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IOSCO COUNTY  
TAWAS CITY, MICHIGAN

AUDITORS' REPORT  
YEAR ENDED DECEMBER 31, 2015

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**AUDITORS' REPORT**

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June 23, 2016

## 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, 2015, 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 70 percent, 69 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 89 percent, 91 percent, and 98 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, 2015, 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.

**Emphasis of Matter**

As discussed in Note 2 to the financial statements, Iosco County has implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27*, as of December 31, 2015. Our opinion is not modified with respect to this matter.

**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, required pension schedules, 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 23, 2016, 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, Grain & Co., P.C.*

# Iosco County Board of Commissioners

COURT HOUSE  
Tawas City, Michigan 48763

## 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, 2015. The intent of this discussion and analysis is to look at the County's financial performance as a whole.

### Financial Highlights

The assets and deferred outflows of resources of the County's Primary Government exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$24,921,453 (net position). This is an increase of \$1,967,893 from 2014. Of the total net position in 2015, \$5,444,939 is unrestricted net position needed to meet the government's ongoing obligations to citizens.

As of the close of the 2015 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 \$8,331,722, an increase of \$580,953 in comparison to 2014. The County's General Fund fund balance for 2015 increased by \$50,725 to a year end balance of \$2,031,890 or 30% of actual General Fund expenditures. The increase in the General Fund fund balance can be mainly attributed to revenues exceeding expenditures offset by transfers to other funds to help cover those funds' expenditures of approximately \$620,000.

The Ambulance Service Fund fund balance increased by \$251,058 as a result of revenues exceeding expenditures for the current year.

The MSHDA Fund fund balance decreased by \$7,718 as a result of expenditures exceeding revenues for the current year.

The EDC Grant Revolving Loan Fund fund balance increased by \$174,175 as a result of continued loan collections with adding a new loan with proceeds of \$108,000.

The Other Governmental Funds fund balances increased by \$112,713 which is consistent with the prior year. The General Fund transferred approximately \$620,000 to the other governmental funds, of which about \$417,000 was transferred to the Child Care Fund.

The Delinquent Tax Revolving Fund net position increased by \$364,044, which is due to revenues exceeding expenditures in the current year.

The Other Enterprise Funds fund balances increased by \$9,535 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 2015 for 2016 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, 2015 and 2014:

|                     | <u>Governmental<br/>Activities</u> | <u>Business -Type<br/>Activities</u> | <u>December 31, 2015</u> | <u>December 31, 2014</u> |
|---------------------|------------------------------------|--------------------------------------|--------------------------|--------------------------|
| Current Assets      | \$ 10,126,943                      | \$ 8,178,682                         | \$ 18,305,625            | \$ 17,507,749            |
| Restricted Assets   | 0                                  | 1,200,769                            | 1,200,769                | 1,100,656                |
| Noncurrent Assets   | 3,634,697                          | 263,000                              | 3,897,697                | 4,073,465                |
| Capital Assets      | <u>4,582,278</u>                   | <u>6,538,722</u>                     | <u>11,121,000</u>        | <u>11,323,950</u>        |
| <b>Total Assets</b> | <u>18,343,918</u>                  | <u>16,181,173</u>                    | <u>34,525,091</u>        | <u>34,005,820</u>        |

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

|                                       | <u>Governmental<br/>Activities</u> | <u>Business -Type<br/>Activities</u> | <u>December 31, 2015</u> | <u>December 31, 2014</u> |
|---------------------------------------|------------------------------------|--------------------------------------|--------------------------|--------------------------|
| <b>Deferred Outflows of Resources</b> | \$ 903,291                         | \$ 1,337,239                         | \$ 2,240,530             | \$ 983,254               |
| Current Liabilities                   | 616,752                            | 432,897                              | 1,049,649                | 791,896                  |
| Long-Term Liabilities                 | <u>7,484,313</u>                   | <u>2,083,463</u>                     | <u>9,567,776</u>         | <u>9,670,013</u>         |
| <b>Total Liabilities</b>              | <u>8,101,065</u>                   | <u>2,516,360</u>                     | <u>10,617,425</u>        | <u>10,461,909</u>        |
| <b>Deferred Inflows of Resources</b>  | <u>711,330</u>                     | <u>515,413</u>                       | <u>1,226,743</u>         | <u>1,573,605</u>         |
| <b>Net Position (Deficit)</b>         |                                    |                                      |                          |                          |
| Net Investment in                     |                                    |                                      |                          |                          |
| Capital Assets                        | 3,570,936                          | 6,538,722                            | 10,109,658               | 9,975,759                |
| Restricted                            | 9,366,856                          | 0                                    | 9,366,856                | 8,945,319                |
| Unrestricted (Deficit)                | <u>(2,502,978)</u>                 | <u>7,947,917</u>                     | <u>5,444,939</u>         | <u>4,032,482</u>         |
| <b>Total Net Position</b>             | <u>\$ 10,434,814</u>               | <u>\$ 14,486,639</u>                 | <u>\$ 24,921,453</u>     | <u>\$ 22,953,560</u>     |

**Summary of Changes in Net Position :**

Following is an analysis of the changes in net position for the period ended December 31, 2015:

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<br/>Activities</u> | <u>Business -Type<br/>Activities</u> | <u>Year Ended<br/>December 31, 2015</u> | <u>Year Ended<br/>December 31, 2014</u> |
|------------------------------------|------------------------------------|--------------------------------------|---|---|
| Program Revenue:                   |                                    |                                      |   |   |
| Charges for Services               | \$ 5,264,521                       | \$ 8,555,353                         | \$ 13,819,874                           | \$ 12,478,417                           |
| Operating Grants and Contributions | 2,295,622                          | 19,480                               | 2,315,102                               | 2,149,605                               |
| Capital Grants and Contributions   | <u>197,874</u>                     | <u>0</u>                             | <u>197,874</u>                          | <u>154,585</u>                          |
| <b>Total Program Revenue</b>       | <u>7,758,017</u>                   | <u>8,574,833</u>                     | <u>16,332,850</u>                       | <u>14,782,607</u>                       |
| General Revenue:                   |                                    |                                      |   |   |
| Property Taxes                     | 5,347,603                          | 491,065                              | 5,838,668                               | 5,703,221                               |
| State Revenue Sharing              | 530,446                            | 0                                    | 530,446                                 | 457,918                                 |
| Investment Earnings                | 6,700                              | 284,269                              | 290,969                                 | 275,653                                 |
| Rent Income                        | 36,384                             | 0                                    | 36,384                                  | 26,876                                  |
| Gain (Loss) on Disposal of         |                                    |                                      |   |   |
| Capital Assets                     | 54,152                             | 0                                    | 54,152                                  | (4,617)                                 |
| Other                              | <u>51,418</u>                      | <u>0</u>                             | <u>51,418</u>                           | <u>83,556</u>                           |
| <b>Total General Revenue</b>       | <u>6,026,703</u>                   | <u>775,334</u>                       | <u>6,802,037</u>                        | <u>6,542,607</u>                        |
| <b>Total Revenue</b>               | <u>13,784,720</u>                  | <u>9,350,167</u>                     | <u>23,134,887</u>                       | <u>21,325,214</u>                       |

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

|                                     | <u>Governmental<br/>Activities</u> | <u>Business-Type<br/>Activities</u> | <u>Year Ended<br/>December 31, 2015</u> | <u>Year Ended<br/>December 31, 2014</u> |
|-------------------------------------|------------------------------------|-------------------------------------|---|---|
| Program Expenses:                   |                                    |                                     |   |   |
| General Government:                 |                                    |                                     |   |   |
| Legislative and Executive           | \$ 130,116                         | \$ 0                                | \$ 130,116                              | \$ 122,920                              |
| Judicial                            | 2,248,756                          | 0                                   | 2,248,756                               | 2,346,756                               |
| Other General Government            | 2,737,559                          | 0                                   | 2,737,559                               | 3,083,301                               |
| Public Safety                       | 3,079,579                          | 0                                   | 3,079,579                               | 2,777,711                               |
| Public Works                        | 59,859                             | 0                                   | 59,859                                  | 59,101                                  |
| Health and Welfare                  | 4,286,679                          | 0                                   | 4,286,679                               | 4,155,320                               |
| Community and Economic              |                                    |                                     |   |   |
| Development                         | 262,643                            | 0                                   | 262,643                                 | 326,571                                 |
| Recreation and Cultural             | 107,105                            | 0                                   | 107,105                                 | 88,111                                  |
| Interest and Fees on Long-Term Debt | 44,545                             | 0                                   | 44,545                                  | 54,836                                  |
| Department of Public Works          | 0                                  | 19,480                              | 19,480                                  | 22,781                                  |
| Delinquent Tax Revolving            | 0                                  | 302,126                             | 302,126                                 | 205,328                                 |
| Medical Care Facility               | 0                                  | 7,883,916                           | 7,883,916                               | 7,438,503                               |
| Commissary                          | <u>0</u>                           | <u>4,631</u>                        | <u>4,631</u>                            | <u>1,930</u>                            |
| Total expenses                      | <u>12,956,841</u>                  | <u>8,210,153</u>                    | <u>21,166,994</u>                       | <u>20,683,169</u>                       |
| Change in Net Position before       |                                    |                                     |   |   |
| Transfers                           | 827,879                            | 1,140,014                           | 1,967,893                               | 642,045                                 |
| Transfers In (Out)                  | <u>58,191</u>                      | <u>(58,191)</u>                     | <u>0</u>                                | <u>0</u>                                |
| <b>Change in Net Position</b>       | 886,070                            | 1,081,823                           | 1,967,893                               | 642,045                                 |
| Beginning Net Position (Restated)   | <u>9,548,744</u>                   | <u>13,404,816</u>                   | <u>22,953,560</u>                       | <u>22,311,515</u>                       |
| <b>Ending Net Position</b>          | <u>\$ 10,434,814</u>               | <u>\$ 14,486,639</u>                | <u>\$ 24,921,453</u>                    | <u>\$ 22,953,560</u>                    |

**Governmental Activities**

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

Total governmental activities reveal revenues of \$7,758,017 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 \$12,956,841 for these same activities. The largest expenses were incurred by Other General Government offices (\$2,737,559), Health and Welfare (\$4,286,679), Judicial (\$2,248,756) and Public Safety (\$3,079,579).

**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 \$8,574,833 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 \$8,210,153.

## 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.

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 50 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 *Proprietary 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 \$1,981,165 General Fund balance. At year's end, the General Fund balance increased to \$2,031,890. The General Fund actual revenue of \$7,423,310 versus budgeted revenue of \$8,187,253 netted an unfavorable variance of \$763,943, which is due mostly to receiving less federal revenue than anticipated. Actual expenditures of the General Fund were \$6,823,712 versus budgeted expenditures of \$7,811,710 showing a favorable variance of \$987,998, which is primarily a result of under budgeting for principal expense offset by over budgeting in the other general government, public safety, and capital outlay expenditures. It is management's goal to maintain a fund balance sufficient to sustain payables from January through July each year, past financial information indicates this amount to be approximately \$2,000,000.

### 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 \$8,375,703 with an ending balance of \$8,865,348. Governmental Activities Total Capital Assets – Net of Depreciation was \$4,582,278. The County had several capital asset additions in 2015. Additions include \$26,273 for an animal control vehicle, \$149,256 for an ambulance, \$11,563 for a sheriff snowmobile, \$16,177 for fiber installation for sheriff, \$7,500 for razor fencing for the jail, \$54,665 for software for the building department, \$215,447 for a tractor, \$21,150 for a groomer drag, \$5,939 for annex building fiber optics, \$47,000 for a phone system for 911, which is included in construction in progress, \$21,000 for a jail security system, which is also included in construction in progress, and \$7,750 for a sheriff vehicle. In the current year, the County disposed of a tractor with a cost of \$87,697 and a snowmobile with a cost of \$6,378, of which \$16,848 was not yet depreciated.

Capital Assets - Business Type Activities beginning balance was \$12,053,659 with an ending balance of \$12,074,426. There were \$73,642 of additions for the year, which consisted of a new resident transport bus and new computers and operating systems for the Iosco Medical Care Facility. Disposals for the year totaled \$52,875, which consisted of old machinery and equipment at the Iosco Medical Care Facility. Business-Type Activities Total

Capital Assets – Net of Depreciation was \$6,538,722. An expanded and detailed presentation may be seen in Note 5 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 \$8,902,231. Such debt includes *Bonds Payable*, *Capital Leases Payable*, *Net Pension Liability*, *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. New this year is the net pension liability. The County's net pension liability amounted to \$7,583,567 at year end. This is the contingent liability for certain retirement, disability, and death benefits to plan members and beneficiaries. An expanded and detailed presentation may be seen in Note 11 of the audit notes to the financial statements.

### **Economic Factors**

The year ended December 31, 2015, indicates an increase from the prior year General Fund fund balance of \$50,725. The ending fund balance of \$2,031,890 represents 30% of annual expenditures. It is management's goal to maintain a fund balance sufficient to sustain payables from January through July each year, past financial information indicates this amount to be approximately \$2,000,000.

It is Managements' goal to maintain balanced future budgets to ensure proper fund balances that secure proper cash needs and promote future financial growth. Taxable values for 2016 will not increase due to the exemption of personal property tax with no reimbursement for lost revenue. Potential future risk to the general fund remain with unpredictable mandated services such as the child care fund and the friend of the court.

### **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, 2015

|  | Primary Government         |                             |                      | Component Units                     |                                    |
|--|----------------------------|-----------------------------|----------------------|-------------------------------------|------------------------------------|
|  | Governmental<br>Activities | Business-Type<br>Activities | Total                | Iosco County<br>Drain<br>Commission | Iosco County<br>Road<br>Commission |
| <b>Assets</b>  |                            |                             |                      |                                     |                                    |
| Cash and Cash Equivalents (Note 3)                       | \$ 7,582,388               | \$ 5,260,057                | \$ 12,842,445        | \$ 451,965                          | \$ 171,481                         |
| Investments (Note 3)                                     | 80,000                     | 0                           | 80,000               | 0                                   | 3,860,069                          |
| Receivables:   |                            |                             |                      |                                     |                                    |
| Property Taxes   | 944,062                    | 515,413                     | 1,459,475            | 0                                   | 0                                  |
| Delinquent Taxes   | 0                          | 1,125,778                   | 1,125,778            | 0                                   | 0                                  |
| Special Assessments                                      | 0                          | 0                           | 0                    | 79,969                              | 0                                  |
| Accounts, Net  | 505,440                    | 928,197                     | 1,433,637            | 0                                   | 558,817                            |
| Loans Receivable (Note 1)                                | 248,106                    | 52,786                      | 300,892              | 0                                   | 0                                  |
| Due from Local Units                                     | 0                          | 0                           | 0                    | 201,894                             | 0                                  |
| Due from Component Units (Note 4)                        | 67,000                     | 150                         | 67,150               | 0                                   | 0                                  |
| Due from State   | 587,618                    | 0                           | 587,618              | 0                                   | 642,729                            |
| Prepaid Expenses   | 112,329                    | 0                           | 112,329              | 0                                   | 25,478                             |
| Inventory  | 0                          | 0                           | 0                    | 0                                   | 593,714                            |
| Other Current Assets                                     | 0                          | 296,301                     | 296,301              | 0                                   | 0                                  |
| Restricted Assets  |                            |                             |                      |                                     |                                    |
| Cash and Cash Equivalents (Note 3)                       | 0                          | 1,200,769                   | 1,200,769            | 0                                   | 0                                  |
| Noncurrent Assets:                                       |                            |                             |                      |                                     |                                    |
| Long-Term Special Assessments Receivable                 | 0                          | 0                           | 0                    | 372,034                             | 0                                  |
| Long-Term Loans Receivable, Net (Note 1)                 | 3,634,697                  | 263,000                     | 3,897,697            | 0                                   | 0                                  |
| Capital Assets Not Being Depreciated (Note 5)            | 499,589                    | 0                           | 499,589              | 0                                   | 2,807,965                          |
| Capital Assets, Net of Accumulated Depreciation (Note 5) | <u>4,082,689</u>           | <u>6,538,722</u>            | <u>10,621,411</u>    | <u>2,246,338</u>                    | <u>19,278,733</u>                  |
| Total Assets   | <u>18,343,918</u>          | <u>16,181,173</u>           | <u>34,525,091</u>    | <u>3,352,200</u>                    | <u>27,938,986</u>                  |
| <b>Deferred Outflows of Resources</b>                    |                            |                             |                      |                                     |                                    |
| Deferred Amounts Related to Pensions (Note 11)           | <u>903,291</u>             | <u>1,337,239</u>            | <u>2,240,530</u>     | <u>0</u>                            | <u>555,634</u>                     |
| <b>Liabilities</b>                                       |                            |                             |                      |                                     |                                    |
| Accounts Payable   | 270,124                    | 242,420                     | 512,544              | 429                                 | 17,695                             |
| Due to State   | 100                        | 0                           | 100                  | 0                                   | 0                                  |
| Due to Other Units of Government                         | 157,374                    | 0                           | 157,374              | 0                                   | 0                                  |
| Accrued Interest Payable                                 | 6,099                      | 2,786                       | 8,885                | 2,010                               | 0                                  |
| Deposits Payable   | 60,000                     | 3,303                       | 63,303               | 0                                   | 0                                  |
| Accrued Liabilities                                      | 113,527                    | 184,388                     | 297,915              | 0                                   | 54,294                             |
| Due to Primary Government (Note 4)                       | 0                          | 0                           | 0                    | 67,150                              | 0                                  |
| Unearned Revenue (Note 6)                                | 9,528                      | 0                           | 9,528                | 0                                   | 174,388                            |
| Long Term Liabilities: (Note 7)                          |                            |                             |                      |                                     |                                    |
| Due Within One Year                                      | 385,245                    | 280,300                     | 665,545              | 115,000                             | 0                                  |
| Due In More Than One Year                                | 1,055,664                  | 263,000                     | 1,318,664            | 690,000                             | 362,745                            |
| Net Pension Liability                                    | <u>6,043,404</u>           | <u>1,540,163</u>            | <u>7,583,567</u>     | <u>0</u>                            | <u>3,130,176</u>                   |
| Total Liabilities  | <u>8,101,065</u>           | <u>2,516,360</u>            | <u>10,617,425</u>    | <u>874,589</u>                      | <u>3,739,298</u>                   |
| <b>Deferred Inflows of Resources</b>                     |                            |                             |                      |                                     |                                    |
| Property Taxes Levied for 2016                           | <u>711,330</u>             | <u>515,413</u>              | <u>1,226,743</u>     | <u>0</u>                            | <u>0</u>                           |
| <b>Net Position (Deficit)</b>                            |                            |                             |                      |                                     |                                    |
| Net Investment in Capital Assets                         | 3,570,936                  | 6,538,722                   | 10,109,658           | 1,366,566                           | 22,086,698                         |
| Restricted For:  |                            |                             |                      |                                     |                                    |
| Public Safety  | 943,293                    | 0                           | 943,293              | 0                                   | 0                                  |
| Health and Welfare                                       | 3,277,154                  | 0                           | 3,277,154            | 0                                   | 0                                  |
| Community and Economic Development                       | 4,220,585                  | 0                           | 4,220,585            | 0                                   | 0                                  |
| Recreation and Cultural                                  | 6,989                      | 0                           | 6,989                | 0                                   | 0                                  |
| Debt Service   | 799,382                    | 0                           | 799,382              | 938,019                             | 0                                  |
| Capital Projects   | 22,606                     | 0                           | 22,606               | 173,026                             | 0                                  |
| County Roads   | 0                          | 0                           | 0                    | 0                                   | 2,668,624                          |
| Other State Mandated Programs                            | 96,847                     | 0                           | 96,847               | 0                                   | 0                                  |
| Unrestricted (Deficit)                                   | <u>(2,502,978)</u>         | <u>7,947,917</u>            | <u>5,444,939</u>     | <u>0</u>                            | <u>0</u>                           |
| Total Net Position                                       | <u>\$ 10,434,814</u>       | <u>\$ 14,486,639</u>        | <u>\$ 24,921,453</u> | <u>\$ 2,477,611</u>                 | <u>\$ 24,755,322</u>               |

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, 2015

| Function/Program                      | Net (Expense) Revenue and<br>Changes in Net Position |                         |  |  |                            |                             |                    |                                     |                                    |
|---------------------------------------|--|-------------------------|--|--|----------------------------|-----------------------------|--------------------|-------------------------------------|------------------------------------|
|                                       | Expenses   | Program Revenues        |  |  | Primary Government         |                             |                    | Component Units                     |                                    |
|                                       |  | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Governmental<br>Activities | Business-Type<br>Activities | Total              | Iosco County<br>Drain<br>Commission | Iosco County<br>Road<br>Commission |
| <b>Primary Government</b>             |  |                         |  |  |                            |                             |                    |                                     |                                    |
| Governmental Activities:              |  |                         |  |  |                            |                             |                    |                                     |                                    |
| General Government:                   |  |                         |  |  |                            |                             |                    |                                     |                                    |
| Legislative and Executive             | \$ 130,116   | \$ 0                    | \$ 0                                     | \$ 0                                   | \$ (130,116)               | \$ 0                        | \$ (130,116)       |                                     |                                    |
| Judicial:                             |  |                         |  |  |                            |                             |                    |                                     |                                    |
| Circuit Court                         | 333,037  | 65,913                  | 0  | 0                                      | (267,124)                  | 0                           | (267,124)          |                                     |                                    |
| District Court                        | 476,875  | 572,922                 | 0  | 0                                      | 96,047                     | 0                           | 96,047             |                                     |                                    |
| Probate Court                         | 584,264  | 136,988                 | 0  | 0                                      | (447,276)                  | 0                           | (447,276)          |                                     |                                    |
| Other Judicial                        | 854,580  | 129,571                 | 348,752                                  | 0                                      | (376,257)                  | 0                           | (376,257)          |                                     |                                    |
| Other General Government              | 2,737,559  | 681,740                 | 674,001                                  | 0                                      | (1,381,818)                | 0                           | (1,381,818)        |                                     |                                    |
| Public Safety:                        |  |                         |  |  |                            |                             |                    |                                     |                                    |
| Sheriff                               | 277,431  | 38,562                  | 0  | 0                                      | (238,869)                  | 0                           | (238,869)          |                                     |                                    |
| Jail                                  | 1,290,603  | 77,781                  | 0  | 0                                      | (1,212,822)                | 0                           | (1,212,822)        |                                     |                                    |
| Other Public Safety                   | 1,511,545  | 805,645                 | 642,888                                  | 16,177                                 | (46,835)                   | 0                           | (46,835)           |                                     |                                    |
| Public Works:                         |  |                         |  |  |                            |                             |                    |                                     |                                    |
| Other Public Works                    | 59,859   | 0                       | 0  | 0                                      | (59,859)                   | 0                           | (59,859)           |                                     |                                    |
| Health and Welfare:                   |  |                         |  |  |                            |                             |                    |                                     |                                    |
| Health Department                     | 171,496  | 0                       | 0  | 0                                      | (171,496)                  | 0                           | (171,496)          |                                     |                                    |
| Other Health and Welfare              | 4,115,183  | 2,516,189               | 571,144                                  | 0                                      | (1,027,850)                | 0                           | (1,027,850)        |                                     |                                    |
| Community and Economic                |  |                         |  |  |                            |                             |                    |                                     |                                    |
| Development                           | 262,643  | 239,210                 | 0  | 0                                      | (23,433)                   | 0                           | (23,433)           |                                     |                                    |
| Recreation and Cultural               | 107,105  | 0                       | 58,837                                   | 181,697                                | 133,429                    | 0                           | 133,429            |                                     |                                    |
| Interest and Fees on Long-Term Debt   | 44,545   | 0                       | 0  | 0                                      | (44,545)                   | 0                           | (44,545)           |                                     |                                    |
| <b>Total Governmental Activities</b>  | <b>12,956,841</b>                                    | <b>5,264,521</b>        | <b>2,295,622</b>                         | <b>197,874</b>                         | <b>(5,198,824)</b>         | <b>0</b>                    | <b>(5,198,824)</b> |                                     |                                    |
| Business-Type Activities:             |  |                         |  |  |                            |                             |                    |                                     |                                    |
| Department of Public Works            | 19,480   | 0                       | 19,480                                   | 0                                      | 0                          | 0                           | 0                  |                                     |                                    |
| Delinquent Tax Revolving              | 302,126  | 440,356                 | 0  | 0                                      | 0                          | 138,230                     | 138,230            |                                     |                                    |
| Medical Care Facility                 | 7,883,916  | 8,100,831               | 0  | 0                                      | 0                          | 216,915                     | 216,915            |                                     |                                    |
| Commissary                            | 4,631  | 14,166                  | 0  | 0                                      | 0                          | 9,535                       | 9,535              |                                     |                                    |
| <b>Total Business-Type Activities</b> | <b>8,210,153</b>                                     | <b>8,555,353</b>        | <b>19,480</b>                            | <b>0</b>                               | <b>0</b>                   | <b>364,680</b>              | <b>364,680</b>     |                                     |                                    |
| <b>Total Primary Government</b>       | <b>\$ 21,166,994</b>                                 | <b>\$ 13,819,874</b>    | <b>\$ 2,315,102</b>                      | <b>\$ 197,874</b>                      | <b>(5,198,824)</b>         | <b>364,680</b>              | <b>(4,834,144)</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, 2015

| Function/Program                              | Program Revenues    |                         |  |  | Net (Expense) Revenue and<br>Changes in Net Position |                             |                      | Component Units                     |                                    |
|---|---------------------|-------------------------|--|--|--|-----------------------------|----------------------|-------------------------------------|------------------------------------|
|   | Expenses            | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Primary Government                                   |                             |                      | Iosco County<br>Drain<br>Commission | Iosco County<br>Road<br>Commission |
|   |                     |                         |  |  | Governmental<br>Activities                           | Business-Type<br>Activities | Total                |                                     |                                    |
| <b>Component Units</b>                        |                     |                         |  |  |  |                             |                      |                                     |                                    |
| Drain Commission                              | \$ 129,752          | \$ 155,119              | \$ 0                                     | \$ 0                                   |  |                             | \$ 25,367            | \$ 0                                |                                    |
| Road Commission                               | <u>6,790,524</u>    | <u>942,552</u>          | <u>7,094,079</u>                         | <u>0</u>                               |  |                             | <u>0</u>             | <u>1,246,107</u>                    |                                    |
| Total Component Units                         | <u>\$ 6,920,276</u> | <u>\$ 1,097,671</u>     | <u>\$ 7,094,079</u>                      | <u>\$ 0</u>                            |  |                             | <u>25,367</u>        | <u>1,246,107</u>                    |                                    |
| General Revenue:                              |                     |                         |  |  |  |                             |                      |                                     |                                    |
| Property Taxes Levied For:                    |                     |                         |  |  |  |                             |                      |                                     |                                    |
| General Operating                             |                     |                         |  |  | \$ 4,289,567   | \$ 0                        | \$ 4,289,567         | 0                                   | 0                                  |
| Animal Control                                |                     |                         |  |  | 86,778   | 0                           | 86,778               | 0                                   | 0                                  |
| MSU Extension                                 |                     |                         |  |  | 130,308  | 0                           | 130,308              | 0                                   | 0                                  |
| Debt Service                                  |                     |                         |  |  | 361,306  | 0                           | 361,306              | 0                                   | 0                                  |
| Ambulance Services                            |                     |                         |  |  | 479,644  | 0                           | 479,644              | 0                                   | 0                                  |
| Medical Care Facility                         |                     |                         |  |  | 0  | 491,065                     | 491,065              | 0                                   | 0                                  |
| State Revenue Sharing                         |                     |                         |  |  | 530,446  | 0                           | 530,446              | 0                                   | 0                                  |
| Interest and Investment Earnings              |                     |                         |  |  | 6,700  | 284,269                     | 290,969              | 103                                 | 562                                |
| Rent Income                                   |                     |                         |  |  | 36,384   | 0                           | 36,384               | 0                                   | 0                                  |
| Gain (Loss) on Disposal of Capital            |                     |                         |  |  |  |                             |                      |                                     |                                    |
| Assets  |                     |                         |  |  | 54,152   | 0                           | 54,152               | 0                                   | 0                                  |
| Other   |                     |                         |  |  | 51,418   | 0                           | 51,418               | 0                                   | 323,058                            |
| Transfers                                     |                     |                         |  |  | <u>58,191</u>  | <u>(58,191)</u>             | <u>0</u>             | <u>0</u>                            | <u>0</u>                           |
| Total General Revenue and Transfers           |                     |                         |  |  | <u>6,084,894</u>                                     | <u>717,143</u>              | <u>6,802,037</u>     | <u>103</u>                          | <u>323,620</u>                     |
| Change in Net Position                        |                     |                         |  |  | 886,070  | 1,081,823                   | 1,967,893            | 25,470                              | 1,569,727                          |
| Net Position - Beginning (Restated) (Note 15) |                     |                         |  |  | <u>9,548,744</u>                                     | <u>13,404,816</u>           | <u>22,953,560</u>    | <u>2,452,141</u>                    | <u>23,185,595</u>                  |
| Net Position - Ending                         |                     |                         |  |  | <u>\$ 10,434,814</u>                                 | <u>\$ 14,486,639</u>        | <u>\$ 24,921,453</u> | <u>\$ 2,477,611</u>                 | <u>\$ 24,755,322</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, 2015

|  | <u>Special Revenue Funds</u> |                           |                     |                                  |                             | Total<br>Governmental<br>Funds |
|--|------------------------------|---------------------------|---------------------|----------------------------------|-----------------------------|--------------------------------|
|  | General Fund                 | Ambulance Service<br>Fund | MSHDA Fund          | EDC Grant Revolving<br>Loan Fund | Other Governmental<br>Funds |                                |
| <b>Assets</b>  |                              |                           |                     |                                  |                             |                                |
| Cash and Cash Equivalents (Note 3)                               | \$ 1,490,527                 | \$ 1,263,761              | \$ 83,036           | \$ 1,684,642                     | \$ 2,842,658                | \$ 7,364,624                   |
| Investments (Note 3)   | 0                            | 0                         | 0                   | 0                                | 80,000                      | 80,000                         |
| Receivables:   |                              |                           |                     |                                  |                             |                                |
| Property Taxes   | 232,732                      | 488,951                   | 0                   | 0                                | 222,379                     | 944,062                        |
| Accounts, Net  | 19,931                       | 324,337                   | 0                   | 0                                | 161,172                     | 505,440                        |
| Loans Receivable   | 0                            | 0                         | 1,321,988           | 2,319,729                        | 258,633                     | 3,900,350                      |
| Due from Component Units (Note 4)                                | 67,000                       | 0                         | 0                   | 0                                | 0                           | 67,000                         |
| Due from State   | 242,506                      | 0                         | 0                   | 0                                | 345,112                     | 587,618                        |
| Due from Other Funds (Note 4)                                    | 298,947                      | 27,996                    | 0                   | 0                                | 9,345                       | 336,288                        |
| Prepaid Expenses   | 63,920                       | 15,105                    | 995                 | 0                                | 32,309                      | 112,329                        |
|  | <u>\$ 2,415,563</u>          | <u>\$ 2,120,150</u>       | <u>\$ 1,406,019</u> | <u>\$ 4,004,371</u>              | <u>\$ 3,951,608</u>         | <u>\$ 13,897,711</u>           |
| <b>Liabilities</b>   |                              |                           |                     |                                  |                             |                                |
| Accounts Payable   | \$ 111,267                   | \$ 85,951                 | \$ 0                | \$ 0                             | \$ 74,107                   | \$ 271,325                     |
| Due to Other Funds (Note 4)                                      | 34,071                       | 0                         | 2,847               | 0                                | 299,370                     | 336,288                        |
| Due to State   | 0                            | 0                         | 100                 | 0                                | 0                           | 100                            |
| Due to Other Units of Government                                 | 157,374                      | 0                         | 0                   | 0                                | 0                           | 157,374                        |
| Deposits Payable   | 0                            | 0                         | 60,000              | 0                                | 0                           | 60,000                         |
| Accrued Liabilities  | 73,593                       | 19,330                    | 569                 | 0                                | 18,834                      | 112,326                        |
| Unearned Revenue (Note 6)  | 0                            | 0                         | 0                   | 0                                | 9,528                       | 9,528                          |
| Total Liabilities  | <u>376,305</u>               | <u>105,281</u>            | <u>63,516</u>       | <u>0</u>                         | <u>401,839</u>              | <u>946,941</u>                 |
| <b>Deferred Inflows of Resources</b>                             |                              |                           |                     |                                  |                             |                                |
| Property Taxes Levied for 2016                                   | 0                            | 488,951                   | 0                   | 0                                | 222,379                     | 711,330                        |
| Unavailable Revenue - Loans                                      | 0                            | 0                         | 1,321,988           | 2,319,729                        | 258,633                     | 3,900,350                      |
| Unavailable Revenue - Grants                                     | 7,368                        | 0                         | 0                   | 0                                | 0                           | 7,368                          |
| Total Deferred Inflows of Resources                              | <u>7,368</u>                 | <u>488,951</u>            | <u>1,321,988</u>    | <u>2,319,729</u>                 | <u>481,012</u>              | <u>4,619,048</u>               |
| <b>Fund Equity</b>   |                              |                           |                     |                                  |                             |                                |
| <b>Fund Balances:</b>  |                              |                           |                     |                                  |                             |                                |
| Nonspendable   | 130,920                      | 15,105                    | 995                 | 0                                | 22,934                      | 169,954                        |
| Restricted   | 58,539                       | 1,510,813                 | 19,520              | 1,684,642                        | 2,171,505                   | 5,445,019                      |
| Committed  | 0                            | 0                         | 0                   | 0                                | 17,529                      | 17,529                         |
| Assigned   | 0                            | 0                         | 0                   | 0                                | 856,789                     | 856,789                        |
| Unassigned   | 1,842,431                    | 0                         | 0                   | 0                                | 0                           | 1,842,431                      |
| Total Fund Equity  | <u>2,031,890</u>             | <u>1,525,918</u>          | <u>20,515</u>       | <u>1,684,642</u>                 | <u>3,068,757</u>            | <u>8,331,722</u>               |
| Total Liabilities, Deferred Inflows of Resources and Fund Equity | <u>\$ 2,415,563</u>          | <u>\$ 2,120,150</u>       | <u>\$ 1,406,019</u> | <u>\$ 4,004,371</u>              | <u>\$ 3,951,608</u>         | <u>\$ 13,897,711</u>           |

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, 2015

|   |                    |                      |
|---|--------------------|----------------------|
| Total Governmental Fund Balances  |                    | \$ 8,331,722         |
| 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   | \$ 8,865,348       |                      |
| Accumulated Depreciation  | <u>(4,283,070)</u> | 4,582,278            |
| Other assets are not available to pay for current period expenditures and, therefore, are unavailable revenue in the governmental funds:  |                    |                      |
| Loans Receivable  | 3,882,803          |                      |
| Grants Receivable   | <u>7,368</u>       | 3,890,171            |
| Accrued Interest on Long-Term Liabilities   |                    | (6,099)              |
| Governmental funds report actual pension expenditures for the fiscal year, whereas the governmental activities will recognize the net pension liability as of the measurement date. Pension contributions subsequent to the measurement date will be deferred in the statement of net position. In addition, resources related to changes of assumptions, differences between expected and actual experience, and differences between projected and actual pension plan investment earnings will be deferred over time in the government-wide financial statements. These amounts consist of: |                    |                      |
| Deficit Investment Return   | 180,992            |                      |
| Employer Pension Contributions  | <u>722,299</u>     | 903,291              |
| 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   | (995,000)          |                      |
| Capital Leases Payable  | (16,342)           |                      |
| Net Pension Liability   | (6,043,404)        |                      |
| Incurred but not Reported Insurance Claims  | (51,851)           |                      |
| Compensated Absences  | <u>(377,716)</u>   |                      |
| Total Long-Term Liabilities   |                    | (7,484,313)          |
| 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>217,764</u>       |
| Total Net Position - Governmental Activities  |                    | <u>\$ 10,434,814</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, 2015

|                                    | <u>Special Revenue Funds</u> |                                   |                   |  |   | Total<br>Governmental<br>Funds |
|------------------------------------|------------------------------|-----------------------------------|-------------------|--|---|--------------------------------|
|                                    | <u>General Fund</u>          | <u>Ambulance<br/>Service Fund</u> | <u>MSHDA Fund</u> | <u>EDC Grant<br/>Revolving Loan<br/>Fund</u> | <u>Other<br/>Governmental<br/>Funds</u> |                                |
| <u>Revenue</u>                     |                              |                                   |                   |  |   |                                |
| Property Taxes                     | \$ 4,289,567                 | \$ 479,644                        | \$ 0              | \$ 0   | \$ 578,392                              | \$ 5,347,603                   |
| Federal Grants and Revenue         | 547,638                      | 0                                 | 262,110           | 0  | 347,407                                 | 1,157,155                      |
| State Grants and Revenue           | 1,103,235                    | 0                                 | 0                 | 0  | 820,722                                 | 1,923,957                      |
| Contributions from Local Units     | 0                            | 0                                 | 0                 | 0  | 67,119                                  | 67,119                         |
| Licenses and Permits               | 19,828                       | 0                                 | 0                 | 0  | 223,619                                 | 243,447                        |
| Charges for Services               | 970,155                      | 2,413,630                         | 0                 | 0  | 773,275                                 | 4,157,060                      |
| Fines and Forfeits                 | 38,829                       | 0                                 | 0                 | 0  | 3,500                                   | 42,329                         |
| Interest and Rentals               | 40,922                       | 1,089                             | 0                 | 57   | 910                                     | 42,978                         |
| Other Revenue                      | 413,136                      | 6,641                             | 6,485             | 300,987                                      | 120,816                                 | 848,065                        |
| Total Revenue                      | <u>7,423,310</u>             | <u>2,901,004</u>                  | <u>268,595</u>    | <u>301,044</u>                               | <u>2,935,760</u>                        | <u>13,829,713</u>              |
| <u>Expenditures</u>                |                              |                                   |                   |  |   |                                |
| Current:                           |                              |                                   |                   |  |   |                                |
| General Government:                |                              |                                   |                   |  |   |                                |
| Legislative and Executive          | 128,362                      | 0                                 | 0                 | 0  | 0                                       | 128,362                        |
| Judicial                           | 1,552,862                    | 0                                 | 0                 | 0  | 658,868                                 | 2,211,730                      |
| Financial and Tax Administration   | 572,985                      | 0                                 | 0                 | 0  | 0                                       | 572,985                        |
| Other General Government           | 1,895,288                    | 0                                 | 0                 | 0  | 72,495                                  | 1,967,783                      |
| Public Safety                      | 1,928,004                    | 0                                 | 0                 | 0  | 961,661                                 | 2,889,665                      |
| Public Works                       | 59,859                       | 0                                 | 0                 | 0  | 0                                       | 59,859                         |
| Health and Welfare                 | 465,995                      | 2,493,651                         | 276,313           | 0  | 856,053                                 | 4,092,012                      |
| Community and Economic Development | 1,364                        | 0                                 | 0                 | 126,869                                      | 134,435                                 | 262,668                        |
| Recreation and Cultural            | 18,013                       | 0                                 | 0                 | 0  | 65,803                                  | 83,816                         |
| Capital Outlay                     | 142,789                      | 156,295                           | 0                 | 0  | 370,969                                 | 670,053                        |
| Debt Service:                      |                              |                                   |                   |  |   |                                |
| Principal                          | 58,191                       | 0                                 | 0                 | 0  | 303,757                                 | 361,948                        |
| Interest and Fiscal Charges        | 0                            | 0                                 | 0                 | 0  | 46,012                                  | 46,012                         |
| Total Expenditures                 | <u>6,823,712</u>             | <u>2,649,946</u>                  | <u>276,313</u>    | <u>126,869</u>                               | <u>3,470,053</u>                        | <u>13,346,893</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, 2015

|  | <u>Special Revenue Funds</u> |                                   |                   |  | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|------------------------------|-----------------------------------|-------------------|--|---|---|
|  | <u>General Fund</u>          | <u>Ambulance Service<br/>Fund</u> | <u>MSHDA Fund</u> | <u>EDC Grant<br/>Revolving Loan<br/>Fund</u> |   |   |
| Excess of Revenue Over (Under)<br>Expenditures | \$ <u>599,598</u>            | \$ <u>251,058</u>                 | \$ <u>(7,718)</u> | \$ <u>174,175</u>                            | \$ <u>(534,293)</u>                     | \$ <u>482,820</u>                       |
| <u>Other Financing Sources (Uses)</u>          |                              |                                   |                   |  |   |   |
| Capital Lease Proceeds                         | 0                            | 0                                 | 0                 | 0  | 25,099                                  | 25,099                                  |
| Sale of Capital Assets                         | 14,843                       | 0                                 | 0                 | 0  | 0                                       | 14,843                                  |
| Operating Transfers In                         | 58,191                       | 0                                 | 0                 | 0  | 766,907                                 | 825,098                                 |
| Operating Transfers Out                        | <u>(621,907)</u>             | <u>0</u>                          | <u>0</u>          | <u>0</u>                                     | <u>(145,000)</u>                        | <u>(766,907)</u>                        |
| Total Other Financing Sources (Uses)           | <u>(548,873)</u>             | <u>0</u>                          | <u>0</u>          | <u>0</u>                                     | <u>647,006</u>                          | <u>98,133</u>                           |
| Net Change in Fund Balances                    | 50,725                       | 251,058                           | (7,718)           | 174,175                                      | 112,713                                 | 580,953                                 |
| Fund Balances - Beginning of Year              | <u>1,981,165</u>             | <u>1,274,860</u>                  | <u>28,233</u>     | <u>1,510,467</u>                             | <u>2,956,044</u>                        | <u>7,750,769</u>                        |
| Fund Balances - End of Year                    | <u>\$ 2,031,890</u>          | <u>\$ 1,525,918</u>               | <u>\$ 20,515</u>  | <u>\$ 1,684,642</u>                          | <u>\$ 3,068,757</u>                     | <u>\$ 8,331,722</u>                     |

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, 2015

|  |                 |                       |
|--|-----------------|-----------------------|
| Total Net Change in Fund Balances - Governmental Funds   | \$              | 580,953               |
| 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   | \$ (73,872)     |                       |
| Grants Receivable  | <u>(30,240)</u> |                       |
| Net difference   |                 | (104,112)             |
| 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   | 583,720         |                       |
| Current Year Depreciation Expense  | (456,639)       |                       |
| Gain (Loss) on Disposal of Capital Assets  | <u>(16,848)</u> |                       |
| Net difference   |                 | 110,233               |
| 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:  |                 |                       |
| Capital Lease Proceeds   |                 | (25,099)              |
| 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  | 295,000         |                       |
| Installment Purchase Agreement Payable   | 58,191          |                       |
| Capital Leases Payable   | <u>8,757</u>    |                       |
| Net difference   |                 | 361,948               |
| Governmental funds report County pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned, net of employee contributions, is reported as pension expense. The following amounts represent the current year net changes: |                 |                       |
| Current Year Pension Expense   | (799,521)       |                       |
| Deferred Outflow for Pension Contributions Subsequent to Measurement Date  | <u>722,299</u>  |                       |
|  |                 | (77,222)              |
| 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   | 1,467           |                       |
| Net Change in Accrued Compensated Absences   | (8,015)         |                       |
| Net Change in the Incurred but not Reported Insurance Claims   | <u>39,693</u>   |                       |
|  |                 | 33,145                |
| 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>6,224</u>          |
| Change in Net Position of Governmental Activities  | \$              | <u><u>886,070</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, 2015

|   | <u>Enterprise Funds</u>       |                                  |                              |                      | Governmental<br>Activity              |
|---|-------------------------------|----------------------------------|------------------------------|----------------------|---------------------------------------|
|   | <u>Major Funds</u>            |                                  |                              | Total                | Internal Service<br>Fund              |
|   | Medical Care<br>Facility Fund | Delinquent Tax<br>Revolving Fund | Other<br>Enterprise<br>Funds |                      | Workers'<br>Compensation<br>Insurance |
| <b>Assets</b>   |                               |                                  |                              |                      |                                       |
| <b>Current Assets</b>                                       |                               |                                  |                              |                      |                                       |
| Cash and Cash Equivalents (Note 3)                          | \$ 1,835,348                  | \$ 3,377,159                     | \$ 47,550                    | \$ 5,260,057         | \$ 217,764                            |
| Receivables:  |                               |                                  |                              |                      |                                       |
| Property Taxes  | 515,413                       | 0                                | 0                            | 515,413              | 0                                     |
| Delinquent Taxes  | 0                             | 1,125,778                        | 0                            | 1,125,778            | 0                                     |
| Accounts, Net   | 928,197                       | 0                                | 0                            | 928,197              | 0                                     |
| Loans Receivable (Note 1)                                   | 0                             | 0                                | 52,786                       | 52,786               | 0                                     |
| Due from Component Unit (Note 4)                            | 0                             | 150                              | 0                            | 150                  | 0                                     |
| Other Current Assets  | 296,301                       | 0                                | 0                            | 296,301              | 0                                     |
| Restricted Assets   |                               |                                  |                              |                      |                                       |
| Cash and Cash Equivalents (Note 3)                          | <u>1,200,769</u>              | <u>0</u>                         | <u>0</u>                     | <u>1,200,769</u>     | <u>0</u>                              |
| Total Current Assets  | <u>4,776,028</u>              | <u>4,503,087</u>                 | <u>100,336</u>               | <u>9,379,451</u>     | <u>217,764</u>                        |
| <b>Noncurrent Assets:</b>                                   |                               |                                  |                              |                      |                                       |
| Long-Term Loans Receivable (Note 1)                         | 0                             | 0                                | 263,000                      | 263,000              | 0                                     |
| Capital Assets, Net of Accumulated<br>Depreciation (Note 5) | <u>6,538,722</u>              | <u>0</u>                         | <u>0</u>                     | <u>6,538,722</u>     | <u>0</u>                              |
| Total Noncurrent Assets                                     | <u>6,538,722</u>              | <u>0</u>                         | <u>263,000</u>               | <u>6,801,722</u>     | <u>0</u>                              |
| Total Assets  | <u>11,314,750</u>             | <u>4,503,087</u>                 | <u>363,336</u>               | <u>16,181,173</u>    | <u>217,764</u>                        |
| <b>Deferred Outflows of Resources</b>                       |                               |                                  |                              |                      |                                       |
| Deferred Amounts Related to Pensions<br>(Note 11)           | <u>1,337,239</u>              | <u>0</u>                         | <u>0</u>                     | <u>1,337,239</u>     | <u>0</u>                              |
| <b>Liabilities</b>  |                               |                                  |                              |                      |                                       |
| <b>Current Liabilities:</b>                                 |                               |                                  |                              |                      |                                       |
| Accounts Payable  | 242,338                       | 0                                | 82                           | 242,420              | 0                                     |
| Accrued Interest Payable                                    | 0                             | 0                                | 2,786                        | 2,786                | 0                                     |
| Deposits Payable  | 3,303                         | 0                                | 0                            | 3,303                | 0                                     |
| Accrued Liabilities   | 184,388                       | 0                                | 0                            | 184,388              | 0                                     |
| Current Portion of Long-Term Liabilities<br>(Note 7)        | <u>230,300</u>                | <u>0</u>                         | <u>50,000</u>                | <u>280,300</u>       | <u>0</u>                              |
| Total Current Liabilities                                   | <u>660,329</u>                | <u>0</u>                         | <u>52,868</u>                | <u>713,197</u>       | <u>0</u>                              |
| <b>Long-Term Liabilities: (Note 7)</b>                      |                               |                                  |                              |                      |                                       |
| Due in More Than One Year                                   | 0                             | 0                                | 263,000                      | 263,000              | 0                                     |
| Net Pension Liability                                       | <u>1,540,163</u>              | <u>0</u>                         | <u>0</u>                     | <u>1,540,163</u>     | <u>0</u>                              |
| Total Long-Term Liabilities                                 | <u>1,540,163</u>              | <u>0</u>                         | <u>263,000</u>               | <u>1,803,163</u>     | <u>0</u>                              |
| Total Liabilities   | <u>2,200,492</u>              | <u>0</u>                         | <u>315,868</u>               | <u>2,516,360</u>     | <u>0</u>                              |
| <b>Deferred Inflows of Resources</b>                        |                               |                                  |                              |                      |                                       |
| Property Taxes Levied for 2016                              | <u>515,413</u>                | <u>0</u>                         | <u>0</u>                     | <u>515,413</u>       | <u>0</u>                              |
| <b>Net Position</b>   |                               |                                  |                              |                      |                                       |
| Net Investment in Capital Assets                            | 6,538,722                     | 0                                | 0                            | 6,538,722            | 0                                     |
| Unrestricted  | <u>3,397,362</u>              | <u>4,503,087</u>                 | <u>47,468</u>                | <u>7,947,917</u>     | <u>217,764</u>                        |
| Total Net Position  | <u>\$ 9,936,084</u>           | <u>\$ 4,503,087</u>              | <u>\$ 47,468</u>             | <u>\$ 14,486,639</u> | <u>\$ 217,764</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, 2015

|  | <u>Enterprise Funds</u>       |                                  |                              |                      | Governmental<br>Activity              |
|--|-------------------------------|----------------------------------|------------------------------|----------------------|---------------------------------------|
|  | <u>Major Funds</u>            |                                  |                              | Total                | Internal Service<br>Fund              |
|  | Medical Care<br>Facility Fund | Delinquent Tax<br>Revolving Fund | Other<br>Enterprise<br>Funds |                      | Workers'<br>Compensation<br>Insurance |
| <u>Operating Revenue</u>                                 |                               |                                  |                              |                      |                                       |
| Charges For Services                                     | \$ 7,282,876                  | \$ 0                             | \$ 14,166                    | \$ 7,297,042         | \$ 0                                  |
| Tax Collection Fees                                      | 0                             | 107,544                          | 0                            | 107,544              | 0                                     |
| Interest and Penalties on Taxes                          | 0                             | 282,088                          | 0                            | 282,088              | 0                                     |
| Other Revenue  | <u>817,955</u>                | <u>332,812</u>                   | <u>0</u>                     | <u>1,150,767</u>     | <u>6,118</u>                          |
| Total Operating Revenue                                  | <u>8,100,831</u>              | <u>722,444</u>                   | <u>14,166</u>                | <u>8,837,441</u>     | <u>6,118</u>                          |
| <u>Operating Expenses</u>                                |                               |                                  |                              |                      |                                       |
| Salaries and Wages                                       | 3,452,837                     | 0                                | 0                            | 3,452,837            | 0                                     |
| Depreciation   | 386,825                       | 0                                | 0                            | 386,825              | 0                                     |
| Other  | <u>4,044,254</u>              | <u>302,126</u>                   | <u>4,631</u>                 | <u>4,351,011</u>     | <u>0</u>                              |
| Total Operating Expenses                                 | <u>7,883,916</u>              | <u>302,126</u>                   | <u>4,631</u>                 | <u>8,190,673</u>     | <u>0</u>                              |
| Operating Income (Loss)                                  | <u>216,915</u>                | <u>420,318</u>                   | <u>9,535</u>                 | <u>646,768</u>       | <u>6,118</u>                          |
| <u>Nonoperating Revenue (Expenses)</u>                   |                               |                                  |                              |                      |                                       |
| Property Taxes   | 491,065                       | 0                                | 0                            | 491,065              | 0                                     |
| Interest and Investment Earnings                         | 264                           | 1,917                            | 0                            | 2,181                | 106                                   |
| Contributions  | 0                             | 0                                | 19,480                       | 19,480               | 0                                     |
| Interest and Fees Expense                                | <u>0</u>                      | <u>0</u>                         | <u>(19,480)</u>              | <u>(19,480)</u>      | <u>0</u>                              |
| Total Nonoperating Revenue (Expenses)                    | <u>491,329</u>                | <u>1,917</u>                     | <u>0</u>                     | <u>493,246</u>       | <u>106</u>                            |
| Income (Loss) Before Operating Transfers                 | 708,244                       | 422,235                          | 9,535                        | 1,140,014            | 6,224                                 |
| Operating Transfers Out                                  | <u>0</u>                      | <u>(58,191)</u>                  | <u>0</u>                     | <u>(58,191)</u>      | <u>0</u>                              |
| Change in Net Position                                   | 708,244                       | 364,044                          | 9,535                        | 1,081,823            | 6,224                                 |
| Net Position - Beginning of Year (Restated)<br>(Note 15) | <u>9,227,840</u>              | <u>4,139,043</u>                 | <u>37,933</u>                | <u>13,404,816</u>    | <u>211,540</u>                        |
| Net Position - End of Year                               | <u>\$ 9,936,084</u>           | <u>\$ 4,503,087</u>              | <u>\$ 47,468</u>             | <u>\$ 14,486,639</u> | <u>\$ 217,764</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, 2015

|  | <u>Enterprise Funds</u>       |                                  |                              |                     | Governmental<br>Activity              |
|--|-------------------------------|----------------------------------|------------------------------|---------------------|---------------------------------------|
|  | <u>Major Funds</u>            |                                  |                              | Total               | Internal Service<br>Fund              |
|  | Medical Care<br>Facility Fund | Delinquent Tax<br>Revolving Fund | Other<br>Enterprise<br>Funds |                     | Workers'<br>Compensation<br>Insurance |
| <u>Cash Flows From Operating Activities</u>                          |                               |                                  |                              |                     |                                       |
| Receipts From Customers and Taxpayers                                | \$ 7,457,272                  | \$ 722,444                       | \$ 14,166                    | \$ 8,193,882        | \$ 0                                  |
| Resident Trust Deposits  | 993                           | 0                                | 0                            | 993                 | 0                                     |
| Other Operating Revenue  | 811,955                       | 0                                | 0                            | 811,955             | 6,118                                 |
| Payments to Suppliers for Goods and Services                         | (4,893,811)                   | (302,126)                        | (4,923)                      | (5,200,860)         | 0                                     |
| Payments to Employees for Services                                   | (3,489,351)                   | 0                                | 0                            | (3,489,351)         | 0                                     |
| Delinquent Taxes Collected (Purchased)                               | <u>0</u>                      | <u>106,006</u>                   | <u>0</u>                     | <u>106,006</u>      | <u>0</u>                              |
| Net Cash Provided (Used) by Operating Activities                     | <u>(112,942)</u>              | <u>526,324</u>                   | <u>9,243</u>                 | <u>422,625</u>      | <u>6,118</u>                          |
| <u>Cash Flows From Non-Capital Financing Activities</u>              |                               |                                  |                              |                     |                                       |
| Operating Subsidies and Transfers From (To) Other Funds              | 0                             | (58,191)                         | 0                            | (58,191)            | 0                                     |
| Property Taxes Received  | <u>491,065</u>                | <u>0</u>                         | <u>0</u>                     | <u>491,065</u>      | <u>0</u>                              |
| Net Cash Provided (Used) by Non-Capital Financing Activities         | <u>491,065</u>                | <u>(58,191)</u>                  | <u>0</u>                     | <u>432,874</u>      | <u>0</u>                              |
| <u>Cash Flows From Capital and Related Financing Activities</u>      |                               |                                  |                              |                     |                                       |
| Intergovernmental Contributions                                      | 0                             | 0                                | 93,331                       | 93,331              | 0                                     |
| Proceeds from Sale of Capital Asset                                  | 6,000                         | 0                                | 0                            | 6,000               | 0                                     |
| Acquisition and Construction of Capital Assets                       | (73,642)                      | 0                                | 0                            | (73,642)            | 0                                     |
| Principal Paid on Long-Term Debt                                     | 0                             | 0                                | (73,000)                     | (73,000)            | 0                                     |
| Interest and Fees Paid on Long-Term Debt                             | <u>0</u>                      | <u>0</u>                         | <u>(20,331)</u>              | <u>(20,331)</u>     | <u>0</u>                              |
| Net Cash Provided (Used) by Capital and Related Financing Activities | <u>(67,642)</u>               | <u>0</u>                         | <u>0</u>                     | <u>(67,642)</u>     | <u>0</u>                              |
| <u>Cash Flows From Investing Activities</u>                          |                               |                                  |                              |                     |                                       |
| Interest Earned  | <u>264</u>                    | <u>1,917</u>                     | <u>0</u>                     | <u>2,181</u>        | <u>106</u>                            |
| Net Increase (Decrease) in Cash and Cash Equivalents                 | 310,745                       | 470,050                          | 9,243                        | 790,038             | 6,224                                 |
| Cash and Cash Equivalents at Beginning 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>                        |
| Cash and Cash Equivalents at End of Year (Note 1)                    | <u>\$ 3,036,117</u>           | <u>\$ 3,377,159</u>              | <u>\$ 47,550</u>             | <u>\$ 6,460,826</u> | <u>\$ 217,764</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, 2015

|   | <u>Enterprise Funds</u>               |  |                                       |                     | <u>Governmental<br/>Activity</u>               |
|---|---------------------------------------|--|---------------------------------------|---------------------|--|
|   | <u>Major Funds</u>                    |  |                                       | <u>Total</u>        | <u>Internal Service<br/>Fund</u>               |
|   | <u>Medical Care<br/>Facility Fund</u> | <u>Delinquent Tax<br/>Revolving Fund</u> | <u>Other<br/>Enterprise<br/>Funds</u> |                     | <u>Workers'<br/>Compensation<br/>Insurance</u> |
| <u>Reconciliation of Operating Income (Loss)</u>  |                                       |  |                                       |                     |  |
| <u>to Net Cash Provided (Used) by</u>   |                                       |  |                                       |                     |  |
| <u>Operating Activities</u>   |                                       |  |                                       |                     |  |
| Operating Income (Loss)   | \$ 216,915                            | \$ 420,318                               | \$ 9,535                              | \$ 646,768          | \$ 6,118                                       |
| Adjustments to Reconcile Operating<br>Income (Loss) to Net Cash Provided<br>(Used) by Operating Activities: |                                       |  |                                       |                     |  |
| Depreciation Expense  | 386,825                               | 0  | 0                                     | 386,825             | 0  |
| Provision for Bad Debts   | 116,575                               | 0  | 0                                     | 116,575             | 0  |
| Amortization of Deferred Outflows of<br>Resources Related to Pension  | 15,884                                | 0  | 0                                     | 15,884              | 0  |
| Gain on Disposal of Capital Assets  | (6,000)                               | 0  | 0                                     | (6,000)             | 0  |
| Change in Assets and Liabilities:   |                                       |  |                                       |                     |  |
| Receivables   | 196,947                               | 106,006                                  | 0                                     | 302,953             | 0  |
| Other Current Assets  | (76,662)                              | 0  | 0                                     | (76,662)            | 0  |
| Accounts and Other Payables   | 105,912                               | 0  | (292)                                 | 105,620             | 0  |
| Accrued Liabilities   | 40,053                                | 0  | 0                                     | 40,053              | 0  |
| Third Party Settlements   | (138,133)                             | 0  | 0                                     | (138,133)           | 0  |
| Deferred Outflows of Resources<br>Related to Pension  | (1,084,007)                           | 0  | 0                                     | (1,084,007)         | 0  |
| Net Pension Liability   | <u>112,749</u>                        | <u>0</u>                                 | <u>0</u>                              | <u>112,749</u>      | <u>0</u>                                       |
| Net Cash Provided (Used) by Operating<br>Activities   | <u>\$ (112,942)</u>                   | <u>\$ 526,324</u>                        | <u>\$ 9,243</u>                       | <u>\$ 422,625</u>   | <u>\$ 6,118</u>                                |
| <u>Reconciliation of Cash and Cash<br/>Equivalents to Statement of Net<br/>Position:</u>                    |                                       |  |                                       |                     |  |
| Cash and Cash Equivalents   | \$ 1,835,348                          | \$ 3,377,159                             | \$ 47,550                             | \$ 5,260,057        | \$ 217,764                                     |
| Restricted Cash and Cash<br>Equivalents   | <u>1,200,769</u>                      | <u>0</u>                                 | <u>0</u>                              | <u>1,200,769</u>    | <u>0</u>                                       |
| Cash and Cash Equivalents at End of<br>Year   | <u>\$ 3,036,117</u>                   | <u>\$ 3,377,159</u>                      | <u>\$ 47,550</u>                      | <u>\$ 6,460,826</u> | <u>\$ 217,764</u>                              |

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, 2015

|                                       | <u>Trust and Agency<br/>Fund</u> | <u>Penal Fines Fund</u> | <u>Flexible Spending<br/>Account</u> | <u>Total</u>      |
|---------------------------------------|----------------------------------|-------------------------|--------------------------------------|-------------------|
| <u>Assets</u>                         |                                  |                         |                                      |                   |
| Cash and Cash Equivalents (Note 3)    | \$ 499,162                       | \$ 79,967               | \$ 4,496                             | \$ 583,625        |
| Investments (Note 3)                  | <u>25,000</u>                    | <u>0</u>                | <u>0</u>                             | <u>25,000</u>     |
| Total Assets                          | <u>\$ 524,162</u>                | <u>\$ 79,967</u>        | <u>\$ 4,496</u>                      | <u>\$ 608,625</u> |
| <u>Liabilities</u>                    |                                  |                         |                                      |                   |
| Accounts Payable                      | \$ 7,098                         | \$ 0                    | \$ 0                                 | \$ 7,098          |
| Due to Local Units                    | 1,973                            | 0                       | 0                                    | 1,973             |
| Due to State                          | 48,401                           | 0                       | 0                                    | 48,401            |
| Due to Other Agencies and Individuals | 162,138                          | 79,967                  | 4,496                                | 246,601           |
| Undistributed Tax Collections         | <u>304,552</u>                   | <u>0</u>                | <u>0</u>                             | <u>304,552</u>    |
| Total Liabilities                     | <u>\$ 524,162</u>                | <u>\$ 79,967</u>        | <u>\$ 4,496</u>                      | <u>\$ 608,625</u> |

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, 2015

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 25,000 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, 2015

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 2015 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, 2015, the Mental Health Board had total net position of \$2,074,454. 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, 2015

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 2015 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, 2015 the District Health Department No. 2 had total net position of \$(367,717). 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 2015 contribution to the Iosco-Arenac District Library for property taxes and penal fines was \$533,459 and \$171,779, respectively. The Iosco-Arenac District Library deposits their receipts with the Iosco County Treasurer through the common cash bank account. At December 31, 2015 the Iosco-Arenac District Library had total net position of \$1,868,855. 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.

Oscoda-Wurtsmith Airport Authority

The Oscoda-Wurtsmith Airport Authority functions as a jointly governed organization between the County of Iosco, County of Alcona, Charter Township of Oscoda, Charter Township of AuSable and the Township of Greenbush. The Airport Authority was established to provide for planning, promoting, acquiring, constructing, improving, enlarging, extending, owning, maintaining and operating the landing, navigational and building facilities necessary thereto, at the former Wurtsmith Air Force Base, for the purpose of providing a Community Airport. Iosco County has no financial obligation to the Airport Authority. Complete financial statements can be obtained from the Airport Authority Manager's office at 3961 East Airport Drive, Oscoda, Michigan 48750.

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.

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Presentation (Continued)

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.

**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.

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Fund Accounting (Continued)

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.

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.

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Measurement Focus (Continued)

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.

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.

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Basis of Accounting (Continued)

**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.

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, 2015 was \$374,537 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.

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$3,634,697.

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 \$263,000.

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           |

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 Pension Liability

For purposes of measuring the Net Pension Liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees Retirement System (MERS) of Michigan and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. 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.

S. 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.

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.

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Fund Balances (Continued)

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.

T. 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.

U. 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.

V. 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, 2015.

W. 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.

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

W. Budgets and Budgetary Accounting (Continued)

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.

X. 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.

Y. Reclassifications

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

NOTE 2 - CHANGE IN ACCOUNTING PRINCIPLES

For 2015, the County has implemented Governmental Accounting Standards Board (GASB) Statement Number 68, "Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27."

GASB 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. The Statement also provides decision-useful information, supporting assessments of accountability and interperiod equity; creating additional transparency.

NOTE 3 - 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<br/>Activities</u> | <u>Business-<br/>Type<br/>Activities</u> | <u>Fiduciary<br/>Funds</u> | <u>Total Primary<br/>Government</u> | <u>Component<br/>Units</u> |
|---|------------------------------------|--|----------------------------|-------------------------------------|----------------------------|
| Cash and Cash Equivalents               | \$ 7,582,388                       | \$ 5,260,057                             | \$ 583,625                 | \$ 13,426,070                       | \$ 623,446                 |
| Investments                             | 80,000                             | 0  | 25,000                     | 105,000                             | 3,860,069                  |
| Restricted Cash and Cash<br>Equivalents | <u>0</u>                           | <u>1,200,769</u>                         | <u>0</u>                   | <u>1,200,769</u>                    | <u>0</u>                   |
| Total                                   | <u>\$ 7,662,388</u>                | <u>\$ 6,460,826</u>                      | <u>\$ 608,625</u>          | <u>\$ 14,731,839</u>                | <u>\$ 4,483,515</u>        |

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2015

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

The breakdown between deposits and investments is as follows:

|  | Primary<br>Government | Component<br>Units |
|--|-----------------------|--------------------|
| Bank Deposits (Checking and Savings Accounts and<br>Certificates of Deposit)       | \$ 9,619,588          | \$ 623,046         |
| Investments in Municipal Investment Account Pooled<br>Funds and Money Market Funds | 5,107,161             | 3,860,069          |
| Petty Cash and Cash on Hand  | 5,090                 | 400                |
| Total  | \$ 14,731,839         | \$ 4,483,515       |

As of December 31, 2015, the County had the following investments.

| Investment Type     | Fair<br>Value | Specific Identification<br>Maturities |
|---------------------|---------------|---------------------------------------|
| Primary Government: |               |                                       |
| Money Markets       | \$ 5,107,161  | Daily                                 |
| Component Units:    |               |                                       |
| Investment Pools    | \$ 3,860,069  | 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.

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 and Road Commission'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, 2015, \$8,783,738 of the County's bank balance of \$9,638,738 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, 2015, \$240,180 of the Drain Commission's bank balance of \$451,919 was exposed to custodial credit risk and \$28,042 of the Road Commission's bank balance of \$278,042 was exposed to custodial credit risk because they were uninsured and uncollateralized.

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2015

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

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.

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:

- λ Accounts of federally insured banks, credit unions and savings and loan associations
- λ Bonds and other direct obligations of the United States or an agency or instrumentality of the United States
- λ United States government or federal agency obligation repurchase agreements
- λ Banker's acceptances of United States banks
- λ Commercial paper rated with a rating of not less than A1 from Moody's and P1 from Standard & Poor's

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2015

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

- 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 4 - INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivables and payables as of December 31, 2015 were as follows:

| <b>Due to</b>                  | <b>Due from</b>  |                 |                                    | <b>Total</b>      |
|--------------------------------|------------------|-----------------|------------------------------------|-------------------|
|                                | General Fund     | MSHDA Fund      | Non-major<br>Governmental<br>Funds |                   |
| General Fund                   | \$ 0             | \$ 0            | \$ 298,947                         | \$ 298,947        |
| Ambulance Service Fund         | 27,996           | 0               | 0                                  | 27,996            |
| Non-major Governmental Funds   | <u>6,075</u>     | <u>2,847</u>    | <u>423</u>                         | <u>9,345</u>      |
|                                | <u>\$ 34,071</u> | <u>\$ 2,847</u> | <u>\$ 299,370</u>                  | <u>\$ 336,288</u> |
| <u>Due from Component Unit</u> |                  |                 | <u>Due to Primary Government</u>   |                   |
| General Fund                   | \$ 67,000        |                 | Drain Commission                   | \$ 67,000         |
| Delinquent Tax Revolving Fund  | <u>150</u>       |                 | Drain Commission                   | <u>150</u>        |
| Total                          | <u>\$ 67,150</u> | Total           |                                    | <u>\$ 67,150</u>  |

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, 2015

NOTE 5 - CAPITAL ASSETS

Capital asset activity of the primary government for the fiscal year ended December 31, 2015, was as follows:

|                                       | <u>Balance</u><br><u>01/01/15</u> | <u>Additions</u>    | <u>Deletions</u>   | <u>Balance</u><br><u>12/31/15</u> |
|---------------------------------------|-----------------------------------|---------------------|--------------------|-----------------------------------|
| <u>Governmental Activities</u>        |                                   |                     |                    |                                   |
| Capital Assets Not Being Depreciated: |                                   |                     |                    |                                   |
| Land                                  | \$ 384,841                        | \$ 0                | \$ 0               | \$ 384,841                        |
| Construction in Progress              | <u>46,748</u>                     | <u>68,000</u>       | <u>0</u>           | <u>114,748</u>                    |
| Subtotal                              | <u>431,589</u>                    | <u>68,000</u>       | <u>0</u>           | <u>499,589</u>                    |
| Capital Assets Being Depreciated:     |                                   |                     |                    |                                   |
| Buildings and Improvements            | 4,812,624                         | 0                   | 0                  | 4,812,624                         |
| Machinery and Equipment               | 2,150,772                         | 332,441             | (94,075)           | 2,389,138                         |
| Vehicles                              | <u>980,718</u>                    | <u>183,279</u>      | <u>0</u>           | <u>1,163,997</u>                  |
| Subtotal                              | <u>7,944,114</u>                  | <u>515,720</u>      | <u>(94,075)</u>    | <u>8,365,759</u>                  |
| Less Accumulated Depreciation for:    |                                   |                     |                    |                                   |
| Buildings and Improvements            | (2,114,136)                       | (131,689)           | 0                  | (2,245,825)                       |
| Machinery and Equipment               | (1,216,151)                       | (167,505)           | 77,227             | (1,306,429)                       |
| Vehicles                              | <u>(573,371)</u>                  | <u>(157,445)</u>    | <u>0</u>           | <u>(730,816)</u>                  |
| Subtotal                              | <u>(3,903,658)</u>                | <u>(456,639)</u>    | <u>77,227</u>      | <u>(4,283,070)</u>                |
| Capital Assets Being Depreciated      | <u>4,040,456</u>                  | <u>59,081</u>       | <u>(16,848)</u>    | <u>4,082,689</u>                  |
| Governmental Activities Total         |                                   |                     |                    |                                   |
| Capital Assets - Net of Depreciation  | <u>\$ 4,472,045</u>               | <u>\$ 127,081</u>   | <u>\$ (16,848)</u> | <u>\$ 4,582,278</u>               |
| <br>                                  |                                   |                     |                    |                                   |
|                                       | <u>Balance</u><br><u>01/01/15</u> | <u>Additions</u>    | <u>Deletions</u>   | <u>Balance</u><br><u>12/31/15</u> |
| <u>Business-Type Activities</u>       |                                   |                     |                    |                                   |
| Capital Assets Being Depreciated:     |                                   |                     |                    |                                   |
| Buildings                             | \$ 10,581,978                     | \$ 0                | \$ 0               | \$ 10,581,978                     |
| Machinery and Equipment               | <u>1,471,681</u>                  | <u>73,642</u>       | <u>(52,875)</u>    | <u>1,492,448</u>                  |
| Subtotal                              | <u>12,053,659</u>                 | <u>73,642</u>       | <u>(52,875)</u>    | <u>12,074,426</u>                 |
| Less Accumulated Depreciation for:    |                                   |                     |                    |                                   |
| Buildings                             | (3,893,199)                       | (341,512)           | 0                  | (4,234,711)                       |
| Machinery and Equipment               | <u>(1,308,555)</u>                | <u>(45,313)</u>     | <u>52,875</u>      | <u>(1,300,993)</u>                |
| Subtotal                              | <u>(5,201,754)</u>                | <u>(386,825)</u>    | <u>52,875</u>      | <u>(5,535,704)</u>                |
| Business-Type Activities Total        |                                   |                     |                    |                                   |
| Capital Assets - Net of Depreciation  | <u>\$ 6,851,905</u>               | <u>\$ (313,183)</u> | <u>\$ 0</u>        | <u>\$ 6,538,722</u>               |

The County has entered into a lease agreements for the purchase of capital assets. These lease agreements qualify as capital leases for accounting purposes and are 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, 2015 is \$332,100. The animal control vehicle purchased through a capital lease has an original cost of \$26,273 and accumulated depreciation at December 31, 2015 is \$5,255.

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2015

NOTE 5 - CAPITAL ASSETS (CONTINUED)

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

Governmental Activities

General Government:

|                          |    |         |
|--------------------------|----|---------|
| Judicial                 | \$ | 12,345  |
| Other General Government |    | 123,324 |

Public Safety:

|                     |  |        |
|---------------------|--|--------|
| Sheriff             |  | 42,094 |
| Jail                |  | 43,200 |
| Other Public Safety |  | 45,333 |

Health and Welfare:

|                          |  |               |
|--------------------------|--|---------------|
| Other Health and Welfare |  | 172,220       |
| Recreation and Cultural  |  | <u>18,123</u> |

|                               |    |                |
|-------------------------------|----|----------------|
| Total Governmental Activities | \$ | <u>456,639</u> |
|-------------------------------|----|----------------|

Business-Type Activities

|                       |    |                |
|-----------------------|----|----------------|
| Medical Care Facility | \$ | <u>386,825</u> |
|-----------------------|----|----------------|

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

|                                      | <u>Balance<br/>01/01/15</u> | <u>Additions</u>   | <u>Deletions</u> | <u>Balance<br/>12/31/15</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>67,343</u>               | <u>0</u>           | <u>0</u>         | <u>67,343</u>               |
| Subtotal                             | <u>2,666,960</u>            | <u>0</u>           | <u>0</u>         | <u>2,666,960</u>            |
| Less Accumulated Depreciation for:   |                             |                    |                  |                             |
| Infrastructure - Whitney Drain       | (292,115)                   | (48,747)           | 0                | (340,862)                   |
| Infrastructure - Parent Drain        | (64,912)                    | (8,114)            | 0                | (73,026)                    |
| Infrastructure - Van Etten Lake Dam  | <u>(3,367)</u>              | <u>(3,367)</u>     | <u>0</u>         | <u>(6,734)</u>              |
| Subtotal                             | <u>(360,394)</u>            | <u>(60,228)</u>    | <u>0</u>         | <u>(420,622)</u>            |
| Governmental Activities Total        |                             |                    |                  |                             |
| Capital Assets - Net of Depreciation | <u>\$ 2,306,566</u>         | <u>\$ (60,228)</u> | <u>\$ 0</u>      | <u>\$ 2,246,338</u>         |

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

Governmental Activities

|              |  |                  |
|--------------|--|------------------|
| Public Works |  | <u>\$ 60,228</u> |
|--------------|--|------------------|

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2015

NOTE 5 - CAPITAL ASSETS (CONTINUED)

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

|                                       | <u>Balance</u><br><u>01/01/15</u> | <u>Additions</u>   | <u>Deletions</u> | <u>Balance</u><br><u>12/31/15</u> |
|---------------------------------------|-----------------------------------|--------------------|------------------|-----------------------------------|
| <u>Governmental Activities</u>        |                                   |                    |                  |                                   |
| Capital Assets Not Being Depreciated: |                                   |                    |                  |                                   |
| Land and Improvements                 | \$ <u>2,483,938</u>               | \$ <u>324,027</u>  | \$ <u>0</u>      | \$ <u>2,807,965</u>               |
| Capital Assets Being Depreciated      |                                   |                    |                  |                                   |
| Buildings and Improvements            | 1,834,326                         | 0                  | 0                | 1,834,326                         |
| Equipment - Road                      | 6,856,923                         | 283,856            | (35,775)         | 7,105,004                         |
| Equipment - Shop                      | 62,331                            | 0                  | 0                | 62,331                            |
| Equipment - Office                    | 52,946                            | 0                  | (426)            | 52,520                            |
| Equipment - Engineer's                | 24,270                            | 0                  | 0                | 24,270                            |
| Equipment - Yard                      | 121,419                           | 0                  | 0                | 121,419                           |
| Infrastructure and Improvements       | 25,294,846                        | 1,593,226          | 0                | 26,888,072                        |
| Land Improvements                     | 30,619                            | 0                  | 0                | 30,619                            |
| Subtotal                              | <u>34,277,680</u>                 | <u>1,877,082</u>   | <u>(36,201)</u>  | <u>36,118,561</u>                 |
| Less Accumulated Depreciation for:    |                                   |                    |                  |                                   |
| Buildings and Improvements            | (1,252,599)                       | (36,687)           | 0                | (1,289,286)                       |
| Equipment - Road                      | (6,112,063)                       | (275,052)          | 35,775           | (6,351,340)                       |
| Equipment - Shop                      | (61,454)                          | (478)              | 0                | (61,932)                          |
| Equipment - Office                    | (45,556)                          | (2,767)            | 426              | (47,897)                          |
| Equipment - Engineer's                | (24,270)                          | 0                  | 0                | (24,270)                          |
| Equipment - Yard                      | (121,418)                         | 0                  | 0                | (121,418)                         |
| Infrastructure and Improvements       | (7,666,349)                       | (1,246,717)        | 0                | (8,913,066)                       |
| Land Improvements                     | (30,619)                          | 0                  | 0                | (30,619)                          |
| Subtotal                              | <u>(15,314,328)</u>               | <u>(1,561,701)</u> | <u>36,201</u>    | <u>(16,839,828)</u>               |
| Capital Assets Being Depreciated      | <u>18,963,352</u>                 | <u>315,381</u>     | <u>0</u>         | <u>19,278,733</u>                 |
| Governmental Activities Total         |                                   |                    |                  |                                   |
| Capital Assets - Net of Depreciation  | \$ <u>21,447,290</u>              | \$ <u>639,408</u>  | \$ <u>0</u>      | \$ <u>22,086,698</u>              |

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

|                                |                     |
|--------------------------------|---------------------|
| <u>Governmental Activities</u> |                     |
| Public Works                   | \$ <u>1,561,701</u> |

NOTE 6 - 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:

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

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2015

NOTE 7 - LONG-TERM LIABILITIES

Primary Government:

A. Bonds Payable

|   | <u>Governmental</u> | <u>Business-Type</u> |
|---|---------------------|----------------------|
| <p>\$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.</p> | \$ 730,000          | \$ 0                 |
| <p>\$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.</p>   | 265,000             | 0                    |
| <p>\$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.</p>  | 0                   | 150,000              |
| <p>\$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.</p>  | 0                   | 3,000                |
| <p>\$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.</p>   | 0                   | 160,000              |
| <p>Total Bonds Payable</p>  | 995,000             | 313,000              |

B. Capital Leases Payable

|  | <u>Governmental</u> | <u>Business-Type</u> |
|--|---------------------|----------------------|
| <p>On April 28, 2015, the County entered into a lease agreement with Zubek Motors, Inc. for the lease of a 2015 Dodge Ram 1500 Animal Control Truck. The equipment has been recorded as a capital asset at its purchase price. Amortization of the leased equipment is included in depreciation expense. The capital lease is repayable over 3 years at a 4.75% interest rate.</p> | 16,342              | 0                    |
| <p>Total Primary Government</p>  | \$ 1,011,342        | \$ 313,000           |

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2015

NOTE 7 - LONG-TERM LIABILITIES (CONTINUED)

Component Units:

C. Bonds Payable

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.

| <u>Governmental</u> | <u>Business-Type</u> |
|---------------------|----------------------|
| \$ <u>805,000</u>   | \$ <u>0</u>          |

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, 2015, the accumulated vested vacation and sick leave benefits of the employees of various County departments and its component units were as follows:

|  | Current<br>Liability | Long-Term<br>Liability | Total Balance     |
|--|----------------------|------------------------|-------------------|
| <u>Accrued Employee Benefits Payable</u> | <u>12/31/15</u>      | <u>12/31/15</u>        | <u>12/31/15</u>   |
| <u>Primary Government</u>                |                      |                        |                   |
| Governmental Activities                  | \$ 5,413             | \$ 372,303             | \$ 377,716        |
| Business-Type Activities                 | <u>230,300</u>       | <u>0</u>               | <u>230,300</u>    |
|  | <u>\$ 235,713</u>    | <u>\$ 372,303</u>      | <u>\$ 608,016</u> |
| <u>Component Unit</u>                    |                      |                        |                   |
| Road Commission                          | <u>\$ 0</u>          | <u>\$ 170,905</u>      | <u>\$ 170,905</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.

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2015

NOTE 7 - LONG-TERM LIABILITIES (CONTINUED)

E. Health Insurance (Continued)

The changes in the Health Insurance claims liability for the year ended December 31, 2015 are as follows:

|                                     | 12/31/2015  |
|-------------------------------------|-------------|
| Claims Liability, Beginning of Year | \$ 91,544   |
| Claims and Damages Incurred         | 978,937     |
| Claims Payments                     | (1,018,630) |
| Claims Liability, End of Year       | \$ 51,851   |

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, 2015:

|  | Balance<br>01/01/15 | Issues or<br>Additions | Payments or<br>Expenditures | Balance<br>12/31/15 | Due Within<br>One Year |
|--|---------------------|------------------------|-----------------------------|---------------------|------------------------|
| <u>Governmental Activities</u>                     |                     |                        |                             |                     |                        |
| Primary Government:                                |                     |                        |                             |                     |                        |
| Bonds Payable                                      | \$ 1,290,000        | \$ 0                   | \$ (295,000)                | \$ 995,000          | \$ 320,000             |
| Installment Purchase<br>Agreements Payable         | 58,191              | 0                      | (58,191)                    | 0                   | 0                      |
| Capital Leases Payable                             | 0                   | 25,099                 | (8,757)                     | 16,342              | 7,981                  |
| Net Pension Liability<br>Incurred but not Reported | 5,777,029           | 266,375 *              | 0                           | 6,043,404           | 0                      |
| Insurance Claims                                   | 91,544              | 0                      | (39,693) *                  | 51,851              | 51,851                 |
| Compensated Absences                               | 369,701             | 8,015 *                | 0                           | 377,716             | 5,413                  |
| Total Primary Government                           | \$ 7,586,465        | \$ 299,489             | \$ (401,641)                | \$ 7,484,313        | \$ 385,245             |
| Component Units:                                   |                     |                        |                             |                     |                        |
| Bonds Payable                                      | \$ 940,000          | \$ 0                   | \$ (135,000)                | \$ 805,000          | \$ 115,000             |
| Net OPEB Obligation                                | 188,111             | 22,024                 | (18,295)                    | 191,840             | 0                      |
| Net Pension Liability                              | 2,569,423           | 560,753 *              | 0                           | 3,130,176           | 0                      |
| Compensated Absences                               | 158,750             | 44,665                 | (32,510)                    | 170,905             | 0                      |
| Total Component Units                              | \$ 3,856,284        | \$ 627,442             | \$ (185,805)                | \$ 4,297,921        | \$ 115,000             |
|  | Balance<br>01/01/15 | Issues or<br>Additions | Payments or<br>Expenditures | Balance<br>12/31/15 | Due Within<br>One Year |
| <u>Business-Type Activities</u>                    |                     |                        |                             |                     |                        |
| Primary Government:                                |                     |                        |                             |                     |                        |
| Bonds Payable                                      | \$ 386,000          | \$ 0                   | \$ (73,000)                 | \$ 313,000          | \$ 50,000              |
| Net Pension Liability                              | 1,427,414           | 112,749 *              | 0                           | 1,540,163           | 0                      |
| Compensated Absences                               | 270,134             | 0                      | (39,834) *                  | 230,300             | 230,300                |
| Total Primary Government                           | \$ 2,083,548        | \$ 112,749             | \$ (112,834)                | \$ 2,083,463        | \$ 280,300             |

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2015

NOTE 7 - LONG-TERM LIABILITIES (CONTINUED)

F. Changes in Long-Term Liabilities (Continued)

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

See Note 11 for further detail of the Net Pension Liability.

The interest expenditures on long-term obligations for the year were \$64,025 for the primary government and \$35,650 for the Drain Commission.

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

The annual aggregate maturities for all debt outstanding (excluding compensated absences, net pension obligations and health insurance claims) as of December 31, 2015 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>  |                     |
| 2016                 | \$ 320,000                     | \$ 33,753        | \$ 50,000                       | \$ 15,462        | \$ 419,215          |
| 2017                 | 345,000                        | 20,359           | 53,000                          | 12,787           | 431,146             |
| 2018                 | 260,000                        | 8,157            | 50,000                          | 9,993            | 328,150             |
| 2019                 | 70,000                         | 1,452            | 55,000                          | 7,104            | 133,556             |
| 2020                 | 0                              | 0                | 55,000                          | 4,044            | 59,044              |
| 2021 - 2022          | 0                              | 0                | 50,000                          | 2,500            | 52,500              |
| <b>Total</b>         | <b>\$ 995,000</b>              | <b>\$ 63,721</b> | <b>\$ 313,000</b>               | <b>\$ 51,890</b> | <b>\$ 1,423,611</b> |

| <b>Capital Leases 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> |                  |
| 2016                          | \$ 7,981                       | \$ 777          | \$ 0                            | \$ 0            | \$ 8,758         |
| 2017                          | 8,361                          | 397             | 0                               | 0               | 8,758            |
| <b>Total</b>                  | <b>\$ 16,342</b>               | <b>\$ 1,174</b> | <b>\$ 0</b>                     | <b>\$ 0</b>     | <b>\$ 17,516</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> |                   |
| 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                 | 115,000                        | 11,500            | 0                               | 0               | 126,500           |
| 2021 - 2022          | 230,000                        | 9,200             | 0                               | 0               | 239,200           |
| <b>Total</b>         | <b>\$ 805,000</b>              | <b>\$ 112,700</b> | <b>\$ 0</b>                     | <b>\$ 0</b>     | <b>\$ 917,700</b> |

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2015

NOTE 8 - 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, 2014 for winter taxes and July 1, 2015 for summer taxes. Taxes are levied on December 1, 2014 and July 1, 2015 and are payable by February 28, 2015 and September 30, 2015, respectively. The cities and townships within the County bill and collect the property taxes for the County.

County taxes levied December 1, 2014, are collected in and are intended to finance 2015 operations. The taxable value of real and personal property for the December 1, 2014 levy was \$1,109,001,171. The 2014 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, .3354 mills for medical care facility debt service, and .0800 mills for animal control.

County taxes levied July 1, 2015, are collected in and are intended to finance 2015 operations. The taxable value of real and personal property for the July 1, 2015 levy was \$1,133,556,268. The 2015 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, 2015. 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 9 - OPERATING TRANSFERS

During the year ended December 31, 2015, the following transfers were made:

| <b>Transfer to</b>           | <b>Transfer from</b> |                                  |                                    | <b>Total</b>      |
|------------------------------|----------------------|----------------------------------|------------------------------------|-------------------|
|                              | General Fund         | Delinquent Tax<br>Revolving Fund | Non-major<br>Governmental<br>Funds |                   |
| General Fund                 | \$ 0                 | \$ 58,191                        | \$ 0                               | \$ 58,191         |
| Non-major Governmental Funds | <u>621,907</u>       | <u>0</u>                         | <u>145,000</u>                     | <u>766,907</u>    |
|                              | <u>\$ 621,907</u>    | <u>\$ 58,191</u>                 | <u>\$ 145,000</u>                  | <u>\$ 825,098</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 10 - 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, 2015

**NOTE 10 - EXCESS OF EXPENDITURES OVER APPROPRIATION IN BUDGETARY FUNDS (CONTINUED)**

During the year ended December 31, 2015, 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/Health and Welfare                                  | \$ 458,704                  | \$ 465,995                    | \$ 7,291               |
| General Fund/Debt Service/Principal                              | \$ 0                        | \$ 58,191                     | \$ 58,191              |
| General Fund/Operating Transfers Out                             | \$ 486,743                  | \$ 621,907                    | \$ 135,164             |
| EDC Grant Revolving Loan Fund/Community and Economic Development | \$ 41,000                   | \$ 126,869                    | \$ 85,869              |

**NOTE 11 - RETIREMENT SYSTEM - MERS OPERATED**

**Defined Benefit Plan**

**Primary Government**

Plan Description

The employer's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The employer participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at [www.mersofmich.com](http://www.mersofmich.com).

Benefits Provided

| <u>01 - Gnrl Empls: Closed to new hires</u> | <u>2014 Valuation</u>      |
|---|----------------------------|
| Benefit Multiplier:                         | 2.25% Multiplier (80% max) |
| Normal Retirement Age:                      | 60                         |
| Vesting:                                    | 10 years                   |
| Early Retirement (Unreduced):               | 55/25                      |
| Early Retirement (Reduced):                 | 50/25                      |
|   | 55/15                      |
| Final Average Compensation:                 | 5 years                    |
| Employee Contributions:                     | 0%                         |
| DC Plan for New Hires:                      | 1/1/2008                   |
| Act 88:                                     | Yes (Adopted 5/5/1993)     |

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2015

NOTE 11 - RETIREMENT SYSTEM - MERS OPERATED (CONTINUED)

**Defined Benefit Plan (Continued)**

02 - POAM Emplvs: Closed to new hires

|                               | 2014 Valuation            |
|-------------------------------|---------------------------|
| Benefit Multiplier:           | 2.5% Multiplier (80% max) |
| Normal Retirement Age:        | 60                        |
| Vesting:                      | 10 years                  |
| Early Retirement (Unreduced): | 25 and Out                |
| Early Retirement (Reduced):   | 55/15                     |
| Final Average Compensation:   | 5 years                   |
| Employee Contributions:       | 1.77%                     |
| DC Plan for New Hires         | 1/1/2007                  |
| Act 88:                       | Yes (Adopted 5/5/1993)    |

04 - MCF: Closed to new hires

|                               | 2014 Valuation  |
|-------------------------------|---|
| Benefit Multiplier:           | Svc x (1.00% times<br>FAC<\$4,200, plus 1.50%<br>times FAC>\$4,200) |
| Normal Retirement Age:        | 60  |
| Vesting:                      | 10 years  |
| Early Retirement (Unreduced): | -   |
| Early Retirement (Reduced):   | 50/25<br>55/15  |
| Final Average Compensation:   | 5 years   |
| Employee Contributions:       | 0%  |
| Act 88:                       | Yes (Adopted 5/5/1993)  |

10 - United Stlwrks: Closed to new hires

|                               | 2014 Valuation             |
|-------------------------------|----------------------------|
| Benefit Multiplier:           | 2.25% Multiplier (80% max) |
| Normal Retirement Age:        | 60                         |
| Vesting:                      | 10 years                   |
| Early Retirement (Unreduced): | 50/25<br>55/20             |
| Early Retirement (Reduced):   | 55/15                      |
| Final Average Compensation:   | 5 years                    |
| Employee Contributions:       | 1.54%                      |
| DC Plan for New Hires:        | 1/1/2000                   |
| Act 88:                       | Yes (Adopted 5/5/1993)     |

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2015

NOTE 11 - RETIREMENT SYSTEM - MERS OPERATED (CONTINUED)

**Defined Benefit Plan (Continued)**

| <u>13 - Central Disp/POAM: Closed to new hires</u> |                            |
|--|----------------------------|
|  | <u>2014 Valuation</u>      |
| Benefit Multiplier:                                | 2.50% Multiplier (80% max) |
| Normal Retirement Age:                             | 60                         |
| Vesting:   | 10 years                   |
| Early Retirement (Unreduced):                      | 55/25                      |
| Early Retirement (Reduced):                        | 50/25<br>55/15             |
| Final Average Compensation:                        | 5 years                    |
| Employee Contributions:                            | 0%                         |
| DC Plan for New Hires:                             | 1/22/2000                  |
| Act 88:  | Yes (Adopted 5/5/1993)     |

| <u>14 - Chem Workers Union: Open Division</u> |                            |
|---|----------------------------|
|   | <u>2014 Valuation</u>      |
| Benefit Multiplier:                           | 2.25% Multiplier (80% max) |
| Normal Retirement Age:                        | 60                         |
| Vesting:                                      | 8 years                    |
| Early Retirement (Unreduced):                 | 50/25<br>55/20             |
| Early Retirement (Reduced):                   | 55/15                      |
| Final Average Compensation:                   | 5 years                    |
| Employee Contributions:                       | 2%                         |
| Act 88:                                       | Yes (Adopted 5/5/1993)     |

| <u>15 - Elected &amp; Non-Union: Closed to new hires</u> |                            |
|--|----------------------------|
|  | <u>2014 Valuation</u>      |
| Benefit Multiplier:                                      | 2.50% Multiplier (80% max) |
| Normal Retirement Age:                                   | 60                         |
| Vesting:   | 8 years                    |
| Early Retirement (Unreduced):                            | 50/25<br>55/20             |
| Early Retirement (Reduced):                              | 55/15                      |
| Final Average Compensation:                              | 3 years                    |
| Employee Contributions:                                  | 0.94%                      |
| DC Plan for New Hires:                                   | 4/1/2001                   |
| Act 88:  | Yes (Adopted 5/5/1993)     |

| <u>16 - EMS Employees: Open Division</u> |                            |
|--|----------------------------|
|  | <u>2014 Valuation</u>      |
| Benefit Multiplier:                      | 2.25% Multiplier (80% max) |
| Normal Retirement Age:                   | 60                         |
| Vesting:                                 | 10 years                   |
| Early Retirement (Unreduced):            | -                          |
| Early Retirement (Reduced):              | 50/25<br>55/15             |
| Final Average Compensation:              | 5 years                    |
| Employee Contributions:                  | 0%                         |
| Act 88:                                  | Yes (Adopted 9/1/2008)     |

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2015

NOTE 11 - RETIREMENT SYSTEM - MERS OPERATED (CONTINUED)

**Defined Benefit Plan (Continued)**

|                                     |                            |
|-------------------------------------|----------------------------|
| <u>40 - Director: Open Division</u> |                            |
|                                     | <u>2014 Valuation</u>      |
| Benefit Multiplier:                 | 2.50% Multiplier (80% max) |
| Normal Retirement Age:              | 60                         |
| Vesting:                            | 10 years                   |
| Early Retirement (Unreduced):       | 55/20                      |
| Early Retirement (Reduced):         | 50/25                      |
|                                     | 55/15                      |
| Final Average Compensation:         | 3 years                    |
| Employee Contributions:             | 0%                         |
|                                     | DROP+ (4%)                 |
| Act 88:                             | Yes (Adopted 5/5/1993)     |

Employees Covered by Benefit Terms

At the December 31, 2014 valuation date, the following employees were covered by the benefit terms:

|  |                   |
|--|-------------------|
| Inactive employees or beneficiaries currently receiving benefits | 139               |
| Inactive employees entitled to but not yet receiving benefits    | 36                |
| Active employees   | <u>202</u>        |
|  | <u><u>377</u></u> |

Contributions

The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

Employer contributions range between 6.45% and 59.49% based on annual payroll and between \$620 and \$19,142 per month.

Net Pension Liability

The employer's Net Pension Liability reported at December 31, 2015 was measured as of December 31, 2014, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of that date.

Actuarial Assumptions

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

Inflation: 3%-4%

Salary increases: 4.5% in the long-term (2% and 3% for calendar years 2015 and 2016, respectively) plus a percentage based on an age-related scale to reflect merit, longevity, and promotional pay increases.

Investment rate of return: 8.0%, net of investment expense, including inflation

IOSCO COUNTY  
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NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2015

NOTE 11 - RETIREMENT SYSTEM - MERS OPERATED (CONTINUED)

**Defined Benefit Plan (Continued)**

Although no specific price inflation assumptions are needed for the valuation, the 4.5% long-term wage inflation assumption would be consistent with a price inflation of 3%-4%.

Mortality rates used were based on the 1994 Group Annuity Mortality Table of a 50% Male and 50% Female blend. For disabled retirees, the regular mortality table is used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members.

The actuarial assumptions used in the valuation were based on the results of the most recent actuarial experience study in 2008. (MERS Retirement Board is currently conducting an actuarial experience study covering the period from January 1, 2009, through December 31, 2013.)

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| <u>Asset Class</u>      | <u>Target Allocation</u> | <u>Long-Term Expected<br/>Real Rate of Return</u> |
|-------------------------|--------------------------|---|
| Global Equity           | 57.5%                    | 5.02%   |
| Global Fixed Income     | 20.0%                    | 2.18%   |
| Real Assets             | 12.5%                    | 4.23%   |
| Diversifying Strategies | 10.0%                    | 6.56%   |

Discount Rate

The discount rate used to measure the total pension liability is 8.25% for 2014. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2015

NOTE 11 - RETIREMENT SYSTEM - MERS OPERATED (CONTINUED)

**Defined Benefit Plan (Continued)**

Changes in Net Pension Liability

|   | Calculating the Net Pension Liability |   |                                  |
|---|---------------------------------------|---|----------------------------------|
|   | Total Pension<br>Liability (a)        | Increase (Decrease)<br>Plan Fiduciary Net<br>Position (b) | Net Pension<br>Liability (a)-(b) |
| Balances at 12/31/13                              | \$ 23,621,832                         | \$ 16,417,389   | \$ 7,204,443                     |
| Changes for the Year                              |                                       |   |                                  |
| Service Cost                                      | 471,785                               | 0   | 471,785                          |
| Interest on Total Pension Liability               | 1,910,808                             | 0   | 1,910,808                        |
| Changes in benefits                               | 0                                     | 0   | 0                                |
| Difference between expected and actual experience | 0                                     | 0   | 0                                |
| Changes in assumptions                            | 0                                     | 0   | 0                                |
| Employer contributions                            | 0                                     | 983,254   | (983,254)                        |
| Employee contributions                            | 0                                     | 26,662  | (26,662)                         |
| Net investment income                             | 0                                     | 1,031,417   | (1,031,417)                      |
| Benefit payments, including employee refunds      | (1,392,838)                           | (1,392,838)   | 0                                |
| Administrative expense                            | 0                                     | (37,863)  | 37,863                           |
| Other changes                                     | 1                                     | 0   | 1                                |
| Net changes                                       | 989,756                               | 610,632   | 379,124                          |
| Balances as of 12/31/14                           | \$ 24,611,588                         | \$ 17,028,021   | \$ 7,583,567                     |

Sensitivity of the Net Pension Liability to changes in the discount rate

The following presents the Net Pension Liability of the employer, calculated using the discount rate of 8.25%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower (7.25%) or 1% higher (9.25%) than the current rate.

|                                | 1% Decrease<br>(7.25%) | Current Discount<br>Rate (8.25%) | 1% Increase<br>(9.25%) |
|--------------------------------|------------------------|----------------------------------|------------------------|
| County's net pension liability | \$ 10,203,772          | \$ 7,583,567                     | \$ 5,343,553           |

Note: The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because for GASB purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expenses.

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2015

NOTE 11 - RETIREMENT SYSTEM - MERS OPERATED (CONTINUED)

**Defined Benefit Plan (Continued)**

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2015, the employer recognized pension expense of \$1,117,851. The employer reported deferred outflows of resources related to pensions from the following sources:

|   | Deferred Outflows of<br>Resources |
|---|-----------------------------------|
| Deficit Investment Returns                        | \$ 244,527                        |
| Contributions Subsequent to the Measurement Date* | 1,996,003                         |
| Total   | \$ 2,240,530                      |

\*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the year ending December 31, 2016.

Amounts reported as deferred outflows of resources related to Deficit Investment Returns will be recognized in pension expense as follows:

| Year Ended | Pension Expense |
|------------|-----------------|
| 2016       | \$ 61,132       |
| 2017       | 61,132          |
| 2018       | 61,132          |
| 2019       | 61,131          |

Payable to the Pension Plan

At December 31, 2015, there was a reported payable of \$96,575 for the outstanding amount of contributions to the pension plan required for the year ending December 31, 2015.

**Road Commission**

Following are the Road Commission Retirement System disclosures as presented in the Road Commission's audit and its report dated May 2, 2016.

Plan Description

The employer's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The employer participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at [www.mersofmich.com](http://www.mersofmich.com).

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2015

NOTE 11 - RETIREMENT SYSTEM - MERS OPERATED (CONTINUED)

**Road Commission (Continued)**

Benefits Provided

01 - General: Closed to New Hires

|                               | 2014 Valuation             |
|-------------------------------|----------------------------|
| Benefit Multiplier:           | 2.25% Multiplier (80% max) |
| Normal Retirement Age:        | 60                         |
| Vesting:                      | 10 years                   |
| Early Retirement (Unreduced): | -                          |
| Early Retirement (Reduced):   | 50/25<br>55/15             |
| Final Average Compensation:   | 5 years                    |
| Employee Contributions:       | 6.70%                      |
| DC Plan New Hires:            | 12/12/2011                 |
| Act 88:                       | Yes (Adopted 10/01/2001)   |

02 - Salaried: Closed to New Hires

|                               | 2014 Valuation             |
|-------------------------------|----------------------------|
| Benefit Multiplier:           | 2.50% Multiplier (80% max) |
| Normal Retirement Age:        | 60                         |
| Vesting:                      | 10 years                   |
| Early Retirement (Unreduced): | -                          |
| Early Retirement (Reduced):   | 50/25<br>55/15             |
| Final Average Compensation:   | 5 years                    |
| COLA for Future Retirees:     | 2.50% (Non-Compound)       |
| Employee Contributions:       | 8.98%                      |
| DC Plan New Hires:            | 04/01/2011                 |
| Act 88:                       | Yes (Adopted 10/01/2001)   |

Employees Covered by Benefit Terms

At the December 31, 2014 valuation date, the following employees were covered by the benefit terms:

|  |    |
|--|----|
| Inactive employees or beneficiaries currently receiving benefits | 32 |
| Inactive employees entitled to but not yet receiving benefits    | 2  |
| Active employees   | 26 |
|  | 60 |

Contributions

The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

For the year ended December 31, 2015, employer contribution requirements range from \$7,571 to \$7,778 per month and employee contribution requirements range from 6.70% - 8.98% of annual payroll.

In addition to the required contribution, the Road Commission contributed an additional \$20,000 to the plan during the year ended December 31, 2015.

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2015

NOTE 11 - RETIREMENT SYSTEM - MERS OPERATED (CONTINUED)

**Road Commission (Continued)**

Net Pension Liability

The employer's Net Pension Liability was measured as of December 31, 2014, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of that date.

Actuarial Assumptions

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

Inflation: 3%-4%

Salary increases: 4.5% in the long-term (2% and 3% for calendar years 2015 and 2016, respectively) plus a percentage based on an age-related scale to reflect merit, longevity, and promotional pay increases.

Investment rate of return: 8.0%, net of investment expense, including inflation

Although no specific price inflation assumptions are needed for the valuation, the 4.5% long-term wage inflation assumption would be consistent with a price inflation of 3%-4%.

Mortality rates used were based on the 1994 Group Annuity Mortality Table of a 50% Male and 50% Female blend. For disabled retirees, the regular mortality table is used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members.

The actuarial assumptions used in the valuation were based on the results of the most recent actuarial experience study in 2008. (MERS Retirement Board is currently conducting an actuarial experience study covering the period from January 1, 2009, through December 31, 2013.)

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| <u>Asset Class</u>      | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|-------------------------|--------------------------|---|
| Global Equity           | 57.5%                    | 5.02%   |
| Global Fixed Income     | 20.0%                    | 2.18%   |
| Real Assets             | 12.5%                    | 4.23%   |
| Diversifying Strategies | 10.0%                    | 6.56%   |

Discount Rate

The discount rate used to measure the total pension liability is 8.25% for 2014. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2015

NOTE 11 - RETIREMENT SYSTEM - MERS OPERATED (CONTINUED)

**Road Commission (Continued)**

Changes in Net Pension Liability

| Calculating the Net Pension Liability             |                                |                                    |                                  |
|---|--------------------------------|------------------------------------|----------------------------------|
|   | Increase (Decrease)            |                                    |                                  |
|   | Total Pension<br>Liability (a) | Plan Fiduciary Net<br>Position (b) | Net Pension<br>Liability (a)-(b) |
| Balances at 12/31/14                              | \$ 9,945,141                   | \$ 7,375,718                       | \$ 2,569,423                     |
| Changes for the Year                              |                                |                                    |                                  |
| Service Cost                                      | 126,341                        | 0                                  | 126,341                          |
| Interest on Total Pension Liability               | 777,567                        | 0                                  | 777,567                          |
| Changes in benefits                               | 0                              | 0                                  | 0                                |
| Difference between expected and actual experience | 0                              | 0                                  | 0                                |
| Changes in assumptions                            | 0                              | 0                                  | 0                                |
| Employer contributions                            | 0                              | 364,188                            | (364,188)                        |
| Employee contributions                            | 0                              | 96,442                             | (96,442)                         |
| Net investment income                             | 0                              | (109,802)                          | 109,802                          |
| Benefit payments, including employee refunds      | (577,441)                      | (577,441)                          | 0                                |
| Administrative expense                            | 0                              | (16,097)                           | 16,097                           |
| Other changes                                     | (8,424)                        | 0                                  | (8,424)                          |
| Net changes                                       | 318,043                        | (242,710)                          | 560,753                          |
| Balances as of 12/31/15                           | \$ 10,263,184                  | \$ 7,133,008                       | \$ 3,130,176                     |

Sensitivity of the Net Pension Liability to changes in the discount rate

The following presents the Net Pension Liability of the employer, calculated using the discount rate of 8.25%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower (7.25%) or 1% higher (9.25%) than the current rate.

|  | 1% Decrease<br>(7.25%) | Current Discount<br>Rate (8.25%) | 1% Increase<br>(9.25%) |
|--|------------------------|----------------------------------|------------------------|
| Road Commission's net pension liability \$ | 4,170,592              | 3,130,176                        | 2,234,586              |

Note: The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because for GASB purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expenses.

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2015

NOTE 11 - RETIREMENT SYSTEM - MERS OPERATED (CONTINUED)

**Road Commission (Continued)**

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2015, the employer recognized pension expense of \$377,730. The employer reported deferred outflows of resources related to pensions from the following sources:

|                            | Deferred Outflows of<br>Resources |
|----------------------------|-----------------------------------|
| Deficit Investment Returns | \$ 555,634                        |

\*Any amounts reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the year ending December 31, 2016.

Amounts reported as deferred outflows of resources related to Deficit Investment Returns will be recognized in pension expense as follows:

| Year Ended | Pension Expense |
|------------|-----------------|
| 2016       | \$ 138,908      |
| 2017       | 138,908         |
| 2018       | 138,908         |
| 2019       | 138,910         |

Payable to the Pension Plan

At December 31, 2015, there was a reported payable of \$44,090 for the outstanding amount of contributions to the pension plan required for the year ending December 31, 2015.

**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 Alerus Financial 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.

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2015

NOTE 11 - RETIREMENT SYSTEM - MERS OPERATED (CONTINUED)

**Defined Contribution Plan (Continued)**

Funding Policy

At December 31, 2015, 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, 2015, the County contributed \$110,027 on behalf of its employees and employee contributions amounted to \$34,751.

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

NOTE 12 - 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.

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 three retirees and beneficiaries receiving benefits. In 2015, the plan was changed to limit retiree benefits to only the retiree and not to include family members. 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 or 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, 2015 approximately \$18,295 for postemployment benefits was paid and recorded as expenditures in the general fund.

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2015

NOTE 12 - POSTEMPLOYMENT BENEFITS (CONTINUED)

**Road Commission (Continued)**

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, 2015. 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               | \$ | 22,024                |  |
| Interest on net OPEB obligation            |    | 311                   |  |
| Adjustment to annual required contribution |    | (311)                 |  |
| Annual OPEB cost                           |    | <u>22,024</u>         |  |
| Contributions made                         |    | <u>(18,295)</u>       |  |
|  |    |                       |  |
| Increase in net OPEB obligation            |    | 3,729                 |  |
| Net OPEB obligation, beginning of year     |    | <u>188,111</u>        |  |
|  |    |                       |  |
| Net OPEB obligation, end of year           | \$ | <u><u>191,840</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:

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, 2013         | \$ 48,572               | 34.2 %  | \$ 154,653                 |
| December 31, 2014         | \$ 51,179               | 34.2 %  | \$ 188,111                 |
| December 31, 2015         | \$ 22,024               | 83.1 %  | \$ 191,840                 |

The funded status of the plan as of the most recent actuarial valuation date of December 31, 2015 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 %                       |
| 12/31/15                        | \$ 0                                 | \$ 295,429   | \$ 295,429                       | 0 %                       |

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2015

NOTE 12 - POSTEMPLOYMENT BENEFITS (CONTINUED)

**Road Commission (Continued)**

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.

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: 2.61%.
3. Retiree Contribution: 50%.
4. Health Care Inflation Rate: 5% to 9%

NOTE 13 - 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.

The County is a defendant in two lawsuits. Although the outcome of these lawsuits is not presently determinable, the County estimates that claims not covered by insurance resulting from such litigation would not materially affect the financial statements of the County.

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2015

NOTE 13 - RISK MANAGEMENT (CONTINUED)

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 14 - 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, 2015, 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.

The County has commitments in the amount of \$321,150 outstanding at December 31, 2015.

Commitments

As of December 31, 2015, the County had the following commitment outstanding:

| <u>Project</u>       | <u>Total Contract</u> | <u>Remaining<br/>Commitment at<br/>December 31, 2015</u> | <u>Contract Payable at<br/>December 31, 2015</u> |
|----------------------|-----------------------|--|--|
| Jail Security System | \$ 41,994             | \$ 20,994  | \$ 0   |
| Ambulance Purchases  | \$ <u>300,156</u>     | \$ <u>300,156</u>  | \$ <u>0</u>                                      |
|                      | <u>\$ 342,150</u>     | <u>\$ 321,150</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, 2015, the Federal revenue expended by the Road Commission was \$1,819,544 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 \$750,000 or more for negotiated projects.

IOSCO COUNTY  
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NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2015

**NOTE 15 - PRIOR PERIOD ADJUSTMENTS**

The December 31, 2014 Net Position amounts have been restated for the following adjustments:

Adjustment 1 - GASB 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. Therefore, a prior period adjustment was made to record the beginning Net Pension Liability, net of Deferred Outflows, in the Government-Wide Statement of Net Position and the Proprietary Funds Statement of Net Position.

Adjustment 2- As a result of GASB Statement No. 68 noted above in Adjustment 1, the Net Pension Obligation no longer exists and is replaced by the Net Pension Liability. Therefore, a prior period adjustment was made to reduce the Net Pension Obligation to zero.

**Primary Government**

|  | <u>Governmental<br/>Activities</u> | <u>Business-Type<br/>Activities</u> | <u>Medical Care Facility</u> |
|--|------------------------------------|-------------------------------------|------------------------------|
| Net Position - Beginning               | \$ 13,017,978                      | \$ 14,563,114                       | \$ 10,386,138                |
| Adjustment 1                           | (5,062,891)                        | (1,158,298)                         | (1,158,298)                  |
| Adjustment 2                           | <u>1,593,657</u>                   | <u>0</u>                            | <u>0</u>                     |
| Net Position - Beginning<br>(Restated) | <u>\$ 9,548,744</u>                | <u>\$ 13,404,816</u>                | <u>\$ 9,227,840</u>          |

**Component Unit - Iosco County Road Commission**

|                                     | <u>Governmental<br/>Activities</u> |
|-------------------------------------|------------------------------------|
| Net Position - Beginning            | \$ 25,755,018                      |
| Adjustment 1                        | <u>(2,569,423)</u>                 |
| Net Position - Beginning (Restated) | <u>\$ 23,185,595</u>               |

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2015

NOTE 16 - FUND CHANGES AND FUND BALANCES

Amounts for specific purposes by fund and fund balance classifications for the year ended December 31, 2015, are as follows:

| <u>Classification/Fund</u>                     | <u>Purpose</u>   |                  |
|--|--|------------------|
| Nonspendable                                   |  |                  |
| General Fund                                   | Prepaid Expenses   | \$ 63,920        |
| General Fund                                   | Long-Term Advances to Component Units                                | 67,000           |
| Ambulance Service Fund                         | Prepaid Expenses   | 15,105           |
| MSHDA Fund                                     | Prepaid Expenses   | 995              |
| E-911 Fund                                     | Prepaid Expenses   | 9,285            |
| Probate Guardian Fund                          | Prepaid Expenses   | 7,924            |
| Building and Safety Fund                       | Prepaid Expenses   | 1,990            |
| MSU Extension Fund                             | Prepaid Expenses   | 1,245            |
| Crime Victims Rights Fund                      | Prepaid Expenses   | 1,245            |
| Animal Control Officer Fund                    | Prepaid Expenses   | 1,245            |
| Total Nonspendable                             |  | <u>169,954</u>   |
| Restricted                                     |  |                  |
| General Fund                                   | Gypsy Moth Control   | 44,798           |
| General Fund                                   | Children Protective Services   | 13,741           |
| Ambulance Service Fund                         | EMS Services   | 1,510,813        |
| MSHDA Fund                                     | Housing Loans  | 19,520           |
| EDC Grant Revolving Loan Fund                  | Economic Development Loans   | 1,684,642        |
| E-911 Wireless Training Grant Fund             | 911 Training   | 1,510            |
| E-911 Fund                                     | 911 Services   | 215,940          |
| E911 Wireless Fund                             | Accounts for State 911 Wireless Revenue                              | 475,337          |
| Probate Guardian Fund                          | Guardian Services for Individuals with<br>Developmental Disabilities | 14,166           |
| Marriage Counseling Fund                       | Marriage Counseling Activities                                       | 63,761           |
| Building and Safety Fund                       | Building Department Activities                                       | 130,620          |
| Ouil Restitution Fund                          | Operating Under the Influence<br>Enforcement                         | 46,220           |
| Register of Deeds Technology Fund              | Register of Deeds Equipment  | 72,332           |
| Crime Victims Rights Fund                      | Crime Victims Rights Activities                                      | 6,026            |
| Local Correctional Training Fund               | Training of Corrections Officers                                     | 18,084           |
| Special Investigative Fund                     | Sheriff Department Drug Enforcement                                  | 6,503            |
| MSU Extension Fund                             | MSU Extension Activities   | 22,656           |
| Trail Grooming Fund                            | Trail Grooming   | 6,989            |
| ICHRRLP Fund                                   | Community Mortgage Loans   | 195,101          |
| Michigan Justice Training Fund                 | Pistol Safety Training   | 3,902            |
| Veterans Relief Fund                           | Veterans Relief  | 250              |
| Veterans Trust Fund                            | Veterans Trust Activities  | 580              |
| Economic Revolving Loan Fund                   | Economic Development Loans   | 3,297            |
| Economic Revolving Loan #3 Fund                | Economic Development Loans   | 38,432           |
| 2009 Building Authority Refunding Bond<br>Fund | Debt Service   | 799,382          |
| Capital Improvement Construction Fund          | Capital Projects   | 22,606           |
| Family Treatment Court Fund                    | Family Treatment Court Activities                                    | 2,425            |
| Animal Control Officer Fund                    | Animal Control   | 19,450           |
| Concealed Pistol Licensing Fund                | Concealed Pistol Licensing   | 5,936            |
| Total Restricted                               |  | <u>5,445,019</u> |

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2015

NOTE 16 - FUND CHANGES AND FUND BALANCES (CONTINUED)

|                           |                                |                     |
|---------------------------|--------------------------------|---------------------|
| Committed                 |                                |                     |
| Plat Book Revolving Fund  | Plat Book Production and Sales | \$ 15,530           |
| County Airport Fund       | County Airport Operations      | <u>1,999</u>        |
| Total Committed           |                                | <u>17,529</u>       |
| Assigned                  |                                |                     |
| Building Improvement Fund | Capital Projects               | <u>856,789</u>      |
| Unassigned                |                                |                     |
| General Fund              | County Operations              | <u>1,842,431</u>    |
| Total fund balances       |                                | <u>\$ 8,331,722</u> |

REQUIRED SUPPLEMENTARY INFORMATION

IOSCO COUNTY  
Tawas City, Michigan

POSTEMPLOYMENT BENEFITS SCHEDULES OF FUNDING  
PROGRESS AND EMPLOYER CONTRIBUTIONS  
For the Year Ended December 31, 2015

Road Commission

Schedule of Funding Progress

| Actuarial Valuation<br>Date | Actuarial Value of<br>Assets<br>(a) | Actuarial Accrued<br>Liability (AAL) - Entry<br>Age<br>(b) | Unfunded AAL (UAAL)<br>(b-a) | Funded Ratio (a/b) |
|-----------------------------|-------------------------------------|--|------------------------------|--------------------|
| 12/31/09                    | \$ 0                                | \$ 385,589   | \$ 385,589                   | 0 %                |
| 12/31/12                    | \$ 0                                | \$ 516,872   | \$ 516,872                   | 0 %                |
| 12/31/15                    | \$ 0                                | \$ 295,429   | \$ 295,429                   | 0 %                |

Schedule of Employer Contributions

| Fiscal Year<br>Ended | Annual<br>Required<br>Contribution | Percentage<br>Contributed |
|----------------------|------------------------------------|---------------------------|
| 12/31/13             | \$ 48,572                          | 34.2 %                    |
| 12/31/14             | \$ 51,179                          | 34.2 %                    |
| 12/31/15             | \$ 22,024                          | 83.1 %                    |

IOSCO COUNTY  
Tawas City, Michigan

SCHEDULE OF CHANGES IN EMPLOYER'S  
NET PENSION LIABILITY AND RELATED RATIOS  
For the Year Ended December 31, 2015

|  | 2015          |
|--|---------------|
| Total Pension Liability  |               |
| Service cost   | \$ 471,785    |
| Interest   | 1,910,808     |
| Changes of benefit terms   | 0             |
| Difference between expected and actual experience                            | 0             |
| Changes of assumptions   | 0             |
| Benefit payments, including employee refunds                                 | (1,392,838)   |
| Other  | 1             |
| Net Change in Total Pension Liability  | 989,756       |
| Total Pension Liability - Beginning  | 23,621,832    |
| Total Pension Liability - Ending   | \$ 24,611,588 |
| Plan Fiduciary Net Position  |               |
| Employer contributions   | \$ 983,254    |
| Employee contributions   | 26,662        |
| Net investment income  | 1,031,417     |
| Benefit payments, including employee refunds                                 | (1,392,838)   |
| Administrative expense   | (37,863)      |
| Other  | 0             |
| Net Change in Plan Fiduciary Net Position                                    | 610,632       |
| Plan Fiduciary Net Position - Beginning                                      | 16,417,389    |
| Plan Fiduciary Net Position - Ending   | \$ 17,028,021 |
| Employer Net Pension Liability   | \$ 7,583,567  |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability   | 69%           |
| Covered Employee Payroll   | \$ 6,464,892  |
| Employer's Net Pension Liability as a Percentage of Covered Employee Payroll | 117%          |

IOSCO COUNTY  
Tawas City, Michigan

SCHEDULE OF EMPLOYER CONTRIBUTIONS  
For the Year Ended December 31, 2015

|  | 2015         |
|--|--------------|
| Actuarially determined contributions                                 | \$ 983,254   |
| Contributions in relation to the actuarially determined contribution | 983,254      |
| Contribution deficiency (excess)                                     | \$ 0         |
| Covered employee payroll   | \$ 6,464,892 |
| Contributions as a percentage of covered employee payroll            | 15%          |

**Notes to Schedule**

|                               |  |
|-------------------------------|--|
| Actuarial cost method         | Entry age  |
| Amortization method           | Level percentage of payroll, open                        |
| Remaining amortization period | 24 years   |
| Asset valuation method        | 10 year smoothed   |
| Inflation                     | 3.5%   |
| Salary increases              | 4.5%   |
| Investment rate of return     | 8.0%   |
| Retirement age                | Varies depending on plan adoption. See Note 11.          |
| Mortality                     | 50% Female/50% Male - 1994 Group Annuity Mortality Table |

IOSCO COUNTY  
Tawas City, Michigan

IOSCO COUNTY ROAD COMMISSION'S SCHEDULE OF CHANGES IN  
EMPLOYER'S NET PENSION LIABILITY AND RELATED RATIOS  
For the Year Ended December 31, 2015

|  | 2015          |
|--|---------------|
| Total Pension Liability  |               |
| Service cost   | \$ 126,341    |
| Interest   | 777,567       |
| Changes of benefit terms   | 0             |
| Difference between expected and actual experience                            | 0             |
| Changes of assumptions   | 0             |
| Benefit payments, including employee refunds                                 | (577,441)     |
| Other  | (8,424)       |
| Net Change in Total Pension Liability  | 318,043       |
| Total Pension Liability - Beginning  | 9,945,141     |
| Total Pension Liability - Ending   | \$ 10,263,184 |
| Plan Fiduciary Net Position  |               |
| Employer contributions   | \$ 364,188    |
| Employee contributions   | 96,442        |
| Net investment income  | (109,802)     |
| Benefit payments, including employee refunds                                 | (577,441)     |
| Administrative expense   | (16,097)      |
| Other  | 0             |
| Net Change in Plan Fiduciary Net Position                                    | (242,710)     |
| Plan Fiduciary Net Position - Beginning                                      | 7,375,718     |
| Plan Fiduciary Net Position - Ending   | \$ 7,133,008  |
| Employer Net Pension Liability   | \$ 3,130,176  |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability   | 70%           |
| Covered Employee Payroll   | \$ 1,225,394  |
| Employer's Net Pension Liability as a Percentage of Covered Employee Payroll | 255%          |

IOSCO COUNTY  
Tawas City, Michigan

IOSCO COUNTY ROAD COMMISSION'S SCHEDULE OF EMPLOYER CONTRIBUTIONS  
For the Year Ended December 31, 2015

|  | 2015         |
|--|--------------|
| Actuarially determined contributions                                 | \$ 170,352   |
| Contributions in relation to the actuarially determined contribution | 290,352      |
| Contribution deficiency (excess)                                     | \$ (120,000) |
| Covered employee payroll   | \$ 1,225,394 |
| Contributions as a percentage of covered employee payroll            | 24%          |

**Notes to Schedule**

|                               |  |
|-------------------------------|--|
| Actuarial cost method         | Entry age normal cost                                  |
| Amortization method           | Level percentage of payroll, open                      |
| Remaining amortization period | 24 years   |
| Asset valuation method        | 10 year smoothed market                                |
| Inflation                     | 3.00% - 4.00%  |
| Salary increases              | 4.50% for plans open to new hire                       |
| Investment rate of return     | 8.00%, net of investment expenses, including inflation |
| Retirement age                | 60 years   |
| Mortality                     | 50% Female/50% Male - 1994 Group Annuity Mortality     |

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, 2015

|   | <u>Original<br/>Budget</u> | <u>Final<br/>Amended<br/>Budget</u> | <u>Actual</u>       | <u>Variance -<br/>Favorable<br/>(Unfavorable)</u> |
|---|----------------------------|-------------------------------------|---------------------|---|
| <u>Revenue</u>                              |                            |                                     |                     |   |
| Property Taxes                              | \$ 4,225,000               | \$ 4,225,000                        | \$ 4,289,567        | \$ 64,567   |
| Federal Grants and Revenue                  | 1,251,383                  | 1,302,671                           | 547,638             | (755,033)   |
| State Grants and Revenue                    | 1,236,221                  | 1,254,684                           | 1,103,235           | (151,449)   |
| Licenses and Permits                        | 9,250                      | 9,250                               | 19,828              | 10,578  |
| Charges for Services                        | 938,907                    | 939,407                             | 970,155             | 30,748  |
| Fines and Forfeits                          | 32,000                     | 32,000                              | 38,829              | 6,829   |
| Interest and Rentals                        | 45,768                     | 45,768                              | 40,922              | (4,846)   |
| Other Revenue                               | 378,473                    | 378,473                             | 413,136             | 34,663  |
| Total Revenue                               | <u>8,117,002</u>           | <u>8,187,253</u>                    | <u>7,423,310</u>    | <u>(763,943)</u>                                  |
| <u>Expenditures</u>                         |                            |                                     |                     |   |
| Current:                                    |                            |                                     |                     |   |
| General Government:                         |                            |                                     |                     |   |
| Legislative and Executive                   | 121,464                    | 133,464                             | 128,362             | 5,102   |
| Judicial                                    | 1,584,948                  | 1,586,552                           | 1,552,862           | 33,690  |
| Financial and Tax Administration            | 576,605                    | 576,232                             | 572,985             | 3,247   |
| Other General Government                    | 2,177,524                  | 2,106,630                           | 1,895,288           | 211,342   |
| Public Safety                               | 2,611,351                  | 2,672,349                           | 1,928,004           | 744,345   |
| Public Works                                | 62,495                     | 62,495                              | 59,859              | 2,636   |
| Health and Welfare                          | 424,704                    | 458,704                             | 465,995             | (7,291)   |
| Community and Economic Development          | 1,620                      | 2,160                               | 1,364               | 796   |
| Recreation and Cultural                     | 5,225                      | 18,325                              | 18,013              | 312   |
| Capital Outlay                              | 173,523                    | 194,799                             | 142,789             | 52,010  |
| Debt Service:                               |                            |                                     |                     |   |
| Principal                                   | <u>0</u>                   | <u>0</u>                            | <u>58,191</u>       | <u>(58,191)</u>                                   |
| Total Expenditures                          | <u>7,739,459</u>           | <u>7,811,710</u>                    | <u>6,823,712</u>    | <u>987,998</u>                                    |
| Excess of Revenue Over (Under) Expenditures | <u>377,543</u>             | <u>375,543</u>                      | <u>599,598</u>      | <u>224,055</u>                                    |
| <u>Other Financing Sources (Uses)</u>       |                            |                                     |                     |   |
| Sale of Capital Assets                      | 0                          | 12,000                              | 14,843              | 2,843   |
| Operating Transfers In                      | 100,000                    | 100,000                             | 58,191              | (41,809)  |
| Operating Transfers Out                     | <u>(476,743)</u>           | <u>(486,743)</u>                    | <u>(621,907)</u>    | <u>(135,164)</u>                                  |
| Total Other Financing Sources (Uses)        | <u>(376,743)</u>           | <u>(374,743)</u>                    | <u>(548,873)</u>    | <u>(174,130)</u>                                  |
| Net Change in Fund Balances                 | 800                        | 800                                 | 50,725              | 49,925  |
| Fund Balances - Beginning of Year           | <u>1,981,165</u>           | <u>1,981,165</u>                    | <u>1,981,165</u>    | <u>0</u>  |
| Fund Balances - End of Year                 | <u>\$ 1,981,965</u>        | <u>\$ 1,981,965</u>                 | <u>\$ 2,031,890</u> | <u>\$ 49,925</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, 2015

|   | <u>Original<br/>Budget</u> | <u>Final<br/>Amended<br/>Budget</u> | <u>Actual</u>       | <u>Variance -<br/>Favorable<br/>(Unfavorable)</u> |
|---|----------------------------|-------------------------------------|---------------------|---|
| <u>Revenue</u>                              |                            |                                     |                     |   |
| Property Taxes                              | \$ 485,000                 | \$ 485,000                          | \$ 479,644          | \$ (5,356)  |
| Charges for Services                        | 2,107,000                  | 2,107,000                           | 2,413,630           | 306,630   |
| Interest and Rentals                        | 100                        | 100                                 | 1,089               | 989   |
| Other Revenue                               | <u>1,000</u>               | <u>1,000</u>                        | <u>6,641</u>        | <u>5,641</u>                                      |
| Total Revenue                               | <u>2,593,100</u>           | <u>2,593,100</u>                    | <u>2,901,004</u>    | <u>307,904</u>                                    |
| <u>Expenditures</u>                         |                            |                                     |                     |   |
| Current:                                    |                            |                                     |                     |   |
| Health and Welfare                          | 2,479,600                  | 2,506,300                           | 2,493,651           | 12,649  |
| Capital Outlay                              | <u>165,000</u>             | <u>163,300</u>                      | <u>156,295</u>      | <u>7,005</u>                                      |
| Total Expenditures                          | <u>2,644,600</u>           | <u>2,669,600</u>                    | <u>2,649,946</u>    | <u>19,654</u>                                     |
| Excess of Revenue Over (Under) Expenditures | <u>(51,500)</u>            | <u>(76,500)</u>                     | <u>251,058</u>      | <u>327,558</u>                                    |
| <u>Other Financing Sources (Uses)</u>       |                            |                                     |                     |   |
| Operating Transfers In                      | 67,050                     | 92,050                              | 0                   | (92,050)  |
| Operating Transfers Out                     | <u>(15,550)</u>            | <u>(15,550)</u>                     | <u>0</u>            | <u>15,550</u>                                     |
| Total Other Financing Sources (Uses)        | <u>51,500</u>              | <u>76,500</u>                       | <u>0</u>            | <u>(76,500)</u>                                   |
| Net Change in Fund Balances                 | 0                          | 0                                   | 251,058             | 251,058   |
| Fund Balances - Beginning of Year           | <u>1,274,860</u>           | <u>1,274,860</u>                    | <u>1,274,860</u>    | <u>0</u>  |
| Fund Balances - End of Year                 | <u>\$ 1,274,860</u>        | <u>\$ 1,274,860</u>                 | <u>\$ 1,525,918</u> | <u>\$ 251,058</u>                                 |

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, 2015

|   | <u>Original<br/>Budget</u> | <u>Final<br/>Amended<br/>Budget</u> | <u>Actual</u>       | <u>Variance -<br/>Favorable<br/>(Unfavorable)</u> |
|---|----------------------------|-------------------------------------|---------------------|---|
| <u>Revenue</u>                              |                            |                                     |                     |   |
| Interest and Rentals                        | \$ 100                     | \$ 100                              | \$ 57               | \$ (43)   |
| Other Revenue                               | <u>400,000</u>             | <u>400,000</u>                      | <u>300,987</u>      | <u>(99,013)</u>                                   |
| Total Revenue                               | 400,100                    | 400,100                             | 301,044             | (99,056)  |
| <u>Expenditures</u>                         |                            |                                     |                     |   |
| Current:                                    |                            |                                     |                     |   |
| Community and Economic Development          | <u>41,000</u>              | <u>41,000</u>                       | <u>126,869</u>      | <u>(85,869)</u>                                   |
| Excess of Revenue Over (Under) Expenditures | 359,100                    | 359,100                             | 174,175             | (184,925)   |
| <u>Other Financing Uses</u>                 |                            |                                     |                     |   |
| Operating Transfers Out                     | <u>(9,100)</u>             | <u>(9,100)</u>                      | <u>0</u>            | <u>9,100</u>                                      |
| Net Change in Fund Balances                 | 350,000                    | 350,000                             | 174,175             | (175,825)   |
| Fund Balances - Beginning of Year           | <u>1,510,467</u>           | <u>1,510,467</u>                    | <u>1,510,467</u>    | <u>0</u>  |
| Fund Balances - End of Year                 | <u>\$ 1,860,467</u>        | <u>\$ 1,860,467</u>                 | <u>\$ 1,684,642</u> | <u>\$ (175,825)</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, 2015

|   | <u>Original<br/>Budget</u> | <u>Final<br/>Amended<br/>Budget</u> | <u>Actual</u>    | <u>Variance -<br/>Favorable<br/>(Unfavorable)</u> |
|---|----------------------------|-------------------------------------|------------------|---|
| <u>Revenue</u>                              |                            |                                     |                  |   |
| Federal Grants and Revenue                  | \$ 372,168                 | \$ 372,168                          | \$ 262,110       | \$ (110,058)                                      |
| Other Revenue                               | <u>3,500</u>               | <u>3,500</u>                        | <u>6,485</u>     | <u>2,985</u>                                      |
| Total Revenue                               | 375,668                    | 375,668                             | 268,595          | (107,073)   |
| <u>Expenditures</u>                         |                            |                                     |                  |   |
| Current:                                    |                            |                                     |                  |   |
| Health and Welfare                          | <u>336,540</u>             | <u>336,540</u>                      | <u>276,313</u>   | <u>60,227</u>                                     |
| Excess of Revenue Over (Under) Expenditures | 39,128                     | 39,128                              | (7,718)          | (46,846)  |
| Fund Balances - Beginning of Year           | <u>28,233</u>              | <u>28,233</u>                       | <u>28,233</u>    | <u>0</u>  |
| Fund Balances - End of Year                 | <u>\$ 67,361</u>           | <u>\$ 67,361</u>                    | <u>\$ 20,515</u> | <u>\$ (46,846)</u>                                |

OTHER INFORMATION

IOSCO COUNTY  
Tawas City, Michigan

COMBINING BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS  
December 31, 2015

|   | Special Revenue Funds                    |                   |                       |                             |                          |                                |                             |                         |  |
|---|--|-------------------|-----------------------|-----------------------------|--------------------------|--------------------------------|-----------------------------|-------------------------|--|
|   | E-911 Wireless<br>Training Grant<br>Fund | E-911 Fund        | E911 Wireless<br>Fund | Friend of the<br>Court Fund | Probate<br>Guardian Fund | Marriage<br>Counseling<br>Fund | Building and<br>Safety Fund | Oil Restitution<br>Fund | Register of<br>Deeds<br>Technology<br>Fund |
| <b>Assets</b>   |  |                   |                       |                             |                          |                                |                             |                         |  |
| Cash and Cash Equivalents   | \$ 1,906                                 | \$ 86,895         | \$ 438,026            | \$ 6,424                    | \$ 14,589                | \$ 63,761                      | \$ 137,727                  | \$ 46,224               | \$ 73,324                                  |
| Investments   | 0  | 0                 | 0                     | 0                           | 0                        | 0                              | 0                           | 0                       | 0  |
| Receivables:  |  |                   |                       |                             |                          |                                |                             |                         |  |
| Property Taxes  | 0  | 0                 | 0                     | 0                           | 0                        | 0                              | 0                           | 0                       | 0  |
| Accounts, Net   | 0  | 140,063           | 0                     | 16,376                      | 0                        | 0                              | 0                           | 0                       | 0  |
| Loans Receivable  | 0  | 0                 | 0                     | 0                           | 0                        | 0                              | 0                           | 0                       | 0  |
| Due from State  | 0  | 0                 | 37,311                | 82,726                      | 0                        | 0                              | 0                           | 0                       | 0  |
| Due from Other Funds  | 0  | 423               | 0                     | 2,371                       | 0                        | 0                              | 0                           | 0                       | 0  |
| Prepaid Expenses  | 0  | 9,285             | 0                     | 9,375                       | 7,924                    | 0                              | 1,990                       | 0                       | 0  |
| <b>Total Assets</b>   | <b>\$ 1,906</b>                          | <b>\$ 236,666</b> | <b>\$ 475,337</b>     | <b>\$ 117,272</b>           | <b>\$ 22,513</b>         | <b>\$ 63,761</b>               | <b>\$ 139,717</b>           | <b>\$ 46,224</b>        | <b>\$ 73,324</b>                           |
| <b>Liabilities</b>  |  |                   |                       |                             |                          |                                |                             |                         |  |
| Accounts Payable  | \$ 375                                   | \$ 3,262          | \$ 0                  | \$ 10,607                   | \$ 0                     | \$ 0                           | \$ 5,897                    | \$ 0                    | \$ 992                                     |
| Due to Other Funds  | 0  | 0                 | 0                     | 101,481                     | 423                      | 0                              | 0                           | 4                       | 0  |
| Accrued Liabilities   | 21                                       | 8,179             | 0                     | 5,184                       | 0                        | 0                              | 1,210                       | 0                       | 0  |
| Unearned Revenue  | 0  | 0                 | 0                     | 0                           | 0                        | 0                              | 0                           | 0                       | 0  |
| <b>Total Liabilities</b>  | <b>396</b>                               | <b>11,441</b>     | <b>0</b>              | <b>117,272</b>              | <b>423</b>               | <b>0</b>                       | <b>7,107</b>                | <b>4</b>                | <b>992</b>                                 |
| <b>Deferred Inflows of Resources</b>                                    |  |                   |                       |                             |                          |                                |                             |                         |  |
| Property Taxes Levied for 2016  | 0  | 0                 | 0                     | 0                           | 0                        | 0                              | 0                           | 0                       | 0  |
| Unavailable Revenue - Loans   | 0  | 0                 | 0                     | 0                           | 0                        | 0                              | 0                           | 0                       | 0  |
| <b>Total Deferred Inflows of Resources</b>                              | <b>0</b>                                 | <b>0</b>          | <b>0</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  | 9,285             | 0                     | 0                           | 7,924                    | 0                              | 1,990                       | 0                       | 0  |
| Restricted  | 1,510                                    | 215,940           | 475,337               | 0                           | 14,166                   | 63,761                         | 130,620                     | 46,220                  | 72,332                                     |
| Committed   | 0  | 0                 | 0                     | 0                           | 0                        | 0                              | 0                           | 0                       | 0  |
| Assigned  | 0  | 0                 | 0                     | 0                           | 0                        | 0                              | 0                           | 0                       | 0  |
| <b>Total Fund Equity</b>  | <b>1,510</b>                             | <b>225,225</b>    | <b>475,337</b>        | <b>0</b>                    | <b>22,090</b>            | <b>63,761</b>                  | <b>132,610</b>              | <b>46,220</b>           | <b>72,332</b>                              |
| <b>Total Liabilities, Deferred Inflows of Resources and Fund Equity</b> | <b>\$ 1,906</b>                          | <b>\$ 236,666</b> | <b>\$ 475,337</b>     | <b>\$ 117,272</b>           | <b>\$ 22,513</b>         | <b>\$ 63,761</b>               | <b>\$ 139,717</b>           | <b>\$ 46,224</b>        | <b>\$ 73,324</b>                           |

IOSCO COUNTY  
Tawas City, Michigan

COMBINING BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS  
December 31, 2015

|   | Special Revenue Funds        |                                   |                                |  |                                  |                     |                                       |                        |                   |
|---|------------------------------|-----------------------------------|--------------------------------|--|----------------------------------|---------------------|---------------------------------------|------------------------|-------------------|
|   | Crime Victims<br>Rights Fund | Family<br>Treatment<br>Court Fund | Animal Control<br>Officer Fund | Local<br>Correctional<br>Training Fund | Special<br>Investigative<br>Fund | Law Library<br>Fund | Concealed<br>Pistol Licensing<br>Fund | Trail Grooming<br>Fund | ICHRRLP Fund      |
| <u>Assets</u>   |                              |                                   |                                |  |                                  |                     |                                       |                        |                   |
| Cash and Cash Equivalents   | \$ 246                       | \$ 2,425                          | \$ 20,185                      | \$ 18,491                              | \$ 6,503                         | \$ 630              | \$ 5,936                              | \$ 0                   | \$ 112,254        |
| Investments   | 0                            | 0                                 | 0                              | 0                                      | 0                                | 0                   | 0                                     | 0                      | 80,000            |
| Receivables:  |                              |                                   |                                |  |                                  |                     |                                       |                        |                   |
| Property Taxes  | 0                            | 0                                 | 88,951                         | 0                                      | 0                                | 0                   | 0                                     | 0                      | 0                 |
| Accounts, Net   | 0                            | 0                                 | 0                              | 0                                      | 0                                | 1,750               | 0                                     | 0                      | 0                 |
| Loans Receivable  | 0                            | 0                                 | 0                              | 0                                      | 0                                | 0                   | 0                                     | 0                      | 108,049           |
| Due from State  | 12,812                       | 0                                 | 0                              | 0                                      | 0                                | 0                   | 0                                     | 184,259                | 0                 |
| Due from Other Funds  | 0                            | 0                                 | 0                              | 0                                      | 0                                | 0                   | 0                                     | 0                      | 2,847             |
| Prepaid Expenses  | 1,245                        | 0                                 | 1,245                          | 0                                      | 0                                | 0                   | 0                                     | 0                      | 0                 |
| <b>Total Assets</b>   | <b>\$ 14,303</b>             | <b>\$ 2,425</b>                   | <b>\$ 110,381</b>              | <b>\$ 18,491</b>                       | <b>\$ 6,503</b>                  | <b>\$ 2,380</b>     | <b>\$ 5,936</b>                       | <b>\$ 184,259</b>      | <b>\$ 303,150</b> |
| <u>Liabilities</u>  |                              |                                   |                                |  |                                  |                     |                                       |                        |                   |
| Accounts Payable  | \$ 127                       | \$ 0                              | \$ 310                         | \$ 407                                 | \$ 0                             | \$ 630              | \$ 0                                  | \$ 2,783               | \$ 0              |
| Due to Other Funds  | 6,399                        | 0                                 | 0                              | 0                                      | 0                                | 1,750               | 0                                     | 174,487                | 0                 |
| Accrued Liabilities   | 506                          | 0                                 | 425                            | 0                                      | 0                                | 0                   | 0                                     | 0                      | 0                 |
| Unearned Revenue  | 0                            | 0                                 | 0                              | 0                                      | 0                                | 0                   | 0                                     | 0                      | 0                 |
| <b>Total Liabilities</b>  | <b>7,032</b>                 | <b>0</b>                          | <b>735</b>                     | <b>407</b>                             | <b>0</b>                         | <b>2,380</b>        | <b>0</b>                              | <b>177,270</b>         | <b>0</b>          |
| <u>Deferred Inflows of Resources</u>                                    |                              |                                   |                                |  |                                  |                     |                                       |                        |                   |
| Property Taxes Levied for 2016  | 0                            | 0                                 | 88,951                         | 0                                      | 0                                | 0                   | 0                                     | 0                      | 0                 |
| Unavailable Revenue - Loans   | 0                            | 0                                 | 0                              | 0                                      | 0                                | 0                   | 0                                     | 0                      | 108,049           |
| <b>Total Deferred Inflows of Resources</b>                              | <b>0</b>                     | <b>0</b>                          | <b>88,951</b>                  | <b>0</b>                               | <b>0</b>                         | <b>0</b>            | <b>0</b>                              | <b>0</b>               | <b>108,049</b>    |
| <u>Fund Equity</u>  |                              |                                   |                                |  |                                  |                     |                                       |                        |                   |
| Fund Balances:  |                              |                                   |                                |  |                                  |                     |                                       |                        |                   |
| Nonspendable  | 1,245                        | 0                                 | 1,245                          | 0                                      | 0                                | 0                   | 0                                     | 0                      | 0                 |
| Restricted  | 6,026                        | 2,425                             | 19,450                         | 18,084                                 | 6,503                            | 0                   | 5,936                                 | 6,989                  | 195,101           |
| Committed   | 0                            | 0                                 | 0                              | 0                                      | 0                                | 0                   | 0                                     | 0                      | 0                 |
| Assigned  | 0                            | 0                                 | 0                              | 0                                      | 0                                | 0                   | 0                                     | 0                      | 0                 |
| <b>Total Fund Equity</b>  | <b>7,271</b>                 | <b>2,425</b>                      | <b>20,695</b>                  | <b>18,084</b>                          | <b>6,503</b>                     | <b>0</b>            | <b>5,936</b>                          | <b>6,989</b>           | <b>195,101</b>    |
| <b>Total Liabilities, Deferred Inflows of Resources and Fund Equity</b> | <b>\$ 14,303</b>             | <b>\$ 2,425</b>                   | <b>\$ 110,381</b>              | <b>\$ 18,491</b>                       | <b>\$ 6,503</b>                  | <b>\$ 2,380</b>     | <b>\$ 5,936</b>                       | <b>\$ 184,259</b>      | <b>\$ 303,150</b> |

IOSCO COUNTY  
Tawas City, Michigan

COMBINING BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS  
December 31, 2015

Special Revenue Funds

|   | Michigan<br>Justice Training<br>Fund | MSU Extension<br>Fund | Bike Path<br>Project Fund | Child Care<br>Fund | Veterans Relief<br>Fund | Veterans Trust<br>Fund | County Airport<br>Fund | Plat Book<br>Revolving Fund |
|---|--------------------------------------|-----------------------|---------------------------|--------------------|-------------------------|------------------------|------------------------|-----------------------------|
| <u>Assets</u>   |                                      |                       |                           |                    |                         |                        |                        |                             |
| Cash and Cash Equivalents   | \$ 3,902                             | \$ 24,461             | \$ 587                    | \$ 25,615          | \$ 250                  | \$ 589                 | \$ 50                  | \$ 15,530                   |
| Investments   | 0                                    | 0                     | 0                         | 0                  | 0                       | 0                      | 0                      | 0                           |
| Receivables:  |                                      |                       |                           |                    |                         |                        |                        |                             |
| Property Taxes  | 0                                    | 133,428               | 0                         | 0                  | 0                       | 0                      | 0                      | 0                           |
| Accounts, Net   | 0                                    | 0                     | 0                         | 0                  | 0                       | 0                      | 2,983                  | 0                           |
| Loans Receivable  | 0                                    | 0                     | 0                         | 0                  | 0                       | 0                      | 0                      | 0                           |
| Due from State  | 0                                    | 0                     | 0                         | 28,004             | 0                       | 0                      | 0                      | 0                           |
| Due from Other Funds  | 0                                    | 0                     | 0                         | 0                  | 0                       | 0                      | 3,704                  | 0                           |
| Prepaid Expenses  | 0                                    | 1,245                 | 0                         | 0                  | 0                       | 0                      | 0                      | 0                           |
| <b>Total Assets</b>   | <b>\$ 3,902</b>                      | <b>\$ 159,134</b>     | <b>\$ 587</b>             | <b>\$ 53,619</b>   | <b>\$ 250</b>           | <b>\$ 589</b>          | <b>\$ 6,737</b>        | <b>\$ 15,530</b>            |
| <u>Liabilities</u>  |                                      |                       |                           |                    |                         |                        |                        |                             |
| Accounts Payable  | \$ 0                                 | \$ 1,201              | \$ 587                    | \$ 38,808          | \$ 0                    | \$ 9                   | \$ 2,018               | \$ 0                        |
| Due to Other Funds  | 0                                    | 0                     | 0                         | 12,106             | 0                       | 0                      | 2,720                  | 0                           |
| Accrued Liabilities   | 0                                    | 604                   | 0                         | 2,705              | 0                       | 0                      | 0                      | 0                           |
| Unearned Revenue  | 0                                    | 0                     | 0                         | 0                  | 0                       | 0                      | 0                      | 0                           |
| <b>Total Liabilities</b>  | <b>0</b>                             | <b>1,805</b>          | <b>587</b>                | <b>53,619</b>      | <b>0</b>                | <b>9</b>               | <b>4,738</b>           | <b>0</b>                    |
| <u>Deferred Inflows of Resources</u>                                    |                                      |                       |                           |                    |                         |                        |                        |                             |
| Property Taxes Levied for 2016  | 0                                    | 133,428               | 0                         | 0                  | 0                       | 0                      | 0                      | 0                           |
| Unavailable Revenue - Loans   | 0                                    | 0                     | 0                         | 0                  | 0                       | 0                      | 0                      | 0                           |
| <b>Total Deferred Inflows of Resources</b>                              | <b>0</b>                             | <b>133,428</b>        | <b>0</b>                  | <b>0</b>           | <b>0</b>                | <b>0</b>               | <b>0</b>               | <b>0</b>                    |
| <u>Fund Equity</u>  |                                      |                       |                           |                    |                         |                        |                        |                             |
| Fund Balances:  |                                      |                       |                           |                    |                         |                        |                        |                             |
| Nonspendable  | 0                                    | 1,245                 | 0                         | 0                  | 0                       | 0                      | 0                      | 0                           |
| Restricted  | 3,902                                | 22,656                | 0                         | 0                  | 250                     | 580                    | 0                      | 0                           |
| Committed   | 0                                    | 0                     | 0                         | 0                  | 0                       | 0                      | 1,999                  | 15,530                      |
| Assigned  | 0                                    | 0                     | 0                         | 0                  | 0                       | 0                      | 0                      | 0                           |
| <b>Total Fund Equity</b>  | <b>3,902</b>                         | <b>23,901</b>         | <b>0</b>                  | <b>0</b>           | <b>250</b>              | <b>580</b>             | <b>1,999</b>           | <b>15,530</b>               |
| <b>Total Liabilities, Deferred Inflows of Resources and Fund Equity</b> | <b>\$ 3,902</b>                      | <b>\$ 159,134</b>     | <b>\$ 587</b>             | <b>\$ 53,619</b>   | <b>\$ 250</b>           | <b>\$ 589</b>          | <b>\$ 6,737</b>        | <b>\$ 15,530</b>            |

IOSCO COUNTY  
Tawas City, Michigan

COMBINING BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS  
December 31, 2015

|   | 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 | Courthouse Preservation Fund |                                | EDC Capital Projects Fund |
| <b>Assets</b>   |                              |                                 |                                |   |                           |                                       |                              |                                |                           |
| Cash and Cash Equivalents   | \$ 3,297                     | \$ 38,432                       | \$ 0                           | \$ 799,383                                  | \$ 856,789                | \$ 22,606                             | \$ 6,093                     | \$ 9,528                       | \$ 2,842,658              |
| Investments   | 0                            | 0                               | 0                              | 0   | 0                         | 0                                     | 0                            | 0                              | 80,000                    |
| Receivables:  |                              |                                 |                                |   |                           |                                       |                              |                                |                           |
| Property Taxes  | 0                            | 0                               | 0                              | 0   | 0                         | 0                                     | 0                            | 0                              | 222,379                   |
| Accounts, Net   | 0                            | 0                               | 0                              | 0   | 0                         | 0                                     | 0                            | 0                              | 161,172                   |
| Loans Receivable  | 147,917                      | 2,667                           | 0                              | 0   | 0                         | 0                                     | 0                            | 0                              | 258,633                   |
| Due from State  | 0                            | 0                               | 0                              | 0   | 0                         | 0                                     | 0                            | 0                              | 345,112                   |
| Due from Other Funds  | 0                            | 0                               | 0                              | 0   | 0                         | 0                                     | 0                            | 0                              | 9,345                     |
| Prepaid Expenses  | 0                            | 0                               | 0                              | 0   | 0                         | 0                                     | 0                            | 0                              | 32,309                    |
| <b>Total Assets</b>   | <b>\$ 151,214</b>            | <b>\$ 41,099</b>                | <b>\$ 0</b>                    | <b>\$ 799,383</b>                           | <b>\$ 856,789</b>         | <b>\$ 22,606</b>                      | <b>\$ 6,093</b>              | <b>\$ 9,528</b>                | <b>\$ 3,951,608</b>       |
| <b>Liabilities</b>  |                              |                                 |                                |   |                           |                                       |                              |                                |                           |
| Accounts Payable  | \$ 0                         | \$ 0                            | \$ 0                           | \$ 1  | \$ 0                      | \$ 0                                  | \$ 6,093                     | \$ 0                           | \$ 74,107                 |
| Due to Other Funds  | 0                            | 0                               | 0                              | 0   | 0                         | 0                                     | 0                            | 0                              | 299,370                   |
| Accrued Liabilities   | 0                            | 0                               | 0                              | 0   | 0                         | 0                                     | 0                            | 0                              | 18,834                    |
| Unearned Revenue  | 0                            | 0                               | 0                              | 0   | 0                         | 0                                     | 0                            | 9,528                          | 9,528                     |
| <b>Total Liabilities</b>  | <b>0</b>                     | <b>0</b>                        | <b>0</b>                       | <b>1</b>                                    | <b>0</b>                  | <b>0</b>                              | <b>6,093</b>                 | <b>9,528</b>                   | <b>401,839</b>            |
| <b>Deferred Inflows of Resources</b>                                    |                              |                                 |                                |   |                           |                                       |                              |                                |                           |
| Property Taxes Levied for 2016  | 0                            | 0                               | 0                              | 0   | 0                         | 0                                     | 0                            | 0                              | 222,379                   |
| Unavailable Revenue - Loans   | 147,917                      | 2,667                           | 0                              | 0   | 0                         | 0                                     | 0                            | 0                              | 258,633                   |
| <b>Total Deferred Inflows of Resources</b>                              | <b>147,917</b>               | <b>2,667</b>                    | <b>0</b>                       | <b>0</b>                                    | <b>0</b>                  | <b>0</b>                              | <b>0</b>                     | <b>0</b>                       | <b>481,012</b>            |
| <b>Fund Equity</b>  |                              |                                 |                                |   |                           |                                       |                              |                                |                           |
| Fund Balances:  |                              |                                 |                                |   |                           |                                       |                              |                                |                           |
| Nonspendable  | 0                            | 0                               | 0                              | 0   | 0                         | 0                                     | 0                            | 0                              | 22,934                    |
| Restricted  | 3,297                        | 38,432                          | 0                              | 799,382                                     | 0                         | 22,606                                | 0                            | 0                              | 2,171,505                 |
| Committed   | 0                            | 0                               | 0                              | 0   | 0                         | 0                                     | 0                            | 0                              | 17,529                    |
| Assigned  | 0                            | 0                               | 0                              | 0   | 856,789                   | 0                                     | 0                            | 0                              | 856,789                   |
| <b>Total Fund Equity</b>  | <b>3,297</b>                 | <b>38,432</b>                   | <b>0</b>                       | <b>799,382</b>                              | <b>856,789</b>            | <b>22,606</b>                         | <b>0</b>                     | <b>0</b>                       | <b>3,068,757</b>          |
| <b>Total Liabilities, Deferred Inflows of Resources and Fund Equity</b> | <b>\$ 151,214</b>            | <b>\$ 41,099</b>                | <b>\$ 0</b>                    | <b>\$ 799,383</b>                           | <b>\$ 856,789</b>         | <b>\$ 22,606</b>                      | <b>\$ 6,093</b>              | <b>\$ 9,528</b>                | <b>\$ 3,951,608</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, 2015

|   | Special Revenue Funds                    |                   |                       |                             |                          |                             |                             |                          |  |
|---|--|-------------------|-----------------------|-----------------------------|--------------------------|-----------------------------|-----------------------------|--------------------------|--|
|   | E-911 Wireless<br>Training Grant<br>Fund | E-911 Fund        | E911 Wireless<br>Fund | Friend of the<br>Court Fund | Probate<br>Guardian Fund | Marriage<br>Counseling Fund | Building and<br>Safety Fund | Ouil Restitution<br>Fund | Register of<br>Deeds<br>Technology<br>Fund |
| <b>Revenue</b>                                  |  |                   |                       |                             |                          |                             |                             |                          |  |
| Property Taxes                                  | \$ 0                                     | \$ 0              | \$ 0                  | \$ 0                        | \$ 0                     | \$ 0                        | \$ 0                        | \$ 0                     | \$ 0                                       |
| Federal Grants and Revenue                      | 0  | 0                 | 0                     | 347,407                     | 0                        | 0                           | 0                           | 0                        | 0  |
| State Grants and Revenue                        | 12,011                                   | 0                 | 150,225               | 19,975                      | 0                        | 0                           | 0                           | 0                        | 0  |
| Contributions from Local Units                  | 0  | 0                 | 0                     | 67,119                      | 0                        | 0                           | 0                           | 0                        | 0  |
| Licenses and Permits                            | 0  | 0                 | 0                     | 0                           | 0                        | 0                           | 217,135                     | 0                        | 0  |
| Charges for Services                            | 0  | 556,633           | 0                     | 0                           | 95,410                   | 4,420                       | 12,378                      | 25,255                   | 35,680                                     |
| Fines and Forfeits                              | 0  | 0                 | 0                     | 0                           | 0                        | 0                           | 0                           | 0                        | 0  |
| Interest and Rentals                            | 0  | 3                 | 23                    | 0                           | 0                        | 0                           | 0                           | 0                        | 1  |
| Other Revenue                                   | 0  | 2,428             | 0                     | 31,612                      | 0                        | 0                           | 30                          | 0                        | 0  |
| <b>Total Revenue</b>                            | <b>12,011</b>                            | <b>559,064</b>    | <b>150,248</b>        | <b>466,113</b>              | <b>95,410</b>            | <b>4,420</b>                | <b>229,543</b>              | <b>25,255</b>            | <b>35,681</b>                              |
| <b>Expenditures</b>                             |  |                   |                       |                             |                          |                             |                             |                          |  |
| Current:  |  |                   |                       |                             |                          |                             |                             |                          |  |
| General Government:                             |  |                   |                       |                             |                          |                             |                             |                          |  |
| Judicial  | 0  | 0                 | 0                     | 543,246                     | 96,418                   | 0                           | 0                           | 0                        | 0  |
| Other General Government                        | 0  | 0                 | 0                     | 0                           | 0                        | 0                           | 0                           | 18,156                   | 5,462                                      |
| Public Safety                                   | 24,750                                   | 651,405           | 0                     | 0                           | 0                        | 0                           | 173,109                     | 0                        | 0  |
| Health and Welfare                              | 0  | 0                 | 0                     | 0                           | 0                        | 4,394                       | 0                           | 0                        | 0  |
| Community and Economic<br>Development           | 0  | 0                 | 0                     | 0                           | 0                        | 0                           | 0                           | 0                        | 0  |
| Recreation and Cultural                         | 0  | 0                 | 0                     | 0                           | 0                        | 0                           | 0                           | 0                        | 0  |
| Capital Outlay                                  | 0  | 53,604            | 0                     | 5,939                       | 0                        | 0                           | 64,218                      | 0                        | 19,489                                     |
| Debt Service:                                   |  |                   |                       |                             |                          |                             |                             |                          |  |
| Principal                                       | 0  | 0                 | 0                     | 0                           | 0                        | 0                           | 0                           | 0                        | 0  |
| Interest and Fiscal Charges                     | 0  | 0                 | 0                     | 0                           | 0                        | 0                           | 0                           | 0                        | 0  |
| <b>Total Expenditures</b>                       | <b>24,750</b>                            | <b>705,009</b>    | <b>0</b>              | <b>549,185</b>              | <b>96,418</b>            | <b>4,394</b>                | <b>237,327</b>              | <b>18,156</b>            | <b>24,951</b>                              |
| Excess of Revenue Over (Under)<br>Expenditures  | (12,739)                                 | (145,945)         | 150,248               | (83,072)                    | (1,008)                  | 26                          | (7,784)                     | 7,099                    | 10,730                                     |
| <b>Other Financing Sources (Uses)</b>           |  |                   |                       |                             |                          |                             |                             |                          |  |
| Capital Lease Proceeds                          | 0  | 0                 | 0                     | 0                           | 0                        | 0                           | 0                           | 0                        | 0  |
| Operating Transfers In                          | 0  | 145,000           | 0                     | 83,072                      | 0                        | 0                           | 0                           | 0                        | 0  |
| Operating Transfers Out                         | 0  | 0                 | (145,000)             | 0                           | 0                        | 0                           | 0                           | 0                        | 0  |
| <b>Total Other Financing Sources<br/>(Uses)</b> | <b>0</b>                                 | <b>145,000</b>    | <b>(145,000)</b>      | <b>83,072</b>               | <b>0</b>                 | <b>0</b>                    | <b>0</b>                    | <b>0</b>                 | <b>0</b>                                   |
| <b>Net Change in Fund Balances</b>              | <b>(12,739)</b>                          | <b>(945)</b>      | <b>5,248</b>          | <b>0</b>                    | <b>(1,008)</b>           | <b>26</b>                   | <b>(7,784)</b>              | <b>7,099</b>             | <b>10,730</b>                              |
| Fund Balances - Beginning of Year               | 14,249                                   | 226,170           | 470,089               | 0                           | 23,098                   | 63,735                      | 140,394                     | 39,121                   | 61,602                                     |
| <b>Fund Balances - End of Year</b>              | <b>\$ 1,510</b>                          | <b>\$ 225,225</b> | <b>\$ 475,337</b>     | <b>\$ 0</b>                 | <b>\$ 22,090</b>         | <b>\$ 63,761</b>            | <b>\$ 132,610</b>           | <b>\$ 46,220</b>         | <b>\$ 72,332</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, 2015

|   | Special Revenue Funds        |                                   |                                |  |                                  |                     |                                    |                        |               |
|---|------------------------------|-----------------------------------|--------------------------------|--|----------------------------------|---------------------|------------------------------------|------------------------|---------------|
|   | Crime Victims<br>Rights Fund | Family<br>Treatment Court<br>Fund | Animal Control<br>Officer Fund | Local<br>Correctional<br>Training Fund | Special<br>Investigative<br>Fund | Law Library<br>Fund | Concealed Pistol<br>Licensing Fund | Trail Grooming<br>Fund | ICHRRLP Fund  |
| <b>Revenue</b>                                  |                              |                                   |                                |  |                                  |                     |                                    |                        |               |
| Property Taxes                                  | \$ 0                         | \$ 0                              | \$ 86,778                      | \$ 0                                   | \$ 0                             | \$ 0                | \$ 0                               | \$ 0                   | \$ 0          |
| Federal Grants and Revenue                      | 0                            | 0                                 | 0                              | 0                                      | 0                                | 0                   | 0                                  | 0                      | 0             |
| State Grants and Revenue                        | 46,585                       | 0                                 | 0                              | 0                                      | 0                                | 0                   | 0                                  | 240,534                | 0             |
| Contributions from Local Units                  | 0                            | 0                                 | 0                              | 0                                      | 0                                | 0                   | 0                                  | 0                      | 0             |
| Licenses and Permits                            | 0                            | 0                                 | 0                              | 0                                      | 0                                | 0                   | 6,484                              | 0                      | 0             |
| Charges for Services                            | 0                            | 3,475                             | 0                              | 12,955                                 | 0                                | 0                   | 0                                  | 0                      | 0             |
| Fines and Forfeits                              | 0                            | 0                                 | 0                              | 0                                      | 0                                | 3,500               | 0                                  | 0                      | 0             |
| Interest and Rentals                            | 0                            | 0                                 | 0                              | 0                                      | 0                                | 0                   | 0                                  | 0                      | 287           |
| Other Revenue                                   | 428                          | 0                                 | 0                              | 0                                      | 1,713                            | 0                   | 0                                  | 0                      | 16,725        |
| <b>Total Revenue</b>                            | <b>47,013</b>                | <b>3,475</b>                      | <b>86,778</b>                  | <b>12,955</b>                          | <b>1,713</b>                     | <b>3,500</b>        | <b>6,484</b>                       | <b>240,534</b>         | <b>17,012</b> |
| <b>Expenditures</b>                             |                              |                                   |                                |  |                                  |                     |                                    |                        |               |
| Current:  |                              |                                   |                                |  |                                  |                     |                                    |                        |               |
| General Government:                             |                              |                                   |                                |  |                                  |                     |                                    |                        |               |
| Judicial  | 0                            | 1,050                             | 0                              | 0                                      | 0                                | 9,074               | 0                                  | 0                      | 0             |
| Other General Government                        | 0                            | 0                                 | 0                              | 0                                      | 0                                | 0                   | 0                                  | 0                      | 0             |
| Public Safety                                   | 49,227                       | 0                                 | 46,795                         | 14,571                                 | 0                                | 0                   | 548                                | 0                      | 0             |
| Health and Welfare                              | 0                            | 0                                 | 0                              | 0                                      | 0                                | 0                   | 0                                  | 0                      | 17,766        |
| Community and Economic<br>Development           | 0                            | 0                                 | 0                              | 0                                      | 0                                | 0                   | 0                                  | 0                      | 0             |
| Recreation and Cultural                         | 0                            | 0                                 | 0                              | 0                                      | 0                                | 0                   | 0                                  | 55,507                 | 0             |
| Capital Outlay                                  | 0                            | 0                                 | 35,630                         | 0                                      | 0                                | 0                   | 0                                  | 186,805                | 0             |
| Debt Service:                                   |                              |                                   |                                |  |                                  |                     |                                    |                        |               |
| Principal                                       | 0                            | 0                                 | 8,757                          | 0                                      | 0                                | 0                   | 0                                  | 0                      | 0             |
| Interest and Fiscal Charges                     | 0                            | 0                                 | 0                              | 0                                      | 0                                | 0                   | 0                                  | 0                      | 0             |
| <b>Total Expenditures</b>                       | <b>49,227</b>                | <b>1,050</b>                      | <b>91,182</b>                  | <b>14,571</b>                          | <b>0</b>                         | <b>9,074</b>        | <b>548</b>                         | <b>242,312</b>         | <b>17,766</b> |
| Excess of Revenue Over (Under)<br>Expenditures  | (2,214)                      | 2,425                             | (4,404)                        | (1,616)                                | 1,713                            | (5,574)             | 5,936                              | (1,778)                | (754)         |
| <b>Other Financing Sources (Uses)</b>           |                              |                                   |                                |  |                                  |                     |                                    |                        |               |
| Capital Lease Proceeds                          | 0                            | 0                                 | 25,099                         | 0                                      | 0                                | 0                   | 0                                  | 0                      | 0             |
| Operating Transfers In                          | 8,000                        | 0                                 | 0                              | 0                                      | 0                                | 5,574               | 0                                  | 0                      | 0             |
| Operating Transfers Out                         | 0                            | 0                                 | 0                              | 0                                      | 0                                | 0                   | 0                                  | 0                      | 0             |
| <b>Total Other Financing Sources<br/>(Uses)</b> | <b>8,000</b>                 | <b>0</b>                          | <b>25,099</b>                  | <b>0</b>                               | <b>0</b>                         | <b>5,574</b>        | <b>0</b>                           | <b>0</b>               | <b>0</b>      |
| Net Change in Fund Balances                     | 5,786                        | 2,425                             | 20,695                         | (1,616)                                | 1,713                            | 0                   | 5,936                              | (1,778)                | (754)         |
| Fund Balances - Beginning of Year               | 1,485                        | 0                                 | 0                              | 19,700                                 | 4,790                            | 0                   | 0                                  | 8,767                  | 195,855       |
| Fund Balances - End of Year                     | \$ 7,271                     | \$ 2,425                          | \$ 20,695                      | \$ 18,084                              | \$ 6,503                         | \$ 0                | \$ 5,936                           | \$ 6,989               | \$ 195,101    |

IOSCO COUNTY  
Tawas City, Michigan

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES  
OTHER GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2015

Special Revenue Funds

|   | Michigan Justice<br>Training Fund | MSU Extension<br>Fund | Bike Path<br>Project Fund | Child Care Fund | Veterans Relief<br>Fund | Veterans Trust<br>Fund | County Airport<br>Fund | Plat Book<br>Revolving Fund |
|---|-----------------------------------|-----------------------|---------------------------|-----------------|-------------------------|------------------------|------------------------|-----------------------------|
| <b>Revenue</b>                                      |                                   |                       |                           |                 |                         |                        |                        |                             |
| Property Taxes                                      | \$ 0                              | \$ 130,308            | \$ 0                      | \$ 0            | \$ 0                    | \$ 0                   | \$ 0                   | \$ 0                        |
| Federal Grants and Revenue                          | 0                                 | 0                     | 0                         | 0               | 0                       | 0                      | 0                      | 0                           |
| State Grants and Revenue                            | 997                               | 0                     | 0                         | 336,911         | 0                       | 8,200                  | 5,284                  | 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                                | 0                                 | 0                     | 0                         | 0               | 0                       | 0                      | 27,069                 | 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                         | 45,337          | 0                       | 0                      | 1,200                  | 3,696                       |
| <b>Total Revenue</b>                                | <b>997</b>                        | <b>130,308</b>        | <b>0</b>                  | <b>382,248</b>  | <b>0</b>                | <b>8,200</b>           | <b>33,553</b>          | <b>3,696</b>                |
| <b>Expenditures</b>                                 |                                   |                       |                           |                 |                         |                        |                        |                             |
| Current:  |                                   |                       |                           |                 |                         |                        |                        |                             |
| General Government:                                 |                                   |                       |                           |                 |                         |                        |                        |                             |
| Judicial  | 0                                 | 0                     | 0                         | 0               | 0                       | 0                      | 0                      | 0                           |
| Other General Government                            | 0                                 | 0                     | 0                         | 0               | 0                       | 0                      | 48,877                 | 0                           |
| Public Safety                                       | 1,256                             | 0                     | 0                         | 0               | 0                       | 0                      | 0                      | 0                           |
| Health and Welfare                                  | 0                                 | 0                     | 0                         | 826,273         | 0                       | 7,620                  | 0                      | 0                           |
| Community and Economic<br>Development               | 0                                 | 124,600               | 0                         | 0               | 0                       | 0                      | 0                      | 0                           |
| Recreation and Cultural                             | 0                                 | 0                     | 10,296                    | 0               | 0                       | 0                      | 0                      | 0                           |
| Capital Outlay                                      | 0                                 | 0                     | 0                         | 0               | 0                       | 0                      | 5,284                  | 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>1,256</b>                      | <b>124,600</b>        | <b>10,296</b>             | <b>826,273</b>  | <b>0</b>                | <b>7,620</b>           | <b>54,161</b>          | <b>0</b>                    |
| Excess of Revenue Over (Under)<br>Expenditures      | (259)                             | 5,708                 | (10,296)                  | (444,025)       | 0                       | 580                    | (20,608)               | 3,696                       |
| <b>Other Financing Sources (Uses)</b>               |                                   |                       |                           |                 |                         |                        |                        |                             |
| Capital Lease Proceeds                              | 0                                 | 0                     | 0                         | 0               | 0                       | 0                      | 0                      | 0                           |
| Operating Transfers In                              | 0                                 | 0                     | 10,096                    | 416,776         | 0                       | 0                      | 22,607                 | 0                           |
| Operating Transfers Out                             | 0                                 | 0                     | 0                         | 0               | 0                       | 0                      | 0                      | 0                           |
| <b>Total Other Financing Sources<br/>    (Uses)</b> | <b>0</b>                          | <b>0</b>              | <b>10,096</b>             | <b>416,776</b>  | <b>0</b>                | <b>0</b>               | <b>22,607</b>          | <b>0</b>                    |
| Net Change in Fund Balances                         | (259)                             | 5,708                 | (200)                     | (27,249)        | 0                       | 580                    | 1,999                  | 3,696                       |
| Fund Balances - Beginning of Year                   | 4,161                             | 18,193                | 200                       | 27,249          | 250                     | 0                      | 0                      | 11,834                      |
| Fund Balances - End of Year                         | \$ 3,902                          | \$ 23,901             | \$ 0                      | \$ 0            | \$ 250                  | \$ 580                 | \$ 1,999               | \$ 15,530                   |

IOSCO COUNTY  
Tawas City, Michigan

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES  
OTHER GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2015

|   | 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 | Courthouse Preservation Fund | EDC Capital Projects Fund |                                |
| <b>Revenue</b>                              |                              |                                 |                                |   |                           |                                       |                              |                           |                                |
| Property Taxes                              | \$ 0                         | \$ 0                            | \$ 0                           | \$ 361,306                                  | \$ 0                      | \$ 0                                  | \$ 0                         | \$ 0                      | \$ 578,392                     |
| Federal Grants and Revenue                  | 0                            | 0                               | 0                              | 0   | 0                         | 0                                     | 0                            | 0                         | 347,407                        |
| State Grants and Revenue                    | 0                            | 0                               | 0                              | 0   | 0                         | 0                                     | 0                            | 0                         | 820,722                        |
| Contributions from Local Units              | 0                            | 0                               | 0                              | 0   | 0                         | 0                                     | 0                            | 0                         | 67,119                         |
| Licenses and Permits                        | 0                            | 0                               | 0                              | 0   | 0                         | 0                                     | 0                            | 0                         | 223,619                        |
| Charges for Services                        | 0                            | 0                               | 0                              | 0   | 0                         | 0                                     | 0                            | 0                         | 773,275                        |
| Fines and Forfeits                          | 0                            | 0                               | 0                              | 0   | 0                         | 0                                     | 0                            | 0                         | 3,500                          |
| Interest and Rentals                        | 0                            | 0                               | 0                              | 82  | 514                       | 0                                     | 0                            | 0                         | 910                            |
| Other Revenue                               | 9,945                        | 2,150                           | 0                              | 0   | 0                         | 11                                    | 5,541                        | 0                         | 120,816                        |
| <b>Total Revenue</b>                        | <b>9,945</b>                 | <b>2,150</b>                    | <b>0</b>                       | <b>361,388</b>                              | <b>514</b>                | <b>11</b>                             | <b>5,541</b>                 | <b>0</b>                  | <b>2,935,760</b>               |
| <b>Expenditures</b>                         |                              |                                 |                                |   |                           |                                       |                              |                           |                                |
| Current:                                    |                              |                                 |                                |   |                           |                                       |                              |                           |                                |
| General Government:                         |                              |                                 |                                |   |                           |                                       |                              |                           |                                |
| Judicial                                    | 0                            | 0                               | 0                              | 0   | 0                         | 0                                     | 9,080                        | 0                         | 658,868                        |
| Other General Government                    | 0                            | 0                               | 0                              | 0   | 0                         | 0                                     | 0                            | 0                         | 72,495                         |
| Public Safety                               | 0                            | 0                               | 0                              | 0   | 0                         | 0                                     | 0                            | 0                         | 961,661                        |
| Health and Welfare                          | 0                            | 0                               | 0                              | 0   | 0                         | 0                                     | 0                            | 0                         | 856,053                        |
| Community and Economic Development          | 9,835                        | 0                               | 0                              | 0   | 0                         | 0                                     | 0                            | 0                         | 134,435                        |
| Recreation and Cultural                     | 0                            | 0                               | 0                              | 0   | 0                         | 0                                     | 0                            | 0                         | 65,803                         |
| Capital Outlay                              | 0                            | 0                               | 0                              | 0   | 0                         | 0                                     | 0                            | 0                         | 370,969                        |
| Debt Service:                               |                              |                                 |                                |   |                           |                                       |                              |                           |                                |
| Principal                                   | 0                            | 0                               | 60,000                         | 235,000                                     | 0                         | 0                                     | 0                            | 0                         | 303,757                        |
| Interest and Fiscal Charges                 | 0                            | 0                               | 12,243                         | 33,769                                      | 0                         | 0                                     | 0                            | 0                         | 46,012                         |
| <b>Total Expenditures</b>                   | <b>9,835</b>                 | <b>0</b>                        | <b>72,243</b>                  | <b>268,769</b>                              | <b>0</b>                  | <b>0</b>                              | <b>9,080</b>                 | <b>0</b>                  | <b>3,470,053</b>               |
| Excess of Revenue Over (Under) Expenditures | 110                          | 2,150                           | (72,243)                       | 92,619                                      | 514                       | 11                                    | (3,539)                      | 0                         | (534,293)                      |
| <b>Other Financing Sources (Uses)</b>       |                              |                                 |                                |   |                           |                                       |                              |                           |                                |
| Capital Lease Proceeds                      | 0                            | 0                               | 0                              | 0   | 0                         | 0                                     | 0                            | 0                         | 25,099                         |
| Operating Transfers In                      | 0                            | 0                               | 72,243                         | 0   | 0                         | 0                                     | 3,539                        | 0                         | 766,907                        |
| Operating Transfers Out                     | 0                            | 0                               | 0                              | 0   | 0                         | 0                                     | 0                            | 0                         | (145,000)                      |
| <b>Total Other Financing Sources (Uses)</b> | <b>0</b>                     | <b>0</b>                        | <b>72,243</b>                  | <b>0</b>                                    | <b>0</b>                  | <b>0</b>                              | <b>3,539</b>                 | <b>0</b>                  | <b>647,006</b>                 |
| Net Change in Fund Balances                 | 110                          | 2,150                           | 0                              | 92,619                                      | 514                       | 11                                    | 0                            | 0                         | 112,713                        |
| Fund Balances - Beginning of Year           | 3,187                        | 36,282                          | 0                              | 706,763                                     | 856,275                   | 22,595                                | 0                            | 0                         | 2,956,044                      |
| Fund Balances - End of Year                 | \$ 3,297                     | \$ 38,432                       | \$ 0                           | \$ 799,382                                  | \$ 856,789                | \$ 22,606                             | \$ 0                         | \$ 0                      | \$ 3,068,757                   |

IOSCO COUNTY  
Tawas City, Michigan

COMBINING STATEMENT OF NET POSITION  
OTHER ENTERPRISE FUNDS  
December 31, 2015

|   | <u>Oscoda<br/>Sewer 2003<br/>Project</u> | <u>Alabaster<br/>Water Fund</u> | <u>AuSable<br/>D.P.W. #2<br/>Fund</u> | <u>AuSable<br/>D.P.W. #2<br/>Series II Fund</u> | <u>Baldwin Water<br/>2002 Fund</u> | <u>Commissary</u> | <u>Total</u>     |
|---|--|---------------------------------|---------------------------------------|---|------------------------------------|-------------------|------------------|
| <u>Assets</u>                               |  |                                 |                                       |   |                                    |                   |                  |
| Cash and Cash Equivalents                   | \$ 125                                   | \$ 0                            | \$ 0                                  | \$ 0  | \$ 0                               | \$ 47,425         | \$ 47,550        |
| Receivables:                                |  |                                 |                                       |   |                                    |                   |                  |
| Loans Receivable                            | 0  | 31,513                          | 0                                     | 0   | 21,273                             | 0                 | 52,786           |
| Noncurrent Assets:                          |  |                                 |                                       |   |                                    |                   |                  |
| Long-Term Loans Receivable                  | <u>0</u>                                 | <u>120,000</u>                  | <u>0</u>                              | <u>3,000</u>                                    | <u>140,000</u>                     | <u>0</u>          | <u>263,000</u>   |
| Total Assets                                | <u>125</u>                               | <u>151,513</u>                  | <u>0</u>                              | <u>3,000</u>                                    | <u>161,273</u>                     | <u>47,425</u>     | <u>363,336</u>   |
| <u>Liabilities</u>                          |  |                                 |                                       |   |                                    |                   |                  |
| Current Liabilities:                        |  |                                 |                                       |   |                                    |                   |                  |
| Accounts Payable                            | 0  | 0                               | 0                                     | 0   | 0                                  | 82                | 82               |
| Accrued Interest Payable                    | 0  | 1,513                           | 0                                     | 0   | 1,273                              | 0                 | 2,786            |
| Current Portion of Long-Term<br>Liabilities | 0  | 30,000                          | 0                                     | 0   | 20,000                             | 0                 | 50,000           |
| Long-Term Liabilities:                      |  |                                 |                                       |   |                                    |                   |                  |
| Due in More Than One Year                   | <u>0</u>                                 | <u>120,000</u>                  | <u>0</u>                              | <u>3,000</u>                                    | <u>140,000</u>                     | <u>0</u>          | <u>263,000</u>   |
| Total Liabilities                           | <u>0</u>                                 | <u>151,513</u>                  | <u>0</u>                              | <u>3,000</u>                                    | <u>161,273</u>                     | <u>82</u>         | <u>315,868</u>   |
| <u>Net Position</u>                         |  |                                 |                                       |   |                                    |                   |                  |
| Unrestricted                                | <u>\$ 125</u>                            | <u>\$ 0</u>                     | <u>\$ 0</u>                           | <u>\$ 0</u>                                     | <u>\$ 0</u>                        | <u>\$ 47,343</u>  | <u>\$ 47,468</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, 2015

|  | <u>Oscoda<br/>Sewer 2003<br/>Project</u> | <u>Alabaster<br/>Water Fund</u> | <u>AuSable<br/>D.P.W. #2<br/>Fund</u> | <u>AuSable<br/>D.P.W. #2<br/>Series II Fund</u> | <u>Baldwin Water<br/>2002 Fund</u> | <u>Commissary</u> | <u>Total</u>     |
|--|--|---------------------------------|---------------------------------------|---|------------------------------------|-------------------|------------------|
| <u>Operating Revenue</u>                 |  |                                 |                                       |   |                                    |                   |                  |
| Charges For Services                     | \$ 0                                     | \$ 0                            | \$ 0                                  | \$ 0  | \$ 0                               | \$ 14,166         | \$ 14,166        |
| <u>Operating Expenses</u>                |  |                                 |                                       |   |                                    |                   |                  |
| Other                                    | <u>0</u>                                 | <u>0</u>                        | <u>0</u>                              | <u>0</u>  | <u>0</u>                           | <u>4,631</u>      | <u>4,631</u>     |
| Operating Income                         | <u>0</u>                                 | <u>0</u>                        | <u>0</u>                              | <u>0</u>  | <u>0</u>                           | <u>9,535</u>      | <u>9,535</u>     |
| <u>Nonoperating Revenue (Expenses)</u>   |  |                                 |                                       |   |                                    |                   |                  |
| Contributions                            | 0  | 10,401                          | 96                                    | 300   | 8,683                              | 0                 | 19,480           |
| Interest and Fees Expense                | <u>0</u>                                 | <u>(10,401)</u>                 | <u>(96)</u>                           | <u>(300)</u>                                    | <u>(8,683)</u>                     | <u>0</u>          | <u>(19,480)</u>  |
| Total Nonoperating Revenue<br>(Expenses) | <u>0</u>                                 | <u>0</u>                        | <u>0</u>                              | <u>0</u>  | <u>0</u>                           | <u>0</u>          | <u>0</u>         |
| Change in Net Position                   | 0  | 0                               | 0                                     | 0   | 0                                  | 9,535             | 9,535            |
| Net Position - Beginning of Year         | <u>125</u>                               | <u>0</u>                        | <u>0</u>                              | <u>0</u>  | <u>0</u>                           | <u>37,808</u>     | <u>37,933</u>    |
| Net Position - End of Year               | <u>\$ 125</u>                            | <u>\$ 0</u>                     | <u>\$ 0</u>                           | <u>\$ 0</u>                                     | <u>\$ 0</u>                        | <u>\$ 47,343</u>  | <u>\$ 47,468</u> |

IOSCO COUNTY  
Tawas City, Michigan

COMBINING STATEMENT OF CASH FLOWS  
OTHER ENTERPRISE FUNDS  
For the Year Ended December 31, 2015

|  | <u>Oscoda Sewer<br/>2003 Project</u> | <u>Alabaster<br/>Water Fund</u> | <u>AuSable<br/>D.P.W. #2 Fund</u> | <u>AuSable<br/>D.P.W. #2<br/>Series II Fund</u> | <u>Baldwin Water<br/>2002 Fund</u> | <u>Commissary</u> | <u>Total</u>     |
|--|--------------------------------------|---------------------------------|-----------------------------------|---|------------------------------------|-------------------|------------------|
| <u>Cash Flows From Operating Activities</u>  |                                      |                                 |                                   |   |                                    |                   |                  |
| Receipts from Customers and Taxpayers  | \$ 0                                 | \$ 0                            | \$ 0                              | \$ 0  | \$ 0                               | \$ 14,166         | \$ 14,166        |
| Payments to Suppliers for Goods and Services   | <u>0</u>                             | <u>0</u>                        | <u>0</u>                          | <u>0</u>  | <u>0</u>                           | <u>(4,923)</u>    | <u>(4,923)</u>   |
| Net Cash Provided by Operating Activities  | <u>0</u>                             | <u>0</u>                        | <u>0</u>                          | <u>0</u>  | <u>0</u>                           | <u>9,243</u>      | <u>9,243</u>     |
| <u>Cash Flows From Capital and Related Financing Activities</u>                        |                                      |                                 |                                   |   |                                    |                   |                  |
| Intergovernmental Contributions  | 0                                    | 40,688                          | 20,513                            | 3,300   | 28,830                             | 0                 | 93,331           |
| Principal Paid on Long-Term Debt   | 0                                    | (30,000)                        | (20,000)                          | (3,000)   | (20,000)                           | 0                 | (73,000)         |
| Interest and Fees Paid on Long-Term Debt   | <u>0</u>                             | <u>(10,688)</u>                 | <u>(513)</u>                      | <u>(300)</u>                                    | <u>(8,830)</u>                     | <u>0</u>          | <u>(20,331)</u>  |
| 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                                  | 9,243             | 9,243            |
| Cash and Cash Equivalents at Beginning 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>    |
| Cash and Cash Equivalents at End of Year   | <u>\$ 125</u>                        | <u>\$ 0</u>                     | <u>\$ 0</u>                       | <u>\$ 0</u>                                     | <u>\$ 0</u>                        | <u>\$ 47,425</u>  | <u>\$ 47,550</u> |
| <u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</u> |                                      |                                 |                                   |   |                                    |                   |                  |
| Operating Income   | \$ 0                                 | \$ 0                            | \$ 0                              | \$ 0  | \$ 0                               | \$ 9,535          | \$ 9,535         |
| Change in Assets and Liabilities:  |                                      |                                 |                                   |   |                                    |                   |                  |
| Accounts Payable   | <u>0</u>                             | <u>0</u>                        | <u>0</u>                          | <u>0</u>  | <u>0</u>                           | <u>(292)</u>      | <u>(292)</u>     |
| Net Cash Provided by Operating Activities  | <u>\$ 0</u>                          | <u>\$ 0</u>                     | <u>\$ 0</u>                       | <u>\$ 0</u>                                     | <u>\$ 0</u>                        | <u>\$ 9,243</u>   | <u>\$ 9,243</u>  |

IOSCO COUNTY  
Tawas City, Michigan

COMBINING BALANCE SHEET  
DRAIN COMMISSION - COMPONENT UNIT  
GOVERNMENTAL FUNDS  
December 31, 2015

|  | Debt Retirement Funds |                 |                              |                         |                        | Capital Project Fund          |
|--|-----------------------|-----------------|------------------------------|-------------------------|------------------------|-------------------------------|
|  | 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              | \$ 6,457        | \$ 6,190                     | \$ 193,800              | \$ 4,220               | \$ 50,887                     |
| Receivables:   |                       |                 |                              |                         |                        |                               |
| Special Assessments  | 0                     | 0               | 0                            | 452,003                 | 0                      | 0                             |
| Due from Local Units   | 0                     | 0               | 0                            | 201,894                 | 0                      | 0                             |
| Due from Other Funds   | <u>0</u>              | <u>0</u>        | <u>0</u>                     | <u>0</u>                | <u>0</u>               | <u>0</u>                      |
| Total Assets   | <u>\$ 1,118</u>       | <u>\$ 6,457</u> | <u>\$ 6,190</u>              | <u>\$ 847,697</u>       | <u>\$ 4,220</u>        | <u>\$ 50,887</u>              |
| <b>Liabilities</b>   |                       |                 |                              |                         |                        |                               |
| Accounts Payable   | \$ 0                  | \$ 0            | \$ 0                         | \$ 0                    | \$ 0                   | \$ 429                        |
| Due to Other Funds   | 0                     | 0               | 0                            | 0                       | 425                    | 0                             |
| Due to Primary Government  | <u>0</u>              | <u>0</u>        | <u>0</u>                     | <u>0</u>                | <u>0</u>               | <u>150</u>                    |
| Total Liabilities  | <u>0</u>              | <u>0</u>        | <u>0</u>                     | <u>0</u>                | <u>425</u>             | <u>579</u>                    |
| <b>Deferred Inflows of Resources</b>                             |                       |                 |                              |                         |                        |                               |
| Unavailable Revenue - Special Assessments                        | 0                     | 0               | 0                            | 452,003                 | 0                      | 0                             |
| Unavailable Revenue - Due from Local Units                       | <u>0</u>              | <u>0</u>        | <u>0</u>                     | <u>201,894</u>          | <u>0</u>               | <u>0</u>                      |
| Total Deferred Inflows of Resources                              | <u>0</u>              | <u>0</u>        | <u>0</u>                     | <u>653,897</u>          | <u>0</u>               | <u>0</u>                      |
| <b>Fund Equity</b>   |                       |                 |                              |                         |                        |                               |
| Fund Balances:   |                       |                 |                              |                         |                        |                               |
| Restricted For:  |                       |                 |                              |                         |                        |                               |
| Debt Service   | 1,118                 | 6,457           | 6,190                        | 193,800                 | 3,795                  | 0                             |
| Capital Projects   | <u>0</u>              | <u>0</u>        | <u>0</u>                     | <u>0</u>                | <u>0</u>               | <u>50,308</u>                 |
| Total Fund Equity  | <u>1,118</u>          | <u>6,457</u>    | <u>6,190</u>                 | <u>193,800</u>          | <u>3,795</u>           | <u>50,308</u>                 |
| Total Liabilities, Deferred Inflows of Resources and Fund Equity | <u>\$ 1,118</u>       | <u>\$ 6,457</u> | <u>\$ 6,190</u>              | <u>\$ 847,697</u>       | <u>\$ 4,220</u>        | <u>\$ 50,887</u>              |

IOSCO COUNTY  
Tawas City, Michigan

COMBINING BALANCE SHEET  
DRAIN COMMISSION - COMPONENT UNIT  
GOVERNMENTAL FUNDS  
December 31, 2015

|   | <u>Capital Project Funds</u> |                                   |                              |                              |                                       | Total<br>Governmental<br>Funds |
|---|------------------------------|-----------------------------------|------------------------------|------------------------------|---------------------------------------|--------------------------------|
|   | Whitney Drain<br>Fund        | Lake Level<br>Maintenance<br>Fund | Drain<br>Maintenance<br>Fund | Lake Level<br>Revolving Fund | Drain<br>Assessment<br>Revolving Fund |                                |
| <u>Assets</u>   |                              |                                   |                              |                              |                                       |                                |
| Cash and Cash Equivalents   | \$ 15,040                    | \$ 1,364                          | \$ 106,314                   | \$ 12,000                    | \$ 54,575                             | \$ 451,965                     |
| Receivables:  |                              |                                   |                              |                              |                                       |                                |
| Special Assessments   | 0                            | 0                                 | 0                            | 0                            | 0                                     | 452,003                        |
| Due from Local Units  | 0                            | 0                                 | 0                            | 0                            | 0                                     | 201,894                        |
| Due from Other Funds  | <u>0</u>                     | <u>0</u>                          | <u>0</u>                     | <u>0</u>                     | <u>425</u>                            | <u>425</u>                     |
| Total Assets  | <u>\$ 15,040</u>             | <u>\$ 1,364</u>                   | <u>\$ 106,314</u>            | <u>\$ 12,000</u>             | <u>\$ 55,000</u>                      | <u>\$ 1,106,287</u>            |
| <u>Liabilities</u>  |                              |                                   |                              |                              |                                       |                                |
| Accounts Payable  | \$ 0                         | \$ 0                              | \$ 0                         | \$ 0                         | \$ 0                                  | \$ 429                         |
| Due to Other Funds  | 0                            | 0                                 | 0                            | 0                            | 0                                     | 425                            |
| Due to Primary Government   | <u>0</u>                     | <u>0</u>                          | <u>0</u>                     | <u>12,000</u>                | <u>55,000</u>                         | <u>67,150</u>                  |
| Total Liabilities   | <u>0</u>                     | <u>0</u>                          | <u>0</u>                     | <u>12,000</u>                | <u>55,000</u>                         | <u>68,004</u>                  |
| <u>Deferred Inflows of Resources</u>                                |                              |                                   |                              |                              |                                       |                                |
| Unavailable Revenue - Special Assessments                           | 0                            | 0                                 | 0                            | 0                            | 0                                     | 452,003                        |
| Unavailable Revenue - Due from Local Units                          | <u>0</u>                     | <u>0</u>                          | <u>0</u>                     | <u>0</u>                     | <u>0</u>                              | <u>201,894</u>                 |
| Total Deferred Inflows of Resources                                 | <u>0</u>                     | <u>0</u>                          | <u>0</u>                     | <u>0</u>                     | <u>0</u>                              | <u>653,897</u>                 |
| <u>Fund Equity</u>  |                              |                                   |                              |                              |                                       |                                |
| Fund Balances:  |                              |                                   |                              |                              |                                       |                                |
| Restricted For:   |                              |                                   |                              |                              |                                       |                                |
| Debt Service  | 0                            | 0                                 | 0                            | 0                            | 0                                     | 211,360                        |
| Capital Projects  | <u>15,040</u>                | <u>1,364</u>                      | <u>106,314</u>               | <u>0</u>                     | <u>0</u>                              | <u>173,026</u>                 |
| Total Fund Equity   | <u>15,040</u>                | <u>1,364</u>                      | <u>106,314</u>               | <u>0</u>                     | <u>0</u>                              | <u>384,386</u>                 |
| Total Liabilities, Deferred Inflows of Resources<br>and Fund Equity | <u>\$ 15,040</u>             | <u>\$ 1,364</u>                   | <u>\$ 106,314</u>            | <u>\$ 12,000</u>             | <u>\$ 55,000</u>                      | <u>\$ 1,106,287</u>            |

IOSCO COUNTY  
Tawas City, Michigan

DRAIN COMMISSION - COMPONENT UNIT  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND  
BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES  
December 31, 2015

|  |    |                  |                         |
|--|----|------------------|-------------------------|
| Total Governmental Fund Balances   |    | \$               | 384,386                 |
| 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>(420,622)</u> |                         |
|  |    |                  | 2,246,338               |
| Other assets are not available to pay for current period expenditures and, therefore, are unavailable revenue in the governmental funds:   |    |                  |                         |
| Special Assessments Receivable   |    | 452,003          |                         |
| Due from Local Units   |    | <u>201,894</u>   |                         |
| Net Difference   |    |                  | 653,897                 |
| Accrued Interest on Long-Term Liabilities  |    |                  | (2,010)                 |
| 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>(805,000)</u>        |
| Total Net Position - Governmental Activities   |    | \$               | <u><u>2,477,611</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, 2015

|   | 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                         | \$ 156,888              | \$ 11,560              | \$ 26,485                     |
| Interest and Rentals                        | <u>0</u>              | <u>4</u>        | <u>3</u>                     | <u>92</u>               | <u>4</u>               | <u>0</u>                      |
| Total Revenue                               | <u>0</u>              | <u>4</u>        | <u>3</u>                     | <u>156,980</u>          | <u>11,564</u>          | <u>26,485</u>                 |
| <u>Expenditures</u>                         |                       |                 |                              |                         |                        |                               |
| Current:                                    |                       |                 |                              |                         |                        |                               |
| Public Works                                | 0                     | 0               | 0                            | 0                       | 0                      | 8,491                         |
| Debt Service:                               |                       |                 |                              |                         |                        |                               |
| Principal                                   | 0                     | 0               | 0                            | 115,000                 | 20,000                 | 0                             |
| Interest and Fiscal Charges                 | <u>0</u>              | <u>0</u>        | <u>0</u>                     | <u>35,250</u>           | <u>400</u>             | <u>0</u>                      |
| Total Expenditures                          | <u>0</u>              | <u>0</u>        | <u>0</u>                     | <u>150,250</u>          | <u>20,400</u>          | <u>8,491</u>                  |
| Excess of Revenue Over (Under) Expenditures | 0                     | 4               | 3                            | 6,730                   | (8,836)                | 17,994                        |
| Fund Balances - Beginning of Year           | <u>1,118</u>          | <u>6,453</u>    | <u>6,187</u>                 | <u>187,070</u>          | <u>12,631</u>          | <u>32,314</u>                 |
| Fund Balances - End of Year                 | <u>\$ 1,118</u>       | <u>\$ 6,457</u> | <u>\$ 6,190</u>              | <u>\$ 193,800</u>       | <u>\$ 3,795</u>        | <u>\$ 50,308</u>              |

IOSCO COUNTY  
Tawas City, Michigan

COMBINING STATEMENT OF  
REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
DRAIN COMMISSION - COMPONENT UNIT - GOVERNMENTAL FUNDS  
December 31, 2015

|   | <u>Capital Project Funds</u>  |  |                                   |                                      |  | Total<br>Governmental<br>Funds |
|---|-------------------------------|--|-----------------------------------|--------------------------------------|--|--------------------------------|
|   | <u>Whitney Drain<br/>Fund</u> | <u>Lake Level<br/>Maintenance Fund</u> | <u>Drain<br/>Maintenance Fund</u> | <u>Lake Level<br/>Revolving Fund</u> | <u>Drain Assessment<br/>Revolving Fund</u> |                                |
| <u>Revenue</u>                              |                               |  |                                   |                                      |  |                                |
| Special Assessments                         | \$ 0                          | \$ 0                                   | \$ 82,775                         | \$ 0                                 | \$ 0                                       | \$ 277,708                     |
| Interest and Rentals                        | <u>0</u>                      | <u>0</u>                               | <u>0</u>                          | <u>0</u>                             | <u>0</u>                                   | <u>103</u>                     |
| Total Revenue                               | <u>0</u>                      | <u>0</u>                               | <u>82,775</u>                     | <u>0</u>                             | <u>0</u>                                   | <u>277,811</u>                 |
| <u>Expenditures</u>                         |                               |  |                                   |                                      |  |                                |
| Current:                                    |                               |  |                                   |                                      |  |                                |
| Public Works                                | 0                             | 0                                      | 25,804                            | 0                                    | 0  | 34,295                         |
| Debt Service:                               |                               |  |                                   |                                      |  |                                |
| Principal                                   | 0                             | 0                                      | 0                                 | 0                                    | 0  | 135,000                        |
| Interest and Fiscal Charges                 | <u>0</u>                      | <u>0</u>                               | <u>0</u>                          | <u>0</u>                             | <u>0</u>                                   | <u>35,650</u>                  |
| Total Expenditures                          | <u>0</u>                      | <u>0</u>                               | <u>25,804</u>                     | <u>0</u>                             | <u>0</u>                                   | <u>204,945</u>                 |
| Excess of Revenue Over (Under) Expenditures | 0                             | 0                                      | 56,971                            | 0                                    | 0  | 72,866                         |
| Fund Balances - Beginning of Year           | <u>15,040</u>                 | <u>1,364</u>                           | <u>49,343</u>                     | <u>0</u>                             | <u>0</u>                                   | <u>311,520</u>                 |
| Fund Balances - End of Year                 | <u>\$ 15,040</u>              | <u>\$ 1,364</u>                        | <u>\$ 106,314</u>                 | <u>\$ 0</u>                          | <u>\$ 0</u>                                | <u>\$ 384,386</u>              |

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, 2015

|  |                 |                      |
|--|-----------------|----------------------|
| Total Net Change in Fund Balances - Governmental Funds   | \$              | 72,866               |
| 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  | \$ (93,747)     |                      |
| Due from Local Units   | <u>(28,842)</u> |                      |
| Net difference   |                 | (122,589)            |
| 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.   |                 |                      |
| Current Year Depreciation Expense  |                 | (60,228)             |
| 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  |                 | 135,000              |
| 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>421</u>           |
| Change in Net Position of Governmental Activities  | \$              | <u><u>25,470</u></u> |



*Stephenson, Gracik & Co., P.C.*  
Certified Public Accountants & Consultants

Alan J. Stephenson, CPA  
Gerald D. Gracik Jr., CPA  
James J. Gracik, CPA  
Donald W. Brannan, CPA  
Kyle E. Troyer, CPA  
Robert J. Morand, CPA

June 23, 2016

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Iosco County for the year ended December 31, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 19, 2016. 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 June 23, 2016. 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, Gracik & Co., P.C.*

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

### **Our Responsibilities under U.S. Generally Accepted Auditing Standards, Government Auditing Standards, and the Uniform Guidance**

As stated in our engagement letter dated January 19, 2016, 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 the Uniform Guidance.

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 the Uniform Guidance, 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) 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.

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

We performed the audit as outlined in our engagement letter related to planning matters dated January 19, 2016.

### **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. As described in Note 2 to the financial statements, losco County changed accounting policies related to Pensions by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 68, "Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27", in 2015. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the Statement of Net Position. 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.
- Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the losco County's financial statements were:

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

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; management's estimate of incurred but not reported claims for the County's health insurance, which is partially self-insured, which is based on subsequent claim reports and historical trends, and management's estimates related to the net pension liability which is based on pension obligations and actuarial reports. We evaluated the key factors and assumptions used to develop the allowance, incurred but not reported liability, and net pension 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. The adjustments identified during the audit have been communicated to management. A summary of audit differences, both adjusted and unadjusted was provided to and accepted by management on June 23, 2016. 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 June 23, 2016 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 June 23, 2016.

### **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, required pension schedules, and the budgetary comparison information, which are required supplementary information (RSI) that supplement 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 Iosco 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, the 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, 2015, 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.

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.

## **APPENDIX II MANAGEMENT COMMENTS**

### **HOUSING COMMISSION COLLECTION POLICY AND OTHER INTERNAL CONTROLS OVER LOANS**

A key component to internal control is written operating policies and procedures. During our prior year audit procedures regarding the housing commission loan receivables, we observed that there was no formal written collection policy regarding the loans. In 2015, the housing commission adopted a policy. However, the policy was not followed in 2015. 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 strictly enforce its collection policy.

In addition, during our procedures regarding the housing loans, we observed several other issues with outstanding loans. These included loans that were paid off for which no discharge of mortgage was filed, a loan that no longer qualified as deferred for which no payments were made and no statements were sent to the homeowner, and deferred loans with addresses that were no longer valid for which no action was taken by the housing commission. The effect of this material weakness is that the housing commission's loan records are not accurate or up to date which may result in a lack of collection of payments on the loan. We recommend that the Housing Commission Board take an active role in reviewing and monitoring the activities of the Housing Commission to ensure that policies are followed, loan documents are properly filed, and loan records are up to date and accurate.

View of Responsible Officials:

The Iosco County Board of Commissioners will require the Housing Commission Board to enforce its collection policy and to take an active role in reviewing and monitoring the activities of the Housing Commission.

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/<br/>Situation<br/>Corrected</u> | <u>Management<br/>Decision To<br/>Not Implement</u> | <u>Progress<br/>Made</u> | <u>Situation<br/>Still<br/>Exists</u> |
|--|---|---|--------------------------|---------------------------------------|
| Financial Statement Preparation Controls |   | X   |                          |                                       |
| Housing Commission Collection Policy     |   |   | X                        |                                       |
| Signed Delinquent Tax Roll Affidavit     | X   |   |                          |                                       |
| District Court Internal Controls         |   |   |                          | X                                     |



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IOSCO COUNTY  
TAWAS CITY, MICHIGAN

SINGLE AUDIT REPORTS  
YEAR ENDED DECEMBER 31, 2015

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June 23, 2016

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners  
Iosco County  
Tawas City, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Iosco County as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise Iosco County's basic financial statements and have issued our report thereon dated June 23, 2016. Our report includes a reference to other auditors who audited the financial statements of Iosco Medical Care Facility and Iosco County Road Commission, as described in our report on Iosco County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of Iosco Medical Care Facility were not audited in accordance with *Government Auditing Standards*.

#### Internal Control Over Financial Reporting

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

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs, that we consider to be material weaknesses 2015-001 and 2015-002.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Iosco County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2015-004 and 2015-005.

**Iosco County's Response to Findings**

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

**Purpose of this Report**

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

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



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June 23, 2016

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Commissioners  
Iosco County  
Tawas City, Michigan

**Report on Compliance for Each Major Federal Program**

We have audited Iosco County's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Iosco County's major federal programs for the year ended December 31, 2015. Iosco County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Iosco County's basic financial statements include the operations of Iosco County Road Commission, which received \$1,819,544 in federal awards which is not included in Iosco County's schedule of expenditures of federal awards during the year ended December 31, 2015. Our audit, as described below, did not include the operations of Iosco County Road Commission because the federal awards were for contracted projects. These contracted projects fall under the single audit requirements of the Michigan Department of Transportation.

***Management's Responsibility***

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of Iosco County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Iosco County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Basis for Qualified Opinion on Community Development Block Grant CFDA #14.228***

As described in the accompanying schedule of findings and questioned costs, Iosco County did not comply with requirements regarding CFDA #14.228 Community Development Block Grant as described in finding numbers 2015-004 for cash management and 2015-005 for reporting. Compliance with such requirements is necessary, in our opinion, for Iosco County to comply with the requirements applicable to that program.

*Qualified Opinion on Community Development Block Grant CFDA #14.228*

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, losco County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Community Development Block Grant CFDA #14.228 for the year ended December 31, 2015.

*Unmodified Opinion on Each of the Other Major Federal Programs*

In our opinion, losco County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended December 31, 2015.

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

*Report on Internal Control Over Compliance*

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified one deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2015-003 that we consider to be a material weakness.

losco County's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. losco County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

**Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of losco County as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise losco County's basic financial statements. We issued our report thereon dated June 23, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

IOSCO COUNTY  
Tawas City, Michigan

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
For the Year Ended December 31, 2015

Findings - Financial Statements Audit

2014-001                    Financial Statement Preparation

Historically the County has relied on its independent external auditors to assist in the preparation of financial statements, related footnotes, and the Schedule of Expenditures of Federal Awards as part of its external financial reporting process. Accordingly, the County's ability to prepare financial statements in accordance with GAAP is based in part, on its external auditors, who cannot by definition be considered a part of the County's internal controls. The County has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that is in its best interests to outsource the task to its external auditors, and to carefully review the draft financial statements, related notes, and the Schedule of Expenditures of Federal Awards prior to approving them and accepting responsibility for their content and presentation. This comment was initially reported in 2008.

This situation still exists. See the current year finding 2015-001 for details.

2014-002                    Housing Commission Collection Policy

There was no written, formal collection policy for Housing Commission loan receivables. This comment was initially reported in 2014.

This Housing Commission adopted a collection policy in 2015. However, they did not enforce the policy. See the current year finding 2015-002 for details.

2014-003                    Signed Delinquent Tax Roll Affidavit

For 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.

This situation has been corrected.

Findings and Questioned Costs - Major Federal Award Programs Audit

There were no findings or questioned costs related to the major federal award program audit for the year ended December 31, 2014.

IOSCO COUNTY  
Tawas City, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended December 31, 2015

Summary of Auditors' Results

1. The auditors' report expresses unmodified opinions on the financial statements of losco County.
2. Two material weaknesses in internal control relating to the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. Two instances of noncompliance material to the financial statements of losco County, which are required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. One material weakness relating to the audit of internal control over major federal award programs is reported in the Independent Auditors' Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.
5. The auditors' report on compliance for the #14.228 Community Development Block Grant expresses a qualified opinion; the report on the remaining programs is unmodified.
6. Audit findings relative to the major federal award programs for losco County are reported in this schedule.
7. The programs tested as major programs included: CFDA #11.307 Economic Development Administration - Economic Adjustment Grant for Military Base Closures, CFDA #14.228 Community Development Block Grant, and CFDA #97.067 Homeland Security Grant Program.
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. losco County does not qualify as a low-risk auditee.

Findings - Financial Statement Audit

2015-001

Financial Statement Preparation

**Condition and Criteria:** Accounting principles require personnel of the County have the knowledge to review and determine the financial report and the Schedule of Expenditures of Federal Awards is a complete presentation in accordance with Generally Accepted Accounting Principles. losco County's personnel prepare various financial information throughout the year to assess operations and the financial condition of the County. However, prior to the closing of the year end, various entries material to the financial statements were proposed by the external auditors. Also, the County relies on the external auditors to assist in preparing the annual financial report and Schedule of Expenditures of Federal Awards in accordance with Generally Accepted Accounting Principles.

**Effect:** As a result, the County is considered to have a material weakness, since 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 and the County would not be in a position to detect the errors or omissions.

**Cause:** The County has in the past evaluated the cost vs. benefit of correcting this finding and deemed it in its best interests to outsource the task to its external auditors.

IOSCO COUNTY  
Tawas City, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended December 31, 2015

Findings - Financial Statement Audit (Continued)

2015-001 Financial Statement Preparation (Continued)

**Context:** Iosco County has individuals on staff to review the financial report and Schedule of Expenditures of Federal Awards to ensure they are accurate, and the financial information reflects the recording of the proposed entries. However, the individuals do not review and determine that the financial report and Schedule of Expenditures of Federal Awards is a complete presentation in accordance with Generally Accepted Accounting Principles.

**Auditor's Recommendation:** We recommend the County continue to re-evaluate the cost vs. benefit considerations involved with remedying this situation.

**Views of Responsible Officials and Planned Corrective Actions:** The County has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the County to outsource this task to its external auditors, and to carefully review the draft financial statements and notes and the Schedule of Expenditures of Federal Awards prior to approving them and accepting responsibility for their content and presentation.

2015-002 Housing Commission Collection Policy

**Condition and Criteria:** Currently the County Housing Commission is not enforcing its written, formal collection policy for Housing Commission loan receivables. In addition, several other inaccurate records were kept on Housing Commission loans and at times proper, official documents on the loans were not filed.

**Effect:** There are several extremely delinquent loans for which little or no action has been enforced. In addition, Housing Commission loan records are not accurate.

**Cause:** The Housing Commission Board did not adopt the policy until October 2015 and did not require its director to enforce the policy. There has been little oversight or review in monitoring the activities of the Housing Commission by the Board.

**Context:** Delinquent housing loan receivables are material to the Housing Commission funds of Iosco County.

**Auditor's Recommendation:** We recommend that the Housing Commission Board enforce its written collection policy and that the Housing Commission Board take an active role in reviewing and monitoring the activities of the Housing Commission

**Views of Responsible Officials and Planned Corrective Actions:** The Iosco County Board of Commissioners will require the Housing Commission Board to enforce its formal collection policy and to take an active role in reviewing and monitoring the activities of the Housing Commission.

IOSCO COUNTY  
Tawas City, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended December 31, 2015

Findings and Questioned Costs - Major Federal Award Programs Audit

2015-003                    Community Development Block Grant - Lack of Proper Control Environment

CFDA No. 14.228, Grant No. MSC-2013-0337-HO - Year ended July 31, 2016

Material Weakness: Iosco County is considered to have a material weakness in internal control over its major program because its Housing Commission Board and Director were unaware of grant compliance requirements.

**Condition and Criteria:** The Iosco County Housing Commission Board and its Director were not aware of the requirements of the grant agreement or the developer's agreement associated with the grant. A sound system of internal control includes a proper control environment. A strong control environment requires an oversight body and management with the proper knowledge and expertise to ensure the compliance requirements of the program are met.

**Effect:** The Iosco County Housing Commission was not compliant with its grant agreement requirements or its developer agreement requirements as discussed in findings 2015-004 and 2015-005.

**Cause:** This is the first rental rehabilitation grant the Iosco County Housing Commission has had in years and as such the Director and Board were not familiar with its requirements. In addition, they did not educate themselves on the requirements of this type of grant.

**Context:** There were three draws on this grant for the year totaling \$165,250.

**Questioned Costs:** None

**Auditor's Recommendation:** We recommend that the Iosco County Housing Commission Board and Director immediately educate themselves on the requirements of this grant and also on any future grants and their requirements.

**Views of Responsible Officials and Planned Corrective Actions:** The Iosco County Housing Commission Board and its Director will educate themselves on the requirements of this grant and all future grants.

2015-004                    Community Development Block Grant - Cash Management

CFDA No. 14.228 Grant No. MSC-2013-0337-HO - Year ended July 31, 2016

**Condition and Criteria:** The Iosco County Housing Commission requested funds from the grantor and disbursed them to the developer as an advance. However, the work was not performed on the project for several months. The grant agreement requires conformance with the requirements of 24 CFR 570.489 (c) to assure that no funds are requested until funds are needed for payment of eligible costs and to minimize the time elapsing between the transfer of funds by the State and the disbursement for CDBG activities.

**Effect:** The Iosco County Housing Commission was not in compliance with its grant agreement in regards to cash management.

IOSCO COUNTY  
Tawas City, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended December 31, 2015

Findings and Questioned Costs - Major Federal Award Programs Audit (Continued)

2015-004                    Community Development Block Grant - Cash Management (Continued)

**Cause:** The Iosco County Housing Commission Director was not aware of the cash management requirements.

**Context:** There were two advance draws on this grant for the year totaling \$159,800, for which the funds were not expended within 60 days of the draw.

**Questioned Costs:** None

**Auditor's Recommendation:** We recommend that the Iosco County Housing Commission educates itself on the requirements of its grant agreements and strictly adheres to them.

**Views of Responsible Officials and Planned Corrective Actions:** Effective immediately, the Iosco County Housing Commission will monitor its developers more closely and will not issue cash advances to developers in the future.

2015-005                    Community Development Block Grant - Reporting

CFDA No. 14.228, Grant No. MSC-2013-0337-HO - Year ended July 31, 2016

**Condition and Criteria:** The Iosco County Housing Commission submitted two grant draw requests that were marked as reimbursements that were actually advances. In addition, the developer agreement that the Iosco County Housing Commission used on the project required job reports tracked on an hourly basis to be submitted by the developer. The Housing Commission did not enforce this portion of the agreement.

**Effect:** The developer received cash advances that were not spent within the required time frame. In addition, no job reports were submitted to the County for the project prior to audit.

**Cause:** The director incorrectly marked the draw request and no other individual reviews the draws. The director and Housing Commission Board did not carefully read the developer agreement and as such were not aware of the requirement for the job reports.

**Context:** There were two advance draws on this grant for the year totaling \$159,800, for which the funds were not expended within 60 days of the draw.

**Questioned Costs:** None

**Auditor's Recommendation:** We recommend that the Iosco County Housing Commission Board and director carefully read any agreements signed with developers and strictly enforce those agreements. In addition, we recommend that the director carefully review all draw requests prior to submission to ensure they are accurate.

**Views of Responsible Officials and Planned Corrective Actions:** The Iosco County Housing Commission and its director will carefully read and strictly enforce all future developer agreements. In addition, the director will carefully review all draw requests prior to submission for accuracy.

IOSCO COUNTY, MICHIGAN  
Tawas City, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2015

| <u>Federal Grantor or Pass Through Grantor<br/>Program Title/Grantor's Number</u>             | <u>Federal<br/>CFDA<br/>Number</u> | <u>Current Year<br/>Expenditures</u> | <u>Expenditures to<br/>Subrecipients</u> |
|---|------------------------------------|--------------------------------------|--|
| <u>U.S. Department of Agriculture</u>   |                                    |                                      |  |
| Passed through the Michigan Department of Natural Resources:                                  |                                    |                                      |  |
| Schools & Roads - Grants to States National Forest Revenue 2014                               | 10.665                             | \$ 8,419                             | \$ 8,419                                 |
| Schools & Roads - Grants to States National Forest Revenue 2015                               |                                    | <u>115,767</u>                       | <u>115,767</u>                           |
|   |                                    | 124,186                              | 124,186                                  |
| Rural Business Enterprise Fund Grant  | 10.769                             | <u>41,099</u>                        | <u>0</u>                                 |
| Total U.S. Department of Agriculture  |                                    | <u>165,285</u>                       | <u>124,186</u>                           |
| <u>U.S. Department of Interior</u>  |                                    |                                      |  |
| Passed through the Michigan Department of Natural Resources:                                  |                                    |                                      |  |
| Schools & Roads - Grants to States Oil/Gas Royalties  | 10.665                             | 4,176                                | 0  |
| Payment in Lieu of Taxes  | 15.226                             | <u>115,150</u>                       | <u>0</u>                                 |
| Total U.S. Department of Interior   |                                    | <u>119,326</u>                       | <u>0</u>                                 |
| <u>U.S. Department of Commerce</u>  |                                    |                                      |  |
| Economic Development Administration - Economic<br>Adjustment Grant for Military Base Closures | 11.307                             | <u>4,018,330</u>                     | <u>0</u>                                 |
| <u>U.S. Department of Housing and Urban Development</u>                                       |                                    |                                      |  |
| Passed through Michigan Economic Development Corporation:                                     |                                    |                                      |  |
| Community Development Block Grant Revolving Loan Fund   | 14.228                             | <u>9,945</u>                         | <u>9,945</u>                             |
| Passed through Michigan State Housing Development Authority:                                  |                                    |                                      |  |
| Community Development Block Grant MSC-2011-0337-HOA   | 14.228                             | 60,783                               | 0  |
| Community Development Block Grant MSC-2013-0337-HO  |                                    | 165,250                              | 0  |
| Community Development Block Grant Program Income  |                                    | 45,011                               | 0  |
| ICHRRLP Revolving Loan Fund   |                                    | <u>34,794</u>                        | <u>0</u>                                 |
|   |                                    | <u>305,838</u>                       | <u>0</u>                                 |
| Total U.S. Department of Housing and Urban Development  |                                    | <u>315,783</u>                       | <u>9,945</u>                             |

The accompanying notes are an integral part of this schedule.

IOSCO COUNTY, MICHIGAN  
Tawas City, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2015

| <u>Federal Grantor or Pass Through Grantor<br/>Program Title/Grantor's Number</u> | <u>Federal<br/>CFDA<br/>Number</u> | <u>Current Year<br/>Expenditures</u> | <u>Expenditures to<br/>Subrecipients</u> |
|---|------------------------------------|--------------------------------------|--|
| <u>U.S. Department of Health and Human Services</u>                               |                                    |                                      |  |
| Child Support Enforcement:  |                                    |                                      |  |
| Passed through the Michigan Department of Human Services:                         |                                    |                                      |  |
| Child Support Enforcement Incentive Payment                                       | 93.560                             | \$ 37,709                            | \$ 0                                     |
| Passed through the Michigan Department of Human Services:                         |                                    |                                      |  |
| Prosecuting Attorney CSPA-13-35002  | 93.563                             | 51,929                               | 0  |
| Friend of the Court Title IV-D CSFOC-13-35001                                     |                                    | <u>281,084</u>                       | <u>0</u>                                 |
|   |                                    | <u>333,013</u>                       | <u>0</u>                                 |
| Passed through the Michigan Department of Human Services:                         |                                    |                                      |  |
| Foster Care Title IV-E PROFC-14-35002   | 93.658                             | <u>7,514</u>                         | <u>0</u>                                 |
| Total U.S. Department of Health and Human Services                                |                                    | <u>378,236</u>                       | <u>0</u>                                 |
| <u>U.S. Department of Homeland Security</u>                                       |                                    |                                      |  |
| Passed through the Michigan Department of Natural Resources:                      |                                    |                                      |  |
| 2015 Marine Safety Program Grant Agreement  | 97.012                             | <u>6,800</u>                         | <u>0</u>                                 |
| Passed through Michigan State Police:   |                                    |                                      |  |
| Emergency Management Performance Grant EMW-2015-EP-00029-S01                      | 97.042                             | 9,020                                | 0  |
| Emergency Management Performance Grant EMW-2014-EP-00023-S01                      |                                    | <u>587</u>                           | <u>0</u>                                 |
|   |                                    | <u>9,607</u>                         | <u>0</u>                                 |
| Passed through Michigan State Police:   |                                    |                                      |  |
| Operation Stone Garden EMW-2013-SS-00049  | 97.067                             | <u>26,790</u>                        | <u>0</u>                                 |
| Passed through Michigan Region 3 Homeland Security Planning Board:                |                                    |                                      |  |
| 2014 State Homeland Security Grant Program EMW-2014-SS-00059                      | 97.067                             | 310,525                              | 245,760                                  |
| 2013 State Homeland Security Grant & Citizens Corps Program EMW-2013-SS-00049     |                                    | <u>17,697</u>                        | <u>0</u>                                 |
|   |                                    | <u>328,222</u>                       | <u>245,760</u>                           |
| Total U.S. Department of Homeland Security  |                                    | <u>371,419</u>                       | <u>245,760</u>                           |
| Total Federal Awards  |                                    | <u>\$ 5,368,379</u>                  | <u>\$ 379,891</u>                        |

The accompanying notes are an integral part of this schedule.

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2015

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal award activity of Iosco County under programs of the federal government for the year ended December 31, 2015. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Iosco County, it is not intended to and does not present the financial position, changes in net position or cash flows of Iosco County.

2. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance or OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, depending when the award was granted.

Iosco County has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

3. Reconciliation to Financial Statements

|   |    |           |
|---|----|-----------|
| Federal revenue presented in the financial statements   | \$ | 1,157,155 |
| Amounts due from the State of Michigan that will be recognized as revenue for the year ended December 31, 2016 because they are considered unavailable in the governmental funds.   |    |           |
| #93.563 Child Support Enforcement   |    | 6,424     |
| #93.568 Foster Care Title IV-E  |    | 944       |
| Accounts receivable for year ended December 31, 2014, received more than 60 days after year end and recognized as federal revenue in the fiscal year ended December 31, 2015  |    |           |
| #93.563 Child Support Enforcement   |    | (34,394)  |
| #93.568 Foster Care Title IV-E  |    | (3,214)   |
| Loans receivable for the year ended December 31, 2015 not recognized as federal revenue but recognized as federal award expenditures.   |    |           |
| #10.769 Rural Business Enterprise Fund Grant  |    | 2,667     |
| Revolving Loan Fund Capital Base  |    |           |
| #11.307 Economic Adjustment Grant for Military Base Closures  |    | 4,004,371 |
| Loan disbursements, write-offs, and administrative expenses made for the year ended December 31, 2015 not recognized as federal revenue, but recognized as federal award expenditures.  |    |           |
| #11.307 Economic Adjustment Grant for Military Base Closures  |    | 13,959    |
| #14.228 CDBG Revolving Loan Fund  |    | 8,934     |
| Cash balances and admin expenses in revolving loan funds required to be included in the Schedule of Expenditures of Federal Awards per the compliance supplements but, not included as federal revenue in the financial statements. |    |           |
| #10.769 Rural Business Enterprise Fund Grant  |    | 38,432    |

The accompanying notes are an integral part of this schedule.

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2015

3. Reconciliation to Financial Statements (Continued)

Loan repayments and interest revenue in revolving loan funds recognized as mortgage repayment and interest revenue but required to be reported on the Schedule of Expenditures of Federal Awards.

|  |           |
|--|-----------|
| #14.228 ICHRRLP Revolving Loan Fund  | \$ 34,794 |
| #14.228 CDBG Revolving Loan Fund passed through the<br>Michigan Economic Development Corporation | 9,945     |

Federal Awards passed through the County to other local units of government required to be included on the Schedule of Expenditures of Federal Awards but not recognized as revenue to the County.

|                            |         |
|----------------------------|---------|
| #10.665 Mineral Management | 4,176   |
| #10.665 Forest Service     | 124,186 |
|                            | 124,186 |

|   |                     |
|---|---------------------|
| Federal revenue expended per the Schedule of Expenditures of Federal Awards | \$ <u>5,368,379</u> |
|---|---------------------|

The accompanying notes are an integral part of this schedule.