

**COUNTY OF CHEBOYGAN, MICHIGAN  
ANNUAL FINANCIAL REPORT  
YEAR ENDED DECEMBER 31, 2015**



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## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Cheboygan, Michigan (the "County") as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Independent Auditors' Responsibility***

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

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

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

## ***Opinions***

In our opinion, based on our audit and the 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the County as of December 31, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Emphasis of Matter***

As described in Note 13 to the financial statements, during the year ended December 31, 2015, the County adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*. As a result of implementing this pronouncement, the County's net pension liability has been recognized on the government-wide and proprietary statements and, as discussed in Note 13, the 2014 financial statements have been restated. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### ***Required Supplementary Information***

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

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 2016, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

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

Gabridge & Company, PLC  
Grand Rapids, MI  
June 3, 2016

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

## Management's Discussion and Analysis

As management of the County of Cheboygan (the "County" or "government"), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended December 31, 2015. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

### Financial Highlights

- The assets and deferred outflows of the County exceeded its liabilities and deferred inflows at December 31, 2015 by \$24,894,906. Of this amount, \$15,211,426 is unrestricted and may be used to meet the County's ongoing obligations to citizens and creditors.
- The County's total net position increased \$474,000 compared to \$16,668 in 2014. Revenues showed an increase across all County funds during the year of \$560,285 and expenses for the County increased by \$102,953 from the prior year.
- At the close of the current fiscal year, the County's governmental funds reported combined fund balances of \$9,216,207, an increase of \$623,989 in comparison with the prior year. Approximately 82% of this amount (\$7,577,694) is available for spending at the government's discretion (unassigned fund balance).
- At December 31, 2015, unassigned fund balance for the General Fund was \$7,577,694, or 70% of the General Fund's annualized expenditures and transfers out.

### Overview of the Financial Statements

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

### Government-wide Financial Statements

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

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

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the

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

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

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

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

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

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

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

The County maintains numerous individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balance for the General, Senior Citizen’s Millage, Inverness Township Sewer Debt, and Housing Commission Funds, each of which is considered to

be a major fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining schedules elsewhere in this report.

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

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

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

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

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

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

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

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

The notes to the financial statements can be found on pages 29-54 of this report.

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

The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the required supplemental information.

The other information can be found on pages 65-78 of this report.

## **Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the County, assets and deferred outflows exceeded liabilities and deferred inflows by \$24,894,906 at the close of the most recent fiscal year. A large portion of the County's net position (37.77%, or \$9,401,951) represents its investment in capital assets (e.g., land, buildings and improvements, machinery and equipment, and vehicles) less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the County's net position (1.13%, or \$281,529) represents resources that are subject to external restrictions on how they may be used. Restricted net position refers to amounts that have constraints placed on them by either: a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation. The remaining portion of the County's net position (61.10%, or \$15,211,426) is comprised of unrestricted net position. These amounts may be used to meet the government's ongoing obligations to citizens and creditors.

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

**County of Cheboygan**  
**Statement of Net Position for Fiscal Years Ended December 31, 2015 and December 31, 2014**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
<b>ASSETS</b>						
<i>Current Assets</i>						
Cash & Equivalents	\$ 9,199,003	\$ 8,814,261	\$ 7,797,312	\$ 7,275,701	\$ 16,996,315	\$ 16,089,962
Receivables	6,024,112	5,736,356	1,743,039	2,058,135	7,767,151	7,794,491
Prepaid Items	-	-	324	301	324	301
Inventories	-	-	17,704	28,378	17,704	28,378
<b>Total Current Assets</b>	<b>15,223,115</b>	<b>14,550,617</b>	<b>9,558,379</b>	<b>9,362,515</b>	<b>24,781,494</b>	<b>23,913,132</b>
<i>Noncurrent Assets</i>						
Capital Assets not Being Depreciated	2,052,035	1,925,967	-	-	2,052,035	1,925,967
Capital Assets being Depreciated	5,646,223	5,781,207	1,724,135	1,999,851	7,370,358	7,781,058
<b>Total Assets</b>	<b>22,921,373</b>	<b>22,257,791</b>	<b>11,282,514</b>	<b>11,362,366</b>	<b>34,203,887</b>	<b>33,620,157</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Pension	974,116	672,734	73,321	50,636	1,047,437	723,370
<b>Total Deferred Outflows of Resources</b>	<b>974,116</b>	<b>672,734</b>	<b>73,321</b>	<b>50,636</b>	<b>1,047,437</b>	<b>723,370</b>
<b>LIABILITIES</b>						
<i>Current Liabilities</i>						
Accounts Payable	146,041	253,355	14,811	23,976	160,852	277,331
Accrued Liabilities	118,552	343,116	8,781	27,791	127,333	370,907
Due to Governmental Units	163	163	20,299	13,579	20,462	13,742
Unearned Revenue	2,872,440	2,714,011	3,860	-	2,876,300	2,714,011
Current Portion of Long-term Debt	5,840	5,840	-	-	5,840	5,840
<b>Total Current Liabilities</b>	<b>3,143,036</b>	<b>3,316,485</b>	<b>47,751</b>	<b>65,346</b>	<b>3,190,787</b>	<b>3,381,831</b>
<i>Noncurrent Liabilities</i>						
Long-term Debt	14,602	20,442	-	-	14,602	20,442
Compensated Absences	297,734	283,295	8,938	13,059	306,672	296,354
Net Pension Liability	5,176,100	4,791,993	392,986	360,688	5,569,086	5,152,681
<b>Total Liabilities</b>	<b>8,631,472</b>	<b>8,412,215</b>	<b>449,675</b>	<b>439,093</b>	<b>9,081,147</b>	<b>8,851,308</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Revenues Intended to Finance a Subsequent Year	1,275,271	1,071,313	-	-	1,275,271	1,071,313
<b>Total Deferred Inflows of Resources</b>	<b>1,275,271</b>	<b>1,071,313</b>	<b>-</b>	<b>-</b>	<b>1,275,271</b>	<b>1,071,313</b>
<b>NET POSITION</b>						
Net Investment in Capital Assets	7,677,816	7,680,892	1,724,135	1,999,851	9,401,951	9,680,743
Restricted	281,529	725,173	-	-	281,529	725,173
Unrestricted	6,029,401	5,040,932	9,182,025	8,974,058	15,211,426	14,014,990
<b>Total Net Position</b>	<b>\$ 13,988,746</b>	<b>\$ 13,446,997</b>	<b>\$ 10,906,160</b>	<b>\$ 10,973,909</b>	<b>\$ 24,894,906</b>	<b>\$ 24,420,906</b>

The County's total net position increased \$474,000 during the year, from \$24,420,906 to \$24,894,906 for the year ended December 31, 2015.

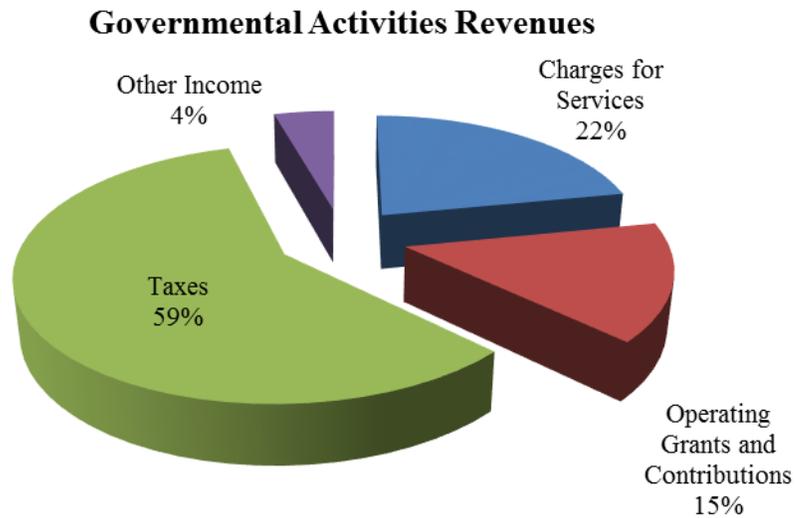
**County of Cheboygan**  
**Change in Net Position for Fiscal Years Ended December 31, 2015 and December 31, 2014**

	<b>Governmental</b>		<b>Business-type</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>		<b>Government</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
<b>Revenue</b>						
<b>Program Revenues</b>						
Charges for Services	\$ 3,392,586	\$ 2,835,289	\$ 1,523,609	\$ 1,583,595	\$ 4,916,195	\$ 4,418,884
Operating Grants and Contributions	2,352,505	2,419,980	427,554	443,669	2,780,059	2,863,649
Capital Grants and Contributions	-	-	-	349,855	-	349,855
<b>Total Program Revenues</b>	<b>5,745,091</b>	<b>5,255,269</b>	<b>1,951,163</b>	<b>2,377,119</b>	<b>7,696,254</b>	<b>7,632,388</b>
<b>General Revenues</b>						
Taxes	9,067,870	8,816,716	-	-	9,067,870	8,816,716
State Sources	304,457	-	-	-	304,457	-
Investment Income	116,257	159,089	29,820	37,477	146,077	196,566
Other	-	-	-	8,703	-	8,703
<b>Total General Revenues and Transfers</b>	<b>9,488,584</b>	<b>8,975,805</b>	<b>29,820</b>	<b>46,180</b>	<b>9,518,404</b>	<b>9,021,985</b>
<b>Total Revenues</b>	<b>15,233,675</b>	<b>14,231,074</b>	<b>1,980,983</b>	<b>2,423,299</b>	<b>17,214,658</b>	<b>16,654,373</b>
<b>Expenses</b>						
Legislative	137,070	108,408	-	-	137,070	108,408
Judicial	2,109,729	2,059,208	-	-	2,109,729	2,059,208
General Government	4,064,274	4,096,812	-	-	4,064,274	4,096,812
Public Safety	4,760,141	4,621,642	-	-	4,760,141	4,621,642
Health and Welfare	2,781,332	2,869,199	-	-	2,781,332	2,869,199
Recreation and Culture	303,141	314,864	-	-	303,141	314,864
Public Works	32,189	33,025	-	-	32,189	33,025
Community and Economic Development	381,826	379,979	-	-	381,826	379,979
Other Expenses	164,359	144,471	-	-	164,359	144,471
Interest on Long-term Debt	215,338	214,343	-	-	215,338	214,343
Marina	-	-	525,606	557,348	525,606	557,348
Tax Foreclosure	-	-	113,874	131,904	113,874	131,904
Straits Regional Ride	-	-	989,480	999,208	989,480	999,208
Jail Commissary	-	-	111,861	59,026	111,861	59,026
Delinquent Tax	-	-	50,438	48,268	50,438	48,268
<b>Total Expenses</b>	<b>14,949,399</b>	<b>14,841,951</b>	<b>1,791,259</b>	<b>1,795,754</b>	<b>16,740,658</b>	<b>16,637,705</b>
<b>Changes in Net Position Before Transfers</b>	<b>284,276</b>	<b>(610,877)</b>	<b>189,724</b>	<b>627,545</b>	<b>474,000</b>	<b>16,668</b>
<b>Transfers - Net</b>	<b>257,473</b>	<b>286,018</b>	<b>(257,473)</b>	<b>(286,018)</b>	<b>-</b>	<b>-</b>
<b>Change in Net Position</b>	<b>541,749</b>	<b>(324,859)</b>	<b>(67,749)</b>	<b>341,527</b>	<b>474,000</b>	<b>16,668</b>
<i>Net Position at the Beginning of Period</i>	<i>13,446,997</i>	<i>13,771,856</i>	<i>10,973,909</i>	<i>10,632,382</i>	<i>24,420,906</i>	<i>24,404,238</i>
<b>Net Position at the End of Period</b>	<b>\$ 13,988,746</b>	<b>\$ 13,446,997</b>	<b>\$ 10,906,160</b>	<b>\$ 10,973,909</b>	<b>\$ 24,894,906</b>	<b>\$ 24,420,906</b>

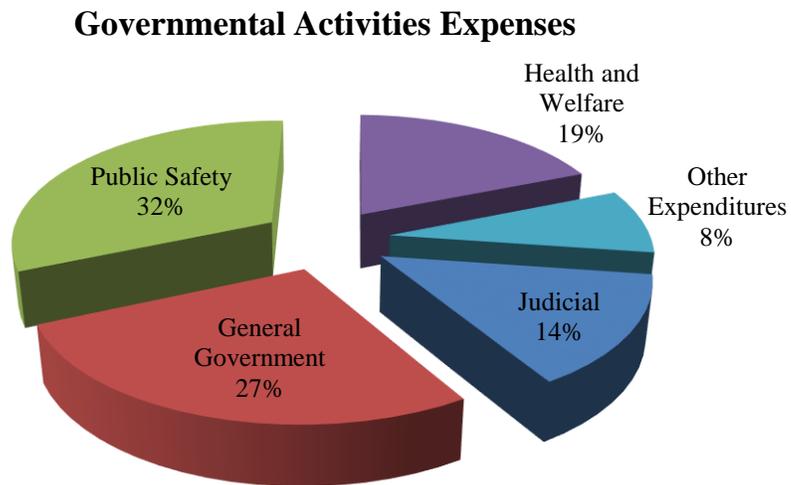
**Governmental activities.**

Governmental activities increased the County's net position by \$541,749 in 2015, compared to a decrease of \$324,859 in 2014. This was primarily the result of an increase in revenues; significant increases were seen in Judicial charges for services, General Government charges for services, Taxes general revenue and State Sources general revenue.

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



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



#### **Business-type activities.**

The business-type activities of the County decreased the County's net position by \$67,749 in 2015 compared to an increase of \$341,527 in 2014. This large change was primarily due to a decrease in capital grants in 2015.

## **Financial Analysis of the Government's Funds**

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

**Governmental funds.** The focus of the County *governmental fund statements* is to provide information on near term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the County financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Unassigned fund balance of the General Fund represented 70% of total General Fund expenditures and transfers out.

### **General Fund Highlights**

The County collapses certain funds into the General Fund for external financial reporting purposes. A combining schedule is provided on page 65-66 as supplementary information to show the various components.

General Fund fund balance increased by \$950,530 from \$7,228,832 to \$8,179,362 during 2015; compared to \$382,998 during 2014. Total revenues for the General Fund increased \$477,503 compared to the previous year. Total expenditures decreased by \$90,029 compared to the previous year. The details of the significant changes in the General Fund revenues and expenditures are as follows:

### **General Fund Revenues**

- Property taxes increased by \$197,121 due to an increase in taxable value of \$19.1 million.
- State sources increased by \$309,696 primarily due to the County's return to the state revenue sharing program.
- Charges for services increased by \$116,274 due to an increase in District Court cost collections and Register of Deeds fees.
- Transfers in decreased \$127,858 primarily due to the decrease in the final transfer from the Revenue Sharing Reserve Fund.

### **General Fund Expenditures**

- Termination liability decreased by \$57,216 due to the departure of only four employees in 2015 versus nine employees in 2014.
- Corrections increased by \$77,367 due to wage increases per the union contract, fringe increases due to an employee adding a dependent and increased inmate food costs (due to number of meals provided).
- Capital outlay increased by \$53,095. Details of the additions are discussed in the capital asset section of this management's discussion and analysis.
- Transfers out decreased by \$206,756 primarily due to reductions in required transfers to the Childcare Fund and the Building Department Fund.

### ***Senior Citizen's Millage Fund Highlights***

Senior Citizen's Millage Fund fund balance decreased by \$35,101 from \$127,295 to \$92,194 during 2015; compared to \$5,127 during 2014. Total revenues increased \$12,045 compared to the previous year. Total expenditures increased \$42,019 compared to the previous year. The details of significant Senior Citizen's Millage Fund revenues and expenditures are as follows:

#### **Senior Citizen's Millage Fund Expenditures**

- Capital outlay increased by \$52,034. Details of the additions are discussed in the capital asset section of this management's discussion and analysis.

### ***Inverness Township Sewer Debt Fund Highlights***

Inverness Township Sewer Debt Fund fund balance increased by \$5 from \$5,344 to \$5,349 during 2015; compared to \$3 during 2014. Total revenues increased \$1,071 compared to the previous year. Total expenditures increased \$1,069 compared to the previous year. There were no significant changes to revenues or expenditures in the Inverness Township Sewer Debt Fund.

### ***Housing Commission Fund Highlights***

Housing Commission Fund fund balance increased by \$12,082 from \$171,904 to \$183,986 during 2015; compared to \$66,330 during 2014. Total revenues increased \$57,924 compared to the previous year. Total expenditures decreased \$112,172 compared to the previous year. The details of significant Housing Commission Fund revenues and expenditures are as follows:

#### **Housing Commission Fund Revenues**

- State sources increased \$54,668 due to funding from the Community Development Block Grant for home rehabilitation projects.

#### **Housing Commission Fund Expenditures**

- Health and Welfare increased by \$114,910 due to completion of home rehabilitation projects.

***Proprietary Funds.*** The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the Marina, Straits Regional Ride, and Delinquent Tax funds as of year-end was \$(274), \$(211,852), and \$9,059,599, respectively. The change in net position, respectively, for the proprietary funds was \$(90,063), (\$206,812), and \$201,258. In the Marina and Straits Regional Ride funds, the reason for this change was expense (primarily depreciation) in excess of revenue; in addition to depreciation, Straits Regional Ride realized a \$10,300 loss on the disposal of a bus which caught fire during 2015.

## **General Fund Budgetary Highlights**

***Original budget compared to final budget.*** During the year there was no need for any significant amendments to increase either the original estimated revenues or original budgeted appropriations. However, there was a need to make an amendments to reallocate appropriations among departments when it became clearer which departments would actually be charged for certain expenditures. Generally, the movement of the appropriations between departments was *not* significant. The exception to this was the transfer from Major Equipment and Building to Capital Outlay (\$68,000) for the purchase of three sheriff patrol vehicles.

***Final budget compared to actual results.*** During the current fiscal year, the County had significant revenue in excess of final budget in Charges for Services (\$137,000), due to District Court cost collections and Register of Deeds fees, and Refunds & Reimbursements (\$107,000), primarily due to return of insurance premiums. During the current fiscal year the County had no significant expenditures in excess of the appropriated amounts in the General Fund. The County had significant budget in excess of actual expenditures in following departments:

- Information Systems (\$71,000) due to staff vacancies and equipment purchases.
- Termination Liability (\$70,000) due to fewer employee departures.
- Other Miscellaneous (\$160,000) due to no “contingent” expenditures being incurred during the year.
- Capital Outlay (\$84,000) due to unused funds for elevator upgrades and air conditioning unit replacements.
- Transfers Out (\$332,000) due to unnecessary transfers budgeted to Childcare, Building Department, Straits Regional Ride, SAYPA and the Friend of the Court.

## **Senior Citizen’s Millage Fund Budgetary Highlights**

***Original budget compared to final budget.*** During the year, the Capital Outlay expenditures budget had to be increased due to the cost of the Senior Center septic system project.

## **Housing Commission Fund Budgetary Highlights**

***Final budget compared to actual results.*** During the current fiscal year, the County had significant available budgets in State Sources and Health & Welfare expenditures as we budgeted for a new Community Development Block Grant award to be available for spending in 2015; the delay in this grant award limited the number of projects we could complete.

## **Capital Asset and Debt Administration**

### ***Capital assets***

As of December 31, 2015, the County’s investment in capital assets for its governmental and business-type activities amounted to \$9,422,393 (net of accumulated depreciation). The investment in capital assets includes land and land improvements, buildings and improvements,

machinery and equipment and vehicles. The total net decrease in the County’s net capital assets for 2015 was \$284,632.

Significant capital asset additions during 2015 included:

**Governmental Activities**

- Humane Society (animal control) remodel project – phase II
- Senior Center septic system
- Courthouse security door
- New Holland tractor
- 3 Ford Explorers for the county sheriff’s department

**Business-type Activities**

- There were no capital asset additions during 2015 in the Marina or Straits Regional Ride Funds.

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

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Land	\$ 1,892,102	\$ -	\$ 1,892,102
Construction in Progress	159,933	-	159,933
Land Improvement	404,146	964,907	1,369,053
Building and Improvements	4,569,146	153,651	4,722,797
Machinery and Equipment	441,161	15,393	456,554
Vehicles	231,770	-	231,770
Transportation Equipment	-	286,327	286,327
Docks	-	303,857	303,857
<b>Total</b>	<b>\$ 7,698,258</b>	<b>\$ 1,724,135</b>	<b>\$ 9,422,393</b>

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

***Long-term Debt***

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

As of December 31, 2015, the primary government of the County had long-term debt outstanding of \$20,442 for a new capital lease of a postage machine. Additional information on the County’s long-term debt can be found in Note 8 to the financial statements.

## **Economic Factors and Next Year's Budgets and Rates**

Management estimates that \$10,963,000 of revenues will be available for appropriation in the General Fund in the upcoming budget. Expenditures are expected to exceed revenues by an additional \$325,000 when compared to the 2015 originally adopted budget; due to an expected decrease in revenue from the Revenue Sharing Reserve Fund and the State Revenue Sharing program and an increase in wages and related fringes due to union negotiations and administration's recommendations for non-union employees. The County continues to review all budget line items for opportunities to reduce expenditures when possible. The budget will be monitored during the year to identify any necessary amendments. The ongoing costs of providing essential services for the citizens of the County will again need to be monitored in order to maintain the financial condition of the County.

## **Requests for Information**

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

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

**County of Cheboygan**  
**Statement of Net Position**  
**December 31, 2015**

	Primary Government			Component Unit - Road Commission
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
<i>Current Assets</i>				
Cash and Equivalents	\$ 9,199,003	\$ 7,797,312	\$ 16,996,315	\$ 1,179,618
Receivables	4,578,936	99,986	4,678,922	1,227,761
Taxes Receivable	1,445,176	1,643,053	3,088,229	--
Due from Governmental Units	--	--	--	1,483,811
Prepaid Items	--	324	324	184,894
Inventories	--	17,704	17,704	1,032,334
<b>Total Current Assets</b>	<b>15,223,115</b>	<b>9,558,379</b>	<b>24,781,494</b>	<b>5,108,418</b>
<i>Noncurrent Assets</i>				
Capital Assets not Being Depreciated	2,052,035	--	2,052,035	6,782,867
Capital Assets Being Depreciated	5,646,223	1,724,135	7,370,358	22,382,508
Restricted Deposits	--	--	--	34,229
<b>Total Assets</b>	<b>22,921,373</b>	<b>11,282,514</b>	<b>34,203,887</b>	<b>34,308,022</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension	974,116	73,321	1,047,437	725,107
<b>Total Deferred Outflows of Resources</b>	<b>974,116</b>	<b>73,321</b>	<b>1,047,437</b>	<b>725,107</b>
<b>LIABILITIES</b>				
<i>Current Liabilities</i>				
Accounts Payable	146,041	14,811	160,852	28,527
Accrued Liabilities	118,552	8,781	127,333	107,821
Accrued Interest Payable	--	--	--	25,056
Due to Governmental Units	163	20,299	20,462	733
Advances and Deposits	--	--	--	153,008
Unearned Revenue	2,872,440	3,860	2,876,300	--
Current Portion of Long-term Debt	5,840	--	5,840	217,468
<b>Total Current Liabilities</b>	<b>3,143,036</b>	<b>47,751</b>	<b>3,190,787</b>	<b>532,613</b>
<i>Noncurrent Liabilities</i>				
Long-term Debt	14,602	--	14,602	2,042,500
Compensated Absences	297,734	8,938	306,672	214,784
Other Post-Employment Benefits	--	--	--	2,365,309
Net Pension Liability	5,176,100	392,986	5,569,086	10,349,219
<b>Total Liabilities</b>	<b>8,631,472</b>	<b>449,675</b>	<b>9,081,147</b>	<b>15,504,425</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Revenues Intended to Finance a Subsequent Year	1,275,271	--	1,275,271	1,179,400
<b>Total Deferred Inflows of Resources</b>	<b>1,275,271</b>	<b>--</b>	<b>1,275,271</b>	<b>1,179,400</b>
<b>NET POSITION</b>				
Net Investment in Capital Assets	7,677,816	1,724,135	9,401,951	26,918,875
<i>Restricted for:</i>				
Debt Service	5,349	--	5,349	--
Health and Welfare	276,180	--	276,180	--
<i>Unrestricted</i>	6,029,401	9,182,025	15,211,426	(8,569,571)
<b>Total Net Position</b>	<b>\$ 13,988,746</b>	<b>\$ 10,906,160</b>	<b>\$ 24,894,906</b>	<b>\$ 18,349,304</b>

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

**County of Cheboygan  
Statement of Activities  
For the Year Ended December 31, 2015**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue			Component Unit - Road Commission
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total	
<b>Primary Government</b>								
<b>Governmental Activities:</b>								
Legislative	\$ 137,070	\$ --	\$ --	\$ --	\$ (137,070)	\$ --	\$ (137,070)	\$ --
Judicial	2,109,729	669,580	897,069	--	(543,080)	--	(543,080)	--
General Government	4,064,274	1,447,768	364,199	--	(2,252,307)	--	(2,252,307)	--
Public Safety	4,760,141	991,173	262,141	--	(3,506,827)	--	(3,506,827)	--
Health and Welfare	2,781,332	92,763	788,356	--	(1,900,213)	--	(1,900,213)	--
Recreation and Culture	303,141	167,268	9,514	--	(126,359)	--	(126,359)	--
Other Expenditures	164,359	--	--	--	(164,359)	--	(164,359)	--
Public Works	32,189	--	--	--	(32,189)	--	(32,189)	--
Community and Economic Development	381,826	24,034	31,226	--	(326,566)	--	(326,566)	--
Interest on Long-term Debt	215,338	--	--	--	(215,338)	--	(215,338)	--
<b>Total Governmental Activities</b>	<b>14,949,399</b>	<b>3,392,586</b>	<b>2,352,505</b>	<b>--</b>	<b>(9,204,308)</b>	<b>--</b>	<b>(9,204,308)</b>	<b>--</b>
<b>Business-type Activities:</b>								
Marina	525,606	435,215	--	--	--	(90,391)	(90,391)	--
Tax Foreclosure	113,874	216,155	--	--	--	102,281	102,281	--
Straits Regional Ride	989,480	330,089	427,554	--	--	(231,837)	(231,837)	--
Jail Commissary	111,861	114,076	--	--	--	2,215	2,215	--
Delinquent Tax	50,438	428,074	--	--	--	377,636	377,636	--
<b>Total Business-type Activities</b>	<b>1,791,259</b>	<b>1,523,609</b>	<b>427,554</b>	<b>--</b>	<b>--</b>	<b>159,904</b>	<b>159,904</b>	<b>--</b>
<b>Total Primary Government</b>	<b>\$ 16,740,658</b>	<b>\$ 4,916,195</b>	<b>\$ 2,780,059</b>	<b>\$ --</b>	<b>\$ (9,204,308)</b>	<b>\$ 159,904</b>	<b>\$ (9,044,404)</b>	<b>--</b>
<b>Component Unit</b>								
Road Commission	\$ 8,477,237	\$ 2,004,475	\$ 6,381,737	\$ --	--	--	--	(91,025)
<b>Total Component Unit</b>	<b>\$ 8,477,237</b>	<b>\$ 2,004,475</b>	<b>\$ 6,381,737</b>	<b>\$ --</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>(91,025)</b>
<b>General Purpose Revenues and Transfers:</b>								
<b>Revenues</b>								
					9,067,870	--	9,067,870	1,157,785
Taxes					304,457	--	304,457	--
State Sources					--	--	--	97,294
Other Revenues					116,257	29,820	146,077	2,221
Interest and Rentals					257,473	(257,473)	--	--
<b>Transfers</b>					9,746,057	(227,653)	9,518,404	1,257,300
<b>Total General Revenues and Transfers</b>					<b>541,749</b>	<b>(67,749)</b>	<b>474,000</b>	<b>1,166,275</b>
<b>Change in Net Position</b>					13,446,997	10,973,909	24,420,906	17,183,029
<i>Net Position at Beginning of Period - Restated (Note 13)</i>					<b>\$ 13,988,746</b>	<b>\$ 10,906,160</b>	<b>\$ 24,894,906</b>	<b>\$ 18,349,304</b>
<i>Net Position at End of Period</i>								

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

**County of Cheboygan  
Balance Sheet  
Governmental Funds  
December 31, 2015**

	General	Special Revenue			Other Governmental Funds	Total Governmental Funds
		Senior Citizen's Millage	Inverness Township Sewer Debt	Housing Commission		
<b>ASSETS</b>						
Cash and Equivalents	\$ 8,214,110	\$ 92,194	\$ 5,349	\$ 218,646	\$ 668,704	\$ 9,199,003
Receivables	145,250	--	2,620,000	1,230,080	583,606	4,578,936
Taxes Receivable	445,064	666,785	--	--	333,326	1,445,175
Due from Other Funds	169,903	--	--	--	--	169,903
<i>Total Assets</i>	<b>\$ 8,974,327</b>	<b>\$ 758,979</b>	<b>\$ 2,625,349</b>	<b>\$ 1,448,726</b>	<b>\$ 1,585,636</b>	<b>\$ 15,393,017</b>
<b>LIABILITIES</b>						
Accounts Payable	\$ 76,999	\$ --	\$ --	\$ --	\$ 69,042	\$ 146,041
Accrued Liabilities	101,633	--	--	--	16,919	118,552
Due to Governmental Units	--	--	--	163	--	163
Unearned Revenue	251,973	--	2,620,000	--	467	2,872,440
Due to Other Funds	--	--	--	34,497	135,406	169,903
<i>Total Liabilities</i>	430,605	--	2,620,000	34,660	221,834	3,307,099
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Revenues Intended to Finance a Subsequent Year	--	666,785	--	--	608,486	1,275,271
Unavailable Revenues	364,360	--	--	1,230,080	--	1,594,440
<i>Total Liabilities and Deferred Inflows of Resources</i>	794,965	666,785	2,620,000	1,264,740	830,320	6,176,810
<b>FUND BALANCE</b>						
Restricted	--	92,194	5,349	183,986	--	281,529
Committed	226,897	--	--	--	100	226,997
Assigned	374,771	--	--	--	755,216	1,129,987
Unassigned	7,577,694	--	--	--	--	7,577,694
<i>Total Fund Balance</i>	8,179,362	92,194	5,349	183,986	755,316	9,216,207
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i>	<b>\$ 8,974,327</b>	<b>\$ 758,979</b>	<b>\$ 2,625,349</b>	<b>\$ 1,448,726</b>	<b>\$ 1,585,636</b>	<b>\$ 15,393,017</b>

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

**County of Cheboygan**  
**Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position**  
**December 31, 2015**

Total Fund Balance - Governmental Funds	\$	9,216,207
General government capital assets of \$14,614,609, net of accumulated depreciation of \$6,916,351, are not financial resources and, accordingly, are not reported in the funds.		7,698,258
Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.		(297,734)
Long-term liabilities are not due any payable in the current period and, therefore, are not reported in the funds.		(20,442)
Unavailable revenues are not available to pay current period expenditures and, therefore, are deferred inflows of resources in the funds.		1,594,441
Net pension liability is not due and payable in the current period and is not reported in the funds.		(5,176,100)
Certain pension contributions and changes in pension plan net position are reported as deferred outflows of resources in the statement of net position, but are reported as expenditures in the governmental funds.		974,116
<b>Total Net Position - Governmental Funds</b>	<b>\$</b>	<b><u>13,988,746</u></b>

**County of Cheboygan**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended December 31, 2015**

	Special Revenue					Other Governmental Funds	Total Governmental Funds
	General	Senior Citizen's Millage	Inverness Township Sewer Debt	Housing Commission			
<b>Revenues</b>							
Taxes	\$ 8,082,142	\$ 657,196	\$ --	\$ --	\$ 328,532	\$ 9,067,870	
Licenses and Permits	55,282	--	--	--	--	55,282	
Federal Sources	104,608	--	--	--	414,109	518,717	
State Sources	883,803	--	--	114,834	946,347	1,944,984	
Local Sources	56,296	--	215,338	--	66,571	338,205	
Contributions	--	--	--	--	94,493	94,493	
Charges for Services	1,330,962	--	--	--	976,721	2,307,683	
Fines and Penalties	25,830	--	--	--	4,160	29,990	
Refunds and Reimbursement	253,926	--	--	--	--	253,926	
Other Revenues	24,463	1,953	--	74,815	342,837	444,068	
Interest and Rentals	73,897	--	5	109	104,446	178,457	
<b>Total Revenues</b>	<b>10,891,209</b>	<b>659,149</b>	<b>215,343</b>	<b>189,758</b>	<b>3,278,216</b>	<b>15,233,675</b>	
<b>Expenditures</b>							
Legislative	136,282	--	--	--	--	136,282	
Judicial	1,482,972	--	--	--	581,774	2,064,746	
General Government	3,204,091	--	--	--	635,940	3,840,031	
Public Safety	3,844,434	--	--	--	722,961	4,567,395	
Health and Welfare	439,826	637,161	--	177,676	1,480,338	2,735,001	
Community and Economic Development	377,461	--	--	--	--	377,461	
Recreation and Culture	118,024	--	--	--	185,755	303,779	
Other Expenditures	164,359	--	--	--	--	164,359	
Capital Outlay	265,608	57,089	--	--	144,230	466,927	
Debt Service - Principal	5,840	--	90,000	--	--	95,840	
Debt Service - Interest	--	--	125,338	--	--	125,338	
<b>Total Expenditures</b>	<b>10,028,897</b>	<b>694,250</b>	<b>215,338</b>	<b>177,676</b>	<b>3,750,998</b>	<b>14,867,159</b>	
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>862,312</b>	<b>(35,101)</b>	<b>5</b>	<b>12,082</b>	<b>(472,782)</b>	<b>366,516</b>	
<b>Other Financing Sources (Uses)</b>							
Transfers In	886,096	--	--	--	735,351	1,621,447	
Transfer Out	(797,878)	--	--	--	(566,096)	(1,363,974)	
<b>Net Other Financing Sources (Uses)</b>	<b>88,218</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>169,255</b>	<b>257,473</b>	
<b>Net Change in Fund Balance</b>	<b>950,530</b>	<b>(35,101)</b>	<b>5</b>	<b>12,082</b>	<b>(303,527)</b>	<b>623,989</b>	
<i>Fund Balance at Beginning of Period</i>	<i>7,228,832</i>	<i>127,295</i>	<i>5,344</i>	<i>171,904</i>	<i>1,058,843</i>	<i>8,592,218</i>	
<b>Fund Balance at End of Period</b>	<b>\$ 8,179,362</b>	<b>\$ 92,194</b>	<b>\$ 5,349</b>	<b>\$ 183,986</b>	<b>\$ 755,316</b>	<b>\$ 9,216,207</b>	

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

**County of Cheboygan**  
**Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance to the Statement of Activities**  
**For the Year Ended December 31, 2015**

Total Net Change in Fund Balances - Governmental Funds	\$	623,989
<p>Governmental funds report capital outlay as expenditures; however, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. This is the amount by which capital outlay expenditures of \$469,927 are exceeded by depreciation expense of \$454,034, trade-in value received of \$18,500, and the loss on disposal of capital assets of \$6,309.</p>		
		(8,916)
<p>Change to compensated absences are not shown in the fund financial statements. The net effect of the current year increase in compensated absences is to decrease net position.</p>		
		(14,439)
<p>The repayment of principal of long-term capital leases consumes the current financial resources of governmental funds and is recorded as an expenditure. However, the repayment of long-term capital leases payable reduces long-term liabilities on the statement of net position.</p>		
		5,840
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds; they are deferred into the following year.</p>		
		18,000
<p>Changes to the net pension liability are not shown in the fund financial statements. The net effect of the current year increase is to decrease net position.</p>		
		(82,725)
<b>Changes in Net Position - Governmental Funds</b>	<b>\$</b>	<b><u>541,749</u></b>

**County of Cheboygan  
Statement of Net Position  
Proprietary Funds  
December 31, 2015**

**Business-type Activities - Enterprise Funds**

	<u>Marina</u>	<u>Straits Regional Ride</u>	<u>Delinquent Tax</u>	<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>
<b>ASSETS</b>					
<i>Current Assets</i>					
Cash and Equivalents	\$ 32,589	\$ 59,513	\$ 7,417,296	\$ 287,914	\$ 7,797,312
Receivables	--	46,407	--	53,579	99,986
Taxes Receivable	--	--	1,643,053	--	1,643,053
Prepaid Items	324	--	--	--	324
Inventories	17,704	--	--	--	17,704
<b>Total Current Assets</b>	<u>50,617</u>	<u>105,920</u>	<u>9,060,349</u>	<u>341,493</u>	<u>9,558,379</u>
<i>Noncurrent Assets</i>					
Capital Assets Being Depreciated	1,422,582	301,553	--	--	1,724,135
<b>Total Assets</b>	<u>1,473,199</u>	<u>407,473</u>	<u>9,060,349</u>	<u>341,493</u>	<u>11,282,514</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Pension	10,475	62,846	--	--	73,321
<b>Total Deferred Outflows of Resources</b>	<u>10,475</u>	<u>62,846</u>	<u>--</u>	<u>--</u>	<u>73,321</u>
<b>LIABILITIES</b>					
<i>Current Liabilities</i>					
Accounts Payable	514	7,783	100	6,414	14,811
Accrued Liabilities	851	6,753	650	527	8,781
Due to Governmental Units	--	20,299	--	--	20,299
Unearned Revenue	3,860	--	--	--	3,860
<b>Total Current Liabilities</b>	<u>5,225</u>	<u>34,835</u>	<u>750</u>	<u>6,941</u>	<u>47,751</u>
<i>Noncurrent Liabilities</i>					
Compensated Absences	--	8,938	--	--	8,938
Net Pension Liability	56,141	336,845	--	--	392,986
<b>Total Liabilities</b>	<u>61,366</u>	<u>380,618</u>	<u>750</u>	<u>6,941</u>	<u>449,675</u>
<b>NET POSITION</b>					
Net Investment in Capital Assets	1,422,582	301,553	--	--	1,724,135
<i>Unrestricted</i>	(274)	(211,852)	9,059,599	334,552	9,182,025
<b>Total Net Position</b>	<u>\$ 1,422,308</u>	<u>\$ 89,701</u>	<u>\$ 9,059,599</u>	<u>\$ 334,552</u>	<u>\$ 10,906,160</u>

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

**County of Cheboygan**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended December 31, 2015**

**Business-type Activities - Enterprise Funds**

	Marina	Straits Regional Ride	Delinquent Tax	Other Enterprise Funds	Total Enterprise Funds
<b>Operating Revenues</b>					
Federal Sources	\$ --	\$ 144,402	\$ --	\$ --	\$ 144,402
State Sources	--	283,152	--	--	283,152
Local Sources	--	5,527	--	--	5,527
Charges for Services	433,865	324,562	124,634	330,231	1,213,292
Interest and Rentals	--	--	299,026	--	299,026
Other Revenues	1,350	--	4,414	--	5,764
<b>Total Operating Revenues</b>	<b>435,215</b>	<b>757,643</b>	<b>428,074</b>	<b>330,231</b>	<b>1,951,163</b>
<b>Operating Expenses</b>					
Personal Services	96,688	537,437	42,226	54,195	730,546
Contractual Services	--	5,146	--	46,636	51,782
Utilities	17,679	4,332	--	--	22,011
Repair and Maintenance	9,506	62,936	--	--	72,442
Other Supplies and Expenses	324,586	181,060	8,212	124,904	638,762
Depreciation	77,147	188,269	--	--	265,416
<b>Total Operating Expenses</b>	<b>525,606</b>	<b>979,180</b>	<b>50,438</b>	<b>225,735</b>	<b>1,780,959</b>
<b>Operating Income (Loss)</b>	<b>(90,391)</b>	<b>(221,537)</b>	<b>377,636</b>	<b>104,496</b>	<b>170,204</b>
<b>Non-Operating Revenues (Expenses)</b>					
Interest and Rentals	328	--	26,952	2,540	29,820
Loss on Disposal	--	(10,300)	--	--	(10,300)
<b>Net Non-Operating Revenues (Expenses)</b>	<b>328</b>	<b>(10,300)</b>	<b>26,952</b>	<b>2,540</b>	<b>19,520</b>
<b>Income Before Contributions and Transfers</b>	<b>(90,063)</b>	<b>(231,837)</b>	<b>404,588</b>	<b>107,036</b>	<b>189,724</b>
Transfers In	--	25,025	35,725	--	60,750
Transfer Out	--	--	(239,055)	(79,168)	(318,223)
<b>Change In Net Position</b>	<b>(90,063)</b>	<b>(206,812)</b>	<b>201,258</b>	<b>27,868</b>	<b>(67,749)</b>
<i>Net Position at Beginning of Period - Restated (Note 13)</i>	1,512,371	296,513	8,858,341	306,684	10,973,909
<b>Net Position at End of Period</b>	<b>\$ 1,422,308</b>	<b>\$ 89,701</b>	<b>\$ 9,059,599</b>	<b>\$ 334,552</b>	<b>\$ 10,906,160</b>

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

**County of Cheboygan**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended December 31, 2015**

	<b>Business-type Activities - Enterprise Funds</b>				
	<b>Marina</b>	<b>Straits Regional Ride</b>	<b>Delinquent Tax</b>	<b>Other Enterprise Funds</b>	<b>Total Enterprise Funds</b>
<b>Cash Flows from Operating Activities</b>					
Cash Received from Customers or Users	\$ 437,725	\$ 337,456	\$ 394,190	\$ 332,457	\$ 1,501,828
Cash Received from Interest and Rentals	-	-	299,026	-	299,026
Cash Received from Governmental Units	7,650	462,572	-	-	470,222
Cash Received from Other Sources	1,350	-	4,414	-	5,764
Cash Payments to Suppliers	(342,415)	(258,518)	(8,112)	(174,466)	(783,511)
Cash Payments to Employees	(97,251)	(547,736)	(43,493)	(55,585)	(744,065)
<b>Net cash provided (used) by Operating Activities</b>	<b>7,059</b>	<b>(6,226)</b>	<b>646,025</b>	<b>102,406</b>	<b>749,264</b>
<b>Cash Flows from Noncapital Financing Activities</b>					
Transfers In	-	25,025	35,725	-	60,750
Transfers Out	-	-	(239,055)	(79,168)	(318,223)
<b>Net cash provided (used) by Noncapital Financing Activities</b>	<b>-</b>	<b>25,025</b>	<b>(203,330)</b>	<b>(79,168)</b>	<b>(257,473)</b>
<b>Cash Flows from Investing Activities</b>					
Interest received	328	-	26,952	2,540	29,820
<b>Net cash provided (used) by Investing Activities</b>	<b>328</b>	<b>-</b>	<b>26,952</b>	<b>2,540</b>	<b>29,820</b>
<b>Net Increase (Decrease) in Cash and Equivalents</b>	<b>7,387</b>	<b>18,799</b>	<b>469,647</b>	<b>25,778</b>	<b>521,611</b>
<i>Cash and Equivalents - Beginning of Year</i>	25,202	40,714	6,947,649	262,136	7,275,701
<b><i>Cash and Equivalents - End of Year</i></b>	<b>\$ 32,589</b>	<b>\$ 59,513</b>	<b>\$ 7,417,296</b>	<b>\$ 287,914</b>	<b>\$ 7,797,312</b>

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

**County of Cheboygan**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended December 31, 2015**

	<u>Business-type Activities - Enterprise Funds</u>				
	<u>Marina</u>	<u>Straits Regional Ride</u>	<u>Delinquent Tax</u>	<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>					
<b>Operating income (loss)</b>	\$ (90,391)	\$ (221,537)	\$ 377,636	\$ 104,496	\$ 170,204
Adjustments to Reconcile Operating Income to Net Cash <b>Provided (Used) by Operating Activities</b>					
Depreciation	77,147	188,269	-	-	265,416
(Increase) decrease in:					
Receivables	13,870	29,291	269,556	2,226	314,943
Prepaid Items	(23)	-	-	-	(23)
Inventories	10,674	-	-	-	10,674
Deferred Outflows	(3,241)	(19,444)	-	-	(22,685)
Accounts Payable	(1,295)	(5,044)	100	(2,926)	(9,165)
Compensated Absences	-	(4,121)	-	-	(4,121)
Accrued Liabilities	(1,936)	(14,417)	(1,267)	(1,390)	(19,010)
Unearned Revenue	3,860	-	-	-	3,860
Due to Governmental Units	(6,220)	13,093	-	-	6,873
Net Pension Liability	4,614	27,684	-	-	32,298
<b>Net cash provided (used) by Operating Activities</b>	<u>\$ 7,059</u>	<u>\$ (6,226)</u>	<u>\$ 646,025</u>	<u>\$ 102,406</u>	<u>\$ 749,264</u>

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

**County of Cheboygan**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**December 31, 2015**

	<b>Agency Funds</b>
<b>ASSETS</b>	
Cash and Equivalents	\$ 1,068,734
<i>Total Assets</i>	1,068,734
<b>LIABILITIES</b>	
Assets Held on Behalf of Others	1,068,734
<i>Total Liabilities</i>	1,068,734
<b>NET POSITION</b>	
Held in Trust	\$ --

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

**NOTES TO THE FINANCIAL STATEMENTS**

## County of Cheboygan

### Notes to the Financial Statements

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#### **Note 1 – Summary of Significant Accounting Policies**

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

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

#### ***Reporting Entity***

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

#### ***Discretely-presented Component Unit***

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

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

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

#### ***Multi-County Agencies***

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

## County of Cheboygan

### Notes to the Financial Statements

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requirement, which amounted to \$215,235 for the year ended December 31, 2015. This expenditure was made from the General Fund.

The County participated in the *North County Community Mental Health Authority* (the "Authority") with Charlevoix, Otsego, Emmet, Kalkaska, and Antrim Counties. Financial statements for the Authority can be obtained from the Authority. The County contributed \$111,995 for the year ended December 31, 2015. This expenditure was made from the General Fund.

#### ***Regional Joint Operations***

The County contributes annually to the *Cheboygan Airport Authority*. The Cheboygan Airport Authority operates with a separate treasurer. The County's contribution for the year ended December 31, 2015 was \$90,919. Financial statements for the Cheboygan Airport Authority may be obtained through the Cheboygan County Airport, 1520 Levering Road, Cheboygan, Michigan, 49721.

The County, together with Charlevoix and Emmet Counties, has jointly established the *C.C.E. Central Dispatch Authority* (the "C.C.E."), which is a Michigan municipal body formed by, and on behalf of, participating municipalities located within the counties of Charlevoix, Cheboygan, and Emmet, through the auspices of the Inter-governmental Contracts between Municipalities Act, Urban Cooperation Act, and Emergency Telephone Service Enabling Act. The County is required to contribute annually to the operations of the C.C.E. The funding formula, which is reviewed every five years, calls for each County to provide 20% of the required funding (total 60% for the three counties), plus their prorata share of the remainder, based on telephone lines. The County's share for the year ended December 31, 2015 was \$430,762. The purpose of the C.C.E. is to centralize the dispatch of emergency service responders in the three county areas. Financial statements for the C.C.E. may be obtained through C.C.E. Central Dispatch Authority, P.O. Box 866, Petoskey, Michigan, 49770.

#### ***Government-wide and Fund Financial Statements***

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

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

## County of Cheboygan

### Notes to the Financial Statements

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

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

#### ***Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

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

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

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

The County reports the following major governmental funds:

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

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

## County of Cheboygan

### Notes to the Financial Statements

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primarily through township payments to cover these expenditures.

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

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

The County reports the following major enterprise funds:

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

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

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

Additionally, the County reports the following fund types:

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

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

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

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

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

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

## County of Cheboygan

### Notes to the Financial Statements

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for the enterprise funds include depreciation on capital assets, labor, supplies and contracted services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

#### ***Cash and Cash Equivalents***

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

#### ***Receivables***

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

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

#### ***Inventories and Prepaid Items***

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

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

#### ***Capital Assets***

Capital assets are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities and component unit columns. Capital assets are those with an individual initial cost of \$5,000 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at

## County of Cheboygan

### Notes to the Financial Statements

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cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

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

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

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

#### ***Deferred Outflows/Inflows 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 fund balance/net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure/expense) until then. The County has one item that qualifies for reporting in this category, pension related deferred outflows. The government-wide statements report deferred outflows from the difference between projected and actual investment earnings of the pension plan as well as County contributions made after the measurement date of the net pension liability.

In addition to liabilities, the fund level balance sheet and the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of fund balance/net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The County reports deferred inflows of resources in its fund level balance sheet and its statement of net position for taxes levied for subsequent periods. Additionally, the County recognized unavailable revenues in its fund level balance sheets for special assessments collectible in subsequent periods and for amounts due from other governmental units for future year's debt service obligations.

#### ***Long-term Obligations***

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

Long-term debt is recognized as a liability of a governmental fund when due or when

## County of Cheboygan

### Notes to the Financial Statements

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

#### ***Compensated Absences***

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

#### ***Unearned Revenues***

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

#### ***Interfund Transactions***

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

#### ***Property Taxes***

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

The assessed and taxable value of real and personal property for the December 1, 2014 levy, was recognized as revenue in the fiscal year 2015. The general operating tax rate for this levy was at the maximum rate of 5.6592. The County also has a voter approved tax of .5000 mills for senior services, .2500 mills for ambulance services, and 1.000 mills for road repair and maintenance.

By resolution of the Board of Commissioners and agreement with various taxing authorities, the County purchased, at face value, the real property taxes receivable returned as delinquent on March 1, 2015. Subsequent collections of delinquent taxes receivable, plus interest thereon and investment earnings, are used to repay the funds distributed by the Delinquent Tax Fund. This activity is accounted for in the Delinquent Tax (enterprise) Fund.

## County of Cheboygan

### Notes to the Financial Statements

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#### ***Net Position Flow Assumption***

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

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

#### ***Fund Balance Flow Assumptions***

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

#### ***Fund Balance Policies***

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

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

## County of Cheboygan

### Notes to the Financial Statements

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

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

#### ***Budgets and Budgetary Accounting***

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

The County employs the following procedures in establishing budgets:

- a. Each December, after receiving input from the individual departments, the Board of Commissioners prepares a proposed operating budget for the fiscal period commencing January 1<sup>st</sup> and lapses on December 31<sup>st</sup>. The operating budget includes proposed expenditures and the means of financing them.
- b. A public hearing is conducted to obtain taxpayers' comments.
- c. Prior to January 1st, the budgets are legally enacted through passage of a budget resolution.
- d. Budgetary control is exercised at the departmental level of the General Fund. Any revisions that alter the total expenditures of any department or fund (e.g., 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 County does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds. All unexpended appropriations lapse at year-end.

#### ***Use of Estimates***

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

## County of Cheboygan

### Notes to the Financial Statements

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#### **Note 2 – Budgetary Compliance**

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

The County did not incur any significant expenditures in excess of appropriations during the year ended December 31, 2015.

#### **Note 3 – Cash, Cash Equivalents, and Investments**

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

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

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

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

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or local office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 6 of 1855 PA 105, MCL 21.146.
- c. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers' acceptances of United States banks.

**County of Cheboygan**

Notes to the Financial Statements

- f. Obligations of this State or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the Investment Company Act of 1940, 15 USC 80a-1 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of any of the following:
  - (i) The purchase of securities on a when-issued or delivery basis.
  - (ii) The ability to lend portfolio securities as long as the mutual fund receives collateral at all time equal to at least 100% of the value of the securities loaned.
  - (iii) The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes.
- h. Obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the Urban Cooperation Act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the Surplus Funds Investment pool act, 1982 PA 367, MCL 129.111 to 129.118.
- j. The investment pools organized under the Local Government Investment Pool act, 1985 PA 121, MCL 129.141 to 129.150.

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

Following is a reconciliation of deposit and investment balances as of December 31, 2015:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>	<u>Fiduciary Funds</u>
Cash and Equivalents	\$ 9,199,003	\$ 7,797,312	\$ 16,996,315	\$ 1,068,734

Deposits consist of the following as of December 31, 2015:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Total Cash</u>
Bank Deposits (checking and savings accounts, certificates of deposit)	\$ 16,994,730	\$ 1,068,734	
Petty Cash and Cash on Hand	1,585	-	
Total	<u>\$ 16,996,315</u>	<u>\$ 1,068,734</u>	<u>\$ 18,065,049</u>

## County of Cheboygan

### Notes to the Financial Statements

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#### ***Custodial Credit Risk – Deposits***

Custodial credit risk is the risk that, in the event of a bank failure, the County's deposits might not be returned. State law does not require and the County does not have a policy for deposit custodial credit risk. As of year-end, \$17,898,107 of the County's bank balance of \$19,692,959 was exposed to custodial credit risk because it was uninsured and uncollateralized. Due to the dollar amounts of cash deposits and the limits of FDIC insurance, the County believes it is impractical to insure all bank deposits. As a result, the County evaluates each financial institution with which it deposits County funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

#### ***Credit Risk***

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of December 31, 2015, the County held no investments that were subject to rating by a NRSRO. The County has no investment policy that would further limit its investment choices.

#### ***Interest Rate Risk***

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

All maturities for the County's certificates of deposit are less than one year as of December 31, 2015.

#### ***Concentration of Credit Risk***

The County will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the County's investment in a single issuer, by diversifying its investments by security type and institution to ensure that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

#### **Note 4 – Receivables and Deferred Inflows of Resources**

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

**County of Cheboygan**

Notes to the Financial Statements

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

	<b>Revenues Intended to Finance Subsequent Year</b>	<b>Unavailable Revenues</b>	<b>Total</b>
<b>Governmental funds</b>			
Property taxes receivable	\$ 1,000,111	\$ 364,360	\$ 1,364,471
Special assessments	275,160	-	275,160
Note receivable	-	1,230,080	1,230,080
<b>Total</b>	<b>\$ 1,275,271</b>	<b>\$ 1,594,440</b>	<b>\$ 2,869,711</b>

**Note 5 – Interfund Transfers**

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

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

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Delinquent Tax	Nonmajor Governmental Funds	\$ 35,725
General Fund	Nonmajor Governmental Funds	530,371
General Fund	Delinquent Tax	36,209
General Fund	Nonmajor Enterprise Funds	79,168
General Fund - Courthouse Preservation	Delinquent Tax	91,308
Nonmajor Governmental Funds	Delinquent Tax	111,537
Nonmajor Governmental Funds	General Fund	623,815
Straits Regional Ride	General Fund	25,025

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

Inter-fund receivables and payables as reported in the financial statements are comprised of the following:

**County of Cheboygan**  
Notes to the Financial Statements

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	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 169,903	\$ -
Housing Commission	-	34,497
Nonmajor governmental funds	-	135,406
<b>Total</b>	<u>\$ 169,903</u>	<u>\$ 169,903</u>

The outstanding balances between the funds result mainly from the time lag between the dates that; 1) inter-fund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between the funds are made.

**County of Cheboygan**  
Notes to the Financial Statements

**Note 6 – Capital Assets**

Capital asset activity for the year ended December 31, 2015 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balances</u>
<b>Governmental Activities:</b>					
<i>Capital assets not being depreciated:</i>					
Land	\$ 1,892,102	\$ -	\$ -	\$ -	\$ 1,892,102
Construction in process	33,865	131,123	-	(5,055)	159,933
Subtotal	<u>1,925,967</u>	<u>131,123</u>	<u>-</u>	<u>(5,055)</u>	<u>2,052,035</u>
<i>Capital assets being depreciated:</i>					
Land improvements	427,825	65,370	-	5,055	498,250
Buildings and improvements	9,452,594	124,489	-	-	9,577,083
Machinery and equipment	1,581,892	69,655	(34,845)	-	1,616,702
Vehicles	859,372	79,290	(68,123)	-	870,539
Subtotal	<u>12,321,683</u>	<u>338,804</u>	<u>(102,968)</u>	<u>5,055</u>	<u>12,562,574</u>
<i>Less accumulated depreciation for:</i>					
Land improvements	(64,409)	(29,695)	-	-	(94,104)
Buildings and improvements	(4,745,509)	(262,428)	-	-	(5,007,937)
Machinery and equipment	(1,115,470)	(93,416)	33,345	-	(1,175,541)
Vehicles	(615,088)	(68,495)	44,814	-	(638,769)
Subtotal	<u>(6,540,476)</u>	<u>(454,034)</u>	<u>78,159</u>	<u>-</u>	<u>(6,916,351)</u>
Net Capital Assets Being Depreciated	<u>5,781,207</u>	<u>(115,230)</u>	<u>(24,809)</u>	<u>5,055</u>	<u>5,646,223</u>
Governmental Activities Capital Assets, Net of Depreciation	<u>\$ 7,707,174</u>	<u>\$ 15,893</u>	<u>\$ (24,809)</u>	<u>\$ -</u>	<u>\$ 7,698,258</u>

**County of Cheboygan**  
Notes to the Financial Statements

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Depreciation expense was charged to the following governmental activities:

<b>Governmental Activities</b>	
Judicial	\$ 30,915
General Government	220,747
Public Safety	120,701
Public Works	30,667
Health and Welfare	41,642
Recreation and Cultural	9,362
<b><i>Total Governmental Activities</i></b>	<b><u>\$ 454,034</u></b>

The current year depreciation expense in the Governmental Activities of \$454,034 has been increased by \$6,309 for the net loss on disposal of capital assets during the year (\$24,809 decrease in net book value of disposed assets less \$18,500 of trade-in value received).

**County of Cheboygan**

Notes to the Financial Statements

Capital asset activity for the business-type activities for the year ended December 31, 2015 was as follows:

	<b><u>Beginning</u></b>		<b><u>Increases</u></b>		<b><u>Decreases</u></b>		<b><u>Ending</u></b>
	<b>Balances</b>						<b>Balances</b>
<b>Business-type Activities:</b>							
<i>Capital assets being depreciated:</i>							
Buildings and improvements	\$ 560,959	\$	-	\$	-	\$	560,959
Land improvements	1,519,258		-		-		1,519,258
Machinery and equipment	96,971		-		-		96,971
Transportation equipment	1,340,056		-		(108,153)		1,231,903
Docks	691,940		-		-		691,940
	<u>4,209,184</u>		<u>-</u>		<u>(108,153)</u>		<u>4,101,031</u>
Subtotal							
<i>Less accumulated depreciation for:</i>							
Buildings and improvements	(390,339)		(16,969)		-		(407,308)
Land improvements	(516,457)		(37,894)		-		(554,351)
Machinery and equipment	(79,591)		(1,987)		-		(81,578)
Transportation equipment	(857,147)		(186,282)		97,853		(945,576)
Docks	(365,799)		(22,284)		-		(388,083)
	<u>(2,209,333)</u>		<u>(265,416)</u>		<u>97,853</u>		<u>(2,376,896)</u>
Subtotal							
Net Capital Assets Being Depreciated	<u>1,999,851</u>		<u>(265,416)</u>		<u>(10,300)</u>		<u>1,724,135</u>
Business-type Activities Capital Assets, Net of Depreciation	<u>\$ 1,999,851</u>	\$	<u>(265,416)</u>	\$	<u>(10,300)</u>	\$	<u>1,724,135</u>

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

<b>Business-type Activities</b>	
Marina	\$ 77,147
Straits Regional Ride	188,269
<b>Total Business-type Activities</b>	<b><u>\$ 265,416</u></b>

**County of Cheboygan**  
Notes to the Financial Statements

**Note 7 – Capital Lease**

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

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

<b>Year Ended</b>	
<b>December 31</b>	<b>Amount</b>
2016	\$ 5,840
2017	5,841
2018	5,841
2018	2,920
<b>Total</b>	<b>\$ 20,442</b>

**Note 8 – Long-term Debt**

*Compensated Absences*

Vacation is earned in carrying amounts depending on the number of years of services of the employee and is made available to the employee at their anniversary date, not to exceed a total accumulation of 25 days for union employees, administrative, and nonunion supervisory 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 service, not to exceed a total accumulation of 45 – 100 days for court employees, 90 days for sheriff’s department employees, and 30 days for all other employees.

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

A summary of vested employee benefits payable for the primary government as of December 31, 2015, is as follows:

<b>Primary Government</b>	<b>Beginning</b>		<b>Ending</b>
	<b>Balances</b>	<b>Change (net)</b>	<b>Balances</b>
Vacation	\$ 189,281	\$ (14,010)	\$ 175,271
Sick	107,073	24,328	131,401
<b>Total</b>	<b>\$ 296,354</b>	<b>\$ 10,318</b>	<b>\$ 306,672</b>

## County of Cheboygan

### Notes to the Financial Statements

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#### Note 9 – Retirement System

##### Defined Benefit Pension Plan

###### *Plan Description*

The County participates in the Michigan Municipal Employees Retirement System (MERS), an agent multiple - employer defined benefit pension plan. MERS is authorized and operated under State law, Act 135 of the Public Acts of 1945, as amended. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917.

The Plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. PA 427 of 1984, as amended, established and amends the benefit provisions of the participants in MERS. The MERS plan covers full-time employees at the County including the following divisions; 1) general, 2) sheriff (GELC), 3) elected / appointed, and 4) sheriff (POLC). Retirement benefits for employees are calculated as 2.50% of the employee's three to five year final average compensation times the employee's years of service with a maximum of 80 percent of final average compensation. Normal retirement age is 60 with early retirement at an unreduced benefit at age 55 with 20 years of service or a reduced benefit at age 50 with 25 years of service or age 55 with 15 years of service. Deferred retirement benefits vest after 10 years of credited service, but are not paid until the date retirement would have occurred had the member remained an employee. Employees are eligible for non-duty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately and if duty-related without an actuarial reduction for retirement before age 60 is not applied. An employee who leaves service may withdraw his or her contributions, plus any accumulated interest.

###### *Employees Covered by Benefit Terms*

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

Inactive plan members or beneficiaries currently receiving benefits	87
Inactive plan members entitled to but not yet receiving benefits	14
Active plan members	137
Total employees covered by MERS	<u>238</u>

###### *Contributions*

Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, MERS retains an independent actuary to determine the annual contribution. The employer is

## County of Cheboygan

### Notes to the Financial Statements

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

For the year ended December 31, 2014, the average active employee contribution rate ranged from 3.0 to 3.5 percent of annual pay and the County's average contribution rate ranged from 11.85 to 14.91 percent of annual payroll, depending on division.

#### *Net Pension Liability*

The net pension liability reported at December 31, 2015 was determined using a measure of the total pension liability and the pension net position as of December 31, 2014. The December 31, 2014 total pension liability was determined by an actuarial valuation performed as of that date.

Changes in the net pension liability during the measurement year were as follows:

<u>Changes in Net Pension Liability</u>	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Net Position</u>	<u>Net Pension Liability</u>
<b>Balance at December 31, 2013</b>	\$ 22,144,495	\$ 16,991,814	\$ 5,152,681
Service cost	593,125	-	593,125
Interest	1,808,149	-	1,808,149
Contributions - Employer	-	768,370	(768,370)
Contributions - Employee	-	178,124	(178,124)
Net investment income	-	1,078,034	(1,078,034)
Benefit payments, including refunds	(1,048,189)	(1,048,189)	-
Administrative expenses	-	(39,659)	39,659
<i>Net changes</i>	<u>1,353,085</u>	<u>936,680</u>	<u>416,405</u>
<b>Balance at December 31, 2014</b>	<u>\$ 23,497,580</u>	<u>\$ 17,928,494</u>	<u>\$ 5,569,086</u>

**County of Cheboygan**

Notes to the Financial Statements

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

Source	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 254,368	\$ -
Employer contributions to the plan subsequent to the measurement date	793,069	-
<b>Total</b>	<b>\$ 1,047,437</b>	<b>\$ -</b>

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

Years Ending December 31	Amount
2016	\$ 63,592
2017	63,592
2018	63,592
2019	63,592

***Actuarial Assumptions***

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

Inflation	3% to 4%	
Salary increases	4.5%	In the long-term (2% and 3% for calendar years 2015 and 2016, respectively)
Investment rate of return	8.25%	Net of investment expense and including inflation

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

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of the most recent actuarial experience study in 2008.

## County of Cheboygan

### Notes to the Financial Statements

#### *Discount Rate*

The discount rate used to measure the total pension liability was 8.25 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

#### *Projected Cash Flows*

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return on pension plan investments was determined using a model in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return as of December 31, 2014, the measurement date, for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>	<u>Expected Money- Weighted Rate of Return</u>
Global equity	58%	5.02%	2.89%
Global fixed income	20%	2.18%	0.44%
Real assets	12%	4.23%	0.51%
Diversifying strategies	10%	6.56%	0.66%
	<u>100%</u>		
Inflation			3.50%
Administrative expenses netted above			0.25%
Investment rate of return			<u>8.25%</u>

**County of Cheboygan**

Notes to the Financial Statements

***Sensitivity of the Net Pension Liability to Changes in the Discount Rate***

The following presents the net pension liability of the County, calculated using the discount rate of 8.25 percent, as well as what the County’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.25 percent) or one percentage point higher (9.25 percent) than the current rate:

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
Net pension liability of the County	<u>\$ 8,213,505</u>	<u>\$ 5,569,086</u>	<u>\$ 3,318,657</u>

***Pension Plan Fiduciary Net Position***

Detailed information about the plan’s fiduciary net position is available in the separately issued financial report found at [www.mersofmich.com](http://www.mersofmich.com). The plan’s fiduciary net position has been determined on the same basis used by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

**Note 10 – Contingent Liabilities**

***Primary Government***

The County participates in a number of federal and state assisted grant programs that are subject to compliance audits. The single audit of the federal programs and the periodic program compliance audits of many of the state programs have not yet been completed or final resolution has not been received. Accordingly, the County’s compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

**Note 11 – Risk Management**

***Primary Government***

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

## County of Cheboygan

### Notes to the Financial Statements

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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, 2015, 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 12 – Restricted Net Position / Fund Balances - Governmental Funds**

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

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

**County of Cheboygan**  
Notes to the Financial Statements

	<b>General Fund</b>	<b>Senior Citizen's Millage</b>	<b>Inverness Township Sewer Debt</b>	<b>Housing Commission</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Restricted</b>						
Senior Citizens	\$ -	\$ 92,194	\$ -	\$ -	\$ -	\$ 92,194
Housing	-	-	-	183,986	-	183,986
Debt Service	-	-	5,349	-	-	5,349
	<u>-</u>	<u>92,194</u>	<u>5,349</u>	<u>183,986</u>	<u>-</u>	<u>281,529</u>
<b>Committed</b>						
Caseflow Assistance	81,306	-	-	-	-	81,306
Local Grants	9,939	-	-	-	-	9,939
LEPC	6,260	-	-	-	-	6,260
Capital Improvements	129,392	-	-	-	-	129,392
Drain Fund	-	-	-	-	100	100
	<u>226,897</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100</u>	<u>226,997</u>
<b>Assigned</b>						
Family Counseling	-	-	-	-	23,743	23,743
Termination Liability	65,593	-	-	-	-	65,593
Public Act 302 Training	-	-	-	-	10,153	10,153
Probation Enhancement	-	-	-	-	13,967	13,967
Victim's Restitution	-	-	-	-	104	104
Remonumentation Grant	-	-	-	-	23,309	23,309
Community Projects	-	-	-	-	4,321	4,321
Friend of the Court	-	-	-	-	31	31
Doris Reid Building	-	-	-	-	59,076	59,076
Recycling	-	-	-	-	61,891	61,891
Public Improvement	-	-	-	-	6,041	6,041
Building Department	-	-	-	-	40,799	40,799
Register of Deeds Automation	-	-	-	-	345,572	345,572
Disaster Contingency	10,000	-	-	-	-	10,000
Sheriff Special Projects	-	-	-	-	1,906	1,906
ORV	-	-	-	-	1,763	1,763
Local Officer Training	-	-	-	-	19,477	19,477
D.A.R.E.	-	-	-	-	3,399	3,399
Drug Court	-	-	-	-	16,704	16,704
Sobriety Court	-	-	-	-	8,717	8,717
Veterans Assistance	-	-	-	-	23,431	23,431
Child Care	-	-	-	-	54,172	54,172
Veterans Trust	-	-	-	-	198	198
DAV Van	-	-	-	-	600	600
County Fair	-	-	-	-	3,972	3,972
Sheriff Work Crew	-	-	-	-	2,365	2,365
CCE 911 Development	299,178	-	-	-	-	299,178
Capital Projects	-	-	-	-	29,505	29,505
	<u>374,771</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>755,216</u>	<u>1,129,987</u>
<b>Unassigned</b>	<u>7,577,694</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,577,694</u>
<b>Total fund balances - governmental funds</b>	<u>\$ 8,179,362</u>	<u>\$ 92,194</u>	<u>\$ 5,349</u>	<u>\$ 183,986</u>	<u>\$ 755,316</u>	<u>\$ 9,216,207</u>

## County of Cheboygan

### Notes to the Financial Statements

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#### Note 13 – Restatements

During the current year, the County adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. As a result, the government-wide statements and the proprietary funds now include a liability for the County's unfunded legacy costs. Some of the changes in this net pension liability will be recognized immediately as part of the pension expense measurement and part will be deferred and recognized over future years. Refer to the pension note for further details. This change does not impact the General Fund or any other governmental fund.

The financial statements for the year ended December 31, 2014 have been restated in order to adopt GASB Statement No. 68. The effect of this new accounting standard was a decrease in net position to record the net pension liability at December 31, 2014.

As a result of implementing these changes, the beginning net position of the governmental and business-type activities have been restated as indicated:

	<b>Total Governmental Activities</b>	<b>Marina</b>	<b>Straits Regional Ride</b>	<b>Total Business-type Activities</b>
Net position - December 31, 2014 - As previously reported	\$ 17,566,256	\$ 1,556,664	\$ 562,272	\$ 11,283,961
Adjustment for implementation of GASB Statement No. 68	(4,119,259)	(44,293)	(265,759)	(310,052)
Net position - December 31, 2014 - As restated	<u>\$ 13,446,997</u>	<u>\$ 1,512,371</u>	<u>\$ 296,513</u>	<u>\$ 10,973,909</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**County of Cheboygan**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**Consolidated General Fund**  
**For the Year Ended December 31, 2015**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>		<b>Positive (Negative) Final to Actual</b>
<b>Revenues</b>				
Taxes	\$ 7,988,845	\$ 7,988,845	\$ 8,082,142	\$ 93,297
Licenses and Permits	50,100	50,100	55,282	5,182
Federal Sources	102,600	113,078	104,608	(8,470)
State Sources	868,969	870,535	883,803	13,268
Local Sources	42,596	49,151	56,296	7,145
Charges for Services	1,194,159	1,194,159	1,330,962	136,803
Fines and Penalties	22,000	22,300	25,830	3,530
Interest and Rentals	68,700	68,700	73,897	5,197
Refunds and Reimbursements	129,370	147,370	253,926	106,556
Other Revenue	5,000	24,915	24,461	(454)
<b>Total Revenues</b>	<b>10,472,339</b>	<b>10,529,153</b>	<b>10,891,207</b>	<b>362,054</b>
<b>Other Financing Sources</b>				
Transfers In	925,353	925,353	886,096	(39,257)
<b>Total Revenues and Other Financing Sources</b>	<b>11,397,692</b>	<b>11,454,506</b>	<b>11,777,303</b>	<b>322,797</b>
<b>Expenditures</b>				
<b>Legislative</b>				
Board of Commissioners	128,275	144,300	136,282	8,018
<b>Judicial</b>				
Circuit Court	300,050	299,368	283,107	16,261
District Court	593,772	600,608	565,103	35,505
Victim's Rights	71,695	72,983	69,697	3,286
Jury Board	10,810	10,810	6,337	4,473
Probate Court	591,087	589,808	558,728	31,080
<b>Total Judicial</b>	<b>1,567,414</b>	<b>1,573,577</b>	<b>1,482,972</b>	<b>90,605</b>
<b>General Government</b>				
Elections	13,729	13,279	3,258	10,021
Finance	287,122	297,517	276,427	21,090
Administrative Office	226,693	216,108	204,238	11,870
County Clerk/Register of Deeds	410,113	412,383	401,188	11,195
Equalization	245,567	245,207	232,730	12,477
Information Systems	282,875	272,403	201,543	70,860
Prosecuting Attorney	588,495	597,571	546,893	50,678
GIS	68,025	67,714	64,328	3,386
Treasurer	219,112	212,758	205,644	7,114
Tax Allocation Board	940	940	605	335
Maintenance	486,050	460,338	425,724	34,614
Major Equipment and Building	164,200	96,055	37,339	58,716
Human Resources	1,825	4,645	4,984	(339)
Drain Commission	5,690	5,690	3,570	2,120
County Surveyor	1,550	1,550	1,525	25
MSU Extension	127,601	126,200	124,420	1,780
Soil Conservation	13,350	13,350	13,229	121
Termination Liability	79,150	79,150	8,755	70,395
Disaster Contingency	10,000	10,000	-	10,000
General	500,913	503,520	447,693	55,827
<b>Total General Government</b>	<b>3,733,000</b>	<b>3,636,378</b>	<b>3,204,093</b>	<b>432,285</b>

**County of Cheboygan**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**Consolidated General Fund**  
**For the Year Ended December 31, 2015**

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative) Final to Actual
<b>Expenditures</b>				
<b>Public Safety</b>				
Sheriff	\$ 1,516,323	\$ 1,567,925	\$ 1,470,396	\$ 97,529
ORV Enforcement	17,750	17,709	16,744	965
CCE 911	482,045	482,045	450,845	31,200
Marine Safety	100,036	99,542	94,691	4,851
Snowmobile Safety	8,824	8,824	8,500	324
Secondary Road Patrol	74,404	74,209	69,983	4,226
Stonegarden	33,500	33,500	31,226	2,274
Enforcement Grants	-	9,979	9,908	71
Local Grants	10,000	9,895	8,490	1,405
Canine Unit	5,000	16,800	15,839	961
Corrections/Communications	1,467,280	1,507,820	1,469,578	38,242
Emergency Management Services	57,639	57,639	59,732	(2,093)
Animal Control	147,175	147,175	144,000	3,175
<b>Total Public Safety</b>	<u>3,919,976</u>	<u>4,033,062</u>	<u>3,849,932</u>	<u>183,130</u>
<b>Community &amp; Economic Development</b>				
Planning and Zoning	382,287	391,233	377,459	13,774
<b>Health &amp; Welfare</b>				
Health Department	208,625	216,356	215,235	1,121
Mental Health	111,995	111,995	111,995	-
Medical Examiner	21,154	21,154	16,633	4,521
Soldier's Relief	5,140	5,140	771	4,369
Social Services Medical	7,400	7,400	1,603	5,797
Veteran's Services	137,264	138,054	93,589	44,465
<b>Total Health &amp; Welfare</b>	<u>491,578</u>	<u>500,099</u>	<u>439,826</u>	<u>60,273</u>
<b>Recreation &amp; Culture</b>				
Airport Operations	88,000	99,000	90,919	8,081
Fairgrounds and Events	36,581	36,581	20,975	15,606
Veteran's Park	10,900	10,900	6,130	4,770
<b>Total Recreation &amp; Culture</b>	<u>135,481</u>	<u>146,481</u>	<u>118,024</u>	<u>28,457</u>
<b>Other Expenditures</b>				
Insurance	147,015	165,015	164,194	821
Other Miscellaneous	157,531	160,412	165	160,247
<b>Total Other Expenditures</b>	<u>304,546</u>	<u>325,427</u>	<u>164,359</u>	<u>161,068</u>
<b>Debt Service</b>				
	-	5,840	5,840	-
<b>Capital Outlay</b>				
	215,000	334,386	250,107	84,279
<b>Total Expenditures</b>	<u>10,877,557</u>	<u>11,090,783</u>	<u>10,028,894</u>	<u>1,061,889</u>
<b>Other Financing Uses</b>				
Transfers Out	1,119,370	1,129,592	797,879	331,713
<b>Total Expenditures and Other Financing Uses</b>	<u>11,996,927</u>	<u>12,220,375</u>	<u>10,826,773</u>	<u>1,393,602</u>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>				
	\$ (599,235)	\$ (765,869)	\$ 950,530	\$ 1,716,399
<b>Net Change in Fund Balance</b>	<u>(599,235)</u>	<u>(765,869)</u>	<u>950,530</u>	<u>1,716,399</u>
<i>Fund Balance at Beginning of Period</i>	7,228,832	7,228,832	7,228,832	--
<b>Fund Balance at End of Period</b>	<u>\$ 6,629,597</u>	<u>\$ 6,462,963</u>	<u>\$ 8,179,362</u>	<u>\$ 1,716,399</u>

**County of Cheboygan**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**Senior Citizen's Millage Fund**  
**For the Year Ended December 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance</b>
	<u>Original</u>	<u>Final</u>		<b>Positive (Negative) Final to Actual</b>
<b>Revenues</b>				
Taxes	\$ 657,525	\$ 657,525	\$ 657,196	\$ (329)
Other Revenue	--	1,953	1,953	--
<b>Total Revenues</b>	<u>657,525</u>	<u>659,478</u>	<u>659,149</u>	<u>(329)</u>
<b>Expenditures</b>				
Capital Outlay	20,000	59,136	57,089	2,047
Health and Welfare	637,013	638,660	637,161	1,499
<b>Total Expenditures</b>	<u>657,013</u>	<u>697,796</u>	<u>694,250</u>	<u>3,546</u>
<b>Other Financing Uses</b>				
<b>Total Expenditures and Other Financing Uses</b>	<u>657,013</u>	<u>697,796</u>	<u>694,250</u>	<u>3,546</u>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	<u>512</u>	<u>(38,318)</u>	<u>(35,101)</u>	<u>3,217</u>
<b>Net Change in Fund Balance</b>	<u>512</u>	<u>(38,318)</u>	<u>(35,101)</u>	<u>3,217</u>
<b>Fund Balance at Beginning of Period</b>	127,295	127,295	127,295	--
<b>Fund Balance at End of Period</b>	<u>\$ 127,807</u>	<u>\$ 88,977</u>	<u>\$ 92,194</u>	<u>\$ 3,217</u>

**County of Cheboygan**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**Inverness Township Sewer Debt Fund**  
**For the Year Ended December 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance</b>
	<u>Original</u>	<u>Final</u>		<b>Positive (Negative) Final to Actual</b>
<b>Revenues</b>				
Local Sources	\$ 217,650	\$ 217,650	\$ 215,338	\$ (2,312)
Interest and Rentals	--	--	5	5
<b>Total Revenues</b>	<u>217,650</u>	<u>217,650</u>	<u>215,343</u>	<u>(2,307)</u>
<b>Expenditures</b>				
Principal	90,000	90,000	90,000	--
Interest	127,650	127,650	125,338	2,312
<b>Total Expenditures</b>	<u>217,650</u>	<u>217,650</u>	<u>215,338</u>	<u>2,312</u>
<b>Other Financing Uses</b>				
<b>Total Expenditures and Other Financing Uses</b>	<u>217,650</u>	<u>217,650</u>	<u>215,338</u>	<u>2,312</u>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	<u>--</u>	<u>--</u>	<u>5</u>	<u>5</u>
<b>Net Change in Fund Balance</b>	<u>--</u>	<u>--</u>	<u>5</u>	<u>5</u>
<b>Fund Balance at Beginning of Period</b>	5,344	5,344	5,344	--
<b>Fund Balance at End of Period</b>	<u>\$ 5,344</u>	<u>\$ 5,344</u>	<u>\$ 5,349</u>	<u>\$ 5</u>

**County of Cheboygan**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**Housing Commission Fund**  
**For the Year Ended December 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance</b>
	<u>Original</u>	<u>Final</u>		<b>Positive (Negative) Final to Actual</b>
<b>Revenues</b>				
State Sources	\$ 161,814	\$ 161,814	\$ 114,834	\$ (46,980)
Interest and Rentals	--	--	109	109
Other Revenue	14,050	19,685	74,815	55,130
<b>Total Revenues</b>	<u>175,864</u>	<u>181,499</u>	<u>189,758</u>	<u>8,259</u>
<b>Expenditures</b>				
Health and Welfare	261,484	267,119	177,676	89,443
<b>Total Expenditures</b>	<u>261,484</u>	<u>267,119</u>	<u>177,676</u>	<u>89,443</u>
<b>Other Financing Uses</b>				
<b>Total Expenditures and Other Financing Uses</b>	<u>261,484</u>	<u>267,119</u>	<u>177,676</u>	<u>89,443</u>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	<u>(85,620)</u>	<u>(85,620)</u>	<u>12,082</u>	<u>97,702</u>
<b>Net Change in Fund Balance</b>	<u>(85,620)</u>	<u>(85,620)</u>	<u>12,082</u>	<u>97,702</u>
<b>Fund Balance at Beginning of Period</b>	171,904	171,904	171,904	--
<b>Fund Balance at End of Period</b>	<u>\$ 86,284</u>	<u>\$ 86,284</u>	<u>\$ 183,986</u>	<u>\$ 97,702</u>

**County of Cheboygan**  
**Required Supplementary Information**  
**Schedule of Changes in Net Pension Liability and Related Ratios**  
**Last Fiscal Year (Schedule is built prospectively upon implementation of GASB 68)**

	2015
<b>Total Pension Liability</b>	
Service Cost	\$ 593,125
Interest	1,808,149
Benefit Payments, Including Refunds	(1,048,189)
<i>Net Change in Pension Liability</i>	1,353,085
<i>Total Pension Liability - Beginning</i>	22,144,495
<i>Total Pension Liability - Ending (a)</i>	\$ 23,497,580
 <b>Plan Fiduciary Net Position</b>	
Contributions - Employer	\$ 768,370
Contributions - Member	178,124
Net Investment Income	1,078,034
Benefit Payments, Including Refunds	(1,048,189)
Administrative Expenses	(39,659)
<i>Net Change in Plan Fiduciary Net Position</i>	936,680
<i>Plan Fiduciary Net Position - Beginning</i>	16,991,814
<i>Plan Fiduciary Net Position - Ending (b)</i>	\$ 17,928,494
 <i>Net Pension Liability - Ending (a) - (b)</i>	\$ 5,569,086
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	76.30%
 Covered Employee Payroll	\$ 5,171,109
 Net Pension Liability as a Percentage of Covered Employee Payroll	107.70%

**County of Cheboygan  
Required Supplementary Information  
Schedule of Contributions  
Last 10 Fiscal Years**

	Information Unavailable									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Actuarially Determined Contribution	\$ 723,370	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in Relation to the Actuarially Determined Contribution	768,370	-	-	-	-	-	-	-	-	-
Contribution Excess (Deficiency)	<u>\$ 45,000</u>	<u>\$ -</u>								
Covered Employee Payroll	5,171,109	-	-	-	-	-	-	-	-	-
Contributions as a Percentage of Covered Employee Payroll	15%	0%	0%	0%	0%	0%	0%	0%	0%	0%

*Notes*

**Valuation Date**

Actuarially determined contribution amounts are calculated as of December 31 each year, which is 12 months prior to the beginning of the fiscal year in which the contributions are required.

**Methods and assumptions used to determine contribution rates**

Actuarial cost method	Entry-age Normal
Amortization method	Level percentage of pay, open
Remaining amortization period	24 Years
Asset valuation method	10-year smoothed
Inflation	3 - 4%
Salary increases	4.5%, including inflation
Investment rate of return	8.00%
Retirement Age	Experience-based tables of rates that are specific to the type of eligibility condition
Mortality	50% Male - 50% Female blend of the 1994 Group Annuity Mortality Table

**County of Cheboygan  
Required Supplementary Information  
Schedule of Investment Returns  
Last 10 Fiscal Years**

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
						<b>Information Unavailable</b>				
Annual money-weighted rate of return, net of investment expenses	6.49%	0%	0%	0%	0%	0%	0%	0%	0%	0%

**OTHER SUPPLEMENTARY INFORMATION**

**County of Cheboygan**  
**General Funds Combining Balance Sheet**  
**All Funds Treated as General**  
**December 31, 2015**

	General Fund	Termination Liability	Disaster Contingency	Courthouse Preservation	CCE 911 Capital	Social Services	Soldier's Relief	Total General Funds
<b>ASSETS</b>								
Cash and Equivalents	\$ 7,838,917	\$ 66,015	\$ 10,000	\$ --	\$ 299,178	\$ --	\$ --	\$ 8,214,110
Receivables	145,250	--	--	--	--	--	--	145,250
Taxes Receivable	445,064	--	--	--	--	--	--	445,064
Due from Other Funds	169,903	--	--	--	--	--	--	169,903
<b>Total Assets</b>	<b>\$ 8,599,134</b>	<b>\$ 66,015</b>	<b>\$ 10,000</b>	<b>\$ --</b>	<b>\$ 299,178</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ 8,974,327</b>
<b>LIABILITIES</b>								
Accounts Payable	\$ 76,999	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 76,999
Accrued Liabilities	101,211	422	--	--	--	--	--	101,633
Unearned Revenue	251,973	--	--	--	--	--	--	251,973
<b>Total Liabilities</b>	<b>430,183</b>	<b>422</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>430,605</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Unavailable Revenues	364,360	--	--	--	--	--	--	364,360
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>794,543</b>	<b>422</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>794,965</b>
<b>FUND BALANCE</b>								
Committed	226,897	--	--	--	--	--	--	226,897
Assigned	--	65,593	10,000	--	299,178	--	--	374,771
Unassigned	7,577,694	--	--	--	--	--	--	7,577,694
<b>Total Fund Balance</b>	<b>7,804,591</b>	<b>65,593</b>	<b>10,000</b>	<b>--</b>	<b>299,178</b>	<b>--</b>	<b>--</b>	<b>8,179,362</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<b>\$ 8,599,134</b>	<b>\$ 66,015</b>	<b>\$ 10,000</b>	<b>\$ --</b>	<b>\$ 299,178</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ 8,974,327</b>

**County of Cheboygan**  
**General Funds Combining Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**All Funds Treated as General**  
**For the Year Ended December 31, 2015**

	General Fund	Termination Liability	Disaster Contingency	Courthouse Preservation	CCE 911 Capital	Social Services	Soldier's Relief	Total General Funds
<b>Revenues</b>								
Taxes	\$ 8,082,142	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 8,082,142
Licenses and Permits	55,282	--	--	--	--	--	--	55,282
Federal Sources	104,608	--	--	--	--	--	--	104,608
State Sources	883,803	--	--	--	--	--	--	883,803
Local Sources	56,296	--	--	--	--	--	--	56,296
Charges for Services	1,330,962	--	--	--	--	--	--	1,330,962
Fines and Penalties	25,830	--	--	--	--	--	--	25,830
Refunds and Reimbursement	253,926	--	--	--	--	--	--	253,926
Other Revenues	24,283	--	--	180	--	--	--	24,463
Interest and Rentals	73,897	--	--	--	--	--	--	73,897
<b>Total Revenues</b>	<b>10,891,029</b>	<b>--</b>	<b>--</b>	<b>180</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>10,891,209</b>
<b>Expenditures</b>								
Legislative	136,282	--	--	--	--	--	--	136,282
Judicial	1,482,972	--	--	--	--	--	--	1,482,972
General Government	3,195,337	8,754	--	--	--	--	--	3,204,091
Public Safety	3,830,202	--	--	--	19,733	--	--	3,849,935
Health and Welfare	437,452	--	--	--	--	1,603	771	439,826
Community and Economic Development	377,461	--	--	--	--	--	--	377,461
Recreation and Culture	118,024	--	--	--	--	--	--	118,024
Other Expenditures	164,359	--	--	--	--	--	--	164,359
Capital Outlay	119,387	--	--	130,720	--	--	--	250,107
Debt Service - Principal	5,840	--	--	--	--	--	--	5,840
<b>Total Expenditures</b>	<b>9,867,316</b>	<b>8,754</b>	<b>--</b>	<b>130,720</b>	<b>19,733</b>	<b>1,603</b>	<b>771</b>	<b>10,028,897</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>1,023,713</b>	<b>(8,754)</b>	<b>--</b>	<b>(130,540)</b>	<b>(19,733)</b>	<b>(1,603)</b>	<b>(771)</b>	<b>862,312</b>
<b>Other Financing Sources (Uses)</b>								
Transfers In	645,749	56,700	--	130,540	50,733	1,603	771	886,096
Transfer Out	(797,878)	--	--	--	--	--	--	(797,878)
<b>Net Other Financing Sources (Uses)</b>	<b>(152,129)</b>	<b>56,700</b>	<b>--</b>	<b>130,540</b>	<b>50,733</b>	<b>1,603</b>	<b>771</b>	<b>88,218</b>
<b>Net Change in Fund Balance</b>	<b>871,584</b>	<b>47,946</b>	<b>--</b>	<b>--</b>	<b>31,000</b>	<b>--</b>	<b>--</b>	<b>950,530</b>
<i>Fund Balance at Beginning of Period</i>	6,933,007	17,647	10,000	--	268,178	--	--	7,228,832
<b>Fund Balance at End of Period</b>	<b>\$ 7,804,591</b>	<b>\$ 65,593</b>	<b>\$ 10,000</b>	<b>\$ --</b>	<b>\$ 299,178</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ 8,179,362</b>

County of Cheboygan  
Combining Balance Sheet  
Nonmajor Governmental Funds  
December 31, 2015

Special Revenue										
	Family Counseling	PA 302 Training	Public Act 106	Probation Enhancement	Victim's Restitution	Remonumentation Grant	Community Projects	Friend of the Court	Ambulance Millage	Doris Reid Building
<b>ASSETS</b>										
Cash and Equivalents	\$ 23,743	\$ 10,153	\$ --	\$ 14,046	\$ 104	\$ --	\$ 4,321	\$ --	\$ --	\$ 59,130
Receivables	--	--	--	--	--	36,012	--	87,398	--	786
Taxes Receivable	--	--	--	--	--	--	--	--	333,326	--
<i>Total Assets</i>	<u>\$ 23,743</u>	<u>\$ 10,153</u>	<u>\$ --</u>	<u>\$ 14,046</u>	<u>\$ 104</u>	<u>\$ 36,012</u>	<u>\$ 4,321</u>	<u>\$ 87,398</u>	<u>\$ 333,326</u>	<u>\$ 59,916</u>
<b>LIABILITIES</b>										
Accounts Payable	\$ --	\$ --	\$ --	\$ 79	\$ --	\$ --	\$ --	\$ 986	\$ --	\$ 373
Accrued Liabilities	--	--	--	--	--	--	--	5,722	--	--
Unearned Revenue	--	--	--	--	--	--	--	--	--	467
Due to Other Funds	--	--	--	--	--	12,703	--	80,659	--	--
<i>Total Liabilities</i>	<u>--</u>	<u>--</u>	<u>--</u>	<u>79</u>	<u>--</u>	<u>12,703</u>	<u>--</u>	<u>87,367</u>	<u>--</u>	<u>840</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>										
Revenues Intended to Finance a Subsequent Year	--	--	--	--	--	--	--	--	333,326	--
<i>Total Liabilities and Deferred Inflows of Resources</i>	<u>--</u>	<u>--</u>	<u>--</u>	<u>79</u>	<u>--</u>	<u>12,703</u>	<u>--</u>	<u>87,367</u>	<u>333,326</u>	<u>840</u>
<b>FUND BALANCE</b>										
Committed	--	--	--	--	--	--	--	--	--	--
Assigned	23,743	10,153	--	13,967	104	23,309	4,321	31	--	59,076
Unassigned	--	--	--	--	--	--	--	--	--	--
<i>Total Fund Balance</i>	<u>23,743</u>	<u>10,153</u>	<u>--</u>	<u>13,967</u>	<u>104</u>	<u>23,309</u>	<u>4,321</u>	<u>31</u>	<u>--</u>	<u>59,076</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i>	<u>\$ 23,743</u>	<u>\$ 10,153</u>	<u>\$ --</u>	<u>\$ 14,046</u>	<u>\$ 104</u>	<u>\$ 36,012</u>	<u>\$ 4,321</u>	<u>\$ 87,398</u>	<u>\$ 333,326</u>	<u>\$ 59,916</u>

County of Cheboygan  
Combining Balance Sheet  
Nonmajor Governmental Funds  
December 31, 2015

	Special Revenue									
	Recycling	Cellular Phone	911 4% Surcharge	DNR Forest Flow Through	Public Improvement	Building Department	Register of Deeds Automation	Sheriff Special Projects	ORV Fund	Local Officer Training
<b>ASSETS</b>										
Cash and Equivalents	\$ 72,411	\$ --	\$ --	\$ --	\$ 6,041	\$ 45,431	\$ 351,571	\$ 1,906	\$ 1,763	\$ 19,477
Receivables	287,814	--	--	--	--	--	--	--	--	--
Taxes Receivable	--	--	--	--	--	--	--	--	--	--
<i>Total Assets</i>	<u>\$ 360,225</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 6,041</u>	<u>\$ 45,431</u>	<u>\$ 351,571</u>	<u>\$ 1,906</u>	<u>\$ 1,763</u>	<u>\$ 19,477</u>
<b>LIABILITIES</b>										
Accounts Payable	\$ 22,074	\$ --	\$ --	\$ --	\$ --	\$ 259	\$ 5,949	\$ --	\$ --	\$ --
Accrued Liabilities	1,100	--	--	--	--	4,373	50	--	--	--
Unearned Revenue	--	--	--	--	--	--	--	--	--	--
Due to Other Funds	--	--	--	--	--	--	--	--	--	--
<i>Total Liabilities</i>	<u>23,174</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>4,632</u>	<u>5,999</u>	<u>--</u>	<u>--</u>	<u>--</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>										
Revenues Intended to Finance a Subsequent Year	275,160	--	--	--	--	--	--	--	--	--
<i>Total Liabilities and Deferred Inflows of Resources</i>	<u>298,334</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>4,632</u>	<u>5,999</u>	<u>--</u>	<u>--</u>	<u>--</u>
<b>FUND BALANCE</b>										
Committed	--	--	--	--	--	--	--	--	--	--
Assigned	61,891	--	--	--	6,041	40,799	345,572	1,906	1,763	19,477
Unassigned	--	--	--	--	--	--	--	--	--	--
<i>Total Fund Balance</i>	<u>61,891</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>6,041</u>	<u>40,799</u>	<u>345,572</u>	<u>1,906</u>	<u>1,763</u>	<u>19,477</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i>	<u>\$ 360,225</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 6,041</u>	<u>\$ 45,431</u>	<u>\$ 351,571</u>	<u>\$ 1,906</u>	<u>\$ 1,763</u>	<u>\$ 19,477</u>

County of Cheboygan  
Combining Balance Sheet  
Nonmajor Governmental Funds  
December 31, 2015

	Special Revenue									
	DARE	Drug Court	Sobriety Court	Law Library	Veteran's Assistance	SAYPA Program	Revenue Sharing Reserve	Child Care	Veteran's Trust	Senior Citizens Busing
<b>ASSETS</b>										
Cash and Equivalents	\$ 3,399	\$ 2,570	\$ 9,745	\$ 1,496	\$ 23,431	\$ --	\$ --	\$ 1	\$ 198	\$ --
Receivables	--	24,181	--	--	--	13,470	--	110,445	--	--
Taxes Receivable	--	--	--	--	--	--	--	--	--	--
<i>Total Assets</i>	<u>\$ 3,399</u>	<u>\$ 26,751</u>	<u>\$ 9,745</u>	<u>\$ 1,496</u>	<u>\$ 23,431</u>	<u>\$ 13,470</u>	<u>\$ --</u>	<u>\$ 110,446</u>	<u>\$ 198</u>	<u>\$ --</u>
<b>LIABILITIES</b>										
Accounts Payable	\$ --	\$ 10,047	\$ 1,028	\$ 1,496	\$ --	\$ 50	\$ --	\$ 22,210	\$ --	\$ --
Accrued Liabilities	--	--	--	--	--	736	--	4,704	--	--
Unearned Revenue	--	--	--	--	--	--	--	--	--	--
Due to Other Funds	--	--	--	--	--	12,684	--	29,360	--	--
<i>Total Liabilities</i>	<u>--</u>	<u>10,047</u>	<u>1,028</u>	<u>1,496</u>	<u>--</u>	<u>13,470</u>	<u>--</u>	<u>56,274</u>	<u>--</u>	<u>--</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>										
Revenues Intended to Finance a Subsequent Year	--	--	--	--	--	--	--	--	--	--
<i>Total Liabilities and Deferred Inflows of Resources</i>	<u>--</u>	<u>10,047</u>	<u>1,028</u>	<u>1,496</u>	<u>--</u>	<u>13,470</u>	<u>--</u>	<u>56,274</u>	<u>--</u>	<u>--</u>
<b>FUND BALANCE</b>										
Committed	--	--	--	--	--	--	--	--	--	--
Assigned	3,399	16,704	8,717	--	23,431	--	--	54,172	198	--
Unassigned	--	--	--	--	--	--	--	--	--	--
<i>Total Fund Balance</i>	<u>3,399</u>	<u>16,704</u>	<u>8,717</u>	<u>--</u>	<u>23,431</u>	<u>--</u>	<u>--</u>	<u>54,172</u>	<u>198</u>	<u>--</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i>	<u>\$ 3,399</u>	<u>\$ 26,751</u>	<u>\$ 9,745</u>	<u>\$ 1,496</u>	<u>\$ 23,431</u>	<u>\$ 13,470</u>	<u>\$ --</u>	<u>\$ 110,446</u>	<u>\$ 198</u>	<u>\$ --</u>

**County of Cheboygan  
Combining Balance Sheet  
Nonmajor Governmental Funds  
December 31, 2015**

	Special Revenue			Capital Projects				Total Nonmajor Governmental Funds
	DAV Van	County Fair	Sheriff Work Crew	DHHS Building	Revolving Drain Fund	Doris Reid Capital Project	Animal Control Project	
<b>ASSETS</b>								
Cash and Equivalents	\$ 600	\$ 4,131	\$ 2,492	\$ --	\$ 100	\$ 9,591	\$ 853	\$ 668,704
Receivables	--	--	--	23,500	--	--	--	583,606
Taxes Receivable	--	--	--	--	--	--	--	333,326
<b>Total Assets</b>	<b>\$ 600</b>	<b>\$ 4,131</b>	<b>\$ 2,492</b>	<b>\$ 23,500</b>	<b>\$ 100</b>	<b>\$ 9,591</b>	<b>\$ 853</b>	<b>\$ 1,585,636</b>
<b>LIABILITIES</b>								
Accounts Payable	\$ --	\$ 52	\$ --	\$ --	\$ --	\$ 3,586	\$ 853	\$ 69,042
Accrued Liabilities	--	107	127	--	--	--	--	16,919
Unearned Revenue	--	--	--	--	--	--	--	467
Due to Other Funds	--	--	--	--	--	--	--	135,406
<b>Total Liabilities</b>	<b>--</b>	<b>159</b>	<b>127</b>	<b>--</b>	<b>--</b>	<b>3,586</b>	<b>853</b>	<b>221,834</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Revenues Intended to Finance a Subsequent Year	--	--	--	--	--	--	--	608,486
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>--</b>	<b>159</b>	<b>127</b>	<b>--</b>	<b>--</b>	<b>3,586</b>	<b>853</b>	<b>830,320</b>
<b>FUND BALANCE</b>								
Committed	--	--	--	--	100	--	--	100
Assigned	600	3,972	2,365	23,500	--	6,005	--	755,216
Unassigned	--	--	--	--	--	--	--	--
<b>Total Fund Balance</b>	<b>600</b>	<b>3,972</b>	<b>2,365</b>	<b>23,500</b>	<b>100</b>	<b>6,005</b>	<b>--</b>	<b>755,316</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<b>\$ 600</b>	<b>\$ 4,131</b>	<b>\$ 2,492</b>	<b>\$ 23,500</b>	<b>\$ 100</b>	<b>\$ 9,591</b>	<b>\$ 853</b>	<b>\$ 1,585,636</b>

**County of Cheboygan**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Nonmajor Governmental Funds**  
**For the Year Ended December 31, 2015**

**Special Revenue**

	<b>Family Counseling</b>	<b>PA 302 Training</b>	<b>Public Act 106</b>	<b>Probation Enhancement</b>	<b>Victim's Restitution</b>	<b>Remonumentation Grant</b>	<b>Community Projects</b>	<b>Friend of the Court</b>	<b>Ambulance Millage</b>	<b>Doris Reid Building</b>
<b>Revenues</b>										
Taxes	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 328,532	\$ --
Federal Sources	--	--	--	--	--	--	--	319,283	--	--
State Sources	--	4,388	251,188	--	--	59,833	--	34,268	--	--
Local Sources	--	--	--	--	--	--	--	53,452	--	--
Contributions	--	--	--	--	--	--	--	--	--	--
Charges for Services	--	--	--	--	--	--	--	20,601	--	--
Fines and Penalties	--	--	--	4,047	--	--	--	--	--	--
Other Revenues	2,525	--	--	--	--	--	1,924	--	--	--
Interest and Rentals	--	--	--	--	--	--	--	--	--	80,568
<b>Total Revenues</b>	<b>2,525</b>	<b>4,388</b>	<b>251,188</b>	<b>4,047</b>	<b>--</b>	<b>59,833</b>	<b>1,924</b>	<b>427,604</b>	<b>328,532</b>	<b>80,568</b>
<b>Expenditures</b>										
Judicial	--	--	--	--	--	--	--	486,895	--	--
General Government	--	--	251,188	--	--	60,134	--	--	--	28,690
Public Safety	--	3,950	--	6,406	--	--	421	--	--	--
Health and Welfare	--	--	--	--	--	--	--	--	328,532	--
Recreation and Culture	--	--	--	--	--	--	--	--	--	--
Capital Outlay	--	--	--	--	--	--	--	--	--	--
<b>Total Expenditures</b>	<b>--</b>	<b>3,950</b>	<b>251,188</b>	<b>6,406</b>	<b>--</b>	<b>60,134</b>	<b>421</b>	<b>486,895</b>	<b>328,532</b>	<b>28,690</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>2,525</b>	<b>438</b>	<b>--</b>	<b>(2,359)</b>	<b>--</b>	<b>(301)</b>	<b>1,503</b>	<b>(59,291)</b>	<b>--</b>	<b>51,878</b>
<b>Other Financing Sources (Uses)</b>										
Transfers In	--	--	--	--	--	--	--	59,322	--	--
Transfer Out	--	--	--	--	--	--	--	--	--	(46,961)
<b>Net Other Financing Sources (Uses)</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>59,322</b>	<b>--</b>	<b>(46,961)</b>
<b>Net Change in Fund Balance</b>	<b>2,525</b>	<b>438</b>	<b>--</b>	<b>(2,359)</b>	<b>--</b>	<b>(301)</b>	<b>1,503</b>	<b>31</b>	<b>--</b>	<b>4,917</b>
<b>Fund Balance at Beginning of Period</b>	<b>21,218</b>	<b>9,715</b>	<b>--</b>	<b>16,326</b>	<b>104</b>	<b>23,610</b>	<b>2,818</b>	<b>--</b>	<b>--</b>	<b>54,159</b>
<b>Fund Balance at End of Period</b>	<b>\$ 23,743</b>	<b>\$ 10,153</b>	<b>\$ --</b>	<b>\$ 13,967</b>	<b>\$ 104</b>	<b>\$ 23,309</b>	<b>\$ 4,321</b>	<b>\$ 31</b>	<b>\$ --</b>	<b>\$ 59,076</b>

County of Cheboygan  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance  
Nonmajor Governmental Funds  
For the Year Ended December 31, 2015

Special Revenue

	Recycling	Cellular Phone	911 4% Surcharge	DNR Forest Flow Through	Public Improvement	Building Department	Register of Deeds Automation	Sheriff Special Projects	ORV Fund	Local Officer Training
<b>Revenues</b>										
Taxes	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Federal Sources	--	--	--	8,780	--	--	--	--	--	--
State Sources	--	--	--	--	--	--	--	--	--	--
Local Sources	13,119	--	--	--	--	--	--	--	--	--
Contributions	--	--	--	--	--	--	--	349	--	--
Charges for Services	299,493	--	--	--	--	433,511	34,185	--	--	8,012
Fines and Penalties	--	--	--	--	--	--	--	--	113	--
Other Revenues	284	152,396	159,101	--	--	240	--	--	--	--
Interest and Rentals	--	--	--	--	--	--	246	--	--	--
<b>Total Revenues</b>	<b>312,896</b>	<b>152,396</b>	<b>159,101</b>	<b>8,780</b>	<b>--</b>	<b>433,751</b>	<b>34,431</b>	<b>349</b>	<b>113</b>	<b>8,012</b>
<b>Expenditures</b>										
Judicial	--	--	--	--	--	--	--	--	--	--
General Government	274,889	--	--	--	--	--	21,039	--	--	--
Public Safety	--	152,396	159,420	--	--	383,672	--	--	--	6,884
Health and Welfare	--	--	--	--	--	--	--	--	--	--
Recreation and Culture	--	--	--	8,780	--	--	--	--	--	--
Capital Outlay	5,559	--	--	--	--	--	5,500	--	--	--
<b>Total Expenditures</b>	<b>280,448</b>	<b>152,396</b>	<b>159,420</b>	<b>8,780</b>	<b>--</b>	<b>383,672</b>	<b>26,539</b>	<b>--</b>	<b>--</b>	<b>6,884</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>32,448</b>	<b>--</b>	<b>(319)</b>	<b>--</b>	<b>--</b>	<b>50,079</b>	<b>7,892</b>	<b>349</b>	<b>113</b>	<b>1,128</b>
<b>Other Financing Sources (Uses)</b>										
Transfers In	--	--	--	--	--	--	--	--	--	--
Transfer Out	--	--	--	--	--	(9,280)	--	--	--	--
<b>Net Other Financing Sources (Uses)</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>(9,280)</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>Net Change in Fund Balance</b>	<b>32,448</b>	<b>--</b>	<b>(319)</b>	<b>--</b>	<b>--</b>	<b>40,799</b>	<b>7,892</b>	<b>349</b>	<b>113</b>	<b>1,128</b>
Fund Balance at Beginning of Period	29,443	--	319	--	6,041	--	337,680	1,557	1,650	18,349
<b>Fund Balance at End of Period</b>	<b>\$ 61,891</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ 6,041</b>	<b>\$ 40,799</b>	<b>\$ 345,572</b>	<b>\$ 1,906</b>	<b>\$ 1,763</b>	<b>\$ 19,477</b>

**County of Cheboygan**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Nonmajor Governmental Funds**  
**For the Year Ended December 31, 2015**

**Special Revenue**

	<b>DARE</b>	<b>Drug Court</b>	<b>Sobriety Court</b>	<b>Law Library</b>	<b>Veteran's Assistance</b>	<b>SAYPA Program</b>	<b>Revenue Sharing Reserve</b>	<b>Child Care</b>	<b>Veteran's Trust</b>	<b>Senior Citizens Busing</b>
<b>Revenues</b>										
Taxes	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Federal Sources	--	69,675	--	--	--	16,371	--	--	--	--
State Sources	--	5,663	--	--	--	--	--	566,007	--	25,000
Local Sources	--	--	--	--	--	--	--	--	--	--
Contributions	--	--	--	--	4,030	62,114	--	--	--	--
Charges for Services	--	7,684	5,440	--	--	--	--	9,650	--	--
Fines and Penalties	--	--	--	--	--	--	--	--	--	--
Other Revenues	--	--	--	3,500	--	38	--	--	3,782	--
Interest and Rentals	--	--	--	--	--	--	129	--	--	--
<b>Total Revenues</b>	<b>--</b>	<b>83,022</b>	<b>5,440</b>	<b>3,500</b>	<b>4,030</b>	<b>78,523</b>	<b>129</b>	<b>575,657</b>	<b>3,782</b>	<b>25,000</b>
<b>Expenditures</b>										
Judicial	--	76,797	5,379	12,703	--	--	--	--	--	--
General Government	--	--	--	--	--	--	--	--	--	--
Public Safety	160	--	--	--	--	--	--	--	--	--
Health and Welfare	--	--	--	--	210	29,185	--	1,092,267	5,144	25,000
Recreation and Culture	--	--	--	--	--	--	--	--	--	--
Capital Outlay	--	--	--	--	--	--	--	--	--	--
<b>Total Expenditures</b>	<b>160</b>	<b>76,797</b>	<b>5,379</b>	<b>12,703</b>	<b>210</b>	<b>29,185</b>	<b>--</b>	<b>1,092,267</b>	<b>5,144</b>	<b>25,000</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(160)</b>	<b>6,225</b>	<b>61</b>	<b>(9,203)</b>	<b>3,820</b>	<b>49,338</b>	<b>129</b>	<b>(516,610)</b>	<b>(1,362)</b>	<b>--</b>
<b>Other Financing Sources (Uses)</b>										
Transfers In	--	10,209	--	9,203	--	7,196	--	522,476	--	--
Transfer Out	--	(8,167)	--	--	--	(80,929)	(420,759)	--	--	--
<b>Net Other Financing Sources (Uses)</b>	<b>--</b>	<b>2,042</b>	<b>--</b>	<b>9,203</b>	<b>--</b>	<b>(73,733)</b>	<b>(420,759)</b>	<b>522,476</b>	<b>--</b>	<b>--</b>
<b>Net Change in Fund Balance</b>	<b>(160)</b>	<b>8,267</b>	<b>61</b>	<b>--</b>	<b>3,820</b>	<b>(24,395)</b>	<b>(420,630)</b>	<b>5,866</b>	<b>(1,362)</b>	<b>--</b>
<i>Fund Balance at Beginning of Period</i>	<i>3,559</i>	<i>8,437</i>	<i>8,656</i>	<i>--</i>	<i>19,611</i>	<i>24,395</i>	<i>420,630</i>	<i>48,306</i>	<i>1,560</i>	<i>--</i>
<b>Fund Balance at End of Period</b>	<b>\$ 3,399</b>	<b>\$ 16,704</b>	<b>\$ 8,717</b>	<b>\$ --</b>	<b>\$ 23,431</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ 54,172</b>	<b>\$ 198</b>	<b>\$ --</b>

**County of Cheboygan**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Nonmajor Governmental Funds**  
**For the Year Ended December 31, 2015**

	Special Revenue			Capital Projects				Total Nonmajor Governmental Funds
	DAV Van	County Fair	Sheriff Work Crew	DHHS Building	Revolving Drain Fund	Doris Reid Capital Project	Animal Control Project	
<b>Revenues</b>								
Taxes	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 328,532
Federal Sources	--	--	--	--	--	--	--	414,109
State Sources	--	--	--	--	--	--	--	946,347
Local Sources	--	--	--	--	--	--	--	66,571
Contributions	--	--	--	--	--	--	28,000	94,493
Charges for Services	--	148,891	9,254	--	--	--	--	976,721
Fines and Penalties	--	--	--	--	--	--	--	4,160
Other Revenues	--	19,047	--	--	--	--	--	342,837
Interest and Rentals	--	3	--	23,500	--	--	--	104,446
<b>Total Revenues</b>	--	167,941	9,254	23,500	--	--	28,000	3,278,216
<b>Expenditures</b>								
Judicial	--	--	--	--	--	--	--	581,774
General Government	--	--	--	--	--	--	--	635,940
Public Safety	--	--	9,291	--	--	--	361	722,961
Health and Welfare	--	--	--	--	--	--	--	1,480,338
Recreation and Culture	--	176,975	--	--	--	--	--	185,755
Capital Outlay	--	--	--	--	--	6,020	127,151	144,230
<b>Total Expenditures</b>	--	176,975	9,291	--	--	6,020	127,512	3,750,998
<b>Excess of Revenues Over (Under) Expenditures</b>	--	(9,034)	(37)	23,500	--	(6,020)	(99,512)	(472,782)
<b>Other Financing Sources (Uses)</b>								
Transfers In	--	13,006	2,402	--	--	12,025	99,512	735,351
Transfer Out	--	--	--	--	--	--	--	(566,096)
<b>Net Other Financing Sources (Uses)</b>	--	13,006	2,402	--	--	12,025	99,512	169,255
<b>Net Change in Fund Balance</b>	--	3,972	2,365	23,500	--	6,005	--	(303,527)
<i>Fund Balance at Beginning of Period</i>	600	--	--	--	100	--	--	1,058,843
<b>Fund Balance at End of Period</b>	\$ 600	\$ 3,972	\$ 2,365	\$ 23,500	\$ 100	\$ 6,005	\$ --	\$ 755,316

**County of Cheboygan  
Combining Statement of Net Position  
Nonmajor Enterprise Funds  
December 31, 2015**

	<u>Enterprise</u>		<u>Total Nonmajor Enterprise Funds</u>
	<u>Tax Foreclosure</u>	<u>Jail Commissary</u>	
<b>ASSETS</b>			
<i>Current Assets</i>			
Cash and Equivalents	\$ 266,271	\$ 21,643	\$ 287,914
Receivables	53,579	--	53,579
<b>Total Current Assets</b>	<u>319,850</u>	<u>21,643</u>	<u>341,493</u>
<i>Noncurrent Assets</i>			
<b>Total Assets</b>	<u>319,850</u>	<u>21,643</u>	<u>341,493</u>
<b>LIABILITIES</b>			
<i>Current Liabilities</i>			
Accounts Payable	579	5,835	6,414
Accrued Liabilities	527	--	527
<b>Total Current Liabilities</b>	<u>1,106</u>	<u>5,835</u>	<u>6,941</u>
<i>Noncurrent Liabilities</i>			
<b>Total Liabilities</b>	<u>1,106</u>	<u>5,835</u>	<u>6,941</u>
<b>NET POSITION</b>			
<i>Unrestricted</i>	318,744	15,808	334,552
<b>Total Net Position</b>	<u>\$ 318,744</u>	<u>\$ 15,808</u>	<u>\$ 334,552</u>

**County of Cheboygan**  
**Combining Statement of Revenues, Expenses, and Changes in Net Position**  
**Nonmajor Enterprise Funds**  
**For the Year Ended December 31, 2015**

	<u>Enterprise</u>		<u>Total Nonmajor Enterprise Funds</u>
	<u>Tax Foreclosure</u>	<u>Jail Commissary</u>	
<b>Operating Revenues</b>			
Charges for Services	\$ 216,155	\$ 114,076	\$ 330,231
<b><i>Total Operating Revenues</i></b>	<u>216,155</u>	<u>114,076</u>	<u>330,231</u>
<b>Operating Expenses</b>			
Personal Services	54,195	--	54,195
Contractual Services	46,636	--	46,636
Other Supplies and Expenses	13,043	111,861	124,904
<b><i>Total Operating Expenses</i></b>	<u>113,874</u>	<u>111,861</u>	<u>225,735</u>
<b><i>Operating Income (Loss)</i></b>	<u>102,281</u>	<u>2,215</u>	<u>104,496</u>
<b>Non-Operating Revenues (Expenses)</b>			
Interest and Rentals	2,540	--	2,540
<b><i>Net Non-Operating Revenues (Expenses)</i></b>	<u>2,540</u>	<u>--</u>	<u>2,540</u>
<b>Transfers</b>	104,821	2,215	107,036
Transfers In	--	--	--
Transfer Out	(79,168)	--	(79,168)
<b><i>Change In Net Position</i></b>	<u>25,653</u>	<u>2,215</u>	<u>27,868</u>
<i>Net Position at Beginning of Period</i>	293,091	13,593	306,684
<b><i>Net Position at End of Period</i></b>	<u>\$ 318,744</u>	<u>\$ 15,808</u>	<u>\$ 334,552</u>

**County of Cheboygan**  
**Combining Statement of Cash Flows**  
**Nonmajor Enterprise Funds**  
**For the Year Ended December 31, 2015**

	<u>Enterprise</u>		<u>Total Nonmajor Enterprise Funds</u>
	<u>Tax Foreclosure</u>	<u>Jail Commissary</u>	
<b>Cash Flows from Operating Activities</b>			
Cash Received from Customers or Users	\$ 218,381	\$ 114,076	\$ 332,457
Cash Payments to Suppliers	(59,100)	(115,366)	(174,466)
Cash Payments to Employees	(55,585)	-	(55,585)
<b>Net cash provided (used) by Operating Activities</b>	<u>103,696</u>	<u>(1,290)</u>	<u>102,406</u>
<b>Cash Flows from Noncapital Financing Activities</b>			
Transfers Out	(79,168)	-	(79,168)
<b>Net cash provided (used) by Noncapital Financing Activities</b>	<u>(79,168)</u>	<u>-</u>	<u>(79,168)</u>
<b>Cash Flows from Investing Activities</b>			
Interest Received	2,540	-	2,540
<b>Total Cash Flows from Investing Activities</b>	<u>2,540</u>	<u>-</u>	<u>2,540</u>
<b>Net Increase (Decrease) in Cash and Equivalents</b>	27,068	(1,290)	25,778
<i>Cash and Equivalents - Beginning of Year</i>	239,203	22,933	262,136
<b>Cash and Equivalents - End of Year</b>	<u>\$ 266,271</u>	<u>\$ 21,643</u>	<u>\$ 287,914</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>			
<b>Operating Income (Loss)</b>	\$ 102,281	\$ 2,215	\$ 104,496
Adjustments to Reconcile Operating Income to Net Cash <b>Provided (Used) by Operating Activities</b>			
Decrease in Receivables	2,226	-	2,226
Increase in Accounts Payable	579	(3,505)	(2,926)
Decrease in Accrued Liabilities	(1,390)	-	(1,390)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ 103,696</u>	<u>\$ (1,290)</u>	<u>\$ 102,406</u>

**County of Cheboygan**  
**Combining Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**December 31, 2015**

**Agency**

	<u>T &amp; A</u>	<u>Friend of the Court</u>	<u>Library</u>	<u>District Court</u>	<u>Inmate Trust Fund</u>
<b>ASSETS</b>					
Cash and Equivalents	\$ 912,808	\$ 200	\$ 133,913	\$ 11,726	\$ 10,087
<i>Total Assets</i>	<u>912,808</u>	<u>200</u>	<u>133,913</u>	<u>11,726</u>	<u>10,087</u>
<b>LIABILITIES</b>					
Assets Held on Behalf of Others	912,808	200	133,913	11,726	10,087
<i>Total Liabilities</i>	<u>912,808</u>	<u>200</u>	<u>133,913</u>	<u>11,726</u>	<u>10,087</u>
<b>NET POSITION</b>					
Held in Trust	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

June 3, 2016

To the Members of the Board of Commissioners  
The County of Cheboygan, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Cheboygan, Michigan (the "County") as of and for the year ended December 31, 2015. Our report includes a reference to other auditors. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated February 5, 2016. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the County are described in Note 1 to the financial statements. As described in Note 13 to the financial statements, the County changed accounting policies related to unfunded pension obligations by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 68, *Accounting and Financial Reporting for Pensions*, in 2015. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the statement of activities and statement of net position.

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

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management's estimate of the accrued compensated absences and the related pay rates as of December 31, 2015.
- Management's estimate of the allowance for uncollectible receivable balances is based on past experience and future expectation for collection of various account balances.

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

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

*Difficulties Encountered in Performing the Audit*

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

*Corrected and Uncorrected Misstatements*

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

*Disagreements with Management*

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

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated June 3, 2016.

*Management Consultations with Other Independent Accountants*

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

*Other Audit Findings or Issues*

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

*Other Matters*

We applied certain limited procedures to the budgetary comparison schedules, the required pension schedules, and management’s discussion and analysis, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the

information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

*Restriction on Use*

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

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

Gabridge & Company, PLC  
Grand Rapids, MI

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

To the Members of the Board of Commissioners  
The County of Cheboygan, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Cheboygan, Michigan (the "County"), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 3, 2016. Our report includes a reference to other auditors who audited the financial statements of the Cheboygan County Road Commission, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

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

Gabridge & Company, PLC  
Grand Rapids, MI  
June 3, 2016