

IOSCO COUNTY  
TAWAS CITY, MICHIGAN

AUDITORS' REPORT  
YEAR ENDED DECEMBER 31, 2014

## AUDITORS' REPORT

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June 12, 2015

Independent Auditors' Report

Board of Commissioners  
Iosco County  
Tawas City, Michigan

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Iosco County, Tawas City, 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 as listed in the index.

**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.

**Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Medical Care Facility, which is both a major fund and represents 72 percent, 71 percent, and 92 percent, respectively, of the assets, net position, and revenues of the business-type activities. We also did not audit the financial statements of the Iosco County Road Commission, which represents 88 percent, 91 percent, and 97 percent respectively, of the assets, net position, and revenue of the aggregate 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 the Iosco County Road Commission are 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. The financial statements of the Medical Care Facility were not audited in accordance with *Government Auditing Standards*.

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

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

**Opinions**

In our opinion, based on our audit and the report of 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 Iosco County, Tawas City, Michigan, 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, postemployment benefits schedule, 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 and the other auditors 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 Iosco County's basic financial statements. The combining nonmajor fund financial statements and Iosco County Drain Commission Component Unit fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements and Iosco County Drain Commission Component Unit 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 nonmajor fund financial statements and Iosco County Drain Commission Component Unit 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 12, 2015, included in the Single Audit Report issued under a separate cover, on our consideration of Iosco 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 Iosco County's internal control over financial reporting and compliance.

*Stephenson, Grubb & Co., P.C.*

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The discussion and analysis of the County of Iosco's (the County) financial performance provides an overview of the County's financial activities for the fiscal year ended December 31, 2014. The intent of this discussion and analysis is to look at the County's financial performance as a whole.

### **Financial Highlights**

The assets of the County's Primary Government exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$27,581,092 (net position). This is an increase of \$642,045 from 2013. Of the total net position in 2014, \$8,660,014 is unrestricted net position needed to meet the government's ongoing obligations to citizens.

As of the close of the 2014 fiscal year, the County's governmental funds (this includes the general fund, special revenue, debt service and capital project funds) reported ending fund balances of \$7,750,769, an increase of \$420,785 in comparison to 2013. The County's General Fund balance for 2014 decreased by \$129,180 to a year end balance of \$1,981,165 or 28% of actual General Fund expenditures. The decrease in the General Fund fund balance can be mainly attributed to transfers to other funds to help cover those funds' expenditures of approximately \$600,000.

The Ambulance Service Fund fund balance increased by \$182,395 as a result of revenues exceeding expenditures for the current year.

The MSHDA Fund fund balance increased by \$27,911 as a result revenues exceeding expenditures as well as a \$5,000 transfer from the ICHRRLP Fund for the current year.

The EDC Grant Revolving Loan Fund fund balance increased by \$204,804 as a result of continued loan collections with adding to a prior loan with additional proceeds of \$64,998.

The Other Governmental Funds fund balances increased by \$134,855 primarily as a result of transfers from the General Fund to help certain funds cover expenditures of approximately \$600,000.

The Delinquent Tax Revolving Fund net position increased by \$254,324, which is due to revenues exceeding expenditures in the current year.

The Other Enterprise Funds fund balances increased by \$15,285 as a result of commissary revenues exceeding expenditures in the current year.

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

The financial statements are organized so the reader can understand the County as a financial whole or as an entire operating entity. The statements also provide a detailed look at specific financial conditions.

The County's basic financial statements are comprised of three components: The government-wide financial statements, fund financial statements, and notes to financial statements. The report also contains other supplementary information in addition to the basic financial statements.

### **Government-wide Financial Statements**

The *statement of net position* and the *statement of activities* display information about the County as a whole. These statements include the financial activities of the primary government except for fiduciary funds. For the most part, the effect of interfund activity has been removed from the statements. The statements distinguish between those activities of the County that are governmental in nature and those that are considered business-type activities. Governmental activities are normally supported by taxes and intergovernmental revenues while business-type activities rely to a significant extent on fees and charges for services.

The statement of net position presents the financial condition of the governmental and business-type activities of the County at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the County's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function.

Program revenues include charges paid by the recipient for the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the County with certain limited exceptions. The comparisons of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the County.

With this report, capital assets are listed for the County of Iosco. These assets are comprised of land, buildings and improvements, equipment and vehicles owned by the County. These assets total over \$20 million. The County Treasurer performed a department-by-department inventory and evaluation of assets and categorized a depreciation schedule for assets not fully depreciated.

Property taxes levied in 2014 for 2015 operations that will be received in the future are listed as *taxes receivable* and as *deferred inflows of resources*.

### **Fund Financial Statements**

The County uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: *Governmental*, *Proprietary* and *Fiduciary*.

#### ***Governmental Funds:***

Governmental funds are those through which most governmental functions of the County are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the County's major governmental funds:

- General Fund – This fund accounts for all financial resources, except those required to be accounted for in another fund. Revenues are derived primarily from property taxes, state and federal distributions, grants and other intergovernmental revenue.
- Ambulance Service Fund – This fund accounts for the collection of a separate tax millage that is used to fund the operations of ambulance services.

- EDC Grant Revolving Loan Fund – This fund accounts for the operations of a service for providing low interest loans to assist professional, commercial and industrial entities in rehabilitation and expansion of existing businesses and the construction of new businesses within the County.
- MSHDA Fund – This fund accounts for the operations of services for providing affordable low interest loans to fund home mortgages and home improvements to residents within the County.

**Proprietary Funds:**

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows.

The County’s enterprise funds may be used to account for any activity for which a fee is charged to external users (citizens) for goods and services. The following are the County’s major enterprise funds:

- Medical Care Facility Fund – This fund accounts for the operations of the County’s medical care facility.
- Delinquent Tax Revolving Fund – This fund accounts for the purchase of delinquent taxes from other local taxing units.

Internal Service Fund – This fund is used to record the financing of services provided by the local unit to other departments and funds, and to other governmental units on a cost reimbursement basis. This fund is related to insurance fund services.

**Fiduciary Funds:**

Fiduciary fund reporting focuses on net position and changes in net position. The County’s agency funds account for assets held by the County for political subdivisions in which the County acts as fiscal agent for property tax collections, state-levied shared revenues, and fines and forfeitures.

**Notes to Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided on the County *government-wide* and *fund* financial statements. The notes to financial statements are presented following the Basic Financial Statements, and provide an expansive and thorough view of various aspects of the audited financial statements.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents combining nonmajor fund statements.

**Government-Wide Financial Analysis**

**Summary of Net Position:**

The following summarizes the net position of the County of Iosco at December 31, 2014 and 2013:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Current Assets	\$ 9,665,413	\$ 7,842,336	\$ 17,507,749	\$ 16,575,725
Restricted Assets	0	1,100,656	1,100,656	1,100,545
Noncurrent Assets	3,757,465	316,000	4,073,465	4,278,314
Capital Assets	4,472,045	6,851,905	11,323,950	11,720,425
<b>Total Assets</b>	<u>17,894,923</u>	<u>16,110,897</u>	<u>34,005,820</u>	<u>33,675,009</u>
Current Liabilities	405,522	386,374	791,896	977,515
Long-Term Liabilities	3,403,093	656,134	4,059,227	4,279,169
<b>Total Liabilities</b>	<u>3,808,615</u>	<u>1,042,508</u>	<u>4,851,123</u>	<u>5,256,684</u>

**Summary of Net Position: (Continued)**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>December 31, 2014</u>	<u>December 31, 2013</u>
<b>Deferred Inflows of Resources</b>	1,068,330	505,275	1,573,605	1,479,278
<b>Net Position</b>				
Net Investment in				
Capital Assets	3,123,854	6,851,905	9,975,759	9,994,180
Restricted	8,945,319	0	8,945,319	8,507,507
Unrestricted	948,805	7,711,209	8,660,014	8,437,360
<b>Total Net Position</b>	<b>\$ 13,017,978</b>	<b>\$ 14,563,114</b>	<b>\$ 27,581,092</b>	<b>\$ 26,939,047</b>

**Summary of Changes in Net Position:**

Following is an analysis of the changes in net position for the period ended December 31, 2014:

Generally speaking, the County's net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for acquisition, construction, or improvement of those assets. The County of Iosco, through its governing body, i.e., Board of Commissioners, has taken a sensible approach regarding capital asset acquisition and amortization of the incurred debt. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors or laws/regulations of other governments.

It is the County's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Year Ended December 31, 2014</u>	<u>Year Ended December 31, 2013</u>
<b>Program Revenue:</b>				
Charges for Services	\$ 5,163,570	\$ 7,314,847	\$ 12,478,417	\$ 12,284,181
Operating Grants and Contributions	2,126,824	22,781	2,149,605	2,024,089
Capital Grants and Contributions	154,585	0	154,585	28,398
<b>Total Program Revenue</b>	<b>7,444,979</b>	<b>7,337,628</b>	<b>14,782,607</b>	<b>14,336,668</b>
<b>General Revenue:</b>				
Property Taxes	5,214,084	489,137	5,703,221	5,744,542
State Revenue Sharing	457,918	0	457,918	411,475
Investment Earnings	7,067	268,586	275,653	276,410
Rent Income	26,876	0	26,876	0
Gain (Loss) on Disposal of				
Capital Assets	(4,617)	0	(4,617)	(31,286)
Other	83,556	0	83,556	46,466
<b>Total General Revenue</b>	<b>5,784,884</b>	<b>757,723</b>	<b>6,542,607</b>	<b>6,447,607</b>
<b>Total Revenue</b>	<b>13,229,863</b>	<b>8,095,351</b>	<b>21,325,214</b>	<b>20,784,275</b>

**Summary of Changes in Net Position: (Continued)**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Year Ended December 31, 2014</u>	<u>Year Ended December 31, 2013</u>
Program Expenses:				
General Government:				
Legislative and Executive	122,920	0	122,920	122,367
Judicial	2,346,756	0	2,346,756	2,210,094
Other General Government	3,083,301	0	3,083,301	3,035,599
Public Safety	2,777,711	0	2,777,711	2,722,312
Public Works	59,101	0	59,101	58,712
Health and Welfare	4,155,320	0	4,155,320	4,085,240
Community and Economic				
Development	326,571	0	326,571	160,117
Recreation and Cultural	88,111	0	88,111	97,149
Interest and Fees on Long-Term Debt	54,836	0	54,836	66,516
Department of Public Works	0	22,781	22,781	28,666
Delinquent Tax Revolving	0	205,328	205,328	287,311
Medical Care Facility	0	7,438,503	7,438,503	7,447,898
Commissary	0	1,930	1,930	8,677
Total expenses	<u>13,014,627</u>	<u>7,668,542</u>	<u>20,683,169</u>	<u>20,330,658</u>
Change in Net Position before				
Transfers	\$ 215,236	\$ 426,809	\$ 642,045	\$ 453,617
Transfers In (Out)	<u>151,642</u>	<u>(151,642)</u>	<u>0</u>	<u>0</u>
<b>Change in Net Position</b>	366,878	275,167	642,045	453,617
Beginning Net Position	<u>12,651,100</u>	<u>14,287,947</u>	<u>26,939,047</u>	<u>26,485,430</u>
<b>Ending Net Position</b>	<u>\$ 13,017,978</u>	<u>\$ 14,563,114</u>	<u>\$ 27,581,092</u>	<u>\$ 26,939,047</u>

**Governmental Activities**

The *Statement of Activities* illustrates, by department, the expense incurred and revenue received.

Total governmental activities reveal revenues of \$7,444,979 from *Charges for Services, Operating Grants and Contributions and Capital Grants and Contributions*. The *Charges for Services* are fees for real estate transfers/recordings, fines and forfeitures related to judicial activity, and licenses and permits. While revenue collected is substantial, operating expenses totaled \$13,014,627 for these same activities. The largest expenses were incurred by Other General Government offices (\$3,083,301), Health and Welfare (\$4,155,320), Judicial (\$2,346,756) and Public Safety (\$2,777,711).

**Business-Type Activities**

Iosco County's *Business-Type activities* include the Medical Care Facility, debt payments related to public works, and activities related to delinquent tax collection; as well as the commissary activities. The business-type activities reveal revenues of \$7,337,628 from *Charges for Services and Operating Grants and Contributions*. The *Charges for Services* are for fees associated with the collection of property taxes, medical care and for commissary sales. The operating expenses for these same activities totaled \$7,668,542.

## Financial Analysis of County Funds

As noted earlier in this report, the County uses fund accounting to ensure and demonstrate compliance with finance-related statutory and legal requirements. A thorough review and examination of fund types will reveal the strengths and weaknesses of its daily operations.

### Governmental Funds

- Governmental funds are those through which most governmental functions of the County are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the County's major governmental funds: 1) General fund – accounts for all financial resources, except those required to be accounted for in another fund. Revenues are derived primarily from property taxes, state and federal distributions, and grants and other intergovernmental revenue; 2) Ambulance Service Fund – accounts for the collection of a separate tax millage that is used to fund the operations of ambulance services; 3) EDC Grant Revolving Loan Fund – accounts for the operations of a service for providing low interest loans to assist professional, commercial and industrial entities in rehabilitation and expansion of existing businesses and the construction of new businesses within the county; and 4) MSHDA Fund - accounts for the operations of services for providing affordable low interest loans to fund home mortgages and home improvements to residents within the County.

The other governmental funds of the County account for grants and other resources whose use is restricted for a particular purpose; the accumulation of resources for, and the payment of debt; and the acquisition or construction of major capital facilities.

This year's County audit, following GASB 34 format, shows 47 funds. These funds are maintained by the County Treasurer as separate units in the general ledger.

### Enterprise Funds

The County's enterprise funds provide the same type of information found in the government-wide financial statements. Departments such as Public Works, Medical Care, Commissary and Delinquent Tax Revolving comprise these funds. GASB 34 places such funds under the caption of *Propriety Funds* under the appropriate statements, i.e., *Statement of Net Position*, *Statement of Cash Flows*, etc.

## Budgetary Highlights

The County began the year with a \$2,110,345 General Fund balance. At year's end, the General Fund balance decreased to \$1,981,165. The General Fund actual revenue of \$7,189,872 versus budgeted revenue of \$7,225,867 netted an unfavorable variance of \$35,995. Actual expenditures of the General Fund were \$6,870,421 versus budgeted expenditures of \$6,904,624 showing a favorable variance of \$34,203, which is primarily a result of under budgeting for principal expense and capital outlay offset by over budgeting in the other general government and public safety expenditures. It is management's goal to maintain a minimum general fund balance of \$1,750,000 to support a budget exceeding \$7,000,000.

## Capital Asset and Debt Administration

### Capital Assets

Capital assets are defined by the County 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 FMV (fair market value) at the date of donation.

The County does not possess any infrastructure. Improvements are capitalized, i.e., depreciated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of enterprise fund capital assets is also capitalized.

Capital Assets – Governmental Activities beginning balance was \$8,199,406 with an ending balance of \$8,375,703. Governmental Activities Total Capital Assets – Net of Depreciation was \$4,472,045. The County had several capital asset additions in 2014. Additions include \$146,073 for monitors/defibrillators, \$33,320 for a fire barn, \$121,335 for land, \$27,728 for a bi-directional antenna/repeater, \$7,500 for a district court vehicle, and \$13,000 for sheriff vehicles. In the current year, the County disposed of monitors/defibrillators with a cost of \$91,335, a sheriff vehicle with a cost of \$21,347, and an EMS vehicle with a cost of \$59,977.

Capital Assets - Business Type Activities beginning balance was \$11,947,267 with an ending balance of \$12,053,659. There were \$106,392 of additions for the year, which consisted of improvements to the Iosco Medical Care Facility. Business-Type Activities Total Capital Assets – Net of Depreciation was \$6,851,905. An expanded and detailed presentation may be seen in Note 4 of the audit, notes to financial statements.

### **Long-Term Debt**

The Long-Term debt of the County of Iosco, as noted on the financial statements contained herein, is comprised of debt related to direct business transactions by the County Board of Commissioners or business trade activity on the part of a local unit of government.

At year's end, long-term debt (due in more than one year) amounted to \$3,274,908. Such debt includes *Bonds Payable*, *Installment Purchase Agreements Payable*, *Net Pension Obligation*, *Incurred but not Reported Insurance Claims* (Primary Government) and *Compensated Absences*. That is, accumulated vested vacation benefits payable and contingent liability for the accumulated sick leave benefits of County employees. Iosco County paid off its County Annex Building Capital Lease in 2014.

### **Economic Factors**

The year ended December 31, 2014, indicates a decrease from the prior year General Fund fund balance of \$129,180. The ending fund balance of \$1,981,165 represents 29% of annual expenditures. Management's goal is to achieve and maintain a minimum fund balance equal to 20% of expenditures to sustain payable levels prior to the annual July tax roll billing for county operating.

It is Management's goal to maintain balanced future budgets to ensure proper fund balances that secure proper cash needs and promote future financial growth. The targeted fund balance for the General Fund is a \$1,750,000 minimum. This may require cuts in expenditures for 2014 as taxable value of the County's properties decrease for the 2013 tax levy due to the state of the economy. In addition, the amount of funding in the revenue sharing reserve fund is depleting and the amount the State of Michigan will provide the County is still unknown. These revenue decreases combined with rising healthcare costs and continued large transfers to the Child Care Fund and Friend of Court will make the required level of fund balance impossible to obtain without some cuts to expenditures.

### **Component Unit**

Complete financial statements for the Iosco County Drain Commission are included in this audit report.

Complete financial statements for the Iosco County Road Commission may be obtained from the Financial Manager at 3939 West M-55, Tawas City, Michigan 48763.

### **Requests for Information**

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Iosco County Treasurer, P.O. Box 538, Tawas City, Michigan 48764-0538.

IOSCO COUNTY  
Tawas City, Michigan

STATEMENT OF NET POSITION  
December 31, 2014

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Iosco County Drain Commission	Iosco County Road Commission
<b>Assets</b>					
Cash and Cash Equivalents (Note 2)	\$ 6,836,678	\$ 4,570,132	\$ 11,406,810	\$ 378,695	\$ 38,674
Investments (Note 2)	80,000	0	80,000	0	3,493,196
Receivables:					
Property Taxes	1,315,916	505,275	1,821,191	0	0
Delinquent Taxes	0	1,231,784	1,231,784	0	0
Special Assessments	0	0	0	95,284	0
Accounts, Net	584,331	1,241,719	1,826,050	0	290,831
Loans Receivable (Note 1)	199,210	73,637	272,847	0	0
Due from Local Units	33,231	0	33,231	230,736	0
Due from Component Units (Note 3)	67,000	150	67,150	0	0
Due from State	480,958	0	480,958	0	594,315
Prepaid Expenses	68,089	0	68,089	0	0
Inventory	0	0	0	0	546,652
Other Current Assets	0	219,639	219,639	0	0
Restricted Assets					
Cash and Cash Equivalents (Note 2)	0	1,100,656	1,100,656	0	0
Noncurrent Assets:					
Long-Term Special Assessments Receivable	0	0	0	450,466	0
Long-Term Loans Receivable, Net (Note 1)	3,757,465	316,000	4,073,465	0	0
Capital Assets Not Being Depreciated (Note 4)	431,589	0	431,589	0	2,483,938
Capital Assets, Net of Accumulated Depreciation (Note 4)	4,040,456	6,851,905	10,892,361	2,306,566	18,963,352
Total Assets	<u>17,894,923</u>	<u>16,110,897</u>	<u>34,005,820</u>	<u>3,461,747</u>	<u>26,410,958</u>
<b>Liabilities</b>					
Accounts Payable	277,900	274,933	552,833	25	126,667
Due to State	3,203	0	3,203	0	0
Due to Other Units of Government	20,375	0	20,375	0	0
Accrued Interest Payable	7,566	3,637	11,203	2,431	0
Deposits Payable	0	4,296	4,296	0	0
Accrued Liabilities	86,950	103,508	190,458	0	39,960
Due to Primary Government	0	0	0	67,150	0
Unearned Revenue (Note 5)	9,528	0	9,528	0	142,452
Long Term Liabilities: (Note 6)					
Due Within One Year	444,185	340,134	784,319	135,000	0
Due In More Than One Year	2,958,908	316,000	3,274,908	805,000	346,861
Total Liabilities	<u>3,808,615</u>	<u>1,042,508</u>	<u>4,851,123</u>	<u>1,009,606</u>	<u>655,940</u>
<b>Deferred Inflows of Resources</b>					
Property Taxes Levied for 2015	<u>1,068,330</u>	<u>505,275</u>	<u>1,573,605</u>	<u>0</u>	<u>0</u>
<b>Net Position</b>					
Net Investment in Capital Assets	3,123,854	6,851,905	9,975,759	1,366,566	21,447,290
Restricted For:					
Public Safety	920,159	0	920,159	0	0
Health and Welfare	2,996,766	0	2,996,766	0	0
Community and Economic Development	4,149,506	0	4,149,506	0	0
Recreation and Cultural	8,967	0	8,967	0	0
Debt Service	706,763	0	706,763	987,514	0
Capital Projects	22,595	0	22,595	98,061	0
County Roads	0	0	0	0	4,307,728
Other State Mandated Programs	140,563	0	140,563	0	0
Unrestricted	<u>948,805</u>	<u>7,711,209</u>	<u>8,660,014</u>	<u>0</u>	<u>0</u>
Total Net Position	<u>\$ 13,017,978</u>	<u>\$ 14,563,114</u>	<u>\$ 27,581,092</u>	<u>\$ 2,452,141</u>	<u>\$ 25,755,018</u>

The accompanying notes to financial statements are an integral part of this statement.

OSCO COUNTY  
Tawas City, Michigan

STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2014

Function/Program	Program Revenues				Primary Government			Component Units					
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Net (Expense) Revenue and Changes in Net Position					
								Iosco County Drain Commission	Iosco County Road Commission	Iosco County			
<b>Primary Government</b>													
<b>Governmental Activities:</b>													
Legislative and Executive Judicial:	\$ 122,920	\$ 0	\$ 0	\$ 0	\$ (122,920)	\$ 0	\$ 0	\$ (122,920)					
Circuit Court	508,180	99,058	0	0	(409,122)	0	0	(409,122)					
District Court	496,310	596,367	0	0	100,057	0	0	100,057					
Probate Court	537,509	99,124	0	0	(438,385)	0	0	(438,385)					
Other Judicial	804,757	137,785	404,032	0	(262,940)	0	0	(262,940)					
Other General Government	3,083,301	653,486	845,988	1,008	(1,582,819)	0	0	(1,582,819)					
<b>Public Safety:</b>													
Sheriff	253,848	46,220	0	0	(207,628)	0	0	(207,628)					
Jail	1,373,756	68,324	0	0	(1,305,432)	0	0	(1,305,432)					
Other Public Safety	1,150,107	832,376	320,385	27,796	30,450	0	0	30,450					
<b>Public Works:</b>													
Other Public Works	59,101	0	0	0	(59,101)	0	0	(59,101)					
Health and Welfare:													
Health Department	172,223	0	0	0	(172,223)	0	0	(172,223)					
Other Health and Welfare	3,983,097	2,473,081	483,853	0	(1,026,163)	0	0	(1,026,163)					
<b>Community and Economic Development</b>													
Development	326,571	157,749	0	0	(168,822)	0	0	(168,822)					
Recreation and Cultural	88,111	0	72,566	125,781	110,236	0	0	110,236					
Interest and Fees on Long-Term Debt	54,836	0	0	0	(54,836)	0	0	(54,836)					
<b>Total Governmental Activities</b>	<b>13,014,627</b>	<b>5,163,570</b>	<b>2,126,824</b>	<b>154,585</b>	<b>(5,569,648)</b>	<b>0</b>	<b>0</b>	<b>(5,569,648)</b>					
<b>Business-Type Activities:</b>													
Department of Public Works	22,781	0	22,781	0	0	0	0	0					
Delinquent Tax Revolving	205,328	342,941	0	0	0	137,613	0	137,613					
Medical Care Facility	7,438,503	6,954,691	0	0	0	(483,812)	0	(483,812)					
Commissary	1,930	17,215	0	0	0	15,285	0	15,285					
<b>Total Business-Type Activities</b>	<b>7,668,542</b>	<b>7,314,847</b>	<b>22,781</b>	<b>0</b>	<b>0</b>	<b>(330,914)</b>	<b>0</b>	<b>(330,914)</b>					
<b>Total Primary Government</b>	<b>\$ 20,683,169</b>	<b>\$ 12,478,417</b>	<b>\$ 2,149,605</b>	<b>\$ 154,585</b>	<b>(5,569,648)</b>	<b>(330,914)</b>	<b>0</b>	<b>(5,900,562)</b>					

The accompanying notes to financial statements are an integral part of this statement.

IOSCO COUNTY  
Tawas City, Michigan

STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2014

Function/Program	Program Revenues			Primary Government			Net (Expense) Revenue and Changes in Net Position					
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Component Units				
								Iosco County Drain Commission	Iosco County Road Commission	Total		
Component Units												
Drain Commission	\$ 193,120	\$ 174,356	\$ 0	\$ 0				\$ (18,764)	\$ 0			\$ 372,022
Road Commission	<u>5,600,953</u>	<u>645,788</u>	<u>5,327,187</u>	<u>0</u>				<u>0</u>	<u>0</u>			<u>372,022</u>
Total Component Units	<u>\$ 5,794,073</u>	<u>\$ 820,144</u>	<u>\$ 5,327,187</u>	<u>\$ 0</u>				<u>\$ (18,764)</u>	<u>\$ 0</u>			<u>\$ 372,022</u>
General Revenue:												
Property Taxes Levied For:												
General Operating					\$ 4,245,151	\$ 0	\$ 4,245,151					
MSU Extension					130,176	0	130,176					
Debt Service					362,128	0	362,128					
Ambulance Services					476,629	0	476,629					
Medical Care Facility					0	489,137	489,137					
State Revenue Sharing					457,918	0	457,918					
Interest and Investment Earnings					7,067	268,586	275,653					
Rent Income					26,876	0	26,876					
Gain (Loss) on Disposal of Capital Assets					(4,617)	0	(4,617)					
Other					83,556	0	83,556					
Transfers					151,642	(151,642)	0					
Total General Revenue and Transfers					<u>5,936,526</u>	<u>608,081</u>	<u>6,542,607</u>					<u>265,621</u>
Change in Net Position					366,878	275,167	642,045					637,643
Net Position - Beginning					<u>12,651,100</u>	<u>14,287,947</u>	<u>26,939,047</u>					<u>25,117,375</u>
Net Position - Ending					<u>\$ 13,017,978</u>	<u>\$ 14,563,114</u>	<u>\$ 27,581,092</u>					<u>\$ 25,755,018</u>

The accompanying notes to financial statements are an integral part of this statement.

IOSCO COUNTY  
Tawas City, Michigan

BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2014

	Special Revenue Funds					Total Governmental Funds
	General Fund	Ambulance Service Fund	MSHDA Fund	EDC Grant Revolving Loan Fund	Other Governmental Funds	
<b>Assets</b>						
Cash and Cash Equivalents (Note 2)	\$ 1,482,547	\$ 929,537	\$ 16,994	\$ 1,510,467	\$ 2,685,593	\$ 6,625,138
Investments (Note 2)	0	0	0	0	80,000	80,000
Receivables:						
Property Taxes	247,586	482,949	0	0	585,381	1,315,916
Accounts, Net	14,169	390,822	0	0	179,340	584,331
Loans Receivable	0	0	1,283,032	2,422,793	275,892	3,981,717
Due from Local Units	33,231	0	0	0	0	33,231
Due from Component Units (Note 3)	67,000	0	0	0	0	67,000
Due from State	230,225	0	19,571	0	231,162	480,958
Due from Other Funds (Note 3)	124,760	27,996	0	0	9,345	162,101
Prepaid Expenses	39,671	8,229	538	0	19,651	68,089
<b>Total Assets</b>	<b>\$ 2,239,189</b>	<b>\$ 1,839,533</b>	<b>\$ 1,320,135</b>	<b>\$ 3,933,260</b>	<b>\$ 4,066,364</b>	<b>\$ 13,398,481</b>
<b>Liabilities</b>						
Accounts Payable	\$ 145,340	\$ 67,456	\$ 2,402	\$ 0	\$ 62,736	\$ 277,934
Due to Other Funds (Note 3)	34,071	0	2,847	0	125,183	162,101
Due to State	0	0	3,203	0	0	3,203
Due to Other Units of Government	11,295	0	0	0	9,080	20,375
Accrued Liabilities	58,324	14,268	418	0	13,906	86,916
Unearned Revenue (Note 5)	0	0	0	0	9,528	9,528
<b>Total Liabilities</b>	<b>249,030</b>	<b>81,724</b>	<b>8,870</b>	<b>0</b>	<b>220,433</b>	<b>560,057</b>
<b>Deferred Inflows of Resources</b>						
Property Taxes Levied for 2015	0	482,949	0	0	585,381	1,068,330
Unavailable Revenue - Loans	0	0	1,283,032	2,422,793	275,892	3,981,717
Unavailable Revenue - Grants	8,994	0	0	0	28,614	37,608
<b>Total Deferred Inflows of Resources</b>	<b>8,994</b>	<b>482,949</b>	<b>1,283,032</b>	<b>2,422,793</b>	<b>889,887</b>	<b>5,097,655</b>
<b>Fund Equity</b>						
Fund Balances:						
Nonspendable	106,671	8,229	538	0	14,585	130,023
Restricted	58,535	1,266,631	27,695	1,510,467	2,073,350	4,936,678
Committed	0	0	0	0	11,834	11,834
Assigned	0	0	0	0	856,275	856,275
Unassigned	1,815,959	0	0	0	0	1,815,959
<b>Total Fund Equity</b>	<b>1,981,165</b>	<b>1,274,860</b>	<b>28,233</b>	<b>1,510,467</b>	<b>2,956,044</b>	<b>7,750,769</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Equity</b>	<b>\$ 2,239,189</b>	<b>\$ 1,839,533</b>	<b>\$ 1,320,135</b>	<b>\$ 3,933,260</b>	<b>\$ 4,066,364</b>	<b>\$ 13,398,481</b>

The accompanying notes to financial statements are an integral part of this statement.

IOSCO COUNTY  
Tawas City, Michigan

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
December 31, 2014

Total Governmental Fund Balances		\$ 7,750,769
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. Capital assets at year end consist of:		
Capital Assets Cost	\$ 8,375,703	
Accumulated Depreciation	<u>(3,903,658)</u>	4,472,045
Other assets are not available to pay for current period expenditures and, therefore, are unavailable revenue in the governmental funds:		
Loans Receivable	3,956,675	
Grants Receivable	<u>37,608</u>	3,994,283
Accrued Interest on Long-Term Liabilities		(7,566)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year end consist of:		
Bonds Payable	(1,290,000)	
Installment Purchase Agreement Payable	(58,191)	
Net Pension Obligation	(1,593,657)	
Incurred but not Reported Insurance Claims	(91,544)	
Compensated Absences	<u>(369,701)</u>	
Total Long-Term Liabilities		(3,403,093)
Some amounts reported for governmental activities in the statement of net position are different because the internal service fund assets and liabilities are included with governmental activities.		
		<u>211,540</u>
Total Net Position - Governmental Activities		<u>\$ 13,017,978</u>

The accompanying notes to financial statements are an integral part of this statement.

IOSCO COUNTY  
Tawas City, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2014

	Special Revenue Funds						Total Governmental Funds
	General Fund	Ambulance Service Fund	MSHDA Fund	EDC Grant Revolving Loan Fund	Other Governmental Funds		
<u>Revenue</u>							
Property Taxes	\$ 4,245,151	\$ 476,629	\$ 0	\$ 0	\$ 492,304	\$ 5,214,084	
Federal Grants and Revenue	274,505	0	147,374	0	349,519	771,398	
State Grants and Revenue	1,150,385	0	0	0	809,450	1,959,835	
Contributions from Local Units	43,600	0	0	0	80,158	123,758	
Licenses and Permits	17,908	0	0	0	236,895	254,803	
Charges for Services	963,974	2,370,604	0	0	760,294	4,094,872	
Fines and Forfeits	27,989	0	0	0	3,500	31,489	
Interest and Rentals	32,429	68	0	46	1,300	33,843	
Other Revenue	433,931	23,054	3,493	286,020	104,711	851,209	
Total Revenue	<u>7,189,872</u>	<u>2,870,355</u>	<u>150,867</u>	<u>286,066</u>	<u>2,838,131</u>	<u>13,335,291</u>	
<u>Expenditures</u>							
Current:							
General Government:							
Legislative and Executive	118,374	0	0	0	0	118,374	
Judicial	1,635,163	0	0	0	654,514	2,289,677	
Financial and Tax Administration	566,045	0	0	0	0	566,045	
Other General Government	2,140,039	0	0	0	70,288	2,210,327	
Public Safety	1,675,599	0	0	0	899,411	2,575,010	
Public Works	59,101	0	0	0	0	59,101	
Health and Welfare	451,120	2,537,788	127,956	0	799,420	3,916,284	
Community and Economic Development	1,099	0	0	81,262	242,952	325,313	
Recreation and Cultural	4,459	0	0	0	66,971	71,430	
Capital Outlay	147,345	187,673	0	0	205,451	540,469	
Debt Service:							
Principal	71,828	0	0	0	307,876	379,704	
Interest and Fiscal Charges	249	0	0	0	56,017	56,266	
Total Expenditures	<u>6,870,421</u>	<u>2,725,461</u>	<u>127,956</u>	<u>81,262</u>	<u>3,302,900</u>	<u>13,108,000</u>	

The accompanying notes to financial statements are an integral part of this statement.

IOSCO COUNTY  
Tawas City, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2014

	Special Revenue Funds					Total Governmental Funds
	General Fund	Ambulance Service Fund	MSHDA Fund	EDC Grant Revolving Loan Fund	Other Governmental Funds	
Excess of Revenue Over (Under) Expenditures	\$ 319,451	\$ 144,894	\$ 22,911	\$ 204,804	\$ (464,769)	\$ 227,291
Other Financing Sources (Uses)						
Installment Purchase Agreement Proceeds	1,650	0	0	0	0	1,650
Sale of Capital Assets	2,701	37,501	0	0	0	40,202
Operating Transfers In	151,642	0	5,000	0	679,624	836,266
Operating Transfers Out	(604,624)	0	0	0	(80,000)	(684,624)
Total Other Financing Sources (Uses)	(448,631)	37,501	5,000	0	599,624	193,494
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses	(129,180)	182,395	27,911	204,804	134,855	420,785
Fund Balances - Beginning of Year	2,110,345	1,092,465	322	1,305,663	2,821,189	7,329,984
Fund Balances - End of Year	\$ 1,981,165	\$ 1,274,860	\$ 28,233	\$ 1,510,467	\$ 2,956,044	\$ 7,750,769

The accompanying notes to financial statements are an integral part of this statement.

IOSCO COUNTY  
Tawas City, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2014

Total Net Change in Fund Balances - Governmental Funds	\$	420,785
Amounts reported for governmental activities in the statement of activities are different because:		
Receivables not currently available are reported as revenue when collected or when currently available in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements:		
Loans Receivable	\$ (142,288)	
Grants Receivable	<u>2,824</u>	
Net difference		(139,464)
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 as depreciation expense.		
Capital Outlay	348,956	
Current Year Depreciation Expense	(417,343)	
Gain (Loss) on Disposal of Capital Assets	<u>(44,819)</u>	
Net difference		(113,206)
Debt issued provides current financial resources to governmental funds, but issuing debt increases liabilities in the statement of net position. Proceeds from debt issued consists of the following:		
Installment Purchase Agreement Proceeds		(1,650)
The increase of the County's long-term liability for the net pension obligation did not require the use of current financial resources, and was consequently not reported as expenditures in the governmental funds:		
Increase in Net Pension Obligation		(207,625)
Principal repayments on long-term debt are reported as expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. The amount of repayments reported as expenditures in the governmental funds consist of:		
Bonds Payable	300,000	
Installment Purchase Agreement Payable	51,642	
Capital Leases Payable	<u>28,062</u>	
Net difference		379,704
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:		
Net Change in Accrued Interest	1,430	
Net Change in Accrued Compensated Absences	(19,618)	
Net Change in the Incurred but not Reported Insurance Claims	<u>7,869</u>	
Net difference		(10,319)
Some amounts reported for governmental activities in the statement of net position are different because the internal service fund revenue and expenses are included with governmental activities.		
		<u>38,653</u>
Change in Net Position of Governmental Activities	\$	<u><u>366,878</u></u>

The accompanying notes to financial statements are an integral part of this statement.

IOSCO COUNTY  
Tawas City, Michigan

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
December 31, 2014

	Enterprise Funds				Governmental Activity
	Major Funds			Total	Internal Service Fund
	Medical Care Facility Fund	Delinquent Tax Revolving Fund	Other Enterprise Funds		Workers' Compensation Insurance
<b>Assets</b>					
<b>Current Assets</b>					
Cash and Cash Equivalents (Note 2)	\$ 1,624,716	\$ 2,907,109	\$ 38,307	\$ 4,570,132	\$ 211,540
Receivables:					
Property Taxes	505,275	0	0	505,275	0
Delinquent Taxes	0	1,231,784	0	1,231,784	0
Accounts, Net	1,241,719	0	0	1,241,719	0
Loans Receivable (Note 1)	0	0	73,637	73,637	0
Due from Component Unit (Note 3)	0	150	0	150	0
Other Current Assets	219,639	0	0	219,639	0
Restricted Assets					
Cash and Cash Equivalents (Note 2)	<u>1,100,656</u>	<u>0</u>	<u>0</u>	<u>1,100,656</u>	<u>0</u>
Total Current Assets	<u>4,692,005</u>	<u>4,139,043</u>	<u>111,944</u>	<u>8,942,992</u>	<u>211,540</u>
<b>Noncurrent Assets:</b>					
Long-Term Loans Receivable (Note 1)	0	0	316,000	316,000	0
Capital Assets, Net of Accumulated Depreciation (Note 4)	<u>6,851,905</u>	<u>0</u>	<u>0</u>	<u>6,851,905</u>	<u>0</u>
Total Noncurrent Assets	<u>6,851,905</u>	<u>0</u>	<u>316,000</u>	<u>7,167,905</u>	<u>0</u>
Total Assets	<u>11,543,910</u>	<u>4,139,043</u>	<u>427,944</u>	<u>16,110,897</u>	<u>211,540</u>
<b>Liabilities</b>					
<b>Current Liabilities:</b>					
Accounts Payable	274,559	0	374	274,933	0
Accrued Interest Payable	0	0	3,637	3,637	0
Deposits Payable	4,296	0	0	4,296	0
Accrued Liabilities	103,508	0	0	103,508	0
Current Portion of Long-Term Liabilities (Note 6)	<u>270,134</u>	<u>0</u>	<u>70,000</u>	<u>340,134</u>	<u>0</u>
Total Current Liabilities	652,497	0	74,011	726,508	0
<b>Long-Term Liabilities:</b>					
Due in More Than One Year (Note 6)	<u>0</u>	<u>0</u>	<u>316,000</u>	<u>316,000</u>	<u>0</u>
Total Liabilities	<u>652,497</u>	<u>0</u>	<u>390,011</u>	<u>1,042,508</u>	<u>0</u>
<b>Deferred Inflows of Resources</b>					
Property Taxes Levied for 2015	<u>505,275</u>	<u>0</u>	<u>0</u>	<u>505,275</u>	<u>0</u>
<b>Net Position</b>					
Net Investment in Capital Assets Unrestricted	<u>6,851,905</u>	<u>0</u>	<u>0</u>	<u>6,851,905</u>	<u>0</u>
	<u>3,534,233</u>	<u>4,139,043</u>	<u>37,933</u>	<u>7,711,209</u>	<u>211,540</u>
Total Net Position	<u>\$ 10,386,138</u>	<u>\$ 4,139,043</u>	<u>\$ 37,933</u>	<u>\$ 14,563,114</u>	<u>\$ 211,540</u>

The accompanying notes to financial statements are an integral part of this statement.

IOSCO COUNTY  
Tawas City, Michigan

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
For the Year Ended December 31, 2014

	Enterprise Funds				Governmental Activity
	Major Funds			Total	Internal Service Fund
	Medical Care Facility Fund	Delinquent Tax Revolving Fund	Other Enterprise Funds		Workers' Compensation Insurance
<u>Operating Revenue</u>					
Charges For Services	\$ 6,223,804	\$ 0	\$ 17,215	\$ 6,241,019	\$ 0
Tax Collection Fees	0	109,224	0	109,224	0
Interest and Penalties on Taxes	0	266,945	0	266,945	0
Other Revenue	730,887	233,717	0	964,604	38,553
Total Operating Revenue	<u>6,954,691</u>	<u>609,886</u>	<u>17,215</u>	<u>7,581,792</u>	<u>38,553</u>
<u>Operating Expenses</u>					
Salaries and Wages	3,514,699	0	0	3,514,699	0
Depreciation	389,661	0	0	389,661	0
Other	3,534,143	205,328	1,930	3,741,401	0
Total Operating Expenses	<u>7,438,503</u>	<u>205,328</u>	<u>1,930</u>	<u>7,645,761</u>	<u>0</u>
Operating Income (Loss)	<u>(483,812)</u>	<u>404,558</u>	<u>15,285</u>	<u>(63,969)</u>	<u>38,553</u>
<u>Nonoperating Revenue (Expenses)</u>					
Property Taxes	489,137	0	0	489,137	0
Interest and Investment Earnings	233	1,408	0	1,641	100
Contributions	0	0	22,781	22,781	0
Interest and Fees Expense	0	0	(22,781)	(22,781)	0
Total Nonoperating Revenue (Expenses)	<u>489,370</u>	<u>1,408</u>	<u>0</u>	<u>490,778</u>	<u>100</u>
Income (Loss) Before Operating Transfers	5,558	405,966	15,285	426,809	38,653
Operating Transfers Out	<u>0</u>	<u>(151,642)</u>	<u>0</u>	<u>(151,642)</u>	<u>0</u>
Change in Net Position	5,558	254,324	15,285	275,167	38,653
Net Position - Beginning of Year	<u>10,380,580</u>	<u>3,884,719</u>	<u>22,648</u>	<u>14,287,947</u>	<u>172,887</u>
Net Position - End of Year	<u>\$ 10,386,138</u>	<u>\$ 4,139,043</u>	<u>\$ 37,933</u>	<u>\$ 14,563,114</u>	<u>\$ 211,540</u>

The accompanying notes to financial statements are an integral part of this statement.

IOSCO COUNTY  
Tawas City, Michigan

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Year Ended December 31, 2014

	Enterprise Funds				Governmental Activity
	Major Funds			Total	Internal Service Fund
	Medical Care Facility Fund	Delinquent Tax Revolving Fund	Other Enterprise Funds		Workers' Compensation Insurance
<b>Cash Flows From Operating Activities</b>					
Receipts From Customers and Taxpayers	\$ 5,937,158	\$ 764,095	\$ 17,215	\$ 6,718,468	\$ 0
Resident Trust Deposits	1,692	0	0	1,692	0
Other Operating Revenue	730,887	0	0	730,887	59,711
Payments to Suppliers for Goods and Services	(3,550,416)	(205,328)	(5,985)	(3,761,729)	0
Payments to Employees for Services	(3,630,082)	0	0	(3,630,082)	0
Delinquent Taxes Collected (Purchased)	0	59,921	0	59,921	0
Net Cash Provided (Used) by Operating Activities	<u>(510,761)</u>	<u>618,688</u>	<u>11,230</u>	<u>119,157</u>	<u>59,711</u>
<b>Cash Flows From Non-Capital Financing Activities</b>					
Operating Subsidies and Transfers From (To) Other Funds	0	(151,642)	0	(151,642)	0
Property Taxes Received	489,137	0	0	489,137	0
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>489,137</u>	<u>(151,642)</u>	<u>0</u>	<u>337,495</u>	<u>0</u>
<b>Cash Flows From Capital and Related Financing Activities</b>					
Intergovernmental Contributions	0	0	95,623	95,623	0
Acquisition and Construction of Capital Assets	(106,392)	0	0	(106,392)	0
Principal Paid on Long-Term Debt	0	0	(72,000)	(72,000)	0
Interest and Fees Paid on Long-Term Debt	0	0	(23,623)	(23,623)	0
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(106,392)</u>	<u>0</u>	<u>0</u>	<u>(106,392)</u>	<u>0</u>
<b>Cash Flows From Investing Activities</b>					
Interest Earned	233	1,408	0	1,641	100
Net Increase (Decrease) in Cash and Cash Equivalents	(127,783)	468,454	11,230	351,901	59,811
Cash and Cash Equivalents at Beginning of Year (Note 1)	<u>2,853,155</u>	<u>2,438,655</u>	<u>27,077</u>	<u>5,318,887</u>	<u>151,729</u>
Cash and Cash Equivalents at End of Year (Note 1)	<u>\$ 2,725,372</u>	<u>\$ 2,907,109</u>	<u>\$ 38,307</u>	<u>\$ 5,670,788</u>	<u>\$ 211,540</u>

The accompanying notes to financial statements are an integral part of this statement.

IOSCO COUNTY  
Tawas City, Michigan

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Year Ended December 31, 2014

	Enterprise Funds				Governmental Activity
	Major Funds			Total	Internal Service Fund
	Medical Care Facility Fund	Delinquent Tax Revolving Fund	Other Enterprise Funds		Workers' Compensation Insurance
<b>Reconciliation of Operating Income (Loss)</b>					
<b>to Net Cash Provided (Used) by</b>					
<b>Operating Activities</b>					
Operating Income (Loss)	\$ (483,812)	\$ 404,558	\$ 15,285	\$ (63,969)	\$ 38,553
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation Expense	389,661	0	0	389,661	0
Provision for Bad Debts	70,333	0	0	70,333	0
Change in Assets and Liabilities:					
Receivables	(476,271)	214,130	0	(262,141)	21,158
Other Current Assets	(47,400)	0	0	(47,400)	0
Accounts and Other Payables	1,353	0	(4,055)	(2,702)	0
Accrued Liabilities	(85,609)	0	0	(85,609)	0
Third Party Settlements	120,984	0	0	120,984	0
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ (510,761)</b>	<b>\$ 618,688</b>	<b>\$ 11,230</b>	<b>\$ 119,157</b>	<b>\$ 59,711</b>
<b>Reconciliation of Cash and Cash Equivalents to Statement of Net Position:</b>					
Cash and Cash Equivalents	\$ 1,624,716	\$ 2,907,109	\$ 38,307	\$ 4,570,132	\$ 211,540
Restricted Cash and Cash Equivalents	1,100,656	0	0	1,100,656	0
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 2,725,372</b>	<b>\$ 2,907,109</b>	<b>\$ 38,307</b>	<b>\$ 5,670,788</b>	<b>\$ 211,540</b>

The accompanying notes to financial statements are an integral part of this statement.

IOSCO COUNTY  
Tawas City, Michigan

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUNDS  
December 31, 2014

	<u>Trust and Agency Fund</u>	<u>Penal Fines Fund</u>	<u>Flexible Spending Account</u>	<u>Total</u>
<u>Assets</u>				
Cash and Cash Equivalents (Note 2)	\$ 792,691	\$ 85,005	\$ 3,671	\$ 881,367
Investments (Note 2)	<u>25,000</u>	<u>0</u>	<u>0</u>	<u>25,000</u>
<b>Total Assets</b>	<b><u><u>\$ 817,691</u></u></b>	<b><u><u>\$ 85,005</u></u></b>	<b><u><u>\$ 3,671</u></u></b>	<b><u><u>\$ 906,367</u></u></b>
<u>Liabilities</u>				
Accounts Payable	\$ 5,924	\$ 0	\$ 0	\$ 5,924
Due to Local Units	37,913	0	0	37,913
Due to State	83,821	0	0	83,821
Due to Other Agencies and Individuals	217,592	85,005	3,671	306,268
Undistributed Tax Collections	<u>472,441</u>	<u>0</u>	<u>0</u>	<u>472,441</u>
<b>Total Liabilities</b>	<b><u><u>\$ 817,691</u></u></b>	<b><u><u>\$ 85,005</u></u></b>	<b><u><u>\$ 3,671</u></u></b>	<b><u><u>\$ 906,367</u></u></b>

The accompanying notes to financial statements are an integral part of this statement.

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Iosco County (County) conform to accounting principles generally accepted in the United States of America (GAAP) applicable to governments. The following is a summary of the significant accounting policies:

A. Description of County Operations and Fund Types

The County of Iosco, (the County), was organized in 1837 and covers an area of 565 square miles divided into 11 townships and 3 cities. The County seat is located in Tawas City. The County operates under a five member elected Board of Commissioners and provides services to its more than 27,000 residents in many areas including law enforcement, administration of justice, community enrichment and development, and human services.

B. Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements of the County are not misleading. The primary government of the County consists of all funds, departments, boards, and agencies that are not legally separate from the County.

Component units are legally separate organizations for which the County is financially accountable. The primary government is financially accountable if the County appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

In addition, the primary government is also financially accountable if an organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointed by a higher level of government, or (3) a jointly appointed board.

1. Blended Component Unit

Business-Type Activity and Proprietary Fund Type Blended Component Unit:

**Iosco County Medical Care Facility** - The Iosco County Medical Care Facility is legally separate from the County. The Medical Care Facility is reported as if it were part of the primary government because its sole purpose is to finance, construct and operate the County's medical care facilities. The financial activities of the Medical Care Facility are recorded in an Enterprise Fund, which is accounted for using the accrual basis of accounting.

Governmental Activity and Fund Type Blended Component Unit:

**Iosco County Building Authority** - The Iosco County Building Authority is legally separate from Iosco County and is governed by a four member board appointed by the County Board of Commissioners. The County Treasurer acts as Treasurer of the Building Authority. The Building Authority is reported as if it were part of the primary government because its sole purpose is to finance and construct Iosco County's public buildings.

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Reporting Entity (Continued)

2. Discretely Presented Component Units

The component unit columns on the combined financial statements include the financial data of the County's component units. They are reported in separate columns to emphasize that they are legally separate from the County.

a. Governmental Activity and Fund Type Component Units

**The Iosco County Road Commission** - The County appoints all members of the governing Board of the Road Commission. The Road Commission was established to control the expenditures of Michigan Transportation Fund money distributed to the County which is earmarked by law for street and highway construction and repair purposes. The Road Commission deposits all receipts with the County. The Road Commission also has a balance in the County's common bank account and has investments through the County. Complete financial statements for the Iosco County Road Commission can be obtained from the Iosco County Road Commission, located at 3939 M-55, Tawas City, Michigan 48764.

**The Iosco County Drain Commission** - The Iosco County Drain Commission is the Agency through which the County carries on the activities related to construction and maintenance of County drains. The Drain Commission is fiscally dependent on Iosco County. Public Act 40 (The Drain Code) of 1956 established each drainage district as a separate legal entity with the power to contract, to sue and be sued, to hold, manage and dispose of real and personal property, etc. The Drain Commission may issue debt and levy special assessments without the prior approval of the County Board of Commissioners. The Full Faith and Credit of the County may be given for debt of the drainage districts. The County Treasurer collects the receipts and the Clerk makes disbursements after the Drain Commissioner approves the invoices. The Drain Commission also has balances in the County's common bank account and investments through the County. The financial statements of the Drain Commission are presented as part of other supplementary information and are not audited separately.

C. Joint Ventures

The County has entered into several joint ventures with other surrounding counties as follows:

AuSable Valley Community Mental Health Services Board

Iosco County, along with Ogemaw and Oscoda Counties, contributes to the AuSable Valley Community Mental Health Services Board. This Board operates autonomously under an appointed board (12 members) and provides services to residents in these counties under a full management contract with the Michigan Department of Mental Health. Iosco County's 2014 contribution to the AuSable Valley Community Mental Health Services Board was \$67,935. Upon dissolution of the Mental Health Services Board, the net position of the Board will be shared by each county in proportion to each county's total economic contribution since the existence of the Board. At September 30, 2014, the Mental Health Board had total net position of \$2,041,038. Complete financial statements for the AuSable Valley Community Mental Health Services Board can be obtained from the Mental Health Services Board's administrative offices at 1199 Harris, Tawas City, Michigan 48763.

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Joint Ventures (Continued)

District Health Department No. 2

Iosco County, along with Alcona, Ogemaw and Oscoda Counties, contributes to the District Health Department No. 2. This Board operates autonomously under an appointed board and provides various health services to residents of the above aforementioned counties. The funding formula is based prorata on each unit's population and equalized valuation to the District's total population and valuations. Iosco County's 2014 contribution to the District Health Department No. 2 was \$171,496. The District Health Department No. 2 deposits their receipts with the Ogemaw County Treasurer through the common cash bank account. At September 30, 2014 the District Health Department No. 2 had total net position of \$581,264. Complete financial statements for the District Health Department No. 2 can be obtained from the District's administrative offices at 630 Progress Street, West Branch, Michigan 48661.

Iosco-Arenac District Library

Iosco County and Arenac County contribute to the Iosco-Arenac District Library Board. This Board operates autonomously under an appointed board (8 members) and provides library services to the residents of Iosco County and Arenac County. Iosco County's 2014 contribution to the Iosco-Arenac District Library for property taxes and penal fines was \$533,127 and \$169,669, respectively. The Iosco-Arenac District Library deposits their receipts with the Iosco County Treasurer through the common cash bank account. At December 31, 2014 the Iosco-Arenac District Library had total net position of \$1,872,050. Complete financial statements for the Iosco-Arenac District Library can be obtained from the Library's administrative offices at 120 W. Westover, East Tawas, Michigan 48730.

D. Basis of Presentation

The County's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**Government-Wide Financial Statements**

The statement of net position and the statement of activities display information about the County as a whole. These statements include the financial activities of the primary government and its component units, except for fiduciary funds. For the most part, the effect of interfund activity has been removed from the statements. The statements distinguish between those activities of the County that are governmental and those that are considered business-type activities. Governmental activities are normally supported by taxes and intergovernmental revenues while business-type activities rely to a significant extent on fees and charges for support.

The statement of net position presents the financial condition of the governmental and business-type activities of the County at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the County's governmental and business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the County, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the County.

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Presentation (Continued)

**Fund Financial Statements**

During the year, the County segregates transactions related to certain County functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the County at this more detailed level. The focus of governmental and proprietary fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type, and are excluded from the government-wide financial statements.

E. Fund Accounting

The County uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain County functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

**Governmental Funds**

Governmental funds are those through which most governmental functions of the County are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the County's major governmental funds:

General Fund - This fund accounts for all financial resources, except those required to be accounted for in another fund. Revenues are derived primarily from property taxes and state and federal distributions, grants and other intergovernmental revenue.

Ambulance Service Fund - This fund accounts for the collection of a separate tax millage that is used to fund the operations of ambulance services.

EDC Grant Revolving Loan Fund - This fund accounts for the operations of a service for providing low interest loans to assist professional, commercial and industrial entities in rehabilitation and expansion of existing businesses and the construction of new businesses within the County.

MSHDA Fund - This fund accounts for the operations of services for providing affordable low interest loans to fund home mortgages and home improvements to residents within the County.

The other governmental funds of the County account for grants and other resources whose use is restricted for a particular purpose; the accumulation of resources for, and the payment of debt; and the acquisition or construction of major capital facilities.

**Proprietary Funds**

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows.

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Fund Accounting (Continued)

The County's enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the County's major enterprise funds:

Medical Care Facility Fund - This fund accounts for the operations of the County's medical care facility.

Delinquent Tax Revolving Fund - This fund accounts for the purchase of delinquent taxes from other local taxing units.

The other enterprise funds of the County account for the accumulation of resources for, and the payment of debt; and the commissary revenues of the County.

Internal Service Fund - This fund is used to record the financing of services provided by the local unit to other departments and funds, and to other governmental units on a cost reimbursement basis. This fund is related to insurance fund services.

**Fiduciary Funds**

Fiduciary fund reporting focuses on net position and changes in net position. The County's agency funds account for assets held by the County for political subdivisions in which the County acts as fiscal agent for property tax collections, state-levied shared revenues, and fines and forfeitures.

F. Measurement Focus

**Government-Wide Financial Statements**

The government-wide financial statements are prepared using a flow of economic resources measurement focus.

All assets and all liabilities associated with the operation of the County, excluding component units, are included on the statement of net position.

**Fund Financial Statements**

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenue, expenditures, and changes in fund balances reflects the sources (i.e., revenues and other financial sources) and uses (i.e., expenditures and other financial uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

Like the government-wide financial statements, the enterprise funds are accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of changes in revenue, expenses, and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows reflects how the County finances and meets the cash flow needs of its enterprise activities.

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide, proprietary and fiduciary funds financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of unavailable revenue as deferred inflows of resources, and in the presentation of expenses versus expenditures.

**Revenues – Exchange and Non-exchange Transactions**

Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the County, available means expected to be received within 60 days of the fiscal year-end.

Nonexchange transactions, in which the County receives value without directly giving equal value in return, include property taxes, sales taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied. Revenue from sales taxes is recognized in the period in which the sales are made. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the County must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the County on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before they can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: sales taxes, charges for services, fines and forfeitures, state-levied locally shared taxes (including sales tax), grants, interest and rent.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position and balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time.

In addition to liabilities, the statement of net position and 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.

**Expenses/Expenditures**

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Cash and Cash Equivalents

For presentation on the financial statements, investments in the cash management pools and investments with an original maturity of three months or less at the time they are purchased by the County are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

Investments are reported at fair value, except for repurchase agreements and certificates of deposit which are reported at cost which approximates fair value. Fair value is based on quoted market prices. Mutual funds are reported at current share price.

I. Receivables

Receivables generally consist of accounts (fees), sales taxes, shared revenues, property taxes, loans receivable, intergovernmental grants, and interest. All receivables are net of estimated uncollectible accounts. Receivables are recognized to the extent the amounts are determined material and substantiated, not only by supporting documentation but also by a reasonable systematic method of determining their existence, completeness, valuation, and collectability.

The allowance for doubtful accounts at December 31, 2014 was \$425,938 for the primary government and the component units.

J. Interfund Receivables and Payables

On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "due from/to other funds". Interfund balances within governmental activities and within business-type activities are eliminated on the government-wide statement of net position. Balances due from/to component units are reported on the government-wide statement of net position.

K. Prepaid Items

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

L. Restricted Assets

Restricted assets include assets set aside by the Board of Trustees of the Medical Care Facility for future capital improvement, over which, the Board retains control and may, at its discretion, subsequently use for other purposes.

M. Loans Receivable

Governmental Activities

Loans receivable represent amounts due to Iosco County for loans made to assist individual residents and professional, commercial and industrial entities for the purchases of homes and improvements to homes, as well as, the rehabilitation and expansion of existing businesses and the construction of new businesses within the County. Terms of repayment vary depending upon the loan agreements.

Loans receivable have a set payment schedule for monthly payments to be made to the County. Due to the nature of these loans, loan payments are not always made in accordance with the payment schedule. As such, the estimate of the amount not expected to be collected in one year is \$3,757,465.

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Loans Receivable (Continued)

Business-Type Activities

Loans receivable represent amounts due from local governmental units for water and sewer bonds taken out by Iosco County so that these governmental units could make improvements. These governmental units are paying the County back as the bond payments come due. The amount not expected to be collected in one year is \$316,000.

N. Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements. Capital assets used by the enterprise funds are reported in both the business-type activities column of the government-wide statement of net position and in the respective funds.

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.

The County's infrastructure consists of roads, bridges, and County Drains. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Capital assets are depreciated using the straight-line method for the primary government and Drain Commission Component Unit, and using the sum-of-the-years digits method for road equipment and the straight-line method for capital assets for the Road Commission Component Unit; over the following useful lives:

<u>Descriptions</u>	<u>Estimated Lives</u>
Building and improvements	25 - 50 years
Equipment	4 - 20 years
Vehicles	3 - 10 years
Infrastructure	5 - 50 years

O. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from the enterprise fund are reported on the enterprise fund statement. In general, payables and accrued liabilities that will be paid from governmental funds are reported as a liability in the fund financial statements at the time they are incurred, to the extent that they will be paid from current, expendable, financial resources. However, bonds and other long-term obligations, compensated absences, claims and judgments, contractually required pension contributions and special termination benefits that are paid from governmental funds are recognized as liabilities in the fund financial statements only to the extent that they are due for payment during the current year.

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Compensated Absences

The County reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Vacation and sick leave benefits are accrued as a liability using the vesting method. An accrual for earned vacation and sick leave is made based on accumulated vacation and sick leave and the employee wage rates at year end taking into consideration limits specified in the County's termination policy. The County records a liability for sick leave earned at varying rates depending on County policy. The County records a liability for accumulated unused vacation time when earned for all employees.

The entire compensated absences liability is reported on the government-wide financial statements. On the governmental fund financial statements, the current portion of unpaid compensated absences is recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts, if any, are recorded in the account "Accrued Compensated Absences Payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported in the governmental fund financial statements. For enterprise funds, the entire amount of compensated absences is reported as a fund liability.

Q. Net Position

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The County reports three categories of net position as follows:

Net investment in capital assets - consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.

Restricted net position - net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws or buyers of the County's bonds. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted net position - consists of all other net position that does not meet the definition of the above two components and is available for general use by the County.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, management applies restricted net position first, unless a determination is made to use unrestricted net position. The County's policy concerning which to apply first varies with the intended use and legal requirements. Management typically makes this decision on a transactional basis at the incurrence of the expenditure.

R. Fund Balances

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form—pre-paid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Fund Balances (Continued)

Restricted fund balance. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by a resolution of the Board of Commissioners—the County's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Board of Commissioners removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance. This classification reflects the amounts constrained by the County's "intent" to be used for specific purposes, but are neither restricted nor committed. The Board of Commissioners or the County Administrator have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the County's policy to use externally restricted resources first, then unrestricted resources—committed, assigned, and unassigned—in order as needed.

The recommended unassigned fund balance for the General Fund is 20% of budgeted expenditures.

S. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the County, these revenues are charges for services for medical care, commissary sales, tax collections and title collection fees. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the fund. Revenues and expenses not meeting these definitions are reported as nonoperating.

T. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

U. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the fiscal year ended December 31, 2014.

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

V. Budgets and Budgetary Accounting

Iosco County normally follows these procedures in establishing the budgetary data reflected in the financial statements.

1. Prior to December 1, the departments submit to the Board of Commissioners a proposed departmental operating budget for the fiscal year commencing the following January 1. This operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at the governmental center to obtain taxpayer comments.
3. Prior to January 1, the budget is legally enacted through passage of an ordinance.
4. All budget appropriations lapse at year-end. Budgetary amounts reported herein are as originally adopted, and as amended by the Board of Commissioners throughout the operating year.

The County adopts budgets for the General Fund and Special Revenue Funds.

The budgets of the County are prepared on the same basis of accounting as the financial statement presentation. The budgets were adopted at the activity level.

The County Clerk is authorized to transfer budgeted amounts between accounts within the same department. Revisions that alter the total expenditures of any fund or total department expenditures must be approved by the County Board of Commissioners. The financial statements include budgetary amounts as amended.

W. Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. 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.

X. Reclassifications

Certain prior year amounts have been reclassified to conform with the current year presentation.

Y. Recently Issued Accounting Standards

In June 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68, Accounting and Financial Reporting for Pensions. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This net pension liability that will be recorded on the government-wide, proprietary, and discretely presented component units statements will be computed differently than the current unfunded actuarial accrued liability, using specific parameters set forth by the GASB. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The County is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for financial statements for the year ending December 31, 2015.

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2014

NOTE 2 - DEPOSITS AND INVESTMENTS

At year-end, the County's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>	<u>Component Units</u>
Cash and Cash Equivalents	\$ 6,836,678	\$ 4,570,132	\$ 881,367	\$ 12,288,177	\$ 417,369
Investments	80,000	0	25,000	105,000	3,493,196
Restricted Cash and Cash Equivalents	<u>0</u>	<u>1,100,656</u>	<u>0</u>	<u>1,100,656</u>	<u>0</u>
Total	<u>\$ 6,916,678</u>	<u>\$ 5,670,788</u>	<u>\$ 906,367</u>	<u>\$ 13,493,833</u>	<u>\$ 3,910,565</u>

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>	<u>Component Units</u>
Bank Deposits (Checking and Savings Accounts and Certificates of Deposit)	\$ 8,694,658	\$ 416,969
Investments in Municipal Investment Account Pooled Funds and Money Market Funds	4,794,085	3,493,196
Petty Cash and Cash on Hand	<u>5,090</u>	<u>400</u>
Total	<u>\$ 13,493,833</u>	<u>\$ 3,910,565</u>

As of December 31, 2014, the County had the following investments.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Specific Identification Maturities</u>
Primary Government:		
Money Markets	\$ <u>4,794,085</u>	Daily
Component Units:		
Investment Pools	\$ <u>3,493,196</u>	Daily

Interest Rate Risk

In accordance with its investment policy, the County will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the County's known cash requirements.

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2014

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Credit Risk

State law authorizes investments in investment pools as authorized by the Surplus Funds Investment Pool Act, Act No. 367 of the Public Acts of 1982, being sections 129.111 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a local government unit in Michigan. The County's money markets are rated AAA by Standard and Poors and Moody's.

Custodial Credit Risk - Deposits - Primary Government

In the case of deposits, this is the risk that in the event of a bank failure, the County's deposits may not be returned to it. As of December 31, 2014, \$7,849,067 of the County's bank balance of \$8,704,067 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk - Deposits - Component Units

In the case of deposits, this is the risk that in the event of a bank failure, the component unit's deposits may not be returned to it. As of December 31, 2014, \$165,236 of the Drain Commission's bank balance of \$366,427 was exposed to custodial credit risk and \$20,626 of the Road Commission's bank balance of \$74,472 was exposed to custodial credit risk because they were uninsured and uncollateralized.

Concentration of Credit Risk

The County will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the County's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. The County's investment policy requires that no more than 50% of the total investment portfolio, with the exception of U. S. Treasury Securities and authorized pools, can be invested in a single security type or with a single financial institution. The following are investments of the County that represent more than 5% of the County's total investments:

Governmental Money Market Funds, which are invested solely in U.S. Treasury Securities, held at Fifth Third Securities, Inc., which represents 100% of the County's total investments.

Concentration of Credit Risk - Component Units

The Road Commission will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Road Commission's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. The following are investments of the Road Commission that represent more than 5% of the Road Commission's total investments:

Governmental Money Market Funds, which are invested solely in U.S. Treasury Securities, held at Fifth Third Securities, Inc., which represents 100% of the Road Commission's total investments.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The County will minimize custodial credit risk, by; limiting investments to the types of securities approved in the County's investment policy which is in accordance with State law, and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the County will do business.

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2014

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Foreign Currency Risk

The County's investment policy does not address foreign currency risk.

Investments

The County Board has adopted an investment policy in accordance with Act 196, PA 1997 which authorizes the County to deposit and invest in the following:

- Accounts of federally insured banks, credit unions and savings and loan associations
- Bonds and other direct obligations of the United States or an agency or instrumentality of the United States
- United States government or federal agency obligation repurchase agreements
- Banker's acceptances of United States banks
- Commercial paper rated with a rating of not less than A1 from Moody's and P1 from Standard & Poor's
- Mutual funds registered under the Investment Company Act of 1940, Title I of Chapter 686, 54 Stat. 789 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation

Michigan law requires that public funds may not be deposited in financial institutions that do not maintain an office in Michigan. The County's deposits and investments are in accordance with statutory authority.

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivables and payables as of December 31, 2014 were as follows:

Due to	Due from			Total
	General Fund	MSHDA Fund	Non-major Governmental Funds	
General Fund	\$ 0	\$ 0	\$ 124,760	\$ 124,760
Ambulance Service Fund	27,996	0	0	27,996
Non-major Governmental Funds	6,075	2,847	423	9,345
	\$ 34,071	\$ 2,847	\$ 125,183	\$ 162,101
<u>Due from Component Unit</u>	<u>Due to Primary Government</u>			
General Fund	\$ 67,000	Drain Commission		\$ 67,000
Delinquent Tax Revolving Fund	150	Drain Commission		150
Total	\$ 67,150	Total		\$ 67,150

These balances result from the time lag between the dates that interfund goods and services are provided, transactions are recorded in the accounting system, and payments between funds are made.

The Due from Component Unit to the General Fund is a long-term loan and is not expected to be repaid within one year.

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2014

NOTE 4 - CAPITAL ASSETS

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

	Balance 01/01/14	Additions	Deletions	Balance 12/31/14
<u>Governmental Activities</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 263,506	\$ 121,335	\$ 0	\$ 384,841
Construction in Progress	<u>46,748</u>	<u>0</u>	<u>0</u>	<u>46,748</u>
Subtotal	<u>310,254</u>	<u>121,335</u>	<u>0</u>	<u>431,589</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	4,779,304	33,320	0	4,812,624
Machinery and Equipment	2,068,306	173,801	(91,335)	2,150,772
Vehicles	<u>1,041,542</u>	<u>20,500</u>	<u>(81,324)</u>	<u>980,718</u>
Subtotal	<u>7,889,152</u>	<u>227,621</u>	<u>(172,659)</u>	<u>7,944,114</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(1,982,449)	(131,687)	0	(2,114,136)
Machinery and Equipment	(1,118,614)	(156,905)	59,368	(1,216,151)
Vehicles	<u>(513,092)</u>	<u>(128,751)</u>	<u>68,472</u>	<u>(573,371)</u>
Subtotal	<u>(3,614,155)</u>	<u>(417,343)</u>	<u>127,840</u>	<u>(3,903,658)</u>
Capital Assets Being Depreciated	<u>4,274,997</u>	<u>(189,722)</u>	<u>(44,819)</u>	<u>4,040,456</u>
Governmental Activities Total	<u>\$ 4,585,251</u>	<u>\$ (68,387)</u>	<u>\$ (44,819)</u>	<u>\$ 4,472,045</u>
Capital Assets - Net of Depreciation				
	Balance 01/01/14	Additions	Deletions	Balance 12/31/14
<u>Business-Type Activities</u>				
Capital Assets Being Depreciated:				
Buildings	\$ 10,475,586	\$ 106,392	\$ 0	\$ 10,581,978
Machinery and Equipment	<u>1,471,681</u>	<u>0</u>	<u>0</u>	<u>1,471,681</u>
Subtotal	<u>11,947,267</u>	<u>106,392</u>	<u>0</u>	<u>12,053,659</u>
Less Accumulated Depreciation for:				
Buildings	(3,554,603)	(338,596)	0	(3,893,199)
Machinery and Equipment	<u>(1,257,490)</u>	<u>(51,065)</u>	<u>0</u>	<u>(1,308,555)</u>
Subtotal	<u>(4,812,093)</u>	<u>(389,661)</u>	<u>0</u>	<u>(5,201,754)</u>
Business-Type Activities Total	<u>\$ 7,135,174</u>	<u>\$ (283,269)</u>	<u>\$ 0</u>	<u>\$ 6,851,905</u>
Capital Assets - Net of Depreciation				

The County has entered into a lease agreement for the purchase of capital assets. This lease agreement qualifies as a capital lease for accounting purposes and is recorded as a governmental activities' capital asset. The annex building purchased through a capital lease has an original cost of \$810,000 and accumulated depreciation at December 31, 2014 is \$315,900.

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2014

NOTE 4 - CAPITAL ASSETS (CONTINUED)

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

Governmental Activities

General Government:

Judicial	\$ 11,595
Other General Government	127,711

Public Safety:

Sheriff	36,796
Jail	42,700
Other Public Safety	36,607

Health and Welfare:

Other Health and Welfare	143,594
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Recreation and Cultural	<u>18,340</u>
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Total Governmental Activities	<u>\$ 417,343</u>
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Business-Type Activities

Medical Care Facility	<u>\$ 389,661</u>
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Capital asset activity of the Drain Commission for the current year is as follows:

	<u>Balance 01/01/14</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/14</u>
<u>Governmental Activities</u>				
Capital Assets Being Depreciated				
Infrastructure - Whitney Drain	\$ 2,437,337	\$ 0	\$ 0	\$ 2,437,337
Infrastructure - Parent Drain	162,280	0	0	162,280
Infrastructure - Van Etten Lake Dam	<u>0</u>	<u>67,343</u>	<u>0</u>	<u>67,343</u>
Subtotal	<u>2,599,617</u>	<u>67,343</u>	<u>0</u>	<u>2,666,960</u>
Less Accumulated Depreciation for:				
Infrastructure - Whitney Drain	(243,368)	(48,747)	0	(292,115)
Infrastructure - Parent Drain	(56,798)	(8,114)	0	(64,912)
Infrastructure - Van Etten Lake Dam	<u>0</u>	<u>(3,367)</u>	<u>0</u>	<u>(3,367)</u>
Subtotal	<u>(300,166)</u>	<u>(60,228)</u>	<u>0</u>	<u>(360,394)</u>
Governmental Activities Total				
Capital Assets - Net of Depreciation	<u>\$ 2,299,451</u>	<u>\$ 7,115</u>	<u>\$ 0</u>	<u>\$ 2,306,566</u>

Depreciation expense was charged to programs of the Drain Commission as follows:

Governmental Activities

Public Works	<u>\$ 60,228</u>
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IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2014

NOTE 4 - CAPITAL ASSETS (CONTINUED)

Capital asset activity of the Road Commission for the current year is as follows:

	Balance 01/01/14	Additions	Deletions	Balance 12/31/14
<u>Governmental Activities</u>				
Capital Assets Not Being Depreciated:				
Land and Improvements	\$ 1,998,453	\$ 485,485	\$ 0	\$ 2,483,938
Capital Assets Being Depreciated				
Buildings and Improvements	1,834,326	0	0	1,834,326
Equipment - Road	6,534,070	497,248	(174,395)	6,856,923
Equipment - Shop	62,331	0	0	62,331
Equipment - Office	54,710	0	(1,764)	52,946
Equipment - Engineer's	24,270	0	0	24,270
Equipment - Yard	121,419	0	0	121,419
Infrastructure and Improvements	24,683,494	611,352	0	25,294,846
Land Improvements	30,619	0	0	30,619
Subtotal	33,345,239	1,108,600	(176,159)	34,277,680
Less Accumulated Depreciation for:				
Buildings and Improvements	(1,215,913)	(36,686)	0	(1,252,599)
Equipment - Road	(6,096,813)	(189,645)	174,395	(6,112,063)
Equipment - Shop	(60,975)	(479)	0	(61,454)
Equipment - Office	(44,554)	(2,766)	1,764	(45,556)
Equipment - Engineer's	(24,270)	0	0	(24,270)
Equipment - Yard	(121,418)	0	0	(121,418)
Infrastructure and Improvements	(6,455,067)	(1,211,282)	0	(7,666,349)
Land Improvements	(30,171)	(448)	0	(30,619)
Subtotal	(14,049,181)	(1,441,306)	176,159	(15,314,328)
Capital Assets Being Depreciated	19,296,058	(332,706)	0	18,963,352
Governmental Activities Total				
Capital Assets - Net of Depreciation	\$ 21,294,511	\$ 152,779	\$ 0	\$ 21,447,290

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

<u>Governmental Activities</u>	
Public Works	\$ <u>1,441,306</u>

NOTE 5 - UNEARNED REVENUE

Governmental funds defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of unearned revenue are as follows:

	Unearned
Grants Receivable	\$ <u>9,528</u>

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2014

NOTE 6 - LONG-TERM LIABILITIES

Primary Government:

A. Bonds Payable

	<u>Governmental</u>	<u>Business-Type</u>
\$2,015,000 2009 Building Authority Refunding Bonds, dated April 1, 2009 for the purpose of refunding the Iosco County Building Authority of 1984 Building Authority Bonds, due in annual installments through June 1, 2018, bearing interest at the rates of 3% to 4%, paid from the 2009 Building Authority Refunding Bond Fund.	\$ 965,000	\$ 0
\$605,000 2009 Capital Improvement Bonds, dated June 1, 2009 for the purpose of renovating the Iosco County Jail and Administrative Building, due in annual installments through March 1, 2019, bearing interest at the rate of 4.15%, paid from the 2009 Capital Improvement Bond Fund.	325,000	0
\$550,000 Iosco County - Alabaster Township Water System Project Bonds, dated August 1, 2000, due in annual installments through May 1, 2020, bearing interest at the rates of 5.05% to 6.25%, paid from the Alabaster Water Fund. This bond issue is being funded by Alabaster Township.	0	180,000
\$875,000 Iosco County Water Supply System No. 2 Bonds, dated September 26, 1975, due in annual installments through 2015, bearing interest at the rate of 5%, paid from the AuSable D.P.W. #2 Fund. This bond issue is being funded by AuSable Township.	0	20,000
\$70,000 Iosco County Water Supply System No. 2 Series II Bonds, dated April 26, 1978, due in annual installments through January 1, 2017, bearing interest at the rate of 5%, paid from the AuSable D.P.W. #2 Series II Fund. This bond issue is being funded by AuSable Township.	0	6,000
\$355,000 Iosco County - Baldwin Township 2002 Water Project Bonds, dated January 1, 2003, due in annual installments through May 1, 2022, bearing interest at the rates of 3.75% to 5%, paid from the Baldwin Water 2002 Fund. This bond issue is being funded by Baldwin Township.	0	180,000
Total Bonds Payable	1,290,000	386,000

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2014

NOTE 6 - LONG-TERM LIABILITIES (CONTINUED)

Primary Government: (Continued)

B. Installment Purchase Agreements Payable

On April 17, 2013, the County entered into an installment purchase agreement with BS& A Software in the amount of \$162,275 for the purchase of BS& A .NET Programs software. This software has been recorded as a capital asset at its purchase price. This agreement is repayable in 3 annual installments of \$54,092. Also, on January 23, 2014, the County incurred additional costs related to the BS& A Software, resulting in \$1,650 of additional costs, which is also repayable in 3 annual installments in the amount of \$550 per year. The agreement does not bear interest on the unpaid balance.

	<u>Governmental</u>	<u>Business-Type</u>
	\$ 58,191	\$ 0

Total Primary Government

	\$ 1,348,191	\$ 386,000
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Component Units:

C. Bonds Payable

Governmental Activities:

Drain Commission - \$160,000 Parent Drain Bonds, dated September 1, 2005. The bonds bear interest at 3.75% - 4% and are due in annual installments through 2015.

	<u>Governmental</u>	<u>Business-Type</u>
	\$ 20,000	\$ 0

Drain Commission - \$1,690,000 Whitney Intercounty Drain Bonds, dated October 1, 2007, due in annual installments through June 1, 2022, bearing interest at the rates of 4%. Said bonds were issued for the purpose of constructing a drain in Ogemaw, Iosco and Arenac Counties. Iosco County's portion of said bonds is 74.92% or \$1,266,189. Ogemaw and Arenac County send special assessment revenue to Iosco County and the entire debt is paid by Iosco County. Payments are made from the Whitney Drain Fund.

	920,000	0
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Total Bonds Payable/Component Units

	\$ 940,000	\$ 0
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D. Compensated Absences Payable

The County has an accrued liability for accumulated vested vacation and sick leave benefits of its employees. As of December 31, 2014, the accumulated vested vacation and sick leave benefits of the employees of various County departments and its component units were as follows:

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2014

NOTE 6 - LONG-TERM LIABILITIES (CONTINUED)

D. Compensated Absences Payable (Continued)

	Current Liability	Long-Term Liability	Total Balance
	<u>12/31/14</u>	<u>12/31/14</u>	<u>12/31/14</u>
<u>Accrued Employee Benefits Payable</u>			
<u>Primary Government</u>			
Governmental Activities	\$ 0	\$ 369,701	\$ 369,701
Business-Type Activities	270,134	0	270,134
	<u>\$ 270,134</u>	<u>\$ 369,701</u>	<u>\$ 639,835</u>
<u>Component Unit</u>			
Road Commission	<u>\$ 0</u>	<u>\$ 158,750</u>	<u>\$ 158,750</u>

The employment policies for accumulation of vacation and sick leave benefits vary based on union membership and employee group.

E. Health Insurance

The self-insurance program for health insurance is accounted for in the General Fund. An independent administrator (Blue Cross) is hired to process the daily claims. The County has a stop loss of \$100,000. The County is also responsible for paying administrative charges. The liability at the end of the year is based on claims already incurred and reported and on estimates of incurred but not reported claims as provided by Blue Cross. No annuity contracts have been purchased to satisfy claim liabilities. Settled claims have not exceeded insurance coverage in any of the past three years.

The changes in the Health Insurance claims liability for the year ended December 31, 2014 are as follows:

	<u>12/31/2014</u>
Claims Liability, Beginning of Year	\$ 99,413
Claims and Damages Incurred	1,404,989
Claims Payments	<u>(1,412,858)</u>
Claims Liability, End of Year	<u>\$ 91,544</u>

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2014

NOTE 6 - LONG-TERM LIABILITIES (CONTINUED)

F. Changes in Long-Term Liabilities

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

	<u>Balance</u> <u>01/01/14</u>	<u>Issues or</u> <u>Additions</u>	<u>Payments or</u> <u>Expenditures</u>	<u>Balance</u> <u>12/31/14</u>	<u>Due Within</u> <u>One Year</u>
<u>Governmental Activities</u>					
Primary Government:					
Bonds Payable	\$ 1,590,000	\$ 0	\$ (300,000)	\$ 1,290,000	\$ 295,000
Installment Purchase					
Agreements Payable	108,183	1,650	(51,642)	58,191	57,641
Capital Leases Payable	28,062	0	(28,062)	0	0
Net Pension Obligation	1,386,032	207,625	0	1,593,657	0
Incurred but not Reported					
Insurance Claims	99,413	0	(7,869)*	91,544	91,544
Compensated Absences	<u>350,083</u>	<u>19,618</u> *	<u>0</u>	<u>369,701</u>	<u>0</u>
Total Primary Government	<u>\$ 3,561,773</u>	<u>\$ 228,893</u>	<u>\$ (387,573)</u>	<u>\$ 3,403,093</u>	<u>\$ 444,185</u>
Component Units:					
Bonds Payable	\$ 1,070,000	\$ 0	\$ (130,000)	\$ 940,000	\$ 135,000
Net OPEB Obligation	154,653	50,882	(17,424)	188,111	0
Compensated Absences	<u>153,964</u>	<u>79,301</u>	<u>(74,515)</u>	<u>158,750</u>	<u>0</u>
Total Component Units	<u>\$ 1,378,617</u>	<u>\$ 130,183</u>	<u>\$ (221,939)</u>	<u>\$ 1,286,861</u>	<u>\$ 135,000</u>
	<u>Balance</u> <u>01/01/14</u>	<u>Issues or</u> <u>Additions</u>	<u>Payments or</u> <u>Expenditures</u>	<u>Balance</u> <u>12/31/14</u>	<u>Due Within</u> <u>One Year</u>
<u>Business-Type Activities</u>					
Primary Government:					
Bonds Payable	\$ 458,000	\$ 0	\$ (72,000)	\$ 386,000	\$ 70,000
Compensated Absences	<u>259,396</u>	<u>10,738</u> *	<u>0</u>	<u>270,134</u>	<u>270,134</u>
Total Primary Government	<u>\$ 717,396</u>	<u>\$ 10,738</u>	<u>\$ (72,000)</u>	<u>\$ 656,134</u>	<u>\$ 340,134</u>

\*Represents net of additions and retirements for the year.

See Note 10 for further detail of the Net Pension Obligation.

The interest expenditures on long-term obligations for the year were \$77,617 for the primary government and \$41,490 for the Drain Commission.

Compensated absences, Insurance Claims, and the Net Pension Obligation for the governmental funds are generally liquidated by the General Fund.

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2014

**NOTE 6 - LONG-TERM LIABILITIES (CONTINUED)**

The annual aggregate maturities for all debt outstanding (excluding compensated absences, net pension obligations and health insurance claims) as of December 31, 2014 are as follows:

Primary Government

<b>Bonds Payable</b>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2015	\$ 295,000	\$ 45,261	\$ 70,000	\$ 18,518	\$ 428,779
2016	320,000	33,753	53,000	15,612	422,365
2017	345,000	20,359	53,000	12,788	431,147
2018	260,000	8,157	50,000	9,993	328,150
2019	70,000	1,452	55,000	7,104	133,556
2020 - 2022	<u>0</u>	<u>0</u>	<u>105,000</u>	<u>6,544</u>	<u>111,544</u>
<b>Total</b>	<b>\$ 1,290,000</b>	<b>\$ 108,982</b>	<b>\$ 386,000</b>	<b>\$ 70,559</b>	<b>\$ 1,855,541</b>

<b>Installment Purchase Agreements Payable</b>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2015	\$ 57,641	\$ 0	\$ 0	\$ 0	\$ 57,641
2016	<u>550</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>550</u>
<b>Total</b>	<b>\$ 58,191</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 58,191</b>

Component Units

<b>Bonds Payable</b>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2015	\$ 135,000	\$ 34,900	\$ 0	\$ 0	\$ 169,900
2016	115,000	29,900	0	0	144,900
2017	115,000	25,300	0	0	140,300
2018	115,000	20,700	0	0	135,700
2019	115,000	16,100	0	0	131,100
2020 - 2022	<u>345,000</u>	<u>20,700</u>	<u>0</u>	<u>0</u>	<u>365,700</u>
<b>Total</b>	<b>\$ 940,000</b>	<b>\$ 147,600</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 1,087,600</b>

**NOTE 7 - PROPERTY TAXES**

Property taxes include amounts levied against all real property and tangible personal property located in the County. Property taxes become an enforceable lien on property as of December 1, 2013 for winter taxes and July 1, 2014 for summer taxes. Taxes are levied on December 1, 2013 and July 1, 2014 and are payable by February 28, 2014 and September 30, 2014, respectively. The cities and townships within the County bill and collect the property taxes for the County.

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2014

**NOTE 7 - PROPERTY TAXES (CONTINUED)**

County taxes levied December 1, 2013, are collected in and are intended to finance 2014 operations. The taxable value of real and personal property for the December 1, 2013 levy was \$1,102,414,614. The 2013 operating tax rate is currently .4912 mills for library, .2910 mills for commission on aging, .1200 mills for msu extension, .0967 mills for transit .4431 for ambulance, .4557 for medical care operations and .3354 mills for medical care facility debt service.

County taxes levied July 1, 2014, are collected in and are intended to finance 2014 operations. The taxable value of real and personal property for the July 1, 2014 levy was \$1,115,232,806. The 2014 operating tax rate is currently 3.9129 mills for operations.

By resolution of the Board of Commissioners and agreement with various taxing authorities, the County purchased at face value the real property taxes receivable returned delinquent on March 1, 2014. County funds were used to liquidate the amounts due the General Fund and various other funds and governmental agencies for purchase of the receivables. Subsequent collections on delinquent taxes receivable, plus interest and collection fees thereon and investment earnings, are used to replenish County funds. This activity is recorded in the Delinquent Tax Revolving Fund, which is an Enterprise Fund.

**NOTE 8 - OPERATING TRANSFERS**

During the year ended December 31, 2014, the following transfers were made:

<u>Transfer to</u>	<u>Transfer from</u>			<u>Total</u>
	<u>General Fund</u>	<u>Delinquent Tax Revolving Fund</u>	<u>Non-major Governmental Funds</u>	
General Fund	\$ 0	\$ 151,642	\$ 0	\$ 151,642
MSHDA Fund	0	0	5,000	5,000
Non-major Governmental Funds	<u>604,624</u>	<u>0</u>	<u>75,000</u>	<u>679,624</u>
	<u>\$ 604,624</u>	<u>\$ 151,642</u>	<u>\$ 80,000</u>	<u>\$ 836,266</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**NOTE 9 - EXCESS OF EXPENDITURES OVER APPROPRIATION IN BUDGETARY FUNDS**

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the County's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the County for these budgetary funds were adopted at the activity level.

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2014

**NOTE 9 - EXCESS OF EXPENDITURES OVER APPROPRIATION IN BUDGETARY FUNDS (CONTINUED)**

During the year ended December 31, 2014, the County incurred expenditures which were in excess of the amounts appropriated as follows:

<u>Fund/Activity</u>	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
General Fund/General Government/Judicial	\$ 1,628,616	\$ 1,635,163	\$ 6,547
General Fund/Capital Outlay	\$ 133,179	\$ 147,345	\$ 14,166
General Fund/Debt Service/Principal	\$ 10,222	\$ 71,828	\$ 61,606
General Fund/Debt Service/Interest	\$ 160	\$ 249	\$ 89
General Fund/Operating Transfers Out	\$ 474,793	\$ 604,624	\$ 129,831
Ambulance Service Fund/Health and Welfare	\$ 2,439,500	\$ 2,537,788	\$ 98,288
Ambulance Service Fund/Capital Outlay	\$ 152,000	\$ 187,673	\$ 35,673

**NOTE 10 - RETIREMENT SYSTEM - MERS OPERATED**

**Defined Benefit Plan**

**Primary Government**

**Plan Description**

The County's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The plan is affiliated with the Municipal Employees Retirement System (MERS) of Michigan, an agent multiple-employer, state-wide, public employee pension created under Public Act 135 of 1945, and now operating under Public Act 220 of 1996, and the MERS Plan Document as revised. Any municipality within the State may elect to become a participating member of MERS or elect to terminate participation by a majority vote of the municipality's governing body. Changes in benefit coverage are available to bargaining units after approval by a majority of the municipality's governing body. The MERS of Michigan issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to MERS of Michigan, 1134 Municipal Way, Lansing, Michigan 48917 or by calling 1-800-767-6377.

**Funding Policy**

The County is required to contribute at an actuarially determined amount/rate. The current amounts/rates are \$6,615 for general employees, \$10,938 for members of the police officers union, 6.26% of annual covered payroll for medical care facility employees, \$6,119 for members of the United Steel Workers Union, \$1,282 for members of the Central Dispatch, 15.37% for Chemical Workers Union, \$19,424 for Elected and Non-Union employees, 10.09% for EMS employees and 66.95% for the Director. The contribution requirements of plan members are 0% to 2%, depending on contract or union agreement. If a member leaves the employment of the County, or dies, without a retirement allowance or other benefit payable on his/her account, the members' accumulated contributions (with interest) are refunded with spousal consent to the member, if living, or to the members' surviving spouse or beneficiary. The contribution requirements are established and may be amended by the MERS Retirement Board.

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2014

**NOTE 10 - RETIREMENT SYSTEM - MERS OPERATED (CONTINUED)**

**Defined Benefit Plan (Continued)**

**Primary Government (Continued)**

Annual Pension Cost

For the year ended December 31, 2014, the County's annual pension cost of \$921,845 was equal to the County's required contributions. The required contribution was determined as part of the December 31, 2012 actuarial valuation using the entry age normal cost method. The actuarial assumptions included (a) 8% investment rate of return, (b) projected salary increases of 1.0% per year compounded annually, and (c) additional projected salary increases of 0% to 13.0% per year, depending on age, attributable to merit, longevity and promotions. Both (a) and (b) include an inflation component. The actuarial value of the plan assets was determined using techniques that spread the effect of short-term volatility in the market value of investments over a ten-year period. The plans unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2013 was 25 years.

Annual Pension Cost and Net Pension Obligation. The County's annual pension cost and net pension obligation to MERS for the current year were as follows:

Annual required contribution	\$	1,041,960
Interest on net pension obligation		110,883
Adjustment to annual required contribution		<u>(230,998)</u>
Annual pension cost		921,845
Contributions made		<u>(714,220)</u>
		207,625
Increase in net pension obligation		207,625
Net pension obligation, beginning of year		<u>1,386,032</u>
Net pension obligation, end of year	\$	<u><u>1,593,657</u></u>

Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
December 31, 2012	\$ 773,630	81 %	\$ 1,231,050
December 31, 2013	\$ 874,220	82 %	\$ 1,386,032
December 31, 2014	\$ 921,845	77 %	\$ 1,593,657

Funded Status and Funding Progress

As of December 31, 2013, the most recent actuarial valuation date, the plan was 72% funded. The actuarial accrued liability for benefits was \$24,154,779, and the actuarial value of assets was \$17,432,639, resulting in an unfunded actuarial accrued liability (UAAL) of \$6,722,140. The covered payroll (annual payroll of active employees covered by the plan) was \$6,463,729, and the ratio of the UAAL to the covered payroll was 104%.

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2014

**NOTE 10 - RETIREMENT SYSTEM - MERS OPERATED (CONTINUED)**

**Defined Benefit Plan (Continued)**

**Primary Government (Continued)**

**Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
12/31/11	\$ 16,749,015	\$ 22,852,885	\$ 6,103,870	73 %	\$ 6,656,450	92 %
12/31/12	\$ 16,780,253	\$ 23,453,237	\$ 6,672,984	72 %	\$ 6,404,976	104 %
12/31/13	\$ 17,432,639	\$ 24,154,779	\$ 6,722,140	72 %	\$ 6,463,729	104 %

**Road Commission**

Following are the Road Commission Retirement System disclosures as presented in the Road Commission's audit for the year ended December 31, 2014 and its report dated May 28, 2015.

**Plan Description**

The Road Commission's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The plan is affiliated with the Municipal Employees Retirement System (MERS) of Michigan, an agent multiple-employer, state-wide, public employee pension created under Public Act 135 of 1945, and now operating under Public Act 220 of 1996, and the MERS Plan Document as revised. Any municipality within the State may elect to become a participating member of MERS or elect to terminate participation by a majority vote of the municipality's governing body. Changes in benefit coverage are available to bargaining units after approval by a majority of the municipality's governing body. The MERS of Michigan issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to MERS of Michigan, 1134 Municipal Way, Lansing, Michigan 48917 or by calling 1-800-767-6377.

**Funding Policy**

The Road Commission is required to contribute at an actuarially determined rate. The rate at December 31, 2014 was a monthly flat rate of \$7,233 for hourly employees and a monthly flat rate of \$6,963 for salaried employees. The Road Commission's hourly employees are required to contribute 6.7% of annual compensation and salaried employees are required to contribute 8.98% of annual compensation. The contribution requirements of the Road Commission are established and may be amended by the Retirement Board of the MERS. The contribution requirements of plan members, if any, are established and may be amended by the Road Commission depending on the MERS contribution program adopted by the Road Commission.

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2014

NOTE 10 - RETIREMENT SYSTEM - MERS OPERATED (CONTINUED)

**Defined Benefit Plan (Continued)**

**Road Commission (Continued)**

Annual Pension Cost

For the year ended December 31, 2014, the Road Commission's annual pension cost of \$290,352 was equal to the Road Commission's required contributions. The required contribution was determined as part of the December 31, 2012 actuarial valuation using the entry age normal cost method. The actuarial assumptions included (a) 8% investment rate of return, (b) projected salary increases of 1.0% per year compounded annually, and (c) additional projected salary increases of 0% to 13.0% per year, depending on age, attributable to merit, longevity and promotions. Both (a) and (b) include an inflation component. The actuarial value of the plan assets was determined using techniques that spread the effect of short-term volatility in the market value of investments over a ten-year period. The plans unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2013 was 25 years.

Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
December 31, 2012	\$ 129,627	100 %	\$ 0
December 31, 2013	\$ 147,588	100 %	\$ 0
December 31, 2014	\$ 290,352	100 %	\$ 0

Funded Status and Funding Progress

As of December 31, 2013, the most recent actuarial valuation date, the plan was 78% funded. The actuarial accrued liability for benefits was \$9,648,072, and the actuarial value of assets was \$7,558,776, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,089,296. The covered payroll (annual payroll of active employees covered by the plan) was \$1,227,640, and the ratio of the UAAL to the covered payroll was 170%.

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a) / c)</u>
12/31/2011	\$ 7,127,110	\$ 8,779,211	\$ 1,652,101	81 %	\$ 1,443,079	114 %
12/31/2012	\$ 7,301,691	\$ 9,264,593	\$ 1,962,902	79 %	\$ 1,293,028	152 %
12/31/2013	\$ 7,558,776	\$ 9,648,072	\$ 2,089,296	78 %	\$ 1,227,640	170 %

IOSCO COUNTY  
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NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2014

NOTE 10 - RETIREMENT SYSTEM - MERS OPERATED (CONTINUED)

**Defined Contribution Plan**

Plan Description

The Iosco County Employees Defined Contribution Pension Plan (the "Plan") is a single employer defined contribution pension plan. All County employees hired after January 1, 2000, with the exception of certain bargaining units, are required to participate in the Plan. As the union contracts of the non-participating bargaining units are renegotiated, new employees of these units are added to the Plan. All other County employees that are not vested in the County's Defined Benefit Plan have the option of becoming a participant in the Defined Contribution Plan. The Plan is affiliated with the Municipal Employees Retirement System (MERS) of Michigan, an agent multiple-employer, state-wide, public employee pension created under Public Act 135 of 1945, and now operated under Public Act 220 of 1996, and the MERS Plan Document as revised. The plan services are provided by an Alliance Agreement of May 1997 by MERS, exclusively through the ICMA Retirement Corporation as the plan administrator. Any municipality within the State may elect to become a participating member of MERS or elect to terminate participation by a majority vote of the municipality's governing body. Changes in benefit coverage are available to bargaining units after approval by a majority of the municipality's governing body. The MERS of Michigan issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing MERS of Michigan, 1134 Municipal Way, Lansing, Michigan, 48917 or by calling 1-800-767-6377.

Funding Policy

At December 31, 2014, there were 41 plan members. Plan members are not required to contribute to the Plan; however, employees may contribute up to 3% of their annual salary. The County is required to contribute 7% of the employees' annual salary, subject to the limitations of sections 415(c) and (e) of the Internal Revenue Code. In addition, the County contributes another 1% if the employees contribute 3% of their salary. The contribution requirements of plan members and the County are established and may be amended by the Board of Commissioners.

Vesting

Employees become fully vested in the plan after one year of service.

Plan Contributions

During the year ended December 31, 2014, the County contributed \$101,331 on behalf of its employees and employee contributions amounted to \$33,303.

A stand-alone pension plan report has not been issued for the defined contribution plan.

NOTE 11 - POSTEMPLOYMENT BENEFITS

**Road Commission**

Plan Description

The Road Commission administers a single-employer defined benefit post employment benefit plan. The plan provides healthcare, dental and life insurance benefits in accordance with the employee working agreements.

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2014

NOTE 11 - POSTEMPLOYMENT BENEFITS (CONTINUED)

**Road Commission (Continued)**

The plan is administered by the Road Commission and can be amended at its discretion. At the time of the last valuation report, the membership of the plan was twenty nine active members and five retirees and beneficiaries receiving benefits. The Road Commission has the authority to establish the funding policy for the plan, and to amend the obligations of both the Road Commission and members. Active members are not obligated to make contributions to the plan at this time. As of the date of the actuary report, the Road Commission had not made contributions to a Trust. The Road Commission has no obligation to make contributions in advance to a Trust of when insurance premiums or claims are due for payment (in other words, this may be financed on a "pay-as-you-go" basis).

Funding Policy

The employee working agreement requires the ICRC to pay insurance premium costs for all employees who retire at the age of 60 until they reach full Social Security age. The ICRC obtains healthcare coverage for retirees through private insurers.

Expenditures for postemployment benefits are recognized as the insurance premiums become due. During the year ended December 31, 2014 approximately \$17,424 for postemployment benefits was paid and recorded as expenditures in the general fund.

Funding Progress

The annual post-employment benefit, other than pension, (OPEB) cost (expense) is calculated based upon the annual required contribution of the employer (ARC). The ICRC has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than 100 (one hundred) total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The ICRC estimated the cost of providing retiree postemployment benefits using the alternative measurement method, as of December 31, 2012. The following table shows the components of the Road Commission's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Road Commission's net OPEB obligation:

Annual required contribution	\$	51,179
Interest on net OPEB obligation		679
Adjustment to annual required contribution		<u>(976)</u>
Annual OPEB cost		50,882
Contributions made		<u>(17,424)</u>
Increase in net OPEB obligation		33,458
Net OPEB obligation, beginning of year		<u>154,653</u>
Net OPEB obligation, end of year	\$	<u><u>188,111</u></u>

The Road Commission's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the three most current years is as follows:

IOSCO COUNTY  
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NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2014

NOTE 11 - POSTEMPLOYMENT BENEFITS (CONTINUED)

**Road Commission (Continued)**

Trend Information

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
December 31, 2012	\$ 40,456	41.0 %	\$ 122,675
December 31, 2013	\$ 48,572	34.2 %	\$ 154,653
December 31, 2014	\$ 51,179	34.2 %	\$ 188,111

The funded status of the plan as of the most recent actuarial valuation date of December 31, 2012 is as follows:

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>
12/31/09	\$ 0	\$ 385,589	\$ 385,589	0 %
12/31/12	\$ 0	\$ 516,872	\$ 516,872	0 %

Data on covered payroll was not available

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities or benefits.

The accompanying schedule of employer contributions presents trend information about the amounts contributed to the plan by employers in comparison to the ARC, an amount that is actuarially determined in accordance with the parameters of GASB Statement 43. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

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

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2014

NOTE 11 - POSTEMPLOYMENT BENEFITS (CONTINUED)

**Road Commission (Continued)**

The following actuarial assumptions were used in the development of the Road Commission's retiree health cost projections

1. Actuarial Cost Method: Alternate Method as provided under GASB 45 for plans with fewer than 100 employees.
2. Discount Rate: 2.4%.
3. Payroll Growth Rate: 5% to 9%.
4. Postretirement Interest Rate: 4%.
5. Health Care Inflation Rate: 4% provided by the NIH health expenditures projections.

NOTE 12 - RISK MANAGEMENT

The County is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The County has purchased commercial insurance for risks of loss. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

Road Commission (Component Unit)

The Road Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. The commission manages its workers' compensation through County Road Association Self-Insurance Fund (CRASIF). The commission manages all other risks by participating in Michigan County Road Commission Self-Insurance Pool (MCRCSIP). Both CRASIF and MCRCSIP are trust funds established by the road commissions in the State of Michigan. The MCRCSIP and CRASIF are public entity risk pools currently operating as a common risk management and insurance program. The Commission pays an annual premium to MCRCSIP and CRASIF for its liability coverage. The MCRCSIP and CRASIF are self-sustaining through member premiums and provide reinsurance through commercial companies for claims in excess of certain limits.

NOTE 13 - CONTINGENCIES AND COMMITMENTS

**Primary Government**

The County participates in a number of federally assisted grant programs which are subject to program compliance audits. The audits of these programs for and including the year ended December 31, 2014, have been conducted and have been reported in this audit report. However, the compliance audit reports have not yet been accepted by the grantors. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time; although the County expects such amounts, if any, to be immaterial.

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2014

NOTE 13 - CONTINGENCIES AND COMMITMENTS (CONTINUED)

**Primary Government (Continued)**

The County has commitments in the amount of \$149,256 outstanding at December 31, 2014.

**Commitments**

As of December 31, 2014, the County had the following commitment outstanding:

<u>Project</u>	<u>Total Contract</u>	<u>Remaining Commitment at December 31, 2014</u>	<u>Contract Payable at December 31, 2014</u>
Ambulance Purchase	\$ <u>149,256</u>	\$ <u>149,256</u>	\$ <u>0</u>

**Component Unit**

**Road Commission**

The Road Commission is a party to various legal proceedings, which normally occur in governmental operations for which the Road Commission carries commercial insurance.

The Michigan Department of Transportation (MDOT) requires that road commissions report all Federal revenue pertaining to their county. During the year ended December 31, 2014, the Federal revenue expended by the Road Commission was \$524,429 for contracted projects and \$0 for negotiated projects. Contracted projects are projects performed by private contractors paid for and administered by MDOT. Negotiated projects are projects where the Road Commission administers the grant and either performs the work or contracts it out. The Road Commission would be subject to single audit requirements if they expended \$500,000 or more for negotiated projects.

NOTE 14 - FUND CHANGES AND FUND BALANCES

Amounts for specific purposes by fund and fund balance classifications for the year ended December 31, 2014, are as follows:

<u>Classification/Fund</u>	<u>Purpose</u>		
<b>Nonspendable</b>			
General Fund	Prepaid Expenses	\$	39,671
General Fund	Long-Term Advances to Component Units		67,000
Ambulance Service Fund	Prepaid Expenses		8,229
MSHDA Fund	Prepaid Expenses		538
E-911 Fund	Prepaid Expenses		4,239
Probate Guardian Fund	Prepaid Expenses		7,924
Building and Safety Fund	Prepaid Expenses		1,076
MSU Extension Fund	Prepaid Expenses		673
Child Care Fund	Prepaid Expenses		673
<b>Total Nonspendable</b>			<u>130,023</u>

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2014

NOTE 14 - FUND CHANGES AND FUND BALANCES (CONTINUED)

Restricted		
General Fund	Gypsy Moth Control	\$ 44,794
General Fund	Children Protective Services	13,741
Ambulance Service Fund	EMS Services	1,266,631
MSHDA Fund	Housing Loans	27,695
EDC Grant Revolving Loan Fund	Economic Development Loans	1,510,467
E-911 Wireless Training Grant Fund	911 Training	14,249
E-911 Fund	911 Services	221,931
E911 Wireless Fund	Accounts for State 911 Wireless Revenue	470,089
Probate Guardian Fund	Guardian Services for Individuals with Developmental Disabilities	15,174
Marriage Counseling Fund	Marriage Counseling Activities	63,735
Building and Safety Fund	Building Department Activities	139,318
Ouill Restitution Fund	Operating Under the Influence Enforcement	39,121
Register of Deeds Technology Fund	Register of Deeds Equipment	61,602
Crime Victims Rights Fund	Crime Victims Rights Activities	1,485
Local Correctional Training Fund	Training of Corrections Officers	19,700
Special Investigative Fund	Sheriff Department Drug Enforcement	4,790
MSU Extension Fund	MSU Extension Activities	17,520
Trail Grooming Fund	Trail Grooming	8,767
ICHRRLP Fund	Community Mortgage Loans	195,855
Michigan Justice Training Fund	Pistol Safety Training	4,161
Child Care Fund	Child Care Activities	26,576
Veterans Relief Fund	Veterans Relief	250
Economic Revolving Loan Fund	Economic Development Loans	3,187
Economic Revolving Loan #3 Fund	Economic Development Loans	36,282
2009 Building Authority Refunding Bond Fund	Debt Service	706,763
Capital Improvement Construction Fund	Capital Projects	22,595
Bike Path Project Fund	Bike Path Project	200
Total Restricted		<u>4,936,678</u>
Committed		
Plat Book Revolving Fund	Plat Book Production and Sales	<u>11,834</u>
Assigned		
Building Improvement Fund	Capital Projects	<u>856,275</u>
Unassigned		
General Fund	County Operations	<u>1,815,959</u>
Total fund balances		<u>\$ 7,750,769</u>

REQUIRED SUPPLEMENTARY INFORMATION

IOSCO COUNTY  
Tawas City, Michigan

POSTEMPLOYMENT BENEFITS SCHEDULES OF FUNDING  
PROGRESS AND EMPLOYER CONTRIBUTIONS  
For the Year Ended December 31, 2014

Road Commission

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)
12/31/09	\$ 0	\$ 385,589	\$ 385,589	0 %
12/31/12	\$ 0	\$ 516,872	\$ 516,872	0 %

Schedule of Employer Contributions

Fiscal Year Ended	Annual Required Contribution	Percentage Contributed
12/31/12	\$ 40,456	34.0 %
12/31/13	\$ 48,572	34.2 %
12/31/14	\$ 51,179	34.2 %

IOSCO COUNTY  
Tawas City, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
GENERAL FUND  
For the Year Ended December 31, 2014

	Original Budget	Final Amended Budget	Actual	Variance - Favorable (Unfavorable)
<u>Revenue</u>				
Property Taxes	\$ 4,225,000	\$ 4,225,000	\$ 4,245,151	\$ 20,151
Federal Grants and Revenue	299,847	304,550	274,505	(30,045)
State Grants and Revenue	1,192,311	1,250,440	1,150,385	(100,055)
Contributions from Local Units	0	0	43,600	43,600
Licenses and Permits	8,900	8,900	17,908	9,008
Charges for Services	948,710	948,710	963,974	15,264
Fines and Forfeits	30,000	30,000	27,989	(2,011)
Interest and Rentals	7,500	7,500	32,429	24,929
Other Revenue	<u>450,767</u>	<u>450,767</u>	<u>433,931</u>	<u>(16,836)</u>
Total Revenue	<u>7,163,035</u>	<u>7,225,867</u>	<u>7,189,872</u>	<u>(35,995)</u>
<u>Expenditures</u>				
Current:				
General Government:				
Legislative and Executive	121,316	121,316	118,374	2,942
Judicial	1,569,239	1,628,616	1,635,163	(6,547)
Financial and Tax Administration	570,614	573,336	566,045	7,291
Other General Government	2,171,973	2,173,794	2,140,039	33,755
Public Safety	1,629,222	1,736,273	1,675,599	60,674
Public Works	61,482	61,482	59,101	2,381
Health and Welfare	445,213	459,993	451,120	8,873
Community and Economic Development	1,628	1,628	1,099	529
Recreation and Cultural	4,625	4,625	4,459	166
Capital Outlay	227,726	133,179	147,345	(14,166)
Debt Service:				
Principal	0	10,222	71,828	(61,606)
Interest and Fiscal Charges	<u>31,318</u>	<u>160</u>	<u>249</u>	<u>(89)</u>
Total Expenditures	<u>6,834,356</u>	<u>6,904,624</u>	<u>6,870,421</u>	<u>34,203</u>
Excess of Revenue Over (Under) Expenditures	<u>328,679</u>	<u>321,243</u>	<u>319,451</u>	<u>(1,792)</u>
<u>Other Financing Sources (Uses)</u>				
Installment Purchase Agreement Proceeds	0	0	1,650	1,650
Sale of Capital Assets	3,000	13,050	2,701	(10,349)
Operating Transfers In	140,500	140,500	151,642	11,142
Operating Transfers Out	<u>(472,179)</u>	<u>(474,793)</u>	<u>(604,624)</u>	<u>(129,831)</u>
Total Other Financing Sources (Uses)	<u>(328,679)</u>	<u>(321,243)</u>	<u>(448,631)</u>	<u>(127,388)</u>
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses	0	0	(129,180)	(129,180)
Fund Balances - Beginning of Year	<u>2,110,345</u>	<u>2,110,345</u>	<u>2,110,345</u>	<u>0</u>
Fund Balances - End of Year	<u>\$ 2,110,345</u>	<u>\$ 2,110,345</u>	<u>\$ 1,981,165</u>	<u>\$ (129,180)</u>

IOSCO COUNTY  
Tawas City, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
AMBULANCE SERVICE FUND - SPECIAL REVENUE FUND  
For the Year Ended December 31, 2014

	Original Budget	Final Amended Budget	Actual	Variance - Favorable (Unfavorable)
<u>Revenue</u>				
Property Taxes	\$ 490,700	\$ 490,700	\$ 476,629	\$ (14,071)
Charges for Services	2,007,000	2,007,000	2,370,604	363,604
Interest and Rentals	100	100	68	(32)
Other Revenue	1,000	16,000	23,054	7,054
Total Revenue	2,498,800	2,513,800	2,870,355	356,555
<u>Expenditures</u>				
Current:				
Health and Welfare	2,416,500	2,439,500	2,537,788	(98,288)
Capital Outlay	160,000	152,000	187,673	(35,673)
Total Expenditures	2,576,500	2,591,500	2,725,461	(133,961)
Excess of Revenue Over (Under) Expenditures	(77,700)	(77,700)	144,894	222,594
<u>Other Financing Sources (Uses)</u>				
Sale of Capital Assets	0	0	37,501	37,501
Operating Transfers In	93,250	93,250	0	(93,250)
Operating Transfers Out	(15,550)	(15,550)	0	15,550
Total Other Financing Sources (Uses)	77,700	77,700	37,501	(40,199)
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses	0	0	182,395	182,395
Fund Balances - Beginning of Year	1,092,465	1,092,465	1,092,465	0
Fund Balances - End of Year	\$ 1,092,465	\$ 1,092,465	\$ 1,274,860	\$ 182,395

IOSCO COUNTY  
Tawas City, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
EDC GRANT REVOLVING LOAN FUND - SPECIAL REVENUE FUND  
For the Year Ended December 31, 2014

	Original Budget	Final Amended Budget	Actual	Variance - Favorable (Unfavorable)
<u>Revenue</u>				
Interest and Rentals	\$ 100	\$ 100	\$ 46	\$ (54)
Other Revenue	<u>400,000</u>	<u>400,000</u>	<u>286,020</u>	<u>(113,980)</u>
Total Revenue	400,100	400,100	286,066	(114,034)
 <u>Expenditures</u>				
Current:				
Community and Economic Development	<u>350,000</u>	<u>350,000</u>	<u>81,262</u>	<u>268,738</u>
Excess of Revenue Over (Under) Expenditures	50,100	50,100	204,804	154,704
 <u>Other Financing Uses</u>				
Operating Transfers Out	<u>(50,100)</u>	<u>(50,100)</u>	<u>0</u>	<u>50,100</u>
Excess of Revenue Over Expenditures and Other Uses	0	0	204,804	204,804
Fund Balances - Beginning of Year	<u>1,305,663</u>	<u>1,305,663</u>	<u>1,305,663</u>	<u>0</u>
Fund Balances - End of Year	<u>\$ 1,305,663</u>	<u>\$ 1,305,663</u>	<u>\$ 1,510,467</u>	<u>\$ 204,804</u>

IOSCO COUNTY  
Tawas City, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
MSHDA FUND - SPECIAL REVENUE FUND  
For the Year Ended December 31, 2014

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
<u>Revenue</u>				
Federal Grants and Revenue	\$ 187,800	\$ 187,800	\$ 147,374	\$ (40,426)
Other Revenue	<u>2,700</u>	<u>2,700</u>	<u>3,493</u>	<u>793</u>
Total Revenue	190,500	190,500	150,867	(39,633)
<u>Expenditures</u>				
Current:				
Health and Welfare	<u>206,178</u>	<u>206,178</u>	<u>127,956</u>	<u>78,222</u>
Excess of Revenue Over (Under) Expenditures	(15,678)	(15,678)	22,911	38,589
<u>Other Financing Sources</u>				
Operating Transfers In	<u>16,000</u>	<u>16,000</u>	<u>5,000</u>	<u>(11,000)</u>
Excess of Revenue and Other Sources Over (Under) Expenditures	322	322	27,911	27,589
Fund Balances - Beginning of Year	<u>322</u>	<u>322</u>	<u>322</u>	<u>0</u>
Fund Balances - End of Year	<u>\$ 644</u>	<u>\$ 644</u>	<u>\$ 28,233</u>	<u>\$ 27,589</u>

OTHER INFORMATION

IOSCO COUNTY  
Tawas City, Michigan

COMBINING BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS  
December 31, 2014

	Special Revenue Funds							
	E-911 Wireless Training Grant Fund	E-911 Fund	E911 Wireless Fund	Friend of the Court Fund	Probate Guardian Fund	Marriage Counseling Fund	Building and Safety Fund	Ouil Restitution Fund
<b>Assets</b>								
Cash and Cash Equivalents	\$ 15,820	\$ 93,577	\$ 430,991	\$ 0	\$ 15,597	\$ 63,735	\$ 132,501	\$ 39,956
Investments	0	0	0	0	0	0	0	0
Receivables:								
Property Taxes	0	0	0	0	0	0	0	0
Accounts, Net	0	138,603	0	24,330	0	0	11,867	0
Loans Receivable	0	0	0	0	0	0	0	0
Due from State	0	0	39,098	109,740	0	0	0	0
Due from Other Funds	0	423	0	2,371	0	0	0	0
Prepaid Expenses	0	4,239	0	5,066	7,924	0	1,076	0
<b>Total Assets</b>	<b>\$ 15,820</b>	<b>\$ 236,842</b>	<b>\$ 470,089</b>	<b>\$ 141,507</b>	<b>\$ 23,521</b>	<b>\$ 63,735</b>	<b>\$ 145,444</b>	<b>\$ 39,956</b>
<b>Liabilities</b>								
Accounts Payable	\$ 1,566	\$ 4,818	\$ 0	\$ 7,531	\$ 0	\$ 0	\$ 4,078	\$ 687
Due to Other Funds	0	0	0	101,481	423	0	0	4
Due to Other Units of Government	0	0	0	0	0	0	0	0
Accrued Liabilities	5	5,854	0	3,881	0	0	972	144
Unearned Revenue	0	0	0	0	0	0	0	0
<b>Total Liabilities</b>	<b>1,571</b>	<b>10,672</b>	<b>0</b>	<b>112,893</b>	<b>423</b>	<b>0</b>	<b>5,050</b>	<b>835</b>
<b>Deferred Inflows of Resources</b>								
Property Taxes Levied for 2015	0	0	0	0	0	0	0	0
Unavailable Revenue - Loans	0	0	0	0	0	0	0	0
Unavailable Revenue - Grants	0	0	0	28,614	0	0	0	0
<b>Total Deferred Inflows of Resources</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>28,614</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Fund Equity</b>								
Fund Balances:								
Nonspendable	0	4,239	0	0	7,924	0	1,076	0
Restricted	14,249	221,931	470,089	0	15,174	63,735	139,318	39,121
Committed	0	0	0	0	0	0	0	0
Assigned	0	0	0	0	0	0	0	0
<b>Total Fund Equity</b>	<b>14,249</b>	<b>226,170</b>	<b>470,089</b>	<b>0</b>	<b>23,098</b>	<b>63,735</b>	<b>140,394</b>	<b>39,121</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Equity</b>	<b>\$ 15,820</b>	<b>\$ 236,842</b>	<b>\$ 470,089</b>	<b>\$ 141,507</b>	<b>\$ 23,521</b>	<b>\$ 63,735</b>	<b>\$ 145,444</b>	<b>\$ 39,956</b>

OSCO COUNTY  
Tawas City, Michigan

COMBINING BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS  
December 31, 2014

	Special Revenue Funds							
	Register of Deeds Technology Fund	Crime Victims Rights Fund	Animal Control Officer Fund	Local Correctional Training Fund	Special Investigative Fund	Law Library Fund	Trail Grooming Fund	ICHRRLP Fund
<b>Assets</b>								
Cash and Cash Equivalents	\$ 62,664	\$ 0	\$ 0	\$ 19,875	\$ 4,790	\$ 410	\$ 2,720	\$ 113,008
Investments	0	0	0	0	0	0	0	80,000
Receivables:								
Property Taxes	0	0	87,928	0	0	0	0	0
Accounts, Net	0	0	0	0	0	1,750	0	0
Loans Receivable	0	0	0	0	0	0	0	117,308
Due from State	0	9,701	0	0	0	0	7,356	0
Due from Other Funds	0	0	0	0	0	0	0	2,847
Prepaid Expenses	0	0	0	0	0	0	0	0
<b>Total Assets</b>	<b>\$ 62,664</b>	<b>\$ 9,701</b>	<b>\$ 87,928</b>	<b>\$ 19,875</b>	<b>\$ 4,790</b>	<b>\$ 2,160</b>	<b>\$ 10,076</b>	<b>\$ 313,163</b>
<b>Liabilities</b>								
Accounts Payable	\$ 1,062	\$ 734	\$ 0	\$ 175	\$ 0	\$ 410	\$ 1,009	\$ 0
Due to Other Funds	0	6,399	0	0	0	1,750	300	0
Due to Other Units of Government	0	0	0	0	0	0	0	0
Accrued Liabilities	0	1,083	0	0	0	0	0	0
Unearned Revenue	0	0	0	0	0	0	0	0
Total Liabilities	<u>1,062</u>	<u>8,216</u>	<u>0</u>	<u>175</u>	<u>0</u>	<u>2,160</u>	<u>1,309</u>	<u>0</u>
<b>Deferred Inflows of Resources</b>								
Property Taxes Levied for 2015	0	0	87,928	0	0	0	0	0
Unavailable Revenue - Loans	0	0	0	0	0	0	0	117,308
Unavailable Revenue - Grants	0	0	0	0	0	0	0	0
Total Deferred Inflows of Resources	<u>0</u>	<u>0</u>	<u>87,928</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>117,308</u>
<b>Fund Equity</b>								
Fund Balances:								
Nonspendable	0	0	0	0	0	0	0	0
Restricted	61,602	1,485	0	19,700	4,790	0	8,767	195,855
Committed	0	0	0	0	0	0	0	0
Assigned	0	0	0	0	0	0	0	0
Total Fund Equity	<u>61,602</u>	<u>1,485</u>	<u>0</u>	<u>19,700</u>	<u>4,790</u>	<u>0</u>	<u>8,767</u>	<u>195,855</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Equity</b>	<b>\$ 62,664</b>	<b>\$ 9,701</b>	<b>\$ 87,928</b>	<b>\$ 19,875</b>	<b>\$ 4,790</b>	<b>\$ 2,160</b>	<b>\$ 10,076</b>	<b>\$ 313,163</b>

IOSCO COUNTY  
Tawas City, Michigan

COMBINING BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS  
December 31, 2014

	Special Revenue Funds							
	Michigan Justice Training Fund	MSU Extension Fund	Bike Path Project Fund	Child Care Fund	Veterans Relief Fund	Veterans Trust Fund	County Airport Fund	Plat Book Revolving Fund
<b>Assets</b>								
Cash and Cash Equivalents	\$ 4,161	\$ 18,077	\$ 200	\$ 19,097	\$ 250	\$ 1,700	\$ 0	\$ 11,834
Investments	0	0	0	0	0	0	0	0
Receivables:								
Property Taxes	0	131,890	0	0	0	0	0	0
Accounts, Net	0	0	0	0	0	0	2,790	0
Loans Receivable	0	0	0	65,267	0	0	0	0
Due from State	0	0	0	0	0	0	3,704	0
Due from Other Funds	0	0	0	673	0	0	0	0
Prepaid Expenses	0	673	0	0	0	0	0	0
<b>Total Assets</b>	<b>\$ 4,161</b>	<b>\$ 150,640</b>	<b>\$ 200</b>	<b>\$ 85,037</b>	<b>\$ 250</b>	<b>\$ 1,700</b>	<b>\$ 6,494</b>	<b>\$ 11,834</b>
<b>Liabilities</b>								
Accounts Payable	\$ 0	\$ 34	\$ 0	\$ 35,158	\$ 0	\$ 1,700	\$ 3,774	\$ 0
Due to Other Funds	0	0	0	12,106	0	0	2,720	0
Due to Other Units of Government	0	0	0	9,080	0	0	0	0
Accrued Liabilities	0	523	0	1,444	0	0	0	0
Unearned Revenue	0	0	0	0	0	0	0	0
<b>Total Liabilities</b>	<b>0</b>	<b>557</b>	<b>0</b>	<b>57,788</b>	<b>0</b>	<b>1,700</b>	<b>6,494</b>	<b>0</b>
<b>Deferred Inflows of Resources</b>								
Property Taxes Levied for 2015	0	131,890	0	0	0	0	0	0
Unavailable Revenue - Loans	0	0	0	0	0	0	0	0
Unavailable Revenue - Grants	0	0	0	0	0	0	0	0
<b>Total Deferred Inflows of Resources</b>	<b>0</b>	<b>131,890</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Fund Equity</b>								
Fund Balances:								
Nonspendable	0	673	0	673	0	0	0	0
Restricted	4,161	17,520	200	26,576	250	0	0	0
Committed	0	0	0	0	0	0	0	11,834
Assigned	0	0	0	0	0	0	0	0
<b>Total Fund Equity</b>	<b>4,161</b>	<b>18,193</b>	<b>200</b>	<b>27,249</b>	<b>250</b>	<b>0</b>	<b>0</b>	<b>11,834</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Equity</b>	<b>\$ 4,161</b>	<b>\$ 150,640</b>	<b>\$ 200</b>	<b>\$ 85,037</b>	<b>\$ 250</b>	<b>\$ 1,700</b>	<b>\$ 6,494</b>	<b>\$ 11,834</b>

IOSCO COUNTY  
Tawas City, Michigan

COMBINING BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS  
December 31, 2014

	Special Revenue Funds		Debt Service Funds			Capital Project Funds			Total Other Governmental Funds
	Economic Revolving Loan Fund	Economic Revolving Loan #3 Fund	2009 Capital Improvement Bonds	2009 Building Authority Refunding Bond Fund	Building Improvement Fund	Improvement Construction Fund	EDC Capital Projects Fund		
<u>Assets</u>									
Cash and Cash Equivalents	\$ 3,187	\$ 36,282	\$ 0	\$ 706,763	\$ 856,275	\$ 22,595	\$ 9,528	\$ 2,685,593	
Investments	0	0	0	0	0	0	0	80,000	
Receivables:									
Property Taxes	0	0	0	365,563	0	0	0	585,381	
Accounts, Net	0	0	0	0	0	0	0	179,340	
Loans Receivable	153,917	4,667	0	0	0	0	0	275,892	
Due from State	0	0	0	0	0	0	0	231,162	
Due from Other Funds	0	0	0	0	0	0	0	9,345	
Prepaid Expenses	0	0	0	0	0	0	0	19,651	
<u>Total Assets</u>	<u>\$ 157,104</u>	<u>\$ 40,949</u>	<u>\$ 0</u>	<u>\$ 1,072,326</u>	<u>\$ 856,275</u>	<u>\$ 22,595</u>	<u>\$ 9,528</u>	<u>\$ 4,066,364</u>	
<u>Liabilities</u>									
Accounts Payable	0	0	0	0	0	0	0	62,736	
Due to Other Funds	0	0	0	0	0	0	0	125,183	
Due to Other Units of Government	0	0	0	0	0	0	0	9,080	
Accrued Liabilities	0	0	0	0	0	0	0	13,906	
Unearned Revenue	0	0	0	0	0	0	9,528	9,528	
<u>Total Liabilities</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>9,528</u>	<u>220,433</u>	
<u>Deferred Inflows of Resources</u>									
Property Taxes Levied for 2015	0	0	0	365,563	0	0	0	585,381	
Unavailable Revenue - Loans	153,917	4,667	0	0	0	0	0	275,892	
Unavailable Revenue - Grants	0	0	0	0	0	0	0	28,614	
<u>Total Deferred Inflows of Resources</u>	<u>153,917</u>	<u>4,667</u>	<u>0</u>	<u>365,563</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>889,887</u>	
<u>Fund Equity</u>									
Fund Balances:									
Nonspendable	0	0	0	0	0	0	0	14,585	
Restricted	3,187	36,282	0	706,763	0	22,595	0	2,073,350	
Committed	0	0	0	0	0	0	0	11,834	
Assigned	0	0	0	0	856,275	0	0	856,275	
<u>Total Fund Equity</u>	<u>3,187</u>	<u>36,282</u>	<u>0</u>	<u>706,763</u>	<u>856,275</u>	<u>22,595</u>	<u>0</u>	<u>2,956,044</u>	
<u>Total Liabilities, Deferred Inflows of Resources and Fund Equity</u>	<u>\$ 157,104</u>	<u>\$ 40,949</u>	<u>\$ 0</u>	<u>\$ 1,072,326</u>	<u>\$ 856,275</u>	<u>\$ 22,595</u>	<u>\$ 9,528</u>	<u>\$ 4,066,364</u>	

IOSCO COUNTY  
Tawas City, Michigan

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES  
OTHER GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2014

	Special Revenue Funds									
	E-911 Wireless Training Grant Fund	E-911 Fund	E911 Wireless Fund	Friend of the Court Fund	Probate Guardian Fund	Marriage Counseling Fund	Building and Safety Fund	Out Restitution Fund		
<b>Revenue</b>	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Property Taxes	0	0	0	0	0	0	0	0	0	0
Federal Grants and Revenue	0	0	35,311	314,208	0	0	0	0	0	0
State Grants and Revenue	12,259	0	150,611	28,131	0	0	0	0	0	0
Contributions from Local Units	0	0	0	74,640	0	0	0	0	0	0
Licenses and Permits	0	0	0	0	0	0	236,895	0	0	0
Charges for Services	0	562,526	0	0	64,320	2,725	19,166	0	33,072	0
Fines and Forfeits	0	0	0	0	0	0	0	0	0	0
Interest and Rentals	0	9	22	0	0	0	0	0	0	0
Other Revenue	0	173	0	28,401	0	0	433	0	0	0
<b>Total Revenue</b>	<u>12,259</u>	<u>562,708</u>	<u>185,944</u>	<u>445,380</u>	<u>64,320</u>	<u>2,725</u>	<u>256,494</u>	<u>33,072</u>		
<b>Expenditures</b>										
<b>Current:</b>										
General Government:										
Judicial	0	0	0	545,994	100,383	0	0	0	0	0
Other General Government	0	0	0	0	0	0	0	0	0	18,847
Public Safety	15,115	654,448	0	0	0	0	176,441	0	0	0
Health and Welfare	0	0	0	0	0	2,365	0	0	0	0
Community and Economic Development	0	0	0	0	0	0	0	0	0	0
Recreation and Cultural	0	0	0	0	0	0	0	0	0	0
Capital Outlay	0	2,570	18,591	0	0	0	0	0	0	0
Debt Service:										
Principal	0	0	0	6,641	0	0	1,235	0	0	0
Interest and Fiscal Charges	0	0	0	81	0	0	15	0	0	0
<b>Total Expenditures</b>	<u>15,115</u>	<u>657,018</u>	<u>18,591</u>	<u>552,716</u>	<u>100,383</u>	<u>2,365</u>	<u>177,691</u>	<u>18,847</u>		
<b>Excess of Revenue Over (Under) Expenditures</b>	<u>(2,856)</u>	<u>(94,310)</u>	<u>167,353</u>	<u>(107,336)</u>	<u>(36,063)</u>	<u>360</u>	<u>78,803</u>	<u>14,225</u>		
<b>Other Financing Sources (Uses)</b>										
Operating Transfers In	0	75,000	0	107,336	0	0	0	0	0	0
Operating Transfers Out	0	0	(75,000)	0	0	0	0	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<u>0</u>	<u>75,000</u>	<u>(75,000)</u>	<u>107,336</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses</b>	<u>(2,856)</u>	<u>(19,310)</u>	<u>92,353</u>	<u>0</u>	<u>(36,063)</u>	<u>360</u>	<u>78,803</u>	<u>14,225</u>		
<b>Fund Balances - Beginning of Year</b>	<u>17,105</u>	<u>245,480</u>	<u>377,736</u>	<u>0</u>	<u>59,161</u>	<u>63,375</u>	<u>61,591</u>	<u>24,896</u>		
<b>Fund Balances - End of Year</b>	<u>\$ 14,249</u>	<u>\$ 226,170</u>	<u>\$ 470,089</u>	<u>\$ 0</u>	<u>\$ 23,098</u>	<u>\$ 63,735</u>	<u>\$ 140,394</u>	<u>\$ 39,121</u>		

IOSCO COUNTY  
Tawas City, Michigan

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES  
OTHER GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2014

	Special Revenue Funds							
	Register of Deeds Technology Fund	Crime Victims Rights Fund	Animal Control Officer Fund	Local Correctional Training Fund	Special Investigative Fund	Law Library Fund	Trail Grooming Fund	ICHRRLP Fund
<b>Revenue</b>								
Property Taxes	0	0	0	0	0	0	0	0
Federal Grants and Revenue	0	0	0	0	0	0	0	0
State Grants and Revenue	0	37,033	0	0	0	0	67,048	0
Contributions from Local Units	0	0	0	0	0	0	0	0
Licenses and Permits	0	0	0	0	0	0	0	0
Charges for Services	36,590	0	0	13,733	0	0	0	0
Fines and Forfeits	0	0	0	0	0	3,500	0	0
Interest and Rentals	2	0	0	0	0	0	0	324
Other Revenue	0	555	0	0	161	0	0	11,045
<b>Total Revenue</b>	<b>36,592</b>	<b>37,588</b>	<b>0</b>	<b>13,733</b>	<b>161</b>	<b>3,500</b>	<b>67,048</b>	<b>11,389</b>
<b>Expenditures</b>								
<b>Current:</b>								
General Government:								
Judicial	0	0	0	0	0	8,137	0	0
Other General Government	1,830	0	0	0	0	0	0	0
Public Safety	0	44,988	0	7,232	113	0	0	0
Health and Welfare	0	0	0	0	0	0	0	12,989
Community and Economic Development	0	0	0	0	0	0	0	0
Recreation and Cultural	0	0	0	0	0	0	58,281	0
Capital Outlay	23,178	0	0	0	0	0	0	0
Debt Service:								
Principal	0	0	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0	0	0
<b>Total Expenditures</b>	<b>25,008</b>	<b>44,988</b>	<b>0</b>	<b>7,232</b>	<b>113</b>	<b>8,137</b>	<b>58,281</b>	<b>12,989</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>11,584</b>	<b>(7,400)</b>	<b>0</b>	<b>6,501</b>	<b>48</b>	<b>(4,637)</b>	<b>8,767</b>	<b>(1,620)</b>
<b>Other Financing Sources (Uses)</b>								
Operating Transfers In	0	8,885	0	0	0	4,637	0	0
Operating Transfers Out	0	0	0	0	0	0	0	(5,000)
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>8,885</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,637</b>	<b>0</b>	<b>(5,000)</b>
<b>Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses</b>	<b>11,584</b>	<b>1,485</b>	<b>0</b>	<b>6,501</b>	<b>48</b>	<b>0</b>	<b>8,767</b>	<b>(6,620)</b>
<b>Fund Balances - Beginning of Year</b>	<b>50,018</b>	<b>0</b>	<b>0</b>	<b>13,199</b>	<b>4,742</b>	<b>0</b>	<b>0</b>	<b>202,475</b>
<b>Fund Balances - End of Year</b>	<b>61,602</b>	<b>1,485</b>	<b>0</b>	<b>19,700</b>	<b>4,790</b>	<b>0</b>	<b>8,767</b>	<b>195,855</b>

IOSCO COUNTY  
Tawas City, Michigan

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES  
OTHER GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2014

	Special Revenue Funds							
	Michigan Justice Training Fund	MSU Extension Fund	Bike Path Project Fund	Child Care Fund	Veterans Relief Fund	Veterans Trust Fund	County Airport Fund	Plat Book Revolving Fund
<u>Revenue</u>								
Property Taxes	\$ 0	\$ 130,176	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Federal Grants and Revenue	0	0	0	0	0	0	0	0
State Grants and Revenue	958	0	0	378,799	0	6,100	46,330	0
Contributions from Local Units	0	0	5,518	0	0	0	0	0
Licenses and Permits	0	0	0	0	0	0	0	0
Charges for Services	0	0	0	0	0	0	28,162	0
Fines and Forfeits	0	0	0	0	0	0	0	0
Interest and Rentals	0	0	0	0	0	0	0	0
Other Revenue	0	0	0	40,287	0	0	1,200	8,426
Total Revenue	<u>958</u>	<u>130,176</u>	<u>5,518</u>	<u>419,086</u>	<u>0</u>	<u>6,100</u>	<u>75,692</u>	<u>8,426</u>
<u>Expenditures</u>								
Current:								
General Government:								
Judicial	0	0	0	0	0	0	0	0
Other General Government	0	0	0	0	0	0	49,611	0
Public Safety	1,074	0	0	0	0	0	0	0
Health and Welfare	0	0	0	774,546	0	9,520	0	0
Community and Economic Development	0	122,145	0	0	0	0	0	309
Recreation and Cultural	0	0	8,690	0	0	0	0	0
Capital Outlay	0	0	0	0	0	0	51,716	0
Debt Service:								
Principal	0	0	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0	0	0
Total Expenditures	<u>1,074</u>	<u>122,145</u>	<u>8,690</u>	<u>774,546</u>	<u>0</u>	<u>9,520</u>	<u>101,327</u>	<u>309</u>
Excess of Revenue Over (Under) Expenditures	<u>(116)</u>	<u>8,031</u>	<u>(3,172)</u>	<u>(355,460)</u>	<u>0</u>	<u>(3,420)</u>	<u>(25,635)</u>	<u>8,117</u>
Other Financing Sources (Uses)								
Operating Transfers In	0	0	0	382,709	0	689	25,635	0
Operating Transfers Out	0	0	0	0	0	0	0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>382,709</u>	<u>0</u>	<u>689</u>	<u>25,635</u>	<u>0</u>
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses	<u>(116)</u>	<u>8,031</u>	<u>(3,172)</u>	<u>27,249</u>	<u>0</u>	<u>(2,731)</u>	<u>0</u>	<u>8,117</u>
Fund Balances - Beginning of Year	<u>4,277</u>	<u>10,162</u>	<u>3,372</u>	<u>0</u>	<u>250</u>	<u>2,731</u>	<u>0</u>	<u>3,717</u>
Fund Balances - End of Year	<u>\$ 4,161</u>	<u>\$ 18,193</u>	<u>\$ 200</u>	<u>\$ 27,249</u>	<u>\$ 250</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 11,834</u>

IOSCO COUNTY  
Tawas City, Michigan

**COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**OTHER GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2014**

	Special Revenue Funds			Debt Service Funds			Capital Project Funds			Total Other Governmental Funds
	Economic Revolving Loan Fund	Economic Revolving Loan #3 Fund	2009 Capital Improvement Bonds	2009 Building Authority Refunding Bond Fund			Building Improvement Fund	Capital Improvement Construction Fund	EDC Capital Projects Fund	
				362,128	\$	0				
<b>Revenue</b>	\$	0	0	0	0	0	0	0	0	\$
Property Taxes										492,304
Federal Grants and Revenue										349,519
State Grants and Revenue										809,450
Contributions from Local Units							82,181			80,158
Licenses and Permits										236,895
Charges for Services										760,294
Fines and Forfeits										3,500
Interest and Rentals							867			1,300
Other Revenue	11,787	2,230	0	76	0	0	0	0	0	104,711
<b>Total Revenue</b>	<u>11,787</u>	<u>2,230</u>	<u>0</u>	<u>362,204</u>	<u>0</u>	<u>0</u>	<u>83,048</u>	<u>13</u>	<u>0</u>	<u>2,838,131</u>
<b>Expenditures</b>										
Current:										
General Government:										
Judicial	0	0	0	0	0	0	0	0	0	654,514
Other General Government	0	0	0	0	0	0	0	0	0	70,288
Public Safety	0	0	0	0	0	0	0	0	0	899,411
Health and Welfare	0	0	0	0	0	0	0	0	0	799,420
Community and Economic Development	120,498	0	0	0	0	0	0	0	0	242,952
Recreation and Cultural	0	0	0	0	0	0	0	0	0	66,971
Capital Outlay	0	0	0	0	0	0	109,396	0	0	205,451
Debt Service:										
Principal	0	0	60,000	240,000	0	0	0	0	0	307,876
Interest and Fiscal Charges	0	0	14,733	41,188	0	0	0	0	0	56,017
<b>Total Expenditures</b>	<u>120,498</u>	<u>0</u>	<u>74,733</u>	<u>281,188</u>	<u>0</u>	<u>0</u>	<u>109,396</u>	<u>0</u>	<u>0</u>	<u>3,302,900</u>
<b>Excess of Revenue Over (Under) Expenditures</b>	<u>(108,711)</u>	<u>2,230</u>	<u>(74,733)</u>	<u>81,016</u>	<u>0</u>	<u>0</u>	<u>(26,348)</u>	<u>13</u>	<u>0</u>	<u>(464,769)</u>
<b>Other Financing Sources (Uses)</b>										
Operating Transfers In	0	0	74,733	0	0	0	0	0	0	679,624
Operating Transfers Out	0	0	0	0	0	0	0	0	0	(80,000)
<b>Total Other Financing Sources (Uses)</b>	<u>0</u>	<u>0</u>	<u>74,733</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>599,624</u>
<b>Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses</b>	<u>(108,711)</u>	<u>2,230</u>	<u>0</u>	<u>81,016</u>	<u>0</u>	<u>0</u>	<u>(26,348)</u>	<u>13</u>	<u>0</u>	<u>134,855</u>
<b>Fund Balances - Beginning of Year</b>	<u>111,898</u>	<u>34,052</u>	<u>0</u>	<u>625,747</u>	<u>0</u>	<u>0</u>	<u>882,623</u>	<u>22,582</u>	<u>0</u>	<u>2,821,189</u>
<b>Fund Balances - End of Year</b>	<u>3,187</u>	<u>36,282</u>	<u>0</u>	<u>706,763</u>	<u>0</u>	<u>0</u>	<u>856,275</u>	<u>22,595</u>	<u>0</u>	<u>2,956,044</u>

IOSCO COUNTY  
Tawas City, Michigan

COMBINING STATEMENT OF NET POSITION  
OTHER ENTERPRISE FUNDS  
December 31, 2014

	Oscoda Sewer 2003 Project	Alabaster Water Fund	AuSable D.P.W. #2 Fund	AuSable D.P.W. #2 Series II Fund	Baldwin Water 2002 Fund	Commissary	Total
<u>Assets</u>							
Cash and Cash Equivalents	\$ 125	\$ 0	\$ 0	\$ 0	\$ 0	\$ 38,182	\$ 38,307
Receivables:							
Loans Receivable	0	31,800	20,417	0	21,420	0	73,637
Noncurrent Assets:							
Long-Term Loans Receivable	0	150,000	0	6,000	160,000	0	316,000
Total Assets	<u>125</u>	<u>181,800</u>	<u>20,417</u>	<u>6,000</u>	<u>181,420</u>	<u>38,182</u>	<u>427,944</u>
<u>Liabilities</u>							
Current Liabilities:							
Accounts Payable	0	0	0	0	0	374	374
Accrued Interest Payable	0	1,800	417	0	1,420	0	3,637
Current Portion of Long-Term Liabilities	0	30,000	20,000	0	20,000	0	70,000
Long-Term Liabilities:							
Due in More Than One Year	0	150,000	0	6,000	160,000	0	316,000
Total Liabilities	<u>0</u>	<u>181,800</u>	<u>20,417</u>	<u>6,000</u>	<u>181,420</u>	<u>374</u>	<u>390,011</u>
<u>Net Position</u>							
Unrestricted	\$ <u>125</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>37,808</u>	\$ <u>37,933</u>

IOSCO COUNTY  
Tawas City, Michigan

COMBINING STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION  
OTHER ENTERPRISE FUNDS  
For the Year Ended December 31, 2014

	Oscoda Sewer 2003 Project	Alabaster Water Fund	AuSable D.P.W. #2 Fund	AuSable D.P.W. #2 Series II Fund	Baldwin Water 2002 Fund	Commissary	Total
<u>Operating Revenue</u>							
Charges For Services	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 17,215	\$ 17,215
<u>Operating Expenses</u>							
Other	0	0	0	0	0	1,930	1,930
Operating Income	0	0	0	0	0	15,285	15,285
<u>Nonoperating Revenue (Expenses)</u>							
Contributions	0	11,740	1,084	400	9,557	0	22,781
Interest and Fees Expense	0	(11,740)	(1,084)	(400)	(9,557)	0	(22,781)
Total Nonoperating Revenue (Expenses)	0	0	0	0	0	0	0
Change in Net Position	0	0	0	0	0	15,285	15,285
Net Position - Beginning of Year	125	0	0	0	0	22,523	22,648
Net Position - End of Year	\$ 125	\$ 0	\$ 0	\$ 0	\$ 0	\$ 37,808	\$ 37,933

IOSCO COUNTY  
Tawas City, Michigan

**COMBINING STATEMENT OF CASH FLOWS**  
**OTHER ENTERPRISE FUNDS**  
**For the Year Ended December 31, 2014**

	Oscoda Sewer 2003 Project	Alabaster Water Fund	AuSable D.P.W. #2 Fund	AuSable D.P.W. #2 Series II Fund	Baldwin Water 2002 Fund	Commissary	Total
<u>Cash Flows From Operating Activities</u>							
Receipts from Customers and Taxpayers	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 17,215	\$ 17,215
Payments to Suppliers for Goods and Services	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(5,985)</u>	<u>(5,985)</u>
Net Cash Provided by Operating Activities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>11,230</u>	<u>11,230</u>
<u>Cash Flows From Capital and Related Financing Activities</u>							
Intergovernmental Contributions	0	42,023	21,500	2,400	29,700	0	95,623
Principal Paid on Long-Term Debt	0	(30,000)	(20,000)	(2,000)	(20,000)	0	(72,000)
Interest and Fees Paid on Long-Term Debt	0	(12,023)	(1,500)	(400)	(9,700)	0	(23,623)
Net Cash Provided by Capital and Related Financing Activities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Increase in Cash and Cash Equivalents	0	0	0	0	0	11,230	11,230
Cash and Cash Equivalents at Beginning of Year	<u>125</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>26,952</u>	<u>27,077</u>
Cash and Cash Equivalents at End of Year	<u>\$ 125</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 38,182</u>	<u>\$ 38,307</u>
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</u>							
Operating Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 15,285	\$ 15,285
Change in Assets and Liabilities:							
Accounts Payable	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(4,055)</u>	<u>(4,055)</u>
Net Cash Provided by Operating Activities	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 11,230</u>	<u>\$ 11,230</u>

IOSCO COUNTY  
Tawas City, Michigan

COMBINING BALANCE SHEET  
DRAIN COMMISSION - COMPONENT UNIT  
GOVERNMENTAL FUNDS  
December 31, 2014

	Debt Retirement Funds						Capital Project
	Lakewood Storm Fund	Elm Creek Fund	Gregory/Scherrett Drain Fund	Whitney Drain Debt Fund	Parent Drain Debt Fund	Van Etten Dam Lake Level Fund	
<b>Assets</b>							
Cash and Cash Equivalents	\$ 1,118	\$ 6,453	\$ 6,187	\$ 187,070	\$ 12,631	\$ 32,489	
Receivables:							
Special Assessments	0	0	0	530,765	14,985	0	
Due from Local Units	0	0	0	230,736	0	0	
<b>Total Assets</b>	<u>\$ 1,118</u>	<u>\$ 6,453</u>	<u>\$ 6,187</u>	<u>\$ 948,571</u>	<u>\$ 27,616</u>	<u>\$ 32,489</u>	
<b>Liabilities</b>							
Accounts Payable	0	0	0	0	0	0	25
Due to Primary Government	0	0	0	0	0	0	150
<b>Total Liabilities</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>175</u>
<b>Deferred Inflows of Resources</b>							
Unavailable Revenue - Special Assessments	0	0	0	530,765	14,985	0	0
Unavailable Revenue - Due from Local Units	0	0	0	230,736	0	0	0
<b>Total Deferred Inflows of Resources</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>761,501</u>	<u>14,985</u>	<u>0</u>	<u>0</u>
<b>Fund Equity</b>							
Fund Balances:							
Restricted For:							
Debt Service	1,118	6,453	6,187	187,070	12,631	0	0
Capital Projects	0	0	0	0	0	32,314	0
Unassigned	0	0	0	0	0	0	0
<b>Total Fund Equity</b>	<u>1,118</u>	<u>6,453</u>	<u>6,187</u>	<u>187,070</u>	<u>12,631</u>	<u>32,314</u>	<u>0</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Equity</b>	<u>\$ 1,118</u>	<u>\$ 6,453</u>	<u>\$ 6,187</u>	<u>\$ 948,571</u>	<u>\$ 27,616</u>	<u>\$ 32,489</u>	<u>\$ 32,489</u>

IOSCO COUNTY  
Tawas City, Michigan

COMBINING BALANCE SHEET  
DRAIN COMMISSION - COMPONENT UNIT  
GOVERNMENTAL FUNDS  
December 31, 2014

	Capital Project Funds						Total Governmental Funds
	Whitney Drain Fund	Lake Level Maintenance Fund	Drain Maintenance Fund	Lake Level Revolving Fund	Drain Assessment Revolving Fund		
<u>Assets</u>							
Cash and Cash Equivalents	\$ 15,040	\$ 1,364	\$ 49,343	\$ 12,000	\$ 55,000	\$	\$ 378,695
Receivables:							
Special Assessments	0	0	0	0	0	0	545,750
Due from Local Units	0	0	0	0	0	0	230,736
<u>Total Assets</u>	<u>\$ 15,040</u>	<u>\$ 1,364</u>	<u>\$ 49,343</u>	<u>\$ 12,000</u>	<u>\$ 55,000</u>	<u>\$</u>	<u>\$ 1,155,181</u>
<u>Liabilities</u>							
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$	\$ 25
Due to Primary Government	0	0	0	12,000	55,000	0	67,150
<u>Total Liabilities</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>12,000</u>	<u>55,000</u>	<u>0</u>	<u>67,175</u>
<u>Deferred Inflows of Resources</u>							
Unavailable Revenue - Special Assessments	0	0	0	0	0	0	545,750
Unavailable Revenue - Due from Local Units	0	0	0	0	0	0	230,736
<u>Total Deferred Inflows of Resources</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>776,486</u>
<u>Fund Equity</u>							
Fund Balances:							
Restricted For:							
Debt Service	0	0	0	0	0	0	213,459
Capital Projects	15,040	0	49,343	0	0	0	96,697
Unassigned	0	1,364	0	0	0	0	1,364
Total Fund Equity	<u>15,040</u>	<u>1,364</u>	<u>49,343</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>311,520</u>
<u>Total Liabilities, Deferred Inflows of Resources and Fund Equity</u>	<u>\$ 15,040</u>	<u>\$ 1,364</u>	<u>\$ 49,343</u>	<u>\$ 12,000</u>	<u>\$ 55,000</u>	<u>\$</u>	<u>\$ 1,155,181</u>

IOSCO COUNTY  
Tawas City, Michigan

DRAIN COMMISSION - COMPONENT UNIT  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND  
BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES  
December 31, 2014

Total Governmental Fund Balances		\$	311,520
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. Capital assets at year end consist of:			
Capital Assets Cost	\$	2,666,960	
Accumulated Depreciation		<u>(360,394)</u>	2,306,566
Other assets are not available to pay for current period expenditures and, therefore, are unavailable revenue in the governmental funds:			
Special Assessments Receivable		545,750	
Due from Local Units		<u>230,736</u>	776,486
Net Difference			
Accrued Interest on Long-Term Liabilities			(2,431)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year end consist of:			
Bonds Payable			<u>(940,000)</u>
Total Net Position - Governmental Activities		\$	<u><u>2,452,141</u></u>

IOSCO COUNTY  
Tawas City, Michigan

COMBINING STATEMENT OF  
REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
DRAIN COMMISSION - COMPONENT UNIT - GOVERNMENTAL FUNDS  
December 31, 2014

	Debt Retirement Funds						Capital Project Funds
	Lakewood Storm Fund	Elm Creek Fund	Gregory/Scherrett Drain Fund	Whitney Drain Debt Fund	Parent Drain Debt Fund	Van Etten Dam Lake Level Fund	
<u>Revenue</u>							
Special Assessments	0	0	0	172,063	20,756		25,005
Interest and Rentals	1	3	3	101	7		0
Other Revenue	0	0	0	0	0		0
Total Revenue	1	3	3	172,164	20,763		25,005
<u>Expenditures</u>							
Current:							
Public Works	0	0	0	0	0		23,549
Capital Outlay	0	0	0	0	0		67,343
Debt Service:							
Principal	0	0	0	110,000	20,000		0
Interest and Fiscal Charges	0	0	0	40,075	1,415		0
Total Expenditures	0	0	0	150,075	21,415		90,892
Excess of Revenue Over (Under) Expenditures	1	3	3	22,089	(652)		(65,887)
Fund Balances (Deficit) - Beginning of Year	1,117	6,450	6,184	164,981	13,283		98,201
Fund Balances - End of Year	1,118	6,453	6,187	187,070	12,631		32,314

IOSCO COUNTY  
Tawas City, Michigan

COMBINING STATEMENT OF  
REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
DRAIN COMMISSION - COMPONENT UNIT - GOVERNMENTAL FUNDS  
December 31, 2014

	Capital Project Funds						Total Governmental Funds
	Whitney Drain Fund	Lake Level Maintenance Fund	Drain Maintenance Fund	Lake Level Revolving Fund	Drain Assessment Revolving Fund		
<u>Revenue</u>							
Special Assessments	\$ 0	\$ 0	\$ 81,637	\$ 0	\$ 0	\$ 0	\$ 299,461
Interest and Rentals	0	0	0	0	0	0	115
Other Revenue	0	7,351	0	0	0	0	7,351
Total Revenue	0	7,351	81,637	0	0	0	306,927
<u>Expenditures</u>							
Current:							
Public Works	22,019	0	46,239	0	0	0	91,807
Capital Outlay	0	0	0	0	0	0	67,343
Debt Service:							
Principal	0	0	0	0	0	0	130,000
Interest and Fiscal Charges	0	0	0	0	0	0	41,490
Total Expenditures	22,019	0	46,239	0	0	0	330,640
Excess of Revenue Over (Under) Expenditures	(22,019)	7,351	35,398	0	0	0	(23,713)
Fund Balances (Deficit) - Beginning of Year	37,059	(5,987)	13,945	0	0	0	335,233
Fund Balances - End of Year	\$ 15,040	\$ 1,364	\$ 49,343	\$ 0	\$ 0	\$ 0	\$ 311,520

IOSCO COUNTY  
Tawas City, Michigan

DRAIN COMMISSION - COMPONENT UNIT  
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2014

Total Net Change in Fund Balances - Governmental Funds	\$		(23,713)
Amounts reported for governmental activities in the statement of activities are different because:			
Receivables not currently available are reported as revenue when collected or when currently available in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements:			
Special Assessments	\$	(104,868)	
Due from Local Units		<u>(27,588)</u>	
Net difference			(132,456)
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 as depreciation expense.			
Capital Outlay	\$	67,343	
Current Year Depreciation Expense		<u>(60,228)</u>	
Net difference			7,115
Principal repayments on long-term debt are reported as expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. The amount of repayments reported as expenditures in the governmental funds consist of:			
Bonds Payable			130,000
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:			
Net Change in Accrued Interest			<u>405</u>
Change in Net Position of Governmental Activities	\$		<u><u>(18,649)</u></u>

DATE

Management and the Board of Commissioners  
Iosco County  
Tawas City, Michigan

We have audited the financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Iosco County for the year ended December 31, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and OMB Circular A-133, 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 February 2, 2015. Professional standards also require that we communicate to you the following information related to our audit. The appendices to this letter set forth those communications as follows:

I Communication with Those Charged with Governance

II Management Comments

We discussed these matters with various personnel of the County during the audit and met with management on DATE. We would also be pleased to meet with you to discuss these matters at your convenience.

These communications are intended solely for the information and use of management, the Board of Commissioners, others within the County and the Michigan Department of Treasury and are not intended to be, and should not be, used by anyone other than those specified parties.

Very truly yours,

*Stephenson, Graub & Co., P.C.*

## **APPENDIX I COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE**

### **Our Responsibilities under U.S. Generally Accepted Auditing Standards, *Government Auditing Standards*, and OMB Circular A-133**

As stated in our engagement letter dated February 2, 2015, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

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

As part of obtaining reasonable assurance about whether losco County's financial statements are free of material misstatement, we will perform tests of its compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with those provisions is not an objective of our audit. Also in accordance with OMB Circular A-133, we will examine, on a test basis, evidence about losco County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement applicable to each of its major federal programs for the purpose of expressing an opinion on losco County's compliance with those requirements. While our audit will provide a reasonable basis for our opinion, it will not provide a legal determination on losco County's compliance with those requirements.

Generally accepted accounting principles provide for certain required supplementary information (RSI) to supplement the basic financial statements. Our responsibility for the management's discussion and analysis, postemployment benefits schedule, and budgetary comparison information, which supplements the basic financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI will not be audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we will not express an opinion or provide any assurance on the RSI.

We have been engaged to report on the combining nonmajor fund financial statements and losco County Drain Commission Component Unit fund financial statements, which accompany the financial statements but are not RSI. Our responsibility for this supplementary information, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

We performed the audit as outlined in our engagement letter related to planning matters dated February 2, 2015.

### **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 losco County are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2014. We noted no transactions entered into by the government 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.

## **APPENDIX I COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE**

- 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 losco County's financial statements were:

Management's estimate of the allowance for doubtful accounts which is based on historical revenues, historical loss levels and an analysis of the collectability of individual accounts and management's estimate of incurred but not reported claims for the County's health insurance which is partially self-insured. We evaluated the key factors and assumptions used to develop the allowance and incurred but not reported liability in determining that they are reasonable in relation to the financial statements taken as a whole.

- 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 clearly trivial, and communicate them to the appropriate level of management. A summary of audit differences, both adjusted and unadjusted was provided to management on March 16, 2015. Management has determined the effects of the unadjusted audit differences are immaterial, both individually and in the aggregate to the financial statements as a whole, and material misstatements provided to management on March 16, 2015 were corrected by management.

### **Disagreements with Management**

For purposes of this letter, a disagreement with management is 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 [Date of Management Representation Letter].

### **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 losco County'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 losco County's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**APPENDIX I  
COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE**

**Other Matters**

We applied certain limited procedures to the management's discussion and analysis, postemployment benefits schedule, and budgetary comparison information 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 nonmajor fund financial statements and the Losco County Drain Commission Component Unit fund financial statements, 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.

## **APPENDIX II MANAGEMENT COMMENTS**

In planning and performing our audit of the financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of losco County as of and for the year ended December 31, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered losco County's internal control over financial reporting (internal control) as a basis for designing 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 losco County's internal control. Accordingly, we do not express an opinion on the effectiveness of losco County's internal control.

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

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 following deficiencies in internal control to be material weaknesses:

### **FINANCIAL STATEMENT PREPARATION CONTROLS**

In conjunction with our audit, we have been contracted to prepare the financial statements and related disclosures based on the information provided to us by Management. We have also been contracted to assist in the preparation of the schedule of expenditures of federal awards. We would like to stress that this service is allowable under AICPA ethics guidelines and may be the most efficient and effective method for preparation of losco County's financial statements. However, if at any point in the audit we as auditors are part of losco County's control system for producing reliable financial statements, auditing standards indicate that losco County has a control deficiency. If Management is not able to prepare financial statements, including disclosures and the schedule of expenditures of federal awards, and the auditors are contracted to prepare these statements, this is considered a control deficiency. The effect of this material weakness is that reporting errors or omissions could occur in the preparation of the annual financial report and schedule of expenditures of federal awards that would be departures from Generally Accepted Accounting Principles (GAAP) and the County would not be in a position to detect the errors or omissions. We recommend that Management and those charged with governance evaluate and document their decision on the costs and benefits of whether to contract for this service with our firm.

#### **View of Responsible Officials:**

losco County has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP and the schedule of expenditures of federal awards, and determined that it is in the best interests of the County to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

### **HOUSING COMMISSION COLLECTION POLICY**

A key component to internal control is written operating policies and procedures. During our audit procedures regarding the housing commission loan receivables, we observed that currently there is no formal written collection policy regarding the loans. The effect of this material weakness is that there are several extremely delinquent loans for which little or no action has been enforced. We recommend that the Housing Commission research and adopt a written collection policy and require its employees to strictly enforce the policy for all loans.

## **APPENDIX II MANAGEMENT COMMENTS**

View of Responsible Officials:

The Iosco County Board of Commissioners will require the Housing Commission Board to research and adopt a formal collection policy during 2015 and will require the enforcement of the policy.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in Iosco County's internal control to be a significant deficiency:

### **SIGNED DELINQUENT TAX ROLL AFFIDAVIT**

The General Property Tax Act requires that all tax collecting officers attach an affidavit to the delinquent tax roll stating the aggregate amount of taxes remaining unpaid, the amounts remaining unpaid for each taxing unit and the amount of all moneys collected on account of taxes. During our audit procedures regarding the delinquent tax process, we observed that during the settlement process of the 2013 taxes, the County did not require the local taxing units to submit an affidavit for the delinquent tax roll. The effect of this significant deficiency is that the County is not in compliance with the General Property Tax Act and there is no signed documentation kept by the County to support the amount of delinquent tax payments made to the local taxing units. We recommend that the County require all local taxing units to sign the affidavit in accordance with the requirements of The General Property Tax Act and keep the affidavit as support for payments made to the local taxing units during settlement.

View of Responsible Officials:

Effective with the settlement process for the 2014 taxes, the County will require a signed affidavit for each delinquent tax roll.

Iosco County's responses to the findings in our audit are described above. We did not audit the County's responses and, accordingly, we express no opinion on them.

During our audit, we also became aware of the following deficiency in internal control other than significant deficiencies or material weaknesses, and other matters that is an opportunity for strengthening internal controls and operating efficiency.

### **DISTRICT COURT INTERNAL CONTROLS**

During our audit procedures, we obtained an understanding of the internal controls in place over the County's District Court. As a result of these procedures, we discovered an area where these internal controls could be improved. We developed the following recommendation to be implemented to assist the County in protecting the assets collected at the District Court including those held in trust:

- Bank statements should be reconciled to their respective ledger books and the bond ledger balance should be reconciled to the outstanding bond report. These reconciliations should be reviewed promptly, after completion, by the District Court Magistrate to ensure outstanding items are reasonable. In addition, the bank statements should be reviewed for any unusual activity, including non-check withdrawals or unauthorized transfers, and any unusual activity should be investigated promptly.

**APPENDIX II  
MANAGEMENT COMMENTS**

**STATUS OF PRIOR YEAR COMMENTS:**

We have reviewed the status of comments and recommendations made in the prior year. The status of prior year comments is as follows:

<u>Comment</u>	<u>Implemented/ Situation Corrected</u>	<u>Management Decision To Not Implement</u>	<u>Progress Made</u>	<u>Situation Still Exists</u>
Financial Statement Preparation Controls		X		
Agency Fund Liability Accounts	X			
District Court Internal Controls				X
Inmate Trust Bank Account	X			
Deficit Fund Balance	X			