce (the “County” or “government”), Michigan, conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. The following is a summary of the significant accounting policies used by the County:

The County was incorporated under the laws of the State of Michigan in 1887 and operates under an elected Commission form of government and provides services to its more than 6,631 residents in many areas including law enforcement, administration of justice, community enrichment and development, public works, health and welfare, and recreation and culture. As required by U.S. generally accepted accounting principles, the financial statements of the reporting entity include those of the County of Luce (primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Reporting Entity

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

Discretely Presented Component Units

Luce County Road Commission - The Road Commission is responsible for the maintenance and construction of the County road system. The Road Commission's operations are financed primarily from the state distribution of gas and weight taxes, federal financial assistance, and contributions from other local governments within the County. The members of the governing board of the Road Commission are appointed by the County Commission. Although the County does not have the authority to approve or modify the Road Commission's operational and capital budgets, bonded debt must be approved by the County Commission. Because the County has financial accountability for the Road Commission, it is reported as a discretely presented component unit of the County.

Luce County

Notes to the Financial Statements

The Road Commission is audited separately from the County and complete audited financial statements with disclosures may be obtained from the administrative office at the following address:

Luce County Road Commission
423 W. McMillan Avenue
Newberry, MI 49868

The County has elected to omit substantially all note disclosures related to the Road Commission in these financial statements because separately issued complete financial statements with disclosures are available.

Luce-Mackinac-Alger-Schoolcraft (LMAS) District Health Department - The members of the governing body of the LMAS District Health Department are jointly appointed by the Luce, Mackinac, Alger, and Schoolcraft Counties' Commissions. The Health Department's operational and capital budgets are not subject to approval or modification by any governmental entity, and it establishes fees for various services and other activities. The Health Department financial statement disclosures contained herein are presented as of and for the year ended September 30, 2014. Because the County has financial accountability for the Health Department, it is reported as a discretely presented component unit of the County.

Separate audited financial statements with disclosures may be obtained from the administrative office at the following address:

LMAS District Health Department
P.O. Box 398
Newberry, MI 49868

The County has elected to omit substantially all note disclosures related to the LMAS District Health Department in these financial statements because separately issued complete financial statements with disclosures are available.

Luce County Housing Commission - The Commission is a legally separate entity whose five-member board is appointed by the County of Luce's Board of Commissioners. The Housing Commission provides subsidized housing financial assistance to lower income families. Because the County has financial accountability for the Housing Commission, it is reported as a discretely presented component unit of the County.

Separate audited financial statements with disclosures may be obtained from the administrative office at the following address:

Luce County Housing Commission
550 W. Victory
Newberry, MI 49868

Luce County

Notes to the Financial Statements

The County has elected to omit substantially all note disclosures related to the Housing Commission in these financial statements because separately issued complete financial statements with disclosures are available.

Luce County Economic Development Corporation (EDC) - The Corporation is a legally separate non-profit corporation whose primary purpose is to promote economic development in the County of Luce. The nine-member board of the County of Luce Economic Development Corporation is appointed by the County of Luce's Board of Commissioners. Because the County has financial accountability for the Corporation, it is reported as a discretely presented component unit of the County.

Separate audited financial statements with disclosures may be obtained from the administrative office at the following address:

Luce County EDC
407 W. Harrie Street
Newberry, MI 49868

The County has elected to omit substantially all note disclosures related to the Economic Development Corporation in these financial statements because separately issued complete financial statements with disclosures are available.

Helen Newberry Joy Hospital - The Hospital was organized under Public Act 230 of the Public Acts of 1987 and is a county hospital corporation. The Hospital provides inpatient, outpatient, and long-term care services primarily to the citizens of the County of Luce. Because the County has financial accountability for the Hospital, it is reported as a discretely presented component unit of the County.

Separate audited financial statements with disclosures may be obtained from the administrative office at the following address:

Helen Newberry Joy Hospital
502 W. Harrie Street
Newberry, MI 49868

The County has elected to omit substantially all note disclosures related to the Hospital in these financial statements because separately issued complete financial statements with disclosures are available.

Condensed Financial Statements

The financial statements present condensed financial statements of each of the five discretely presented component units.

Luce County

Notes to the Financial Statements

Jointly Governed Organization

Joint Venture Community Health Services - Pursuant to an amendment to the Mental Health Code, Public Act 290 of 1995 the Counties of Alger, Chippewa, Marquette, Delta and Luce created a Community Mental Health Authority with powers and duties as defined in Section 205, MCL 330.1205, known as Pathways to Healthy Living. Under such provisions, Pathways to Healthy Living became a separate legal entity from the counties and has its own reporting unit. The Board consists of members of the participating counties as appointed by the respective counties. The Board has full power to comply and carry out the financial and clinical provisions of the Mental Health Code. The County appropriated \$25,000 for the Authority in 2014.

The separately issued financial statements can be obtained from the administrative office of the Board at:

Multi-County Agency
Pathways to Healthy Living
200 West Spring Street
Marquette, MI 49855

The County participates jointly in the operation of the Department of Human Services Agency with thirteen other Counties in the Upper Peninsula (a component unit of Delta County). All financial operations of the Agency are recorded at the Delta County location. The County appropriated \$3,255 for the Agency in 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 certain component units for which the primary government is financially accountable.

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

Luce County

Notes to the Financial Statements

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

The major governmental funds of the County are:

General Fund - This is the County's primary operating fund. It accounts for all financial resources of the general Government, except those required to be accounted for in another fund.

Ambulance Fund - This fund accounts for the operation of the Luce County Ambulance Service. Revenues are generated primarily from charges for services.

Luce County

Notes to the Financial Statements

County Sheriff Fund - This fund accounts for the operation of the county sheriff. Revenues are generated primarily from a voter-approved tax millage.

911 – This fund accounts for the operation of 911 services. Revenues are generated primarily from state operating grants and charges for services.

The major enterprise funds of the County are:

2013 Tax Revolving - This fund accounts for the collection of 2013 delinquent taxes.

Tax Revolving Reserve - This fund accounts for the collection of prior years' delinquent taxes.

Additionally, the County 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 account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Capital projects funds 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.

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. 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).

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

Proprietary funds distinguish *operating* revenues and expenses from *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

Luce County

Notes to the Financial Statements

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.

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

Deposits and Investments

The government's cash and cash equivalents include amounts in demand deposit accounts, certificates of deposit and short term investments with original maturities of three months or less from the date of acquisition.

Investments are stated at fair value.

State statutes authorize the County to invest in:

- Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- Bankers' acceptances of United States banks.
- Obligations of the State of Michigan and its political subdivisions, that, at the time of purchase are rated as investment grade by at least one standard rating service.
- Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year and all other outstanding balances between funds are referred to as "due

Luce County

Notes to the Financial Statements

to/from other funds” (i.e., the current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown net of an allowance for uncollectibles, as applicable. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that determination is made.

Amounts due from other governments include amounts due from grantors for specific programs and capital projects. Program grants and capital grants for capital assets are recorded as receivables and revenues at the time reimbursable project costs are incurred. Revenues received in advance of project costs being incurred are reported as unearned revenues.

Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method and consist primarily of jet fuel. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

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 column 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 market value at the date of donation.

Luce County

Notes to the Financial Statements

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

<u>Description</u>	<u>Useful Life</u>
Buildings	30 to 60 Years
Building Improvements	15 to 30 Years
Vehicles	3 to 5 Years
Equipment	3 to 10 Years
Furniture & Fixtures	3 to 7 Years
Land Improvements	15 to 30 Years
Infrastructure - Roads	8 to 20 Years
Infrastructure - Bridges	12 to 30 Years

Compensated Absences (Vacation, Personal, and Sick Leave)

Eligible employees are permitted to accumulate earned but unused vacation pay benefits in varying amounts based on length of service and certain other established criteria. Sick pay and vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

The County's employment policies provide for sick leave benefits to be earned at the rate of one day per month. When employees separate from employment with the County, sheriff department employees are entitled to half of their accumulated sick time and government center employees are entitled to a maximum of 15 days.

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 expensed 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.

Luce County

Notes to the Financial Statements

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position and fund balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenues, which arise only under a modified accrual basis of accounting, from property taxes receivable that are collected beyond the allowed 60 days for revenue recognition within the fund financial statements under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The County also reports property tax revenues as a deferred inflow of resources. Property tax revenues, which are levied to finance the following period's budget, is deferred and recognized as an inflow of resources in the period that it was intended to finance.

Net Position Flow Assumption

Sometimes the County will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the county's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Balance Flow Assumptions

Sometimes the county will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Luce County

Notes to the Financial Statements

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the county's highest level of decision making authority. The Board of Commissioners is the highest level of decision-making authority for the government that can, by adoption of an ordinance or resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance or resolution remains in place until a similar action is taken (the adoption of another ordinance or resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The County Commissioners may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Taxes Receivable - Current or Property Taxes

The County property tax is levied on each December 1 and July 1 on the taxable valuation of property (as defined by State statutes) located in the County as of the preceding December 31.

Although the County 2013 ad valorem tax is levied and collectible on December 1, 2013, and 2014 ad valorem tax is levied and collectible on July 1, 2014, it is the County's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations".

Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Luce County

Notes to the Financial Statements

Note 2 - Stewardship, Compliance & Accountability

Budgetary Information - Annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles.

Budgets and Budgetary Control - The County follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Each September, after receiving input from the individual departments, the Board of Commissioners prepares a proposed operating budget for the fiscal period commencing January 1st and lapses on December 31st. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to January 1, the budget is legally enacted through a resolution passed by the Board of Commissioners.
- d. Budgetary control is exercised at the departmental level of the general fund. Any revisions that alter the total expenditures of any department or fund (i.e., budget amendments) require approval by the Board of Commissioners. Such amendments are made in accordance with the procedures prescribed under Public Act 621 of 1978.
- e. The budget and approved appropriations lapse at the end of the fiscal year.
- f. The County does not record encumbrances in the accounting records during the year as normal practice and, therefore, no outstanding encumbrances exist at year end. Budgeted amounts are as originally adopted or amended by the Board of Commissioners during the year. Individual amendments were not material in relation to the original appropriations which were amended. The modified accrual basis of accounting is used for budgetary purposes.

The general fund revenue budget was adopted on the basis of activities or programs financed by the general fund.

Michigan Public Act 621 of 1978 (the Budgeting Act) requires that budgets be adopted for governmental funds. U.S. generally accepted accounting principles require that the financial statements present budgetary comparisons for the governmental fund types for which budgets were legally adopted. The original budget adopted for the general fund was modified throughout the year through various budget amendments. The budget document presents information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the department level.

Luce County

Notes to the Financial Statements

During the year ended December 31, 2014, the most significant differences between estimated expenditures and actual expenditures was related to recognition of capital lease proceeds which in turn were recorded as capital outlay expenditures, insurance expenditures, and interest expenditures in the Ambulance Fund.

Note 3 - Cash & Cash Equivalents

The County maintains pooled and individual fund demand deposits, certificates of deposit and short-term investment accounts for the primary government and certain discretely presented component units. Certain imprest demand deposit accounts are also maintained by discretely presented component units.

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

	Deposits and Investments		
Checking and Savings Accounts	\$	5,112,342	
Investments or Certificates of Deposit		503,088	
Cash on hand		770	
Total	\$	5,616,200	
	Primary Government	Component Units	Totals
Statement of Net Position			
Cash and Cash Equivalents	\$ 2,080,867	\$ 3,669,293	\$ 5,750,160
Investments	-	1,713,013	1,713,013
Statement of Fiduciary Net Position			
Cash and Cash Equivalents	276,430	-	276,430
Total Deposits and Investments	2,357,297	5,382,306	7,739,603
Less Component Units Separately Audited			
Helen Newberry Joy Hospital	-	(2,123,403)	(2,123,403)
Deposits and Investments Managed by the County Treasurer	\$ 2,357,297	\$ 3,258,903	\$ 5,616,200

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that, in the event of a bank failure, the County's deposits might 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, \$2,361,038 of the County's bank balance of \$5,920,268 was exposed to custodial credit risk because it was uninsured and uncollateralized. Due to the dollar amounts of cash deposits and the limits of FDIC & NCUA insurance, the County believes it is impractical to insure all bank deposits. As a

Luce County

Notes to the Financial Statements

result, the County evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those with an acceptable estimated risk level are used.

Interest Rate Risk. Interest rate risk is the risk that the market rate of securities in the portfolio will fall due to changes in market interest rates. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the summary of significant accounting policies. The County's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. All certificates of deposit of \$503,088 are due within one year.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the County's investment in a single issuer. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments in the summary of significant accounting policies. The County's investment policy does not limit investments in a single financial institution of a single security type (with the exception of U.S. treasuries and agencies and authorized pools) to a % of the total investment portfolio. All investments held at year end are reported above.

Luce County

Notes to the Financial Statements

Note 4 - Capital Assets

Capital asset activity for the primary government and the ambulance service are listed below:

Primary Government	December 31, 2013	Additions	Reductions	December 31, 2014
Capital assets not being depreciated				
Land	\$ 1,537,425	\$ -	\$ -	\$ 1,537,425
Total capital assets, not being depreciated	<u>1,537,425</u>	<u>-</u>	<u>-</u>	<u>1,537,425</u>
Capital assets being depreciated				
Buildings	3,142,391	-	-	3,142,391
Building Improvements	730,602	-	-	730,602
Equipment	1,060,408	10,536	12,754	1,058,190
Furniture & Fixtures	29,934	-	21,206	8,728
Vehicles	650,333	171,838	124,907	697,264
Land Improvement	678,401	-	-	678,401
Total capital assets, being depreciated	<u>6,292,069</u>	<u>182,374</u>	<u>158,867</u>	<u>6,315,576</u>
Less accumulated depreciation				
Buildings	2,717,023	25,938	-	2,742,961
Building Improvements	150,019	23,113	-	173,132
Equipment	814,277	53,614	12,754	855,137
Furniture & Fixtures	29,934	-	21,206	8,728
Vehicles	369,445	100,883	124,907	345,421
Land Improvement	352,737	45,227	-	397,964
Total accumulated depreciation	<u>4,433,435</u>	<u>248,776</u>	<u>158,867</u>	<u>4,523,344</u>
Special Revenue Funds Audited by Other Auditors				
Ambulance Fund	1,281,417	(159,289)	-	1,122,128
Total - Ambulance Fund	<u>1,281,417</u>	<u>(159,289)</u>	<u>-</u>	<u>1,122,128</u>
Total capital assets - Net	<u>\$ 4,677,476</u>	<u>\$(225,691)</u>	<u>\$ -</u>	<u>\$ 4,451,785</u>

Luce County

Notes to the Financial Statements

Following is a summary of the change in capital assets for the year of the ambulance fund, included as a special revenue fund in the County's financial statements (as audited by other auditors):

<u>Luce County Ambulance Service</u>	<u>December 31, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31, 2014</u>
Capital assets not being depreciated				
Land	\$ 15,000	\$ -	\$ -	\$ 15,000
Total capital assets not being depreciated	<u>15,000</u>	<u>-</u>	<u>-</u>	<u>15,000</u>
Capital assets being depreciated				
Buildings	830,267	-	-	830,267
Equipment	1,046,600	-	-	1,046,600
Total capital assets, being depreciated	<u>1,876,867</u>	<u>-</u>	<u>-</u>	<u>1,876,867</u>
Less accumulated depreciation				
Buildings	138,966	21,287	-	160,253
Equipment	471,484	138,002	-	609,486
Total accumulated depreciation	<u>610,450</u>	<u>159,289</u>	<u>-</u>	<u>769,739</u>
Capital Assets - Net	<u>\$ 1,281,417</u>	<u>\$(159,289)</u>	<u>\$ -</u>	<u>\$ 1,122,128</u>

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

County Governmental Activities	
General Government	\$ 14,633
Public Safety	98,220
Public Works	113,606
Health & Welfare	159,289
Recreation & Culture	22,317
Total Governmental Activities	<u>\$ 408,065</u>

Luce County

Notes to the Financial Statements

Note 5 - Interfund Receivables, Payables & Transfers

The County reports interfund balances between many of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for governmental funds, proprietary funds, and fiduciary funds.

Interfund transactions resulting in Interfund Receivables and Payable are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor Governmental Funds	\$ 22,488
General	Nonmajor Enterprise Funds	2,868
General	Tax Revolving Reserve	290
General	2013 Tax Revolving	531
Tax Revolving Reserve	Parks & Recreation	25,000
General	Airport	23,626

All 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.

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Nonmajor Governmental Funds	General Fund	\$ 7,600
Nonmajor Governmental Funds	Tax Revolving Reserve	2,435
Nonmajor Governmental Funds	Nonmajor Governmental Funds	830
Airport	Tax Revolving Reserve	30,000
Ambulance Debt Service	Ambulance	65,385
General Fund	Luce County Master Plan	4,490

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

Luce County

Notes to the Financial Statements

Note 6 - Long-term Debt

The government issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. County contractual agreements and installment purchase agreements are also general obligations of the government.

Bond and contractual obligation activity can be summarized as follows:

Primary Government	Interest Rate	Maturity	December 31, 2013	Additions	Reductions	December 31, 2014	Due Within One Year
Governmental activities							
Sewer Bond	5.00%	2016	\$ 96,000	\$ -	\$ 32,000	\$ 64,000	\$ 32,000
Limited General Obligation							
Ambulance Building	3.22%	2019	350,000	-	55,000	295,000	55,000
Capital Lease - Charger	3.75%	2017	14,599	(13,565)	1,034	-	-
Capital Lease - Chevy Tahoe (2)	5.64%	2017	-	71,438	20,563	50,875	23,676
Capital Lease - Dodge Ram	3.75%	2018	-	42,089	6,558	35,531	10,153
Compensated Absences			84,774	12,888	-	97,662	-
Total Governmental			<u>545,373</u>	<u>112,850</u>	<u>115,155</u>	<u>543,067</u>	<u>120,829</u>
Business-type Activities							
Limited Tax Notes							
Series 2014	Variable	2017	-	419,000	209,516	209,484	-
Series 2013	Variable	2015	230,880	-	222,259	8,621	8,621
Total Business-type			<u>230,880</u>	<u>419,000</u>	<u>431,775</u>	<u>218,105</u>	<u>8,621</u>
Total Long-term Debt			<u>\$ 776,253</u>	<u>\$ 531,850</u>	<u>\$ 546,930</u>	<u>\$ 761,172</u>	<u>\$ 129,450</u>

Annual debt service requirements to maturity for the above obligations are as follows:

	Governmental Activities			Business-type
	Principal	Interest	Total	Principal
2015	\$ 120,829	\$ 14,436	\$ 135,265	\$ 8,621
2016	124,736	9,316	134,052	-
2017	70,942	5,360	76,302	209,484
2018	63,898	3,091	66,989	-
2019	65,000	1,047	66,047	-
Totals	<u>\$ 445,405</u>	<u>\$ 33,250</u>	<u>\$ 478,655</u>	<u>\$ 218,105</u>

Interest payments vary according to payment dates and interest rates. Outstanding interest is not determinable at this time because payment dates have not been prescheduled and interest is variable.

Other Information on Long-term Debt

The General Obligation Tax Notes are issued to finance the Delinquent Tax Revolving Funds for the purchase of delinquent real property taxes in accordance with the provisions of Sections

Luce County

Notes to the Financial Statements

211.87b, 211.87 c, and 211.87 d of the 1979 Compiled Laws; as amended. The assets of the respective 100 percent Tax Payment Funds are pledged for the payment of principal and interest on these notes.

The County has irrevocably pledged its full faith and credit as collateral for the DPW Sewer No.1 bonds issued in accordance with the provisions of Public Act 185 of 1957, as amended, to finance sewage system construction projects which are administered by the County of Luce Department of Public Works for local municipalities. Payments by the Village of Newberry, McMillan and Pentland Townships, to the County, in accordance with contractual agreements, provide the money required to meet the principal and interest on these bonds.

Compensated Absences

Under existing union contracts and County policies, all regular full-time employees are eligible for paid leave based on length of service. Accrued vacation benefits are earned in varying amounts depending on the number of years of service up to a maximum number of days depending on the department. Sick leave, which is applicable only to union employees, may be accumulated up to 90 days. Upon termination, up to 50% of the unused sick leave up to a maximum of 45 days may be paid. Current portions of accumulated sick and vacation pay are not material.

Note 7 - Risk Management

Risk Management - The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The government was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The County joined together with other governments and created a public entity risk pool currently operating as a common risk management and insurance program. The County pays an annual premium to the pool for its vehicle, property, and general liability insurance coverage. The agreement provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$75,000 for each insured event.

The County continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The County is unable to provide an estimate of the amounts of additional assessments.

The County and component units have received significant financial assistance from state and federal agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant

Luce County

Notes to the Financial Statements

agreement and are subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the County. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements included herein or on the overall financial position of the County at December 31, 2014.

Note 8 - Employee Retirement & Benefit Systems

Plan description. Based on hire date, some of the primary government's full-time employees are eligible to participate in the Municipal Employees Retirement System of Michigan (MERS, the "System"), an agent multiple-employer, defined benefit pension plan. The System is administered by the MERS retirement board. MERS provides retirement and disability benefits, as well as death benefits to plan members and beneficiaries.

Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. A publicly available financial report that includes financial statements and required supplementary information for MERS may be obtained by writing to the Municipal Employees Retirement System of Michigan, 1134 Municipal Way, Lansing, Michigan 48917, or by calling (800) 767-6377.

Funding policy. The County is required to contribute at an actuarially determined rate. The current rate for the County is shown as a percentage of payroll, depending on the employee group. Participating employees are required to contribute a percentage of their annual salary, depending on their assigned department. 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 Board of Commissioners, depending on the MERS contribution program adopted by the County. The rates for the County and Employees are as follows:

<u>Division</u>	<u>Employer</u>		<u>Employee</u>	
	<u>Percentage of Payroll</u>		<u>Percentage of Payroll</u>	
	<u>2014 Valuation</u>	<u>2013 Valuation</u>	<u>2014 Valuation</u>	<u>2013 Valuation</u>
General	31.92%	32.99%	4.30%	4.30%
Housing Commission	26.35%	25.09%	0%	0%
Ambulance	13.90%	14.15%	4.30%	4.30%

For the year ended December 31, 2014, the annual pension cost of \$319,142 was equal to the required and actual contributions of the County. The required contributions were determined as part of the December 31, 2012 actuarial valuation using the entry age normal 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 long-term salary increases of 4.5% per year compounded annually, attributable to inflation (1.0%), (c) additional projected salary increases of 0.0% to 8.4% per year, depending on age, attributable to seniority/merit, and (d) the assumption that

Luce County

Notes to the Financial Statements

benefits will increase from 1.5% to 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 24 years as a level percentage of projected payroll on an open basis. The latest actuarial valuation was performed as of December 31, 2014.

Following is the County's annual pension cost three-year trend information:

Fiscal Year Ending	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
12/31/2012	\$ 260,903	100%	-
12/31/2013	277,935	100%	-
12/31/2014	319,142	100%	-

Funded status and funding progress. As of December 31, 2014, the most recent actuarial valuation date, the plan was 60 percent funded. The actuarial accrued liability for benefits was \$7,529,745 and the actuarial value of assets was \$4,494,540, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,035,205. The covered payroll (annual payroll of active employees covered by the plan) was \$1,145,041, and the ratio of the UAAL to the covered payroll was 265 percent. The schedule of funding progress, 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.

REQUIRED SUPPLEMENTARY INFORMATION

Luce County
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund
For the Year Ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative)
				Final to Actual
Revenues				
Taxes	\$ 1,450,174	\$ 1,461,081	\$ 1,458,758	\$ (2,323)
Licenses and Permits	8,605	7,107	7,107	--
Federal Sources	128,054	162,134	162,134	--
State Sources	102,609	110,605	110,605	--
Contributions from Local Units	22,535	29,468	29,468	--
Reimbursements from Other Agencies	70,631	68,396	68,396	--
Charges for Services	165,680	183,051	183,052	1
Fines and Forfeitures	2,350	3,602	3,602	--
Interest and Rents	5,880	8,219	8,219	--
Other Revenues	128,368	174,135	165,806	(8,329)
Gain (Loss) on Asset Disposal	--	--	23,800	23,800
Total Revenues	<u>2,084,886</u>	<u>2,207,798</u>	<u>2,220,947</u>	<u>13,149</u>
Other Financing Sources				
Proceeds of Lease Issuance	--	--	99,962	99,962
Transfers from Other Funds	--	4,490	4,490	--
Total Revenues and Other Financing Sources	<u>2,084,886</u>	<u>2,212,288</u>	<u>2,325,399</u>	<u>113,111</u>
Expenditures				
Legislative	64,215	53,873	55,012	(1,139)
Judicial				
Circuit Court	157,160	147,897	147,495	402
District Court	226,858	233,143	232,773	370
Friend of the Court	148,498	166,601	165,202	1,399
Probate Court	84,865	114,248	113,421	827
Jury Commission	2,400	2,115	2,115	--
Total Judicial	<u>619,781</u>	<u>664,004</u>	<u>661,006</u>	<u>2,998</u>
General Government				
Elections	15,200	6,789	6,789	--
Clerk/Register of Deeds	220,916	239,798	238,545	1,253
Equalization	87,321	88,315	88,053	262
Prosecuting Attorney	142,990	144,199	143,935	264
Treasurer	131,889	132,278	130,999	1,279
Data Processing	26,517	23,252	23,253	(1)
Building and Grounds	132,262	120,759	120,385	374
Watershed Council	600	250	250	--
Audit	14,200	15,335	15,335	--
Total General Government	<u>771,895</u>	<u>770,975</u>	<u>767,544</u>	<u>3,431</u>

Luce County
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual - Continued
General Fund
For the Year Ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Positive (Negative)</u>
				<u>Final to Actual</u>
Public Safety				
Sheriff Department	247,728	257,035	256,505	530
Liquor Law Enforcement	3,580	3,423	3,423	--
Corrections/Jail	281,112	238,156	238,158	(2)
Total Public Safety	<u>532,420</u>	<u>498,614</u>	<u>498,086</u>	<u>528</u>
Health & Welfare				
Health Department	53,869	53,619	53,619	--
Medical Examiner	8,300	8,035	8,035	--
Mental Health	25,000	25,000	25,000	--
Substance Abuse	21,314	19,038	19,038	--
Child Care	43,661	--	--	--
Medical Care Facility Maintenance of Effort	8,000	1,498	1,498	--
Social Services	3,255	3,255	3,255	--
Total Health & Welfare	<u>163,399</u>	<u>110,445</u>	<u>110,445</u>	<u>--</u>
Economic & Community Development				
Public Housing	2,920	5,438	5,438	--
Planning & Zoning	2,655	3,403	3,403	--
Total Economic & Community Development	<u>5,575</u>	<u>8,841</u>	<u>8,841</u>	<u>--</u>
Other				
Insurance	61,000	63,852	68,828	(4,976)
Other Functions	19,728	20,955	20,955	--
Total Other	<u>80,728</u>	<u>84,807</u>	<u>89,783</u>	<u>(4,976)</u>
Capital Outlay	4,500	39,018	161,837	(122,819)
Debt Service	1,100	8,707	8,707	--
Total Expenditures	<u>2,243,613</u>	<u>2,239,284</u>	<u>2,361,261</u>	<u>(121,977)</u>
Other Financing Uses				
Transfers to other funds	12,575	7,600	7,600	--
Total Expenditures and Other Financing Uses	<u>2,256,187</u>	<u>2,246,883</u>	<u>2,368,861</u>	<u>(121,978)</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>(171,301)</u>	<u>(34,595)</u>	<u>(43,462)</u>	<u>(8,867)</u>
Net Change in Fund Balance	<u>(171,301)</u>	<u>(34,595)</u>	<u>(43,462)</u>	<u>(8,867)</u>
Fund Balance at Beginning of Period	331,947	331,947	331,947	--
Fund Balance at End of Period	<u>\$ 160,646</u>	<u>\$ 297,352</u>	<u>\$ 288,485</u>	<u>\$ (8,867)</u>

Luce County
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Ambulance
For the Year Ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative) Final to Actual
Revenues				
Taxes	\$ 188,000	\$ 188,000	\$ 187,779	\$ (221)
Charges for Services	801,000	801,000	699,760	(101,240)
Interest and Rents	2,122	--	1,155	1,155
Other Revenues	13,300	--	--	--
<i>Total Revenues</i>	<u>1,004,422</u>	<u>989,000</u>	<u>888,694</u>	<u>(100,306)</u>
Expenditures				
Health & Welfare	985,165	985,165	880,445	104,720
Interest	6,500	6,500	9,942	(3,442)
<i>Total Expenditures</i>	<u>991,665</u>	<u>991,665</u>	<u>890,387</u>	<u>101,278</u>
<i>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</i>	<u>12,757</u>	<u>(2,665)</u>	<u>(1,693)</u>	<u>972</u>
<i>Net Change in Fund Balance</i>	<u>12,757</u>	<u>(2,665)</u>	<u>(1,693)</u>	<u>972</u>
<i>Fund Balance at Beginning of Period</i>	458,152	458,152	458,152	--
<i>Fund Balance at End of Period</i>	<u>\$ 470,909</u>	<u>\$ 455,487</u>	<u>\$ 456,459</u>	<u>\$ 972</u>

Luce County
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
911
For the Year Ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative) Final to Actual
Revenues				
State Sources	\$ 117,520	\$ 123,063	\$ 123,063	\$ --
Charges for Services	57,800	69,928	69,929	1
Interest and Rents	800	836	836	--
Other Revenues	500	1,944	1,945	1
Total Revenues	<u>176,620</u>	<u>195,771</u>	<u>195,773</u>	<u>2</u>
Expenditures				
Public Safety	176,620	171,926	171,928	(2)
Total Expenditures	<u>176,620</u>	<u>171,926</u>	<u>171,928</u>	<u>(2)</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	--	23,845	23,845	--
Net Change in Fund Balance	--	23,845	23,845	--
Fund Balance at Beginning of Period	316,531	316,531	316,531	--
Fund Balance at End of Period	<u>\$ 316,531</u>	<u>\$ 340,376</u>	<u>\$ 340,376</u>	<u>\$ --</u>

Luce County
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
County Sheriff
For the Year Ended December 31, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative) Actual
Revenues				
Taxes	\$ 193,209	\$ 202,530	\$ 192,358	\$ (10,172)
State Sources	5,246	5,242	5,242	--
Other Revenues	--	997	997	--
Interest	100	276	276	--
Total Revenues	198,555	209,046	198,873	(10,173)
Other Financing Sources				
Total Revenues and Other Financing Sources	198,555	209,046	198,873	(10,173)
Expenditures				
Liquor Law Enforcement	101,982	108,044	108,044	--
Insurance, Bonds, and Fringes	60,061	24,244	23,645	599
Community & Economic Development	20,564	20,563	20,563	0
Recreation & Culture	3,215	3,215	3,215	(0)
Total Expenditures	185,821	156,065	155,467	598
Other Financing Uses				
Total Expenditures and Other Financing Uses	185,821	156,065	155,467	598
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	12,734	52,981	43,406	(9,575)
Net Change in Fund Balance	12,734	52,981	43,406	(9,575)
<i>Fund Balance at Beginning of Period</i>	--	--	--	--
Fund Balance at End of Period	\$ 12,734	\$ 52,981	\$ 43,406	\$ (9,575)

Luce County, Michigan
Required Supplementary Information
MERS Agent Multiple-Employer Defined Benefit Pension Plan
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	(Overfunded) Unfunded AAL (UAAL) (b-a)	Funded Ratio Total	Covered Payroll (c)	UAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2012	\$ 4,051,581	\$ 6,737,197	\$ 2,685,616	60%	\$ 1,048,885	256%
12/31/2013	4,269,386	7,177,465	2,908,079	60%	1,090,908	267%
12/31/2014	4,494,540	7,529,745	3,035,205	60%	1,145,041	265%

OTHER SUPPLEMENTARY INFORMATION

**Luce County
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2014**

	Special Revenue							
	Family Counseling	Operation Stonegarden Grant	ORV Enforcement Grant	Snowmobile Enforcement Grant	Marine Safety Grant	Parks & Recreation	Coop Extension	
ASSETS								
Cash	\$ 5,034	\$ 8,114	\$ 5,823	\$ 1,393	\$ 301	\$ 53,323	\$ 35,000	\$ 14,899
Taxes Receivable	--	--	--	--	--	88,255	88,255	--
Accounts Receivable	--	--	--	--	--	--	--	1,218
Inventories	--	--	--	--	--	--	--	--
Prepaid Expenditures	--	--	--	--	--	1,182	1,002	--
<i>Total Assets</i>	<u>\$ 5,034</u>	<u>\$ 8,114</u>	<u>\$ 5,823</u>	<u>\$ 1,393</u>	<u>\$ 301</u>	<u>\$ 142,760</u>	<u>\$ 124,257</u>	<u>\$ 16,117</u>
LIABILITIES								
Accounts Payable	\$ --	\$ --	\$ --	\$ 147	\$ --	\$ 482	\$ 1,497	\$ --
Payroll Liabilities	--	620	--	270	--	1,338	808	--
Due to Other Funds	--	--	--	--	--	25,000	--	--
<i>Total Liabilities</i>	<u>--</u>	<u>620</u>	<u>--</u>	<u>417</u>	<u>--</u>	<u>26,820</u>	<u>2,305</u>	<u>--</u>
DEFERRED INFLOWS OF RESOURCES								
Aggregated deferred inflows	--	--	--	--	--	93,340	93,340	--
<i>Total Liabilities and Deferred Inflows of Resources</i>	<u>--</u>	<u>620</u>	<u>--</u>	<u>417</u>	<u>--</u>	<u>120,160</u>	<u>95,645</u>	<u>--</u>
FUND BALANCE								
Nonspendable	--	--	--	--	--	1,182	1,002	--
Restricted	--	--	--	--	--	21,418	27,610	--
Assigned	5,034	7,494	5,823	976	301	--	--	16,117
Unassigned	--	--	--	--	--	--	--	--
<i>Total Fund Balance</i>	<u>5,034</u>	<u>7,494</u>	<u>5,823</u>	<u>976</u>	<u>301</u>	<u>22,600</u>	<u>28,612</u>	<u>16,117</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i>	<u>\$ 5,034</u>	<u>\$ 8,114</u>	<u>\$ 5,823</u>	<u>\$ 1,393</u>	<u>\$ 301</u>	<u>\$ 142,760</u>	<u>\$ 124,257</u>	<u>\$ 16,117</u>

**Luce County
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2014**

	Special Revenue							
	Tax Revolving Admin	Luce County Master Plan	Remonumentatio n	Register of Deeds Automation	Emergency Management	Shooting Range	Youth Alcohol Enforcement	Corrections Officer Training
ASSETS								
Cash	\$ 14,424	\$ --	\$ 3,900	\$ 8,644	\$ 1,699	\$ 94	\$ 1,149	\$ 663
Taxes Receivable	--	--	--	--	--	--	--	--
Accounts Receivable	--	--	--	--	--	--	--	--
Inventories	--	--	--	--	--	--	--	--
Prepaid Expenditures	--	--	--	--	--	--	--	--
Total Assets	\$ 14,424	\$ --	\$ 3,900	\$ 8,644	\$ 1,699	\$ 94	\$ 1,149	\$ 663
LIABILITIES								
Accounts Payable	\$ --	\$ --	\$ --	\$ 695	\$ 114	\$ --	\$ --	\$ --
Payroll Liabilities	--	--	--	--	902	--	--	--
Due to Other Funds	--	--	--	--	--	--	--	--
Total Liabilities	--	--	--	695	1,016	--	--	--
DEFERRED INFLOWS OF RESOURCES								
Aggregated deferred inflows	--	--	--	--	--	--	--	--
Total Liabilities and Deferred Inflows of Resources	--	--	--	695	1,016	--	--	--
FUND BALANCE								
Nondspendable	--	--	--	--	--	--	--	--
Restricted	--	--	--	--	--	--	--	--
Assigned	14,424	--	3,900	7,949	683	94	1,149	663
Unassigned	--	--	--	--	--	--	--	--
Total Fund Balance	14,424	--	3,900	7,949	683	94	1,149	663
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 14,424	\$ --	\$ 3,900	\$ 8,644	\$ 1,699	\$ 94	\$ 1,149	\$ 663

**Luce County
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2014**

	Special Revenue							
	Law Library	Library	Officer Training	Secondary Road Patrol	Juvenile Justice	E.U.P. Community Corrections	Child Care	Soliders Relief
ASSETS								
Cash	\$ 9,878	\$ 12,079	\$ 10	\$ 24,700	\$ --	\$ 6,363	\$ 83,109	\$ 51
Taxes Receivable	--	88,255	--	--	--	--	88,255	--
Accounts Receivable	--	--	--	3,108	3,111	1,585	5,442	--
Inventories	--	--	--	--	--	--	--	--
Prepaid Expenditures	--	--	--	--	--	--	--	--
Total Assets	\$ 9,878	\$ 100,334	\$ 10	\$ 27,808	\$ 3,111	\$ 7,948	\$ 176,806	\$ 51
LIABILITIES								
Accounts Payable	\$ 138	\$ --	\$ --	\$ --	\$ 17	\$ 7	\$ 8,094	\$ --
Payroll Liabilities	--	--	--	827	534	310	--	--
Due to Other Funds	--	--	--	19,994	2,494	--	--	--
Total Liabilities	138	--	--	20,821	3,045	317	8,094	--
DEFERRED INFLOWS OF RESOURCES								
Aggregated deferred inflows	--	93,340	--	--	--	--	93,340	--
Total Liabilities and Deferred Inflows of Resources	138	93,340	--	20,821	3,045	317	101,434	--
FUND BALANCE								
Nonspendable	--	--	--	--	--	--	--	--
Restricted	--	6,994	--	--	--	--	75,372	--
Assigned	9,740	--	10	6,987	66	7,631	--	51
Unassigned	--	--	--	--	--	--	--	--
Total Fund Balance	9,740	6,994	10	6,987	66	7,631	75,372	51
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 9,878	\$ 100,334	\$ 10	\$ 27,808	\$ 3,111	\$ 7,948	\$ 176,806	\$ 51

**Luce County
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2014**

	Special Revenue							
	Veterans Trust	Airport	Drug Court	Drunk Driving Caseload Assistance	Housing Grant/Loan	Veterans Service	Seniors	
ASSETS								
Cash	\$ 2,264	\$ 100	\$ 10,366	\$ 39,371	\$ 79,303	\$ 12,056	\$ 5,152	\$ --
Taxes Receivable	--	88,255	--	--	--	44,129	88,255	--
Accounts Receivable	--	1,189	11,206	--	--	--	--	--
Inventories	--	38,096	--	--	--	--	--	--
Prepaid Expenditures	--	--	--	--	--	--	--	--
Total Assets	\$ 2,264	\$ 127,640	\$ 21,572	\$ 39,371	\$ 79,303	\$ 56,185	\$ 93,407	\$ --
LIABILITIES								
Accounts Payable	\$ --	\$ 1,188	\$ 2,630	\$ --	\$ --	\$ 895	\$ --	\$ --
Payroll Liabilities	--	1,306	--	--	--	--	--	--
Due to Other Funds	--	23,626	--	--	--	--	--	--
Total Liabilities	--	26,120	2,630	--	--	895	--	--
DEFERRED INFLOWS OF RESOURCES								
Aggregated deferred inflows	--	93,340	--	--	--	46,670	93,340	--
Total Liabilities and Deferred Inflows of Resources	--	119,460	2,630	--	--	47,565	93,340	--
FUND BALANCE								
Nonspendable	--	--	--	--	--	--	--	--
Restricted	--	8,180	--	--	--	--	--	--
Assigned	2,264	--	18,942	39,371	79,303	8,620	67	--
Unassigned	--	--	--	--	--	--	--	--
Total Fund Balance	2,264	8,180	18,942	39,371	79,303	8,620	67	--
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 2,264	\$ 127,640	\$ 21,572	\$ 39,371	\$ 79,303	\$ 56,185	\$ 93,407	\$ --

**Luce County
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2014**

	Debt Service		Capital Projects		Total Nonmajor Governmental Funds
	Ambulance Bond Debt Service	Sewage Disposal Debt Retirement	Ambulance Building Construction	Crisp Point Lighthouse Project	
ASSETS					
Cash	\$ --	\$ --	\$ 9,388	\$ 17,835	\$ 466,485
Taxes Receivable	--	--	--	--	573,659
Accounts Receivable	--	--	--	--	26,859
Inventories	--	--	--	--	38,096
Prepaid Expenditures	--	--	--	--	2,184
Total Assets	\$ --	\$ --	\$ 9,388	\$ 17,835	\$ 1,107,283
LIABILITIES					
Accounts Payable	\$ --	\$ --	\$ --	\$ --	\$ 15,904
Payroll Liabilities	--	--	--	--	6,915
Due to Other Funds	--	--	--	--	71,114
Total Liabilities	--	--	--	--	93,933
DEFERRED INFLOWS OF RESOURCES					
Aggregated deferred inflows	--	--	--	--	606,710
Total Liabilities and Deferred Inflows of Resources	--	--	--	--	700,643
FUND BALANCE					
Nonspendable	--	--	--	--	2,184
Restricted	--	--	--	--	139,574
Assigned	--	--	9,388	17,835	264,882
Unassigned	--	--	--	--	--
Total Fund Balance	--	--	9,388	17,835	406,640
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ --	\$ --	\$ 9,388	\$ 17,835	\$ 1,107,283

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

	Special Revenue							
	Family Counseling	Operation Stonegarden Grant	ORV Enforcement Grant	Snowmobile Enforcement Grant	Marine Safety Grant	Parks & Recreation	Coop Extension	Friend of the Court
Revenues								
Taxes	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 98,949	\$ 96,356	\$ --
Licenses & Permits	525	--	--	--	--	--	--	--
Federal Sources	--	10,579	--	--	4,000	--	--	4,696
State Sources	--	--	9,687	8,000	--	--	2,621	--
Contributions from Local Units	--	--	--	3,500	--	5,000	--	--
Reimbursements from Other Agencies	--	--	--	--	--	--	--	--
Charges for Services	--	--	95	--	42	41,579	--	2,096
Fines & Forfeitures	--	--	24	--	--	--	--	--
Rents	--	--	--	--	--	--	--	--
Other Revenues	--	--	--	--	--	7,168	--	--
Interest	15	--	--	--	--	449	208	46
Total Revenues	<u>540</u>	<u>10,579</u>	<u>9,806</u>	<u>11,500</u>	<u>4,042</u>	<u>153,145</u>	<u>99,185</u>	<u>6,838</u>
Expenditures								
Judicial	--	--	--	--	--	--	--	6,152
General Government	--	--	--	--	--	--	107,188	--
Public Safety	--	5,606	9,614	10,551	4,483	--	--	--
Public Works	--	--	--	--	--	--	--	--
Health and Welfare	--	--	--	--	--	--	--	--
Community and Economic Development	--	--	--	--	--	--	--	--
Recreation and Culture	--	--	--	--	--	139,357	--	--
Other	--	--	--	--	--	--	--	--
Debt Service - Principal	--	--	--	--	--	--	--	--
Debt Service - Interest	--	--	--	--	--	--	--	--
Total Expenditures	<u>--</u>	<u>5,606</u>	<u>9,614</u>	<u>10,551</u>	<u>4,483</u>	<u>139,357</u>	<u>107,188</u>	<u>6,152</u>
Excess of Revenues Over (Under) Expenditures	<u>540</u>	<u>4,973</u>	<u>192</u>	<u>949</u>	<u>(441)</u>	<u>13,788</u>	<u>(8,003)</u>	<u>686</u>
Other Financing Sources (Uses)								
Transfers from Other Funds	--	--	--	--	--	--	--	--
Transfers to Other Funds	--	--	--	--	--	--	--	--
Net Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Net Change in Fund Balance	<u>540</u>	<u>4,973</u>	<u>192</u>	<u>949</u>	<u>(441)</u>	<u>13,788</u>	<u>(8,003)</u>	<u>686</u>
<i>Fund Balance at Beginning of Period</i>	4,494	2,521	5,631	27	742	8,812	36,615	15,431
Fund Balance at End of Period	<u>\$ 5,034</u>	<u>\$ 7,494</u>	<u>\$ 5,823</u>	<u>\$ 976</u>	<u>\$ 301</u>	<u>\$ 22,600</u>	<u>\$ 28,612</u>	<u>\$ 16,117</u>

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

Special Revenue								
	Tax Revolving Admin	Luce County Master Plan	Remonumentation	Register of Deeds Automation	Emergency Management	Shooting Range	Youth Alcohol Enforcement	Corrections Officer Training
Revenues								
Taxes	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Licenses & Permits	--	--	--	--	--	--	--	--
Federal Sources	--	--	--	--	7,701	--	--	--
State Sources	--	--	73,407	--	--	--	--	--
Contributions from Local Units	--	--	--	--	--	--	--	--
Reimbursements from Other Agencies	--	--	--	--	--	--	--	--
Charges for Services	--	--	--	8,640	--	--	--	880
Fines & Forfeitures	--	--	--	--	--	--	--	--
Rents	--	--	--	--	--	--	--	--
Other Revenues	--	--	--	--	307	--	--	--
Interest	--	8	--	26	2	--	--	--
Total Revenues	<u>--</u>	<u>8</u>	<u>73,407</u>	<u>8,666</u>	<u>8,010</u>	<u>--</u>	<u>--</u>	<u>880</u>
Expenditures								
Judicial	--	--	--	--	--	--	--	--
General Government	--	--	73,407	9,941	--	--	--	--
Public Safety	--	--	--	--	16,298	445	--	1,331
Public Works	--	--	--	--	--	--	--	--
Health and Welfare	--	--	--	--	--	--	--	--
Community and Economic Development	--	--	--	--	--	--	--	--
Recreation and Culture	--	--	--	--	--	--	--	--
Other	739	--	--	--	--	--	--	--
Debt Service - Principal	--	--	--	--	--	--	--	--
Debt Service - Interest	--	--	--	--	--	--	--	--
Total Expenditures	<u>739</u>	<u>--</u>	<u>73,407</u>	<u>9,941</u>	<u>16,298</u>	<u>445</u>	<u>--</u>	<u>1,331</u>
Excess of Revenues Over (Under) Expenditures	<u>(739)</u>	<u>8</u>	<u>--</u>	<u>(1,275)</u>	<u>(8,288)</u>	<u>(445)</u>	<u>--</u>	<u>(451)</u>
Other Financing Sources (Uses)								
Transfers from Other Funds	2,435	--	--	--	6,200	--	--	--
Transfers to Other Funds	--	(4,490)	--	--	--	--	--	(630)
Net Other Financing Sources (Uses)	<u>2,435</u>	<u>(4,490)</u>	<u>--</u>	<u>--</u>	<u>6,200</u>	<u>--</u>	<u>--</u>	<u>(630)</u>
Net Change in Fund Balance	<u>1,696</u>	<u>(4,482)</u>	<u>--</u>	<u>(1,275)</u>	<u>(2,088)</u>	<u>(445)</u>	<u>--</u>	<u>(1,081)</u>
<i>Fund Balance at Beginning of Period</i>	12,728	4,482	3,900	9,224	2,771	539	1,149	1,744
Fund Balance at End of Period	<u>\$ 14,424</u>	<u>\$ --</u>	<u>\$ 3,900</u>	<u>\$ 7,949</u>	<u>\$ 683</u>	<u>\$ 94</u>	<u>\$ 1,149</u>	<u>\$ 663</u>

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

	Special Revenue							
	Law Library	Library	Officer Training	Secondary Road Patrol	Juvenile Justice	E.U.P. Community Corrections	Child Care	Soliders Relief
Revenues								
Taxes	\$ --	\$ 96,327	\$ --	\$ --	\$ --	\$ --	\$ 96,327	\$ --
Licenses & Permits	--	--	--	--	--	--	--	--
Federal Sources	--	--	--	--	--	--	--	--
State Sources	--	2,621	575	8,911	15,026	14,993	35,736	--
Contributions from Local Units	--	--	--	--	--	--	--	--
Reimbursements from Other Agencies	--	--	--	--	--	--	--	--
Charges for Services	--	--	--	--	--	3,540	4,600	--
Fines & Forfeitures	2,000	--	--	--	--	--	--	--
Rents	--	--	--	--	--	--	--	--
Other Revenues	--	--	--	--	--	--	--	--
Interest	--	44	--	--	--	--	253	--
Total Revenues	<u>2,000</u>	<u>98,992</u>	<u>575</u>	<u>8,911</u>	<u>15,026</u>	<u>18,533</u>	<u>136,916</u>	<u>--</u>
Expenditures								
Judicial	1,654	--	--	--	16,905	--	--	--
General Government	--	--	--	--	--	--	--	--
Public Safety	--	--	1,201	9,243	--	15,000	--	--
Public Works	--	--	--	--	--	--	--	--
Health and Welfare	--	--	--	--	--	--	85,806	--
Community and Economic Development	--	--	--	--	--	--	--	--
Recreation and Culture	--	96,313	--	--	--	--	--	--
Other	--	--	--	--	--	--	--	--
Debt Service - Principal	--	--	--	--	--	--	--	--
Debt Service - Interest	--	--	--	--	--	--	--	--
Total Expenditures	<u>1,654</u>	<u>96,313</u>	<u>1,201</u>	<u>9,243</u>	<u>16,905</u>	<u>15,000</u>	<u>85,806</u>	<u>--</u>
Excess of Revenues Over (Under) Expenditures	<u>346</u>	<u>2,679</u>	<u>(626)</u>	<u>(332)</u>	<u>(1,879)</u>	<u>3,533</u>	<u>51,110</u>	<u>--</u>
Other Financing Sources (Uses)								
Transfers from Other Funds	--	--	630	--	1,400	--	--	--
Transfers to Other Funds	--	--	--	--	--	--	--	--
Net Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>630</u>	<u>--</u>	<u>1,400</u>	<u>--</u>	<u>--</u>	<u>--</u>
Net Change in Fund Balance	<u>346</u>	<u>2,679</u>	<u>4</u>	<u>(332)</u>	<u>(479)</u>	<u>3,533</u>	<u>51,110</u>	<u>--</u>
<i>Fund Balance at Beginning of Period</i>	9,394	4,315	6	7,319	545	4,098	24,262	51
Fund Balance at End of Period	<u>\$ 9,740</u>	<u>\$ 6,994</u>	<u>\$ 10</u>	<u>\$ 6,987</u>	<u>\$ 66</u>	<u>\$ 7,631</u>	<u>\$ 75,372</u>	<u>\$ 51</u>

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

	Special Revenue							
	Veterans Trust	Airport	Drug Court	Drunk Driving Caseload Assistance	Housing Grant/Loan	Veterans Service	Seniors	
Revenues								
Taxes	\$ --	\$ 96,328	\$ --	\$ --	\$ --	\$ 48,067	\$ 101,652	\$ --
Licenses & Permits	--	--	--	--	--	--	--	--
Federal Sources	--	500	--	--	--	--	--	5,000
State Sources	3,600	2,621	--	2,142	--	1,310	2,621	--
Contributions from Local Units	--	--	13,418	--	--	--	--	--
Reimbursements from Other Agencies	--	18	34,319	--	--	--	--	--
Charges for Services	--	87,298	1,641	--	4,369	--	--	--
Fines & Forfeitures	--	--	--	--	--	--	--	--
Rents	--	19,080	--	--	--	--	--	--
Other Revenues	--	--	--	--	--	2,607	--	--
Interest	--	54	--	117	237	68	42	--
Total Revenues	3,600	205,899	49,378	2,259	4,606	52,052	104,315	5,000
Expenditures								
Judicial	--	--	36,437	--	--	--	--	--
General Government	--	--	--	--	--	--	--	--
Public Safety	--	--	--	--	--	--	--	--
Public Works	--	267,072	--	--	--	--	--	--
Health and Welfare	4,452	--	--	--	--	44,258	104,248	--
Community and Economic Development	--	--	--	--	--	--	--	5,000
Recreation and Culture	--	--	--	--	--	--	--	--
Other	--	--	--	--	850	--	--	--
Debt Service - Principal	--	--	--	--	--	--	--	--
Debt Service - Interest	--	--	--	--	--	--	--	--
Total Expenditures	4,452	267,072	36,437	--	850	44,258	104,248	5,000
Excess of Revenues Over (Under) Expenditures	(852)	(61,173)	12,941	2,259	3,756	7,794	67	--
Other Financing Sources (Uses)								
Transfers from Other Funds	--	30,000	--	--	--	200	--	--
Transfers to Other Funds	(200)	--	--	--	--	--	--	--
Net Other Financing Sources (Uses)	(200)	30,000	--	--	--	200	--	--
Net Change in Fund Balance	(1,052)	(31,173)	12,941	2,259	3,756	7,994	67	--
<i>Fund Balance at Beginning of Period</i>	3,316	39,353	6,001	37,112	75,547	626	--	--
Fund Balance at End of Period	\$ 2,264	\$ 8,180	\$ 18,942	\$ 39,371	\$ 79,303	\$ 8,620	\$ 67	\$ --

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

	Debt Service		Capital Projects		Total Nonmajor Governmental Funds
	Ambulance Bond Debt Service	Sewage Disposal Debt Retirement	Ambulance Building Construction	Crisp Point Lighthouse Project	
Revenues					
Taxes	\$ --	\$ 34,400	\$ --	\$ --	\$ 668,406
Licenses & Permits	--	--	--	--	525
Federal Sources	--	--	--	--	32,476
State Sources	--	--	--	--	183,871
Contributions from Local Units	--	--	--	21,464	43,382
Reimbursements from Other Agencies	--	--	--	--	34,337
Charges for Services	--	--	--	--	154,780
Fines & Forfeitures	--	--	--	--	2,024
Rents	--	--	--	--	19,080
Other Revenues	--	--	--	--	10,082
Interest	--	--	34	17	1,620
Total Revenues	<u>--</u>	<u>34,400</u>	<u>34</u>	<u>21,481</u>	<u>1,150,583</u>
Expenditures					
Judicial	--	--	--	--	61,148
General Government	--	--	--	--	190,536
Public Safety	--	--	--	--	73,772
Public Works	--	--	--	--	267,072
Health and Welfare	--	--	--	--	238,764
Community and Economic Development	--	--	--	--	5,000
Recreation and Culture	--	--	--	15,000	250,670
Other	--	--	3,479	--	5,068
Debt Service - Principal	55,000	32,000	--	--	87,000
Debt Service - Interest	10,385	2,400	--	--	12,785
Total Expenditures	<u>65,385</u>	<u>34,400</u>	<u>3,479</u>	<u>15,000</u>	<u>1,191,815</u>
Excess of Revenues Over (Under) Expenditures	<u>(65,385)</u>	<u>--</u>	<u>(3,445)</u>	<u>6,481</u>	<u>(41,232)</u>
Other Financing Sources (Uses)					
Transfers from Other Funds	65,385	--	--	--	106,250
Transfers to Other Funds	--	--	--	--	(5,320)
Net Other Financing Sources (Uses)	<u>65,385</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>100,930</u>
Net Change in Fund Balance	<u>--</u>	<u>--</u>	<u>(3,445)</u>	<u>6,481</u>	<u>59,698</u>
<i>Fund Balance at Beginning of Period</i>	<i>--</i>	<i>--</i>	<i>12,833</i>	<i>11,354</i>	<i>346,942</i>
Fund Balance at End of Period	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 9,388</u>	<u>\$ 17,835</u>	<u>\$ 406,640</u>

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

	Enterprise				
	Building Department	2010 Tax Revolving	2011 Tax Revolving	2012 Tax Revolving	Total Enterprise Funds
ASSETS					
<i>Current Assets</i>					
Cash	\$ 39,196	\$ --	\$ 84,612	\$ 9,461	\$ 133,269
Taxes Receivable	--	--	865	53,139	54,004
Total Current Assets	39,196	--	85,477	62,600	187,273
<i>Noncurrent Assets</i>					
Total Assets	39,196	--	85,477	62,600	187,273
LIABILITIES					
<i>Current Liabilities</i>					
Accounts Payable	424	--	--	--	424
Current Portion of Long-term Debt	--	--	--	8,621	8,621
Due to Other Funds	--	--	--	2,868	2,868
Total Current Liabilities	424	--	--	11,489	11,913
<i>Noncurrent Liabilities</i>					
Total Liabilities	424	--	--	11,489	11,913
NET POSITION					
<i>Restricted for:</i>					
Building Department	38,772	--	--	--	38,772
<i>Unrestricted</i>	--	--	85,477	51,111	136,588
Total Net Position	\$ 38,772	\$ --	\$ 85,477	\$ 51,111	\$ 175,360

Luce County
Combining Statement of Revenues, Expenses, and Changes in Net Position
Nonmajor Enterprise Funds
For the Year Ended December 31, 2014

	Enterprise				
	Building Department	2010 Tax Revolving	2011 Tax Revolving	2012 Tax Revolving	Total Enterprise Funds
Operating Revenues					
Charges for Services	\$ 30,748	\$ 276	\$ 3,181	\$ 12,480	\$ 46,685
Interest	--	603	19,709	26,080	46,392
Total Operating Revenues	30,748	879	22,890	38,560	93,077
Operating Expenses					
Public Safety	22,994	--	--	--	22,994
Other	--	--	--	2,588	2,588
Total Operating Expenses	22,994	--	--	2,588	25,582
Operating Income (Loss)	7,754	879	22,890	35,972	67,495
Non-Operating Revenues (Expenses)					
Interest	102	77	63	18	260
Interest Expense	--	--	--	(671)	(671)
(Expenses)	102	77	63	(653)	(411)
Transfers	7,856	956	22,953	35,319	67,084
Transfers from Other Funds	--	--	--	--	--
Transfers to Other Funds	--	(77,194)	--	--	(77,194)
Change In Net Position	7,856	(76,238)	22,953	35,319	(10,110)
<i>Net Position at Beginning of Period</i>	30,916	76,238	62,524	15,792	185,470
Net Position at End of Period	\$ 38,772	\$ --	\$ 85,477	\$ 51,111	\$ 175,360

Luce County
Combining Statement of Revenues, Expenses, and Changes in Net Position
Nonmajor Enterprise Funds
For the Year Ended December 31, 2014

	Enterprise				Total Enterprise Funds
	Building Department	2010 Tax Revolving	2011 Tax Revolving	2012 Tax Revolving	
Cash Flows from Operating					
Receipts from Customers	\$ 30,748	\$ 3,276	\$ 76,894	\$ 207,886	\$ 318,804
Payments to Suppliers	(22,570)	-	-	(2,588)	(25,158)
Total Cash Flows from Operating Activities	8,178	3,276	76,894	205,298	293,646
Cash Flows from Non-capital and Related Financing Activities					
Principal Payments	-	-	-	(222,259)	(222,259)
Interest Payments	-	-	-	(671)	(671)
Decrease (Increase) Due from Other Funds	-	-	-	-	-
Increase (Decrease) Due to Other Funds	-	(290)	-	2,587	2,297
Operating Transfers Out	-	(77,194)	-	-	(77,194)
Total Cash Flows from Non-capital Financing Activities	-	(77,484)	-	(220,343)	(297,827)
Cash Flows from Investing Activities					
Interest Earnings	102	77	63	18	260
Total Cash Flows from Investing Activities	102	77	63	18	260
Net Increase (Decrease) in Cash Equivalents	8,280	(74,131)	76,957	(15,027)	(3,921)
Cash & Equivalents - Beginning of the Year	30,916	74,131	7,655	24,488	137,190
Cash & Equivalents - End of the Year	\$ 39,196	\$ -	\$ 84,612	\$ 9,461	\$ 133,269
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities					
Operating Income (Loss)	\$ 7,754	\$ 879	\$ 22,890	\$ 35,972	\$ 67,495
Adjustments to Reconcile Operating Income (Loss) to Net Cash					
Change in Assets and Liabilities:					
Taxes Receivable	-	-	54,004	169,326	223,330
Accounts Receivable	-	2,397	-	-	2,397
Accounts Payable	424	-	-	-	424
Net Cash Provided (Used) by Operating Activities	\$ 8,178	\$ 3,276	\$ 76,894	\$ 205,298	\$ 293,646

**Luce County
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2014**

	<u>Agency</u>			<u>Total Agency Funds</u>
	<u>Trust & Agency</u>	<u>District Court Bond & Depository</u>	<u>Library Penal Fine</u>	
ASSETS				
Cash	\$ 265,634	\$ 2,817	\$ 7,979	\$ 276,430
<i>Total Assets</i>	<u>265,634</u>	<u>2,817</u>	<u>7,979</u>	<u>276,430</u>
LIABILITIES				
Undistributed Receipts	--	2,817	7,979	10,796
Undistributed Tax Collections	265,634	--	--	265,634
<i>Total Liabilities</i>	<u>265,634</u>	<u>2,817</u>	<u>7,979</u>	<u>276,430</u>
NET POSITION				
Held in Trust	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

INDEPENDENT AUDITOR'S 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 30, 2015

Honorable Chairmen and Members of the Board of Commissioners
Luce County, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Luce County, Michigan 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 30, 2015. Our report includes a reference to other auditors who audited the financial statements of the Luce County Ambulance Service, the LMAS District Health Department, the Luce County Road Commission, the Economic Development Corporation, the Helen Newberry Joy Hospital, or the Luce County Housing Commission, 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 deficiencies described in the accompanying Schedule of Findings and Responses to be material weaknesses – 2014-1 and 2014-2.

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*.

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 entity'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.

Best regards,

A handwritten signature in cursive script that reads "Gabridge & Company".

Gabridge & Company, PLC
Grand Rapids, MI

Luce County

Schedule of Findings and Responses

Material Weakness

2014-1 – Preparation of Governmental Financial Statements

Criteria: All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the government'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 (e.g., external financial reporting.)

Condition/Finding: As is the case with many smaller and medium sized entities, 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 County's ability to prepare financial statements in accordance with GAAP is based, at least in part, on its reliance on its external auditors, who cannot by definition be considered a part of the County's internal controls. In addition, we proposed, and management approved, material journal entries to properly record debt service, accounts receivable, prepaid expenditures, and capital asset (capital outlay) transactions in the proprietary and governmental funds.

Cause: This condition was 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 lacks complete internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, at least in part, on its external auditors for assistance with this task. In addition, the County's records were initially misstated by an amount material to the financial statements.

View of Responsible
Officials:

The County agrees with this finding. It is cost prohibitive to produce financial statements in accordance with GAAP. However, the County will be working with the audit team to understand the conditions that led to the proposed journal entries and develop a process to move toward the production of GAAP financial statements by the County.

Luce County

Schedule of Findings and Responses

Material Weakness

Finding 2014-2 – Segregation of Incompatible Duties

Criteria:	Management is responsible for establishing and maintaining internal controls in order to safeguard the assets of the County. A key element of internal control is the segregation of incompatible duties within the accounting function.
Condition:	The County has several accounting functions that are performed by the same individual and are not subject to independent review and approval
Cause:	This condition is primarily caused by not recognizing opportunities to strengthen internal controls within the County.
Effect:	As a result of this condition, the County is exposed to an increased risk that misstatements, whether caused by error or fraud, may occur and not be detected by management on a timely basis.
Recommendation:	While there are, of course, no easy answers to the challenge of balancing the costs and benefits of internal controls and the segregation of incompatible duties, we would nevertheless encourage management to actively seek ways to further strengthen its internal control structure by requiring as much independent review, reconciliation, and approval of accounting functions by qualified members of management as possible. This review should be documented with the dated signature/initials of the reviewer and retained as evidence that the control was followed.
View of Responsible Officials:	Management will evaluate whether the incompatible duties listed above can be segregated and/or subjected to independent review and approval, given the availability of current resources.

June 30, 2015

Honorable Chairmen and Members of the Board of Commissioners
Luce County, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the discreetly presented component units, each major fund, and the aggregate remaining fund information of Luce County, Michigan for the year ended December 31, 2014. Our report includes a reference to other auditors. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 6, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the County are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended December 31, 2014. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

- 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 assumptions used to calculate the actuarial report and the net present value of post employment benefits, including pension benefits.

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.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 30, 2015.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to the budgetary comparison schedules, the schedule of funding progress, and management's discussion and analysis, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

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.

Restriction on Use

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

Gabridge & Company

Gabridge & Company, PLC
Grand Rapids, MI

LUCE COUNTY

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 6/15/15 (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.

LUCE COUNTY

Attachment A – Upcoming Changes in Accounting Standards / Regulations

For the December 31, 2014 Audit

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.

GASB 69 – Government Combinations and Disposals of Government Operations

Effective 12/15/14 (your FY 2015)

This standard provides detailed requirements for the accounting and disclosure of various types of government combinations, such as mergers, acquisitions, and transfers of operations. The guidance available previously was limited to nongovernmental entities, and therefore did not provide practical examples for situations common in government-specific combinations and disposals. The accounting and disclosure requirements for these events vary based on whether a significant payment is made, the continuation or termination of services, and the legal structure of the new or continuing entity.

Given the infrequent nature of these types of events, we do not expect this standard to have any impact on the County at this time.

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.

2 CFR 200 – Uniform Guidance for Federal Awards

Cost Principles Effective 12/26/14 (your FY 2015); Single Audit Requirements Effective 12/26/14 (your FY 2016)

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.

LUCE COUNTY

Attachment A – Upcoming Changes in Accounting Standards / Regulations

For the December 31, 2014 Audit

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. Gabridge & Company, PLC is available to assist grant recipients in developing/documenting these policies and procedures in compliance with the new requirements.