

# Comprehensive Annual Financial Report



## Isabella County, Michigan

For The Year Ended  
September 30, 2014

Issued by:  
County Administrator's Department

Donna J. Barker, CPA  
Director of Accounting Services

Margaret A. McAvoy  
County Controller/Administrator

# **ISABELLA COUNTY, MICHIGAN**

## **Comprehensive Annual Financial Report Year Ended September 30, 2014**

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## **INTRODUCTORY SECTION**



Office of the County Administrator  
200 North Main Street, Mount Pleasant, MI 48858

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Telephone 989-772-0911, Ext. 202

Fax 989-773-7431

March 16, 2015

Honorable George Green, Chairperson  
Members of the Isabella County Board of Commissioners  
County of Isabella  
200 North Main Street  
Mount Pleasant, Michigan 48858

Members of the Board:

The Comprehensive Annual Financial Report of the County of Isabella, Mount Pleasant, Michigan, for the year ended September 30, 2014, is submitted herewith. The financial statements included in this report have been audited by Abraham & Gaffney, P.C. The Comprehensive Annual Financial Report is prepared for the purpose of disclosing the County's financial condition to its residents, elected officials, and other interested parties.

The financial statements have been prepared in compliance with applicable statutes of the State of Michigan and generally accepted accounting principles as stated in the Governmental Accounting Standards Board's (GASB) statements and interpretations.

Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the County. We believe the data as presented is accurate in all material respects; that it is presented in such a manner so as to fairly set forth financial position and results of operations of the County as measured by the financial activity of its funds; and that all disclosures necessary to enable the statement reader to gain the maximum understanding of the County's affairs have been included.

It is believed that the Comprehensive Annual Financial Report substantially conforms to the high standards of financial reporting promulgated by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants. This report will be submitted to the Government Finance Officers Association's Certificate of Achievement for Excellence in Financial Reporting Program.

The county is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget Circular A-133, Audits of States and Local Governments, and Non-Profit Organizations. Information related to this single audit, including the schedule of expenditures of federal awards, findings and recommendations, and auditors' reports on internal control and compliance with applicable laws, regulations, contracts and grants, is included in a separately issued report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The County's MD&A can be found immediately following the report of the independent auditors.

### **THE REPORTING ENTITY AND ITS SERVICES:**

This report includes all funds of the County and its component units as defined in Government Accounting Standards Board Statement No. 14, "The Financial Reporting Entity." In accordance with the criteria of this statement (as amended by GASB No.39 & GASB No. 61) the Isabella County Building Authority, Isabella County Family Independence Agency, Isabella County Commission on Aging, and Isabella County Parks Board, are blended into the County's Comprehensive Annual Financial Report. The Family Independence Agency is under the oversight of the Isabella County Family Independence Agency Board. These organizations, with the exception of the Building Authority, are not legally separate. In addition the County maintains a significant degree of financial accountability over the operations of these units. The Isabella County Building Authority is a legally separate organization. However, its operations are blended into the County fund structure because its sole purpose is to finance and construct the County's public buildings.

In accordance with the above criteria the Isabella County Medical Care Facility, the Isabella County Road Commission, the Isabella County Transportation Commission, the Isabella County Board of Public Works, and the Isabella County Drainage Districts have been discretely presented as component units in the financial statements.

### **PROFILE OF THE GOVERNMENT:**

The management of Isabella County is overseen by a district-elected Board of Commissioners. This board consists of seven members. Commissioners are elected for two year terms and have the responsibility of making appropriations to all County functions and establishing policy for all county operations except the Trial Court. The Board of Commissioners appoints an Administrator/Controller who has the overall responsibility to oversee the administrative duties of the County with the exception of Elected Officials' offices. Management of the Trial Court is overseen by the Chief Trial Court Judge who is also responsible for administrative oversight of the Court.

The County provides many services to the County residents including Sheriff Department road patrol services in the unincorporated jurisdictions of the County, the constitutional offices of the County Clerk, Treasurer, Register of Deeds, Sheriff, and Prosecutor and the statutory office of the Drain Commissioner. In addition, the County supports many other programs such as services to older citizens and cultural and recreational services such as the MSU Extension, and parks and recreation, which includes the Pere Marquette Rail-Trail.

## **FACTORS AFFECTING FINANCIAL CONDITION:**

### **Local Economy:**

Isabella County, located near the geographical center of Michigan's Lower Peninsula, has a strong economy and enjoys a rich human and technical resource base. The presence of Soaring Eagle Casino and Resort, the County's single largest employer, and Central Michigan University help to assure economic viability by providing a secure foundation for the area's economy.

The Isabella County Convention and Visitor's Bureau (CVB) is continuing its efforts to promote tourism in the County. Two of the State's major thoroughfares, US-127 and M-20, meet in Mt. Pleasant accounting for millions of vehicle passengers annually.

### **Recreation:**

Isabella County is home to multiple, vibrant and diverse recreational opportunities. The County has over 1000 acres of park lands which include over 175 campsites, fishing, swimming, boating, hiking, playgrounds, cross country skiing and more. The Isabella County Parks and Recreation Department also offers Art in Our Park, Civil War enactments, nature walks, cross country skiing and snowshoeing workshops, disc golf tournaments and many more activities. Isabella County is a partner in the Pere Marquette Rail Trail, a 100.5 acre 8.25 mile motorized-non motorized pathway.

The Saginaw Chippewa Indian Tribe sponsored Casino and Resort offers gaming, a 500 room luxury hotel, fully equipped conference center and a multitude of restaurants. The Soaring Eagle Casino and Resort also offers live entertainment and performances.

Central Michigan University is home to many recreational and entertainment activities such as sporting events, an art gallery, cultural activities, musical concerts and more.

From water parks, to golf courses, City, Village, Township and County parks, the beautiful Chippewa River, the University, the Tribe, vibrant downtowns, great walk ability, movie theaters, restaurants and shopping; Isabella County offers many options for recreation to her residents and visitors alike.

### **Commercial:**

The retail trade business continues to be a major contributor to the growth of the County. Positioned strategically near the north and south US-127 interchanges into Mt. Pleasant, Home Depot, Target, Wal-Mart, Sam's Club, Kohl's, Menards, and Meijer department stores contribute significantly to the volume of retail trade conducted within the confines of the County, employ County residents, and draw people into our community.

### **Financial Management:**

Management of the County is responsible for establishing and maintaining internal control designed to ensure that the assets of the County are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived; and 2) the valuation of costs and benefits requires estimates and judgments by management.

**Budgeting Control:**

Isabella County maintains budgetary control with the objective to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the County Board of Commissioners. Activities of the General, Special Revenue, Debt Service, and the Capital Projects funds are included in the annual appropriation budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established by activity within these Funds.

Generally, the budget and approved appropriations lapse at the end of the fiscal year, unless specifically re-appropriated by Board action. Encumbrance accounting is not employed by the County, because it is at present considered not necessary to assure affective budgetary control or to facilitate effective cash planning and control.

**Single Audit:**

As a recipient of federal and state awards, the County is responsible for ensuring that adequate internal control is in place to achieve compliance with applicable laws and regulations related to those programs. This internal control is subject to periodic evaluation by management and the independent auditors of the County.

As part of the County's single audit, described earlier, tests are made to determine the adequacy of internal control, including that portion related to federal award programs, as well as to determine that the County has complied with applicable laws and regulations. The results of the County's Single Audit for the year ended September 30, 2014 disclosed no significant violations of applicable laws and regulations.

**Risk Management:**

The County utilizes a high deductible health insurance plan through Blue Cross and Blue Shield of Michigan, (BCBSM) combined with a health reimbursement account administered by the County using an independent third party. The County expects this model to reduce risk exposure for medical claims and reduce its overall cost of providing insurance coverage for employees. The program, including prescription drugs, dental and vision services, is accounted for in the Insurance Fund (an internal service fund), and is set up as a "pool" of participating groups. There are two groups in the pool which include Isabella County government and the Medical Care Facility. Insurance premiums, medical bills paid from the health reimbursement account and administrative charges are paid from the Fund.

Revenue for Fund operations originates from the participating groups that pay a fee for each participating employee. The fee is determined based on the premium rate established by BCBSM and a third party administrator's estimate of annual deductibles that will be paid from the health reimbursement account. These rates vary depending on the coverage selected by the individual employee. The County sets caps on the amount of premiums it will pay for non-union employees and negotiates caps with its labor unions. Any premiums above the caps are paid by the employees through payroll deductions. For additional information concerning employee health benefits, refer to Note K of the Notes to the Financial Statements on page 48.

**Employee Pension Plan:**

Isabella County participates in the Michigan Municipal Employees Retirement System (MERS); an agent multiple employer state-wide, public employee defined benefit pension plan. Under this plan, the County is required to contribute at an actuarially determined rate. Effective in 2002, all new employees are in a defined contribution plan through MERS. Under this plan, the County contributes 7% and the employee contributes 2% of their gross salary. For additional information concerning the employee retirement system, refer to Note I of the Notes to the Financial Statements on page 45.

**OTHER INFORMATION:****Independent Audit:**

The Michigan Uniform Accounting and Budgeting Act requires an annual audit by independent certified public accountants. The accounting firm of Abraham & Gaffney, P.C. was selected by the Isabella County Board of Commissioners to perform the County's annual audit. In addition to meeting requirements set forth in state statutes, the audit also was designed to meet the requirements of the federal Single Audit Act Amendments of 1996 and related OMB Circular A-133. The auditor's report on the financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in a separately issued report.

**Awards:**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Isabella County, Michigan for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2013.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for another Certificate.

**Acknowledgements:**

We would like to thank members of the Isabella County Board of Commissioners for your interest and support in planning and conducting the financial operations of the County in a responsible and progressive manner. We also wish to thank those elected officials, appointed department heads, and staff whose commitment to excellence and public service is reflected in this report and in the operations of Isabella County.

Respectfully submitted,



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Margaret McAvoy  
Administrator/Controller



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Donna J. Barker, CPA  
Director of Accounting Services

**ISABELLA COUNTY, MICHIGAN  
OFFICIALS  
YEAR ENDED SEPTEMBER 30, 2014**

**BOARD OF COMMISSIONERS**

GEORGE GREEN	CHAIRPERSON
FRANCES LICHTMAN	VICE-CHAIRPERSON
JIM HORTON	COMMISSIONER
JOHN HAUPT	COMMISSIONER
DAVID LING	COMMISSIONER
ROGER TRUDELL	COMMISSIONER
JAMES MORENO	COMMISSIONER

**TRIAL COURT JUDGES**

PAUL CHAMBERLAIN, CHIEF JUDGE

WILLIAM T. ERVIN

MARK DUTHIE

ERIC R. JANES

**OTHER ELECTED OFFICIALS**

MINDÉ LUX	COUNTY CLERK
RICK JAKUBIEC	DRAIN COMMISSIONER
KAREN JACKSON	REGISTER OF DEEDS
STEVEN PICKENS	COUNTY TREASURER
RISA HUNT-SCULLY	PROSECUTING ATTORNEY
LEO MIODUSZEWSKI	COUNTY SHERIFF

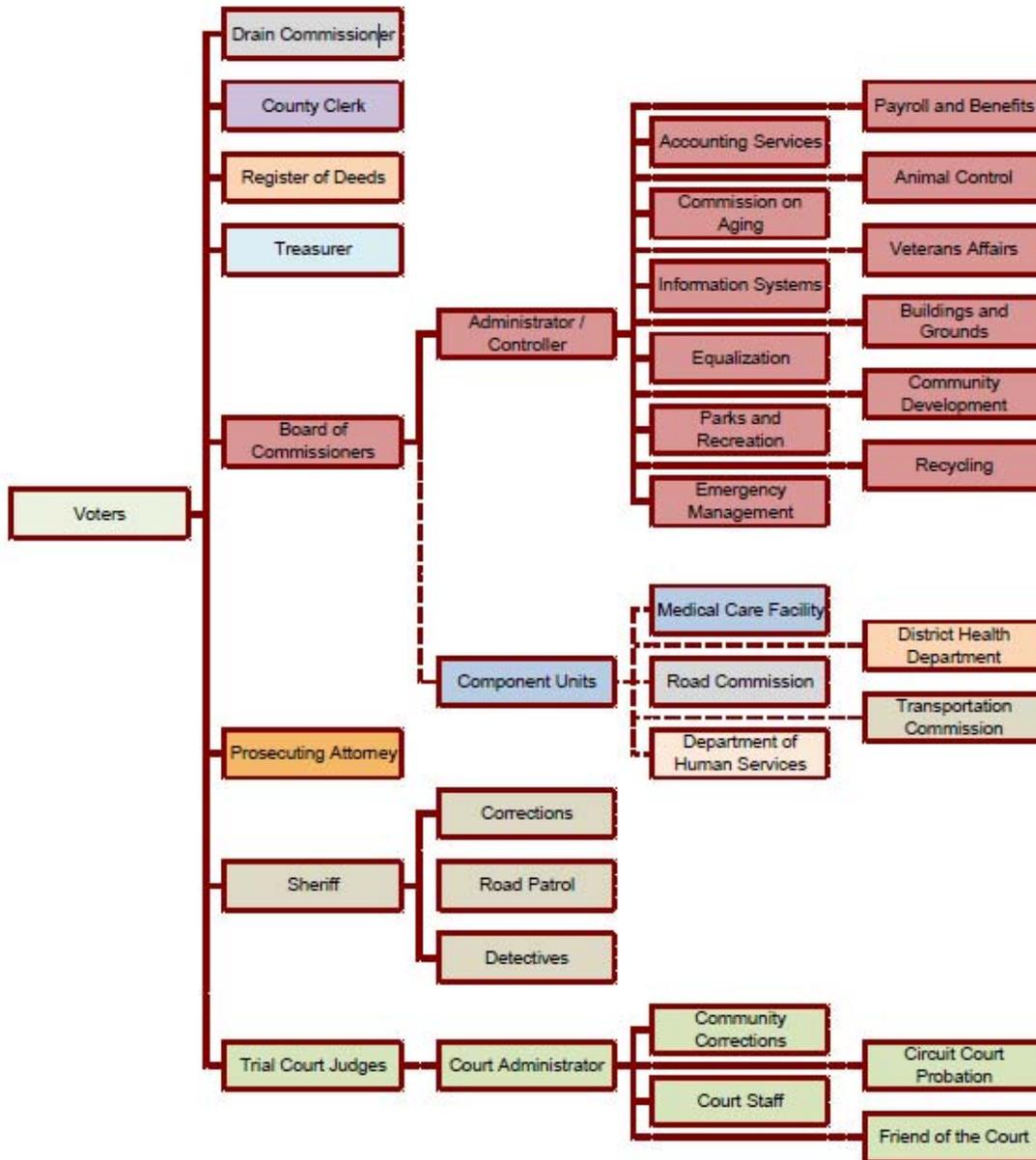
**COUNTY CONTROLLER/ADMINISTRATOR**

MARGARET A. McAVOY

**DIRECTOR OF ACCOUNTING SERVICES**

DONNA J. BARKER, CPA

# ISABELLA COUNTY ORGANIZATIONAL FLOW CHART





Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**Isabella County  
Michigan**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2013**

Executive Director/CEO

## **FINANCIAL SECTION**

Principals

Dale J. Abraham, CPA  
Michael T. Gaffney, CPA  
Steven R. Kirinovic, CPA  
Aaron M. Stevens, CPA  
Eric J. Glashouwer, CPA  
Alan D. Panter, CPA  
William I. Tucker IV, CPA



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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
of Isabella County  
Mt. Pleasant, Michigan

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Isabella County, Michigan (the County), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

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

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

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Isabella County Road Commission, which represents 54%, 62%, and 32%, respectively, of the total assets, net position, and revenues of the component units and the Isabella County Medical Care Facility which represents 15%, 13%, and 41%, respectively, of the total assets, net position, and revenues of the component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the Road Commission and the Medical Care Facility, are based solely on the reports 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 financial statement presentation of the financial statements.

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

## **Opinions**

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Isabella County, Michigan, as of September 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Changes in Accounting Principles**

As discussed in Note Q, the County implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* during the year. As a result of this implementation, the financial statements have been changed to reflect the new presentation under GASB Statement No. 65, as applicable. Our opinions are 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 Schedules of Funding Progress and Employer Contributions, as identified 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 and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Isabella County, Michigan's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section, as identified in the table of contents, 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 and schedules 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. The 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of other auditors, the combining and individual nonmajor fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2015, on our consideration of Isabella County, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Isabella County, Michigan's internal control over financial reporting and compliance.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

March 16, 2015

## Management's Discussion and Analysis

As management of *Isabella County, Michigan*, we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of Isabella County for the fiscal year ended September 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

### Financial Highlights

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$41,862,165. Of this amount, \$22,686,703 may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$976,122. This increase resulted mainly from an increase in fund balance of \$1,618,087 from the general fund and operating income of \$323,373 and \$26,666 from the Delinquent Tax Fund and the PA 123 Restricted Tax Fund, respectively, in the Business-type Activities.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$15,383,123, an increase of \$801,253 in comparison with the prior year. Approximately 51 percent of this amount or \$7,869,977 is available for spending at the government's discretion (*unassigned fund balance*).
- "**Fund balance**" describes the net position of a government fund calculated on a budgetary basis. It is intended to serve as a measure of financial resources available in a government fund (GFOA, 2009). Officials often treat fund balance like a "rainy day" fund or savings account. "**Restricted**" and "**committed**" fund balance refers to monies set aside for a specific purpose and not available for appropriation, while "**unassigned**" fund balance represents resources held in reserve, but available for appropriation. The Government Finance Officers Association (GFOA) advises governments to maintain adequate levels of fund balance to mitigate current and future risks (e.g., revenue shortfalls and unanticipated expenditures) and to ensure stable tax rates. Fund balance levels are also a crucial consideration in long-term financial planning. GFOA recommends, at a minimum, that general-purpose governments maintain an unrestricted fund balance in their general funds of no less than two months (16.6%) of regular operating expenditures (GFOA, 2009). However, a 2007 state-mandated shift in annual property tax collection dates created a significant cash flow challenge for Isabella County. This change resulted in a six-month delay in property tax payments made to the County. Therefore, the County must maintain an unassigned fund balance greater than the GFOA minimum in order to assure adequate reserves and cash on hand. At the end of the current fiscal year, unassigned fund balance for the general fund was \$7,869,977 or 45 percent of total general fund expenditures and transfers out.
- The County's total bonded debt decreased by \$910,000 during the current fiscal year. This decrease was largely due to the normal pay-off of principal on general obligation bonds.
- The term budget variance refers to a periodic measure used by governments, corporations, or individuals to quantify the difference between budgeted and actual figures for a particular accounting category. For revenue, a favorable budget variance (greater than 100%) refers to positive variances or gains; an unfavorable budget variance (less than 100%) describes negative variance, meaning losses and shortfalls. The opposite is true for expenditures - a favorable budget variance (less than 100%) refers to expenditures below budgeted amounts; an unfavorable budget variance (greater than 100%) describes expenditures over budgeted amounts. Annual financial reports provide data necessary to determine variances.

Budget variances occur because forecasters are unable to predict the future with complete accuracy. Therefore, some variance should be expected when budgets are created. Isabella County budget administrators target an annual budget variance range of 95% to 105% for performance accountability measurement. With a revenue variance of 105.7% and an expenditure variance of 95.8% for fiscal year 2014, budget administrators met their goal.

Isabella County general fund revenue and expenditure variances: 2010 - 2014

Fiscal Year	2010	2011	2012	2013	2014
Revenue Variance	103.1%	100.0%	104.6%	105.4%	105.7%
Expenditure Variance	99.2%	94.3%	96.2%	99.8%	95.8%

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise 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 and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

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

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, public safety (including the jail), public works, health and welfare, community and economic development, and culture and recreation. The business-type activities of the County include the delinquent tax collections, recycling facility, building inspections, and concessions.

The government-wide financial statements include not only Isabella County itself (known as the primary government), but also a legally separate Road Commission, Transportation Commission, Board of Public Works, Drainage Districts, and a Medical Care Facility, for which Isabella County is financially accountable. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself. The Isabella County Building Authority, although legally separate, functions for all practical purposes as a department of the County, and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 1-2 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 balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains 22 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Tribal Contribution, CDBG Housing Assistance Grant, Commission on Aging Activities, and Building Authority Bond Funds, each of which are considered to be major funds. Data from the other governmental funds are combined into single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The County adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 3-8 of this report.

**Proprietary funds.** The County maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for its jail commissary operations, material recovery facility, building inspections department, and delinquent tax operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the County's various functions. Isabella County uses an internal service fund to account for its self-insurance activities. Because these services predominantly benefit governmental rather than business-type functions, they have been included within the *governmental activities* in the government-wide financial statements.

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 material recovery facility, PA123 Restricted Tax Fund, and delinquent tax revolving activity, which are considered to be major funds. Individual fund data for non-major enterprise funds are provided in the form of *combining statements* elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 9-18 of this report.

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

The basic fiduciary fund financial statements can be found on page 19 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to 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 23-58 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *supplementary information*. This includes the combining and individual fund financial statements and schedules. Combining and individual fund statements and schedules can be found on pages 59-104 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 Isabella County, assets exceeded liabilities by \$41,862,165 at the close of the most recent fiscal year.

One of the largest portions of the County's net position (34 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment) less any related debt used to acquire those assets that are 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.

### Isabella County Net Position

	Governmental Activities		Business-type Activities		Total	
	2013	2014	2013	2014	2013	2014
Current and other assets	\$22,892,035	\$22,686,070	\$10,911,999	\$10,594,881	\$33,804,034	\$33,280,951
Capital assets, net	<u>15,983,826</u>	<u>15,610,440</u>	<u>1,405,648</u>	<u>1,636,046</u>	<u>17,389,474</u>	<u>17,246,486</u>
Total assets	38,875,861	38,296,510	12,317,647	12,230,927	51,193,508	50,527,437
Long-term liabilities outstanding	4,317,815	3,397,570	22,900	25,997	4,340,715	3,423,567
Other liabilities	<u>6,485,646</u>	<u>4,920,093</u>	<u>405,271</u>	<u>321,612</u>	<u>6,890,917</u>	<u>5,241,705</u>
Total liabilities	10,803,461	8,317,663	428,171	347,609	11,231,632	8,665,272
Net Position						
Net investment in capital assets	11,884,156	12,414,882	1,405,648	1,636,046	13,289,804	14,050,928
Restricted	4,497,495	4,774,534	350,000	350,000	4,847,495	5,124,534
Unrestricted	<u>11,690,749</u>	<u>12,789,431</u>	<u>10,133,828</u>	<u>9,897,272</u>	<u>21,824,577</u>	<u>22,686,703</u>
Total net position	<u>\$28,072,400</u>	<u>\$29,978,847</u>	<u>\$11,889,476</u>	<u>\$11,883,318</u>	<u>\$39,961,876</u>	<u>\$41,862,165</u>

An additional portion of the County's net position (12 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (54 percent or \$22,686,703) 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 three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

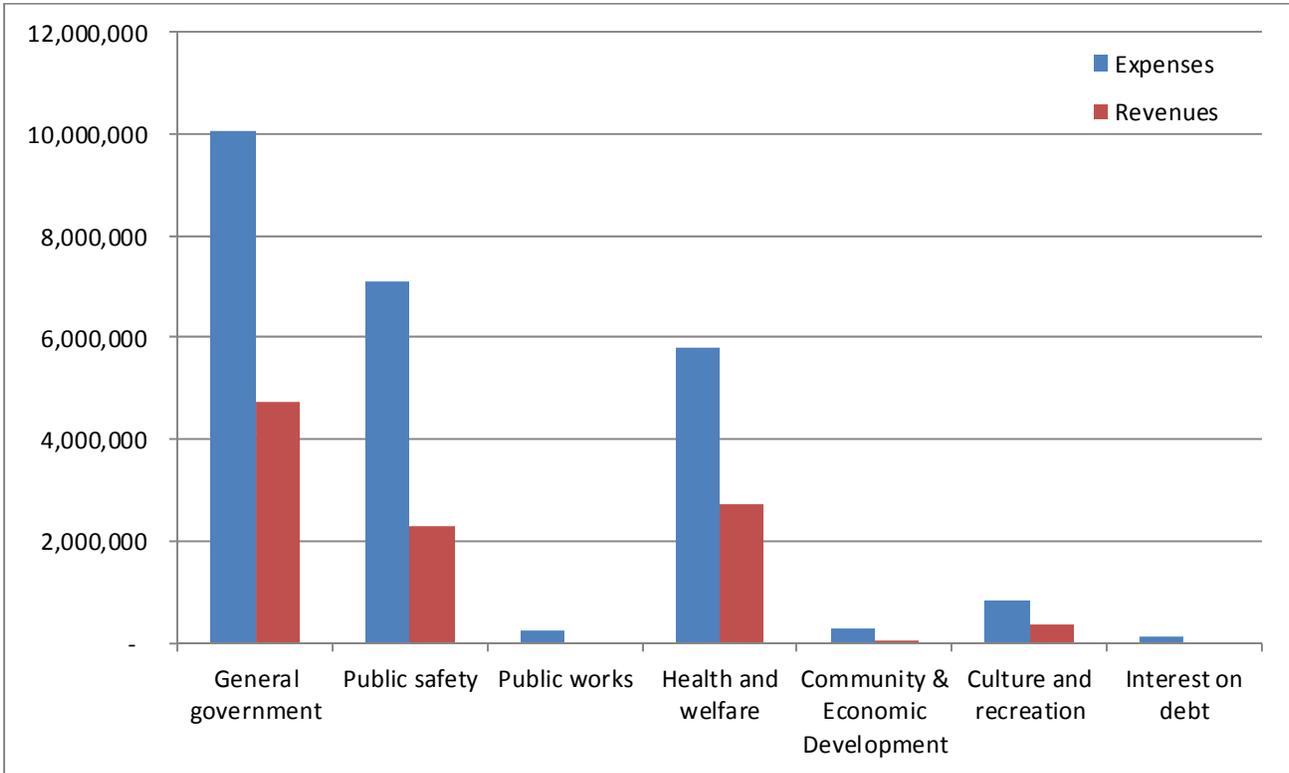
The government's net position increased by \$976,122 during the current fiscal year. This increase was a combination of the net income of the Business-type Activities and the Governmental Activities.

**Isabella County Change in Net Position**

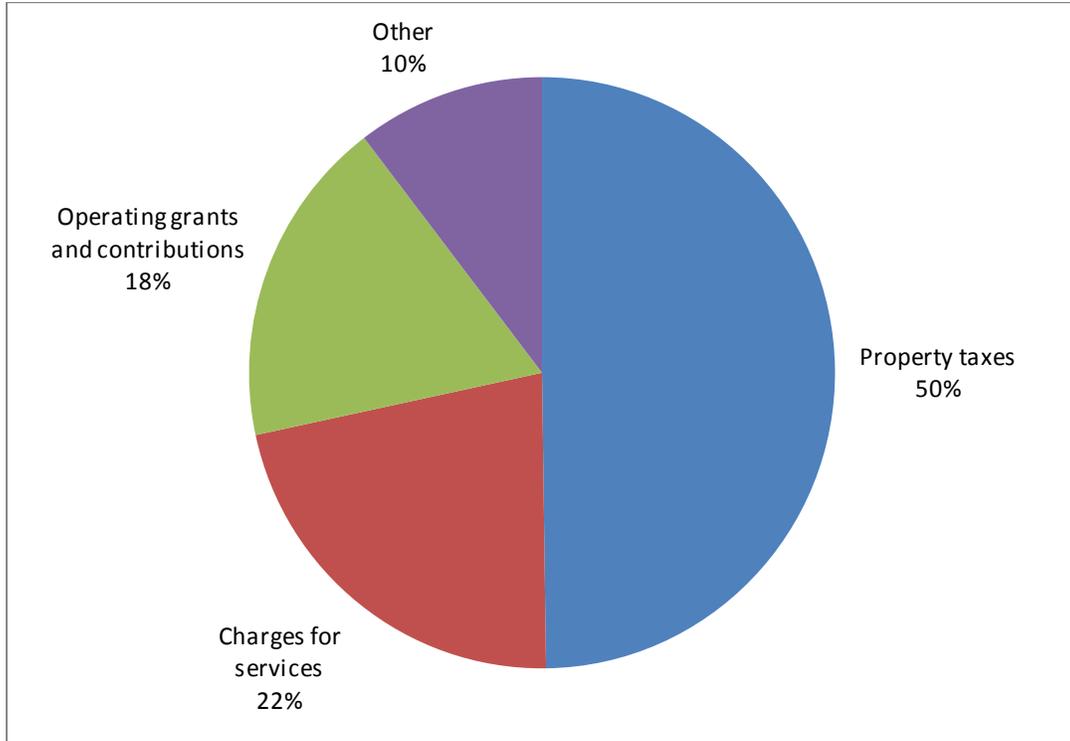
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>
Revenues:						
Program revenues:						
Charges for services	\$ 6,931,008	\$ 5,544,123	\$ 2,252,631	\$ 1,961,710	\$ 9,183,639	\$ 7,505,833
Operating grants and contributions	5,101,328	4,570,129	170,524	256,373	5,271,852	4,826,502
Capital grants and contributions	46,169	8,472	-	-	46,169	8,472
General revenues:						
Property taxes	11,934,960	12,642,259	-	-	11,934,960	12,642,259
State shared revenue	948,914	995,270	-	-	948,914	995,270
Grants and contributions not restricted to specific programs	729,054	812,668	-	-	729,054	812,668
Unrestricted investment earnings	40,477	71,988	107,985	86,149	148,462	158,137
Miscellaneous revenue	193,523	353,023	8,077	31,911	201,600	384,934
Total revenues	<u>25,925,433</u>	<u>24,997,932</u>	<u>2,539,217</u>	<u>2,336,143</u>	<u>28,464,650</u>	<u>27,334,075</u>
Expenses						
General government	10,178,468	10,051,170	-	-	10,178,468	10,051,170
Public safety	7,276,762	7,112,889	-	-	7,276,762	7,112,889
Public works	242,392	242,005	-	-	242,392	242,005
Health and welfare	5,959,473	5,783,379	-	-	5,959,473	5,783,379
Community & Economic Development	226,684	289,280	-	-	226,684	289,280
Culture and recreation	769,779	833,562	-	-	769,779	833,562
Interest on debt	143,230	114,830	-	-	143,230	114,830
Delinquent property tax	-	-	312,806	349,329	312,806	349,329
Recycling facility	-	-	981,435	1,020,239	981,435	1,020,239
Building Inspections	-	-	273,768	304,450	273,768	304,450
Concessions	-	-	284,061	256,820	284,061	256,820
Medical care facility	-	-	-	-	-	-
Total expenses	<u>24,796,788</u>	<u>24,427,115</u>	<u>1,852,070</u>	<u>1,930,838</u>	<u>26,648,858</u>	<u>26,357,953</u>
Revenues over (under) expenses before transfers	1,128,645	570,817	687,147	405,305	1,815,792	976,122
Transfers - internal activities	<u>(130,000)</u>	<u>396,076</u>	<u>130,000</u>	<u>(396,076)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	998,645	966,893	817,147	9,229	1,815,792	976,122
Restated net position, beginning of year	<u>27,073,755</u>	<u>29,011,954</u>	<u>11,072,329</u>	<u>11,874,089</u>	<u>38,146,084</u>	<u>40,886,043</u>
Total net position	<u>\$28,072,400</u>	<u>\$29,978,847</u>	<u>\$11,889,476</u>	<u>\$11,883,318</u>	<u>\$39,961,876</u>	<u>\$41,862,165</u>

**Governmental activities.** Isabella County recorded an increase in governmental activity net position totaling \$966,893 in FY 2014. While charges for services were down significantly for 2014 both in the courts and at the jail, this reduction was offset by a decrease in expenses from the prior year. A large contractual payment received for taxes in lieu and operating transfers from the Delinquent Tax Revolving Fund and PA 123 Restricted Tax Fund contributed to the \$966,893 increase.

**Expenses and Program Revenues - Governmental Activities**



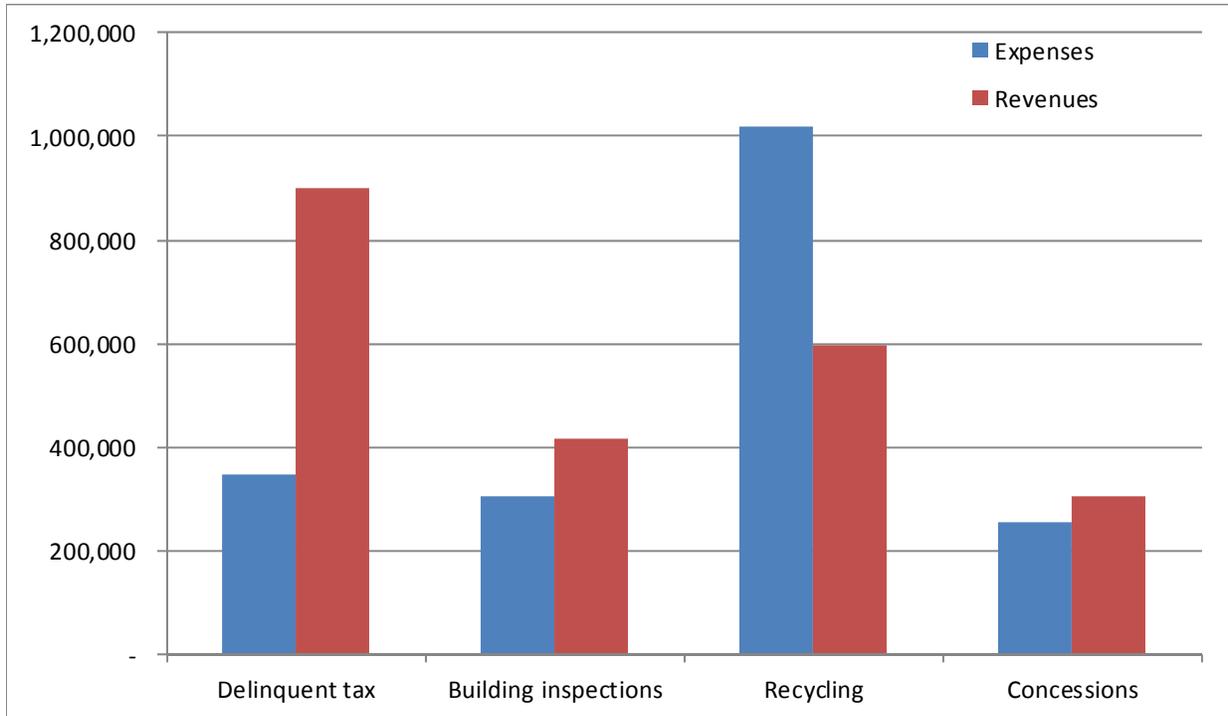
**Revenues by Source - Governmental Activities**



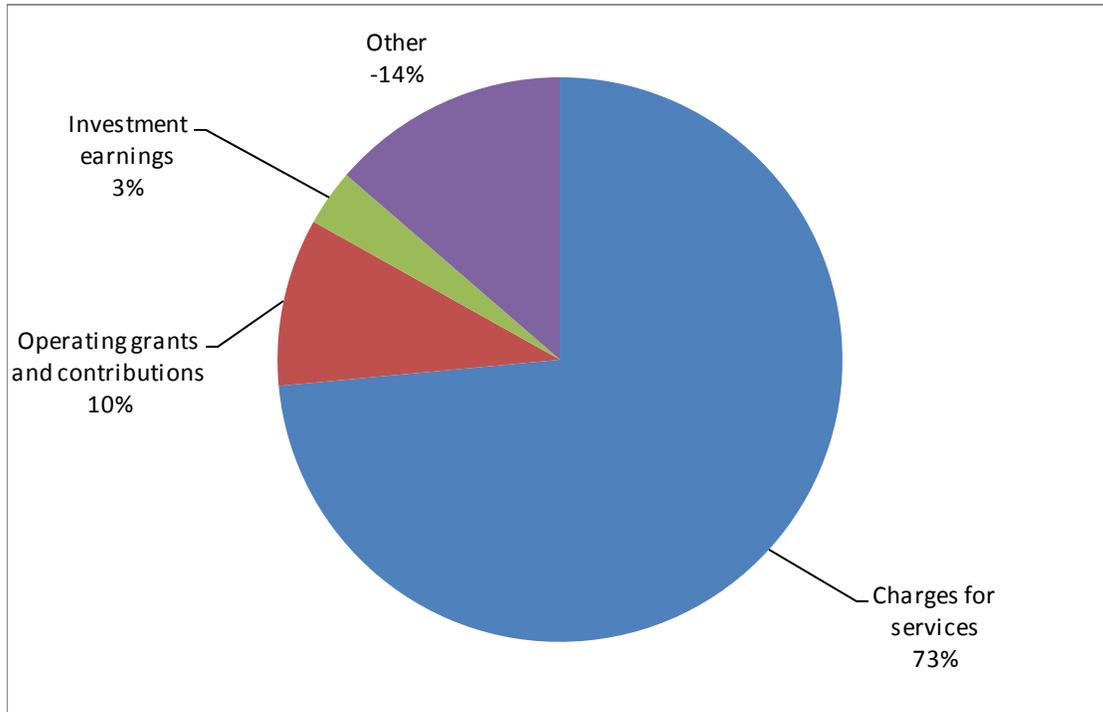
**Business-type activities.** Business-type activities increased the County's net position by \$9,229.

- The Recycling fund net position increased by \$13,697 in 2014, due to a \$20,000 increase in the operating transfer from the General Fund.
- The PA123 Restricted Tax fund had an increase in net position of \$81 in 2014. While overall activity decreased in this fund during 2014, it still had net income of \$100,081 before its budgeted transfer of \$100,000 to the General Fund.
- The Delinquent Tax Revolving fund had an increase in net position of \$34,843 in 2014. The revenues on delinquent taxes in Isabella County were down 8.5% from 2013 but the fund still generated income of \$334,843 before its budgeted transfer of \$300,000 to the General Fund.

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



**Revenues by Source - Business-type Activities**  
**Financial Analysis of the Government's Funds**



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

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

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$15,383,123, an increase of \$801,253 in comparison with the prior year. Approximately 75 percent of this total amount (\$11,559,261) constitutes *unassigned, assigned, or committed fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *restricted or nonspendable* to indicate that it is not available for new spending because it has already been committed for items such as inventory, prepaid items, or debt service.

The general fund is the chief operating fund of the County. At the end of the current fiscal year, unassigned fund balance of the general fund was \$7,869,977 while total fund balance was \$11,022,926. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 45 percent of total general fund expenditures and transfers out.

Significant revenue increases in several activities brought about a general fund increase of \$1,618,087 in FY 2014. The majority of the increase was from property taxes and a contractual payment in lieu of taxes from a property taken into tribal trust during the year. General fund expenditures were less than 1% under the prior year.

The fund balance of the Tribal Contribution Fund was unchanged at \$198.

The CDBG Housing Assistance Grant fund had a decrease in fund balance of \$33,675 in FY 2014. This fund received a large amount of program income that needed to be expended prior to expending grant funds. This reduction in grant expenditures caused the grant to be recaptured in FY2014. The fund has since expended most of the program income required. The housing assistance grant has been reissued.

The Commission on Aging Activities increased fund balance by \$205,717 to \$321,904 as of September 30, 2014. This increase is due in part to a greater allocation of the property tax millage to operations combined with a reduction of \$130,118 in operating expenses from the prior year.

The Building Authority Bonds Fund had a decrease in fund balance of approximately \$446,373 during the year. Fund balance as of September 30, 2014 was \$1,061,762.

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

### General Fund Budgetary Highlights

The difference between the original and final amended budget for expenditures resulted in an increase of \$205,221 in appropriations.

During the year, general fund revenues and other financing sources were greater than budgetary estimates by approximately \$1,034,314 largely due to an \$864,000 contractual payment received for land parcels taken into trust in 2014 by the Saginaw Chippewa Indian Tribe. General fund expenditures and other financing uses were less than budgetary estimates by \$755,884.

### Capital Asset and Debt Administration

**Capital Assets.** The County's investment in capital assets for its governmental and business type activities as of September 30, 2014, amounted to \$17,246,486 (net of accumulated depreciation). This investment in capital assets includes land, building and improvements, machinery and equipment, and vehicles.

Capital asset events during the current fiscal year included the following:

- Large purchases during 2014 included: telephone system and radio system upgrades totaling \$286,952 at Central Dispatch; a video system for \$32,992 at the Trial Court; electrical upgrades at Coldwater Park for \$32,545; new curbside recycling truck for Recycling for \$120,599; a new mower and two vehicles totaling \$59,263 for Parks & Recreation; mobile digital computers for \$67,177 for the Sheriff's department; six new vehicles purchased at a cost of \$190,155 for the Sheriff's department.
- The Drainage Districts added \$1,754,994 in construction in progress costs for six drains and added \$3,306,478 to drain infrastructure with the completion of work on five drains.

#### Isabella County's Capital Assets (net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2013	2014	2013	2014	2013	2014
Land	\$ 2,251,967	\$ 2,251,967	\$ 121,953	\$ 121,953	\$ 2,373,920	\$ 2,373,920
Construction in progress	-	-	-	-	-	-
Buildings and improvements	12,615,918	12,159,890	775,668	740,666	13,391,586	12,900,556
Equipment	703,158	817,866	378,160	377,756	1,081,318	1,195,622
Vehicles	255,931	268,487	129,867	395,671	385,798	664,158
Other	156,852	112,230	-	-	156,852	112,230
<b>Total net assets</b>	<b>\$15,983,826</b>	<b>\$15,610,440</b>	<b>\$ 1,405,648</b>	<b>\$ 1,636,046</b>	<b>\$17,389,474</b>	<b>\$17,246,486</b>

Additional information on the County's capital assets can be found in Note E on pages 38-42 of this report.

**Long-term debt.** At the end of the current fiscal year, the County had total debt outstanding of \$4,766,364. Of this amount, \$3,225,000 comprises debt backed by the full faith and credit of the government. The remainder of the County's debt represents post-closure landfill costs and compensated absences.

## Isabella County's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2013	2014	2013	2014	2013	2014
General obligation bonds	\$ 4,135,000	\$ 3,225,000	\$ -	\$ -	\$ 4,135,000	\$ 3,225,000
Postclosure landfill costs	708,509	680,081	-	-	708,509	680,081
Accrued compensated absences	840,536	847,395	38,167	43,330	878,703	890,725
Deferred charges	(35,330)	(29,442)	-	-	(35,330)	(29,442)
<b>Total net debt</b>	<b>\$ 5,648,715</b>	<b>\$ 4,723,034</b>	<b>\$ 38,167</b>	<b>\$ 43,330</b>	<b>\$ 5,686,882</b>	<b>\$ 4,766,364</b>

General Obligation Bonds - \$3,225,000

The County's total governmental activity debt decreased by \$925,681 (16 percent) during the current fiscal year.

The County's total business-type activity debt increased by \$5,163 (14 percent) during the current fiscal year.

The County's bond rating ranges from A to AAA. The AAA rating is given for bond issues that are backed with millage levies.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the County is significantly higher than the County's outstanding general obligation debt.

Additional information on the County's long-term debt can be found in Note F on pages 42-48 of this report.

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

The Isabella County Board of Commissioners has directed the County financial position to be proactive and not reactive. Given the economic downturn in our nation and state over the past 7 years, Isabella County has done well protecting its resources, reducing its expenses and meeting its financial obligations. This has been accomplished by concerted effort of the Board, Elected and Appointed Officials and staff.

Looking towards the future, the County has relatively new professional financial staff and a new Administrator/Controller. It is anticipated that this team will be updating financial reporting, budgeting processes, and implementing new financial management and control procedures. Elected and Appointed Officials will be empowered to accept responsibility for their department revenues, expenditures, budgets, adjustments and be partners in assuring the fiscal stability of the County.

The County administrative staff is dedicated to fostering good partnerships and collaborations with our municipal and private sector neighbors and partners. To this end, we participate in a number of economic development organizations and serve on the Boards of the Mid Michigan Development Corporation, the City of Mount Pleasant Central Business District, Industrial Park North and University Park Tax Increment Finance Authorities, the Mission-Pickard Down Town Development Authority and the CMU-RC Local Development Financing Act Board of Directors.

Isabella County is home to Central Michigan University, the Saginaw-Chippewa Indian Tribe, major manufacturers and many vibrant and charming communities. The economy is steady, the workforce well trained, business persons are investing in the community and public officials are dedicated to preserving the rich heritage and character of the county while positioning the area to be vibrant for generations to come. Isabella County is honored to be a partner in the future of this great community.

The following economic factors were considered in developing the 2014-2015 fiscal year budget.

- Two Michigan constitutional laws limit property tax growth to the rate of inflation or a maximum allowable increase in assessment of 5.0 percent, whichever is less. Property tax revenue anticipated for the 2014-2015 fiscal year budget reflects a slight increase in taxable values and estimates for DDA captures.
- Budgeted jail revenue reflects a decrease in inmate housing due to the termination of contracts with other counties to house their overflow of inmates.
- The September 2014 unemployment rate for Isabella County was 4.9%, which is a decrease from a rate of 6.4% a year earlier. This was less than the State's September 2014 average unemployment rate of 6.7% and also less than the national average rate of 5.7%.<sup>1</sup>
- The Isabella County Board of Commissioners approved an overall wage rate increase of 2.5% effective January 1, 2015.

### **Requests for Information**

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Isabella County Administration Office, 200 N. Main Street, Mt. Pleasant, Michigan 48858.

<sup>1</sup> Michigan Department of Labor and Economic Growth

## **BASIC FINANCIAL STATEMENTS**

Isabella County, Michigan

STATEMENT OF NET POSITION

September 30, 2014

	Primary Government		Total	Component Units
	Governmental Activities	Business-type Activities		
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 13,170,571	\$ 4,110,631	\$ 17,281,202	\$ 11,029,191
Investments	3,206,601	1,687,088	4,893,689	1,834,719
Receivables	2,796,526	2,116,229	4,912,755	12,019,180
Inventories	33,737	6,496	40,233	468,261
Due from other governmental units	1,200,488	117,772	1,318,260	264,300
Prepays	251,039	69,164	320,203	912,113
Other current assets	-	-	-0-	190,010
Current portion of lease receivable	440,000	-	440,000	400,000
Restricted cash and cash equivalents	-	-	-0-	4,059,639
Internal balances	(327,892)	327,892	-0-	-
Total current assets	20,771,070	8,435,272	29,206,342	31,177,413
Noncurrent assets				
Investments	-	2,159,609	2,159,609	1,864,734
Lease receivable	1,915,000	-	1,915,000	4,010,000
Capital assets not being depreciated	2,251,967	121,953	2,373,920	26,889,299
Capital assets being depreciated, net	13,358,473	1,514,093	14,872,566	83,415,447
Total noncurrent assets	17,525,440	3,795,655	21,321,095	116,179,480
<b>TOTAL ASSETS</b>	<b>38,296,510</b>	<b>12,230,927</b>	<b>50,527,437</b>	<b>147,356,893</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Refunding on bonds payable	-	-	-0-	109,321
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	735,032	104,124	839,156	1,531,456
Accrued wages	261,770	24,613	286,383	369,300
Other accrued liabilities	53,440	-	53,440	435,276
Due to other governmental units	351,595	9,452	361,047	355,375
Unearned revenue	2,192,792	166,090	2,358,882	713,370
Current portion of compensated absences	338,958	17,333	356,291	586,472
Current portion of long-term debt	986,506	-	986,506	1,667,394
Total current liabilities	4,920,093	321,612	5,241,705	5,658,643
Noncurrent liabilities				
Other post-employment benefits	-	-	-0-	57,397
Noncurrent portion of compensated absences	508,437	25,997	534,434	213,942
Noncurrent portion of long-term debt	2,889,133	-	2,889,133	16,935,142
Total noncurrent liabilities	3,397,570	25,997	3,423,567	17,206,481
<b>TOTAL LIABILITIES</b>	<b>8,317,663</b>	<b>347,609</b>	<b>8,665,272</b>	<b>22,865,124</b>
<b>NET POSITION</b>				
Net investment in capital assets	12,414,882	1,636,046	14,050,928	96,375,356
Restricted				
Legal restrictions	2,357,539	-	2,357,539	-
Grant programs	1,310,430	-	1,310,430	-
Debt service	1,008,322	-	1,008,322	133,539
Capital projects	98,243	-	98,243	-
Equipment replacement	-	350,000	350,000	-
Nonexpendable				
Drayton and Minnie Miley Trust	-	-	-0-	55,226
Expendable				
Drayton and Minnie Miley Trust	-	-	-0-	36,334
Patient Equipment Trust	-	-	-0-	166,954
Road Commission-County roads	-	-	-0-	4,249,011
Drainage Districts-Debt service	-	-	-0-	5,631,813
Unrestricted	12,789,431	9,897,272	22,686,703	17,952,857
<b>TOTAL NET POSITION</b>	<b>\$ 29,978,847</b>	<b>\$ 11,883,318</b>	<b>\$ 41,862,165</b>	<b>\$ 124,601,090</b>

See accompanying notes to financial statements.

Isabella County, Michigan

STATEMENT OF ACTIVITIES

Year Ended September 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities								
General government	\$ 10,051,170	\$ 2,923,473	\$ 1,788,803	\$ 6,500	\$ (5,332,394)	\$ -	\$ (5,332,394)	\$ -
Public safety	7,112,889	1,969,112	330,338	102	(4,813,337)	-	(4,813,337)	-
Public works	242,005	-	-	-	(242,005)	-	(242,005)	-
Health and welfare	5,783,379	282,756	2,450,988	-	(3,049,635)	-	(3,049,635)	-
Community and economic development	289,280	21,047	-	-	(268,233)	-	(268,233)	-
Recreation and cultural	833,562	347,735	-	1,870	(483,957)	-	(483,957)	-
Interest on long-term debt	114,830	-	-	-	(114,830)	-	(114,830)	-
Total governmental activities	24,427,115	5,544,123	4,570,129	8,472	(14,304,391)	-0-	(14,304,391)	-0-
Business-type activities								
Delinquent tax	349,329	643,695	256,373	-	-	550,739	550,739	-
Building inspections	304,450	417,505	-	-	-	113,055	113,055	-
Recycling	1,020,239	595,105	-	-	-	(425,134)	(425,134)	-
Concessions	256,820	305,405	-	-	-	48,585	48,585	-
Total business-type activities	1,930,838	1,961,710	256,373	-0-	-0-	287,245	287,245	-0-
Total primary government	\$ 26,357,953	\$ 7,505,833	\$ 4,826,502	\$ 8,472	(14,304,391)	287,245	(14,017,146)	-0-
Component units								
Road Commission	\$ 8,902,729	\$ 218,188	\$ 5,245,224	\$ 4,463,665	-	-	-	1,024,348
Transportation Commission	5,935,866	772,968	3,080,084	476,386	-	-	-	(1,606,428)
Medical Care Facility	12,182,722	11,892,351	-	-	-	-	-	(290,371)
Drainage Districts	476,742	-	28,997	2,701,905	-	-	-	2,254,160
Board of Public Works	231,371	37,400	-	85,865	-	-	-	(108,106)
Total component units	\$ 27,729,430	\$ 12,920,907	\$ 8,354,305	\$ 7,727,821	-0-	-0-	-0-	1,273,603
General revenues								
Property taxes					12,642,259	-	12,642,259	2,445,142
State shared revenue					995,270	-	995,270	-
Unrestricted grants and contributions					812,668	-	812,668	-
Investment earnings					71,988	86,149	158,137	37,890
Gain on disposal of capital assets					-	-	-0-	301,582
Other					353,023	31,911	384,934	16,117
Transfers					396,076	(396,076)	-0-	-
Total general revenues and transfers					15,271,284	(278,016)	14,993,268	2,800,731
Change in net position					966,893	9,229	976,122	4,074,334
Restated net position, beginning of the year					29,011,954	11,874,089	40,886,043	120,526,756
Net position, end of the year					\$ 29,978,847	\$ 11,883,318	\$ 41,862,165	\$ 124,601,090

See accompanying notes to financial statements.

Isabella County, Michigan

GOVERNMENTAL FUNDS BALANCE SHEET

September 30, 2014

	General	Tribal Contribution	CDBG Housing Assistance Grant
<b>ASSETS</b>			
Cash and cash equivalents	\$ 8,115,121	\$ 763,293	\$ 92,235
Investments	2,401,056	231,974	-
Receivables			
Accounts	113,666	304,581	1,059,740
Taxes	1,072,540	-	-
Leases	-	-	-
Due from other governmental units			
Federal/State	493,890	-	-
Local	9,348	-	-
Due from other funds	370,880	2,188	-
Inventories	15,613	-	-
Prepays	40,015	-	-
	<u>\$ 12,632,129</u>	<u>\$ 1,302,036</u>	<u>\$ 1,151,975</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 441,695	\$ 1,650	\$ 17,727
Accrued wages	191,252	-	-
Due to other governmental units			
Federal/State	2,247	-	-
Local	-	340,264	-
Due to other funds	209,443	766,295	11,000
Unearned revenue	-	193,629	-
	<u>844,637</u>	<u>1,301,838</u>	<u>28,727</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue	764,566	-	1,059,740
<b>FUND BALANCES</b>			
Nonspendable	55,628	-	-
Restricted	-	198	63,508
Committed	-	-	-
Assigned	3,097,321	-	-
Unassigned	7,869,977	-	-
	<u>11,022,926</u>	<u>198</u>	<u>63,508</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u>\$ 12,632,129</u>	<u>\$ 1,302,036</u>	<u>\$ 1,151,975</u>

See accompanying notes to financial statements.

Commission on Aging Activities	Building Authority Bonds	Nonmajor Governmental Funds	Total
\$ 59,848	\$ 1,042,762	\$ 2,184,462	\$ 12,257,721
-	-	386,071	3,019,101
55,018	-	189,813	1,722,818
-	-	-	1,072,540
-	2,355,000	-	2,355,000
147,790	-	549,370	1,191,050
-	-	90	9,438
525,000	-	243,111	1,141,179
18,124	-	-	33,737
300	19,000	59,727	119,042
<u>\$ 806,080</u>	<u>\$ 3,416,762</u>	<u>\$ 3,612,644</u>	<u>\$ 22,921,626</u>
\$ 49,233	\$ -	\$ 183,329	\$ 693,634
27,303	-	43,215	261,770
-	-	9,084	11,331
-	-	-	340,264
9,472	-	463,196	1,459,406
398,168	-	995	592,792
484,176	-0-	699,819	3,359,197
-	2,355,000	-	4,179,306
18,424	19,000	59,727	152,779
303,480	1,042,762	2,261,135	3,671,083
-	-	591,963	591,963
-	-	-	3,097,321
-	-	-	7,869,977
<u>321,904</u>	<u>1,061,762</u>	<u>2,912,825</u>	<u>15,383,123</u>
<u>\$ 806,080</u>	<u>\$ 3,416,762</u>	<u>\$ 3,612,644</u>	<u>\$ 22,921,626</u>

Isabella County, Michigan

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION

September 30, 2014

**Total fund balance - governmental funds** \$ 15,383,123

Amounts reported for the governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 34,589,152	
Accumulated depreciation is	<u>(18,978,712)</u>	
Capital assets, net		15,610,440

Long-term receivables are not available to pay for current period expenditures and are therefore deferred in the funds. These consist of:

Unavailable revenue	4,179,306	
Less: lease receivable from other County funds	<u>(1,600,000)</u>	
		2,579,306

Internal service funds are used by management to charge the costs of certain activities to individual funds.

Net position of governmental activities accounted for in the Internal Service Fund		1,182,452
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet. Long-term liabilities at year-end consist of:

Direct County obligations	(3,875,639)	
Accrued interest payable	(53,440)	
Compensated absences	<u>(847,395)</u>	
		<u>(4,776,474)</u>

**Net position of governmental activities** \$ 29,978,847

Isabella County, Michigan

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended September 30, 2014

	General	Tribal Contribution	CDBG Housing Assistance Grant
<b>REVENUES</b>			
Taxes	\$ 11,315,665	\$ -	\$ -
Licenses and permits	102,130	-	-
Intergovernmental	2,936,912	25,500	-
Charges for services	3,193,172	-	-
Fines and forfeitures	242,034	-	-
Interest and rents	400,595	-	-
Contributions	-	-	-
Other	244,104	-	24,931
<b>TOTAL REVENUES</b>	<b>18,434,612</b>	<b>25,500</b>	<b>24,931</b>
<b>EXPENDITURES</b>			
Current			
General government	8,698,395	13,683	-
Public safety	5,379,311	102	-
Public works	222,870	9,293	-
Health and welfare	1,118,808	552	-
Community and economic development	201,250	-	58,606
Recreation and cultural	-	1,870	-
Other	395,902	-	-
Debt service	-	-	-
Capital outlay	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>16,016,536</b>	<b>25,500</b>	<b>58,606</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>2,418,076</b>	<b>-0-</b>	<b>(33,675)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	555,842	-	-
Transfers out	(1,355,831)	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(799,989)</b>	<b>-0-</b>	<b>-0-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>1,618,087</b>	<b>-0-</b>	<b>(33,675)</b>
Fund balances, beginning of year	9,404,839	198	97,183
Fund balances, end of year	<u>\$ 11,022,926</u>	<u>\$ 198</u>	<u>\$ 63,508</u>

See accompanying notes to financial statements.

Commission on Aging Activities	Building Authority Bonds	Nonmajor Governmental Funds	Total
\$ 952,809	\$ 58,985	\$ 544,430	\$ 12,871,889
-	-	351,207	453,337
1,119,278	-	1,749,169	5,830,859
22,062	-	1,158,592	4,373,826
-	-	6,500	248,534
382	264,535	2,557	668,069
433,670	-	-	433,670
25,737	-	50,783	345,555
<u>2,553,938</u>	<u>323,520</u>	<u>3,863,238</u>	<u>25,225,739</u>
-	-	865,976	9,578,054
-	-	1,402,908	6,782,321
-	-	-	232,163
2,348,221	-	2,158,480	5,626,061
-	-	-	259,856
-	-	811,554	813,424
-	-	-	395,902
-	1,067,029	-	1,067,029
-	-	65,752	65,752
<u>2,348,221</u>	<u>1,067,029</u>	<u>5,304,670</u>	<u>24,820,562</u>
205,717	(743,509)	(1,441,432)	405,177
-	297,136	916,695	1,769,673
-	-	(17,766)	(1,373,597)
<u>-0-</u>	<u>297,136</u>	<u>898,929</u>	<u>396,076</u>
205,717	(446,373)	(542,503)	801,253
116,187	1,508,135	3,455,328	14,581,870
<u>\$ 321,904</u>	<u>\$ 1,061,762</u>	<u>\$ 2,912,825</u>	<u>\$ 15,383,123</u>

Isabella County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

Year Ended September 30, 2014

**Net change in fund balances - total governmental funds** \$ 801,253

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 465,056	
Depreciation expense	<u>(838,442)</u>	
Excess of depreciation expense over capital outlay		(373,386)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (229,630)

Internal service funds are used by management to charge the costs of certain activities to individual funds.

Net operating (loss) from governmental activities accounted for in internal service fund	(178,505)	
Add: Interest revenue	<u>1,821</u>	
		(176,684)

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net position. In the current year, these amounts consist of:

Repayment of long-term debt	910,000	
Net effect of bond refunding	(5,888)	
Decrease in long-term liability for environmental remediation	<u>28,428</u>	
		932,540

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued interest payable	19,659	
(Increase) in compensated absences	<u>(6,859)</u>	
		<u>12,800</u>

**Change in net position of governmental activities** \$ 966,893

Isabella County, Michigan

Proprietary Funds

STATEMENT OF NET POSITION

September 30, 2014

	Business-type		
	Delinquent Tax Revolving	Recycling	PA 123 Restricted Tax
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 2,114,280	\$ 374,290	\$ 793,699
Investments	-	-	1,624,588
Receivables			
Accounts	-	42,545	1,634
Delinquent taxes	2,071,661	-	-
Due from other governmental units	117,772	-	-
Due from other funds	-	205,008	-
Inventories	-	-	-
Prepays	-	-	-
	<u>4,303,713</u>	<u>621,843</u>	<u>2,419,921</u>
Total current assets			
Noncurrent assets			
Investments	2,159,609	-	-
Capital assets not being depreciated	-	121,953	-
Capital assets being depreciated, net	-	1,077,793	-
	<u>2,159,609</u>	<u>1,199,746</u>	<u>-0-</u>
Total noncurrent assets			
<b>TOTAL ASSETS</b>	<u>6,463,322</u>	<u>1,821,589</u>	<u>2,419,921</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	16	63,866	1,602
Accrued wages	1,920	17,870	-
Due to other governmental units	-	9,452	-
Due to other funds	1,711	-	1,009
Current portion of compensated absences	572	8,579	1,942
Unearned revenue	-	116,090	-
	<u>4,219</u>	<u>215,857</u>	<u>4,553</u>
Total current liabilities			
Noncurrent liabilities			
Noncurrent portion of compensated absences	857	12,869	2,912
	<u>5,076</u>	<u>228,726</u>	<u>7,465</u>
<b>TOTAL LIABILITIES</b>			
<b>NET POSITION</b>			
Net investment in capital assets	-	1,199,746	-
Restricted for equipment replacement	-	350,000	-
Unrestricted	6,458,246	43,117	2,412,456
	<u>\$ 6,458,246</u>	<u>\$ 1,592,863</u>	<u>\$ 2,412,456</u>
<b>TOTAL NET POSITION</b>			

See accompanying notes to financial statements.

Concessions	Activities		Governmental
	Building Inspection (Nonmajor)	Total	Internal Service Fund
\$ 176,374	\$ 347,705	\$ 3,806,348	\$ 1,217,133
-	-	1,624,588	250,000
-	-	44,179	1,557
-	-	2,071,661	-
-	-	117,772	-
359,790	-	564,798	-
6,496	-	6,496	-
22,052	3,113	25,165	175,996
564,712	350,818	8,261,007	1,644,686
-	-	2,159,609	-
-	-	121,953	-
391,520	44,780	1,514,093	-
391,520	44,780	3,795,655	-0-
956,232	395,598	12,056,662	1,644,686
22,130	2,711	90,325	55,197
-	4,823	24,613	-
-	-	9,452	-
233,224	962	236,906	9,665
-	6,240	17,333	-
50,000	-	166,090	-
305,354	14,736	544,719	64,862
-	9,359	25,997	-
305,354	24,095	570,716	64,862
391,520	44,780	1,636,046	-
-	-	350,000	-
259,358	326,723	9,499,900	1,579,824
\$ 650,878	\$ 371,503	\$ 11,485,946	\$ 1,579,824

Isabella County, Michigan

RECONCILIATION OF THE ENTERPRISE FUNDS STATEMENT  
OF NET POSITION TO THE STATEMENT OF NET POSITION

September 30, 2014

**Total net position - enterprise funds** \$ 11,485,946

Amounts reported for business-type activities in the statement of net position are different because:

Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. The assets and liabilities of certain internal services are included in business-type activities.

Add: portion of net position of business-type activities accounted for in the internal service fund

397,372

**Net position of business-type activities**

\$ 11,883,318

Isabella County, Michigan

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Year Ended September 30, 2014

	Business-type		
	Delinquent Tax Revolving	Recycling	PA 123 Restricted Tax
OPERATING REVENUES			
Charges for services	\$ 147,806	\$ 31,893	\$ 195,983
Sales	-	563,212	-
Reimbursements	-	-	-
Interest and penalties on delinquent taxes	299,906	-	-
<b>TOTAL OPERATING REVENUES</b>	<b>447,712</b>	<b>595,105</b>	<b>195,983</b>
OPERATING EXPENSES			
Personnel services	124,339	569,184	75,162
Supplies	-	21,608	3,750
Contractual services	-	8,777	86,297
Other services and charges	-	342,548	4,108
Cost of goods sold	-	-	-
Health insurance benefits, premiums, and fees	-	-	-
Depreciation and amortization	-	78,122	-
<b>TOTAL OPERATING EXPENSES</b>	<b>124,339</b>	<b>1,020,239</b>	<b>169,317</b>
<b>OPERATING INCOME (LOSS)</b>	<b>323,373</b>	<b>(425,134)</b>	<b>26,666</b>
NONOPERATING REVENUES			
Intergovernmental			
Local	-	256,373	-
Other	-	31,911	-
Interest revenue	11,470	547	73,415
<b>TOTAL NONOPERATING REVENUES</b>	<b>11,470</b>	<b>288,831</b>	<b>73,415</b>
<b>NET INCOME (LOSS) BEFORE OTHER FINANCING SOURCES (USES)</b>	<b>334,843</b>	<b>(136,303)</b>	<b>100,081</b>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	150,000	-
Transfers out	(300,000)	-	(100,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(300,000)</b>	<b>150,000</b>	<b>(100,000)</b>
<b>CHANGE IN NET POSITION</b>	<b>34,843</b>	<b>13,697</b>	<b>81</b>
Restated net position, beginning of year	6,423,403	1,579,166	2,412,375
<b>Net position, end of year</b>	<b>\$ 6,458,246</b>	<b>\$ 1,592,863</b>	<b>\$ 2,412,456</b>

See accompanying notes to financial statements.

	Activities		Governmental
	Building		Activities
Concessions	Inspection	Total	Internal
	(Nonmajor)		Service
			Fund
\$ 305,405	\$ 417,505	\$ 1,098,592	\$ 2,658,604
-	-	563,212	-
-	-	-0-	6,114
-	-	299,906	-
305,405	417,505	1,961,710	2,664,718
-	256,441	1,025,126	-
-	18,266	43,624	-
-	9,473	104,547	-
5,742	6,865	359,263	-
129,740	-	129,740	-
-	-	-0-	2,898,896
121,338	13,405	212,865	-
256,820	304,450	1,875,165	2,898,896
48,585	113,055	86,545	(234,178)
-	-	256,373	-
-	-	31,911	-
717	-	86,149	1,821
717	-0-	374,433	1,821
49,302	113,055	460,978	(232,357)
(146,076)	-	150,000	-
(146,076)	-	(546,076)	-
(146,076)	-0-	(396,076)	-0-
(96,774)	113,055	64,902	(232,357)
747,652	258,448	11,421,044	1,812,181
\$ 650,878	\$ 371,503	\$ 11,485,946	\$ 1,579,824

Isabella County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND  
NET POSITION OF ENTERPRISE FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended September 30, 2014

**Change in net position - total enterprise funds** \$ 64,902

Amounts reported for business-type activities in the statement of activities are different because:

Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. A portion of the net revenue (expense) of the internal service fund is reported with business-type activities.

Increase (decrease) in net position from business-type activities accounted for in the internal service fund (55,673)

**Change in net position of business-type activities** \$ 9,229

Isabella County, Michigan

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended September 30, 2014

	Business-type		
	Delinquent Tax Revolving	Recycling	PA 123 Restricted Tax
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts from customers	\$ 147,806	\$ 638,240	\$ 195,706
Cash paid to suppliers	-	(483,390)	(81,834)
Cash paid for employee services and benefits	(123,984)	(549,014)	(86,297)
Interest on delinquent taxes	248,236	-	-
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>272,058</b>	<b>(394,164)</b>	<b>27,575</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
State/Federal grants	-	256,373	-
Transfers out	(300,000)	-	(100,000)
Transfers in	-	150,000	-
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>(300,000)</b>	<b>406,373</b>	<b>(100,000)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition and construction of capital assets	-	(130,649)	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of investments	(2,159,609)	-	(204,871)
Maturity of investments	1,407,068	-	-
Interest revenue	11,470	547	73,415
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>(741,071)</b>	<b>547</b>	<b>(131,456)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(769,013)</b>	<b>(117,893)</b>	<b>(203,881)</b>
Cash and cash equivalents, beginning of year	2,883,293	492,183	997,580
Cash and cash equivalents, end of year	<u>\$ 2,114,280</u>	<u>\$ 374,290</u>	<u>\$ 793,699</u>

See accompanying notes to financial statements.

	Activities		Governmental
	Building		Activities
Concessions	Inspection	Total	Internal
	(Nonmajor)		Service
			Fund
\$ 305,405	\$ 417,505	\$ 1,704,662	\$ 2,635,539
(296,291)	(36,341)	(897,856)	(2,951,912)
-	(262,433)	(1,021,728)	-
-	-	248,236	-
9,114	118,731	33,314	(316,373)
-	-	256,373	-
(146,076)	-	(546,076)	-
-	-	150,000	-
(146,076)	-0-	(139,703)	-0-
(275,969)	(36,645)	(443,263)	-
-	-	(2,364,480)	(250,000)
-	-	1,407,068	-
717	-	86,149	1,821
717	-0-	(871,263)	(248,179)
(412,214)	82,086	(1,420,915)	(564,552)
588,588	265,619	5,227,263	1,781,685
\$ 176,374	\$ 347,705	\$ 3,806,348	\$ 1,217,133

Isabella County, Michigan

Proprietary Funds

STATEMENT OF CASH FLOWS - CONCLUDED

Year Ended September 30, 2014

	Business-type		
	Delinquent Tax Revolving	Recycling	PA 123 Restricted Tax
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ 323,373	\$ (425,134)	\$ 26,666
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation and amortization	-	78,122	-
Other income	-	31,911	-
(Increase) decrease in:			
Receivables	(51,982)	11,224	(277)
Due from other funds	-	(55,000)	-
Inventories	-	-	-
Prepays	-	-	-
Increase (decrease) in:			
Accounts payable	16	16,746	1,542
Accrued wages	339	20,170	(540)
Due to other governmental units	-	(6,604)	-
Due to other funds	312	-	184
Unearned revenue	-	(65,599)	-
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b><u>\$ 272,058</u></b>	<b><u>\$ (394,164)</u></b>	<b><u>\$ 27,575</u></b>

See accompanying notes to financial statements.

Concessions	Activities Building Inspection (Nonmajor)	Total	Governmental Activities Internal Service Fund
\$ 48,585	\$ 113,055	\$ 86,545	\$ (234,178)
121,338	13,405	212,865	-
-	-	31,911	-
-	-	(41,035)	240
(359,790)	-	(414,790)	-
(1,861)	-	(1,861)	-
5,884	(3,113)	2,771	22,803
(13,266)	1,194	6,232	(75,819)
-	(5,992)	13,977	-
-	-	(6,604)	-
233,224	182	233,902	(29,419)
(25,000)	-	(90,599)	-
\$ 9,114	\$ 118,731	\$ 33,314	\$ (316,373)

Isabella County, Michigan

Fiduciary Funds

STATEMENT OF ASSETS AND LIABILITIES

September 30, 2014

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	<u>\$ 4,083,092</u>
LIABILITIES	
Due to other governmental units	
Federal/State	\$ 189,454
Local	3,468,289
Due to individuals and agencies	<u>425,349</u>
TOTAL LIABILITIES	<u>\$ 4,083,092</u>

See accompanying notes to the financial statements.

Isabella County, Michigan

Component Units

COMBINING STATEMENT OF NET POSITION

September 30, 2014

	Road Commission	Transportation Commission	Medical Care Facility
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 3,499,538	\$ 1,014,092	\$ 1,881,440
Investments	-	-	-
Receivables	1,917,204	36,032	1,502,121
Due from other governmental units	-	264,300	-
Inventories	323,705	110,086	-
Prepays	150,973	276,757	-
Other current assets	-	-	190,010
Restricted cash and cash equivalents	-	-	4,059,639
Current portion of lease receivable	-	-	-
<b>Total current assets</b>	<b>5,891,420</b>	<b>1,701,267</b>	<b>7,633,210</b>
Noncurrent assets			
Investments	-	-	1,864,734
Lease receivable	-	-	-
Capital assets, not being depreciated	24,980,435	64,754	-
Capital assets, net of accumulated depreciation	48,733,731	3,299,558	13,319,532
<b>Total noncurrent assets</b>	<b>73,714,166</b>	<b>3,364,312</b>	<b>15,184,266</b>
<b>TOTAL ASSETS</b>	<b>79,605,586</b>	<b>5,065,579</b>	<b>22,817,476</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Refunding on bonds payable	-	-	109,321
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	480,354	39,427	965,807
Accrued wages	-	124,453	244,847
Due to other governmental units	214,484	140,891	-
Accrued interest payable	1,093	-	48,479
Other accrued liabilities	39,047	10,779	190,324
Unearned revenue	637,185	76,185	-
Current portion of compensated absences	-	99,626	486,846
Current portion of long-term debt	75,673	-	465,000
<b>Total current liabilities</b>	<b>1,447,836</b>	<b>491,361</b>	<b>2,401,303</b>
Noncurrent liabilities			
Other post-employment benefits	57,397	-	-
Noncurrent portion of compensated absences	213,942	-	-
Noncurrent portion of long-term debt	485,684	-	3,892,736
<b>Total noncurrent liabilities</b>	<b>757,023</b>	<b>-0-</b>	<b>3,892,736</b>
<b>TOTAL LIABILITIES</b>	<b>2,204,859</b>	<b>491,361</b>	<b>6,294,039</b>
<b>NET POSITION</b>			
Net investment in capital assets	73,151,716	3,364,312	8,961,796
Restricted	4,249,011	-	133,539
Nonexpendable			
Drayton and Millie Miley Trust	-	-	55,226
Expendable			
Drayton and Millie Miley Trust	-	-	36,334
Patient Equipment Trust	-	-	166,954
Unrestricted	-	1,209,906	7,278,909
<b>TOTAL NET POSITION</b>	<b>\$ 77,400,727</b>	<b>\$ 4,574,218</b>	<b>\$ 16,632,758</b>

See accompanying notes to the financial statements.

Drainage Districts	Board of Public Works	Total
\$ 4,605,298	\$ 28,823	\$ 11,029,191
1,834,719	-	1,834,719
8,550,680	13,143	12,019,180
-	-	264,300
34,470	-	468,261
1,553	482,830	912,113
-	-	190,010
-	-	4,059,639
-	400,000	400,000
15,026,720	924,796	31,177,413
-	-	1,864,734
-	4,010,000	4,010,000
1,828,110	16,000	26,889,299
18,037,393	25,233	83,415,447
19,865,503	4,051,233	116,179,480
34,892,223	4,976,029	147,356,893
-	-	109,321
44,772	1,096	1,531,456
-	-	369,300
-	-	355,375
111,139	34,415	195,126
-	-	240,150
-	-	713,370
-	-	586,472
734,633	392,088	1,667,394
890,544	427,599	5,658,643
-	-	57,397
-	-	213,942
8,274,571	4,282,151	16,935,142
8,274,571	4,282,151	17,206,481
9,165,115	4,709,750	22,865,124
10,856,299	41,233	96,375,356
5,631,813	-	10,014,363
-	-	55,226
-	-	36,334
-	-	166,954
9,238,996	225,046	17,952,857
<u>\$ 25,727,108</u>	<u>\$ 266,279</u>	<u>\$ 124,601,090</u>

Isabella County, Michigan

Component Units

STATEMENT OF ACTIVITIES

Year Ended September 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position					
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Road Commission	Transportation Commission	Medical Care Facility	Drainage Districts	Board of Public Works	Total
Road Commission	\$ 8,902,729	\$ 218,188	\$ 5,245,224	\$ 4,463,665	\$ 1,024,348	\$ -	\$ -	\$ -	\$ -	\$ 1,024,348
Transportation Commission	5,935,866	772,968	3,080,084	476,386	-	(1,606,428)	-	-	-	(1,606,428)
Medical Care Facility	12,182,722	11,892,351	-	-	-	-	(290,371)	-	-	(290,371)
Drainage Districts	476,742	-	28,997	2,701,905	-	-	-	2,254,160	-	2,254,160
Board of Public Works	231,371	37,400	-	85,865	-	-	-	-	(108,106)	(108,106)
<b>TOTALS</b>	<b>\$ 27,729,430</b>	<b>\$ 12,920,907</b>	<b>\$ 8,354,305</b>	<b>\$ 7,727,821</b>	<b>1,024,348</b>	<b>(1,606,428)</b>	<b>(290,371)</b>	<b>2,254,160</b>	<b>(108,106)</b>	<b>1,273,603</b>
General revenues										
Property taxes					-	1,351,287	1,093,855	-	-	2,445,142
Investment earnings					10,294	2,378	12,447	12,736	35	37,890
Gain on disposal of capital assets					301,582	-	-	-	-	301,582
Other					-	-	4,971	11,146	-	16,117
Total general revenues					311,876	1,353,665	1,111,273	23,882	35	2,800,731
CHANGE IN NET POSITION					1,336,224	(252,763)	820,902	2,278,042	(108,071)	4,074,334
Net position, beginning of year					76,064,503	4,826,981	15,811,856	23,449,066	374,350	120,526,756
Net position, end of year					<u>\$ 77,400,727</u>	<u>\$ 4,574,218</u>	<u>\$ 16,632,758</u>	<u>\$ 25,727,108</u>	<u>\$ 266,279</u>	<u>\$ 124,601,090</u>

See accompanying notes to the financial statements.

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Isabella County, Michigan (the County) was organized in 1856 and covers an area of 572 square miles divided into 16 townships, 1 village, and 2 cities. The County seat is located in the City of Mt. Pleasant. The County operates under an elected county Board of Commissioners and provides services to its more than 70,000 residents in many areas including law enforcement, administration of justice, community enrichment and development, and human services.

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

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; these financial statements present the financial activities of Isabella County (primary government) and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the financial statements to emphasize that they are legally separate from the primary government.

2. Blended Component Unit

Building Authority

The Isabella County Building Authority is governed by a five (5) member Board appointed by the County Board of Commissioners. Although it is legally separate from the County, the Building Authority is reported as part of the primary government because its sole purpose is to finance and construct the County's public buildings.

3. Discretely Presented Component Units

These component units are reported in a separate column to emphasize that, while legally separate, Isabella County remains financially accountable for these entities or the nature and significance of the relationship between these entities and the County is such that exclusion of these entities would render the financial statements misleading or incomplete.

Isabella County Transportation Commission

The Isabella County Transportation Commission (the Commission) provides mass transit services to the citizens of Isabella County. The Commission was created by an inter-local agreement between the County and the City of Mt. Pleasant. The Commission is administered by a Board with a voting majority appointed by the County Board of Commissioners. The Transportation Commission Board may not issue debt and the tax levy is subject to County Board of Commissioners' approval. The Transportation Commission taxes are levied under the taxing authority of the County, as approved by the County electors, and included as part of the County's total tax levy as well as reported in the Public Transportation Commission Fund. The Isabella County Treasurer, by statute, is responsible for the treasury function for the Commission. A copy of the Commission's audited financial statements can be obtained at their administrative offices.

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

3. Discretely Presented Component Units - Concluded

Isabella County Road Commission

The Isabella County Road Commission (the Road Commission) is responsible for the maintenance and construction of the County road system. The Road Commission operations are financed primarily from the State distribution of gas and weight taxes, Federal financial assistance, and contributions from other local government units within the County. The Road Commission is governed by a five (5) member Board of County Road Commissioners elected by Isabella County voters. Isabella County is secondarily obligated to provide repayment of a material loan through the State of Michigan. All long-term debt issuances excluding capital lease purchase agreements require County authorization. A copy of the Road Commission's audited financial statements can be obtained at their administrative offices.

Isabella County Drainage Districts

The Drain Commissioner has the sole responsibility to administer the drainage districts established by the Drain Code of 1956. The Isabella County Drain Commissioner is responsible for planning, developing, and maintaining surface water drainage systems within the County. The statutory Inter-County Drainage Boards consist of the State Director of Agriculture and the Drain Commissioners of each County involved in the projects. Each of the Drainage Districts is a separate legal entity. The Drainage Board or Drain Commissioner, on behalf of the drainage district, may issue debt and levy special assessments authorized by the Drain Code without the prior approval of the County Board of Commissioners. The full faith and credit of the County may be given for the debt of the Drainage Districts upon authorization of the County Board of Commissioners. The Drainage Districts are financially accountable to the County because the County has pledged its full faith and credit for the payment of the outstanding bond issues authorized by the Drain Commissioner and because annual operating budgets must be approved by the County Board of Commissioners. The combining financial statements for the Drainage Districts are presented as part of Other Supplementary Information and are not audited separately.

Isabella County Board of Public Works

Pursuant to the provisions of Act 185, Public Acts of 1957, as amended, the Isabella County Board of Public Works has the responsibility of administering the various Public Works construction projects and the associated debt service funds. The Board is also responsible for the administration of the operations of the Lake Isabella Water Supply System. The Board of Public Works is administered by a seven (7) member Board comprised of the Drain commissioner and six (6) members with a voting majority appointed by the County Board of Commissioners. All general obligation bond issuances require County authorization and are backed by the full faith and credit of the County. The combining financial statements for the Board of Public Works are presented as part of Other Supplementary Information and are not audited separately.

Isabella County Medical Care Facility

The Isabella County Medical Care Facility is governed by the Isabella County Department of Human Services Board. This board consists of three (3) members, two (2) of whom are appointed by the County Board of Commissioners and one appointed by the Michigan governor. The County Human Services Board approves the Facility's budget and submits a copy to the County Board of Commissioners.

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

4. Jointly Governed Organizations

Central Michigan Mental Health Facilities Board

The Central Michigan Mental Health Facilities Board (the Facilities Board) provides mental health facilities to Isabella, Clare, Mecosta, and Osceola Counties. The Central Michigan Mental Health Facilities Board is organized as a nonprofit under Section 501(c)(3) of the Internal Revenue Code. Each of the four (4) counties through their respective Boards of Commissioners appoints two (2) members to the Facilities Board. The Facilities Board, Isabella County, and the Isabella County Building Authority entered into a three-party agreement whereby, the County, through the Building Authority, sold general obligation bonds to construct a mental health building within Mt. Pleasant. The Building Authority leases the building to the County.

The County in turn subleases the building to the Facilities Board, with the annual rent equal to the debt service requirements of the bond issue. The Facilities Board entered into a separate, but related, rental agreement with the Central Michigan Mental Health Services Board to provide office space. This operating lease provides substantially all the funding necessary to meet the Facilities Board's lease obligation with the County. The title of the building is to revert to the Facilities Board upon redemption of the bond issue.

Similar arrangements have been made to construct mental health facilities in Mecosta and Osceola Counties between the Facilities Board, the counties, and their Building Authorities.

The Facilities Board is legally separate from the County and has not met the financial accountability criteria of GASB Statement No. 14 (as amended by GASB Statements No. 39 and 61). For this reason, it is not considered a component unit of the County.

Central Michigan Community Mental Health Services Board

The Central Michigan Community Mental Health Services Board reorganized as a Community Mental Health Authority under Public Act 258 of 1974, as amended. The Board has representatives and provides services to Clare, Isabella, Osceola, and Mecosta Counties. All participating counties provide annual appropriations; however, none of the participating counties are financially responsible for the Board.

The Services Board is legally separate from the County and has not met the financial accountability criteria of GASB Statement No. 14 (as amended by GASB Statements No. 39 and 61). For this reason, it is not considered a component unit of the County.

Central Michigan District Health Department

The Central Michigan District Health Department is a multi-county agency established to provide public health services. The Health Department serves the Counties of Arenac, Clare, Gladwin, Isabella, Osceola, and Roscommon. Isabella County and the other participating counties provide annual appropriations to subsidize the operations of the Health Department. The District Health Department is primarily responsible for the debt service relating to the Building Authority bond issue sold to finance the construction of the District Health Department Building. Financial accountability to the County is demonstrated by these annual operating appropriations and the rental of space to house their operations. In addition, the treasury function for the agency rests with the Isabella County Treasurer. A copy of the Health Department's audited financial statements can be obtained at their administrative offices.

The Health Department is legally separate from the County and has not met the financial accountability criteria of GASB Statement No. 14 (as amended by GASB Statements No. 39 and 61). For this reason, it is not considered a component unit of the County.

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

5. Related Organization

Economic Development Corporation

The Isabella County Economic Development Corporation (EDC) was established to provide community and economic development services. The County's officials are responsible for appointing the members of the Board of the Economic Development Corporation. The County's responsibility for this organization does not extend beyond making the board appointments. In fiscal year 2014, the County did not provide any operating assistance to this organization.

6. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities (the government-wide financial statements) present information for the primary government and its component units as a whole. All nonfiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide statements). For the most part, interfund activity (except for interfund services provided) has been eliminated in the preparation of 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 presents the direct functional expenses of the primary government and its component units and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the County's individual major funds and aggregated nonmajor funds. 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.

The County reports the following major governmental funds:

- a. The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- b. The Tribal Contribution Fund accounts for the funding provided from the Saginaw Chippewa Tribe and the related uses of those funds.
- b. The CDBG Housing Assistance Grant Fund accounts for the operations of the CDBG housing program and is funded primarily through grant revenue.
- d. The Commission on Aging Activities Fund accounts for the operations of the Commission on Aging and is funded primarily through grant revenue and taxes.

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

6. Basis of Presentation - Concluded

FUND FINANCIAL STATEMENTS - CONCLUDED

- e. The Building Authority Bonds Fund accounts for the debt service on the bonds issued by the building authority.
  - The Commission on Aging Building Authority \$3,500,000 bond issue dated November 1, 2007.
  - The Building Authority Refunding \$4,620,000 bond issue dated August 19, 2008.

The County reports the following major enterprise funds:

- a. The Delinquent Tax Revolving Fund accounts for the activities of the government's purchase and collection of delinquent property taxes.
- b. The Recycling Fund accounts for the activities of the government's recycling program.
- c. The PA 123 Restricted Tax Fund accounts for the activities related to the sale of real property to satisfy delinquent taxes receivable under Public Act 123.
- d. The Concessions Fund accounts for the activities of the government's sale of concessions within the County jail.

7. Measurement Focus

The government-wide and proprietary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide financial statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities and deferred inflows of resources generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance.

There is no measurement focus for fiduciary funds since assets equal liabilities.

8. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is sixty (60) days. Revenues that are considered measurable but not available are recorded as receivable and unavailable revenue. Significant revenues susceptible to accrual are special assessments and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

8. Basis of Accounting - Concluded

All government-wide financial statements, proprietary funds, and similar trust funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

If/when both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

9. Budgets and Budgetary Accounting

Budgets are adopted by the County Board of Commissioners for the General and Special Revenue Funds, except for those that are adopted and administered by separate Boards. All governmental funds have legally adopted budgets. The budget document presents information by fund, function, department, and line items. The County Board of Commissioners monitors and amends the budgets as necessary. Budgetary control is exercised at the department level. Management is authorized to amend the budget within departments at a line item level without board approval. The County employs the following procedures in establishing budgets:

- a. The County departments submit their budgetary estimates to the Administrator who will review the estimates and assemble and submit a recommended budget to each department, which is then submitted to the appropriate standing committees. The operating budgets include proposed expenditures and resources to finance them.
- b. The appropriate standing committees will then convey the proposed budgets to the Board of Commissioners in a public hearing.
- c. The County does not employ encumbrance accounting as an extension of formula budgetary integration in the governmental funds. All unexpended appropriations lapse at year-end, unless specifically re-appropriated by Board action.
- d. Applicable budgeted amounts are reported as originally adopted or as amended by the Board of Commissioners during the year. Individual amendments were not material in relation to the original appropriations that were adopted.

10. 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 securities and disclosed as part of the County's investments. Cash equivalents consist of temporary investments in various instruments with a maturity from date of purchase of 90 days or less.

11. Investments

Investments consist of certificates of deposit with original maturities of greater than 90 days. Investments are recorded at fair value in accordance with GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

12. Restricted Assets

Certain resources have been classified as restricted on the balance sheet because their use is limited. The Medical Care Facility has recorded restricted assets for various trust activities.

13. Receivables

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

14. Capitalized Lease Receivable

PRIMARY GOVERNMENT

The Isabella County Building Authority (included as part of the primary government) has entered into numerous contracts with the County and other agencies for the purposes of constructing buildings and the financing of the same by the Building Authority through the issuance of Building Authority bonds.

The agreements specify that the Building Authority enter into lease agreements for the buildings with the County. The County in turn leases the building to the ultimate user, if not a part of the County, and that lease is at a rate sufficient to retire the bonds and pay all other necessary and proper expenses of the project. The future minimum lease payments to be received under each lease agreement are equal to the outstanding principle and interest on the bond issue.

The agreement specifies that when all the bonds have been retired, the Authority shall convey to the County all of its rights, title, and interest in the project. The lease is accounted for as a sale of the building by the Building Authority as it constitutes a capital lease.

For those leases with outside agencies, the aggregate future lease payments necessary for retirement of outstanding bond principal have been recorded as a Capitalized Lease Receivable. Unavailable revenue is shown on the balance sheet in the same amount as the Capitalized Lease Receivable as revenue that is not recognized until lease payments are received. There is no provision for any contingent rentals in the lease.

COMPONENT UNITS

In accordance with the terms of an agreement between the Isabella County Board of Public Works and the Village of Shepherd, the County authorized the construction of a Sanitary Sewer/Storm Water Separation project and the financing of the same by the Board of Public Works through the issuance of a \$3,750,000 bond issue. Of the original issue, \$3,000,000 of the debt was defeased with the issuance of 1999 refunding Bonds. The April 1, 1999 bond issue of \$2,460,000 resulted in an economic gain, along with local contributions that reduced the amount of the debt obligation.

In accordance with the terms of an agreement between the Isabella County Board of Public Works and the City of Clare, the County authorized the construction of a Water and Sewer System improvement project and the financing of the same by the Board of Public Works through the issuance of a \$700,000 bond.

In accordance with the terms of an agreement between the Isabella County Board of Public Works and Union Township, the County authorized the construction of a Wastewater Treatment Plant construction project and the financing of the same by the Board of Public Works through the issuance of a \$7,605,000 bond. Of the original issue, \$6,050,000 of the debt was defeased with the issuance of 2009 refunding bonds. Local contributions reduced the amount of the debt obligation.

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

14. Capitalized Lease Receivable - Concluded

COMPONENT UNITS - CONCLUDED

In accordance with the terms of an agreement between the Isabella County Board of Public Works and Union Township, the County authorized the construction of a Water and Sewer System improvement project and the financing of the same by the Board of Public Works through the issuance of a \$2,105,000 bond.

These agreements provide for the Board of Public Works to enter into lease agreements with the local units with rentals equal to the annual debt service requirements over the life of the bond issue. The local unit is responsible for the operation, maintenance, and management of the system over the life of the lease. Upon final payment of the bond issue, ownership of the assets will revert to the local unit. Consequently, the leases are accounted for as capital leases.

On this basis, the aggregate future lease payments necessary for the retirement of outstanding bond principal have been recorded as a capitalized lease receivable. Unavailable revenue is shown on the balance sheet of the Shepherd Storm Sewer, Clare Water and Sewer, and Union Township Wastewater Treatment Debt Service Funds in the Board of Public Works Component Unit in the same amount as the capitalized lease as revenue that is not recognized until lease payments are received. There is no provision for any contingent rental contained in the lease. The future minimum lease payments to be received are equal to the outstanding principal and interest of each bond issue.

15. Inventories

Inventories for the General Fund, County Jail, and Commission on Aging Fund consist of food and food supplies, and are reported at cost and accounted for using the consumption method. Nonspendable fund balances have been recorded to indicate that inventories are not currently available, spendable components of fund balance.

16. Prepays

Prepays consist of amounts paid in the current year that pertain to the following fiscal year and are accounted for using the consumption method. Nonspendable fund balances have been recorded in the applicable funds to indicate that prepaids are not currently available, spendable components of fund balance.

17. Compensated Absences

County employees are granted vacation and sick leave in varying amounts according to their personnel contracts. In the event of termination, individual employees have vested rights to receive payment for unused vacation and sick leave.

Accumulated vacation and sick pay amounts that are vested have been recorded in the government-wide financial statements.

18. Unavailable/Unearned Revenue

Governmental funds report unavailable revenues in connection with receivables for revenue that is not considered available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. Government-wide financial statements also report unearned revenue for amounts received but not yet earned.

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

19. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and the governmental funds balance sheet, when applicable, will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position/fund balance that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the County has one (1) item of this type, refunding on bonds payable, which qualifies as a deferred outflow of resources.

In addition to liabilities, the statement of net position and the governmental funds balance sheet when applicable will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position/fund balance that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The County has items of this type, which are uncollected taxes and long-term receivables, which qualify as deferred inflows of resources.

20. 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.

21. Capital Assets

PRIMARY GOVERNMENT AND COMPONENT UNITS (EXCEPT ROAD COMMISSION)

Capital assets include land, buildings and improvements, equipment, vehicles, drain infrastructure, and other assets and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities and component units columns. Capital assets are those with an initial individual cost of \$5,000 or more (\$25,000 for drain infrastructure) and an estimated useful life of more than one (1) year.

Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical 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:

Buildings and improvements	20 - 50 years
Equipment	4 - 20 years
Drain infrastructure	5 - 100 years
Vehicles	5 - 20 years
Other	5 - 15 years

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

21. Capital Assets - Concluded

ROAD COMMISSION - COMPONENT UNIT

Capital assets, which include property, equipment, and infrastructure assets (i.e., roads, bridges, and similar items), are reported in the government-wide financial statements (statement of net position and statement of activities). Capital assets are defined by the Road Commission as assets with an initial individual cost of more than \$1,000 and an estimated life in excess of two (2) years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date donated.

Depreciation is recorded over the estimated useful lives (ranging from four to fifty years) of the assets, using the sum-of-years digits method for road equipment and straight-line method for all other capital assets and infrastructure as follows:

Buildings and improvements	30 - 50 years
Road Equipment	5 - 8 years
Shop Equipment	10 years
Engineering Equipment	4 - 10 years
Office Equipment	4 - 10 years
Infrastructure - Roads	8 - 30 years
Infrastructure - Bridges	12 - 50 years

22. Long-Term Obligations

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

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

23. Fund Balance Classification Policies and Procedures

For committed fund balance, the County's highest level of decision-making authority is the Board of Commissioners. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is the adoption of a Board resolution.

For assigned fund balance, the Board of Commissioners has not approved a policy indicating anyone who is authorized to assign amounts to a specific purpose. As a result this authority is retained by the Board of Commissioners.

Isabella County, Michigan has not formally adopted a policy that defines the order of usage for fund balance amounts classified as restricted, committed, assigned, or unassigned. In the absence of such a policy, resources with the highest level of restriction will be used first.

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONCLUDED**

24. Internal Service Fund

The County uses an Internal Service Fund to account for revenues collected from user departments for the payment of costs incurred to administer a high deductible health insurance plan and health reimbursement account for active and eligible retired employees and their families.

25. Fiduciary Funds

The County uses Agency Funds to account for various amounts held on behalf of other governments and individuals. Specific activities include Trial Court deposits, Inmate Trust, Employee Benefits, Payroll, and Library Penal Fines, and Medical Care Facility patient deposits.

26. Federal Programs

Federal programs are accounted for in the funds to which the programs pertain. The Single Audit reports and financial data have been presented separately from the Comprehensive Annual Financial Report.

27. Comparative Data

Comparative data has not been presented in the accompanying financial statements since their inclusion would make the statements unduly complex and difficult to read.

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS**

The County utilizes various pooled cash accounts and investments for approximately 69 funds. The County's pooled cash and investments consist of a common checking account.

The County's pooled cash and investments are utilized by the General Fund, Special Revenue Funds, Capital Project Funds, Enterprise Funds, Internal Service Funds, Trust and Agency Funds, and Component Unit Funds. Each fund's portion of these pooled accounts is included in the cash and cash equivalents caption in the applicable balance sheet/statement of net position.

The other funds of the County utilize separate savings and interest bearing checking accounts. In addition, certificates of deposit and mutual funds 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 bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration (NCUA), but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
- 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.

Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED**

- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers acceptances of United States banks.
- f. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Deposits

A reconciliation of cash, cash equivalents, and investments as shown in the basic financial statements to the County's deposits and investments is as follows:

<b>Carrying Amount</b>	
PRIMARY GOVERNMENT	
Cash and cash equivalents	\$ 17,281,202
Investments	7,053,298
	<hr/>
Total primary government	24,334,500
FIDUCIARY FUNDS	
Cash and cash equivalents	4,083,092
<b>Carrying Amount</b>	
COMPONENT UNITS	
Cash and cash equivalents	11,029,191
Investments	3,699,453
Restricted cash and cash equivalents	4,059,639
	<hr/>
Total component units	18,788,283
TOTAL REPORTING ENTITY	<u><u>\$ 47,205,875</u></u>
<b>Deposits and Investments</b>	
Bank deposits (checking accounts, savings accounts, money market accounts, and certificates of deposit)	\$ 45,982,891
Cash on hand	7,806
Cash on deposit with MMRMA	102,929
Uncategorized pooled investment funds	1,112,249
	<hr/>
	<u><u>\$ 47,205,875</u></u>

Deposits of the County are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the County. As of September 30, 2014, the primary government, component units, and fiduciary fund accounts were insured by the FDIC, FSLIC, or NCUA for \$2,305,672 and the amount of \$51,289,752 was uninsured and uncollateralized.

Due to significantly higher cash flow at certain periods during the year, the amount the County held as cash and cash equivalents increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONCLUDED**

Investments

As of September 30, 2014, the carrying amounts and market values for each type of investment as reported in the cash and cash equivalents caption on the combined balance sheet are as follows:

<u>INVESTMENT TYPE</u>	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Weighted Average Maturity</u>
Uncategorized pooled investment funds			
Michigan Class	\$ 1,112,249	\$ 1,112,249	51 days

Credit risk

In accordance with Michigan Compiled Laws and the County's investment policy, certain types of investments must be rated prime or better by a nationally recognized statistical rating organizations (NRSRO's). As of September 30, 2014, the Michigan CLASS investment is rated AAAM by Standard and Poor's.

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 structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operating funds primarily in shorter-term securities, liquid asset funds, money market, mutual funds, or similar investment pools and limiting the average maturity in accordance with the County's cash requirements.

Concentration of credit risk

The County will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the County's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk

The County will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer by limiting investments to the types of securities listed in the investment policy and by pre-qualifying the financial institutions, brokers/dealers, intermediaries and advisors with which the County will do business in accordance with the investment policy.

Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

**NOTE C: INTERFUND TRANSFERS**

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

Transfers to General Fund from:	
Nonmajor governmental funds	\$ 9,766
Delinquent Tax Revolving Fund	300,000
PA 123 Restricted Tax Fund	100,000
Concessions Fund	<u>146,076</u>
	<u>\$ 555,842</u>
Transfers to Building Authority Bonds Fund from:	
General Fund	<u>\$ 297,136</u>
Transfers to nonmajor governmental funds from:	
General Fund	\$ 908,695
Nonmajor governmental funds	<u>8,000</u>
	<u>\$ 916,695</u>
Transfers to Recycling Fund:	
General Fund	<u>\$ 150,000</u>
Transfers to Drainage Districts from:	
Drainage Districts	<u>\$ 423,940</u>

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

Isabella County transferred funds from the General Fund to various nonmajor governmental funds and the Recycling Fund in order to supplement funding for the activities that are accounted for in those funds. Funds were transferred from the Delinquent Tax Revolving Fund, the PA 123 Restricted Tax Fund, the nonmajor governmental funds, and the nonmajor enterprise funds, to the General Fund to reimburse for current year operations. Funds were transferred from the General Fund to the Building Authority Bonds Fund to cover shortfalls in current tax collections.

Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

**NOTE D: INTERFUND RECEIVABLES AND PAYABLES**

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

PRIMARY GOVERNMENT

Due to General Fund from:

Tribal Contribution Fund	\$ 36,287
CDBG Housing Assistance Grant Fund	11,000
Commission on Aging Activities	9,472
Delinquent Tax Revolving Fund	1,711
PA 123 Restricted Fund	1,009
Concessions Fund	123,370
Internal service fund	9,665
Nonmajor governmental funds	177,404
Nonmajor enterprise funds	962
	<u>962</u>
	<u>\$ 370,880</u>

Due to Tribal Contribution Fund from:  
General Fund

\$ 2,188

Due to Commission on Aging Activities from:  
Tribal Contribution Fund

\$ 525,000

Due to nonmajor governmental funds from:

General Fund	\$ 78,001
Nonmajor governmental funds	55,256
Concessions Fund	109,854
	<u>109,854</u>
	<u>\$ 243,111</u>

Due to Recycling Fund from:  
Tribal Contribution Fund

\$ 205,008

Due to Concessions Funds from:

General Fund	\$ 129,254
Nonmajor governmental funds	230,536
	<u>230,536</u>
	<u>\$ 359,790</u>

COMPONENT UNITS

Due to Drainage District funds from:

Drainage District funds	<u>\$ 468,972</u>
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Due to Board of Public Works funds from:

Board of Public Works funds	<u>\$ 37,040</u>
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Isabella County, Michigan  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2014

**NOTE E: CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2014, was as follows:

**Primary Government**

	Balance Oct. 1, 2013	Additions	Deletions	Balance Sept. 30, 2014
<b>Governmental Activities</b>				
Capital assets not being depreciated:				
Land	\$ 2,251,967	\$ -	\$ -	\$ 2,251,967
Capital assets, being depreciated:				
Buildings and improvements	24,356,177	32,545	-	24,388,722
Equipment	6,133,676	350,689	-	6,484,365
Vehicles	941,595	81,822	(177,183)	846,234
Other	617,864	-	-	617,864
Total capital assets being depreciated	32,049,312	465,056	(177,183)	32,337,185
Less accumulated depreciation for:				
Buildings and improvements	(11,740,259)	(488,573)	-	(12,228,832)
Equipment	(5,430,518)	(235,981)	-	(5,666,499)
Vehicles	(685,664)	(69,266)	177,183	(577,747)
Other	(461,012)	(44,622)	-	(505,634)
Total accumulated depreciation	(18,317,453)	(838,442)	177,183	(18,978,712)
Total capital assets being depreciated, net	13,731,859	(373,386)	-0-	13,358,473
Governmental activities capital assets, net	<u>\$ 15,983,826</u>	<u>\$ (373,386)</u>	<u>\$ -0-</u>	<u>\$ 15,610,440</u>

Depreciation expense was charged to governmental activities as follows:

Governmental activities	
General government	\$ 439,228
Public safety	311,801
Public works	7,861
Health and welfare	35,459
Recreational and cultural	43,944
Community and economic development	149
Total governmental activities	<u>\$ 838,442</u>

Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

**NOTE E: CAPITAL ASSETS - CONTINUED**

**Primary Government - Concluded**

	Balance Oct. 1, 2013	Additions	Deletions	Balance Sept. 30, 2014
<b>Business-type Activities</b>				
Capital assets not being depreciated:				
Land	\$ 121,953	\$ -	\$ -	\$ 121,953
Capital assets, being depreciated:				
Buildings and improvements	1,375,818	-	-	1,375,818
Equipment	1,450,718	112,729	-	1,563,447
Vehicles	506,043	330,534	(14,987)	821,590
Total capital assets being depreciated	3,332,579	443,263	(14,987)	3,760,855
Less accumulated depreciation for:				
Buildings and improvements	(600,150)	(35,002)	-	(635,152)
Equipment	(1,072,558)	(113,133)	-	(1,185,691)
Vehicles	(376,176)	(64,730)	14,987	(425,919)
Total accumulated depreciation	(2,048,884)	(212,865)	14,987	(2,246,762)
Total capital assets being depreciated, net	1,283,695	230,398	-0-	1,514,093
Business-type activities capital assets, net	<u>\$ 1,405,648</u>	<u>\$ 230,398</u>	<u>\$ -0-</u>	<u>\$ 1,636,046</u>
<b>Discretely Presented Component Units</b>				
<b>Component Unit - Drainage Districts</b>				
Capital assets not being depreciated:				
Construction in progress	\$ 1,760,780	\$ 3,373,808	\$ (3,306,478)	\$ 1,828,110
Capital assets, being depreciated:				
Infrastructure - drains	20,184,967	3,306,478	-	23,491,445
Less accumulated depreciation for:				
Infrastructure - drains	(5,039,646)	(414,406)	-	(5,454,052)
Total capital assets being depreciated, net	15,145,321	2,892,072	-0-	18,037,393
Drainage Districts capital assets, net	<u>\$ 16,906,101</u>	<u>\$ 6,265,880</u>	<u>\$ (3,306,478)</u>	<u>\$ 19,865,503</u>

Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

**NOTE E: CAPITAL ASSETS - CONTINUED**

**Discretely Presented Component Units - Continued**

	Balance Oct. 1, 2013	Additions	Deletions	Balance Sept. 30, 2014
<b>Component Unit - Board of Public Works</b>				
Capital assets not being depreciated:				
Land	\$ 16,000	\$ -	\$ -	\$ 16,000
Capital assets, being depreciated:				
Buildings	12,856	-	-	12,856
Equipment	26,521	-	-	26,521
Infrastructure - water supply	231,157	-	-	231,157
Total capital assets being depreciated	270,534	-0-	-0-	270,534
Less accumulated depreciation for:				
Buildings and improvements	(12,856)	-	-	(12,856)
Equipment	(17,926)	(1,432)	-	(19,358)
Infrastructure - water supply	(206,683)	(6,404)	-	(213,087)
Total accumulated depreciation	(237,465)	(7,836)	-0-	(245,301)
Total capital assets being depreciated, net	33,069	(7,836)	-0-	25,233
Board of Public Works capital assets, net	<u>\$ 49,069</u>	<u>\$ (7,836)</u>	<u>\$ -0-</u>	<u>\$ 41,233</u>
<b>Component Unit - Road Commission</b>				
Capital assets not being depreciated:				
Land	\$ 225,882	\$ -	\$ (55,918)	\$ 169,964
Land improvements	230,168	-	-	230,168
Land - infrastructure	23,943,744	636,559	-	24,580,303
Total capital assets not being depreciated	24,399,794	636,559	(55,918)	24,980,435
Capital assets, being depreciated:				
Land improvements	2,948	-	-	2,948
Buildings	1,432,685	9,554	-	1,442,239
Equipment	7,313,349	837,776	(1,146,554)	7,004,571
Infrastructure - Bridges	20,531,057	1,005,877	-	21,536,934
Infrastructure - Roads	63,049,124	2,821,230	(1,986,215)	63,884,139
Total capital assets being depreciated	92,329,163	4,674,437	(3,132,769)	93,870,831

Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

**NOTE E: CAPITAL ASSETS - CONTINUED**

**Discretely Presented Component Units - Continued**

	Balance Oct. 1, 2013	Additions	Deletions	Balance Sept. 30, 2014
<b>Component Unit - Road Commission - Concluded</b>				
Less accumulated depreciation for:				
Land improvements	\$ (725)	\$ (147)	\$ -	\$ (872)
Buildings	(565,527)	(36,666)	-	(602,193)
Equipment	(6,147,445)	(454,807)	1,042,225	(5,560,027)
Infrastructure - Bridges	(6,471,027)	(415,068)	-	(6,886,095)
Infrastructure - Roads	<u>(30,890,639)</u>	<u>(3,183,489)</u>	<u>1,986,215</u>	<u>(32,087,913)</u>
Total accumulated depreciation	<u>(44,075,363)</u>	<u>(4,090,177)</u>	<u>3,028,440</u>	<u>(45,137,100)</u>
Total capital assets being depreciated, net	<u>48,253,800</u>	<u>584,260</u>	<u>(104,329)</u>	<u>48,733,731</u>
Road Commission capital assets, net	<u>\$ 72,653,594</u>	<u>\$ 1,220,819</u>	<u>\$ (160,247)</u>	<u>\$ 73,714,166</u>
<b>Component Unit - Transportation Commission</b>				
Capital assets not being depreciated:				
Land	\$ 54,004	\$ -	\$ -	\$ 54,004
Construction in progress	<u>-</u>	<u>10,750</u>	<u>-</u>	<u>10,750</u>
Total capital assets not being depreciated	54,004	10,750	-0-	64,754
Capital assets, being depreciated:				
Buildings and improvements	2,913,195	-	-	2,913,195
Equipment and furniture	944,754	219,225	(124,085)	1,039,894
Buses	<u>5,217,862</u>	<u>383,649</u>	<u>-</u>	<u>5,601,511</u>
Total capital assets being depreciated	9,075,811	602,874	(124,085)	9,554,600
Less accumulated depreciation for:				
Buildings and improvements	(1,778,121)	(149,870)	-	(1,927,991)
Equipment and furniture	(716,472)	(79,651)	120,606	(675,517)
Buses	<u>(3,146,801)</u>	<u>(504,733)</u>	<u>-</u>	<u>(3,651,534)</u>
Total accumulated depreciation	<u>(5,641,394)</u>	<u>(734,254)</u>	<u>120,606</u>	<u>(6,255,042)</u>
Total capital assets being depreciated, net	<u>3,434,417</u>	<u>(131,380)</u>	<u>(3,479)</u>	<u>3,299,558</u>
Transportation Commission capital assets, net	<u>\$ 3,488,421</u>	<u>\$ (120,630)</u>	<u>\$ (3,479)</u>	<u>\$ 3,364,312</u>

Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

**NOTE E: CAPITAL ASSETS - CONCLUDED**

**Discretely Presented Component Units - Concluded**

	Balance Oct. 1, 2013	Additions	Deletions	Balance Sept. 30, 2014
<b>Component Unit - Medical Care Facility</b>				
Capital assets not being depreciated:				
Construction in progress	\$ 4,399,210	\$ 75,426	\$ (4,474,636)	\$ -0-
Capital assets, being depreciated:				
Buildings and improvements	12,434,824	4,524,580	(7,792)	16,951,612
Equipment	1,878,307	72,274	(30,282)	1,920,299
Total capital assets being depreciated	14,313,131	4,596,854	(38,074)	18,871,911
Less accumulated depreciation for:				
Buildings and improvements	(3,663,752)	(435,078)	5,829	(4,093,001)
Equipment	(1,357,075)	(132,585)	30,282	(1,459,378)
Total accumulated depreciation	(5,020,827)	(567,663)	36,111	(5,552,379)
Total capital assets being depreciated, net	9,292,304	4,029,191	(1,963)	13,319,532
Medical Care Facility capital assets, net	<u>\$ 13,691,514</u>	<u>\$ 4,104,617</u>	<u>\$ (4,476,599)</u>	<u>\$ 13,319,532</u>

**NOTE F: LONG-TERM DEBT**

The following is a summary of changes in long-term debt (including current portions) of the County for the year ended September 30, 2014:

**PRIMARY GOVERNMENT**

	Balance Oct. 1, 2013	Additions	Deletions	Balance Sept. 30, 2014	Amounts Due Within One Year
Governmental activities					
2007 Building Authority Bonds	\$ 1,400,000	\$ -	\$ (450,000)	\$ 950,000	\$ 450,000
2008 Building Authority Refunding Bonds	2,735,000	-	(460,000)	2,275,000	475,000
Postclosure landfill costs	708,509	-	(28,428)	680,081	67,394
Compensated absences	840,536	852,634	(845,775)	847,395	338,958
	5,684,045	852,634	(1,784,203)	4,752,476	1,331,352
Less: deferred amounts on refunding	(35,330)	-	5,888	(29,442)	(5,888)
Total governmental activities	5,648,715	852,634	(1,778,315)	4,723,034	1,325,464
Business-type activities					
Compensated absences	38,167	47,508	(42,345)	43,330	17,333
<b>TOTAL PRIMARY GOVERNMENT</b>	<u>\$ 5,686,882</u>	<u>\$ 900,142</u>	<u>\$ (1,820,660)</u>	<u>\$ 4,766,364</u>	<u>\$ 1,342,797</u>

Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

**NOTE F: LONG-TERM DEBT - CONTINUED**

COMPONENT UNITS

	Balance Oct. 1, 2013	Additions	Deletions	Balance Sept. 30, 2014	Amounts Due Within One Year
Road Commission					
Notes payable	\$ 428,545	\$ 407,207	\$ (274,395)	\$ 561,357	\$ 75,673
Accumulated sick and vacation	220,783	-	(6,841)	213,942	-
Total Road Commission	649,328	407,207	(281,236)	775,299	75,673
Transportation Commission					
Compensated absences	92,704	146,034	(139,112)	99,626	99,626
Board of Public Works					
1999 Shepherd sanitary sewer/storm water separation	210,000	-	(210,000)	-0-	-
2009 Wastewater refunding bonds	3,210,000	-	(320,000)	2,890,000	325,000
2010 Union Township water supply bonds	1,970,000	-	(75,000)	1,895,000	75,000
	5,390,000	-0-	(605,000)	4,785,000	400,000
Less: deferred amounts on refunding	(118,673)	-	7,912	(110,761)	(7,912)
Total Board of Public Works	5,271,327	-0-	(597,088)	4,674,239	392,088
Drainage Districts					
Drain notes					
Saunders #550	321,000	917,395	(382,160)	856,235	61,160
Childs Creek Dubois	188,000	-	(47,000)	141,000	47,000
Lamphere #852	20,835	-	(20,835)	-0-	-
Huber #377	55,000	-	(11,000)	44,000	11,000
Woodin #667	80,800	-	(10,100)	70,700	10,100
West #652	104,000	-	(13,000)	91,000	13,000
Millet Joint Intercounty	41,597	-	(4,622)	36,975	4,622
Dutt & Hart Intercounty	488,000	-	(61,000)	427,000	61,000
Lake Isabella #420	-	360,000	-	360,000	90,000
Martin #451	-	189,000	-	189,000	18,900
Tice #600	-	695,000	-	695,000	-
Myers # 481	-	348,000	-	348,000	13,276
Subtotal	1,299,232	2,509,395	(549,717)	3,258,910	330,058
Drain bonds					
Little Salt intercounty drain bonds	102,375	-	(34,125)	68,250	34,125
Paisley drain bonds	168,000	-	(56,000)	112,000	56,000
2001 Hance main branches	70,000	-	(70,000)	-0-	-
Beltinck drain	444,494	-	(44,450)	400,044	44,450
Bachelor improvement bond	960,000	-	(50,000)	910,000	55,000
Lewis #435 drainage district bonds	2,385,000	-	-	2,385,000	115,000
Figg #319 drainage district bonds	1,970,000	-	(95,000)	1,875,000	100,000
Subtotal	6,099,869	-0-	(349,575)	5,750,294	404,575
Total Drainage Districts	7,399,101	2,509,395	(899,292)	9,009,204	734,633

Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

**NOTE F: LONG-TERM DEBT - CONTINUED**

COMPONENT UNITS - CONCLUDED

	Balance Oct. 1, 2013	Additions	Deletions	Balance Sept. 30, 2014	Amounts Due Within One Year
Medical Care Facility					
Building Authority Bond - 2012	\$ 4,650,000	\$ -	\$ (455,000)	\$ 4,195,000	\$ 465,000
Premium on refunding	184,195	-	(21,459)	162,736	-
Less deferred issuance discount	(123,736)	-	14,415	(109,321)	-
Compensated absences	476,607	10,239	-	486,846	486,846
Total Medical Care Facility	5,187,066	10,239	(462,044)	4,735,261	951,846
TOTAL COMPONENT UNITS	18,506,822	2,926,841	(2,239,660)	19,194,003	2,154,240
TOTAL REPORTING ENTITY	\$ 24,193,704	\$ 3,826,983	\$ (4,060,320)	\$ 23,960,367	\$ 3,497,037

PRIMARY GOVERNMENT

General Long-Term Debt Bonds

Bonds payable at September 30, 2014, is as follows:

\$3,500,000 2007 Building Authority Bonds dated November 1, 2007 due in annual principal installments ranging from \$450,000 to \$500,000 through April 1, 2015, with interest of 4.00 percent, payable semi-annually.	\$ 950,000
\$4,620,000 2008 Building Authority Refunding Bonds dated August 19, 2008 due in annual principal installments ranging \$250,000 to \$500,000 through November 1, 2019, with interest ranging from 3.75 to 4.25 percent, payable semi-annually.	<u>2,275,000</u>
	<u>\$ 3,225,000</u>

Postclosure Landfill Costs

The County owns a solid waste landfill located in Deerfield Township, Isabella County, Michigan. The County stopped accepting waste at this site on June 15, 1987, and completed the capping off of the site on July 21, 1989. See Note G for full details. The landfill postclosure liability is:

\$ 680,081

Advance Refunding - Prior

On August 19, 2008, the County defeased the 1996 Building Authority Bonds and a portion of the 1998 and 1999 Building Authority Bonds, which were due and payable through May 1, 2016, January 1, 2019, and November 1, 2019, respectively. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. Government Securities sufficient to meet the applicable principal and interest payments. The County issued 2008 Building Authority Refunding Bonds in the amount of \$4,620,000 to fund escrow amounts and pay the cost of issuance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the County's financial statements. At September 30, 2014, bonds due and payable through May 1, 2016 for the 1996 Building Authority Bonds, January 1, 2019 for the 1998 Building Authority Bonds, and November 1, 2019 for the 1999 Building Authority Bonds in the amount of \$2,275,000 are considered defeased.

Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

**NOTE F: LONG-TERM DEBT - CONTINUED**

PRIMARY GOVERNMENT - CONCLUDED

Compensated Absences

In accordance with County personnel policies and/or contracts negotiated with various employee groups of the County, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in their respective personnel policies and/or contracts. The dollar amount of these vested rights, including related payroll taxes, amounted to \$847,395 for governmental activities and \$43,330 for business-type activities for vacation and sick at September 30, 2014. Of these amounts, \$338,958 and \$17,333, respectively, have been recorded as current liabilities, and \$508,437 and \$25,997, respectively, have been recorded as noncurrent liabilities. Compensated absences are normally liquidated by the fund in which the individual employees are budgeted. The General Fund, Parks and Recreation Fund, Friend of the Court Fund, Commission on Aging Activities Fund, Building Inspection Fund, and Recycling Fund are funds where compensated absences would typically be liquidated.

COMPONENT UNIT - ROAD COMMISSION

Notes Payable

Note payable dated in 2013, due in installments of \$2,820 through 2023, with interest of 2.40 percent, payable monthly	\$ 254,805
Note payable dated in 2014, due in installments of \$1,116 through 2019, with interest of 2.19 percent, payable monthly.	227,082
Note payable dated in 2014, due in installments of \$41,556 through 2017, with interest of 3.00 percent, payable monthly.	<u>79,470</u>
	<u>\$ 561,357</u>

COMPONENT UNIT - BOARD OF PUBLIC WORKS

Water Supply and Sewage Disposal System Bonds

\$4,130,000 Wastewater Treatment Refunding Bonds dated August 27, 2009, due in annual principal installments ranging from \$325,000 to \$405,000 through October 1, 2021 with interest ranging from 2.70 to 4.00 percent, payable semi-annually.	\$ 2,890,000
\$2,105,000 Union Township Water Supply Bonds dated July 21, 2010 due in annual principal installments ranging from \$75,000 to \$155,000 through October 1, 2030 with interest ranging from 2.50 to 4.40 percent, payable semi-annually.	<u>1,895,000</u>
	<u>\$ 4,785,000</u>

Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

**NOTE F: LONG-TERM DEBT - CONTINUED**

COMPONENT UNIT - BOARD OF PUBLIC WORKS - CONCLUDED

Advance Refunding - Prior

On August 27, 2009, the County defeased a portion of the 2001 Union Wastewater Treatment Refunding Bonds, which were due and payable through October 1, 2021. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. Government Securities sufficient to meet the applicable principal and interest payments. The County issued 2009 Wastewater Treatment Refunding Bonds in the amount of \$4,130,000, and Union Township contributed \$2,145,608 of cash to fund escrow amounts and pay the cost of issuance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the County's financial statements. At September 30, 2014, bonds due and payable through October 1, 2021 for the 2001 Union Wastewater Treatment Refunding Bonds, in the amount of \$3,720,000 are considered defeased.

COMPONENT UNIT - DRAINAGE DISTRICTS

Drain Notes

\$470,000 Childs Creek Dubois Drain Note dated August 15, 2007, due in annual installments of \$47,000 through June 1, 2017, with interest of 4.37 percent, payable annually.	\$ 141,000
\$110,000 Huber Drain Note dated January 22, 2008, due in annual installments of \$11,000 through May 1, 2018, with interest of 4.35 percent, payable annually.	44,000
\$101,000 Woodin Drain Note dated January 3, 2011, due in annual installments of \$10,100 through May 1, 2021, with interest of 3.29 percent, payable annually.	70,700
\$130,000 West Drain Note dated June 6, 2011, due in annual installments of \$13,000 through June 1, 2021, with interest of 3.75 percent, payable annually.	91,000
\$46,219 Millet Joint Intercounty Drain Note dated March 15, 2012, due in annual installments of \$4,622 through June 15, 2022, with interest ranging from 1.60 to 4.05 percent, payable annually.	36,975
\$610,000 Dutt & Hart Drain Intercounty Note dated September 16, 2011, due in annual installments of \$61,000 through June 1, 2021, with interest of 2.69 percent, payable annually.	427,000
\$360,000 Lake Isabella Drain Note dated November 1, 2013, due in installments of \$90,000 through May 1, 2018, with interest of 3.75 percent, payable annually.	360,000
\$189,000 Martin Drain Note dated August 22, 2014, due in annual installments of \$18,900 through June 1, 2024, with interest of 2.35 percent, payable annually.	189,000
\$917,395 Saunders Drain Note dated October 2, 2013, due in annual installments of \$61,160 through June 1, 2028, with interest of 3.75 percent, payable annually.	856,235

Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

**NOTE F: LONG-TERM DEBT - CONTINUED**

COMPONENT UNIT - DRAINAGE DISTRICTS - CONCLUDED

Drain Notes - Concluded

\$695,000 Tice Drain Note dated September 26, 2014, due in annual installments of \$34,750 through May 1, 2035, with interest of 3.69 percent, payable annually.	\$ 695,000
\$348,000 Myers Drain Note dated June 13, 2014, due in annual installments ranging from \$13,276 to \$22,688 through June 1, 2034, with interest of 3.00 percent, payable annually.	<u>348,000</u>
	<u>\$ 3,258,910</u>

Drain Bonds

\$310,050 Little Salt Intercounty Drain Bonds dated July 21, 2006, due in annual principal installments of \$34,125 through June 1, 2016, with interest of 6.40 percent, payable semi-annually.	\$ 68,250
\$560,000 Paisley Drain Bonds dated August 7, 2006, due in annual principal installments of \$56,000 through July 1, 2016, with interest of 4.70 percent, payable annually.	112,000
\$666,743 Beltinck Debt Revolving Drain Bond dated November 21, 2007, due annual principal installments of \$44,450 through June 1, 2023, with interest of 4.11 percent, payable annually.	400,044
\$1,070,000 Bachelder Improvement Drain Bond dated March 24, 2011, due in annual principal installments ranging from \$50,000 to \$55,000 through May 1, 2031, with interest ranging from 3.85 to 5.20 percent, payable annually.	910,000
\$2,385,000 Lewis #435 Drainage District Bond dated August 29, 2013, due in annual principal installments ranging from \$115,000 to \$120,000 through May 1, 2034, with interest ranging from 1.500% to 4.500%, payable semi-annually.	2,385,000
\$1,970,000 Figg #319 Drainage District Bond dated December 20, 2012, due in annual principal installments ranging from \$95,000 to \$100,000 through May 1, 2033, with interest ranging from 2.00 to 3.00 percent, payable annually.	<u>1,875,000</u>
	<u>\$ 5,750,294</u>

COMPONENT UNIT - MEDICAL CARE FACILITY

\$5,090,000 Building Authority - Limited Tax General Obligation Refunding Bonds, dated May 11, 2012, due in annual principal installments ranging from \$440,000 to \$590,000 through May 1, 2022, with interest ranging from 2.00 to 3.00 percent semi-annually. These bonds are collateralized by tax revenues of the Medical Care Facility.	<u>\$ 4,195,000</u>
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Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

**NOTE F: LONG-TERM DEBT - CONCLUDED**

The annual requirements to pay the debt principal and interest outstanding for the above Bonds and Notes are as follows:

Year Ending September 30,	Governmental Activities		Component Units			
	Principal	Interest	Medical Care Facility		Drainage District Drain Bonds	
			Principal	Interest	Principal	Interest
2015	\$ 925,000	\$ 120,656	\$ 465,000	\$ 116,350	\$ 404,575	\$ 185,040
2016	1,000,000	84,062	485,000	107,050	404,575	173,243
2017	350,000	46,938	495,000	97,350	309,448	161,107
2018	350,000	32,063	510,000	82,500	314,450	153,282
2019	350,000	17,625	530,000	67,200	319,450	145,150
2020-2024	250,000	5,313	1,710,000	103,800	1,537,795	593,469
2025-2029	-	-	-	-	1,360,000	361,490
2030-2034	-	-	-	-	1,100,001	116,403
	<u>\$ 3,225,000</u>	<u>\$ 306,657</u>	<u>\$ 4,195,000</u>	<u>\$ 574,250</u>	<u>\$ 5,750,294</u>	<u>\$ 1,889,184</u>

Year Ending September 30,	Component Units					
	Road Commission		Board of Public Works Water and Sewer Bonds		Drainage Districts Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 75,673	\$ 13,117	\$ 400,000	\$ 160,823	\$ 330,058	\$ 100,468
2016	77,734	11,056	415,000	150,462	364,859	100,696
2017	38,289	8,939	425,000	138,778	365,258	87,839
2018	39,199	8,029	440,000	113,520	318,670	73,322
2019	222,792	2,987	455,000	97,584	218,094	64,176
2020-2024	107,670	4,454	1,695,000	278,353	835,747	222,320
2025-2029	-	-	650,000	134,992	510,706	105,162
2030-2034	-	-	305,000	13,454	280,771	35,467
2035	-	-	-	-	34,747	1,282
	<u>\$ 561,357</u>	<u>\$ 48,582</u>	<u>\$ 4,785,000</u>	<u>\$ 1,087,966</u>	<u>\$ 3,258,910</u>	<u>\$ 790,732</u>

**NOTE G: POSTCLOSURE LANDFILL COSTS**

The County owns a solid waste landfill located in Deerfield Township, Isabella County, Michigan. The County stopped accepting waste at this site on June 15, 1987, and completed the capping off of the site on July 21, 1989.

Since that time, postclosure monitoring of the site by the County and the Michigan Department of Natural Resources has identified ground water contamination in excess of state and federal laws and regulations. A Consent Judgment, initiated by the State Attorney General and Michigan Department of Natural Resources and its director established the requirements the County had to meet to bring the County back into compliance.

As part of this consent judgment, the County had to implement their remedial action plan previously submitted and approved by the Michigan Department of Natural Resources (DNR). The remedial action plan called for the construction of purge wells and piping as well as, construction of an air stripping facility which was completed during 1996. Air stripping involves the mass transfer of the contaminants from solution to a gas, thereby removing the contaminants from the groundwater. This is accomplished by pumping water through a packed column which has a counter current flow of air.

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

**NOTE G: POSTCLOSURE LANDFILL COSTS - CONCLUDED**

The County is required to perform certain maintenance and monitoring functions as stipulated in the consent judgment for a minimum of thirty years from October 23, 1992, the date of DNR approval of the County remedial action plan. It is anticipated that the purge wells and air stripping facility will have to be operated over this thirty year period.

For the year ended September 30, 2014, the County incurred postclosure care expenditures of \$28,428.

The landfill postclosure care liability as reported in Long-Term Debt of the governmental activities at September 30, 2014, is \$680,081.

All amounts recognized are based on the estimated cost to perform postclosure care at September 30, 2014. Actual costs may be higher due to inflation, changes in technology or applicable laws and regulations. The amount recognized is based on estimates developed by solid waste management engineering consultants used by the County to develop the County remedial action plan. These estimates are considered sufficient and reasonable by Management. The postclosure care costs are to be budgeted within the General Fund on an annual basis.

**NOTE H: EMPLOYEE RETIREMENT SYSTEM**

PRIMARY GOVERNMENT

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 that covers all eligible full-time employees of the County hired before January 1, 2002, with the exception of certain bargaining units. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. 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.

Funding Policy

The County is required to contribute at an actuarially determined rate. County employees are not required to make contributions to the plan. The contribution requirements of plan members and the County are established and may be amended by the Board of Commissioners, depending on the MERS contribution program adopted by the County.

Annual Pension Cost

For year ended September 30, 2014, the County's annual pension cost of \$1,217,074 for the plan was equal to the County's required and actual contribution. The estimated annual required contribution was determined as part of an actuarial valuation at December 31, 2011, using the entry age normal cost method. Actual required contributions are based on actual reported monthly payroll. Significant actuarial assumptions used include (a) an 8.00 percent investment rate of return (b) projected salary increases of 4.5 percent per year compounded annually, attributable to inflation (c) additional salary increases ranging from 0% to 8.4% per year depending on age, seniority and merit, and (d) assumption benefits will not increase after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four (4) year period. The unfunded actuarial liability is being amortized as a level percentage of payroll over a period of thirty years on an open basis. The remaining amortization period as of December 31, 2013, the date of the latest actuarial valuation, was twenty-five (25) years.

Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

**NOTE H: EMPLOYEE RETIREMENT SYSTEM - CONTINUED**

PRIMARY GOVERNMENT - CONCLUDED

This trend information was obtained from the most recently issued actuarial reports.

	Year Ended December 31,		
	2011	2012	2013
Actuarial value of assets	\$ 36,394,199	\$ 37,689,076	\$ 40,081,662
Actuarial accrued liability (AAL) (entry age)	47,491,965	49,351,791	51,306,067
Unfunded AAL	11,097,766	11,662,715	11,224,405
Funded ratio	77%	76%	78%
Covered payroll	7,789,264	7,208,200	6,589,942
UAAL as a percentage of covered payroll	142%	162%	170%

	Year Ended September 30,		
	2012	2013	2014
Annual pension cost	\$ 1,102,377	\$ 1,112,115	\$ 1,217,074
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-	-	-

Defined Contribution Pension Plan

The Isabella County Employees Defined Contribution Pension Plan (the "Plan") is a single employer defined contribution pension plan, established by the County and administered by an outside third-party administrator. All County employees hired after January 1, 2002, with the exception of certain bargaining units, are required to participate in the Plan. As the union contracts of the non-participating bargaining units are renegotiated, new employees of these units are added to the Plan. All other County employees that are not vested in the County's Defined Benefit Plan have the option of becoming a participant in the Defined Contribution Plan. Employees vest in the County's contributions completely after five (5) years.

As of September 30, 2014, there were 96 plan members. Plan members are required to contribute a minimum of 2% of their annual salary to the Plan. The County is required to contribute 7% of the employees' annual salary. Authority for establishing and amending the Plan's provisions rests with the County Board of Commissioners.

Employer contributions to the Plan for the year ended September 30, 2014, amounted to \$242,879 and employee contributions were \$74,081.

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

Deferred Compensation Pension Plan

The Isabella County Employees Deferred Compensation Pension Plan (the "Plan") is a single employer defined contribution pension plan, established by the County and administered by outside third-party administrators. Participation in the plan is optional to all County employees. The County does not make any contributions to this plan.

As of September 30, 2014, there were 85 plan members who contributed \$46,100 to the plan. Authority for establishing and amending the Plan's provisions rests with the County Board of Commissioners.

A stand-alone pension plan report has not been issued for the deferred compensation plan.

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

**NOTE H: EMPLOYEE RETIREMENT SYSTEM - CONCLUDED**

COMPONENT UNITS

The Isabella County Road Commission and the Isabella County Transportation Commission have separate retirement plans. Separate accounts are maintained by MERS for each of the component units identified above. Details applicable to the Road Commission and the Transportation Commission pension plans are available in their separately issued financial statements. The actuarially determined contribution requirements have been met.

**NOTE I: OTHER POST-EMPLOYMENT BENEFITS (ROAD COMMISSION)**

In addition to the pension benefits, the Isabella County Road Commission provides post-retirement health care insurance benefits to all retired employees by a group insurance plan. The benefits are provided in accordance with articles of the union agreement, which includes the provision that upon retirement, the Road Commission contributes \$150 to \$350 per month for health coverage per retiree based on years of service scale. The Road Commission's obligation ceases upon the employee attaining the minimum age for Medicare coverage.

For eligible retirees who were hired after February 1, 2005, the Isabella County Road Commission agrees to pay a fixed percent of the premium for BC/BS and prescription drug coverage benefits based on years of service, but only until attainment of Medicare eligibility, at which time, 100% of premium shall be paid for by the retiree and or spouse if they elect to remain in the group.

*Plan Description.* The Road Commission administers a single-employer healthcare plan ("the Retiree Health Plan"). The plan provides healthcare insurance for eligible retirees through the Road Commission's group health insurance plan, which covers both active and retired members. Benefit provisions are established through negotiations between the Road Commission and employees. The Retiree Health Plan does not issue a publicly available financial report.

*Funding Policy.* Contribution requirements also are negotiated between the Road Commission and employees. The Road Commission contributes 100% of the cost of current-year premiums for eligible retired plan members. For fiscal year 2014, the Road Commission contributed \$7,200 to the plan. Total member contributions were \$20,006.

*Annual OPEB Cost and Net OPEB Obligation.* The Road Commission's annual other post-employment benefit (OPEB) cost is calculated based on the annual required contribution (ARC). The Road Commission has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers with plans that have fewer than 100 total members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the Road Commission's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the Road Commission's net OPEB obligation to the Retiree Health Plan:

Annual required contribution	\$ 33,217
Adjustment to annual required contribution	<u>1,207</u>
Annual OPEB cost	34,424
Contributions made	<u>(7,200)</u>
Increase in net OPEB obligation	27,224
Net OPEB obligation - beginning of year	<u>30,173</u>
Net OPEB obligation - end of year	<u><u>\$ 57,397</u></u>

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

**NOTE I: OTHER POST-EMPLOYMENT BENEFITS (ROAD COMMISSION) - CONCLUDED**

The Road Commission's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the last three (3) fiscal years is as follows:

<u>Fiscal Year End</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2012	\$ 26,471	71%	\$ 17,578
2013	26,795	53%	30,173
2014	34,424	21%	57,397

*Funded Status and Funding Progress.* As of September 30, 2014, the actuarial liability for benefits was \$418,241, a portion of which is funded. The covered payroll (annual payroll of active employees covered by the plan) was \$1,035,463, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 40%. The actuarial value of plan assets and funded ratio was 8.5%.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following this note, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing, or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

*Assumptions About Employees and Members:* Based on the historical average retirement age of the covered group, active plan members were assumed to retire at age 45 to 75 or the first year thereafter in which the member would qualify for benefits. Marital status as of the calculation date was assumed to continue throughout retirement. Life expectancy was based on mortality tables published by the National Center for Health Statistics. The probability of remaining employed until the assumed retirement age and employees' expected future working lifetimes were developed using non-group-specific age-based turnover data from GASB Statement No. 45.

*Assumptions About Healthcare Costs:* The 2014 health insurance premiums for retirees were used to calculate the present value of total benefits to be paid. The expected rate of increase in health insurance premiums - Health Care Cost Trend Rate - was one percent.

*Other Assumptions and Methods:* The inflation rate was assumed to be 2.5 percent. Based on expected returns of the investments, the investment rate of return was assumed to be 7.0 percent. The value of the Plan assets was set at market value. A simplified version of the entry age actuarial cost method was used in the actuarial valuation. The UAAL is amortized over a thirty-year period as a level percent of projected payroll on an open basis. Payroll was assumed to grow over the long-term at the same rate as inflation.

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

**NOTE J: RISK MANAGEMENT**

PRIMARY GOVERNMENT

The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The County carries commercial insurance for the risks of loss, including worker's compensation, property and casualty loss, and general liability. Settlements have not exceeded insurance coverage in any of the past three (3) years.

Employee Health Benefits

The County has established a high deductible health insurance plan and a health reimbursement account which are accounted for in an Internal Service Fund. Employee groups of the primary government, including the Medical Care Facility as a separate unit, participate in the insurance plan. The Plan is administered under contractual agreements with Blue Cross and Blue Shield of Michigan (BCBSM) and Cadillac Insurance Center Benefit Consulting Group (CICBCG) as third-party administrators.

The County is responsible for paying the medical claims over the employees' deductible and up to the high deductible cap established with BCBSM. These claims are processed through CICBCG and paid from the County's health reimbursement account.

Certain benefits such as dental and prescription drug are cover by supplemental policies funded by the Plan. The insurance arrangements will be renegotiated annually in compliance with the Public Employees Health Benefit Act (Act 106 of 2007).

The Insurance Fund is responsible for collecting interfund premiums from the participating funds and departments and for paying insurance premiums, administrative fees, and deductibles paid from the health reimbursement account.

Interfund premiums are treated as interfund services provided and used; meaning the interfund premiums are recognized as expenditures or expenses in the contributing funds and interfund revenue is recognized in the Insurance Fund as earned.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include a provision for claims that have been incurred but not reported (IBNR's). The provision is based upon historical trends. Claims liabilities are estimated based on actual claims filed subsequent to year end.

Changes in the balance of claim liabilities during the current year and the prior year are as follows:

	<u>2013</u>	<u>2014</u>
Unpaid Claims, beginning of year	\$ 70,805	\$ 131,016
Incurred Claims, (including IBNR)	3,003,145	2,823,077
Claims Paid	<u>(2,942,934)</u>	<u>(2,898,896)</u>
Unpaid Claims	<u>\$ 131,016</u>	<u>\$ 55,197</u>

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

**NOTE J: RISK MANAGEMENT - CONCLUDED**

COMPONENT UNITS

Transportation Commission

The Transportation Commission carries commercial insurance for the risk of loss due to workers' compensation claims.

The Transportation Commission is a member of the Michigan Transit Liability Trust Fund ("Pool") established pursuant to an Intergovernmental Agreement entered into by the member Transit Agencies and Authorities. This Pool was established for the purpose of making a self-insurance pooling program available for Michigan Transit Agencies and Authorities, which includes, but is not limited to, bodily injury liability, property damage liability, and personal injury liability related to vehicle operation of the Transportation Commission.

The Transportation Commission pays an annual premium to the Pool for this coverage. The agreement for the formation of the Pool provides that the Pool will be self-sustaining through member premiums. Annually, the Transportation Commission receives notification from the Pool of retrospective claims adjustments based on the actual claims experience of the Commission and other members of the Pool. These retrospective claims adjustments, determined by the Pool, are accrued annually by the Transportation Commission upon notification.

The Transportation Commission also participates in a pool, the Michigan Municipal Risk Management Authority, with other municipalities for property and casualty losses. The pool is organized under Public Act 138 of 1982, as amended as a governmental group property and casualty self insurance pool. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The Transportation Commission has not been informed of any special assessments being required.

Road Commission

The Road Commission joined together with other Road Commissions and created a public entity risk pool currently operating as a common risk management and insurance program. The Road Commission pays an annual premium to the pool for its general insurance coverage. The agreement provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$1,000 for each insured event. The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The Road Commission is unable to provide an estimate of the amounts of additional assessments.

**NOTE K: PROPERTY TAXES AND TAXES RECEIVABLE**

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. Unpaid property taxes are considered to be delinquent as of March 1 of the year after the tax was levied.

The County's ad valorem taxes were levied and collectible on December 1, 2013, and July 1, 2014. It is the County's policy to recognize revenues from the tax levy in the year when the proceeds of the levy are budgeted and made available for the financing of County operations. The 2014 taxable value of Isabella County amounted to \$1,664,679,324 on which ad valorem taxes levied for the County general operating purposes was 6.6100 mills. For the year ended September 30, 2014, the County levied 0.6500 mills for Senior Services, 0.7000 mills for the Medical Care Facilities, and 0.3500 mills for Parks and Recreation. The Isabella County Transportation Commission levied 0.8620 mills for transportation services.

Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

**NOTE L: FEDERAL FINANCIAL ASSISTANCE**

COMPONENT UNIT - ROAD COMMISSION

It is required by the Michigan Department of Transportation that Road Commissioners report total federal financial assistance for highway research, planning, and construction pertaining to their County. During the year ended September 30, 2014, the federal aid received and expended by the Road Commission was \$1,821,037 for contracted projects.

**NOTE M: DETAILS OF FUND BALANCE CLASSIFICATIONS**

In the fund financial statements, the governmental funds report the following activity:

*Nonspendable* - assets that are not available in a spendable form such as inventory, prepaid expenditures, and long-term receivables not expected to be converted to cash in the near term. It also includes funds that are legally or contractually required to be maintained intact such as the corpus of a permanent fund or foundation.

*Restricted* - amounts that are required by external parties to be used for a specific purpose. Constraints are externally imposed by creditors, grantors, contributors or laws, regulations or enabling legislation.

*Committed* - amounts constrained on use imposed by formal action of the government's highest level of decision making authority (i.e., Board, Council, etc.).

*Assigned* - amounts intended to be used for specific purposes. This is determined by the governing body, the budget or finance committee or a delegated municipality official.

*Unassigned* - all other resources; the remaining fund balance after nonspendable, restrictions, commitments, and assignments. This class only occurs in the General Fund, except for cases of negative fund balances. Negative fund balances are always reported as unassigned, no matter which fund the deficit occurs in.

Details of fund balance classification as of September 30, 2014 are as follows:

	General Fund	Tribal Contribution	CDBG Housing Assistance Grant	Commission on Aging Activities	Building Authority Bonds	Nonmajor Governmental Funds	Total
Fund Balances							
Nonspendable:							
Inventories	\$ 15,613	\$ -	\$ -	\$ 18,124	\$ -	\$ -	\$ 33,737
Prepays	40,015	-	-	300	19,000	59,727	119,042
Restricted:							
Tribal Contribution	-	198	-	-	-	-	198
Building Authority Bonds	-	-	-	-	1,042,762	-	1,042,762
Friend of the Court	-	-	-	-	-	250,690	250,690
Register of Deeds Automation	-	-	-	-	-	210,614	210,614
Drug Law Enforcement Activities	-	-	-	-	-	28,528	28,528
Public Act 511	-	-	-	-	-	245	245
CDBG Housing Assistance Grant	-	-	63,508	-	-	-	63,508
Commission on Aging Activities	-	-	-	303,480	-	-	303,480
Department of Human Services	-	-	-	-	-	73,922	73,922
Child Care	-	-	-	-	-	591,466	591,466
Veterans Activities	-	-	-	-	-	18,589	18,589
E-911	-	-	-	-	-	988,838	988,838
Capital improvement	-	-	-	-	-	2,401	2,401
Commission on Aging Building	-	-	-	-	-	83,393	83,393
Commission on Aging Walking Path	-	-	-	-	-	12,449	12,449

Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

**NOTE M: DETAILS OF FUND BALANCE CLASSIFICATIONS - CONCLUDED**

	General Fund	Tribal Contribution	CDBG Housing Assistance Grant	Commission on Aging Activities	Building Authority Bonds	Nonmajor Governmental Funds	Total
Fund Balances - Concluded							
Committed:							
Geographical Information System	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 46,646	\$ 46,646
Parks and recreation	-	-	-	-	-	521,529	521,529
Community Alternatives	-	-	-	-	-	2,645	2,645
Local Corrections Officers Training	-	-	-	-	-	21,143	21,143
Assigned:							
Working capital	2,000,000	-	-	-	-	-	2,000,000
Vested benefits	594,414	-	-	-	-	-	594,414
District health capital	14,633	-	-	-	-	-	14,633
Central dispatch capital	5,123	-	-	-	-	-	5,123
Claims liability	100,429	-	-	-	-	-	100,429
Agriculture board	59,042	-	-	-	-	-	59,042
Court technology	251,209	-	-	-	-	-	251,209
Subsequent year expenditures	69,408	-	-	-	-	-	69,408
Link Michigan Grant	3,063	-	-	-	-	-	3,063
Unassigned:	7,869,977	-	-	-	-	-	7,869,977
<b>TOTAL FUND BALANCES</b>	<b>\$ 11,022,926</b>	<b>\$ 198</b>	<b>\$ 63,508</b>	<b>\$ 321,904</b>	<b>\$ 1,061,762</b>	<b>\$ 2,912,825</b>	<b>\$ 15,383,123</b>

**NOTE N: CONTINGENT LIABILITIES**

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the County and its attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the County.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures, which may be disallowed by the grantor, cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

**NOTE O: RESTATEMENT OF FUND BALANCES/NET POSITION**

Beginning net position for the business-type activities and Recycling Fund were decreased by \$15,387 for a correction of an accounting error.

In addition, the beginning net position of governmental activities was decreased by \$37,153 to account for changes due to GASB 65 and increased by \$976,707 to correct an accounting error related to unavailable revenue in the CDBG Housing Assistance Grant Fund.

Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

**NOTE P: RESTRICTED NET POSITION**

Restrictions of net position shown in the government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the various net position restrictions as of September 30, 2014:

Governmental Activities	
Legal restrictions	
Tribal Contribution	\$ 198
Register of Deeds Automation	210,614
Drug Law Enforcement Activities	28,528
Public Act 511	245
CDBG Housing Assistance	63,508
Commission on Aging Activities	321,904
Department of Human Services	73,922
Child Care	648,948
Veterans Activities	18,589
E-911	991,083
	<u>\$ 2,357,539</u>
Grant programs	
CDBG Housing Assistance Grant	\$ 1,059,740
Friend of the Court	250,690
	<u>\$ 1,310,430</u>
Debt service	
Building Authority Bonds	<u>\$ 1,008,322</u>
Capital projects	
Capital improvement	\$ 2,401
Commission on Aging Building	83,393
Commission on Aging Walking Path	12,449
	<u>\$ 98,243</u>
Business-type Activities	
Equipment replacement	<u>\$ 350,000</u>

**NOTE Q: CHANGES IN ACCOUNTING PRINCIPLES**

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, were implemented during the current period. These statements incorporate deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets, and fund balance, when applicable.

These statements impacted the format and reporting of the statement of net position and the balance sheet at the government-wide level and fund level, respectively.

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

**NOTE R: UPCOMING ACCOUNTING PRONOUNCEMENTS**

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. The statement requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The County is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for financial statements for the 2014-2015 fiscal year.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*. The statement addresses an issue regarding the application of the transition provisions of GASB Statement No. 68 and amends paragraph 137 of GASB Statement No. 68 and requires that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of this statement are required to be applied simultaneously with the provisions of GASB Statement No. 68. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2014-2015 fiscal year.

In March 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The County is currently evaluating the impact this standard will have on the financial statements when adopted for the 2015-16 fiscal year.

**REQUIRED SUPPLEMENTARY INFORMATION**

Isabella County, Michigan

BUDGETARY COMPARISON SCHEDULES

Fund Descriptions

**GENERAL FUND**

The General Fund is used to account for all financial transactions not properly accounted for in another fund. The transactions relating to the general governmental activities of the County, which are financed by property tax levies, by distribution of State and Federal revenues, and by revenue from various activities and services, are recorded in this fund. The majority of current operating expenditures of the County, other than proprietary fund activities, are financed through revenue received by the General Fund.

**TRIBAL CONTRIBUTION FUND**

The Tribal Contribution Fund is used to account for funding provided by the Saginaw Chippewa Tribe, and the related uses of those funds.

**CDBG HOUSING ASSISTANCE GRANT FUND**

The CDBG Housing Assistance Grant Fund is used to account for the Community Development Block Grant, and the activities related to those funds.

**COMMISSION ON AGING ACTIVITIES FUND**

The Commission on Aging Activities Fund is used to account for the Commission on Aging and is funded primarily through grant revenue and taxes.

Isabella County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE -  
REVENUES AND OTHER FINANCING SOURCES

Year Ended September 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes				
Current and delinquent property taxes	\$ 10,267,000	\$ 10,267,000	\$ 10,390,893	\$ 123,893
Payments in lieu of taxes	90,000	90,000	912,005	822,005
Mobile home park taxes	5,000	5,000	3,055	(1,945)
Administrative fees	9,000	9,000	9,712	712
<b>Total taxes</b>	<b>10,371,000</b>	<b>10,371,000</b>	<b>11,315,665</b>	<b>944,665</b>
Licenses and permits				
Dog licenses	67,000	67,000	68,286	1,286
Marriage license fees	30,500	30,500	23,544	(6,956)
Soil and erosion permits	12,000	12,000	175	(11,825)
Zoning permits	8,500	8,500	10,125	1,625
Other permits	25	25	-	(25)
<b>Total licenses and permits</b>	<b>118,025</b>	<b>118,025</b>	<b>102,130</b>	<b>(15,895)</b>
Intergovernmental - Federal/State				
Revenue sharing	994,239	994,239	995,270	1,031
Homeland security	60,500	60,500	35,685	(24,815)
Michigan justice training	4,000	4,000	4,025	25
Remonumentation	37,550	60,660	49,493	(11,167)
SCAO grant	298,569	298,569	368,295	69,726
Secondary road patrol	72,726	72,726	72,726	-0-
Prosecutor - CRP	27,125	27,125	22,191	(4,934)
Prosecutor - FIA reimbursement	25,000	25,000	11,518	(13,482)
Prosecutor - Diversion	5,000	5,000	4,075	(925)
Victims' Rights	71,800	71,800	101,666	29,866
Probate court judge salary	213,500	213,500	181,817	(31,683)
Judges salary standardization	71,000	71,000	94,195	23,195
Court equity	265,000	265,000	272,420	7,420
Convention facility tax	480,000	480,000	637,673	157,673
Juvenile officer grant	27,500	27,500	13,659	(13,841)
Cigarette tax	3,700	3,700	-	(3,700)
Liquor licenses	8,500	8,500	8,747	247
Marine safety grant	3,000	3,000	6,927	3,927
Other	57,000	57,000	40,173	(16,827)
<b>Total intergovernmental - Federal/State</b>	<b>2,725,709</b>	<b>2,748,819</b>	<b>2,920,555</b>	<b>171,736</b>
Intergovernmental - local				
Other	500	500	16,357	15,857
	500	500	16,357	15,857

Isabella County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND  
OTHER FINANCING SOURCES - CONCLUDED

Year Ended September 30, 2014

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>REVENUES - CONTINUED</b>				
Charges for services				
Circuit Court costs	\$ 300,500	\$ 300,500	\$ 278,340	\$ (22,160)
District Court costs	1,561,000	1,561,000	1,364,929	(196,071)
Probate Court costs	30,500	30,500	31,852	1,352
Juvenile Court costs	28,000	28,000	22,145	(5,855)
Prosecuting attorney	19,500	19,500	13,901	(5,599)
Treasurer	5,000	5,000	53,473	48,473
Clerk	111,400	111,400	105,368	(6,032)
Register of deeds	289,000	289,000	199,397	(89,603)
Drain commissioner	18,000	18,000	24,541	6,541
Sheriff department	52,800	52,800	46,658	(6,142)
Jail	993,900	993,900	839,935	(153,965)
Equalization	7,200	7,200	7,039	(161)
Animal control	33,000	33,000	25,909	(7,091)
Real estate transfer tax	140,000	140,000	166,248	26,248
Miscellaneous services	6,150	6,150	13,437	7,287
Total charges for services	3,595,950	3,595,950	3,193,172	(402,778)
Fines and forfeits				
District Court	15,000	15,000	11,825	(3,175)
Ordinance fines	227,900	227,900	230,184	2,284
Probate Court	1,000	1,000	25	(975)
Total fines and forfeits	243,900	243,900	242,034	(1,866)
Interest and rents				
Investment earnings	20,075	20,075	65,781	45,706
Rental fees	338,571	338,571	334,814	(3,757)
Total interest and rents	358,646	358,646	400,595	41,949
Other				
Reimbursements	69,000	69,000	217,904	148,904
Donations - general	3,000	13,000	10,487	(2,513)
Miscellaneous revenue	12,300	12,300	15,713	3,413
Total other	84,300	94,300	244,104	149,804
<b>TOTAL REVENUES</b>	<b>17,498,030</b>	<b>17,531,140</b>	<b>18,434,612</b>	<b>903,472</b>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	425,000	425,000	555,842	130,842
<b>TOTAL REVENUES AND OTHER FINANCING SOURCES</b>	<b>\$ 17,923,030</b>	<b>\$ 17,956,140</b>	<b>\$ 18,990,454</b>	<b>\$ 1,034,314</b>

Isabella County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES AND  
OTHER FINANCING USES BY ACTIVITY

Year Ended September 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>EXPENDITURES</b>				
General government				
Board of Commissioners	\$ 166,037	\$ 166,037	\$ 179,189	\$ (13,152)
Administration	568,955	567,975	564,238	3,737
Elections	81,972	75,172	78,789	(3,617)
Clerk	408,892	417,266	434,389	(17,123)
Equalization	341,203	344,298	304,134	40,164
Prosecuting attorney	1,139,348	1,139,348	1,024,686	114,662
Register of Deeds	334,318	334,318	302,123	32,195
Human resources	96,250	96,250	55,636	40,614
Public defender	535,200	535,200	507,312	27,888
Remonumentation	37,000	70,110	57,642	12,468
Treasurer	193,203	199,500	203,495	(3,995)
MSU cooperative extension service	139,358	139,358	138,988	370
Data processing	190,287	191,862	195,457	(3,595)
Building authority	263,669	263,669	263,489	180
Courthouse and grounds	708,991	708,991	670,298	38,693
Drain commissioner	272,385	273,959	287,448	(13,489)
Trial Court	3,301,082	3,305,805	3,178,947	126,858
Adult Drug Court	98,311	98,311	104,134	(5,823)
Juvenile Drug Court	77,904	77,904	94,403	(16,499)
Family Court	51,284	51,284	51,730	(446)
Jury board	2,200	2,200	1,868	332
Total general government	9,007,849	9,058,817	8,698,395	360,422
Public safety				
Sheriff	2,085,344	2,237,969	2,281,537	(43,568)
Road patrol	181,602	181,602	180,069	1,533
Marine safety	3,000	3,000	3,133	(133)
Corrections	2,569,577	2,569,577	2,373,776	195,801
Emergency management	123,795	123,795	123,531	264
Michigan Justice Training Act	4,000	4,000	3,665	335
Animal control	416,029	416,029	413,600	2,429
Total public safety	5,383,347	5,535,972	5,379,311	156,661
Public works				
Board of public works	1,200	1,200	393	807
Drain at large	200,000	200,000	194,049	5,951
Well monitoring - landfill	78,798	78,798	28,428	50,370
Total public works	279,998	279,998	222,870	57,128

Isabella County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES AND  
OTHER FINANCING USES BY ACTIVITY - CONCLUDED

Year Ended September 30, 2014

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>EXPENDITURES - CONCLUDED</b>				
Health and welfare				
Substance abuse counseling	\$ 240,000	\$ 240,000	\$ 318,837	\$ (78,837)
Medical examiner	115,075	115,075	143,244	(28,169)
Public health	362,500	362,500	362,211	289
Mental health services	216,300	216,300	216,300	-0-
Child protection council	5,000	5,000	5,000	-0-
Veteran's affairs	68,512	70,086	68,458	1,628
Disabilities advisory commission	6,950	6,950	4,758	2,192
Total health and welfare	1,014,337	1,015,911	1,118,808	(102,897)
Community economic and development				
Community development	222,249	223,823	201,250	22,573
Other				
Contingency	50,000	50,000	-	50,000
Insurance and bonds	300,000	300,000	206,967	93,033
Other	324,641	323,121	188,935	134,186
Total other	674,641	673,121	395,902	277,219
TOTAL EXPENDITURES	16,582,421	16,787,642	16,016,536	771,106
<b>OTHER FINANCING USES</b>				
Transfers out	1,340,609	1,340,609	1,355,831	(15,222)
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 17,923,030</u>	<u>\$ 18,128,251</u>	<u>\$ 17,372,367</u>	<u>\$ 755,884</u>

Isabella County, Michigan

Tribal Contribution Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended September 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental - local	\$ 67,391	\$ 67,391	\$ 25,500	\$ (41,891)
EXPENDITURES				
Current				
General government	24,498	24,498	13,683	10,815
Public safety	16,297	16,297	102	16,195
Public works	13,128	13,128	9,293	3,835
Community and economic development	10,468	10,468	552	9,916
Recreation and cultural	3,000	3,000	1,870	1,130
TOTAL EXPENDITURES	67,391	67,391	25,500	41,891
NET CHANGE IN FUND BALANCE	-0-	-0-	-0-	-0-
Fund balance, beginning of year	198	198	198	-0-
Fund balance, end of year	\$ 198	\$ 198	\$ 198	\$ -0-

Isabella County, Michigan  
 CDBG Housing Assistance Grant Fund  
 BUDGETARY COMPARISON SCHEDULE  
 Year Ended September 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental				
Federal	\$ 137,000	\$ 137,000	\$ -	\$ (137,000)
Other revenue	18,150	18,150	24,931	6,781
TOTAL REVENUES	155,150	155,150	24,931	(130,219)
EXPENDITURES				
Current				
Community and economic development	155,650	155,650	58,606	97,044
NET CHANGE IN FUND BALANCE	(500)	(500)	(33,675)	(33,175)
Fund balance, beginning of year	97,183	97,183	97,183	-0-
Fund balance, end of year	<u>\$ 96,683</u>	<u>\$ 96,683</u>	<u>\$ 63,508</u>	<u>\$ (33,175)</u>

Isabella County, Michigan  
 Commission on Aging Activities  
 BUDGETARY COMPARISON SCHEDULE  
 Year Ended September 30, 2014

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ 736,450	\$ 743,950	\$ 952,809	\$ 208,859
Intergovernmental				
Federal	358,397	325,289	303,079	(22,210)
State	314,578	375,131	416,361	41,230
Local	498,564	505,342	399,838	(105,504)
Charges for services	25,750	25,750	22,062	(3,688)
Interest and rents	-	-	382	382
Contributions	459,887	413,152	433,670	20,518
Other	7,200	6,000	25,737	19,737
	<u>2,400,826</u>	<u>2,394,614</u>	<u>2,553,938</u>	<u>159,324</u>
TOTAL REVENUES				
EXPENDITURES				
Current				
Health and welfare	<u>2,402,226</u>	<u>2,398,414</u>	<u>2,348,221</u>	<u>50,193</u>
NET CHANGE IN FUND BALANCE	(1,400)	(3,800)	205,717	209,517
Fund balance, beginning of year	<u>116,187</u>	<u>116,187</u>	<u>116,187</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 114,787</u>	<u>\$ 112,387</u>	<u>\$ 321,904</u>	<u>\$ 209,517</u>

Isabella County, Michigan  
EMPLOYEE RETIREMENT SYSTEM

Schedule of Funding Progress

Actuarial Valuation Date	Value of Assets (a)	Liability (AAL) Entry Age (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Percentage of Covered Payroll [(b-a)/c]
2011	\$ 36,394,199	\$ 47,491,965	\$ 11,097,766	77%	\$ 7,789,264	142%
2012	37,689,076	49,351,791	11,662,715	76%	7,208,200	162%
2013	40,081,662	51,306,067	11,224,405	78%	6,589,942	170%

Schedule of Employer Contributions

Year Ended September 30,	Annual Pension Cost	Percentage of APC Contributed
2012	\$ 1,102,377	100%
2013	1,112,115	100%
2014	1,217,074	100%

Isabella County, Michigan

OTHER POST-EMPLOYMENT BENEFITS PLAN (ROAD COMMISSION)

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Value of Assets (a)</u>	<u>Liability (AAL) Entry Age (b)</u>	<u>Unfunded AAL (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>Percentage of Covered Payroll [(b-a)/c]</u>
2008	\$ 5,415	\$ 274,852	\$ 269,437	2.0%	\$ 1,482,911	18%
2011	5,214	297,692	292,478	2.0%	1,480,197	20%
2014	35,672	418,241	382,569	8.5%	1,035,463	37%

Schedule of Employer Contributions

<u>Fiscal Year End</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>
2012	\$ 26,471	71%
2013	26,795	53%
2014	34,424	21%

Isabella County, Michigan

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended September 30, 2014

**NOTE A: EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

PRIMARY GOVERNMENT

In the budgetary comparison schedules and other supplementary information section, the County's budgeted expenditures in the General Fund and Special Revenue Funds have been shown at the functional classification (department) level. The approved budgets of the County have been adopted at the department level for the General Fund and the fund level for Special Revenue Funds. The General and Special Revenue Funds' budgets shown as required and other supplementary information were prepared on the same modified accrual basis used to reflect actual results.

During the year ended September 30, 2014, the County incurred expenditures in the General Fund, Commission on Aging Activities, and various nonmajor governmental funds in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
General government			
Board of Commissioners	\$ 166,037	\$ 179,189	\$ 13,152
Elections	75,172	78,789	3,617
Clerk	417,266	434,389	17,123
Treasurer	199,500	203,495	3,995
Data processing	191,862	195,457	3,595
Drain commissioner	273,959	287,448	13,489
Adult drug court	98,311	104,134	5,823
Juvenile Drug Court	77,904	94,403	16,499
Family court	51,284	51,730	446
Public safety			
Sheriff	2,237,969	2,281,537	43,568
Marine safety	3,000	3,133	133
Health and welfare			
Substance abuse counseling	240,000	318,837	78,837
Medical examiner	115,075	143,244	28,169
Other Financing Uses			
Transfer out	1,340,609	1,355,831	15,222
Sesquicentennial Fund	-	21	21
County Law Library	18,700	22,380	3,680
Child Care	2,064,719	2,138,141	73,422
Veterans' Activities	9,300	14,616	5,316
E-911	1,024,749	1,380,789	356,040

## **OTHER SUPPLEMENTARY INFORMATION**

Isabella County, Michigan

NONMAJOR GOVERNMENTAL FUNDS

Fund Descriptions

**SPECIAL REVENUE FUNDS**

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Special Revenue Funds are part of the governmental fund category and, accordingly, are accounted for using the modified accrual basis of accounting. Revenue is recognized when it becomes measurable and available as a net current asset, and expenditures are generally recognized when the related fund liability is incurred.

The Department of Human Services Special Revenue Fund operates as a “quasi-independent” unit.

Certain Special Revenue Funds are required to account for specified activities of the Courts (the Friend of the Court Fund, Community Alternatives Fund, and Public Act 511 Fund) or certain County departments (Veterans’ Activities) or in accordance with public law (County Law Library).

Other Special Revenue Funds are used to account for activities financed with specific revenue sources (the Geographical Information System Fund, Sesquicentennial Fund, Parks and Recreation Fund, Register of Deeds Automation Fund, Drug Law Enforcement Fund, Local Corrections Officer Training, Revenue Sharing Reserve Fund, Child Care Fund, and the E-911 Fund).

**CAPITAL PROJECTS FUNDS**

Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The funds are used when legally mandated or when projects are financed wholly or in part by bond issues, intergovernmental revenue, or private donations. This is also particularly useful for projects financed from the current revenue of more than one fund or covering more than one year.

The County has three Capital Projects Funds.

The Capital Improvement Fund is used to account for the financing of various capital projects. Many projects are financed with transfers from other funds.

The Commission on Aging Building Construction Fund is used to account for the construction of the Commission on Aging facility.

The Commission on Aging Walking Path Construction Fund is used to account for the construction of the Commission on Aging walking path.

Isabella County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

September 30, 2014

	Special			
	Geographical Information System	Sesquicentennial Fund	Parks and Recreation	Friend of the Court
<b>ASSETS</b>				
Cash and cash equivalents	\$ 49,972	\$ -	\$ 557,320	\$ 198,961
Investments	-	-	-	-
Accounts receivable	-	-	452	-
Due from other funds	-	-	15,322	-
Due from other governmental units				
Federal/State	-	-	-	67,462
Local	-	-	-	-
Prepays	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 49,972</b>	<b>\$ -0-</b>	<b>\$ 573,094</b>	<b>\$ 266,423</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 3,326	\$ -	\$ 25,717	\$ 1,969
Accrued wages	-	-	12,729	11,581
Due to other governmental units - State	-	-	8,243	-
Due to other funds	-	-	3,881	2,183
Unearned revenue	-	-	995	-
<b>TOTAL LIABILITIES</b>	<b>3,326</b>	<b>-0-</b>	<b>51,565</b>	<b>15,733</b>
<b>FUND BALANCES</b>				
Nonspendable	-	-	-	-
Restricted	-	-	-	250,690
Committed	46,646	-	521,529	-
<b>TOTAL FUND BALANCES</b>	<b>46,646</b>	<b>-0-</b>	<b>521,529</b>	<b>250,690</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 49,972</b>	<b>\$ -0-</b>	<b>\$ 573,094</b>	<b>\$ 266,423</b>

Revenue

Register of Deeds Automation	Drug Law Enforcement Activities	Community Alternatives	Public Act 511	Local Corrections Officers Training	County Law Library
\$ 221,109	\$ 28,528	\$ 60,398	\$ -	\$ 16,984	\$ 1,625
-	-	-	-	-	-
-	-	-	6,605	-	-
-	-	-	72,690	4,621	13,171
-	-	-	38,781	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 221,109</u>	<u>\$ 28,528</u>	<u>\$ 60,398</u>	<u>\$ 118,076</u>	<u>\$ 21,605</u>	<u>\$ 14,796</u>
\$ 750	\$ -	\$ -	\$ 2,456	\$ 322	\$ 3,566
-	-	1,320	1,320	-	-
-	-	-	-	-	-
9,745	-	56,433	114,055	140	11,230
-	-	-	-	-	-
10,495	-0-	57,753	117,831	462	14,796
-	-	-	-	-	-
210,614	28,528	-	245	-	-
-	-	2,645	-	21,143	-
<u>210,614</u>	<u>28,528</u>	<u>2,645</u>	<u>245</u>	<u>21,143</u>	<u>-0-</u>
<u>\$ 221,109</u>	<u>\$ 28,528</u>	<u>\$ 60,398</u>	<u>\$ 118,076</u>	<u>\$ 21,605</u>	<u>\$ 14,796</u>

Isabella County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONCLUDED

September 30, 2014

	Special Revenue			
	Department of Human Services	Child Care	Veterans' Activities	E-911
<b>ASSETS</b>				
Cash and cash equivalents	\$ 73,922	\$ 32,725	\$ 18,962	\$ 784,381
Investments	-	297,706	-	-
Accounts receivable	-	-	-	182,726
Due from other funds	-	-	-	27,453
Due from other governmental units				
Federal/State	-	382,022	-	61,105
Local	-	90	-	-
Prepays	-	57,482	-	2,245
<b>TOTAL ASSETS</b>	<b>\$ 73,922</b>	<b>\$ 770,025</b>	<b>\$ 18,962</b>	<b>\$ 1,057,910</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ 118,163	\$ 373	\$ 20,382
Accrued wages	-	1,590	-	14,675
Due to other governmental units - State	-	841	-	-
Due to other funds	-	483	-	31,770
Unearned revenue	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>-0-</b>	<b>121,077</b>	<b>373</b>	<b>66,827</b>
<b>FUND BALANCES</b>				
Nonspendable	-	57,482	-	2,245
Restricted	73,922	591,466	18,589	988,838
Committed	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>73,922</b>	<b>648,948</b>	<b>18,589</b>	<b>991,083</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 73,922</b>	<b>\$ 770,025</b>	<b>\$ 18,962</b>	<b>\$ 1,057,910</b>

Capital Projects			
Capital Improvement	Commission on Aging Building Construction	Commission on Aging Walking Path Construction	Total
\$ 127,126	\$ -	\$ 12,449	\$ 2,184,462
-	88,365	-	386,071
-	30	-	189,813
109,854	-	-	243,111
-	-	-	549,370
-	-	-	90
-	-	-	59,727
<u>\$ 236,980</u>	<u>\$ 88,395</u>	<u>\$ 12,449</u>	<u>\$ 3,612,644</u>
\$ 4,043	\$ 2,262	\$ -	\$ 183,329
-	-	-	43,215
-	-	-	9,084
230,536	2,740	-	463,196
-	-	-	995
<u>234,579</u>	<u>5,002</u>	<u>-0-</u>	<u>699,819</u>
-	-	-	59,727
2,401	83,393	12,449	2,261,135
-	-	-	591,963
<u>2,401</u>	<u>83,393</u>	<u>12,449</u>	<u>2,912,825</u>
<u>\$ 236,980</u>	<u>\$ 88,395</u>	<u>\$ 12,449</u>	<u>\$ 3,612,644</u>

Isabella County, Michigan

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES

Year Ended September 30, 2014

	Special			
	Geographical Information System	Sesquicentennial Fund	Parks and Recreation	Friend of the Court
REVENUES				
Taxes	\$ -	\$ -	\$ 544,430	\$ -
Licenses and permits	-	-	351,207	-
Intergovernmental				
Federal	-	-	-	482,032
State	-	-	-	-
Local	-	-	-	-
Charges for services	501	-	-	53,128
Fines and forfeits	-	-	-	-
Interest and rents	-	-	666	-
Other	10,000	-	40,501	-
	<u>10,501</u>	<u>-0-</u>	<u>936,804</u>	<u>535,160</u>
TOTAL REVENUES	10,501	-0-	936,804	535,160
EXPENDITURES				
Current				
General government	20,558	-	-	609,594
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Recreation and cultural	-	-	811,554	-
Capital outlay	-	-	-	-
	<u>20,558</u>	<u>-0-</u>	<u>811,554</u>	<u>609,594</u>
TOTAL EXPENDITURES	20,558	-0-	811,554	609,594
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(10,057)	-0-	125,250	(74,434)
OTHER FINANCING SOURCES (USES)				
Transfers in	16,522	-	-	75,000
Transfers out	-	(21)	-	-
	<u>16,522</u>	<u>(21)</u>	<u>-0-</u>	<u>75,000</u>
TOTAL OTHER FINANCING SOURCES (USES)	16,522	(21)	-0-	75,000
NET CHANGE IN FUND BALANCES	6,465	(21)	125,250	566
Fund balances, beginning of year	40,181	21	396,279	250,124
Fund balances, end of year	<u>\$ 46,646</u>	<u>\$ -0-</u>	<u>\$ 521,529</u>	<u>\$ 250,690</u>

Revenue

Register of Deeds Automation	Drug Law Enforcement Activities	Community Alternatives	Public Act 511	Local Corrections Officers Training	County Law Library
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	99,946	-	-
45,099	-	79,326	3,515	22,150	-
-	-	-	-	-	6,500
231	12	-	-	-	-
-	-	-	-	-	-
45,330	12	79,326	103,461	22,150	6,500
4,254	-	68,681	140,509	-	22,380
-	-	-	-	22,119	-
-	-	-	-	-	-
-	-	-	-	-	-
4,254	-0-	68,681	140,509	22,119	22,380
41,076	12	10,645	(37,048)	31	(15,880)
-	-	-	37,293	-	15,880
(9,745)	-	(8,000)	-	-	-
(9,745)	-0-	(8,000)	37,293	-0-	15,880
31,331	12	2,645	245	31	-0-
179,283	28,516	-	-	21,112	-
<u>\$ 210,614</u>	<u>\$ 28,528</u>	<u>\$ 2,645</u>	<u>\$ 245</u>	<u>\$ 21,143</u>	<u>\$ -0-</u>

Isabella County, Michigan

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - CONCLUDED

Year Ended September 30, 2014

	Special Revenue			
	Department of Human Services	Child Care	Veterans' Activities	E-911
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental				
Federal	-	-	-	-
State	-	870,143	13,808	209,683
Local	-	59,007	-	-
Charges for services	-	92,714	-	862,159
Fines and forfeits	-	-	-	-
Interest and rents	-	-	-	1,126
Other	-	-	-	282
<b>TOTAL REVENUES</b>	<b>-0-</b>	<b>1,021,864</b>	<b>13,808</b>	<b>1,073,250</b>
EXPENDITURES				
Current				
General government	-	-	-	-
Public safety	-	-	-	1,380,789
Health and welfare	5,723	2,138,141	14,616	-
Recreation and cultural	-	-	-	-
Capital outlay	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>5,723</b>	<b>2,138,141</b>	<b>14,616</b>	<b>1,380,789</b>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(5,723)	(1,116,277)	(808)	(307,539)
OTHER FINANCING SOURCES (USES)				
Transfers in	10,000	720,000	5,000	-
Transfers out	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>10,000</b>	<b>720,000</b>	<b>5,000</b>	<b>-0-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>4,277</b>	<b>(396,277)</b>	<b>4,192</b>	<b>(307,539)</b>
Fund balances, beginning of year	69,645	1,045,225	14,397	1,298,622
Fund balances, end of year	<u>\$ 73,922</u>	<u>\$ 648,948</u>	<u>\$ 18,589</u>	<u>\$ 991,083</u>

Capital Projects

Capital Improvement	Commission on Aging Building Construction	Commission on Aging Walking Path Construction	Total
\$ -	\$ -	\$ -	\$ 544,430
-	-	-	351,207
-	-	14,550	496,582
-	-	-	1,193,580
-	-	-	59,007
-	-	-	1,158,592
-	-	-	6,500
165	357	-	2,557
-	-	-	50,783
165	357	14,550	3,863,238
-	-	-	865,976
-	-	-	1,402,908
-	-	-	2,158,480
-	-	-	811,554
34,809	17,842	13,101	65,752
34,809	17,842	13,101	5,304,670
(34,644)	(17,485)	1,449	(1,441,432)
37,000	-	-	916,695
-	-	-	(17,766)
37,000	-0-	-0-	898,929
2,356	(17,485)	1,449	(542,503)
45	100,878	11,000	3,455,328
\$ 2,401	\$ 83,393	\$ 12,449	\$ 2,912,825

Isabella County, Michigan

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE BY FUND - BUDGET AND ACTUAL

Year Ended September 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Geographical Information System</u>				
REVENUES				
Charges for services	\$ 13,000	\$ 13,000	\$ 501	\$ (12,499)
Other	10,000	10,000	10,000	-0-
TOTAL REVENUES	23,000	23,000	10,501	(12,499)
EXPENDITURES				
Current				
General government	39,522	39,522	20,558	18,964
EXCESS OF REVENUES (UNDER) EXPENDITURES	(16,522)	(16,522)	(10,057)	6,465
OTHER FINANCING SOURCES				
Transfers in	16,522	16,522	16,522	-0-
NET CHANGE IN FUND BALANCE	-0-	-0-	6,465	6,465
Fund balance, beginning of year	40,181	40,181	40,181	-0-
Fund balance, end of year	<u>\$ 40,181</u>	<u>\$ 40,181</u>	<u>\$ 46,646</u>	<u>\$ 6,465</u>
<u>Sesquicentennial Fund</u>				
REVENUES				
Other	\$ -	\$ -	\$ -	\$ -0-
EXPENDITURES				
Current				
General government	-	-	-	-0-
EXCESS OF REVENUES OVER EXPENDITURES	-0-	-0-	-0-	-0-
OTHER FINANCING (USES)				
Transfers out	-	-	(21)	(21)
NET CHANGE IN FUND BALANCE	-0-	-0-	(21)	(21)
Fund balance, beginning of year	21	21	21	-0-
Fund balance, end of year	<u>\$ 21</u>	<u>\$ 21</u>	<u>\$ -0-</u>	<u>\$ (21)</u>

Isabella County, Michigan

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE BY FUND - BUDGET AND ACTUAL - CONTINUED

Year Ended September 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
	<u>Parks and Recreation</u>			
REVENUES				
Taxes	\$ 548,500	\$ 548,500	\$ 544,430	\$ (4,070)
Licenses and permits	322,308	322,308	351,207	28,899
Interest	300	300	666	366
Other	4,000	4,000	40,501	36,501
	<u>875,108</u>	<u>875,108</u>	<u>936,804</u>	<u>61,696</u>
TOTAL REVENUES				
EXPENDITURES				
Current				
Recreation and cultural				
Administration	413,856	413,856	324,871	88,985
Coldwater Lake County Park	100,943	100,943	92,775	8,168
Deerfield County Park	104,816	104,816	93,999	10,817
Herrick County Park	99,346	99,346	86,694	12,652
Meridian Park	6,817	6,817	3,185	3,632
Pere Marquette Rail Trail	2,930	2,930	3,054	(124)
Maintenance shop	206,973	206,973	206,976	(3)
	<u>935,681</u>	<u>935,681</u>	<u>811,554</u>	<u>124,127</u>
TOTAL EXPENDITURES				
NET CHANGE IN FUND BALANCE	(60,573)	(60,573)	125,250	185,823
Fund balance, beginning of year	<u>396,279</u>	<u>396,279</u>	<u>396,279</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 335,706</u>	<u>\$ 335,706</u>	<u>\$ 521,529</u>	<u>\$ 185,823</u>

Isabella County, Michigan

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE BY FUND - BUDGET AND ACTUAL - CONTINUED

Year Ended September 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<u>Friend of the Court</u>				
REVENUES				
Intergovernmental				
Federal	\$ 484,371	\$ 484,371	\$ 482,032	\$ (2,339)
Charges for services	44,500	44,500	53,128	8,628
	<u>528,871</u>	<u>528,871</u>	<u>535,160</u>	<u>6,289</u>
TOTAL REVENUES				
EXPENDITURES				
Current				
General government	634,194	634,194	609,594	24,600
	<u>634,194</u>	<u>634,194</u>	<u>609,594</u>	<u>24,600</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	(105,323)	(105,323)	(74,434)	(18,311)
OTHER FINANCING SOURCES				
Transfers in	75,000	75,000	75,000	-0-
	<u>75,000</u>	<u>75,000</u>	<u>75,000</u>	<u>-0-</u>
NET CHANGE IN FUND BALANCE	(30,323)	(30,323)	566	30,889
Fund balance, beginning of year	250,124	250,124	250,124	-0-
	<u>250,124</u>	<u>250,124</u>	<u>250,124</u>	<u>-0-</u>
Fund balance, end of year	\$ 219,801	\$ 219,801	\$ 250,690	\$ 30,889
	<u>\$ 219,801</u>	<u>\$ 219,801</u>	<u>\$ 250,690</u>	<u>\$ 30,889</u>
<u>Register of Deeds Automation</u>				
REVENUES				
Charges for services	\$ 66,000	\$ 66,000	\$ 45,099	\$ (20,901)
Interest	175	175	231	56
	<u>66,175</u>	<u>66,175</u>	<u>45,330</u>	<u>(20,845)</u>
TOTAL REVENUES				
EXPENDITURES				
Current				
General government	19,100	19,100	4,254	14,846
	<u>19,100</u>	<u>19,100</u>	<u>4,254</u>	<u>14,846</u>
EXCESS OF REVENUES OVER EXPENDITURES	47,075	47,075	41,076	(5,999)
OTHER FINANCING (USES)				
Transfers out	(25,000)	(25,000)	(9,745)	15,255
	<u>(25,000)</u>	<u>(25,000)</u>	<u>(9,745)</u>	<u>15,255</u>
NET CHANGE IN FUND BALANCE	22,075	22,075	31,331	9,256
Fund balance, beginning of year	179,283	179,283	179,283	-0-
	<u>179,283</u>	<u>179,283</u>	<u>179,283</u>	<u>-0-</u>
Fund balance, end of year	\$ 201,358	\$ 201,358	\$ 210,614	\$ 9,256
	<u>\$ 201,358</u>	<u>\$ 201,358</u>	<u>\$ 210,614</u>	<u>\$ 9,256</u>

Isabella County, Michigan

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE BY FUND - BUDGET AND ACTUAL - CONTINUED

Year Ended September 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Drug Law Enforcement Activities</u>				
REVENUES				
Fines and forfeits	\$ 1,750	\$ 1,750	\$ -	\$ (1,750)
Interest	50	50	12	(38)
TOTAL REVENUES	1,800	1,800	12	(1,788)
EXPENDITURES				
Current				
Public safety	1,500	1,500	-	1,500
NET CHANGE IN FUND BALANCE	300	300	12	(288)
Fund balance, beginning of year	28,516	28,516	28,516	-0-
Fund balance, end of year	<u>\$ 28,816</u>	<u>\$ 28,816</u>	<u>\$ 28,528</u>	<u>\$ (288)</u>
<u>Community Alternatives</u>				
REVENUES				
Charges for services	\$ 83,500	\$ 83,500	\$ 79,326	\$ (4,174)
EXPENDITURES				
Current				
General government	66,142	66,142	68,681	(2,539)
EXCESS OF REVENUES OVER EXPENDITURES	17,358	17,358	10,645	(6,713)
OTHER FINANCING (USES)				
Transfers out	(17,358)	(17,358)	(8,000)	9,358
NET CHANGE IN FUND BALANCE	-0-	-0-	2,645	2,645
Fund balance, beginning of year	-	-	-	-0-
Fund balance, end of year	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 2,645</u>	<u>\$ 2,645</u>

Isabella County, Michigan

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE BY FUND - BUDGET AND ACTUAL - CONTINUED

Year Ended September 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
	<u>Public Act 511</u>			
REVENUES				
Intergovernmental				
State	\$ 101,500	\$ 101,500	\$ 99,946	\$ (1,554)
Charges for services	10,450	10,450	3,515	(6,935)
TOTAL REVENUES	111,950	111,950	103,461	(8,489)
EXPENDITURES				
Current				
General government	147,118	147,118	140,509	6,609
EXCESS OF REVENUES (UNDER) EXPENDITURES	(35,168)	(35,168)	(37,048)	(1,880)
OTHER FINANCING SOURCES				
Transfers in	35,168	35,168	37,293	2,125
NET CHANGE IN FUND BALANCE	-0-	-0-	245	245
Fund balance, beginning of year	-	-	-	-0-
Fund balance, end of year	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 245</u>	<u>\$ 245</u>
	<u>Local Corrections Officers Training</u>			
REVENUES				
Charges for services	\$ 30,000	\$ 30,000	\$ 22,150	\$ (7,850)
EXPENDITURES				
Current				
Public safety	30,000	30,000	22,119	7,881
NET CHANGE IN FUND BALANCE	-0-	-0-	31	31
Fund balance, beginning of year	21,112	21,112	21,112	-0-
Fund balance, end of year	<u>\$ 21,112</u>	<u>\$ 21,112</u>	<u>\$ 21,143</u>	<u>\$ 31</u>

Isabella County, Michigan

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE BY FUND - BUDGET AND ACTUAL - CONTINUED

Year Ended September 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>County Law Library</u>				
REVENUES				
Fines and forfeits	\$ 6,500	\$ 6,500	\$ 6,500	\$ -0-
EXPENDITURES				
Current				
General government	<u>18,700</u>	<u>18,700</u>	<u>22,380</u>	<u>(3,680)</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	(12,200)	(12,200)	(15,880)	(3,680)
OTHER FINANCING SOURCES				
Transfers in	<u>12,200</u>	<u>12,200</u>	<u>15,880</u>	<u>3,680</u>
NET CHANGE IN FUND BALANCE	-0-	-0-	-0-	-0-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
<u>Department of Human Services</u>				
REVENUES				
Intergovernmental State	\$ -	\$ -	\$ -	\$ -0-
EXPENDITURES				
Current				
Health and welfare	<u>10,000</u>	<u>10,000</u>	<u>5,723</u>	<u>4,277</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	(10,000)	(10,000)	(5,723)	4,277
OTHER FINANCING SOURCES				
Transfer in	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>-0-</u>
NET CHANGE IN FUND BALANCE	-0-	-0-	4,277	4,277
Fund balance, beginning of year	<u>69,645</u>	<u>69,645</u>	<u>69,645</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 69,645</u>	<u>\$ 69,645</u>	<u>\$ 73,922</u>	<u>\$ 4,277</u>

Isabella County, Michigan

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE BY FUND - BUDGET AND ACTUAL - CONTINUED

Year Ended September 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
	<u>Child Care</u>			
REVENUES				
Intergovernmental				
State	\$ 925,200	\$ 925,200	\$ 870,143	\$ (55,057)
Local	-	-	59,007	59,007
Charges for services	<u>230,000</u>	<u>230,000</u>	<u>92,714</u>	<u>(137,286)</u>
TOTAL REVENUES	1,155,200	1,155,200	1,021,864	(133,336)
EXPENDITURES				
Current				
Health and welfare	<u>2,064,719</u>	<u>2,064,719</u>	<u>2,138,141</u>	<u>(73,422)</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	(909,519)	(909,519)	(1,116,277)	(206,758)
OTHER FINANCING SOURCES				
Transfers in	<u>720,000</u>	<u>720,000</u>	<u>720,000</u>	<u>-0-</u>
NET CHANGE IN FUND BALANCE	(189,519)	(189,519)	(396,277)	(206,758)
Fund balance, beginning of year	<u>1,045,225</u>	<u>1,045,225</u>	<u>1,045,225</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 855,706</u>	<u>\$ 855,706</u>	<u>\$ 648,948</u>	<u>\$ (206,758)</u>

Isabella County, Michigan

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE BY FUND - BUDGET AND ACTUAL - CONCLUDED

Year Ended September 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Veterans' Activities</u>				
<b>REVENUES</b>				
Intergovernmental State	\$ 4,300	\$ 4,300	\$ 13,808	\$ 9,508
<b>EXPENDITURES</b>				
Current				
Health and welfare				
Veterans affairs relief	5,000	5,000	361	4,639
Veterans trust	4,300	4,300	14,255	(9,955)
<b>TOTAL EXPENDITURES</b>	<b>9,300</b>	<b>9,300</b>	<b>14,616</b>	<b>(5,316)</b>
<b>EXCESS OF REVENUES (UNDER) EXPENDITURES</b>	<b>(5,000)</b>	<b>(5,000)</b>	<b>(808)</b>	<b>4,192</b>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	5,000	5,000	5,000	-0-
<b>NET CHANGE IN FUND BALANCE</b>	<b>-0-</b>	<b>-0-</b>	<b>4,192</b>	<b>4,192</b>
Fund balance, beginning of year	14,397	14,397	14,397	-0-
Fund balance, end of year	<u>\$ 14,397</u>	<u>\$ 14,397</u>	<u>\$ 18,589</u>	<u>\$ 4,192</u>
<u>E-911</u>				
<b>REVENUES</b>				
Intergovernmental State	\$ 215,000	\$ 215,000	\$ 209,683	\$ (5,317)
Charges for services	938,000	938,000	862,159	(75,841)
Interest	1,500	1,500	1,126	(374)
Other	500	500	282	(218)
<b>TOTAL REVENUES</b>	<b>1,155,000</b>	<b>1,155,000</b>	<b>1,073,250</b>	<b>(81,750)</b>
<b>EXPENDITURES</b>				
Current				
Public safety	1,024,749	1,024,749	1,380,789	(356,040)
<b>NET CHANGE IN FUND BALANCE</b>	<b>130,251</b>	<b>130,251</b>	<b>(307,539)</b>	<b>(437,790)</b>
Fund balance, beginning of year	1,298,622	1,298,622	1,298,622	-0-
Fund balance, end of year	<u>\$ 1,428,873</u>	<u>\$ 1,428,873</u>	<u>\$ 991,083</u>	<u>\$ (437,790)</u>

Isabella County, Michigan

TRUST AND AGENCY FUNDS

Fund Descriptions

Fiduciary, or Trust and Agency Funds, are used to account for assets which the County holds as trustee or agent for individuals, private organizations, and other governmental units.

**Agency Funds**

Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of the results of operations. Agency Funds are merely clearing accounts, and are accounted for using the modified accrual basis of accounting. The County's Fiduciary Funds are all Agency Funds.

The Trust and Agency Fund is used to account for collection and distribution of Court-imposed fines, current property tax collections remitted by the taxing units, and other similar collections.

The Inmate Trust Fund is used to account for cash held on behalf of inmates lodged in the County Jail.

The Employee Flexible Benefit Plan Fund is used to account for salary reductions made by employees for certain benefits as specified by the County's Flexible Benefits Plan and as permitted by IRC Section 125.

The Payroll Fund is used to account for all payroll tax-related transactions. Payroll withholdings are deposited to and disbursed from this fund.

The Library Penal Fines Fund is used to receive money from penal fines imposed for State law violations. Money is transferred annually to the County Law Library Fund and to the City/County Library.

The Central Michigan District Health Department Fund is used to account for the funds held on behalf of the Health Department.

Isabella County, Michigan

Agency Funds

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

September 30, 2014

	Agency		
	Trust and Agency	Inmate Trust	Employee Flexible Benefits Plan
<b>ASSETS</b>			
Cash and cash equivalents	<u>\$ 3,495,181</u>	<u>\$ 36,469</u>	<u>\$ 12,462</u>
<b>LIABILITIES</b>			
Due to other governmental units			
Federal/State	\$ 189,454	\$ -	\$ -
Local	2,959,253	-	-
Due to individuals and agencies	<u>346,474</u>	<u>36,469</u>	<u>12,462</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 3,495,181</u>	<u>\$ 36,469</u>	<u>\$ 12,462</u>

Funds			
Payroll	Library Penal Fines	Central Michigan District Health Department	Total
\$ 29,944	\$ 282,275	\$ 226,761	\$ 4,083,092
\$ -	\$ -	\$ -	\$ 189,454
-	282,275	226,761	3,468,289
29,944	-	-	425,349
\$ 29,944	\$ 282,275	\$ 226,761	\$ 4,083,092

Isabella County, Michigan

Agency Funds

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

Year Ended September 30, 2014

	<u>Balance Oct. 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance Sept. 30, 2014</u>
<u>Trust and Agency</u>				
ASSETS				
Cash and cash equivalents	\$ 2,823,087	\$ 48,366,216	\$ 47,694,122	\$ 3,495,181
LIABILITIES				
Due to other governmental units				
Federal/State	\$ 175,912	\$ 2,004,694	\$ 1,991,152	\$ 189,454
Local	2,279,316	21,178,814	20,498,877	2,959,253
Due to individuals and agencies	367,859	1,183,418	1,204,803	346,474
TOTAL LIABILITIES	<u>\$ 2,823,087</u>	<u>\$ 24,366,926</u>	<u>\$ 23,694,832</u>	<u>\$ 3,495,181</u>
<u>Inmate Trust</u>				
ASSETS				
Cash and cash equivalents	\$ 35,654	\$ 1,200,629	\$ 1,199,814	\$ 36,469
LIABILITIES				
Due to individuals and agencies	\$ 35,654	\$ 1,200,629	\$ 1,199,814	\$ 36,469
<u>Employee Flexible Benefits Plan</u>				
ASSETS				
Cash and cash equivalents	\$ 15,061	\$ 56,792	\$ 59,391	\$ 12,462
LIABILITIES				
Due to individuals and agencies	\$ 15,061	\$ 56,792	\$ 59,391	\$ 12,462
<u>Payroll</u>				
ASSETS				
Cash and cash equivalents	\$ 31,061	\$ -	\$ 1,117	\$ 29,944
LIABILITIES				
Due to individuals and agencies	\$ 31,061	\$ -	\$ 1,117	\$ 29,944

Isabella County, Michigan

Agency Funds

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - CONCLUDED

Year Ended September 30, 2014

	<u>Balance</u> <u>Oct. 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>Sept. 30, 2014</u>
<u>Library Penal Fines</u>				
ASSETS				
Cash and cash equivalents	<u>\$ 235,584</u>	<u>\$ 1,056,466</u>	<u>\$ 1,009,775</u>	<u>\$ 282,275</u>
LIABILITIES				
Due to other governmental units				
Local	<u>\$ 235,584</u>	<u>\$ 1,056,466</u>	<u>\$ 1,009,775</u>	<u>\$ 282,275</u>
<u>Central Michigan District Health Department</u>				
ASSETS				
Cash and cash equivalents	<u>\$ 369,112</u>	<u>\$ -0-</u>	<u>\$ 142,351</u>	<u>\$ 226,761</u>
LIABILITIES				
Due to other governmental units				
Local	<u>\$ 369,112</u>	<u>\$ -0-</u>	<u>\$ 142,351</u>	<u>\$ 226,761</u>
<u>Total</u>				
ASSETS				
Cash and cash equivalents	<u>\$ 3,509,559</u>	<u>\$ 50,680,103</u>	<u>\$ 50,106,570</u>	<u>\$ 4,083,092</u>
LIABILITIES				
Due to other governmental units				
Federal/State	\$ 175,912	\$ 2,004,694	\$ 1,991,152	\$ 189,454
Local	2,884,012	22,235,280	21,651,003	3,468,289
Due to individuals and agencies	<u>449,635</u>	<u>2,440,839</u>	<u>2,465,125</u>	<u>425,349</u>
TOTAL LIABILITIES	<u>\$ 3,509,559</u>	<u>\$ 26,680,813</u>	<u>\$ 26,107,280</u>	<u>\$ 4,083,092</u>

Isabella County, Michigan

DISCRETELY PRESENTED COMPONENT UNITS

Fund Descriptions

The Discretely Presented Component Units of Isabella County are legally separate organizations included in the County's reporting entity because they are financially accountable to the County as defined by GASB Statement No. 61.

Financial statements for the Isabella County Board of Public Works and the Drainage Districts administered by the Isabella County Drain Commissioner have been presented in this section because separate audited financial statements are not available.

Isabella County Board of Public Works is responsible for the administration of the various public works capital projects funds and the associated debt service funds under the provisions of Act 185, Public Act of 1937, as amended. The Board of Public Works is also responsible for the administration of the operations of the Lake Isabella Water Supply System as reported in an Enterprise Fund.

The Drainage Districts are established pursuant to Act 40, Public Act of 1956, as amended, and are administered by the Isabella County Drain Commissioner. The Drainage Districts include capital projects funds to report the drain construction and maintenance activities, debt service funds to maintain the financial resources for the payment of long-term debt, and an internal service fund utilized to account for the purchase of drain tile which is then sold to the individual drainage districts.

Isabella County, Michigan

Component Unit Funds

COMBINING BALANCE SHEET - DRAINAGE DISTRICTS

September 30, 2014

	Debt						
	County Drain	Little Salt River	Paisley Drain	Hance Phase II	Saunders Extension	Childs Creek & Dubois Drain	Beltinck Debt Retirement 220
<b>ASSETS</b>							
Cash and cash equivalents	\$ 80,070	\$ 26,532	\$ 44,865	\$ -	\$ 47,429	\$ 39,067	\$ 185,098
Investments	-	-	-	-	-	-	-
Interest receivable	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-
Special assessments receivable	699,368	58,935	56,435	-	818,463	120,429	380,237
Prepays	-	1,553	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 779,438</b>	<b>\$ 87,020</b>	<b>\$ 101,300</b>	<b>\$ -0-</b>	<b>\$ 865,892</b>	<b>\$ 159,496</b>	<b>\$ 565,335</b>
<b>LIABILITIES</b>							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable revenue	696,106	58,935	56,435	-	818,463	120,429	380,237
<b>FUND BALANCES</b>							
Nonspendable	-	1,553	-	-	-	-	-
Restricted for:							
Debt service	83,332	26,532	44,865	-	47,429	39,067	185,098
Capital projects	-	-	-	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>83,332</b>	<b>28,085</b>	<b>44,865</b>	<b>-0-</b>	<b>47,429</b>	<b>39,067</b>	<b>185,098</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 779,438</b>	<b>\$ 87,020</b>	<b>\$ 101,300</b>	<b>\$ -0-</b>	<b>\$ 865,892</b>	<b>\$ 159,496</b>	<b>\$ 565,335</b>

Service						Capital Projects		Total
Bachelor Drain Debt	Figg Drain Debt	Lewis Drain Debt	Lake Isabella Drain Debt	Tice Drain Debt	Myers Drain Debt	County Drain Revolving	County Drain Construction & Maintenance	
\$ 176,190	\$ 206,851	\$ 36,689	\$ 405	\$ 16,903	\$ -	\$ 2,199	\$ 3,718,012	\$ 4,580,310
-	-	-	-	-	-	-	1,834,719	1,834,719
-	-	-	-	-	-	-	1,811	1,811
-	-	-	-	-	-	318,972	150,000	468,972
774,333	1,715,355	2,385,000	359,595	820,000	348,000	-	12,719	8,548,869
-	-	-	-	-	-	-	-	1,553
<u>\$ 950,523</u>	<u>\$ 1,922,206</u>	<u>\$ 2,421,689</u>	<u>\$ 360,000</u>	<u>\$ 836,903</u>	<u>\$ 348,000</u>	<u>\$ 321,171</u>	<u>\$ 5,717,261</u>	<u>\$ 15,436,234</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,541	\$ 36,145	\$ 44,686
-	-	-	-	-	-	150,000	318,972	468,972
-0-	-0-	-0-	-0-	-0-	-0-	158,541	355,117	513,658
774,333	1,715,355	2,385,000	359,595	820,000	348,000	-	645,183	9,178,071
-	-	-	-	-	-	-	-	1,553
176,190	206,851	36,689	405	16,903	-	-	-	863,361
-	-	-	-	-	-	162,630	4,716,961	4,879,591
176,190	206,851	36,689	405	16,903	-0-	162,630	4,716,961	5,744,505
<u>\$ 950,523</u>	<u>\$ 1,922,206</u>	<u>\$ 2,421,689</u>	<u>\$ 360,000</u>	<u>\$ 836,903</u>	<u>\$ 348,000</u>	<u>\$ 321,171</u>	<u>\$ 5,717,261</u>	<u>\$ 15,436,234</u>

Isabella County, Michigan

Component Unit Funds

RECONCILIATION OF THE COMBINING BALANCE SHEET TO  
THE STATEMENT OF NET POSITION - DRAINAGE DISTRICTS

September 30, 2014

**Total fund balances - governmental funds** **\$ 5,744,505**

Amounts reported for the governmental activities in the statement of net position are different because:

Long-term receivables are not available to pay for current period expenditures and are therefore deferred in the funds. These consist of:

Unavailable revenue 9,178,071

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.

The cost of capital assets is \$ 25,319,555  
Accumulated depreciation is (5,454,052)

Capital assets, net 19,865,503

An Internal Service Fund is used by management to charge the costs of certain activities to individual funds.

Net position of governmental activities accounted for  
in an Internal Service Fund 59,372

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Bonds and notes payable (9,009,204)  
Accrued interest payable (111,139)

(9,120,343)

**Net position of component unit activities** **\$ 25,727,108**

Isabella County, Michigan

Component Unit Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - DRAINAGE DISTRICTS

Year Ended September 30, 2014

	Debt						
	County Drain	Little Salt River	Paisley Drain	Hance Phase II	Saunders Extension	Childs Creek & Dubois Drain	Beltinck Debt Retirement 220
<b>REVENUES</b>							
Intergovernmental - local	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	124	40	88	80	149	64	263
Other							
Special assessments	137,412	35,122	43,354	41,965	64,498	49,134	67,641
Other	-	-	-	-	-	-	-
<b>TOTAL REVENUES</b>	<b>137,536</b>	<b>35,162</b>	<b>43,442</b>	<b>42,045</b>	<b>64,647</b>	<b>49,198</b>	<b>67,904</b>
<b>EXPENDITURES</b>							
Debt service							
Principal	120,557	34,125	56,000	70,000	382,160	47,000	44,450
Interest and fiscal charges	23,127	4,606	7,874	3,427	27,782	8,216	18,278
Capital outlay	-	-	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>143,684</b>	<b>38,731</b>	<b>63,874</b>	<b>73,427</b>	<b>409,942</b>	<b>55,216</b>	<b>62,728</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(6,148)</b>	<b>(3,569)</b>	<b>(20,432)</b>	<b>(31,382)</b>	<b>(345,295)</b>	<b>(6,018)</b>	<b>5,176</b>
<b>OTHER FINANCING SOURCES (USES)</b>							
Issuance of debt	-	-	-	-	-	-	-
Transfers in	-	-	-	-	325,847	-	-
Transfers out	-	-	-	(81,190)	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>(81,190)</b>	<b>325,847</b>	<b>-0-</b>	<b>-0-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(6,148)</b>	<b>(3,569)</b>	<b>(20,432)</b>	<b>(112,572)</b>	<b>(19,448)</b>	<b>(6,018)</b>	<b>5,176</b>
Fund balances, beginning of year	89,480	31,654	65,297	112,572	66,877	45,085	179,922
Fund balances, end of year	<u>\$ 83,332</u>	<u>\$ 28,085</u>	<u>\$ 44,865</u>	<u>\$ -0-</u>	<u>\$ 47,429</u>	<u>\$ 39,067</u>	<u>\$ 185,098</u>

Bachelder Drain Debt	Figg Drain Debt	Lewis Drain Debt	Service			Capital Projects		Total
			Lake Isabella Drain Debt	Tice Drain Debt	Myers Drain Debt	County Drain Revolving	County Drain Construction & Maintenance	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 28,997	\$ 28,997
210	167	72	-	-	-	55	11,424	12,736
86,612	324,526	-	405	-	-	-	193,471	1,044,140
-	-	-	-	-	-	-	11,146	11,146
86,822	324,693	72	405	-0-	-0-	55	245,038	1,097,019
50,000	95,000	-	-	-	-	-	-	899,292
45,126	45,635	46,071	-	-	-	-	563,751	793,893
-	-	-	-	-	-	-	2,621,200	2,621,200
95,126	140,635	46,071	-0-	-0-	-0-	-0-	3,184,951	4,314,385
(8,304)	184,058	(45,999)	405	-0-	-0-	55	(2,939,913)	(3,217,366)
-	-	-	-	-	-	-	2,509,395	2,509,395
-	-	-	-	16,903	-	-	81,190	423,940
-	-	-	-	-	-	-	(342,750)	(423,940)
-0-	-0-	-0-	-0-	16,903	-0-	-0-	2,247,835	2,509,395
(8,304)	184,058	(45,999)	405	16,903	-0-	55	(692,078)	(707,971)
184,494	22,793	82,688	-	-	-	162,575	5,409,039	6,452,476
\$ 176,190	\$ 206,851	\$ 36,689	\$ 405	\$ 16,903	\$ -0-	\$ 162,630	\$ 4,716,961	\$ 5,744,505

Isabella County, Michigan

Component Unit Funds

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES - DRAINAGE DISTRICTS

Year Ended September 30, 2014

**Net change in fund balances - total governmental funds** \$ (707,971)

Amounts reported for governmental activities in the statement of activities are different because:

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 1,657,765

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 3,373,808	
Depreciation expense	<u>(414,406)</u>	
Excess of depreciation expense over capital outlay		2,959,402

An Internal Service Funds is used by management to charge the costs of certain activities to individual funds.

Increase in net position of Internal Service Fund	6,576
---	-------

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Issuance of debt	(2,509,395)	
Debt principal retirement	<u>899,292</u>	
		(1,610,103)

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

(Increase) in accrued interest payable	<u>(27,627)</u>
--	-----------------

**Change in net position of component unit activities** \$ 2,278,042

Isabella County, Michigan

Component Unit Funds

STATEMENT OF NET POSITION - DRAINAGE DISTRICTS - DRAIN TILE FUND

September 30, 2014

	<u>Internal Service Fund</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 24,988
Inventories	<u>34,470</u>
TOTAL ASSETS	59,458
LIABILITIES	
Current assets	
Accounts payable	<u>86</u>
NET POSITION (Unrestricted)	<u><u>\$ 59,372</u></u>

Isabella County, Michigan

Component Unit Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN  
NET POSITION - DRAINAGE DISTRICTS - DRAIN TILE FUND

Year Ended September 30, 2014

	<u>Internal Service Fund</u>
OPERATING REVENUES	
Sales	\$ 54,384
OPERATING EXPENSES	
Materials	<u>47,808</u>
OPERATING INCOME/CHANGE IN NET POSITION	6,576
Net position, beginning of year	<u>52,796</u>
Net position, end of year	<u><u>\$ 59,372</u></u>

Isabella County, Michigan

Component Unit Funds

STATEMENT OF CASH FLOWS - DRAINAGE DISTRICTS - DRAIN TILE FUND

Year Ended September 30, 2014

	<u>Internal Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	\$ 54,384
Cash paid to suppliers	<u>(51,002)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,382
Cash and cash equivalents, beginning of year	<u>21,606</u>
Cash and cash equivalents, end of year	<u><u>\$ 24,988</u></u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 6,576
Adjustments to reconcile operating income to net cash provided by operating activities	
(Increase) in:	
Inventories	(3,280)
Increase in:	
Accounts payable	<u>86</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 3,382</u></u>

Isabella County, Michigan

Component Unit Funds

COMBINING BALANCE SHEET - BOARD OF PUBLIC WORKS

September 30, 2014

	Debt Service			Total
	Shepherd Storm Sewer	Union Township Wastewater Treatment	Union Township Water System	
<b>ASSETS</b>				
Lease receivable	\$ -	\$ 4,410,000	\$ -	\$ 4,410,000
Due from other funds	-	37,040	-	37,040
Prepays	-	373,415	109,415	482,830
<b>TOTAL ASSETS</b>	<u>\$ -0-</u>	<u>\$ 4,820,455</u>	<u>\$ 109,415</u>	<u>\$ 4,929,870</u>
<b>LIABILITIES</b>				
Due to other funds	\$ -	\$ -	\$ 37,040	\$ 37,040
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue	-	4,777,014	-	4,777,014
<b>FUND BALANCES</b>				
Nonspendable	-	373,415	109,415	482,830
Unassigned (deficit)	-	(329,974)	(37,040)	(367,014)
<b>TOTAL FUND BALANCES</b>	<u>-0-</u>	<u>43,441</u>	<u>72,375</u>	<u>115,816</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u>\$ -0-</u>	<u>\$ 4,820,455</u>	<u>\$ 109,415</u>	<u>\$ 4,929,870</u>

Isabella County, Michigan

Component Unit Funds

RECONCILIATION OF THE COMBINING BALANCE SHEET TO  
THE STATEMENT OF NET POSITION - BOARD OF PUBLIC WORKS

September 30, 2014

**Fund balance/net position - total component unit funds** \$ 197,919

Amounts reported for the component unit activities in the statement of net position are different because:

Certain accounts receivable are not susceptible to accrual in the governmental funds due to not having met the criteria to be considered available to finance current operations. 4,777,014

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Accrued interest payable	\$ (34,415)	
Direct County obligations	<u>(4,674,239)</u>	
		<u>(4,708,654)</u>

**Net position of component unit activities** \$ 266,279

Isabella County, Michigan

Component Unit Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - BOARD OF PUBLIC WORKS

Year Ended September 30, 2014

	Debt Service			Total
	Shepherd Storm Sewer	Union Township Wastewater Treatment	Union Township Water System	
REVENUES				
Intergovernmental - local	\$ 215,005	\$ 421,930	\$ 143,930	\$ 780,865
EXPENDITURES				
Debt service				
Principal	210,000	320,000	75,000	605,000
Interest and fiscal charges	5,005	100,290	69,868	175,163
TOTAL EXPENDITURES	<u>215,005</u>	<u>420,290</u>	<u>144,868</u>	<u>780,163</u>
NET CHANGE IN FUND BALANCES	-0-	1,640	(938)	702
Fund balances, beginning of year	<u>-</u>	<u>41,801</u>	<u>73,313</u>	<u>115,114</u>
Fund balances, end of year	<u>\$ -0-</u>	<u>\$ 43,441</u>	<u>\$ 72,375</u>	<u>\$ 115,816</u>

Isabella County, Michigan

Component Unit Funds

RECONCILIATION OF THE COMBINING STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL  
FUNDS TO THE STATEMENT OF ACTIVITIES - BOARD OF PUBLIC WORKS

Year Ended September 30, 2014

**Net change in fund balances/net position - total component unit funds** \$ (11,902)

Amounts reported for component unit activities in the statement of activities are different because:

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net position. In the current year, these amounts consist of:

Long-term debt retirements	\$ 605,000
Net effect of bond refunding and related items	<u>(7,912)</u>

597,088

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (695,000)

Some items reported in the statement of activities do not require the use of financial resources and are therefore not reported as expenditures in governmental funds. These items consist of:

Decrease in accrued interest payable	<u>1,743</u>
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**Change in net position of component unit activities** \$ (108,071)

Isabella County, Michigan

Component Unit Funds

STATEMENT OF NET POSITION - BOARD OF PUBLIC WORKS -  
LAKE ISABELLA WATER SUPPLY SYSTEM

September 30, 2014

	<u>Enterprise Fund</u>
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 28,823
Accounts receivable	<u>13,143</u>
Total current assets	41,966
Noncurrent assets	
Capital assets not being depreciated	16,000
Capital assets being depreciated, net	<u>25,233</u>
Total noncurrent assets	<u>41,233</u>
TOTAL ASSETS	83,199
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	<u>1,096</u>
<b>NET POSITION</b>	
Investment in capital assets	41,233
Unrestricted	<u>40,870</u>
NET POSITION	<u><u>\$ 82,103</u></u>

Isabella County, Michigan

Component Unit Funds

STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN NET POSITION - BOARD OF PUBLIC WORKS -  
LAKE ISABELLA WATER SUPPLY SYSTEM

Year Ended September 30, 2014

	<u>Enterprise Fund</u>
OPERATING REVENUES	
Charges for services	\$ 37,400
OPERATING EXPENSES	
Personnel services	11,990
Supplies	4,876
Utilities	3,876
Contractual services	6,490
Other	14,971
Depreciation	<u>7,836</u>
TOTAL OPERATING EXPENSES	<u>50,039</u>
OPERATING (LOSS)	(12,639)
NONOPERATING REVENUES	
Interest	<u>35</u>
CHANGE IN NET POSITION	(12,604)
Net position, beginning of year	<u>94,707</u>
Net position, end of year	<u><u>\$ 82,103</u></u>

Isabella County, Michigan

Component Unit Funds

STATEMENT OF CASH FLOWS - BOARD OF PUBLIC WORKS  
LAKE ISABELLA WATER SUPPLY SYSTEM

Year Ended September 30, 2014

	Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	\$ 35,775
Cash paid to suppliers	<u>(41,778)</u>
NET CASH (USED) BY OPERATING ACTIVITIES	(6,003)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest	<u>35</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(5,968)
Cash and cash equivalents, beginning of year	<u>34,791</u>
Cash and cash equivalents, end of year	<u><u>\$ 28,823</u></u>
Reconciliation of operating (loss) to net cash (used) by operating activities	
Operating (loss)	\$ (12,639)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities	
Depreciation	7,836
(Increase) in:	
Accounts receivable	(1,625)
Increase in:	
Accounts payable	<u>425</u>
NET CASH (USED) BY OPERATING ACTIVITIES	<u><u>\$ (6,003)</u></u>

## STATISTICAL SECTION

This part of Isabella County's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

<b>Contents</b>	<b><u>Page</u></b>
Financial Trends	
<i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	105
Revenue Capacity	
<i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	108
Debt Capacity	
<i>These schedules present information to help the reader assess the affordability of the government's current level of outstanding debt and the government's ability to issue additional debt in the future.</i>	115
Demographic and Economic Information	
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	119
Operating Information	
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i>	121

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The County implemented Governmental Accounting Standards Board Statement 34 in 2003. Schedules presenting government-wide information include information beginning in that year.

Isabella County, Michigan  
 NET POSITION BY COMPONENT  
 LAST TEN FISCAL YEARS  
 (Unaudited)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Governmental activities										
Net investment in capital assets	\$ 12,586,690	\$ 13,583,934	\$ 11,693,861	\$ 11,537,707	\$ 11,631,381	\$ 11,656,812	\$ 11,424,516	\$ 11,430,374	\$ 11,884,156	\$ 12,414,882
Restricted	247,808	295,993	283,882	611,045	649,345	449,996	4,652,196	4,733,613	4,497,495	4,774,534
Unrestricted	4,934,619	7,839,719	12,801,477	14,194,649	13,565,998	13,835,102	11,233,500	10,909,768	11,690,749	12,789,431
Total governmental activities net position	<u>\$ 17,769,117</u>	<u>\$ 21,719,646</u>	<u>\$ 24,779,220</u>	<u>\$ 26,343,401</u>	<u>\$ 25,846,724</u>	<u>\$ 25,941,910</u>	<u>\$ 27,310,212</u>	<u>\$ 27,073,755</u>	<u>\$ 28,072,400</u>	<u>\$ 29,978,847</u>
Business-type activities										
Net investment in capital assets	\$ 3,815,212	\$ 3,780,427	\$ 4,430,933	\$ 4,613,014	\$ 5,900,138	\$ 6,120,965	\$ 6,125,310	\$ 6,537,343	\$ 1,405,648	\$ 1,636,046
Restricted	3,047,637	2,657,252	3,830,776	4,261,178	1,087,003	597,232	605,557	566,147	350,000	350,000
Unrestricted	6,058,074	7,960,768	8,507,289	9,844,349	12,414,510	14,673,443	15,928,820	17,600,762	10,133,828	9,897,272
Total business-type activities net position	<u>\$ 12,920,923</u>	<u>\$ 14,398,447</u>	<u>\$ 16,768,998</u>	<u>\$ 18,718,541</u>	<u>\$ 19,401,651</u>	<u>\$ 21,391,640</u>	<u>\$ 22,659,687</u>	<u>\$ 24,704,252</u>	<u>\$ 11,889,476</u>	<u>\$ 11,883,318</u>
Primary government										
Net investment in capital assets	\$ 16,401,902	\$ 17,364,361	\$ 16,124,794	\$ 16,150,721	\$ 17,531,519	\$ 17,777,777	\$ 17,549,826	\$ 17,967,717	\$ 17,967,717	\$ 14,050,928
Restricted	3,295,445	2,953,245	4,114,658	4,872,223	1,736,348	1,047,228	5,257,753	5,299,760	5,299,760	5,124,534
Unrestricted	10,992,693	15,800,487	21,308,766	24,038,998	25,980,508	28,508,545	27,162,320	28,510,530	28,510,530	22,686,703
Total primary activities net position	<u>\$ 30,690,040</u>	<u>\$ 36,118,093</u>	<u>\$ 41,548,218</u>	<u>\$ 45,061,942</u>	<u>\$ 45,248,375</u>	<u>\$ 47,333,550</u>	<u>\$ 49,969,899</u>	<u>\$ 51,778,007</u>	<u>\$ 51,778,007</u>	<u>\$ 41,862,165</u>

Isabella County, Michigan  
**CHANGES IN NET POSITION**  
**LAST TEN FISCAL YEARS**  
(Unaudited)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<b>Expenses</b>										
Governmental activities:										
General government	\$ 8,804,801	\$ 8,903,193	\$ 9,037,551	\$ 9,323,399	\$ 9,500,081	\$ 9,799,291	\$ 9,519,926	\$ 9,951,030	\$ 10,178,468	\$ 10,051,170
Public safety	6,921,138	6,993,809	7,244,038	6,705,990	6,738,044	6,841,410	7,043,762	7,094,068	7,276,762	7,112,889
Public works	76,458	117,136	327,166	198,483	250,084	225,971	209,533	230,021	242,392	242,005
Community and economic development	-	-	230,869	233,436	209,415	205,914	214,605	242,477	226,684	289,280
Health and welfare	5,933,564	5,651,353	6,019,736	6,252,019	6,407,529	5,979,709	5,774,589	5,827,870	5,959,473	5,783,379
Culture and recreation	1,108,896	1,057,792	704,189	754,376	866,072	746,056	604,405	596,249	769,779	833,562
Interest on debt	315,652	297,716	172,524	314,741	224,791	217,606	212,604	185,223	143,230	114,830
Total governmental activities expenses	<u>23,160,509</u>	<u>23,020,999</u>	<u>23,736,073</u>	<u>23,782,444</u>	<u>24,196,016</u>	<u>24,015,957</u>	<u>23,579,424</u>	<u>24,126,938</u>	<u>24,796,788</u>	<u>24,427,115</u>
Business-type activities:										
Delinquent tax	65,087	70,472	179,154	188,357	189,073	160,524	205,902	267,016	312,806	349,329
Building inspections	336,463	297,811	343,190	280,582	253,795	212,858	236,522	255,209	273,768	304,450
Recycling facility	1,091,877	897,929	1,115,104	1,174,988	897,922	1,001,916	1,082,746	1,125,230	981,435	1,020,239
Concessions	143,269	129,915	109,441	227,204	200,022	239,422	235,313	551,900	284,061	256,820
Medical Care Facility	6,451,341	7,993,776	8,368,433	8,856,618	10,554,367	10,614,196	11,164,093	11,142,288	-	-
Total business-type activities expenses	<u>8,088,037</u>	<u>9,389,903</u>	<u>10,115,322</u>	<u>10,727,749</u>	<u>12,095,179</u>	<u>12,228,916</u>	<u>12,924,576</u>	<u>13,341,643</u>	<u>1,852,070</u>	<u>1,930,838</u>
Total primary government expenses	<u>\$ 31,248,546</u>	<u>\$ 32,410,902</u>	<u>\$ 33,851,395</u>	<u>\$ 34,510,193</u>	<u>\$ 36,291,195</u>	<u>\$ 36,244,873</u>	<u>\$ 36,504,000</u>	<u>\$ 37,468,581</u>	<u>\$ 26,648,858</u>	<u>\$ 26,357,953</u>
<b>Program Revenues</b>										
Governmental activities:										
Charges for services										
General government	\$ 4,110,207	\$ 4,054,488	\$ 3,014,558	\$ 3,149,557	\$ 2,941,321	\$ 2,908,399	\$ 3,043,776	\$ 3,265,951	\$ 3,128,327	\$ 2,923,473
Public safety	2,160,798	2,175,113	2,511,478	2,921,676	2,629,612	2,725,489	2,635,438	2,791,059	3,041,601	1,969,112
Public works	-	-	126,847	-	-	-	-	-	-	-
Community and economic development	-	-	36,974	6,409	8,888	4,933	6,733	7,712	13,715	21,047
Health and welfare	404,602	388,823	494,261	519,802	536,869	504,500	398,781	356,106	418,918	282,756
Culture and recreation	347,764	323,391	268,677	271,132	283,249	342,994	336,200	345,848	328,447	347,735
Interest on debt	133,341	(53,584)	-	-	-	-	-	-	-	-
Operating grants and contributions	7,314,517	7,274,570	6,103,937	5,397,183	5,459,794	5,246,429	5,148,434	4,938,237	5,101,328	4,570,129
Capital grants and contributions	744,934	439,063	73,939	26,511	111,188	30,430	72,819	29,811	46,169	8,472
Total governmental activities program revenues	<u>15,216,163</u>	<u>14,601,864</u>	<u>12,630,671</u>	<u>12,292,270</u>	<u>11,970,921</u>	<u>11,763,174</u>	<u>11,642,181</u>	<u>11,734,724</u>	<u>12,078,505</u>	<u>10,122,724</u>
Business-type activities:										
Charges for services										
Delinquent tax	451,857	556,383	491,552	639,056	718,410	967,436	729,239	721,251	875,716	643,695
Building inspections	398,178	331,525	302,560	220,226	198,042	249,272	318,352	297,834	369,585	417,505
Recycling facility	707,255	626,238	738,576	711,884	426,162	687,810	931,803	740,951	632,811	595,105
Concessions	200,684	222,021	235,051	261,737	319,879	308,364	266,553	329,029	374,519	305,405
Medical Care Facility	5,239,485	7,261,947	8,188,068	8,146,853	8,864,193	9,067,589	9,662,823	11,787,761	-	-
Operating grants and contributions	506,250	438,182	293,545	935,623	670,013	1,341,355	977,303	247,850	170,524	256,373
Capital grants and contributions	-	-	-	-	-	70,011	5,212	5,147	-	-
Total business-type activities program revenues	<u>7,503,709</u>	<u>9,436,296</u>	<u>10,249,352</u>	<u>10,915,379</u>	<u>11,196,699</u>	<u>12,691,837</u>	<u>12,891,285</u>	<u>14,129,823</u>	<u>2,423,155</u>	<u>2,218,083</u>
Total primary government program revenues	<u>\$ 22,719,872</u>	<u>\$ 24,038,160</u>	<u>\$ 22,880,023</u>	<u>\$ 23,207,649</u>	<u>\$ 23,167,620</u>	<u>\$ 24,455,011</u>	<u>\$ 24,533,466</u>	<u>\$ 25,864,547</u>	<u>\$ 14,501,660</u>	<u>\$ 12,340,807</u>

## Isabella County, Michigan

## CHANGES IN NET POSITION - CONCLUDED

## LAST TEN FISCAL YEARS

(Unaudited)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Net (expense)/revenue										
Governmental activities	\$ (7,944,346)	\$ (8,419,135)	\$ (11,105,402)	\$ (11,490,174)	\$ (12,225,095)	\$ (12,252,783)	\$ (11,937,243)	\$ (12,392,214)	\$ (12,718,283)	\$ (14,304,391)
Business-type activities	(584,328)	46,393	134,030	187,630	(898,480)	462,921	(33,291)	788,180	571,085	287,245
Total primary government net expense	<u>\$ (8,528,674)</u>	<u>\$ (8,372,742)</u>	<u>\$ (10,971,372)</u>	<u>\$ (11,302,544)</u>	<u>\$ (13,123,575)</u>	<u>\$ (11,789,862)</u>	<u>\$ (11,970,534)</u>	<u>\$ (11,604,034)</u>	<u>\$ (12,147,198)</u>	<u>\$ (14,017,146)</u>
<b>General Revenues and Other Changes in</b>										
<b>Net Position</b>										
Governmental activities:										
Property taxes	\$ 9,883,634	\$ 10,964,855	\$ 13,087,917	\$ 11,379,585	\$ 10,832,634	\$ 11,681,218	\$ 11,689,532	\$ 11,264,546	\$ 11,934,960	\$ 12,642,259
State shared revenue	-	-	-	-	-	-	-	942,120	948,914	995,270
Unrestricted grants and contributions	361,470	410,176	568,277	569,939	507,392	507,766	516,595	626,255	729,054	812,668
Unrestricted investment earnings	231,476	384,489	532,088	468,995	172,972	64,998	56,898	50,587	40,477	71,988
Gain on disposal of capital assets	-	-	-	348,844	-	-	-	-	-	-
Other revenue	-	-	122,176	225,596	125,420	93,987	141,178	142,867	193,523	353,023
Transfers - internal activities	299,294	429,404	(145,482)	76,165	90,000	-	45,305	(14,581)	(130,000)	396,076
Total governmental activities	<u>10,775,874</u>	<u>12,188,924</u>	<u>14,164,976</u>	<u>13,069,124</u>	<u>11,728,418</u>	<u>12,347,969</u>	<u>12,449,508</u>	<u>13,011,794</u>	<u>13,716,928</u>	<u>15,271,284</u>
Business-type activities:										
Property taxes	1,072,663	1,150,880	1,223,378	1,326,806	1,385,061	1,287,847	1,090,229	1,094,046	-	-
Unrestricted grants and contributions	150,725	76,544	-	-	-	-	-	-	-	-
Unrestricted investment earnings	264,528	652,179	398,090	338,589	182,859	143,908	145,576	146,133	107,985	86,149
Gain on disposal of capital assets	-	-	7,000	701	-	-	-	-	-	-
Other revenue	7,733	-	462,571	171,982	103,670	95,313	110,838	1,625	8,077	31,911
Transfers - internal activities	(299,294)	(429,404)	145,482	(76,165)	(90,000)	-	(45,305)	14,581	130,000	(396,076)
Total business-type activities	<u>1,196,355</u>	<u>1,450,199</u>	<u>2,236,521</u>	<u>1,761,913</u>	<u>1,581,590</u>	<u>1,527,068</u>	<u>1,301,338</u>	<u>1,256,385</u>	<u>246,062</u>	<u>(278,016)</u>
Total primary government	<u>\$ 11,972,229</u>	<u>\$ 13,639,123</u>	<u>\$ 16,401,497</u>	<u>\$ 14,831,037</u>	<u>\$ 13,310,008</u>	<u>\$ 13,875,037</u>	<u>\$ 13,750,846</u>	<u>\$ 14,268,179</u>	<u>\$ 13,962,990</u>	<u>\$ 14,993,268</u>
<b>Change in Net Position</b>										
Governmental activities	\$ 2,831,528	\$ 3,769,789	\$ 3,059,574	\$ 1,578,950	\$ (496,677)	\$ 95,186	\$ 512,265	\$ 619,580	\$ 998,645	\$ 966,893
Business-type activities	612,027	1,496,592	2,370,551	1,949,543	683,110	1,989,989	1,268,047	2,044,565	817,147	9,229
Total primary government	<u>\$ 3,443,555</u>	<u>\$ 5,266,381</u>	<u>\$ 5,430,125</u>	<u>\$ 3,528,493</u>	<u>\$ 186,433</u>	<u>\$ 2,085,175</u>	<u>\$ 1,780,312</u>	<u>\$ 2,664,145</u>	<u>\$ 1,815,792</u>	<u>\$ 976,122</u>

Isabella County, Michigan  
GOVERNMENTAL ACTIVITIES TAX REVENUE BY SOURCE  
LAST TEN FISCAL YEARS  
(Unaudited)

<u>Fiscal Year</u>	<u>Property Tax</u>
2005	\$ 9,883,634
2006	10,964,855
2007	13,087,917
2008	11,379,585
2009	11,002,634
2010	11,681,218
2011	11,689,532
2012	11,264,546
2013	11,934,960
2014	12,642,259

Isabella County, Michigan  
 FUND BALANCES OF GOVERNMENTAL FUNDS  
 LAST TEN FISCAL YEARS  
 (Unaudited)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General fund										
Reserved	\$ 32,167	\$ 23,911	\$ 75,098	\$ 63,282	\$ 64,690	\$ 38,147	\$ -	\$ -	\$ -	\$ -
Unreserved	4,341,327	4,704,913	4,867,875	6,326,335	6,214,950	6,786,588	-	-	-	-
Nonspendable	-	-	-	-	-	-	36,477	41,530	41,001	55,628
Assigned	-	-	-	-	-	-	2,958,362	3,020,750	3,063,686	3,097,321
Unassigned	-	-	-	-	-	-	4,697,759	5,371,626	6,300,152	7,869,977
Total general fund	<u>\$ 4,373,494</u>	<u>\$ 4,728,824</u>	<u>\$ 4,942,973</u>	<u>\$ 6,389,617</u>	<u>\$ 6,279,640</u>	<u>\$ 6,824,735</u>	<u>\$ 7,692,598</u>	<u>\$ 8,433,906</u>	<u>\$ 9,404,839</u>	<u>\$ 11,022,926</u>
All other governmental funds										
Reserved	\$ 156,349	\$ 246,485	\$ 347,858	\$ 736,162	\$ 743,008	\$ 573,744	\$ -	\$ -	\$ -	\$ -
Unreserved										
Special revenue funds	2,108,826	3,928,953	5,829,483	5,042,586	3,999,598	3,316,250	-	-	-	-
Debt Service Funds	47,483	49,534	123,741	379,825	1,009,339	1,181,276	-	-	-	-
Capital Project Funds	68,095	12,141	-	-	-	-	-	-	-	-
Nonspendable	-	-	-	-	-	-	970,630	104,109	148,844	97,151
Restricted	-	-	-	-	-	-	4,753,910	4,845,364	4,570,594	3,671,083
Committed	-	-	-	-	-	-	259,646	300,685	457,593	591,963
Total all other governmental funds	<u>\$ 2,380,753</u>	<u>\$ 4,237,113</u>	<u>\$ 6,301,082</u>	<u>\$ 6,158,573</u>	<u>\$ 5,751,945</u>	<u>\$ 5,071,270</u>	<u>\$ 5,984,186</u>	<u>\$ 5,250,158</u>	<u>\$ 5,177,031</u>	<u>\$ 4,360,197</u>

Note: GASB 54 became effective and was implemented in 2011. Prior period amounts were not restated.

Isabella County, Michigan

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(Unaudited)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Revenues</b>										
Taxes	\$ 9,883,634	\$ 11,085,829	\$ 14,267,784	\$ 11,145,067	\$ 10,966,957	\$ 11,735,590	\$ 11,584,266	\$ 11,509,423	\$ 12,094,789	\$ 12,871,889
Licenses and permits	465,099	455,771	363,080	367,611	357,423	429,897	418,847	451,006	477,251	453,337
Intergovernmental revenue	7,897,888	7,462,530	5,049,049	5,409,168	5,477,999	5,226,707	5,557,400	5,932,033	6,156,755	5,830,859
Charges for services	3,944,473	3,902,825	5,286,450	5,760,081	5,362,434	5,266,974	5,196,396	5,563,755	5,651,331	4,373,826
Fines and forfeits	595,695	461,592	279,379	185,898	199,954	236,544	293,265	257,853	284,880	248,534
Interest and rent	2,303,142	2,444,298	1,105,727	1,067,122	753,732	664,139	649,038	639,336	632,066	668,069
Contributions	-	-	-	-	-	-	443,155	464,465	517,428	433,670
Other revenue	737,417	799,483	512,125	668,416	607,111	596,854	171,339	185,003	269,826	345,555
Total revenues	<u>25,827,348</u>	<u>26,612,328</u>	<u>26,863,594</u>	<u>24,603,363</u>	<u>23,725,610</u>	<u>24,156,705</u>	<u>24,313,706</u>	<u>25,002,874</u>	<u>26,084,326</u>	<u>25,225,739</u>
<b>Expenditures</b>										
General government	8,126,775	8,361,658	8,538,845	8,852,832	8,920,239	9,306,627	8,859,985	9,343,780	9,523,692	9,578,054
Public safety	6,921,785	7,331,698	6,693,599	6,192,682	6,122,729	6,387,256	6,420,087	6,579,415	6,840,398	6,782,321
Public works	243,093	186,192	321,908	192,127	242,899	219,239	200,959	220,353	232,383	232,163
Health and welfare	5,929,630	5,638,716	5,970,279	6,075,394	6,240,506	5,804,995	5,546,263	5,600,066	5,754,149	5,626,061
Culture and recreation	1,097,398	1,130,719	677,657	714,648	738,896	705,234	553,369	581,121	749,408	813,424
Other	529,918	401,492	612,004	723,047	675,429	797,636	788,299	665,905	661,849	655,758
Capital outlay	777,966	1,110,823	1,017,937	3,558,426	389,329	80,637	5,282	99,236	255,678	65,752
Debt service										
Principal	338,182	370,968	359,685	640,000	750,000	715,000	766,850	741,925	745,788	773,856
Interest and fiscal charges	320,729	297,776	248,080	369,093	252,188	275,661	293,175	293,175	293,175	293,174
Bond issuance costs	-	-	-	74,306	-	-	-	-	-	-
Total expenditures	<u>24,285,476</u>	<u>24,830,042</u>	<u>24,439,994</u>	<u>27,392,555</u>	<u>24,332,215</u>	<u>24,292,285</u>	<u>23,434,269</u>	<u>24,124,976</u>	<u>25,056,520</u>	<u>24,820,562</u>
Excess of revenues over (under) expenditures	1,541,872	1,782,286	2,423,600	(2,789,192)	(606,605)	(135,580)	879,437	877,898	1,027,806	405,177
<b>Other financing sources (uses)</b>										
Bond proceeds	-	-	-	8,164,470	-	-	-	-	-	-
Bond premium	-	-	-	71,356	-	-	-	-	-	-
Sale of capital assets	-	-	-	478,120	-	-	-	-	-	-
Transfers in	6,741,406	6,764,426	7,298,040	3,930,376	4,339,800	3,578,875	2,470,224	1,868,619	1,269,512	1,769,673
Underwriter discount	-	-	-	(41,580)	-	-	-	-	-	-
Transfer to escrow agent	-	-	-	(4,640,435)	-	-	-	-	-	-
Transfers (out)	(6,442,112)	(6,335,022)	(7,443,522)	(3,854,211)	(4,249,800)	(3,578,875)	(2,424,919)	(1,883,200)	(1,399,512)	(1,373,597)
Total other financing sources (uses)	<u>299,294</u>	<u>429,404</u>	<u>(145,482)</u>	<u>4,108,096</u>	<u>90,000</u>	<u>-0-</u>	<u>45,305</u>	<u>(14,581)</u>	<u>(130,000)</u>	<u>396,076</u>
Net change in fund balances	<u>\$ 1,841,166</u>	<u>\$ 2,211,690</u>	<u>\$ 2,278,118</u>	<u>\$ 1,318,904</u>	<u>\$ (516,605)</u>	<u>\$ (135,580)</u>	<u>\$ 924,742</u>	<u>\$ 863,317</u>	<u>\$ 897,806</u>	<u>\$ 801,253</u>

Isabella County, Michigan

ASSESSED VALUE AND ESTIMATED TRUE CASH VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS

(Unaudited)

Fiscal Year Ended September 30,	A.V. Real Property		A.V. Personal Property	Total Assessed Value	Total Direct Tax Rate	Total Taxable Value	Estimated True Cash Value	Taxable Value as a Percentage of True Cash Value
	Ag/Res	Com/Ind/T-C/Dev						
2005	\$ 1,330,374,674	\$ 375,539,834	\$ 106,113,539	\$ 1,812,028,047	8.1700	\$ 1,314,413,774	\$ 3,624,056,094	36.27%
2006	1,455,811,177	406,602,475	108,564,527	1,970,978,179	9.1500	1,409,975,482	3,941,956,358	35.77%
2007	1,542,103,877	464,507,257	114,135,396	2,120,746,530	9.1476	1,529,082,641	4,241,493,060	36.05%
2008	1,583,119,644	488,103,444	118,716,860	2,189,939,948	9.0129	1,596,594,915	4,379,879,896	36.45%
2009	1,539,266,015	509,139,302	123,792,826	2,172,198,143	9.0129	1,657,956,466	4,344,396,286	38.16%
2010	1,462,927,237	474,667,593	124,625,346	2,062,220,176	8.9220	1,617,447,158	4,124,440,352	39.22%
2011	1,420,391,692	472,871,897	122,386,720	2,015,650,309	8.9220	1,627,829,213	4,031,300,618	40.38%
2012	1,387,832,752	453,018,650	123,973,688	1,964,825,090	8.9220	1,622,754,247	3,929,650,180	41.30%
2013	1,410,121,499	449,752,506	137,740,937	1,997,614,942	9.1720	1,658,603,851	3,995,229,884	41.51%
2014	1,464,742,254	446,647,572	120,690,993	2,032,080,819	9.3996	1,664,679,324	4,064,161,638	40.96%

Source: Isabella County Equalization Department

Note: Property in the county is reassessed annually. The tax rates are applied to taxable value to generate revenue. True cash values are estimated at twice the State Equalized Values. Estimated actual value is calculated by dividing assessed value by those percentages.

Tax rates are per \$1,000 of taxable value.

Isabella County, Michigan  
 PROPERTY TAX RATES  
 DIRECT AND OVERLAPPING GOVERNMENTS  
 LAST TEN FISCAL YEARS  
 (Unaudited)

Fiscal Year (1)	Isabella County				Overlapping Rates							Cities		
	Operating Millage	Special Millage	Total County Millage	SET (2)	Local School Districts	Inter-mediate Schools	Library Districts	Mid-Michigan Comm College	Montcalm Comm College	Townships	Mt. Pleasant	Clare	Villages	
2005	0.0000	7.2700	7.2700	6.0000	20.0509 - 26.5200	1.1756 - 4.2985	2.6894	1.2404	2.7292	.9775 - 3.1762	15.4500	19.2500	1.8556 - 13.0000	
2006	0.0000	8.2700	8.2700	6.0000	20.4000 - 26.5200	1.1756 - 5.0859	2.6790	1.2232	2.7292	.9502 - 3.1272	15.7500	19.2500	1.8465 - 13.0000	
2007	6.4700	2.6776	9.1476	6.0000	20.4000 - 26.5200	1.1756 - 5.0859	2.6790	1.2232	2.7292	.9502 - 3.1272	15.7500	19.2500	1.8465 - 13.0000	
2008	6.4700	2.5429	9.0129	6.0000	20.4000 - 26.5200	1.1756 - 5.0859	2.6790	1.2232	2.7292	.9363 - 3.0946	15.9500	19.2329	1.8463 - 13.0000	
2009	6.4700	2.5429	9.0129	6.0000	20.4000 - 26.2640	2.0385 - 5.0859	.9931 - 1.75	1.2232	2.7292	1.000 - 2.9941	15.7500	19.2402	1.8463 - 13.0000	
2010	6.6100	2.3120	8.9220	6.0000	20.4300 - 26.2640	2.0385 - 5.0859	.9931 - 1.75	1.2232	2.7292	.9980 - 3.0000	15.7500	19.2475	1.8463 - 13.0000	
2011	6.6100	2.3120	8.9220	6.0000	20.2300 - 26.2640	2.0385 - 5.0859	.9931 - 1.75	1.2232	2.7292	.9980 - 5.7108	15.7500	19.0000	1.8463 - 13.0000	
2012	6.6100	2.6620	9.2720	6.0000	20.5600 - 26.0140	2.0385 - 5.0859	.9931 - 1.75	1.2232	2.7292	.9980 - 5.1595	15.7500	19.0000	1.8463 - 13.0000	
2013	6.6100	2.5620	9.1720	6.0000	19.8358 - 26.0000	2.0385 - 5.2985	.9931 - 1.75	1.2232	2.7292	.9976 - 5.1619	15.7500	19.0000	1.8463 - 13.0000	
2014	6.6100	2.7896	9.3996	6.0000	19.8500 - 26.0000	2.0385 - 5.2985	.9931 - 1.75	1.2232	2.7292	.9938 - 5.4864	16.2500	19.0000	1.8463 - 13.0000	

Source: Isabella County Equalization Department

(1) Rates reduced to comply with the Headlee Amendment.

## Isabella County, Michigan

## PRINCIPAL PROPERTY TAXPAYERS

2014 and 2005

(Unaudited)

<u>Taxpayer</u>	<u>2014</u>			<u>2005</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>
Consumers Energy	\$ 33,753,068	1	2.03%	\$ 22,807,230	1	1.86%
Copper Beech Townhome	12,615,093	2	0.76%			
PEP-CMU LLC ( formerly GFII... )	8,761,700	3	0.53%	9,655,100	2	0.79%
Deerfield Village LLC	8,297,520	4	0.50%			
Morbark, Inc	7,439,913	5	0.45%			
Jamestown Mt Pleasant Apt LLC	6,377,533	6	0.38%	6,448,284	4	0.53%
Lexington Ridge Apts LLC	6,365,395	7	0.38%			
Tallgrass Apartments LLC	5,785,800	8	0.35%			
Sterling Wy Associates LLC	5,457,818	9	0.33%	6,857,694	5	0.56%
Great Lakes Gas	6,018,291	10	0.36%	6,240,088	7	0.51%
CME Corporation	-		-	13,049,955	10	1.07%
Mid Michigan Inns Inc	-		-	7,427,747	3	0.61%
SUH Central Michigan LLC	-		-	7,164,576	6	0.59%
Michigan Consolidated Gas Co	-		-	6,592,171	8	0.54%
RCS Equities Inc	-		-	6,580,615	9	0.54%
<b>Totals</b>	<b>\$ 100,872,131</b>		<b>6.07%</b>	<b>\$ 92,823,460</b>		<b>7.60%</b>

Source: Isabella County Equalization Department

Isabella County, Michigan  
 PROPERTY TAX LEVIES AND COLLECTIONS  
 LAST TEN FISCAL YEARS  
 (Unaudited)

Year Ended December 31,	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Delinquents Purchased by Treasurer	Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy			Amount	Percentage of Levy
2005	\$ 52,447,054	\$ 49,611,137	94.59%	\$ 2,835,917	\$ 2,835,917	\$ 52,447,054	100.00%
2006	57,704,880	54,347,848	94.18%	3,357,032	3,357,032	57,704,880	100.00%
2007	61,765,095	58,024,415	93.94%	3,740,680	3,740,680	61,765,095	100.00%
2008	64,211,250	60,055,194	93.53%	4,156,056	4,155,189	64,210,383	100.00%
2009	65,950,129	61,676,929	93.52%	4,273,200	4,200,825	65,877,754	99.89%
2010	65,359,749	61,319,535	93.82%	3,938,193	3,232,397	64,551,932	98.76%
2011	65,801,343	62,256,607	94.61%	3,544,736	1,839,067	64,095,674	97.41%
2012	66,335,710	62,839,145	94.73%	3,496,565	1,871,770	64,710,915	97.55%
2013	68,483,244	64,654,008	94.41%	3,829,236	2,196,600	66,850,608	97.62%
**2014							

Source: Isabella County Administration / Isabella County Treasurer

(1) Includes all delinquent tax years March 31- March 31 and excludes personal tax collections.

\*\*2014 tax settlement not completed.

Isabella County, Michigan

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

(Unaudited)

Fiscal Year	Governmental Activities				Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Postclosure Landfill Costs	Capital Leases	Business-Type Activities			
2005	\$ 5,785,000	\$ 1,011,710	\$ 80,656	\$ 7,724,085	\$ 14,601,451	0.95%	221
2006	5,465,000	1,077,585	29,685	7,516,848	14,089,118	0.86%	211
2007	5,135,000	1,008,197	-	7,251,824	13,395,021	0.77%	201
2008	8,010,229	948,278	-	6,945,974	15,904,481	0.89%	238
2009	7,266,117	879,130	-	6,664,649	14,809,896	0.80%	217
2010	6,557,005	820,614	-	6,292,876	13,670,495	0.75%	194
2011	5,752,893	784,685	-	5,958,583	12,496,161	0.67%	167
2012	4,943,782	751,759	-	5,629,018	10,572,800	0.54%	150
2013	4,135,000	708,509	-	-	4,843,509	N/A	69
2014	3,225,000	680,081	-	-	3,905,081	N/A	55

Note: Details regarding the County's outstanding debt can be found in the notes to the financial statements.

(1) See Statistical Table Number 14 for personal income and population data. These ratios are calculated using the most recent available income and population data.

## Isabella County, Michigan

## RATIOS OF GENERAL BONDED DEBT OUTSTANDING

## LAST TEN FISCAL YEARS

(Unaudited)

<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Less: Amounts Available in Debt Service Fund</b>	<b>Total</b>	<b>Percentage of Estimated Actual Taxable Value of Property (1)</b>	<b>Per Capita (2)</b>
2005	\$ 5,785,000	\$ 47,483	\$ 5,737,517	0.44%	87
2006	5,465,000	49,534	5,415,466	0.38%	81
2007	5,135,000	123,741	5,011,259	0.33%	75
2008	8,010,229	443,825	7,566,404	0.47%	113
2009	7,266,117	1,067,364	6,198,753	0.41%	91
2010	6,557,005	1,233,301	5,323,704	0.35%	78
2011	5,752,893	1,308,152	4,444,741	0.27%	63
2012	4,943,782	1,403,402	3,540,380	0.22%	50
2013	4,135,000	1,407,011	2,727,989	0.16%	39
2014	3,225,000	1,008,322	2,216,678	0.13%	31

Note: Details regarding the county's outstanding debt can be found in the notes to the financial statements.

(1) See Statistical Table Number 6 for property value data.

(2) See Statistical Table Number 14 for population data, last available population was used.

Isabella County, Michigan  
**LEGAL DEBT MARGIN INFORMATION**  
**LAST TEN FISCAL YEARS**  
(Unaudited)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Legal debt limit	\$ 131,441,377	\$ 140,997,548	\$ 152,908,264	\$ 159,659,792	\$ 152,912,268	\$ 161,744,716	\$ 162,782,921	\$ 162,275,425	\$ 165,860,385	\$ 166,467,932
Total net debt applicable to limit	<u>12,013,933</u>	<u>11,649,178</u>	<u>11,901,259</u>	<u>14,270,175</u>	<u>12,555,661</u>	<u>11,318,724</u>	<u>10,055,873</u>	<u>8,707,623</u>	<u>7,304,890</u>	<u>6,377,238</u>
Legal debt margin	<u>\$ 119,427,444</u>	<u>\$ 129,348,370</u>	<u>\$ 141,007,005</u>	<u>\$ 145,389,617</u>	<u>\$ 140,356,607</u>	<u>\$ 150,425,992</u>	<u>\$ 152,727,048</u>	<u>\$ 153,567,802</u>	<u>\$ 158,555,495</u>	<u>\$ 160,090,694</u>
Total net debt applicable to the limit as a percentage of debt limit	9.14%	8.26%	7.78%	8.94%	8.21%	7.00%	6.18%	5.37%	4.40%	3.83%

**Legal Debt Margin Calculation for Fiscal Year 2012**

Taxable Value	\$ 1,664,679,324
Debt limit (10% of taxable value of property in County)	166,467,932
Debt applicable to limit:	7,420,000
Less:	
Assets in Debt Service funds available for payment of principal	<u>1,042,762</u>
Total amount of debt applicable to debt limit	<u>6,377,238</u>
Legal debt margin	<u>\$ 160,090,694</u>

Note: Under state finance law Isabella County's outstanding general obligation debt shall not exceed 10 percent of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

Isabella County, Michigan

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

September 30, 2014

(Unaudited)

	<u>Government Unit:</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Amount Applicable to Isabella County</u>
City	Clare (Clare)	\$1,266,000	13.17%	\$ 175,088
	Mt Pleasant (Isabella)	\$5,315,000	100.00%	5,315,000
	<b>City Total</b>			<u>5,490,088</u>
Township	Coe (Isabella)	\$5,460	100.00%	5,460
	Lincoln (Isabella)	\$56,250	100.00%	56,250
	Union (Isabella)	\$5,137,000	100.00%	5,137,000
	<b>Township Total</b>			<u>5,198,710</u>
Village	Lake Isabella (Isabella)	\$1,269,000	100.00%	1,269,000
	<b>Village Total</b>			<u>1,269,000</u>
School District	Alma (Gratiot)	\$27,851,305	0.01%	2,785
	Beal City (Isabella)	\$5,069,149	100.00%	5,069,149
	Chippewa Hills (Mecosta)	\$11,445,000	29.33%	3,362,541
	Clare (Clare)	\$6,345,000	24.95%	1,629,396
	Coleman (Midland)	\$1,225,000	11.75%	145,653
	Farwell (Clare)	\$5,920,000	7.28%	439,856
	Montabella (Montcalm)	\$6,275,000	31.82%	2,019,295
	Mt Pleasant (Isabella)	\$23,420,000	100.00%	23,420,000
	Shepherd (Isabella)	\$31,302,534	94.20%	29,493,248
	St. Louis (Gratiot)	\$21,693,857	1.85%	429,538
	Vestaburg (Montcalm)	\$13,708,113	7.29%	1,014,400
	<b>School District Total</b>			<u>67,025,861</u>
Intermediate School District	Clare-Gladwin ISD	\$995,000		484,963
	Montcalm ISD	\$1,683,000	3.47%	59,578
	<b>Intermediate School District Total</b>			<u>544,541</u>
Community College	Mid Michigan Community College	\$1,825,000	4.75%	88,878
	Montcalm Community College	\$3,775,000	3.47%	133,635
	<b>Community College Total</b>			<u>222,513</u>
	<b>Subtotal, Overlapping Debt</b>			79,750,713
	<b>Isabella County Direct Debt</b>			<u>8,785,000</u>
	<b>Total Direct and Overlapping Debt</b>			<u>\$ 88,535,713</u>

Source: Municipal Advisory Council of Michigan

Isabella County, Michigan  
 DEMOGRAPHIC AND ECONOMIC STATISTICS  
 LAST TEN FISCAL YEARS

(Unaudited)

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Personal Income Per Capita</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>
2004	65,716	\$ 1,534,906,000	\$ 23,357	(1)	4.90%
2005	66,107	1,639,532,000	24,801	22,351	4.60%
2006	66,697	1,730,911,000	25,988	27,292	5.10%
2007	66,790	1,787,953,000	26,770	28,827	5.30%
2008	66,778	1,844,192,000	27,639	28,483	5.99%
2009	68,228	1,833,000,000	28,049	29,836	8.50%
2010	70,311	1,876,000,000	26,678	30,756	7.20%
2011	70,636	1,975,000,000	27,960	30,893	7.40%
2012	70,617	2,149,138,000	30,434	30,770	5.90%
2013	70,436	2,192,286,000	31,125	31,642	6.80%
2014	(1)	(1)	(1)	(1)	5.60%

Data Sources:

- U.S. Department of Commerce, Bureau of the Census
- Great Lakes Bay Region (<http://greatlakesbaysites.com>)
- Bureau of Economic Analysis, U.S. Department of Commerce (<http://www.bea.gov/iTable>)Table CA1-3 Personal income summary
- Michigan Department of Labor and Economic Growth - Unemployment rate information is a yearly average not seasonally adjusted.

(1) Information not available.

Isabella County, Michigan  
 PRINCIPAL EMPLOYERS  
 2012 and 2000  
 (Unaudited)

Employer	2012 (1)			2000 (2)		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Saginaw Chippewa Indian Tribe	3,331	1	9.69%	3,400	1	10.08%
Central Michigan University	2,551	2	7.42%	2,154	2	6.38%
McClaren Central Michigan Hospital	703	3	2.04%	730	4	2.16%
Delfield Co.	542	4	1.58%	630	6	1.87%
McBride Quality Care Services	500	5	1.45%			
Mt. Pleasant Public Schools	456	6	1.33%	750	3	2.22%
Morbark	412	7	1.20%	700	5	2.07%
Wal-Mart Stores Inc.	550	8	1.60%			
STT Security	400	9	1.16%			
LaBelle Management	400	10	1.16%	575	8	1.70%
Meijers				600	7	1.78%
Mount Pleasant Center				400	9	1.19%
CME Corporation				400	10	1.19%
Totals	<u>9,845</u>		<u>28.63%</u>	<u>10,339</u>		<u>30.64%</u>

(1) Most recent data on Middle Michigan Development Company website. 2014 not yet available.

(2) 2004 data not available.

Source:  
[www.mmdc.org](http://www.mmdc.org)

Isabella County, Michigan

FULL-TIME EQUIVALENT COUNTY EMPLOYEES BY FUNCTION

LAST TEN FISCAL YEARS

(Unaudited)

<b>Function</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
General Service Administration	54.5	54.5	54.5	53.0	53.0	50.4	49.5	45.5	49.1	50.6
Legislative	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Judicial	56.0	56.0	56.0	54.0	54.0	54.0	54.0	56.0	53.8	58.9
Law Enforcement and Correction	49.5	49.5	50.5	50.0	50.0	50.0	50.0	49.0	49.9	52.4
Public Safety and Emergency Services	23.6	23.6	24.6	21.4	21.4	20.7	20.7	20.7	21.5	21.4
Health and Welfare	33.0	33.0	33.0	31.3	31.3	31.3	31.3	31.3	28.2	29.1
Culture and Recreation	4.6	4.6	4.6	4.3	4.3	4.3	4.3	4.3	8.3	8.3
Planning and Development	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	2.6	3.4
Other Agencies	3.0	3.0	3.0	3.0	12.5	12.5	9.0	9.0	14.8	16.2
<b>Total</b>	<b>234.2</b>	<b>234.2</b>	<b>236.2</b>	<b>227.0</b>	<b>236.5</b>	<b>233.2</b>	<b>228.8</b>	<b>225.8</b>	<b>235.2</b>	<b>247.3</b>

(1) Data not available

Source: Isabella County Administration Office

Isabella County, Michigan  
 OPERATING INDICATORS BY FUNCTION  
 LAST TEN FISCAL YEARS  
 (Unaudited)

Function	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Judicial										
Trial Court total caseload	21,293	18,105	17,751	15,184	16,130	16,279	13,250	13,453	13,722	13,586
Law enforcement and corrections										
Number of incarcerated offenders	5,321	5,662	5,550	5,529	5,610	5,502	5,664	6,012	6,227	4,449
Public safety and emergency services										
Animal Control										
Complaints	2,034	2,110	2,471	3,273	1,618	1,383	1,297	1,861	1,705	1,151
Animal adoptions	1,406	1,161	1,060	1,799	1,371	1,390	1,542	1,576	1,620	1,042
Health and welfare										
Health Department										
Immunizations administered	(1)	(1)	3,365	3,864	(1)	5,187	5,785	4,365	4,863	4,194
House numbering										
House numbers issued	203	140	108	50	47	49	52	45	44	48
Housing										
Mortgages granted	-	-	-	-	-	-	-	6	7	9
Recreation and culture										
Annual vehicle park passes	1,469	1,427	1,485	1,487	1,727	1,560	1,528	1,692	1,447	1,640
Daily vehicle park passes	9,027	8,752	8,669	8,567	9,045	9,858	10,459	10,983	9,425	10,646
Annual boat passes	748	528	545	504	551	712	576	729	564	653
Daily boat passes	-	-	-	-	-	-	-	-	-	-

Note: Indicators are not available for the general government, legislative functions, planning and development.

(1) Information not available at this time. Table will be populated as information becomes available.

Data Sources: Isabella County Trial Court, Isabella County Sheriff Department, Isabella County Animal Control

Isabella County, Michigan  
 CAPITAL ASSET STATISTICS BY FUNCTION  
 LAST TEN FISCAL YEARS  
 (Unaudited)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<b>Function</b>										
Judicial										
Juvenile Detention Facilities	-	2	2	2	2	2	2	2	2	2
Law enforcement and corrections										
Sheriff										
Vehicles	-	25	19	23	23	23	23	23	21	20
Boats	-	1	1	1	1	1	1	1	1	1
Jail Facilities	-	1	1	1	1	1	1	1	1	1
Public safety and emergency services										
Animal control										
Vehicles	-	3	2	2	2	2	2	2	2	2
Emergency Services										
Vehicles	-	2	2	2	2	2	2	2	1	1
Community & Economic Development										
Vehicles	-	2	1	1	1	1	1	2	3	3
Recreation and culture										
Parks and recreation										
Parks	-	5	5	5	5	5	5	5	5	5
Vehicles	-	6	6	7	8	8	8	8	7	7

Source: Isabella County Finance Department

Note: No capital asset indicators are available for the general government, legislative, health & welfare, or public works functions. Not all historical information is available, this table will continue to be populated as more information becomes available.