

Comprehensive Annual Financial Report



Isabella County, Michigan

For The Year Ended
September 30, 2012

Issued by:
County Administrator's Department

Donna J. Barker, CPA
Director of Accounting Services

Timothy J. Dolehanty, AICP
County Controller / Administrator

ISABELLA COUNTY, MICHIGAN

Comprehensive Annual Financial Report Year Ended September 30, 2012

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**Donna J. Barker, CPA
Director of Accounting Services**

**Timothy J. Dolehanty, ICMA-CM, AICP
County Controller/Administrator**

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 Comprehensive Annual Financial Report
 Year Ended September 30, 2012

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INTRODUCTORY SECTION



Office of the County Administrator

200 North Main Street, Mount Pleasant, MI 48858

Telephone 989-772-0911, Ext. 202

Fax 989-773-7431

March 29, 2013

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, 2012, 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 the Isabella County Building Authority, Isabella County Family Independence Agency, Isabella County Medical Care Facility, Isabella County Commission on Aging, and Isabella County Parks Board, are blended into the County's Comprehensive Annual Financial Report. The Family Independence Agency and Medical Care Facility are 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 Central Michigan District Health Department, 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 of Mid-Michigan.

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:

The County provides many recreational opportunities highlighted by seven premier golf courses; Central Michigan University events and facilities; an array of public parks/lakes; and Mt. Pleasant Meadows, a para-mutual quarter-horse racetrack.

The Saginaw Chippewa Indian Tribe-Sponsored Casino continues to be a major attraction for out-of-County visitors. The Soaring Eagle Resort features a 1,500-car parking ramp, cabaret-style bingo hall which seats approximately 2,500 and a 103,000 square foot gaming hall containing 3,500 slot machines as well as Black Jack, Poker and Roulette tables. The 500 room hotel features luxury suites, a conference center and restaurants. Over the years many top entertainers have performed at this venue.

In May 2012, the Soaring Eagle Waterpark and Hotel opened, featuring a 110,000 square foot water park and 243 hotel rooms.

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, 2012 disclosed no significant violations of applicable laws and regulations.

Risk Management:

The County transitioned from being self-funded for health insurance to utilizing 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 anticipates this change 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 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 in compliance with the Publicly Funded Health Insurance Contribution Act (Act 152 of 2011). 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 ICMA. 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, 2011.

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.

Respectfully submitted,



Timothy J. Dolehanty, ICMA (CM), AICP
Administrator/Controller



Donna J Barker, CPA
Director of Accounting Services

**ISABELLA COUNTY, MICHIGAN
OFFICIALS
YEAR ENDED SEPTEMBER 30, 2012**

BOARD OF COMMISSIONERS

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

TRIAL COURT JUDGES

PAUL CHAMBERLAIN, CHIEF JUDGE

WILLIAM T. ERVIN

WILLIAM R. RUSH

MARK DUTHIE

OTHER ELECTED OFFICIALS

JOYCE SWAN	COUNTY CLERK
RICK JAKUBIEC	DRAIN COMMISSIONER
SHARON BROWN	REGISTER OF DEEDS
STEVEN PICKENS	COUNTY TREASURER
LARRY BURDICK	PROSECUTING ATTORNEY
LEO MIODUSZEWSKI	COUNTY SHERIFF

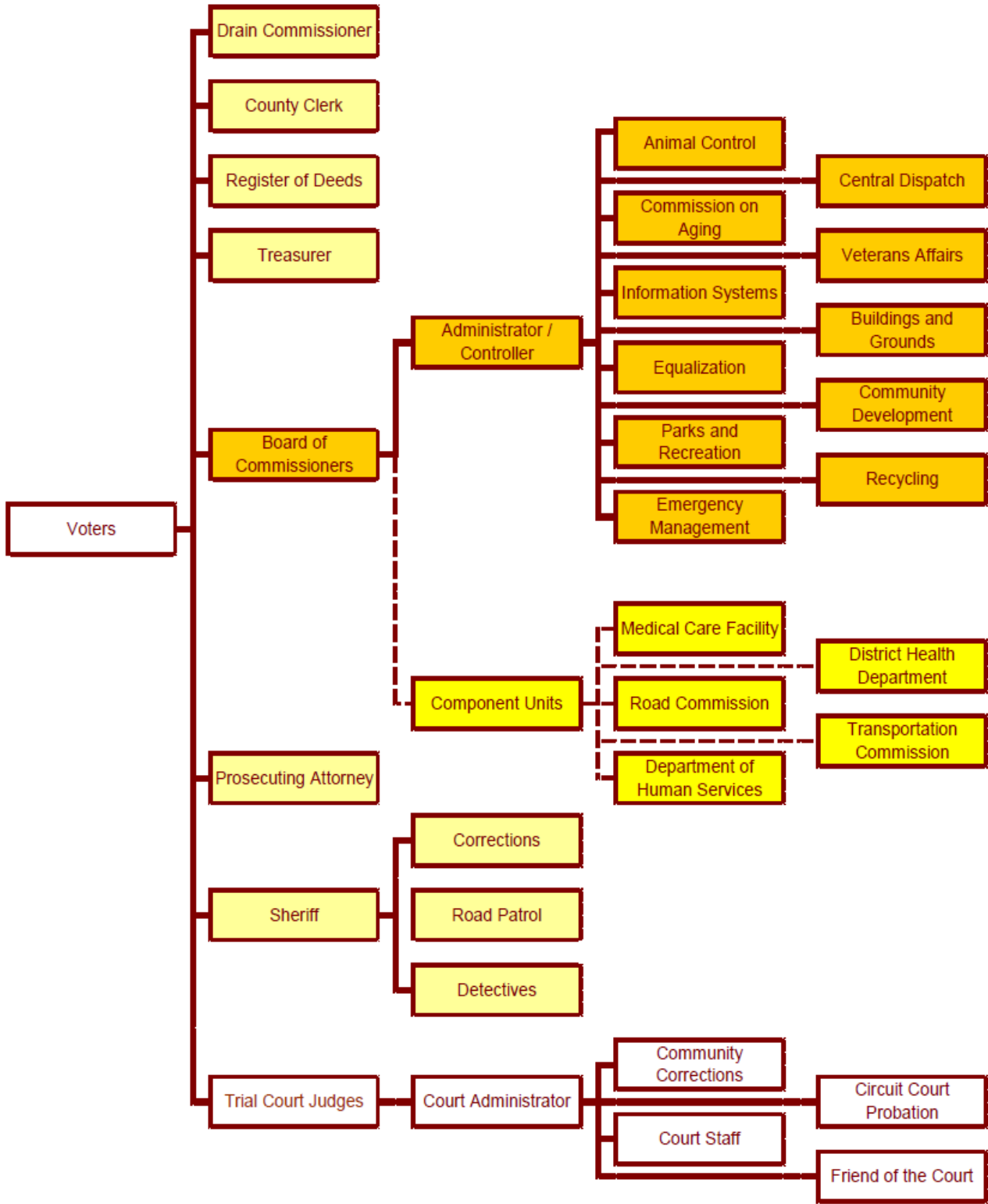
COUNTY CONTROLLER/ADMINISTRATOR

TIMOTHY J. DOLEHANTY, ICMA-CM, AICP

DIRECTOR OF ACCOUNTING SERVICES

DONNA J. BARKER, CPA

ISABELLA COUNTY OPERATIONAL FLOW CHART



* Several MSU Extension employees and most programs operate under direction of Michigan State University.

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, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Davison

President

Jeffrey R. Emer

Executive Director

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

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, as of and for the year ended September 30, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Isabella County, Michigan's management. 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 67% and 35%, respectively, of the total assets and revenues of the component units and the Medical Care Facility which represents 65% and 84%, respectively, of the total assets and revenues of the business-type activities. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the Road Commission and 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2013, 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and Schedule of Funding Progress, 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 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Isabella County, Michigan's financial statements as a whole. 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 financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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. In our opinion, the information is fairly stated in all material respects in relation to the 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.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

March 29, 2013

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, 2012. 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 \$51,778,007. Of this amount, \$28,510,530 may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$2,664,145. This increase resulted mainly from operating income of \$909,679 from the County Medical Care Facility, operating income of \$380,494 from the Delinquent Tax Fund in the Business-type Activities and an increase in the governmental activities of \$619,580.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$13,684,064, an increase of \$863,317 in comparison with the prior year. Approximately 39 percent of this amount or \$5,371,626 is available for spending at the government's discretion (*unassigned fund balance*).
- "**Fund balance**" describes the net assets 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 \$5,371,626 or 31 percent of total general fund expenditures and transfers out.
- The County's total bonded debt decreased by \$1,133,302 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 104.6% and an expenditure variance of 96.2% for fiscal year 2012, budget administrators met their goal.

Isabella County general fund revenue and expenditure variances: 2008 - 2012

Fiscal Year	2008	2009	2010	2011	2012
Revenue Variance	106.2%	98.7%	103.1%	100.0%	104.6%
Expenditure Variance	97.9%	98.1%	99.2%	94.3%	96.2%

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 assets* presents information on all of the County’s assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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, concessions, and a Medical Care Facility.

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 the District Health Department, 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 medical care facility, 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 medical care facility and delinquent tax revolving activity, both of 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 9-14 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 15 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 19-53 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 55-104 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Isabella County, assets exceeded liabilities by \$51,778,007 at the close of the most recent fiscal year.

One of the largest portions of the County's net assets (35 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 Assets

	Governmental Activities		Business-type Activities		Total	
	2011	2012	2011	2012	2011	2012
Current and other assets	\$ 22,379,407	\$22,957,583	\$18,227,932	\$19,739,938	\$40,607,339	\$42,697,521
Capital assets, net	17,177,409	16,374,156	11,607,004	11,694,846	28,784,413	28,069,002
Total assets	39,556,816	39,331,739	29,834,936	31,434,784	69,391,752	70,766,523
Long-term liabilities outstanding	6,119,835	5,229,935	5,326,850	4,735,043	11,446,685	9,964,978
Other liabilities	6,126,769	7,028,049	1,848,399	1,995,489	7,975,168	9,023,538
Total liabilities	12,246,604	12,257,984	7,175,249	6,730,532	19,421,853	18,988,516
Net Assets						
Invested in capital assets, net of related debt	11,424,516	11,430,374	6,125,310	6,537,343	17,549,826	17,967,717
Restricted	4,652,196	4,733,613	605,557	566,147	5,257,753	5,299,760
Unrestricted	11,233,500	10,909,768	15,928,820	17,600,762	27,162,320	28,510,530
Total net assets	<u>\$27,310,212</u>	<u>\$27,073,755</u>	<u>\$22,659,687</u>	<u>\$24,704,252</u>	<u>\$49,969,899</u>	<u>\$51,778,007</u>

An additional portion of the County's net assets (10 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (55 percent or \$28,510,530) 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 assets, 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.

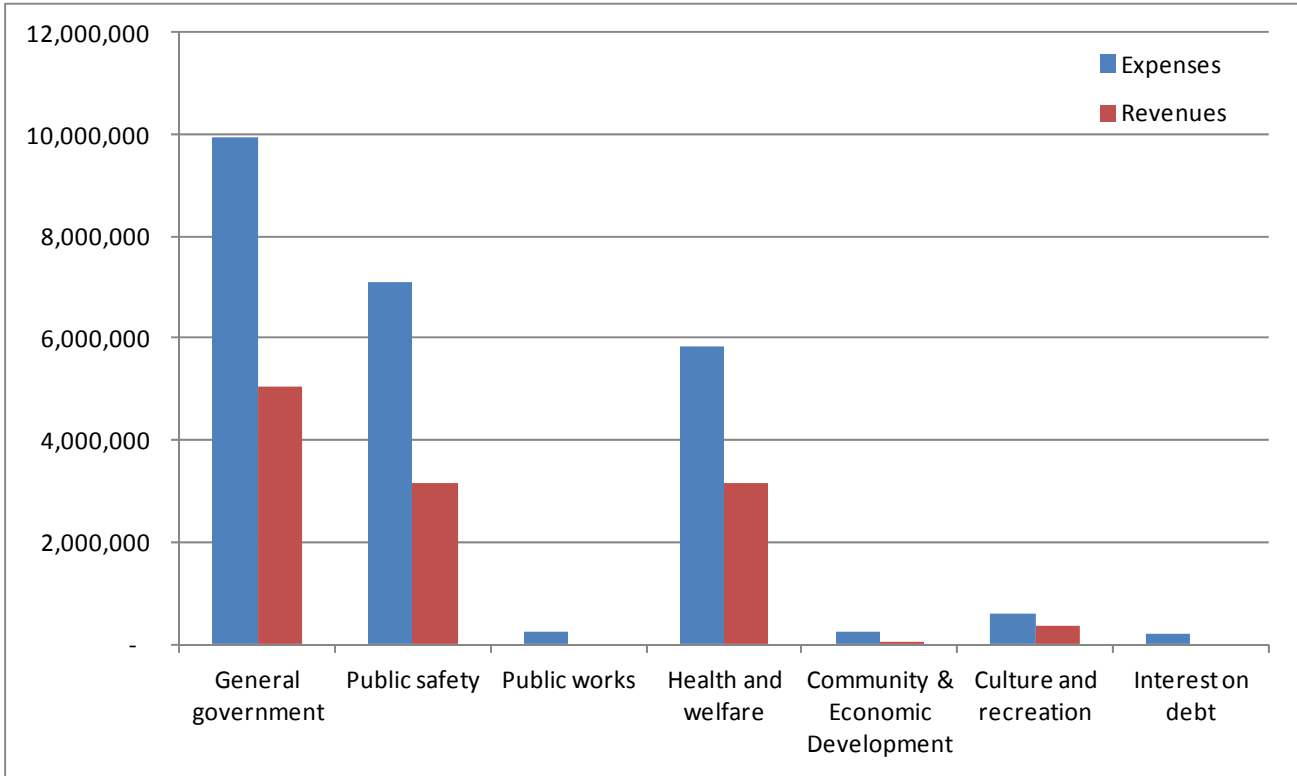
The government's net assets increased by \$2,664,145 during the current fiscal year. This increase was a combination of the net income of the Business-type Activities and the Governmental Activities.

Isabella County Change in Net Assets

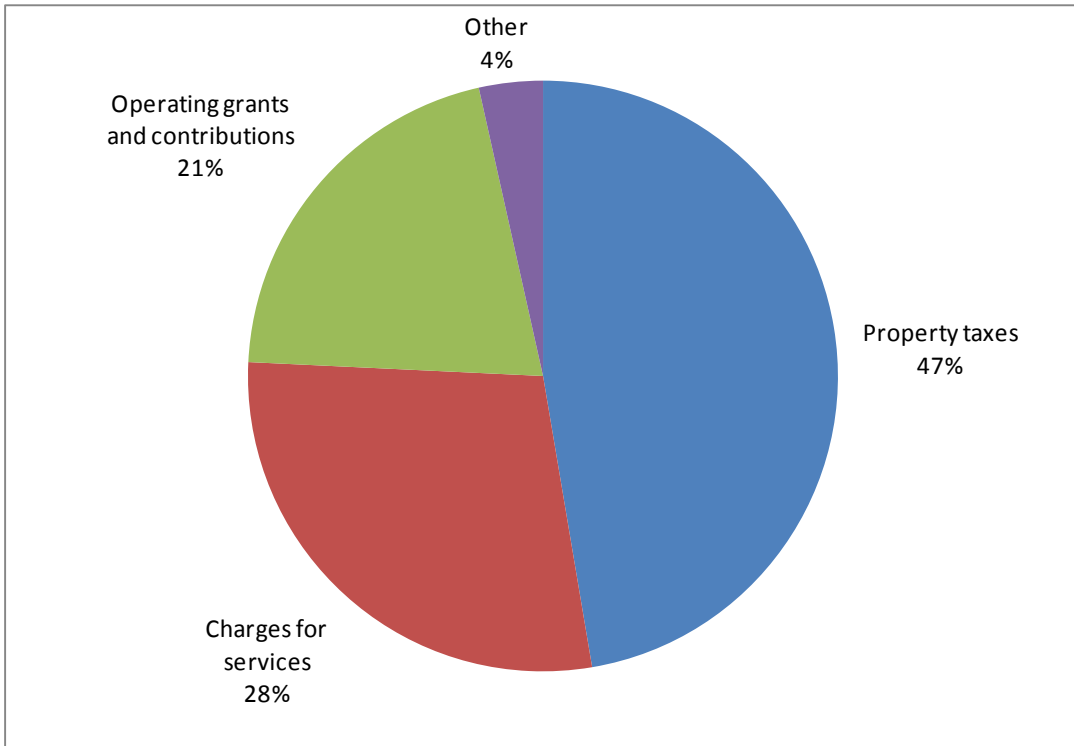
	Governmental		Business-type		Total	
	Activities		Activities			
	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>
Revenues:						
Program revenues:						
Charges for services	\$ 6,420,928	\$ 6,766,676	\$11,908,770	\$13,876,826	\$18,329,698	\$20,643,502
Operating grants and contributions	5,148,434	4,938,237	977,303	247,850	6,125,737	5,186,087
Capital grants and contributions	72,819	29,811	5,212	5,147	78,031	34,958
General revenues:						
Property taxes	11,689,532	11,264,546	1,090,229	1,094,046	12,779,761	12,358,592
State shared revenue	-	942,120	-	-	-	942,120
Grants and contributions not restricted to specific programs	516,595	626,255	-	-	516,595	626,255
Unrestricted investment earnings	56,898	50,587	145,576	146,133	202,474	196,720
Miscellaneous revenue	141,178	142,867	110,838	1,625	252,016	144,492
Total revenues	<u>24,046,384</u>	<u>24,761,099</u>	<u>14,237,928</u>	<u>15,371,627</u>	<u>38,284,312</u>	<u>40,132,726</u>
Expenses						
General government	9,519,926	9,951,030	-	-	9,519,926	9,951,030
Public safety	7,043,762	7,094,068	-	-	7,043,762	7,094,068
Public works	209,533	230,021	-	-	209,533	230,021
Health and welfare	5,774,589	5,827,870	-	-	5,774,589	5,827,870
Community & Economic Development	214,605	242,477	-	-	214,605	242,477
Culture and recreation	604,405	596,249	-	-	604,405	596,249
Interest on debt	212,604	185,223	-	-	212,604	185,223
Delinquent property tax	-	-	205,902	267,016	205,902	267,016
Recycling facility	-	-	1,082,746	1,125,230	1,082,746	1,125,230
Building Inspections	-	-	236,522	255,209	236,522	255,209
Concessions	-	-	235,313	551,900	235,313	551,900
Medical care facility	-	-	11,164,093	11,142,288	11,164,093	11,142,288
Total expenses	<u>23,579,424</u>	<u>24,126,938</u>	<u>12,924,576</u>	<u>13,341,643</u>	<u>36,504,000</u>	<u>37,468,581</u>
Revenues over (under) expenses before transfers	466,960	634,161	1,313,352	2,029,984	1,780,312	2,664,145
Transfers - internal activities	<u>45,305</u>	<u>(14,581)</u>	<u>(45,305)</u>	<u>14,581</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	512,265	619,580	1,268,047	2,044,565	1,780,312	2,664,145
Restated net assets, beginning of year	<u>26,797,947</u>	<u>26,454,175</u>	<u>21,391,640</u>	<u>22,659,687</u>	<u>48,189,587</u>	<u>49,113,862</u>
Total net assets	<u>\$27,310,212</u>	<u>\$27,073,755</u>	<u>\$22,659,687</u>	<u>\$24,704,252</u>	<u>\$49,969,899</u>	<u>\$51,778,007</u>

Governmental activities. Isabella County recorded an increase in governmental activity net assets totaling \$619,580 in FY 2012. This increase was the result of an increase in total revenues of \$714,715.

Expenses and Program Revenues - Governmental Activities



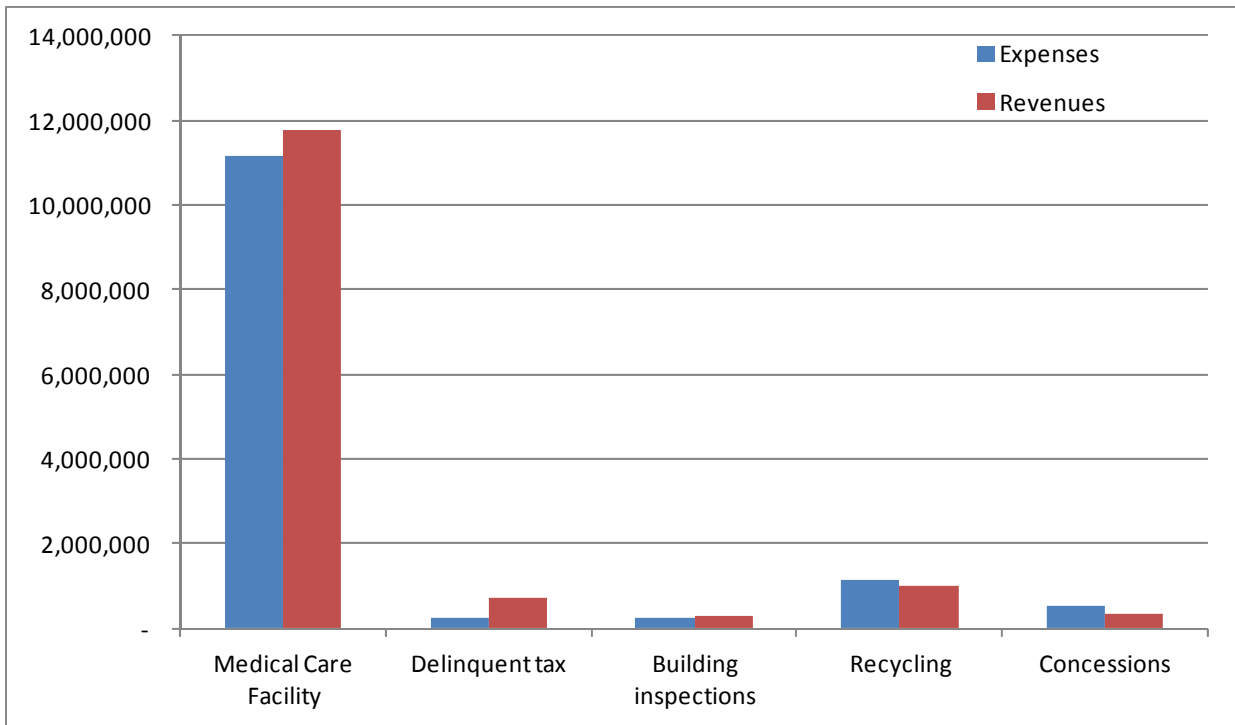
Revenues by Source - Governmental Activities



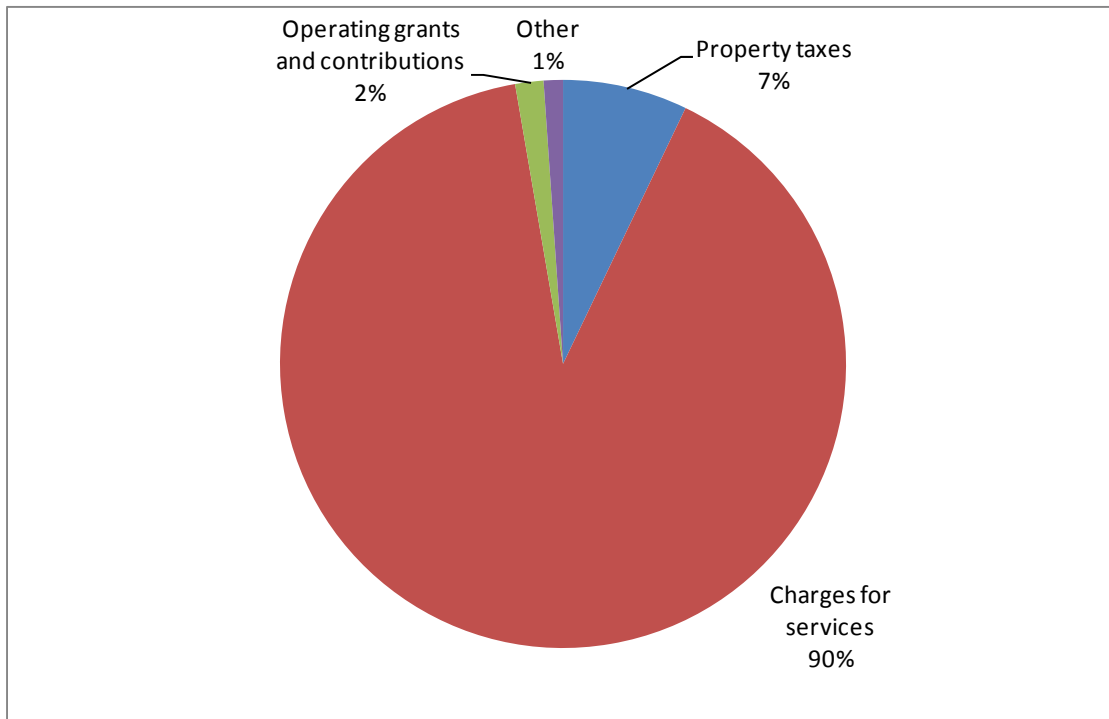
Business-type activities. Business-type activities increased the County’s net assets by \$2,044,565, accounting for approximately 77% of the growth in the government’s net assets for the current year. Key elements of these increases are as follows:

- The Medical Care Facility in the 2012 fiscal year reflects another full year of revenue with its expanded capacity. Net assets for the Medical Care Facility increased by \$1,765,257 in 2012, which represents 85% of the overall business-type activity increase for the year.
- The PA123 Restricted Tax fund had an increase in net assets of \$212,153 in 2012. This is the result of more tax foreclosures and subsequent tax sales.
- The Delinquent Tax Revolving fund had an increase in net assets of \$278,209 in 2012. This is the result of a downturn in the economy causing more taxes to be delinquent, and more interest and penalties being collected on delinquent amounts.

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 \$13,684,064, an increase of \$863,317 in comparison with the prior year. Approximately 64 percent of this total amount (\$8,693,061) 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 \$5,371,626 while total fund balance was \$8,433,906. 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 30.7 percent of total general fund expenditures and transfers out.

Significant expenditure reductions in several activities brought about a general fund increase of \$741,308 in FY 2012. Of 44 general fund activities, 31 reported expenditures less than budgeted amounts. Six of these reported spending between 90% and 95% of budgeted amounts, and 13 activities reported spending less than 90% of budgeted funds.

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 a increase of \$424,951 in appropriations.

During the year, general fund revenues were greater than budgetary estimates by approximately \$322,719 and general fund expenditures were less than budgetary estimates by \$1,036,712. This resulted in an overall budget discrepancy of only \$1,359,431 on a general fund budget of almost \$17,400,000.

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, 2012, amounted to \$28,069,002 (net of accumulated depreciation). This investment in capital assets includes land, building and improvements, machinery and equipment, and vehicles. The total decrease in the County's investment in capital assets for the current fiscal year was 2.5 percent.

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

- Large purchases during 2012 included: equipment upgrades and vehicle purchases for Central Dispatch of \$73,692 and \$96,856; equipment upgrades and vehicle purchases for recycling of \$59,401 and \$86,156 respectively; and \$470,818 of construction in progress for the Medical Care Facility.
- The Drainage Districts added \$150,558 in construction in progress costs due to the start of three new drains and added \$1,388,903 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	
	2011	2012	2011	2012	2011	2012
Land	\$ 2,192,082	\$ 2,192,082	\$ 121,953	\$ 121,953	\$ 2,314,035	\$ 2,314,035
Construction in progress	-	-	37,149	507,967	37,149	507,967
Buildings and improvements	13,599,721	13,099,145	10,210,345	9,915,489	23,810,066	23,014,634
Equipment	1,078,280	794,888	1,151,480	990,399	2,229,760	1,785,287
Vehicles	136,538	125,523	86,077	159,038	222,615	284,561
Other	170,788	162,518	-	-	170,788	162,518
Total net assets	<u>\$17,177,409</u>	<u>\$16,374,156</u>	<u>\$11,607,004</u>	<u>\$11,694,846</u>	<u>\$28,784,413</u>	<u>\$28,069,002</u>

Additional information on the County's capital assets can be found in Note F on pages 33-37 of this report.

Long-term debt. At the end of the current fiscal year, the County had total debt outstanding of \$12,085,333. Of this amount, \$10,075,000 comprises debt backed by the full faith and credit of the government. The remainder of the County's debt represents leases, post-closure landfill costs, long-term insurance claims, and compensated absences.

Isabella County's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2011	2012	2011	2012	2011	2012
General obligation bonds	\$ 5,800,000	\$ 4,985,000	\$ 5,520,000	\$ 5,090,000	\$ 11,320,000	\$ 10,075,000
Postclosure landfill costs	784,665	751,759	-	-	784,665	751,759
Accrued compensated absences	800,785	760,774	476,889	471,515	1,277,674	1,232,289
Deferred charges	(47,107)	(41,218)	(38,306)	67,503	(85,413)	26,285
Total net debt	\$ 7,338,343	\$ 6,456,315	\$ 5,958,583	\$ 5,629,018	\$ 13,296,926	\$ 12,085,333

General Obligation Bonds - \$10,075,000

The County's total governmental activity debt decreased by \$882,028 (12 percent) during the current fiscal year.

The County's total business-type activity debt decreased by \$329,565 (6 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 in excess of the County's outstanding general obligation debt.

Additional information on the County's long-term debt can be found in Note G on pages 37-44 of this report.

Economic Factors and Next Year's Budgets and Rates

In order to maintain long-term financial stability, Isabella County seeks to manage its budget in a manner such that actual expenses do not exceed actual revenues on an annual basis. This goal, along with a conscious awareness of the fund balance, has historically given Isabella County the reserves necessary to address this difficult economic time without resorting to a crisis-management approach. It has permitted the County Board to utilize its annual budget process as the primary vehicle to make decisions on the type and level of county services to be provided. When unexpected revenue losses or expenditure increases occur during the year, they will be addressed through short term expenditure reduction measures such as reductions in controllable expenses, hiring delays, and deferrals of certain capital expenditures.

- As the economy slowed in recent years there have been financial impacts to the county. Although property tax revenues remain stable, programs that rely on state and federal funding suffered financial losses as these funds were reduced. A budget proposal submitted by Governor Snyder for fiscal year 2014 proposes no change in revenue sharing dollars, but the addition of three counties to the list of those eligible for state funding is expected to heighten competition for those dollars. Prerequisite compliance with state-imposed performance measures will also impact total dollars available. A newly imposed personal property tax structure will result in losses of nearly \$300,000 in revenue used to provide county services. It is doubtful this revenue will be replaced.
- The September 2012 unemployment rate for Isabella County was 5.8%, which is a decrease from a rate of 7.0% a year earlier. This was less than the State's September 2012 average unemployment rate of 8.4% and also less than the national average rate of 7.6%.¹
- 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 ensuing fiscal year reflects restrictions of these laws.

¹ Michigan Department of Labor and Economic Growth

- County fiscal resources will be subject to “capture” by Local Development Finance Authorities, Downtown Development Authorities, Tax Increment Finance Authorities, and Brownfield zones established by the City of Mount Pleasant and Union Township. Five such districts in the City will capture about \$175,000 otherwise intended for County services. The City does not capture all County funds available through these actions, and does refund dollars associated with bond payments for the Commission on Aging building. Union Township will capture more than \$400,000 in County revenue for DDA districts.

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.

BASIC FINANCIAL STATEMENTS

Isabella County, Michigan

STATEMENT OF NET ASSETS

September 30, 2012

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 11,075,645	\$ 6,606,513	\$ 17,682,158	\$ 6,314,220
Investments	4,012,439	1,014,588	5,027,027	1,807,624
Receivables	3,304,993	3,695,662	7,000,655	4,860,725
Inventories	28,426	11,906	40,332	607,792
Due from other governmental units	1,180,396	230,804	1,411,200	1,504,413
Prepays	283,200	55,329	338,529	1,078,362
Other current assets	-	156,568	156,568	-
Current portion of lease receivable	400,000	-	400,000	450,000
Restricted cash and cash equivalents	-	6,661,471	6,661,471	-
Internal balances	(220,861)	220,861	-0-	-
Total current assets	20,064,238	18,653,702	38,717,940	16,623,136
Noncurrent assets				
Investments	-	1,030,680	1,030,680	-
Lease receivable	2,850,000	-	2,850,000	5,375,000
Unamortized bond issuance costs	43,345	55,556	98,901	53,902
Capital assets not being depreciated	2,192,082	629,920	2,822,002	25,574,367
Capital assets being depreciated, net	14,182,074	11,064,926	25,247,000	67,496,029
Total noncurrent assets	19,267,501	12,781,082	32,048,583	98,499,298
TOTAL ASSETS	39,331,739	31,434,784	70,766,523	115,122,434
LIABILITIES				
Current liabilities				
Accounts payable	797,552	575,916	1,373,468	486,760
Accrued wages	166,420	128,925	295,345	374,016
Other accrued liabilities	105,108	332,911	438,019	163,960
Due to other governmental units	675,011	7,299	682,310	111,643
Unearned revenue	4,057,578	56,463	4,114,041	359,931
Current portion of compensated absences	304,310	454,040	758,350	431,215
Current portion of long-term debt	922,070	439,935	1,362,005	1,287,561
Total current liabilities	7,028,049	1,995,489	9,023,538	3,215,086
Noncurrent liabilities				
Other post employment benefits	-	-	-0-	17,578
Noncurrent portion of compensated absences	456,464	17,475	473,939	529,820
Noncurrent portion of long-term debt	4,773,471	4,717,568	9,491,039	8,783,951
Total noncurrent liabilities	5,229,935	4,735,043	9,964,978	9,331,349
TOTAL LIABILITIES	12,257,984	6,730,532	18,988,516	12,546,435
NET ASSETS				
Invested in capital assets, net of related debt	11,430,374	6,537,343	17,967,717	89,273,513
Restricted for:				
Legal restrictions	2,942,818	-	2,942,818	-
Grant programs	334,002	-	334,002	-
Debt service	1,279,715	-	1,279,715	-
Capital projects	177,078	-	177,078	-
Equipment replacement	-	306,767	306,767	-
Nonexpendable				
Drayton and Minnie Miley Trust	-	55,226	55,226	-
Expendable				
Drayton and Minnie Miley Trust	-	35,601	35,601	-
Patient Equipment Trust	-	168,553	168,553	-
Road Commission-County roads	-	-	-0-	3,534,474
Drainage Districts-Debt service	-	-	-0-	3,559,275
Unrestricted	10,909,768	17,600,762	28,510,530	6,208,737
TOTAL NET ASSETS	\$ 27,073,755	\$ 24,704,252	\$ 51,778,007	\$ 102,575,999

See accompanying notes to financial statements.

Isabella County, Michigan

STATEMENT OF ACTIVITIES

Year Ended September 30, 2012

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets							
	Program Revenues				Primary Government			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities								
General government	\$ 9,951,030	\$ 3,265,951	\$ 1,790,584	\$ 7,000	\$ (4,887,495)	\$ -	\$ (4,887,495)	\$ -
Public safety	7,094,068	2,791,059	347,839	1,196	(3,953,974)	-	(3,953,974)	-
Public works	230,021	-	-	-	(230,021)	-	(230,021)	-
Health and welfare	5,827,870	356,106	2,799,814	-	(2,671,950)	-	(2,671,950)	-
Community and economic development	242,477	7,712	-	-	(234,765)	-	(234,765)	-
Recreation and cultural	596,249	345,848	-	21,615	(228,786)	-	(228,786)	-
Interest on long-term debt	185,223	-	-	-	(185,223)	-	(185,223)	-
Total governmental activities	24,126,938	6,766,676	4,938,237	29,811	(12,392,214)	-0-	(12,392,214)	-0-
Business-type activities								
Medical Care Facility	11,142,288	11,787,761	-	5,147	-	650,620	650,620	-
Delinquent tax	267,016	721,251	-	-	-	454,235	454,235	-
Building inspections	255,209	297,834	-	-	-	42,625	42,625	-
Recycling	1,125,230	740,951	247,850	-	-	(136,429)	(136,429)	-
Concessions	551,900	329,029	-	-	-	(222,871)	(222,871)	-
Total business-type activities	13,341,643	13,876,826	247,850	5,147	-0-	788,180	788,180	-0-
Total primary government	\$ 37,468,581	\$ 20,643,502	\$ 5,186,087	\$ 34,958	(12,392,214)	788,180	(11,604,034)	-0-
Component units								
Road Commission	\$ 8,487,192	\$ 114,835	\$ 4,950,977	\$ 3,529,101	-	-	-	107,721
Transportation Commission	5,383,758	714,081	2,912,080	754,312	-	-	-	(1,003,285)
Health Department	9,296,252	3,093,844	4,914,406	-	-	-	-	(1,288,002)
Drainage Districts	729,570	-	218,621	342,062	-	-	-	(168,887)
Board of Public Works	307,933	37,544	-	153,633	-	-	-	(116,756)
Total component units	\$ 24,204,705	\$ 3,960,304	\$ 12,996,084	\$ 4,779,108	-0-	-0-	-0-	(2,469,209)
			General revenues					
			Property taxes		11,264,546	1,094,046	12,358,592	2,570,868
			State shared revenue		942,120	-	942,120	-
			Unrestricted grants and contributions		626,255	-	626,255	-
			Investment earnings		50,587	146,133	196,720	19,807
			Gain on disposal of capital assets		-	-	-0-	12,583
			Other		142,867	1,625	144,492	15,511
			Transfers		(14,581)	14,581	-0-	-
			Total general revenues and transfers		13,011,794	1,256,385	14,268,179	2,618,769
			Change in net assets		619,580	2,044,565	2,664,145	149,560
			Restated net assets, beginning of the year		26,454,175	22,659,687	49,113,862	102,426,439
			Net assets, end of the year		\$ 27,073,755	\$ 24,704,252	\$ 51,778,007	\$ 102,575,999

See accompanying notes to financial statements.

Isabella County, Michigan

GOVERNMENTAL FUNDS BALANCE SHEET

September 30, 2012

	General	Tribal Contribution	CDBG Housing Assistance Grant
ASSETS			
Cash and cash equivalents	\$ 6,238,174	\$ 324,123	\$ 35,539
Investments	2,307,314	481,974	-
Accounts receivable	32,282	708,527	949,145
Taxes receivable	1,213,017	-	-
Lease receivable	-	-	-
Due from other governmental units			
Federal/State	505,959	-	-
Local	142,622	-	-
Due from other funds	197,098	1,089	-
Inventories	13,657	-	-
Prepays	27,873	-	-
	<u>10,677,996</u>	<u>1,515,713</u>	<u>984,684</u>
TOTAL ASSETS			
	<u>\$ 10,677,996</u>	<u>\$ 1,515,713</u>	<u>\$ 984,684</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 488,225	\$ 7,275	\$ 450
Accrued wages	116,391	-	-
Accrued liabilities	6,874	-	-
Due to other governmental units			
Federal/State	-	-	-
Local	2,625	662,386	-
Due to other funds	833,511	561,069	11,000
Deferred revenue	796,464	284,786	949,145
	<u>2,244,090</u>	<u>1,515,516</u>	<u>960,595</u>
TOTAL LIABILITIES			
	2,244,090	1,515,516	960,595
FUND BALANCES			
Nonspendable	41,530	-	-
Restricted	-	197	24,089
Committed	-	-	-
Assigned	3,020,750	-	-
Unassigned	5,371,626	-	-
	<u>8,433,906</u>	<u>197</u>	<u>24,089</u>
TOTAL FUND BALANCES			
	<u>8,433,906</u>	<u>197</u>	<u>24,089</u>
TOTAL LIABILITIES AND FUND BALANCES			
	<u>\$ 10,677,996</u>	<u>\$ 1,515,713</u>	<u>\$ 984,684</u>

See accompanying notes to financial statements.

Commission on Aging Activities	Building Authority Bonds	Nonmajor Governmental Funds	Total
\$ 209,591	\$ 1,402,377	\$ 2,228,412	\$ 10,438,216
-	-	1,223,151	4,012,439
14,581	-	201,948	1,906,483
-	-	-	1,213,017
-	3,250,000	-	3,250,000
227,791	-	302,377	1,036,127
-	-	1,647	144,269
500,000	-	135,353	833,540
14,769	-	-	28,426
-	36,025	53,315	117,213
<u>\$ 966,732</u>	<u>\$ 4,688,402</u>	<u>\$ 4,146,203</u>	<u>\$ 22,979,730</u>
\$ 79,334	\$ -	\$ 169,164	\$ 744,448
22,097	-	27,932	166,420
3,042	-	7,530	17,446
-	-	10,000	10,000
-	-	-	665,011
-	35,000	202,125	1,642,705
752,046	3,250,000	17,195	6,049,636
856,519	3,285,000	433,946	9,295,666
14,769	36,025	53,315	145,639
95,444	1,367,377	3,358,257	4,845,364
-	-	300,685	300,685
-	-	-	3,020,750
-	-	-	5,371,626
<u>110,213</u>	<u>1,403,402</u>	<u>3,712,257</u>	<u>13,684,064</u>
<u>\$ 966,732</u>	<u>\$ 4,688,402</u>	<u>\$ 4,146,203</u>	<u>\$ 22,979,730</u>

Isabella County, Michigan

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

September 30, 2012

Total fund balance - governmental funds \$ 13,684,064

Amounts reported for the governmental activities in the statement of net assets 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	\$ 33,904,385	
Accumulated depreciation is	<u>(17,530,229)</u>	
Capital assets, net		16,374,156

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

Property taxes	792,058	
Lease receivable	3,250,000	
Less: lease receivable from other County funds	<u>(2,050,000)</u>	
		1,992,058

Governmental funds report the effect of bond issuance costs and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Net Assets.

Unamortized bond issuance costs		43,345
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Internal service funds are used by management to charge the costs of certain activities to individual funds.

Net assets of governmental activities accounted for in Internal Service Funds		1,524,109
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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	(5,695,541)	
Accrued interest payable	(87,662)	
Compensated absences	<u>(760,774)</u>	
		<u>(6,543,977)</u>

Net assets of governmental activities \$ 27,073,755

Isabella County, Michigan

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended September 30, 2012

	General	Tribal Contribution	CDBG Housing Assistance Grant
REVENUES			
Taxes	\$ 10,344,038	\$ -	\$ -
Licenses and permits	105,158	-	-
Intergovernmental	2,664,594	171,690	113,854
Charges for services	4,150,119	-	-
Fines and forfeits	249,822	-	-
Interest and rents	379,934	-	-
Contributions	-	-	-
Other	94,140	-	-
TOTAL REVENUES	17,987,805	171,690	113,854
EXPENDITURES			
Current			
General government	8,320,816	159,723	-
Public safety	5,367,902	10,400	-
Public works	220,353	-	-
Health and welfare	1,018,304	-	107,513
Community and economic development	210,024	-	-
Recreation and cultural	1,675	1,571	-
Other	455,881	-	-
Debt service	-	-	-
Capital outlay	-	-	-
TOTAL EXPENDITURES	15,594,955	171,694	107,513
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,392,850	(4)	6,341
OTHER FINANCING SOURCES (USES)			
Transfers in	161,813	-	-
Transfers out	(1,813,355)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(1,651,542)	-0-	-0-
NET CHANGE IN FUND BALANCES	741,308	(4)	6,341
Restated fund balances, beginning of year	7,692,598	201	17,748
Fund balances, end of year	<u>\$ 8,433,906</u>	<u>\$ 197</u>	<u>\$ 24,089</u>

See accompanying notes to the financial statements.

Commission on Aging Activities	Building Authority Bonds	Nonmajor Governmental Funds	Total
\$ 583,717	\$ 581,668	\$ -	\$ 11,509,423
-	-	345,848	451,006
1,283,022	-	1,698,873	5,932,033
28,603	-	1,385,033	5,563,755
-	-	8,031	257,853
540	255,607	3,255	639,336
464,465	-	-	464,465
28,932	-	61,931	185,003
<u>2,389,279</u>	<u>837,275</u>	<u>3,502,971</u>	<u>25,002,874</u>
-	-	863,241	9,343,780
-	-	1,201,113	6,579,415
-	-	-	220,353
2,375,827	-	2,098,422	5,600,066
-	-	-	210,024
-	-	577,875	581,121
-	-	-	455,881
-	1,035,100	-	1,035,100
-	-	99,236	99,236
<u>2,375,827</u>	<u>1,035,100</u>	<u>4,839,887</u>	<u>24,124,976</u>
13,452	(197,825)	(1,336,916)	877,898
-	293,075	1,413,731	1,868,619
-	-	(69,845)	(1,883,200)
<u>-0-</u>	<u>293,075</u>	<u>1,343,886</u>	<u>(14,581)</u>
13,452	95,250	6,970	863,317
96,761	1,308,152	3,705,287	12,820,747
<u>\$ 110,213</u>	<u>\$ 1,403,402</u>	<u>\$ 3,712,257</u>	<u>\$ 13,684,064</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, 2012

Net change in fund balances - total governmental funds \$ 863,317

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	\$ 212,191	
Depreciation expense	<u>(1,015,444)</u>	
Excess of depreciation expense over capital outlay		(803,253)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (244,876)

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

Net operating income from governmental activities accounted for in internal service fund	(88,595)	
Add: Interest revenue	<u>3,099</u>	
		(85,496)

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:

Repayment of long-term debt	815,000	
Net effect of bond refunding and related items	(12,081)	
Decrease in long-term liability for environmental remediation	<u>32,906</u>	
		835,825

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	14,052	
Decrease in compensated absences	<u>40,011</u>	
		<u>54,063</u>

Change in net assets of governmental activities \$ 619,580

See accompanying notes to the financial statements.

Isabella County, Michigan

Proprietary Funds

STATEMENT OF NET ASSETS

September 30, 2012

	Business-type Activities			Total	Governmental
	Medical Care Facility	Delinquent Tax Revolving	Nonmajor Enterprise Funds		Internal Service Fund
ASSETS					
Current assets					
Cash and cash equivalents	\$ 1,809,498	\$ 2,477,466	\$ 2,107,072	\$ 6,394,036	\$ 849,906
Investments	-	-	1,014,588	1,014,588	-
Receivables					
Accounts	1,209,428	-	90,598	1,300,026	247,324
Delinquent taxes	22,044	2,311,761	-	2,333,805	-
Due from other governmental units	-	230,804	-	230,804	-
Due from other funds	-	-	28,593	28,593	784,405
Inventories	-	-	11,906	11,906	-
Prepays	-	-	-	-0-	221,316
Other current assets	156,568	-	-	156,568	-
Restricted cash and cash equivalents	6,661,471	-	-	6,661,471	-
Total current assets	9,859,009	5,020,031	3,252,757	18,131,797	2,102,951
Noncurrent assets					
Investments	-	1,030,680	-	1,030,680	-
Unamortized bond issuance costs	55,556	-	-	55,556	-
Capital assets not being depreciated	507,967	-	121,953	629,920	-
Capital assets being depreciated, net	9,684,621	-	1,380,305	11,064,926	-
Total noncurrent assets	10,248,144	1,030,680	1,502,258	12,781,082	-0-
TOTAL ASSETS	20,107,153	6,050,711	4,755,015	30,912,879	2,102,951
LIABILITIES					
Current liabilities					
Accounts payable	434,949	-	123,266	558,215	70,805
Accrued wages	107,478	1,345	20,102	128,925	-
Other accrued liabilities	280,081	-	-	280,081	-
Due to other governmental units	-	-	7,299	7,299	-
Due to other funds	-	3,811	22	3,833	-
Interest payable	52,830	-	-	52,830	-
Current portion of compensated absences	442,389	544	11,107	454,040	-
Current portion of long-term debt	439,935	-	-	439,935	-
Unearned revenue	-	-	56,463	56,463	-
Total current liabilities	1,757,662	5,700	218,259	1,981,621	70,805
Noncurrent liabilities					
Noncurrent portion of compensated absences	-	816	16,659	17,475	-
Noncurrent portion of long-term debt	4,717,568	-	-	4,717,568	-
Total noncurrent liabilities	4,717,568	816	16,659	4,735,043	-0-
TOTAL LIABILITIES	6,475,230	6,516	234,918	6,716,664	70,805
NET ASSETS					
Invested in capital assets, net of related debt	5,035,085	-	1,502,258	6,537,343	-
Restricted for:					
Equipment replacement	-	-	306,767	306,767	-
Nonexpendable					
Drayton and Millie Miley Trust	55,226	-	-	55,226	-
Expendable					
Drayton and Millie Miley Trust	35,601	-	-	35,601	-
Patient Equipment Trust	168,553	-	-	168,553	-
Unrestricted	8,337,458	6,044,195	2,711,072	17,092,725	2,032,146
TOTAL NET ASSETS	\$ 13,631,923	\$ 6,044,195	\$ 4,520,097	\$ 24,196,215	\$ 2,032,146

See accompanying notes to the financial statements.

Isabella County, Michigan

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

September 30, 2012

Total net assets - enterprise funds \$ 24,196,215

Amounts reported for business-type activities in the statement of net assets 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 assets of business-type activities accounted for in the internal service fund

508,037

Net assets of business-type activities

\$ 24,704,252

Isabella County, Michigan

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Year Ended September 30, 2012

	Business-type Activities			Total	Governmental
	Medical Care Facility	Delinquent Tax Revolving	Nonmajor Enterprise Funds		Internal Service Fund
OPERATING REVENUES					
Charges for services	\$ 11,787,761	\$ 148,419	\$ 868,670	\$ 12,804,850	\$ 2,998,429
Sales	-	-	723,015	723,015	-
Reimbursements	-	-	-	-0-	25,306
Interest and penalties on delinquent taxes	-	348,961	-	348,961	-
TOTAL OPERATING REVENUES	11,787,761	497,380	1,591,685	13,876,826	3,023,735
OPERATING EXPENSES					
Personnel services	4,748,879	116,886	835,317	5,701,082	-
Supplies	-	-	39,570	39,570	-
Contractual services	-	-	55,195	55,195	-
Other services and charges	5,719,280	-	803,075	6,522,355	-
Cost of goods sold	-	-	166,396	166,396	-
Health insurance benefits, premiums, and fees	-	-	-	-0-	3,140,827
Depreciation and amortization	409,923	-	154,419	564,342	-
TOTAL OPERATING EXPENSES	10,878,082	116,886	2,053,972	13,048,940	3,140,827
OPERATING INCOME (LOSS)	909,679	380,494	(462,287)	827,886	(117,092)
NONOPERATING REVENUES (EXPENSES)					
Intergovernmental					
Local	-	-	247,850	247,850	-
Property taxes	1,094,046	-	-	1,094,046	-
Interest revenue	20,591	12,715	112,827	146,133	3,099
Other	-	-	1,625	1,625	-
Interest expense	(190,285)	-	-	(190,285)	-
Loss on asset disposal	(73,921)	-	-	(73,921)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	850,431	12,715	362,302	1,225,448	3,099
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	1,760,110	393,209	(99,985)	2,053,334	(113,993)
TRANSFERS IN	-	-	129,581	129,581	-
TRANSFERS OUT	-	(115,000)	-	(115,000)	-
CAPITAL CONTRIBUTIONS	5,147	-	-	5,147	-
TOTAL CAPITAL CONTRIBUTIONS AND TRANSFERS	5,147	(115,000)	129,581	19,728	-0-
CHANGE IN NET ASSETS	1,765,257	278,209	29,596	2,073,062	(113,993)
Net assets, beginning of year	11,866,666	5,765,986	4,490,501	22,123,153	2,146,139
Net assets, end of year	<u>\$ 13,631,923</u>	<u>\$ 6,044,195</u>	<u>\$ 4,520,097</u>	<u>\$ 24,196,215</u>	<u>\$ 2,032,146</u>

See accompanying notes to the financial statements.

Isabella County, Michigan

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

Year Ended September 30, 2012

Change in net assets - total enterprise funds \$ 2,073,062

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.

Add: increase in net assets from business-type activities accounted for in the
internal service fund (28,497)

Change in net assets of business-type activities \$ 2,044,565

Isabella County, Michigan

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended September 30, 2012

	Business-type Activities			Governmental	
	Medical Care Facility	Delinquent Tax Revolving	Nonmajor Enterprise Funds	Total	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from customers	\$ 12,335,153	\$ 148,419	\$ 1,607,584	\$ 14,091,156	\$ 2,781,852
Cash paid to suppliers	(6,036,529)	-	(1,078,615)	(7,115,144)	(3,316,338)
Cash paid for employee services and benefits	(4,726,045)	(116,490)	(833,886)	(5,676,421)	-
Interest on delinquent taxes	-	518,896	-	518,896	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	1,572,579	550,825	(304,917)	1,818,487	(534,486)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Property tax collections	1,109,038	-	-	1,109,038	-
State/Federal grants	-	-	247,850	247,850	-
Transfers in	-	-	129,581	129,581	-
Transfers out	-	(115,000)	-	(115,000)	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	1,109,038	(115,000)	377,431	1,371,469	-0-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Principal payments on capital debt	(5,520,000)	-	-	(5,520,000)	-
Proceeds from issuance of long-term debt	5,304,597	-	-	5,304,597	-
Payment of deferred amount on refunding	(107,884)	-	-	(107,884)	-
Interest payments on capital debt	(191,189)	-	-	(191,189)	-
Payment of deferred financing costs	(57,971)	-	-	(57,971)	-
Acquisition and construction of capital assets	(558,935)	-	(164,755)	(723,690)	-
Capital contributions	5,147	-	-	5,147	-
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(1,126,235)	-0-	(164,755)	(1,290,990)	-0-
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of investments	-	(1,030,680)	(604,188)	(1,634,868)	-
Maturity of investments	-	1,044,470	-	1,044,470	681,304
Interest revenue	24,402	12,715	112,827	149,944	3,099
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	24,402	26,505	(491,361)	(440,454)	684,403
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,579,784	462,330	(583,602)	1,458,512	149,917
Cash and cash equivalents, beginning of year	6,891,185	2,015,136	2,690,674	11,596,995	699,989
Cash and cash equivalents, end of year	\$ 8,470,969	\$ 2,477,466	\$ 2,107,072	\$ 13,055,507	\$ 849,906
Balance sheet classification of cash					
Cash and cash equivalents	\$ 1,809,498	\$ 2,477,466	\$ 2,107,072	\$ 6,394,036	\$ 849,906
Restricted cash and equivalents	6,661,471	-	-	6,661,471	-
	\$ 8,470,969	\$ 2,477,466	\$ 2,107,072	\$ 13,055,507	\$ 849,906

See accompanying notes to the financial statements.

Isabella County, Michigan

Proprietary Funds

STATEMENT OF CASH FLOWS - CONCLUDED

Year Ended September 30, 2012

	Business-type Activities			Total	Governmental
	Medical Care Facility	Delinquent Tax Revolving	Nonmajor Enterprise Funds		Internal Service Fund
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	\$ 909,679	\$ 380,494	\$ (462,287)	\$ 827,886	\$ (117,092)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation and amortization	409,923	-	154,419	564,342	-
Other income	-	-	1,625	1,625	-
Bad debt (recovery) expense	(232,903)	-	-	(232,903)	-
(Increase) decrease in:					
Receivables	740,834	167,750	14,274	922,858	(241,883)
Prepays	-	-	-	-0-	(221,316)
Other current assets	(56,861)	-	-	(56,861)	-
Inventories	-	-	(4,466)	(4,466)	-
Due from other funds	-	-	(2,185)	(2,185)	-
Increase (decrease) in:					
Accounts payable	(175,259)	-	79,347	(95,912)	45,805
Accrued liabilities	(22,834)	396	1,431	(21,007)	-
Due to other governmental units	-	-	(32,089)	(32,089)	-
Due to other funds	-	2,185	14	2,199	-
Deferred revenue	-	-	(55,000)	(55,000)	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 1,572,579	\$ 550,825	\$ (304,917)	\$ 1,818,487	\$ (534,486)

Isabella County, Michigan

Fiduciary Funds

STATEMENT OF ASSETS AND LIABILITIES

Year Ended September 30, 2012

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	<u>\$ 3,343,115</u>
LIABILITIES	
Due to other governmental units	
Federal/State	\$ 142,424
Local	2,752,274
Due to individuals and agencies	<u>448,417</u>
TOTAL LIABILITIES	<u>\$ 3,343,115</u>

See accompanying notes to the financial statements.

Isabella County, Michigan

Component Units

COMBINING STATEMENT OF NET ASSETS

September 30, 2012

	Road Commission	Isabella County Transportation Commission	Central Michigan District Health Department
ASSETS			
Current assets			
Cash and cash equivalents	\$ 2,325,283	\$ 991,692	\$ 673,414
Investments	-	-	-
Receivables	1,315,078	56,066	482,606
Due from other governmental units	-	290,481	977,932
Inventories	230,119	103,088	249,542
Prepays	172,032	257,724	103,036
Current portion of lease receivable	-	-	-
Total current assets	<u>4,042,512</u>	<u>1,699,051</u>	<u>2,486,530</u>
Noncurrent assets			
Lease receivable	-	-	-
Unamortized bond issuance costs	-	-	-
Capital assets, not being depreciated	24,154,018	54,004	-
Capital assets, net of accumulated depreciation	<u>48,974,805</u>	<u>3,626,979</u>	<u>325,258</u>
Total noncurrent assets	<u>73,128,823</u>	<u>3,680,983</u>	<u>325,258</u>
TOTAL ASSETS	<u>77,171,335</u>	<u>5,380,034</u>	<u>2,811,788</u>
LIABILITIES			
Current liabilities			
Accounts payable	177,617	32,952	135,122
Accrued wages	-	96,900	277,116
Due to other governmental units	54,893	-	56,750
Accrued interest payable	-	-	5,625
Other accrued liabilities	25,956	15,126	34,564
Unearned revenue	7,256	67,908	284,767
Current portion of compensated absences	-	113,680	317,535
Current portion of long-term debt	<u>19,811</u>	<u>-</u>	<u>108,752</u>
Total current liabilities	285,533	326,566	1,220,231
Noncurrent liabilities			
Other post employment benefits	17,578	-	-
Noncurrent portion of compensated absences	224,738	-	305,082
Noncurrent portion of long-term debt	<u>146,372</u>	<u>-</u>	<u>363,748</u>
Total noncurrent liabilities	<u>388,688</u>	<u>-0-</u>	<u>668,830</u>
TOTAL LIABILITIES	<u>674,221</u>	<u>326,566</u>	<u>1,889,061</u>
NET ASSETS			
Invested in capital assets, net of related debt	72,962,640	3,680,983	(147,242)
Restricted	3,534,474	-	-
Unrestricted	<u>-</u>	<u>1,372,485</u>	<u>1,069,969</u>
TOTAL NET ASSETS	<u>\$ 76,497,114</u>	<u>\$ 5,053,468</u>	<u>\$ 922,727</u>

See accompanying notes to the financial statements.

Drainage Districts	Board of Public Works	Total
\$ 2,252,839	\$ 70,992	\$ 6,314,220
1,807,624	-	1,807,624
2,996,586	10,389	4,860,725
236,000	-	1,504,413
25,043	-	607,792
2,995	542,575	1,078,362
-	450,000	450,000
<u>7,321,087</u>	<u>1,073,956</u>	<u>16,623,136</u>
-	5,375,000	5,375,000
-	53,902	53,902
1,340,817	25,528	25,574,367
<u>14,542,937</u>	<u>26,050</u>	<u>67,496,029</u>
<u>15,883,754</u>	<u>5,480,480</u>	<u>98,499,298</u>
23,204,841	6,554,436	115,122,434
133,389	7,680	486,760
-	-	374,016
-	-	111,643
43,285	39,404	88,314
-	-	75,646
-	-	359,931
-	-	431,215
<u>526,910</u>	<u>632,088</u>	<u>1,287,561</u>
703,584	679,172	3,215,086
-	-	17,578
-	-	529,820
<u>3,002,504</u>	<u>5,271,327</u>	<u>8,783,951</u>
<u>3,002,504</u>	<u>5,271,327</u>	<u>9,331,349</u>
<u>3,706,088</u>	<u>5,950,499</u>	<u>12,546,435</u>
12,725,554	51,578	89,273,513
3,559,275	-	7,093,749
<u>3,213,924</u>	<u>552,359</u>	<u>6,208,737</u>
<u>\$ 19,498,753</u>	<u>\$ 603,937</u>	<u>\$ 102,575,999</u>

Isabella County, Michigan

Component Units

STATEMENT OF ACTIVITIES

Year Ended September 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Assets					
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Road Commission	Transportation Commission	Health Department	Drainage Districts	Board of Public Works	Total
Road Commission	\$ 8,487,192	\$ 114,835	\$ 4,950,977	\$ 3,529,101	\$ 107,721	\$ -	\$ -	\$ -	\$ -	\$ 107,721
Transportation Commission	5,383,758	714,081	2,912,080	754,312	-	(1,003,285)	-	-	-	(1,003,285)
Health Department	9,296,252	3,093,844	4,914,406	-	-	-	(1,288,002)	-	-	(1,288,002)
Drainage Districts	729,570	-	218,621	342,062	-	-	-	(168,887)	-	(168,887)
Board of Public Works	307,933	37,544	-	153,633	-	-	-	-	(116,756)	(116,756)
TOTALS	\$ 24,204,705	\$ 3,960,304	\$ 12,996,084	\$ 4,779,108	107,721	(1,003,285)	(1,288,002)	(168,887)	(116,756)	(2,469,209)
General revenues										
Property taxes	-	-	-	-	-	1,339,838	1,231,030	-	-	2,570,868
Investment earnings	-	-	-	-	-	5,888	846	12,963	110	19,807
Gain on disposal of capital assets	-	-	-	-	12,583	-	-	-	-	12,583
Other	-	-	-	-	-	-	70	15,441	-	15,511
Total general revenues	-	-	-	-	12,583	1,345,726	1,231,946	28,404	110	2,618,769
CHANGE IN NET ASSETS	-	-	-	-	120,304	342,441	(56,056)	(140,483)	(116,646)	149,560
Net assets, beginning of year	-	-	-	-	76,376,810	4,711,027	978,783	19,639,236	720,583	102,426,439
Net assets, end of year	-	-	-	-	\$ 76,497,114	\$ 5,053,468	\$ 922,727	\$ 19,498,753	\$ 603,937	\$ 102,575,999

See accompanying notes to the financial statements.

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Isabella 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 63,000 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; GASB Statement 14, *The Financial Reporting Entity* (as amended by GASB Statement 39); and *Statement on Michigan Governmental Accounting and Auditing No. 4*, 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 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 Transportation 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, 2012

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Discretely Presented Component Units - Concluded

Isabella County Road Commission

The Isabella County 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 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 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.

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.

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

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 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 Statement No. 39). 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. For this reason, it is not considered a component unit of the County.

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 2012, the County did not provide any operating assistance to this organization.

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide 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.
- c. 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.
- 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 Medical Care Facility Fund accounts for the activities of the government's in-patient medical care.
- b. The Delinquent Tax Revolving Fund accounts for the activities of the government's purchase and collection of delinquent property taxes.

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 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 and current liabilities 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 net current assets.

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 60 days. Revenues that are considered measurable but not available are recorded as receivable and deferred 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.

All government-wide 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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The County has elected not to follow subsequent private-sector guidance.

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.

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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*.

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.

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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. In accordance with Financial Accounting Standards Board (FASB) Statement No. 13, 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. Deferred 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.

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 in accordance with Financial Accounting Standards Board (FASB) Statement No. 13.

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

14. Capitalized Lease Receivable - Concluded

COMPONENT UNITS - CONCLUDED

On this basis, the aggregate future lease payments necessary for the retirement of outstanding bond principal have been recorded as a capitalized lease receivable. Deferred 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. Deferred/Unearned Revenue

Deferred revenue consists of amounts related to certain long-term receivables recorded at the fund level that are not available to finance current period expenditures and are therefore deferred and also amounts received for various grant programs that has not yet been earned. Unearned revenue recorded in governmental activities and proprietary funds are so labeled to indicate that the availability criteria used in modified accrual basis statements does not apply.

19. 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.

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

20. Capital Assets

PRIMARY GOVERNMENT AND COMPONENT UNITS (EXCEPT ROAD COMMISSION)

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

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

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 assets and statement of changes in net assets). 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 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

21. 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.

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONCLUDED

21. Long-Term Obligations - Concluded

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.

22. 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 self-funded health insurance program including actual claims paid for active and eligible retired employees and their families.

23. 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.

24. 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.

25. 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 67 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 assets.

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.

Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

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

- 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.
- 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:

Carrying Amount	
PRIMARY GOVERNMENT	
Cash and cash equivalents	\$ 17,682,158
Investments	6,057,707
Restricted cash and investments	<u>6,661,471</u>
Total primary government	30,401,336
FIDUCIARY FUNDS	
Cash and cash equivalents	3,343,115
COMPONENT UNITS	
Cash and cash equivalents	6,314,220
Investments	<u>1,807,624</u>
Total component units	<u>8,121,844</u>
TOTAL REPORTING ENTITY	<u><u>\$ 41,866,295</u></u>
Deposits and Investments	
Bank deposits (checking accounts, savings accounts, money market accounts, and certificates of deposit)	\$ 41,857,514
Cash on hand	<u>8,781</u>
	<u><u>\$ 41,866,295</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, 2012, the primary government, component units, and fiduciary fund accounts were insured by the FDIC, FSLIC or NCUA for \$3,637,738 and the amount of \$38,725,413 was uninsured and uncollateralized.

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

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

Deposits - Concluded

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.

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, 2012, rating information on the County's investments is presented above as applicable.

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.

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	\$ 46,813
Delinquent Tax Revolving Fund	<u>115,000</u>
	<u>\$ 161,813</u>
Transfers to Building Authority Bonds Fund from:	
General Fund	<u>\$ 293,075</u>
Transfers to nonmajor governmental funds from:	
General Fund	\$ 1,390,699
Nonmajor governmental funds	<u>23,032</u>
	<u>\$ 1,413,731</u>

Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

NOTE C: INTERFUND TRANSFERS - CONCLUDED

Transfers to nonmajor enterprise fund from:	
General Fund	<u>\$ 129,581</u>
Transfers to Drainage Districts from:	
Drainage Districts	<u>\$ 289,239</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 and nonmajor enterprise funds in order to supplement funding for the activities that are accounted for in those funds. Funds were transferred from the nonmajor governmental 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.

NOTE D: INTERFUND RECEIVABLES AND PAYABLES

PRIMARY GOVERNMENT

Due to General Fund from:	
Tribal Contribution Fund	\$ 36,287
CDBG Housing Assistance Grant Fund	11,000
Nonmajor governmental funds	149,789
Nonmajor enterprise funds	<u>22</u>
	<u>\$ 197,098</u>
Due to Tribal Contribution Fund from:	
General Fund	<u>\$ 1,089</u>
Due to Commission on Aging Activities from:	
Tribal Contribution Fund	<u>\$ 500,000</u>
Due to nonmajor governmental funds from:	
General Fund	\$ 48,017
Building Authority Bonds Fund	35,000
Nonmajor governmental funds	<u>52,336</u>
	<u>\$ 135,353</u>
Due to nonmajor enterprise funds from:	
Tribal Contribution Fund	\$ 24,782
Delinquent Tax Revolving Fund	<u>3,811</u>
	<u>\$ 28,593</u>
Due to Internal Service Fund from:	
General Fund	<u>\$ 784,405</u>

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

NOTE D: INTERFUND RECEIVABLES AND PAYABLES - CONCLUDED

COMPONENT UNITS

Due to Drainage District funds from:	
Drainage District funds	<u>\$ 297,938</u>
Due to Board of Public Works funds from:	
Board of Public Works funds	<u>\$ 37,040</u>

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.

NOTE E: LEASES

The Central Michigan District Health Department leases an office facility under a long-term noncancelable operating lease agreement. Rent expense for the year ended September 30, 2012 amounted to \$81,238. The following is a schedule of future minimum rental payments required under this lease, as of September 30, 2012:

<u>Year Ending September 30,</u>	<u>Amount</u>
2013	\$ 81,238
2014	81,238
2015	<u>81,238</u>
Total minimum lease-rental payments required	<u>\$ 243,714</u>

The Department also leases office space in four other counties on a month-to-month basis. The Department is generally responsible for utilities, maintenance and repairs, and certain insurance coverage related to leased properties.

The Road Commission executed an operating lease for 24 months in February 2011 for property adjacent to the main garage facility. Terms require a pre-payment of \$100,000, expiring in February 2013. Lease expiration amounts are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2013	<u>\$ 20,833</u>

Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

NOTE F: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2012, was as follows:

Primary Government

	Balance Oct. 1, 2011	Additions	Deletions	Balance Sept. 30, 2012
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 2,192,082	\$ -	\$ -	\$ 2,192,082
Capital assets, being depreciated:				
Buildings and improvements	24,341,060	-	-	24,341,060
Equipment	5,891,742	73,692	(7,518)	5,957,916
Vehicles	845,970	96,856	(102,046)	840,780
Other	530,904	41,643	-	572,547
Total capital assets being depreciated	31,609,676	212,191	(109,564)	31,712,303
Less accumulated depreciation for:				
Buildings and improvements	(10,741,339)	(500,576)	-	(11,241,915)
Equipment	(4,813,462)	(357,084)	7,518	(5,163,028)
Vehicles	(709,432)	(77,659)	71,834	(715,257)
Other	(360,116)	(49,913)	-	(410,029)
Total accumulated depreciation	(16,624,349)	(985,232)	79,352	(17,530,229)
Total capital assets being depreciated, net	14,985,327	(773,041)	(30,212)	14,182,074
Governmental activities capital assets, net	\$ 17,177,409	\$ (773,041)	\$ (30,212)	\$ 16,374,156

Depreciation expense was charged to governmental activities as follows:

Governmental activities	
General government	\$ 474,253
Public safety	400,202
Public works	4,887
Health and welfare	104,074
Recreational and cultural	30,805
Community and economic development	1,223
Total governmental activities	\$ 1,015,444

The current year depreciation expense for governmental activities of \$985,232 has been adjusted by \$30,212 for the disposal of capital assets during the year, in accordance with GASB Statement No. 34 implementation guide which states that immaterial losses may be handled as an adjustment to the current period's depreciation expense.

Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

NOTE F: CAPITAL ASSETS - CONTINUED

Primary Government - Concluded

	Balance Oct. 1, 2011	Additions	Deletions	Balance Sept. 30, 2012
Business-type Activities				
Capital assets not being depreciated:				
Land	\$ 121,953	\$ -	\$ -	\$ 121,953
Construction in progress	37,149	470,818	-	507,967
Subtotal	159,102	470,818	-0-	629,920
Capital assets, being depreciated:				
Buildings and improvements	14,137,978	21,783	(26,041)	14,133,720
Equipment	4,010,248	125,735	(929,406)	3,206,577
Vehicles	411,211	105,355	(10,523)	506,043
Total capital assets being depreciated	18,559,437	252,873	(965,970)	17,846,340
Less accumulated depreciation for:				
Buildings and improvements	(3,927,633)	(314,626)	24,028	(4,218,231)
Equipment	(2,858,768)	(214,908)	857,498	(2,216,178)
Vehicles	(325,134)	(32,394)	10,523	(347,005)
Total accumulated depreciation	(7,111,535)	(561,928)	892,049	(6,781,414)
Total capital assets being depreciated, net	11,447,902	(309,055)	(73,921)	11,064,926
Business-type activities capital assets, net	<u>\$ 11,607,004</u>	<u>\$ 161,763</u>	<u>\$ (73,921)</u>	<u>\$ 11,694,846</u>

Discretely Presented Component Units

Component Unit - Drainage Districts

Capital assets not being depreciated:

Construction in progress	\$ 1,608,401	\$ 1,121,319	\$ (1,388,903)	\$ 1,340,817
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Capital assets, being depreciated:

Infrastructure - drains	17,788,399	1,388,903	-	19,177,302
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Less accumulated depreciation for:

Infrastructure - drains	(4,252,644)	(381,721)	-	(4,634,365)
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Total capital assets

being depreciated, net

13,535,755	1,007,182	-0-	14,542,937
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Drainage Districts

capital assets, net

<u>\$ 15,144,156</u>	<u>\$ 2,128,501</u>	<u>\$ (1,388,903)</u>	<u>\$ 15,883,754</u>
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Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

NOTE F: CAPITAL ASSETS - CONTINUED

Discretely Presented Component Units - Continued

	Balance Oct. 1, 2011	Additions	Deletions	Balance Sept. 30, 2012
Component Unit - Board of Public Works				
Capital assets not being depreciated:				
Land	\$ 16,000	\$ -	\$ -	\$ 16,000
Construction in progress	-	9,528	-	9,528
Total capital assets not being depreciated	16,000	9,528	-0-	25,528
Capital assets, being depreciated:				
Buildings	12,856	-	-	12,856
Equipment	26,521	-	-	26,521
Infrastructure - water supply	216,425	-	-	216,425
Total capital assets being depreciated	255,802	-0-	-0-	255,802
Less accumulated depreciation for:				
Buildings and improvements	(12,856)	-	-	(12,856)
Equipment	(15,061)	(1,433)	-	(16,494)
Infrastructure - water supply	(195,472)	(4,930)	-	(200,402)
Total accumulated depreciation	(223,389)	(6,363)	-0-	(229,752)
Total capital assets being depreciated, net	32,413	(6,363)	-0-	26,050
Board of Public Works capital assets, net	<u>\$ 48,413</u>	<u>\$ 3,165</u>	<u>\$ -0-</u>	<u>\$ 51,578</u>
 Component Unit - Road Commission				
Capital assets not being depreciated:				
Land	\$ 225,882	\$ -	\$ -	\$ 225,882
Land improvements	230,168	-	-	230,168
Land - infrastructure	23,375,549	322,419	-	23,697,968
	23,831,599	322,419	-0-	24,154,018
Capital assets, being depreciated:				
Land improvements	2,948	-	-	2,948
Buildings	952,012	-	(7,313)	944,699
Equipment	6,798,358	415,722	(219,419)	6,994,661
Infrastructure - Bridges	19,094,647	882,578	(44,266)	19,932,959
Infrastructure - Roads	62,396,929	2,324,104	(2,526,153)	62,194,880
Total capital assets being depreciated	89,244,894	3,622,404	(2,797,151)	90,070,147

Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

NOTE F: CAPITAL ASSETS - CONTINUED

Discretely Presented Component Units - Continued

	Balance Oct. 1, 2011	Additions	Deletions	Balance Sept. 30, 2012
Component Unit - Road Commission - Concluded				
Less accumulated depreciation for:				
Land improvements	\$ (430)	\$ (147)	\$ -	\$ (577)
Buildings	(518,888)	(21,498)	7,313	(533,073)
Equipment	(5,490,508)	(468,293)	200,457	(5,758,344)
Infrastructure - Bridges	(5,863,224)	(375,353)	42,746	(6,195,831)
Infrastructure - Roads	<u>(28,004,188)</u>	<u>(3,129,483)</u>	<u>2,526,154</u>	<u>(28,607,517)</u>
Total accumulated depreciation	<u>(39,877,238)</u>	<u>(3,994,774)</u>	<u>2,776,670</u>	<u>(41,095,342)</u>
Total capital assets being depreciated, net	<u>49,367,656</u>	<u>(372,370)</u>	<u>(20,481)</u>	<u>48,974,805</u>
Road Commission capital assets, net	<u>\$ 73,199,255</u>	<u>\$ (49,951)</u>	<u>\$ (20,481)</u>	<u>\$ 73,128,823</u>
Component Unit - Central Michigan District Health Department				
Capital assets, being depreciated:				
Buildings under capital leases	\$ 2,621,266	\$ -	\$ -	\$ 2,621,266
Furniture and equipment	158,337	-	(5,856)	152,481
Buses and vehicles	<u>5,710</u>	<u>-</u>	<u>-</u>	<u>5,710</u>
Total capital assets being depreciated	2,785,313	-0-	(5,856)	2,779,457
Less accumulated depreciation for:				
Buildings under capital leases	(2,214,690)	(81,318)	-	(2,296,008)
Furniture and equipment	(158,337)	-	5,856	(152,481)
Buses and vehicles	<u>(5,710)</u>	<u>-</u>	<u>-</u>	<u>(5,710)</u>
Total accumulated depreciation	<u>(2,378,737)</u>	<u>(81,318)</u>	<u>5,856</u>	<u>(2,454,199)</u>
Central Michigan District Health Department capital assets, net	<u>\$ 406,576</u>	<u>\$ (81,318)</u>	<u>\$ -0-</u>	<u>\$ 325,258</u>

Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

NOTE F: CAPITAL ASSETS - CONCLUDED

Discretely Presented Component Units - Concluded

	Balance Oct. 1, 2011	Additions	Deletions	Balance Sept. 30, 2012
Component Unit - Transportation Commission				
Capital assets not being depreciated:				
Land	\$ 54,004	\$ -	\$ -	\$ 54,004
Capital assets, being depreciated:				
Buildings and improvements	2,843,713	69,482	-	2,913,195
Equipment and furniture	818,070	-	-	818,070
Buses	4,581,906	1,012,461	(280,600)	5,313,767
Total capital assets being depreciated	8,243,689	1,081,943	(280,600)	9,045,032
Less accumulated depreciation for:				
Buildings and improvements	(1,482,005)	(146,246)	-	(1,628,251)
Equipment and furniture	(588,446)	(75,232)	-	(663,678)
Buses	(2,979,627)	(427,097)	280,600	(3,126,124)
Total accumulated depreciation	(5,050,078)	(648,575)	280,600	(5,418,053)
Total capital assets being depreciated, net	3,193,611	433,368	-0-	3,626,979
Transportation Commission capital assets, net	<u>\$ 3,247,615</u>	<u>\$ 433,368</u>	<u>\$ -0-</u>	<u>\$ 3,680,983</u>

NOTE G: 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, 2012:

PRIMARY GOVERNMENT

	Balance Oct. 1, 2011	Additions	Deletions	Balance Sept. 30, 2012	Amounts Due Within One Year
Governmental activities					
2007 Building Authority Bonds	\$ 2,200,000	\$ -	\$ (400,000)	\$ 1,800,000	\$ 400,000
2008 Building Authority Refunding Bonds	3,600,000	-	(415,000)	3,185,000	450,000
Postclosure landfill costs	784,665	-	(32,906)	751,759	77,958
Compensated absences	800,785	844,218	(884,229)	760,774	304,310
	7,385,450	844,218	(1,732,135)	6,497,533	1,232,268
Less: deferred amounts on refunding	(47,107)	-	5,889	(41,218)	(5,888)
Total governmental activities	7,338,343	844,218	(1,726,246)	6,456,315	1,226,380

Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

NOTE G: LONG-TERM DEBT - CONTINUED

PRIMARY GOVERNMENT - CONCLUDED

	Balance Oct. 1, 2011	Additions	Deletions	Balance Sept. 30, 2012	Amounts Due Within One Year
Business-type activities					
Building Authority Bond - 2002	\$ 5,520,000	\$ -	\$ (5,520,000)	\$ -0-	\$ -
Less deferred issuance discount	(38,306)	-	38,306	-0-	-
Building Authority Bond - 2012	-	5,090,000	-	5,090,000	440,000
Premium on refunding	-	214,597	(8,942)	205,655	5,942
Less deferred issuance discount	-	(144,159)	6,007	(138,152)	(6,007)
Compensated absences	476,889	59,063	(64,437)	471,515	454,040
Total business-type activities	5,958,583	5,219,501	(5,549,066)	5,629,018	893,975
TOTAL PRIMARY GOVERNMENT	<u>\$ 13,296,926</u>	<u>\$ 6,063,719</u>	<u>\$ (7,275,312)</u>	<u>\$ 12,085,333</u>	<u>\$ 2,120,355</u>

COMPONENT UNITS

Road Commission					
Notes payable	\$ 185,076	\$ -	\$ (18,893)	\$ 166,183	\$ 19,811
Accumulated sick and vacation	231,964	-	(7,226)	224,738	-
Total Road Commission	417,040	-0-	(26,119)	390,921	19,811
Board of Public Works					
1998 City of Clare water and sewer system improvement bonds	125,000	-	(60,000)	65,000	65,000
1999 Shepherd sanitary sewer/storm water separation	590,000	-	(190,000)	400,000	190,000
2009 Wastewater refunding bonds	3,835,000	-	(310,000)	3,525,000	315,000
2010 Union Township water supply bonds	2,105,000	-	(65,000)	2,040,000	70,000
	6,655,000	-0-	(625,000)	6,030,000	640,000
Less: deferred amounts on refunding	(134,495)	-	7,910	(126,585)	(7,912)
Total Board of Public Works	6,520,505	-0-	(617,090)	5,903,415	632,088
Drainage Districts					
Drain notes					
Potter and Brodie #522	85,710	-	(42,858)	42,852	42,852
Recker #530	70,000	-	(70,000)	-0-	-
Saunders #550	428,000	-	(53,500)	374,500	53,500
Childs Creek Dubois	282,000	-	(47,000)	235,000	47,000
Lamphere #852	62,501	-	(20,833)	41,668	20,833
Huber #377	77,000	-	(11,000)	66,000	11,000
Woodin #667	101,000	-	(10,100)	90,900	10,100
West #652	130,000	-	(13,000)	117,000	13,000
Dutt & Hart Intercounty	610,000	-	(61,000)	549,000	61,000
Subtotal	1,846,211	-0-	(329,291)	1,516,920	259,285

Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

NOTE G: LONG-TERM DEBT - CONTINUED

COMPONENT UNITS - CONCLUDED

	Balance Oct. 1, 2011	Additions	Deletions	Balance Sept. 30, 2012	Amounts Due Within One Year
Drainage Districts - Concluded					
Drain bonds					
Little Salt intercounty drain bonds	\$ 163,800	\$ -	\$ (29,250)	\$ 134,550	\$ 32,175
Paisley drain bonds	280,000	-	(56,000)	224,000	56,000
2001 Hance main branches	235,000	-	(85,000)	150,000	80,000
2002 Salt River drain	125,000	-	(125,000)	-0-	-
Beltinck drain	533,393	-	(44,449)	488,944	44,450
Bachelder improvement bond	1,070,000	-	(55,000)	1,015,000	55,000
Subtotal	2,407,193	-0-	(394,699)	2,012,494	267,625
Total Drainage Districts	4,253,404	-0-	(723,990)	3,529,414	526,910
Central Michigan District					
Health Department					
Capital leases payable	573,752	-	(101,252)	472,500	108,752
Compensated absences	599,210	670,015	(646,608)	622,617	317,535
Total Central Michigan District Health Department	1,172,962	670,015	(747,860)	1,095,117	426,287
TOTAL COMPONENT UNITS	12,363,911	670,015	(2,115,059)	10,918,867	1,605,096
TOTAL REPORTING ENTITY	<u>\$ 25,660,837</u>	<u>\$ 6,733,734</u>	<u>\$ (9,390,371)</u>	<u>\$ 23,004,200</u>	<u>\$ 3,725,451</u>

PRIMARY GOVERNMENT

General Long-Term Debt Bonds

Bonds payable at September 30, 2012, is as follows:

\$3,500,000 2007 Building Authority Bonds dated November 1, 2007 due in annual principal installments ranging from \$400,000 to \$500,000 through April 1, 2015, with interest of 4.00 percent, payable semi-annually.	\$ 1,800,000
\$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 3.50 to 4.25 percent, payable semi-annually.	<u>3,185,000</u>
	<u>\$ 4,985,000</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 H for full details. The landfill postclosure liability is:

\$ 751,759

Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

NOTE G: LONG-TERM DEBT - CONTINUED

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, 2012, 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 \$3,185,000 are considered defeased.

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 \$760,774 for governmental activities and \$471,515 for business-type activities for vacation and sick at September 30, 2012. Of these amounts, \$304,310 and \$454,040 have been recorded as current liabilities, and \$456,464 and \$17,475 have been recorded as noncurrent liabilities respectively. 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, Medical Care Facility Fund, Building Inspection Fund and Recycling Fund are funds where compensated absences would typically be liquidated.

Medical Care Facility - General Obligation Bonds - Business-type Activities

\$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. \$ 5,090,000

COMPONENT UNIT - ROAD COMMISSION

Notes Payable

Note payable dated in 2009, due in installments of \$2,273 through 2014, with interest of 4.75 percent, payable monthly. \$ 166,183

COMPONENT UNIT - BOARD OF PUBLIC WORKS

Water Supply and Sewage Disposal System Bonds

\$700,000 City of Clare Water and Sewer System Improvement Bonds dated April 1, 1998, due in an annual principal installment of \$65,000 on October 1, 2012, with interest of 5.10 percent, payable semi-annually. \$ 65,000

\$2,460,000 Shepherd Sanitary Sewer/Storm Water Separation Bonds dated April 1, 1999, due in annual principal installments ranging from \$190,000 to \$210,000 through March 1, 2014, with interest ranging from 4.50 to 4.60 percent, payable semi-annually. 400,000

Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

NOTE G: LONG-TERM DEBT - CONTINUED

COMPONENT UNIT - BOARD OF PUBLIC WORKS - CONCLUDED

Water Supply and Sewage Disposal System Bonds - Concluded

\$4,130,000 Wastewater Treatment Refunding Bonds dated August 27, 2009, due in annual principal installments ranging from \$315,000 to \$405,000 through October 1, 2021 with interest ranging from 1.85 to 4.00 percent, payable semi-annually. \$ 3,525,000

\$2,105,000 Union Township Water Supply Bonds dated July 21, 2010 due in annual principal installments ranging from \$70,000 to \$155,000 through October 1, 2030 with interest ranging from 2.50 to 4.40 percent, payable semi-annually. 2,040,000

\$ 6,030,000

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, 2012, bonds due and payable through October 1, 2021 for the 2001 Union Wastewater Treatment Refunding Bonds, in the amount of \$4,710,000 are considered defeased.

COMPONENT UNIT - DRAINAGE DISTRICTS

Drain Notes

\$300,000 Potter and Brodie Tile Drain Note dated June 15, 2006, due in an annual principal installment of \$42,852 through May 1, 2013, with interest of 4.90 percent, payable annually. \$ 42,852

\$642,000 Saunders Drain Note dated June 22, 2007, due in annual installments of \$53,500 through June 1, 2019, with interest of 4.525 percent, payable annually. 374,500

\$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. 235,000

\$125,000 Lamphere Drain Note dated November 1, 2007, due in annual installments of \$20,833 through June 1, 2014, with interest of 4.27 percent, payable annually. 41,668

\$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. 66,000

Isabella County, Michigan
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE G: LONG-TERM DEBT - CONTINUED

COMPONENT UNIT - DRAINAGE DISTRICTS - CONTINUED

Drain Notes - Concluded

\$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.	\$ 90,900
\$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.	117,000
\$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.	549,000
	\$ 1,516,920

Drain Bonds

\$310,050 Little Salt Intercounty Drain Bonds dated July 21, 2006, due in annual principal installments ranging from \$32,175 to \$34,125 through June 1, 2016, with interest of 6.40 percent, payable semi-annually.	\$ 134,550
\$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.	224,000
\$1,260,000 Hance Main Branches Drain Bonds dated July 24, 2001 due in annual principal installments ranging from \$70,000 to \$80,000 through May 1, 2014, with interest ranging from 4.60 to 4.70 percent, payable semi-annually.	150,000
\$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.	488,944
\$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 3.35 to 5.20 percent, payable annually.	1,015,000
	\$ 2,012,494

COMPONENT UNIT - CENTRAL MICHIGAN DISTRICT HEALTH DEPARTMENT

Capital Lease

The Central Michigan District Health Department leases a building under a capital lease. The economic substance of the lease is that the Department is financing the acquisition of the assets through the lease. This capital lease has been recorded at the present value of the future minimum lease payments as of the date of its inception. This lease qualifies as a capital lease for accounting purposes because substantially all of the benefits and risks inherent in the ownership of the property rests with the Department. The following are additional details regarding the lease.

Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

NOTE G: LONG-TERM DEBT - CONTINUED

COMPONENT UNIT - CENTRAL MICHIGAN DISTRICT HEALTH DEPARTMENT - CONCLUDED

Capital Lease - Concluded

\$2,135,000 Isabella County building capital lease payable dated May 1, 1996, due in annual installments ranging from \$108,752 to \$127,500 through May 1, 2016 with interest ranging from 5.300 to 5.625 percent, payable semi-annually.

\$ 472,500

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

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 850,000	\$ 188,113	\$ 440,000	\$ 130,521
2014	910,000	155,900	455,000	125,450
2015	925,000	120,656	465,000	116,350
2016	1,000,000	84,062	485,000	107,050
2017	350,000	46,938	495,000	97,350
2018-2022	950,000	55,000	2,750,000	253,500
	<u>\$ 4,985,000</u>	<u>\$ 650,669</u>	<u>\$ 5,090,000</u>	<u>\$ 830,221</u>

<u>Year Ending September 30,</u>	<u>Component Units</u>					
	<u>Road Commission</u>		<u>Board of Public Works Water and Sewer Bonds</u>		<u>Drainage Districts Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 19,811	\$ 7,470	\$ 640,000	\$ 193,636	\$ 259,285	\$ 56,256
2014	146,372	3,917	605,000	174,788	216,435	45,832
2015	-	-	400,000	160,823	195,600	37,511
2016	-	-	415,000	150,462	195,600	30,124
2017	-	-	425,000	138,777	195,600	22,634
2018-2022	-	-	2,365,000	466,016	454,400	48,887
2023-2027	-	-	600,000	184,323	-	-
2028-2032	-	-	580,000	51,582	-	-
	<u>\$ 166,183</u>	<u>\$ 11,387</u>	<u>\$ 6,030,000</u>	<u>\$ 1,520,407</u>	<u>\$ 1,516,920</u>	<u>\$ 241,244</u>

Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

NOTE G: LONG-TERM DEBT - CONCLUDED

Year Ending September 30,	Component Units			
	Drainage District Drain Bonds		Central Michigan District Health Department	
	Principal	Interest	Principal	Interest
2013	\$ 267,625	\$ 89,802	\$ 108,752	\$ 26,998
2014	254,575	78,437	116,248	20,885
2015	189,575	67,361	120,000	18,094
2016	189,575	59,289	127,500	11,132
2017	94,448	50,993	-	-
2018-2022	492,247	193,333	-	-
2023-2027	309,449	96,372	-	-
2028-2032	215,000	27,815	-	-
	<u>\$ 2,012,494</u>	<u>\$ 663,402</u>	<u>\$ 472,500</u>	<u>\$ 77,109</u>

NOTE H: 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. 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.

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, 2012, the County incurred postclosure care expenditures of \$32,906.

The landfill postclosure care liability as reported in Long-Term Debt of the governmental activities at September 30, 2012, is \$751,759.

All amounts recognized are based on the estimated cost to perform postclosure care at September 30, 2012. 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.

Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

NOTE I: 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, 2012, the County's annual pension cost of \$1,102,377 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, 2009, 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.

	Year Ended December 31,		
	2009	2010	2011
Actuarial value of assets	\$ 32,927,288	\$ 34,699,232	\$ 36,394,199
Actuarial accrued liability (AAL) (entry age)	42,926,606	44,830,976	47,491,965
Unfunded AAL	9,999,318	10,131,744	11,097,766
Funded ratio	77%	77%	77%
Covered payroll	8,517,248	8,170,643	7,789,264
UAAL as a percentage of covered payroll	117%	124%	142%

	Year Ended September 30,		
	2010	2011	2012
Annual pension cost	\$ 1,008,379	\$ 1,086,493	\$ 1,102,377
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-	-	-

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

NOTE I: EMPLOYEE RETIREMENT SYSTEM - CONCLUDED

PRIMARY GOVERNMENT - CONCLUDED

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 years.

As September 30, 2012, there were 62 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, 2012 amounted to \$177,283 and employee contributions were \$53,206.

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

COMPONENT UNITS

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

NOTE J: 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 commission contributes \$150 to \$350 per month for health coverage per retiree based on years of service scale. The 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 Commission administers a single-employer healthcare plan ("the Retiree Health Plan"). The plan provides healthcare insurance for eligible retirees through the Commission's group health insurance plan, which covers both active and retired members. Benefit provisions are established through negotiations between the Commission and employees. The Retiree Health Plan does not issue a publicly available financial report.

Funding Policy. Contribution requirements also are negotiated between the Commission and employees. The Commission contributes 100% of the cost of current-year premiums for eligible retired plan members. For fiscal year 2012, the Commission contributed \$18,750 to the plan. Total member contributions were \$46,104.

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

NOTE J: POST-EMPLOYMENT BENEFITS (ROAD COMMISSION) - CONTINUED

Annual OPEB Cost and Net OPEB Obligation. The Commission's annual other post employment benefit (OPEB) cost is calculated based on the annual required contribution (ARC). The 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 Commission's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the Commission's net OPEB obligation to the Retiree Health Plan:

Annual required contribution	\$ 26,057
Adjustment to annual required contribution	<u>414</u>
Annual OPEB cost	26,471
Contributions made	<u>(18,750)</u>
Increase in net OPEB obligation	7,721
Net OPEB obligation - beginning of year	<u>9,857</u>
Net OPEB obligation - end of year	<u><u>\$ 17,578</u></u>

The 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>
2010	\$ 26,453	100%	\$ -
2011	26,057	62%	9,857
2012	26,471	71%	17,578

Funded Status and Funding Progress. As of September 30, 2011, the actuarial liability for benefits was \$297,692, \$292,478 of which is unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$1,480,197, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 20%. The actuarial value of plan assets was \$5,214 and funded ratio was 2%.

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.

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:

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

NOTE J: POST-EMPLOYMENT BENEFITS (ROAD COMMISSION) - CONCLUDED

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 2011 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 used the rates published by the National Institute on Health expenditure projections.

Other Assumptions and Methods: The inflation rate was assumed to be 2.0 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.

NOTE K: 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 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 covered 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.

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

NOTE K: RISK MANAGEMENT - CONCLUDED

PRIMARY GOVERNMENT - CONCLUDED

Employee Health Benefits - Concluded

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>2011</u>	<u>2012</u>
Unpaid Claims, beginning of year	\$ 65,000	\$ 25,000
Incurred Claims, (including IBNR)	2,763,444	3,186,633
Claims Paid	<u>(2,803,444)</u>	<u>(3,140,828)</u>
Unpaid Claims	<u>\$ 25,000</u>	<u>\$ 70,805</u>

COMPONENT UNITS

Transportation Commission

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

The 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 Commission.

The 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 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 Commission upon notification.

The 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 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.

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

NOTE L: 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, 2011, and July 1, 2012. 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 2012 taxable value of Isabella County amounted to \$1,622,754,247 on which ad valorem taxes levied for the County general operating purposes was 6.6100 mills. For the year ended September 30, 2012, the County levied 0.7500 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.

NOTE M: 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, 2012, the federal aid received and expended by the Road Commission was \$816,382 for contracted projects.

NOTE N: DETAILS OF FUND BALANCE CATEGORIES AND 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.

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

NOTE N: DETAILS OF FUND BALANCE CATEGORIES AND CLASSIFICATIONS - CONCLUDED

Fund Balance Classification Policies and Procedures - Concluded

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.

Details of fund balance classification as of September 30, 2012 are as follows:

	General Fund	Tribal Fund	CDBG Housing Assistance Grant	Commission on Aging Activities	Building Authority Bonds	Nonmajor Governmental Funds	Total
Fund Balances							
Nonspendable:							
Inventory	\$ 13,657	\$ -	\$ -	\$ 14,769	\$ -	\$ -	\$ 28,426
Prepays	27,873	-	-	-	36,025	53,315	117,213
Restricted:							
Tribal Contribution	-	197	-	-	-	-	197
Building Authority Bonds	-	-	-	-	1,367,377	-	1,367,377
Friend of the Court	-	-	-	-	-	334,002	334,002
Register of Deeds Automation	-	-	-	-	-	139,728	139,728
Drug Law Enforcement Activities	-	-	-	-	-	26,392	26,392
CDBG Housing Assistance Grant	-	-	24,089	-	-	-	24,089
Commission on Aging Activities	-	-	-	95,444	-	-	95,444
Department of Human Services	-	-	-	-	-	65,951	65,951
Child Care	-	-	-	-	-	1,208,884	1,208,884
Veterans Activities	-	-	-	-	-	11,235	11,235
E-911	-	-	-	-	-	1,394,987	1,394,987
Capital improvement	-	-	-	-	-	20,787	20,787
Commission on Aging Building	-	-	-	-	-	120,246	120,246
Commission on Aging Walking Path	-	-	-	-	-	36,045	36,045
Committed:							
Geographical Information System	-	-	-	-	-	33,557	33,557
Sesquicentennial Fund	-	-	-	-	-	21	21
Parks and recreation	-	-	-	-	-	259,099	259,099
Local Corrections Officers Training	-	-	-	-	-	8,008	8,008
Assigned:							
Working capital	2,000,000	-	-	-	-	-	2,000,000
Vested benefits	594,414	-	-	-	-	-	594,414
District health capital	9,176	-	-	-	-	-	9,176
Central dispatch capital	3,958	-	-	-	-	-	3,958
Claims liability	104,714	-	-	-	-	-	104,714
Agriculture board	59,042	-	-	-	-	-	59,042
Court technology	243,407	-	-	-	-	-	243,407
Library Board	339	-	-	-	-	-	339
Link Michigan Grant	5,700	-	-	-	-	-	5,700
Unassigned:	5,371,626	-	-	-	-	-	5,371,626
TOTAL FUND BALANCES	\$ 8,433,906	\$ 197	\$ 24,089	\$ 110,213	\$ 1,403,402	\$ 3,712,257	\$ 13,684,064

NOTE O: 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.

Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

NOTE P: RESTATEMENT OF FUND BALANCES/NET ASSETS

Beginning fund balance for the CDBG Housing Assistance Grant fund and beginning net assets of governmental activities were decreased by \$856,037 to record deferred revenue related to long-term receivables.

NOTE Q: RESTRICTED NET ASSETS

Restrictions of net assets 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 asset restrictions as of September 30, 2012:

Governmental Activities	
Legal restrictions	
Tribal Contribution	\$ 197
Register of Deeds Automation	139,728
Drug Law Enforcement Activities	26,392
Commission on Aging Activities	95,444
Department of Human Services	65,951
Child Care	1,208,884
Veterans Activities	11,235
E-911	<u>1,394,987</u>
Total restricted for legal restrictions	<u>\$ 2,942,818</u>
Grant programs	
Friend of the Court	<u>\$ 334,002</u>
Debt service	
Building Authority Bonds	<u>\$ 1,279,715</u>
Capital projects	
Capital improvement	\$ 20,787
Commission on Aging Building	120,246
Commission on Aging Walking Path	<u>36,045</u>
Total restricted for capital projects	<u>\$ 177,078</u>

NOTE R: UPCOMING ACCOUNTING PRONOUNCEMENTS

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity Omnibus*. This pronouncement, which is an amendment to Statement 14 and Statement 34, modifies certain requirements for inclusion of component units in the financial reporting entity. This statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. Lastly, the statement also clarifies the reporting of equity interests in legally separate organizations. The County is currently evaluating the impact this standard will have on the financial statements when adopted during the 2012-2013 fiscal year.

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

NOTE R: UPCOMING ACCOUNTING PRONOUNCEMENTS - CONCLUDED

In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement incorporates into GASB literature certain accounting and financial reporting guidance issued on or before November 30, 1989 that is included in FASB Statements and Interpretations, APB Opinions, and Accounting Research Bulletins of the AICPA Committee on Accounting Procedure. The County is currently evaluating the impact this standard will have on the financial statements when adopted during the 2012-2013 fiscal year.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The statement will be effective for the County's 2012-2013 fiscal year. The statement incorporates 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. This statement also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Once implemented, this statement will impact the format and reporting of the balance sheet at the government-wide level and also at the fund level.

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The statement will be effective for the County's 2013-2014 fiscal year. The statement establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources. Statement No. 65 will be implemented as of September 30, 2014.

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.

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

COMMISSION ON AGING ACTIVITIES

The Commission on Aging Activities Fund accounts for the operations of 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, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
REVENUES				
Taxes				
Current and delinquent property taxes	\$ 10,159,000	\$ 10,159,000	\$ 10,255,066	\$ 96,066
Payments in lieu of taxes	90,000	90,000	75,047	(14,953)
Mobile home park taxes	5,600	5,600	4,860	(740)
Administrative fees	9,000	9,000	9,065	65
Total taxes	10,263,600	10,263,600	10,344,038	80,438
Licenses and permits				
Dog licenses	49,000	49,000	66,076	17,076
Marriage license fees	15,300	15,300	19,749	4,449
Soil and erosion permits	7,000	7,000	11,683	4,683
Zoning permits	3,500	3,500	7,650	4,150
Other permits	25	25	-	(25)
Total licenses and permits	74,825	74,825	105,158	30,333
Intergovernmental - Federal/State				
Revenue sharing	942,325	942,325	942,120	(205)
Homeland security	113,723	113,723	41,295	(72,428)
B.A.Y.A.N.E.T.	50,000	50,000	-	(50,000)
NCVRW Grant	-	-	500	500
Michigan justice training	-	-	4,521	4,521
Remonumentation	55,400	55,400	61,378	5,978
SCAO grant	25,000	376,844	206,251	(170,593)
Secondary road patrol	70,380	65,688	70,380	4,692
Prosecutor - CRP	30,000	30,000	19,320	(10,680)
Prosecutor - FIA reimbursement	15,000	15,000	21,980	6,980
Prosecutor - Diversion	6,500	6,500	5,205	(1,295)
Caseflow assistance grant	35,000	-	-	-0-
Victims' Rights	70,000	70,000	71,800	1,800
Probate court judge salary	225,000	225,000	192,002	(32,998)
Judges salary standardization	94,000	94,000	94,195	195
Court equity	278,100	278,100	278,098	(2)
Convention facility tax	375,000	375,000	498,791	123,791
Juvenile officer grant	27,500	27,500	27,317	(183)
Cigarette tax	10,000	10,000	3,719	(6,281)
Liquor licenses	8,500	8,500	8,717	217
Marine safety grant	-	-	1,852	1,852
Other	10,000	45,000	115,153	70,153
Total intergovernmental - Federal/State	2,441,428	2,788,580	2,664,594	(123,986)
Intergovernmental - local				
Other	500	500	-	(500)

Isabella County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND
OTHER FINANCING SOURCES - CONCLUDED

Year Ended September 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES - CONTINUED				
Charges for services				
Circuit Court costs	\$ 317,500	\$ 317,500	\$ 310,370	\$ (7,130)
District Court costs	1,482,000	1,482,000	1,452,688	(29,312)
Probate Court costs	36,600	36,600	23,607	(12,993)
Juvenile Court costs	24,500	24,500	24,355	(145)
Prosecuting attorney	5,500	118,500	116,618	(1,882)
Treasurer	5,000	5,000	21,142	16,142
Clerk	118,300	118,300	127,498	9,198
Register of deeds	210,000	210,000	285,366	75,366
Drain commissioner	22,000	22,000	16,647	(5,353)
Sheriff department	73,150	73,150	58,534	(14,616)
Jail	1,296,100	1,296,100	1,553,003	256,903
Equalization	6,700	6,700	7,089	389
Animal control	27,000	27,000	37,232	10,232
Real estate transfer tax	100,000	100,000	115,028	15,028
Miscellaneous services	100	100	942	842
Total charges for services	3,724,450	3,837,450	4,150,119	312,669
Fines and forfeits				
District Court	10,000	10,000	17,753	7,753
Ordinance fines	207,500	207,500	230,910	23,410
Probate Court	1,500	1,500	1,159	(341)
Total fines and forfeits	219,000	219,000	249,822	30,822
Interest and rents				
Investment earnings	45,000	45,000	41,561	(3,439)
Rental fees	348,184	348,184	338,373	(9,811)
Total interest and rents	393,184	393,184	379,934	(13,250)
Other				
Reimbursements	57,500	57,500	80,082	22,582
Donations - general	3,200	3,200	1,384	(1,816)
Miscellaneous revenue	11,730	11,730	12,674	944
Total other	72,430	72,430	94,140	21,710
TOTAL REVENUES	17,189,417	17,649,569	17,987,805	338,236
OTHER FINANCING SOURCES				
Transfers in	177,330	177,330	161,813	(15,517)
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 17,366,747</u>	<u>\$ 17,826,899</u>	<u>\$ 18,149,618</u>	<u>\$ 322,719</u>

Isabella County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES AND
OTHER FINANCING USES BY ACTIVITY

Year Ended September 30, 2012

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
EXPENDITURES				
General government				
Board of Commissioners	\$ 150,559	\$ 150,559	\$ 146,404	\$ 4,155
Administration	683,293	683,293	632,560	50,733
Elections	76,678	76,678	65,147	11,531
Clerk	401,607	401,607	393,429	8,178
Equalization	332,177	332,177	304,352	27,825
Prosecuting attorney	886,752	964,552	959,350	5,202
Register of Deeds	326,530	326,530	324,223	2,307
Human resources	83,750	83,750	75,987	7,763
Public defender	530,200	530,200	484,310	45,890
Remonumentation	55,000	55,000	72,207	(17,207)
Treasurer	187,835	187,835	184,558	3,277
MSU cooperative extension service	-	-	42,111	(42,111)
Data processing	184,104	184,104	182,255	1,849
Building authority	262,813	262,813	253,900	8,913
Courthouse and grounds	754,635	754,635	602,072	152,563
Drain commissioner	269,800	269,799	270,285	(486)
Trial Court	3,034,057	3,385,901	3,111,749	274,152
Adult Drug Court	100,484	100,484	80,400	20,084
Juvenile Drug Court	76,120	76,120	94,878	(18,758)
Family Court	49,800	49,800	39,114	10,686
Jury board	2,200	2,200	1,525	675
Total general government	8,448,394	8,878,037	8,320,816	557,221
Public safety				
Sheriff	2,074,927	2,070,235	2,122,874	(52,639)
Road patrol	151,015	151,015	133,730	17,285
Marine safety	-	-	4,012	(4,012)
Corrections	2,621,912	2,621,912	2,492,153	129,759
Emergency management	199,873	199,873	129,980	69,893
B.A.Y.A.N.E.T.	85,551	85,551	83,244	2,307
Michigan Justice Training Act	-	-	3,465	(3,465)
Animal control	366,794	366,794	398,444	(31,650)
Total public safety	5,500,072	5,495,380	5,367,902	127,478
Public works				
Board of public works	1,200	1,200	720	480
Drain at large	195,000	195,000	186,727	8,273
Well monitoring - landfill	89,082	89,082	32,906	56,176
Total public works	285,282	285,282	220,353	64,929

Isabella County, Michigan

General Fund

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

Year Ended September 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES - CONCLUDED				
Health and welfare				
Substance abuse counseling	\$ 186,000	\$ 186,000	\$ 249,396	\$ (63,396)
Medical examiner	93,500	93,500	133,629	(40,129)
Public health	352,000	352,000	348,345	3,655
Mental health services	216,300	216,300	216,300	-0-
Child protection council	5,000	5,000	5,000	-0-
Veteran's affairs	64,976	64,976	62,888	2,088
Disabilities advisory commission	3,250	3,250	2,746	504
Total health and welfare	921,026	921,026	1,018,304	(97,278)
Community economic and development				
Community development	223,928	223,928	210,024	13,904
Recreation and cultural				
Parks board	1,500	1,500	1,675	(175)
Other				
Contingency	50,000	40,025	-	40,025
Insurance and bonds	300,000	300,000	263,604	36,396
Other	475,342	475,342	192,277	283,065
Total other	825,342	815,367	455,881	359,486
TOTAL EXPENDITURES	16,205,544	16,620,520	15,594,955	1,025,565
OTHER FINANCING USES				
Transfers out	1,814,527	1,824,502	1,813,355	11,147
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 18,020,071	\$ 18,445,022	\$ 17,408,310	\$ 1,036,712

Isabella County, Michigan

Tribal Contribution Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended September 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental - local	\$ 289,417	\$ 289,417	\$ 171,690	\$ (117,727)
EXPENDITURES				
Current				
General government	267,600	267,600	159,723	107,877
Public safety	15,439	15,439	10,400	5,039
Recreation and cultural	6,378	6,378	1,571	4,807
TOTAL EXPENDITURES	<u>289,417</u>	<u>289,417</u>	<u>171,694</u>	<u>117,723</u>
NET CHANGE IN FUND BALANCE	-0-	-0-	(4)	(4)
Fund balance, beginning of year	<u>201</u>	<u>201</u>	<u>201</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 201</u>	<u>\$ 201</u>	<u>\$ 197</u>	<u>\$ (4)</u>

Isabella County, Michigan
 CDBG Housing Assistance Grant Fund
 BUDGETARY COMPARISON SCHEDULE
 Year Ended September 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental				
Federal	\$ 275,000	\$ 275,000	\$ 113,854	\$ (161,146)
Other revenue	17,400	17,400	-	(17,400)
TOTAL REVENUES	292,400	292,400	113,854	(178,546)
EXPENDITURES				
Current				
Community and economic development	278,200	278,200	107,513	170,687
TOTAL EXPENDITURES	14,200	14,200	6,341	(7,859)
Restated fund balance, beginning of year	17,748	17,748	17,748	-0-
Fund balance, end of year	<u>\$ 31,948</u>	<u>\$ 31,948</u>	<u>\$ 24,089</u>	<u>\$ (7,859)</u>

Isabella County, Michigan
 Commission on Aging Activities
 BUDGETARY COMPARISON SCHEDULE
 Year Ended September 30, 2012

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ 654,261	\$ 654,261	\$ 583,717	\$ (70,544)
Intergovernmental				
Federal	380,180	372,782	296,155	(76,627)
State	307,604	318,104	437,824	119,720
Local	450,338	508,540	549,043	40,503
Charges for services	45,000	45,000	28,603	(16,397)
Interest and rents	-	-	540	540
Contributions	513,864	497,065	464,465	(32,600)
Other	16,700	16,700	28,932	12,232
	<u>2,367,947</u>	<u>2,412,452</u>	<u>2,389,279</u>	<u>(23,173)</u>
TOTAL REVENUES				
EXPENDITURES				
Current				
Health and welfare	<u>2,323,115</u>	<u>2,399,204</u>	<u>2,375,827</u>	<u>23,377</u>
	<u>44,832</u>	<u>13,248</u>	<u>13,452</u>	<u>204</u>
NET CHANGE IN FUND BALANCE				
Fund balance, beginning of year	<u>96,761</u>	<u>96,761</u>	<u>96,761</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 141,593</u>	<u>\$ 110,009</u>	<u>\$ 110,213</u>	<u>\$ 204</u>

Isabella County, Michigan

SCHEDULE OF FUNDING PROGRESS

POST-EMPLOYMENT BENEFITS PLAN (ROAD COMMISSION)

Year Ended September 30, 2012

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]
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%

Isabella County, Michigan

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended September 30, 2012

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, 2012, the County incurred expenditures in the General Fund 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			
Remonumentation	\$ 55,000	\$ 72,207	\$ 17,207
MSU cooperative extension service	-	42,111	42,111
Drain commissioner	269,799	270,285	486
Juvenile Drug Court	76,120	94,878	18,758
Public safety			
Sheriff	2,070,235	2,122,874	52,639
Marine safety	-	4,012	4,012
Michigan Justice Training Act	-	3,465	3,465
Animal control	366,794	398,444	31,650
Health and welfare			
Substance abuse counseling	186,000	249,396	63,396
Medical examiner	93,500	133,629	40,129
Recreation and cultural			
Parks board	1,500	1,675	175
Sesquicentennial Fund	-	1,988	1,988
Local Corrections Officers Training	4,000	13,672	9,672
County Law Library	14,700	17,653	2,953
Department of Human Services	120,000	161,116	41,116

BUDGETARY DEFICITS

Michigan Public Act 621 of 1978, Section 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amount appropriated. The amount appropriated also cannot exceed currently available funds plus budgeted revenues.

In the budgetary comparison schedules and other supplementary information section, budget-to-actual comparisons are presented for all nonmajor Special Revenue Funds. Per these budgetary comparisons, the County budgeted for a deficit fund balance in the Community Alternatives Fund. This is a violation of Public Act 621 of 1978.

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

The COA 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, 2012

	Special			
	Geographical Information System	Sesquicentennial Fund	Parks and Recreation	Friend of the Court
ASSETS				
Cash and cash equivalents	\$ 33,849	\$ 21	\$ 252,603	\$ 285,199
Investments	-	-	-	-
Accounts receivable	-	-	-	-
Due from other funds	-	-	24,328	-
Due from other governmental units				
Federal/State	150	-	-	60,238
Local	-	-	-	-
Prepays	-	-	-	-
TOTAL ASSETS	\$ 33,999	\$ 21	\$ 276,931	\$ 345,437
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 101	\$ -	\$ 5,772	\$ 948
Accrued wages	341	-	6,228	7,744
Accrued liabilities	-	-	4,826	2,704
Due to other governmental units - State	-	-	-	-
Due to other funds	-	-	11	39
Deferred revenue	-	-	995	-
TOTAL LIABILITIES	442	-0-	17,832	11,435
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	-	-	-	334,002
Committed	33,557	21	259,099	-
TOTAL FUND BALANCES	33,557	21	259,099	334,002
TOTAL LIABILITIES AND FUND BALANCES	\$ 33,999	\$ 21	\$ 276,931	\$ 345,437

Revenue

Register of Deeds Automation	Drug Law Enforcement Activities	Community Alternatives	Public Act 511	Local Corrections Officers Training	County Law Library
\$ 152,153	\$ 26,392	\$ 53,294	\$ -	\$ 3,357	\$ 1,625
-	-	-	-	-	-
-	-	-	9,151	30	-
-	-	-	65,961	4,621	5,443
-	-	-	33,457	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 152,153</u>	<u>\$ 26,392</u>	<u>\$ 53,294</u>	<u>\$ 108,569</u>	<u>\$ 8,008</u>	<u>\$ 7,068</u>
\$ 373	-	33	7,488	-	2,985
-	-	924	924	-	-
-	-	-	-	-	-
-	-	-	-	-	-
12,052	-	52,337	100,157	-	4,083
-	-	-	-	-	-
12,425	-0-	53,294	108,569	-0-	7,068
-	-	-	-	-	-
139,728	26,392	-	-	-	-
-	-	-	-	8,008	-
<u>139,728</u>	<u>26,392</u>	<u>-0-</u>	<u>-0-</u>	<u>8,008</u>	<u>-0-</u>
<u>\$ 152,153</u>	<u>\$ 26,392</u>	<u>\$ 53,294</u>	<u>\$ 108,569</u>	<u>\$ 8,008</u>	<u>\$ 7,068</u>

Isabella County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONCLUDED

September 30, 2012

	Special Revenue			
	Department of Human Services	Child Care	Veterans Activities	E-911
ASSETS				
Cash and cash equivalents	\$ 75,951	\$ -	\$ 11,468	\$ 1,275,668
Investments	-	1,135,575	-	-
Accounts receivable	-	-	-	192,717
Due from other funds	-	-	-	-
Due from other governmental units				
Federal/State	-	148,487	-	60,045
Local	-	1,647	-	-
Prepays	-	53,315	-	-
TOTAL ASSETS	\$ 75,951	\$ 1,339,024	\$ 11,468	\$ 1,528,430
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ -	\$ 74,655	\$ 83	\$ 76,726
Accrued wages	-	1,095	-	10,676
Accrued liabilities	-	-	-	-
Due to other governmental units - State	10,000	-	-	-
Due to other funds	-	1,075	150	29,841
Deferred revenue	-	-	-	16,200
TOTAL LIABILITIES	10,000	76,825	233	133,443
FUND BALANCES				
Nonspendable	-	53,315	-	-
Restricted	65,951	1,208,884	11,235	1,394,987
Committed	-	-	-	-
TOTAL FUND BALANCES	65,951	1,262,199	11,235	1,394,987
TOTAL LIABILITIES AND FUND BALANCES	\$ 75,951	\$ 1,339,024	\$ 11,468	\$ 1,528,430

Capital Projects

Capital Improvement	Commission on Aging Building Construction	Commission on Aging Walking Path Construction	Total
\$ 20,787	\$ -	\$ 36,045	\$ 2,228,412
-	87,576	-	1,223,151
-	50	-	201,948
-	35,000	-	135,353
-	-	-	302,377
-	-	-	1,647
-	-	-	53,315
<u>\$ 20,787</u>	<u>\$ 122,626</u>	<u>\$ 36,045</u>	<u>\$ 4,146,203</u>
\$ -	\$ -	\$ -	\$ 169,164
-	-	-	27,932
-	-	-	7,530
-	-	-	10,000
-	2,380	-	202,125
-	-	-	17,195
-0-	2,380	-0-	433,946
-	-	-	53,315
20,787	120,246	36,045	3,358,257
-	-	-	300,685
<u>20,787</u>	<u>120,246</u>	<u>36,045</u>	<u>3,712,257</u>
<u>\$ 20,787</u>	<u>\$ 122,626</u>	<u>\$ 36,045</u>	<u>\$ 4,146,203</u>

Isabella County, Michigan

Nonmajor Governmental Funds

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

Year Ended September 30, 2012

	Special			
	Geographical Information System	Sesquicentennial Fund	Parks and Recreation	Friend of the Court
REVENUES				
Licenses and permits	\$ -	\$ -	\$ 345,848	\$ -
Intergovernmental				
Federal	-	-	-	429,197
State	-	-	-	-
Local	-	-	-	-
Charges for services	25,760	-	-	53,512
Fines and forfeits	-	-	-	-
Interest and rents	-	-	361	-
Other	10,000	93	7,857	-
TOTAL REVENUES	35,760	93	354,066	482,709
EXPENDITURES				
Current				
General government	34,674	1,988	-	572,606
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Recreation and cultural	-	-	577,875	-
Capital outlay	-	-	-	-
TOTAL EXPENDITURES	34,674	1,988	577,875	572,606
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,086	(1,895)	(223,809)	(89,897)
OTHER FINANCING SOURCES (USES)				
Transfers in	13,568	-	253,547	-
Transfers out	-	-	(696)	-
TOTAL OTHER FINANCING SOURCES (USES)	13,568	-0-	252,851	-0-
NET CHANGE IN FUND BALANCES	14,654	(1,895)	29,042	(89,897)
Fund balances, beginning of year	18,903	1,916	230,057	423,899
Fund balances, end of year	<u>\$ 33,557</u>	<u>\$ 21</u>	<u>\$ 259,099</u>	<u>\$ 334,002</u>

Revenue

Register of Deeds Automation	Drug Law Enforcement Activities	Community Alternatives	Public Act 511	Local Corrections Officers Training	County Law Library
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	103,996	-	-
56,765	-	82,086	8,648	21,680	-
-	1,531	-	-	-	6,500
186	54	-	-	-	-
-	-	-	-	-	-
<u>56,951</u>	<u>1,585</u>	<u>82,086</u>	<u>112,644</u>	<u>21,680</u>	<u>6,500</u>
15,175	-	68,519	152,626	-	17,653
-	-	-	-	13,672	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>15,175</u>	<u>-0-</u>	<u>68,519</u>	<u>152,626</u>	<u>13,672</u>	<u>17,653</u>
41,776	1,585	13,567	(39,982)	8,008	(11,153)
-	-	-	35,961	-	11,153
<u>(12,051)</u>	<u>(34,761)</u>	<u>(22,337)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(12,051)</u>	<u>(34,761)</u>	<u>(22,337)</u>	<u>35,961</u>	<u>-0-</u>	<u>11,153</u>
29,725	(33,176)	(8,770)	(4,021)	8,008	-0-
<u>110,003</u>	<u>59,568</u>	<u>8,770</u>	<u>4,021</u>	<u>-</u>	<u>-</u>
<u>\$ 139,728</u>	<u>\$ 26,392</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 8,008</u>	<u>\$ -0-</u>

Isabella County, Michigan

Nonmajor Governmental Funds

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

Year Ended September 30, 2012

	Special Revenue			
	Department of Human Services	Child Care	Veterans Activities	E-911
REVENUES				
Licenses and permits	\$ -	\$ -	\$ -	\$ -
Intergovernmental				
Federal	-	-	-	17,047
State	141,765	786,888	5,200	210,260
Local	-	4,520	-	-
Charges for services	-	187,275	-	949,307
Fines and forfeits	-	-	-	-
Interest and rents	-	-	-	1,825
Other	-	-	-	1,216
TOTAL REVENUES	141,765	978,683	5,200	1,179,655
EXPENDITURES				
Current				
General government	-	-	-	-
Public safety	-	-	-	1,187,441
Health and welfare	161,116	1,929,189	8,117	-
Recreation and cultural	-	-	-	-
Capital outlay	-	-	-	-
TOTAL EXPENDITURES	161,116	1,929,189	8,117	1,187,441
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(19,351)	(950,506)	(2,917)	(7,786)
OTHER FINANCING SOURCES (USES)				
Transfers in	10,000	989,826	5,000	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	10,000	989,826	5,000	-0-
NET CHANGE IN FUND BALANCES	(9,351)	39,320	2,083	(7,786)
Restated fund balances, beginning of year	75,302	1,222,879	9,152	1,402,773
Fund balances, end of year	<u>\$ 65,951</u>	<u>\$ 1,262,199</u>	<u>\$ 11,235</u>	<u>\$ 1,394,987</u>

Capital Projects

Capital Improvement	Commission on Aging Building Construction	Commission on Aging Walking Path Construction	Total
\$ -	\$ -	\$ -	\$ 345,848
-	-	-	446,244
-	-	-	1,248,109
-	-	-	4,520
-	-	-	1,385,033
-	-	-	8,031
20	809	-	3,255
<u>22,720</u>	<u>-</u>	<u>20,045</u>	<u>61,931</u>
22,740	809	20,045	3,502,971
-	-	-	863,241
-	-	-	1,201,113
-	-	-	2,098,422
-	-	-	577,875
<u>96,856</u>	<u>2,380</u>	<u>-</u>	<u>99,236</u>
<u>96,856</u>	<u>2,380</u>	<u>-0-</u>	<u>4,839,887</u>
(74,116)	(1,571)	20,045	(1,336,916)
94,676	-	-	1,413,731
<u>-</u>	<u>-</u>	<u>-</u>	<u>(69,845)</u>
<u>94,676</u>	<u>-0-</u>	<u>-0-</u>	<u>1,343,886</u>
20,560	(1,571)	20,045	6,970
<u>227</u>	<u>121,817</u>	<u>16,000</u>	<u>3,705,287</u>
<u>\$ 20,787</u>	<u>\$ 120,246</u>	<u>\$ 36,045</u>	<u>\$ 3,712,257</u>

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, 2012

	<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	\$ 25,760	\$ 12,760
Other	10,000	10,000	10,000	-0-
TOTAL REVENUES	23,000	23,000	35,760	12,760
EXPENDITURES				
Current				
General government	36,568	36,568	34,674	1,894
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(13,568)	(13,568)	1,086	14,654
OTHER FINANCING SOURCES				
Transfers in	13,568	13,568	13,568	-0-
NET CHANGE IN FUND BALANCE	-0-	-0-	14,654	14,654
Fund balance, beginning of year	18,903	18,903	18,903	-0-
Fund balance, end of year	<u>\$ 18,903</u>	<u>\$ 18,903</u>	<u>\$ 33,557</u>	<u>\$ 14,654</u>
<u>Sesquicentennial Fund</u>				
REVENUES				
Other	\$ -	\$ -	\$ 93	\$ 93
EXPENDITURES				
Current				
General government	-	-	1,988	(1,988)
NET CHANGE IN FUND BALANCE	-0-	-0-	(1,895)	(1,895)
Fund balance, beginning of year	1,916	1,916	1,916	-0-
Fund balance, end of year	<u>\$ 1,916</u>	<u>\$ 1,916</u>	<u>\$ 21</u>	<u>\$ (1,895)</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, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
	<u>Parks and Recreation</u>			
REVENUES				
Licenses and permits	\$ 308,445	\$ 321,245	\$ 345,848	\$ 24,603
Interest	3,000	3,000	361	(2,639)
Other	3,000	6,265	7,857	1,592
	<u>314,445</u>	<u>330,510</u>	<u>354,066</u>	<u>23,556</u>
EXPENDITURES				
Current				
Recreation and cultural				
Administration	177,053	185,803	185,988	(185)
Coldwater Lake County Park	79,557	71,557	67,292	4,265
Deerfield County Park	47,170	53,070	54,812	(1,742)
Herrick County Park	77,573	77,039	72,148	4,891
Meridian Park	6,699	8,199	5,210	2,989
Pere Marquette Rail Trail	5,409	5,409	2,938	2,471
Maintenance shop	174,531	182,980	189,487	(6,507)
	<u>567,992</u>	<u>584,057</u>	<u>577,875</u>	<u>6,182</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	<u>(253,547)</u>	<u>(253,547)</u>	<u>(223,809)</u>	<u>29,738</u>
OTHER FINANCING SOURCES				
Transfers in	253,547	253,547	253,547	-0-
Transfers out	-	(696)	(696)	-0-
	<u>253,547</u>	<u>252,851</u>	<u>252,851</u>	<u>-0-</u>
NET CHANGE IN FUND BALANCE	<u>-0-</u>	<u>(696)</u>	<u>29,042</u>	<u>29,738</u>
Fund balance, beginning of year	<u>230,057</u>	<u>230,057</u>	<u>230,057</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 230,057</u>	<u>\$ 229,361</u>	<u>\$ 259,099</u>	<u>\$ 29,738</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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Friend of the Court</u>				
REVENUES				
Intergovernmental				
Federal	\$ 440,000	\$ 440,000	\$ 429,197	\$ (10,803)
Charges for services	38,500	38,500	53,512	15,012
TOTAL REVENUES	478,500	478,500	482,709	4,209
EXPENDITURES				
Current				
General government	580,952	580,952	572,606	8,346
NET CHANGE IN FUND BALANCE	(102,452)	(102,452)	(89,897)	12,555
Fund balance, beginning of year	423,899	423,899	423,899	-0-
Fund balance, end of year	<u>\$ 321,447</u>	<u>\$ 321,447</u>	<u>\$ 334,002</u>	<u>\$ 12,555</u>
<u>Register of Deeds Automation</u>				
REVENUES				
Charges for services	\$ 45,000	\$ 45,000	\$ 56,765	\$ 11,765
Interest	1,000	1,000	186	(814)
TOTAL REVENUES	46,000	46,000	56,951	10,951
EXPENDITURES				
Current				
General government	46,000	46,000	15,175	30,825
EXCESS OF REVENUES OVER EXPENDITURES	-0-	-0-	41,776	41,776
OTHER FINANCING (USES)				
Transfers out	(27,569)	(27,569)	(12,051)	15,518
NET CHANGE IN FUND BALANCE	(27,569)	(27,569)	29,725	57,294
Fund balance, beginning of year	110,003	110,003	110,003	-0-
Fund balance, end of year	<u>\$ 82,434</u>	<u>\$ 82,434</u>	<u>\$ 139,728</u>	<u>\$ 57,294</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, 2012

	<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	\$ -	\$ -	\$ 1,531	\$ 1,531
Interest	-	-	54	54
TOTAL REVENUES	-0-	-0-	1,585	1,585
EXPENDITURES	-	-	-	-0-
OTHER FINANCING (USES)				
Transfers out	(34,761)	(34,761)	(34,761)	-0-
NET CHANGE IN FUND BALANCE	(34,761)	(34,761)	(33,176)	1,585
Fund balance, beginning of year	59,568	59,568	59,568	-0-
Fund balance, end of year	<u>\$ 24,807</u>	<u>\$ 24,807</u>	<u>\$ 26,392</u>	<u>\$ 1,585</u>
<u>Community Alternatives</u>				
REVENUES				
Charges for services	\$ 92,350	\$ 92,350	\$ 82,086	\$ (10,264)
EXPENDITURES				
Current				
General government	63,672	63,672	68,519	(4,847)
EXCESS OF REVENUES OVER EXPENDITURES	28,678	28,678	13,567	(15,111)
OTHER FINANCING (USES)				
Transfers out	(79,583)	(79,583)	(22,337)	57,246
NET CHANGE IN FUND BALANCE	(50,905)	(50,905)	(8,770)	42,135
Fund balance, beginning of year	8,770	8,770	8,770	-0-
Fund balance (deficit), end of year	<u>\$ (42,135)</u>	<u>\$ (42,135)</u>	<u>\$ -0-</u>	<u>\$ 42,135</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, 2012

	<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	\$ 75,000	\$ 75,000	\$ 103,996	\$ 28,996
Charges for services	19,650	19,650	8,648	(11,002)
TOTAL REVENUES	94,650	94,650	112,644	17,994
EXPENDITURES				
Current				
General government	174,233	174,233	152,626	21,607
EXCESS OF REVENUES (UNDER) EXPENDITURES	(79,583)	(79,583)	(39,982)	39,601
OTHER FINANCING SOURCES				
Transfers In	79,583	79,583	35,961	(43,622)
NET CHANGE IN FUND BALANCE	-0-	-0-	(4,021)	(4,021)
Fund balance, beginning of year	4,021	4,021	4,021	-0-
Fund balance, end of year	<u>\$ 4,021</u>	<u>\$ 4,021</u>	<u>\$ -0-</u>	<u>\$ (4,021)</u>
	<u>Local Corrections Officers Training</u>			
REVENUES				
Charges for services	\$ 10,000	\$ 10,000	\$ 21,680	\$ 11,680
EXPENDITURES				
Current				
Public safety	4,000	4,000	13,672	(9,672)
NET CHANGE IN FUND BALANCE	6,000	6,000	8,008	2,008
Fund balance, beginning of year	-	-	-	-0-
Fund balance, end of year	<u>\$ 6,000</u>	<u>\$ 6,000</u>	<u>\$ 8,008</u>	<u>\$ 2,008</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, 2012

	<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>14,700</u>	<u>14,700</u>	<u>17,653</u>	<u>(2,953)</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	(8,200)	(8,200)	(11,153)	(2,953)
OTHER FINANCING SOURCES				
Transfers in	<u>8,200</u>	<u>8,200</u>	<u>11,153</u>	<u>2,953</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>

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, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Department of Human Services</u>				
REVENUES				
Intergovernmental State	\$ 100,000	\$ 100,000	\$ 141,765	\$ 41,765
EXPENDITURES				
Current Health and welfare	<u>120,000</u>	<u>120,000</u>	<u>161,116</u>	<u>(41,116)</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	(20,000)	(20,000)	(19,351)	649
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	(10,000)	(10,000)	(9,351)	649
Fund balance, beginning of year	<u>75,302</u>	<u>75,302</u>	<u>75,302</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 65,302</u>	<u>\$ 65,302</u>	<u>\$ 65,951</u>	<u>\$ 649</u>
<u>Child Care</u>				
REVENUES				
Intergovernmental State	\$ 914,000	\$ 914,000	\$ 786,888	\$ (127,112)
Local	30,000	30,000	4,520	(25,480)
Charges for services	<u>200,000</u>	<u>200,000</u>	<u>187,275</u>	<u>(12,725)</u>
TOTAL REVENUES	1,144,000	1,144,000	978,683	(165,317)
EXPENDITURES				
Current Health and welfare	<u>2,235,650</u>	<u>2,235,650</u>	<u>1,929,189</u>	<u>306,461</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	(1,091,650)	(1,091,650)	(950,506)	141,144
OTHER FINANCING SOURCES				
Transfers in	<u>989,826</u>	<u>989,826</u>	<u>989,826</u>	<u>-0-</u>
NET CHANGE IN FUND BALANCE	(101,824)	(101,824)	39,320	141,144
Fund balance, beginning of year	<u>1,222,879</u>	<u>1,222,879</u>	<u>1,222,879</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 1,121,055</u>	<u>\$ 1,121,055</u>	<u>\$ 1,262,199</u>	<u>\$ 141,144</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, 2012

	<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>				
REVENUES				
Intergovernmental				
State	\$ 2,550	\$ 2,550	\$ 5,200	\$ 2,650
EXPENDITURES				
Current				
Health and welfare				
Veterans affairs relief	5,000	5,000	2,832	2,168
Veterans trust	5,500	5,500	5,285	215
TOTAL EXPENDITURES	10,500	10,500	8,117	2,383
EXCESS OF REVENUES (UNDER) EXPENDITURES	(7,950)	(7,950)	(2,917)	5,033
OTHER FINANCING SOURCES				
Transfers in	5,000	5,000	5,000	-0-
NET CHANGE IN FUND BALANCE	(2,950)	(2,950)	2,083	5,033
Fund balance, beginning of year	9,152	9,152	9,152	-0-
Fund balance, end of year	<u>\$ 6,202</u>	<u>\$ 6,202</u>	<u>\$ 11,235</u>	<u>\$ 5,033</u>
<u>E-911</u>				
REVENUES				
Intergovernmental				
Federal	\$ -	\$ -	\$ 17,047	\$ 17,047
State	-	-	210,260	210,260
Charges for services	879,600	883,600	949,307	65,707
Interest	1,500	1,500	1,825	325
Other	200	200	1,216	1,016
TOTAL REVENUES	881,300	885,300	1,179,655	294,355
EXPENDITURES				
Current				
Public safety	1,593,169	1,721,769	1,187,441	534,328
NET CHANGE IN FUND BALANCE	(711,869)	(836,469)	(7,786)	828,683
Fund balance, beginning of year	1,402,773	1,402,773	1,402,773	-0-
Fund balance, end of year	<u>\$ 690,904</u>	<u>\$ 566,304</u>	<u>\$ 1,394,987</u>	<u>\$ 828,683</u>

Isabella County, Michigan

NONMAJOR ENTERPRISE FUNDS

Fund Descriptions

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the County is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The County has four Nonmajor Enterprise Funds:

The Building Inspection Fund, which is used for the activity related to construction inspections; the Recycling Fund, which is used for the Recycling Program and related grants; the Concessions Fund, which is used to account for the purchase of various consumer products for the subsequent resale to inmates lodged in the Isabella County, Michigan Jail; and the PA 123 Restricted Tax Fund, which is used to account for the activity related to the sale of real property to satisfy delinquent taxes receivable under Public Act 123.

Isabella County, Michigan

Nonmajor Enterprise Funds

COMBINING STATEMENT OF NET ASSETS

September 30, 2012

	Business-type Activities				Total
	Building Inspection	Recycling	Concessions	PA 123 Restricted Tax	
ASSETS					
Current assets					
Cash and cash equivalents	\$ 150,930	\$ 461,032	\$ 434,979	\$ 1,060,131	\$ 2,107,072
Investments	-	-	-	1,014,588	1,014,588
Accounts receivable	-	88,672	-	1,926	90,598
Due from other funds	-	24,782	-	3,811	28,593
Inventories	-	-	11,906	-	11,906
Total current assets	150,930	574,486	446,885	2,080,456	3,252,757
Noncurrent assets					
Capital assets not being depreciated	-	121,953	-	-	121,953
Capital assets being depreciated, net	29,118	1,097,645	253,542	-	1,380,305
Total noncurrent assets	29,118	1,219,598	253,542	-0-	1,502,258
TOTAL ASSETS	180,048	1,794,084	700,427	2,080,456	4,755,015
LIABILITIES					
Current liabilities					
Accounts payable	768	70,814	44,970	6,714	123,266
Accrued liabilities	3,882	15,427	-	793	20,102
Due to other governmental units	-	7,299	-	-	7,299
Due to other funds	10	12	-	-	22
Unearned revenue	-	56,463	-	-	56,463
Current portion of compensated absences	5,103	4,040	-	1,964	11,107
Total current liabilities	9,763	154,055	44,970	9,471	218,259
Noncurrent liabilities					
Noncurrent portion of compensated absences	7,654	6,060	-	2,945	16,659
TOTAL LIABILITIES	17,417	160,115	44,970	12,416	234,918
NET ASSETS					
Invested in capital assets	29,118	1,219,598	253,542	-	1,502,258
Restricted for equipment replacement	-	306,767	-	-	306,767
Unrestricted	133,513	107,604	401,915	2,068,040	2,711,072
TOTAL NET ASSETS	\$ 162,631	\$ 1,633,969	\$ 655,457	\$ 2,068,040	\$ 4,520,097

Isabella County, Michigan

Nonmajor Enterprise Funds

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Year Ended September 30, 2012

	Business-type Activities				Total
	Building Inspection	Recycling	Concessions	PA 123 Restricted Tax	
OPERATING REVENUES					
Charges for services	\$ 297,834	\$ 17,936	\$ 329,029	\$ 223,871	\$ 868,670
Sales	-	723,015	-	-	723,015
TOTAL OPERATING REVENUES	297,834	740,951	329,029	223,871	1,591,685
OPERATING EXPENSES					
Personnel services	231,061	539,675	-	64,581	835,317
Supplies	7,053	16,444	-	16,073	39,570
Contractual services	5,126	13,175	-	36,894	55,195
Other services and charges	6,311	478,532	314,147	4,085	803,075
Cost of goods sold	-	-	166,396	-	166,396
Depreciation	5,658	77,404	71,357	-	154,419
TOTAL OPERATING EXPENSES	255,209	1,125,230	551,900	121,633	2,053,972
OPERATING INCOME (LOSS)	42,625	(384,279)	(222,871)	102,238	(462,287)
NONOPERATING REVENUES					
Intergovernmental					
Local	-	247,850	-	-	247,850
Other	-	1,625	-	-	1,625
Interest earned	-	846	2,066	109,915	112,827
TOTAL NONOPERATING REVENUES	-0-	250,321	2,066	109,915	362,302
INCOME BEFORE TRANSFERS	42,625	(133,958)	(220,805)	212,153	(99,985)
TRANSFERS					
Transfers in	-	129,581	-	-	129,581
CHANGE IN NET ASSETS	42,625	(4,377)	(220,805)	212,153	29,596
Net assets, beginning of year	120,006	1,638,346	876,262	1,855,887	4,490,501
Net assets, end of year	<u>\$ 162,631</u>	<u>\$ 1,633,969</u>	<u>\$ 655,457</u>	<u>\$ 2,068,040</u>	<u>\$ 4,520,097</u>

Isabella County, Michigan

Nonmajor Enterprise Funds

STATEMENT OF CASH FLOWS

Year Ended September 30, 2012

	Business-type Activities				Total
	Building Inspection	Recycling	Concessions	PA 123 Restricted Tax	
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from customers	\$ 297,834	\$ 757,629	\$ 329,029	\$ 223,092	\$ 1,607,584
Cash paid to suppliers	(18,900)	(557,976)	(448,754)	(52,985)	(1,078,615)
Cash paid for employee services and benefits	(235,032)	(534,423)	-	(64,431)	(833,886)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	43,902	(334,770)	(119,725)	105,676	(304,917)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
State/Federal grants	-	247,850	-	-	247,850
Transfers In	-	129,581	-	-	129,581
NET CASH PROVIDED BY NONCAPITAL OPERATING ACTIVITIES	-0-	377,431	-0-	-0-	377,431
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(19,199)	(145,556)	-	-	(164,755)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of investments	-	-	-	(604,188)	(604,188)
Interest revenue	-	846	2,066	109,915	112,827
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	-0-	846	2,066	(494,273)	(491,361)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	24,703	(102,049)	(117,659)	(388,597)	(583,602)
Cash and cash equivalents, beginning of year	126,227	563,081	552,638	1,448,728	2,690,674
Cash and cash equivalents, end of year	<u>\$ 150,930</u>	<u>\$ 461,032</u>	<u>\$ 434,979</u>	<u>\$ 1,060,131</u>	<u>\$ 2,107,072</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	\$ 42,625	\$(384,279)	\$(222,871)	\$ 102,238	\$(462,287)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation	5,658	77,404	71,357	-	154,419
Other income	-	1,625	-	-	1,625
(Increase) decrease in:					
Receivables	-	15,053	-	(779)	14,274
Inventory	-	-	(4,466)	-	(4,466)
Due from other funds	-	-	-	(2,185)	(2,185)
Increase (decrease) in:					
Accounts payable	(412)	37,252	36,255	6,252	79,347
Accrued liabilities	(3,971)	5,252	-	150	1,431
Due to other governmental units	-	(32,089)	-	-	(32,089)
Due to other funds	2	12	-	-	14
Unearned revenue	-	(55,000)	-	-	(55,000)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 43,902	\$(334,770)	\$(119,725)	\$ 105,676	\$(304,917)

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 Medical Care Facility Patient Fund is used to account for cash held for patients that reside in the facility.

Isabella County, Michigan

Agency Funds

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

September 30, 2012

	Agency		
	Trust and Agency	Inmate Trust	Employee Flexible Benefits Plan
ASSETS			
Cash and cash equivalents	\$ 3,035,492	\$ 31,401	\$ 15,940
LIABILITIES			
Due to other governmental units			
Federal/State	\$ 142,424	\$ -	\$ -
Local	2,520,874	-	-
Due to individuals and agencies	372,194	31,401	15,940
TOTAL LIABILITIES	\$ 3,035,492	\$ 31,401	\$ 15,940

	Funds		
Payroll	Library Penal Fines	Medical Care Facility Patient Agency	Total
<u>\$ 28,882</u>	<u>\$ 231,400</u>	<u>\$ -</u>	<u>\$ 3,343,115</u>
\$ -	\$ -	\$ -	\$ 142,424
-	231,400	-	2,752,274
<u>28,882</u>	<u>-</u>	<u>-</u>	<u>448,417</u>
<u>\$ 28,882</u>	<u>\$ 231,400</u>	<u>\$ -0-</u>	<u>\$ 3,343,115</u>

Isabella County, Michigan

Agency Funds

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

Year Ended September 30, 2012

	<u>Balance</u> <u>Oct. 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>Sept. 30, 2012</u>
<u>Trust and Agency</u>				
ASSETS				
Cash and cash equivalents	<u>\$ 2,790,265</u>	<u>\$ 45,956,582</u>	<u>\$ 45,711,355</u>	<u>\$ 3,035,492</u>
LIABILITIES				
Due to other governmental units				
Federal/State	\$ 133,612	\$ 1,571,965	\$ 1,563,153	\$ 142,424
Local	2,241,994	29,374,327	29,095,447	2,520,874
Due to individuals and agencies	<u>414,659</u>	<u>1,432,516</u>	<u>1,474,981</u>	<u>372,194</u>
TOTAL LIABILITIES	<u>\$ 2,790,265</u>	<u>\$ 32,378,808</u>	<u>\$ 32,133,581</u>	<u>\$ 3,035,492</u>
<u>Inmate Trust</u>				
ASSETS				
Cash and cash equivalents	<u>\$ 39,203</u>	<u>\$ 1,336,932</u>	<u>\$ 1,344,734</u>	<u>\$ 31,401</u>
LIABILITIES				
Due to individuals and agencies	<u>\$ 39,203</u>	<u>\$ 1,395,851</u>	<u>\$ 1,403,653</u>	<u>\$ 31,401</u>
<u>Employee Flexible Benefits Plan</u>				
ASSETS				
Cash and cash equivalents	<u>\$ 8,102</u>	<u>\$ 69,792</u>	<u>\$ 61,954</u>	<u>\$ 15,940</u>
LIABILITIES				
Due to individuals and agencies	<u>\$ 8,102</u>	<u>\$ 69,792</u>	<u>\$ 61,954</u>	<u>\$ 15,940</u>
<u>Payroll</u>				
ASSETS				
Cash and cash equivalents	<u>\$ 45,785</u>	<u>\$ 6,713,335</u>	<u>\$ 6,730,238</u>	<u>\$ 28,882</u>
LIABILITIES				
Due to individuals and agencies	<u>\$ 45,785</u>	<u>\$ 2,502,718</u>	<u>\$ 2,519,621</u>	<u>\$ 28,882</u>

Isabella County, Michigan

Agency Funds

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - CONCLUDED

Year Ended September 30, 2012

	<u>Balance</u> <u>Oct. 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>Sept. 30, 2012</u>
	<u>Library Penal Fines</u>			
ASSETS				
Cash and cash equivalents	<u>\$ 148,018</u>	<u>\$ 960,927</u>	<u>\$ 877,545</u>	<u>\$ 231,400</u>
LIABILITIES				
Due to other governmental units				
Federal/State	<u>\$ 148,018</u>	<u>\$ 392,168</u>	<u>\$ 308,786</u>	<u>\$ 231,400</u>
	<u>Medical Care Facility Patient Agency</u>			
ASSETS				
Cash and cash equivalents	<u>\$ 3,913</u>	<u>\$ -0-</u>	<u>\$ 3,913</u>	<u>\$ -0-</u>
LIABILITIES				
Due to individuals and agencies	<u>\$ 3,913</u>	<u>\$ -0-</u>	<u>\$ 3,913</u>	<u>\$ -0-</u>
	<u>Total</u>			
ASSETS				
Cash and cash equivalents	<u>\$ 3,035,286</u>	<u>\$ 55,037,568</u>	<u>\$ 54,729,739</u>	<u>\$ 3,343,115</u>
LIABILITIES				
Due to other governmental units				
Federal/State	\$ 133,612	\$ 1,571,965	\$ 1,563,153	\$ 142,424
Local	2,390,012	29,766,495	29,404,233	2,752,274
Due to individuals and agencies	<u>511,662</u>	<u>5,400,877</u>	<u>5,464,122</u>	<u>448,417</u>
TOTAL LIABILITIES	<u>\$ 3,035,286</u>	<u>\$ 36,739,337</u>	<u>\$ 36,431,508</u>	<u>\$ 3,343,115</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. 14 and GASB Statement No. 39.

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 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, 2012

	Debt				
	County Drain	Little Salt River	Paisley Drain	Hance Phase II	Salt River
ASSETS					
Cash and cash equivalents	\$ 112,720	\$ 28,991	\$ 90,225	\$ 130,351	\$ -
Investments	-	-	-	-	-
Interest receivable	-	-	-	-	-
Due from other governmental units-local	-	-	-	-	-
Due from other funds	-	-	-	-	-
Special assessments receivable	758,361	120,181	128,500	103,573	-
Prepays	-	2,995	-	-	-
TOTAL ASSETS	\$ 871,081	\$ 152,167	\$ 218,725	\$ 233,924	\$ -0-
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 22,946	\$ -	\$ -	\$ 138	\$ -
Due to other funds	1,089	-	-	-	-
Deferred revenue	755,098	120,181	128,500	103,573	-
TOTAL LIABILITIES	779,133	120,181	128,500	103,711	-0-
FUND BALANCES					
Nonspendable	-	2,995	-	-	-
Restricted for:					
Debt service	91,948	28,991	90,225	130,213	-
Capital projects	-	-	-	-	-
TOTAL FUND BALANCES	91,948	31,986	90,225	130,213	-0-
TOTAL LIABILITIES AND FUND BALANCES	\$ 871,081	\$ 152,167	\$ 218,725	\$ 233,924	\$ -0-

Service				Capital Projects		Total
Saunders Extension	Childs Creek & Dubois Drain	Beltinck Debt Retirement 220	Bachelor Drain Debt	County Drain Revolving	County Drain Construction & Maintenance	
\$ 72,295	\$ 50,753	\$ 169,482	\$ 191,475	\$ 41,417	\$ 1,342,741	\$ 2,230,450
-	-	-	-	-	1,807,624	1,807,624
-	-	-	-	-	2,122	2,122
-	-	-	-	-	236,000	236,000
-	-	-	-	211,849	86,089	297,938
322,819	201,585	476,366	870,360	-	12,719	2,994,464
-	-	-	-	-	-	2,995
<u>\$ 395,114</u>	<u>\$ 252,338</u>	<u>\$ 645,848</u>	<u>\$ 1,061,835</u>	<u>\$ 253,266</u>	<u>\$ 3,487,295</u>	<u>\$ 7,571,593</u>
\$ -	\$ -	\$ -	\$ -	\$ 5,744	\$ 104,561	\$ 133,389
-	-	-	-	85,000	211,849	297,938
322,819	201,585	476,366	870,360	-	556,229	3,534,711
322,819	201,585	476,366	870,360	90,744	872,639	3,966,038
-	-	-	-	-	-	2,995
72,295	50,753	169,482	191,475	-	-	825,382
-	-	-	-	162,522	2,614,656	2,777,178
<u>72,295</u>	<u>50,753</u>	<u>169,482</u>	<u>191,475</u>	<u>162,522</u>	<u>2,614,656</u>	<u>3,605,555</u>
<u>\$ 395,114</u>	<u>\$ 252,338</u>	<u>\$ 645,848</u>	<u>\$ 1,061,835</u>	<u>\$ 253,266</u>	<u>\$ 3,487,295</u>	<u>\$ 7,571,593</u>

Isabella County, Michigan

Component Unit Funds

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

September 30, 2012

Total fund balances - governmental funds \$ 3,605,555

Amounts reported for the governmental activities in the statement of net assets 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:

Deferred revenue 3,534,711

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 \$ 20,518,119
Accumulated depreciation is (4,634,365)

Capital assets, net 15,883,754

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

Net assets of governmental activities accounted for
in Internal Service Funds 47,432

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 (3,529,414)
Accrued interest payable (43,285)

(3,572,699)

Net assets of governmental activities \$ 19,498,753

Isabella County, Michigan

Component Unit Funds

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

Year Ended September 30, 2012

	Debt				
	County Drain	Little Salt River	Paisley Drain	Hance Phase II	Salt River
REVENUES					
Intergovernmental - local	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	608	58	200	220	190
Other					
Special assessments	280,285	38,838	63,380	72,238	107,500
Other	-	-	-	-	-
TOTAL REVENUES	280,893	38,896	63,580	72,458	107,690
EXPENDITURES					
Debt service					
Principal	228,791	29,250	56,000	85,000	125,000
Interest and fiscal charges	32,888	3,616	13,154	11,208	5,263
Capital outlay	-	-	-	-	-
TOTAL EXPENDITURES	261,679	32,866	69,154	96,208	130,263
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	19,214	6,030	(5,574)	(23,750)	(22,573)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers out	(85,131)	-	-	-	(200,399)
TOTAL OTHER FINANCING SOURCES (USES)	(85,131)	-0-	-0-	-0-	(200,399)
NET CHANGE IN FUND BALANCES	(65,917)	6,030	(5,574)	(23,750)	(222,972)
Fund balances, beginning of year	157,865	25,956	95,799	153,963	222,972
Fund balances, end of year	<u>\$ 91,948</u>	<u>\$ 31,986</u>	<u>\$ 90,225</u>	<u>\$ 130,213</u>	<u>\$ -0-</u>

Service				Capital Projects		Total
Saunders Extension	Childs Creek & Dubois Drain	Beltinck Debt Retirement 220	Bachelor Drain Debt	County Drain Revolving	County Drain Construction & Maintenance	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 218,621	\$ 218,621
608	169	298	491	-	10,121	12,963
67,484	60,184	71,975	211,643	-	104,085	1,077,612
-	-	-	-	-	15,441	15,441
68,092	60,353	72,273	212,134	-0-	348,268	1,324,637
53,500	47,000	44,449	55,000	-	-	723,990
19,367	12,357	21,954	53,059	-	-	172,866
-	-	-	-	105	1,326,651	1,326,756
72,867	59,357	66,403	108,059	105	1,326,651	2,223,612
(4,775)	996	5,870	104,075	(105)	(978,383)	(898,975)
-	-	-	-	-	289,239	289,239
-	-	-	(3,709)	-	-	(289,239)
-0-	-0-	-0-	(3,709)	-0-	289,239	-0-
(4,775)	996	5,870	100,366	(105)	(689,144)	(898,975)
77,070	49,757	163,612	91,109	162,627	3,303,800	4,504,530
<u>\$ 72,295</u>	<u>\$ 50,753</u>	<u>\$ 169,482</u>	<u>\$ 191,475</u>	<u>\$ 162,522</u>	<u>\$ 2,614,656</u>	<u>\$ 3,605,555</u>

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, 2012

Net change in fund balances - total governmental funds \$ (898,975)

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. (735,550)

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	\$ 1,121,319
Depreciation expense	<u>(381,721)</u>

Excess of depreciation expense over capital outlay 739,598

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

Increase in net assets of Internal Service Funds 4,481

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:

Debt principal retirement 723,990

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 25,973

Change in net assets of governmental activities \$ (140,483)

Isabella County, Michigan

Component Unit Funds

STATEMENT OF FUND NET ASSETS - DRAINAGE DISTRICTS - DRAIN TILE FUND

September 30, 2012

	<u>Internal Service Fund</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 22,389
Inventories	<u>25,043</u>
TOTAL ASSETS	47,432
LIABILITIES	<u>-</u>
NET ASSETS (Unrestricted)	<u><u>\$ 47,432</u></u>

Isabella County, Michigan

Component Unit Funds

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

Year Ended September 30, 2012

	<u>Internal Service Fund</u>
OPERATING REVENUES	
Sales	\$ 23,370
OPERATING EXPENSES	
Materials	18,594
Contractual services	<u>295</u>
TOTAL OPERATING EXPENSES	<u>18,889</u>
OPERATING INCOME/CHANGE IN NET ASSETS	4,481
Net assets, beginning of year	<u>42,951</u>
Net assets, end of year	<u><u>\$ 47,432</u></u>

Isabella County, Michigan

Component Unit Funds

STATEMENT OF CASH FLOWS - DRAINAGE DISTRICTS - DRAIN TILE FUND

Year Ended September 30, 2012

	<u>Internal Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	\$ 23,370
Cash paid to suppliers	<u>(14,789)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	8,581
Cash and cash equivalents, beginning of year	<u>13,808</u>
Cash and cash equivalents, end of year	<u><u>\$ 22,389</u></u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 4,481
Adjustments to reconcile operating income to net cash provided by operating activities	
(Increase) decrease in:	
Inventories	<u>4,100</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 8,581</u></u>

Isabella County, Michigan

Component Unit Funds

COMBINING BALANCE SHEET - BOARD OF PUBLIC WORKS

September 30, 2012

	Debt		
	Shepherd Storm Sewer	Clare Water & Sewer	Union Township Wastewater Treatment
ASSETS			
Cash and cash equivalents	\$ -	\$ 175	\$ -
Accounts receivable	150	-	-
Lease receivable	400,000	65,000	5,360,000
Due from other funds	-	-	37,040
Prepays	-	66,658	369,689
TOTAL ASSETS	<u>\$ 400,150</u>	<u>\$ 131,833</u>	<u>\$ 5,766,729</u>
LIABILITIES			
Accounts payable	\$ 150	\$ 175	\$ -
Due to other funds	-	-	-
Deferred revenue	400,000	128,173	5,727,014
TOTAL LIABILITIES	400,150	128,348	5,727,014
FUND BALANCES			
Nonspendable	-	66,658	369,689
Restricted for capital projects	-	-	-
Unassigned (deficit)	-	(63,173)	(329,974)
TOTAL FUND BALANCES	<u>-0-</u>	<u>3,485</u>	<u>39,715</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 400,150</u>	<u>\$ 131,833</u>	<u>\$ 5,766,729</u>

Service	Capital Projects		
Union Township Water System	Union Township Water System Construction	Clare Water & Sewer System Construction	Total
\$ -	\$ 32,568	\$ -	\$ 32,743
-	-	-	150
-	-	-	5,825,000
-	-	-	37,040
106,228	-	-	542,575
<u>\$ 106,228</u>	<u>\$ 32,568</u>	<u>\$ -0-</u>	<u>\$ 6,437,508</u>
\$ -	\$ -	\$ -	\$ 325
37,040	-	-	37,040
-	-	-	6,255,187
37,040	-0-	-0-	6,292,552
106,228	-	-	542,575
-	32,568	-	32,568
(37,040)	-	-	(430,187)
69,188	32,568	-0-	144,956
<u>\$ 106,228</u>	<u>\$ 32,568</u>	<u>\$ -0-</u>	<u>\$ 6,437,508</u>

Isabella County, Michigan

Component Unit Funds

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

September 30, 2012

Fund balance/net assets - total component unit funds \$ 237,667

Amounts reported for the governmental activities in the statement of net assets 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. 6,255,187

Governmental funds report the effect of bond issuance costs and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Net Assets.

Unamortized bond issuance costs 53,902

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 \$ (39,404)
Direct county obligations (5,903,415)

(5,942,819)

Net assets of component unit activities \$ 603,937

Isabella County, Michigan

Component Unit Funds

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

Year Ended September 30, 2012

	Debt		
	Shepherd Storm Sewer	Clare Water & Sewer	Union Township Wastewater Treatment
REVENUES			
Intergovernmental - local	\$ 212,935	\$ 68,665	\$ 424,478
Interest	-	-	-
TOTAL REVENUES	212,935	68,665	424,478
EXPENDITURES			
Current			
Public works	-	-	-
Debt service			
Principal	190,000	60,000	310,000
Interest and fiscal charges	22,935	5,180	111,803
Capital outlay	-	-	-
TOTAL EXPENDITURES	212,935	65,180	421,803
NET CHANGE IN FUND BALANCES	-0-	3,485	2,675
Fund balances, beginning of year	-	-	37,040
Fund balances, end of year	\$ -0-	\$ 3,485	\$ 39,715

Service	Capital Projects		Total
	Union Township Water System	Union Township Water System Construction	
\$ 142,555	\$ -	\$ -	\$ 848,633
-	62	29	91
142,555	62	29	848,724
-	27,506	-	27,506
65,000	-	-	625,000
73,367	-	-	213,285
-	-	22,405	22,405
138,367	27,506	22,405	888,196
4,188	(27,444)	(22,376)	(39,472)
65,000	60,012	22,376	184,428
<u>\$ 69,188</u>	<u>\$ 32,568</u>	<u>\$ -0-</u>	<u>\$ 144,956</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, 2012

Net change in fund balances/net assets - total component unit funds \$ (34,421)

Amounts reported for governmental 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 assets. In the current year, these amounts consist of:

Long-term debt retirements	\$ 625,000
Net effect of bond refunding and related items	<u>(11,279)</u>

613,721

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:

(Increase) in accrued interest payable	<u>(946)</u>
----------------------------------------	--------------

Change in net assets of component unit activities \$ (116,646)

Isabella County, Michigan

Component Unit Funds

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

September 30, 2012

	<u>Enterprise Fund</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 38,249
Accounts receivable	<u>10,239</u>
Total current assets	48,488
Noncurrent assets	
Capital assets not being depreciated	25,528
Capital assets being depreciated, net	<u>26,050</u>
Total noncurrent assets	<u>51,578</u>
TOTAL ASSETS	100,066
LIABILITIES	
Current liabilities	
Accounts payable	<u>7,355</u>
NET ASSETS	
Invested in capital assets	51,578
Unrestricted	<u>41,133</u>
TOTAL NET ASSETS	<u><u>\$ 92,711</u></u>

Isabella County, Michigan

Component Unit Funds

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

Year Ended September 30, 2012

	<u>Enterprise Fund</u>
OPERATING REVENUES	
Charges for services	\$ 37,544
OPERATING EXPENSES	
Personnel services	10,520
Supplies	4,855
Utilities	2,309
Contractual services	7,855
Other	610
Depreciation	<u>6,363</u>
TOTAL OPERATING EXPENSES	<u>32,512</u>
OPERATING INCOME	5,032
NONOPERATING REVENUES	
Interest	<u>19</u>
CHANGE IN NET ASSETS	5,051
Net assets, beginning of year	<u>87,660</u>
Net assets, end of year	<u><u>\$ 92,711</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, 2012

	Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	\$ 35,731
Cash paid to suppliers	<u>(19,462)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	16,269
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(9,528)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest	<u>19</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	6,760
Cash and cash equivalents, beginning of year	<u>31,489</u>
Cash and cash equivalents, end of year	<u><u>\$ 38,249</u></u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 5,032
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	6,363
(Increase) decrease in:	
Accounts receivable	(1,813)
Increase (decrease) in:	
Accounts payable	<u>6,687</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 16,269</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.

Contents	<u>Page</u>
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>	104
Revenue Capacity	
<i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	107
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>	114
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>	117
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>	119

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 ASSETS BY COMPONENT
LAST TEN FISCAL YEARS
(Unaudited)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Governmental activities										
Invested in capital assets, net of related debt	\$ 9,354,981	\$ 6,216,255	\$ 12,586,690	\$ 13,583,934	\$ 11,693,861	\$ 11,537,707	\$ 11,631,381	\$ 11,656,812	\$ 11,424,516	\$ 11,430,374
Restricted	445,647	332,891	247,808	295,993	283,882	611,045	649,345	449,996	4,652,196	4,733,613
Unrestricted	9,164,097	8,388,443	4,934,619	7,839,719	12,801,477	14,194,649	13,565,998	13,835,102	11,233,500	10,909,768
Total governmental activities net assets	<u>\$ 18,964,725</u>	<u>\$ 14,937,589</u>	<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>
Business-type activities										
Invested in capital assets, net of related debt	\$ 2,446,699	\$ 2,616,645	\$ 3,815,212	\$ 3,780,427	\$ 4,430,933	\$ 4,613,014	\$ 5,900,138	\$ 6,120,965	\$ 6,125,310	\$ 6,537,343
Restricted	3,769,983	3,818,295	3,047,637	2,657,252	3,830,776	4,261,178	1,087,003	597,232	605,557	566,147
Unrestricted	5,656,994	5,886,611	6,058,074	7,960,768	8,507,289	9,844,349	12,414,510	14,673,443	15,928,820	17,600,762
Total business-type activities net assets	<u>\$ 11,873,676</u>	<u>\$ 12,321,551</u>	<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>
Primary government										
Invested in capital assets, net of related debt	\$ 11,801,680	\$ 8,832,900	\$ 16,401,902	\$ 17,364,361	\$ 16,124,794	\$ 16,150,721	\$ 17,531,519	\$ 17,777,777	\$ 17,549,826	\$ 17,967,717
Restricted	4,215,630	4,151,186	3,295,445	2,953,245	4,114,658	4,872,223	1,736,348	1,047,228	5,257,753	5,299,760
Unrestricted	14,821,091	14,275,054	10,992,693	15,800,487	21,308,766	24,038,998	25,980,508	28,508,545	27,162,320	28,510,530
Total primary activities net assets	<u>\$ 30,838,401</u>	<u>\$ 27,259,140</u>	<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>

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses										
Governmental activities:										
General government	\$ 8,587,243	\$ 9,245,814	\$ 8,804,801	\$ 8,903,193	\$ 9,037,551	\$ 9,323,399	\$ 9,500,081	\$ 9,799,291	\$ 9,519,926	\$ 9,951,030
Public safety	6,115,722	6,866,982	6,921,138	6,993,809	7,244,038	6,705,990	6,738,044	6,841,410	7,043,762	7,094,068
Public works	369,285	362,475	76,458	117,136	327,166	198,483	250,084	225,971	209,533	230,021
Community and economic development	-	-	-	-	230,869	233,436	209,415	205,914	214,605	242,477
Health and welfare	5,681,001	6,088,840	5,933,564	5,651,353	6,019,736	6,252,019	6,407,529	5,979,709	5,774,589	5,827,870
Culture and recreation	1,324,349	1,758,839	1,108,896	1,057,792	704,189	754,376	866,072	746,056	604,405	596,249
Interest on debt	361,231	348,408	315,652	297,716	172,524	314,741	224,791	217,606	212,604	185,223
Total governmental activities expenses	<u>22,438,831</u>	<u>24,671,358</u>	<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>
Business-type activities:										
Delinquent tax	49,388	59,382	65,087	70,472	179,154	188,357	189,073	160,524	205,902	267,016
Building inspections	-	-	336,463	297,811	343,190	280,582	253,795	212,858	236,522	255,209
Recycling facility	852,048	1,019,740	1,091,877	897,929	1,115,104	1,174,988	897,922	1,001,916	1,082,746	1,125,230
Concessions	120,400	123,747	143,269	129,915	109,441	227,204	200,022	239,422	235,313	551,900
Medical Care Facility	5,493,390	5,973,028	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>6,515,226</u>	<u>7,175,897</u>	<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>
Total primary government expenses	<u>\$ 28,954,057</u>	<u>\$ 31,847,255</u>	<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>
Program Revenues										
Governmental activities:										
Charges for services										
General government	\$ 3,864,299	\$ 4,047,398	\$ 4,110,207	\$ 4,054,488	\$ 3,014,558	\$ 3,149,557	\$ 2,941,321	\$ 2,908,399	\$ 3,043,776	\$ 3,265,951
Public safety	2,509,817	2,721,036	2,160,798	2,175,113	2,511,478	2,921,676	2,629,612	2,725,489	2,635,438	2,791,059
Public works	-	-	-	-	126,847	-	-	-	-	-
Community and economic development	-	-	-	-	36,974	6,409	8,888	4,933	6,733	7,712
Health and welfare	158,755	387,382	404,602	388,823	494,261	519,802	536,869	504,500	398,781	356,106
Culture and recreation	282,641	294,540	347,764	323,391	268,677	271,132	283,249	342,994	336,200	345,848
Interest on debt	41,668	156,526	133,341	(53,584)	-	-	-	-	-	-
Operating grants and contributions	5,588,177	7,024,679	7,314,517	7,274,570	6,103,937	5,397,183	5,459,794	5,246,429	5,148,434	4,938,237
Capital grants and contributions	304,088	621,800	744,934	439,063	73,939	26,511	111,188	30,430	72,819	29,811
Total governmental activities program revenues	<u>12,749,445</u>	<u>15,253,361</u>	<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>
Business-type activities:										
Charges for services										
Delinquent tax	490,764	438,656	451,857	556,383	491,552	639,056	718,410	967,436	729,239	721,251
Building inspections	-	-	398,178	331,525	302,560	220,226	198,042	249,272	318,352	297,834
Recycling facility	458,793	599,033	707,255	626,238	738,576	711,884	426,162	687,810	931,803	740,951
Concessions	155,943	164,687	200,684	222,021	235,051	261,737	319,879	308,364	266,553	329,029
Medical Care Facility	5,231,157	5,216,184	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	89,797	337,996	506,250	438,182	293,545	935,623	670,013	1,341,355	977,303	247,850
Capital grants and contributions	-	-	-	-	-	-	-	70,011	5,212	5,147
Total business-type activities program revenues	<u>6,426,454</u>	<u>6,756,556</u>	<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>
Total primary government program revenues	<u>\$ 19,175,899</u>	<u>\$ 22,009,917</u>	<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>

Isabella County, Michigan

CHANGES IN NET ASSETS - CONCLUDED

LAST TEN FISCAL YEARS

(Unaudited)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Net (expense)/revenue										
Governmental activities	\$ (9,689,386)	\$ (9,417,997)	\$ (7,944,346)	\$ (8,419,135)	\$ (11,105,402)	\$ (11,490,174)	\$ (12,225,095)	\$ (12,252,783)	\$ (11,937,243)	\$ (12,392,214)
Business-type activities	(88,772)	(419,341)	(584,328)	46,393	134,030	187,630	(898,480)	462,921	(33,291)	788,180
Total primary government net expense	<u>\$ (9,778,158)</u>	<u>\$ (9,837,338)</u>	<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>
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Property taxes	\$ 6,740,008	\$ 7,124,073	\$ 9,883,634	\$ 10,964,855	\$ 13,087,917	\$ 11,379,585	\$ 10,832,634	\$ 11,681,218	\$ 11,689,532	\$ 11,264,546
State shared revenue	-	-	-	-	-	-	-	-	-	942,120
Unrestricted grants and contributions	1,428,534	1,374,620	361,470	410,176	568,277	569,939	507,392	507,766	516,595	626,255
Unrestricted investment earnings	132,619	96,763	231,476	384,489	532,088	468,995	172,972	64,998	56,898	50,587
Gain on disposal of capital assets	37,265	2,400	-	-	-	348,844	-	-	-	-
Other revenue	17,715	-	-	-	122,176	225,596	125,420	93,987	141,178	142,867
Transfers - internal activities	251,686	496,000	299,294	429,404	(145,482)	76,165	90,000	-	45,305	(14,581)
Total governmental activities	<u>8,607,827</u>	<u>9,093,856</u>	<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>
Business-type activities:										
Property taxes	1,051,974	1,005,052	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	-	112,593	150,725	76,544	-	-	-	-	-	-
Unrestricted investment earnings	181,085	222,910	264,528	652,179	398,090	338,589	182,859	143,908	145,576	146,133
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
Transfers - internal activities	(251,686)	(496,000)	(299,294)	(429,404)	145,482	(76,165)	(90,000)	-	(45,305)	14,581
Total business-type activities	<u>981,373</u>	<u>844,555</u>	<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>
Total primary government	<u>\$ 9,589,200</u>	<u>\$ 9,938,411</u>	<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>
Change in Net Assets										
Governmental activities	\$ (1,081,559)	\$ (324,141)	\$ 2,831,528	\$ 3,769,789	\$ 3,059,574	\$ 1,578,950	\$ (496,677)	\$ 95,186	\$ 512,265	\$ 619,580
Business-type activities	892,601	425,214	612,027	1,496,592	2,370,551	1,949,543	683,110	1,989,989	1,268,047	2,044,565
Total primary government	<u>\$ (188,958)</u>	<u>\$ 101,073</u>	<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>

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

<u>Fiscal Year</u>	<u>Property Tax</u>
2003	\$ 6,740,008
2004	7,124,073
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

Isabella County, Michigan

FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(Unaudited)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General fund										
Reserved	\$ 188,266	\$ 114,084	\$ 32,167	\$ 23,911	\$ 75,098	\$ 63,282	\$ 64,690	\$ 38,147	\$ -	\$ -
Unreserved	3,848,170	3,741,109	4,341,327	4,704,913	4,867,875	6,326,335	6,214,950	6,786,588	-	-
Nonspendable	-	-	-	-	-	-	-	-	36,477	41,530
Assigned	-	-	-	-	-	-	-	-	2,958,362	3,020,750
Unassigned	-	-	-	-	-	-	-	-	4,697,759	5,371,626
Total general fund	<u>\$ 4,036,436</u>	<u>\$ 3,855,193</u>	<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>
All other governmental funds										
Reserved	\$ 84,903	\$ 108,095	\$ 156,349	\$ 246,485	\$ 347,858	\$ 736,162	\$ 743,008	\$ 573,744	\$ -	\$ -
Unreserved										
Special revenue funds	668,633	839,081	2,108,826	3,928,953	5,829,483	5,042,586	3,999,598	3,316,250	-	-
Debt Service Funds	166,194	61,480	47,483	49,534	123,741	379,825	1,009,339	1,181,276	-	-
Capital Project Funds	6,284	49,232	68,095	12,141	-	-	-	-	-	-
Nonspendable	-	-	-	-	-	-	-	-	970,630	104,109
Restricted	-	-	-	-	-	-	-	-	4,753,910	4,845,364
Committed	-	-	-	-	-	-	-	-	259,646	300,685
Total all other governmental funds	<u>\$ 926,014</u>	<u>\$ 1,057,888</u>	<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>

Isabella County, Michigan

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(Unaudited)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
Taxes	\$ 6,746,395	\$ 7,124,073	\$ 9,883,634	\$ 11,085,829	\$ 14,267,784	\$ 11,145,067	\$ 10,966,957	\$ 11,735,590	\$ 11,584,266	\$ 11,509,423
Licenses and permits	608,977	714,949	465,099	455,771	363,080	367,611	357,423	429,897	418,847	451,006
Intergovernmental revenue	6,864,943	8,629,153	7,897,888	7,462,530	5,049,049	5,409,168	5,477,999	5,226,707	5,557,400	5,932,033
Charges for services	3,585,781	3,605,104	3,944,473	3,902,825	5,286,450	5,760,081	5,362,434	5,266,974	5,196,396	5,563,755
Fines and forfeits	620,382	628,964	595,695	461,592	279,379	185,898	199,954	236,544	293,265	257,853
Interest and rent	2,632,643	3,071,834	2,303,142	2,444,298	1,105,727	1,067,122	753,732	664,139	649,038	639,336
Contributions	-	-	-	-	-	-	-	-	443,155	464,465
Other revenue	545,490	583,635	737,417	799,483	512,125	668,416	607,111	596,854	171,339	185,003
Total revenues	<u>21,604,611</u>	<u>24,357,712</u>	<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>
Expenditures										
General government	7,602,851	8,112,451	8,126,775	8,361,658	8,538,845	8,852,832	8,920,239	9,306,627	8,859,985	9,343,780
Public safety	5,723,636	6,491,517	6,921,785	7,331,698	6,693,599	6,192,682	6,122,729	6,387,256	6,420,087	6,579,415
Public works	409,065	364,410	243,093	186,192	321,908	192,127	242,899	219,239	200,959	220,353
Health and welfare	5,647,883	6,017,229	5,929,630	5,638,716	5,970,279	6,075,394	6,240,506	5,804,995	5,546,263	5,600,066
Culture and recreation	1,273,343	1,734,012	1,097,398	1,130,719	677,657	714,648	738,896	705,234	553,369	581,121
Other	374,657	512,313	529,918	401,492	612,004	723,047	675,429	797,636	788,299	665,905
Capital outlay	585,513	623,155	777,966	1,110,823	1,017,937	3,558,426	389,329	80,637	5,282	99,236
Debt service										
Principal	466,348	702,948	338,182	370,968	359,685	640,000	750,000	715,000	766,850	741,925
Interest and fiscal charges	324,185	347,993	320,729	297,776	248,080	369,093	252,188	275,661	293,175	293,175
Total expenditures	<u>22,407,481</u>	<u>24,906,028</u>	<u>24,285,476</u>	<u>24,830,042</u>	<u>24,439,994</u>	<u>27,318,249</u>	<u>24,332,215</u>	<u>24,292,285</u>	<u>23,434,269</u>	<u>24,124,976</u>
Excess of revenues over (under) expenditures	(802,870)	(548,316)	1,541,872	1,782,286	2,423,600	(2,714,886)	(606,605)	(135,580)	879,437	877,898
Other financing sources (uses)										
Bond proceeds	187,025	-	-	-	-	8,164,470	-	-	-	-
Bond premium	-	-	-	-	-	71,356	-	-	-	-
Sale of capital assets	37,265	2,400	-	-	-	478,120	-	-	-	-
Transfers in	2,592,035	3,217,795	6,741,406	6,764,426	7,298,040	3,930,376	4,339,800	3,578,875	2,470,224	1,868,619
Bond issuance costs	-	-	-	-	-	(74,306)	-	-	-	-
Underwriter discount	-	-	-	-	-	(41,580)	-	-	-	-
Transfer to escrow agent	-	-	-	-	-	(4,640,435)	-	-	-	-
Transfers (out)	(2,340,349)	(2,721,795)	(6,442,112)	(6,335,022)	(7,443,522)	(3,854,211)	(4,249,800)	(3,578,875)	(2,424,919)	(1,883,200)
Total other financing sources (uses)	<u>475,976</u>	<u>498,400</u>	<u>299,294</u>	<u>429,404</u>	<u>(145,482)</u>	<u>4,033,790</u>	<u>90,000</u>	<u>-0-</u>	<u>45,305</u>	<u>(14,581)</u>
Net change in fund balances	<u>\$ (326,894)</u>	<u>\$ (49,916)</u>	<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>
Debt service as a percentage of noncapital expenditures	3.62%	4.32%	2.84%	2.89%	2.59%	4.30%	4.19%	4.15%	4.53%	4.33%

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						
2003	\$ 1,119,278,833	\$ 327,362,254	\$ 96,990,643	\$ 1,543,631,730	8.0200	\$ 1,145,972,887	\$ 3,087,263,460	37.12%
2004	1,221,983,772	353,026,964	101,428,375	1,676,439,111	8.1448	1,224,690,253	3,352,878,222	36.53%
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%

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	
2003	6.4700	1.5500	8.0200	5.0000	18.7509 - 26.5200	1.1756 - 4.3064	1.7057	1.2792	2.7486	.8926 - 3.1557	15.4500	20.1603	1.9103 - 13.0000	
2004	6.4448	1.7000	8.1448	6.0000	18.5109 - 26.4426	1.1756 - 4.2985	1.6894	1.2582	2.7486	.9246 - 3.1361	15.4500	20.1555	1.8874 - 13.0000	
2005	6.4700	1.7000	8.1700	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	6.4700	2.6800	9.1500	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	

Source: Isabella County Equalization Department

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

(2) Proposal A voted in on March 15, 1994 implemented a 6 mill state education tax with the exception of 2003 which was reduced to 5 mills.

Isabella County, Michigan

PRINCIPAL PROPERTY TAXPAYERS

2012 and 2003

(Unaudited)

<u>Taxpayer</u>	<u>2012</u>			<u>2003</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	\$ 32,760,185	1	2.02%	\$ 21,881,497	1	1.91%
Saginaw Chippewa Indian Tribe	11,428,340	2	0.70%			
CME Corporation	9,692,540	3	0.60%	13,354,971	2	1.17%
GF II/Bluegrass LLC	9,139,016	4	0.56%			
Deerfield Village LLC	8,065,400	5	0.50%	6,801,100	4	0.59%
Copper Beech Townhome	7,383,781	6	0.46%			
Jamestown Mt Pleasant Apt LLC	7,090,200	7	0.44%			
Lexington Ridge Apts LLC	7,046,300	8	0.43%	6,725,268	5	0.59%
Morbark, Inc	6,889,226	9	0.42%	6,541,494	7	0.57%
Michigan Consolidated Gas Co	6,758,667	10	0.42%	5,085,665	10	0.44%
SUH Central Michigan LLC	-		-	7,003,673	3	0.61%
Mid-Michigan Inns Inc.	-		-	6,676,027	6	0.58%
RCS Equities Inc	-		-	6,486,491	8	0.57%
Great Lakes Gas Trans Co	-		-	6,392,463	9	0.56%
Totals	\$ 106,253,655		6.55%	\$ 86,948,649		7.59%

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
2003	\$ 47,261,055	\$ 44,628,805	94.43%	\$ 2,632,250	\$ 2,632,250	\$ 47,261,055	100.00%
2004	49,564,009	46,747,863	94.32%	2,816,146	2,815,022	49,562,885	100.00%
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							

Source: Isabella County Administration / Isabella County Treasurer

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

**2012 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	Capital Leases	Business-Type Activities			
2003	\$ 6,735,000	\$ 167,114	\$ 8,271,933	\$ 15,174,047	-	\$ 233
2004	6,075,000	124,166	7,990,162	14,189,328	0.99%	216
2005	5,785,000	80,656	7,724,085	13,589,741	0.89%	206
2006	5,465,000	29,685	7,516,848	13,011,533	0.79%	195
2007	5,135,000	-	7,251,824	12,386,824	0.72%	185
2008	8,010,229	-	6,945,974	14,956,203	0.84%	224
2009	7,266,117	-	6,664,649	13,930,766	0.76%	204
2010	6,557,005	-	6,292,876	12,849,881	0.68%	183
2011	5,752,893	-	5,958,583	11,711,476	0.59%	167
2012	4,943,782	-	5,629,018	10,572,800	N/A	150

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

(1) See Statistical Table Number 13 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)

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property (1)	Per Capita (2)
2003	\$ 6,735,000	\$ 166,194	\$ 6,568,806	0.57%	\$ 101
2004	6,075,000	61,480	6,013,520	0.49%	92
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

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 13 for population data, last available population was used.

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Legal debt limit	\$ 114,597,289	\$ 122,469,025	\$ 131,441,377	\$ 140,997,548	\$ 152,908,264	\$ 159,659,792	\$ 152,912,268	\$ 161,744,716	\$ 162,782,921	\$ 162,275,425
Total net debt applicable to limit	<u>1,482,741</u>	<u>12,608,564</u>	<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>
Legal debt margin	<u>\$ 113,114,548</u>	<u>\$ 109,860,461</u>	<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>
Total net debt applicable to the limit as a percentage of debt limit	1.29%	10.30%	9.14%	8.26%	7.78%	8.94%	8.21%	7.00%	6.18%	5.37%

Legal Debt Margin Calculation for Fiscal Year 2012

Taxable Value	\$ 1,622,754,247
Debt limit (10% of taxable value of property in County)	162,275,425
Debt applicable to limit:	10,075,000
Less:	
Assets in Debt Service funds available for payment of principal	<u>1,367,377</u>
Total amount of debt applicable to debt limit	<u>8,707,623</u>
Legal debt margin	<u>\$ 153,567,802</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
 DEMOGRAPHIC AND ECONOMIC STATISTICS
 LAST TEN FISCAL YEARS

<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>
2003	65,024	\$1,438,243,000	\$22,119	(1)	5.00%
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	(1)	(1)	(1)	5.90%

Data Sources:

- Population Division, U.S. Census Bureau - Population is an estimate as of July 1, of fiscal year with the exception of 2010 which reflects the actual census
- Bureau of Economic Analysis, U.S. Department of Commerce - <http://www.bea.gov/regional/reis/default.cfm?selTable=CA1-3§ion=2>
- 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

Employer	2012			2000 (1)		
	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) 2003 Data not available. Data source for 2000 data Michigan Economic Development Corporation.

Source:
www.mmdc.org

Isabella County, Michigan

FULL-TIME EQUIVALENT COUNTY EMPLOYEES BY FUNCTION

LAST TEN FISCAL YEARS

Function	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Service Administration	(1)	(1)	54.5	54.5	54.5	53.0	53.0	50.4	49.5	45.5
Legislative	(1)	(1)	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Judicial	(1)	(1)	56.0	56.0	56.0	54.0	54.0	54.0	54.0	56.0
Law Enforcement and Correction	(1)	(1)	49.5	49.5	50.5	50.0	50.0	50.0	50.0	49.0
Public Safety and Emergency Services	(1)	(1)	23.6	23.6	24.6	21.4	21.4	20.7	20.7	20.7
Health and Welfare	(1)	(1)	33.0	33.0	33.0	31.3	31.3	31.3	31.3	31.3
Culture and Recreation	(1)	(1)	4.6	4.6	4.6	4.3	4.3	4.3	4.3	4.3
Planning and Development	(1)	(1)	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Other Agencies	(1)	(1)	3.0	3.0	3.0	3.0	12.5	12.5	9.0	9.0
Total	(1)	(1)	234.2	234.2	236.2	227.0	236.5	233.2	228.8	225.8

(1) Data not available

Source: Isabella County Administration Office

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

Function	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Judicial										
Trial Court total caseload	22,200	22,213	21,293	18,105	17,751	15,184	16,130	16,279	13,250	13,453
Law enforcement and corrections										
Number of incarcerated offenders	5,153	5,320	5,321	5,662	5,550	5,529	5,610	5,502	5,664	6,012
Public safety and emergency services										
Animal Control										
Complaints	2,316	2,293	2,034	2,110	2,471	3,273	1,618	1,383	1,297	1,861
Animal adoptions	1,143	1,404	1,406	1,161	1,060	1,799	1,371	1,390	1,542	1,576
Health and welfare										
Health Department										
Immunizations administered	(1)	(1)	(1)	(1)	3,365	3,864	(1)	5,187	5,785	4,365
House numbering										
House numbers issued	231	216	203	140	108	50	47	49	52	45
Housing										
Mortgages granted	-	-	-	-	-	-	-	-	-	6
Recreation and culture										
Annual vehicle park passes	1,360	1,350	1,469	1,427	1,485	1,487	1,727	1,560	1,528	1,692
Daily vehicle park passes	7,691	8,125	9,027	8,752	8,669	8,567	9,045	9,858	10,459	10,983
Annual boat passes (2)	(1)	(1)	748	528	545	504	551	712	576	729
Daily boat passes (2)	(1)	(1)	-	-	-	-	-	-	-	-

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.

(2) Annual and daily boat pass data are combined after 2004.

Data Sources: Isabella County Trial Court, Isabella County Sheriff Department, Isabella County Animal Control
 Central Michigan District Health Department, Isabella County Community Development, Isabella County Parks & Recreation

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

Function	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Judicial										
Juvenile Detention										
Facilities	-	-	-	2	2	2	2	2	2	2
Law enforcement and corrections										
Sheriff										
Vehicles	-	-	-	25	19	23	23	23	23	23
Boats	-	-	-	1	1	1	1	1	1	1
Jail Facilities	-	-	-	1	1	1	1	1	1	1
Public safety and emergency services										
Animal control										
Vehicles	-	-	-	3	2	2	2	2	2	2
Emergency Services										
Vehicles	-	-	-	2	2	2	2	2	2	2
Community & Economic Development										
Vehicles	-	-	-	2	1	1	1	1	1	2
Recreation and culture										
Parks and recreation										
Parks	-	-	-	5	5	5	5	5	5	5
Vehicles	-	-	-	6	6	7	8	8	8	8

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.