

County of Cheboygan, Michigan

BASIC FINANCIAL STATEMENTS

December 31, 2013

CHEBOYGAN COUNTY, MICHIGAN

ORGANIZATION

MEMBERS OF THE COUNTY COMMISSION

CHAIRPERSON	LINDA SOCHA
VICE CHAIRPERSON	PETER REDMOND
COMMISSIONER	BRUCE GAUTHIER
COMMISSIONER	CAL GOUINE
COMMISSIONER	TONY MATELSKI
COMMISSIONER	JOHN B. WALLACE
COMMISSIONER	SUE ALLOR

APPOINTED/ELECTED OFFICIALS

COUNTY ADMINISTRATOR	JEFFERY LAWSON
FINANCE DIRECTOR	KARI KORTZ
COUNTY CLERK	MARY ELLEN TRYBAN
COUNTY SHERIFF	DALE CLARMONT
COUNTY TREASURER	LINDA A. CRONAN
PROSECUTING ATTORNEY	DARYL VIZINA

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ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

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**MEMBER AICPA
DIVISION FOR CPA FIRMS**

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, of the County of Cheboygan, Michigan, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents. We did not audit the financial statements of the Cheboygan County Road Commission, which is a discretely presented component unit, which represents 100 percent, 100 percent, and 100 percent, respectively, of the assets, net position, and revenue of the discretely presented component unit.

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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Cheboygan County Road Commission, which represents 100 percent, 100 percent, and 100 percent, respectively, of the assets, net position, and revenue of the Cheboygan County Road Commission. 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 *Governmental 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 report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Cheboygan, Michigan, as of December 31, 2013, 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 budgetary comparison information on pages 4 through 15, page 50, and pages 51 through 56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining fund financial statements 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 by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2014, on our consideration of the County of Cheboygan, Michigan'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 the 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 of Cheboygan, Michigan's internal control over financial reporting and compliance.



Anderson, Tackman & Company, PLC
Certified Public Accountants
Kincheloe, Michigan

June 17, 2014

Management's Discussion and Analysis

As the management of **County of Cheboygan, Michigan** (the "County"), 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, 2013. 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 net position of the County at the close of fiscal year 2013 was \$28,833,549. Of this \$18,238,434 (unrestricted net position) may be used to meet the County's ongoing obligations to citizens and creditors.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$6,640,425 or approximately 61% of the total General Fund expenditures and transfers.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise five components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the basic financial statements, (4) required supplementary information, and (5) other information.

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 and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes, earned but unused vacation leave and accrued interest expense).

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

The government-wide financial statements include not only the County itself (known as the primary government), but also the Cheboygan County Road Commission, a legally separate component unit for which the County is financially accountable. The Road Commission issued separate audited financial statements including a management discussion and analysis. In the government-wide financial statements, financial information for the Cheboygan County Road Commission is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 16-17 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 funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains 46 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Revenue Sharing Reserve Fund, Housing Commission Fund, Senior Citizen's Millage Fund, Ambulance Millage Fund, and Inverness Township Sewer Debt Fund, each of which are considered to be major funds. Data from 7 other governmental funds are combined into the General Fund for presentation. Data from the other 33 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The County adopts an annual appropriated budget for its General and Special Revenue Funds. Budgetary comparison statements 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 18-19 of this report.

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

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 major funds of the County. Individual fund data for the non-major enterprise funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on 21-23 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 financial statement can be found on page 24 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 25-49 of this report.

Required supplementary information. Required supplementary information related to the County's pension plan can be found on page 50 and budgetary comparison information related to the County's major governmental funds can be found on pages 51-56 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information including the combining statements referred to earlier in connection with nonmajor governmental and proprietary funds which are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 57-69 of this report.

Government-wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. In the case of the County, the net position exceeded liabilities by \$28,833,549 at the close of fiscal year 2013 compared to \$28,891,325 at the close of 2012.

Net investment in capital assets (e.g., land and land improvements, buildings and improvements, machinery and equipment, transportation equipment, vehicles and docks), represents 33% of the County's net position. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. The balance of unrestricted net position of \$18,238,434 for 2013 may be used to meet the government's ongoing obligation to citizens and creditors.

**County of Cheboygan
Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Assets						
Current Assets	\$ 14,934,138	\$ 15,364,337	\$ 9,416,436	\$ 9,207,406	\$ 24,350,574	\$ 24,571,743
Noncurrent Assets	7,767,340	7,557,138	1,903,529	1,828,127	9,670,869	9,385,265
Total Assets	<u>\$ 22,701,478</u>	<u>\$ 22,921,475</u>	<u>\$ 11,319,965</u>	<u>\$ 11,035,533</u>	<u>\$ 34,021,443</u>	<u>\$ 33,957,008</u>
Liabilities						
Current Liabilities	\$ 3,533,899	\$ 3,443,747	\$ 366,094	\$ 104,692	\$ 3,899,993	\$ 3,548,439
Noncurrent Liabilities	305,162	322,083	11,437	11,422	316,599	333,505
Total Liabilities	<u>3,839,061</u>	<u>3,765,830</u>	<u>377,531</u>	<u>116,114</u>	<u>4,216,592</u>	<u>3,881,944</u>
Deferred Inflow of Resources						
Taxes Levied for a Subsequent Period	<u>971,302</u>	<u>1,183,739</u>	<u>-</u>	<u>-</u>	<u>971,302</u>	<u>1,183,739</u>
Net Position						
Net Investment in Capital Assets	7,762,923	7,557,138	1,608,343	1,828,127	9,371,266	9,385,265
Restricted	1,223,849	1,768,897	-	-	1,223,849	1,768,897
Unrestricted	<u>8,904,343</u>	<u>8,645,871</u>	<u>9,334,091</u>	<u>9,091,292</u>	<u>18,238,434</u>	<u>17,737,163</u>
Total Net Position	<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>

At the end of the current fiscal year, the County is able to report positive balances in both 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.

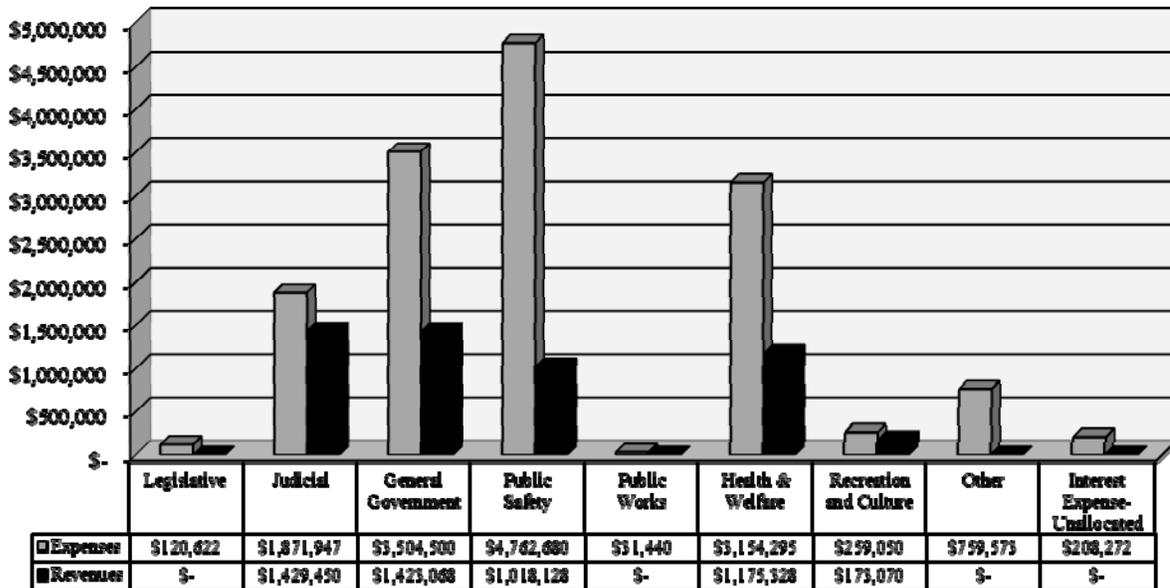
The government's total net position decreased \$57,776 during the current fiscal year compared to an increase of \$2,378,773 for 2012.

**County of Cheboygan
Changes in Net Position**

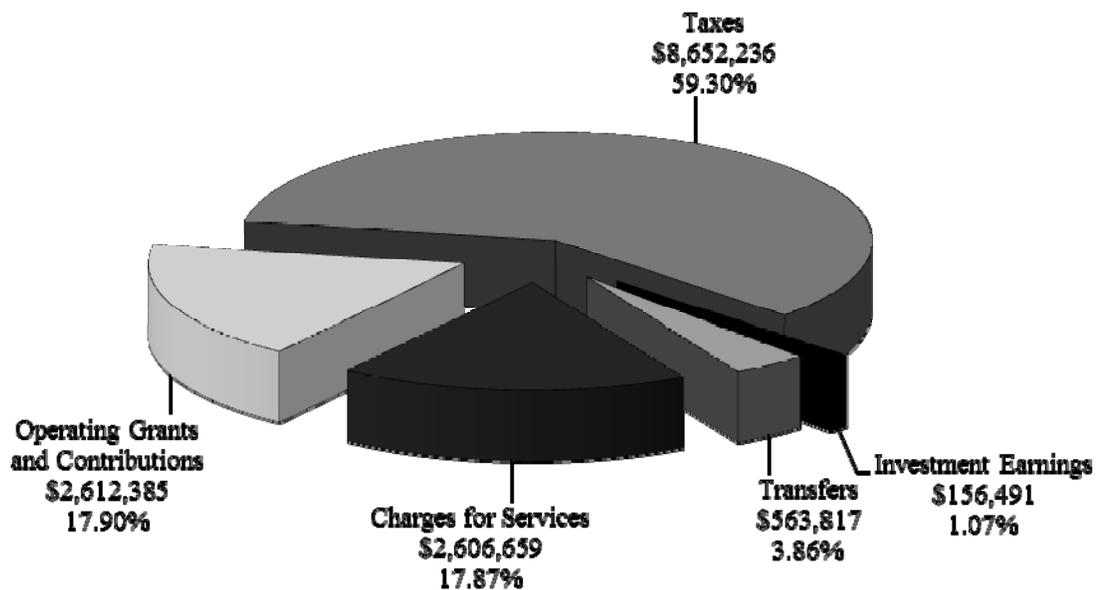
	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Program Revenues						
Charges for Services	\$ 2,606,659	\$ 2,866,097	\$ 1,415,026	\$ 1,482,888	\$ 4,021,685	\$ 4,348,985
Operating Grants and Contributions	2,612,385	2,499,606	450,434	396,646	3,062,819	2,896,252
Capital Grants and Contributions	-	36,024	313,426	246,459	313,426	282,483
General Revenues						
Property Taxes	8,652,236	8,580,855	-	-	8,652,236	8,580,855
Unrestricted Investment Earnings	156,491	92,889	50,971	45,388	207,462	138,277
Other Revenue	-	-	3,433	-	3,433	-
Gain on Sale of Assets	-	-	6,000	6,000	6,000	6,000
Total Revenues	14,027,771	14,075,471	2,239,290	2,177,381	16,267,061	16,252,852
Program Expenses						
Legislative	120,622	116,190	-	-	120,622	116,190
Judicial	1,871,947	1,994,633	-	-	1,871,947	1,994,633
General Government	3,504,500	1,368,363	-	-	3,504,500	1,368,363
Public Safety	4,762,680	4,576,672	-	-	4,762,680	4,576,672
Public Works	31,440	33,286	-	-	31,440	33,286
Health and Welfare	3,154,295	2,934,909	-	-	3,154,295	2,934,909
Recreation & Culture	259,050	271,273	-	-	259,050	271,273
Other Expenses	759,573	704,116	-	-	759,573	704,116
Interest Expense - Unallocated	208,272	216,961	-	-	208,272	216,961
Marina	-	-	524,668	525,307	524,668	525,307
Delinquent Tax	-	-	56,919	92,352	56,919	92,352
Tax Foreclosure	-	-	122,898	106,870	122,898	106,870
Straits Regional Ride	-	-	937,973	925,052	937,973	925,052
Sheriff Commissary	-	-	10,000	8,095	10,000	8,095
Total Expenses	14,672,379	12,216,403	1,652,458	1,657,676	16,324,837	13,874,079
Changes in Net Position Before Transfers	(644,608)	1,859,068	586,832	519,705	(57,776)	2,378,773
Transfers - Net	563,817	119,454	(563,817)	(119,454)	-	-
Changes in Net Position	(80,791)	1,978,522	23,015	400,251	(57,776)	2,378,773
Net Position - Beginning	17,971,906	15,993,384	10,919,419	10,519,168	28,891,325	26,512,552
Net Position - Ending	\$ 17,891,115	\$ 17,971,906	\$ 10,942,434	\$ 10,919,419	\$ 28,833,549	\$ 28,891,325

Governmental activities. Governmental activities decreased the County's net position by \$80,791 compared to an increase of \$1,978,522 for 2012. Note: The 2012 increase was due to the transfer of ownership of the Doris Reid Building from the District Health Department #4.

**Expenses and Program Revenues
Governmental Activities**

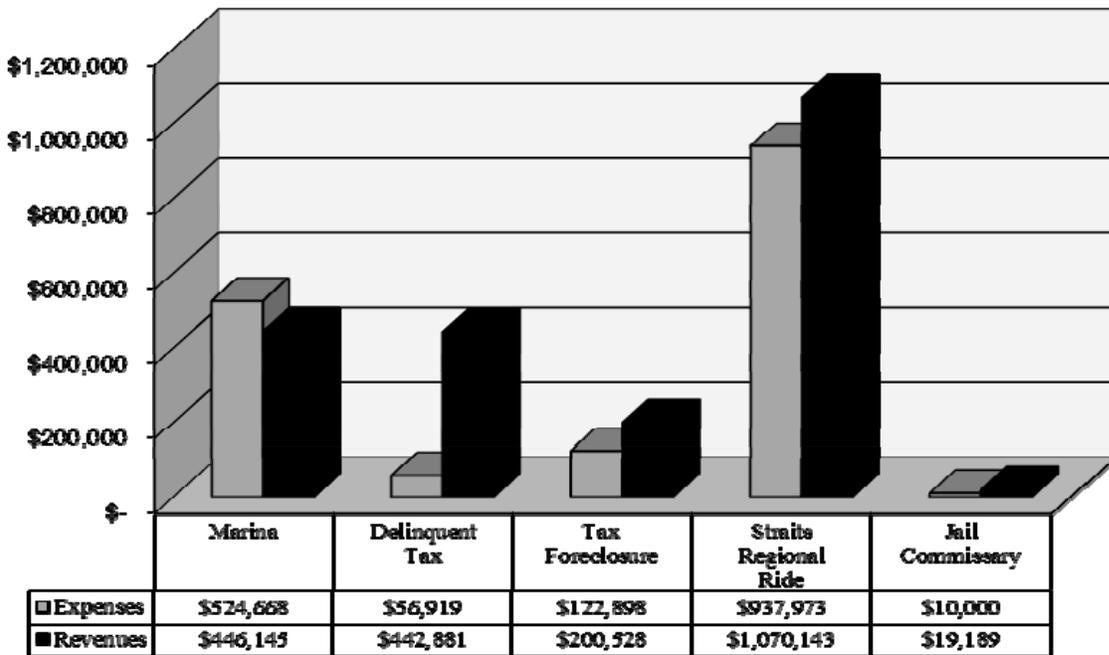


**Revenues by Source
Governmental Activities**

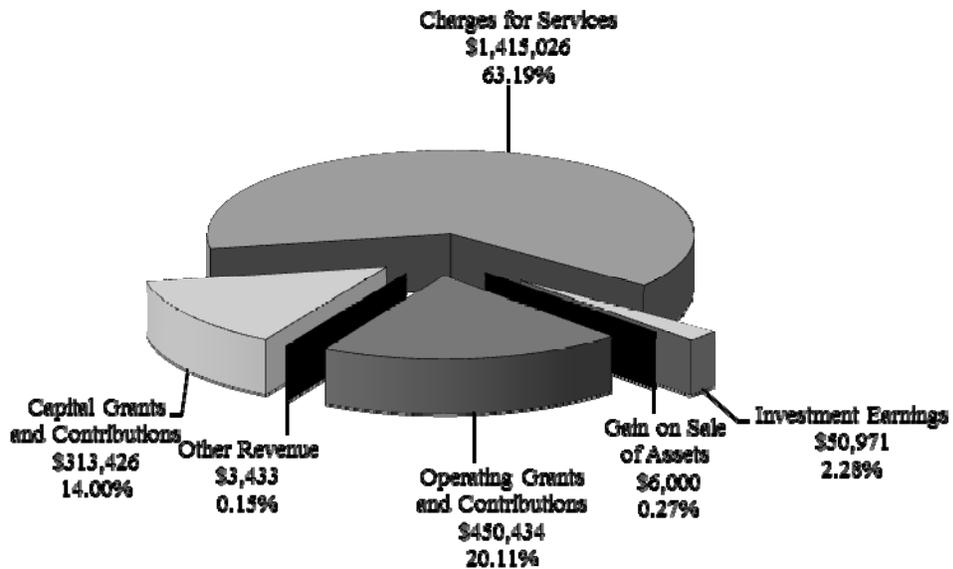


Business-type activities. Business-type activities increased the County’s net position by \$23,015 in 2013 compared to an increase of \$400,251 for 2012. The effect on the County’s net position was greatly minimized, when compared to 2012, by transfers from the Delinquent Tax Fund to fund capital improvement in governmental activities.

**Expenses and Program Revenues
Business-type Activities**



**Revenues by Source
Business-type Activities**



Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the main operating fund of the County. The General Fund fund balance increased by \$183,495 for 2013 as opposed to an increase of \$328,394 in 2012.

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

General Fund Highlights

The following were notable differences between the final budget and the originally adopted budget:

Revenue

- Fines and Penalties revenue increased approximately \$16,000 due to drug forfeitures collected by the Sheriff.
- Refunds and Reimbursements revenue increased approximately \$29,000 primarily due to insurance proceeds from an auto accident.
- Other Revenue increased by approximately \$55,000 due to a cost-share agreement secured with North Country Community Mental Health to offset the placement of a child in institutional care.
- Transfers in budgeted revenues increased by approximately \$204,000 primarily due to capital improvement projects including the security doors and court room audio and visual equipment funded from the Delinquent Tax Fund.

Expenditures

- Major Equipment & Building budgeted expenditures decreased approximately \$54,000 primarily due to the transfer of appropriation to the Sheriff's Department for a vehicle purchase.
- Courthouse Preservation increased approximately \$172,000 due to the addition of the security doors and court room audio and visual equipment projects.
- Transfers Out budgeted expenditures increased by approximately \$339,000 due to transfers required to cover expenditures in the Childcare and Friend of the Court Funds.

The following were notable differences noted between the final budget and actual results:

In total, actual revenues (excluding transfers in) were lower than the final budget by \$105,898.

- Licenses and Permits revenue was up approximately \$12,000 primarily due to non-business licenses and permits.
- Federal Sources revenue was down approximately \$54,000 due to the Title IV-D Cooperative Reimbursement Contract in the Prosecutor's Office and the Stonegarden Grant in the Sheriff's Department.

General Fund Highlights (Continued)

- Refunds & Reimbursement revenue was up approximately \$48,000 primarily due to an insurance refund from Michigan Municipal Risk Management Authority (which is, conservatively, not included in the annual operating budget) and a rental adjustment for maintenance services performed at the Department of Human Services building.

Actual expenditures (excluding transfers out) were under budget for all functional categories and departments and were lower than the final budget by \$620,892.

- Elections were lower than the final budget by approximately \$12,000 due to reimbursements from local units covering the special elections.
- Treasurer expenditures were lower than the final budget by approximately \$31,000 due to including an employee in the General Fund budget that was paid for from the Delinquent Tax Fund.
- Major Equipment & Building expenditures were lower than the final budget by approximately \$57,000 due to not using all the funds budgeted for building and grounds repairs and maintenance and gasoline purchases.
- Termination Liability expenditures were lower than the final budget by approximately \$40,000 due to deferred costs related to employee departures.
- Disaster Contingency expenditures were lower than the final budget by \$10,000 as the County did not experience any "disasters" in 2013.
- Snowmobile Safety expenditures were lower than the final budget by approximately \$16,000 primarily due to providing less patrol hours due to a decrease in grant funding.
- Stonegarden expenditures were lower than the final budget by approximately \$27,000 due to timing of when the grant funds became available. The remaining funds were carried over to 2014.
- Medical Examiner expenditures were lower than the final budget by approximately \$15,000 due to overestimating the autopsy appropriation for 2013.
- Courthouse Preservation expenditures were lower than the final budget by approximately \$106,000 as the County did not finish the paving project or the security doors project in 2013. These remaining budgets were carried over to 2014.
- Transfers Out were also below budget by approximately \$93,000 primarily due to smaller required contributions to Friend of the Court and SAYPA. It should be noted, that in 2013, the County transferred funds to the Building Safety Department and the County Fair at year end to eliminate deficit fund balances. When these funds are able to maintain a positive fund balance, these funds will be returned to the General Fund.

The following were notable differences between actual results from 2013 compared to 2012:

Revenue

- Federal Sources revenue was down approximately \$80,000 primarily due to a reduction in the Stonegarden Grant.
- Refunds & Reimbursements was down approximately \$69,000 primarily due to smaller insurance refunds from Michigan Association of Counties and Michigan Municipal Risk Management Authority and less divert felon revenue from the State of Michigan.

General Fund Highlights (Continued)

- Other Revenue up approximately \$51,000 due to a cost-share agreement secured with North Country Community Mental Health to offset the placement of a child in institutional care.
- Transfers In were up approximately \$335,000 primarily due to capital improvement projects funded from the Delinquent Tax Fund.

Expenditures

- Elections were down approximately \$27,000 due to the Presidential Election held in 2012.
- Information Systems were up approximately \$35,000 primarily due to the SAN project completed in 2013.
- Major Building & Equipment was down approximately \$36,000 due to the timing of the bulk gasoline purchases and the 2012 purchase of seating for the hallways.
- MSU Extension was down approximately \$19,000 due to the elimination of rent expense when the County assumed ownership of the Doris Reid Building.
- Termination Liability was up approximately \$31,000 due to more employee departures than 2012.
- Stonegarden was down approximately \$68,000 due to the timing of when the grant funds became available and a reduction in the total grant award.
- Emergency Management Services was down approximately \$10,000 due to decreases in the operational budget of the Tri-County Emergency Management Office.
- Airport Operations was up approximately \$16,000 due to an additional appropriation request made during 2013.
- CCE 911 Contingency was up approximately \$42,000 due to a special request for use of contingency funds to fix some issues resulting from the federally mandated narrow-banding.
- Airport Capital Improvement was up approximately \$19,000 due to the replacement of a hangar door.
- Courthouse Preservation was up approximately \$58,000 primarily due to the court audio and visual equipment project in 2013.

Revenue Sharing Reserve Fund Highlights

No significant budgetary variances or changes in actual results from 2012 to 2013 occurred.

Housing Commission Fund Highlights

In 2013, the Housing Department operations were taken back in-house after the contract with our third-party administration was terminated. Actual revenues were \$40,000 lower than budgeted revenues due to the fact that no projects were completed using grant funds while the Housing Department responsibilities transitioned to existing staff. This grant shortfall of approximately \$63,500 was offset by an increase of approximately \$23,500 in mortgage payoffs from customers that refinanced or sold their property. Actual expenditures were also lower than budgeted due to no projects being completed. This transition caused the 2013 actual results of Federal Sources revenue and expenditures to be less than the 2012 actual results.

Actual results of Other Revenue increased approximately \$24,000 from 2012 to 2013 due to the mortgage payoffs noted above.

General Fund Highlights (Continued)

Senior Citizen’s Millage Fund Highlights

No significant budgetary variances or changes in actual results from 2012 to 2013 occurred.

Ambulance Millage Fund Highlights

No significant budgetary variances or changes in actual results from 2012 to 2013 occurred.

Capital Asset and Debt Administration

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

**County of Cheboygan
Capital Assets
(net of depreciation, where applicable)**

	Governmental Activities	Business-type Activities	Totals
Land	\$ 1,892,102	\$ -	\$ 1,892,102
Construction in progress	174,123	295,186	469,309
Land improvements	75,856	511,947	587,803
Buildings and improvements	4,895,264	176,663	5,071,927
Machinery and equipment	487,922	19,365	507,287
Vehicles	242,073	-	242,073
Transportation equipment	-	551,824	551,824
Docks	-	348,544	348,544
Total Capital Assets	<u>\$ 7,767,340</u>	<u>\$ 1,903,529</u>	<u>\$ 9,670,869</u>

Additional information on the County capital assets can be found in Note 5 on pages 37-38 of this report.

Debt administration. Debt incurred in the course of constructing or acquiring a capital asset is recorded and paid for from a debt service fund.

Long-term debt. Debt is classified as long-term if the debt matures in a period greater than one year. 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.

Additional information on the County long-term debt can be found in Note 7 on pages 41-42 of this report.

Economic Factors and Next Year's Budgets and Rates

The County continues to budget in anticipation of Federal and State budget cuts with less grants and other funding coming from these sources. A slight increase in the County's tax base was incorporated into the 2014 budget. The County continues to monitor real and personal property tax, state shared revenue, and budget sequestration closely. The 2014 budget includes a contingency amount to cover a 2-3% general pay raise, based on results of four union contract negotiations and comparable information obtained from similar counties on all non-union positions. Despite these tough economic times, the 2014 General Fund budget maintains essentially the same programming as 2013 with no staff eliminations. The 2014 budget includes the use of fund balance of approximately \$450,000.

Component Unit

A complete financial statement and management's discussion and analysis may be obtained from the Cheboygan County Road Commission.

Requests for Information

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the County Administrative Office, County of Cheboygan, Michigan, 870 S. Main, P.O. Box 70, Cheboygan, Michigan, 49721

Basic Financial Statements

County of Cheboygan, Michigan

Statement of Net Position

December 31, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS:				
Cash and Equivalents - Unrestricted	\$ 8,990,239	\$ 6,903,650	\$ 15,893,889	\$ 1,050,217
Receivables:				
Accounts	63,905	8,184	72,089	16,569
Taxes	1,438,412	1,774,998	3,213,410	-
Interest	-	289,845	289,845	-
Notes	1,319,488	-	1,319,488	-
Lease	2,795,000	-	2,795,000	-
Contract	-	57,238	57,238	-
Due from Governmental Units	327,094	352,990	680,084	1,108,033
Prepaid Items	-	313	313	176,996
Inventories	-	29,218	29,218	873,114
Other Assets	-	-	-	42,323
Capital Assets (Not Depreciated)	2,066,225	295,186	2,361,411	11,061,586
Capital Assets (Net of Accumulated Depreciation)	5,701,115	1,608,343	7,309,458	18,421,877
TOTAL ASSETS	22,701,478	11,319,965	34,021,443	32,750,715
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred Loss on Refunding Bond	-	-	-	48,480
LIABILITIES:				
Accounts Payable	352,590	282,192	634,782	71,362
Accrued Liabilities	306,639	25,765	332,404	93,529
Accrued Interest Payable	-	-	-	8,021
Due to Governmental Units	163	54,477	54,640	35,448
Advances and Deposits	-	-	-	171,388
Unearned Revenue	2,870,090	3,660	2,873,750	-
Capital Leases - Due Within One Year	4,417	-	4,417	-
Bonds Payable - Due Within One Year	-	-	-	150,000
Bonds Payable - Due in More Than One Year	-	-	-	2,240,000
Vested Employee Benefits - Due in More Than One Year	305,162	11,437	316,599	225,707
OPEB - Due in More Than One Year	-	-	-	1,390,578
TOTAL LIABILITIES	3,839,061	377,531	4,216,592	4,386,033
DEFERRED INFLOWS OF RESOURCES:				
Taxes Levied for Subsequent Period	971,302	-	971,302	-
NET POSITION:				
Net Investment in Capital Assets	7,762,923	1,608,343	9,371,266	27,093,463
Restricted	1,223,849	-	1,223,849	13,381
Unrestricted	8,904,343	9,334,091	18,238,434	1,306,318
TOTAL NET POSITION	\$ 17,891,115	\$ 10,942,434	\$ 28,833,549	\$ 28,413,162

County of Cheboygan, Michigan

Statement of Activities Year Ended December 31, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			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	\$ 120,622	\$ -	\$ -	\$ -	\$ (120,622)	\$ -	\$ (120,622)	
Judicial	1,871,947	505,113	924,337	-	(442,497)	-	(442,497)	
General Government	3,504,500	1,007,022	416,046	-	(2,081,432)	-	(2,081,432)	
Public Safety	4,762,680	833,086	185,042	-	(3,744,552)	-	(3,744,552)	
Public Works	31,440	-	-	-	(31,440)	-	(31,440)	
Health and Welfare	3,154,295	115,031	1,060,297	-	(1,978,967)	-	(1,978,967)	
Recreation and Culture	259,050	146,407	26,663	-	(85,980)	-	(85,980)	
Other Expenses	759,573	-	-	-	(759,573)	-	(759,573)	
Interest Expense - Unallocated	208,272	-	-	-	(208,272)	-	(208,272)	
Total Governmental Activities	14,672,379	2,606,659	2,612,385	-	(9,453,335)	-	(9,453,335)	
Business-type Activities:								
Marina	524,668	446,145	-	-	-	(78,523)	(78,523)	
Delinquent Tax	56,919	442,881	-	-	-	385,962	385,962	
Tax Foreclosure	122,898	200,528	-	-	-	77,630	77,630	
Straits Regional Ride	937,973	306,283	450,434	313,426	-	132,170	132,170	
Jail Commissary	10,000	19,189	-	-	-	9,189	9,189	
Total Business-type Activities	1,652,458	1,415,026	450,434	313,426	-	526,428	526,428	
Total Primary Government	\$ 16,324,837	\$ 4,021,685	\$ 3,062,819	\$ 313,426	(9,453,335)	526,428	(8,926,907)	
Component Unit:								
Road Commission	\$ 7,145,336	\$ 2,115,913	\$ 5,490,379	\$ -				\$ 460,956
Total Component Unit	7,145,336	2,115,913	5,490,379	-				460,956
Total	\$ 23,470,173	\$ 6,137,598	\$ 8,553,198	\$ 313,426				
General Revenues and Transfers:								
Taxes					8,652,236	-	8,652,236	-
Other Revenue					-	3,433	3,433	105,765
Investment Earnings					156,491	50,971	207,462	1,047
Gain on Sale of Assets					-	6,000	6,000	-
Transfers					563,817	(563,817)	-	-
Total General Revenues and Transfers					9,372,544	(503,413)	8,865,698	106,812
Change in Net Position					(80,791)	23,015	(57,776)	567,768
Net Position - Beginning					17,971,906	10,919,419	28,891,325	27,908,611
Prior Period Adjustment					-	-	-	(63,217)
Net Position - Ending					<u>\$ 17,891,115</u>	<u>\$ 10,942,434</u>	<u>\$ 28,833,549</u>	<u>\$ 28,413,162</u>

County of Cheboygan, Michigan

Balance Sheet Governmental Funds December 31, 2013

	General	Revenue Sharing Reserve	Housing Commission	Senior Citizen's Millage	Ambulance Millage	Inverness Township Sewer Debt	Other Governmental Funds	Total Governmental Funds
ASSETS:								
Cash and Equivalents - Unrestricted	\$ 7,107,048	\$ 980,512	\$ 106,279	\$ 132,422	\$ -	\$ 5,341	\$ 658,637	\$ 8,990,239
Receivables:								
Accounts	51,247	-	-	-	63	-	12,595	63,905
Taxes	467,110	-	-	647,597	323,705	-	-	1,438,412
Notes	-	-	1,319,488	-	-	-	-	1,319,488
Lease	-	-	-	-	-	2,795,000	-	2,795,000
Due from Other Funds	61,114	-	-	-	-	-	-	61,114
Due from Governmental Units	130,830	-	-	-	-	-	196,264	327,094
TOTAL ASSETS	\$ 7,817,349	\$ 980,512	\$ 1,425,767	\$ 780,019	\$ 323,768	\$ 2,800,341	\$ 867,496	14,995,252
LIABILITIES:								
Accounts Payable	\$ 217,531	\$ -	\$ 532	\$ -	\$ -	\$ -	\$ 134,527	352,590
Due to Other Governmental Units	-	-	163	-	-	-	-	163
Accrued Liabilities	267,951	-	-	-	-	-	38,688	306,639
Due to Other Funds	-	-	10	-	63	-	61,041	61,114
Unearned Revenue	71,090	-	1,319,488	-	-	2,795,000	4,000	4,189,578
TOTAL LIABILITIES	556,572	-	1,320,193	-	63	2,795,000	238,256	4,910,084
DEFERRED INFLOWS OF RESOURCES:								
Taxes Levied for Subsequent Period	-	-	-	647,597	323,705	-	-	971,302
FUND BALANCES:								
Restricted	-	980,512	105,574	132,422	-	5,341	-	1,223,849
Committed	305,162	-	-	-	-	-	100	305,262
Assigned	315,190	-	-	-	-	-	629,140	944,330
Unassigned	6,640,425	-	-	-	-	-	-	6,640,425
TOTAL FUND BALANCES	7,260,777	980,512	105,574	132,422	-	5,341	629,240	9,113,866
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 7,817,349	\$ 980,512	\$ 1,425,767	\$ 780,019	\$ 323,768	\$ 2,800,341	\$ 867,496	
Reconciliation to amounts reported for governmental activities in the statement of net position:								
Capital assets used by governmental activities are not financial resources and therefore are not reported in the funds.								7,767,340
Unearned revenue on notes receivable is recognized as revenue under full accrual.								1,319,488
Capital leases and installment payable for governmental activities not due and payable in the current period.								(4,417)
Compensated absences liability not recognized in the funds.								(305,162)
Net position of governmental activities								\$ 17,891,115

County of Cheboygan, Michigan

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds Year Ended December 31, 2013

	General	Revenue Sharing Reserve	Housing Commission	Senior Citizen's Millage	Ambulance Millage	Inverness Township Sewer Debt	Other Governmental Funds	Total Governmental Funds
REVENUES:								
Taxes	\$ 7,688,362	\$ -	\$ -	\$ 642,622	\$ 321,252	\$ -	\$ -	\$ 8,652,236
Licenses and Permits	54,354	-	-	-	-	-	-	54,354
Federal Sources	79,575	-	-	-	-	-	459,830	539,405
State Sources	580,963	-	-	-	-	-	1,093,811	1,674,774
Local Sources	115,800	-	-	-	-	212,969	69,437	398,206
Contributions	-	-	-	-	-	-	42,400	42,400
Charges for Services	1,062,436	-	-	-	-	-	785,430	1,847,866
Fines and Penalties	32,903	-	-	-	-	-	3,915	36,818
Interest and Rentals	61,337	477	23	-	-	3	94,651	156,491
Refunds and Reimbursements	227,209	-	-	-	-	-	-	227,209
Other Revenues	69,947	-	33,401	2,948	-	-	328,265	434,561
TOTAL REVENUES	9,972,886	477	33,424	645,570	321,252	212,972	2,877,739	14,064,320
EXPENDITURES:								
Legislative	120,622	-	-	-	-	-	-	120,622
Judicial	1,424,597	-	-	-	-	-	562,061	1,986,658
General Government	3,060,569	-	-	-	-	-	576,156	3,636,725
Public Safety	4,071,766	-	-	-	-	-	709,189	4,780,955
Health and Welfare	471,243	-	1,056	672,213	321,252	-	1,645,604	3,111,368
Recreation and Culture	110,170	-	-	-	-	-	180,742	290,912
Other Expenditures	184,885	-	-	-	-	-	-	184,885
Capital Outlay	422,249	-	-	-	-	-	152,439	574,688
Debt Service	5,988	-	-	-	-	212,969	-	218,957
TOTAL EXPENDITURES	9,872,089	-	1,056	672,213	321,252	212,969	3,826,191	14,905,770
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	100,797	477	32,368	(26,643)	-	3	(948,452)	(841,450)
OTHER FINANCING SOURCES (USES):								
Transfers In	1,142,604	-	-	-	-	-	1,067,337	2,209,941
Transfers Out	(1,059,906)	(551,253)	-	-	-	-	(34,965)	(1,646,124)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	183,495	(550,776)	32,368	(26,643)	-	3	83,920	(277,633)
FUND BALANCES, JANUARY 1	7,077,282	1,531,288	73,206	159,065	-	5,338	545,320	9,391,499
FUND BALANCES, DECEMBER 31	\$ 7,260,777	\$ 980,512	\$ 105,574	\$ 132,422	\$ -	\$ 5,341	\$ 629,240	\$ 9,113,866

See accompanying notes to financial statements.

County of Cheboygan, Michigan

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities Year Ended December 31, 2013

Net changes in fund balance – total governmental funds \$ (277,633)

The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds reported capital outlays as expenditures. However, in the statement of activities, the cost of those assets is capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays \$943,921 exceeded depreciation expense (\$460,018) and loss on disposal of assets (\$273,701).	210,202
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.	(36,549)
Payments of lease and installment principal are an expenditure in the funds, but reduces the liability in the statement of net position.	10,685
Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities; however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available.	
Vested employee benefits	<u>12,504</u>
Change in net position of governmental funds	<u>\$ (80,791)</u>

County of Cheboygan, Michigan

Statement of Net Position Proprietary Funds December 31, 2013

	Enterprise Funds				Totals
	Marina	Delinquent Tax	Straits Regional Ride	Other Funds	
ASSETS:					
Cash and Equivalents - Unrestricted	\$ 19,452	\$ 6,551,811	\$ 63,050	\$ 269,337	\$ 6,903,650
Receivables:					
Accounts	478	-	7,706	-	8,184
Taxes	-	1,774,998	-	-	1,774,998
Interest	-	289,845	-	-	289,845
Contract	-	-	-	57,238	57,238
Due from Governmental Units	293,566	-	59,424	-	352,990
Prepaid Items	313	-	-	-	313
Inventory	29,218	-	-	-	29,218
Capital Assets (Not Depreciated)	295,186	-	-	-	295,186
Capital Assets (Net of Accumulated Depreciation)	1,037,321	-	571,022	-	1,608,343
TOTAL ASSETS	1,675,534	8,616,654	701,202	326,575	11,319,965
LIABILITIES:					
Accounts Payable	266,235	-	15,957	-	282,192
Accrued Liabilities	2,538	1,725	19,777	1,725	25,765
Vested Employee Benefits - Due in More Than One Year	-	-	11,437	-	11,437
Unearned Revenue	3,660	-	-	-	3,660
Due to Governmental Units	-	-	10,104	44,373	54,477
TOTAL LIABILITIES	272,433	1,725	57,275	46,098	377,531
NET POSITION:					
Net Investment in Capital Assets	1,037,321	-	571,022	-	1,608,343
Unrestricted	365,780	8,614,929	72,905	280,477	9,334,091
TOTAL NET POSITION	\$ 1,403,101	\$ 8,614,929	\$ 643,927	\$ 280,477	\$ 10,942,434

County of Cheboygan, Michigan

Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds Year Ended December 31, 2013

	Enterprise Funds				Totals
	Marina	Delinquent Tax	Straits Regional Ride	Other Funds	
OPERATING REVENUES:					
Federal Revenue - Operations	\$ -	\$ -	\$ 127,280	\$ -	\$ 127,280
State Revenue - Operations	-	-	319,851	-	319,851
Local Revenue - Operations	-	-	3,303	-	3,303
Charges for Services	446,145	125,474	306,283	209,932	1,087,834
Other Revenue	3,433	12,455	-	-	15,888
Interest and Rentals	-	304,952	-	9,785	314,737
TOTAL OPERATING REVENUES	449,578	442,881	756,717	219,717	1,868,893
OPERATING EXPENSES:					
Personal Services	95,792	43,149	496,500	43,499	678,940
Contractual Services	-	-	5,502	69,610	75,112
Utilities	16,959	-	3,303	-	20,262
Repairs and Maintenance	6,753	-	59,136	-	65,889
Other Supplies and Expenses	341,102	12,958	197,950	19,789	571,799
Depreciation	64,062	-	175,582	-	239,644
TOTAL OPERATING EXPENSES	524,668	56,107	937,973	132,898	1,651,646
OPERATING INCOME (LOSS)	(75,090)	386,774	(181,256)	86,819	217,247
NON-OPERATING REVENUES (EXPENSES):					
Gain on Sale of Assets	-	-	6,000	-	6,000
Interest on Deposits	214	50,720	-	37	50,971
Interest Expense	-	(812)	-	-	(812)
TOTAL NON-OPERATING REVENUES	214	49,908	6,000	37	56,159
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(74,876)	436,682	(175,256)	86,856	273,406
Contributions - Federal	-	-	15,888	-	15,888
Contributions - State	293,566	-	3,972	-	297,538
Transfers In	-	-	19,823	-	19,823
Transfers Out	-	(504,988)	-	(78,652)	(583,640)
CHANGE IN NET POSITION	218,690	(68,306)	(135,573)	8,204	23,015
NET POSITION, JANUARY 1	1,184,411	8,683,235	779,500	272,273	10,919,419
NET POSITION, DECEMBER 31	\$ 1,403,101	\$ 8,614,929	\$ 643,927	\$ 280,477	\$ 10,942,434

**Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2013**

	Enterprise Funds				Totals
	Marina	Delinquent Tax	Straits Regional Ride	Other Funds	
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from Customers	\$ 435,274	\$ 499,304	\$ 305,233	\$ 215,956	\$ 1,455,767
Receipts from Governmental Units	(293,566)	-	465,694	-	172,128
Payments to Suppliers	(95,312)	(12,958)	(280,726)	(84,467)	(473,463)
Payments to Employees	(95,603)	(43,161)	(494,997)	(43,361)	(677,122)
Net Cash Provided (Used) by Operating Activities	(49,207)	443,185	(4,796)	88,128	477,310
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Gain on Sale of Assets	-	-	6,000	-	6,000
Purchase of Capital Assets	(295,186)	-	(19,860)	-	(315,046)
Capital Grants	293,566	-	19,860	-	313,426
Notes Payable Proceeds	-	500,000	-	-	500,000
Principal Payments	-	(500,000)	-	-	(500,000)
Interest Payments	-	(812)	-	-	(812)
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,620)	(812)	6,000	-	3,568
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES:					
Transfers In	-	-	19,823	-	19,823
Transfers Out	-	(504,988)	-	(78,652)	(583,640)
Net Cash Provided (Used) by Non-Capital And Related Financing Activities	-	(504,988)	19,823	(78,652)	(563,817)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest on Deposits	214	50,720	-	37	50,971
Net Cash Provided by Investing Activities	214	50,720	-	37	50,971
Net Increase (Decrease) in Cash and Equivalents	(50,613)	(11,895)	21,027	9,513	(31,968)
Cash and Equivalents - Beginning of the Year	70,065	6,563,706	42,023	259,824	6,935,618
Cash and Equivalents - End of the Year	<u>\$ 19,452</u>	<u>\$ 6,551,811</u>	<u>\$ 63,050</u>	<u>\$ 269,337</u>	<u>\$ 6,903,650</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating Income (Loss)	\$ (75,090)	\$ 386,774	\$ (181,256)	\$ 86,819	\$ 217,247
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation	64,062	-	175,582	-	239,644
Change in Assets and Liabilities:					
(Increase) Decrease in Assets:					
Accounts Receivable	(254)	-	-	-	(254)
Taxes Receivable	-	98,515	(1,050)	-	97,465
Interest Receivable	-	(42,092)	-	-	(42,092)
Contract Receivable	-	-	-	(3,761)	(3,761)
Due from Governmental Units	(293,566)	-	15,260	-	(278,306)
Prepaid Items and Inventories	(14,050)	-	-	-	(14,050)
Increase (Decrease) in Liabilities:					
Accounts Payable	265,842	-	1,197	(191)	266,848
Accrued Liabilities and Related Liabilities	189	(12)	1,503	138	1,818
Unearned Revenue	3,660	-	-	-	3,660
Due to Governmental Units	-	-	(16,032)	5,123	(10,909)
Net Cash Provided by Operating Activities	<u>\$ (49,207)</u>	<u>\$ 443,185</u>	<u>\$ (4,796)</u>	<u>\$ 88,128</u>	<u>\$ 477,310</u>

County of Cheboygan, Michigan

Statement of Fiduciary Net Position Fiduciary Funds December 31, 2013

	<u>Agency Funds</u>
ASSETS:	
Cash and Equivalents - Unrestricted	\$ 191,513
Accounts Receivable	<u>2,154</u>
 TOTAL ASSETS	 <u><u>\$ 193,667</u></u>
 LIABILITIES:	
Due to Others	\$ 34,342
Court Items Payable	51,516
Other Liabilities	<u>107,809</u>
 TOTAL LIABILITIES	 <u><u>\$ 193,667</u></u>

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A – Reporting Entity:

The County of Cheboygan, Michigan, 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 25,726 residents (per 2013 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.

Component Unit:

In conformity with U.S. generally accepted accounting principles, the financial statements of the component unit have been included in the financial reporting entity as a discretely presented component unit.

Discretely Presented Component Unit

The component unit column in the government-wide financial statements include the financial data of the only component unit of the County. The following is a summary of the component unit:

Cheboygan County Road Commission - The County 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 Cheboygan 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 Cheboygan County has been audited and reported separately. Complete financial statements of the individual component unit can be obtained from the following:

Cheboygan County 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 requirement, which amounted to \$202,542 for the year ended December 31, 2013. This expenditure was made from the General Fund.

The County participated in the North Country 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, 2013. This expenditure was made from the General Fund.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**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, 2013 was \$99,491. Financial statements for the Cheboygan Airport Authority may be obtained through the Cheboygan County Airport, 1520 Leving 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, 2013 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.

B – Government-Wide and Fund Financial Statements:

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

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

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C – 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. Revenue is 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 revenue 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. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers most revenues to be available if they are collected within 60 days of the end of the current fiscal period. Grant revenues are considered to be available when all eligibility requirements imposed by the grantor have been met. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's tax collection function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for tax collections and services. Operating expenses for proprietary funds include the cost of sales and services, and administrative expenses. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxes Receivable – Current and Property Taxes

Prior to 2005, the County property taxes were levied on December 1 of each year (the lien date) and were due in full by March 1 of the year following the levy, at which time uncollected taxes became delinquent. Pursuant to Public Act 357 of 2004, which provides a funding mechanism to replace state revenue sharing payments to counties, the County's levy date gradually shifted from December 1 to July 1 of each year. As such, for the year ended December 31, 2013, the County recognized the full July 1, 2013 levy.

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

The assessed and taxable value of real and personal property for the December 1, 2012 levy, was recognized as revenue in fiscal 2013. The general operating tax rate for this levy was at the maximum rate of 5.6592 mills, as adjusted by the Headlee Amendment to the State of Michigan Constitution. The County also has a voter approved tax of .5000 mills for Senior Services and .2500 mills for Ambulance Services.

The assessed and taxable value of real and personal property for the July 1, 2013 levy, was recognized as revenue in fiscal 2013. The general operating tax rate for this levy was at the maximum rate of 5.6592 mills, as adjusted by the Headlee Amendment to the State of Michigan Constitution.

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

All other revenue items are considered to be available if they are collected within 60 days of the end of the current fiscal period.

The County reports the following major governmental funds:

General Fund

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

Revenue Sharing Reserve Fund

This fund accounts for restricted funds that are limited to amounts previously reported as state revenue sharing distributed annually, which can be used to fund governmental operations.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Housing Commission Fund

This fund accounts for housing programs provided to the citizens of Cheboygan County.

Senior Citizen's Millage Fund

This fund was established to collect and remit property taxes levied to support programs and services to the elderly in Cheboygan County.

Ambulance Millage Fund

This fund was established to collect and remit property taxes levied to support ambulance services to citizens in Cheboygan County.

Inverness Township Sewer Debt Fund

This fund accounts for the repayment of Inverness Township's sewer bond from Rural Development.

The County reports the following major proprietary funds:

Marina Fund

This fund accounts for the operations of the County marina.

Delinquent Tax Fund

This fund accounts for the collection of delinquent property taxes.

Straits Regional Ride Fund

This fund accounts for the public transit operations provided to Cheboygan, Emmet and Presque Isle Counties.

Additionally, the County reports the following fund types:

Special Revenue Funds

These funds account for revenue sources that are legally restricted to expenditures for specific purposes not including major capital projects.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Project Funds

The Animal Control Project Fund accounts for the remodeling of the animal control facility on Hackleburg Road.

The Revolving Drain Fund accounts for monies collected to pay for inspection, repair, and maintenance of County drains.

The Doris Reid Building Fund accounts for the remodeling of the building.

Enterprise Funds

These funds account for the County's business-type operations that provide services to residents of the County for a fee.

Agency Funds

These funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance

Bank Deposits – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Deposits are recorded at cost.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown as net of allowance for uncollectible 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 average cost 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 financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets – Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant, and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 years
Building Improvements	15 years
Computer Equipment	5 years
Land Improvements	15 years
Office Equipment	5 to 10 years
Other Equipment	5 years
Software	3 years
Vehicles	4 to 7 years

The estimated useful lives for the component unit are as follows:

Land Improvements	20 years
Bridges	25 to 50 years
Building and Improvements	40 years
Equipment	5 to 8 years
Roads	8 to 20 years

Vested Employee Benefits – Primary Government – 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 government-wide statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

Accrued Vacation and Sick – Component Unit – 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).

Long-Term Obligations – In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows of Resources – In addition to assets, 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 net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has no items that qualify for reporting in this category.

Deferred Inflows of Resources – In addition to liabilities, the statement of net position and governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has property taxes that qualify for reporting in this category.

Grants and Other Intergovernmental Revenues – Federal grants and assistance awards for all governmental type funds are recorded as intergovernmental revenue in accordance with the terms of the representative grants.

Fund Balance Classification – The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The County has no Nonspendable items.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the County. These amounts cannot be used for any other purpose unless the County removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The County has committed vested employee benefit obligations.
- Assigned: This classification includes amounts that 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Unassigned: This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The County would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

Interfund Transfers – 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 operating transfers. The classification of amounts recorded as subsidies, advances, or equity contributions is determined by County management.

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 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

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

- a. Each 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. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to January 1st, the budget is legally enacted through a resolution passed by the Board of Commissioners.
- d. Budgetary control is exercised at the departmental level of the General Fund. Any revisions that alter the total expenditures of any department or fund (i.e., budget amendments) require approval by the Board of Commissioners. Such amendments are made in accordance with the procedures prescribed under Public Act 621 of 1978.
- e. The budget and approved appropriations lapse at the end of the fiscal year.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

f. The County does not record encumbrances in the accounting records during the year as normal practice and, therefore, no outstanding encumbrances exist at year end.

Budgeted amounts are as originally adopted or amended by the Board of Commissioners during the year. Individual amendments were not material in relation to the original appropriations which were amended. The modified accrual basis of accounting is used for budgetary purposes.

The General Fund revenue budget was adopted on the basis of activities or programs financed by the General Fund.

Michigan Public Act 621 of 1978 requires that budgets be adopted for governmental funds. U.S. generally accepted accounting principles require that the financial statements present budgetary comparisons for the governmental fund types for which budgets were legally adopted. The original budget adopted for the General Fund was modified throughout the year through various budget amendments.

The budget document presents information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the line item.

NOTE 3 - DEPOSITS AND INVESTMENTS

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Unit</u>
Cash and Equivalents					
- Unrestricted	\$ 8,990,239	\$ 6,903,650	\$ 15,893,889	\$ 191,513	\$ 1,050,217
Total	<u>\$ 8,990,239</u>	<u>\$ 6,903,650</u>	<u>\$ 15,893,889</u>	<u>\$ 191,513</u>	<u>\$ 1,050,217</u>
		<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Unit</u>	
Bank Deposits (checking and savings accounts, certificates of deposit)	\$ 15,891,794	\$ 191,513	\$ 875,199		
Investments – Mutual Funds	-	-	174,718		
Petty Cash and Cash on Hand	<u>2,095</u>	<u>-</u>	<u>300</u>		
Total	<u>\$ 15,893,889</u>	<u>\$ 191,513</u>	<u>\$ 1,050,217</u>		

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Interest rate risk. 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.

Credit risk. State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The County has no investment policy that would further limit its investment choices.

Custodial deposit credit risk. Custodial deposit credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned. State law does not require and the County does not have a policy for deposit custodial credit risk. As of year end, \$16,493,488 of the County's bank balance of \$18,074,079 was exposed to credit risk because it was uninsured and uncollateralized. \$0 was uninsured and collateralized by the pledging financial institution.

An act (PA 152) to amend 1943 PA 20, entitled "An act relative to the investment of funds of public corporations of the state; and to validate certain investments," by amending section 1 (MCL 129.91), as amended by 2009 PA 21.

Except as provided in section 5, the governing body by resolution may authorize its investment officer to invest the funds of that public corporation in one or more of the following:

- 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, or depository receipts of a financial institution, but only if the financial institution complies with subsection (2); certificates of deposit obtained through a financial institution as provided in subsection (5); or deposit accounts of a financial institution as provided in subsection (6).
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in subdivision (a).
- 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.

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

- 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 delayed delivery basis.
 - (ii) The ability to lend portfolio securities as long as the mutual fund receives collateral at all times 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.

NOTE 4 - RECEIVABLES

On May 1, 2002, Inverness Township entered into a contract with the County. This contract provides among other things that the County will finance a portion of this project in anticipation of sufficient payments to be made by the Township to pay the principal and interest on the loan. The outstanding lease receivable recorded in the accompanying basic financial statements is offset by deferred revenue because it is not available for use by the County. The loan consists of a series of notes ranging in amounts of \$40,000 to \$100,000, with maturity dates from September 1, 2007 to September 1, 2024 with interest charged at 4.625%.

On December 10, 2002 the County borrowed \$3,419,000 from the United States Department of Agriculture under the provisions of the consolidated Farm and Rural Development Act (7 U.S.C. 1921 et seq.) for the development of a sewer extension in Inverness Township.

The Township has pledged its full faith and credit for the repayment of the loan. Neither the full faith and credit nor the taxing power of the County is pledged for the payment of the notes; therefore, the debt has not been recorded in the accompanying basic financial statements.

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the primary government for the current year was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,892,102	\$ -	\$ -	\$ 1,892,102
Construction in progress	<u>-</u>	<u>174,123</u>	<u>-</u>	<u>174,123</u>
Subtotal	<u>1,892,102</u>	<u>174,123</u>	<u>-</u>	<u>2,066,225</u>
<i>Capital assets being depreciated:</i>				
Land improvements	126,046	-	(702)	125,344
Buildings and improvements	9,140,228	480,604	(252,884)	9,367,948
Machinery and equipment	1,400,092	197,317	(50,199)	1,547,210
Vehicles	<u>858,526</u>	<u>91,877</u>	<u>(109,152)</u>	<u>841,251</u>
Subtotal	<u>11,524,892</u>	<u>769,798</u>	<u>(412,937)</u>	<u>11,881,753</u>
<i>Less accumulated depreciation for:</i>				
Land improvements	(41,289)	(8,199)	-	(49,488)
Buildings and improvements	(4,209,322)	(263,362)	-	(4,472,684)
Machinery and equipment	(1,007,880)	(101,607)	50,199	(1,059,288)
Vehicles	<u>(601,365)</u>	<u>(86,850)</u>	<u>89,037</u>	<u>(599,178)</u>
Subtotal	<u>(5,859,856)</u>	<u>(460,018)</u>	<u>139,236</u>	<u>(6,180,638)</u>
Net Capital Assets Being Depreciated	<u>5,665,036</u>	<u>309,780</u>	<u>(273,701)</u>	<u>5,701,115</u>
Capital Assets - Net	<u>\$ 7,557,138</u>	<u>\$ 483,903</u>	<u>\$ (273,701)</u>	<u>\$ 7,767,340</u>

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

Governmental Activities:	
Judicial	\$ 21,135
General Government	201,696
Public Safety	161,000
Public Works	31,440
Health and Welfare	40,865
Recreation and Culture	<u>3,882</u>
Total Governmental Activities	<u>\$ 460,018</u>

NOTE 5 - CAPITAL ASSETS (Continued)

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type Activities:				
<i>Capital assets not being depreciated:</i>				
Construction in progress	\$ -	\$ 295,186	\$ -	\$ 295,186
<i>Capital assets being depreciated:</i>				
Buildings and improvements	550,297	-	-	550,297
Land improvements	995,961	-	-	995,961
Machinery and equipment	77,111	19,860	-	96,971
Transportation equipment	1,330,348	-	(27,357)	1,302,991
Docks	<u>691,940</u>	<u>-</u>	<u>-</u>	<u>691,940</u>
Subtotal	<u>3,645,657</u>	<u>19,860</u>	<u>(27,357)</u>	<u>3,638,160</u>
<i>Less accumulated depreciation for:</i>				
Buildings and improvements	(357,196)	(16,438)	-	(373,634)
Land improvements	(459,202)	(24,812)	-	(484,014)
Machinery and equipment	(76,944)	(662)	-	(77,606)
Transportation equipment	(603,604)	(174,920)	27,357	(751,167)
Docks	<u>(320,584)</u>	<u>(22,812)</u>	<u>-</u>	<u>(343,396)</u>
Subtotal	<u>(1,817,530)</u>	<u>(239,644)</u>	<u>27,357</u>	<u>(2,029,817)</u>
Net Capital Assets Being Depreciated	<u>1,828,127</u>	<u>(219,784)</u>	<u>-</u>	<u>1,608,343</u>
Capital Assets – Net	<u>\$ 1,828,127</u>	<u>\$ 75,402</u>	<u>\$ -</u>	<u>\$ 1,903,529</u>

Depreciation expense of \$64,062 and \$175,582 was allocated to the Marina and Straits Regional Ride, respectively.

NOTE 5 - CAPITAL ASSETS (Continued)

A summary of changes in the component unit's capital assets are as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<i>Capital assets not being depreciated:</i>				
Land	\$ 259,255	\$ -	\$ -	\$ 259,255
Land and improvements	10,372,996	342,027	-	10,715,023
Right of ways	87,308	-	-	87,308
Subtotal	<u>10,719,559</u>	<u>342,027</u>	<u>-</u>	<u>11,061,586</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	4,004,327	-	-	4,004,327
Road equipment	7,491,438	369,068	(440,647)	7,419,859
Shop equipment	243,364	-	-	243,364
Office equipment	103,271	1,918	(33,006)	72,183
Engineer's equipment	59,605	-	-	59,605
Yard and storage	291,957	-	-	291,957
Infrastructure – Land improvements	-	759,875	-	759,875
Infrastructure – Roads	15,591,323	506,015	(533,474)	15,563,864
Infrastructure – Bridges	9,501,183	85,788	-	9,586,971
Depletable assets – Gravel pits	27,085	-	-	27,085
Subtotal	<u>37,313,553</u>	<u>1,722,664</u>	<u>(1,007,127)</u>	<u>38,029,090</u>
<i>Less accumulated depreciation:</i>				
Building and improvements	(1,921,823)	(176,022)	-	(2,097,845)
Road equipment	(7,258,624)	(134,297)	440,365	(6,952,556)
Shop equipment	(212,218)	(15,291)	-	(227,509)
Office equipment	(85,139)	(5,404)	33,006	(57,537)
Engineer's equipment	(58,465)	(559)	-	(59,024)
Yard and storage	(202,841)	(19,084)	-	(221,925)
Infrastructure – Land improvements	-	(37,994)	-	(37,994)
Infrastructure – Roads	(6,944,323)	(776,265)	533,474	(7,187,114)
Infrastructure – Bridges	(2,553,811)	(196,566)	-	(2,750,377)
Depletable assets – Gravel pits	(15,332)	-	-	(15,332)
Subtotal	<u>(19,252,576)</u>	<u>(1,361,482)</u>	<u>1,006,845</u>	<u>(19,607,213)</u>
Net Capital Assets Being Depreciated	<u>18,060,977</u>	<u>361,182</u>	<u>(282)</u>	<u>18,421,877</u>
Capital Assets – Net	<u>\$ 28,780,536</u>	<u>\$ 703,209</u>	<u>\$ (282)</u>	<u>\$ 29,483,463</u>

Depreciation expense of \$1,361,482 was charged to Public Works.

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

		DUE TO OTHER FUNDS			
DUE FROM OTHER FUNDS		Housing Commission	Ambulance Millage	Nonmajor Governmental Funds	Total
		General Fund	\$ 10	\$ 63	\$ 61,041

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

		TRANSFERS OUT					
TRANSFERS IN		General Fund	Revenue Sharing Reserve	Nonmajor Governmental Funds	Delinquent Tax	Nonmajor Enterprise Funds	Total
		General Fund	\$ 89,441	\$ 551,253	\$ 18,102	\$ 405,156	\$ 78,652
	Nonmajor Governmental Funds	950,642	-	16,863	99,832	-	1,067,337
	Straits Regional Ride	19,823	-	-	-	-	19,823
	Total	\$ 1,059,906	\$ 551,253	\$ 34,965	\$ 504,988	\$ 78,652	\$ 2,229,764

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

NOTE 7 - LONG-TERM DEBT

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Governmental Activities</u>					
Installment loan for accounting software for Building Safety and Planning and Zoning.	\$ 4,998	\$ -	\$ 4,998	\$ -	\$ -
<u>Component Unit</u>					
Michigan Transportation Fund, Refunding Bonds Series 2013, maturing serially through 2019 in annual amounts ranging from \$45,000 to \$180,000, and at interest rates ranging from 2.00% to 3.75%.	-	2,285,000	-	2,285,000	45,000
Michigan Transportation Fund, Series 2004 Bonds, maturing serially through 2029 in annual amounts ranging from \$90,000 to \$195,000, and at interest rates ranging from 3.75% to 4.75%.	<u>2,375,000</u>	<u>-</u>	<u>2,270,000</u>	<u>105,000</u>	<u>105,000</u>
Total Long-Term Debt	<u>\$ 2,379,998</u>	<u>\$ 2,285,000</u>	<u>\$ 2,274,998</u>	<u>\$ 2,390,000</u>	<u>\$ 150,000</u>

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

<u>Year Ended December 31,</u>	<u>Component Unit</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 150,000	\$ 40,286	\$ 190,286
2015	125,000	60,070	185,070
2016	130,000	57,520	187,520
2017	135,000	54,870	189,870
2018	135,000	52,170	187,170
2019-2023	720,000	215,856	935,856
2024-2028	815,000	106,241	921,241
2029	<u>180,000</u>	<u>3,375</u>	<u>183,375</u>
Total	<u>\$ 2,390,000</u>	<u>\$ 590,388</u>	<u>\$ 2,980,388</u>

NOTE 7 - LONG-TERM DEBT (Continued)

A summary of vested employee benefits payable for the primary government and component unit at December 31, 2013 is as follows:

<u>Primary Government</u>	<u>Beginning Balance</u>	<u>Increases/ (Decreases)</u>	<u>Ending Balance</u>
Vacation	\$ 200,621	\$ (3,578)	\$ 197,043
Sick	128,467	(8,911)	119,556
Total	<u>\$ 329,088</u>	<u>\$ (12,489)</u>	<u>\$ 316,599</u>

Vested Employee Benefits – Primary Government

Vacation is earned in varying amounts depending on the number of years of services of an employee and is made available to the employee at their anniversary date, not to exceed a total accumulation of 25 days for union employees, 25 days for administrative and nonunion supervisory employees. Vacation is payable at 100% to employees when they terminate employment.

Sick leave is accumulated at the rate of one day for each month of services, 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.

Accrued Sick and Vacation – Component Unit

The accrued sick and vacation represents vested sick and vacation benefits due Road Commission employees upon termination of employment with the Road Commission. The balance at December 31, 2013 is \$225,707. All amounts vested have been accrued on the government-wide statements.

NOTE 8 - SHORT-TERM DEBT

The following is a summary of short-term debt issued to purchase the 2012 Delinquent Taxes:

	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities:					
General Obligation Limited 2013 Tax Notes Series	.85%	\$ -	\$ 500,000	\$ 500,000	\$ -

NOTE 9 - CAPITAL LEASE

Capital Lease – The County leases a Pitney Bowes postage machine under a capital lease with monthly lease payments of \$499, including an interest rate of 4.009%. 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.

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

2014	\$ <u>4,491</u>
Total minimum lease payments	4,491
Less amount representing interest	<u>(74)</u>
Present value of minimum lease payment	<u>\$ 4,417</u>

NOTE 10 - 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.

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, 2013, 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.

NOTE 10 - RISK MANAGEMENT (Continued)

Component Unit

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.

The Road Commission is also a member of the County Road Association Self-Insurance 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 the 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, 2013, which is recorded as current liabilities in the fund financial statements. Changes in the balance of claims liability are as follows:

	<u>2013</u>	<u>2012</u>
Unpaid claims, beginning of year	\$ 40,000	\$ 40,000
Incurred claims (including IBNR's)	547,779	628,090
Claims paid	<u>(547,779)</u>	<u>(628,090)</u>
Unpaid claims, end of year	40,000	40,000
Less current portion	<u>40,000</u>	<u>40,000</u>
Long-Term Liabilities	<u>\$ -</u>	<u>\$ -</u>

NOTE 11 - CONTINGENT LIABILITIES

The County has received significant financial assistance from state and federal agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the County. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the County at December 31, 2013.

NOTE 12 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

PRIMARY GOVERNMENT

Description of Plan and Plan Assets

The County is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement and service retirement to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplies by the sum of 2.0% times the final compensation (FAC). The most recent period of which actuarial data was available was for year ended December 31, 2012.

MERS was organized pursuant to Section 12A of Act #156, Public Acts of 1851 (MSA 5.333 (a); MCLA 46.12 (a), as amended, State of Michigan. MERS is regulated under Act No. 427 of Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS 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 MERS at 1134 Municipal Way, Lansing, Michigan 48917-9755.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the County's competitive bargaining unit and personnel policy, which require employees to contribute to the plan. The County is required to contribute at an actuarially determined rate.

NOTE 12 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Annual Pension Cost

During the year ended December 31, 2013, the County’s contributions totaling \$671,114 were made in accordance with contribution requirement determined by an actuarial valuation of the plan as of December 31, 2012. 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 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 include a long-term investment yield rate of 8% and annual salary increases of 4.5% (1% for calendar years 2011-2014) based on an age-related scale to reflect merit, longevity, and promotional salary increases. The unfunded actuarial liability is amortized as a level percent of payroll on a closed basis. The remaining amortization period is 26 years.

Three Year Trend Information			
<u>Year Ended Dec 31</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2011	\$ 638,837	100%	\$ 0
2012	673,432	100%	0
2013	671,114	100%	0

COMPONENT UNIT

Plan Description

The Cheboygan County Road Commission participates in the Michigan Municipal Employees Retirement System (MERS); a 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 Act 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.

NOTE 12 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Funding Policy

The plan adopted by the Board of County Road Commissioners requires no employee contribution. The Road Commission is required to contribute at an actuarially determined rate; the weighted average rate for the first quarter of 2013 was 31.94% for general employees and 52.48% for salaried employees. 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. At December 31 2013, the rate was \$37,687 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.

Annual Pension Cost

For the year ended December 31, 2013, the Road Commission’s annual pension cost of \$518,386 for MERS was equal to the Road Commission’s required and actual contributions. The required contribution was determined as part of the December 31, 2011 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 28 years for positive unfunded liabilities in the 2011 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.

<u>Three Year Trend Information</u>			
<u>Year Ended December 31</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2011	\$ 564,963	100%	\$ 0
2012	542,596	100%	0
2013	518,386	100%	0

NOTE 13 - OTHER POST EMPLOYMENT BENEFITS

COMPONENT UNIT

Plan Description

In addition to the pension benefits described in Note 12, the Cheboygan County Road commission provides post employment benefits through a single-employer defined benefit health care plan (the “Retiree Health Plan”) to eligible employees who retire from the Road Commission on or after attaining retirement age with at least ten years of service. 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 and Board of Commissioners and the employees’ unions.

The Retiree Health Plan does not issue a publicly available financial report.

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 County can periodically make contributions to an irrevocable trust to provide advance funds for these benefits which are counted towards the ARC contribution

Annual Benefit Costs

During the year ended December 31, 2013, employer contributions of \$489,328, which included \$50,000 contributed to the OPEB trust fund, were made by the Road Commission. The alternative measurement method dated December 31, 2011 determined an annual contribution of \$716,675.

The method 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 benefit costs were developed using the entry age cost method. The assumptions included (a) 7.0% investment rate of return,(b) 4.8% discount rate, (c) projected health care premium increases of 6.8% to 7.0% per year, (d) life expectancies for males and females of 77 and 81 years, respectively, (e) assumed retirement age of 58, or at the first subsequent year in which the member would qualify for benefits. The plan unfunded actuarial accrued liability is being amortized by level percent of payroll contributions over 30 years on an open period.

Annual OPEB Cost and Net OPEB Obligation

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

NOTE 13 - OTHER POST EMPLOYMENT BENEFITS (Continued)

Annual required contribution	\$ 716,675
Interest on net OPEB obligation	80,906
Adjustment to annual required contribution	<u>(73,481)</u>
Annual OPEB cost (expense)	724,100
Contributions made	<u>(489,328)</u>
Increase in net OPEB obligation	234,772
NET OPEB obligation – beginning of year	<u>1,155,806</u>
NET OPEB obligation – end of year	<u>\$ 1,390,578</u>

Schedule of Employer Contributions

<u>Year End</u> <u>December 31</u>	<u>Annual OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
2011	\$ 722,270	82.19%	\$ 999,623
2012	723,097	78.40%	1,155,806
2013	724,100	67.58%	1,390,578

Funded Status and Funding Progress

The projection of future benefit payments for an ongoing plan involves estimates for the value of reported amounts and assumptions about the probability or occurrence of events far into the future. 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.

Required Supplementary Information

Pension:

PRIMARY GOVERNMENT

Three year trend information as of December 31, 2012 is as follows:

	<u>2010</u>	<u>2011</u>	<u>2012</u>
Actuarial Value of Assets	\$ 15,496,805	\$ 16,311,342	\$ 17,081,726
Actuarial Accrued Liability	19,428,875	20,553,771	21,473,460
Unfunded AAL	3,932,070	4,242,429	4,391,734
Funded Ratio	80%	79%	80%
Covered Payroll	4,976,490	4,984,285	5,079,917
UAAL as a Percentage of Covered Payroll	79%	85%	86%

COMPONENT UNIT

Three year trend information as of December 31, 2012 is as follows:

	<u>2010</u>	<u>2011</u>	<u>2012</u>
Actuarial Value of Assets	\$ 9,795,044	\$ 9,829,050	\$ 9,781,802
Actuarial Accrued Liability	16,590,612	17,245,637	17,398,006
Unfunded AAL	6,795,568	7,416,587	7,616,204
Funded Ratio	59%	57%	56%
Covered Payroll	1,688,622	1,648,619	1,570,586
UAAL as a Percentage of Covered Payroll	402%	450%	485%

Health Plan:

COMPONENT UNIT

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll ((b - a) / c)
2008	\$ -	\$ 8,259,076	\$ 8,259,076	0.00%	\$ 1,876,594	440%
2011	\$ 51,667	\$ 7,968,733	\$ 7,917,066	0.65%	\$ 1,688,622	469%

**Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended December 31, 2013**

	Budgeted Amounts			Variance with Final Budget - Positive
	Original	Final	Actual Amounts	(Negative)
REVENUES:				
Taxes	\$ 7,850,199	\$ 7,850,199	\$ 7,688,362	\$ (161,837)
Licenses and Permits	42,500	42,500	54,354	11,854
Federal Sources	133,181	133,181	79,575	(53,606)
State Sources	597,762	604,444	580,963	(23,481)
Local Sources	103,103	106,283	115,800	9,517
Charges for Services	983,669	987,674	1,062,436	74,762
Fines and Penalties	21,000	37,369	32,903	(4,466)
Interest and Rentals	65,500	65,500	61,337	(4,163)
Refunds and Reimbursements	150,179	179,340	227,209	47,869
Other Revenue	17,106	72,294	69,947	(2,347)
TOTAL REVENUES	9,964,199	10,078,784	9,972,886	(105,898)
EXPENDITURES:				
Legislative:				
Board of Commissioners	130,974	133,503	120,622	12,881
Judicial:				
Circuit Court	289,476	290,735	282,036	8,699
District Court	525,583	531,338	513,615	17,723
Victim's Rights	64,981	67,631	66,060	1,571
Jury Board	8,750	8,750	5,752	2,998
Probate Court	557,534	563,216	557,134	6,082
Total Judicial	1,446,324	1,461,670	1,424,597	37,073
General Government:				
Elections	12,486	12,486	361	12,125
Finance	253,132	253,280	251,054	2,226
Administrative Office	193,737	196,550	189,250	7,300
County Clerk/Register of Deeds	401,805	403,110	386,182	16,928
Equalization	226,665	227,213	226,198	1,015
Information Systems	238,410	241,811	221,094	20,717
Prosecuting Attorney	531,069	531,050	506,955	24,095
GIS	62,601	62,656	61,819	837
Treasurer	231,742	228,857	198,284	30,573
Tax Allocation Board	730	730	561	169
Maintenance	410,108	410,108	377,437	32,671
Major Equipment & Building	123,000	69,140	11,723	57,417
Human Resources	2,700	3,300	3,290	10
Drain Commission	4,190	4,190	3,401	789
County Surveyor	1,000	1,015	1,015	-
MSU Extension	119,134	119,191	118,275	916
Soil Conservation	13,425	13,425	13,136	289
Termination Liability	82,000	82,000	42,047	39,953
Disaster Contingency	10,000	10,000	-	10,000
General	485,563	482,662	448,487	34,175
Total General Government	3,403,497	3,352,774	3,060,569	292,205
Public Safety:				
Sheriff	1,409,970	1,519,225	1,482,624	36,601
ORV Enforcement	9,900	9,954	9,268	686
CCE 911	431,112	431,177	422,729	8,448
Marine Safety	102,666	103,547	101,488	2,059
Snowmobile Safety	27,030	27,212	11,491	15,721
Secondary Road Patrol	67,149	67,242	64,506	2,736
Stonegarden	45,015	45,015	18,110	26,905
Local Grants	9,506	9,543	8,599	944
Canine Unit	5,000	5,000	1,203	3,797
Corrections/Communications	1,348,050	1,395,194	1,382,594	12,600
Planning and Zoning	398,946	397,320	388,528	8,792
Emergency Management Services	49,171	49,171	42,141	7,030
Jaws of Life	3,662	3,662	-	3,662
Animal Control	138,400	138,900	138,485	415
Total Public Safety	4,045,577	4,202,162	4,071,766	130,396

**Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended December 31, 2013**

	Budgeted Amounts			Variance with Final Budget - Positive
	Original	Final	Actual Amounts	(Negative)
Health & Welfare:				
Health Department	\$ 202,207	\$ 203,642	\$ 203,545	\$ 97
Mental Health	111,995	111,995	111,995	-
Medical Examiner	28,245	28,250	13,399	14,851
Soldier's Relief	5,000	5,000	3,106	1,894
Social Services Medical	16,000	16,000	5,302	10,698
Veterans Services	130,038	134,141	133,896	245
Total Health & Welfare	493,485	499,028	471,243	27,785
Recreation and Culture:				
Airport Operations	74,250	80,000	80,000	-
Fairgrounds and Events	26,638	31,072	30,170	902
Total Recreation & Culture	100,888	111,072	110,170	902
Other Expenditures:				
Insurance	154,750	154,809	143,345	11,464
CCE 911 Contingency	31,000	43,000	41,540	1,460
Other Miscellaneous	450	450	-	450
Total Other Expenditures	186,200	198,259	184,885	13,374
Debt Service:				
Principal	-	5,464	5,464	-
Interest	-	524	524	-
Total Debt Service	-	5,988	5,988	-
Capital Outlay:				
CCE 911 Capital Improvement	19,733	19,733	19,733	-
Airport Capital Improvement	19,500	19,500	19,491	9
Courthouse Preservation	295,000	489,398	383,025	106,373
Total Capital Outlay	334,233	528,631	422,249	106,382
TOTAL EXPENDITURES	10,141,178	10,493,087	9,872,089	620,989
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(176,979)	(414,303)	100,797	515,091
OTHER FINANCING SOURCES (USES):				
Transfers In	875,062	1,079,172	1,142,604	63,432
Transfers Out	(813,475)	(1,152,672)	(1,059,906)	92,766
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ (115,392)</u>	<u>\$ (487,803)</u>	183,495	<u>\$ 671,289</u>
FUND BALANCE, JANUARY 1			<u>7,077,282</u>	
FUND BALANCE, DECEMBER 31			<u>\$ 7,260,777</u>	

**Required Supplementary Information
Budgetary Comparison Schedule
Revenue Sharing Reserve Fund
Year Ended December 31, 2013**

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget - Positive (Negative)
REVENUES:				
Interest	\$ 2,000	\$ 2,000	\$ 477	\$ (1,523)
TOTAL REVENUES	<u>2,000</u>	<u>2,000</u>	<u>477</u>	<u>(1,523)</u>
OTHER FINANCING SOURCES (USES):				
Transfers Out	<u>(551,791)</u>	<u>(551,791)</u>	<u>(551,253)</u>	<u>538</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ (549,791)</u>	<u>\$ (549,791)</u>	<u>(550,776)</u>	<u>\$ (985)</u>
FUND BALANCE, JANUARY 1			<u>1,531,288</u>	
FUND BALANCE, DECEMBER 31			<u>\$ 980,512</u>	

**Required Supplementary Information
Budgetary Comparison Schedule
Housing Commission Fund
Year Ended December 31, 2013**

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget - Positive (Negative)
REVENUES:				
Federal Sources	\$ 63,378	\$ 63,700	\$ -	\$ (63,700)
Interest and Rentals	-	-	23	23
Other Revenue	10,000	10,000	33,401	23,401
TOTAL REVENUES	73,378	73,700	33,424	(40,276)
EXPENDITURES:				
Health and Welfare	121,178	121,500	1,056	120,444
TOTAL EXPENDITURES	121,178	121,500	1,056	120,444
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (47,800)</u>	<u>\$ (47,800)</u>	32,368	<u>\$ 80,168</u>
FUND BALANCE, JANUARY 1			<u>73,206</u>	
FUND BALANCE, DECEMBER 31			<u>\$ 105,574</u>	

County of Cheboygan, Michigan

Required Supplementary Information Budgetary Comparison Schedule Senior Citizen's Millage Fund Year Ended December 31, 2013

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget - Positive (Negative)
REVENUES:				
Taxes	\$ 645,445	\$ 645,445	\$ 642,622	\$ (2,823)
Other Revenue	-	-	2,948	2,948
TOTAL REVENUES	<u>645,445</u>	<u>645,445</u>	<u>645,570</u>	<u>125</u>
EXPENDITURES:				
Health and Welfare	<u>670,813</u>	<u>672,213</u>	<u>672,213</u>	<u>-</u>
TOTAL EXPENDITURES	<u>670,813</u>	<u>672,213</u>	<u>672,213</u>	<u>-</u>
EXCESS (DEFICIENCY) OF				
REVENUES OVER EXPENDITURES	<u>\$ (25,368)</u>	<u>\$ (26,768)</u>	(26,643)	<u>\$ 125</u>
FUND BALANCE, JANUARY 1			<u>159,065</u>	
FUND BALANCE, DECEMBER 31			<u>\$ 132,422</u>	

County of Cheboygan, Michigan

Required Supplementary Information Budgetary Comparison Schedule Ambulance Millage Fund Year Ended December 31, 2013

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget - Positive (Negative)
REVENUES:				
Taxes	\$ 321,408	\$ 322,792	\$ 321,252	\$ (1,540)
TOTAL REVENUES	321,408	322,792	321,252	(1,540)
EXPENDITURES:				
Health and Welfare	321,408	322,792	321,252	1,540
TOTAL EXPENDITURES	321,408	322,792	321,252	1,540
EXCESS (DEFICIENCY) OF				
REVENUES OVER EXPENDITURES	\$ -	\$ -	-	\$ -
FUND BALANCE, JANUARY 1			-	
FUND BALANCE, DECEMBER 31			\$ -	

Other Information

County of Cheboygan, Michigan

Combining Balance Sheet General Funds December 31, 2013

	General	Social Services Medical	Soldier's Relief	CCE 911 Capital	Termination Liability	Jaws of Life	Disaster Contingency	Courthouse Preservation	Totals
ASSETS:									
Cash and Equivalents - Unrestricted	\$ 6,662,885	\$ 78	\$ -	\$ 278,718	\$ 33,967	\$ 3,662	\$ 10,000	\$ 117,738	\$ 7,107,048
Receivables:									
Accounts	51,247	-	-	-	-	-	-	-	51,247
Taxes	467,110	-	-	-	-	-	-	-	467,110
Due from Other Funds	61,114	-	-	-	-	-	-	-	61,114
Due from Governmental Units	130,830	-	-	-	-	-	-	-	130,830
TOTAL ASSETS	\$ 7,373,186	\$ 78	\$ -	\$ 278,718	\$ 33,967	\$ 3,662	\$ 10,000	\$ 117,738	\$ 7,817,349
LIABILITIES:									
Accounts Payable	\$ 88,558	\$ 78	\$ -	\$ 41,540	\$ -	\$ -	\$ -	\$ 87,355	\$ 217,531
Accrued Liabilities	267,951	-	-	-	-	-	-	-	267,951
Unearned Revenue	71,090	-	-	-	-	-	-	-	71,090
TOTAL LIABILITIES	427,599	78	-	41,540	-	-	-	87,355	556,572
FUND BALANCES:									
Assigned	-	-	-	237,178	33,967	3,662	10,000	30,383	315,190
Committed	305,162	-	-	-	-	-	-	-	305,162
Unassigned	6,640,425	-	-	-	-	-	-	-	6,640,425
TOTAL FUND BALANCES	6,945,587	-	-	237,178	33,967	3,662	10,000	30,383	7,260,777
TOTAL LIABILITIES AND FUND BALANCES	\$ 7,373,186	\$ 78	\$ -	\$ 278,718	\$ 33,967	\$ 3,662	\$ 10,000	\$ 117,738	\$ 7,817,349

County of Cheboygan, Michigan

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - General Funds For the Year Ended December 31, 2013

	General	Social Services Medical	Soldier's Relief	CCE 911 Capital	Termination Liability	Jaws of Life	Disaster Contingency	Courthouse Preservation	Totals
REVENUES:									
Taxes	\$ 7,688,362	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,688,362
Licenses and Permits	54,354	-	-	-	-	-	-	-	54,354
Federal Sources	79,575	-	-	-	-	-	-	-	79,575
State Sources	580,963	-	-	-	-	-	-	-	580,963
Local Sources	110,200	-	-	-	-	-	5,600	-	115,800
Charges for Services	1,062,436	-	-	-	-	-	-	-	1,062,436
Fines and Forfeitures	32,903	-	-	-	-	-	-	-	32,903
Interest and Rentals	61,337	-	-	-	-	-	-	-	61,337
Refunds and Reimbursements	227,209	-	-	-	-	-	-	-	227,209
Other Revenue	69,767	-	-	-	-	-	-	180	69,947
TOTAL REVENUES	9,967,106	-	-	-	-	-	-	5,780	9,972,886
EXPENDITURES:									
Legislative	120,622	-	-	-	-	-	-	-	120,622
Judicial	1,424,597	-	-	-	-	-	-	-	1,424,597
General Government	2,976,982	-	-	41,540	42,047	-	-	-	3,060,569
Public Safety	4,071,766	-	-	-	-	-	-	-	4,071,766
Health and Welfare	462,835	5,302	3,106	-	-	-	-	-	471,243
Recreation and Culture	110,170	-	-	-	-	-	-	-	110,170
Other Expenditures	184,885	-	-	-	-	-	-	-	184,885
Capital Outlay	19,491	-	-	19,733	-	-	-	383,025	422,249
Debt Service	5,988	-	-	-	-	-	-	-	5,988
TOTAL EXPENDITURES	9,377,336	5,302	3,106	61,273	42,047	-	-	383,025	9,872,089
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	589,770	(5,302)	(3,106)	(61,273)	(42,047)	-	-	(377,245)	100,797
OTHER FINANCING SOURCES (USES):									
Operating Transfers In	675,918	5,219	3,106	50,733	-	-	-	407,628	1,142,604
Operating Transfers Out	(1,059,906)	-	-	-	-	-	-	-	(1,059,906)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	205,782	(83)	-	(10,540)	(42,047)	-	-	30,383	183,495
FUND BALANCES, JANUARY 1	6,739,805	83	-	247,718	76,014	3,662	10,000	-	7,077,282
FUND BALANCES, DECEMBER 31	\$ 6,945,587	\$ -	\$ -	\$ 237,178	\$ 33,967	\$ 3,662	\$ 10,000	\$ 30,383	\$ 7,260,777

**Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2013**

	Special Revenue Funds								
	Family Counseling	PA 302 Training	Public Act 106	Probation Enhancement	Victim's Restitution	Remonumentation Grant	Community Projects	Friend of the Court	Recycling
ASSETS:									
Cash and Equivalents - Unrestricted	\$ 18,783	\$ 9,062	\$ -	\$ 14,209	\$ 104	\$ -	\$ 2,794	\$ 600	\$ 96,078
Accounts Receivable	-	-	-	-	-	-	-	-	12,345
Due from Governmental Units	-	-	-	-	-	25,982	-	75,419	-
TOTAL ASSETS	<u>\$ 18,783</u>	<u>\$ 9,062</u>	<u>\$ -</u>	<u>\$ 14,209</u>	<u>\$ 104</u>	<u>\$ 25,982</u>	<u>\$ 2,794</u>	<u>\$ 76,019</u>	<u>\$ 108,423</u>
LIABILITIES:									
Accounts Payable	\$ -	\$ -	\$ -	\$ 82	\$ -	\$ -	\$ -	\$ 4,749	\$ 28,082
Accrued Liabilities	-	-	-	-	-	-	-	16,324	1,848
Unearned Revenue	-	-	-	-	-	-	-	-	-
Due to Other Funds	-	-	-	-	-	2,372	-	54,946	3,723
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>82</u>	<u>-</u>	<u>2,372</u>	<u>-</u>	<u>76,019</u>	<u>33,653</u>
FUND BALANCES:									
Committed	-	-	-	-	-	-	-	-	-
Assigned	18,783	9,062	-	14,127	104	23,610	2,794	-	74,770
TOTAL FUND BALANCES	<u>18,783</u>	<u>9,062</u>	<u>-</u>	<u>14,127</u>	<u>104</u>	<u>23,610</u>	<u>2,794</u>	<u>-</u>	<u>74,770</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 18,783</u>	<u>\$ 9,062</u>	<u>\$ -</u>	<u>\$ 14,209</u>	<u>\$ 104</u>	<u>\$ 25,982</u>	<u>\$ 2,794</u>	<u>\$ 76,019</u>	<u>\$ 108,423</u>

County of Cheboygan, Michigan

**Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2013**

	Special Revenue Funds								
	Cellular Phone	911 4% Surcharge	DNR Forest Flow Through	Sobriety Court	Public Improvement	Building Department	Register of Deeds Automation	Sheriff Special Projects	ORV Fund
ASSETS:									
Cash and Equivalents - Unrestricted	\$ -	\$ 327	\$ -	\$ 4,715	\$ 6,041	\$ 11,856	\$ 316,613	\$ 2,021	\$ 1,575
Accounts Receivable	-	-	-	-	-	-	-	-	-
Due from Governmental Units	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 327</u>	<u>\$ -</u>	<u>\$ 4,715</u>	<u>\$ 6,041</u>	<u>\$ 11,856</u>	<u>\$ 316,613</u>	<u>\$ 2,021</u>	<u>\$ 1,575</u>
LIABILITIES:									
Accounts Payable	\$ -	\$ -	\$ -	\$ 1,707	\$ -	\$ 311	\$ 1,212	\$ -	\$ -
Accrued Liabilities	-	-	-	-	-	11,545	-	-	-
Unearned Revenue	-	-	-	-	-	-	-	-	-
Due to Other Funds	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,707</u>	<u>-</u>	<u>11,856</u>	<u>1,212</u>	<u>-</u>	<u>-</u>
FUND BALANCES:									
Committed	-	-	-	-	-	-	-	-	-
Assigned	-	327	-	3,008	6,041	-	315,401	2,021	1,575
TOTAL FUND BALANCES	<u>-</u>	<u>327</u>	<u>-</u>	<u>3,008</u>	<u>6,041</u>	<u>-</u>	<u>315,401</u>	<u>2,021</u>	<u>1,575</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ 327</u>	<u>\$ -</u>	<u>\$ 4,715</u>	<u>\$ 6,041</u>	<u>\$ 11,856</u>	<u>\$ 316,613</u>	<u>\$ 2,021</u>	<u>\$ 1,575</u>

County of Cheboygan, Michigan

**Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2013**

	Special Revenue Funds								
	Local Officer Training	DARE	Drug Court	Law Library	Veteran's Assistance	SAYPA Program	Child Care	Veteran's Trust	Senior Citizens Busing
ASSETS:									
Cash and Equivalents - Unrestricted	\$ 15,277	\$ 3,900	\$ 3,128	\$ 1,046	\$ 15,090	\$ 30,290	\$ 39,970	\$ 278	\$ -
Accounts Receivable	-	-	-	-	250	-	-	-	-
Due from Governmental Units	-	-	20,494	-	-	-	56,497	-	-
TOTAL ASSETS	<u>\$ 15,277</u>	<u>\$ 3,900</u>	<u>\$ 23,622</u>	<u>\$ 1,046</u>	<u>\$ 15,340</u>	<u>\$ 30,290</u>	<u>\$ 96,467</u>	<u>\$ 278</u>	<u>\$ -</u>
LIABILITIES:									
Accounts Payable	\$ 230	\$ -	\$ 17,935	\$ 1,046	\$ -	\$ -	\$ 47,681	\$ -	\$ -
Accrued Liabilities	-	-	-	-	-	-	8,650	-	-
Unearned Revenue	-	-	-	-	-	-	-	-	-
Due to Other Funds	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	<u>230</u>	<u>-</u>	<u>17,935</u>	<u>1,046</u>	<u>-</u>	<u>-</u>	<u>56,331</u>	<u>-</u>	<u>-</u>
FUND BALANCES:									
Committed	-	-	-	-	-	-	-	-	-
Assigned	15,047	3,900	5,687	-	15,340	30,290	40,136	278	-
TOTAL FUND BALANCES	<u>15,047</u>	<u>3,900</u>	<u>5,687</u>	<u>-</u>	<u>15,340</u>	<u>30,290</u>	<u>40,136</u>	<u>278</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 15,277</u>	<u>\$ 3,900</u>	<u>\$ 23,622</u>	<u>\$ 1,046</u>	<u>\$ 15,340</u>	<u>\$ 30,290</u>	<u>\$ 96,467</u>	<u>\$ 278</u>	<u>\$ -</u>

	Special Revenue Funds			Capital Project Funds			Totals
	County Fair	Doris Reid Building	Dav Van	Revolving Drain Fund	Animal Control Project	Doris Reid Building	
ASSETS:							
Cash and Equivalents - Unrestricted	\$ 1,940	\$ 51,673	\$ 600	\$ 100	\$ 10,567	\$ 3,142	\$ 658,637
Accounts Receivable	-	-	-	-	-	-	12,595
Due from Governmental Units	17,872	-	-	-	-	-	196,264
TOTAL ASSETS	\$ 19,812	\$ 51,673	\$ 600	\$ 100	\$ 10,567	\$ 3,142	\$ 867,496
LIABILITIES:							
Accounts Payable	\$ 19,491	\$ 1,434	\$ -	\$ -	\$ 10,567	\$ 3,142	\$ 134,527
Accrued Liabilities	321	-	-	-	-	-	38,688
Unearned Revenue	-	4,000	-	-	-	-	4,000
Due to Other Funds	-	-	-	-	-	-	61,041
TOTAL LIABILITIES	19,812	5,434	-	-	10,567	3,142	238,256
FUND BALANCES:							
Committed	-	-	-	100	-	-	100
Assigned	-	46,239	600	-	-	-	629,140
TOTAL FUND BALANCES	-	46,239	600	100	-	-	629,240
TOTAL LIABILITIES AND FUND BALANCES	\$ 19,812	\$ 51,673	\$ 600	\$ 100	\$ 10,567	\$ 3,142	\$ 867,496

**Combining Statement of Revenues, Expenditures,
and Changes in Fund Balance
Nonmajor Governmental Funds
Year Ended December 31, 2013**

	Special Revenue Funds								
	Family Counseling	PA 302 Training	Public Act 106	Probation Enhancement	Victim's Restitution	Remonumentation Grant	Community Projects	Friend of the Court	Recycling
REVENUES:									
Federal Sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 293,223	\$ -
State Sources	-	4,295	229,438	-	-	43,315	-	31,088	-
Local Sources	-	-	-	-	-	-	-	50,702	15,061
Contributions	-	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	24,374	258,394
Fines and Penalties	-	-	-	3,540	-	-	-	-	-
Interest and Rentals	-	-	-	-	-	-	-	-	-
Other Revenues	2,480	-	-	-	-	-	800	-	384
TOTAL REVENUES	2,480	4,295	229,438	3,540	-	43,315	800	399,387	273,839
EXPENDITURES:									
Judicial	-	-	-	-	-	-	-	461,531	-
General Government	-	-	229,438	-	-	43,315	-	-	265,770
Public Safety	-	3,775	-	2,020	-	-	376	-	-
Health and Welfare	-	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-	-
Recreation and Culture	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	-	3,775	229,438	2,020	-	43,315	376	461,531	265,770
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,480	520	-	1,520	-	-	424	(62,144)	8,069
OTHER FINANCING SOURCES (USES):									
Transfers In	-	-	-	-	-	-	-	61,972	-
Transfers Out	-	-	-	-	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	2,480	520	-	1,520	-	-	424	(172)	8,069
FUND BALANCES, JANUARY 1	16,303	8,542	-	12,607	104	23,610	2,370	172	66,701
FUND BALANCES, DECEMBER 31	\$ 18,783	\$ 9,062	\$ -	\$ 14,127	\$ 104	\$ 23,610	\$ 2,794	\$ -	\$ 74,770

**Combining Statement of Revenues, Expenditures,
and Changes in Fund Balance
Nonmajor Governmental Funds
Year Ended December 31, 2013**

	Special Revenue Funds								
	Cellular Phone	911 4% Surcharge	DNR Forest Flow Through	Sobriety Court	Public Improvement	Building Department	Register of Deeds Automation	Sheriff Special Projects	ORV Fund
REVENUES:									
Federal Sources	\$ -	\$ -	\$ 8,791	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State Sources	-	-	-	-	-	-	-	-	-
Local Sources	-	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	-	-	1,400	-
Charges for Services	-	-	-	6,070	-	290,123	37,370	-	-
Fines and Penalties	-	-	-	-	-	-	-	-	375
Interest and Rentals	-	-	-	-	-	-	112	-	-
Other Revenues	150,756	141,328	-	-	-	3,416	-	-	-
TOTAL REVENUES	150,756	141,328	8,791	6,070	-	293,539	37,482	1,400	375
EXPENDITURES:									
Judicial	-	-	-	3,314	-	-	-	-	-
General Government	-	-	-	-	-	-	12,899	-	-
Public Safety	150,756	141,243	-	-	-	404,931	-	1,433	-
Health and Welfare	-	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-	-
Recreation and Culture	-	-	8,791	-	-	-	-	-	-
TOTAL EXPENDITURES	150,756	141,243	8,791	3,314	-	404,931	12,899	1,433	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	85	-	2,756	-	(111,392)	24,583	(33)	375
OTHER FINANCING SOURCES (USES):									
Transfers In	-	-	-	-	-	101,590	-	-	-
Transfers Out	-	-	-	-	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	-	85	-	2,756	-	(9,802)	24,583	(33)	375
FUND BALANCES, JANUARY 1	-	242	-	252	6,041	9,802	290,818	2,054	1,200
FUND BALANCES, DECEMBER 31	\$ -	\$ 327	\$ -	\$ 3,008	\$ 6,041	\$ -	\$ 315,401	\$ 2,021	\$ 1,575

**Combining Statement of Revenues, Expenditures,
and Changes in Fund Balance
Nonmajor Governmental Funds
Year Ended December 31, 2013**

	Special Revenue Funds								
	Local Officer Training	DARE	Drug Court	Law Library	Veteran's Assistance	SAYPA Program	Child Care	Veteran's Trust	Senior Citizens Busing
REVENUES:									
Federal Sources	\$ -	\$ -	\$ 81,537	\$ -	\$ -	\$ 76,279	\$ -	\$ -	\$ -
State Sources	-	-	429	-	-	-	742,374	-	25,000
Local Sources	-	-	-	-	1,000	2,674	-	-	-
Contributions	-	100	-	-	3,380	36,920	-	-	-
Charges for Services	8,537	-	1,974	-	-	-	12,616	-	-
Fines and Penalties	-	-	-	-	-	-	-	-	-
Interest and Rentals	-	-	-	-	-	-	-	-	-
Other Revenues	-	-	-	3,500	-	30	9,759	15,377	-
TOTAL REVENUES	8,537	100	83,940	3,500	4,380	115,903	764,749	15,377	25,000
EXPENDITURES:									
Judicial	-	-	87,447	9,769	-	-	-	-	-
General Government	-	-	-	-	-	-	-	-	-
Public Safety	3,445	1,210	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	1,486	87,710	1,514,424	16,984	25,000
Capital Outlay	-	-	-	-	-	-	-	-	-
Recreation and Culture	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	3,445	1,210	87,447	9,769	1,486	87,710	1,514,424	16,984	25,000
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	5,092	(1,110)	(3,507)	(6,269)	2,894	28,193	(749,675)	(1,607)	-
OTHER FINANCING SOURCES (USES):									
Transfers In	-	-	11,062	6,269	-	-	742,412	-	-
Transfers Out	-	-	(7,302)	-	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	5,092	(1,110)	253	-	2,894	28,193	(7,263)	(1,607)	-
FUND BALANCES, JANUARY 1	9,955	5,010	5,434	-	12,446	2,097	47,399	1,885	-
FUND BALANCES, DECEMBER 31	\$ 15,047	\$ 3,900	\$ 5,687	\$ -	\$ 15,340	\$ 30,290	\$ 40,136	\$ 278	\$ -

**Combining Statement of Revenues, Expenditures,
and Changes in Fund Balance
Nonmajor Governmental Funds
Year Ended December 31, 2013**

	Special Revenue Funds			Capital Project Funds			Totals
	County Fair	Doris Reid Building	Dav Van	Revolving Drain Fund	Animal Control Project	Doris Reid Building	
REVENUES:							
Federal Sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 459,830
State Sources	17,872	-	-	-	-	-	1,093,811
Local Sources	-	-	-	-	-	-	69,437
Contributions	-	-	600	-	-	-	42,400
Charges for Services	145,972	-	-	-	-	-	785,430
Fines and Penalties	-	-	-	-	-	-	3,915
Interest and Rentals	6,567	87,972	-	-	-	-	94,651
Other Revenues	435	-	-	-	-	-	328,265
TOTAL REVENUES	170,846	87,972	600	-	-	-	2,877,739
EXPENDITURES:							
Judicial	-	-	-	-	-	-	562,061
General Government	-	24,734	-	-	-	-	576,156
Public Safety	-	-	-	-	-	-	709,189
Health and Welfare	-	-	-	-	-	-	1,645,604
Capital Outlay	35,744	-	-	-	99,832	16,863	152,439
Recreation and Culture	171,951	-	-	-	-	-	180,742
TOTAL EXPENDITURES	207,695	24,734	-	-	99,832	16,863	3,826,191
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(36,849)	63,238	600	-	(99,832)	(16,863)	(948,452)
OTHER FINANCING SOURCES (USES):							
Transfers In	27,337	-	-	-	99,832	16,863	1,067,337
Transfers Out	-	(27,663)	-	-	-	-	(34,965)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(9,512)	35,575	600	-	-	-	83,920
FUND BALANCES, JANUARY 1	9,512	10,664	-	100	-	-	545,320
FUND BALANCES, DECEMBER 31	\$ -	\$ 46,239	\$ 600	\$ 100	\$ -	\$ -	\$ 629,240

County of Cheboygan, Michigan**Combining Statement of Net Position
Nonmajor Enterprise Funds
December 31, 2013**

	Tax Foreclosure	Jail Commissary	Totals
ASSETS:			
Cash and Equivalents - Unrestricted	\$ 254,248	\$ 15,089	\$ 269,337
Contract Receivable	57,238	-	57,238
TOTAL ASSETS	311,486	15,089	326,575
LIABILITIES:			
Accrued Liabilities	1,725	-	1,725
Due to Governmental Units	44,373	-	44,373
TOTAL LIABILITIES	46,098	-	46,098
NET POSITION:			
Unrestricted	265,388	15,089	280,477
TOTAL NET POSITION	265,388	15,089	280,477
TOTAL LIABILITIES AND NET POSITION	\$ 311,486	\$ 15,089	\$ 326,575

County of Cheboygan, Michigan

Combining Statement of Revenues, Expenses, and Changes in Net Position - Nonmajor Enterprise Funds Year Ended December 31, 2013

	Tax Foreclosure	Jail Commissary	Totals
OPERATING REVENUES:			
Charges for Services	\$ 190,743	\$ 19,189	\$ 209,932
Interest and Rentals	9,785	-	9,785
TOTAL OPERATING REVENUES	200,528	19,189	219,717
OPERATING EXPENSES:			
Personal Services	43,499	-	43,499
Contractual Services	69,610	-	69,610
Other Supplies and Expenses	9,789	10,000	19,789
TOTAL OPERATING EXPENSES	122,898	10,000	132,898
OPERATING INCOME (LOSS)	77,630	9,189	86,819
NON-OPERATING REVENUES (EXPENSES):			
Interest on Deposits	37	-	37
INCOME (LOSS) BEFORE TRANSFERS	77,667	9,189	86,856
Transfers Out	(78,652)	-	(78,652)
CHANGE IN NET POSITION	(985)	9,189	8,204
NET POSITION, JANUARY 1	266,373	5,900	272,273
NET POSITION, DECEMBER 31	\$ 265,388	\$ 15,089	\$ 280,477

County of Cheboygan, Michigan

**Combining Statement of Cash Flows
Nonmajor Enterprise Funds
Year Ended December 31, 2013**

	Tax Foreclosure	Jail Commissary	Totals
Cash Flows from Operating Activities:			
Cash Received from Customers or Users	\$ 196,767	\$ 19,189	\$ 215,956
Cash Payments to Suppliers	(74,276)	(10,191)	(84,467)
Cash Payments to Employees	(43,361)	-	(43,361)
Net Cash Provided (Used) by Operating Activities	<u>79,130</u>	<u>8,998</u>	<u>88,128</u>
Cash Flows from Noncapital Financing Activities:			
Transfers Out	(78,652)	-	(78,652)
Cash Provided (Used) by Noncapital Financing Activities	<u>(78,652)</u>	<u>-</u>	<u>(78,652)</u>
Cash Flows from Investing Activities:			
Interest on Deposits	37	-	37
Net Cash Provided (Used) by Investing Activities	<u>37</u>	<u>-</u>	<u>37</u>
Net Increase (Decrease) in Cash and Equivalents	515	8,998	9,513
Cash and Equivalents - Beginning of Year	253,733	6,091	259,824
Cash and Equivalents - End of Year	<u>\$ 254,248</u>	<u>\$ 15,089</u>	<u>\$ 269,337</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ 77,630	\$ 9,189	\$ 86,819
Decrease (Increase) in Assets:			
Contract Receivable	(3,761)	-	(3,761)
Increase (Decrease) in Liabilities:			
Accounts Payable	-	(191)	(191)
Accrued Liabilities	138	-	138
Due to Governmental Units	5,123	-	5,123
Net Cash Provided (Used) by Operating Activities	<u>\$ 79,130</u>	<u>\$ 8,998</u>	<u>\$ 88,128</u>

Reports on Compliance



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Cheboygan, Michigan, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the County of Cheboygan, Michigan's basic financial statements, and have issued our report thereon dated June 17, 2014. 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 of Cheboygan, Michigan'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 of Cheboygan, Michigan'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 of Cheboygan, Michigan's internal control. Accordingly, we do not express an opinion on the effectiveness of the County of Cheboygan, Michigan'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 of Cheboygan, Michigan'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.



Anderson, Tackman & Company, PLC
Certified Public Accountants
Kincheloe, Michigan

June 17, 2014



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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

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

Report on Compliance for Each Major Federal Program

We have audited the County of Cheboygan, Michigan's, 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 of Cheboygan, Michigan's major federal programs for the year ended December 31, 2013. The County of Cheboygan, Michigan's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on the compliance for each of the County of Cheboygan, Michigan'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 of Cheboygan, Michigan'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 of Cheboygan, Michigan's compliance.

Opinion on Each Major Federal Program

In our opinion, the County of Cheboygan, Michigan 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, 2013.

Report on Internal Control Over Compliance

Management of the County of Cheboygan, Michigan 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 of Cheboygan, Michigan'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 of Cheboygan, Michigan'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.

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.



Anderson, Tackman and Company, PLC
Certified Public Accountants
Kincheloe, Michigan

June 17, 2014

County of Cheboygan, Michigan

Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2013

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE:			
<i>Pass-through programs from the Michigan Department of Natural Resources</i>			
DNR Forest	10.665	N/A	\$ 8,791
U.S. DEPARTMENT OF JUSTICE:			
Direct Award:			
Bullet Proof Vests	16.607	N/A	434
<i>Pass-through programs from the Michigan Supreme Court</i>			
Byrne - Straits Area Youth Promotion Academy	16.738	2012-DJ-BX-0109	76,279
Byrne Justice Assistance Grant	16.738	SCAO-2013-073	61,043
Byrne Justice Assistance Grant	16.738	SCAO-2014-504	20,494
Subtotal Michigan Supreme Court			157,816
Total U.S. Department of Justice			158,250
U.S. DEPARTMENT OF TRANSPORTATION:			
<i>Pass-through programs from the Michigan Department of Transportation</i>			
Road Projects - State Administered	20.205	N/A	628,831
Capital Grant - Section 5309	20.500	2012-0061/P3	15,888
Operating Grant - Section 5311	20.509	2012-0061/P5	127,280
Total U.S. Department of Transportation			771,999
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
<i>Pass-through programs from the Michigan Department of Human Services</i>			
Incentive Reimbursement	93.563	FIP2013	37,709
PA CRP Title IV-D - 10/1/12 to 9/30/15	93.563	CSPA-13-16002	49,127
FOC CRP Title IV-D - 10/1/12 to 9/30/15	93.563	CSFOC-13-16001	255,514
Foster Care Title IV-E	93.658	PROFC-11-16001	12,041
Total U.S. Department of Health and Human Services			354,391
U.S. DEPARTMENT OF HOMELAND SECURITY:			
<i>Pass-through programs from the Michigan Department of State Police, Emergency Management Division</i>			
Stonegarden Grant	97.067	2011-SJ-0007	17,973
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 1,311,404

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the County of Cheboygan, Michigan and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B - COGNIZANT AGENCY

The County has not been assigned a cognizant agency. Therefore, the County is under the general oversight of the U.S. Department of Justice which provided the greatest amount of direct federal funding to the County during 2013.

NOTE C - FEDERAL REVENUES

Federal Revenues per Financial Statements	\$ 682,573
Add: Component Unit Federal Revenues	<u>628,831</u>
Total Federal Expenditures	<u>\$ 1,311,404</u>

NOTE D - FEDERAL GRANTS – ROAD COMMISSION

It is required by the Michigan Department of Transportation (MDOT) that Road Commissions report total federal awards for Highway Research, Planning, and Construction pertaining to their County. However, only the federal awards applicable to force account expenditures are required to be audited for compliance under the Single Audit Act through Road Commission procurement. The reason for this requirement is that the Road Commission is required to have accounting and administrative control over the force account portion while the balance is administered by MDOT. During the calendar year ended December 31, 2013, the Federal aid received and expended by the Road Commission was \$628,831 and administered by the State of Michigan.

During the year ended December 31, 2013, the Road Commission has less than \$500,000 of force account expenditures applicable to federal awards. As a result, an audit for compliance under the Single Audit Act has not been performed.

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	No
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No

Identification of Major Programs

CFDA NUMBERS

Name of Federal Program or Cluster

93.563	Child Support Enforcement
Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

NONE.

Section III – Federal Award Findings and Questioned Costs

NONE.

Section III – Federal Award Findings and Questioned Costs

NONE.



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COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Cheboygan, Michigan for the year ended December 31, 2013, and have issued our report thereon dated June 17, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and if applicable, *Government Auditing Standards* and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter dated March 4, 2014, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

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

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

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

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our correspondence about planning matters dated March 4, 2014.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the County of Cheboygan, Michigan are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. 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 financial statements were:

- Management's estimate of the depreciation expense is based on estimated lives. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

- Management's estimate of the vested employee benefits is based on current hourly rates and policies regarding payment of sick and vacation banks.
- Management's estimate of the allowance for uncollectible accounts receivable is based on past experience and future expectations for collection of various account balances and has been determined to be zero.

The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no misstatements detected as a result of audit procedures and corrected by management that were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreement with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 17, 2014.

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

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed for 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.

Comments and Recommendations

Inmate Trust Account (Prior Year)

During examination of the Inmate Trust account it was noted that disbursement checks written to vendors were withdrawn out of the Inmate Trust account, which is a violation of the State Chart of Accounts. It is recommended that the Inmate Trust funds be segregated and vendor checks should be written from the Jail Commissary fund.

Status: Uncorrected.

Pension Reporting

In June 2012, the Governmental Accounting Standards Board (GASB) approved a pair of related Statements that implement substantial changes to the accounting and financial reporting of pensions by state and local governments and pension plans. Statement No. 67, *Financial Reporting for Pension Plans* and Statement No. 68, *Accounting and Financial Reporting for Pensions*, establishes new accounting and financial reporting requirements. These requirements include a provision for reporting net pension liabilities on the accrual based statement of net position and measuring investments at fair value as well as additional footnote and required supplementary information disclosures.

The Board and Management should review the procedures for implementation of these new standards effective in fiscal 2014 and assess the impact on the local unit of government's financial reporting.

Conclusion

We would like to express our appreciation, as well as that of our staff, for the excellent cooperation we received while performing the audit. If we can be of assistance in implementing the above recommendations, please contact us.

This information is intended solely for the use of the Board of Commissioners, management, federal awarding agencies, pass-through entities and management of the County of Cheboygan, Michigan and is not intended to be, and should not be, used by anyone other than these specified parties.

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