

Shiawassee County, Michigan

FINANCIAL STATEMENTS

December 31, 2013

Shiawassee County, Michigan

December 31, 2013

BOARD OF COMMISSIONERS

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Deanna M. Finnegan	Prosecuting Attorney
George R. Braidwood II	Sheriff
William R. Wascher	Surveyor

Shiawassee County, Michigan

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
of Shiawassee County
Corunna, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Shiawassee County, Michigan, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, 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 Shiawassee County, Michigan, as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Changes in Accounting Principles

As discussed in Note T, the County implemented GASB Statement No. 61, *The Financial Reporting Entity Omnibus*, during the year. As a result, the criteria for reporting component units has been modified. Our opinions are not modified with respect to this matter.

As discussed in Note T, the County implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, during the year. As a result of this implementation, the format and reporting of the financial statements have changed to reflect the required components of GASB Statement No. 65, as applicable. Our opinions are not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the schedules 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated March 31, 2014, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

March 31, 2014

Shiawassee County Management's Discussion and Analysis

Management's Discussion and Analysis

As management of Shiawassee County, we offer this narrative overview and analysis of the financial activities of the County, including limited information pertaining to the separately audited Road Commission for the year ended December 31, 2013. For more detailed information, the Road Commission's separately issued financial statements may be obtained from their administrative offices.

Financial Highlights

- The assets of the County primary government exceeded its liabilities at the close of the fiscal year by approximately \$17.4 million (*net position*). Of this amount, approximately \$9.1 million (*unrestricted net position*) may be used to meet the government's ongoing obligations.
- The primary government's total net position decreased by approximately \$233,544, or less than 2 percent over the prior year.
- As of the close of the fiscal year, the County's governmental funds reported combined ending fund balances of approximately \$4.81 million, a decrease of approximately \$32,000 or 0.7 percent. Of this total, \$871,421 or 18.1 percent is *available for spending (unassigned fund balance)*.
- At the end of the fiscal year, unassigned fund balance for the General Fund was \$871,421, an amount equal to 5.3 percent of total General Fund expenditures and transfers.
- The County's total long-term debt, including that of the component units, decreased by a net of \$525,741 or 6.1 percent during the current fiscal year.

Overview of the 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 required and other supplementary information in addition to the basic financial statements themselves.

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

The *statement of net position* presents information on all of the County's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position indicate whether the financial position of the County is improving or deteriorating. The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of Shiawassee County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) and 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, public works, health and welfare, community and economic development, recreation and cultural and other functions. The business-type activities primarily represent the administration of the delinquent property tax system and the.

The government-wide financial statements include not only the County itself (known as the *primary government*), but also five (5) legally separate entities: the Shiawassee County Road Commission, the Shiawassee County Medical Care Facility, the Shiawassee County Airport, the Drainage Districts, and the Shiawassee Council on Aging. Financial information for the *component units* is reported separately from the financial information presented for the primary government itself.

Shiawassee County

Management's Discussion and Analysis

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.

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. 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 several 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, Health Department, Central Dispatch, and Mental Health Debt Service funds, each of which is considered to be a major fund. Data from the nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The County adopts an annual appropriated budget for its General and special revenue funds. Budgetary comparison schedules have been provided herein to demonstrate compliance with the County General, Health Department, and Central Dispatch funds budgets.

Proprietary funds. The County maintains one type of proprietary fund: enterprise funds. *Enterprise funds* report the same functions as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for the Delinquent Tax Revolving Fund which is considered to be a major fund. Data from the single nonmajor enterprise fund is also presented.

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.

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain other supplementary information, including combining statements of the nonmajor governmental and enterprise funds.

Shiawassee County Management's Discussion and Analysis

Government-wide Financial Analysis

Statement of Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 10,254,109	\$ 10,290,689	\$ 8,606,228	\$ 8,163,913	\$ 18,860,337	\$ 18,454,602
Capital assets	6,354,683	6,601,476	24,489	20,337	6,379,172	6,621,813
Total Assets	16,608,792	16,892,165	8,630,717	8,184,250	25,239,509	25,076,415
Current liabilities	1,972,702	1,650,093	20,227	88,214	1,992,929	1,738,307
Noncurrent liabilities	5,557,629	5,661,370	-	-	5,557,629	5,661,370
Total Liabilities	7,530,331	7,311,463	20,227	88,214	7,550,558	7,399,677
Deferred inflows of resources	245,757	-	-	-	245,757	-0-
Net Position						
Net investment in capital assets	5,078,314	5,225,894	24,489	20,337	5,102,803	5,246,231
Restricted	3,248,113	3,014,944	-	-	3,248,113	3,014,944
Unrestricted	506,277	1,339,864	8,586,001	8,075,699	9,092,278	9,415,563
	\$ 8,832,704	\$ 9,580,702	\$ 8,610,490	\$ 8,096,036	\$ 17,443,194	\$ 17,676,738

As noted previously, net position serves over time as a useful indicator of a government's financial position. In the case of Shiawassee County, assets exceeded liabilities by approximately \$17.4 million at the close of the year. This is a slight decrease of \$233,544 over the prior year.

The primary government's net position includes approximately \$5.1 million in capital assets comprised of land, buildings, vehicles and equipment less any outstanding related debt used to acquire those assets. The County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

Certain other limitations on the use of net position apply due primarily to legal restrictions. The restricted net position totals approximately \$3.2 million. The remaining balance of unrestricted net position (\$9.1 million or 52 percent) may be used to meet the government's ongoing obligations.

Shiawassee County Management's Discussion and Analysis

Statement of Activities

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Revenues						
Program revenues						
Charges for services	\$ 4,536,565	\$ 4,618,127	\$ 1,285,677	\$ 523,830	\$ 5,822,242	\$ 5,141,957
Operating grants and contributions	4,901,786	5,205,220	-	-	4,901,786	5,205,220
General revenues						
Property taxes	8,619,140	8,689,247	-	-	8,619,140	8,689,247
State shared revenue	1,116,126	1,101,537	-	-	1,116,126	1,101,537
Investment earnings	12,441	13,769	57,259	56,447	69,700	70,216
Miscellaneous	606,560	470,636	-	-	606,560	470,636
Transfers	733,797	599,715	(733,797)	(599,715)	-	-
Total revenues	20,526,415	20,698,251	609,139	(19,438)	21,135,554	20,678,813
Expenses						
General government	8,190,050	8,205,185	-	-	8,190,050	8,205,185
Public safety	7,877,932	7,623,537	-	-	7,877,932	7,623,537
Public works	98,670	87,681	-	-	98,670	87,681
Health & welfare	4,005,259	4,038,220	-	-	4,005,259	4,038,220
Community & Economic development	363,773	281,408	-	-	363,773	281,408
Recreation & culture	4,909	12,368	-	-	4,909	12,368
Other and interest	733,820	778,236	94,685	113,291	828,505	891,527
Total expenses	21,274,413	21,026,635	94,685	113,291	21,369,098	21,139,926
Change in net position	(747,998)	(328,384)	514,454	(132,729)	(233,544)	(461,113)
Restated net position - beginning	9,580,702	9,909,086	8,096,036	8,228,765	17,676,738	18,137,851
Net position - ending	\$ 8,832,704	\$ 9,580,702	\$ 8,610,490	\$ 8,096,036	\$ 17,443,194	\$ 17,676,738

The preceding table shows that the net position of governmental activities decreased by approximately \$748,000 or 7.8 percent during 2013 as compared to a decrease of approximately \$328,000 in the prior year.

Business-type Activities

Net position of the County's business-type activities increased by approximately \$514,000. Net position of the Delinquent Tax Revolving activities increased by approximately \$523,600 and other activities decreased by approximately \$9,200.

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. As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of approximately \$4.81 million. This represents a decrease of approximately \$32,000 in comparison with the prior year.

Approximately \$871,000 or 18.1 percent of total fund balance constitutes *unassigned*, which is available for spending.

Shiawassee County

Management's Discussion and Analysis

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, the total fund balance was approximately \$1.4 million, while the unassigned fund balance of the General Fund was approximately \$871,000, an amount equal to 5.3 percent of total General Fund expenditures and other financing uses. This level of General Fund unassigned fund balance is low compared with recognized benchmarks that governments should strive to maintain.

The fund balance of the County's General Fund decreased by approximately \$257,000 during the current fiscal year, and compares unfavorably with the approximately \$40,000 decrease in the General Fund balance reported during the prior year. This decrease is due largely to various revenue sources reductions.

The Health Department Fund, which is used to report activities related to various personal and environmental health services provided to County residents, has a total fund balance of approximately \$1 million. This is an increase of approximately \$379,000 from the fund balance reported during the prior year.

The Central Dispatch Fund, which is used to report activities related to the County's central dispatch system has a total fund balance of approximately \$1.1 million. This is an increase of approximately \$19,000 from the fund balance reported during the prior year.

The Mental Health Debt Service Fund, which is used to account for the financial resources related to the repayment of general obligation bonds issued by the County on behalf of the Mental Health Authority, has no fund balance as it reports a receivable from the Mental Health Authority equal to the current accrued interest and outstanding principal on these bonds.

General Fund Budgetary Highlights

The original General Fund expenditure and other financing uses budget of \$16.3 million was approximately \$16.7 million after revisions; however, actual expenditures and other financing uses totaled less than \$16.4 million. Expenditure savings came from several departments.

Actual revenues and other financing sources came in at approximately \$16.1 million.

Capital Asset and Debt Administration

Capital Assets - At the end of 2013, the County had invested \$6,379,172 in primary government capital assets and \$11,477,893 for the component units (excluding the Road Commission, see separately issued financial statements), net of accumulated depreciation, in a broad range of capital assets (see table below). Accumulated depreciation was \$6,437,354 for the primary government. Depreciation charges for the fiscal year totaled \$685,364 for the primary government and \$673,492 for the component units (excluding the Road Commission, see separately issued financial statements).

	Governmental Activities	Business-type Activities	Component Units	Total
Land and improvements, net	\$ 652,868	\$ -	\$ 1,539,064	\$ 2,191,932
Buildings, net	3,907,629	-	2,040,977	5,948,606
Equipment, net	1,591,809	24,489	731,281	2,347,579
Vehicles, net	202,377	-	31,884	234,261
Drains, net	-	-	6,707,968	6,707,968
Construction in progress	-	-	426,719	426,719
Capital assets, net	\$ 6,354,683	\$ 24,489	\$ 11,477,893	\$ 17,857,065

A more detailed discussion of the County's capital assets is presented in Note G to the financial statements.

Long-term Debt - As of December 31, 2013, the County had \$5,210,833 in long-term obligations outstanding for the primary government. This level of net obligation is \$237,491 less than the obligation recorded as of December 31, 2012. In addition, the County uses its full faith and credit (as a secondary obligator), to back the Drainage District component unit debt. All drain debt is payable out of assessments against the drainage districts or by contractual agreements with local units of government. The following table excludes the County Road Commission.

Shiawassee County Management's Discussion and Analysis

Outstanding Debt as of December 31, 2013:

	<u>Jan. 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Dec. 31, 2013</u>
Primary Government				
Governmental Activities				
Long-term obligations payable	\$ 5,448,324	\$ 642,992	\$ 880,483	\$ 5,210,833
Component Units				
Drainage Districts	<u>2,999,470</u>	<u>-</u>	<u>285,000</u>	<u>2,714,470</u>
Total Reporting Entity	<u>\$8,447,794</u>	<u>\$ 642,992</u>	<u>\$1,165,483</u>	<u>\$ 7,925,303</u>
Debt Limit (10% of SEV)				<u>\$167,337,242</u>
Available Statutory Debt Limit				<u>\$159,411,939</u>

A more detailed discussion of the County's long-term debt obligations is presented in Note H to the financial statements.

Limitations on Debt:

State statute limits the County's debt obligations to 10 percent of the current state equalized value (SEV). The County's SEV as of December 31, 2013 was \$1.673 billion; therefore, the County's debt limitation was over \$167 million. The county remains well below its legal debt limit by over \$159 million.

SHIAWASSEE COUNTY GOVERNMENT ECONOMIC OUTLOOK:

- Health, dental, and optical insurance premiums continue to rise. With the continued implementation of the Affordable Care Act, uncertainty in future costs is a concern.
- The county is working to reduce the retirement liability. The county has implemented some cost sharing with employees. We plan to continue reducing costs for retirement and further our fiscal sustainability.
- Projections of property tax revenue and the recovery of this Revenue Stream still appears very slow. This is a tremendous concern as property tax revenue represents over 50% of the general fund revenue. The county plans to take a "Headlee Override" to the voters in 2014 to counteract the effects of the "Headlee Rollback".
- Continuing reductions to the general fund balance are a concern. Future reductions to costs are being discussed.
- The county discontinued staffing reductions after year ending 2012. We are hopeful that this approach to managing rising costs will not be necessary.

These factors were considered in adopting the Budget for 2014. The 2014 budget calls for some usage of the County's fund balance to balance the General Fund Budget. The County continues to look for ways to increase efficiencies and reduce the cost of doing business.

CONTACTING THE COUNTY

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If there are questions about this report, or a need for additional information, contact the Shiawassee County Administrator's Office at (989) 743-2458 or via email at tclark@shiawassee.net.

BASIC FINANCIAL STATEMENTS

Shiawassee County, Michigan

STATEMENT OF NET POSITION

December 31, 2013

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 2,980,959	\$ 2,878,200	\$ 5,859,159	\$ 20,838,700
Receivables	641,193	3,982,478	4,623,671	6,219,568
Internal balances	912,035	(912,035)	-0-	-
Due from other governmental units	1,701,425	-	1,701,425	1,270,383
Prepays	48,718	-	48,718	208,638
Inventories	55,562	-	55,562	356,741
Total current assets	6,339,892	5,948,643	12,288,535	28,894,030
Noncurrent assets				
Investments	259,217	2,657,585	2,916,802	49,400
Net pension asset	-	-	-	10,537,253
Noncurrent portion of due from other governmental units	3,485,000	-	3,485,000	665,228
Advance to other governmental units	170,000	-	170,000	-
Capital assets not being depreciated	615,000	-	615,000	5,706,716
Capital assets, net of accumulated depreciation	5,739,683	24,489	5,764,172	49,649,689
Total noncurrent assets	10,268,900	2,682,074	12,950,974	66,608,286
TOTAL ASSETS	16,608,792	8,630,717	25,239,509	95,502,316
LIABILITIES				
Current liabilities				
Accounts payable	372,014	20,227	392,241	695,872
Accrued liabilities	678,761	-	678,761	1,007,944
Accrued interest payable	55,534	-	55,534	11,331
Unearned revenue	489,779	-	489,779	4,400
Current portion of compensated absences	31,946	-	31,946	224,051
Current portion of long-term debt	344,668	-	344,668	310,000
Total current liabilities	1,972,702	20,227	1,992,929	2,253,598
Noncurrent liabilities				
Advances from other governmental units	-	-	-0-	348,252
Noncurrent portion of compensated absences	287,518	-	287,518	-
Net other post-employment benefits obligation	723,410	-	723,410	2,052,901
Noncurrent portion of long-term debt	4,546,701	-	4,546,701	2,404,470
Total noncurrent liabilities	5,557,629	-	5,557,629	4,805,623
TOTAL LIABILITIES	7,530,331	20,227	7,550,558	7,059,221
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues	245,757	-	245,757	3,686,338
NET POSITION				
Net investment in capital assets	5,078,314	24,489	5,102,803	53,361,405
Restricted for				
Public safety	1,690,039	-	1,690,039	-
Medical care activities	-	-	-0-	23,733,284
Capital improvement	68,202	-	68,202	2,976,422
County roads	-	-	-0-	3,551,980
Debt service	-	-	-0-	761,801
Other purposes	1,489,872	-	1,489,872	371,865
Unrestricted	506,277	8,586,001	9,092,278	-
TOTAL NET POSITION	\$ 8,832,704	\$ 8,610,490	\$ 17,443,194	\$ 84,756,757

See accompanying notes to financial statements.

Shiawassee County, Michigan

STATEMENT OF ACTIVITIES

Year Ended December 31, 2013

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities								
General government	\$ 8,190,050	\$ 2,268,512	\$ 1,703,983	\$ -	\$ (4,217,555)	\$ -	\$ (4,217,555)	\$ -
Public safety	7,877,932	1,826,766	986,394	-	(5,064,772)	-	(5,064,772)	-
Public works	98,670	10,000	-	-	(88,670)	-	(88,670)	-
Health and welfare	4,005,259	427,537	2,211,409	-	(1,366,313)	-	(1,366,313)	-
Community and economic development	363,773	-	-	-	(363,773)	-	(363,773)	-
Recreation and culture	4,909	3,750	-	-	(1,159)	-	(1,159)	-
Other	493,731	-	-	-	(493,731)	-	(493,731)	-
Interest on long-term debt	240,089	-	-	-	(240,089)	-	(240,089)	-
Total governmental activities	21,274,413	4,536,565	4,901,786	-0-	(11,836,062)	-0-	(11,836,062)	-0-
Business-type activities								
Delinquent tax	-	1,166,451	-	-	-	1,166,451	1,166,451	-
Other	94,685	119,226	-	-	-	24,541	24,541	-
Total business-type activities	94,685	1,285,677	-0-	-0-	-0-	1,190,992	1,190,992	-0-
Total primary government	\$ 21,369,098	\$ 5,822,242	\$ 4,901,786	\$ -0-	(11,836,062)	1,190,992	(10,645,070)	-0-
Component units								
Road Commission	\$ 10,608,958	\$ 1,306,731	\$ 5,031,706	\$ 3,037,370	-	-	-0-	(1,233,151)
Medical Care Facility	15,256,516	13,279,673	-	-	-	-	-0-	(1,976,843)
Drainage Districts	607,490	-	-	476,447	-	-	-0-	(131,043)
County Airport	211,332	127,530	25,481	281,850	-	-	-0-	223,529
Council on Aging	973,577	95,586	379,337	-	-	-	-0-	(498,654)
Total component units	\$ 27,657,873	\$ 14,809,520	\$ 5,436,524	\$ 3,795,667	-0-	-0-	-0-	(3,616,162)
General revenues								
Property taxes					8,619,140	-	8,619,140	3,483,653
State shared revenue					1,116,126	-	1,116,126	-
Investment earnings					12,441	57,259	69,700	41,250
Miscellaneous					606,560	-	606,560	129,778
Transfers					733,797	(733,797)	-0-	-
Total general revenues and transfers					11,088,064	(676,538)	10,411,526	3,654,681
Change in net position					(747,998)	514,454	(233,544)	38,519
Restated net position, beginning of the year					9,580,702	8,096,036	17,676,738	84,718,238
Net position, end of the year					\$ 8,832,704	\$ 8,610,490	\$ 17,443,194	\$ 84,756,757

See accompanying notes to financial statements.

Shiawassee County, Michigan

Governmental Funds

BALANCE SHEET

December 31, 2013

	General	Health Department	Central Dispatch
ASSETS			
Cash and cash equivalents	\$ 372,218	\$ 534,431	\$ 879,681
Investments	-	-	-
Receivables	131,347	58,715	209,513
Inventories	-	55,562	-
Prepays	48,718	-	-
Due from other funds	943,525	-	-
Due from other governmental units			
Federal/State	492,124	938,449	51,231
Local	-	-	-
Advances to other governmental units	170,000	-	-
TOTAL ASSETS	\$ 2,157,932	\$ 1,587,157	\$ 1,140,425
LIABILITIES			
Accounts payable	\$ 213,819	\$ 40,243	\$ 2,193
Accrued liabilities	530,134	84,648	37,401
Unearned revenue	25,608	464,171	-
Due to other funds	2,122	13,261	-
TOTAL LIABILITIES	771,683	602,323	39,594
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues	-	-	-
FUND BALANCES			
Nonspendable	218,718	-	-
Restricted	-	984,834	1,100,831
Committed	23,202	-	-
Assigned	272,908	-	-
Unassigned	871,421	-	-
TOTAL FUND BALANCES	1,386,249	984,834	1,100,831
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 2,157,932	\$ 1,587,157	\$ 1,140,425

See accompanying notes to financial statements.

Mental Health Debt Service	Nonmajor Governmental Funds	Total
\$ -	\$ 1,194,629	\$ 2,980,959
-	259,217	259,217
-	241,618	641,193
-	-	55,562
-	-	48,718
-	11,989	955,514
-	44,986	1,526,790
3,659,635	-	3,659,635
-	-	170,000
<u>\$ 3,659,635</u>	<u>\$ 1,752,439</u>	<u>\$ 10,297,588</u>
\$ -	\$ 115,759	\$ 372,014
-	26,578	678,761
-	-	489,779
-	28,096	43,479
-0-	170,433	1,584,033
3,659,635	245,757	3,905,392
-	-	218,718
-	1,162,448	3,248,113
-	173,801	197,003
-	-	272,908
-	-	871,421
-0-	1,336,249	4,808,163
<u>\$ 3,659,635</u>	<u>\$ 1,752,439</u>	<u>\$ 10,297,588</u>

Shiawassee County, Michigan

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

December 31, 2013

Total fund balance - governmental funds \$ 4,808,163

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

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

The cost of capital assets is	\$ 12,781,976	
Accumulated depreciation is	<u>(6,427,293)</u>	
Capital assets, net		6,354,683

Long-term receivables are not available to pay for current period expenditures and are therefore reported as deferred inflows of resources in the funds. 3,659,635

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	4,891,369	
Accrued interest payable	55,534	
Net other post-employment benefits obligation	723,410	
Compensated absences	<u>319,464</u>	
		<u>(5,989,777)</u>

Net position of governmental activities \$ 8,832,704

Shiawassee County, Michigan

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended December 31, 2013

	General	Health Department	Central Dispatch
REVENUES			
Taxes	\$ 8,451,847	\$ -	\$ -
Licenses and permits	154,336	253,181	-
Intergovernmental			
Federal/State	3,429,732	1,934,518	14,732
Local	10,000	-	-
Charges for services	2,319,851	74,675	1,145,700
Fines and forfeits	163,589	-	-
Interest and rents	5,866	84	762
Other	554,000	-	71,549
TOTAL REVENUES	15,089,221	2,262,458	1,232,743
EXPENDITURES			
Current			
General government	7,569,804	-	-
Public safety	6,003,654	-	1,163,681
Public works	98,738	-	-
Health and welfare	747,705	2,130,128	-
Community and economic development	139,317	-	-
Recreation and culture	1,493	-	-
Other	493,731	-	-
Capital outlay	329,815	-	15,000
Debt service	215,278	-	-
TOTAL EXPENDITURES	15,599,535	2,130,128	1,178,681
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(510,314)	132,330	54,062
OTHER FINANCING SOURCES (USES)			
Debt proceeds	138,570	-	-
Transfers in	874,733	246,965	-
Transfers out	(759,690)	-	(35,000)
TOTAL OTHER FINANCING SOURCES (USES)	253,613	246,965	(35,000)
NET CHANGE IN FUND BALANCES	(256,701)	379,295	19,062
Fund balances, beginning of year	1,642,950	605,539	1,081,769
Fund balances, end of year	<u>\$ 1,386,249</u>	<u>\$ 984,834</u>	<u>\$ 1,100,831</u>

See accompanying notes to financial statements.

<u>Mental Health Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
\$ -	\$ 168,061	\$ 8,619,908
-	-	407,517
4,255	770,392	6,153,629
304,010	38,153	352,163
-	383,177	3,923,403
-	31,468	195,057
-	5,450	12,162
-	67,409	692,958
<u>308,265</u>	<u>1,464,110</u>	<u>20,356,797</u>
-	144,896	7,714,700
-	289,517	7,456,852
-	-	98,738
-	1,129,511	4,007,344
-	224,456	363,773
-	-	1,493
-	-	493,731
-	170,796	515,611
<u>308,265</u>	<u>85,155</u>	<u>608,698</u>
<u>308,265</u>	<u>2,044,331</u>	<u>21,260,940</u>
-0-	(580,221)	(904,143)
-	-	138,570
-	651,401	1,773,099
-	(244,612)	(1,039,302)
<u>-0-</u>	<u>406,789</u>	<u>872,367</u>
-0-	(173,432)	(31,776)
-	1,509,681	4,839,939
<u>\$ -0-</u>	<u>\$ 1,336,249</u>	<u>\$ 4,808,163</u>

Shiawassee County, Michigan

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

Year Ended December 31, 2013

Net change in fund balances - total governmental funds **\$ (31,776)**

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	\$ 434,711	
Depreciation expense	<u>(681,504)</u>	
Excess of depreciation expense over capital outlay		(246,793)

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

(Decrease) in unavailable revenues (564,179)

Certain transactions related to long-term debt are reported as expenditures or other financing sources/uses in governmental funds, but are reflected as increases or decreases of the applicable assets or liabilities in the statement of net position. In the current year, these amounts consist of:

Debt proceeds	(138,570)	
Debt principal retirements	<u>362,783</u>	
		224,213

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	5,826	
(Increase) in net other post-employment benefits obligation	(148,567)	
Decrease in compensated absences	<u>13,278</u>	
		<u>(129,463)</u>

Change in net position of governmental activities **\$ (747,998)**

See accompanying notes to financial statements.

Shiawassee County, Michigan

Proprietary Funds

STATEMENT OF NET POSITION

December 31, 2013

	Business-type Activities		
	Delinquent Tax Revolving	Nonmajor Enterprise Fund (Jail Commissary)	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 2,798,691	\$ 79,509	\$ 2,878,200
Accounts receivable	3,489	-	3,489
Delinquent taxes receivable	3,978,989	-	3,978,989
Total current assets	6,781,169	79,509	6,860,678
Noncurrent assets			
Investments	2,657,585	-	2,657,585
Capital assets being depreciated, net	-	24,489	24,489
Total noncurrent assets	2,657,585	24,489	2,682,074
TOTAL ASSETS	9,438,754	103,998	9,542,752
LIABILITIES			
Current liabilities			
Accounts payable	18,766	1,461	20,227
Due to other funds	878,238	33,797	912,035
TOTAL LIABILITIES	897,004	35,258	932,262
NET POSITION			
Net investment in capital assets	-	24,489	24,489
Unrestricted	8,541,750	44,251	8,586,001
TOTAL NET POSITION	<u>\$ 8,541,750</u>	<u>\$ 68,740</u>	<u>\$ 8,610,490</u>

See accompanying notes to financial statements.

Shiawassee County, Michigan

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Year Ended December 31, 2013

	Business-type Activities		
	Delinquent Tax Revolving	Nonmajor Enterprise Fund (Jail Commissary)	Total
OPERATING REVENUES			
Interest and penalties on delinquent taxes	\$ 1,166,451	\$ -	\$ 1,166,451
Charges for services	-	119,226	119,226
TOTAL OPERATING REVENUES	1,166,451	119,226	1,285,677
OPERATING EXPENSES			
Operating supplies	-	90,825	90,825
Depreciation	-	3,860	3,860
TOTAL OPERATING EXPENSES	-0-	94,685	94,685
OPERATING INCOME	1,166,451	24,541	1,190,992
NONOPERATING REVENUES			
Interest revenue	57,180	79	57,259
INCOME BEFORE TRANSFERS	1,223,631	24,620	1,248,251
TRANSFERS			
Transfers out	(700,000)	(33,797)	(733,797)
CHANGE IN NET POSITION	523,631	(9,177)	514,454
Restated net position, beginning of year	8,018,119	77,917	8,096,036
Net position, end of year	<u>\$ 8,541,750</u>	<u>\$ 68,740</u>	<u>\$ 8,610,490</u>

See accompanying notes to financial statements.

Shiawassee County, Michigan

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended December 31, 2013

	Business-type Activities		
	Delinquent Tax Revolving	Nonmajor Enterprise Fund (Jail Commissary)	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 1,235,312	\$ 119,226	\$ 1,354,538
Cash paid to other funds	(101,352)	-	(101,352)
Cash paid to suppliers and others	-	(73,361)	(73,361)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,133,960	45,865	1,179,825
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES			
Capital purchases	-	(8,012)	(8,012)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers out	(700,000)	(33,797)	(733,797)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	(55,991)	-	(55,991)
Interest received	57,180	79	57,259
NET CASH PROVIDED BY INVESTING ACTIVITIES	1,189	79	1,268
NET INCREASE IN CASH AND CASH EQUIVALENTS	435,149	4,135	439,284
Cash and cash equivalents, beginning of year	2,363,542	75,374	2,438,916
Cash and cash equivalents, end of year	<u>\$ 2,798,691</u>	<u>\$ 79,509</u>	<u>\$ 2,878,200</u>
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 1,166,451	\$ 24,541	\$ 1,190,992
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	-	3,860	3,860
Decrease in receivables	120,515	-	120,515
Increase (decrease) in due to other funds	(101,352)	33,797	(67,555)
(Decrease) in accounts payable	(51,654)	(16,333)	(67,987)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 1,133,960</u>	<u>\$ 45,865</u>	<u>\$ 1,179,825</u>

See accompanying notes to financial statements.

Shiawassee County, Michigan

Fiduciary Funds

STATEMENT OF ASSETS AND LIABILITIES

December 31, 2013

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	<u>\$ 2,290,931</u>
LIABILITIES	
Undistributed collections payable	\$ 1,337,612
Due to other governmental units	
Federal/State	199,452
Local	233,971
Due to individuals and agencies	<u>519,896</u>
TOTAL LIABILITIES	<u>\$ 2,290,931</u>

See accompanying notes to financial statements.

Shiawassee County, Michigan

Component Units

COMBINING STATEMENT OF NET POSITION

December 31, 2013

	Road Commission	Medical Care Facility	Drainage Districts
ASSETS			
Current assets			
Cash and cash equivalents	\$ 3,795,371	\$ 14,577,298	\$ 2,134,212
Receivables			
Accounts	-	975,023	-
Taxes	-	3,063,350	-
Special assessments	-	-	1,781,584
Prepays	-	208,638	-
Due from other governmental units	1,211,546	-	58,837
Inventories	345,853	-	-
Total current assets	5,352,770	18,824,309	3,974,633
Noncurrent assets			
Investments	-	-	-
Net pension asset	737,253	9,800,000	-
Noncurrent portion of due from other governmental units	-	-	665,228
Capital assets not being depreciated	5,279,997	-	-
Capital assets, net of accumulated depreciation	38,598,515	2,611,808	6,707,968
Total noncurrent assets	44,615,765	12,411,808	7,373,196
TOTAL ASSETS	49,968,535	31,236,117	11,347,829
LIABILITIES			
Current liabilities			
Accounts payable	82,985	609,823	837
Accrued liabilities	76,066	928,245	-
Accrued interest payable	-	-	11,331
Unearned revenue	-	-	-
Current portion of compensated absences	224,051	-	-
Current portion of long-term debt	-	-	310,000
Total current liabilities	383,102	1,538,068	322,168
Noncurrent liabilities			
Advances from other governmental units	178,252	-	170,000
Net other post-employment benefits obligation	1,976,689	76,212	-
Noncurrent portion of long-term debt	-	-	2,404,470
Total noncurrent liabilities	2,154,941	76,212	2,574,470
TOTAL LIABILITIES	2,538,043	1,614,280	2,896,638
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues	-	3,276,745	-
NET POSITION			
Net investment in capital assets	43,878,512	2,611,808	4,712,968
Restricted for County roads	3,551,980	-	-
Restricted for medical care activities	-	23,733,284	-
Restricted for debt service	-	-	761,801
Restricted for capital improvements	-	-	2,976,422
Restricted for airport operations	-	-	-
Restricted for aging programs	-	-	-
TOTAL NET POSITION	\$ 47,430,492	\$ 26,345,092	\$ 8,451,191

See accompanying notes to financial statements.

<u>County Airport</u>	<u>Council on Aging</u>	<u>Total Component Units</u>
\$ 75,816	\$ 256,003	\$ 20,838,700
4,442	-	979,465
-	395,169	3,458,519
-	-	1,781,584
-	-	208,638
-	-	1,270,383
<u>10,888</u>	<u>-</u>	<u>356,741</u>
91,146	651,172	28,894,030
-	49,400	49,400
-	-	10,537,253
-	-	665,228
426,719	-	5,706,716
<u>1,635,311</u>	<u>96,087</u>	<u>49,649,689</u>
<u>2,062,030</u>	<u>145,487</u>	<u>66,608,286</u>
2,153,176	796,659	95,502,316
2,227	-	695,872
1,946	1,687	1,007,944
-	-	11,331
4,400	-	4,400
-	-	224,051
<u>-</u>	<u>-</u>	<u>310,000</u>
8,573	1,687	2,253,598
-	-	348,252
-	-	2,052,901
<u>-</u>	<u>-</u>	<u>2,404,470</u>
<u>-0-</u>	<u>-0-</u>	<u>4,805,623</u>
8,573	1,687	7,059,221
<u>-</u>	<u>409,593</u>	<u>3,686,338</u>
2,062,030	96,087	53,361,405
-	-	3,551,980
-	-	23,733,284
-	-	761,801
-	-	2,976,422
82,573	-	82,573
<u>-</u>	<u>289,292</u>	<u>289,292</u>
<u>\$ 2,144,603</u>	<u>\$ 385,379</u>	<u>\$ 84,756,757</u>

Shiawassee County, Michigan

Component Units

STATEMENT OF ACTIVITIES

Year Ended December 31, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position					
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Road Commission	Medical Care Facility	Drainage District	County Airport	Council on Aging	Total
Road Commission	\$ 10,608,958	\$ 1,306,731	\$ 5,031,706	\$ 3,037,370	\$ (1,233,151)	\$ -	\$ -	\$ -	\$ -	\$ (1,233,151)
Medical Care Facility	15,256,516	13,279,673	-	-	-	(1,976,843)	-	-	-	(1,976,843)
Drainage Districts	607,490	-	-	476,447	-	-	(131,043)	-	-	(131,043)
County Airport	211,332	127,530	25,481	281,850	-	-	-	223,529	-	223,529
Council on Aging	973,577	95,586	379,337	-	-	-	-	-	(498,654)	(498,654)
TOTALS	\$ 27,657,873	\$ 14,809,520	\$ 5,436,524	\$ 3,795,667	(1,233,151)	(1,976,843)	(131,043)	223,529	(498,654)	(3,616,162)
General revenues										
Investment earnings					16,864	15,423	3,340	7	5,616	41,250
Property taxes					-	3,063,350	-	-	420,303	3,483,653
Miscellaneous					83,291	-	-	-	46,487	129,778
Total general revenues					100,155	3,078,773	3,340	7	472,406	3,654,681
CHANGE IN NET POSITION					(1,132,996)	1,101,930	(127,703)	223,536	(26,248)	38,519
Restated net position, beginning of year					48,563,488	25,243,162	8,578,894	1,921,067	411,627	84,718,238
Net position, end of year					\$ 47,430,492	\$ 26,345,092	\$ 8,451,191	\$ 2,144,603	\$ 385,379	\$ 84,756,757

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Shiawassee, Michigan was incorporated in 1822 and covers an area of approximately 541 square miles with the County seat located in the City of Corunna. The County operates under an elected Board of Commissioners and provides services to its approximately 70,000 residents in many areas including law enforcement, administration of justice, community enrichment and development, and human services.

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

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements present the financial activities of Shiawassee County (primary government) and its component units. The component units described in Sections 2 and 3 are included in the County's reporting entity because of the significance of their operational or financial relationship with the County. Blended component units, although legally separate entities are, in substance, part of the County's operations, 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 government-wide financial statements to emphasize that they are legally separate from the County.

2. Blended Component Units

The Shiawassee County Building Authority is governed by a three (3) member Board appointed by the County Board of Commissioners. Its sole purpose is to finance and construct the County's public buildings. It is reported in Fiduciary fund category. The Shiawassee County Building Authority currently does not have any active projects in the County.

The Shiawassee County Economic Development Corporation (EDC) was established to provide community and economic development services. The EDC administered a significant amount of economic development grant money that was received by the County in the past. Currently the EDC does not have any active projects in the County.

3. Discretely Presented Component Units

These component units are reported in a separate column to emphasize that, while legally separate, Shiawassee County remains financially accountable for these entities, or the nature and significance of the relationship between these entities and Shiawassee County is such that exclusion of these entities would render the financial statements misleading or incomplete. The entities are reflected as discretely presented component units in accordance with applicable GASB standards.

The Shiawassee 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 three (3) Board Members of the Road Commission are elected. This component unit is audited individually and complete financial statements may be obtained from the Road Commission's administrative office.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Discretely Presented Component Units - continued

The Shiawassee County Medical Care Facility is a long-term medical care unit owned and operated by Shiawassee County. It is governed by the Shiawassee County Department of Human Services Board. This Board consists of three (3) members, two (2) of whom are appointed by the Shiawassee County Board of Commissioners, and one (1) appointed by the Michigan Governor. The Shiawassee County Medical Care Facility is not audited separately.

The Shiawassee County Council on Aging is a non-profit corporation responsible for planning and coordinating services for senior citizens solely within Shiawassee County. The Board is composed of thirteen (13) members, of which two (2) are County Commissioners. The Shiawassee Council on Aging is fiscally dependent on Shiawassee County and due to the nature and significance of its relationship with the County the Council on Aging is reported as a discretely presented component unit. The Council on Aging is not audited separately.

The Shiawassee County Drainage Districts come under the jurisdiction of the Shiawassee County Drain Commissioner. This includes planning, developing, and maintaining surface water drainage systems. A complete file of finance, construction, and maintenance is maintained for each of the drains. The Drain Commissioner has authority to spend up to \$5,000 per mile on drain maintenance and may borrow up to \$300,000 from any source to provide for maintenance of a drain without Board of Commissioner approval and without going through the Municipal Finance Division, State of Michigan. The Drain Commissioner has authority to levy special assessments on properties benefiting from maintenance. The Drainage Districts are financially accountable to and fiscally dependant on the County because bond issuances greater than \$300,000 require County authorization and are backed by the full faith and credit of the County. The Drainage Districts are not audited separately.

The County Airport is classified as a joint venture with another governmental unit. The details related to this joint venture agreement are disclosed below.

4. Joint Venture

The County participates in the following activity, which is considered to be a joint venture in relation to the County due to the formation of an organization by contractual agreement between two (2) or more participants that maintain joint control, financial interest, and financial responsibility.

Airport Board - Shiawassee County, along with the Cities of Owosso and Corunna and Owosso and Caledonia Townships have entered into an agreement which created the Shiawassee Airport Board. The Airport Board is composed of one (1) member from each of the member municipalities. The Airport is expected to be self-sufficient but based on a "10 Year Funding Model" approved by the Board each participating municipality shall make a direct appropriation to cover operations and development costs. The percentage share for the funding model for each municipality is Shiawassee County and the City of Owosso 33%, Owosso and Caledonia Townships 13%, and the City of Corunna 8%.

The financial activities of the Airport Board are reported in the County's audited financial statements as a discretely presented component unit due to the County being responsible for the receipt and disbursement of the Board's funds. This relationship makes the Board fiscally dependant on the County. The Airport Board is not audited separately.

5. Jointly Governed Organizations

The County participates in the following activities which are considered to be jointly governed organizations in relation to the County due to there being no on-going financial interest or responsibility.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Jointly Governed Organizations - continued

Genesee-Lapeer-Shiawassee Planning Commission - Shiawassee County, in conjunction with two (2) other Counties, has entered into an agreement which created the Genesee-Lapeer-Shiawassee Planning Commission. This organization's Board is composed of 16 members, of which one (1) is appointed by Shiawassee County. The County has no ongoing financial responsibility.

Genesee-Shiawassee Workforce Development Board - Shiawassee County, in conjunction with two (2) other municipalities, has entered into an agreement which created the Genesee-Shiawassee Workforce Development Board. This organization's Board is composed of 35 members, of which five (5) are appointed by Shiawassee County. The County has no ongoing financial responsibility other than the potential liability related to inappropriate use of funds.

Valley Area Agency on Aging - Shiawassee County, in conjunction with the counties of Lapeer and Genesee and the City of Flint, which administers grant revenue for the Shiawassee Council on Aging, created the Valley Area Agency on Aging. The Board is composed of 21 members of which five (5) are appointed by Shiawassee County. The County has no ongoing financial responsibility. The Organization provides comprehensive services to senior citizens residing in the member counties.

6. Related Organizations

The Shiawassee County Community Mental Health Authority - The Shiawassee County Community Mental Health Authority operates under the provisions of PA 258 of 1974, as amended. The Authority provides funding for services in the area of mental illness, development disabilities, and other related mental health needs for the residents of the County of Shiawassee. For the year ended December 31, 2013, the County's contribution to Mental Health Services was \$200,000. In a prior year, the County issued bonds on behalf of the Mental Health Authority. These bonds are general obligation limited tax bonds of the County but there is a contractual agreement between the Authority and the County obligating the Authority to pay the County the amounts of the annual bond principal and interest obligations as they come due until the bonds are paid off.

7. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position 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 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, unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

7. Basis of Presentation - continued

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 for those that are required to be accounted for in another fund.
- b. The Health Department Fund is used to report activities related to various personal and environmental health services provided to County residents. These activities are financed primarily by Federal and State grants, user charges, and other local revenues restricted to use on health and welfare related activities.
- c. The Central Dispatch Fund is used to report activities related to the central dispatch system. These activities are financed primarily by telephone and wireless surcharge fees as well as other revenues that are restricted to use for public safety related dispatching activities.
- d. The Mental Health Debt Service Fund is used to account for the restricted financial resources related to the repayment of general obligation bonds issued by the County on behalf of the Mental Health Authority.

The County reports the following major enterprise fund:

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

The County also reports agency funds to account for assets held by the County as an agent for other governments, private organizations, or individuals. Agency funds are, by nature, custodial; therefore, operation results are not measured. The County's agency funds are the Trust and Agency, Senior Transportation, Economic Development, Library Penal Fine, and Renovation fiduciary funds.

8. 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, deferred outflows of resources, current liabilities, and deferred inflows of resources generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

9. Basis of Accounting

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

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both “measurable” and “available to finance expenditures of the current period”). The length of time used for “available” for purposes of revenue recognition in the governmental fund financial statements is sixty (60) days. Revenues that are considered measurable but not available are recorded as receivable and deferred inflows of resources. Significant revenues susceptible to accrual are property taxes, 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 proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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 balance in the pooled cash accounts is 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 uncategorized pooled investment accounts, certificates of deposit, money market accounts, and mutual funds with a maturity from date of purchase of 90 days or less.

11. Investments

Investments during the year consisted of certificates of deposit and securities with original maturities of greater than 90 days. Investments are recorded at market value in accordance with GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

12. Receivables

Receivables consist of amounts due from governmental units for various financial assistance programs and accounts receivable related to charges for services.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

13. Inventories

PRIMARY GOVERNMENT AND COMPONENT UNITS (EXCEPT ROAD COMMISSION)

Inventories are stated at cost on a first in/first out basis. Inventory consists of vaccines received from the State of Michigan. Donated vaccine inventory is stated at fair value as of the date of donation. Vaccine inventories on hand at year-end have been reported as unearned revenue.

ROAD COMMISSION - COMPONENT UNIT

Inventories of road material and equipment parts are recognized using the consumption method (inventories are recorded as expenditures when they are used). Inventories are stated at average cost.

14. Capital Assets

PRIMARY GOVERNMENT AND COMPONENT UNITS (EXCEPT ROAD COMMISSION)

Capital assets are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities and component unit columns. Capital assets are those with an initial individual cost of \$1,000 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical 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:

Land improvements	15 - 20 years
Buildings and improvements	30 - 50 years
Office and computer equipment	3 - 7 years
Vehicles	3 - 5 years
Drain infrastructure	60 years

ROAD COMMISSION - COMPONENT UNIT

Capital assets are reported in the road commission (component unit) operating fund in the government-wide financial statements. Capital assets are defined by Shiawassee County Road Commission as assets with an initial individual cost of more than \$200 and an estimated useful life in excess of two years. Such assets are recorded at historical costs or estimated historical cost of purchase or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

GASB Statement No. 34 required major networks and major subsystems of infrastructure assets acquired, donated, constructed, or substantially rehabilitated, for fiscal years ending after June 30, 1980, be inventoried and capitalized.

Depreciation is computed on the sum-of-the-years'-digits method for road equipment and straight-line method for all other capital assets. The depreciation rates are designed to amortize the cost of the assets over their estimated useful lives as follows:

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

14. Capital Assets - Continued

ROAD COMMISSION - COMPONENT UNIT - CONTINUED

Buildings	30 - 50 years
Road equipment	5 - 8 years
Shop equipment	10 years
Engineering equipment	4 - 10 years
Office equipment	4 - 10 years
Infrastructure - roads	5 - 30 years
Infrastructure - bridges	12 - 50 years

15. Advances to Other Funds/Component Units (i.e. Other Governmental Units)

Long-term advances from certain funds to other funds or other governmental units (i.e., component units) are made to finance new activities during their initial operations and to finance capital acquisitions. For the governmental fund types, fund balance is nonspendable for the amount of advances made to reflect the fund balance not currently available for expenditure.

16. Interfund Transactions

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

17. Unearned Revenue

The County reports unearned revenue in connection with funds that have been received but not yet earned.

18. Deferred Outflows/Inflows of Resources

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

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

The County reports deferred inflows of resources in certain funds for taxes levied for subsequent periods and for amounts due from other governmental units for the future years' debt service obligations. The County does not report any deferred outflows of resources.

19. 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

December 31, 2013

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

19. Long-Term Obligations - Continued

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.

20. Compensated Absences

In accordance with County personnel policies and/or contracts negotiated with the various employee groups of the County, individual employees have vested rights upon termination of employment to receive payment for unused compensated absences under formulas and conditions specified in the respective personnel policies and/or contracts.

Vested compensated absences earned as of December 31, 2013, including related payroll taxes, are recorded in the government-wide financial statements.

21. Budgets and Budgetary Accounting

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

The County employs the following procedures in establishing budgets:

- a. Prior to September 7, the County departments, in conjunction with the Administrator's office, prepare and submit their proposed operating budgets to the finance committee for the fiscal year commencing the following January 1. The operating budgets include proposed expenditures and resources to finance them.
- b. A Public Hearing is held to obtain taxpayers' comments.
- c. Prior to December 31, the budgets are legally enacted through passage of an annual budget resolution.
- d. The budgets are legally adopted at the activity level for the General fund and the fund level for the Special Revenue funds. Budgetary transfers between funds and amendments to total fund budgets are not permitted without Board approval. For control purposes, all funds' budgets are maintained at the activity and account level. The Administrator is authorized to transfer budget amounts between accounts.
- e. 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.
- f. 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.

22. Comparative Data

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

23. Federal Programs

Federal Programs are accounted for in the funds to which the programs pertain. The County has not integrated its Single Audit Reports and financial data as part of the financial statements. The Single Audit Reports and financial data will be issued under separate cover as supplementary information to the financial statements.

NOTE B: POOLING OF CASH AND CASH EQUIVALENTS

The County utilizes pooled cash accounts for approximately thirty-five (35) funds. The County's pooled cash accounts consist of a common checking and money market account. The County's balance sheet reflects cash and cash equivalents with a negative balance in certain funds. These amounts do not represent actual bank overdrafts; rather, they merely reflect that specific funds have disbursed amounts from the County's common cash accounts in excess of the amount recorded as an asset. In total, the bank accounts have positive balances.

Cash disbursed in excess of amounts recorded as assets as of December 31, 2013, are as follows:

<u>Fund</u>	<u>Negative Pooled Cash</u>	<u>Nonpooled Cash and Cash Equivalents</u>	<u>Financial Statements</u>
PRIMARY GOVERNMENT			
General Fund	\$ (146,494)	\$ 518,712	\$ 372,218
Friend of the Court	(102,500)	152,235	49,735
Delinquent Tax Revolving	<u>(1,034,473)</u>	<u>3,833,164</u>	<u>2,798,691</u>
	<u>\$ (1,136,973)</u>	<u>\$ 3,985,399</u>	<u>\$ 2,848,426</u>
COMPONENT UNITS			
Medical Care Facility	<u>\$ (1,852)</u>	<u>\$ 14,579,150</u>	<u>\$ 14,577,298</u>

NOTE C: CASH, CASH EQUIVALENTS, AND INVESTMENTS

The County utilizes various pooled cash accounts and investments for approximately thirty-five (35) funds. The County's pooled cash accounts consist of a common checking and money market accounts.

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

The other funds of the County utilize separate savings and interest bearing checking accounts. In addition, certificates of deposit, uncategorized pooled investments, and U.S. Government Securities are held separately 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 and other direct obligations of the United States or an agency or instrumentality of the United States.

Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

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

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

As of December 31, 2013, the carrying amounts and bank balance for each type of bank account are as follows:

<u>ACCOUNT TYPE</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
PRIMARY GOVERNMENT		
Checking	\$ 3,853,836	\$ 3,763,558
Savings accounts	1,974,049	1,986,593
Certificates of deposit	<u>2,916,802</u>	<u>2,916,801</u>
Total primary government	8,744,687	8,666,952
COMPONENT UNITS		
Checking	13,191,753	13,439,437
Savings accounts	<u>7,646,582</u>	<u>7,642,279</u>
Total component units	20,838,335	21,081,716
FIDUCIARY FUNDS		
Checking	2,152,165	2,161,843
Savings accounts	<u>136,287</u>	<u>136,287</u>
Total fiduciary funds	<u>2,288,452</u>	<u>2,298,130</u>
TOTAL REPORTING ENTITY	<u><u>\$ 31,871,474</u></u>	<u><u>\$ 32,046,798</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 December 31, 2013, the primary government and component unit accounts were insured by the Federal Deposit Insurance Corporation (FDIC) or Federal Savings and Loan Insurance Corporation (FSLIC) for \$3,472,615 and the amount of \$28,574,183 was uninsured and uncollateralized.

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

Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

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

As of December 31, 2013, the carrying amounts and market values for each investment are as follows:

<u>INVESTMENT TYPE</u>	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Moody's/ SAP Rating</u>	<u>Weighted Average Maturity</u>
PRIMARY GOVERNMENT				
Insured or registered for which the securities are held by the County's agent in the County's name -				
Public Funds Investment Trust	\$ 2,705	\$ 2,705	N/A	N/A
Governmental Cash Investment	3,264	3,264	N/A	N/A
TOTAL PRIMARY GOVERNMENT	5,969	5,969		
COMPONENT UNITS				
Insured or registered for which the securities are held by the County's agent in the County's name -				
Washington Mutual Mortgage - bonds	1,980	1,980	Baa1	19 years
Countrywide Home Loan Mortgage Association - bonds	11,656	11,656	AAA	22 years
Federal Home Loan Mortgage - bonds	35,764	35,764	Aaa	19-23 years
TOTAL COMPONENT UNITS	49,400	49,400		
TOTAL REPORTING ENTITY	\$ 55,369	\$ 55,369		

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of December 31, 2013, rating information on the County's investments is presented above.

Interest Rate Risk

The County will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by designing its portfolio with the objective of obtaining a rate of return through the budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio.

Concentration of Credit Risk

The County will minimize a 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.

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the combined balance sheet based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of December 31, 2013:

Shiawassee County, Michigan
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

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

	<u>Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Funds</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 5,859,159	\$ 20,838,700	\$ 2,290,931	\$ 28,988,790
Investments - noncurrent	<u>2,916,802</u>	<u>49,400</u>	<u>-</u>	<u>2,966,202</u>
	<u>\$ 8,775,961</u>	<u>\$ 20,888,100</u>	<u>\$ 2,290,931</u>	<u>\$ 31,954,992</u>

The primary government cash and cash equivalents caption on the combined balance sheet include \$25,305 in imprest cash. The component unit cash and cash equivalents caption include \$365 in imprest cash. The fiduciary funds cash and cash equivalents caption include \$2,479 in imprest cash.

NOTE D: INTERFUND RECEIVABLES AND PAYABLES

The following schedule details interfund receivables and payables related to the primary government at December 31, 2013:

Due to General Fund from:	
Delinquent Tax Revolving	\$ 878,238
Health Department Fund	13,261
Nonmajor governmental funds	18,229
Nonmajor enterprise fund	<u>33,797</u>
	<u>\$ 943,525</u>
Due to nonmajor governmental funds from:	
General Fund	\$ 2,122
Nonmajor governmental funds	<u>9,867</u>
	<u>\$ 11,989</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: ADVANCES RECEIVABLE AND PAYABLE

The following schedule details advances receivable and payable between the primary government and other governmental units (i.e. the Drainage District component unit) at December 31, 2013:

Advance from General Fund to:	
Component Unit - Drainage District	<u>\$ 170,000</u>

The advances from the General Fund to Drainage Districts were made for working capital and are reflected in the financial statements as Advances To/From Other Governmental Units in accordance with GASB 34.

Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE F: 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 and internal service funds, enterprise funds, and component units have been eliminated.

Transfers to General Fund from:	
Nonmajor governmental funds	\$ 140,936
Nonmajor enterprise fund	33,797
Delinquent Tax Revolving Fund	<u>700,000</u>
	<u>\$ 874,733</u>
Transfer to Health Department Fund from:	
General Fund	<u>\$ 246,965</u>
Transfers to nonmajor governmental funds from:	
General Fund	\$ 512,725
Central Dispatch Fund	35,000
Nonmajor governmental funds	<u>103,676</u>
	<u>\$ 651,401</u>

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

NOTE G: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2013 was as follows:

PRIMARY GOVERNMENT

	Restated Balance Jan. 1, 2013	Additions/ Reclassification	Deletions/ Reclassification	Balance Dec. 31, 2013
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 615,000	\$ -	\$ -	\$ 615,000
Capital assets being depreciated				
Land improvements	131,038	-	-	131,038
Building and improvements	6,778,605	35,000	-	6,813,605
Office and computer equipment	4,029,178	276,819	-	4,305,997
Vehicles	832,861	122,892	(39,417)	916,336
	<u>11,771,682</u>	<u>434,711</u>	<u>(39,417)</u>	<u>12,166,976</u>
Subtotal	11,771,682	434,711	(39,417)	12,166,976

Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE G: CAPITAL ASSETS - CONTINUED

PRIMARY GOVERNMENT - CONTINUED

	Restated Balance Jan. 1, 2013	Additions/ Reclassification	Deletions/ Reclassification	Balance Dec. 31, 2013
Governmental Activities - Continued				
Less accumulated depreciation				
Land improvements	\$ (87,587)	\$ (5,583)	\$ -	\$ (93,170)
Building and improvements	(2,707,551)	(198,425)	-	(2,905,976)
Office and computer equipment	(2,334,066)	(380,122)	-	(2,714,188)
Vehicles	(656,002)	(93,431)	35,474	(713,959)
Subtotal	<u>(5,785,206)</u>	<u>(677,561)</u>	<u>35,474</u>	<u>(6,427,293)</u>
Net capital assets being depreciated	<u>5,986,476</u>	<u>(242,850)</u>	<u>(3,943)</u>	<u>5,739,683</u>
Capital assets, net	<u>\$ 6,601,476</u>	<u>\$ (242,850)</u>	<u>\$ (3,943)</u>	<u>\$ 6,354,683</u>
Business-type Activities				
Capital assets being depreciated				
Office and computer equipment	\$ 26,538	\$ 8,012	\$ -	\$ 34,550
Less accumulated depreciation				
Office and computer equipment	<u>(6,201)</u>	<u>(3,860)</u>	<u>-</u>	<u>(10,061)</u>
Capital assets, net	<u>\$ 20,337</u>	<u>\$ 4,152</u>	<u>\$ -0-</u>	<u>\$ 24,489</u>

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

Governmental Activities	
General government	\$ 332,097
Public safety	345,316
Health and welfare	675
Recreation and culture	<u>3,416</u>
	681,504
Business-type Activities	
Jail Commissary	<u>3,860</u>
	<u>3,860</u>
	<u>\$ 685,364</u>

The current year depreciation expense in the Governmental Activities of \$677,561 has been adjusted by \$3,943 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.

Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE G: CAPITAL ASSETS - CONTINUED

COMPONENT UNITS

	Balance Jan. 1, 2013	Additions	Deletions	Balance Dec. 31, 2013
Component Unit - Road Commission				
Capital assets not being depreciated				
Land and land improvements	\$ 595,381	\$ -	\$ -	\$ 595,381
Infrastructure and improvements	4,702,237	139,998	(157,619)	4,684,616
Subtotal	5,297,618	139,998	(157,619)	5,279,997
Capital assets being depreciated/depleted				
Buildings and improvements	2,993,921	28,684	-	3,022,605
Machinery and equipment	6,618,330	635,274	(170,576)	7,083,028
Office and computer equipment	126,667	-	-	126,667
Infrastructure - roads	53,618,651	1,408,336	(2,297,073)	52,729,914
Infrastructure - bridges	20,575,014	486,219	-	21,061,233
Depletable assets	153,402	-	-	153,402
Subtotal	84,085,985	2,558,513	(2,467,649)	84,176,849
Less accumulated depreciation/depletion				
Buildings and improvements	(1,427,300)	(100,985)	-	(1,528,285)
Machinery and equipment	(6,021,780)	(265,398)	170,164	(6,117,014)
Office and computer equipment	(118,403)	(2,469)	-	(120,872)
Infrastructure - roads	(30,283,319)	(2,937,079)	2,297,073	(30,923,325)
Infrastructure - bridges	(6,304,213)	(431,223)	-	(6,735,436)
Depletable assets	(153,402)	-	-	(153,402)
Subtotal	(44,308,417)	(3,737,154)	2,467,237	(45,578,334)
Net capital assets being depreciated/depleted	39,777,568	(1,178,641)	(412)	38,598,515
Capital assets, net	<u>\$ 45,075,186</u>	<u>\$ (1,038,643)</u>	<u>\$ (158,031)</u>	<u>\$ 43,878,512</u>
Component Unit - Medical Care Facility				
Capital assets being depreciated				
Land Improvements	\$ 124,701	\$ -	\$ -	\$ 124,701
Building Improvements	5,218,813	233,674	-	5,452,487
Office and computer equipment	2,025,400	141,802	(243,587)	1,923,615
Subtotal	7,368,914	375,476	(243,587)	7,500,803
Less accumulated depreciation for:				
Land Improvements	(56,592)	(9,216)	-	(65,808)
Building Improvements	(3,310,687)	(226,512)	-	(3,537,199)
Office and computer equipment	(1,391,339)	(136,333)	241,684	(1,285,988)
Subtotal	(4,758,618)	(372,061)	241,684	(4,888,995)
Net capital assets being depreciated	2,610,296	3,415	(1,903)	2,611,808
Capital assets, net	<u>\$ 2,610,296</u>	<u>\$ 3,415</u>	<u>\$ (1,903)</u>	<u>\$ 2,611,808</u>

Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE G: CAPITAL ASSETS - CONTINUED

COMPONENT UNITS - CONTINUED

	Restated Balance Jan. 1, 2013	Additions	Deletions	Balance Dec. 31, 2013
Component Unit - Drainage Districts				
Capital assets being depreciated				
Infrastructure - drains	\$ 10,879,677	\$ -	\$ -	\$ 10,879,677
Less accumulated depreciation				
Infrastructure - drains	(3,951,437)	(220,272)	-	(4,171,709)
Capital assets, net	<u>\$ 6,928,240</u>	<u>\$ (220,272)</u>	<u>\$ -0-</u>	<u>\$ 6,707,968</u>
Component Unit - County Airport				
Capital assets not being depreciated				
Construction in progress	\$ 207,245	\$ 219,474	\$ -	\$ 426,719
Capital assets being depreciated				
Land improvements	1,906,179	-	-	1,906,179
Building and improvements	102,619	-	-	102,619
Office and computer equipment	31,058	65,109	-	96,167
Vehicles	63,764	-	-	63,764
Subtotal	2,103,620	65,109	-0-	2,168,729
Less accumulated depreciation				
Land improvements	(370,510)	(55,498)	-	(426,008)
Building and improvements	(50,725)	(1,546)	-	(52,271)
Office and computer equipment	(18,553)	(4,706)	-	(23,259)
Vehicles	(25,505)	(6,375)	-	(31,880)
Subtotal	(465,293)	(68,125)	-0-	(533,418)
Net capital assets being depreciated	1,638,327	(3,016)	-0-	1,635,311
Capital assets, net	<u>\$ 1,845,572</u>	<u>\$ 216,458</u>	<u>\$ -0-</u>	<u>\$ 2,062,030</u>
Component Unit - Council on Aging				
Capital assets being depreciated				
Buildings	\$ 106,687	\$ 40,647	\$ -	\$ 147,334
Equipment	42,578	7,388	-	49,966
Subtotal	149,265	48,035	-0-	197,300
Less accumulated depreciation				
Buildings	(66,316)	(5,677)	-	(71,993)
Equipment	(21,863)	(7,357)	-	(29,220)
Subtotal	(88,179)	(13,034)	-0-	(101,213)
Capital assets, net	<u>\$ 61,086</u>	<u>\$ 35,001</u>	<u>\$ -0-</u>	<u>\$ 96,087</u>

Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE H: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portions) of the County for the year ended December 31, 2013:

	Balance Jan. 1, 2013	Additions	Deletions	Balance Dec. 31, 2013	Amount Due Within One Year
PRIMARY GOVERNMENT					
Governmental Activities					
Installment Purchase Agreements	\$ 112,943	\$ 138,570	\$ 90,518	\$ 160,995	\$ 91,710
Capital Leases	412,639	-	112,265	300,374	82,958
Capital Improvement Bonds	850,000	-	35,000	815,000	40,000
General Obligation Bonds	3,740,000	-	125,000	3,615,000	130,000
Compensated Absences	<u>332,742</u>	<u>504,422</u>	<u>517,700</u>	<u>319,464</u>	<u>31,946</u>
TOTAL PRIMARY GOVERNMENT	5,448,324	642,992	880,483	5,210,833	376,614
COMPONENT UNITS					
Road Commission					
Compensated Absences	227,301	273,436	276,686	224,051	224,051
Drainage Districts					
Drain bonds and notes	<u>2,999,470</u>	<u>-</u>	<u>285,000</u>	<u>2,714,470</u>	<u>310,000</u>
TOTAL COMPONENT UNITS	<u>3,226,771</u>	<u>273,436</u>	<u>561,686</u>	<u>2,938,521</u>	<u>534,051</u>
TOTAL REPORTING ENTITY	<u>\$ 8,675,095</u>	<u>\$ 916,428</u>	<u>\$ 1,442,169</u>	<u>\$ 8,149,354</u>	<u>\$ 910,665</u>

Significant details regarding outstanding long-term debt (including current portion) are presented below:

PRIMARY GOVERNMENT

Installment Purchase Agreements

\$420,000 Installment Purchase Agreement to refund the Griffin Land Contract, dated April 27, 2004, due in an annual installment of 45,685 through May 1, 2014, with an interest rate of 3.84 percent, payable semi-annually. \$ 45,684

\$100,000 Installment Purchase Agreement, dated April 27, 2004, due in an annual installment of \$11,382 through May 1, 2014, with interest of 6.01 percent, payable semi-annually. 11,384

\$138,570 Installment Purchase Agreement, dated October 4, 2012, due in annual installments of \$34,643 through May 1, 2016. 103,927

\$ 160,995

Capital Leases

\$867,080 City of Corunna lease for the James P. Capitan Center - Hoschner Building, dated March 1, 2007, due in annual installments ranging from \$50,000 to \$83,958 through March 1, 2017. \$ 300,374

Shiawassee County, Michigan
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE H: LONG-TERM DEBT - CONTINUED

PRIMARY GOVERNMENT - CONTINUED

Capital Improvement Bonds

\$880,000 Capital Improvement Bonds dated September 23, 2010, due in annual installments ranging from \$40,000 to \$75,000 through November 1, 2027 with interest ranging from 3.70 percent to 7.25 percent payable semi-annually. \$ 815,000

General Obligation Bonds

\$1,210,000 General Obligation Limited Tax Capital Improvement Bonds dated July 8, 2010, due in annual installments from \$35,000 to \$100,000 through April 28, 2032 with interest of 6.0% payable semi-annually. \$ 1,115,000

\$2,790,000 General Obligation Limited Tax Capital Improvement Bonds dated July 8, 2010 due in annual installments from \$95,000 to \$185,000 through April 28, 2032 with interest of 4.0% payable annually. 2,500,000

\$ 3,615,000

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 \$181,934 and \$137,530 for vacation and sick, respectively, at December 31, 2013 for a total of \$319,464. Of this amount, \$31,946 has been recorded as a current liability, and \$287,518 has been reported as a noncurrent liability.

COMPONENT UNIT - ROAD COMMISSION

Compensated Absences

In accordance with Road Commission personnel policies and/or contracts negotiated with various employee groups of the Road Commission, 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.

Accumulated vacation and sick leave and related payroll taxes represents a liability to the Road Commission, which is presented as current liability in the current year because management estimates that usage in any given year will be the same percentage as the usage of the outstanding balance from the previous year.

COMPONENT UNIT - DRAINAGE DISTRICTS

Drain Bonds and Notes

\$1,375,000 Spaulding Drain Bonds, Series 1996, dated March 1, 1996, due in annual installments ranging from \$75,000 to \$100,000 through June 1, 2016, with interest ranging from 5.0 to 5.5 percent, payable semi-annually. \$ 300,000

Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE H: LONG-TERM DEBT - CONTINUED

COMPONENT UNIT - DRAINAGE DISTRICTS - CONTINUED

\$2,265,000 Owosso Drain Bonds, Series 2004, dated December 1, 2004, due in annual installments ranging from \$100,000 to \$125,000 through June 1, 2025, with interest ranging from 3.60 percent to 4.35 percent, payable semi-annually.	\$ 1,475,000
\$850,000 Byron Water Project Bonds, dated January 6, 2006, due in annual installments ranging from \$40,000 to \$50,000 through October 1, 2026, with interest of 2.125 percent, payable semi-annually.	579,470
\$270,000 Henderson Drain Bonds, Series 1996, dated April 1, 1996, due in annual installments ranging from \$15,000 to \$20,000 through June 1, 2021, with interest of 6.50 percent, payable semi-annually.	140,000
\$385,000 McCrea Drain Bonds, Series 2010, dated June 30, 2010, due in annual installments of \$55,000 through June 30, 2017, with interest of 2.83 percent.	<u>220,000</u>
	<u>\$ 2,714,470</u>

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

PRIMARY GOVERNMENT

Year Ending December 31,	Installment Purchase Agreements		Capital Leases	
	Principal	Interest	Principal	Interest
2014	\$ 91,710	\$ 1,219	\$ 82,958	\$ -
2015	34,643	-	83,458	-
2016	34,642	-	83,958	-
2017	-	-	50,000	-
	<u>\$ 160,995</u>	<u>\$ 1,219</u>	<u>\$ 300,374</u>	<u>\$ -0-</u>

Year Ending December 31,	Capital Improvement Bonds		General Obligation Bonds	
	Principal	Interest	Principal	Interest
2014	\$ 40,000	\$ 48,965	\$ 130,000	\$ 178,540
2015	45,000	47,485	130,000	173,005
2016	50,000	45,640	140,000	167,470
2017	55,000	43,365	145,000	161,470
2018	55,000	40,670	150,000	155,280
2019-2023	295,000	153,910	845,000	672,083
2024-2028	275,000	50,319	1,105,000	440,569
2029-2032	-	-	970,000	124,630
	<u>\$ 815,000</u>	<u>\$ 430,354</u>	<u>\$ 3,615,000</u>	<u>\$ 2,073,047</u>

Shiawassee County, Michigan
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE H: LONG-TERM DEBT - CONTINUED

COMPONENT UNITS

<u>Year Ending December 31,</u>	Drainage District Bonds and Notes	
	Principal	Interest
2014	\$ 310,000	\$ 100,077
2015	335,000	87,083
2016	335,000	72,773
2017	240,000	61,070
2018	190,000	52,482
2019-2023	915,000	154,950
2024-2026	389,470	16,547
	\$ 2,714,470	\$ 544,982

NOTE I: EMPLOYEE RETIREMENT SYSTEM

PRIMARY GOVERNMENT AND COMPONENT UNITS (EXCEPT ROAD COMMISSION AND COUNCIL ON AGING)

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

Normal Retirement:

Union:

- Age 50 with 25 or more years of credited service
- Age 55 with 15 or more years of credited service
- Age 60 with 10 or more years of credited service
- Mandatory Retirement: None

Deferred Retirement:

The termination of membership before age 60, other than by retirement or death, after 10 years of credited service is considered a deferred retirement. Retirement allowance begins upon application and satisfaction of normal retirement requirements. The retirement allowance is computed in the same manner as a service retirement with the applicable benefit program being determined as of the date of termination of membership.

Rights to an allowance are forfeited if the member's accumulated contributions are withdrawn.

Benefit allowances are computed based on the applicable criteria as detailed within the plan. Death and disability benefits are also provided.

Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE I: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

PRIMARY GOVERNMENT AND COMPONENT UNITS (EXCEPT ROAD COMMISSION AND COUNCIL ON AGING) - CONTINUED

Funding Policy

The County is required to contribute to the Retirement Plan at an actuarially determined rate. The current rate ranges from 0% to 52.33% as a percentage of annual covered payrolls and varies by the participating employee groups. These contributions are funded by the County on behalf of plan members. In addition, certain employee bargaining groups have negotiated benefits whereby the participating members are required to contribute to the Plan. These participation levels range from 0% to 10% of their annual covered payroll. The contribution requirements of the County are established and may be amended by the MERS Retirement Board. The contribution requirements of plan members are established and may be amended by the County, depending on the MERS contribution program adopted and/or negotiated by the County.

Annual Pension Cost

For the year ended December 31, 2013 the County's annual pension cost of \$3,123,618 for the plan was equal to the County's required contribution. Of this amount, \$2,028,632 was County general employees and \$1,094,986 was medical care facility employees. In addition to the annual required contributions, the Medical Care Facility contributed \$9,800,000 to the plan during the year. The annual required contribution was determined as part of an actuarial valuation of the plan as of December 31, 2011, using the entry actual age cost method. Significant actuarial assumptions used in determining the pension benefit obligation include (1) a rate of return on the investment of present and future assets of 8.0%, (2) projected salary increases of 4.5% per year compounded annually, attributable to inflation, (3) additional projected salary increases ranging from 0.0% to 13.0% per year, depending on age, attributable to seniority/merit. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 26 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his or her projected benefit.

	<u>Year Ended Dec. 31, 2012</u>
Actuarial value of assets	\$ 61,322,959
Actuarial accrued liability (AAL) (entry age)	98,142,321
Unfunded AAL	36,819,362
Funded Ratio	63%
Covered Payroll	15,114,801
UAAL as a percentage of covered payroll	244%

Schedule of Employer Contributions

	Year ended December 31,		
	<u>2011</u>	<u>2012</u>	<u>2013</u>
Annual pension cost	\$ 2,952,461	\$ 3,052,342	\$ 3,123,618
Percentage of APC contributed	100%	100%	414%
Net pension asset	-	-	9,800,000

The information presented above was determined as part of the most recent actuarial valuation. The schedule of funding progress, presented as RSI, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE I: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

COMPONENT UNIT - ROAD COMMISSION

Description of Plan and Plan Assets

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

The benefits and conditions outlined below are for general information only. Public Act 427 of 1984, as amended, covers the benefits and conditions of the Municipal Retirement systems.

Normal Retirement:

- Age 55 with 25 or more years of credited service
- Age 60 with 10 or more years of credited service (reduced to 8 or 6 years depending on benefits)
- Mandatory Retirement: None

Deferred Retirement:

The termination of membership before age 60, other than by retirement or death, after 10 years of credited service is considered a deferred retirement. Retirement allowance begins upon application and satisfaction of normal retirement requirements. The retirement allowance is computed in the same manner as a service retirement with the applicable benefit program being determined as of the date of termination of membership.

Rights to an allowance are forfeited if the member's accumulated contributions are withdrawn.

Benefit allowances are computed based on the applicable criteria as detailed within the plan. Death and disability benefits are also provided.

Funding Policy

Covered employees can contribute between 0% and 10% of their annual salary to the retirement system. Employees must contribute 5% of annual compensation. The Commission is required to contribute the remaining amounts necessary to fund the system.

Annual Pension Cost

For the year ended December 31, 2013 the Commission's annual pension cost of \$477,643 for the plan was equal to the Commission's required contribution; in addition to the annual pension cost, the Commission contributed \$233,353 to the plan during the current year. The annual required contribution was determined as part of an actuarial valuation of the plan as of December 31, 2011, using the entry actual age cost method. Significant actuarial assumptions used in determining the pension benefit obligation include (1) a rate of return on the investment of present and future assets of 8.0%, (2) projected salary increases of 4.5% per year compounded annually, attributable to inflation, (3) additional projected salary increases depending on age, merit, longevity, and promotional salary increases. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his or her projected benefit.

Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE I: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

COMPONENT UNIT - ROAD COMMISSION - CONTINUED

	<u>Year Ended Dec. 31, 2012</u>
Actuarial value of assets	\$ 11,687,939
Actuarial accrued liability (AAL) (entry age)	18,114,973
Unfunded AAL	6,427,034
Funded Ratio	65%
Covered Payroll	1,861,780
UAAL as a percentage of covered payroll	345%

Schedule of Employer Contributions

	<u>Year ended December 31,</u>		
	<u>2011</u>	<u>2012</u>	<u>2013</u>
Annual pension cost	\$ 427,438	\$ 433,348	\$ 477,643
Percentage of APC contributed	100%	216%	149%
Net pension asset	-	503,900	737,253

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

COMPONENT UNIT - COUNCIL ON AGING

Description of Plan and Plan Assets

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

The benefits and conditions outlined below are for general information only. Public Act 427 of 1984, as amended, covers the benefits and conditions of the Municipal Retirement systems.

Normal Retirement:

- Age 50 with 25 or more years of credited service
- Age 55 with 15 or more years of credited service
- Age 60 with 10 or more years of credited service
- Mandatory Retirement: None

Deferred Retirement:

The termination of membership before age 60, other than by retirement or death, after 10 years of credited service is considered a deferred retirement. Retirement allowance begins upon application and satisfaction of normal retirement requirements. The retirement allowance is computed in the same manner as a service retirement with the applicable benefit program being determined as of the date of termination of membership.

Rights to an allowance are forfeited if the member's accumulated contributions are withdrawn.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE I: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

COMPONENT UNIT - COUNCIL ON AGING - CONTINUED

Description of Plan and Plan Assets - continued

Benefit allowances are computed based on the applicable criteria as detailed within the plan. Death and disability benefits are also provided.

Funding Policy

Covered employees can contribute between 0% and 10% of their annual salary to the retirement system. Employees must contribute 5% of annual compensation. The Council is required to contribute the remaining amounts necessary to fund the system.

Annual Pension Cost

For the year ended December 31, 2013 the Council's annual pension cost of \$19,179 for the plan was equal to the Council's required contribution. The annual required contribution was determined as part of an actuarial valuation of the plan as of December 31, 2011, using the entry actual age cost method. Significant actuarial assumptions used in determining the pension benefit obligation include (1) a rate of return on the investment of present and future assets of 8.0%, (2) projected salary increases of 4.5% per year compounded annually, attributable to inflation, (3) additional projected salary increases of 0.0% to 13.0% depending on age, merit, longevity, and promotional salary increases. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 26 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his or her projected benefit.

	<u>Year Ended</u> <u>Dec. 31, 2012</u>
Actuarial value of assets	\$ 603,667
Actuarial accrued liability (AAL) (entry age)	705,332
Unfunded AAL	101,665
Funded Ratio	86%
Covered Payroll	180,588
UAAL as a percentage of covered payroll	56%

Schedule of Employer Contributions

	<u>Year ended December 31,</u>		
	<u>2011</u>	<u>2012</u>	<u>2013</u>
Annual pension cost	\$ 8,074	\$ 10,709	\$ 19,179
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-	-	-

The information presented above was determined as part of the most recent actuarial valuation. The schedule of funding progress, presented as RSI, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits.

Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE J: RISK MANAGEMENT

PRIMARY GOVERNMENT AND COMPONENT UNITS (EXCEPT ROAD COMMISSION)

The County is a voluntary member of the Michigan Municipal Risk Management Authority which is organized under Public Act 138 of 1982, as amended as a governmental group self-insurance pool. Public Act 138 authorizes local units of government to exercise jointly any power, privilege, or authority which each might exercise separately.

The administration of the Authority is directed by a nine (9) member Board of Directors composed of municipal representatives from the membership elected by the membership. The Board establishes the general policy of the Authority, creates and publishes rules to be followed by the Manager and Board, and is empowered with the authority to impose sanctions or terminate membership. The County, by resolution of the County Board of Commissioners, has designated a representative to the Authority to be responsible for the execution of all loss control measures, to ensure the payment of all annual and supplementary or other payment requirements, to ensure the filing of all required reports, and to act as a liaison between the County and the Authority.

The Authority provides risk management, underwriting, reinsurance, and claim services with member contributions allocated to meet these obligations. The Authority administers a risk management fund providing Shiawassee County with loss protection for general and auto liability, motor vehicle physical damage, property and crime damage. Under most circumstances, the County's maximum loss per occurrence is limited as follows:

<u>Type of Risk</u>	<u>Maximum Retention Per Occurrence</u>
General and auto liability	\$ 100,000
Motor vehicle physical damage	15,000
Property coverage	\$1,000 deductible

The Authority has established a Retained Risk Program to pay losses incurred by members that exceed individual retention levels and are not covered under existing reinsurance agreements. Losses incurred within the established limits are general obligations of the Authority. In the event that losses are incurred in excess of the resources available, the Authority as a whole (i.e., all constituent municipalities) is liable for the excess. The Authority may authorize dividends to individual members in the event that the members and individual fund balance is determined to be sufficient to do so.

Liability insurance claims are expensed as incurred. The liability is determined by the Michigan Municipal Risk Management Authority management based on an actuarial study performed using historical data and available insurance industry statistics. The liability includes a reserve for reported claims, and reported legal expenses as well as incurred but not reported claims.

The Authority has reserved fund balance to pay losses incurred by members that exceed individual retention levels and are not covered under existing reinsurance agreements. Losses incurred within the established limits are general obligations of the Authority. In the event that Shiawassee County incurs a loss in excess of the resources available, the Authority as a whole (i.e., all constituent municipalities) is liable for the excess. 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 County has not been informed of any special assessments being required.

In addition, the Authority has accumulated resources to create and fund an internal Stop Loss Program. The Stop Loss Program was initiated to eliminate the need to purchase aggregate reinsurance for aggregate losses paid in excess of \$210,000, net of reinsurance recoveries for any one member in any one year. Aggregate paid losses in excess of \$210,000 net of reinsurance recoveries are paid entirely from the Internal Stop Loss Program. If at any time the Stop Loss Program is insufficient to fund Shiawassee County's losses, the remaining liability shall become the responsibility of the Authority as a whole.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE J: RISK MANAGEMENT - CONTINUED

PRIMARY GOVERNMENT AND COMPONENT UNITS (EXCEPT ROAD COMMISSION) - CONTINUED

At December 31, 2013, the County had funds on deposit of \$341,115 with the Authority and an estimated liability for reported claims and legal fees of \$20,000.

The County is self-insured for workers' compensation up to \$400,000 for each loss up to an aggregate amount of \$1,000,000. The County is insured for the amount of claims in excess of such limitation to an aggregate maximum of \$5,000,000 for each occurrence. The County is insured for these aggregate claims in excess of the self-insurance amounts by commercial insurance that provides the excess workers' compensation coverage.

COMPONENT UNIT - ROAD COMMISSION

The Road Commission participates in a pool, the Michigan County Road Commission Self-Insurance Pool, with other municipalities, for claims relating to general liability, trunkline, excess liability, auto liability, directors' and officers' liability, errors and omissions and physical damage. 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 a special assessment to make up the deficiency. The Road Commission has not been informed of any special assessments being required.

The Road Commission participates in the County Road Association Self-Insurance Fund for workers' compensation insurance and has full statutory coverage for workers' disability compensation and employers' liability as granted by the State of Michigan under Chapter 6, Section 418.611 of the Workers' Disability Compensation Act. The Commission has no liability for additional assessments based on the claims filed against the fund nor do they have rights to dividends.

NOTE K: CONTINGENT LIABILITIES

PRIMARY GOVERNMENT AND COMPONENT UNITS (EXCEPT ROAD COMMISSION)

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

There are various legal actions pending against the County. Due to the inconclusive nature of many of the actions, it is not possible for legal counsel to determine the probable outcome or a reasonable estimate of the County's potential liability, if any. Those actions for which a reasonable estimate can be determined of the County's potential liability and that would not be covered by insurance and reserves, if any, could be material to the County.

COMPONENT UNIT - ROAD COMMISSION

The Commission participates in a number of Federal and State assisted grant programs which are subject to compliance audits. The programs and the periodic program compliance audits of many of the programs have not yet been conducted, completed, or resolved. Accordingly, the Commission's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the Commission expects such amounts, if any, to be immaterial.

Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE L: PROPERTY TAXES AND TAXES RECEIVABLE

Certain County property taxes are levied either on December 1 or July 1 on the taxable valuation of property located in the County as of the preceding December 31.

The County's Summer 2013 ad valorem taxes were levied and collectible on July 1, 2013. 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. As a result, the County's Summer 2013 tax levy has been recognized as revenue in the current fiscal year. The 2013 adjusted taxable value of Shiawassee County amounted to approximately \$1,638,372,422 on which ad valorem taxes levied for County general operating purposes consisted of 5.1146 mills and Medical Care Facility mills of 2.0000. The 2012 adjusted taxable value of Shiawassee County amounted to approximately \$1,666,680,197 on which the Council on Aging levied 0.2500 mills, the Veterans Relief Fund levied 0.0500 mills, and the MSU Extension Fund levied 0.0500 mills.

By resolution of the Board of Commissioners and agreement with various taxing authorities, the County purchased at face value the real property taxes receivable returned delinquent on March 1, 2013. Subsequent collections of delinquent taxes receivable, plus interest thereon and investment earnings, are used to repay the funds distributed by the Delinquent Tax Revolving Fund. This activity is accounted for in the Delinquent Tax Revolving (Enterprise) Fund.

NOTE M: RESTRICTED NET POSITION

Restrictions of net position shown in the Government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the various restrictions of net position as of December 31, 2013:

PRIMARY GOVERNMENT	
Governmental Activities	
Public safety	
Central dispatch	\$ 1,100,831
Local correction training	21,854
Drug forfeiture	28,215
Drunk driving	131,594
Sheriff collection	91,191
Local law enforcement	1,588
MAGNET	<u>314,766</u>
	<u>\$ 1,690,039</u>
Capital improvement	<u>\$ 68,202</u>
Other purposes	
Rails to trails	\$ 6,062
Family counseling	72,292
Friend of the Court	50,794
Animal control donations	21,230
Housing rehabilitation	10,562
Law library	37
Childcare	179,901
Veterans trust	2,078
Veterans relief	65,073
MSU Extension	4,419

Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE M: RESTRICTED NET POSITION - CONTINUED

PRIMARY GOVERNMENT - CONTINUED

Governmental Activities - continued

Other purposes - continued

Health department	\$ 984,834
Register of Deeds automation	92,590

\$ 1,489,872

COMPONENT UNITS

Road Commission

County roads	\$ 3,551,980
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\$ 3,551,980

Medical Care Facility

Medical care activities	\$ 23,733,284
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\$ 23,733,284

Drainage Districts

Debt service	\$ 761,801
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\$ 761,801

Capital improvements	\$ 2,976,422
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\$ 2,976,422

County Airport

Airport operations	\$ 82,573
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\$ 82,573

Council on Aging

Aging programs	\$ 289,292
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\$ 289,292

NOTE N: FLEXIBLE BENEFITS PLAN

PRIMARY GOVERNMENT AND COMPONENT UNITS (EXCEPT ROAD COMMISSION)

In May 2002, the County implemented a flexible benefits cafeteria plan established under Section 125 of the Internal Revenue Code. The plan is available to all employees who have completed 30 days of full-time employment with the County and normally work not less than 20 hours per week for the County and normally are scheduled to work at least five months during the plan year. The plan permits them to reduce their salary and put these amounts into a flexible benefits account up to certain limits. The plan allows the employee to reduce their salary and apply it to dependent care benefits, medical expense reimbursement benefits or medical benefits. A participating employee may elect instead a cash alternative to supplement salary compensation in lieu of a nontaxable health benefit. An employee's elected cash alternative will be considered a taxable benefit under the Flexible Benefit Plan.

The plan is administered by the County.

COMPONENT UNIT - ROAD COMMISSION

In November 1993, the Commission implemented a flexible benefits cafeteria plan established under Section 125 of the Internal Revenue Service Code. The plan is available to all employees following 30 days of employment. The plan permits them to reduce their salary and put these amounts into a flexible benefits account up to certain limits. The plan allows the employee to reduce their salary and apply it to required premium payments. A participating employee may elect instead a cash alternative to supplement salary compensation in lieu of a nontaxable health benefit. An employee's elected cash alternative will be considered a taxable benefit under the Flexible Benefit Plan.

The plan is administered by Shiawassee County Road Commission.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE O: OTHER POST-EMPLOYMENT BENEFITS

PRIMARY GOVERNMENT AND COMPONENT UNITS (EXCEPT ROAD COMMISSION AND MEDICAL CARE FACILITY)

In addition to providing pension benefits, the County provides certain health care benefits in accordance with union agreements and/or personnel policies to employees who have retired. The County has a self-insured health program which pays for claims (less deductible and co-pay) in accordance with the group that the employee retired from. For most retirees this is for the ages 60 to 65. Full cost retiree contribution is required. For some Sheriff Department retirees, the age is 55, and single subscriber health insurance is provided at full cost to the County with some stipulations. At age 65, all retirees must contribute to the program in order to continue coverage. The pay as you go system of funding is used for the county portion of expense paid through the general fund and the central dispatch fund. Currently, fifteen (15) retirees meet the full cost eligibility requirements. Thirty-seven (37) retirees have continued on the county health plan at their own cost. Expenditures for post-employment health care benefits are recognized when claims are paid. During the year, expenditures of \$124,360 were recognized for post-employment health care for those eligible retirees for health insurance paid at the full cost by the County. The following are the Governmental Accounting Standards Board Statement No. 45 required disclosures and these disclosures have been implemented prospectively by the County.

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

Funding Policy

The County has no obligation to make contributions in advance of when the insurance premiums are due for payment (i.e., may be financed on a “pay-as-you-go” basis). The only current contributions being made are to pay the actual current premiums of the retirees. That amount was less than the annual required contribution and is reflected in the schedule that follows. Administrative costs of the plan are paid for by the County.

Funding Progress

For the year ended December 31, 2013, the County has determined an estimated cost of providing retiree post-employment benefits through an actuarial valuation as of December 31, 2011. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to cover the amortization of any unfunded actuarial liabilities from the past, over a period not to exceed 30 years.

The County’s computed contribution and actual funding is summarized as follows:

Annual required contribution (ARC)	\$ 431,535
Interest on net OPEB obligation	25,868
Adjustment to annual required contribution	<u>(19,838)</u>
Annual OPEB cost (expense)	437,565
Amounts contributed:	
Payments of current premiums (Gross of employee reimbursement)	<u>288,998</u>
Increase in net OPEB obligation	148,567
OPEB obligation - Beginning of year	<u>574,843</u>
OPEB obligation - End of year	<u><u>\$ 723,410</u></u>

Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE O: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

PRIMARY GOVERNMENT AND COMPONENT UNITS (EXCEPT ROAD COMMISSION AND MEDICAL CARE FACILITY) - CONTINUED

Funding Progress - continued

The annual OPEB cost, the percentage contributed to the plan, and the net OPEB obligation for the fiscal years ended December 31, were as follows:

	<u>2011</u>	<u>2012</u>	<u>2013</u>
Annual OPEB cost	\$ 419,990	\$ 441,821	\$ 437,565
Percentage contributed	69.30%	69.91%	66.05%
Net OPEB obligation	441,917	574,483	723,410

The current funding progress of the plan as of the applicable December 31 year end is as follows:

	<u>2007</u>	<u>2009</u>	<u>2011</u>
Actuarial value of assets	\$ -	\$ -	\$ -
Actuarial accrued liability (AAL)	4,656,103	3,848,046	4,196,432
Unfunded AAL (UAAL)	4,656,103	3,848,046	4,196,432
Funded ratio	0%	0%	0%

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

Information related to funding progress with multiyear trend information indicating whether the actuarial value of plan assets is increasing or decreasing over time relative to the AAL for benefits is not presented since there currently are no plan assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of potential occurrences of certain events in the future. Examples include assumption about future employment, mortality, healthcare costs trends, inflation, etc. Amounts determined regarding the funded status of the plan and the annual required contributions of the County are subject to constant changes and modifications as actual results are compared with past expectations and new estimates and assumptions are made about the future.

Projections of retiree benefits for financial reporting purposes are based on current plan activities as it is handled by the County and the benefits are received by the eligible 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 County and plan members. 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.

In the December 31, 2011, actuarial valuation, the individual entry age normal actuarial cost method was used. The actuarial assumptions include a 4.5 percent a year rate of investment return, compounded annually net after investment expense, which is the expected long-term investment returns on plan assets, and a base payroll growth rate of 4.5 percent. There were also merit and seniority salary rate increase assumptions taken into consideration and those are detailed in the actuarial study and are based on age. There was also an inflationary rate assumption factored into the calculation. Per the actuarial study the assumed rate ranges from 10 percent in the short-term to 4.5 percent in the long-term for health care related costs. The UAAL is being amortized as a level percentage of active member payroll over a period of 30 years. A 30-year amortization period for unfunded actuarial accrued liabilities is the maximum period that complies with GASB requirements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE O: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

COMPONENT UNIT - ROAD COMMISSION

Plan Description

Shiawassee County Road Commission provides hospitalization and medical coverage on a complimentary basis for employees who retire after January 1, 1975 as other post-employment benefits (OPEB) to all applicable employees, in accordance with the union agreements and/or personnel policies. The following are the Governmental Accounting Standards Board Statement No. 45 required disclosures and these disclosures have been implemented prospectively by the Commission.

- Employees retiring between January 1, 1975 and December 31, 1991 will receive employer paid coverage for the retiree only. Coverage will be the same as the coverage for active employees.
- Employees retiring between January 1, 1992 and December 31, 1998 will receive employer paid coverage for the retiree and his or her spouse. Spouse shall be the person the employee was married to at the time of retirement. Coverage will be the same as the coverage for active employees.
- Employees retiring on or after January 1, 1999 and who have a seniority date prior to December 31, 1998 will receive employer paid coverage for the retiree only, unless they have a minimum of 25 years of seniority and are at least 55 years of age, then the employer will also pay for spouse coverage. Spouse shall be the person the employee was married to at the time of retirement. Coverage will be the same as the coverage for active employees.
- Employees hired after December 31, 1998 will not receive employer paid health care coverage upon retirement. They may continue their coverage by paying the monthly premium.

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

Funding Policy

The Road Commission's annual other post-employment benefit (OPEB) cost is calculated based on the *annual required contribution of the employer* (ARC). The Road Commission has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The Road Commission has no obligation to make contributions in advance of when the premiums are due for payment (i.e., may be financed on a "pay-as-you-go" basis). The only current contributions being made are to pay the actual current premiums of the retirees. That amount was less than the annual required contribution and is reflected in the schedule that follows. Administrative costs of the plan are paid for by the Road Commission.

Funding Progress

For the year ended December 31, 2013, the Road Commission has determined an estimated cost of providing post-employment benefits through the alternative measurement method of calculation as of December 31, 2011. The calculation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to cover the amortization of any unfunded actuarial liabilities from the past, over a period not to exceed 30 years.

Shiawassee County, Michigan
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE O: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

COMPONENT UNIT - ROAD COMMISSION - CONTINUED

Funding Progress - continued

The Road Commission's computed contribution and actual funding is summarized as follows:

Annual required contribution	\$	810,620
Interest on net OPEB obligation		106,529
Adjustment to annual required contribution		<u>(81,585)</u>
Annual OPEB cost (expense)		835,564
Contributions made		<u>(380,712)</u>
Increase in net OPEB obligation		454,852
Net OPEB obligation - Beginning of year		<u>1,521,837</u>
Net OPEB obligation - End of year		<u><u>\$ 1,976,689</u></u>

The annual OPEB cost, the percentage contributed to the plan, and the net OPEB obligation for the fiscal years ended December 31, were as follows:

	<u>2011</u>	<u>2012</u>	<u>2013</u>
Annual OPEB costs	\$ 827,314	\$ 830,707	\$ 835,564
Percentage contributed	68.94%	51.88%	45.56%
Net OPEB obligation	\$ 1,122,137	\$ 1,521,837	\$ 1,976,689

The current funding progress of the plan as of December 31, the most recent valuation date, is as follows:

	<u>2008</u>	<u>2011</u>
Actuarial value of assets	\$ -	\$ 229,878
Actuarial accrued liability (AAL)	14,736,962	12,191,914
Unfunded AAL (UAAL)	(14,736,962)	(11,962,036)
Funded ratio	0%	2%
Annual covered payroll	\$ 1,200,784	\$ 1,092,679
Ratio of UAAL to covered payroll	1227%	1095%

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE O: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

COMPONENT UNIT - ROAD COMMISSION - CONTINUED

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of potential occurrences of certain events in the future. Examples include assumption about future employment, mortality, healthcare costs trends, inflation, etc. Amounts determined regarding the funded status of the plan and the annual required contributions of the Commission are subject to constant changes and modifications as actual results are compared with past expectations and new estimates and assumptions are made about the future.

Projections of retiree benefits for financial reporting purposes are based on current plan activities as it is handled by the Commission and the benefits are received by the eligible 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 Commission and plan members. 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.

In the December 31, 2011, actuarial valuation, the individual entry age normal actuarial cost method was used. The actuarial assumptions include a 7.0 percent a year rate of investment return, compounded annually net after investment expense, which is the expected long-term investment returns on plan assets, and a base payroll growth rate of 3.0 percent. There were also merit and seniority salary rate increase assumptions taken into consideration and those are detailed in the actuarial study and are based on age. The UAAL is being amortized as a level percentage of active member payroll over a period of 30 years. A 30-year amortization period for unfunded actuarial accrued liabilities is the maximum period that complies with GASB requirements.

COMPONENT UNIT - MEDICAL CARE FACILITY

Plan Description

Shiawassee County Medical Care Facility provides health and vision coverage for retirees as other post-employment benefits (OPEB) to all applicable employees, in accordance with the union agreements and/or personnel policies. Full cost retiree contribution is required. The following are the Governmental Accounting Standards Board Statement No. 45 required disclosures and these disclosures have been implemented prospectively by the Facility.

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

Funding Policy

The Medical Care Facility has no obligation to make contributions in advance of when the premiums are due for payment (i.e., may be financed on a "pay-as-you-go" basis). The only current contributions being made are to pay the actual current premiums of the retirees. That amount was less than the annual required contribution and is reflected in the schedule that follows. Administrative costs of the plan are paid for by the Medical Care Facility.

Funding Progress

For the year ended December 31, 2013, the Medical Care Facility has determined an estimated cost of providing post-employment benefits through an actuarial valuation as of December 31, 2011. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to cover the amortization of any unfunded actuarial liabilities from the past, over a period not to exceed 30 years.

Shiawassee County, Michigan
NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE O: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

COMPONENT UNIT - MEDICAL CARE FACILITY - CONTINUED

Funding Progress - continued

The Medical Care Facility's computed contribution and actual funding is summarized as follows:

Annual required contribution	\$ 53,103
Interest on net OPEB obligation	2,546
Adjustment to annual required contribution	(1,339)
Annual OPEB cost (expense)	54,310
Contributions made	(34,681)
Increase in net OPEB obligation	19,629
Net OPEB obligation - Beginning of year	56,583
Net OPEB obligation - End of year	\$ 76,212

The annual OPEB cost, the percentage contributed to the plan, and the net OPEB obligation for the fiscal years ended December 31, were as follows:

	2011	2012	2013
Annual OPEB cost	\$ 47,961	\$ 53,955	\$ 54,310
Percentage contributed	66.60%	72.55%	63.86%
Net OPEB obligation	\$ 41,773	\$ 56,583	\$ 76,212

The current funding progress of the plan as of December 31, the most recent valuation date, is as follows:

	2009	2011
Actuarial value of assets	\$ -	\$ -
Actuarial accrued liability (AAL)	469,201	503,527
Unfunded AAL (UAAL)	(469,201)	(503,527)
Funded ratio	0%	0%

Information related to funding progress with multiyear trend information indicating whether the actuarial value of plan assets is increasing or decreasing over time relative to the AAL for benefits is not presented since there currently are no plan assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of potential occurrences of certain events in the future. Examples include assumption about future employment, mortality, healthcare costs trends, inflation, etc. Amounts determined regarding the funded status of the plan and the annual required contributions of the Commission are subject to constant changes and modifications as actual results are compared with past expectations and new estimates and assumptions are made about the future.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE O: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

COMPONENT UNIT - MEDICAL CARE FACILITY - CONTINUED

Actuarial Methods and Assumptions - continued - Projections of retiree benefits for financial reporting purposes are based on current plan activities as it is handled by the Commission and the benefits are received by the eligible 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 Commission and plan members. 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.

In the December 31, 2011, actuarial valuation, the individual entry age normal actuarial cost method was used. The actuarial assumptions include a 4.5 percent a year rate of investment return, compounded annually net after investment expense, which is the expected long-term investment returns on plan assets, and a base payroll growth rate of 4.5 percent. There were also merit and seniority salary rate increase assumptions taken into consideration and those are detailed in the actuarial study and are based on age. There was also an inflationary rate assumption factored into the calculation. Per the actuarial study the assumed rate ranges from 9.0 percent in the short-term to 4.5 percent in the long-term for health care related costs. The UAAL is being amortized as a level percentage of active member payroll over a period of 15 years. A 30-year amortization period for unfunded actuarial accrued liabilities is the maximum period that complies with GASB requirements.

NOTE P: DETAILS OF FUND BALANCE CLASSIFICATIONS

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in the governmental funds. The following are the five classifications of fund balance under this standard:

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 non-spendable, 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.

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

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

Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE P: DETAILS OF FUND BALANCE CLASSIFICATIONS - CONTINUED

Fund Balance Classification Policies and Procedures

Shiawassee County has not adopted a policy that defines the order of usage for fund balance amounts classified as restricted, committed, assigned, or unassigned.

	General Fund	Health Department	Central Dispatch	Nonmajor Governmental Funds	Total
Fund Balances					
Nonspendable					
Advances	\$ 170,000	\$ -	\$ -	\$ -	\$ 170,000
Prepays	48,718	-	-	-	48,718
Restricted					
Rails to Trails - com/econ dev.	-	-	-	6,062	6,062
MSU Extension - com/econ dev.	-	-	-	4,419	4,419
Family Counseling activities	-	-	-	72,292	72,292
Friend of the Court activities	-	-	-	50,794	50,794
Central Dispatch - public safety	-	-	1,100,831	-	1,100,831
Drunk Driving - public safety	-	-	-	131,594	131,594
Animal Control - capital outlay	-	-	-	21,230	21,230
Housing Rehabilitation - health & welfare	-	-	-	10,562	10,562
Sheriff Collection - public safety	-	-	-	91,191	91,191
Register of Deeds activities	-	-	-	92,590	92,590
Local Correction Training - public safety	-	-	-	21,854	21,854
Drug Forfeiture - public safety	-	-	-	28,215	28,215
Local Law Enforcement - public safety	-	-	-	1,588	1,588
Law Library activities	-	-	-	37	37
Child Care - Probate - health & welfare	-	-	-	76,033	76,033
Child Care - DHS - health & welfare	-	-	-	103,868	103,868
Veterans Relief - health & welfare	-	-	-	65,073	65,073
Veterans Trust - health & welfare	-	-	-	2,078	2,078
MAGNET - public safety	-	-	-	314,766	314,766
Health department activities	-	984,834	-	-	984,834
Equipment Acquisition - capital outlay	-	-	-	914	914
Jail Fund - capital outlay	-	-	-	67,288	67,288
Committed					
Budget Stabilization	23,202	-	-	-	23,202
Prosecutor's activities	-	-	-	81,572	81,572
Farmland Preservation activities	-	-	-	1,448	1,448
Building Code activities	-	-	-	10,346	10,346
Emergency Management activities	-	-	-	28,578	28,578
Sheriff Posse activities	-	-	-	14,809	14,809
Prosecutor's capital outlay activities	-	-	-	12,828	12,828
REACH - health & welfare	-	-	-	5,015	5,015
Social Welfare - DHS - health & welfare	-	-	-	6,690	6,690
Cigarette Tax - health & welfare	-	-	-	2,685	2,685
Riverhaven - health & welfare	-	-	-	9,830	9,830
Assigned for subsequent year's expenditures	272,908	-	-	-	272,908
Unassigned	871,421	-	-	-	871,421
TOTAL FUND BALANCES	\$ 1,386,249	\$ 984,834	\$ 1,100,831	\$ 1,336,249	\$ 4,808,163

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE Q: FEDERAL FINANCIAL ASSISTANCE

COMPONENT UNIT - ROAD COMMISSION

The Michigan Department of Transportation (MDOT) requires that road commissions report all Federal and State grants pertaining to their county. During the year ended December 31, 2013, the Federal aid received and expended by the Road Commission was \$793,719 for contracted projects and \$0 for negotiated projects. Contracted projects are defined as projects performed by private contractors paid for and administered by MDOT (they are included in MDOT's single audit). Negotiated projects are projects where the road commission administers the grant and either performs the work or contracts it out. The Road Commission would be subject to single audit requirements if it expended \$500,000 or more for negotiated projects.

NOTE R: RELATED PARTY TRANSACTIONS

COMPONENT UNIT - ROAD COMMISSION

The Road Commission engages in business transactions with three (3) vendors, Stechschulte Gas & Oil Co., D&D Truck & Trailer, and Constine Gravel Company, which are owned and operated by various family members of one of the Road Commissioners. These transactions are made in the normal course of business and amounted to \$359,751 for the year ended December 31, 2013. The Road Commissioner related to the above parties abstained from voting on all contracts related to these vendors.

NOTE S: RESTATEMENT OF NET POSITION

Beginning net position for business-type activities was decreased by \$28,250,427 and net position for aggregate discretely presented component units were increased by \$28,250,427 to reflect a change in accounting principles which reclassified the Medical Care Facility from a County enterprise fund. Under the provision of GASB Statement No. 61, the Medical Care Facility now meets the criteria to be considered a discretely presented component unit. The Medical Care Facility beginning net position was also restated by \$56,085 to increase net position to correct overstated liabilities reported in the prior year. Beginning net position for the Medical Care Facility was also reduced for the establishment of deferred inflows of resources for unavailable revenues for future tax levies of (\$3,063,350) for a total beginning net position for the Medical Care Facility of \$25,243,162.

NOTE T: CHANGES IN ACCOUNTING PRINCIPLES

GASB Statement No. 61, *The Financial Reporting Entity Omnibus*, was implemented during the current year. This statement, 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 Building Authority and Economic Development Corporation continue to meet the criteria for classification as blended component units while the Road Commission, Drainage Districts, County Airport, and Council on Aging continue to meet the criteria for classification as discretely presented component units. The Medical Care Facility now meets the criteria for classification as a discretely presented component unit.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, was implemented during the current year. This 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.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE U: UPCOMING ACCOUNTING PRONOUNCEMENTS

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

In April 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The statement requires a state or local guarantor that offers a nonexchange financial guarantee to another organization or government to recognize a liability on its financial statements when it is more likely than not that the guarantor will be required to make a payment to the obligation holders under the agreement. The statement also requires: (1) a government guarantor to consider qualitative factors when determining if a payment on its guarantee is more likely than not to be required, (2) an issuer government that is required to repay a guarantor for guarantee payments made to continue to report a liability unless legally released, and (3) a government guarantor or issuer to disclose information about the amounts and nature of nonexchange financial guarantees. The County is currently evaluating the impact this standard will have on its financial statements when adopted for the County's 2014 year.

REQUIRED SUPPLEMENTARY INFORMATION

Shiawassee County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE
(NON-GAAP BASIS)

Year Ended December 31, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Current and delinquent property taxes	\$ 8,668,905	\$ 8,646,605	\$ 8,423,588	\$ (223,017)
Mobile home park taxes	11,000	11,000	10,362	(638)
Other tax revenue	18,300	18,300	17,897	(403)
Total taxes	8,698,205	8,675,905	8,451,847	(224,058)
Licenses and permits				
Dog and kennel licenses	115,000	115,000	115,399	399
Other licenses and permits	16,000	37,000	38,937	1,937
Total licenses and permits	131,000	152,000	154,336	2,336
Intergovernmental - Federal/State				
Cooperative reimbursement				
Prosecuting attorney	174,690	176,188	158,222	(17,966)
Friend of the court	546,414	546,414	543,458	(2,956)
Juvenile grant	27,317	27,317	27,317	-0-
ADC Maintenance incentive	188,689	188,689	188,566	(123)
Sheriff - justice	-	-	1,305	1,305
Sheriff - road patrol	77,028	78,028	84,972	6,944
Revenue Sharing	1,121,600	1,121,600	1,116,126	(5,474)
Liquor license	12,400	12,400	12,619	219
Convention facility liquor tax	139,448	139,448	158,005	18,557
Victims' rights	64,490	64,490	62,113	(2,377)
Drivers license restoration	500	500	341	(159)
Probate court judge	148,000	148,000	148,709	709
Circuit court judge	45,724	45,724	46,174	450
District court judge	91,448	91,448	91,898	450
Diverted felons	37,500	37,500	54,330	16,830
Jury fee reimbursement	12,500	12,500	7,423	(5,077)
Community corrections	65,298	65,298	49,370	(15,928)
PA 345 - remonumentation	65,652	65,652	65,652	-0-
Court equity	320,000	320,000	290,375	(29,625)
Emergency management	231,025	327,295	322,757	(4,538)
Total intergovernmental - Federal/State	3,369,723	3,468,491	3,429,732	(38,759)
Intergovernmental - Local	-	10,000	10,000	-0-

Shiawassee County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE
(NON-GAAP BASIS) - CONTINUED

Year Ended December 31, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES - CONTINUED				
Charges for services				
Sheriff	\$ 75,070	\$ 75,070	\$ 66,390	\$ (8,680)
Treasurer fees	5,750	5,750	3,951	(1,799)
Equalization	65,000	88,850	101,499	12,649
Friend of the court service fees	65,000	65,000	71,783	6,783
District court	899,000	899,000	792,258	(106,742)
Circuit court	285,000	285,000	313,690	28,690
Probation - juvenile	35,500	35,500	32,250	(3,250)
Clerk	110,093	123,988	132,287	8,299
Register of deeds	304,000	317,669	384,272	66,603
Probate court	23,000	23,000	26,352	3,352
Community development	23,000	23,000	22,580	(420)
Landfill agreement	75,000	75,000	75,000	-0-
Care of prisoners	354,000	354,000	293,542	(60,458)
Other charges and services	2,220	2,970	3,997	1,027
Total charges for services	2,321,633	2,373,797	2,319,851	(53,946)
Fines and forfeits				
Bond forfeitures	5,000	5,000	2,400	(2,600)
Ordinance fines and costs	155,000	155,000	161,189	6,189
Total fines and forfeits	160,000	160,000	163,589	3,589
Interest and rents				
Interest	12,000	12,000	5,335	(6,665)
Rents	335	335	490	155
Total interest and rents	12,335	12,335	5,825	(6,510)
Other				
Contributions	15,500	25,335	25,335	-0-
Reimbursements - indirect costs	114,470	111,912	77,564	(34,348)
Reimbursements - other	11,000	63,200	63,404	204
Bond or insurance recoveries	-	43,282	46,211	2,929
Other	342,400	339,514	341,486	1,972
Total other	483,370	583,243	554,000	(29,243)
TOTAL REVENUES	15,176,266	15,435,771	15,089,180	(346,591)

Shiawassee County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE
(NON-GAAP BASIS) - CONTINUED

Year Ended December 31, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES				
Current				
General government				
Board of Commissioners	\$ 143,116	\$ 123,766	\$ 110,766	\$ 13,000
Circuit court	646,274	646,274	612,927	33,347
District court	1,095,244	1,103,744	1,060,356	43,388
Friend of court	814,214	818,527	818,505	22
Probate - juvenile division	574,665	573,465	533,292	40,173
Probate - estate division	360,358	363,358	348,676	14,682
Circuit court - probation/parole	3,200	3,200	3,144	56
County Administrator	256,818	241,586	238,114	3,472
Elections	79,291	121,828	120,393	1,435
Clerk	427,553	457,653	452,766	4,887
Equalization	198,893	222,743	222,685	58
Prosecuting Attorney	893,574	895,072	845,194	49,878
Jury	43,708	44,966	25,714	19,252
Register of Deeds	253,285	268,812	262,724	6,088
County survey and remonumentation	81,450	78,450	78,450	-0-
Technology services	182,493	185,918	177,436	8,482
Treasurer	268,424	274,304	272,543	1,761
Postage	55,250	54,225	52,951	1,274
Courthouse and grounds	729,295	797,480	797,322	158
Drain commissioner	309,589	312,113	310,806	1,307
Telephone	97,045	101,995	101,965	30
Professional services	128,250	119,792	114,176	5,616
Airport	6,978	6,978	6,978	-0-
Other	1,050	1,922	1,921	1
Total general government	7,650,017	7,818,171	7,569,804	248,367
Public safety				
Sheriff	3,178,390	3,182,890	3,160,468	22,422
Security	203,004	163,004	144,627	18,377
Secondary road patrol	117,266	118,266	109,950	8,316
Jail	2,412,944	2,526,794	2,526,328	466
Animal control	66,482	66,482	62,281	4,201
Total public safety	5,978,086	6,057,436	6,003,654	53,782

Shiawassee County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE
(NON-GAAP BASIS) - CONTINUED

Year Ended December 31, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES - CONTINUED				
Current				
Public works				
Drains at large	\$ 109,100	\$ 98,738	\$ 98,738	\$ -0-
Health and welfare				
Household hazardous waste	-	14,634	12,326	2,308
Medical examiner	132,450	130,651	130,091	560
Mental health	200,000	200,000	200,000	-0-
Emergency services	150,572	258,542	251,696	6,846
Veterans affairs	126,323	140,949	136,192	4,757
Veterans burials	30,000	30,000	17,400	12,600
Total health and welfare	639,345	774,776	747,705	27,071
Community and economic development				
Community development and strategic planning	139,694	139,694	139,317	377
Recreation and culture				
Parks	750	1,500	1,493	7
Other				
Insurance and bonds	424,000	446,985	432,212	14,773
Other	141,559	69,733	61,519	8,214
Total other	565,559	516,718	493,731	22,987
Capital outlay	346,703	334,879	329,815	5,064
Debt service	143,642	215,299	215,278	21
TOTAL EXPENDITURES	15,572,896	15,957,211	15,599,535	357,676
EXCESS OF REVENUES (UNDER) EXPENDITURES	(396,630)	(521,440)	(510,355)	11,085

Shiawassee County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE
(NON-GAAP BASIS) - CONTINUED

Year Ended December 31, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
OTHER FINANCING SOURCES (USES)				
Debt proceeds	\$ 104,100	\$ 138,643	\$ 138,570	\$ (73)
Transfers in				
Veterans Relief Fund	98,167	112,793	108,036	(4,757)
Housing Rehabilitation Fund	7,400	7,400	-	(7,400)
Delinquent Tax Revolving Fund	700,000	700,000	700,000	-0-
Other funds	2,500	46,500	37,797	(8,703)
Local Correction Training Fund	-	28,900	28,900	-0-
Transfers to other funds				
Law Library Fund	(6,000)	(8,695)	(8,695)	-0-
Social Welfare - DHS Fund	(4,650)	(4,650)	(4,650)	-0-
Child Care - DHS Fund	(115,000)	(115,000)	(115,000)	-0-
Child Care - Probate Fund	(320,000)	(320,000)	(320,000)	-0-
Health Department Fund	(246,965)	(246,965)	(246,965)	-0-
Debt Service Fund	(63,080)	(65,044)	(64,380)	664
TOTAL OTHER FINANCING SOURCES (USES)	<u>156,472</u>	<u>273,882</u>	<u>253,613</u>	<u>(20,269)</u>
Net change in fund balance (Budgetary basis)	<u>\$ (240,158)</u>	<u>\$ (247,558)</u>	(256,742)	<u>\$ (9,184)</u>
Budgetary perspective difference			<u>41</u>	
Net change in fund balance (GAAP basis)			<u>\$ (256,701)</u>	

Shiawassee County, Michigan

Health Department Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended December 31, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Licenses and permits	\$ 232,000	\$ 268,000	\$ 253,181	\$ (14,819)
Intergovernmental	1,941,768	1,811,283	1,934,518	123,235
Charges for services	75,033	75,208	74,675	(533)
Interest	125	125	84	(41)
TOTAL REVENUES	2,248,926	2,154,616	2,262,458	107,842
EXPENDITURES				
Current				
Health and welfare	2,498,891	2,401,581	2,130,128	271,453
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(249,965)	(246,965)	132,330	379,295
OTHER FINANCING SOURCES				
Transfers in	249,965	246,965	246,965	-0-
NET CHANGE IN FUND BALANCE	-0-	-0-	379,295	379,295
Fund balance, beginning of year	605,539	605,539	605,539	-0-
Fund balance, end of year	\$ 605,539	\$ 605,539	\$ 984,834	\$ 379,295

Shiawassee County, Michigan

Central Dispatch Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended December 31, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 9,000	\$ 9,000	\$ 14,732	\$ 5,732
Charges for services	1,149,099	1,149,099	1,145,700	(3,399)
Interest	1,000	1,000	762	(238)
Other	3,000	33,475	71,549	38,074
TOTAL REVENUES	1,162,099	1,192,574	1,232,743	40,169
EXPENDITURES				
Current				
Public safety	1,125,349	1,248,244	1,163,681	84,563
Capital outlay	1,750	15,000	15,000	-0-
TOTAL EXPENDITURES	1,127,099	1,263,244	1,178,681	84,563
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	35,000	(70,670)	54,062	124,732
OTHER FINANCING (USES)				
Transfers out	(35,000)	(35,000)	(35,000)	-0-
NET CHANGE IN FUND BALANCE	-0-	(105,670)	19,062	124,732
Fund balance, beginning of year	1,081,769	1,081,769	1,081,769	-0-
Fund balance, end of year	\$ 1,081,769	\$ 976,099	\$ 1,100,831	\$ 124,732

Shiawassee County, Michigan

SCHEDULES OF FUNDING PROGRESS

EMPLOYEE RETIREMENT SYSTEMS AND PLANS

Year Ended December 31, 2013

PRIMARY GOVERNMENT AND COMPONENT UNITS (EXCEPT ROAD COMMISSION AND COUNCIL ON AGING)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll
12/31/2012	\$ 61,322,959	\$ 98,142,321	\$ (36,819,362)	63%	\$ 15,114,801	244%
12/31/2011	60,832,866	94,965,530	(34,132,664)	64%	15,073,296	226%
12/31/2010	59,855,811	90,595,091	(30,739,820)	66%	15,391,811	200%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended December 31,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset
2013	\$ 3,123,618	414%	\$ 9,800,000
2012	3,052,342	100%	-0-
2011	2,952,461	100%	-0-

ROAD COMMISSION

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll
12/31/2012	\$ 11,687,939	\$ 18,114,973	\$ (6,427,034)	65%	\$ 1,861,780	345%
12/31/2011	11,184,668	18,011,571	(6,826,903)	62%	1,988,131	343%
12/31/2010	11,228,007	17,529,557	(6,301,550)	64%	1,988,518	317%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended December 31,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset
2013	\$ 477,643	149%	\$ 737,253
2012	433,348	216%	503,900
2011	427,438	100%	-0-

COUNCIL ON AGING

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll
12/31/2012	\$ 603,667	\$ 705,332	\$ (101,665)	86%	\$ 180,588	56%
12/31/2011	595,184	699,394	(104,210)	85%	188,746	55%
12/31/2010	580,043	681,945	(101,902)	85%	179,573	57%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended December 31,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset
2013	\$ 19,179	100%	\$ -0-
2012	10,709	100%	-0-
2011	8,074	100%	-0-

Shiawassee County, Michigan

SCHEDULES OF FUNDING PROGRESS

RETIRED EMPLOYEES HEALTHCARE PLANS

Year Ended December 31, 2013

PRIMARY GOVERNMENT AND COMPONENT UNITS (EXCEPT ROAD COMMISSION AND MEDICAL CARE FACILITY)						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll
12/31/2011	\$ -	\$ 4,196,432	\$ (4,196,432)	0%	unavailable	N/A
12/31/2009	-	3,848,046	(3,848,046)	0%	unavailable	N/A
12/31/2007	-	4,656,103	(4,656,103)	0%	unavailable	N/A

ROAD COMMISSION						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll
12/31/2011	\$ 229,878	\$ 12,191,914	\$ (11,962,036)	2%	\$ 1,092,679	1095%
12/31/2008	-	14,736,962	(14,736,962)	0%	1,200,784	1227%

MEDICAL CARE FACILITY						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll
12/31/2011	\$ -	\$ 503,527	\$ (503,527)	0%	unavailable	N/A
12/31/2009	-	469,201	(469,201)	0%	unavailable	N/A

Shiawassee County, Michigan

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended December 31, 2013

NOTE A: BUDGETARY/GAAP RECONCILIATION

Shiawassee County budgets the activities of the Budget Stabilization Fund separately from the General Fund. For financial reporting purposes and the GAAP-basis basic financial statements, however, this fund is combined with the General Fund as required by GASB statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The budgetary perspective difference shown on the Budgetary Comparison Schedule (Non-GAAP basis) reconciles the change in fund balance to the GAAP-basis basic financial statements and the details related to these amounts are as follows:

Net change in fund balance (budgetary basis)	\$ (256,742)
To adjust for revenues generated related to various activities accounted for in another fund - interest revenue	<u>41</u>
Net change in fund balance (GAAP Basis)	<u><u>\$ (256,701)</u></u>

OTHER SUPPLEMENTARY INFORMATION

Shiawassee County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

December 31, 2013

	Special				
	Rails to Trails	MSU Extension	Family Counseling	Friend of the Court	Drunk Driving
ASSETS					
Cash and cash equivalents	\$ 6,062	\$ 7,300	\$ 72,292	\$ 49,735	\$ 132,209
Investments	-	-	-	-	-
Receivables	-	79,038	-	600	-
Due from other funds	-	-	-	807	-
Due from other governmental units - Federal/State	-	-	-	2,409	-
TOTAL ASSETS	\$ 6,062	\$ 86,338	\$ 72,292	\$ 53,551	\$ 132,209
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ 305	\$ 615
Accrued liabilities	-	-	-	2,452	-
Due to other funds	-	-	-	-	-
TOTAL LIABILITIES	-0-	-0-	-0-	2,757	615
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues	-	81,919	-	-	-
FUND BALANCES					
Restricted	6,062	4,419	72,292	50,794	131,594
Committed	-	-	-	-	-
TOTAL FUND BALANCES	6,062	4,419	72,292	50,794	131,594
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 6,062	\$ 86,338	\$ 72,292	\$ 53,551	\$ 132,209

Revenue

Prosecutor's Fees	Farmland Preservation	Animal Control Donations	Building Code	Housing Rehabilitation	Sheriff Collection	Register of Deeds Automation
\$ 80,353	\$ 1,448	\$ 21,230	\$ 18,516	\$ 8,134	\$ 91,191	\$ 138,096
-	-	-	-	-	-	-
-	-	-	235	-	-	-
-	-	-	-	-	-	-
1,219	-	-	-	4,000	-	-
<u>\$ 81,572</u>	<u>\$ 1,448</u>	<u>\$ 21,230</u>	<u>\$ 18,751</u>	<u>\$ 12,134</u>	<u>\$ 91,191</u>	<u>\$ 138,096</u>
\$ -	\$ -	\$ -	\$ 4,199	\$ -	\$ -	\$ 45,506
-	-	-	4,206	-	-	-
-	-	-	-	1,572	-	-
-0-	-0-	-0-	8,405	1,572	-0-	45,506
-	-	-	-	-	-	-
-	-	21,230	-	10,562	91,191	92,590
81,572	1,448	-	10,346	-	-	-
<u>81,572</u>	<u>1,448</u>	<u>21,230</u>	<u>10,346</u>	<u>10,562</u>	<u>91,191</u>	<u>92,590</u>
<u>\$ 81,572</u>	<u>\$ 1,448</u>	<u>\$ 21,230</u>	<u>\$ 18,751</u>	<u>\$ 12,134</u>	<u>\$ 91,191</u>	<u>\$ 138,096</u>

Shiawassee County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

December 31, 2013

	Special				
	Emergency Management	Sheriff Posse	Local Correction Training	Drug Forfeiture	Prosecutor's Assets
ASSETS					
Cash and cash equivalents	\$ 29,826	\$ 14,809	\$ 21,914	\$ 28,260	\$ 12,828
Investments	-	-	-	-	-
Receivables	-	-	-	-	-
Due from other funds	-	-	-	-	-
Due from other governmental units - Federal/State	833	-	-	-	-
TOTAL ASSETS	\$ 30,659	\$ 14,809	\$ 21,914	\$ 28,260	\$ 12,828
LIABILITIES					
Accounts payable	\$ 2,081	\$ -	\$ 60	\$ 45	\$ -
Accrued liabilities	-	-	-	-	-
Due to other funds	-	-	-	-	-
TOTAL LIABILITIES	2,081	-0-	60	45	-0-
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues	-	-	-	-	-
FUND BALANCES					
Restricted	-	-	21,854	28,215	-
Committed	28,578	14,809	-	-	12,828
TOTAL FUND BALANCES	28,578	14,809	21,854	28,215	12,828
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 30,659	\$ 14,809	\$ 21,914	\$ 28,260	\$ 12,828

Revenue

Local Law Enforcement	Law Library	REACH	Social Welfare-DHS	Child Care - Probate	Child Care-DHS	Veterans Relief
\$ 1,588	\$ 37	\$ 5,015	\$ 6,792	\$ 90,042	\$ 107,166	\$ 85,336
-	-	-	-	-	-	-
-	-	-	-	3,314	-	158,270
-	1,315	-	-	-	9,867	-
-	-	-	-	30,643	-	-
<u>\$ 1,588</u>	<u>\$ 1,352</u>	<u>\$ 5,015</u>	<u>\$ 6,792</u>	<u>\$ 123,999</u>	<u>\$ 117,033</u>	<u>\$ 243,606</u>
\$ -	\$ 1,315	\$ -	\$ 102	\$ 15,754	\$ 13,165	\$ 467
-	-	-	-	19,916	-	-
-	-	-	-	12,296	-	14,228
-0-	1,315	-0-	102	47,966	13,165	14,695
-	-	-	-	-	-	163,838
1,588	37	-	-	76,033	103,868	65,073
-	-	5,015	6,690	-	-	-
<u>1,588</u>	<u>37</u>	<u>5,015</u>	<u>6,690</u>	<u>76,033</u>	<u>103,868</u>	<u>65,073</u>
<u>\$ 1,588</u>	<u>\$ 1,352</u>	<u>\$ 5,015</u>	<u>\$ 6,792</u>	<u>\$ 123,999</u>	<u>\$ 117,033</u>	<u>\$ 243,606</u>

Shiawassee County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

December 31, 2013

	Special Revenue				Debt Service
	Veterans Trust	Cigarette Tax	Riverhaven	MAGNET	Equipment Acquisition Debt Service
ASSETS					
Cash and cash equivalents	\$ 2,078	\$ 2,689	\$ 9,830	\$ 57,456	\$ -
Investments	-	-	-	259,217	-
Receivables	-	-	-	161	-
Due from other funds	-	-	-	-	-
Due from other governmental units - Federal/State	-	-	-	5,882	-
TOTAL ASSETS	<u>\$ 2,078</u>	<u>\$ 2,689</u>	<u>\$ 9,830</u>	<u>\$ 322,716</u>	<u>\$ -0-</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ 7,950	\$ -
Accrued liabilities	-	4	-	-	-
Due to other funds	-	-	-	-	-
TOTAL LIABILITIES	-0-	4	-0-	7,950	-0-
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues	-	-	-	-	-
FUND BALANCES					
Restricted	2,078	-	-	314,766	-
Committed	-	2,685	9,830	-	-
TOTAL FUND BALANCES	<u>2,078</u>	<u>2,685</u>	<u>9,830</u>	<u>314,766</u>	<u>-0-</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 2,078</u>	<u>\$ 2,689</u>	<u>\$ 9,830</u>	<u>\$ 322,716</u>	<u>\$ -0-</u>

Capital Projects

Capital Improvements	Equipment Acquisition	Jail Fund	Total
\$ -	\$ 914	\$ 91,483	\$ 1,194,629
-	-	-	259,217
-	-	-	241,618
-	-	-	11,989
-	-	-	44,986
<u>\$ -0-</u>	<u>\$ 914</u>	<u>\$ 91,483</u>	<u>\$ 1,752,439</u>
\$ -	\$ -	\$ 24,195	\$ 115,759
-	-	-	26,578
-	-	-	28,096
-0-	-0-	24,195	170,433
-	-	-	245,757
-	914	67,288	1,162,448
-	-	-	173,801
-0-	914	67,288	1,336,249
<u>\$ -0-</u>	<u>\$ 914</u>	<u>\$ 91,483</u>	<u>\$ 1,752,439</u>

Shiawassee County, Michigan

Nonmajor Governmental Funds

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

Year Ended December 31, 2013

	Special				
	Rails to Trails	MSU Extension	Family Counseling	Friend of the Court	Drunk Driving
REVENUES					
Taxes	\$ -	\$ 84,113	\$ -	\$ -	\$ -
Intergovernmental					
Federal/State	-	-	-	10,166	-
Local	-	-	-	-	-
Charges for services	-	-	-	34,371	-
Fines and forfeits	-	-	6,690	-	18,278
Interest and rents	-	-	-	303	196
Other	-	-	-	-	-
TOTAL REVENUES	-0-	84,113	6,690	44,840	18,474
EXPENDITURES					
Current					
General government	-	-	6,400	93,038	-
Public safety	-	-	-	-	8,767
Health and welfare	-	-	-	-	-
Community and economic development	5,000	79,694	-	-	-
Capital outlay	-	-	-	-	-
Debt service	-	-	-	-	-
TOTAL EXPENDITURES	5,000	79,694	6,400	93,038	8,767
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(5,000)	4,419	290	(48,198)	9,707
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	(4,000)
TOTAL OTHER FINANCING SOURCES (USES)	-0-	-0-	-0-	-0-	(4,000)
NET CHANGE IN FUND BALANCES	(5,000)	4,419	290	(48,198)	5,707
Fund balances, beginning of year	11,062	-	72,002	98,992	125,887
Fund balances, end of year	<u>\$ 6,062</u>	<u>\$ 4,419</u>	<u>\$ 72,292</u>	<u>\$ 50,794</u>	<u>\$ 131,594</u>

Revenue

Prosecutor's Fees	Farmland Preservation	Animal Control Donations	Building Code	Housing Rehabilitation	Sheriff Collection	Register of Deeds Automation
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
17,509	-	-	-	217,978	313	-
-	-	-	-	-	-	-
-	-	-	145,080	3,771	12,719	69,265
-	-	-	-	-	-	-
-	-	-	-	216	-	107
-	-	-	-	-	10,938	-
17,509	-0-	-0-	145,080	221,965	23,970	69,372
-	-	-	-	-	-	29,639
-	-	-	-	-	13,297	-
-	-	-	-	234,001	-	-
-	-	-	139,762	-	-	-
-	-	-	-	-	-	43,878
-	-	-	-	-	-	-
-0-	-0-	-0-	139,762	234,001	13,297	73,517
17,509	-0-	-0-	5,318	(12,036)	10,673	(4,145)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-0-	-0-	-0-	-0-	-0-	-0-	-0-
17,509	-0-	-0-	5,318	(12,036)	10,673	(4,145)
64,063	1,448	21,230	5,028	22,598	80,518	96,735
<u>\$ 81,572</u>	<u>\$ 1,448</u>	<u>\$ 21,230</u>	<u>\$ 10,346</u>	<u>\$ 10,562</u>	<u>\$ 91,191</u>	<u>\$ 92,590</u>

Shiawassee County, Michigan

Nonmajor Governmental Funds

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

Year Ended December 31, 2013

	Special				
	Emergency Management	Sheriff Posse	Local Correction Training	Drug Forfeiture	Prosecutor's Assets
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental					
Federal/State	6,225	-	-	-	46,621
Local	-	-	-	-	-
Charges for services	-	16,790	22,062	1,033	11,473
Fines and forfeits	-	-	-	-	-
Interest and rents	-	-	-	-	-
Other	5,971	-	-	-	-
TOTAL REVENUES	12,196	16,790	22,062	1,033	58,094
EXPENDITURES					
Current					
General government	-	-	-	-	125
Public safety	24,271	14,026	14,931	1,207	-
Health and welfare	-	-	-	-	-
Community and economic development	-	-	-	-	-
Capital outlay	-	-	-	-	79,371
Debt service	-	-	-	-	-
TOTAL EXPENDITURES	24,271	14,026	14,931	1,207	79,496
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(12,075)	2,764	7,131	(174)	(21,402)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers out	-	-	(28,900)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-0-	-0-	(28,900)	-0-	-0-
NET CHANGE IN FUND BALANCES	(12,075)	2,764	(21,769)	(174)	(21,402)
Fund balances, beginning of year	40,653	12,045	43,623	28,389	34,230
Fund balances, end of year	<u>\$ 28,578</u>	<u>\$ 14,809</u>	<u>\$ 21,854</u>	<u>\$ 28,215</u>	<u>\$ 12,828</u>

Revenue

Local Law Enforcement	Law Library	REACH	Social Welfare-DHS	Child Care - Probate	Child Care-DHS	Veterans Relief
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 83,948
32,982	-	-	-	302,834	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	6,500	-	-	-	-	-
-	-	-	-	-	-	-
-	-	530	-	24,151	3,943	20,191
32,982	6,500	530	-0-	326,985	3,943	104,139
-	15,194	-	-	-	-	-
32,656	-	-	-	-	-	-
-	-	225	4,865	527,248	241,819	28,517
-	-	-	-	-	-	-
-	-	-	-	-	-	-
32,656	15,194	225	4,865	527,248	241,819	28,517
326	(8,694)	305	(4,865)	(200,263)	(237,876)	75,622
-	8,695	-	4,650	320,000	218,676	-
-	-	-	-	(103,676)	-	(108,036)
-0-	8,695	-0-	4,650	216,324	218,676	(108,036)
326	1	305	(215)	16,061	(19,200)	(32,414)
1,262	36	4,710	6,905	59,972	123,068	97,487
\$ 1,588	\$ 37	\$ 5,015	\$ 6,690	\$ 76,033	\$ 103,868	\$ 65,073

Shiawassee County, Michigan

Nonmajor Governmental Funds

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

Year Ended December 31, 2013

	Special Revenue				Debt Service
	Veterans Trust	Cigarette Tax	Riverhaven	MAGNET	Equipment Acquisition Debt Service
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental					
Federal/State	78,600	827	14,005	21,557	20,775
Local	-	-	-	38,153	-
Charges for services	-	-	-	66,613	-
Fines and forfeits	-	-	-	-	-
Interest and rents	-	-	-	4,628	-
Other	-	-	-	1,685	-
TOTAL REVENUES	78,600	827	14,005	132,636	20,775
EXPENDITURES					
Current					
General government	-	-	-	-	-
Public safety	-	-	-	172,104	-
Health and welfare	77,556	-	15,280	-	-
Community and economic development	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service	-	-	-	-	85,155
TOTAL EXPENDITURES	77,556	-0-	15,280	172,104	85,155
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,044	827	(1,275)	(39,468)	(64,380)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	64,380
Transfers out	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-0-	-0-	-0-	-0-	64,380
NET CHANGE IN FUND BALANCES	1,044	827	(1,275)	(39,468)	-0-
Fund balances, beginning of year	1,034	1,858	11,105	354,234	-
Fund balances, end of year	<u>\$ 2,078</u>	<u>\$ 2,685</u>	<u>\$ 9,830</u>	<u>\$ 314,766</u>	<u>\$ -0-</u>

Capital Projects

Capital Improvements	Equipment Acquisition	Jail Fund	Total
\$ -	\$ -	\$ -	\$ 168,061
-	-	-	770,392
-	-	-	38,153
-	-	-	383,177
-	-	-	31,468
-	-	-	5,450
-	-	-	67,409
-0-	-0-	-0-	1,464,110
-	500	-	144,896
-	-	8,258	289,517
-	-	-	1,129,511
-	-	-	224,456
-	-	47,547	170,796
-	-	-	85,155
-0-	500	55,805	2,044,331
-0-	(500)	(55,805)	(580,221)
-	-	35,000	651,401
-	-	-	(244,612)
-0-	-0-	35,000	406,789
-0-	(500)	(20,805)	(173,432)
-	1,414	88,093	1,509,681
<u>\$ -0-</u>	<u>\$ 914</u>	<u>\$ 67,288</u>	<u>\$ 1,336,249</u>

Shiawassee County, Michigan

Agency Funds

COMBINING STATEMENT OF ASSETS AND LIABILITIES

December 31, 2013

	<u>Trust and Agency</u>	<u>Senior Transportation</u>	<u>Economic Development</u>
ASSETS			
Cash and cash equivalents	<u>\$ 2,177,530</u>	<u>\$ 51,097</u>	<u>\$ 3,127</u>
LIABILITIES			
Undistributed collections payable	\$ 1,278,435	\$ -	\$ -
Due to other governmental units			
Federal/State	199,452	-	-
Local	230,844	-	3,127
Due to individuals and agencies	<u>468,799</u>	<u>51,097</u>	<u>-</u>
TOTAL LIABILITIES	<u>\$ 2,177,530</u>	<u>\$ 51,097</u>	<u>\$ 3,127</u>

<u>Library Penal Fine</u>	<u>Renovation</u>	<u>Total</u>
<u>\$ 57,912</u>	<u>\$ 1,265</u>	<u>\$ 2,290,931</u>
\$ 57,912	\$ 1,265	\$ 1,337,612
-	-	199,452
-	-	233,971
<u>-</u>	<u>-</u>	<u>519,896</u>
<u>\$ 57,912</u>	<u>\$ 1,265</u>	<u>\$ 2,290,931</u>

Shiawassee County, Michigan

Component Unit Funds

STATEMENT OF NET POSITION - MEDICAL CARE FACILITY

December 31, 2013

ASSETS

Current assets

Cash and cash equivalents	\$ 14,577,298
Accounts receivable	975,023
Taxes receivable	3,063,350
Prepays	<u>208,638</u>

Total current assets 18,824,309

Noncurrent assets

Net pension asset	9,800,000
Capital assets, net of accumulated depreciation	<u>2,611,808</u>

Total noncurrent assets 12,411,808

TOTAL ASSETS 31,236,117

LIABILITIES

Current liabilities

Accounts payable	609,823
Accrued liabilities	<u>928,245</u>

Total current liabilities 1,538,068

Noncurrent liabilities

Net other post-employment benefits obligation	<u>76,212</u>
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TOTAL LIABILITIES 1,614,280

DEFERRED INFLOWS OF RESOURCES

Unavailable revenues - property taxes	<u>3,276,745</u>
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NET POSITION

Net investment in capital assets	2,611,808
Restricted for medical care activities	<u>23,733,284</u>

TOTAL NET POSITION \$ 26,345,092

Shiawassee County, Michigan

Component Unit Fund

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
MEDICAL CARE FACILITY

Year Ended December 31, 2013

OPERATING REVENUES	
Charges for services	\$ 11,990,380
Quality assurance supplement	<u>1,289,293</u>
 TOTAL OPERATING REVENUES	 13,279,673
OPERATING EXPENSES	
Personal services and fringes	11,089,469
Operating supplies	976,309
Contracted services	1,225,420
Depreciation	372,061
Provider tax	865,022
Other operating expenses	<u>726,332</u>
 TOTAL OPERATING EXPENSES	 <u>15,254,613</u>
 OPERATING (LOSS)	 (1,974,940)
NONOPERATING REVENUES (EXPENSES)	
Net loss on disposal of assets	(1,903)
Interest revenue	15,423
Property taxes	<u>3,063,350</u>
 TOTAL NONOPERATING REVENUES (EXPENSES)	 <u>3,076,870</u>
 CHANGE IN NET POSITION	 1,101,930
Restated net position, beginning of year	<u>25,243,162</u>
Net position, end of year	<u><u>\$ 26,345,092</u></u>

Shiawassee County, Michigan

Component Unit Funds

STATEMENT OF CASH FLOWS - MEDICAL CARE FACILITY

Year Ended December 31, 2013

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	\$ 12,398,159
Cash received from quality assurance supplement	1,289,293
Cash paid to suppliers and others	(3,439,653)
Cash paid for employee services and fringes	<u>(20,784,865)</u>
NET CASH USED BY OPERATING ACTIVITIES	(10,537,066)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Capital purchases	(375,476)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Property taxes collected	3,281,046
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>15,423</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(7,616,073)
Cash and cash equivalents, beginning of year	<u>22,193,371</u>
Cash and cash equivalents, end of year	<u><u>\$ 14,577,298</u></u>
Reconciliation of operating loss to net cash used by operating activities	
Operating loss	\$ (1,974,940)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation	372,061
Decrease in receivables	407,779
Decrease in prepaids	30,309
Increase in net pension asset	(9,800,000)
Increase in accounts payable	323,121
Increase in net OPEB obligation	19,629
(Decrease) in accrued liabilities	<u>84,975</u>
NET CASH USED BY OPERATING ACTIVITIES	<u><u>\$(10,537,066)</u></u>

Shiawassee County, Michigan

Component Unit Funds

COMBINING BALANCE SHEET - DRAINAGE DISTRICTS

December 31, 2013

	Debt Service		
	Drain Debt	Henderson Debt	Byron Water Project
ASSETS			
Cash and cash equivalents	\$ 580,454	\$ -	\$ -
Special assessments receivable	1,486,194	-	-
Due from other governmental units - Local	-	141,516	582,549
Due from other funds	-	-	-
Advances to other funds	-	-	-
TOTAL ASSETS	\$ 2,066,648	\$ 141,516	\$ 582,549
LIABILITIES			
Accounts payable	\$ 288	\$ -	\$ -
Due to other funds	-	-	-
Advances from other funds	-	-	-
Advances from other governmental units	-	-	-
TOTAL LIABILITIES	288	-0-	-0-
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues	1,293,228	141,516	582,549
FUND BALANCES			
Nonspendable			
Advances to other funds	-	-	-
Restricted for debt service	773,132	-	-
Restricted for capital expenditures	-	-	-
TOTAL FUND BALANCES	773,132	-0-	-0-
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 2,066,648	\$ 141,516	\$ 582,549

Capital Projects

Lake Level	Regular Drain	Revolving Drain	Revolving Drain Maintenance	Drain Equipment Revolving	Total
\$ 843	\$ 1,396,752	\$ 78,715	\$ 11,493	\$ 65,955	\$ 2,134,212
-	295,390	-	-	-	1,781,584
-	-	-	-	-	724,065
-	-	122,010	-	-	122,010
-	30,725	-	-	-	30,725
<u>\$ 843</u>	<u>\$ 1,722,867</u>	<u>\$ 200,725</u>	<u>\$ 11,493</u>	<u>\$ 65,955</u>	<u>\$ 4,792,596</u>
\$ -	\$ -	\$ -	\$ -	\$ 549	\$ 837
-	122,010	-	-	-	122,010
-	-	30,725	-	-	30,725
-	-	170,000	-	-	170,000
-0-	122,010	200,725	-0-	549	323,572
-	28,029	-	-	-	2,045,322
-	30,725	-	-	-	30,725
-	-	-	-	-	773,132
843	1,542,103	-	11,493	65,406	1,619,845
<u>843</u>	<u>1,572,828</u>	<u>-0-</u>	<u>11,493</u>	<u>65,406</u>	<u>2,423,702</u>
<u>\$ 843</u>	<u>\$ 1,722,867</u>	<u>\$ 200,725</u>	<u>\$ 11,493</u>	<u>\$ 65,955</u>	<u>\$ 4,792,596</u>

Shiawassee County, Michigan

Component Unit Funds

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

December 31, 2013

Total fund balance - governmental funds **\$ 2,423,702**

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

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

The cost of capital assets is	\$ 10,879,677	
Accumulated depreciation is	<u>(4,171,709)</u>	
Capital assets, net		6,707,968

Long-term receivables are not available to pay for current period expenditures and are therefore reported as deferred inflows of resources in the funds.		2,045,322
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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:

Long-term obligations	2,714,470	
Accrued interest payable	<u>11,331</u>	
		<u>(2,725,801)</u>

Net position of governmental activities **\$ 8,451,191**

Shiawassee County, Michigan

Component Unit Funds

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

Year Ended December 31, 2013

	Debt Service		
	Drain Debt	Henderson Debt	Byron Water Project
REVENUES			
Intergovernmental - local	\$ -	\$ 24,938	\$ 53,164
Interest	1,139	-	-
Other	284,464	-	-
TOTAL REVENUES	285,603	24,938	53,164
EXPENDITURES			
Current			
Public works	-	-	-
Debt service	317,909	24,938	53,164
TOTAL EXPENDITURES	317,909	24,938	53,164
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(32,306)	-0-	-0-
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-0-	-0-	-0-
NET CHANGE IN FUND BALANCES	(32,306)	-0-	-0-
Fund balances, beginning of year	805,438	-	-
Fund balances, end of year	\$ 773,132	\$ -0-	\$ -0-

Capital Projects

Lake Level	Regular Drain	Revolving Drain	Revolving Drain Maintenance	Drain Equipment Revolving	Total
\$ -	\$ -	\$ -	\$ -	\$ 60	\$ 78,162
-	2,072	-	129	-	3,340
63	350,617	-	-	-	635,144
63	352,689	-0-	129	60	716,646
-	233,040	-	-	44,351	277,391
-	-	-	-	-	396,011
-0-	233,040	-0-	-0-	44,351	673,402
63	119,649	-0-	129	(44,291)	43,244
-	-	-	-	82,199	82,199
-	(82,199)	-	-	-	(82,199)
-0-	(82,199)	-0-	-0-	82,199	-0-
63	37,450	-0-	129	37,908	43,244
780	1,535,378	-	11,364	27,498	2,380,458
<u>\$ 843</u>	<u>\$ 1,572,828</u>	<u>\$ -0-</u>	<u>\$ 11,493</u>	<u>\$ 65,406</u>	<u>\$ 2,423,702</u>

Shiawassee 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 December 31, 2013

Net change in fund balances - total governmental funds \$ 43,244

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:

Depreciation expense (220,272)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. In the current period, these amounts consist of:

(Decrease) in unavailable revenue (236,859)

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 retirements 285,000

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 1,184

Change in net position of governmental activities \$ (127,703)

Shiawassee County, Michigan

Component Unit Funds

BALANCE SHEET - COUNTY AIRPORT

December 31, 2013

ASSETS

Cash and cash equivalents	\$	75,816
Accounts receivable		4,442
Inventories		<u>10,888</u>

TOTAL ASSETS \$ 91,146

LIABILITIES

Accounts payable	\$	2,227
Accrued liabilities		1,946
Unearned revenue		<u>4,400</u>

TOTAL LIABILITIES 8,573

FUND BALANCE

Nonspendable		
Inventories		10,888
Restricted for airport operations		<u>71,685</u>

TOTAL FUND BALANCE 82,573

TOTAL LIABILITIES AND FUND BALANCE \$ 91,146

Shiawassee County, Michigan

Component Unit Funds

RECONCILIATION OF THE BALANCE SHEET TO
THE STATEMENT OF NET POSITION - COUNTY AIRPORT

December 31, 2013

Total fund balance - governmental fund \$ 82,573

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

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

The cost of capital assets is	\$ 2,595,448	
Accumulated depreciation is	<u>(533,418)</u>	
Capital assets, net		<u>2,062,030</u>
Net position of governmental activities		<u><u>\$ 2,144,603</u></u>

Shiawassee County, Michigan

Component Unit Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - COUNTY AIRPORT

Year Ended December 31, 2013

REVENUES	
Intergovernmental - Federal	\$ 281,850
Intergovernmental - Local	25,481
Charges for services	64,918
Interest and rents	<u>62,619</u>
TOTAL REVENUES	434,868
EXPENDITURES	
Current	
Public works	143,207
Capital outlay	<u>284,583</u>
TOTAL EXPENDITURES	<u>427,790</u>
NET CHANGE IN FUND BALANCE	7,078
Fund balance, beginning of year	<u>75,495</u>
Fund balance, end of year	<u><u>\$ 82,573</u></u>

Shiawassee County, Michigan

Component Unit Funds

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES - COUNTY AIRPORT

Year Ended December 31, 2013

Net change in fund balance - governmental fund \$ 7,078

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	\$ 284,583	
Depreciation expense	<u>(68,125)</u>	
Excess of capital outlay over depreciation expense		<u>216,458</u>
Change in net position of governmental activities		<u><u>\$ 223,536</u></u>

Shiawassee County, Michigan

Component Unit Funds

BALANCE SHEET - COUNCIL ON AGING

December 31, 2013

ASSETS

Cash and cash equivalents	\$ 256,003
Investments	49,400
Taxes receivable	<u>395,169</u>

TOTAL ASSETS	<u>\$ 700,572</u>
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LIABILITIES

Accrued liabilities	\$ 1,687
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DEFERRED INFLOWS OF RESOURCES

Unavailable revenues	409,593
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FUND BALANCE

Restricted for aging programs	<u>289,292</u>
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TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	<u>\$ 700,572</u>
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Shiawassee County, Michigan

Component Unit Funds

RECONCILIATION OF THE BALANCE SHEET TO
THE STATEMENT OF NET POSITION - COUNCIL ON AGING

December 31, 2013

Total fund balance - governmental funds \$ 289,292

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

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

The cost of capital assets is	\$ 197,300	
Accumulated depreciation is	<u>(101,213)</u>	
Capital assets, net		<u>96,087</u>
Net position of governmental activities		<u><u>\$ 385,379</u></u>

Shiawassee County, Michigan

Component Unit Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - COUNCIL ON AGING

Year Ended December 31, 2013

REVENUES	
Taxes	\$ 420,303
Intergovernmental	379,337
Charges for services	95,586
Interest	5,616
Other	<u>46,487</u>
TOTAL REVENUES	947,329
EXPENDITURES	
Current	
Health and welfare	<u>1,008,578</u>
NET CHANGE IN FUND BALANCE	(61,249)
Fund balance, beginning of year	<u>350,541</u>
Fund balance, end of year	<u><u>\$ 289,292</u></u>

Shiawassee County, Michigan

Component Unit Funds

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES - COUNCIL ON AGING

Year Ended December 31, 2013

Net change in fund balance - governmental fund \$ (61,249)

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, this amount is:

Capital outlay	\$ 48,035	
Depreciation expense	<u>(13,034)</u>	
Excess of capital outlay over depreciation expense		<u>35,001</u>
Change in net position of governmental activities		<u><u>\$ (26,248)</u></u>