

Shiawassee County, Michigan

FINANCIAL STATEMENTS

December 31, 2012

Shiawassee County, Michigan

December 31, 2012

BOARD OF COMMISSIONERS

Dan Stewart	Commissioner
Ronald Elder	Commissioner
Gary Holzhausen	Commissioner
Jon Michael Fuja	Commissioner
Gerald W. Cole	Commissioner
Dale Roszman	Commissioner
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ADMINISTRATION AND OTHER OFFICIALS

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Thomas W. Dwyer	Treasurer
Lauri L. Braid	Clerk
Lori Kimble	Register of Deeds
Anthony Newman	Drain Commissioner
Randy O. Colbry	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, 2012, 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, 2012, and the respective changes in financial position, and, where applicable, cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note T, during the year the County was required to implement GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. As a result of this implementation, the financial statements have been changed to reflect the new presentation as required by GASB Statement No. 63, as applicable.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, 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 other supplementary information 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 our report dated May 13, 2013, 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

May 13, 2013

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, 2012. 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 \$45.9 million (*net position*). Of this amount, approximately \$28.3 million (*unrestricted net position*) may be used to meet the government's ongoing obligations.
- The primary government's total net position increased by approximately \$4.6 million, or 11 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 \$4.84 million, a decrease of approximately \$11,000 or 0.2 percent. Of this total, approximately \$1.43 million or 29.5 percent is *available for spending (unassigned fund balance)*.
- At the end of the fiscal year, unassigned fund balance for the General Fund was approximately \$1.18 million, an amount equal to 7.4 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 \$607,188 or 6.5 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 Medical Care Facility.

Shiawassee County Management's Discussion and Analysis

The government-wide financial statements include not only the County itself (known as the *primary government*), but also four (4) legally separate entities: the Shiawassee County Road Commission, 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.

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, and Mental Health Debt Service, 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 and Health Department 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 Tax Payment Fund and the Medical Care Facility which are considered to be major funds. Data from the nonmajor enterprise funds are combined into a single, aggregate presentation. Individual fund data for each of these nonmajor enterprise funds is provided in the form of combining statements elsewhere in this report.

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

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	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Current and other assets	\$ 10,290,689	\$ 10,487,353	\$ 35,046,684	\$ 30,022,895	\$ 45,337,373	\$ 40,510,248
Capital assets	6,601,476	7,009,259	2,630,633	2,708,133	9,232,109	9,717,392
Total Assets	16,892,165	17,496,612	37,677,317	32,731,028	54,569,482	50,227,640
Current liabilities	1,650,093	1,727,132	1,274,271	1,263,544	2,924,364	2,990,676
Noncurrent liabilities	5,661,370	5,860,394	56,583	41,773	5,717,953	5,902,167
Total Liabilities	7,311,463	7,587,526	1,330,854	1,305,317	8,642,317	8,892,843
Net Position						
Net investment in capital assets	5,225,894	5,443,807	2,630,633	2,708,133	7,856,527	8,151,940
Restricted	3,014,944	2,913,870	6,690,452	5,263,845	9,705,396	8,177,715
Unrestricted	1,339,864	1,551,409	27,025,378	23,453,733	28,365,242	25,005,142
	<u>\$ 9,580,702</u>	<u>\$ 9,909,086</u>	<u>\$ 36,346,463</u>	<u>\$ 31,425,711</u>	<u>\$ 45,927,165</u>	<u>\$ 41,334,797</u>

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 \$45.9 million at the close of the year. This amount compares favorably with the prior year where net position totaled \$41.3 million.

The primary government's net assets include approximately \$8 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 \$9.7 million. The remaining balance of unrestricted net position (\$28.3 million or 62 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	
	2012	2011	2012	2011	2012	2011
Revenues						
Program revenues						
Charges for services	\$ 4,618,127	\$ 4,574,492	\$ 17,390,770	\$ 13,084,755	\$ 22,008,897	\$ 17,659,247
Operating grants and contributions	5,205,220	5,455,338	-	-	5,205,220	5,455,338
Capital grants and contributions	-	1,198	-	-	-	1,198
General revenues						
Property taxes	8,689,247	8,814,009	3,333,297	3,394,192	12,022,544	12,208,201
State shared revenue	1,101,537	1,336,704	-	-	1,101,537	1,336,704
Investment earnings	13,769	13,680	73,459	71,301	87,228	84,981
Miscellaneous	470,636	374,498	-	-	470,636	374,498
Transfers	599,715	440,000	(599,715)	(440,000)	-	-
Total revenues	20,698,251	21,009,919	20,197,811	16,110,248	40,896,062	37,120,167
Expenses						
General government	8,205,185	8,491,957	-	-	8,205,185	8,491,957
Public safety	7,623,537	7,530,356	-	-	7,623,537	7,530,356
Public works	87,681	93,424	-	-	87,681	93,424
Health & welfare	4,038,220	4,055,205	-	-	4,038,220	4,055,205
Community & Economic development	281,408	289,726	-	-	281,408	289,726
Recreation & culture	12,368	5,090	-	-	12,368	5,090
Other and interest	778,236	762,119	15,277,059	14,901,579	16,055,295	15,663,698
Total expenses	21,026,635	21,227,877	15,277,059	14,901,579	36,303,694	36,129,456
Change in net position	(328,384)	(217,958)	4,920,752	1,208,669	4,592,368	990,711
Net position - beginning	9,909,086	10,127,044	31,425,711	30,217,042	41,334,797	40,344,086
Net position - ending	<u>\$ 9,580,702</u>	<u>\$ 9,909,086</u>	<u>\$ 36,346,463</u>	<u>\$ 31,425,711</u>	<u>\$ 45,927,165</u>	<u>\$ 41,334,797</u>

The preceding table shows that the net position of governmental activities decreased by approximately \$328,000 or 3.3 percent during 2012 as compared to a decrease of approximately \$218,000 in the prior year.

Business-type Activities

Net position of the County's business-type activities increased by approximately \$4.9 million. Net position of the Delinquent Tax Revolving fund and the nonmajor enterprise fund decreased by approximately \$500 and \$132,000, respectively, while net position of the Medical Care Facility increased by approximately \$5 million.

Shiawassee County Management's Discussion and Analysis

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 \$4.84 million. This represents a decrease of approximately \$11,000 in comparison with the prior year.

Approximately \$1.18 million or 24.4 percent of total fund balance constitutes *unassigned*, which is available for spending.

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 \$1.6 million, while the unassigned fund balance of the General Fund was approximately \$1.18 million, an amount equal to 7.4 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 \$40,000 during the current fiscal year, and compares favorably with the approximately \$272,000 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 \$0.6 million. This is an increase of approximately \$63,000 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 \$15.7 million was approximately \$16.4 million after revisions; however, actual expenditures and other financing uses totaled \$16.1 million. Expenditure savings came from several departments.

Actual revenues and other financing sources came in at approximately \$16.0 million.

Capital Asset and Debt Administration

Capital Assets - At the end of 2012, the County had invested \$9,232,109 in primary government capital assets and \$8,834,898 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 \$10,550,029 for the primary government. Depreciation charges for the fiscal year totaled \$973,298 for the primary government and \$297,807 for the component units (excluding the Road Commission, see separately issued financial statements).

Shiawassee County Management's Discussion and Analysis

	Governmental Activities	Buisness-type Activities	Component Units	Total
Land and improvements, net	\$ 658,451	\$ 68,108	\$ 1,535,669	\$ 2,262,228
Buildings, net	4,071,054	1,908,126	108,397	6,087,577
Equipment, net	1,695,112	654,399	33,220	2,382,731
Vehicles, net	176,859	-	38,259	215,118
Drains, net	-	-	6,928,240	6,928,240
Construction in progress	-	-	191,113	191,113
Capital assets, net	\$ 6,601,476	\$ 2,630,633	\$ 8,834,898	\$ 18,067,007

Long-term Debt - As of December 31, 2012, the County had \$5,448,324 in long-term obligations outstanding for the primary government. This level of net obligation is \$313,677 less than the obligation recorded as of December 31, 2011. 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.

Outstanding Debt as of December 31, 2012:

	<u>Jan. 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Dec. 31, 2012</u>
Primary Government				
Governmental Activities				
Long-term obligations payable	\$ 5,762,001	\$ 415,574	\$ 729,251	\$ 5,448,324
Component Units				
Drainage Districts	<u>3,279,470</u>	<u>-</u>	<u>280,000</u>	<u>2,999,470</u>
Total Reporting Entity	<u>\$9,041,471</u>	<u>\$ 415,574</u>	<u>\$1,009,251</u>	<u>\$ 8,447,794</u>
Debt Limit (10% of SEV)				<u>\$170,168,020</u>
Available Statutory Debt Limit				<u>\$161,720,226</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, 2012 was \$1.702 billion; therefore, the County's debt limitation was over \$170 million. The county remains well below its legal debt limit by over \$161 million.

Shiawassee County Management's Discussion and Analysis

SHIAWASSEE COUNTY GOVERNMENT ECONOMIC OUTLOOK:

- State revenue including projected Revenue Sharing reductions from the State continues to be a tremendous concern. However, as the State's economic outlook looks more positive, the budget situation may not lead to similar decreases in other areas of State funding.
- Health, dental, and optical insurance premiums continue to rise much faster than the rate of inflation. With the continued implementation of the Affordable Care Act, uncertainty in future costs is a concern.
- As the economy continues to improve, retirement costs hopefully will level off. The county has made strides in reducing those costs by implementing 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 discontinued staffing furloughs 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 2013. The 2013 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 mmcavoy@shiawassee.net.

BASIC FINANCIAL STATEMENTS

Shiawassee County, Michigan

STATEMENT OF NET POSITION

December 31, 2012

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 3,376,391	\$ 24,632,287	\$ 28,008,678	\$ 6,057,149
Receivables	479,203	8,553,446	9,032,649	2,298,637
Internal balances	979,590	(979,590)	-0-	-
Due from other governmental units	1,311,183	-	1,311,183	1,104,962
Prepays	32,569	238,947	271,516	-
Inventories	72,004	-	72,004	527,704
Total current assets	6,250,940	32,445,090	38,696,030	9,988,452
Noncurrent assets				
Investments	254,749	2,601,594	2,856,343	89,763
Net pension asset	-	-	-	503,900
Noncurrent portion of due from other governmental units	3,615,000	-	3,615,000	719,462
Advance to other governmental units	170,000	-	170,000	-
Capital assets not being depreciated	615,000	-	615,000	5,488,731
Capital assets, net of accumulated depreciation	5,986,476	2,630,633	8,617,109	48,421,353
Total noncurrent assets	10,641,225	5,232,227	15,873,452	55,223,209
TOTAL ASSETS	16,892,165	37,677,317	54,569,482	65,211,661
LIABILITIES				
Current liabilities				
Accounts payable	346,988	374,916	721,904	116,404
Accrued liabilities	638,094	899,355	1,537,449	76,262
Accrued interest payable	61,360	-	61,360	12,515
Unearned revenue	241,854	-	241,854	422,162
Current portion of compensated absences	33,655	-	33,655	90,920
Current portion of long-term debt	328,142	-	328,142	285,000
Total current liabilities	1,650,093	1,274,271	2,924,364	1,003,263
Noncurrent liabilities				
Advances from other governmental units	-	-	-0-	360,634
Noncurrent portion of compensated absences	299,087	-	299,087	136,381
Net other post-employment benefits obligation	574,843	56,583	631,426	1,521,837
Noncurrent portion of long-term debt	4,787,440	-	4,787,440	2,714,470
Total noncurrent liabilities	5,661,370	56,583	5,717,953	4,733,322
TOTAL LIABILITIES	7,311,463	1,330,854	8,642,317	5,736,585
NET POSITION				
Net investment in capital assets	5,225,894	2,630,633	7,856,527	51,685,084
Restricted for				
Public safety	1,361,448	-	1,361,448	-
Employee benefits	-	6,690,452	6,690,452	-
Capital improvement	89,507	-	89,507	3,082,731
County roads	-	-	-0-	3,488,302
Debt service	-	-	-0-	792,923
Other purposes	1,563,989	-	1,563,989	426,036
Unrestricted	1,339,864	27,025,378	28,365,242	-
TOTAL NET POSITION	\$ 9,580,702	\$ 36,346,463	\$ 45,927,165	\$ 59,475,076

See accompanying notes to financial statements.

Shiawassee County, Michigan

STATEMENT OF ACTIVITIES

Year Ended December 31, 2012

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities								
General government	\$ 8,205,185	\$ 2,304,318	\$ 1,736,523	\$ -	\$ (4,164,344)	\$ -	\$ (4,164,344)	\$ -
Public safety	7,623,537	1,837,635	1,044,971	-	(4,740,931)	-	(4,740,931)	-
Public works	87,681	31,176	-	-	(56,505)	-	(56,505)	-
Health and welfare	4,038,220	443,458	2,423,726	-	(1,171,036)	-	(1,171,036)	-
Community and economic development	281,408	-	-	-	(281,408)	-	(281,408)	-
Recreation and culture	12,368	1,540	-	-	(10,828)	-	(10,828)	-
Other	558,071	-	-	-	(558,071)	-	(558,071)	-
Interest on long-term debt	220,165	-	-	-	(220,165)	-	(220,165)	-
Total governmental activities	21,026,635	4,618,127	5,205,220	-0-	(11,203,288)	-0-	(11,203,288)	-0-
Business-type activities								
Delinquent tax	-	443,310	-	-	-	443,310	443,310	-
Medical Care Facility	15,163,768	16,866,940	-	-	-	1,703,172	1,703,172	-
Other	113,291	80,520	-	-	-	(32,771)	(32,771)	-
Total business-type activities	15,277,059	17,390,770	-0-	-0-	-0-	2,113,711	2,113,711	-0-
Total primary government	\$ 36,303,694	\$ 22,008,897	\$ 5,205,220	\$ -0-	(11,203,288)	2,113,711	(9,089,577)	-0-
Component units								
Road Commission	\$ 10,062,086	\$ 1,043,542	\$ 3,940,370	\$ 4,219,255	-	-	-0-	(858,919)
Drainage Districts	651,254	-	-	384,526	-	-	-0-	(266,728)
County Airport	199,355	128,860	16,811	184,879	-	-	-0-	131,195
Council on Aging	950,466	90,968	398,441	-	-	-	-0-	(461,057)
Total component units	\$ 11,863,161	\$ 1,263,370	\$ 4,355,622	\$ 4,788,660	-0-	-0-	-0-	(1,455,509)
General revenues								
Property taxes					8,689,247	3,333,297	12,022,544	428,310
State shared revenue					1,101,537	-	1,101,537	-
Investment earnings					13,769	73,459	87,228	16,307
Miscellaneous					470,636	-	470,636	75,680
Transfers					599,715	(599,715)	-0-	-
Total general revenues and transfers					10,874,904	2,807,041	13,681,945	520,297
Change in net position					(328,384)	4,920,752	4,592,368	(935,212)
Net position, beginning of the year					9,909,086	31,425,711	41,334,797	60,410,288
Net position, end of the year					\$ 9,580,702	\$ 36,346,463	\$ 45,927,165	\$ 59,475,076

See accompanying notes to financial statements.

Shiawassee County, Michigan

Governmental Funds

BALANCE SHEET

December 31, 2012

	General	Health Department	Mental Health Debt Service
ASSETS			
Cash and cash equivalents	\$ 599,369	\$ 663,736	\$ -
Investments	-	-	-
Receivables	19,080	79,024	-
Inventories	-	72,004	-
Prepays	20,569	-	-
Due from other funds	998,949	-	-
Due from other governmental units			
Federal/State	549,197	451,921	-
Local	-	-	3,785,566
Advances to other governmental units	170,000	-	-
	<u>\$ 2,357,164</u>	<u>\$ 1,266,685</u>	<u>\$ 3,785,566</u>
LIABILITIES			
Accounts payable	\$ 221,580	\$ 52,989	\$ -
Accrued liabilities	491,734	84,490	-
Due to other funds	900	13,415	-
Deferred revenue	-	510,252	3,785,566
	<u>714,214</u>	<u>661,146</u>	<u>3,785,566</u>
FUND BALANCES			
Nonspendable	190,569	-	-
Restricted	-	605,539	-
Committed	23,161	-	-
Assigned	247,558	-	-
Unassigned	1,181,662	-	-
	<u>1,642,950</u>	<u>605,539</u>	<u>-0-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 2,357,164</u></u>	<u><u>\$ 1,266,685</u></u>	<u><u>\$ 3,785,566</u></u>

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Total
\$ 2,113,286	\$ 3,376,391
254,749	254,749
381,099	479,203
-	72,004
12,000	32,569
1,097	1,000,046
139,499	1,140,617
-	3,785,566
-	170,000
<u>\$ 2,901,730</u>	<u>\$ 10,311,145</u>
\$ 72,419	\$ 346,988
61,870	638,094
6,141	20,456
169,850	4,465,668
<u>310,280</u>	<u>5,471,206</u>
12,000	202,569
2,397,405	3,002,944
182,045	205,206
-	247,558
-	1,181,662
<u>2,591,450</u>	<u>4,839,939</u>
<u>\$ 2,901,730</u>	<u>\$ 10,311,145</u>

Shiawassee County, Michigan

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

December 31, 2012

Total fund balance - governmental funds \$ 4,839,939

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	\$ 12,386,682	
Accumulated depreciation is	<u>(5,785,206)</u>	
Capital assets, net		6,601,476

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

Deferred portion of due from other governmental units	3,785,566	
Other deferred revenue	<u>438,248</u>	
		4,223,814

Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet. Long-term liabilities at year-end consist of:

Direct County obligations	5,115,582	
Accrued interest payable	61,360	
Net other post-employment benefits obligation	574,843	
Compensated absences	<u>332,742</u>	
		<u>(6,084,527)</u>

Net position of governmental activities \$ 9,580,702

Shiawassee County, Michigan

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended December 31, 2012

	General	Health Department	Mental Health Debt Service
REVENUES			
Taxes	\$ 8,604,640	\$ -	\$ -
Licenses and permits	146,273	272,721	-
Intergovernmental			
Federal/State	3,449,165	1,706,772	4,572
Local	31,176	-	302,143
Charges for services	2,414,462	58,908	-
Fines and forfeits	160,550	-	-
Interest and rents	8,542	98	-
Other	448,184	-	-
TOTAL REVENUES	15,262,992	2,038,499	306,715
EXPENDITURES			
Current			
General government	7,579,936	-	-
Public safety	5,857,096	-	-
Public works	87,698	-	-
Health and welfare	669,970	2,222,674	-
Community and economic development	145,510	-	-
Recreation and culture	348	-	-
Other	558,071	-	-
Capital outlay	256,486	-	-
Debt service	144,398	2,524	306,715
TOTAL EXPENDITURES	15,299,513	2,225,198	306,715
EXCESS OF REVENUES (UNDER) EXPENDITURES	(36,521)	(186,699)	-0-
OTHER FINANCING SOURCES (USES)			
Transfers in	766,963	249,965	-
Transfers out	(770,245)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(3,282)	249,965	-0-
NET CHANGE IN FUND BALANCES	(39,803)	63,266	-0-
Fund balances, beginning of year	1,682,753	542,273	-
Fund balances, end of year	<u>\$ 1,642,950</u>	<u>\$ 605,539</u>	<u>\$ -0-</u>

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Total
\$ 85,637	\$ 8,690,277
-	418,994
800,008	5,960,517
56,207	389,526
1,525,097	3,998,467
36,830	197,380
5,754	14,394
76,276	524,460
<u>2,585,809</u>	<u>20,194,015</u>
195,325	7,775,261
1,424,024	7,281,120
-	87,698
1,136,532	4,029,176
135,898	281,408
-	348
-	558,071
-	256,486
81,055	534,692
<u>2,972,834</u>	<u>20,804,260</u>
(387,025)	(610,245)
630,410	1,647,338
<u>(277,378)</u>	<u>(1,047,623)</u>
<u>353,032</u>	<u>599,715</u>
(33,993)	(10,530)
<u>2,625,443</u>	<u>4,850,469</u>
<u>\$ 2,591,450</u>	<u>\$ 4,839,939</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, 2012

Net change in fund balances - total governmental funds **\$ (10,530)**

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	\$ 280,418	
Depreciation expense	<u>(688,201)</u>	
Excess of depreciation expense over capital outlay		(407,783)

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

Increase in other deferred revenue	6,126	
(Decrease) in deferred portion of due from other governmental units	<u>(101,605)</u>	
		(95,479)

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 assets. In the current year, these amounts consist of:

Debt principal retirements	309,870
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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	4,657	
(Increase) in other post-employment benefits obligation	(132,926)	
Decrease in compensated absences	<u>3,807</u>	
		<u>(124,462)</u>

Change in net position of governmental activities **\$ (328,384)**

See accompanying notes to financial statements.

Shiawassee County, Michigan

Proprietary Funds

STATEMENT OF NET POSITION

December 31, 2012

	Business-type Activities			Total
	Delinquent Tax Revolving	Medical Care Facility	Nonmajor Enterprise Fund (Jail Commissary)	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 2,363,542	\$ 22,193,371	\$ 75,374	\$ 24,632,287
Accounts receivable	3,461	1,382,802	-	1,386,263
Taxes receivable	-	3,067,651	-	3,067,651
Prepays	-	238,947	-	238,947
Delinquent taxes receivable	4,099,532	-	-	4,099,532
Total current assets	6,466,535	26,882,771	75,374	33,424,680
Noncurrent assets				
Investments	2,601,594	-	-	2,601,594
Capital assets being depreciated, net	-	2,610,296	20,337	2,630,633
Total noncurrent assets	2,601,594	2,610,296	20,337	5,232,227
TOTAL ASSETS	9,068,129	29,493,067	95,711	38,656,907
LIABILITIES				
Current liabilities				
Accounts payable	70,420	286,702	17,794	374,916
Accrued liabilities	-	899,355	-	899,355
Due to other funds	979,590	-	-	979,590
Total current liabilities	1,050,010	1,186,057	17,794	2,253,861
Noncurrent liabilities				
Net other post-employment benefits obligation	-	56,583	-	56,583
TOTAL LIABILITIES	1,050,010	1,242,640	17,794	2,310,444
NET POSITION				
Net investment in capital assets	-	2,610,296	20,337	2,630,633
Restricted for employee benefits	-	6,690,452	-	6,690,452
Unrestricted	8,018,119	18,949,679	57,580	27,025,378
TOTAL NET POSITION	\$ 8,018,119	\$ 28,250,427	\$ 77,917	\$ 36,346,463

See accompanying notes to financial statements.

Shiawassee County, Michigan

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Year Ended December 31, 2012

	Business-type Activities			Total
	Delinquent Tax Revolving	Medical Care Facility	Nonmajor Enterprise Fund (Jail Commissary)	
OPERATING REVENUES				
Interest and penalties on delinquent taxes	\$ 443,310	\$ -	\$ -	\$ 443,310
Charges for services	-	16,866,940	80,520	16,947,460
TOTAL OPERATING REVENUES	443,310	16,866,940	80,520	17,390,770
OPERATING EXPENSES				
Personal services and fringes	-	11,357,355	-	11,357,355
Operating supplies	-	968,340	111,132	1,079,472
Contracted services	-	978,635	-	978,635
Depreciation	-	282,938	2,159	285,097
Other operating expenses	-	684,252	-	684,252
TOTAL OPERATING EXPENSES	-0-	14,271,520	113,291	14,384,811
OPERATING INCOME (LOSS)	443,310	2,595,420	(32,771)	3,005,959
NONOPERATING REVENUES (EXPENSES)				
Quality assurance assessment	-	(886,648)	-	(886,648)
Net loss on disposal of assets	-	(5,600)	-	(5,600)
Interest revenue	56,223	17,012	224	73,459
Property taxes	-	3,333,297	-	3,333,297
TOTAL NONOPERATING REVENUES (EXPENSES)	56,223	2,458,061	224	2,514,508
INCOME (LOSS) BEFORE TRANSFERS	499,533	5,053,481	(32,547)	5,520,467
TRANSFERS (OUT)				
Transfers out	(500,000)	-	(99,715)	(599,715)
CHANGE IN NET POSITION	(467)	5,053,481	(132,262)	4,920,752
Net position, beginning of year	8,018,586	23,196,946	210,179	31,425,711
Net position, end of year	<u>\$ 8,018,119</u>	<u>\$ 28,250,427</u>	<u>\$ 77,917</u>	<u>\$ 36,346,463</u>

See accompanying notes to financial statements.

Shiawassee County, Michigan

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended December 31, 2012

	Business-type Activities			Total
	Delinquent Tax Revolving	Medical Care Facility	Nonmajor Enterprise Fund (Jail Commissary)	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers	\$ 544,177	\$ 16,758,529	\$ 80,520	\$ 17,383,226
Cash paid to other funds	(104,177)	-	-	(104,177)
Cash paid to suppliers and others	-	(2,688,634)	(93,587)	(2,782,221)
Cash paid for employees	-	(11,326,258)	-	(11,326,258)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	440,000	2,743,637	(13,067)	3,170,570
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES				
Capital purchases	-	(197,403)	(15,794)	(213,197)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Property taxes collected	-	3,377,684	-	3,377,684
Quality assurance assessment paid	-	(886,648)	-	(886,648)
Transfers out	(500,000)	-	(99,715)	(599,715)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(500,000)	2,491,036	(99,715)	1,891,321
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	(54,808)	-	-	(54,808)
Interest revenue	56,223	17,012	224	73,459
NET CASH PROVIDED BY INVESTING ACTIVITIES	1,415	17,012	224	18,651
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(58,585)	5,054,282	(128,352)	4,867,345
Cash and cash equivalents, beginning of year	2,422,127	17,139,089	203,726	19,764,942
Cash and cash equivalents, end of year	\$ 2,363,542	\$ 22,193,371	\$ 75,374	\$ 24,632,287
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ 443,310	\$ 2,595,420	\$ (32,771)	\$ 3,005,959
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	-	282,938	2,159	285,097
(Increase) decrease in receivables	67,164	(108,411)	-	(41,247)
(Increase) in prepaids	-	(599)	-	(599)
(Decrease) in due to other funds	(104,177)	-	-	(104,177)
Increase (decrease) in accounts payable	33,703	(56,808)	17,545	(5,560)
Increase in net OPEB obligation	-	14,810	-	14,810
Increase in accrued liabilities	-	16,287	-	16,287
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 440,000	\$ 2,743,637	\$ (13,067)	\$ 3,170,570

See accompanying notes to financial statements.

Shiawassee County, Michigan

Fiduciary Funds

STATEMENT OF ASSETS AND LIABILITIES

December 31, 2012

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	<u>\$ 1,919,846</u>
LIABILITIES	
Undistributed collections payable	\$ 842,750
Due to other governmental units	
Federal/State	216,271
Local	396,358
Due to individuals and agencies	<u>464,467</u>
TOTAL LIABILITIES	<u>\$ 1,919,846</u>

See accompanying notes to financial statements.

Shiawassee County, Michigan

Component Units

COMBINING STATEMENT OF NET POSITION

December 31, 2012

	Road Commission	Drainage Districts	County Airport
ASSETS			
Current assets			
Cash and cash equivalents	\$ 3,517,118	\$ 2,184,676	\$ 66,442
Receivables			
Accounts	-	-	13,418
Taxes	-	-	-
Special assessments	-	1,892,520	-
Due from other governmental units	1,045,831	59,131	-
Inventories	522,517	-	5,187
Total current assets	5,085,466	4,136,327	85,047
Noncurrent assets			
Investments	-	-	-
Net pension asset	503,900	-	-
Noncurrent portion of due from other governmental units	-	719,462	-
Capital assets not being depreciated	5,297,618	-	191,113
Capital assets, net of accumulated depreciation	39,777,568	6,928,240	1,654,459
Total noncurrent assets	45,579,086	7,647,702	1,845,572
TOTAL ASSETS	50,664,552	11,784,029	1,930,619
LIABILITIES			
Current liabilities			
Accounts payable	90,960	23,150	2,294
Accrued liabilities	70,332	-	1,758
Accrued interest payable	-	12,515	-
Unearned revenue	-	-	5,500
Current portion of compensated absences	90,920	-	-
Current portion of long-term debt	-	285,000	-
Total current liabilities	252,212	320,665	9,552
Noncurrent liabilities			
Advances from other governmental units	190,634	170,000	-
Noncurrent portion of compensated absences	136,381	-	-
Net other post-employment benefits obligation	1,521,837	-	-
Noncurrent portion of long-term debt	-	2,714,470	-
Total noncurrent liabilities	1,848,852	2,884,470	-0-
TOTAL LIABILITIES	2,101,064	3,205,135	9,552
NET POSITION			
Net investment in capital assets	45,075,186	4,703,240	1,845,572
Restricted for County roads	3,488,302	-	-
Restricted for debt service	-	792,923	-
Restricted for capital improvement	-	3,082,731	-
Restricted for airport operations	-	-	75,495
Restricted for aging programs	-	-	-
TOTAL NET POSITION	\$ 48,563,488	\$ 8,578,894	\$ 1,921,067

See accompanying notes to financial statements.

Council on Aging	Total Component Units
\$ 288,913	\$ 6,057,149
-	13,418
392,699	392,699
-	1,892,520
-	1,104,962
-	527,704
<hr/> 681,612	<hr/> 9,988,452
89,763	89,763
-	503,900
-	719,462
-	5,488,731
<hr/> 61,086	<hr/> 48,421,353
<hr/> 150,849	<hr/> 55,223,209
832,461	65,211,661
-	116,404
4,172	76,262
-	12,515
416,662	422,162
-	90,920
-	285,000
<hr/> 420,834	<hr/> 1,003,263
-	360,634
-	136,381
-	1,521,837
-	2,714,470
<hr/> -0-	<hr/> 4,733,322
420,834	5,736,585
61,086	51,685,084
-	3,488,302
-	792,923
-	3,082,731
-	75,495
<hr/> 350,541	<hr/> 350,541
<hr/> <u>\$ 411,627</u>	<hr/> <u>\$ 59,475,076</u>

Shiawassee County, Michigan

Component Units

STATEMENT OF ACTIVITIES

Year Ended December 31, 2012

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	Drainage District	County Airport	Council on Aging	Total
Road Commission	\$10,062,086	\$ 1,043,542	\$ 3,940,370	\$ 4,219,255	\$ (858,919)	\$ -	\$ -	\$ -	\$ (858,919)
Drainage Districts	651,254	-	-	384,526	-	(266,728)	-	-	(266,728)
County Airport	199,355	128,860	16,811	184,879	-	-	131,195	-	131,195
Council on Aging	950,466	90,968	398,441	-	-	-	-	(461,057)	(461,057)
TOTALS	\$11,863,161	\$ 1,263,370	\$ 4,355,622	\$ 4,788,660	(858,919)	(266,728)	131,195	(461,057)	(1,455,509)
General revenues									
					4,071	3,485	7	8,744	16,307
					-	-	-	428,310	428,310
					43,739	-	-	31,941	75,680
					47,810	3,485	7	468,995	520,297
					(811,109)	(263,243)	131,202	7,938	(935,212)
					49,374,597	8,842,137	1,789,865	403,689	60,410,288
					\$ 48,563,488	\$ 8,578,894	\$ 1,921,067	\$ 411,627	\$ 59,475,076

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

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; GASB Statement No. 14, *The Financial Reporting Entity* (as amended by GASB Statement No. 39); and *Statement on Michigan Governmental Accounting and Auditing No. 4*, 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 the Debt Service 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.

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.

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 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, 2012

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

3. Discretely Presented Component Units - continued

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 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 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 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 Ventures

The County participates in the following activities, which are considered to be joint ventures 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.

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.

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.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

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

5. Jointly Governed Organizations - continued

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, 2012, 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, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

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

The County reports the following major governmental funds:

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

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

7. Basis of Presentation - continued

FUND FINANCIAL STATEMENTS - CONTINUED

- 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.
- c. The Mental Health Debt Service Fund 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.

The County reports the following major enterprise funds:

- 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.
- b. The Medical Care Facility Fund is used to report activities related to providing long-term care services to the County residents. These activities are financed primarily through user charges (Medicaid, Medicare, private, etc.).

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

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

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

Shiawassee County, Michigan
NOTES TO FINANCIAL STATEMENTS

December 31, 2012

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

9. Basis of Accounting - continued

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.

13. Inventories

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 or deferred revenue.

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. Deferred and Unearned Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or for resources that have been received, but not yet earned.

The Statement of Net Position reports unearned revenue for resources that have been received, but not yet earned.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

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

15. 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:

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

16. 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 reserved for the amount of advances made to reflect the fund balance not currently available for expenditure.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

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

17. 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.

18. Long-Term Obligations

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

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

19. 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, 2012, including related payroll taxes, are recorded in the government-wide financial statements.

20. 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.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

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

20. Budgets and Budgetary Accounting - continued

- 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.

21. 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.

22. 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, 2012, are as follows:

<u>Fund</u>	<u>Negative Pooled Cash</u>	<u>Nonpooled Cash and Cash Equivalents</u>	<u>Financial Statements</u>
PRIMARY GOVERNMENT			
Friend of the Court	\$ (52,076)	\$ 151,931	\$ 99,855
Delinquent Tax Revolving	(912,623)	3,276,165	2,363,542
	<u>\$ (964,699)</u>	<u>\$ 3,428,096</u>	<u>\$ 2,463,397</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.

Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

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

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.
- 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, 2012, 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	\$ 19,698,287	\$ 19,885,614
Savings accounts	8,287,821	8,295,544
Certificates of deposit	2,856,343	2,856,343
	<u>30,842,451</u>	<u>31,037,501</u>
COMPONENT UNITS		
Checking	2,925,196	3,038,126
Savings accounts	3,131,917	3,131,917
	<u>6,057,113</u>	<u>6,170,043</u>
FIDUCIARY FUNDS		
Checking	1,890,196	1,908,513
Savings accounts	27,288	27,288
	<u>1,917,484</u>	<u>1,935,801</u>
TOTAL REPORTING ENTITY	<u><u>\$ 38,817,048</u></u>	<u><u>\$ 39,143,345</u></u>

Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

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

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, 2012, the primary government and component unit accounts were insured by the FDIC or FSLIC for \$4,299,280 and the amount of \$34,844,065 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.

As of December 31, 2012, 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	3,263	3,263	N/A	N/A
TOTAL PRIMARY GOVERNMENT	5,968	5,968		
COMPONENT UNITS				
Insured or registered for which the securities are held by the County's agent in the County's name -				
General Motors Acceptance Corp - bond	11,899	11,899	B+/B1/BB	6 years
Washington Mutual Mortgage - bonds	2,017	2,017	A1	20 years
Countrywide Home Loan Mortgage Association - bonds	12,394	12,394	AAA	23 years
Federal Home Loan Mortgage - bonds	63,453	63,453	Aaa	20-24 years
TOTAL COMPONENT UNITS	89,763	89,763		
TOTAL REPORTING ENTITY	\$ 95,731	\$ 95,731		

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, 2012, 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.

Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

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

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, 2012:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Funds</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 28,008,678	\$ 6,057,149	\$ 1,919,846	\$ 35,985,673
Investments - noncurrent	<u>2,856,343</u>	<u>89,763</u>	<u>-</u>	<u>2,946,106</u>
	<u>\$ 30,865,021</u>	<u>\$ 6,146,912</u>	<u>\$ 1,919,846</u>	<u>\$ 38,931,779</u>

The primary government cash and cash equivalents caption on the combined balance sheet include \$16,602 in imprest cash. The component unit cash and cash equivalents caption include \$36 in imprest cash. The fiduciary funds cash and cash equivalents caption include \$2,362 in imprest cash.

NOTE D: 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	\$ 167,248
Nonmajor enterprise fund	99,715
Delinquent Tax Revolving Fund	<u>500,000</u>
	<u>\$ 766,963</u>
Transfer to Health Department Fund from:	
General Fund	<u>\$ 249,965</u>
Transfers to nonmajor governmental funds from:	
General Fund	\$ 520,280
Nonmajor governmental funds	<u>110,130</u>
	<u>\$ 630,410</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.

Shiawassee County, Michigan
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE E: INTERFUND RECEIVABLES AND PAYABLES

The following schedule details interfund receivables and payables related to the primary government at December 31, 2012:

Due to General Fund from:	
Delinquent Tax Revolving	\$ 979,590
Health Department Fund	13,415
Nonmajor governmental funds	<u>5,944</u>
	<u>\$ 998,949</u>
Due to nonmajor governmental funds from:	
General Fund	\$ 900
Nonmajor governmental funds	<u>197</u>
	<u>\$ 1,097</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 F: 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, 2012:

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.

NOTE G: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2012 was as follows:

PRIMARY GOVERNMENT

	Balance Jan. 1, 2012	Additions/ Reclassification	Deletions/ Reclassification	Balance Dec. 31, 2012
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 615,000	\$ -	\$ -	\$ 615,000

Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE G: CAPITAL ASSETS - CONTINUED

PRIMARY GOVERNMENT - CONTINUED

	Balance Jan. 1, 2012	Additions/ Reclassification	Deletions/ Reclassification	Balance Dec. 31, 2012
Governmental Activities - Continued				
Capital assets being depreciated				
Land improvements	\$ 131,038	\$ -	\$ -	\$ 131,038
Building and improvements	6,772,779	13,261	(7,435)	6,778,605
Office and computer equipment	3,816,082	243,225	(30,129)	4,029,178
Vehicles	830,644	23,932	(21,715)	832,861
Subtotal	11,550,543	280,418	(59,279)	11,771,682
Less accumulated depreciation				
Land improvements	(82,004)	(5,583)	-	(87,587)
Building and improvements	(2,515,624)	(196,813)	4,886	(2,707,551)
Office and computer equipment	(2,002,232)	(361,963)	30,129	(2,334,066)
Vehicles	(556,424)	(112,824)	13,246	(656,002)
Subtotal	(5,156,284)	(677,183)	48,261	(5,785,206)
Net capital assets being depreciated	6,394,259	(396,765)	(11,018)	5,986,476
Capital assets, net	<u>\$ 7,009,259</u>	<u>\$ (396,765)</u>	<u>\$ (11,018)</u>	<u>\$ 6,601,476</u>
Business-type Activities				
Capital assets being depreciated				
Land improvements	\$ 161,387	\$ 20,981	\$ (57,667)	\$ 124,701
Building and improvements	5,309,230	120,410	(210,826)	5,218,814
Office and computer equipment	2,118,148	71,806	(138,013)	2,051,941
Subtotal	7,588,765	213,197	(406,506)	7,395,456
Less accumulated depreciation				
Land improvements	(106,162)	(8,098)	57,667	(56,593)
Building and improvements	(3,306,606)	(214,908)	210,826	(3,310,688)
Office and computer equipment	(1,467,864)	(62,091)	132,413	(1,397,542)
Subtotal	(4,880,632)	(285,097)	400,906	(4,764,823)
Net capital assets being depreciated	2,708,133	(71,900)	(5,600)	2,630,633
Capital assets, net	<u>\$ 2,708,133</u>	<u>\$ (71,900)</u>	<u>\$ (5,600)</u>	<u>\$ 2,630,633</u>

Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE G: CAPITAL ASSETS - CONTINUED

PRIMARY GOVERNMENT - CONTINUED

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

Governmental Activities		
General government	\$	298,542
Public safety		367,795
Health and welfare		9,844
Recreation and culture		12,020
		<u>688,201</u>
Business-type Activities		
Medical Care Facility	\$	282,938
Jail Commissary		2,159
		<u>285,097</u>
	\$	<u><u>973,298</u></u>

The current year depreciation expense in the Governmental Activities of \$677,183 has been adjusted by \$11,018 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.

COMPONENT UNITS

	Balance Jan. 1, 2012	Additions	Deletions	Balance Dec. 31, 2012
Component Unit - Road Commission				
Capital assets not being depreciated				
Land and land improvements	\$ 595,381	\$ -	\$ -	\$ 595,381
Infrastructure and improvements	4,717,289	82,817	(97,869)	4,702,237
Subtotal	5,312,670	82,817	(97,869)	5,297,618
Capital assets being depreciated/depleted				
Buildings and improvements	2,984,021	9,900	-	2,993,921
Machinery and equipment	6,569,075	183,855	(134,600)	6,618,330
Office and computer equipment	126,667	-	-	126,667
Infrastructure - roads	53,814,911	1,496,522	(1,692,782)	53,618,651
Infrastructure - bridges	19,656,653	918,361	-	20,575,014
Depletable assets	153,402	-	-	153,402
Subtotal	83,304,729	2,608,638	(1,827,382)	84,085,985

Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE G: CAPITAL ASSETS - CONTINUED

COMPONENT UNITS - CONTINUED

	Balance Jan. 1, 2012	Additions	Deletions	Balance Dec. 31, 2012
Component Unit - Road Commission - Continued				
Less accumulated depreciation/depletion				
Buildings and improvements	\$ (1,073,047)	\$ (98,117)	\$ -	\$ (1,171,164)
Machinery and equipment	(6,156,982)	(255,107)	134,173	(6,277,916)
Office and computer equipment	(115,934)	(2,469)	-	(118,403)
Infrastructure - roads	(28,995,731)	(2,980,370)	1,692,782	(30,283,319)
Infrastructure - bridges	(5,882,712)	(421,501)	-	(6,304,213)
Depletable assets	(153,402)	-	-	(153,402)
Subtotal	<u>(42,377,808)</u>	<u>(3,757,564)</u>	<u>1,826,955</u>	<u>(44,308,417)</u>
Net capital assets being depreciated/depleted	<u>40,926,921</u>	<u>(1,148,926)</u>	<u>(427)</u>	<u>39,777,568</u>
Capital assets, net	<u>\$ 46,239,591</u>	<u>\$ (1,066,109)</u>	<u>\$ (98,296)</u>	<u>\$ 45,075,186</u>
Component Unit - Drainage Districts				
Capital assets not being depreciated				
Construction in progress	\$ 164,523	\$ 8,761	\$ (173,284)	\$ -0-
Capital assets being depreciated				
Infrastructure - drains	10,706,393	173,284	-	10,879,677
Less accumulated depreciation				
Infrastructure - drains	<u>(3,731,165)</u>	<u>(220,272)</u>	<u>-</u>	<u>(3,951,437)</u>
Net capital assets being depreciated	<u>6,975,228</u>	<u>(46,988)</u>	<u>-0-</u>	<u>6,928,240</u>
Capital assets, net	<u>\$ 7,139,751</u>	<u>\$ (38,227)</u>	<u>\$ (173,284)</u>	<u>\$ 6,928,240</u>
Component Unit - County Airport				
Capital assets not being depreciated				
Construction in progress	\$ -	\$ 191,113	\$ -	\$ 191,113
Capital assets being depreciated				
Land improvements	1,906,179	-	-	1,906,179
Building and improvements	118,751	-	-	118,751
Office and computer equipment	31,058	-	-	31,058
Vehicles	<u>63,764</u>	<u>-</u>	<u>-</u>	<u>63,764</u>
Subtotal	2,119,752	-0-	-0-	2,119,752

Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE G: CAPITAL ASSETS - CONTINUED

COMPONENT UNITS - CONTINUED

	Balance Jan. 1, 2012	Additions	Deletions	Balance Dec. 31, 2012
Component Unit - County Airport - Continued				
Less accumulated depreciation				
Land improvements	\$ (315,011)	\$ (55,499)	\$ -	\$ (370,510)
Building and improvements	(48,309)	(2,416)	-	(50,725)
Office and computer equipment	(15,019)	(3,534)	-	(18,553)
Vehicles	(19,128)	(6,377)	-	(25,505)
Subtotal	(397,467)	(67,826)	-0-	(465,293)
Net capital assets being depreciated	1,722,285	(67,826)	-0-	1,654,459
Capital assets, net	<u>\$ 1,722,285</u>	<u>\$ 123,287</u>	<u>\$ -0-</u>	<u>\$ 1,845,572</u>
Component Unit - Council on Aging				
Capital assets being depreciated				
Buildings	\$ 103,498	\$ 3,189	\$ -	\$ 106,687
Equipment	30,827	11,751	-	42,578
Subtotal	134,325	14,940	-0-	149,265
Less accumulated depreciation				
Buildings	(62,214)	(4,102)	-	(66,316)
Equipment	(16,256)	(5,607)	-	(21,863)
Subtotal	(78,470)	(9,709)	-0-	(88,179)
Capital assets, net	<u>\$ 55,855</u>	<u>\$ 5,231</u>	<u>\$ -0-</u>	<u>\$ 61,086</u>

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, 2012:

	Balance Jan. 1, 2012	Additions	Deletions	Balance Dec. 31, 2012	Amount Due Within One Year
PRIMARY GOVERNMENT					
Governmental Activities					
Installment Purchase Agreements	\$ 167,652	\$ -	\$ 54,709	\$ 112,943	\$ 55,876
Capital Leases	517,800	-	105,161	412,639	112,266
Capital Improvement Bonds	880,000	-	30,000	850,000	35,000
General Obligation Bonds	3,860,000	-	120,000	3,740,000	125,000
Compensated Absences	336,549	415,574	419,381	332,742	33,655
TOTAL PRIMARY GOVERNMENT	5,762,001	415,574	729,251	5,448,324	361,797

Shiawassee County, Michigan
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE H: LONG-TERM DEBT - CONTINUED

	Balance Jan. 1, 2012	Additions	Deletions	Balance Dec. 31, 2012	Amount Due Within One Year
COMPONENT UNITS					
Road Commission					
Compensated Absences	\$ 240,812	\$ 283,827	\$ 297,338	\$ 227,301	\$ 90,920
Drainage Districts					
Drain bonds and notes	3,279,470	-	280,000	2,999,470	285,000
TOTAL COMPONENT UNITS	3,520,282	283,827	577,338	3,226,771	375,920
TOTAL REPORTING ENTITY	\$ 9,282,283	\$ 699,401	\$ 1,306,589	\$ 8,675,095	\$ 737,717

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 annual installments ranging from \$44,824 to 45,685 through May 1, 2014, with an interest rate of 3.84 percent, payable semi-annually. \$ 90,507

\$100,000 Installment Purchase Agreement, dated April 27, 2004, due in annual installments ranging from \$11,052 to \$11,382 through May 1, 2014, with interest of 6.01 percent, payable semi-annually. 22,436

\$ 112,943

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, 2016. \$ 382,832

\$123,425 Copier Lease Agreement dated June 15, 2009, due in an annual installment of \$29,807 on June 15, 2013. 29,807

\$ 412,639

Capital Improvement Bonds

\$880,000 Capital Improvement Bonds dated September 23, 2010, due in annual installments ranging from \$35,000 to \$75,000 through November 1, 2027 with interest of 3.40 percent to 7.25 percent payable semi-annually. \$ 850,000

Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE H: LONG-TERM DEBT - CONTINUED

PRIMARY GOVERNMENT - CONTINUED

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. \$ 1,150,000

\$2,790,000 General Obligation Limited Tax Capital Improvement Bonds dated July 8, 2010 due in annual installments from \$90,000 to \$185,000 through April 28, 2032 with interest of 4.0% payable annually. 2,590,000

\$ 3,740,000

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 \$184,990 and \$147,752 for vacation and sick, respectively, at December 31, 2012 for a total of \$332,742. Of this amount, \$33,655 has been recorded as a current liability, and \$299,087 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 in a current and long-term portion of the liability. For this reason, the total liability reported in the government-wide financial statements of the Road Commission represents a current liability of \$90,920 and a noncurrent liability of \$136,381 at December 31, 2012.

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. \$ 375,000

\$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 3.45 percent to 4.35 percent, payable semi-annually. 1,575,000

\$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%, payable semi-annually. 619,470

Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE H: LONG-TERM DEBT - CONTINUED

COMPONENT UNIT - DRAINAGE DISTRICTS - CONTINUED

\$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.	\$ 155,000
\$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>275,000</u>
	<u>\$ 2,999,470</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
2013	\$ 55,876	\$ 3,631	\$ 112,266	\$ 8,485
2014	57,067	1,219	82,958	-
2015	-	-	83,458	-
2016	-	-	83,957	-
2017	-	-	50,000	-
	<u>\$ 112,943</u>	<u>\$ 4,850</u>	<u>\$ 412,639</u>	<u>\$ 8,485</u>

Year Ending December 31,	Capital Improvement Bonds		General Obligation Bonds	
	Principal	Interest	Principal	Interest
2013	\$ 35,000	\$ 50,155	\$ 125,000	\$ 182,265
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
2018-2022	290,000	171,175	810,000	708,875
2023-2027	335,000	73,724	1,045,000	493,852
2028-2032	-	-	1,215,000	189,835
	<u>\$ 850,000</u>	<u>\$ 480,509</u>	<u>\$ 3,740,000</u>	<u>\$ 2,255,312</u>

Shiawassee County, Michigan
NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE H: LONG-TERM DEBT - CONTINUED

COMPONENT UNITS

<u>Year Ending December 31,</u>	Drainage District Bonds and Notes	
	Principal	Interest
2013	\$ 285,000	\$ 111,796
2014	310,000	100,077
2015	335,000	87,083
2016	335,000	72,773
2017	240,000	61,070
2018-2022	930,000	189,939
2023-2026	564,470	34,042
	\$ 2,999,470	\$ 656,780

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, 2012

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, 2012 the County's annual pension cost of \$3,052,342 for the plan was equal to the County's required contribution. Of this amount, \$1,904,951 was County general employees and \$1,147,391 was medical care facility employees. The annual required contribution was determined as part of an actuarial valuation of the plan as of December 31, 2010, 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 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.

Three (3) year trend information

	Year ended December 31,		
	2009	2010	2011
Actuarial value of assets	\$ 58,367,176	\$ 59,855,811	\$ 60,832,866
Actuarial accrued liability (AAL) (entry age)	87,997,618	90,595,091	94,965,530
Unfunded AAL	29,630,442	30,739,280	34,132,664
Funded Ratio	66%	66%	64%
Covered Payroll	16,300,618	15,391,811	15,073,296
UAAL as a percentage of covered payroll	182%	200%	226%

	Year ended December 31,		
	2010	2011	2012
Annual pension cost	\$ 2,936,506	\$ 2,952,461	\$ 3,052,342
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-	-	-

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

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, 2012 the Commission's annual pension cost of \$433,348 for the plan was equal to the Commission's required contribution. The annual required contribution was determined as part of an actuarial valuation of the plan as of December 31, 2010, 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, 2012

NOTE I: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

COMPONENT UNIT - ROAD COMMISSION - CONTINUED

Three (3) year trend information

	Year ended December 31,		
	2009	2010	2011
Actuarial value of assets	\$ 11,302,824	\$ 11,228,007	\$ 11,184,668
Actuarial accrued liability (AAL) (entry age)	16,847,166	17,529,557	18,011,571
Unfunded AAL	5,544,342	6,301,550	6,826,903
Funded Ratio	67%	64%	62%
Covered Payroll	2,127,185	1,988,518	1,988,131
UAAL as a percentage of covered payroll	261%	317%	343%

	Year ended December 31,		
	2010	2011	2012
Annual pension cost	\$ 403,539	\$ 427,438	\$ 433,348
Percentage of APC contributed	100%	100%	216%
Net pension asset	-	-	503,900

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.

Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

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, 2012 the Council's annual pension cost of \$10,709 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, 2010, 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 8.4% 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.

Three (3) year trend information

	Year ended December 31,		
	2009	2010	2011
Actuarial value of assets	\$ 547,436	\$ 580,043	\$ 595,184
Actuarial accrued liability (AAL) (entry age)	611,772	681,945	699,394
Unfunded AAL	64,336	101,902	104,210
Funded Ratio	89%	85%	85%
Covered Payroll	178,378	179,573	188,746
UAAL as a percentage of covered payroll	36%	57%	55%

	Year ended December 31,		
	2010	2011	2012
Annual pension cost	\$ 9,965	\$ 8,074	\$ 10,709
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-	-	-

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

Shiawassee County, Michigan
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2012

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	100,000

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.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE J: RISK MANAGEMENT - CONTINUED

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

In addition, the Authority has accumulated resources to create and fund an internal Stop Loss Fund. The Stop Loss Fund 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 Fund. If at any time the Stop Loss Fund is insufficient to fund Shiawassee County's losses, the remaining liability shall become the responsibility of the Authority as a whole.

At December 31, 2012, the County had funds on deposit of \$505,641 with the Authority and reserves for reported claims of \$122,357.

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.

Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE K: CONTINGENT LIABILITIES - CONTINUED

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.

There are potential legal actions pending against the Commission. 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 Commission's potential liability, if any. Those actions for which a reasonable estimate can be determined of the Commission's potential liability and that would not be covered by insurance, if any, are considered by the Commission and legal counsel to be immaterial.

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 2012 ad valorem taxes were levied and collectible on July 1, 2012. It is the County's policy to recognize revenues from the tax levy in the year when the proceeds of the levy are budgeted and made available for the financing of County operations. As a result, the County's Summer 2012 tax levy has been recognized as revenue in the current fiscal year. The 2012 adjusted taxable value of Shiawassee County amounted to approximately \$1,666,680,197 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 2011 adjusted taxable value of Shiawassee County amounted to approximately \$1,696,789,645 on which the Council on Aging Fund levied 0.2500 mills and the Veterans Affairs 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, 2012. 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, 2012:

PRIMARY GOVERNMENT	
Governmental Activities	
Public safety	
Central dispatch	\$ 1,081,769
Local correction training	43,623
Drug forfeiture	28,389
Drunk driving	125,887
Sheriff collection	80,518
Local law enforcement	1,262
	<hr/>
	\$ 1,361,448

Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE M: RESTRICTED NET POSITION - CONTINUED

PRIMARY GOVERNMENT

Governmental Activities

Capital improvement \$ 89,507

Other purposes

Rails to trails \$ 11,062

Family counseling 72,002

Friend of the Court 98,992

Animal control donations 21,230

Housing rehabilitation 22,598

Law library 36

Childcare 183,040

Veterans trust 1,034

Veterans relief 97,487

MAGNET 354,234

Health department 605,539

Register of Deeds automation 96,735

\$ 1,563,989

Business-type activities

Medical Care Facility

Employee benefits \$ 6,690,452

COMPONENT UNITS

Drainage Districts

Capital improvement \$ 3,082,731

Debt service \$ 792,923

Road Commission

County roads \$ 3,488,302

County Airport

Airport operations \$ 75,495

Council on Aging

Aging programs \$ 350,541

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

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.

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. Forty-two (42) 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 \$130,092 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.

Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE O: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

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

Funding Progress

For the year ended December 31, 2012, 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)	\$ 431,201
Interest on net OPEB obligation	19,886
Adjustment to annual required contribution	<u>(9,266)</u>
Annual OPEB cost (expense)	441,821
Amounts contributed:	
Payments of current premiums (Gross of employee reimbursement)	<u>308,895</u>
Increase in net OPEB obligation	132,926
OPEB obligation - Beginning of year	<u>441,917</u>
OPEB obligation - End of year	<u><u>\$ 574,843</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>2010</u>	<u>2011</u>	<u>2012</u>
Annual OPEB cost	\$ 409,213	\$ 419,990	\$ 441,821
Percentage contributed	67.05%	69.30%	69.91%
Net OPEB obligation	312,981	441,917	574,843

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.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE O: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

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

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.

Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE O: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

COMPONENT UNIT - ROAD COMMISSION - CONTINUED

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, 2012, 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.

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

Annual required contribution	\$ 810,620
Interest on net OPEB obligation	78,550
Adjustment to annual required contribution	<u>(58,463)</u>
Annual OPEB cost (expense)	830,707
Contributions made	<u>(431,007)</u>
Increase in net OPEB obligation	399,700
Net OPEB obligation - Beginning of year	<u>1,122,137</u>
Net OPEB obligation - End of year	<u><u>\$ 1,521,837</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>2010</u>	<u>2011</u>	<u>2012</u>
Annual OPEB costs	\$ 959,225	\$ 827,314	\$ 830,707
Percentage contributed	62.62%	68.94%	51.88%
Net OPEB obligation	\$ 865,141	\$ 1,122,137	\$ 1,521,837

Shiawassee County, Michigan
 NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE O: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

COMPONENT UNIT - ROAD COMMISSION - CONTINUED

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

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

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.

Shiawassee County, Michigan
NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE O: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

COMPONENT UNIT - MEDICAL CARE FACILITY - CONTINUED

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, 2012, 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.

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

Annual required contribution	\$ 53,005
Interest on net OPEB obligation	1,880
Adjustment to annual required contribution	<u>(930)</u>
Annual OPEB cost (expense)	53,955
Contributions made	<u>(39,145)</u>
Increase in net OPEB obligation	14,810
Net OPEB obligation - Beginning of year	<u>41,773</u>
Net OPEB obligation - End of year	<u><u>\$ 56,583</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:

	2010	2011	2012
Annual OPEB cost	\$ 46,722	\$ 47,961	\$ 53,955
Percentage contributed	79.59%	66.60%	72.55%
Net OPEB obligation	\$ 25,755	\$ 41,773	\$ 56,583

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%

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE O: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

COMPONENT UNIT - MEDICAL CARE FACILITY - CONTINUED

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.

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 CATEGORIES AND CLASSIFICATIONS

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

Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE P: DETAILS OF FUND BALANCE CATEGORIES AND CLASSIFICATIONS - CONTINUED

Fund Balance Classification Policies and Procedures

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 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	Nonmajor Governmental Funds	Total
Fund Balances				
Nonspendable				
Advances	\$ 170,000	\$ -	\$ -	\$ 170,000
Prepays	20,569	-	12,000	32,569
Restricted				
Rails to Trails	-	-	11,062	11,062
Family Counseling	-	-	72,002	72,002
Friend of the Court	-	-	98,992	98,992
Central Dispatch	-	-	1,081,769	1,081,769
Drunk Driving	-	-	125,887	125,887
Animal Control Donations	-	-	21,230	21,230
Housing Rehabilitation	-	-	22,598	22,598
Sheriff Collection	-	-	80,518	80,518
Register of Deeds Automation	-	-	96,735	96,735
Local Correction Training	-	-	43,623	43,623
Drug Forfeiture	-	-	28,389	28,389
Local Law Enforcement	-	-	1,262	1,262
Law Library	-	-	36	36
Child Care - Probate	-	-	59,972	59,972
Child Care - DHS	-	-	123,068	123,068
Veterans Relief	-	-	97,487	97,487
Veterans Trust	-	-	1,034	1,034
MAGNET	-	-	342,234	342,234
Health department activities	-	605,539	-	605,539
Equipment Acquisition	-	-	1,414	1,414
Jail Fund	-	-	88,093	88,093
Committed				
Building Stabilization	23,161	-	-	23,161
Prosecutor's Fees	-	-	64,063	64,063
Farmland Preservation	-	-	1,448	1,448
Building Code	-	-	5,028	5,028
Emergency Management	-	-	40,653	40,653
Sheriff Posse	-	-	12,045	12,045
Prosecutor's Assets	-	-	34,230	34,230
REACH	-	-	4,710	4,710
Social Welfare - DHS	-	-	6,905	6,905
Cigarette Tax	-	-	1,858	1,858
Riverhaven	-	-	11,105	11,105
Assigned for subsequent year's expenditures	247,558	-	-	247,558
Unassigned	1,181,662	-	-	1,181,662
TOTAL FUND BALANCES	\$ 1,642,950	\$ 605,539	\$ 2,591,450	\$ 4,839,939

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

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, 2012, the Federal aid received and expended by the Road Commission was \$817,131 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 four (4) vendors, Stechschulte Gas & Oil Co., D&D Truck & Trailer, The Town Tub, 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 \$560,892 for the year ended December 31, 2012. The Road Commissioner related to the above parties abstained from voting on all contracts related to these parties.

NOTE S: UPCOMING ACCOUNTING PRONOUNCEMENTS

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

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The Statement will be effective for the County's year ended December 31, 2013. The Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The County is currently evaluating the impact this standard will have on the financial statements when adopted.

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.

Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE T: CHANGE IN ACCOUNTING PRINCIPLES

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The Statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. This GASB Statement also provides a new format to certain financial statements to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. This Statement impacted the format and reporting of the statement of net position and the balance sheet at the government-wide level and at the fund level, respectively.

REQUIRED SUPPLEMENTARY INFORMATION

Shiawassee County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE -
(NON-GAAP BUDGETARY BASIS)

Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Current and delinquent property taxes	\$ 8,434,660	\$ 8,541,429	\$ 8,572,351	\$ 30,922
Mobile home park taxes	11,500	11,500	12,965	1,465
Other tax revenue	20,300	20,864	19,324	(1,540)
Total taxes	8,466,460	8,573,793	8,604,640	30,847
Licenses and permits				
Dog and kennel licenses	130,000	130,000	119,528	(10,472)
Other licenses and permits	16,600	27,782	26,745	(1,037)
Total licenses and permits	146,600	157,782	146,273	(11,509)
Intergovernmental - Federal/State				
Cooperative reimbursement				
Prosecuting attorney	156,061	156,061	165,456	9,395
Friend of the court	536,811	536,811	498,100	(38,711)
Juvenile grant	27,317	27,317	27,317	-0-
ADC Maintenance incentive	106,000	167,000	184,208	17,208
Sheriff - justice	-	-	1,025	1,025
Sheriff - road patrol	82,530	82,530	85,982	3,452
Revenue Sharing	1,196,989	1,101,537	1,101,537	-0-
Liquor license	11,600	12,437	12,561	124
Convention facility liquor tax	124,274	134,910	134,910	-0-
Victims' rights	64,491	64,491	64,806	315
Drivers license restoration	20,000	20,527	527	(20,000)
Probate court judge	147,500	147,500	149,013	1,513
Circuit court judge	45,724	45,724	45,724	-0-
District court judge	91,448	91,448	92,048	600
Diverted felons	41,620	41,620	28,690	(12,930)
Jury fee reimbursement	12,500	12,500	12,230	(270)
Community corrections	65,298	65,298	56,379	(8,919)
PA 345 - remonumentation	60,000	65,003	65,003	-0-
Court equity	325,000	325,000	299,964	(25,036)
Emergency management	283,659	438,569	423,685	(14,884)
Total intergovernmental - Federal/State	3,398,822	3,536,283	3,449,165	(87,118)
Intergovernmental - Local	-	31,176	31,176	-0-

Shiawassee County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE -
(NON-GAAP BUDGETARY BASIS) - CONTINUED

Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES - CONTINUED				
Charges for services				
Sheriff	\$ 80,040	\$ 83,718	\$ 84,668	\$ 950
Treasurer fees	6,000	6,000	5,858	(142)
Equalization	65,000	65,000	59,070	(5,930)
Friend of the court service fees	65,000	68,777	70,755	1,978
District court	894,100	894,100	854,017	(40,083)
Circuit court	313,000	313,000	316,679	3,679
Probation - juvenile	30,000	33,500	33,810	310
Clerk	116,500	116,500	117,854	1,354
Register of deeds	302,000	302,000	401,780	99,780
Probate court	35,000	35,000	22,458	(12,542)
Community development	21,000	22,500	23,506	1,006
Landfill agreement	75,000	75,000	75,000	-0-
Care of prisoners	354,000	354,000	347,467	(6,533)
Other charges and services	3,500	3,500	1,540	(1,960)
Total charges for services	2,360,140	2,372,595	2,414,462	41,867
Fines and forfeits				
Bond forfeitures	6,000	6,000	11,250	5,250
Ordinance fines and costs	185,000	185,000	149,300	(35,700)
Total fines and forfeits	191,000	191,000	160,550	(30,450)
Interest and rents				
Interest	15,000	15,000	6,791	(8,209)
Rents	500	1,480	1,655	175
Total interest and rents	15,500	16,480	8,446	(8,034)
Other				
Contributions	15,500	19,636	19,636	-0-
Reimbursements - indirect costs	76,000	114,470	114,470	-0-
Reimbursements - other	31,000	132,533	81,244	(51,289)
Bond or insurance recoveries	-	22,285	22,285	-0-
Other	180,200	210,371	210,549	178
Total other	302,700	499,295	448,184	(51,111)
TOTAL REVENUES	14,881,222	15,378,404	15,262,896	(115,508)

Shiawassee County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE -
(NON-GAAP BUDGETARY BASIS) - CONTINUED

Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES				
Current				
General government				
Board of Commissioners	\$ 139,985	\$ 143,610	\$ 143,544	\$ 66
Circuit court	622,650	625,400	581,959	43,441
District court	1,083,929	1,100,560	1,074,763	25,797
Friend of court	736,426	777,318	775,420	1,898
Probate - juvenile division	593,472	571,601	546,679	24,922
Probate - estate division	346,656	372,027	358,348	13,679
Circuit court - probation/parole	2,418	2,418	2,147	271
County Administrator	233,036	239,578	238,943	635
Elections	124,601	182,976	182,972	4
Clerk	406,389	437,685	437,167	518
Equalization	189,182	214,252	206,021	8,231
Prosecuting Attorney	886,397	893,295	892,691	604
Jury	39,804	39,804	26,757	13,047
Register of Deeds	279,833	259,281	258,688	593
County survey and remonumentation	75,798	77,801	77,801	-0-
Technology services	175,723	176,323	150,140	26,183
Treasurer	268,920	277,120	277,025	95
Postage	59,915	56,415	56,151	264
Agricultural extension	35,036	35,036	35,036	-0-
Courthouse and grounds	729,136	779,437	753,037	26,400
Drain commissioner	261,416	293,192	291,479	1,713
Telephone	99,045	99,045	98,564	481
Professional services	143,005	115,130	106,509	8,621
Airport	6,978	6,978	6,978	-0-
Other	-	1,200	1,117	83
Total general government	7,539,750	7,777,482	7,579,936	197,546
Public safety				
Sheriff	3,232,233	3,222,511	3,172,534	49,977
Security	150,533	150,533	144,622	5,911
Secondary road patrol	86,686	86,686	83,755	2,931
Jail	2,181,437	2,363,990	2,363,518	472
Animal control	55,615	94,885	92,667	2,218
Total public safety	5,706,504	5,918,605	5,857,096	61,509

Shiawassee County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE -
(NON-GAAP BUDGETARY BASIS) - CONTINUED

Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES - CONTINUED				
Current				
Public works				
Drains at large	\$ 111,600	\$ 87,698	\$ 87,698	\$ -0-
Health and welfare				
Household hazardous waste	-	12,334	10,535	1,799
Medical examiner	132,450	132,450	130,112	2,338
Mental health	200,000	200,000	200,000	-0-
Emergency services	121,715	228,968	231,369	(2,401)
Veterans affairs	28,496	79,829	74,554	5,275
Veterans burials	29,760	29,760	23,400	6,360
Total health and welfare	512,421	683,341	669,970	13,371
Community and economic development				
Community development and strategic planning	144,835	146,335	145,510	825
Recreation and culture				
Parks	697	697	348	349
Other				
Insurance and bonds	453,000	443,274	427,850	15,424
Other	155,454	130,682	130,221	461
Total other	608,454	573,956	558,071	15,885
Capital outlay	201,199	264,967	256,486	8,481
Debt service	144,401	144,401	144,398	3
TOTAL EXPENDITURES	14,969,861	15,597,482	15,299,513	297,969
EXCESS OF REVENUES (UNDER) EXPENDITURES	(88,639)	(219,078)	(36,617)	182,461

Shiawassee County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE -
(NON-GAAP BUDGETARY BASIS) - CONTINUED

Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
OTHER FINANCING SOURCES (USES)				
Transfers in				
Veterans Relief Fund	\$ -	\$ -	\$ 45,220	\$ 45,220
Housing Rehabilitation Fund	1,700	15,315	14,879	(436)
Delinquent Tax Revolving Fund	500,000	500,000	500,000	-0-
Budget Stabilization Fund	25,000	25,000	25,000	-0-
Other funds	65,868	181,864	181,864	-0-
Local Correction Training Fund	-	25,000	25,000	-0-
Transfers to other funds				
Drunk Driving Fund	(20,000)	(20,000)	-	20,000
Law Library Fund	(5,580)	(6,480)	(6,480)	-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	(297,600)	(336,070)	(336,070)	-0-
Health Department Fund	(249,965)	(249,965)	(249,965)	-0-
Debt Service Fund	(58,080)	(58,080)	(58,080)	-0-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(158,307)</u>	<u>(43,066)</u>	<u>21,718</u>	<u>64,784</u>
Net change in fund balance (Budgetary basis)	<u>\$ (246,946)</u>	<u>\$ (262,144)</u>	(14,899)	<u>\$ 247,245</u>
Budgetary perspective difference			<u>(24,904)</u>	
Net change in fund balance (GAAP basis)			<u>\$ (39,803)</u>	

Shiawassee County, Michigan

Health Department Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
REVENUES				
Licenses and permits	\$ 234,750	\$ 262,000	\$ 272,721	\$ 10,721
Intergovernmental	1,912,266	1,914,569	1,706,772	(207,797)
Charges for services	103,088	93,924	58,908	(35,016)
Interest	125	125	98	(27)
TOTAL REVENUES	2,250,229	2,270,618	2,038,499	(232,119)
EXPENDITURES				
Current				
Health and welfare	2,495,109	2,496,683	2,222,674	274,009
Debt service	23,900	23,900	2,524	21,376
TOTAL EXPENDITURES	2,519,009	2,520,583	2,225,198	295,385
EXCESS OF REVENUES (UNDER)				
EXPENDITURES	(268,780)	(249,965)	(186,699)	63,266
OTHER FINANCING SOURCES				
Transfers in	268,780	249,965	249,965	-0-
NET CHANGE IN FUND BALANCE	-0-	-0-	63,266	63,266
Fund balance, beginning of year	542,273	542,273	542,273	-0-
Fund balance, end of year	\$ 542,273	\$ 542,273	\$ 605,539	\$ 63,266

Shiawassee County, Michigan

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended December 31, 2012

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 budgetary 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)	\$ (14,899)
To adjust for revenues generated related to various activities accounted for in another fund - interest revenue	96
To remove the transfers in from the budgetary basis schedule - Budget Stabilization Fund to General Fund	<u>(25,000)</u>
Net change in fund balance (GAAP Basis)	<u><u>\$ (39,803)</u></u>

OTHER SUPPLEMENTARY INFORMATION

Shiawassee County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

December 31, 2012

	Special				
	Rails to Trails	MSU Extension	Family Counseling	Friend of the Court	Central Dispatch
ASSETS					
Cash and cash equivalents	\$ 11,062	\$ 4,875	\$ 72,073	\$ 99,855	\$ 856,996
Investments	-	-	-	-	-
Receivables	-	77,625	-	-	218,270
Prepays	-	-	-	-	-
Due from other funds	-	-	-	-	-
Due from other governmental units - Federal/State	-	-	-	2,188	51,644
TOTAL ASSETS	\$ 11,062	\$ 82,500	\$ 72,073	\$ 102,043	\$ 1,126,910
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ 71	\$ 325	\$ 13,987
Accrued liabilities	-	-	-	2,726	31,154
Deferred revenue	-	82,500	-	-	-
Due to other funds	-	-	-	-	-
TOTAL LIABILITIES	-0-	82,500	71	3,051	45,141
FUND BALANCES					
Nonspendable	-	-	-	-	-
Restricted	11,062	-	72,002	98,992	1,081,769
Committed	-	-	-	-	-
TOTAL FUND BALANCES	11,062	-0-	72,002	98,992	1,081,769
TOTAL LIABILITIES AND FUND BALANCES	\$ 11,062	\$ 82,500	\$ 72,073	\$ 102,043	\$ 1,126,910

Revenue

Drunk Driving	Prosecutor's Fees	Farmland Preservation	Animal Control Donations	Building Code	Housing Rehabilitation	Sheriff Collection
\$ 126,083	\$ 64,063	\$ 1,448	\$ 21,230	\$ 16,083	\$ 8,106	\$ 80,518
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	18,279	-
<u>\$ 126,083</u>	<u>\$ 64,063</u>	<u>\$ 1,448</u>	<u>\$ 21,230</u>	<u>\$ 16,083</u>	<u>\$ 26,385</u>	<u>\$ 80,518</u>
\$ 196	\$ -	\$ -	\$ -	\$ 6,981	\$ 3,787	\$ -
-	-	-	-	4,074	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
196	-0-	-0-	-0-	11,055	3,787	-0-
-	-	-	-	-	-	-
125,887	-	-	21,230	-	22,598	80,518
-	64,063	1,448	-	5,028	-	-
<u>125,887</u>	<u>64,063</u>	<u>1,448</u>	<u>21,230</u>	<u>5,028</u>	<u>22,598</u>	<u>80,518</u>
<u>\$ 126,083</u>	<u>\$ 64,063</u>	<u>\$ 1,448</u>	<u>\$ 21,230</u>	<u>\$ 16,083</u>	<u>\$ 26,385</u>	<u>\$ 80,518</u>

Shiawassee County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

December 31, 2012

	Special				
	Register of Deeds Automation	Emergency Management	Sheriff Posse	Local Correction Training	Drug Forfeiture
ASSETS					
Cash and cash equivalents	\$ 107,104	\$ 42,310	\$ 17,538	\$ 44,360	\$ 28,403
Investments	-	-	-	-	-
Receivables	-	-	-	-	-
Prepays	-	-	-	-	-
Due from other funds	-	-	-	-	-
Due from other governmental units - Federal/State	-	-	-	-	-
TOTAL ASSETS	\$ 107,104	\$ 42,310	\$ 17,538	\$ 44,360	\$ 28,403
LIABILITIES					
Accounts payable	\$ 10,369	\$ 1,657	\$ 5,493	\$ 737	\$ 14
Accrued liabilities	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Due to other funds	-	-	-	-	-
TOTAL LIABILITIES	10,369	1,657	5,493	737	14
FUND BALANCES					
Nonspendable	-	-	-	-	-
Restricted	96,735	-	-	43,623	28,389
Committed	-	40,653	12,045	-	-
TOTAL FUND BALANCES	96,735	40,653	12,045	43,623	28,389
TOTAL LIABILITIES AND FUND BALANCES	\$ 107,104	\$ 42,310	\$ 17,538	\$ 44,360	\$ 28,403

Revenue

Prosecutor's Assets	Local Law Enforcement	Law Library	REACH	Social Welfare-DHS	Child Care - Probate	Child Care-DHS
\$ 34,230	\$ 506	\$ 146	\$ 4,710	\$ 6,905	\$ 40,899	\$ 124,830
-	-	-	-	-	-	-
-	2,773	-	-	-	-	-
-	-	900	-	-	-	-
-	-	-	-	-	61,668	-
<u>\$ 34,230</u>	<u>\$ 3,279</u>	<u>\$ 1,046</u>	<u>\$ 4,710</u>	<u>\$ 6,905</u>	<u>\$ 102,567</u>	<u>\$ 124,830</u>
\$ -	\$ 2,017	\$ 1,010	\$ -	\$ -	\$ 18,683	\$ 1,762
-	-	-	-	-	23,912	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-0-	2,017	1,010	-0-	-0-	42,595	1,762
-	-	-	-	-	-	-
-	1,262	36	-	-	59,972	123,068
34,230	-	-	4,710	6,905	-	-
<u>34,230</u>	<u>1,262</u>	<u>36</u>	<u>4,710</u>	<u>6,905</u>	<u>59,972</u>	<u>123,068</u>
<u>\$ 34,230</u>	<u>\$ 3,279</u>	<u>\$ 1,046</u>	<u>\$ 4,710</u>	<u>\$ 6,905</u>	<u>\$ 102,567</u>	<u>\$ 124,830</u>

Shiawassee County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

December 31, 2012

	Special Revenue				
	Veterans Relief	Veterans Trust	Cigarette Tax	Riverhaven	MAGNET
ASSETS					
Cash and cash equivalents	\$ 109,013	\$ 1,231	\$ 1,862	\$ 11,105	\$ 86,235
Investments	-	-	-	-	254,749
Receivables	82,431	-	-	-	-
Prepays	-	-	-	-	12,000
Due from other funds	197	-	-	-	-
Due from other governmental units - Federal/State	-	-	-	-	5,720
TOTAL ASSETS	\$ 191,641	\$ 1,231	\$ 1,862	\$ 11,105	\$ 358,704
LIABILITIES					
Accounts payable	\$ 860	\$ -	\$ -	\$ -	\$ 4,470
Accrued liabilities	-	-	4	-	-
Deferred revenue	87,350	-	-	-	-
Due to other funds	5,944	197	-	-	-
TOTAL LIABILITIES	94,154	197	4	-0-	4,470
FUND BALANCES					
Nonspendable	-	-	-	-	12,000
Restricted	97,487	1,034	-	-	342,234
Committed	-	-	1,858	11,105	-
TOTAL FUND BALANCES	97,487	1,034	1,858	11,105	354,234
TOTAL LIABILITIES AND FUND BALANCES	\$ 191,641	\$ 1,231	\$ 1,862	\$ 11,105	\$ 358,704

Debt Service Equipment Acquisition Debt Service	Capital Projects				Total
	Capital Improvements	Equipment Acquisition	Jail Fund		
\$ -	\$ -	\$ 1,414	\$ 88,093		\$ 2,113,286
-	-	-	-	-	254,749
-	-	-	-	-	381,099
-	-	-	-	-	12,000
-	-	-	-	-	1,097
-	-	-	-	-	139,499
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 1,414</u>	<u>\$ 88,093</u>		<u>\$ 2,901,730</u>
\$ -	\$ -	\$ -	\$ -		\$ 72,419
-	-	-	-	-	61,870
-	-	-	-	-	169,850
-	-	-	-	-	6,141
-0-	-0-	-0-	-0-		310,280
-	-	-	-		12,000
-	-	1,414	88,093		2,397,405
-	-	-	-		182,045
-0-	-0-	1,414	88,093		2,591,450
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 1,414</u>	<u>\$ 88,093</u>		<u>\$ 2,901,730</u>

Shiawassee County, Michigan

Nonmajor Governmental Funds

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

Year Ended December 31, 2012

	Special				
	Rails to Trails	MSU Extension	Family Counseling	Friend of the Court	Central Dispatch
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental					
Federal/State	-	-	-	9,220	12,292
Local	-	-	-	-	-
Charges for services	-	-	-	37,310	1,176,758
Fines and forfeits	-	-	6,930	-	-
Interest and rents	-	-	-	303	880
Other	-	-	-	-	2,686
TOTAL REVENUES	-0-	-0-	6,930	46,833	1,192,616
EXPENDITURES					
Current					
General government	-	-	2,805	84,632	-
Public safety	-	-	-	-	1,086,380
Health and welfare	-	-	-	-	-
Community and economic development	-	-	-	-	-
Debt service	-	-	-	-	-
TOTAL EXPENDITURES	-0-	-0-	2,805	84,632	1,086,380
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-0-	-0-	4,125	(37,799)	106,236
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	(35,000)
TOTAL OTHER FINANCING SOURCES (USES)	-0-	-0-	-0-	-0-	(35,000)
NET CHANGE IN FUND BALANCES	-	-0-	4,125	(37,799)	71,236
Fund balances, beginning of year	11,062	-	67,877	136,791	1,010,533
Fund balances, end of year	<u>\$ 11,062</u>	<u>\$ -0-</u>	<u>\$ 72,002</u>	<u>\$ 98,992</u>	<u>\$ 1,081,769</u>

Revenue

Drunk Driving	Prosecutor's Fees	Farmland Preservation	Animal Control Donations	Building Code	Housing Rehabilitation	Sheriff Collection
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	13,832	-	-	-	141,647	-
-	-	-	-	-	-	-
-	-	-	-	134,421	8,392	9,455
23,400	-	-	-	-	-	-
226	-	-	-	-	-	-
-	-	-	225	-	-	17,023
23,626	13,832	-0-	225	134,421	150,039	26,478
-	-	-	-	-	-	-
2,593	-	-	-	-	-	5,658
-	-	-	-	-	132,778	-
-	-	-	-	135,898	-	-
-	-	-	-	-	-	-
2,593	-0-	-0-	-0-	135,898	132,778	5,658
21,033	13,832	-0-	225	(1,477)	17,261	20,820
-	-	-	-	-	-	-
(13,631)	(43,912)	-	(2,650)	-	(14,879)	-
(13,631)	(43,912)	-0-	(2,650)	-0-	(14,879)	-0-
7,402	(30,080)	-0-	(2,425)	(1,477)	2,382	20,820
118,485	94,143	1,448	23,655	6,505	20,216	59,698
<u>\$ 125,887</u>	<u>\$ 64,063</u>	<u>\$ 1,448</u>	<u>\$ 21,230</u>	<u>\$ 5,028</u>	<u>\$ 22,598</u>	<u>\$ 80,518</u>

Shiawassee County, Michigan

Nonmajor Governmental Funds

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

Year Ended December 31, 2012

	Special				
	Register of Deeds Automation	Emergency Management	Sheriff Posse	Local Correction Training	Drug Forfeiture
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental					
Federal/State	-	4,181	616	-	-
Local	-	-	-	-	-
Charges for services	68,190	-	13,744	21,604	1,805
Fines and forfeits	-	-	-	-	-
Interest and rents	123	-	-	-	-
Other	-	2,800	-	-	-
TOTAL REVENUES	68,313	6,981	14,360	21,604	1,805
EXPENDITURES					
Current					
General government	93,207	-	-	-	-
Public safety	-	23,604	13,247	8,507	7,173
Health and welfare	-	-	-	-	-
Community and economic development	-	-	-	-	-
Debt service	-	-	-	-	-
TOTAL EXPENDITURES	93,207	23,604	13,247	8,507	7,173
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(24,894)	(16,623)	1,113	13,097	(5,368)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	(25,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	-0-	-0-	-0-	(25,000)	-0-
NET CHANGE IN FUND BALANCES	(24,894)	(16,623)	1,113	(11,903)	(5,368)
Fund balances, beginning of year	121,629	57,276	10,932	55,526	33,757
Fund balances, end of year	<u>\$ 96,735</u>	<u>\$ 40,653</u>	<u>\$ 12,045</u>	<u>\$ 43,623</u>	<u>\$ 28,389</u>

Revenue

Prosecutor's Assets	Local Law Enforcement	Law Library	REACH	Social Welfare-DHS	Child Care - Probate	Child Care-DHS
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	32,400	-	-	-	381,820	-
-	-	-	-	-	-	-
10,074	-	-	-	134	-	-
-	-	6,500	-	-	-	-
-	-	-	-	-	-	-
-	-	-	1,495	-	35,200	11,249
10,074	32,400	6,500	1,495	134	417,020	11,249
200	-	13,981	-	-	-	-
-	32,017	-	-	-	-	-
-	-	-	686	4,166	628,961	250,697
-	-	-	-	-	-	-
-	-	-	-	-	-	-
200	32,017	13,981	686	4,166	628,961	250,697
9,874	383	(7,481)	809	(4,032)	(211,941)	(239,448)
-	-	6,480	-	4,650	336,070	190,130
(21,956)	-	-	-	-	(75,130)	-
(21,956)	-0-	6,480	-0-	4,650	260,940	190,130
(12,082)	383	(1,001)	809	618	48,999	(49,318)
46,312	879	1,037	3,901	6,287	10,973	172,386
\$ 34,230	\$ 1,262	\$ 36	\$ 4,710	\$ 6,905	\$ 59,972	\$ 123,068

Shiawassee County, Michigan

Nonmajor Governmental Funds

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

Year Ended December 31, 2012

	Special Revenue				
	Veterans Relief	Veterans Trust	Cigarette Tax	Riverhaven	MAGNET
REVENUES					
Taxes	\$ 85,637	\$ -	\$ -	\$ -	\$ -
Intergovernmental					
Federal/State	-	33,632	1,099	19,386	126,908
Local	-	-	-	-	56,207
Charges for services	-	-	-	-	43,210
Fines and forfeits	-	-	-	-	-
Interest and rents	-	-	-	-	4,222
Other	1,511	-	-	-	4,087
TOTAL REVENUES	87,148	33,632	1,099	19,386	234,634
EXPENDITURES					
Current					
General government	-	-	-	-	-
Public safety	-	-	-	-	235,291
Health and welfare	57,974	38,706	4,905	17,659	-
Community and economic development	-	-	-	-	-
Debt service	-	-	-	-	-
TOTAL EXPENDITURES	57,974	38,706	4,905	17,659	235,291
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	29,174	(5,074)	(3,806)	1,727	(657)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers out	(45,220)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(45,220)	-0-	-0-	-0-	-0-
NET CHANGE IN FUND BALANCES	(16,046)	(5,074)	(3,806)	1,727	(657)
Fund balances, beginning of year	113,533	6,108	5,664	9,378	354,891
Fund balances, end of year	<u>\$ 97,487</u>	<u>\$ 1,034</u>	<u>\$ 1,858</u>	<u>\$ 11,105</u>	<u>\$ 354,234</u>

Debt Service	Capital Projects			
Equipment Acquisition	Capital Improvements	Equipment Acquisition	Jail Fund	Total
\$ -	\$ -	\$ -	\$ -	\$ 85,637
22,975	-	-	-	800,008
-	-	-	-	56,207
-	-	-	-	1,525,097
-	-	-	-	36,830
-	-	-	-	5,754
-	-	-	-	76,276
22,975	-0-	-0-	-0-	2,585,809
-	-	500	-	195,325
-	-	-	9,554	1,424,024
-	-	-	-	1,136,532
-	-	-	-	135,898
81,055	-	-	-	81,055
81,055	-0-	500	9,554	2,972,834
(58,080)	-0-	(500)	(9,554)	(387,025)
58,080	-	-	35,000	630,410
-	-	-	-	(277,378)
58,080	-0-	-0-	35,000	353,032
-0-	-0-	(500)	25,446	(33,993)
-	-	1,914	62,647	2,625,443
\$ -0-	\$ -0-	\$ 1,414	\$ 88,093	\$ 2,591,450

Shiawassee County, Michigan

Agency Funds

COMBINING STATEMENT OF ASSETS AND LIABILITIES

December 31, 2012

	<u>Trust and Agency</u>	<u>SATA Fare Subsidy</u>	<u>Economic Development</u>
ASSETS			
Cash and cash equivalents	<u>\$ 1,803,526</u>	<u>\$ 64,566</u>	<u>\$ 3,127</u>
LIABILITIES			
Undistributed collections payable	\$ 794,123	\$ -	\$ -
Due to other governmental units			
Federal/State	216,271	-	-
Local	393,231	-	3,127
Due to individuals and agencies	<u>399,901</u>	<u>64,566</u>	<u>-</u>
TOTAL LIABILITIES	<u>\$ 1,803,526</u>	<u>\$ 64,566</u>	<u>\$ 3,127</u>

<u>Library Penal Fine</u>	<u>Renovation</u>	<u>Total</u>
<u>\$ 47,567</u>	<u>\$ 1,060</u>	<u>\$ 1,919,846</u>
\$ 47,567	\$ 1,060	\$ 842,750
-	-	216,271
-	-	396,358
<u>-</u>	<u>-</u>	<u>464,467</u>
<u>\$ 47,567</u>	<u>\$ 1,060</u>	<u>\$ 1,919,846</u>

Shiawassee County, Michigan

Component Unit Funds

COMBINING BALANCE SHEET - DRAINAGE DISTRICTS

December 31, 2012

	Debt Service		
	Drain Debt	Henderson Debt	Byron Water Project
ASSETS			
Cash and cash equivalents	\$ 612,366	\$ -	\$ -
Special assessments receivable	1,672,177	-	-
Due from other governmental units - Local	-	155,832	622,761
Due from other funds	-	-	-
Advances to other funds	-	-	-
TOTAL ASSETS	\$ 2,284,543	\$ 155,832	\$ 622,761
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	-	-	-
Advances from other funds	-	-	-
Advances from other governmental units	-	-	-
Deferred revenue	1,479,105	155,832	622,761
TOTAL LIABILITIES	1,479,105	155,832	622,761
FUND BALANCES			
Nonspendable			
Advances to other funds	-	-	-
Restricted for debt service	805,438	-	-
Restricted for capital expenditures	-	-	-
TOTAL FUND BALANCES	805,438	-0-	-0-
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,284,543	\$ 155,832	\$ 622,761

Capital Projects

Lake Level	Regular Drain	Revolving Drain	Revolving Drain Maintenance	Drain Equipment Revolving	Total
\$ 780	\$ 1,472,615	\$ 57,517	\$ 11,364	\$ 30,034	\$ 2,184,676
-	220,343	-	-	-	1,892,520
-	-	-	-	-	778,593
-	-	152,506	-	-	152,506
-	30,725	-	-	-	30,725
<u>\$ 780</u>	<u>\$ 1,723,683</u>	<u>\$ 210,023</u>	<u>\$ 11,364</u>	<u>\$ 30,034</u>	<u>\$ 5,039,020</u>
\$ -	\$ 11,316	\$ 9,298	\$ -	\$ 2,536	\$ 23,150
-	152,506	-	-	-	152,506
-	-	30,725	-	-	30,725
-	-	170,000	-	-	170,000
-	24,483	-	-	-	2,282,181
-0-	188,305	210,023	-0-	2,536	2,658,562
-	30,725	-	-	-	30,725
-	-	-	-	-	805,438
780	1,504,653	-	11,364	27,498	1,544,295
780	1,535,378	-0-	11,364	27,498	2,380,458
<u>\$ 780</u>	<u>\$ 1,723,683</u>	<u>\$ 210,023</u>	<u>\$ 11,364</u>	<u>\$ 30,034</u>	<u>\$ 5,039,020</u>

Shiawassee County, Michigan

Component Unit Funds

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

December 31, 2012

Total fund balance - governmental funds \$ 2,380,458

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>(3,951,437)</u>	
Capital assets, net		6,928,240

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

Other deferred revenue	1,503,588	
Deferred portion of due from other governmental units	<u>778,593</u>	
		2,282,181

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	2,999,470	
Accrued interest payable	<u>12,515</u>	
		<u>(3,011,985)</u>

Net position of governmental activities \$ 8,578,894

Shiawassee County, Michigan

Component Unit Funds

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

Year Ended December 31, 2012

	Debt Service		
	Drain Debt	Henderson Debt	Byron Water Project
REVENUES			
Intergovernmental - local	\$ -	\$ 20,750	\$ 54,014
Interest	1,298	-	-
Other	288,768	-	-
TOTAL REVENUES	290,066	20,750	54,014
EXPENDITURES			
Current			
Public works	-	-	-
Debt service	326,677	20,750	54,014
TOTAL EXPENDITURES	326,677	20,750	54,014
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(36,611)	-0-	-0-
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-0-	-0-	-0-
NET CHANGE IN FUND BALANCES	(36,611)	-0-	-0-
Fund balances, beginning of year	842,049	-	-
Fund balances, end of year	\$ 805,438	\$ -0-	\$ -0-

Capital Projects

Lake Level	Regular Drain	Revolving Drain	Revolving Drain Maintenance	Drain Equipment Revolving	Total
\$ -	\$ -	\$ -	\$ -	\$ 1,690	\$ 76,454
-	2,068	-	119	-	3,485
-	259,361	-	-	-	548,129
-0-	261,429	-0-	119	1,690	628,068
-	247,659	-	-	71,788	319,447
-	-	-	-	-	401,441
-0-	247,659	-0-	-0-	71,788	720,888
-0-	13,770	-0-	119	(70,098)	(92,820)
-	-	-	-	63,688	63,688
-	(63,688)	-	-	-	(63,688)
-0-	(63,688)	-0-	-0-	63,688	-0-
-0-	(49,918)	-0-	119	(6,410)	(92,820)
780	1,585,296	-	11,245	33,908	2,473,278
<u>\$ 780</u>	<u>\$ 1,535,378</u>	<u>\$ -0-</u>	<u>\$ 11,364</u>	<u>\$ 27,498</u>	<u>\$ 2,380,458</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, 2012

Net change in fund balances - total governmental funds \$ (92,820)

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	\$ 8,761	
Depreciation expense	<u>(220,272)</u>	(211,511)

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

(Decrease) in other deferred revenue	(189,787)	
(Decrease) in due from other governmental units	<u>(50,270)</u>	(240,057)

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		280,000
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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		<u>1,145</u>
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Change in net position of governmental activities \$ (263,243)

Shiawassee County, Michigan

Component Unit Funds

BALANCE SHEET - COUNTY AIRPORT

December 31, 2012

ASSETS	
Cash and cash equivalents	\$ 66,442
Accounts receivable	13,418
Inventories	<u>5,187</u>
TOTAL ASSETS	<u>\$ 85,047</u>
LIABILITIES	
Accounts payable	\$ 2,294
Accrued liabilities	1,758
Deferred revenue	<u>5,500</u>
TOTAL LIABILITIES	9,552
FUND BALANCE	
Nonspendable	
Inventories	5,187
Restricted for airport operations	<u>70,308</u>
TOTAL FUND BALANCE	<u>75,495</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 85,047</u>

Shiawassee County, Michigan

Component Unit Funds

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

December 31, 2012

Total fund balance - governmental fund \$ 75,495

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	\$ 2,310,865	
Accumulated depreciation is	<u>(465,293)</u>	
Capital assets, net		<u>1,845,572</u>
Net position of governmental activities		<u><u>\$ 1,921,067</u></u>

Shiawassee County, Michigan

Component Unit Funds

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

Year Ended December 31, 2012

REVENUES	
Intergovernmental - Federal	\$ 184,879
Intergovernmental - Local	16,811
Charges for services	68,193
Interest and rents	<u>60,674</u>
TOTAL REVENUES	330,557
EXPENDITURES	
Current	
Public works	131,529
Capital outlay	<u>191,113</u>
TOTAL EXPENDITURES	<u>322,642</u>
NET CHANGE IN FUND BALANCE	7,915
Fund balance, beginning of year	<u>67,580</u>
Fund balance, end of year	<u><u>\$ 75,495</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, 2012

Net change in fund balance - governmental fund \$ 7,915

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	\$ 191,113	
Depreciation expense	<u>(67,826)</u>	
Excess of capital outlay over depreciation expense		<u>123,287</u>
Change in net position of governmental activities		<u><u>\$ 131,202</u></u>

Shiawassee County, Michigan

Component Unit Funds

BALANCE SHEET - COUNCIL ON AGING

December 31, 2012

ASSETS	
Cash and cash equivalents	\$ 288,913
Investments	89,763
Taxes receivable	<u>392,699</u>
TOTAL ASSETS	<u>\$ 771,375</u>
LIABILITIES	
Deferred revenue	\$ 416,662
Accrued liabilities	<u>4,172</u>
TOTAL LIABILITIES	420,834
FUND BALANCE	
Restricted for aging programs	<u>350,541</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 771,375</u>

Shiawassee County, Michigan

Component Unit Funds

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

December 31, 2012

Total fund balance - governmental funds \$ 350,541

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	\$ 149,265	
Accumulated depreciation is	<u>(88,179)</u>	
Capital assets, net		<u>61,086</u>
Net position of governmental activities		<u><u>\$ 411,627</u></u>

Shiawassee County, Michigan

Component Unit Funds

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

Year Ended December 31, 2012

REVENUES	
Taxes	\$ 428,310
Intergovernmental	398,441
Charges for services	90,968
Interest	8,744
Other	<u>31,941</u>
TOTAL REVENUES	958,404
EXPENDITURES	
Current	
Health and welfare	<u>955,697</u>
NET CHANGE IN FUND BALANCE	2,707
Fund balance, beginning of year	<u>347,834</u>
Fund balance, end of year	<u><u>\$ 350,541</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, 2012

Net change in fund balance - governmental fund \$ 2,707

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	\$ 14,940	
Depreciation expense	<u>(9,709)</u>	
Excess of capital outlay over depreciation expense		<u>5,231</u>
Change in net position of governmental activities		<u><u>\$ 7,938</u></u>