

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



TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	5
BASIC FINANCIAL STATEMENTS	
<hr/>	
Government-wide Financial Statements	
Statement of Net Position	17
Statement of Activities	18
Fund Financial Statements	
Governmental Funds	
Balance Sheet	19
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	20
Statement of Revenues, Expenditures, and Changes in Fund Balance	21
Reconciliation of Statement of Governmental Funds Revenues, Expenditures and Changes in Funds Balance to the Statement of Activities	22
Proprietary Funds	
Statement of Net Position	23
Statement of Revenues, Expenses and Changes in Net Position	24
Statement of Cash Flows	25
Fiduciary Funds	
Statement of Fiduciary Net Position	27
Notes to the Financial Statements	29
REQUIRED SUPPLEMENTARY INFORMATION	
<hr/>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	
Consolidated General Fund	60
Senior Citizen's Millage Fund	62
Inverness Township Sewer Debt Fund	63
Housing Commission Fund	64
Schedule of Funding Progress - County of Cheboygan	65
Schedule of Funding Progress - Cheboygan County Road Commission	66

TABLE OF CONTENTS

Page

OTHER INFORMATION

General Funds

Combining Balance Sheet	69
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	70

Nonmajor Governmental Funds

Combining Balance Sheet	71
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	75

Nonmajor Enterprise Funds

Combining Statement of Net Position	79
Combining Statement of Revenues, Expenses and Changes in Net Position	80
Combining Statement of Cash Flows	81

Fiduciary Funds

Combining Statement of Net Position	82
-------------------------------------	----

SINGLE AUDIT ACT COMPLIANCE

Schedule of Expenditures of Federal Awards	84
Notes to the Schedule of Expenditures of Federal Awards	85
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	87
Report on Compliance With Requirements Applicable to Each Major Program and in Internal Control over Compliance in Accordance with OMB Circular A-133	89
Schedule of Findings and Questioned Costs	91

INDEPENDENT AUDITORS' REPORT

Members of the Board of Commissioners
County of Cheboygan, Michigan
Cheboygan, Michigan 49721

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Independent Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Cheboygan County Road Commission, which represents 100 percent of the assets, net position, and revenues of the discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Cheboygan County Road Commission, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County, as of December 31, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

The combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards 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 19, 2015, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Gabridge & Company". The signature is written in dark ink and is positioned above the printed name of the firm.

Gabridge & Company, PLC
Grand Rapids, MI
June 19, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

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

Financial Highlights

- The assets of the County exceeded its liabilities and deferred inflows at December 31, 2014 by \$28,850,217. Of this amount, \$18,444,301 is unrestricted and may be used to meet the County's ongoing obligations to citizens and creditors.
- The County's total net position increased \$16,668. Revenues showed an increase across all County funds during the year of \$387,312 and expenses for the County increased by \$312,868 from the prior fiscal year.
- At the close of the current fiscal year, the County's governmental funds reported combined fund balances of \$8,592,218, a decrease of \$106,705 in comparison with the prior year. Approximately 77% of this amount (\$6,649,712) is available for spending at the government's discretion (unassigned fund balance).
- At December 31, 2014, unassigned fund balance for the Consolidated General Fund was \$6,649,712, or 61% of the Consolidated General Fund's annualized expenditures and transfers out.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

The *statement of activities* presents information showing how the government's net position

changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., accrued interest expense and long-term debt).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government services (administration, clerk, and treasurer); judicial activities (courts); public safety (sheriff); health and welfare (health department and mental health), and a variety of other services. The business-type activities of the County include marina operations, delinquent tax collections, Straits Regional Ride, tax foreclosures, and jail commissary activities.

The County includes one other legally separate entity in its financial statements, the Cheboygan County Road Commission. Although legally separate, this “component unit” is important because the County is financially accountable for them. The Cheboygan County Road Commission issued separate audited financial statements and those statements can be obtained at their respective administrative offices.

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

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

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

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

The County maintains numerous individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balance for the General, Senior Citizen’s Millage,

Inverness Township Sewer Debt, and Housing Commission Funds, each of which is considered to be a major fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining schedules elsewhere in this report.

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

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

Proprietary funds. The County maintains one type of proprietary fund, an enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for marina operations, delinquent tax collections, Straits Regional Ride, tax foreclosures, and jail commissary activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the marina, delinquent tax, and Straits Regional Ride funds, which are considered to be major funds of the County. Individual fund data for the non-major enterprise funds is provided in the form of combining schedules elsewhere in this report.

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

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund statement can be found on page 27 of this report.

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

The notes to the financial statements can be found on pages 29 - 58 of this report.

Other information. In addition to the basic financial statement and accompanying notes, this report also presents certain info concerning the County's progress in funding its obligation to provide pension and other postemployment benefits to its employees as well as the County's compliance with its budgets. This information can be found immediately following the notes to the financial statements.

The combining statements referred to earlier in connection with nonmajor governmental and enterprise funds, and the individual fiduciary fund statements, are presented following the required supplemental information.

The other information can be found on pages 60 - 82 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities and deferred inflows of resources by \$28,850,217 at the close of the most recent fiscal year. A large portion of the County's net position (33.56%, or \$9,680,743) represents its investment in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure) less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the County's net position (2.51%, or \$725,173) represents resources that are subject to external restrictions on how they may be used. Restricted net position refers to amounts that have constraints placed on them by either: a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation. The remaining portion of the County's net position (63.93%, or \$18,444,301) is comprised of unrestricted net position. These amounts may be used to meet the government's ongoing obligations to citizens and creditors.

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

County of Cheboygan
Statement of Net Position for Fiscal Years Ended December 31, 2014 and December 31, 2013

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
ASSETS						
<i>Current Assets</i>						
Cash & Equivalents	\$ 8,814,261	\$ 8,990,239	\$ 7,275,701	\$ 6,903,650	\$ 16,089,962	\$ 15,893,889
Receivables	2,763,206	2,821,805	1,990,453	2,130,265	4,753,659	4,952,070
Due from Governmental Units	2,973,150	3,122,094	67,682	352,990	3,040,832	3,475,084
Prepaid Items	-	-	301	313	301	313
Inventories	-	-	28,378	29,218	28,378	29,218
Total Current Assets	14,550,617	14,934,138	9,362,515	9,416,436	23,913,132	24,350,574
<i>Noncurrent Assets</i>						
Capital Assets not Being Depreciated	1,925,967	2,066,225	-	295,186	1,925,967	2,361,411
Capital Assets being Depreciated	5,781,207	5,701,115	1,999,851	1,608,343	7,781,058	7,309,458
Total Assets	22,257,791	22,701,478	11,362,366	11,319,965	33,620,157	34,021,443
LIABILITIES						
<i>Current Liabilities</i>						
Accounts Payable	253,355	352,590	23,976	282,192	277,331	634,782
Accrued Liabilities	343,116	306,639	27,791	25,765	370,907	332,404
Due to Governmental Units	163	163	13,579	54,477	13,742	54,640
Unearned Revenue	2,714,011	2,870,090	-	3,660	2,714,011	2,873,750
Current Portion of Long-term Debt	5,840	4,417	-	-	5,840	4,417
Total Current Liabilities	3,316,485	3,533,899	65,346	366,094	3,381,831	3,899,993
<i>Noncurrent Liabilities</i>						
Long-term Debt	20,442	-	-	-	20,442	-
Compensated Absences	283,295	305,162	13,059	11,437	296,354	316,599
Total Liabilities	3,620,222	3,839,061	78,405	377,531	3,698,627	4,216,592
DEFERRED INFLOWS OF RESOURCES						
Revenues Intended to Finance a Subsequent Year	1,071,313	971,302	-	-	1,071,313	971,302
Total Deferred Inflows of Resources	1,071,313	971,302	-	-	1,071,313	971,302
NET POSITION						
Net Investment in Capital Assets	7,680,892	7,762,923	1,999,851	1,608,343	9,680,743	9,371,266
Restricted	725,173	1,223,849	-	-	725,173	1,223,849
Unrestricted	9,160,191	8,904,343	9,284,110	9,334,091	18,444,301	18,238,434
Total Net Position	\$ 17,566,256	\$ 17,891,115	\$ 11,283,961	\$ 10,942,434	\$ 28,850,217	\$ 28,833,549

The County's total net position increased \$16,668, from \$28,833,549 to \$28,850,217 for the year ended December 31, 2014.

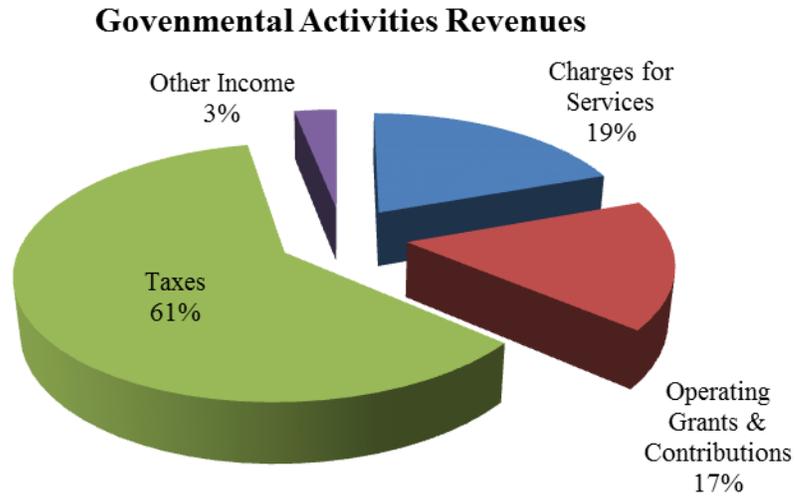
County of Cheboygan
Change in Net Position for Fiscal Years Ended December 31, 2014 and December 31, 2013

	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>		<u>Government</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenue						
Program Revenues						
Charges for Services	\$ 2,835,289	\$ 2,606,659	\$ 1,583,595	\$ 1,415,026	\$ 4,418,884	\$ 4,021,685
Operating Grants & Contributions	2,419,980	2,612,385	443,669	450,434	2,863,649	3,062,819
Capital Grants & Contributions	-	-	349,855	313,426	349,855	313,426
Total Program Revenues	<u>5,255,269</u>	<u>5,219,044</u>	<u>2,377,119</u>	<u>2,178,886</u>	<u>7,632,388</u>	<u>7,397,930</u>
General Revenues						
Taxes	8,816,716	8,652,236	-	-	8,816,716	8,652,236
Investment Income	159,089	156,491	37,477	50,971	196,566	207,462
Other	-	-	8,703	9,433	8,703	9,433
Total General Revenues and Transfers	<u>8,975,805</u>	<u>8,808,727</u>	<u>46,180</u>	<u>60,404</u>	<u>9,021,985</u>	<u>8,869,131</u>
Total Revenues	<u>14,231,074</u>	<u>14,027,771</u>	<u>2,423,299</u>	<u>2,239,290</u>	<u>16,654,373</u>	<u>16,267,061</u>
Expenses						
Legislative	108,408	120,622	-	-	108,408	120,622
Judicial	2,059,208	1,871,947	-	-	2,059,208	1,871,947
General Government	4,096,812	3,504,500	-	-	4,096,812	3,504,500
Public Safety	4,621,642	4,374,152	-	-	4,621,642	4,374,152
Health and Welfare	2,869,199	3,154,295	-	-	2,869,199	3,154,295
Recreation and Culture	314,864	259,050	-	-	314,864	259,050
Public Works	33,025	31,440	-	-	33,025	31,440
Community and Economic Development	379,979	388,528	-	-	379,979	388,528
Other Expenses	144,471	759,573	-	-	144,471	759,573
Interest on Long-term Debt	214,343	208,272	-	-	214,343	208,272
Marina	-	-	557,348	524,668	557,348	524,668
Tax Foreclosure	-	-	131,904	122,898	131,904	122,898
Straits Regional Ride	-	-	999,208	937,973	999,208	937,973
Jail Commissary	-	-	59,026	10,000	59,026	10,000
Delinquent Tax	-	-	48,268	56,919	48,268	56,919
Total Expenses	<u>14,841,951</u>	<u>14,672,379</u>	<u>1,795,754</u>	<u>1,652,458</u>	<u>16,637,705</u>	<u>16,324,837</u>
Changes in Net Position Before Transfers	(610,877)	(644,608)	627,545	586,832	16,668	(57,776)
Transfers - Net	<u>286,018</u>	<u>563,817</u>	<u>(286,018)</u>	<u>(563,817)</u>	<u>-</u>	<u>-</u>
Change in Net Position	(324,859)	(80,791)	341,527	23,015	16,668	(57,776)
<i>Net Position at the Beginning of Period</i>	<u>17,891,115</u>	<u>17,971,906</u>	<u>10,942,434</u>	<u>10,919,419</u>	<u>28,833,549</u>	<u>28,891,325</u>
Net Position at the End of Period	<u>\$ 17,566,256</u>	<u>\$ 17,891,115</u>	<u>\$ 11,283,961</u>	<u>\$ 10,942,434</u>	<u>\$ 28,850,217</u>	<u>\$ 28,833,549</u>

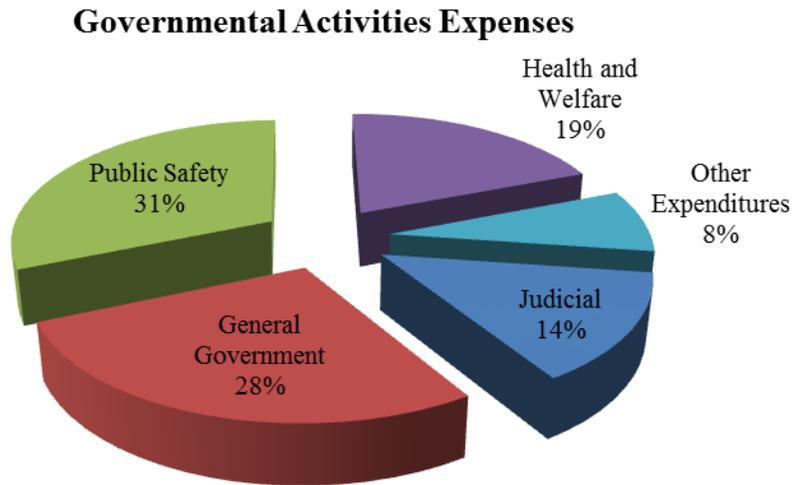
Governmental activities.

The governmental activities of the County decreased the County's net position by \$324,859 in 2014 compared to a decrease of \$80,791 in 2013. The large change is due to a decrease in total revenues of \$74,496 accompanied by an increase in total expenditures of \$169,572.

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



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



Business-type activities.

The business-type activities of the County increased the County's net position by \$341,527 in 2014 compared to an increase of \$23,015 for 2013. The large change is due to a decrease in total expenditures of \$134,503. Included in that amount is a decrease in transfers out to the governmental activities of \$277,799 compared to the previous year. The County also experienced an increase in total revenues of \$184,009.

Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the County *governmental fund statements* is to provide information on near term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the County financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Unassigned fund balance of the General Fund represented 61% of total General Fund expenditures and transfers out.

General Fund Highlights

The County collapses certain funds into the General Fund for external financial reporting purposes. A combining schedule is provided as supplementary information to show the various components. The Consolidated General Fund fund balance increased by \$382,998 from \$6,845,834 to \$7,228,832 during 2014. Total revenues including transfers in for the General Fund increased \$184,312 compared to the previous year. Total expenses including transfers out decreased by \$15,191 compared to the previous year. The details of the significant changes in the General Fund revenues and expenditures are as follows:

General Fund Revenues

- Property taxes increased by \$196,659 due to an increase in taxable value of approximately \$18.5 million.
- Federal sources increased by \$69,697 due to an increase in the Stonegarden grant and an additional Byrne Grant awarded for the Wolverine Schools security project.

General Fund Expenditures

- General government expenditures increased \$219,620 due to increases in several departments; most significantly are patrol and equipment expenditures related to the Stonegarden grant, vehicle repairs and maintenance, purchase of a truck and filling a staff vacancy in the maintenance department and expenses related to the November 2014 election.
- Public safety expenditures decreased by \$304,270 primarily due to Planning and Zoning being reported in a new function called Community and Economic Development.
- Capital outlay decreased by \$225,237. Details of the additions are discussed in the capital asset section of this management discussion and analysis.

Senior Citizen's Millage Fund Highlights

The senior citizen's millage fund had a decrease in fund balance during the year of \$5,127, from \$132,422 to \$127,295. This is a result of capital outlay expenditures in the amount of \$5,055 during the year.

Inverness Township Sewer Debt Fund Highlights

The Inverness Township Sewer Debt Fund had an increase in fund balance of \$3 due to interest income.

Housing Commission Fund Highlights

The Housing Commission Fund had an increase in fund balance of \$66,330, from \$105,574 to \$171,904. The primary reason for this increase was program income contributions including the payoff of several mortgages (notes receivable).

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

Unrestricted net position of the Marina, Straits Regional Ride, and Delinquent Tax Funds as of year-end was \$56,935, 62,150, and \$8,858,341, respectively. The change in net position, respectively, for the proprietary funds was \$153,563, (\$81,655), and \$243,412. The change in the Marina Fund was due to state dredging grant in the amount of \$234,250 offset by expenses in excess of revenues. The change in the Straits Regional Ride was related to depreciation of assets in excess of capital asset additions.

General Fund Budgetary Highlights

Original budget compared to final budget. During the year there was no need for any significant amendments to increase either the original estimated revenues or original budgeted appropriations. However, there was a need to make an amendment to reallocate appropriations among departments when it became clearer which departments would actually be charged for certain expenditures. Generally, the movement of the appropriations between departments was *not* significant. Two exceptions were the transfer of appropriation of \$55,934 from the Major Equipment & Building to the Sheriff's Department to cover the purchase of two patrol vehicles and the transfer of appropriation for fringe contingency to multiple departments of \$61,281 as the 2014 raises were not settled at the time the budget was prepared.

Final budget compared to actual results. During the current fiscal year the County had no significant expenditures in excess of the appropriated amounts in the General Fund.

Capital Asset and Debt Administration

Capital assets

As of December 31, 2014, the County's investment in capital assets for its governmental and business-type activities amounted to \$9,707,025 (net of accumulated depreciation). The investment in capital assets includes land and land improvements, buildings and improvements, machinery and equipment and vehicles. The total net increase in the County's net capital assets for 2014 was \$36,156.

Significant capital outlay additions during 2014 included:

Governmental Activities

- Doris Reid building roof, remodel, and parking lot
- Fair Grounds midway restroom remodel project
- Humane society remodel project and parking lot
- Courthouse security cameras and card entry system
- Postage machine
- Courthouse parking lot
- 2 Ford Explorers for the Sheriff’s Department
- Jeep Patriot for the Building Safety Department
- 2015 Ford F-250 for the Maintenance Department

Business-type Activities

- Harbor dredging project
- Marina office building roof
- Straits Regional Ride bus

Capital assets, net of depreciation, are summarized as follows as of year-end:

	Governmental Activities	Business-type Activities	Total
Land	\$ 1,892,102	\$ -	\$ 1,892,102
Construction in Progress	33,865	-	33,865
Land Improvement	363,416	1,002,801	1,366,217
Building and Improvements	4,707,085	170,620	4,877,705
Machinery and Equipment	466,422	17,380	483,802
Vehicles	244,284	-	244,284
Transportation Equipment	-	482,909	482,909
Docks	-	326,141	326,141
Total	\$ 7,707,174	\$ 1,999,851	\$ 9,707,025

Additional information on the County’s capital assets can be found in Note 6 to the financial statements.

Long-term Debt

The County entered into an agreement with Inverness Township for the Inverness Township Sewer Project. The Township pledged its full faith and credit for the repayment of the loan; therefore, this debt is not included in the County’s financial statements.

As of December 31, 2014, the primary government of the County had long-term debt outstanding of \$26,282 for a new capital lease of a postage machine.

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

Economic Factors and Next Year's Budgets and Rates

Management estimates that \$11.1 million of revenues will be available for appropriation in the General Fund in the upcoming budget. Expenditures are expected to increase by approximately \$880,000 compared to 2014. The County continues to review all budget line items for opportunities to reduce expenditures when possible. The budget will be monitored during the year to identify any necessary amendments. In 2015, the County plans again to use current revenues to provide essential services and to maintain the County's financial reserves at similar level estimating a small decrease of just over 7%. The ongoing costs of providing essential services for the citizens of the County will continue to be monitored in order to maintain the financial condition of the County.

Requests for Information

This financial report is designed to provide a general overview of the County finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Cheboygan County Administrative Office
870 S. Main Street
PO Box 70
Cheboygan, MI 49721

BASIC FINANCIAL STATEMENTS

**County of Cheboygan
Statement of Net Position
December 31, 2014**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
<i>Current Assets</i>				
Cash and Equivalents	\$ 8,814,261	\$ 7,275,701	\$ 16,089,962	\$ 1,398,737
Receivables	88,343	77,844	166,187	18,054
Taxes Receivable	1,474,499	1,912,609	3,387,108	1,160,034
Notes Receivable	1,200,364	--	1,200,364	--
Due from Governmental Units	2,973,150	67,682	3,040,832	1,056,611
Prepaid Items	--	301	301	137,854
Inventories	--	28,378	28,378	937,935
Total Current Assets	14,550,617	9,362,515	23,913,132	4,709,225
<i>Noncurrent Assets</i>				
Capital Assets not Being Depreciated	1,925,967	--	1,925,967	11,147,689
Capital Assets Being Depreciated	5,781,207	1,999,851	7,781,058	18,236,682
Restricted Deposits	--	--	--	24,899
Net Pension Asset	--	--	--	107,135
Total Assets	22,257,791	11,362,366	33,620,157	34,225,630
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Loss on Refunding Bond	--	--	--	45,450
Total Deferred Outflows of Resources	--	--	--	45,450
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	253,355	23,976	277,331	99,419
Accrued Liabilities	343,116	27,791	370,907	97,206
Accrued Interest Payable	--	--	--	26,390
Due to Governmental Units	163	13,579	13,742	30
Advances and Deposits	--	--	--	131,638
Unearned Revenue	2,714,011	--	2,714,011	--
Current Portion of Long-term Debt	5,840	--	5,840	195,000
Total Current Liabilities	3,316,485	65,346	3,381,831	549,683
<i>Noncurrent Liabilities</i>				
Long-term Debt	20,442	--	20,442	2,246,500
Compensated Absences	283,295	13,059	296,354	236,617
Other Post-Employment Benefits	--	--	--	1,839,214
Total Liabilities	3,620,222	78,405	3,698,627	4,872,014
DEFERRED INFLOWS OF RESOURCES				
Revenues Intended to Finance a Subsequent Year	1,071,313	--	1,071,313	1,160,034
Total Deferred Inflows of Resources	1,071,313	--	1,071,313	1,160,034
NET POSITION				
Net Investment in Capital Assets	7,680,892	1,999,851	9,680,743	26,942,871
<i>Restricted for:</i>				
Restricted	725,173	--	725,173	--
<i>Unrestricted</i>	9,160,191	9,284,110	18,444,301	1,296,161
Total Net Position	\$ 17,566,256	\$ 11,283,961	\$ 28,850,217	\$ 28,239,032

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

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary Government								
Governmental Activities:								
Legislative	\$ 108,408	\$ --	\$ --	\$ --	\$ (108,408)	\$ --	\$ (108,408)	\$ --
Judicial	2,059,208	544,450	871,343	--	(643,415)	--	(643,415)	--
General Government	4,096,812	1,135,383	364,449	--	(2,596,980)	--	(2,596,980)	--
Public Safety	4,621,642	878,072	263,150	--	(3,480,420)	--	(3,480,420)	--
Health and Welfare	2,869,199	88,309	842,025	--	(1,938,865)	--	(1,938,865)	--
Recreation and Culture	314,864	167,041	10,273	--	(137,550)	--	(137,550)	--
Public Works	33,025	--	--	--	(33,025)	--	(33,025)	--
Community and Economic Development	379,979	22,034	68,740	--	(289,205)	--	(289,205)	--
Other Expenditures	144,471	--	--	--	(144,471)	--	(144,471)	--
Interest on Long-term Debt	214,343	--	--	--	(214,343)	--	(214,343)	--
Total Governmental Activities	14,841,951	2,835,289	2,419,980	--	(9,586,682)	--	(9,586,682)	--
Business-type Activities:								
Marina	557,348	473,912	--	234,250	--	150,814	150,814	--
Tax Foreclosure	131,904	288,735	--	--	--	156,831	156,831	--
Straits Regional Ride	999,208	332,772	443,669	115,605	--	(107,162)	(107,162)	--
Jail Commissary	59,026	57,530	--	--	--	(1,496)	(1,496)	--
Delinquent Tax	48,268	430,646	--	--	--	382,378	382,378	--
Total Business-type Activities	1,795,754	1,583,595	443,669	349,855	--	581,365	581,365	--
Total Primary Government	\$ 16,637,705	\$ 4,418,884	\$ 2,863,649	\$ 349,855	\$ (9,586,682)	\$ 581,365	\$ (9,005,317)	--
Component Unit								
Road Commission	\$ 7,955,903	\$ 2,254,133	\$ 5,440,024	\$ --	--	--	--	(261,746)
Total Component Unit	\$ 7,955,903	\$ 2,254,133	\$ 5,440,024	\$ --	--	--	--	(261,746)
General Purpose Revenues and Transfers:								
Revenues								
					8,816,716	--	8,816,716	--
Taxes					--	8,703	8,703	86,683
Other Revenues					159,089	37,477	196,566	933
Interest Income					286,018	(286,018)	--	--
Transfers					9,261,823	(239,838)	9,021,985	87,616
Total General Revenues and Transfers					9,261,823	(239,838)	9,021,985	87,616
Change in Net Position					(324,859)	341,527	16,668	(174,130)
<i>Net Position at Beginning of Period</i>					17,891,115	10,942,434	28,833,549	28,413,162
Net Position at End of Period					\$ 17,566,256	\$ 11,283,961	\$ 28,850,217	\$ 28,239,032

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

**County of Cheboygan
Balance Sheet
Governmental Funds
December 31, 2014**

	General	Special Revenue			Other Governmental Funds	Total Governmental Funds
		Senior Citizen's Millage	Inverness Township Sewer Debt	Housing Commission		
ASSETS						
Cash and Equivalents	\$ 7,380,308	\$ 127,295	\$ 5,344	\$ 134,353	\$ 1,166,961	\$ 8,814,261
Receivables	76,018	--	--	--	12,325	88,343
Taxes Receivable	490,176	656,260	--	--	328,063	1,474,499
Notes Receivable	--	--	--	1,200,364	--	1,200,364
Due from Governmental Units	64,693	--	2,710,000	46,980	151,477	2,973,150
Due from Other Funds	84,131	--	--	--	--	84,131
<i>Total Assets</i>	\$ 8,095,326	\$ 783,555	\$ 2,715,344	\$ 1,381,697	\$ 1,658,826	\$ 14,634,748
LIABILITIES						
Accounts Payable	\$ 103,446	\$ --	\$ --	\$ --	\$ 149,909	\$ 253,355
Accrued Liabilities	299,981	--	--	--	43,135	343,116
Due to Governmental Units	--	--	--	163	--	163
Unearned Revenue	--	--	2,710,000	--	4,011	2,714,011
Due to Other Funds	--	--	--	9,266	74,865	84,131
<i>Total Liabilities</i>	403,427	--	2,710,000	9,429	271,920	3,394,776
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenues	376,077	--	--	1,200,364	--	1,576,441
Revenues Intended to Finance a Subsequent Year	86,990	656,260	--	--	328,063	1,071,313
<i>Total Liabilities and Deferred Inflows of Resources</i>	866,494	656,260	2,710,000	1,209,793	599,983	6,042,530
FUND BALANCE						
Restricted	--	127,295	5,344	171,904	420,630	725,173
Committed	283,295	--	--	--	100	283,395
Assigned	295,825	--	--	--	638,113	933,938
Unassigned	6,649,712	--	--	--	--	6,649,712
<i>Total Fund Balance</i>	7,228,832	127,295	5,344	171,904	1,058,843	8,592,218
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i>	\$ 8,095,326	\$ 783,555	\$ 2,715,344	\$ 1,381,697	\$ 1,658,826	\$ 14,634,748

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

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

Total Fund Balance - Governmental Funds	\$ 8,592,218
General government capital assets of \$14,247,650, net of accumulated depreciation of \$6,540,476, are not financial resources and, accordingly, are not reported in the funds.	7,707,174
Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	(283,295)
Long-term liabilities are not due any payable in the current period and therefore are not reported in the funds.	(26,282)
Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those asset (such as property taxes and loans receivable not collected in 60 days of year end) are offset by deferred inflows of resources in the governmental funds, and thus are not included in fund balance.	1,576,441
Total Net Position - Governmental Funds	\$ <u>17,566,256</u>

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

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

	Special Revenue				Other Governmental Funds	Total Governmental Funds
	General	Senior Citizen's Millage	Inverness Township Sewer Debt	Housing Commission		
Revenues						
Taxes	\$ 7,885,021	\$ 647,104	\$ --	\$ --	\$ 323,457	\$ 8,855,582
Licenses and Permits	50,931	--	--	--	--	50,931
Federal Sources	149,272	--	--	--	387,109	536,381
State Sources	574,107	--	--	60,166	1,031,695	1,665,968
Local Sources	53,219	--	214,269	--	65,513	333,001
Contributions	--	--	--	--	126,662	126,662
Charges for Services	1,214,688	--	--	--	776,618	1,991,306
Fines and Penalties	31,568	--	--	--	4,131	35,699
Interest and Rentals	70,566	--	3	45	88,475	159,089
Refunds and Reimbursement	206,242	--	--	--	--	206,242
Other Revenues	21,032	--	--	71,623	335,548	428,203
Total Revenues	10,256,646	647,104	214,272	131,834	3,139,208	14,389,064
Expenditures						
Legislative	112,203	--	--	--	--	112,203
Judicial	1,448,533	--	--	--	577,906	2,026,439
General Government	3,280,189	--	--	--	615,941	3,896,130
Public Safety	3,767,496	--	--	--	695,700	4,463,196
Health and Welfare	461,134	647,176	--	62,766	1,657,429	2,828,505
Community and Economic Development	380,372	--	--	--	--	380,372
Recreation and Culture	113,349	--	--	--	195,026	308,375
Other Expenditures	144,471	--	--	--	--	144,471
Capital Outlay	197,012	5,055	--	--	227,551	429,618
Debt Service - Principal	7,337	--	85,000	--	--	92,337
Debt Service - Interest	74	--	129,269	--	--	129,343
Total Expenditures	9,912,170	652,231	214,269	62,766	3,969,553	14,810,989
Excess of Revenues Over (Under) Expenditures	344,476	(5,127)	3	69,068	(830,345)	(421,925)
Other Financing Sources (Uses)						
Capital Lease	29,202	--	--	--	--	29,202
Transfers In	1,013,954	--	--	--	1,005,611	2,019,565
Transfer Out	(1,004,634)	--	--	(2,738)	(726,175)	(1,733,547)
Net Other Financing Sources (Uses)	38,522	--	--	(2,738)	279,436	315,220
Net Change in Fund Balance	382,998	(5,127)	3	66,330	(550,909)	(106,705)
<i>Fund Balance at Beginning of Period</i>	7,260,777	132,422	5,341	105,574	1,609,752	9,113,866
<i>Prior Period Adjustment (Note 14)</i>	(414,943)	--	--	--	--	(414,943)
<i>Beginning Fund Balance - Restated</i>	6,845,834	132,422	5,341	105,574	1,609,752	8,698,923
Fund Balance at End of Period	\$ 7,228,832	\$ 127,295	\$ 5,344	\$ 171,904	\$ 1,058,843	\$ 8,592,218

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

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

Total Net Change in Fund Balances - Governmental Funds	\$	(106,705)
<p>Governmental fund report capital outlay as expenditures; however, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. This is the amount by which depreciation expense of \$465,438 plus the loss on disposal of capital assets of \$24,346, is in excess of capital outlay expenditures of \$429,618.</p>		
		(60,166)
<p>Change to compensated absences are not shown in the fund financial statements. The net effect of the current year decrease is to increase net position.</p>		
		21,867
<p>The issuance of long-term debt (e.g., capital leases) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. This amount represents capital lease proceeds of \$29,202 less principal payments of \$7,337.</p>		
		(21,865)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred into the following year. This represents the change in deferred revenues for the year.</p>		
		(157,990)
Changes in Net Position - Governmental Funds	\$	<u>(324,859)</u>

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

	Business-type Activities - Enterprise Funds				
	Marina	Straits Regional Ride	Delinquent Tax	Other Enterprise Funds	Total Enterprise Funds
ASSETS					
<i>Current Assets</i>					
Cash and Equivalents	\$ 25,202	\$ 40,714	\$ 6,947,649	\$ 262,136	\$ 7,275,701
Receivables	--	22,039	--	55,805	77,844
Taxes Receivable	--	--	1,912,609	--	1,912,609
Due from Governmental Units	13,870	53,812	--	--	67,682
Prepaid Items	301	--	--	--	301
Inventories	28,378	--	--	--	28,378
Total Current Assets	67,751	116,565	8,860,258	317,941	9,362,515
<i>Noncurrent Assets</i>					
Capital Assets Being Depreciated	1,499,729	500,122	--	--	1,999,851
Total Assets	1,567,480	616,687	8,860,258	317,941	11,362,366
LIABILITIES					
<i>Current Liabilities</i>					
Accounts Payable	1,809	12,827	--	9,340	23,976
Accrued Liabilities	2,787	21,170	1,917	1,917	27,791
Due to Governmental Units	6,220	7,359	--	--	13,579
Total Current Liabilities	10,816	41,356	1,917	11,257	65,346
<i>Noncurrent Liabilities</i>					
Compensated Absences	--	13,059	--	--	13,059
Total Liabilities	10,816	54,415	1,917	11,257	78,405
NET POSITION					
Net Investment in Capital Assets	1,499,729	500,122	--	--	1,999,851
<i>Unrestricted</i>	56,935	62,150	8,858,341	306,684	9,284,110
Total Net Position	\$ 1,556,664	\$ 562,272	\$ 8,858,341	\$ 306,684	\$ 11,283,961

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

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

	Business-type Activities - Enterprise Funds				
	Marina	Straits Regional Ride	Delinquent Tax	Other Enterprise Funds	Total Enterprise Funds
Operating Revenues					
Federal Sources	\$ --	\$ 116,757	\$ --	\$ --	\$ 116,757
State Sources	234,250	326,912	--	--	561,162
Local Sources	--	4,218	--	--	4,218
Charges for Services	473,912	328,554	122,737	346,265	1,271,468
Interest and Rentals	--	--	299,340	--	299,340
Other Revenues	2,530	--	8,569	--	11,099
Total Operating Revenues	710,692	776,441	430,646	346,265	2,264,044
Operating Expenses					
Personal Services	88,742	519,200	43,792	53,698	705,432
Contractual Services	--	5,457	--	67,161	72,618
Utilities	14,652	3,486	--	--	18,138
Repair and Maintenance	7,426	59,927	--	--	67,353
Other Supplies and Expenses	374,977	224,598	4,476	70,071	674,122
Depreciation	71,551	186,540	--	--	258,091
Total Operating Expenses	557,348	999,208	48,268	190,930	1,795,754
Operating Income (Loss)	153,344	(222,767)	382,378	155,335	468,290
Non-Operating Revenues (Expenses)					
Gain on Sale of Assets	--	6,173	--	--	6,173
Interest Income	219	--	35,608	1,650	37,477
Net Non-Operating Revenues (Expenses)	219	6,173	35,608	1,650	43,650
Income Before Contributions and Transfers	153,563	(216,594)	417,986	156,985	511,940
Federal Capital Assistance	--	92,484	--	--	92,484
State Capital Assistance	--	23,121	--	--	23,121
Transfers In	--	19,334	32,725	--	52,059
Transfer Out	--	--	(207,299)	(130,778)	(338,077)
Change In Net Position	153,563	(81,655)	243,412	26,207	341,527
<i>Net Position at Beginning of Period</i>	1,403,101	643,927	8,614,929	280,477	10,942,434
Net Position at End of Period	\$ 1,556,664	\$ 562,272	\$ 8,858,341	\$ 306,684	\$ 11,283,961

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

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

	Business-type Activities - Enterprise Funds				
	Marina	Straits Regional Ride	Delinquent Tax	Nonmajor Enterprise Funds	Total Enterprise Funds
Cash Flows from Operating Activities					
Cash Received from Customers or Users	\$ 460,520	\$ 314,221	\$ 574,311	\$ 347,698	\$ 1,696,750
Cash Received from Governmental Units	527,816	453,499	-	-	981,315
Cash Received from Other Sources	(1,130)	-	8,569	-	7,439
Cash Payments to Suppliers	(644,304)	(297,673)	(4,476)	(157,178)	(1,103,631)
Cash Payments to Employees	(98,598)	(517,855)	(43,600)	(68,593)	(728,646)
Net cash provided (used) by Operating Activities	244,304	(47,808)	534,804	121,927	853,227
Cash Flows from Noncapital Financing Activities					
Transfers In	-	19,334	32,725	-	52,059
Transfers Out	-	-	(207,299)	(130,778)	(338,077)
Net cash provided (used) by Noncapital Financing Activities	-	19,334	(174,574)	(130,778)	(286,018)
Cash Flows from Capital and Related Financing Activities					
Gain on Sale of Assets	-	6,173	-	-	6,173
Purchase of Capital Assets	(238,773)	(115,640)	-	-	(354,413)
Capital Grants	-	115,605	-	-	115,605
Net cash provided (used) by Capital and Related Financing Activities	(238,773)	6,138	-	-	(232,635)
Cash Flows from Investing Activities					
Interest on Deposits	219	-	35,608	1,650	37,477
Net cash provided (used) by Investing Activities	219	-	35,608	1,650	37,477
Net Increase (Decrease) in Cash and Equivalents	5,750	(22,336)	395,838	(7,201)	372,051
<i>Cash and Equivalents - Beginning of Year</i>	19,452	63,050	6,551,811	269,337	6,903,650
Cash and Equivalents - End of Year	\$ 25,202	\$ 40,714	\$ 6,947,649	\$ 262,136	\$ 7,275,701

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

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

	<u>Business-type Activities - Enterprise Funds</u>				
	<u>Marina</u>	<u>Straits Regional Ride</u>	<u>Delinquent Tax</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total Enterprise Funds</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities					
Operating income (loss)	\$ 153,344	\$ (222,767)	\$ 382,378	\$ 155,335	\$ 468,290
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities					
Depreciation	71,551	186,540	-	-	258,091
Changes in Assets and Liabilities					
Receivables	(13,392)	(14,333)	152,234	1,433	125,942
Prepaid Items	12	-	-	-	12
Inventories	840	-	-	-	840
Due from Governmental Units	293,566	5,612	-	-	299,178
Accounts Payable	(264,426)	(3,130)	-	9,340	(258,216)
Compensated Absences	-	1,622	-	-	1,622
Accrued Liabilities	249	1,393	192	192	2,026
Unearned Revenue	(3,660)	-	-	-	(3,660)
Due to Governmental Units	6,220	(2,745)	-	(44,373)	(40,898)
Net Cash Provided (Used) by Operating Activities	<u>\$ 244,304</u>	<u>\$ (47,808)</u>	<u>\$ 534,804</u>	<u>\$ 121,927</u>	<u>\$ 853,227</u>

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

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

	Agency Funds
ASSETS	
Cash and Equivalents	\$ 1,161,894
Receivables	2,154
<i>Total Assets</i>	1,164,048
LIABILITIES	
Assets Held on Behalf of Others	1,164,048
<i>Total Liabilities</i>	1,164,048
NET POSITION	
Held in Trust	\$ --

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

NOTES TO THE FINANCIAL STATEMENTS

County of Cheboygan

Notes to the Financial Statements

Note 1 – Summary of Significant Accounting Policies

The County of Cheboygan, Michigan (the “County”) is a public corporation created under the Constitution and Statutes of the State of Michigan with the County Seat located in the City of Cheboygan. The County operates under an elected Board of Commissioners (seven members) and provides services to its 25,675 residents (per 2014 estimated census) in many areas, including law enforcement, administration of justice, community enrichment and development, public works, health and welfare, and recreation and cultural activities.

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

Reporting Entity

The accompanying financial statements present the County (the primary government) and its component units, entities for which the government is considered to be financially accountable. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the County.

Discretely-presented Component Units

County of Cheboygan Road Commission (the “Road Commission”)

The Road Commission is considered part of the County reporting entity for financial reporting purposes. The Road Commission is governed by a board elected by the electorate of the County. The Road Commission may not issue debt or levy taxes without the approval of the County Board of Commissioners. However, this component unit of the County has been audited and reported separately. Complete financial statements of the individual component unit can be obtained from the following:

County of Cheboygan Road Commission
5302 South Straits Highway
Indian River, MI 49747

Multi-County Agencies

The County participates jointly in the operation of the ***District Health Department Office #4*** with Alpena, Presque Isle, and Montmorency Counties. All financial operations of the District Health Department Office #4 are recorded in the financial statements of Alpena County. The funding formula requires the County to provide approximately 30% of the budget appropriation

County of Cheboygan

Notes to the Financial Statements

requirement, which amounted to \$207,504 for the year ended December 31, 2014. This expenditure was made from the General Fund.

The County participated in the *North County Community Mental Health Authority* (the "Authority") with Charlevoix, Otsego, Emmet, Kalkaska, and Antrim Counties. Financial statements for the Authority can be obtained from the Authority. The County contributed \$111,995 for the year ended December 31, 2014. This expenditure was made from the General Fund.

Regional Joint Operations

The County contributes annually to the *Cheboygan Airport Authority*. The Cheboygan Airport Authority operates with a separate treasurer. The County's contribution for the year ended December 31, 2014 was \$87,250. Financial statements for the Cheboygan Airport Authority may be obtained through the Cheboygan County Airport, 1520 Levering Road, Cheboygan, Michigan, 49721.

The County, together with Charlevoix and Emmet Counties, has jointly established the *C.C.E. Central Dispatch Authority* (the "C.C.E."), which is a Michigan municipal body formed by, and on behalf of participating municipalities located within the counties of Charlevoix, Cheboygan, and Emmet, through the auspices of the Inter-governmental Contracts between Municipalities Act, Urban Cooperation Act, and Emergency Telephone Service Enabling Act. The County is required to contribute annually to the operations of the C.C.E. The funding formula, which is reviewed every five years, calls for each County to provide 20% of the required funding (total 60% for the three counties), plus their prorata share of the remainder, based on telephone lines. The County's share for the year ended December 31, 2014 was \$422,316. The purpose of the C.C.E. is to centralize the dispatch of emergency service responders in the three county areas. Financial statements for the C.C.E. may be obtained through C.C.E. Central Dispatch Authority, P.O. Box 866, Petoskey, Michigan, 49770.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to

County of Cheboygan

Notes to the Financial Statements

meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except for agency funds which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

The County reports the following major governmental funds:

The ***General Fund*** is the County's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.

The ***Inverness Township Sewer Debt Fund*** is used to account for expenditures incurred related to water and sewer system debt the county issued on behalf of the township that are financed primarily

County of Cheboygan

Notes to the Financial Statements

through township payments to cover these expenditures.

The *Senior Citizen's Millage Fund* is used to account for expenditures incurred related to the senior population of the County. The primary source of revenue is property taxes.

The *Housing Commission Fund* is used to account for expenditures incurred related housing, the primary source of revenue are grants and principal repayments on notes the county issues.

The County reports the following major enterprise funds:

The *Delinquent Tax Fund* accounts for money advanced by the County to other local taxing units and various County funds to pay for their delinquent real property taxes. Revenues are generated by the collection of the delinquent real property taxes, penalties and interest.

The *Straits Regional Ride Fund* accounts for the expenditures and revenues related to the transportation authority, the primary sources of revenue are charges for services, and state and federal grants.

The *Marina Fund* accounts for the operation of the County marina, the primary revenue source is user charges.

Additionally, the County reports the following fund types:

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

The *capital projects funds* account for the accumulation and disbursement of resources for the construction of governmental fund capital projects.

The *enterprise funds* are used to account for resources that business-type in nature that provide services to residents for a user charge or fee.

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges for services. Operating expenses for the enterprise funds include depreciation on capital assets, labor, supplies and contracted

County of Cheboygan

Notes to the Financial Statements

services. All revenues and expenses are not meeting this definition are reported as nonoperating revenues and expenses.

Cash and Cash Equivalents

The County pools cash resources of various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balances in the pooled cash accounts are available to meet current operating requirements. Cash in excess of current requirements is invested in various interest bearing certificates of deposits and disclosed as part of the County's cash equivalents or investments depending on the original maturity date. Cash and cash equivalents consist of petty cash, checking accounts, temporary investments in certificates of deposit, and money market savings accounts all with original maturities of 90 days or less. Earnings from deposits are allocated to numerous funds as required by federal regulations, state statutes, and local ordinances.

Receivables

Receivables consist of amounts due from governmental units for various financial assistance programs and accounts receivable related to charges for services, special assessments, and notes and leases receivable made in connection with various programs.

All trade and property tax receivable amounts are shown as net of allowance for uncollectable amounts. Property taxes are levied on each December 1st and July 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Inventories and Prepaid Items

Inventories are valued at the lower of cost or market using the first-in first-out (FIFO) method for proprietary fund types. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Inventories consist primarily of fuel costs.

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

Capital Assets

Capital assets are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities and component unit columns. Capital assets are those with an individual initial cost of \$5,000 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical

County of Cheboygan

Notes to the Financial Statements

records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Depreciation is computed using the straight-line method over the following useful lives:

Description	Years
Land improvements	15
Buildings and improvements	15 - 40
Machinery and equipment	3 - 5
Vehicles	4 - 7

Road Commission - Component Unit

The depreciation rates are designed to amortize the cost of the assets over their estimated useful lives as follows:

Description	Years
Land improvements	20
Bridges	25 - 50
Building and improvements	40
Equipment	5 - 8
Roads	8 - 10

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the fund level balance sheet or the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of fund balance/net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then.

The County reports deferred inflows of resources for taxes levied for subsequent periods, special assessments collectible in subsequent periods, and for amounts due from other governmental units for future years debt service obligations. The County does not report any deferred outflows of resources.

County of Cheboygan

Notes to the Financial Statements

Long-term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in a debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

Compensated Absences

It is the County's policy to permit employees to accumulate earned but unused sick and vacation time benefits, Subject to certain limitations. All sick and vacation time pay is accrued when incurred in the governmental-wide statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

Road Commission – In accordance with contracts negotiated with the various employee groups of the Road Commission, individual employees have a vested right upon termination of employment to receive payments for unused sick leave and vacation under formulas and conditions specified in the contracts. All amounts vested are accrued in the government-wide statements (statement of net position).

Unearned Revenues

Unearned revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met.

Interfund Transactions

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

Property Taxes

The County property tax is levied each December 1 and July 1 on the taxable valuation of property located in the County as of the preceding December 31.

County of Cheboygan

Notes to the Financial Statements

The assessed and taxable value of real and personal property for the December 1, 2013 levy, was recognized as revenue in the fiscal year 2014. The general operating tax rate for this levy was at the maximum rate of 5.6592, the county also has a voter approved tax of .5000 mills for senior services and .2500 mills for ambulance services.

By resolution of the Board of Commissioners and agreement with various taxing authorities, the County purchased at face value the real property taxes receivable returned delinquent on March 1, 2014. Subsequent collections of delinquent taxes receivable, plus interest thereon and investment earnings, are used to repay the funds distributed by the Delinquent Tax Fund. This activity is accounted for in the Delinquent Tax (enterprise) Fund.

Net Position Flow Assumption

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

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

Fund Balance Flow Assumptions

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

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Nonspendable fund balance would be equal to inventory, prepaid items, interfund advances, and the nonspendable portion of endowments. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. The government itself can establish limitations on the use of

County of Cheboygan

Notes to the Financial Statements

resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

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

Amounts in the *assigned fund balance* classification are constrained by the County's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the County through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.

Unassigned fund balance is the residual classification for the County's General Fund and includes all spendable amounts not contained in the other classifications and is therefore available to be spent as determined by the County Board of Commissioners.

Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with the modified accrual basis used to reflect actual results in the fund financial statements. This basis is consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for all required governmental fund types.

The County employs the following procedures in establishing budgets:

- a. Each December, after receiving input from the individual departments, the Board of Commissioners prepares a proposed operating budget for the fiscal period commencing January 1st and lapses on December 31st. the operating budget includes proposed expenditures and the means of financing them.
- b. A public hearing is conducted to obtain taxpayers' comments.
- c. Prior to January 1st, the budget are legally enacted through passage of a budget resolution.
- d. Budgetary control is exercised at the departmental level of the General Fund. Any revisions that alter the total expenditures of any department or fund (i.e., budget amendments) require approval by the Board of Commissioners. Such amendments are made in accordance with the procedures prescribed under public Act 621 of 1978.

County of Cheboygan

Notes to the Financial Statements

- e. The County does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds. All unexpended appropriations lapse at year-end.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the reporting period. Actual results could differ from those estimates.

Note 2 – Budgetary Compliance

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount budgeted. The approved budgets of the County were adopted on the activity level basis for the General Fund and the functional basis for special revenue funds.

The County did not incur any expenditures in excess of appropriations during the year ended December 31, 2014.

Note 3 – Cash, Cash Equivalents, and Investments

The County utilizes various pooled cash accounts and investments for approximately fifty (50) funds. The County's pooled cash and investments consist of a common checking and savings account.

The County's pooled cash and investments are utilized by the General Fund, special revenue funds, capital project funds, permanent funds, enterprise funds, trust and agency funds, and component unit funds. Each fund's portion of these pooled accounts is included in the cash, cash equivalents, and investments captions on the combined balance sheet and statement of net position.

The other funds of the County utilize separate savings and interest bearing checking accounts. In addition, certificates of deposit are separately held by several of the County's funds.

In accordance with Michigan Compiled Laws, the County is authorized to invest in the following investment vehicles:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or local office located in

County of Cheboygan

Notes to the Financial Statements

this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 6 of 1855 PA 105, MCL 21.146.

- c. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers' acceptances of United States banks.
- f. Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, 15 USC 80a-1 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of any of the following:
 - (i) The purchase of securities on a when-issued or delivery basis.
 - (ii) The ability to lend portfolio securities as long as the mutual fund receives collateral at all time equal to at least 100% of the value of the securities loaned.
 - (iii) The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes.
- h. Obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the urban cooperation act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, MCL 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

The County's deposits and investment policy are in accordance with statutory authority.

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

	Total Primary Government	Fiduciary Funds	Component Unit	Total Government
Cash and Equivalents	\$ 16,089,962	\$ 1,161,894	\$ 1,398,737	\$ 18,650,593

County of Cheboygan
Notes to the Financial Statements

Deposits consist of the following as of December 31, 2014:

Demand deposits (checking & savings)	\$ 16,066,573
Certificates of deposits	2,581,625
Petty cash and cash on hand	2,395
Total	\$ 18,650,593

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the County’s deposits might not be returned. State law does not require and the County does not have a policy for deposit custodial credit risk. As of year-end, \$17,192,378 of the County’s bank balance of \$18,987,186 was exposed to custodial credit risk because it was uninsured and uncollateralized. Due to the dollar amounts of cash deposits and the limits of FDIC insurance, the County believes it is impractical to insure all bank deposits. As a result, the County evaluates each financial institution with which it deposits County funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO’s). As of December 31, 2014, the County held no investments that were subject to rating by a NRSRO. The County has no investment policy that would further limit its investment choices.

Interest Rate Risk

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 designing its portfolio with the objective of obtaining a rate of return throughout the budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio. The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Maturity’s for the Certificate of Deposits are as follows:

Less than 1 year	\$ 393,704
1 to 5 years	2,187,921
Total	\$ 2,581,625

County of Cheboygan

Notes to the Financial Statements

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 its investments by security type and institution to ensure that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

Note 4 – Receivables and Deferred Inflows of Resources

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are (1) not considered to be available to liquidate liabilities of the current period or (2) intended to finance operations of a subsequent period. Amounts deferred based on availability are recognized in the government-wide statements.

At the end of the current fiscal year, the various components of deferred inflows of resources reported in governmental activities were as follows:

	Revenues Intended to Finance Subsequent Year	Unavailable Revenues	Total
Governmental funds			
Property taxes receivable	\$ 984,323	\$ 376,077	\$ 1,360,400
Grants and accounts receivable	86,990	-	86,990
Note receivable	-	1,200,364	1,200,364
Total	\$ 1,071,313	\$ 1,576,441	\$ 2,647,754

Note 5 – Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds, business-type funds, and component units have been eliminated.

County of Cheboygan

Notes to the Financial Statements

The composition of interfund transfers for the year is as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Delinquent Tax	Nonmajor Governmental Funds	\$ 32,725
General Fund	Nonmajor Governmental Funds	693,450
General Fund	Delinquent Tax	38,984
General Fund	Nonmajor Enterprise Funds	130,778
General Fund - CCE 911 Capital	General Fund	50,733
General Fund - Courthouse Preservation	Delinquent Tax	21,014
General Fund - Courthouse Preservation	General Fund	27,284
General Fund - Social Services	General Fund	970
General Fund - Soldier's Relief	General Fund	1,089
General Fund - Termination Liability	General Fund	49,650
Nonmajor Governmental Funds	Housing Commission	2,738
Nonmajor Governmental Funds	Delinquent Tax	147,301
Nonmajor Governmental Funds	General Fund	855,573
Straits Regional Ride	General Fund	19,334

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

There were no interfund balances as of December 31, 2014.

County of Cheboygan
Notes to the Financial Statements

Note 6 – Capital Assets

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

Governmental Activities	Beginning Balances	Additions	Deletions	Transfers	Ending Balances
Capital assets not being depreciated:					
Land	\$ 1,892,102	\$ -	\$ -	\$ -	\$ 1,892,102
Construction in process	174,123	25,720	-	(165,978)	33,865
<i>Total capital assets not being depreciated</i>	<u>2,066,225</u>	<u>25,720</u>	<u>-</u>	<u>(165,978)</u>	<u>1,925,967</u>
Capital assets being depreciated:					
Land improvements	125,344	180,634	-	121,847	427,825
Buildings and improvements	9,367,948	48,272	-	36,374	9,452,594
Machinery and equipment	1,547,210	77,655	(50,730)	7,757	1,581,892
Vehicles	841,251	97,337	(79,216)	-	859,372
Subtotal	<u>11,881,753</u>	<u>403,898</u>	<u>(129,946)</u>	<u>165,978</u>	<u>12,321,683</u>
Less accumulated depreciation for:					
Land improvements	(49,488)	(14,921)	-	-	(64,409)
Buildings and improvements	(4,472,684)	(272,825)	-	-	(4,745,509)
Machinery and equipment	(1,059,288)	(106,413)	50,231	-	(1,115,470)
Vehicles	(599,178)	(71,279)	55,369	-	(615,088)
Subtotal	<u>(6,180,638)</u>	<u>(465,438)</u>	<u>105,600</u>	<u>-</u>	<u>(6,540,476)</u>
<i>Net capital assets being depreciated</i>	<u>5,701,115</u>	<u>(61,540)</u>	<u>(24,346)</u>	<u>165,978</u>	<u>5,781,207</u>
<i>Total capital assets, net</i>	<u>\$ 7,767,340</u>	<u>\$ (35,820)</u>	<u>\$ (24,346)</u>	<u>\$ -</u>	<u>\$ 7,707,174</u>

Depreciation expense was charged to the following governmental activities:

Governmental Activities:	
Judicial	\$ 32,769
General Government	205,019
Public Safety	147,073
Public Works	33,226
Health and Welfare	40,862
Recreation and Cultural	6,489
Total Governmental Activities	<u>\$ 465,438</u>

The current year depreciation expense in the Governmental Activities of \$465,438 has been adjusted by \$24,346 for the disposal of capital assets during the year, in accordance with GASB Statement No. 34 implementation guide which states that immaterial losses may be handled as an adjustment to the current period's depreciation expense.

County of Cheboygan

Notes to the Financial Statements

Capital asset activity for the business-type activities for the year ended December 31, 2014, was as follows:

Business-type Activities	Beginning Balances	Additions	Deletions	Transfers	Ending Balances
Capital assets not being depreciated:					
Construction in process	\$ 295,186	\$ -	\$ -	\$ (295,186)	\$ -
<i>Total capital assets not being depreciated</i>	<u>295,186</u>	<u>-</u>	<u>-</u>	<u>(295,186)</u>	<u>-</u>
Capital assets being depreciated:					
Buildings and improvements	550,297	10,662	-	-	560,959
Land improvements	995,961	228,111	-	295,186	1,519,258
Machinery and equipment	96,971	-	-	-	96,971
Transportation equipment	1,302,991	115,640	(78,575)	-	1,340,056
Docks	691,940	-	-	-	691,940
Subtotal	<u>3,638,160</u>	<u>354,413</u>	<u>(78,575)</u>	<u>295,186</u>	<u>4,209,184</u>
Less accumulated depreciation for:					
Buildings and improvements	(373,634)	(16,705)	-	-	(390,339)
Land improvements	(484,014)	(32,443)	-	-	(516,457)
Machinery and equipment	(77,606)	(1,985)	-	-	(79,591)
Transportation equipment	(751,167)	(184,555)	78,575	-	(857,147)
Docks	(343,396)	(22,403)	-	-	(365,799)
Subtotal	<u>(2,029,817)</u>	<u>(258,091)</u>	<u>78,575</u>	<u>-</u>	<u>(2,209,333)</u>
<i>Net capital assets being depreciated</i>	<u>1,608,343</u>	<u>96,322</u>	<u>-</u>	<u>295,186</u>	<u>1,999,851</u>
<i>Total capital assets, net</i>	<u>\$ 1,903,529</u>	<u>\$ 96,322</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,999,851</u>

Depreciation expense was allocated to the following business-type activities:

Business-type Activities:	
Marina	\$ 71,551
Straits Regional Ride	186,540
Total Business-type Activities	<u>\$ 258,091</u>

County of Cheboygan

Notes to the Financial Statements

Capital asset activity for the road commission for the year ended December 31, 2014, was as follows:

Road Commission	Beginning Balances	Additions	Deletions	Ending Balances
Capital assets not being depreciated:				
Land and improvements	\$ 10,974,278	\$ 86,103	\$ -	\$ 11,060,381
Right-of-ways	87,308	-	-	87,308
<i>Total capital assets not being depreciated</i>	<u>11,061,586</u>	<u>86,103</u>	<u>-</u>	<u>11,147,689</u>
Capital assets being depreciated:				
Buildings and improvements	4,004,327	-	-	4,004,327
Equipment	7,795,011	370,075	(35,378)	8,129,708
Yard and storage	291,957	-	-	291,957
Infrastructure	25,910,710	931,501	(523,818)	26,318,393
Depletable assets	27,085	-	(120)	26,965
Subtotal	<u>38,029,090</u>	<u>1,301,576</u>	<u>(559,316)</u>	<u>38,771,350</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,097,845)	(173,176)	-	(2,271,021)
Land improvements	(7,296,626)	(165,617)	35,189	(7,427,054)
Machinery and equipment	(221,925)	(15,899)	-	(237,824)
Transportation equipment	(9,975,485)	(1,131,770)	523,818	(10,583,437)
Docks	(15,332)	-	-	(15,332)
Subtotal	<u>(19,607,213)</u>	<u>(1,486,462)</u>	<u>559,007</u>	<u>(20,534,668)</u>
<i>Net capital assets being depreciated</i>	<u>18,421,877</u>	<u>(184,886)</u>	<u>(309)</u>	<u>18,236,682</u>
<i>Total capital assets, net</i>	<u>\$ 29,483,463</u>	<u>\$ (98,783)</u>	<u>\$ (309)</u>	<u>\$ 29,384,371</u>

Note 7 – Capital Lease

The County leases a Pitney Bowes postage machine under a capital lease with monthly payments of \$487 with no interest. The lease qualifies as a capital lease for accounting purposes and therefore has been recorded at the present value of future minimum lease payments as of the inception date.

County of Cheboygan
Notes to the Financial Statements

The future minimum lease obligations and the net present values are as follows:

	2015	\$ 5,840
	2016	5,840
	2017	5,841
	2018	5,841
	2019	<u>2,920</u>
	Total minimum lease payments	26,282
	Less amount representing interest	<u>-</u>
	Present value of minimum lease payment	<u>\$ 26,282</u>

Note 8 – Long-term Debt

The following is a summary of changes in long-term debt (including current portion) of the County Road Commission for the year ended December 31, 2014.

Road Commission	<u>Beginning Balances</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balances</u>	<u>Due Within One Year</u>
2004 MTF Bond	\$ 105,000	\$ -	\$ 105,000	\$ -	\$ -
2013 MTF Refunding Bond	2,285,000	-	45,000	2,240,000	125,000
Installment Purchase Agreement	-	219,000	17,500	201,500	70,000
Total Road Commission	<u>\$ 2,390,000</u>	<u>\$ 219,000</u>	<u>\$ 167,500</u>	<u>\$ 2,441,500</u>	<u>\$ 195,000</u>

The annual requirements to pay the debt principal and interest outstanding for the following debts are as follows:

	Road Commission	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 195,000	\$ 65,328
2016	204,000	60,632
2017	192,500	55,732
2018	135,000	52,170
2019	140,000	49,420
2020-2024	735,000	197,944
2025-2029	840,000	78,109
Totals	<u>\$ 2,441,500</u>	<u>\$ 559,335</u>

Compensated Absences

Vacation is earned in carrying amounts depending on the number of years of services of the employee and is made available to the employee at their anniversary date, not to exceed a total accumulation of 25 days for union employees, administrative and nonunion supervisory

County of Cheboygan

Notes to the Financial Statements

employees. Vacations is payable at 100% to employees when they terminate employment.

Sick leave is accumulated at the rate of one day each month of service, not to exceed a total accumulation of 45 – 100 days for court employees, 90 days for sheriff's department employees, and 30 days for all other employees.

Sick leave is payable at 50% at termination, retirement or death for the sheriff's department employees only.

A summary of vested employee benefits payable for the primary government, as of December 31, 2014, is as follows:

Primary Government	Beginning Balances	Change (net)	Ending Balances
Vacation	\$ 197,043	\$ (7,762)	\$ 189,281
Sick	119,556	(12,483)	107,073
Total	<u>\$ 316,599</u>	<u>\$ (20,245)</u>	<u>\$ 296,354</u>

Road Commission - Compensated Absences

The compensated absences represent vested sick and vacation benefits due to Road Commission employees upon termination of employment with the Road Commission. The balance at December 31, 2014 is \$236,617.

Note 9 – Retirement System

Primary Government

Plan description

The County participates in the Michigan Municipal Employees Retirement System (MERS), an agent multiple employer public retirement system. MERS is authorized and operated under State law, Act 135 of the Public Acts of 1945, as amended. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the Retirement System at 1134 Municipal Way, Lansing, Michigan 48917. All full-time County employees are covered by the retirement system with exception of the Road Commission employees. The Road Commission employees are covered under a separate retirement plan.

County of Cheboygan

Notes to the Financial Statements

Funding Policy

The County is required to contribute at an actuarially determined rate. The current rate for the County is shown as a percentage of payroll, depending on the employee group. Participating employees are required to contribute a percentage of their annual salary, depending on their assigned department. The contribution requirements of the County are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members are established and may be amended by negotiation with the County's competitive bargaining unit and personnel policy, which requires employees to contribute to the plan.

The 2014 rates for the county and employees, which were set in the 2012 actuarial valuation, are as follows:

Division	Employer Valuation Payroll 2012 Valuation	Employee Percentage of Payroll 2012 Valuation
General	14.26%	3.5%
Sheriff (GELC)	13.63%	3.5%
Elected/Apntd.	12.65%	3.5%
Sheriff (POLC)	14.47%	3.0%

Annual Pension Cost

For the year ended December 31, 2014, the annual pension cost of \$723,457 was equal to the required and actual contributions of the County. The estimated annual required contribution was determined as part of actuarial valuations at December 31, 2012, using the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used in determining the pension benefit obligation include (1) a rate of return on the investment of present and future assets of 8.0%, (2) projected salary increases of 4.5% per year, attributable to seniority/merit, longevity, and promotional salary increases. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 25 years depending on division. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his or her projected benefit.

County of Cheboygan

Notes to the Financial Statements

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

Schedule of Employer Contributions

Year Ended December 31	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2012	\$ 673,432	100%	\$ -
2013	671,114	100%	-
2014	723,457	100%	-

The information presented above was determined as part of the actuarial valuations at the dates indicated.

Funded Status and Funding Progress

As of December 31, 2013, the most recent actuarial valuation date, the plan was 80 percent funded. The actuarial accrued liability for benefits was \$22,567,319 and the actuarial value of assets was \$18,042,588, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,524,731. The covered payroll (annual payroll of active employees covered by the plan) was \$4,972,232, and the ratio of the UAAL to the covered payroll was 91 percent. The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Road Commission

Plan Description

The Road Commission participates in the Michigan Municipal Employees Retirement System (MERS); an agent multiple employer state-wide, public employee defined benefit pension plan created under Public Act 135 of 1945, and now operates under Public Act 220 of 1996, and the MERS Plan Document as revised. MERS was established to provide retirement, survivor and disability benefits on a voluntary basis to the State of Michigan's local government employees. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 1134 Municipal Way, Lansing, Michigan 48917 or by calling (800) 767-6377.

County of Cheboygan

Notes to the Financial Statements

Funding Policy

Effective April 1, 2013, the division for general and salaried employees was closed to new hires, transfers, and rehires. Contributions on behalf of these participants after April 1, 2013 were based on an actuarially determined flat rate. For fiscal 2014, the rate was \$37,030 per month. A new division for new hires, transfers, and rehires was established on April 1, 2013, requiring contributions of 10.14% of wages. The contribution requirements of plan members and the Road Commission are established and may be amended by the Road Commission, depending on the MERS contribution program adopted by the Road Commission.

The required contribution was determined as part of the December 31, 2012 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions include (a) a rate of return on the investment of present and future assets of 8% per year compounded annually, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0% to 8.40% per year, depending on age, attributable to seniority/merit, and (d) the assumption that benefits will increase 2.5% per year (annually) after retirement, for persons under Benefit E-1 or E-2. The actuarial value of MERS assets was determined using techniques on a basis of evaluation method that assumes the funds earn the expected rate of return (8%) and includes as an adjustment to reflect market value. The standard amortization period to fund the unfunded liability is 26 years for positive unfunded liabilities in the 2012 valuation. This period will be reduced by one year in each of the next eight annual valuations. Beginning with the 2019 valuation the 20-year period will be reestablished with each annual valuation. The standard amortization period for negative unfunded liabilities is 10 years, with the 10-year period reestablished with each annual actuarial valuation. The level percentage of payroll is used to amortize the unfunded actuarial accrued liability.

Annual Pension Cost and Net Pension Asset

For the year ended December 31, 2014, the Road Commission's annual pension cost and required contribution was \$452,133. During the year ended December 31, 2014, employer contributions of \$559,268 were made by the Road Commission.

Annual required contribution (ARC)	\$ 452,133
Interest on the prior year's net pension obligation	-
Adjustments to ARC	-
Annual pension cost	<u>452,133</u>
Amounts contributed:	
Contributions made	<u>559,268</u>
Increase/(decrease) in net pension asset	<u>107,135</u>
Net pension asset - beginning of year	-
Net pension asset - end of year	<u>\$ 107,135</u>

County of Cheboygan

Notes to the Financial Statements

Following is the Road Commission’s annual pension cost three year trend information:

Schedule of Employer Contributions

Year Ended December 31	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset
2012	\$ 542,596	100%	\$ -
2013	518,386	100%	-
2014	452,133	124%	107,135

Funded Status and Funding Progress

As of December 31, 2013, the most recent actuarial valuation date, the plan was 53 percent funded. The actuarial accrued liability for benefits was \$18,171,674 and the actuarial value of assets was \$9,695,382, resulting in an unfunded actuarial accrued liability (UAAL) of \$8,476,292. The covered payroll (annual payroll of active employees covered by the plan) was \$1,422,946, and the ratio of the UAAL to the covered payroll was 596 percent. The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Defined Contribution Plan

Effective November 1, 2014, the Road Commission established a defined contribution plan through MERS. The defined contribution plan is only eligible to the managing director. The defined contribution plan requires the Road Commission to contribute 8% of the managing director’s compensation. The managing director is required to contribute 3% of compensation. Vesting for the defined contribution plan is as follows: 0% for the first two years of service, and then increases by 25% each service year thereafter. The defined contribution plan fully vests after 6 years of service. Employer contributions to the plan for the year ended December 31, 2014 were \$258.

Deferred Compensation Plan

Effective July 18, 2013, the Road Commission now offers a MERS 457 Supplemental Retirement Program Plan, created in accordance with the Internal Revenue Code Section 457, which covers all full time employees and commissioners, as well as the managing director. The assets of the deferred compensation plan are held in trust for the exclusive benefit of the participants and their beneficiaries. MERS as the custodian holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The administrators are agents of the Road Commission for purposes of providing direction to MERS from time to time for the investment of funds held in the account, transfer of assets to or from the

County of Cheboygan

Notes to the Financial Statements

account and all other matters. In accordance with the provisions of GASB Statement No. 32, plan balances and activities are not reflected in the Road Commission's financial statements.

Note 10 – Other Post-Employment Benefits

Road Commission – Component Unit

Plan Description

In addition to the pension benefits described in the prior footnote, the Road Commission provides postemployment benefits through a single-employer defined benefit healthcare plan (the "Retiree Health Plan") to eligible employees who retire from the Road Commission. Benefits provided by the plan consist of healthcare, dental, and prescription drug coverage. Benefit provisions are established through negotiations between the Road Commission's management, the Board of Commissioners, and the various bargaining units.

The plan does not issue a separate stand-alone financial statement.

Funding Policy

The Road Commission recognizes the cost of providing these benefits on a pay-as-you-go method for current retirees. The plan requires no member contributions for Road Commission employees. The Road Commission can periodically make contributions to an irrevocable trust to provide advance funds for these benefits which are counted towards the ARC contribution. During the year total contributions were \$618,971.

Annual Pension Cost

The Road Commission's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount calculated in accordance with the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members. The ARC represents the level of funding necessary to cover the normal cost each year and the amortization of any unfunded actuarial liabilities (or funding excess) amortized over a period not to exceed thirty years.

County of Cheboygan

Notes to the Financial Statements

The Road Commission’s annual OPEB cost for the year, the amount actually contributed, and changes in the net OPEB obligation are as follows:

Annual required contribution	\$ 1,060,726
Interest on net OPEB obligation	97,340
Adjustment to ARC	<u>(90,459)</u>
Annual OPEB cost (expense)	1,067,607
Contributions made	<u>618,971</u>
Increase in net OPEB obligation	448,636
OPEB obligation - beginning of year	<u>1,390,578</u>
OPEB obligation - end of year	<u>\$ 1,839,214</u>

Following is the Road Commission’s annual OPEB cost three year trend information:

<u>Year Ended</u> <u>December 31</u>	<u>Annual OPEB</u> <u>Cost</u>	<u>Percentage</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u> <u>(Asset)</u>
2012	\$ 723,097	78.40%	\$ 1,155,806
2013	724,100	67.58%	1,390,578
2014	1,067,607	57.98%	1,832,214

Funding Progress

As of December 31, 2014, the most recent actuarial valuation date, the plan was 1.87 percent funded. The actuarial accrued liability for benefits was \$14,257,885 and the actuarial value of assets was \$265,967, resulting in an unfunded actuarial accrued liability (UAAL) of \$13,991,818. The covered payroll (annual payroll of active employees covered by the plan) was \$1,835,645, and the ratio of the UAAL to the covered payroll was 762 percent. The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented above,

County of Cheboygan

Notes to the Financial Statements

presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the 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 simplifying assumptions were made:

Retirement Age of Active Employees – Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 55 or 60, depending on the applicable bargaining units benefit provisions.

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

Mortality – Life expectancies were based on mortality tables from the National Center for Health Statistics. The United States Life Tables for Males and for Females were obtained from the Center for Disease Control (www.cdc.gov). The most recent data are the life tables for males and females, 2010 version (Tables 2 and 3 from the National Vital Statistics Report, Vol. 63, No. 7 dated November 6, 2014).

Turnover – Nongroup-specific age-based turnover data from GASB Statement No. 45 was used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Healthcare Cost Trend Rate – The expected rate of increase in healthcare insurance premiums was based on projections of the Office of the Actuary at the Centers for Medicare & Medicaid Services. The rate was estimated at 5.6 percent for 2010, increasing each year to 6.2 percent in 2021 and for years thereafter.

Health Insurance Premiums – 2015 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Inflation Rate – The expected long-term inflation assumption of 2.0 percent was based on projected changes in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) in *The 2010 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds* for an intermediate growth scenario.

County of Cheboygan

Notes to the Financial Statements

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

Based on historical and expected returns of the short-term investment portfolio, a discount rate of 5 percent and 7 percent investment rate was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open period with a remaining amortization period of 30 years.

Note 11 – Contingent Liabilities

Primary Government and Component Unit

The County participates in a number of Federal and State assisted grant programs that are subject to compliance audits. The Single Audit of the Federal Programs and the periodic program compliance audits of many of the State programs have not yet been completed or final resolution has not been received. Accordingly, the County's compliance with applicable grant requirements will be established at some future date. 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 Road Commission is involved in a lawsuit concerning breach of contract in regards to retiree health care. The Plaintiffs (22 retirees) allege that the Road Commission breached a contract when it voted to switch health care coverage for retirees to the same coverage provided to active employees. The Plaintiffs are alleging that they were entitled to retain the same health benefits for life that were in place at the time of their retirement. The Road Commission intends to continue to vigorously defend this case. The Road Commission's legal counsel has concluded, based in part from discussions with Road Commission management, that the potential of an unfavorable outcome in this area is somewhat likely. However, the Plaintiffs have been ordered to turn over discovery to the Road Commission and, at this time, have failed to comply. Thus, potential damages have yet to be determined, and a reasonable estimate for possible loss contingency cannot be made.

Note 12 – Risk Management

Primary Government

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

County of Cheboygan

Notes to the Financial Statements

The authority has entered into reinsurance agreements providing for loss coverage in excess of the amounts to be retained by the Authority and individual members.

In the event a reinsurance company does not meet its obligation to the Authority, responsibility for payment of any unreimbursed claims will be that of the Authority Reinsurance Fund.

The Authority has retained certain levels of risk rather than obtaining coverage through reinsurance agreements. The Authority established the Authority Reinsurance Fund in order to participate in the reinsurance agreements. Individual members are provided the same level of coverage previously afforded through a combination of the reinsurance agreements and the Reinsurance Fund. In addition, the Authority purchases insurance for certain risks not covered by the reinsurance agreements.

The reinsurance agreements discussed above include provisions for minimum annual premiums. As of December 31, 2014, the Authority had met the minimum requirements.

The County is a “state pool member” for the self-insured retention portion of liabilities and as such pays deductibles of only \$250 per vehicle and \$150 per occurrence for property and crime coverage. The County’s annual MMRMA premium includes a fee to participate as a “state pool member” for self-insured retention.

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

Road Commission

The Road Commission is a member of the Michigan County Road Commission Self-Insurance Pool (the “Pool”) established pursuant to the laws of the State of Michigan, which authorize contracts between municipal corporations (inter-local agreements) to form group self-insurance pools, and to prescribe conditions to the performance of these contracts.

The Pool was established for the purpose of making a self-insurance pooling program available for Michigan County Road Commissions which includes, but is not limited to, general liability coverages, auto liability coverages, property insurance coverages, stop loss insurance protection, claims administration, and risk management and loss control services pursuant to Michigan Public Act 138 of 1982.

The Road Commission pays an annual premium to the Pool for property (buildings and contents) coverage, automobile and equipment liability, errors or omissions liability and bodily injury, property damage and personal injury liability. The agreement for the formation of the Pool provides that the Pool will be self-sustaining through member premiums and will purchase both specific and aggregate stop-loss insurance to the limits determined necessary by the Pool Board.

County of Cheboygan

Notes to the Financial Statements

The Road Commission is also a member of the County Road Association Self-Insurance Fund (the "Fund") for workers' compensation self-insurance. The Fund is a municipal self-insurance entity operating within the laws of the State of Michigan. The Fund has entered into reinsurance agreements providing for loss coverage in excess of amounts to be retained by the Fund.

The Road Commission is self-insured for health care benefits with the administrative services of the program being performed by a health insurance provider. The Road Commission makes monthly payments, based on estimated claims and a stop-loss provision, which are adjusted quarterly. The Road Commission pays claims up to \$40,000 per contract per contract year. Stop-loss insurance has been purchased to insure the Road Commission against losses in excess of these limits. Based on past history, the Road Commission has estimated the accrued health care claims, including an estimate for claims incurred but not reported (IBNR), of \$40,000 at December 31, 2014, which is recorded as current liabilities in the fund financial statements. Changes in the balance of claims liability are as follows:

	2014	2013
Unpaid claims, beginning of year	\$ 40,000	\$ 40,000
Incurred claims (including IBNR's)	650,413	547,779
Claims paid	(650,413)	(547,779)
Unpaid claims, end of year	40,000	40,000
Less current portion	40,000	40,000
Long-term liabilities	\$ -	\$ -

Note 13 – Restricted Net Position / Fund Balances - Governmental Funds

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

Restricted net position is composed of the same components of restarted fund balance, as shown in the table on the following page:

County of Cheboygan
Notes to the Financial Statements

	General Fund	Senior Citizen's Millage	Inverness Township Sewer Debt	Housing Commission	Other Governmental Funds	Total Governmental Funds
Restricted						
Senior Citizens	\$ -	\$ 127,295	\$ -	\$ -	\$ -	\$ 127,295
Housing	-	-	-	171,904	-	171,904
Revenue Sharing Reserve	-	-	-	-	420,630	420,630
Debt Service	-	-	5,344	-	-	5,344
	<u>-</u>	<u>127,295</u>	<u>5,344</u>	<u>171,904</u>	<u>420,630</u>	<u>725,173</u>
Committed						
Casflow assistance	71,136	-	-	-	-	71,136
Local Grants	14,556	-	-	-	-	14,556
LEPC	6,260	-	-	-	-	6,260
Capital improvements	129,392	-	-	-	-	129,392
Drain Fund	-	-	-	-	100	100
Other	61,951	-	-	-	-	61,951
	<u>283,295</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100</u>	<u>283,395</u>
Assigned						
Family Counseling	-	-	-	-	21,218	21,218
Termination Liability	17,647	-	-	-	-	17,647
Public Act 302 Training	-	-	-	-	9,715	9,715
Probation Enhancement	-	-	-	-	16,326	16,326
Victim's Restitution	-	-	-	-	104	104
Remonumentation Grant	-	-	-	-	23,610	23,610
Community Projects	-	-	-	-	2,818	2,818
Doris Reid Building	-	-	-	-	54,159	54,159
Recycling	-	-	-	-	29,443	29,443
CCE 911 Surcharge	-	-	-	-	319	319
Public Improvement	-	-	-	-	6,041	6,041
Register of Deeds Automation	-	-	-	-	337,680	337,680
Disaster Contingency	10,000	-	-	-	-	10,000
Sheriff Special Projects	-	-	-	-	1,557	1,557
ORV	-	-	-	-	1,650	1,650
Local Corrections Training	-	-	-	-	18,349	18,349
D.A.R.E.	-	-	-	-	3,559	3,559
Drug Court	-	-	-	-	8,437	8,437
Sobriety Court	-	-	-	-	8,656	8,656
Veterans Assistance	-	-	-	-	19,611	19,611
SAYPA	-	-	-	-	24,395	24,395
Child Care	-	-	-	-	48,306	48,306
Veterans Trust	-	-	-	-	1,560	1,560
DAV Van	-	-	-	-	600	600
CCE 911 Development	268,178	-	-	-	-	268,178
	<u>295,825</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>638,113</u>	<u>933,938</u>
Unassigned	<u>6,649,712</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,649,712</u>
Total fund balances - governmental funds	<u>\$ 7,228,832</u>	<u>\$ 127,295</u>	<u>\$ 5,344</u>	<u>\$ 171,904</u>	<u>\$ 1,058,843</u>	<u>\$ 8,592,218</u>

Note 14 – Restatements

The County restated beginning fund balance as of January 1, 2014 as follows:

- The beginning fund balance of the General Fund was decreased by \$414,943 to account for taxes receivable collected outside of 60 days not recorded in prior reporting periods.

REQUIRED SUPPLEMENTARY INFORMATION

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

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative) Final to Actual
Revenues				
Taxes	\$ 7,738,075	\$ 7,738,075	\$ 7,885,021	\$ 146,946
Licenses and Permits	51,000	51,000	50,931	(69)
Federal Sources	116,653	163,557	135,906	(27,651)
State Sources	573,027	562,949	574,107	11,158
Local Sources	48,482	50,288	53,219	2,931
Charges for Services	1,178,464	1,221,388	1,214,688	(6,700)
Fines and Penalties	21,000	27,657	31,568	3,911
Interest and Rentals	68,700	68,700	70,566	1,866
Refunds and Reimbursements	136,450	136,450	219,608	83,158
Other Revenue	5,000	5,000	21,032	16,032
Total Revenues	<u>9,936,851</u>	<u>10,025,064</u>	<u>10,256,646</u>	<u>231,582</u>
Other Financing Sources				
Other Financing Sources	--	--	29,202	29,202
Transfers In	1,365,181	1,366,191	1,013,954	(352,237)
Total Revenues and Other Financing Sources	<u>11,302,032</u>	<u>11,391,255</u>	<u>11,299,802</u>	<u>(91,453)</u>
Expenditures				
Legislative				
Board of Commissioners	<u>127,078</u>	<u>124,763</u>	<u>112,203</u>	<u>12,560</u>
Judicial				
Circuit Court	294,574	293,696	273,822	19,874
District Court	554,014	560,153	540,134	20,019
Victim's Rights	67,006	69,792	65,728	4,064
Jury Board	8,650	8,650	5,158	3,492
Probate Court	570,420	574,413	563,691	10,722
Total Judicial	<u>1,494,664</u>	<u>1,506,704</u>	<u>1,448,533</u>	<u>58,171</u>
General Government				
Elections	30,922	30,673	27,622	3,051
Finance	262,273	276,621	274,219	2,402
Administrative Office	194,397	201,277	193,169	8,108
County Clerk/Register of Deeds	390,487	394,919	393,230	1,689
Equalization	232,027	233,866	228,151	5,715
Information Systems	248,071	245,510	220,412	25,098
Prosecuting Attorney	548,218	555,221	531,370	23,851
GIS	66,139	65,865	62,114	3,751
Treasurer	207,935	208,483	201,623	6,860
Tax Allocation Board	730	730	615	115
Maintenance	425,174	427,884	416,556	11,328
Major Equipment & Building	127,000	86,925	52,156	34,769
Human Resources	2,650	2,538	1,304	1,234
Drain Commission	5,090	5,090	3,260	1,830
County Surveyor	1,025	1,300	1,162	138
MSU Extension	121,876	121,201	121,197	4
Soil Conservation	13,425	13,425	12,899	526
Termination Liability	82,300	82,300	65,970	16,330
Disaster Contingency	10,000	10,000	--	10,000
General	485,450	484,327	473,160	11,167
Total General Government	<u>3,455,189</u>	<u>3,448,155</u>	<u>3,280,189</u>	<u>167,966</u>

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

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative) Final to Actual
Expenditures				
Public Safety				
Sheriff	1,451,423	1,487,179	1,449,654	37,525
ORV Enforcement	14,585	14,283	14,283	--
CCE 911	481,845	481,936	442,447	39,489
Marine Safety	95,763	97,062	91,306	5,756
Snowmobile Safety	14,118	14,118	13,037	1,081
Secondary Road Patrol	69,864	70,078	67,707	2,371
Stonegarden	42,000	68,904	68,567	337
Local Grants	9,543	9,611	8,994	617
Federal Grants	--	20,335	20,335	--
Canine Unit	5,000	5,000	2,307	2,693
Corrections/Communications	1,415,322	1,418,292	1,392,212	26,080
Emergency Management Services	54,414	54,414	49,582	4,832
Jaws of Life	3,662	3,662	3,662	--
Animal Control	143,200	143,480	143,403	77
Total Public Safety	<u>3,800,739</u>	<u>3,888,354</u>	<u>3,767,496</u>	<u>120,858</u>
Community & Economic Development				
Planning and Zoning	<u>401,872</u>	<u>388,895</u>	<u>380,372</u>	<u>8,523</u>
Health & Welfare				
Health Department	208,004	208,004	207,616	388
Mental Health	111,995	111,995	111,995	--
Medical Examiner	22,315	22,545	11,461	11,084
Soldier's Relief	5,000	5,000	1,089	3,911
Social Services Medical	7,400	7,400	970	6,430
Veterans Services	143,190	143,836	128,003	15,833
Total Health & Welfare	<u>497,904</u>	<u>498,780</u>	<u>461,134</u>	<u>37,646</u>
Recreation & Culture				
Airport Operations	89,250	89,250	87,250	2,000
Fairgrounds and Events	31,700	32,924	26,099	6,825
Total Recreation & Culture	<u>120,950</u>	<u>122,174</u>	<u>113,349</u>	<u>8,825</u>
Other Expenditures				
Insurance	168,225	168,225	144,222	24,003
Other Miscellaneous	62,338	1,307	249	1,058
Total Other Expenditures	<u>230,563</u>	<u>169,532</u>	<u>144,471</u>	<u>25,061</u>
Debt Service				
Principal	--	7,337	7,337	--
Interest	--	74	74	--
Total Debt Service	<u>--</u>	<u>7,411</u>	<u>7,411</u>	<u>--</u>
Capital Outlay	<u>444,942</u>	<u>495,382</u>	<u>197,012</u>	<u>298,370</u>
Total Expenditures	<u>10,573,901</u>	<u>10,650,150</u>	<u>9,912,170</u>	<u>737,980</u>
Other Financing Uses				
Transfers Out	<u>1,230,268</u>	<u>1,305,996</u>	<u>1,004,634</u>	<u>301,362</u>
Total Expenditures and Other Financing Uses	<u>11,804,169</u>	<u>11,956,146</u>	<u>10,916,804</u>	<u>1,039,342</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>(502,137)</u>	<u>(564,891)</u>	<u>382,998</u>	<u>947,889</u>
Net Change in Fund Balance	<u>(502,137)</u>	<u>(564,891)</u>	<u>382,998</u>	<u>947,889</u>
<i>Fund Balance at Beginning of Period</i>	6,845,834	6,845,834	6,845,834	--
Fund Balance at End of Period	<u>\$ 6,343,697</u>	<u>\$ 6,280,943</u>	<u>\$ 7,228,832</u>	<u>\$ 947,889</u>

County of Cheboygan
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Senior Citizen's Millage Fund
For the Year Ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative) Final to Actual
Revenues				
Taxes	\$ 644,559	\$ 644,559	\$ 646,734	\$ 2,175
Other Revenue	138	138	370	232
Total Revenues	<u>644,697</u>	<u>644,697</u>	<u>647,104</u>	<u>2,407</u>
Other Financing Sources				
Total Revenues and Other Financing Sources	<u>644,697</u>	<u>644,697</u>	<u>647,104</u>	<u>2,407</u>
Expenditures				
Health & Welfare	689,301	689,301	652,231	37,070
Total Expenditures	<u>689,301</u>	<u>689,301</u>	<u>652,231</u>	<u>37,070</u>
Other Financing Uses				
Total Expenditures and Other Financing Uses	<u>689,301</u>	<u>689,301</u>	<u>652,231</u>	<u>37,070</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>(44,604)</u>	<u>(44,604)</u>	<u>(5,127)</u>	<u>39,477</u>
Net Change in Fund Balance	<u>(44,604)</u>	<u>(44,604)</u>	<u>(5,127)</u>	<u>39,477</u>
<i>Fund Balance at Beginning of Period</i>	132,422	132,422	132,422	--
Fund Balance at End of Period	<u>\$ 87,818</u>	<u>\$ 87,818</u>	<u>\$ 127,295</u>	<u>\$ 39,477</u>

County of Cheboygan
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Inverness Township Sewer Debt Fund
For the Year Ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative) Final to Actual
Revenues				
Local Sources	\$ 217,000	\$ 217,000	\$ 214,269	\$ (2,731)
Interest and Rentals	--	--	3	3
Total Revenues	<u>217,000</u>	<u>217,000</u>	<u>214,272</u>	<u>(2,728)</u>
Other Financing Sources				
Total Revenues and Other Financing Sources	<u>217,000</u>	<u>217,000</u>	<u>214,272</u>	<u>(2,728)</u>
Expenditures				
Principal	85,000	85,000	85,000	--
Interest	132,000	132,000	129,269	2,731
Total Expenditures	<u>217,000</u>	<u>217,000</u>	<u>214,269</u>	<u>2,731</u>
Other Financing Uses				
Total Expenditures and Other Financing Uses	<u>217,000</u>	<u>217,000</u>	<u>214,269</u>	<u>2,731</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>--</u>	<u>--</u>	<u>3</u>	<u>3</u>
Net Change in Fund Balance	<u>--</u>	<u>--</u>	<u>3</u>	<u>3</u>
Fund Balance at Beginning of Period	5,341	5,341	5,341	--
Fund Balance at End of Period	<u>\$ 5,341</u>	<u>\$ 5,341</u>	<u>\$ 5,344</u>	<u>\$ 3</u>

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative) Final to Actual
Revenues				
Federal Sources	\$ 7,500	\$ 7,500	\$ --	\$ (7,500)
State Sources	87,500	87,500	60,166	(27,334)
Interest and Rentals	--	--	45	45
Other Revenue	11,400	11,400	71,623	60,223
Total Revenues	<u>106,400</u>	<u>106,400</u>	<u>131,834</u>	<u>25,434</u>
Other Financing Sources				
Total Revenues and Other Financing Sources	<u>106,400</u>	<u>106,400</u>	<u>131,834</u>	<u>25,434</u>
Expenditures				
Health & Welfare	128,125	125,125	62,766	62,359
Total Expenditures	<u>128,125</u>	<u>125,125</u>	<u>62,766</u>	<u>62,359</u>
Other Financing Uses				
Transfers Out	--	3,000	2,738	262
Total Expenditures and Other Financing Uses	<u>128,125</u>	<u>128,125</u>	<u>65,504</u>	<u>62,621</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>(21,725)</u>	<u>(21,725)</u>	<u>66,330</u>	<u>88,055</u>
Net Change in Fund Balance	<u>(21,725)</u>	<u>(21,725)</u>	<u>66,330</u>	<u>88,055</u>
<i>Fund Balance at Beginning of Period</i>	105,574	105,574	105,574	--
Fund Balance at End of Period	<u>\$ 83,849</u>	<u>\$ 83,849</u>	<u>\$ 171,904</u>	<u>\$ 88,055</u>

County of Cheboygan
MERS Agent Multiple-Employer Defined Benefit Pension Plan
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll
12/31/11	\$ 16,311,342	\$ 20,553,771	\$ (4,242,429)	79%	\$ 4,984,285	85%
12/31/12	17,081,726	21,473,460	(4,391,734)	80%	5,079,917	86%
12/31/13	18,042,588	22,567,319	(4,524,731)	80%	4,972,232	91%

Schedule of Employer Contributions

Year Ended December 31	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2012	\$ 673,432	100%	\$ -
2013	671,114	100%	-
2014	723,457	100%	-

Cheboygan County Road Commission
MERS Agent Multiple-Employer Defined Benefit Pension Plan
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll
12/31/11	\$ 9,829,050	\$ 17,245,637	\$ (7,416,587)	57%	\$ 1,648,619	450%
12/31/12	9,781,802	17,398,006	(7,616,204)	56%	1,570,586	485%
12/31/13	9,695,382	18,171,674	(8,476,292)	53%	1,422,946	596%

Schedule of Employer Contributions

Year Ended December 31	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset
2012	\$ 542,596	100%	\$ -
2013	518,386	100%	-
2014	452,133	124%	107,135

**Cheboygan County Road Commission
Retiree Healthcare Plan
Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll
12/31/2008	\$ -	\$ 8,259,076	\$ (8,259,076)	0%	\$ 1,876,594	440%
12/31/2011	51,667	7,968,733	(7,917,066)	0.65%	1,688,622	469%
12/31/2014	265,967	14,257,885	(13,991,918)	1.87%	1,835,645	762%

Schedule of Employer Contributions

Year Ended December 31	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation (Asset)
2012	\$ 723,097	78.40%	\$ 1,155,806
2013	724,100	67.58%	1,390,578
2014	1,067,607	57.98%	1,832,214

OTHER SUPPLEMENTARY INFORMATION

County of Cheboygan
General Funds Combining Balance Sheet
All Funds Treated as General
December 31, 2014

	General Fund	Termination Liability	Jaws of Life	Disaster Contingency	Courthouse Preservation	CCE 911 Capital	Social Services	Soldier's Relief	Total General Funds
ASSETS									
Cash and Equivalents	\$ 7,078,962	\$ 22,095	\$ --	\$ 10,000	\$ 982	\$ 268,178	\$ 91	\$ --	\$ 7,380,308
Receivables	76,018	--	--	--	--	--	--	--	76,018
Taxes Receivable	490,176	--	--	--	--	--	--	--	490,176
Due from Governmental Units	64,693	--	--	--	--	--	--	--	64,693
Due from Other Funds	84,131	--	--	--	--	--	--	--	84,131
Total Assets	\$ 7,793,980	\$ 22,095	\$ --	\$ 10,000	\$ 982	\$ 268,178	\$ 91	\$ --	\$ 8,095,326
LIABILITIES									
Accounts Payable	\$ 102,373	\$ --	\$ --	\$ --	\$ 982	\$ --	\$ 91	\$ --	\$ 103,446
Accrued Liabilities	295,533	4,448	--	--	--	--	--	--	299,981
Total Liabilities	397,906	4,448	--	--	982	--	91	--	403,427
DEFERRED INFLOWS OF RESOURCES									
Unavailable Revenues	376,077	--	--	--	--	--	--	--	376,077
Revenues Intended to Finance a Subsequent Year	86,990	--	--	--	--	--	--	--	86,990
Total Liabilities and Deferred Inflows of Resources	860,973	4,448	--	--	982	--	91	--	866,494
FUND BALANCE									
Committed	283,295	--	--	--	--	--	--	--	283,295
Assigned	--	17,647	--	10,000	--	268,178	--	--	295,825
Unassigned	6,649,712	--	--	--	--	--	--	--	6,649,712
Total Fund Balance	6,933,007	17,647	--	10,000	--	268,178	--	--	7,228,832
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 7,793,980	\$ 22,095	\$ --	\$ 10,000	\$ 982	\$ 268,178	\$ 91	\$ --	\$ 8,095,326

County of Cheboygan
General Funds Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
All Funds Treated as General
For the Year Ended December 31, 2014

	General Fund	Termination Liability	Jaws of Life	Disaster Contingency	Courthouse Preservation	CCE 911 Capital	Social Services	Soldier's Relief	Total General Funds
Revenues									
Taxes	\$ 7,885,021	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 7,885,021
Licenses and Permits	50,931	--	--	--	--	--	--	--	50,931
Federal Sources	149,272	--	--	--	--	--	--	--	149,272
State Sources	574,107	--	--	--	--	--	--	--	574,107
Local Sources	53,219	--	--	--	--	--	--	--	53,219
Charges for Services	1,214,688	--	--	--	--	--	--	--	1,214,688
Fines and Penalties	31,568	--	--	--	--	--	--	--	31,568
Interest and Rentals	70,566	--	--	--	--	--	--	--	70,566
Refunds and Reimbursement	206,242	--	--	--	--	--	--	--	206,242
Other Revenues	20,832	--	--	--	200	--	--	--	21,032
Total Revenues	10,256,446	--	--	--	200	--	--	--	10,256,646
Expenditures									
Legislative	112,203	--	--	--	--	--	--	--	112,203
Judicial	1,448,533	--	--	--	--	--	--	--	1,448,533
General Government	3,211,973	65,970	--	--	2,246	--	--	--	3,280,189
Public Safety	3,744,101	--	3,662	--	--	19,733	--	--	3,767,496
Health and Welfare	459,075	--	--	--	--	--	970	1,089	461,134
Community and Economic Development	380,372	--	--	--	--	--	--	--	380,372
Recreation and Culture	113,349	--	--	--	--	--	--	--	113,349
Other Expenditures	144,471	--	--	--	--	--	--	--	144,471
Capital Outlay	120,376	--	--	--	76,636	--	--	--	197,012
Debt Service - Principal	7,337	--	--	--	--	--	--	--	7,337
Debt Service - Interest	74	--	--	--	--	--	--	--	74
Total Expenditures	9,741,864	65,970	3,662	--	78,882	19,733	970	1,089	9,912,170
Excess of Revenues Over (Under) Expenditures	514,582	(65,970)	(3,662)	--	(78,682)	(19,733)	(970)	(1,089)	344,476
Other Financing Sources (Uses)									
Capital Lease	29,202	--	--	--	--	--	--	--	29,202
Transfers In	863,213	49,650	--	--	48,299	50,733	970	1,089	1,013,954
Transfer Out	(1,004,634)	--	--	--	--	--	--	--	(1,004,634)
Net Other Financing Sources (Uses)	(112,219)	49,650	--	--	48,299	50,733	970	1,089	38,522
Net Change in Fund Balance	402,363	(16,320)	(3,662)	--	(30,383)	31,000	--	--	382,998
Fund Balance at Beginning of Period	6,530,644	33,967	3,662	10,000	30,383	237,178	--	--	6,845,834
Fund Balance at End of Period	\$ 6,933,007	\$ 17,647	\$ --	\$ 10,000	\$ --	\$ 268,178	\$ --	\$ --	\$ 7,228,832

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

	Special Revenue								
	Family Counseling	PA 302 Training	Public Act 106	Probation Enhancement	Victim's Restitution	Remonumentation Grant	Community Projects	Friend of the Court	Ambulance Millage
ASSETS									
Cash and Equivalents	\$ 21,218	\$ 9,715	\$ --	\$ 16,397	\$ 104	\$ --	\$ 2,818	\$ 599	\$ --
Receivables	--	--	--	--	--	--	--	--	--
Taxes Receivable	--	--	--	--	--	--	--	--	328,063
Due from Governmental Units	--	--	--	--	--	39,161	--	80,365	--
Total Assets	\$ 21,218	\$ 9,715	\$ --	\$ 16,397	\$ 104	\$ 39,161	\$ 2,818	\$ 80,964	\$ 328,063
LIABILITIES									
Accounts Payable	\$ --	\$ --	\$ --	\$ 71	\$ --	\$ 150	\$ --	\$ 4,082	\$ --
Accrued Liabilities	--	--	--	--	--	--	--	18,018	--
Unearned Revenue	--	--	--	--	--	--	--	--	--
Due to Other Funds	--	--	--	--	--	15,401	--	58,864	--
Total Liabilities	--	--	--	71	--	15,551	--	80,964	--
DEFERRED INFLOWS OF RESOURCES									
Revenues Intended to Finance a Subsequent Year	--	--	--	--	--	--	--	--	328,063
Total Liabilities and Deferred Inflows of Resources	--	--	--	71	--	15,551	--	80,964	328,063
FUND BALANCE									
Restricted	--	--	--	--	--	--	--	--	--
Committed	--	--	--	--	--	--	--	--	--
Assigned	21,218	9,715	--	16,326	104	23,610	2,818	--	--
Unassigned	--	--	--	--	--	--	--	--	--
Total Fund Balance	21,218	9,715	--	16,326	104	23,610	2,818	--	--
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 21,218	\$ 9,715	\$ --	\$ 16,397	\$ 104	\$ 39,161	\$ 2,818	\$ 80,964	\$ 328,063

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

	Special Revenue								
	Doris Reid Building	Recycling	Cellular Phone	911 4% Surcharge	DNR Forest Flow Through	Public Improvement	Building Department	Register of Deeds Automation	Sheriff Special Projects
ASSETS									
Cash and Equivalents	\$ 59,331	\$ 49,226	\$ --	\$ 319	\$ --	\$ 6,041	\$ 13,427	\$ 338,350	\$ 1,557
Receivables	106	11,249	--	--	--	--	--	--	--
Taxes Receivable	--	--	--	--	--	--	--	--	--
Due from Governmental Units	--	--	--	--	--	--	--	--	--
<i>Total Assets</i>	<u>\$ 59,437</u>	<u>\$ 60,475</u>	<u>\$ --</u>	<u>\$ 319</u>	<u>\$ --</u>	<u>\$ 6,041</u>	<u>\$ 13,427</u>	<u>\$ 338,350</u>	<u>\$ 1,557</u>
LIABILITIES									
Accounts Payable	\$ 1,267	\$ 28,778	\$ --	\$ --	\$ --	\$ --	\$ 825	\$ 508	\$ --
Accrued Liabilities	--	2,254	--	--	--	--	12,602	162	--
Unearned Revenue	4,011	--	--	--	--	--	--	--	--
Due to Other Funds	--	--	--	--	--	--	--	--	--
<i>Total Liabilities</i>	<u>5,278</u>	<u>31,032</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>13,427</u>	<u>670</u>	<u>--</u>
DEFERRED INFLOWS OF RESOURCES									
Revenues Intended to Finance a Subsequent Year	--	--	--	--	--	--	--	--	--
<i>Total Liabilities and Deferred Inflows of Resources</i>	<u>5,278</u>	<u>31,032</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>13,427</u>	<u>670</u>	<u>--</u>
FUND BALANCE									
Restricted	--	--	--	--	--	--	--	--	--
Committed	--	--	--	--	--	--	--	--	--
Assigned	54,159	29,443	--	319	--	6,041	--	337,680	1,557
Unassigned	--	--	--	--	--	--	--	--	--
<i>Total Fund Balance</i>	<u>54,159</u>	<u>29,443</u>	<u>--</u>	<u>319</u>	<u>--</u>	<u>6,041</u>	<u>--</u>	<u>337,680</u>	<u>1,557</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i>	<u>\$ 59,437</u>	<u>\$ 60,475</u>	<u>\$ --</u>	<u>\$ 319</u>	<u>\$ --</u>	<u>\$ 6,041</u>	<u>\$ 13,427</u>	<u>\$ 338,350</u>	<u>\$ 1,557</u>

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

	Special Revenue								
	ORV Fund	Local Officer Training	DARE	Drug Court	Sobriety Court	Law Library	Veteran's Assistance	SAYPA Program	Revenue Sharing Reserve
ASSETS									
Cash and Equivalents	\$ 1,650	\$ 19,485	\$ 3,559	\$ 1,600	\$ 8,857	\$ 1,210	\$ 19,711	\$ 24,970	\$ 420,630
Receivables	--	--	--	--	--	--	--	--	--
Taxes Receivable	--	--	--	--	--	--	--	--	--
Due from Governmental Units	--	--	--	16,814	--	--	--	--	--
<i>Total Assets</i>	\$ 1,650	\$ 19,485	\$ 3,559	\$ 18,414	\$ 8,857	\$ 1,210	\$ 19,711	\$ 24,970	\$ 420,630
LIABILITIES									
Accounts Payable	\$ --	\$ 1,136	\$ --	\$ 9,977	\$ 201	\$ 1,210	\$ 100	\$ 575	\$ --
Accrued Liabilities	--	--	--	--	--	--	--	--	--
Unearned Revenue	--	--	--	--	--	--	--	--	--
Due to Other Funds	--	--	--	--	--	--	--	--	--
<i>Total Liabilities</i>	--	1,136	--	9,977	201	1,210	100	575	--
DEFERRED INFLOWS OF RESOURCES									
Revenues Intended to Finance a Subsequent Year	--	--	--	--	--	--	--	--	--
<i>Total Liabilities and Deferred Inflows of Resources</i>	--	1,136	--	9,977	201	1,210	100	575	--
FUND BALANCE									
Restricted	--	--	--	--	--	--	--	--	420,630
Committed	--	--	--	--	--	--	--	--	--
Assigned	1,650	18,349	3,559	8,437	8,656	--	19,611	24,395	--
Unassigned	--	--	--	--	--	--	--	--	--
<i>Total Fund Balance</i>	1,650	18,349	3,559	8,437	8,656	--	19,611	24,395	420,630
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i>	\$ 1,650	\$ 19,485	\$ 3,559	\$ 18,414	\$ 8,857	\$ 1,210	\$ 19,711	\$ 24,970	\$ 420,630

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

	Special Revenue					Capital Projects			Total Nonmajor Governmental Funds
	Child Care	Veteran's Trust	Senior Citizens Busing	DAV Van	County Fair	Revolving Drain Fund	Doris Reid Capital Project	Animal Control Project	
ASSETS									
Cash and Equivalents	\$ 49,839	\$ 1,560	\$ --	\$ 600	\$ --	\$ 100	\$ 85,963	\$ 8,125	\$ 1,166,961
Receivables	--	--	--	--	970	--	--	--	12,325
Taxes Receivable	--	--	--	--	--	--	--	--	328,063
Due from Governmental Units	15,137	--	--	--	--	--	--	--	151,477
Total Assets	\$ 64,976	\$ 1,560	\$ --	\$ 600	\$ 970	\$ 100	\$ 85,963	\$ 8,125	\$ 1,658,826
LIABILITIES									
Accounts Payable	\$ 6,941	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 85,963	\$ 8,125	\$ 149,909
Accrued Liabilities	9,729	--	--	--	370	--	--	--	43,135
Unearned Revenue	--	--	--	--	--	--	--	--	4,011
Due to Other Funds	--	--	--	--	600	--	--	--	74,865
Total Liabilities	16,670	--	--	--	970	--	85,963	8,125	271,920
DEFERRED INFLOWS OF RESOURCES									
Revenues Intended to Finance a Subsequent Year	--	--	--	--	--	--	--	--	328,063
Total Liabilities and Deferred Inflows of Resources	16,670	--	--	--	970	--	85,963	8,125	599,983
FUND BALANCE									
Restricted	--	--	--	--	--	--	--	--	420,630
Committed	--	--	--	--	--	100	--	--	100
Assigned	48,306	1,560	--	600	--	--	--	--	638,113
Unassigned	--	--	--	--	--	--	--	--	--
Total Fund Balance	48,306	1,560	--	600	--	100	--	--	1,058,843
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 64,976	\$ 1,560	\$ --	\$ 600	\$ 970	\$ 100	\$ 85,963	\$ 8,125	\$ 1,658,826

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

	Special Revenue								
	Family Counseling	PA 302 Training	Public Act 106	Probation Enhancement	Victim's Restitution	Remonumentation Grant	Community Projects	Friend of the Court	Ambulance Millage
Revenues									
Taxes	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 323,457
Federal Sources	--	--	--	--	--	--	--	301,745	--
State Sources	--	4,600	243,768	--	--	65,280	--	32,612	--
Local Sources	--	--	--	--	--	--	--	50,944	--
Contributions	--	--	--	--	--	--	--	--	--
Charges for Services	--	--	--	--	--	--	--	21,617	--
Fines and Penalties	--	--	--	4,056	--	--	--	--	--
Interest and Rentals	--	--	--	--	--	--	--	--	--
Other Revenues	2,435	--	--	--	--	--	500	--	--
Total Revenues	2,435	4,600	243,768	4,056	--	65,280	500	406,918	323,457
Expenditures									
Judicial	--	--	--	--	--	--	--	482,830	--
General Government	--	--	243,768	--	--	65,280	--	--	--
Public Safety	--	3,947	--	1,857	--	--	476	--	--
Health and Welfare	--	--	--	--	--	--	--	--	323,457
Recreation and Culture	--	--	--	--	--	--	--	--	--
Capital Outlay	--	--	--	--	--	--	--	--	--
Total Expenditures	--	3,947	243,768	1,857	--	65,280	476	482,830	323,457
Excess of Revenues Over (Under) Expenditures	2,435	653	--	2,199	--	--	24	(75,912)	--
Other Financing Sources (Uses)									
Transfers In	--	--	--	--	--	--	--	75,912	--
Transfer Out	--	--	--	--	--	--	--	--	--
Net Other Financing Sources (Uses)	--	--	--	--	--	--	--	75,912	--
Net Change in Fund Balance	2,435	653	--	2,199	--	--	24	--	--
<i>Fund Balance at Beginning of Period</i>	18,783	9,062	--	14,127	104	23,610	2,794	--	--
Fund Balance at End of Period	\$ 21,218	\$ 9,715	\$ --	\$ 16,326	\$ 104	\$ 23,610	\$ 2,818	\$ --	\$ --

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

	Special Revenue								
	Doris Reid Building	Recycling	Cellular Phone	911 4% Surcharge	DNR Forest Flow Through	Public Improvement	Building Department	Register of Deeds Automation	Sheriff Special Projects
Revenues									
Taxes	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Federal Sources	--	--	--	--	7,336	--	--	--	--
State Sources	--	--	--	--	--	--	--	--	--
Local Sources	--	14,069	--	--	--	--	--	--	--
Contributions	--	--	--	--	--	--	--	--	--
Charges for Services	--	213,584	--	--	--	--	327,507	34,555	--
Fines and Penalties	--	--	--	--	--	--	--	--	--
Interest and Rentals	88,167	--	--	--	--	--	--	117	--
Other Revenues	--	186	147,830	156,648	--	--	2,498	--	--
Total Revenues	88,167	227,839	147,830	156,648	7,336	--	330,005	34,672	--
Expenditures									
Judicial	--	--	--	--	--	--	--	--	--
General Government	35,922	258,247	--	--	--	--	--	12,393	--
Public Safety	--	--	147,830	156,656	--	--	379,839	--	464
Health and Welfare	--	--	--	--	--	--	--	--	--
Recreation and Culture	--	--	--	--	7,336	--	--	--	--
Capital Outlay	--	14,919	--	--	--	--	21,250	--	--
Total Expenditures	35,922	273,166	147,830	156,656	7,336	--	401,089	12,393	464
Excess of Revenues Over (Under) Expenditures	52,245	(45,327)	--	(8)	--	--	(71,084)	22,279	(464)
Other Financing Sources (Uses)									
Transfers In	--	--	--	--	--	--	91,688	--	--
Transfer Out	(44,325)	--	--	--	--	--	(20,604)	--	--
Net Other Financing Sources (Uses)	(44,325)	--	--	--	--	--	71,084	--	--
Net Change in Fund Balance	7,920	(45,327)	--	(8)	--	--	--	22,279	(464)
<i>Fund Balance at Beginning of Period</i>	46,239	74,770	--	327	--	6,041	--	315,401	2,021
Fund Balance at End of Period	\$ 54,159	\$ 29,443	\$ --	\$ 319	\$ --	\$ 6,041	\$ --	\$ 337,680	\$ 1,557

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

	Special Revenue								
	ORV Fund	Local Officer Training	DARE	Drug Court	Sobriety Court	Law Library	Veteran's Assistance	SAYPA Program	Revenue Sharing Reserve
Revenues									
Taxes	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Federal Sources	--	--	--	78,028	--	--	--	--	--
State Sources	--	--	--	510	--	--	--	--	--
Local Sources	--	--	--	--	--	--	500	--	--
Contributions	--	--	100	--	--	--	4,020	94,542	--
Charges for Services	--	7,342	--	2,241	9,668	--	--	--	--
Fines and Penalties	75	--	--	--	--	--	--	--	--
Interest and Rentals	--	--	--	--	--	--	--	--	191
Other Revenues	--	--	--	--	--	3,500	--	--	--
Total Revenues	75	7,342	100	80,779	9,668	3,500	4,520	94,542	191
Expenditures									
Judicial	--	--	--	79,704	4,020	11,352	--	--	--
General Government	--	--	--	--	--	--	--	--	--
Public Safety	--	4,040	441	--	--	--	--	--	--
Health and Welfare	--	--	--	--	--	--	249	10,715	--
Recreation and Culture	--	--	--	--	--	--	--	--	--
Capital Outlay	--	--	--	--	--	--	--	--	--
Total Expenditures	--	4,040	441	79,704	4,020	11,352	249	10,715	--
Excess of Revenues Over (Under) Expenditures	75	3,302	(341)	1,075	5,648	(7,852)	4,271	83,827	191
Other Financing Sources (Uses)									
Transfers In	--	--	--	9,743	--	7,852	--	--	--
Transfer Out	--	--	--	(8,068)	--	--	--	(89,722)	(560,073)
Net Other Financing Sources (Uses)	--	--	--	1,675	--	7,852	--	(89,722)	(560,073)
Net Change in Fund Balance	75	3,302	(341)	2,750	5,648	--	4,271	(5,895)	(559,882)
<i>Fund Balance at Beginning of Period</i>	1,575	15,047	3,900	5,687	3,008	--	15,340	30,290	980,512
Fund Balance at End of Period	\$ 1,650	\$ 18,349	\$ 3,559	\$ 8,437	\$ 8,656	\$ --	\$ 19,611	\$ 24,395	\$ 420,630

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

	Special Revenue					Capital Projects			Total Nonmajor Governmental Funds
	Child Care	Veteran's Trust	Senior Citizens Busing	DAV Van	County Fair	Revolving Drain Fund	Doris Reid Capital Project	Animal Control Project	
Revenues									
Taxes	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 323,457
Federal Sources	--	--	--	--	--	--	--	--	387,109
State Sources	657,797	--	25,000	--	2,128	--	--	--	1,031,695
Local Sources	--	--	--	--	--	--	--	--	65,513
Contributions	--	--	--	--	--	--	--	28,000	126,662
Charges for Services	12,469	--	--	--	147,635	--	--	--	776,618
Fines and Penalties	--	--	--	--	--	--	--	--	4,131
Interest and Rentals	--	--	--	--	--	--	--	--	88,475
Other Revenues	--	1,782	--	--	20,169	--	--	--	335,548
Total Revenues	<u>670,266</u>	<u>1,782</u>	<u>25,000</u>	<u>--</u>	<u>169,932</u>	<u>--</u>	<u>--</u>	<u>28,000</u>	<u>3,139,208</u>
Expenditures									
Judicial	--	--	--	--	--	--	--	--	577,906
General Government	--	--	--	--	--	--	331	--	615,941
Public Safety	--	--	--	--	--	--	--	150	695,700
Health and Welfare	1,297,508	500	25,000	--	--	--	--	--	1,657,429
Recreation and Culture	--	--	--	--	187,690	--	--	--	195,026
Capital Outlay	--	--	--	--	16,562	--	133,059	41,761	227,551
Total Expenditures	<u>1,297,508</u>	<u>500</u>	<u>25,000</u>	<u>--</u>	<u>204,252</u>	<u>--</u>	<u>133,390</u>	<u>41,911</u>	<u>3,969,553</u>
Excess of Revenues Over (Under) Expenditures	<u>(627,242)</u>	<u>1,282</u>	<u>--</u>	<u>--</u>	<u>(34,320)</u>	<u>--</u>	<u>(133,390)</u>	<u>(13,911)</u>	<u>(830,345)</u>
Other Financing Sources (Uses)									
Transfers In	635,412	--	--	--	37,703	--	133,390	13,911	1,005,611
Transfer Out	--	--	--	--	(3,383)	--	--	--	(726,175)
Net Other Financing Sources (Uses)	<u>635,412</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>34,320</u>	<u>--</u>	<u>133,390</u>	<u>13,911</u>	<u>279,436</u>
Net Change in Fund Balance	8,170	1,282	--	--	--	--	--	--	(550,909)
Fund Balance at Beginning of Period	40,136	278	--	600	--	100	--	--	1,609,752
Fund Balance at End of Period	\$ 48,306	\$ 1,560	\$ --	\$ 600	\$ --	\$ 100	\$ --	\$ --	\$ 1,058,843

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

	<u>Enterprise</u>		<u>Total Nonmajor Enterprise Funds</u>
	<u>Tax Foreclosure</u>	<u>Jail Commissary</u>	
ASSETS			
<i>Current Assets</i>			
Cash and Equivalents	\$ 239,203	\$ 22,933	\$ 262,136
Receivables	55,805	--	55,805
Total Current Assets	<u>295,008</u>	<u>22,933</u>	<u>317,941</u>
<i>Noncurrent Assets</i>			
Total Assets	<u>295,008</u>	<u>22,933</u>	<u>317,941</u>
LIABILITIES			
<i>Current Liabilities</i>			
Accounts Payable	--	9,340	9,340
Accrued Liabilities	1,917	--	1,917
Total Current Liabilities	<u>1,917</u>	<u>9,340</u>	<u>11,257</u>
<i>Noncurrent Liabilities</i>			
Total Liabilities	<u>1,917</u>	<u>9,340</u>	<u>11,257</u>
NET POSITION			
<i>Unrestricted</i>	293,091	13,593	306,684
Total Net Position	<u>\$ 293,091</u>	<u>\$ 13,593</u>	<u>\$ 306,684</u>

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

	<u>Enterprise</u>		<u>Total Nonmajor Enterprise Funds</u>
	<u>Tax Foreclosure</u>	<u>Jail Commissary</u>	
Operating Revenues			
Charges for Services	\$ 288,735	\$ 57,530	\$ 346,265
<i>Total Operating Revenues</i>	<u>288,735</u>	<u>57,530</u>	<u>346,265</u>
Operating Expenses			
Personal Services	53,698	--	53,698
Contractual Services	67,161	--	67,161
Other Supplies and Expenses	11,045	59,026	70,071
<i>Total Operating Expenses</i>	<u>131,904</u>	<u>59,026</u>	<u>190,930</u>
<i>Operating Income (Loss)</i>	<u>156,831</u>	<u>(1,496)</u>	<u>155,335</u>
Non-Operating Revenues (Expenses)			
Interest Income	1,650	--	1,650
<i>Net Non-Operating Revenues (Expenses)</i>	<u>1,650</u>	<u>--</u>	<u>1,650</u>
Transfers	158,481	(1,496)	156,985
Transfers In	--	--	--
Transfer Out	(130,778)	--	(130,778)
<i>Change In Net Position</i>	<u>27,703</u>	<u>(1,496)</u>	<u>26,207</u>
<i>Net Position at Beginning of Period</i>	265,388	15,089	280,477
<i>Net Position at End of Period</i>	<u>\$ 293,091</u>	<u>\$ 13,593</u>	<u>\$ 306,684</u>

County of Cheboygan
Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended December 31, 2014

	<u>Tax Foreclosure</u>	<u>Jail Commissary</u>	<u>Total Nonmajor Enterprise Funds</u>
Cash Flows from Operating Activities			
Cash Received from Customers or Users	\$ 290,168	\$ 57,530	\$ 347,698
Cash Payments to Suppliers	(107,492)	(49,686)	(157,178)
Cash Payments to Employees	(68,593)	-	(68,593)
Net cash provided (used) by Operating Activities	<u>114,083</u>	<u>7,844</u>	<u>121,927</u>
Cash Flows from Noncapital Financing Activities			
Transfers Out	(130,778)	-	(130,778)
Net cash provided (used) by Noncapital Financing Activities	<u>(130,778)</u>	<u>-</u>	<u>(130,778)</u>
Cash Flows from Investing Activities			
Interest on Deposits	1,650	-	1,650
Net cash provided (used) by Investing Activities	<u>1,650</u>	<u>-</u>	<u>1,650</u>
Net Increase (Decrease) in Cash and Equivalents	(15,045)	7,844	(7,201)
<i>Cash and Equivalents - Beginning of Year</i>	254,248	15,089	269,337
Cash and Equivalents - End of Year	<u>\$ 239,203</u>	<u>\$ 22,933</u>	<u>\$ 262,136</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	\$ 156,831	\$ (1,496)	\$ 155,335
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities			
Depreciation	-	-	-
Changes in Assets and Liabilities			
Receivables	1,433	-	1,433
Accounts Payable	-	9,340	9,340
Accrued Liabilities	192	-	192
Due to Governmental Units	(44,373)	-	(44,373)
Net Cash Provided by Operating Activities	<u>\$ 114,083</u>	<u>\$ 7,844</u>	<u>\$ 121,927</u>

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

	<u>Agency</u>				
	<u>T & A</u>	<u>Friend of the Court</u>	<u>Library</u>	<u>District Court</u>	<u>Inmate Trust Fund</u>
ASSETS					
Cash and Equivalents	\$ 1,057,698	\$ 355	\$ 71,138	\$ 26,657	\$ 6,046
Receivables	2,154	--	--	--	--
Total Assets	<u>1,059,852</u>	<u>355</u>	<u>71,138</u>	<u>26,657</u>	<u>6,046</u>
LIABILITIES					
Assets Held on Behalf of Others	1,059,852	355	71,138	26,657	6,046
Total Liabilities	<u>1,059,852</u>	<u>355</u>	<u>71,138</u>	<u>26,657</u>	<u>6,046</u>
NET POSITION					
Held in Trust	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

SINGLE AUDIT ACT COMPLIANCE

County of Cheboygan
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2014

Federal Grantor / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
Department of Homeland Security				
Stonegarden Grant	97.067	MSP	2011-SJ-0007	\$ 68,740
Total Department of Homeland Security				<u>68,740</u>
United States Department of Justice				
Byrne Justice Assistance Grant Program	16.738	MSP	SCAO-2013-073	20,000
Byrne Justice Assistance Grant Program	16.738	MSP	SCAO-2014-504	78,028
Total United States Department of Justice				<u>98,028</u>
Department of Transportation				
Capital Grant - Section 5309	20.500	MDOT	2012-0061/P3	92,484
Operating Grant - Section 5311	20.509	MDOT	2012-0061/P5	116,757
Total Department of Transportation				<u>209,241</u>
Department of Health and Human Services				
Cooperative Reimbursement - Friend of the Court	93.563	MDHS	CS/FOC-13-16001	260,939
Cooperative Reimbursement - Prosecuting Attorney	93.563	MDHS	CS/PA-13-16002	47,166
Incentive Payments	93.563	MDHS	FIP2013	40,806
Foster Care Title IV-E	93.658	MDHS	PROFC-13-16001	13,366
Total Department of Health and Human Services				<u>362,277</u>
United States Department of Agriculture				
DNR Forest	10.665	MDNR	N/A	7,336
Total United States Department of Agriculture				<u>7,336</u>
Total Expenditures of Federal Awards				<u>\$ 745,622</u>

See notes to the schedule of expenditures of federal awards

County of Cheboygan

Notes to the Schedule of Expenditures of Federal Awards

NOTE A – BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal grant activity of the County under programs of the federal government for the year ended December 31, 2014. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations. Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County.

NOTE B – 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 OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C – SUBRECIPIENTS

The County had no subrecipients of federal awards during the year.

NOTE D – PASS-THROUGH AGENCIES

The County receives certain federal grant as subawards from non-federal entities. Pass-through entities, where applicable, have been identified in the Schedule with an abbreviation, defined as follows:

Pass-through Agency Abbreviation	Pass-through Agency Name
MDNR	Michigan Department of Natural Resources
MSP	Michigan Department of State Police
MSDHS	Michigan Department of Human Services
MDOT	Michigan Department of Transportation

County of Cheboygan

Notes to the Schedule of Expenditures of Federal Awards

NOTE E – RECONCILIATION TO FINANCIAL STATEMENTS

A reconciliation of the amounts presented in the Schedule to the amounts presented in the financial statements is as follows:

Federal sources reported in governmental funds	\$ 536,381
Federal sources reported in operating revenues of business-type funds	116,757
Federal capital assistance reported in non-operating revenues of business-type funds	<u>92,484</u>
Total expenditures of federal awards	<u>\$ 745,622</u>

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*

To the Board of Commissioners
County of Cheboygan, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Cheboygan, Michigan (the "County"), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 19, 2015. Our report includes a reference to other auditors who audited the financial statements of the Cheboygan County Road Commission, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "Gabridge & Company". The signature is written in dark ink and is positioned above the typed name of the firm.

Gabridge & Company, PLC
Grand Rapids, MI
June 19, 2015

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

To the Board of Commissioners
County of Cheboygan, Michigan

Report on Compliance for Each Major Federal Program

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

The County's basic financial statements include the operations of the Cheboygan County Road Commission, which received certain federal awards which are not included in the schedule of expenditures of federal awards for the year ended December 31, 2014. Our audit, described below, did not include the operations of the Cheboygan County Road Commission because it arranged for a separate financial statement audit and did not meet the criteria for a single audit in accordance with A-133, as expenditures of directly administered federal awards did not exceed \$500,000.

Management's Responsibility

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

Independent Auditor's Responsibility

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

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

County's compliance.

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

Report on Internal Control Over Compliance

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

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

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

Purpose of this Report

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



Gabridge & Company, PLC
Grand Rapids, MI
June 19, 2015

**County of Cheboygan
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2014**

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued	Unmodified
Internal controls over financial reporting	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, section 510(a)?	No

Identification of Major Programs

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Child Support Enforcement	93.563
Dollar threshold used to distinguish between Type A and B programs?	\$300,000
Auditee qualified as a low-risk auditee?	Yes

SECTION II - FINANCIAL STATEMENT FINDINGS

None

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported

SECTION IV - SUMMARY OF PRIOR AUDIT FINDINGS

No matters were reported

June 19, 2015

To the Board of Commissioners
County of Cheboygan, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Cheboygan (the "County") as of and for the year ended December 31, 2014. Our report includes a reference to other auditors. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 26, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

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

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

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management's estimate of the accrued compensated absences and the related pay rates as of December 31, 2014.
- Management's estimated of the allowance for uncollectible receivable balances is based on past experience and future expectation for collection of various account balances.

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

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 19, 2015.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

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

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

Upcoming Changes in Accounting Standards

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

Restriction on Use

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



Gabridge & Company, PLC
Grand Rapids, MI

COUNTY OF CHEBOYGAN

Attachment A – Upcoming Changes in Accounting Standards / Regulations

For the December 31, 2014 Audit

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

GASB 68 – Accounting and Financial Reporting for Pensions

Effective 6/15/15 (your FY 2015)

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

Historically, governments have only been required to report a net pension obligation to the extent that they have not met the annual required contribution (ARC) in any given year. Upon implementation of this standard, governments will be required to report a net pension liability based on the current funded status of their pension plans. This liability would be limited to the government-wide financial statements and proprietary funds. Changes in this liability from year to year will largely be reflected on the income statement, though certain amounts will be deferred and amortized over varying periods.

GASB 68 also requires more extensive note disclosures and required supplementary information, including 10 years of historical information. The methods used to determine the discount rate (the assumed rate of return on plan assets held in trust) are mandated and must be disclosed, along with what the impact would be on the net pension liability if that rate changed by 1% in either direction. Other new disclosure requirements include details of the changes in the components of the net pension liability, comparisons of actual employer contributions to actuarially determined contributions, and ratios to put the net pension liability in context. For single-employer and agent multiple-employer plans, the information for these statements will come from the annual actuarial valuation. For cost sharing plans, this information will be derived from the financial reports of the plan itself, multiplied by the government’s proportionate share of plan.

COUNTY OF CHEBOYGAN

Attachment A – Upcoming Changes in Accounting Standards / Regulations

For the December 31, 2014 Audit

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

GASB 69 – Government Combinations and Disposals of Government Operations

Effective 12/15/14 (your FY 2015)

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

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

GASB 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date

Effective with the implementation of GASB 68

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

2 CFR 200 – Uniform Guidance for Federal Awards

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

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

COUNTY OF CHEBOYGAN

Attachment A – Upcoming Changes in Accounting Standards / Regulations

For the December 31, 2014 Audit

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