

County of Crawford, Michigan

BASIC FINANCIAL STATEMENTS

September 30, 2015

COUNTY OF CRAWFORD, MICHIGAN

ORGANIZATION

MEMBERS OF THE COUNTY COMMISSION

CHAIRMAN	DAVE STEPHENSON
VICE CHAIRMAN	SHELLEY L. PINKELMAN
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COMMISSIONER	PHIL LEWIS
COMMISSIONER	SHARON PRIEBE
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COUNTY CONTROLLER	PAUL COMPO
COUNTY TREASURER	JOSEPH WAKELEY
COUNTY CLERK	SANDRA MOORE

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ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Honorable Chairman and
Members of the Board of Commissioners
County of Crawford, Michigan
Grayling, Michigan 49738

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, of the County of Crawford, Michigan, as of and for the year ending September 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents. We did not audit the financial statements of the Crawford County Road Commission, which is a discretely presented component unit, and 100 percent, 100 percent, and 100 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component unit.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Crawford County Road Commission, which represents 100 percent, 100 percent, and 100 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Road Commission, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental 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.

Honorable Chairman and
Board of Commissioners
County of Crawford, Michigan

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Crawford, Michigan, as of September 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, employee retirement and benefit systems and budgetary comparison schedules on pages 4 through 9, pages 48 through 50, and pages 51 through 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Crawford, Michigan's basic financial statements. The combining nonmajor fund financial statements and statistical information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is also not a required part of the basic financial statements.

Honorable Chairman and
Board of Commissioners
County of Crawford, Michigan

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2016 on our consideration of the County of Crawford, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of Crawford, Michigan's internal control over financial reporting and compliance.



Anderson, Tackman & Company, PLC
Certified Public Accountants
Kincheloe, Michigan

March 21, 2016

Management's Discussion and Analysis

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Fund financial statements tell how services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide financial statements.

The County as a Whole

While the nation's economy seems to trend upward, the State of Michigan and Crawford County has lagged behind it seems. As a rural and generally impoverished area, the taxable value for the area along with the amount of public land makes it difficult to make large strides forward in any meaningful fiscal way. That said, Crawford County experienced a setback in taxable value in 2015. The county's taxable value fell 1.6%, or \$5,875,479. This equates to a reduction in taxable value in four of the last six years. We are hopeful and expecting the taxable value to rebound in 2016. However, because of the uncertainty in our taxable value, it will be critical that we manage our reserves and make wise spending decisions, until our economy can catch up with the rest of the nation.

The best news for Crawford County in 2015 was the announcement that a large particle board plant will be constructed in our county. Arauco is a wood products manufacturer based in Chili. The company was looking to expand their North American operations and have selected Grayling out of three possible sites as the best fit for their purposes. The company is projecting approximately 250 new jobs to the area when their facilities are fully operational. Arauco has purchased 600 acres in Crawford County from the State of Michigan and expects to begin production in 2018. Crawford County and Grayling Township petitioned the State to authorize a Forest Products Processing Renaissance Zone designation for the site purchased by Arauco. This will eliminate the property taxes assessed to this development for 13 years. The county believed this was a prudent investment into our economy. With the additional jobs created, business growth to service the new company and residual development in the area, the long-term benefit will be more than enough to offset the absence of tax revenue during the time the renaissance zone designation is in force.

2015 saw three other noteworthy developments occur in Crawford County. The first was the sale of Grayling Mercy Hospital to Munson Health System. Mercy hospital, a Grayling institution for over 100 years, was previously owned by Trinity Health, a large catholic health system but not widely recognized in Northern Michigan. The Munson Health System flagship, Munson Hospital, is a tertiary care facility located in Traverse City. The system also boasts several smaller hospitals in northern Michigan that are either owned by Munson or affiliated with Munson by an agreement. The Munson brand is very recognizable and a benefit to our local community. No significant changes are expected in hospital operations at the Grayling location. That said, being associated with a well-known system creates a very positive perception for those in the community and those looking to move to our community.

Also during 2015, the County was able to retire two bond issues. The library building bond was approved by voters in August of 2000. The result was a beautiful, well designed library for our rural community. The library is located next door to the elementary school and replaced the small brick building that was the original library. 2015 marked the last year of the bond and its final payment. This will lower the tax payers' burden by a little over .44 mills.

In February of 2007, the County issued \$400,000 worth of capital improvement bonds through USDA-RD for the purposes of constructing a much needed animal shelter. The County then leased that building to a local non – profit through a management agreement to operate an animal shelter on that site. The lease required the non – profit to make a payment to the county equaling the amount of the bond payment. As the economy took a downturn the following year, the non-profit found it more difficult every year to meet their obligation and continue to operate the shelter. In 2014, representatives of the non-profit approached the County Board of Commissioners and requested them to authorize a ballot question for the voters that year. They proposed a one-time millage to retire the bond used to build the animal shelter. The voters approved the millage in November of 2014. The county levied .63 mills that December and in June of 2015, paid that debt in full.

In a condensed format, the table below shows the net position of Crawford County as of September 2015 and 2014.

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current Assets	\$ 4,545,807	\$ 4,555,049	\$ 3,499,446	\$ 3,472,675	\$ 8,045,253	\$ 8,027,724
Capital Assets	7,793,712	7,664,799	-	-	7,793,712	7,664,799
Total Assets	12,339,519	12,219,848	3,499,446	3,472,675	15,838,965	15,692,523
Deferred Inflows of Resources	\$ 600,119	\$ -	\$ -	\$ -	\$ 600,119	\$ -
Current Liabilities	\$ 576,893	\$ 494,739	\$ 904,635	\$ 1,001,227	\$ 1,481,528	\$ 1,495,966
Noncurrent Liabilities	8,898,125	3,555,549	-	-	8,898,125	3,555,549
Total Liabilities	9,475,018	4,050,288	904,635	1,001,227	10,379,653	5,051,515
Net Position						
Net Investment in Capital Assets	6,783,712	6,119,799	-	-	6,783,712	6,119,799
Restricted	447,331	727,141	-	-	447,331	727,141
Unrestricted	(3,766,423)	1,322,620	2,594,811	2,471,448	(1,171,612)	3,794,068
Total Net Position	\$ 3,464,620	\$ 8,169,560	\$ 2,594,811	\$ 2,471,448	\$ 6,059,431	\$ 10,641,008

The current level of unrestricted net position for our governmental activities stands at \$(3,766,423) or about 0% of expenses.

Net position of the governmental activities decreased 58%. Net position of the business – type activities increased 5%.

The following table shows the activities of the County.

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Program Revenues						
Charges for Services	\$ 2,089,527	\$ 2,141,089	\$ 472,990	\$ 507,105	\$ 2,562,517	\$ 2,648,194
Operating Grants and Contributions	2,351,154	2,217,555	-	-	2,351,154	2,217,555
General Revenues						
Property Taxes	5,314,506	4,827,025	-	-	5,314,506	4,827,025
Federal, State, Local - General	10,153	236,742	-	-	10,153	236,742
Investment Earnings	28,693	24,068	3,126	2,496	31,819	26,564
Revenue Sharing	240,487	-	-	-	240,487	-
Transfers	187,434	184,329	(187,434)	(184,329)	-	-
Total Revenues	10,221,954	9,630,808	288,682	325,272	10,510,636	9,956,080
Program Expenses						
Legislative	122,326	121,641	-	-	122,326	121,641
Judicial	1,557,000	1,659,259	-	-	1,557,000	1,659,259
General Government	1,790,815	1,768,880	-	-	1,790,815	1,768,880
Public Safety	3,974,159	3,690,171	-	-	3,974,159	3,690,171
Health and Welfare	2,036,842	1,853,613	-	-	2,036,842	1,853,613
Community/Economic Development	732	60,267	-	-	732	60,267
Recreation and Culture	200,667	702,539	-	-	200,667	702,539
Interest Expense - Unallocated	61,380	74,703	-	-	61,380	74,703
Other Expenses	128,251	199,106	-	-	128,251	199,106
Sheriff Commissary	-	-	36,192	29,694	36,192	29,694
Tax Collection	-	-	129,127	173,371	129,127	173,371
Total Expenses	9,872,172	10,130,179	165,319	203,065	10,037,491	10,333,244
Changes in Net Position	349,782	(499,371)	123,363	122,207	473,145	(377,164)
Net Position - Beginning (Restated)	3,114,838	8,668,931	2,471,448	2,349,241	5,586,286	11,018,172
Net Position - Ending	\$ 3,464,620	\$ 8,169,560	\$ 2,594,811	\$ 2,471,448	\$ 6,059,431	\$ 10,641,008

Governmental Activities

On the surface, the governmental activities table looks promising. Compared to last year, revenues increased by almost \$300,000 while expenses decreased by \$165,000. However, this year we are required to record the unfunded liability associated with our defined benefit pension plan. That liability is just over \$5.0 million, which results in a change of our net position (lower) of approximately \$4.7 million. Other impacts to our net position are the cumulative changes in the various fund balances. Although the general fund balance increased by 4.4%, other funds ended the year with lower fund balances. Reserves were used to shore up various budgets due to unforeseen developments throughout the year. One of these developments would have to be attributed to the number of taxable value reductions awarded by the Tax Tribunal over the last five years. This, along with the State of Michigan reducing personal property tax eligibility and granting property tax exemptions to qualified veterans has significantly impacted the County’s revenue. In some cases, the county needed to utilize available reserves to offset the reduction in anticipated revenue along with, in some cases, unexpected increases in expense.

Business-Type Activities

The County business-type activities are very limited. The only funds of this type would include the Sheriff Commissary Fund and funds associated with delinquent taxes. The bulk of the Commissary Fund expenditures are on commodities the inmates can purchase if they desire. As for delinquent taxes, there are three years that currently have balances within a revolving fund. Aside from these two examples, there are no other business-type activities within the County.

The County's Funds

Our analysis of the County's major funds begins on page 12 following the entity wide financial statements. The individual fund financial statements provide detailed information about the most significant funds, not the County as a whole. The County Board of Commissioners creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as a specific property tax millage or other dedicated revenues. The County's major funds for 2015 include the General Fund, County Library, and Housing Commission.

General Fund Budgetary Highlights

The General Fund supports most of the County's governmental services. The lion's share is dedicated to law enforcement and the adjudication process. This would include the Sheriff's Road Patrol, Prosecutor's Office and the Jail, along with the bulk of court functions. The balance of the General Fund activities is used in community service type departments.

Tax revenue decreased slightly in 2015 due to the 1.6% drop in taxable value county wide. Overall revenue was comparable to 2014. The county received increases in revenue in the General Fund in three areas that offset the lower taxable value. Revenue from revenue stamps in the register of deeds increased approximately \$28,000 or 95% mainly due to the sale of the hospital. We also received an increase in our PILT payments from the State of Michigan by 50% or \$80,000. A third area in the general fund that showed a significant improvement over last year was the revenue received by the jail for out of county prisoners. Jail revenue increased approximately \$25,000 or 48%. We believe this to be a one year anomaly and not something we can depend on into the future.

For the most part, the general fund departments encountered similar expenditures compared to last year. Exceptions would include the Building and Grounds department where the bulk of the utilities bills are charged and up until 2015 general maintenance was expensed out of this department. In 2015 we elected to move the expenses associated with building maintenance to a maintenance fund that is funded from payments received from the solid waste management company operating within the county. As a result, that department spent \$48,000 less than in 2014 in the general fund. The department of the County Medical Examiner also experienced a reduction in costs. That department expended \$11,000 (or 31%) less in 2015 than in 2014. On 12/31/2014 our long time Medical Examiner retired and the county contracted with another provider. We are optimistic that the trend in this department will continue.

Other Funds

The bulk of the County's special revenue funds remained consistent to last year in revenues and expenditures. Those that did see changes would include the Sheriff's Road Patrol Millage Fund. This fund utilized \$44,500 of its fund balance in 2014 to offset the revenue shortfall. In 2015 it needed another \$34,300 in its accumulated fund balance. Obviously the fund will not be able to maintain this trajectory into the future. Other funds that needed to use their accumulated fund balance would include the airport fund (50%), the landfill/maintenance fund (19%) and the courthouse preservation fund (100%), due to the upgrade of court telecommunications capabilities.

The Crawford County building department fund used 21% of its fund balance but had originally budgeted using 64% of its fund balance. The building department experienced an increase in revenue of \$8,000 which we are expecting to be a sign of an upturn in the local economy. The Central Dispatch fund experienced flat revenues again but realized a decrease in expenses of \$30,000 in the first full year under the auspices of the Sheriff's Office. The Crawford County Youth Service Bureau closed its doors on October 31, 2014 with any remaining funds used to settle outstanding debt. That fund was subsequently closed by the Board of Commissioners. On a positive note, the voters of Crawford County approved a 0.25 mill ballot proposal for veterans' services. The county has hired a Veterans Service Officer and is moving forward in providing services to the local veterans.

Capital Asset and Debt Administration

During the 2015 period, the County invested \$325,447 in capital assets that meet the dollar threshold of the reporting requirement. These investments include vehicles and equipment. At year end, the County had invested \$7,793,712 in capital assets.

The County reduced its bond and lease debt load by \$2,000,000 in principal payments in 2015 ending with a debt balance of \$1,910,000. \$1,465,000 was for payments on delinquent tax notes with the balance put toward bonds for the County Building addition. The bonds on the animal control building and library were retired in 2015.

Component Units

Separately issued financial statements and management's discussion and analysis can be obtained from the Crawford County Road Commission.

Economic Factors and Next Year's Budgets and Rates

Crawford County is still very susceptible to policies at the State and Federal level. Changes in the methods of reimbursement for state programs are always a concern. The changes in personal property tax legislation, including discussion to include utility personal property, along with the changes in property tax exemptions could have significant impact on our budgets. Recently the State has been studying indigent defense funding. Dependent on the findings and what, if any, the State is willing to fund could have a detrimental impact on our budget. Crawford County is already experiencing an increase in indigent defense costs due to the amount of appeals being filed by convicted felons, in many cases, because the individual has nothing to lose by pursuing an appeal. Now, the state is considering changing the practice of treating 17 year olds that have been convicted of a crime as juveniles. This action will reduce the amount of State spending on 17 year old incarcerations but increase the amount of county costs in classifying them as non-adults. The overall cost per individual will increase but because the counties will pay a portion it will save the State of Michigan in the long run. As always, Crawford County will monitor these issues along with many others so that adjustments can be made that will be in the best interest of our community.

Crawford County remains optimistic about the economy going forward in 2016. Aside from the aforementioned particle board plant, many large and small developments have begun already. Kirtland Community College has broken ground on a new building in a new location. This is a \$10.0 million project that will advance training for the health care industry. Forest Dunes, a local golf course, has built a small hotel on its property and is developing one of the first reversible nine-hole courses in Michigan. Two downtown businesses have sold with new business' moving into those buildings. A local family practice clinic which decided to close its doors had the bulk of its providers hired by the hospital so that services could continue for those patients. A closed physical therapy building is going to be remodeled to provide cardiology services to the community. This is a much needed service that has not been available in Crawford County. It is the county's belief that these, along with other smaller changes in the business climate in 2016, provides reasons for Crawford County to be optimistic about the future.

Contacting the County's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have any questions about this report or need additional information, please contact the County Administrator at 200 W. Michigan Ave., Grayling, MI 49738.

Basic Financial Statements

County of Crawford, Michigan

Statement of Net Position September 30, 2015

	Primary Government			Road
	Governmental Activities	Business-type Activities	Total	Commission Component Unit
ASSETS:				
Cash and Equivalents - Unrestricted	\$ 1,736,859	\$ 818,223	\$ 2,555,082	\$ 4,094,082
Receivables:				
Accounts	137,764	-	137,764	694,186
Grants	548,797	-	548,797	-
Taxes	1,715,721	1,086,829	2,802,550	-
Interest	-	128,913	128,913	-
Notes	1,806,603	-	1,806,603	-
Prepaid Items	25,182	-	25,182	78,893
Inventory	5,911	-	5,911	484,197
Internal Loans	(1,432,000)	1,432,000	-	-
Other Assets	970	33,481	34,451	-
Capital Assets (Not Depreciated)	4,930,000	-	4,930,000	73,092
Capital Assets (Net of Accumulated Depreciation)	2,863,712	-	2,863,712	11,324,909
TOTAL ASSETS	12,339,519	3,499,446	15,838,965	16,749,359
DEFERRED OUTFLOWS OF RESOURCES				
Pension investment experience and contributions	\$ 600,119	\$ -	\$ 600,119	\$ 382,694
LIABILITIES:				
Accounts Payable	\$ 199,175	\$ 1,318	\$ 200,493	\$ 294,935
Accrued Liabilities	161,078	-	161,078	46,926
Accrued Interest Payable	19,005	-	19,005	-
Advances from State	-	-	-	165,466
Due to Other Governmental Units	15,621	3,317	18,938	-
Unearned Revenue	87,014	-	87,014	2,911,838
Capitalized Leases - Due within one year	-	-	-	329,563
Capitalized Leases - Due in more than one year	-	-	-	282,596
Notes Payable - Due within one year	-	900,000	900,000	-
Bonds Payable - Due within one year	95,000	-	95,000	-
Bonds Payable - Due in more than one year	915,000	-	915,000	-
Net Pension Obligation - Due in more than one year	5,725,219	-	5,725,219	4,985,164
Vested Employee Benefits - Due in more than one year	100,222	-	100,222	158,276
OPEB - Due in more than one year	2,157,684	-	2,157,684	30,481
TOTAL LIABILITIES	9,475,018	904,635	10,379,653	9,205,245
NET POSITION:				
Net Investment in Capital Assets	6,783,712	-	6,783,712	10,785,842
Restricted (Deficit)	447,331	-	447,331	(2,859,034)
Unrestricted	(3,766,423)	2,594,811	(1,171,612)	-
TOTAL NET POSITION	\$ 3,464,620	\$ 2,594,811	\$ 6,059,431	\$ 7,926,808

County of Crawford, Michigan

Statement of Activities Year Ended September 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Road
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Commission
					Governmental Activities	Business-type Activities	Total	Component Unit
Primary Government:								
Governmental Activities:								
Legislative	\$ 122,326	\$ -	\$ -	\$ -	\$ (122,326)	\$ -	\$ (122,326)	\$ -
Judicial	1,557,000	498,291	651,800	-	(406,909)	-	(406,909)	-
General Government	1,790,815	459,070	281,330	-	(1,050,415)	-	(1,050,415)	-
Public Safety	3,974,159	753,416	500,008	-	(2,720,735)	-	(2,720,735)	-
Health and Welfare	2,036,842	183,700	908,729	-	(944,413)	-	(944,413)	-
Community/Economic Development	732	17,331	-	-	16,599	-	16,599	-
Recreation and Culture	200,667	177,719	9,287	-	(13,661)	-	(13,661)	-
Interest Expense - Unallocated	61,380	-	-	-	(61,380)	-	(61,380)	-
Other Expenses	128,251	-	-	-	(128,251)	-	(128,251)	-
Total Governmental Activities	<u>9,872,172</u>	<u>2,089,527</u>	<u>2,351,154</u>	<u>-</u>	<u>(5,431,491)</u>	<u>-</u>	<u>(5,431,491)</u>	<u>-</u>
Business-type Activities:								
Sheriff Commissary	36,192	38,416	-	-	-	2,224	2,224	-
Tax Collection	129,127	434,574	-	-	-	305,447	305,447	-
Total Business-type Activities	<u>165,319</u>	<u>472,990</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>307,671</u>	<u>307,671</u>	<u>-</u>
Total Primary Government	<u>\$ 10,037,491</u>	<u>\$ 2,562,517</u>	<u>\$ 2,351,154</u>	<u>\$ -</u>	<u>(5,431,491)</u>	<u>307,671</u>	<u>(5,123,820)</u>	<u>-</u>
Component Unit:								
Road Commission	<u>\$ 3,878,465</u>	<u>\$ 1,103,878</u>	<u>\$ 3,753,977</u>	<u>\$ 829,415</u>				<u>1,808,805</u>
Total Component Units	<u>3,878,465</u>	<u>1,103,878</u>	<u>3,753,977</u>	<u>829,415</u>				<u>1,808,805</u>
Total	<u>\$ 13,915,956</u>	<u>\$ 3,666,395</u>	<u>\$ 6,105,131</u>	<u>\$ 829,415</u>				
General Revenues and Transfers:								
Taxes					5,314,506	-	5,314,506	552,015
Federal, State, and Local - General					10,153	-	10,153	20,776
Investment Earnings					28,693	3,126	31,819	7,221
Revenue Sharing					240,487	-	240,487	9,598
Property Rentals					-	-	-	-
Grain (Loss) on Equipment Disposal					-	-	-	(4,071)
Transfers					187,434	(187,434)	-	-
Total General Revenues and Transfers					<u>5,781,273</u>	<u>(184,308)</u>	<u>5,596,965</u>	<u>585,539</u>
Change in Net Position					349,782	123,363	473,145	2,394,344
Net Position - Beginning as Restated					<u>3,114,838</u>	<u>2,471,448</u>	<u>5,586,286</u>	<u>5,532,464</u>
Net Position - Ending					<u>\$ 3,464,620</u>	<u>\$ 2,594,811</u>	<u>\$ 6,059,431</u>	<u>\$ 7,926,808</u>

County of Crawford, Michigan

Balance Sheet Governmental Funds September 30, 2015

	General	County Library	Housing Commission	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and Equivalents - Unrestricted	\$ 368,712	\$ 442,728	\$ 43,695	\$ 878,681	\$ 1,733,816
Receivables:					
Accounts	-	939	-	136,825	137,764
Grants	155,525	-	-	393,272	548,797
Taxes	1,711,114	867	-	3,740	1,715,721
Notes	-	-	1,637,987	168,616	1,806,603
Inventory	-	-	-	5,911	5,911
Prepaid Items	25,182	-	-	-	25,182
Due from Other Funds	-	-	-	175,000	175,000
TOTAL ASSETS	\$ 2,260,533	\$ 444,534	\$ 1,681,682	\$ 1,762,045	\$ 6,148,794
LIABILITIES:					
Accounts Payable	\$ 43,131	\$ 8,075	\$ 158	\$ 146,808	\$ 198,172
Accrued Liabilities	96,228	6,770	1,516	56,564	161,078
Due to Other Funds	1,365,000	-	-	242,000	1,607,000
Due to Other Governmental Units	-	-	-	15,621	15,621
Unearned Revenue	1,505	75,301	-	10,208	87,014
TOTAL LIABILITIES	1,505,864	90,146	1,674	471,201	2,068,885
DEFERRED INFLOWS OF RESOURCES:					
Unavailable Revenue - Loans	-	-	1,637,987	168,616	1,806,603
FUND BALANCES:					
Nonspendable	25,182	-	-	5,911	31,093
Restricted	-	-	42,021	405,310	447,331
Committed	-	354,388	-	501,378	855,766
Assigned	-	-	-	209,629	209,629
Unassigned	729,487	-	-	-	729,487
TOTAL FUND BALANCES	754,669	354,388	42,021	1,122,228	2,273,306
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,260,533	\$ 444,534	\$ 43,695	\$ 1,593,429	

Reconciliation to amounts reported for governmental activities in the statement of net position:

Capital assets used by governmental activities	7,793,712
Deferred outflows	600,119
Long-term bonds payable for governmental activities	(1,010,000)
Other post employment benefit liability	(2,157,684)
Net pension obligation	(5,725,219)
Compensated absences liability	(100,222)
Internal service funds activity	3,010
Deferred revenue recognized as current revenue	1,806,603
Accrued interest expense	(19,005)
Net position of governmental activities	\$ 3,464,620

County of Crawford, Michigan

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds Year Ended September 30, 2015

	General	County Library	Housing Commission	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Taxes	\$ 3,664,111	\$ 247,099	\$ -	\$ 1,403,296	\$ 5,314,506
Licenses and Permits	21,942	-	-	113,952	135,894
Federal Sources	17,092	-	73,254	1,065,855	1,156,201
State Sources	566,477	9,287	1,798	675,549	1,253,111
Local Sources	-	-	-	182,224	182,224
Charges for Services	747,971	-	-	728,796	1,476,767
Interest and Rentals	13,168	1,067	23	14,435	28,693
Other Revenues	102,712	160,257	83,118	212,845	558,932
TOTAL REVENUES	5,133,473	417,710	158,193	4,396,952	10,106,328
EXPENDITURES:					
Legislative	122,326	-	-	-	122,326
Judicial	1,075,658	-	-	470,782	1,546,440
General Government	1,351,363	-	-	373,168	1,724,531
Public Safety	2,215,220	-	-	1,595,606	3,810,826
Health and Welfare	117,667	-	191,810	1,711,512	2,020,989
Recreation and Cultural	-	443,633	-	23,941	467,574
Community/Economic Development	-	-	-	28	28
Capital Outlay	10,624	-	-	-	10,624
Debt Service	-	-	-	604,048	604,048
Other Expenditures	117,627	-	-	-	117,627
TOTAL EXPENDITURES	5,010,485	443,633	191,810	4,779,085	10,425,013
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	122,988	(25,923)	(33,617)	(382,133)	(318,685)
OTHER FINANCING SOURCES (USES):					
Transfers In	310,174	-	-	869,647	1,179,821
Transfers Out	(400,995)	-	-	(591,392)	(992,387)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	32,167	(25,923)	(33,617)	(103,878)	(131,251)
FUND BALANCES, OCTOBER 1	722,502	380,311	75,638	1,226,106	2,404,557
FUND BALANCES, SEPTEMBER 30	\$ 754,669	\$ 354,388	\$ 42,021	\$ 1,122,228	\$ 2,273,306

County of Crawford, Michigan

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended September 30, 2015

Net changes in fund balances - total governmental funds \$ (131,251)

The change in net position reported for governmental activities in the statement of activities is different because:

Notes are recorded in the statement of activities as revenues when executed; they are not reported in the funds until collected or collectible within 60 days after year end. (71,808)

Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay of \$325,447 exceeded depreciation expense of (\$196,534) in the current period. 128,913

Repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.

Principal repayments:
Bonds Payable 535,000

Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the following net changes:

Postemployment Benefits (48,157)
Accrued Interest on Bonds 7,668
Vested Employee Benefits (200)

Governmental funds report pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense. (70,383)

Changes in net position of governmental activities \$ 349,782

**Statement of Net Position
Proprietary Funds
September 30, 2015**

	Enterprise Funds			Totals	Governmental Activities
	Prior Delinquent Tax	2014 Delinquent Tax	Nonmajor Enterprise		Internal Service Fund
ASSETS:					
Cash and Equivalents- Unrestricted	\$ 706,536	\$ 86,058	\$ 25,629	\$ 818,223	\$ 3,043
Receivables:					
Taxes	-	836,091	250,738	1,086,829	-
Interest	2,112	58,251	68,550	128,913	-
Due from Other Funds	195,000	-	1,308,000	1,503,000	-
Due from Others	14	11,335	22,132	33,481	970
TOTAL ASSETS	<u>\$ 903,662</u>	<u>\$ 991,735</u>	<u>\$ 1,675,049</u>	<u>\$ 3,570,446</u>	<u>\$ 4,013</u>
LIABILITIES:					
Accounts Payable	\$ -	\$ -	\$ 1,318	\$ 1,318	\$ 1,003
Due to Other Funds	-	-	71,000	71,000	-
Due to Other Governmental Units	-	11	3,306	3,317	-
Notes Payable - Due within one year	-	900,000	-	900,000	-
TOTAL LIABILITIES	<u>-</u>	<u>900,011</u>	<u>75,624</u>	<u>975,635</u>	<u>1,003</u>
NET POSITION:					
Unrestricted	<u>903,662</u>	<u>91,724</u>	<u>1,599,425</u>	<u>2,594,811</u>	<u>3,010</u>
TOTAL NET POSITION	<u>\$ 903,662</u>	<u>\$ 91,724</u>	<u>\$ 1,599,425</u>	<u>\$ 2,594,811</u>	<u>\$ 3,010</u>

**Statement of Revenues, Expenses, and
Changes in Net Position - Proprietary Funds
Year Ended September 30, 2015**

	Prior Delinquent Tax	2014 Delinquent Tax	Nonmajor Enterprise	Totals	Governmental Activities Internal Service Fund
OPERATING REVENUES:					
Charges for Services	\$ 1,429	\$ 32,690	\$ 236,557	\$ 270,676	\$ -
Interest and Rentals	-	85,684	116,630	202,314	-
TOTAL OPERATING REVENUES	1,429	118,374	353,187	472,990	-
OPERATING EXPENSES:					
Supplies	-	-	59,360	59,360	-
Contracted Services	-	-	34,201	34,201	-
Other Expenses	10,128	22,893	31,293	64,314	-
TOTAL OPERATING EXPENSES	10,128	22,893	124,854	157,875	-
OPERATING INCOME (LOSS)	(8,699)	95,481	228,333	315,115	-
NON-OPERATING REVENUES (EXPENSES):					
Interest on Deposits	3,126	-	-	3,126	-
Interest Expense	-	(3,757)	(3,687)	(7,444)	-
TOTAL NON-OPERATING REVENUES	3,126	(3,757)	(3,687)	(4,318)	-
INCOME (LOSS) BEFORE TRANSFERS	(5,573)	91,724	224,646	310,797	-
Transfers In	129,307	-	157,291	286,598	-
Transfers Out	(187,434)	-	(286,598)	(474,032)	-
CHANGE IN NET POSITION	(63,700)	91,724	95,339	123,363	-
NET POSITION, OCTOBER 1	967,362	-	1,504,086	2,471,448	3,010
NET POSITION, SEPTEMBER 30	\$ 903,662	\$ 91,724	\$ 1,599,425	\$ 2,594,811	\$ 3,010

**Statement of Cash Flows
Proprietary Funds
Year Ended September 30, 2015**

	Enterprise Funds			Totals	Governmental Activities
	Prior Delinquent Tax	2014 Delinquent Tax	Nonmajor Enterprise		Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from Customers	\$ 1,429	\$ (787,303)	1,495,064	\$ 709,190	\$ -
Payments to Suppliers	(10,128)	(22,893)	(125,150)	(158,171)	(325)
Internal Activity - Payments/Receipts with Other Funds	165,000	11	(320,307)	(155,296)	-
Net Cash Provided (Used) by Operating Activities	<u>156,301</u>	<u>(810,185)</u>	<u>1,049,607</u>	<u>395,723</u>	<u>(325)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Note Proceeds	-	1,370,000	-	1,370,000	-
Principal Payments	-	(470,000)	(995,000)	(1,465,000)	-
Interest Payments	-	(3,757)	(3,687)	(7,444)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>-</u>	<u>896,243</u>	<u>(998,687)</u>	<u>(102,444)</u>	<u>-</u>
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES:					
Transfers In	129,307	-	157,291	286,598	-
Transfers Out	(187,434)	-	(286,598)	(474,032)	-
Net Cash Provided (Used) by Non-Capital And Related Financing Activities	<u>(58,127)</u>	<u>-</u>	<u>(129,307)</u>	<u>(187,434)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest on Deposits	3,126	-	-	3,126	-
Net Cash Provided by Investing Activities	<u>3,126</u>	<u>-</u>	<u>-</u>	<u>3,126</u>	<u>-</u>
Net Increase (Decrease) in Cash and Equivalents	101,300	86,058	(78,387)	108,971	(325)
Cash and Equivalents - Beginning of the Year	605,236	-	104,016	709,252	3,368
Cash and Equivalents - End of the Year	<u>\$ 706,536</u>	<u>\$ 86,058</u>	<u>\$ 25,629</u>	<u>\$ 818,223</u>	<u>\$ 3,043</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating Income (Loss)	\$ (8,699)	\$ 95,481	\$ 228,333	\$ 315,115	\$ -
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Change in Assets and Liabilities:					
(Increase) Decrease in Assets:					
Taxes Receivable	-	(836,091)	1,040,319	204,228	-
Interest Receivable	-	(58,251)	94,380	36,129	-
Other Assets	-	-	27,573	27,573	-
Due from Others	-	(11,335)	(20,395)	(31,730)	(970)
Due from Other Funds	165,000	-	(190,000)	(25,000)	-
Increase (Decrease) in Liabilities:					
Accounts Payable	-	-	(2,225)	(2,225)	645
Due to Other Funds	-	-	(129,000)	(129,000)	-
Due to Governmental Units	-	11	622	633	-
Net Cash Provided (Used) by Operating Activities	<u>\$ 156,301</u>	<u>\$ (810,185)</u>	<u>\$ 1,049,607</u>	<u>\$ 395,723</u>	<u>\$ (325)</u>

**Statement of Fiduciary Net Position
Fiduciary Funds
September 30, 2015**

	<u>Agency Funds</u>
ASSETS:	
Cash and Equivalents - Unrestricted	\$ 1,353,428
Taxes Receivable	<u>1,898</u>
 TOTAL ASSETS	 <u>\$ 1,355,326</u>
 LIABILITIES:	
Accounts Payable	\$ 78,300
Due to Others	146,698
Due to Other Governmental Units	<u>1,130,328</u>
 TOTAL LIABILITIES	 <u>\$ 1,355,326</u>

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the County of Crawford, Michigan, conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. The following is a summary of the significant accounting policies used by the County:

A – Reporting Entity:

The County of Crawford, Michigan was organized in 1845 and covers an area approximately 576 square miles with the County Seat located in Grayling, Michigan. The County is governed by an elected seven member board. As required by accounting principles generally accepted in the United States of America, these basic financial statements present the County of Crawford and its component units. The component units discussed below are included in the reporting entity because of the significance of their operational or financial relationship with the County.

Component Units:

In conformity with U.S. generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity either as blended component units or as discretely presented component units.

Blended Component Units

Crawford County Building Authority - The Authority is an entity legally separate from the County. The Authority is governed by a board appointed by the Commission and is reported as if it were part of the County's operations because its primary purpose is the procurement and management of debt financing for the County.

Discretely Presented Component Unit

The component unit column in the government-wide financial statements includes the financial data of the Road Commission. The following is a summary of the component unit:

Crawford County Road Commission - The members of the governing board of the Road Commission are elected by the voters of Crawford County. Although the County does not have the authority to approve or modify the Road Commission's operational and capital budgets, bonded debt must be approved by the County Commission. Complete financial statements of the individual component unit can be obtained from the following:

Crawford County Road Commission
500 Huron Street
Grayling, MI 49738

Jointly Governed Organization

District #10 Health Department - The County of Crawford, in conjunction with nine other counties, has created the District #10 Health Department. The Board of the Health Department is composed of 20 members from each of the boards of the participating governments. The County of Crawford appropriated \$104,000 to the District #10 Health Department for the year ended September 30, 2015.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Northern Lakes Community Mental Health Authority - The County of Crawford, in conjunction with Grand Traverse, Leelanau, Missaukee, Wexford and Roscommon, has created the Northern Lakes Community Mental Health Authority. The board of the Authority is composed of 16 members from each of the boards of the participating governments. The County of Crawford appropriated \$35,600 to the Authority for the year ended September 30, 2015.

Multi-County Agency - The County participates jointly in the operation of the Otsego-Crawford County Department of Human Services (a special revenue fund of Otsego and Crawford County). Most financial operations of the Agency are recorded in Otsego County.

B – Government-Wide and Fund Financial Statements:

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally 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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

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.

C – Measurement Focus, Basis of Accounting and Financial Statement Presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 needed.

Taxes Receivable – Current or Property Taxes

The County of Crawford property tax is levied on each December 1st and July 1st on the taxable valuation of property (as defined by State statutes) located in the County of Crawford as of the preceding December 31st.

Although the County of Crawford 2014 ad valorem tax is levied and collectible on December 1, 2014, and 2015 ad valorem tax is levied and collectible on July 1, 2015, it is the County of Crawford's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be paid from the delinquent tax revolving funds within one year.

The 2014 taxable valuation of the County of Crawford totaled \$543,645,925, on which ad valorem taxes levied consisted of .0690 mills for Library Debt, .4458 mills for Library Operating, .8917 mills for Sheriff Operating, .7185 mills for Commission on Aging, .4845 mills for Recreation Authority, .7027 mills for Public Transit, .2500 for Veterans Office, and .6300 for Animal Shelter. These amounts are recognized in the respective General, Special Revenue, and Agency Fund financial statements as taxes receivable – current or as tax revenue.

The July 1, 2015 taxable valuation of County of Crawford totaled \$537,770,714, on which ad valorem taxes levied consisted of 6.0925 mills for the General Fund. This amount is recognized in the General Fund financial statements as revenue.

The County reports the following major governmental funds:

General Fund

This is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

County Library

The County Library provides cultural and educational enrichment to the residents of Crawford County.

Housing Commission

This fund provides loans to individuals in Crawford County for low income housing and rehabilitation of existing homes.

The County reports the following major proprietary funds:

Prior Delinquent Tax Fund

This fund accounts for the collection of delinquent taxes.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2014 Delinquent Tax Fund

This fund accounts for the collection of delinquent taxes.

Additionally, the County reports the following fund types:

Special Revenue Funds – The special revenue funds account for revenue sources that are legally restricted to expenditures for specific purposes (not including major capital projects).

Debt Service Funds – The debt service funds accounts for the servicing of general long-term debt not being financed by proprietary or permanent trust funds.

Capital Project Funds – These funds are used to account for the acquisition or construction of major capital facilities other than those financed by enterprise funds or special assessments.

Internal Service Funds – Internal service funds account for the operations that provide services to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis.

Agency Funds – Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

All other revenue items are considered to be available only when cash is received by the government.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's tax collection function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for tax collections. Operating expenses for proprietary funds include the cost of sales and services, and administrative expenses. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

D - Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance

Bank Deposits and Investments – Cash and equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income from all funds and is allocated to each fund based on average cash balance. Deposits are recorded at cost.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

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

Inventories and Prepaid Items – Except for the Commission on Aging, all other inventories, including the cost of supplies, are expensed when purchased. Certain payments for insurance charges reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets – Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Vehicles	3 to 5 years
Office Equipment	5 to 7 years
Computer Equipment	3 to 7 years
Infrastructure – Roads	8 to 20 years
Infrastructure – Bridges	12 to 30 years

Vested Benefits Payable – County General Employees - The County’s employment policies provide for vacation benefits to be earned in varying amounts depending on the employee’s years of service.

The annual vacation benefits earned by each employee during the current year are credited to the employee at year end. Employees are required to use their vacation leave in accordance with the applicable bargaining unit contract. Under special circumstances, the carry-over provision may be exceeded if authorized by the Board.

The County’s employment policies provide for sick leave benefits to be earned in accordance with the applicable bargaining unit contract. When employees separate from employment with the County, bargaining unit employees are entitled to be compensated for earned paid leave time that has accrued. However, non-union employees have no such entitlement to accrued time off.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Pension Plan and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows of Resources – In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has pension items that qualify for reporting in this category.

Deferred Inflows of Resources – In addition to liabilities, the statement of net position and governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has unavailable revenue from loans that qualify for reporting in this category.

Long-Term Obligations – In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

Fund Balance Classification – The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The Board has classified Inventories and Prepaid Items as being Nonspendable as these items are not expected to be converted to cash within the next year.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the County. These amounts cannot be used for any other purpose unless the County removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The County has committed \$855,766 for specific fund purposes.
- Assigned: This classification includes amounts that are constrained by the County's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the County through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Unassigned: This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The County would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

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

Grants and Other Intergovernmental Revenues – Federal grants and assistance awards for all governmental type funds are recorded as intergovernmental revenue in accordance with the terms of the representative grants.

Interfund Transfers – During the course of normal operations, the County has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. The classification of amounts recorded as subsidies, advances, or equity contributions is determined by County management.

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

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information – Annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles.

Budgets and Budgetary Control – The County follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Each September, after receiving input from the individual departments, the Board of Commissioners prepares a proposed operating budget for the fiscal period commencing October 1 and lapses on September 30. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to October 1, the budget is legally enacted through a resolution passed by the Board of Commissioners.
- d. Budgetary control is exercised at the departmental level of the General Fund. Any revisions that alter the total expenditures of any department or fund (i.e., budget amendments) require approval by the Board of Commissioners. Such amendments are made in accordance with the procedures prescribed under Public Act 621 of 1978.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

- e. The budget and approved appropriations lapse at the end of the fiscal year.
- f. The County does not record encumbrances in the accounting records during the year as normal practice and, therefore, no outstanding encumbrances exist at year end.

Budgeted amounts are as originally adopted or amended by the Board of Commissioners during the year. Individual amendments were not material in relation to the original appropriations which were amended. The modified accrual basis of accounting is used for budgetary purposes.

The General Fund revenue budget was adopted on the basis of activities or programs financed by the General Fund.

Michigan Public Act 621 of 1978 (the Budgeting Act) requires that budgets be adopted for Governmental Funds. U.S. generally accepted accounting principles require that the financial statements present budgetary comparisons for the Governmental Fund Types for which budgets were legally adopted. The original budget adopted for the General fund was modified throughout the year through various budget amendments.

The budget document presents information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the department level.

NOTE 3 - DEPOSITS AND INVESTMENTS

At year end, the County’s deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Unit</u>
Cash and Equivalents – Unrestricted	\$ 1,736,859	\$ 818,223	\$ 2,555,082	\$ 1,353,428	\$ 4,094,082
Total	<u>\$ 1,736,859</u>	<u>\$ 818,223</u>	<u>\$ 2,555,082</u>	<u>\$ 1,353,428</u>	<u>\$ 4,094,082</u>
		<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Unit</u>	
Bank Deposits (checking and savings accounts, certificates of deposit and money markets)		\$ 2,543,685	\$ 1,353,428	\$ 4,093,882	
Petty Cash and Cash on Hand		<u>11,397</u>	<u>-</u>	<u>200</u>	
Total		<u>\$ 2,555,082</u>	<u>\$ 1,353,428</u>	<u>\$ 4,094,082</u>	

Interest rate risk. The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The County has no investment policy that would further limit its investment choices.

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Custodial deposit credit risk. Custodial deposit credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned. State law does not require and the County does not have a policy for deposit custodial credit risk. As of year end, \$2,098,731 of the County's bank balance of \$3,987,096 was exposed to credit risk because it was uninsured and uncollateralized.

Statutory Authority:

An act (PA 152) to amend 1943 PA 20, entitled "An act relative to the investment of funds of public corporations of the state; and to validate certain investments," by amending section 1 (MCL 129.91), as amended by 2009 PA 21.

Except as provided in section 5, the governing body by resolution may authorize its investment officer to invest the funds of that public corporation in one or more of the following:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, or depository receipts of a financial institution, but only if the financial institution complies with subsection (2); certificates of deposit obtained through a financial institution as provided in subsection (5); or deposit accounts of a financial institution as provided in subsection (6).
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in subdivision (a).
- e. Bankers' acceptances of United States banks.
- f. Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, 15 USC 80a-1 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of any of the following:
 - (i) The purchase of securities on a when-issued or delayed delivery basis.
 - (ii) The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the value of the securities loaned.
 - (iii) The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes.
- h. Obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the urban cooperation act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, MCL 129.111 to 129.118.

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

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

These deposits are in various financial institutions in varying amounts. All accounts are in the name of the County and specific funds. They are recorded in County records at cost. Interest is recorded when the deposits mature or is credited to the applicable account.

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the primary government for the current year was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
<i>Capital assets not being depreciated:</i>				
Land and improvements	\$ 4,930,000	\$ -	\$ -	\$ 4,930,000
<i>Capital assets being depreciated:</i>				
Buildings and improvements	7,353,506	290,000	-	7,643,506
Furniture and equipment	435,208	-	-	435,208
Vehicles	<u>467,702</u>	<u>35,447</u>	<u>-</u>	<u>503,149</u>
Subtotal	<u>8,256,416</u>	<u>325,447</u>	<u>-</u>	<u>8,581,863</u>
<i>Less accumulated depreciation for:</i>				
Buildings and improvements	(4,757,974)	(134,428)	-	(4,892,402)
Furniture and equipment	(374,527)	(24,815)	-	(399,342)
Vehicles	<u>(389,116)</u>	<u>(37,291)</u>	<u>-</u>	<u>(426,407)</u>
Subtotal	<u>(5,521,617)</u>	<u>(196,534)</u>	<u>-</u>	<u>(5,718,151)</u>
Net capital assets being depreciated	<u>2,734,799</u>	<u>128,913</u>	<u>-</u>	<u>2,863,712</u>
Capital Assets – Net of Depreciation	<u>\$ 7,664,799</u>	<u>\$ 128,913</u>	<u>\$ -</u>	<u>\$ 7,793,712</u>

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

Governmental Activities:	
General Government	\$ 55,727
Public Safety	107,492
Recreation and Culture	21,685
Health and Welfare	<u>11,630</u>
Total Governmental Activities	<u>\$ 196,534</u>

NOTE 4 - CAPITAL ASSETS (Continued)

Capital asset activity of the Crawford County Road Commission for the current year was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<i>Capital assets not being depreciated:</i>				
Land and land improvements	\$ 73,092	\$ -	\$ -	\$ 73,092
<i>Capital assets being depreciated:</i>				
Buildings	1,921,699	15,976	-	1,937,675
Equipment – road	4,528,110	157,109	(110,176)	4,575,043
Equipment – shop	73,859	-	-	73,859
Equipment – office	151,328	8,363	-	159,691
Equipment – engineer	13,450	-	-	13,450
Depletable assets	50,282	-	-	50,282
Infrastructure – roads	<u>8,649,616</u>	<u>2,389,484</u>	<u>-</u>	<u>11,039,100</u>
Subtotal	<u>15,388,344</u>	<u>2,570,932</u>	<u>(110,176)</u>	<u>17,849,100</u>
<i>Less accumulated depreciation:</i>				
Buildings	(850,927)	(40,310)	-	(891,237)
Equipment – road	(3,799,518)	(291,580)	106,105	(3,984,993)
Equipment – shop	(68,211)	(1,522)	-	(69,733)
Equipment – office	(150,401)	(681)	-	(151,082)
Equipment – engineer	(11,058)	(1,696)	-	(12,754)
Depletable assets	(49,107)	-	-	(49,107)
Infrastructure – roads	<u>(962,587)</u>	<u>(402,698)</u>	<u>-</u>	<u>(1,365,285)</u>
Subtotal	<u>(5,891,809)</u>	<u>(738,487)</u>	<u>106,105</u>	<u>(6,524,191)</u>
Net capital assets being depreciated	<u>9,496,535</u>	<u>1,832,445</u>	<u>(4,071)</u>	<u>11,324,909</u>
Capital Assets – Net of Depreciation	<u>\$ 9,569,627</u>	<u>\$ 1,832,445</u>	<u>\$ (4,071)</u>	<u>\$ 11,398,001</u>

Depreciation expense was charged to the programs of the Crawford County Road Commission as follows:

Public Works:	
Net Equipment Expense	\$ 316,793
Net Administrative Expense	8,466
Infrastructure	402,698
Salt Storage Sheds	<u>10,530</u>
Total Depreciation	<u>\$ 738,487</u>

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances is as follows:

The County reports interfund balances between some of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of interfund balances presented in the statements of net position/balance sheet for governmental funds, proprietary funds, and fiduciary funds. Interfund transactions resulting in interfund receivables and payables are as follows:

DUE TO OTHER FUNDS				
DUE FROM OTHER FUNDS	<u>General</u>	<u>Nonmajor Governmental</u>	<u>Nonmajor Enterprise</u>	<u>Total</u>
Nonmajor Governmental	\$ 57,000	\$ 47,000	\$ 71,000	\$ 175,000
Prior Delinquent Tax	-	195,000	-	195,000
Nonmajor Enterprise	<u>1,308,000</u>	<u>-</u>	<u>-</u>	<u>1,308,000</u>
Total	<u>\$ 1,365,000</u>	<u>\$ 242,000</u>	<u>\$ 71,000</u>	<u>\$ 1,678,000</u>

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

TRANSFERS OUT					
TRANSFERS IN	<u>General Fund</u>	<u>Nonmajor Governmental</u>	<u>Prior Delinquent Tax</u>	<u>Nonmajor Enterprise</u>	<u>Total</u>
General Fund	\$ -	\$ 310,174	\$ -	\$ -	\$ 310,174
Nonmajor Governmental	400,995	281,218	78,577	108,857	869,647
Prior Delinquent Tax	-	-	-	129,307	129,307
Nonmajor Enterprise	<u>-</u>	<u>-</u>	<u>108,857</u>	<u>48,434</u>	<u>157,291</u>
Total	<u>\$ 400,995</u>	<u>\$ 591,392</u>	<u>\$ 187,434</u>	<u>\$ 286,598</u>	<u>\$ 1,466,419</u>

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

NOTE 6 - LONG-TERM DEBT

The government issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. County contractual agreements and installment purchase agreements are also general obligations of the government.

Bond and contractual obligation activity can be summarized as follows:

	Interest Rate	Principal Matures	Beginning Balance	Adjustments/ Increases	Adjustments/ Decreases	Ending Balance	Due Within One Year
Governmental Activities							
General Obligation Bonds							
2000 Library	4.5-5.1%	2015	\$ 100,000	\$ -	\$ (100,000)	\$ -	\$ -
2007 Animal Control Building	4.125%	2036	345,000	-	(345,000)	-	-
Capital Improvement Bonds Series 2009	4.270%	2024	<u>1,100,000</u>	<u>-</u>	<u>(90,000)</u>	<u>1,010,000</u>	<u>95,000</u>
Total Governmental Activities			<u>\$ 1,545,000</u>	<u>\$ -</u>	<u>\$ (535,000)</u>	<u>\$ 1,010,000</u>	<u>\$ 95,000</u>
Business-Type Activities							
Limited Tax Notes							
2014 Tax Notes Series	Variable*	2016	\$ 995,000	\$ -	\$ (995,000)	\$ -	\$ -
2015 Tax Notes Series	Variable*	2017	<u>-</u>	<u>1,370,000</u>	<u>(470,000)</u>	<u>900,000</u>	<u>900,000</u>
Total Business-Type Activities			<u>\$ 995,000</u>	<u>\$ 1,370,000</u>	<u>\$ (1,465,000)</u>	<u>\$ 900,000</u>	<u>\$ 900,000</u>

Other Information on Long-Term Debt

The General Obligation Tax Notes were issued to finance the 100 percent Tax Payment Funds for the purchase of delinquent real property taxes in accordance with the provisions of Sections 211.87b, 211.87c, and 211.87d of the 1979 Compiled Laws, as amended. The assets of the respective 100 percent Tax Payment Funds are pledged for the payment of principal and interest on these notes.

* Interest payments vary according to payment dates and interest rates.

Annual debt service requirements to maturity for the above obligations are as follows:

Year End September 30	Governmental Activities	
	Principal	Interest
2016	\$ 95,000	\$ 45,612
2017	100,000	42,050
2018	100,000	38,050
2019	105,000	33,800
2020	110,000	29,076
2021-2025	<u>500,000</u>	<u>63,076</u>
Total	<u>\$ 1,010,000</u>	<u>\$ 251,664</u>

NOTE 6 - LONG-TERM DEBT (Continued)

The changes in vested employee benefits are summarized as follows:

	<u>Beginning Balances</u>	<u>Additions (Reductions)</u>	<u>Ending Balances</u>
	\$ 100,022	\$ 200	\$ 100,222

The Long-Term Debt of the Road Commission is composed of six items; four capitalized leases, net OPEB obligations, and vested vacation and sick leave.

	<u>Beginning Balances</u>	<u>Additions (Reductions)</u>	<u>Ending Balances</u>	<u>Due Within One Year</u>
Component Unit:				
Capitalized leases	\$ 678,037	\$ (65,878)	\$ 612,159	\$ 329,563
Net OPEB obligation	28,732	1,749	30,481	-
Net pension liability	4,812,771	172,393	4,985,164	-
Compensated absences	<u>167,666</u>	<u>(9,390)</u>	<u>158,276</u>	<u>-</u>
	<u>\$ 5,687,206</u>	<u>\$ 98,874</u>	<u>\$ 5,786,080</u>	<u>\$ 329,563</u>

Capital Leases – The County Road Commission leases various equipment under capital leases with monthly lease payments ranging from \$1,212 to \$2,082, including interest rates ranging from 1.3287% to 4.203%. The leases qualify as capital leases for accounting purposes and therefore have been recorded at the present value of future minimum lease payments as of the inception date. The future minimum lease obligations and the net present values are as follows:

2016	\$ 343,297
2017	<u>285,778</u>
Total minimum lease payments	629,075
Less amount representing interest	<u>(16,916)</u>
Present value of minimum lease payment	<u>\$ 612,159</u>

NOTE 7 - CONTINGENT LIABILITIES

The County has received significant financial assistance from state and federal agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and are subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the County. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the County at September 30, 2015.

Litigation - The County is involved in various lawsuits now pending. It is the opinion of the County and of its counsel that the outcome of the various lawsuits will not materially affect the operations or the financial position of the County. The amount of all legal costs relating to such actions is not currently determinable.

NOTE 8 - RISK MANAGEMENT

In 1996, the County of Crawford joined the Michigan Township Participating Plan, which is a risk management program that will lessen or prevent the incidence or severity of casualty losses in the operations of its members. The programs are subject to change in the future. The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The County is unable to provide an estimate of the amounts of any potential additional assessments.

NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

PRIMARY GOVERNMENT

Description of Plan and Plan Assets

The County is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement and service retirement to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplies by the sum of 2.25% and 2.5% for deputies times the final compensation (FAC). The most recent period of which actuarial data was available was for year ended December 31, 2014.

General Information about the Pension Plan

Plan Description. The employer's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The employer participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at www.mersofmich.com.

01 – Gnrl: Closed to new hires	
	2014 Valuation
Benefit Multiplier:	2.50% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	6 Years
Early Retirement (Unreduced):	55/15
Early Retirement (Reduced):	50/25
Final Average Compensation:	5 years
COLA for Current Retires:	2.50% (Non-Compound)
Employee Contributions	5.29%
DC Plan for New Hires:	5/1/2007
Act 88:	No

NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

02 – COAM: Closed to new hires	
	2014 Valuation
Benefit Multiplier:	2.50% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	6 Years
Early Retirement (Unreduced):	55/25 50/15
Early Retirement (Reduced):	-
Final Average Compensation:	3 years
COLA for Current Retires:	2.50% (Non-Compound)
Employee Contributions	4%
DC Plan for New Hires:	4/1/2013
Act 88:	No
10 – General Comm: Closed to new hires	
	2014 Valuation
Benefit Multiplier:	2.00% Multiplier (no max)
Normal Retirement Age:	60
Vesting:	6 Years
Early Retirement (Unreduced):	55/15
Early Retirement (Reduced):	50/25
Final Average Compensation:	5 years
COLA for Current Retires	2.50% (Non-Compound)
Employee Contributions	0%
DC Plan for New Hires:	5/1/2007
Act 88:	No
11 – GNRL/AFSCME: Closed to new hires	
	2014 Valuation
Benefit Multiplier:	2.25% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	6 Years
Early Retirement (Unreduced):	55/15
Early Retirement (Reduced):	50/25
Final Average Compensation:	5 years
COLA for Current Retires	2.50% (Non-Compound)
Employee Contributions	2%
DC Plan for New Hires:	10/1/2007
Act 88:	No

NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

14 – AFSCME District Court: Closed to new hires	
	<u>2014 Valuation</u>
Benefit Multiplier:	2.25% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	6 Years
Early Retirement (Unreduced):	55/15
Early Retirement (Reduced):	50/25
Final Average Compensation:	5 years
Employee Contributions	2%
DC Plan for New Hires:	4/1/2013
Act 88:	No
20 – POAM: Closed to new hires	
	<u>2014 Valuation</u>
Benefit Multiplier:	2.50% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	6 Years
Early Retirement (Unreduced):	55/25
	55/15
Early Retirement (Reduced):	-
Final Average Compensation:	3 years
COLA for Current Retires	2.50% (Non-Compound)
Employee Contributions	3.50%
DC Plan for New Hires:	1/1/2010
Act 88:	No
21 – Dispatch: Closed to new hires	
	<u>2014 Valuation</u>
Benefit Multiplier:	2.50% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	6 Years
Early Retirement (Unreduced):	55/25
	55/15
Early Retirement (Reduced):	-
Final Average Compensation:	5 years
Employee Contributions	3%
DC Plan for New Hires:	7/1/2005
Act 88:	No

Employees Covered by Benefit Terms

At September 30, 2015, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	73
Inactive employees entitled to but not yet receiving benefits	22
Active employees	<u>55</u>
	150

NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the County’s competitive bargaining unit and personnel policy, which require employees to contribute to the plan. The County is required to contribute at an actuarially determined rate.

Net Pension Liability

The County’s net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

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

Inflation	3.0 to 4.0 percent
Salary increases	4.5 percent, average, including inflation
Investment rate of return	8.0 percent

Although no specific price inflation assumptions are needed for the valuation, the 4.5% long-term wage inflation assumption would be consistent with a price inflation of 3% - 4%.

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

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study in 2008. (MERS Retirement Board is currently conducting an actuarial experience study covering the period from January 1, 2009, through December 31, 2013.)

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	57.5%	5.02%
Global Fixed Income	20.0%	2.18%
Real Assets	12.5%	4.23%
Diversifying Strategies	10.0%	6.56%

NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Discount Rate. The discount rate used to measure the total pension liability is 8.25% for 2014 and will be 8.0% in 2015 and thereafter. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability:

	Increases (Decreases)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2013	\$ 17,082,035	\$ 11,627,666	\$ 5,454,369
Service cost	293,190	-	293,190
Interest on total pension liability	1,383,964	-	1,383,964
Changes in benefits	-	-	-
Difference between expected and actual experience	-	-	-
Changes in assumptions	-	-	-
Employer contributions	-	532,861	(532,861)
Employee contributions	-	165,029	(165,029)
Net investment income	-	735,416	(735,416)
Benefit payments, including employee refunds	(906,621)	(906,621)	-
Administrative expense	-	(27,002)	27,002
Net changes	770,533	499,683	270,850
Balances as of December 31, 2014	\$ 17,852,568	\$ 12,127,349	\$ 5,725,219

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the County, calculated using the discount rate of 8.25% , as well as what the County’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.25%) or 1-percentage-point higher (9.25%) than the current rate:

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
County’s net pension liability	\$7,602,718	\$5,725,219	4,121,510

NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued MERS financial report.

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

For the year ended September 30, 2015, the County recognized pension expense of \$771,721. At September 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Difference between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	171,314	-
Contributions subsequent to the measurement date	<u>428,805</u>	<u>-</u>
 Total	 <u>\$ 600,119</u>	 <u>\$ -</u>

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

<u>Year Ended September 30:</u>	
2016	\$ 42,828
2017	42,828
2018	42,829
2019	42,829

Annual Pension Cost

During the year ended September 30, 2015, the County’s contributions totaling \$571,740 were made in accordance with contribution requirement determined by an actuarial valuation of the plan as of December 31, 2014. 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 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 projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5 percent based on an age-related scale to reflect merit, longevity, and promotional salary increases. The unfunded actuarial liability is amortized as a level percent of payroll on a closed basis. The remaining amortization period is 26 years.

NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

ROAD COMMISSION

General Information about the Pension Plan

Plan Description. The employer’s defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The employer participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at www.mersofmich.com.

01 – General Teamster: Open Division	
	2014 Valuation
Benefit Multiplier:	2.50% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	55/15
Early Retirement (Reduced):	50/25
Final Average Compensation:	5 years
Employee Contributions	4.30%
Act 88:	Yes (Adopted 2/2/2006)
10 – Non Union: Open Division	
	2014 Valuation
Benefit Multiplier:	2.50% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	55/22
Early Retirement (Reduced):	50/25
	50/15
Final Average Compensation:	5 years
Employee Contributions	2.93%
Act 88:	Yes (Adopted 2/2/2006)
13 – Closed to new hires	
	2014 Valuation
Benefit Multiplier:	2.00% Multiplier (no max)
Normal Retirement Age:	60
Vesting:	8 Years
Early Retirement (Unreduced):	-
Early Retirement (Reduced):	50/25
	50/15
Final Average Compensation:	5 years
Employee Contributions	1.60%
Act 88:	Yes (Adopted 2/2/2006)

NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefits	29
Inactive employees entitled to but not yet receiving benefits	-
Active employees	27
	56

Funding Policy

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

Employer contributions range from \$78 to \$102 per month for the closed division and \$26,527 - \$35,987 per month for the open division.

Net Pension Liability

The employer’s net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

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

Inflation	3.0 to 4.0 percent
Salary increases	4.5 percent, average, including inflation
Investment rate of return	8.0 percent

Although no specific price inflation assumptions are needed for the valuation, the 4.5% long-term wage inflation assumption would be consistent with a price inflation of 3% - 4%.

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

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study in 2008. (MERS Retirement Board is currently conducting an actuarial experience study covering the period from January 1, 2009, through December 31, 2013.)

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	57.5%	5.02%
Global Fixed Income	20.0%	2.18%
Real Assets	12.5%	4.23%
Diversifying Strategies	10.0%	6.56%

Discount Rate. The discount rate used to measure the total pension liability is 8.25% for 2014 and will be 8.0% in 2015 and thereafter. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability:

	Increases (Decreases)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2013	\$ 7,961,554	\$ 3,148,783	\$ 4,812,771
Service cost	154,944	-	154,944
Interest on total pension liability	641,354	-	641,354
Changes in benefits	-	-	-
Difference between expected and actual experience	-	-	-
Changes in assumptions	-	-	-
Employer contributions	-	381,846	(381,846)
Employee contributions	-	51,447	(51,447)
Net investment income	-	197,860	(197,860)
Benefit payments, including employee refunds	(530,067)	(530,067)	-
Administrative expense	-	(7,247)	7,247
Other changes	1	-	1
Net changes	266,232	93,839	172,393
Balances as of December 31, 2014	\$ 8,227,786	\$ 3,242,622	\$ 4,985,164

NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the employer, calculated using the discount rate of 8.25% , as well as what the employer’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.25%) or 1-percentage-point higher (9.25%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	(7.25%)	(8.25%)	(9.25%)
Changes in net pension liability	\$5,849,208	\$4,985,164	\$4,245,339

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued MERS financial report.

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

For the year ended September 30, 2015, the employer recognized pension expense of \$379,774. At September 30, 2015, the employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	65,812	-
Contributions subsequent to the measurement date	316,882	-
Total	\$ 382,694	\$ -

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

<u>Year Ended September 30:</u>	
2016	\$ 16,453
2017	16,453
2018	16,453
2019	16,453

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS

Primary Government

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

Funding Policy. Crawford County has the authority to establish and amend the obligations of Crawford County and plan members to contribute to the plan. Active plan members are currently not obligated to make contributions to the plan. The County will not, at this time, make contributions in excess of benefits as they come due. The County pays single or double medical coverage that is capped at \$900 per year.

Annual OPEB Cost and Net OPEB Obligation. The County’s annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the County’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County’s net OPEB obligation to the Retiree Health Plan:

Annual required contribution	\$ 300,865
Interest on net OPEB obligation	84,381
Adjustment to annual required contribution	<u>(182,436)</u>
Annual OPEB cost (expense)	202,810
Contributions made	<u>(154,653)</u>
Increase in net OPEB obligation	48,157
Net OPEB obligation – beginning of year	<u>2,109,527</u>
Net OPEB obligation – end of year	<u>\$ 2,157,684</u>

The County’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2013, 2014, and 2015 are as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
09/30/13	\$ 281,726	39%	\$ 1,912,035
09/30/14	\$ 295,548	33%	\$ 2,109,527
09/30/15	\$ 202,810	76%	\$ 2,157,684

Funded Status and Funding Progress. As of September 30, 2015, the actuarial accrued liability for benefits was \$3,345,130, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was unavailable, and the ratio of the unfunded actuarial accrued liability to the covered payroll was unavailable.

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS (Continued)

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

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

In the December 31, 2015, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 8.0% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 10% initially, reduced by decrements to an ultimate rate of 4.5% after ten years. Both rates included a percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis.

Component Unit – Road Commission

In addition to the pension benefits described in Note 9, the Crawford County Road Commission provides post employment health care benefits as follows:

Plan Description: The Road Commission administers a single employer defined benefit healthcare plan. The Plan provides healthcare insurance for eligible employees and their spouses through the Road Commission's group insurance plan which covers both active and retired members. Benefit provisions are established and may be amended by the Board of County Road Commissioners.

Funding Policy: An employee hired after July 2, 2002 must be age 55 or older with 15 years of service at their retirement date to qualify for post retirement health care benefits. An employee hired prior to July 2, 2002 that retires at age 55 or older with less than 10 years of service does not qualify for postretirement healthcare benefits. The benefits are pro-rated for employees hired prior to July 2, 2002 retiring at 55 or older with at least 10 but less than 15 years of service. The pro-rated benefits at 10 years of service are 50% and increase 10% for each additional year of service until 100% is reached at 15 years of services.

The Road Commission pays the health insurance premium for the retiree and 50% of the premium expense for the spouse for retirees aged 55-64.

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS (Continued)

Beginning at age 65, the Road Commission pays the lesser of 50% or \$150 per month of the retiree’s monthly premium for supplemental insurance. The same amount is paid for the retiree’s spouse when the spouse is age 65 or older. Spouses under the age of 65 are eligible for COBRA coverage for 36 months with the Road Commission paying 50% of the premium. Once the 36 months have expired and the spouse is under age 65, the Road Commission will pay 50% of the monthly insurance premium rate as determined under the union negotiated contract. These benefits are provided for the retiree until death or age 80, whichever event occurs first. If the retiree dies, the surviving spouse continues to receive the benefit until the deceased retiree would have reached the age of 80.

Annual OPEB Cost and Net OPEB Obligation: The Road Commission’s annual other post employment benefit (OPEB) cost is calculated based on the annual required contribution (ARC). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize an unfunded actuarial liabilities (or funding excess) over a period not to exceed 15 years. The following table shows the components of the Road Commission’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Road Commission’s net OPEB obligation to the Plan for the plan year ended September 30, 2015:

Annual required contribution	\$ 120,410
Interest on prior year net OPEB obligation	<u>862</u>
Annual OPEB cost	121,272
Contributions made	<u>(119,523)</u>
Increase in net OPEB obligation	1,749
Net OPEB obligation – beginning of year	<u>28,732</u>
Net OPEB obligation – end of year	<u>\$ 30,481</u>

The Road Commission’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ended September 30, 2013, 2014, and 2015 are as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
09/30/2013	\$ 114,631	106.17%	\$ 30,430
09/30/2014	\$ 117,825	101.44%	\$ 28,732
09/30/2015	\$ 121,272	98.56%	\$ 30,481

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

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS (Continued)

The following actuarial assumptions were used in the development of the Crawford County Road Commission’s retiree health cost projections:

1. Actuarial Cost Method: Alternate Method as provided under GASB 45 for plans with fewer than 100 employees.
2. Interest Discount Rate: 3.00% compounded annually
3. Mortality Prior to Retirement: None
4. Turnover Prior to Retirement: Based on GASB 45 – Table 1 in paragraph 45b
5. Payroll Growth Rate: 3%
6. Healthcare Cost Assumption: National Health Care Expenditures Projections
7. Post Retirement Mortality Rate: National Center for Health Statistics mortality tables

NOTE 11 - NOTES RECEIVABLE

The following is a summary of the notes receivable:

	<u>Balance 10/01/14</u>	<u>Adjustments/ Additions</u>	<u>Adjustments/ Reductions</u>	<u>Balance 09/30/15</u>
Housing Commission:				
Loans	\$ 1,711,382	\$ -	\$ (73,395)	\$ 1,637,987
Milltown	36,360	-	(5,459)	30,901
Economic Development Fund	<u>130,669</u>	<u>7,046</u>	<u>-</u>	<u>137,715</u>
TOTALS	<u>\$ 1,878,411</u>	<u>\$ 7,046</u>	<u>\$ (78,854)</u>	<u>\$ 1,806,603</u>

NOTE 12 - NET POSITION RESTRICTIONS

Net asset restrictions are described as follows:

Government Activities	\$ 447,331	Restricted for Housing Commission and Other Governmental Purposes
Component Unit	\$ (2,859,034)	Restricted for Roads (Deficit)

NOTE 13 - RESTATEMENT

	<u>Governmental Activities</u>	<u>Component Unit</u>
Beginning net position as previously reported at October 1, 2014	\$ 8,169,560	\$ 10,012,933
Restatement of beginning net position – implementation of GASB 68: Net pension liability (measurement date) and Contributions to beginning of fiscal year	<u>(5,054,722)</u>	<u>(4,480,469)</u>
Net position as restated, October 1, 2014	<u>\$ 3,114,838</u>	<u>\$ 5,532,464</u>

Required Supplementary Information

**Employee Retirement System
Schedule of Changes in Pension Liability
For the Year Ended September 30, 2015**

	2015
Total pension liability	
Service cost	\$ 293,190
Interest	1,383,964
Difference between expected and actual experience	-
Benefit payments, including refund of member contributions	(906,621)
Net change in total pension liability	770,533
Total pension liability - beginning	17,082,035
Total pension liability - ending	\$ 17,852,568
Plan fiduciary net position	
Contributions - employer	\$ 532,861
Contributions - employee	165,029
Net investment income	735,416
Benefit payments, including refunds of member contributions	(906,621)
Administrative expense	(27,002)
Net change in plan fiduciary net position	499,683
Plan fiduciary net position - beginning	11,627,666
Plan fiduciary net position - ending	\$ 12,127,349
County's net pension liability - ending	\$ 5,725,219
Plan fiduciary net position as a percentage of the total pension liability	68%
Covered - employee payroll	\$ 2,466,806
County's net pension liability as a percentage of covered-employee payroll	232%
Annual money-weighted rate of return, net of investment expense	6%

**Employee Retirement System
Schedule of Employer Contributions
For the Year Ended September 30, 2015**

	<u>2015</u>
Actuarially determined contribution	\$ 571,740
Contributions in relation to the actuarially determined contribution	<u>(571,740)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered - employee payroll	\$ 2,466,806
Contributions as a percentage of covered-employee payroll	23%

Notes to Schedule:

Actuarially determined contribution rates are calculated as of December 31st, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	24 years
Asset valuation method	5-years smoothed market
Inflation	4.50%
Salary increases	4.5%, average, including inflation
Investment rate of return	8.00%
Retirement age	In the 2014 actuarial valuation, expected retirement ages of general employees were adjusted to more closely reflect actual experience
Mortality	Assumptions were based on the 1994 Group Annuity Mortality Table - Blended 50% Male / 50% Female

**Required Supplementary Information
Employee Benefit System
Schedule of Funding Progress
September 30, 2015**

Health Plan:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll ((b - a) / c)	
<i>PRIMARY GOVERNMENT</i>							
2009	\$	-	\$ 5,784,181	\$ 5,784,181	0.0%	Not Available	Not Available
2012		-	3,536,453	3,536,453	0.0%	Not Available	Not Available
2015		-	3,345,130	3,345,130	0.0%	\$ 4,005,010	83.5%
<i>ROAD COMMISSION</i>							
2010	\$	-	\$ 1,353,806	\$ 1,353,806	0.0%	Not Available	Not Available
2013	\$	-	\$ 1,702,597	\$ 1,702,597	0.0%	Not Available	Not Available

Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended September 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget - Positive (Negative)
REVENUES:				
Taxes	\$ 3,670,693	\$ 3,660,693	\$ 3,664,111	\$ 3,418
Licenses and Permits	28,000	26,000	21,942	(4,058)
Federal Sources	24,000	35,500	17,092	(18,408)
State Sources	565,235	557,235	566,477	9,242
Charges for Services	692,600	735,100	747,971	12,871
Interest and Rentals	12,000	12,000	13,168	1,168
Other Revenue	81,500	90,500	102,712	12,212
TOTAL REVENUES	5,074,028	5,117,028	5,133,473	16,445
EXPENDITURES:				
Legislative:				
Board of Commissioners	122,950	122,950	122,326	624
Judicial:				
Trial Court	886,010	920,010	921,061	(1,051)
Court Appointed Attorneys	136,112	151,112	150,304	808
Jury Commission	1,500	5,000	4,293	707
Total Judicial	1,023,622	1,076,122	1,075,658	464
General Government:				
Corporate Counsel	4,000	4,000	3,096	904
Elections	31,750	42,750	42,583	167
County Clerk	246,797	230,797	228,526	2,271
Controller's Office	124,640	124,640	123,534	1,106
Equalization	199,850	182,850	180,919	1,931
Prosecuting Attorney	293,024	291,024	289,301	1,723
COOP Reimbursement Program	5,570	5,070	4,831	239
Crime Victims Program	45,000	42,000	40,262	1,738
Purchasing	55,000	38,000	37,719	281
County Treasurer	159,210	162,210	160,810	1,400
Data Processing	55,182	75,182	74,871	311
Buildings and Grounds	173,000	165,000	164,911	89
Total General Government	1,393,023	1,363,523	1,351,363	12,160
Public Safety:				
Sheriff	894,319	895,319	892,385	2,934
Marine Department	14,150	12,150	10,808	1,342
Snowmobile Safety	10,810	6,810	6,666	144
Bailiff	13,505	12,505	12,258	247
Secondary Road Patrol	93,404	73,404	73,381	23
Seasonal Traffic Safety	9,775	11,775	11,748	27
Jail	1,069,216	1,064,216	1,068,115	(3,899)
Inmate Transportation	9,369	24,119	23,633	486
ORV Grant	12,865	14,865	13,036	1,829
Emergency Preparedness	29,000	45,000	43,786	1,214
Animal Control	56,379	56,379	59,404	(3,025)
Total Public Safety	2,212,792	2,216,542	2,215,220	1,322

**Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended September 30, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Health and Welfare:				
Cigarette Tax	334	334	-	334
Mental Health	35,600	35,600	35,600	-
Contagious Disease	500	500	29	471
Substance Abuse	55,700	55,700	57,011	(1,311)
Medical Examiner	44,500	32,500	25,027	7,473
Burial Expense	7,250	-	-	-
Total Health and Welfare	<u>143,884</u>	<u>124,634</u>	<u>117,667</u>	<u>6,967</u>
Capital Outlay	-	10,700	10,624	76
Other Expenditures:				
Fringe Benefits	21,501	21,501	19,501	2,000
Insurance	100,000	98,000	95,210	2,790
Other	5,000	3,000	2,916	84
Total Other Expenditures	<u>126,501</u>	<u>122,501</u>	<u>117,627</u>	<u>4,874</u>
TOTAL EXPENDITURES	<u>5,022,772</u>	<u>5,036,972</u>	<u>5,010,485</u>	<u>26,487</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	51,256	80,056	122,988	42,932
OTHER FINANCING SOURCES (USES):				
Transfers In	283,000	313,500	310,174	(3,326)
Transfers Out	<u>(384,256)</u>	<u>(393,556)</u>	<u>(400,995)</u>	<u>(7,439)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ (50,000)</u>	<u>\$ -</u>	32,167	<u>\$ 32,167</u>
FUND BALANCE, OCTOBER 1			<u>722,502</u>	
FUND BALANCE, SEPTEMBER 30			<u>\$ 754,669</u>	

Required Supplementary Information
 Budgetary Comparison Schedule
 County Library Fund
 Year Ended September 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 241,740	\$ 242,590	\$ 247,099	\$ 4,509
State Sources	5,200	5,200	9,287	4,087
Interest and Rentals	-	-	1,067	1,067
Other Revenue	142,250	141,400	160,257	18,857
TOTAL REVENUES	389,190	389,190	417,710	28,520
EXPENDITURES:				
Recreation and Culture	514,698	514,698	443,633	71,065
TOTAL EXPENDITURES	514,698	514,698	443,633	71,065
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (125,508)</u>	<u>\$ (125,508)</u>	(25,923)	<u>\$ 99,585</u>
FUND BALANCE, OCTOBER 1			380,311	
FUND BALANCE, SEPTEMBER 30			<u>\$ 354,388</u>	

Required Supplementary Information
 Budgetary Comparison Schedule
 Housing Commission
 Year Ended September 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Federal Sources	\$ -	\$ 75,000	\$ 73,254	\$ (1,746)
State Sources	-	-	1,798	1,798
Interest and Rentals	-	-	23	23
Other Revenue	-	75,000	83,118	8,118
TOTAL REVENUES	-	150,000	158,193	8,193
EXPENDITURES:				
Health and Welfare	-	215,000	191,810	23,190
TOTAL EXPENDITURES	-	215,000	191,810	23,190
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ (65,000)</u>	(33,617)	<u>\$ 31,383</u>
FUND BALANCE, OCTOBER 1			75,638	
FUND BALANCE, SEPTEMBER 30			<u>\$ 42,021</u>	

Other Information

Special Revenue Funds

	Revenue Sharing	Special Projects	Regional DWI Sobriety Court	Recycling Fund	Road Patrol Millage	46th Judicial Trial Court	Friend of the Court	Family Counseling
ASSETS:								
Cash and Equivalents - Unrestricted	\$ 10,384	\$ 13,088	\$ 343	\$ 18,820	\$ 36,817	\$ (1,916)	\$ 58,644	\$ 15,450
Receivables:								
Accounts	-	-	-	-	-	-	-	275
Grants	-	-	84,147	-	-	9,855	66,081	-
Taxes	-	-	-	-	1,723	-	-	-
Notes	-	168,616	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	-	-
Due from Other Funds	175,000	-	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 185,384</u>	<u>\$ 181,704</u>	<u>\$ 84,490</u>	<u>\$ 18,820</u>	<u>\$ 38,540</u>	<u>\$ 7,939</u>	<u>\$ 124,725</u>	<u>\$ 15,725</u>
LIABILITIES:								
Accounts Payable	\$ -	\$ -	\$ 6,756	\$ 8,525	\$ 6,875	\$ 368	\$ 846	\$ -
Accrued Liabilities	-	-	2,857	217	9,834	-	7,083	-
Due to Other Funds	-	-	68,000	-	-	-	12,000	-
Due to Other Governmental Units	13,239	-	-	-	-	-	-	-
Unearned Revenue	-	-	-	-	2,723	-	-	-
TOTAL LIABILITIES	<u>13,239</u>	<u>-</u>	<u>77,613</u>	<u>8,742</u>	<u>19,432</u>	<u>368</u>	<u>19,929</u>	<u>-</u>
DEFERRED INFLOWS:								
Unavailable Revenue - Loans	-	168,616	-	-	-	-	-	-
FUND BALANCES:								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	-	13,088	6,877	-	19,108	-	-	-
Committed	172,145	-	-	-	-	-	104,796	-
Assigned	-	-	-	10,078	-	7,571	-	15,725
TOTAL FUND BALANCES	<u>172,145</u>	<u>13,088</u>	<u>6,877</u>	<u>10,078</u>	<u>19,108</u>	<u>7,571</u>	<u>104,796</u>	<u>15,725</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 185,384</u>	<u>\$ 13,088</u>	<u>\$ 84,490</u>	<u>\$ 18,820</u>	<u>\$ 38,540</u>	<u>\$ 7,939</u>	<u>\$ 124,725</u>	<u>\$ 15,725</u>

Special Revenue Funds

	Sports Complex	Airport	District Health Department	Enforcement/ Recycle	Liquor Law	COPS Grant	Bankhead Jones	Building and Zoning
ASSETS:								
Cash and Equivalents - Unrestricted	\$ 11,815	\$ 15,698	\$ 2,107	\$ 68,529	\$ 2,628	\$ 5,870	\$ 37,683	\$ 48,097
Receivables:								
Accounts	580	-	-	30,174	-	-	-	-
Grants	-	-	-	-	-	-	-	-
Taxes	-	-	-	-	-	-	-	-
Notes	-	-	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	-	-
Due from Other Funds	-	-	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 12,395</u>	<u>\$ 15,698</u>	<u>\$ 2,107</u>	<u>\$ 98,703</u>	<u>\$ 2,628</u>	<u>\$ 5,870</u>	<u>\$ 37,683</u>	<u>\$ 48,097</u>
LIABILITIES:								
Accounts Payable	\$ -	\$ 231	\$ 418	\$ 4,356	\$ -	\$ -	\$ -	\$ 19,089
Accrued Liabilities	-	25	-	1,462	-	2,172	-	1,982
Due to Other Funds	-	-	-	-	-	-	-	-
Due to Other Governmental Units	-	-	-	-	-	-	-	-
Unearned Revenue	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>256</u>	<u>418</u>	<u>5,818</u>	<u>-</u>	<u>2,172</u>	<u>-</u>	<u>21,071</u>
DEFERRED INFLOWS:								
Unavailable Revenue - Loans	-	-	-	-	-	-	-	-
FUND BALANCES:								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-
Committed	12,395	15,442	-	92,885	-	3,698	-	-
Assigned	-	-	1,689	-	2,628	-	37,683	27,026
TOTAL FUND BALANCES	<u>12,395</u>	<u>15,442</u>	<u>1,689</u>	<u>92,885</u>	<u>2,628</u>	<u>3,698</u>	<u>37,683</u>	<u>27,026</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 12,395</u>	<u>\$ 15,698</u>	<u>\$ 2,107</u>	<u>\$ 98,703</u>	<u>\$ 2,628</u>	<u>\$ 5,870</u>	<u>\$ 37,683</u>	<u>\$ 48,097</u>

County of Crawford, Michigan

Combining Balance Sheet Nonmajor Governmental Funds September 30, 2015

Special Revenue Funds

	Sheriff's Youth Services	Homestead P.R.E. Audit	Remonu- mentation	Register of Deeds Automation	MSU Extension	Drug Enforcement	Law Library	911
ASSETS:								
Cash and Equivalents - Unrestricted	\$ 13,797	\$ 5,410	\$ 4,665	\$ 306	\$ 3,292	\$ 7,252	\$ 3,903	\$ 568
Receivables:								
Accounts	-	-	-	-	-	-	1,101	104,695
Grants	-	-	-	-	-	-	-	-
Taxes	-	-	-	-	-	-	-	-
Notes	-	-	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	-	-
Due from Other Funds	-	-	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 13,797</u>	<u>\$ 5,410</u>	<u>\$ 4,665</u>	<u>\$ 306</u>	<u>\$ 3,292</u>	<u>\$ 7,252</u>	<u>\$ 5,004</u>	<u>\$ 105,263</u>
LIABILITIES:								
Accounts Payable	\$ 1,112	\$ 3,028	\$ -	\$ -	\$ -	\$ -	\$ 936	\$ 1,966
Accrued Liabilities	-	-	-	-	195	-	-	9,802
Due to Other Funds	-	-	-	-	-	-	-	91,000
Due to Other Governmental Units	-	2,382	-	-	-	-	-	-
Unearned Revenue	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	<u>1,112</u>	<u>5,410</u>	<u>-</u>	<u>-</u>	<u>195</u>	<u>-</u>	<u>936</u>	<u>102,768</u>
DEFERRED INFLOWS:								
Unavailable Revenue - Loans	-	-	-	-	-	-	-	-
FUND BALANCES:								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	2,495
Committed	12,685	-	4,665	-	3,097	7,252	-	-
Assigned	-	-	-	306	-	-	4,068	-
TOTAL FUND BALANCES	<u>12,685</u>	<u>-</u>	<u>4,665</u>	<u>306</u>	<u>3,097</u>	<u>7,252</u>	<u>4,068</u>	<u>2,495</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 13,797</u>	<u>\$ 5,410</u>	<u>\$ 4,665</u>	<u>\$ 306</u>	<u>\$ 3,292</u>	<u>\$ 7,252</u>	<u>\$ 5,004</u>	<u>\$ 105,263</u>

County of Crawford, Michigan

Combining Balance Sheet Nonmajor Governmental Funds September 30, 2015

Special Revenue Funds

	2009 Homeland Security	Correction Officer Training	Department of Human Services	Probate Child Care	Soldiers' Sailors' Relief	Michigan Veterans Trust	Youth Services Bureau	Hatchery Restoration
ASSETS:								
Cash and Equivalents - Unrestricted	\$ 11,755	\$ 10,079	\$ 10,978	\$ 690	\$ 104,044	\$ 1,169	\$ -	\$ 12,207
Receivables:								
Accounts	-	-	-	-	-	-	-	-
Grants	90,766	2,818	-	101,994	-	-	-	-
Taxes	-	-	-	-	169	-	-	-
Notes	-	-	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	-	-
Due from Other Funds	-	-	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 102,521</u>	<u>\$ 12,897</u>	<u>\$ 10,978</u>	<u>\$ 102,684</u>	<u>\$ 104,213</u>	<u>\$ 1,169</u>	<u>\$ -</u>	<u>\$ 12,207</u>
LIABILITIES:								
Accounts Payable	\$ 56,396	\$ 80	\$ -	\$ 25,605	\$ 319	\$ -	\$ -	\$ -
Accrued Liabilities	-	-	-	5,076	870	-	-	-
Due to Other Funds	-	-	-	35,000	-	-	-	-
Due to Other Governmental Units	-	-	-	-	-	-	-	-
Unearned Revenue	-	-	-	-	169	-	-	-
TOTAL LIABILITIES	<u>56,396</u>	<u>80</u>	<u>-</u>	<u>65,681</u>	<u>1,358</u>	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS:								
Unavailable Revenue - Loans	-	-	-	-	-	-	-	-
FUND BALANCES:								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	-	-	10,978	37,003	-	-	-	-
Committed	46,125	12,817	-	-	-	1,169	-	12,207
Assigned	-	-	-	-	102,855	-	-	-
TOTAL FUND BALANCES	<u>46,125</u>	<u>12,817</u>	<u>10,978</u>	<u>37,003</u>	<u>102,855</u>	<u>1,169</u>	<u>-</u>	<u>12,207</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 102,521</u>	<u>\$ 12,897</u>	<u>\$ 10,978</u>	<u>\$ 102,684</u>	<u>\$ 104,213</u>	<u>\$ 1,169</u>	<u>\$ -</u>	<u>\$ 12,207</u>

County of Crawford, Michigan

Combining Balance Sheet Nonmajor Governmental Funds September 30, 2015

	Special Revenue Funds				Debt Service Funds		Capital Project Fund	Totals
	2014 Homeland Security	Revenue Sharing Reserve	Commission on Aging	Court House Preservation	Library Debt	Animal Shelter	County Building Renovation	
ASSETS:								
Cash and Equivalents - Unrestricted	\$ 446	\$ 500	\$ 333,884	\$ 4,038	\$ 509	\$ 4,965	\$ 167	\$ 878,681
Receivables:								
Accounts	-	-	-	-	-	-	-	136,825
Grants	35,554	-	2,057	-	-	-	-	393,272
Taxes	-	-	1,088	-	334	426	-	3,740
Notes	-	-	-	-	-	-	-	168,616
Inventory	-	-	5,911	-	-	-	-	5,911
Due from Other Funds	-	-	-	-	-	-	-	175,000
TOTAL ASSETS	\$ 36,000	\$ 500	\$ 342,940	\$ 4,038	\$ 843	\$ 5,391	\$ 167	\$ 1,762,045
LIABILITIES:								
Accounts Payable	-	-	\$ 8,695	\$ 1,207	\$ -	\$ -	\$ -	\$ 146,808
Accrued Liabilities	-	-	14,989	-	-	-	-	56,564
Due to Other Funds	36,000	-	-	-	-	-	-	242,000
Due to Other Governmental Units	-	-	-	-	-	-	-	15,621
Unearned Revenue	-	-	6,844	-	46	426	-	10,208
TOTAL LIABILITIES	36,000	-	30,528	1,207	46	426	-	471,201
DEFERRED INFLOWS:								
Unavailable Revenue - Loans	-	-	-	-	-	-	-	168,616
FUND BALANCES:								
Nonspendable	-	-	5,911	-	-	-	-	5,911
Restricted	-	500	306,501	2,831	797	4,965	167	405,310
Committed	-	-	-	-	-	-	-	501,378
Assigned	-	-	-	-	-	-	-	209,629
TOTAL FUND BALANCES	-	500	312,412	2,831	797	4,965	167	1,122,228
TOTAL LIABILITIES AND FUND BALANCES	\$ 36,000	\$ 500	\$ 342,940	\$ 4,038	\$ 843	\$ 5,391	\$ 167	\$ 1,593,429

County of Crawford, Michigan

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds Year Ended September 30, 2015

	Special Revenue Funds							
	Revenue Sharing	Special Projects	Regional DWI Sobriety Court	Recycling Fund	Road Patrol Millage	46th Judicial Trial Court	Friend of the Court	Family Counseling
REVENUES:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 492,301	\$ -	\$ -	\$ -
Federal Sources	-	-	253,249	-	-	-	233,827	-
Licenses and Permits	-	-	-	-	-	-	-	105
State Sources	118,986	-	-	-	-	-	11,475	-
Local Sources	-	-	-	1,000	11,875	59,240	-	-
Charges for Services	-	-	12,770	51,978	-	-	18,653	1,514
Interest and Rentals	-	-	-	-	-	-	-	-
Other Revenues	30,000	17,331	-	1,000	-	-	-	-
TOTAL REVENUES	148,986	17,331	266,019	53,978	504,176	59,240	263,955	1,619
EXPENDITURES:								
General Government	-	-	-	44,128	-	-	-	-
Judicial	-	-	-	-	-	83,779	314,693	982
Public Safety	-	-	-	-	576,464	-	-	-
Health and Welfare	-	-	270,093	-	-	-	-	-
Community/Economic Development	-	28	-	-	-	-	-	-
Recreation and Culture	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	-	28	270,093	44,128	576,464	83,779	314,693	982
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	148,986	17,303	(4,074)	9,850	(72,288)	(24,539)	(50,738)	637
OTHER FINANCING SOURCES (USES):								
Transfers In	246,152	-	-	-	38,000	24,580	30,000	-
Transfers Out	(325,000)	(5,577)	-	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	70,138	11,726	(4,074)	9,850	(34,288)	41	(20,738)	637
FUND BALANCES, OCTOBER 1	102,007	1,362	10,951	228	53,396	7,530	125,534	15,088
FUND BALANCES, SEPTEMBER 30	\$ 172,145	\$ 13,088	\$ 6,877	\$ 10,078	\$ 19,108	\$ 7,571	\$ 104,796	\$ 15,725

County of Crawford, Michigan

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds Year Ended September 30, 2015

	Special Revenue Funds							
	Sports Complex	Airport	District Health Department	Enforcement/ Recycle	Liquor Law	COPS Grant	Bankhead Jones	Building and Zoning
REVENUES:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Sources	-	-	-	10,500	-	-	56,075	-
Licenses and Permits	-	-	-	-	-	-	-	113,847
State Sources	-	-	-	-	1,318	-	-	-
Local Sources	-	-	-	-	-	30,000	-	-
Charges for Services	-	456	-	97,436	-	-	-	-
Interest and Rentals	-	11,615	-	109	-	-	-	-
Other Revenues	17,463	-	-	-	-	-	-	558
TOTAL REVENUES	17,463	12,071	-	108,045	1,318	30,000	56,075	114,405
EXPENDITURES:								
General Government	-	27,275	-	129,810	-	-	38,134	-
Judicial	-	-	-	-	-	-	-	-
Public Safety	-	-	-	-	-	61,494	-	121,609
Health and Welfare	-	-	105,940	-	-	-	-	-
Community/Economic Development	-	-	-	-	-	-	-	-
Recreation and Culture	9,211	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	9,211	27,275	105,940	129,810	-	61,494	38,134	121,609
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	8,252	(15,204)	(105,940)	(21,765)	1,318	(31,494)	17,941	(7,204)
OTHER FINANCING SOURCES (USES):								
Transfers In	-	-	106,000	-	-	32,000	-	-
Transfers Out	-	-	-	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	8,252	(15,204)	60	(21,765)	1,318	506	17,941	(7,204)
FUND BALANCES, OCTOBER 1	4,143	30,646	1,629	114,650	1,310	3,192	19,742	34,230
FUND BALANCES, SEPTEMBER 30	\$ 12,395	\$ 15,442	\$ 1,689	\$ 92,885	\$ 2,628	\$ 3,698	\$ 37,683	\$ 27,026

County of Crawford, Michigan

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds Year Ended September 30, 2015

	Special Revenue Funds							
	Sheriff's Youth Services	Homestead P.R.E. Audit	Remonu- mentation	Register of Deeds Automation	MSU Extension	Drug Enforcement	Law Libray	911
REVENUES:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Sources	-	-	-	-	-	-	-	-
Licenses and Permits	-	-	-	-	-	-	-	-
State Sources	-	-	49,159	-	-	-	-	-
Local Sources	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	474,331
Interest and Rentals	-	-	-	-	-	-	-	-
Other Revenues	11,621	-	-	-	-	300	2,500	2,125
TOTAL REVENUES	11,621	-	49,159	-	-	300	2,500	476,456
EXPENDITURES:								
General Government	-	-	68,492	14,244	51,085	-	-	-
Judicial	-	-	-	-	-	-	7,236	-
Public Safety	11,602	-	-	-	-	-	-	487,201
Health and Welfare	-	-	-	-	-	-	-	-
Community/Economic Development	-	-	-	-	-	-	-	-
Recreation and Culture	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	11,602	-	68,492	14,244	51,085	-	7,236	487,201
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	19	-	(19,333)	(14,244)	(51,085)	300	(4,736)	(10,745)
OTHER FINANCING SOURCES (USES):								
Transfers In	-	-	-	20,975	45,000	-	6,500	13,240
Transfers Out	-	-	-	(7,000)	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	19	-	(19,333)	(269)	(6,085)	300	1,764	2,495
FUND BALANCES, OCTOBER 1	12,666	-	23,998	575	9,182	6,952	2,304	-
FUND BALANCES, SEPTEMBER 30	\$ 12,685	\$ -	\$ 4,665	\$ 306	\$ 3,097	\$ 7,252	\$ 4,068	\$ 2,495

County of Crawford, Michigan

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds Year Ended September 30, 2015

	Special Revenue Funds							
	2009 Homeland Security	Correction Officer Training	Department of Human Services	Probate Child Care	Soldiers' Sailors' Relief	Michigan Veterans Trust	Youth Services Bureau	Hatchery Restoration
REVENUES:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 137,899	\$ -	\$ -	\$ -
Federal Sources	341,347	-	-	15,850	-	-	-	-
Licenses and Permits	-	-	-	-	-	-	-	-
State Sources	-	8,094	2,487	271,263	20,000	10,201	-	-
Local Sources	-	-	-	77,149	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Interest and Rentals	-	-	45	-	-	-	-	-
Other Revenues	-	-	-	12,411	-	-	5,176	-
TOTAL REVENUES	341,347	8,094	2,532	376,673	157,899	10,201	5,176	-
EXPENDITURES:								
General Government	-	-	-	-	-	-	-	-
Judicial	-	-	-	-	-	-	-	-
Public Safety	295,222	6,460	-	-	-	-	-	-
Health and Welfare	-	-	2,929	534,661	55,044	11,189	10,322	-
Community/Economic Development	-	-	-	-	-	-	-	-
Recreation and Culture	-	-	-	-	-	-	-	14,730
Debt Service	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	295,222	6,460	2,929	534,661	55,044	11,189	10,322	14,730
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	46,125	1,634	(397)	(157,988)	102,855	(988)	(5,146)	(14,730)
OTHER FINANCING SOURCES (USES):								
Transfers In	-	-	5,000	158,200	-	-	-	-
Transfers Out	-	-	-	-	(6,585)	-	(1,078)	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	46,125	1,634	4,603	212	96,270	(988)	(6,224)	(14,730)
FUND BALANCES, OCTOBER 1	-	11,183	6,375	36,791	6,585	2,157	6,224	26,937
FUND BALANCES, SEPTEMBER 30	\$ 46,125	\$ 12,817	\$ 10,978	\$ 37,003	\$ 102,855	\$ 1,169	\$ -	\$ 12,207

County of Crawford, Michigan

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds Year Ended September 30, 2015

	Special Revenue Funds			Debt Service Funds		Capital Project Fund	Totals	
	2014 Homeland Security	Revenue Sharing Reserve	Commission on Aging	Court House Preservation	Library Debt	Animal Shelter		County Building Renovation
REVENUES:								
Taxes	-	-	\$ 387,468	\$ -	\$ 38,078	\$ 347,550	\$ -	\$ 1,403,296
Federal Sources	35,554	-	119,453	-	-	-	-	1,065,855
Licenses and Permits	-	-	-	-	-	-	-	113,952
State Sources	-	121,501	61,065	-	-	-	-	675,549
Local Sources	-	-	2,960	-	-	-	-	182,224
Charges for Services	-	-	29,672	41,986	-	-	-	728,796
Interest and Rentals	-	875	1,791	-	-	-	-	14,435
Other Revenues	-	-	112,360	-	-	-	-	212,845
TOTAL REVENUES	35,554	122,376	714,769	41,986	38,078	347,550	-	4,396,952
EXPENDITURES:								
General Government	-	-	-	-	-	-	-	373,168
Judicial	-	-	-	64,092	-	-	-	470,782
Public Safety	35,554	-	-	-	-	-	-	1,595,606
Health and Welfare	-	-	721,334	-	-	-	-	1,711,512
Community/Economic Development	-	-	-	-	-	-	-	28
Recreation and Culture	-	-	-	-	-	-	-	23,941
Debt Service	-	-	-	-	105,575	359,186	139,287	604,048
TOTAL EXPENDITURES	35,554	-	721,334	64,092	105,575	359,186	139,287	4,779,085
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	122,376	(6,565)	(22,106)	(67,497)	(11,636)	(139,287)	(382,133)
OTHER FINANCING SOURCES (USES):								
Transfers In	-	-	-	5,000	-	-	139,000	869,647
Transfers Out	-	(246,152)	-	-	-	-	-	(591,392)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	-	(123,776)	(6,565)	(17,106)	(67,497)	(11,636)	(287)	(103,878)
FUND BALANCES, OCTOBER 1	-	124,276	318,977	19,937	68,294	16,601	454	1,226,106
FUND BALANCES, SEPTEMBER 30	\$ -	\$ 500	\$ 312,412	\$ 2,831	\$ 797	\$ 4,965	\$ 167	\$ 1,122,228

County of Crawford, Michigan

Combining Statement of Net Position Nonmajor Enterprise Funds September 30, 2015

	Sheriff Commissary	Tax Sale Proceeds	DTRF Admin	2008 Delinquent Tax	2009 Delinquent Tax	2010 Delinquent Tax	2011 Delinquent Tax	2012 Delinquent Tax	2013 Delinquent Tax	Totals
ASSETS:										
Cash and Equivalents - Unrestricted	\$ 18,042	\$ 479	\$ -	\$ -	\$ 875	\$ 548	\$ 719	\$ 4,840	\$ 126	\$ 25,629
Receivables:										
Taxes	-	-	-	-	180	44	2,160	7,872	240,482	250,738
Interest	-	-	-	-	-	-	-	1,933	66,617	68,550
Due from Other Funds	-	249,000	-	-	118,000	344,000	317,000	280,000	-	1,308,000
Due from Others	-	-	-	-	102	649	986	8,980	11,415	22,132
TOTAL ASSETS	<u>\$ 18,042</u>	<u>\$ 249,479</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 119,157</u>	<u>\$ 345,241</u>	<u>\$ 320,865</u>	<u>\$ 303,625</u>	<u>\$ 318,640</u>	<u>\$ 1,675,049</u>
LIABILITIES:										
Accounts Payable	\$ 420	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 898	\$ 1,318
Due to Other Funds	-	-	-	-	-	-	-	-	71,000	71,000
Due to Other Governmental Units	-	-	-	-	872	-	2,263	-	171	3,306
TOTAL LIABILITIES	<u>420</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>872</u>	<u>-</u>	<u>2,263</u>	<u>-</u>	<u>72,069</u>	<u>75,624</u>
NET POSITION:										
Unrestricted	<u>17,622</u>	<u>249,479</u>	<u>-</u>	<u>-</u>	<u>118,285</u>	<u>345,241</u>	<u>318,602</u>	<u>303,625</u>	<u>246,571</u>	<u>1,599,425</u>
TOTAL NET POSITION	<u>17,622</u>	<u>249,479</u>	<u>-</u>	<u>-</u>	<u>118,285</u>	<u>345,241</u>	<u>318,602</u>	<u>303,625</u>	<u>246,571</u>	<u>1,599,425</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 18,042</u>	<u>\$ 249,479</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 119,157</u>	<u>\$ 345,241</u>	<u>\$ 320,865</u>	<u>\$ 303,625</u>	<u>\$ 318,640</u>	<u>\$ 1,675,049</u>

County of Crawford, Michigan

Combining Statement of Revenues, Expenses, and Changes in Net Position - Nonmajor Enterprise Funds Year Ended September 30, 2015

	Sheriff Commissary	Tax Sale Proceeds	DTRF Admin	2008 Delinquent Tax	2009 Delinquent Tax	2010 Delinquent Tax	2011 Delinquent Tax	2012 Delinquent Tax	2013 Delinquent Tax	Totals
OPERATING REVENUES:										
Charges for Services	\$ 38,416	\$ -	\$ -	\$ -	\$ 645	\$ 484	\$ 7,187	\$ 113,051	\$ 76,774	\$ 236,557
Interest and Rentals	-	-	-	-	71	22	571	18,477	97,489	116,630
TOTAL OPERATING REVENUES	38,416	-	-	-	716	506	7,758	131,528	174,263	353,187
OPERATING EXPENSES:										
Supplies	36,192	-	-	-	-	-	-	21,797	1,371	59,360
Contracted Services	-	-	-	-	-	-	-	7,302	26,899	34,201
Other Expenses	-	29,527	-	-	10	-	676	580	500	31,293
TOTAL OPERATING EXPENSES	36,192	29,527	-	-	10	-	676	29,679	28,770	124,854
OPERATING INCOME (LOSS)	2,224	(29,527)	-	-	706	506	7,082	101,849	145,493	228,333
NON-OPERATING REVENUES (EXPENSES):										
Interest Expense	-	-	-	-	-	-	-	-	(3,687)	(3,687)
TOTAL NON-OPERATING REVENUES (EXPENSES)	-	-	-	-	-	-	-	-	(3,687)	(3,687)
INCOME (LOSS) BEFORE TRANSFERS	2,224	(29,527)	-	-	706	506	7,082	101,849	141,806	224,646
Transfers In	-	90,247	48,434	-	-	-	18,610	-	-	157,291
Transfers Out	-	(18,610)	(48,434)	(129,307)	-	-	(64,295)	(25,952)	-	(286,598)
NET INCOME (LOSS)	2,224	42,110	-	(129,307)	706	506	(38,603)	75,897	141,806	95,339
NET POSITION, OCTOBER 1	15,398	207,369	-	129,307	117,579	344,735	357,205	227,728	104,765	1,504,086
NET POSITION, SEPTEMBER 30	\$ 17,622	\$ 249,479	\$ -	\$ -	\$ 118,285	\$ 345,241	\$ 318,602	\$ 303,625	\$ 246,571	\$ 1,599,425

**Combining Statement of Cash Flows
Nonmajor Enterprise Funds
Year Ended September 30, 2015**

	Sheriff Commissary	Tax Sale Proceeds	DTRF Admin	2008 Delinquent Tax	2009 Delinquent Tax	2010 Delinquent Tax	2011 Delinquent Tax	2012 Delinquent Tax	2013 Delinquent Tax	Totals
Cash Flows from Operating Activities:										
Receipts from Customers	\$ 38,416	\$ -	\$ -	\$ 6,742	\$ 4,916	\$ 3,685	\$ 14,750	\$ 539,707	\$ 886,848	\$ 1,495,064
Payments to Suppliers	(38,419)	(29,527)	-	-	(10)	-	1,587	(30,184)	(28,597)	(125,150)
Internal Activity - Payments/Receipts with Other Funds	-	(49,000)	-	119,235	(4,806)	(4,736)	28,000	(480,000)	71,000	(320,307)
Net Cash Provided (Used) by Operating Activities	(3)	(78,527)	-	125,977	100	(1,051)	44,337	29,523	929,251	1,049,607
Cash Flows from Capital Financing Activities:										
Interest Payments	-	-	-	-	-	-	-	-	(3,687)	(3,687)
Principal Payments	-	-	-	-	-	-	-	-	(995,000)	(995,000)
Net Cash Provided (Used) by Capital Financing Activities	-	-	-	-	-	-	-	-	(998,687)	(998,687)
Cash Flows from Noncapital Financing Activities:										
Transfers In	-	90,247	48,434	-	-	-	18,610	-	-	157,291
Transfers Out	-	(18,610)	(48,434)	(129,307)	-	-	(64,295)	(25,952)	-	(286,598)
Cash Provided (Used) by Noncapital Financing Activities	-	71,637	-	(129,307)	-	-	(45,685)	(25,952)	-	(129,307)
Net Increase in Cash and Equivalents	(3)	(6,890)	-	(3,330)	100	(1,051)	(1,348)	3,571	(69,436)	(78,387)
Cash and Equivalents - Beginning of Year	18,045	7,369	-	3,330	775	1,599	2,067	1,269	69,562	104,016
Cash and Equivalents - End of Year	\$ 18,042	\$ 479	\$ -	\$ -	\$ 875	\$ 548	\$ 719	\$ 4,840	\$ 126	\$ 25,629
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:										
Operating Income (Loss)	\$ 2,224	\$ (29,527)	\$ -	\$ -	\$ 706	\$ 506	\$ 7,082	\$ 101,849	\$ 145,493	\$ 228,333
Decrease (Increase) in Assets:										
Taxes Receivable	-	-	-	3,628	2,468	1,492	5,516	321,175	706,040	1,040,319
Interest Receivable	-	-	-	3,114	1,711	335	-	89,803	(583)	94,380
Other Assets	-	-	-	-	21	1,352	1,476	6,181	18,543	27,573
Due from Others	-	-	-	-	-	-	-	(8,980)	(11,415)	(20,395)
Due from Other Funds	-	(49,000)	-	120,000	(5,000)	(4,000)	28,000	(280,000)	-	(190,000)
Increase (Decrease) in Liabilities:										
Accounts Payable	(2,227)	-	-	-	-	-	-	-	2	(2,225)
Due to Other Funds	-	-	-	-	-	-	-	(200,000)	71,000	(129,000)
Due to Governmental Units	-	-	-	(765)	194	(736)	2,263	(505)	171	622
Net Cash Provided (Used) by Operating Activities	\$ (3)	\$ (78,527)	\$ -	\$ 125,977	\$ 100	\$ (1,051)	\$ 44,337	\$ 29,523	\$ 929,251	\$ 1,049,607

County of Crawford, Michigan

**Combining Agency Funds
For the Year Ended September 30, 2015**

	Agency Funds							Totals
	Trust and Agency	Transportation Authority	Penal Fines	Sheriff Inmate Trust	Short Term Disability	Employees Flex Spending	Retirement Health	
ASSETS:								
Cash and Equivalents - Unrestricted	\$ 938,002	\$ 209,980	\$ 41,487	\$ 23,125	\$ 39,375	\$ 461	\$ 100,998	\$ 1,353,428
Taxes Receivable	1,898	-	-	-	-	-	-	1,898
TOTAL ASSETS	<u>\$ 939,900</u>	<u>\$ 209,980</u>	<u>\$ 41,487</u>	<u>\$ 23,125</u>	<u>\$ 39,375</u>	<u>\$ 461</u>	<u>\$ 100,998</u>	<u>\$ 1,355,326</u>
LIABILITIES:								
Accounts Payable	\$ 38,925	\$ -	\$ -	\$ -	\$ 39,375	\$ -	\$ -	\$ 78,300
Due to Others	22,114	-	-	23,125	-	461	100,998	146,698
Due to Other Governmental Units	878,861	209,980	41,487	-	-	-	-	1,130,328
TOTAL LIABILITIES	<u>\$ 939,900</u>	<u>\$ 209,980</u>	<u>\$ 41,487</u>	<u>\$ 23,125</u>	<u>\$ 39,375</u>	<u>\$ 461</u>	<u>\$ 100,998</u>	<u>\$ 1,355,326</u>

Reports on Compliance



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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

Honorable Chairman and
Members of the Board of Commissioners
County of Crawford, Michigan
Grayling, Michigan 49738

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Crawford, Michigan as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the County of Crawford, Michigan's basic financial statements and have issued our report thereon dated March 21, 2016. Our report includes a reference to other auditors who audited the financial statements of the Crawford County Road Commission, as described in or report on the County of Crawford, Michigan's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

Honorable Chairman and Members
of the Board of Commissioners
County of Crawford, Michigan

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency listed as 2015-001.

Compliance and Other Matters

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

County of Crawford, Michigan's Response to Findings

The County of Crawford, Michigan's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The County of Crawford, Michigan's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Anderson, Tackman & Company, PLC
Certified Public Accountants
Kincheloe, Michigan

March 21, 2016



ANDERSON, TACKMAN & COMPANY, PLC
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Honorable Chairman and
Members of the Board of Commissioners
County of Crawford, Michigan
Grayling, Michigan 49738

Report on Compliance for Each Major Federal Program

We have audited the County of Crawford, Michigan's, compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County of Crawford, Michigan's major federal programs for the year ended September 30, 2015. The County of Crawford, Michigan's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on the compliance for each of the County of Crawford, Michigan's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County of Crawford, Michigan's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County of Crawford, Michigan's compliance.

Honorable Chairman and Members
of the Board of Commissioners
County of Crawford, Michigan

Opinion on Each Major Federal Program

In our opinion, the County of Crawford, Michigan complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2015.

Report on Internal Control Over Compliance

Management of the County of Crawford, Michigan is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County of Crawford, Michigan's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County of Crawford, Michigan's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Anderson, Tackman and Company, PLC
Certified Public Accountants
Kincheloe, Michigan

March 21, 2016

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2015

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-Through Number</u>	<u>Federal Expenditures</u>
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES:			
ADMINISTRATION ON AGING:			
Pass-through from the State of Michigan and the North East Michigan Community Services Agency, Inc.:			
Title IIID DPHP	93.043	N/A	\$ 2,458
Title IIIB Homemaking	93.044	N/A	13,400
Title IIIB Personal Care	93.044	N/A	12,410
Title IIICI Congregate Nutrition	93.045	N/A	15,866
Title IIICII Home Delivered Nutrition	93.045	N/A	22,281
Title IIIE EST	93.052	N/A	1,320
Title IIIE NFCSP EBDP	93.052	N/A	854
Title IIIE - Respite	93.052	N/A	14,200
NSIP Title IIICI	93.053	N/A	8,666
NSIP Title IIICII	93.053	N/A	17,728
Waiver-Medicaid	93.778	N/A	10,270
Total Pass-through from the State of Michigan and the North East Michigan Community Services Agency, Inc.			119,453
ADMINISTRATION FOR CHILDREN AND FAMILIES:			
Pass-through from the State of Michigan Department of Human Services:			
Prosecuting Attorney - Child Support	93.563	CS/PA-13-20002	8,236
Friend of the Court - Incentive	93.563	N/A	29,056
Friend of the Court - Child Support	93.563	CS/FOC-13-20001	204,772
Total Pass-through from the State of Michigan Department of Human Services			242,064
Total U.S. Department of Health & Human Services			361,517
U.S. DEPARTMENT OF AGRICULTURE:			
<i>Direct Awards:</i>			
Rural Development	10.766	N/A	10,500
Rural Development	10.433	HGP 2013-2014	7,312
Total Direct Awards			17,812
Pass-through from the Michigan Department of Natural Resources:			
Bankhead Jones	10.665	N/A	17,940
Distributions to Schools and Roads	10.665	N/A	38,134
Total Pass-through from the Michigan Department of Natural Resources			56,074
Total U.S. Department of Agriculture			73,886
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:			
Pass-through from MSHDA:			
CDBG Housing Grant Program	14.228	MSC-2011-0214-HOA	21,242
CDBG Housing Grant Program	14.228	MSC-2013-0214-HOA	44,700
Total U.S. Department of Housing & Urban Development			65,942
U.S. DEPARTMENT OF JUSTICE:			
<i>Direct Awards:</i>			
SCAO Drug Court	16.585	SCAO-13-028	253,249
Pass-through from the Michigan Department of Community Health:			
Juvenile Accountability Block Grant	16.523	JABGN-10-20001	3,124
Juvenile Accountability Block Grant	16.523	JABGN-10-20001	12,726
Total Pass-through from the Michigan Department of Community Health			15,850
Pass-through from the Michigan Department of State Police:			
Vests	16.607	N/A	2,640
Total U.S. Department of Justice			271,739

See accompanying notes to schedule of expenditures of federal awards.

**Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2015**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-Through Number</u>	<u>Federal Expenditures</u>
U.S. DEPARTMENT OF TRANSPORTATION:			
Pass-through from the Michigan Department of State Police, Emergency Management Division: Hazardous Materials Emergency Planning	20.703	HM-HMP-0189-10-01-00	<u>1,270</u>
Pass-through from the Michigan Department of Transportation: State Administered Projects	20.205	N/A	<u>491,181</u>
Pass-through from the Michigan Department of Transportation: Administered by Crawford County Road Commission			<u>70,991</u>
Total U.S. Department of Transportation			<u>563,442</u>
U.S. DEPARTMENT OF HOMELAND SECURITY:			
Pass-through from the Michigan Department of State Police, Emergency Management Division: State Homeland Security Grant 2014	97.067	N/A	35,554
State Homeland Security Grant 2013	97.067	N/A	341,347
Emergency Management Performance Grant (EMPG)	97.042	EMW-2015-EP-00044-S01	<u>4,946</u>
Total U.S. Department of Homeland Security			<u>381,847</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 1,718,373</u></u>

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the County of Crawford, Michigan and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B - COGNIZANT AGENCY

The County has not been assigned a cognizant agency. Therefore, the County is under the general oversight of the U.S. Department of Justice which provided the greatest amount of direct federal funding to the County during 2015.

NOTE C - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities received and disbursed. At September 30, 2015, the County had a food commodity inventory totaling \$5,911.

NOTE D - FEDERAL GRANTS

The Michigan Department of Transportation (MDOT) requires that Road Commissions report all Federal and State grants pertaining to their county. During the year ended September 30, 2015, the Federal aid received and expended by the Road Commission was \$491,181 for contracted projects and \$70,991 for negotiated projects. Contracted projects are defined as projects performed by private contractors paid for and administrated by MDOT (they are included in MDOT's single audit). Negotiated contract 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 they expended \$500,000 or more for negotiated projects.

NOTE E - RECONCILIATION TO STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE

The following is a reconciliation of the amounts reported on the basic financial statements to the Schedule of Expenditures of Federal Awards:

Total Federal per Financial Statements	
Revenues – Governmental Funds	\$ 1,156,201
Add: Component Unit Expenditures	<u>562,172</u>
Total Federal Revenue Recognized per Schedule of Expenditures of Federal Awards	<u>\$ 1,718,373</u>

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	No
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No

Identification of Major Programs

<u>CFDA NUMBERS</u>	<u>Name of Federal Program or Cluster</u>
97.067	State Homeland Security Grant
Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

Significant Deficiencies

**Preparation of the Financial Statements in Accordance
with Generally Accepted Accounting Principles**

Finding 2015-001

Specific Requirement: Establishment and maintenance of internal control over the financial reporting process as defined by Statement on Auditing Standards Number 115 requires management to prepare annual audit statements in accordance with GASB Statement Number 34. (Audit report format)

Criteria: Internal controls should be in place to provide reasonable assurance to the County that management reports financial statements (with GASB Statement number 34 formats) necessary to monitor and report annual financial activity without auditor intervention.

Condition: Auditor prepares financial statements and annual report in compliance with GASB 34.

Effect: The effect of this condition places a reliance on the independent auditor as part of the County’s internal controls over financial reporting.

Cause: Unknown.

Recommendation: The County should consider subcontracting financial statement preparation activities to monitor and report annual financial activity in accordance with GASB Statement Number 34.

Planned Corrective Action: As a result of limited funding, the County does not have resources to fund this process. We intend to re-evaluate once funding becomes available for the additional reporting and monitoring.

- Contact Person(s) Responsible for Correction:
Paul Compo, County Controller

Status: Unchanged.

Section III – Federal Award Findings and Questioned Costs

NONE.

Section III – Federal Award Findings and Questioned Costs

NONE.

Additional Information

COUNTY OF CRAWFORD, MICHIGAN

ADDITIONAL INFORMATION

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INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION

Honorable Chairman and
Members of the Board of Commissioners
County of Crawford, Michigan
Grayling, Michigan 49738

Our report on our audit of the basic financial statements of the County of Crawford, Michigan, as of and for the year ended September 30, 2015, appears on page 1. That audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information listed on the following pages regarding the Municipal securities disclosure requirements of the Securities Exchange Commission (SEC) Rule 15c2-12 is presented for purposes of additional analysis and is not a required part of the basic financial statements, and accordingly, we express no opinion on it.

Anderson Tackman & Co. PLC

Anderson, Tackman & Company, PLC
Certified Public Accountants
Kincheloe, Michigan

March 21, 2016

NOTE 1 - DEBT ISSUES APPLICABLE TO SEC RULE 15c2-12 DISCLOSURE REQUIREMENTS:

Debt issues of \$1,000,000 or more sold on or after July 3, 1995 are applicable to SEC rule 15c2-12 disclosure requirements. As of September 30, 2015, the County has the following debt issues which apply to SEC Rule 15c2-12.

1. \$1,500,000 County of Crawford Capital Improvement Bonds, Series 2009.

NOTE 2 - TABLES:

A. POPULATION:

2010 U.S. Census – 14,074	1990 U.S. Census – 12,260
2000 U.S. Census – 14,273	1980 U.S. Census – 9,465

B. MAJOR TAXPAYERS:

<u>10 Largest Taxpayers</u>	<u>2015 Taxable Valuation</u>
Weyerhaeuser	\$ 18,907,250
Grayling Generating	8,812,597
State of Michigan	8,003,709
Consumers Energy	7,956,653
Breitburn Operating	6,922,700
Great Lakes Energy	4,522,530
Georgia Pacific	3,211,950
DTE	3,141,656
Linn Operating	2,751,714
Forest Dunes	<u>2,255,467</u>
 TOTAL (represents 12.5% Total 2015 TV)	 <u>\$ 66,486,226</u>

C. EMPLOYMENT CHARACTERISTICS:

<u>10 Largest Taxpayers</u>	<u>Product/Service</u>	<u>Number Employed</u>
Mercy H Munson Health Care Grayling	Health Care/Hospital	443
Camp Grayling/Mates	Military Base	180
Crawford Awsable Schools	School/Education	172
County of Crawford	County Government	169
Weyerhaeuser	Lumber Production	143
State of Michigan	State Gov't Agencies	126
Springs Industries	Window Treatments	114
Ramada Inn	Conference Center/Hotel	56
AJD Forest Products	Forest Products	55
Fick & Sons	Petroleum Marketers	48

NOTE 2 - TABLES: (Continued)

D. LABOR CONTRACTS:

	<u>Number</u>	<u>Expiration Date</u>
AFSCME	8	09-30-19
AFSCME – District Court	3	09-30-19
Mich. Assoc. of Public Employees	11	09-30-16
Police Officers Assoc. of Mich. - Road	9	09-30-19
Police Officers Assoc. of Mich. – Non 312	9	09-30-17
Police Officers Assoc. of Mich. – Dispatch	6	09-30-16
Command Officers Assoc. of Michigan	4	09-30-19

E. RETIREMENT PLANS: (Operated by Municipal Employees Retirement Systems)

The County’s contribution to the retirement system for the fiscal year end September 30, 2014 was \$519,013 and was \$572,274 for the fiscal year ended September 30, 2015.

F. COUNTY TAX RATES & LEVIES:

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
County Operating	6.0925	6.0925	6.0925	6.0925	6.0925
Commission on Aging	.7185	.7185	.7185	.7185	.7185
Rec. Authority	.4845	.4845	.4845	.4845	.4845
Public Transit	.7027	.7027	.7027	.7027	.7027
Library - Debt	-	.0690	.2100	.2300	.2400
Library – Operating	.4458	.4458	.4458	.4458	.4458
Sheriff – Operating	.8917	.8917	.8917	.8917	.8917
Veterans Office	.2500	.2500	-	-	-
Animal Shelter	-	.6300	-	-	-
Road Commission	<u>1.000</u>	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>
TOTAL COUNTY	<u>10.5857</u>	<u>11.2847</u>	<u>10.5457</u>	<u>10.5657</u>	<u>10.5757</u>
COOR I/S/D	.8859	.8859	.8859	1.0030	1.0030
Kirtland Comm. Coll.	<u>2.2293</u>	<u>2.2293</u>	<u>2.2193</u>	<u>2.2193</u>	<u>2.2193</u>
TOTAL ALL JURISDICTIONS	<u>13.7009</u>	<u>14.3999</u>	<u>13.6509</u>	<u>13.7880</u>	<u>13.7980</u>

NOTE 2 - TABLES: (Continued)

G. TAX COLLECTION RECORD: (Including all taxing units in the County)

Crawford County pays from a 100% Tax Payment Fund delinquent real property taxes of all municipalities in the County, including the County. Delinquent personal property taxes are negligible. The County’s fiscal year begins October 1. County taxes are due July 1 and become delinquent the following March 1. Taxes for other municipalities are due on July 1 and/or December 1 and become delinquent on or before the following March 1.

Year	Tax Levy*	Collections to 3 – 1 Of Year Following the Levy		Coll. Plus Funding to 3 - 1 – 12
		Amount**	%	
2015	\$ 21,597,386	\$ 19,653,621	91.00%	100% Estimate
2014	22,103,466	20,114,154	91.00	100
2013	21,560,923	19,620,440	91.00	100
2012	20,753,139	18,885,356	91.00	100
2011	21,563,731	19,838,632	92.00	100
2010	22,738,191	20,919,135	92.00	100
2009	23,185,407	21,052,350	92.00	100
2008	21,679,142	19,944,810	92.00	100
2007	21,237,369	19,538,379	92.00	100
2006	20,384,074	18,753,348	92.00	100
2005	19,720,346	18,142,718	92.00	100

*Includes real and personal property taxes.

**Reflects only real property delinquency and assumes 100% collection of personal property taxes.

H. STATE EQUALIZED VALUATION:

STATE EQUALIZED VALUATION (50% of True Value)			As of December 31, 2015
Year	\$	Value	
2015	\$	608,974,225	As of December 31, 2015
2014	-	624,272,260	
2013	-	612,934,010	
2012	-	586,782,914	
2011	-	621,542,296	
2010	-	713,859,372	
2009	-	791,534,717	
2008	-	791,101,930	
2007	-	755,178,850	

NOTE 2 - TABLES: (Continued)

I. TAXABLE VALUATION:

2015	-	\$	534,012,715	As of December 31, 2015
2014	-		541,984,234	
2013	-		537,373,485	
2012	-		523,060,504	
2011	-		545,586,933	
2010	-		579,886,885	
2009	-		603,150,662	
2008	-		580,814,210	
2007	-		556,721,651	Per Capital TV (2015) \$37,414

2015 Taxable Breakdown by Use

Residential	76.62%
Commercial	7.44
Industrial	3.59
Personal Property	12.13
Agricultural	.01
Timber	<u>.21</u>
TOTAL	<u>100.00%</u>

2014 Taxable Breakdown by Class

Real	88%
Personal	<u>12</u>
TOTAL	<u>100%</u>

J. GENERAL FUND REVENUES AND EXPENDITURES:

	<u>September 30</u>			
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Revenues & Transfers In	\$ 5,443,647	\$ 5,473,251	\$ 5,177,150	\$ 5,203,010
Expenditures & Transfers Out	<u>5,411,480</u>	<u>5,464,083</u>	<u>5,208,654</u>	<u>5,126,083</u>
Revenues Over (Under)				
Expenditures	32,167	9,168	(31,504)	76,927
Beginning Balance	722,502	713,334	744,838	699,444
Prior Period Adjustment	-	-	-	(31,533)
Ending Balance	754,669	722,502	713,334	744,838

K. DIRECT DEBT OF COUNTY:

DIRECT DEBT OF COUNTY:	<u>Gross</u>	Self-Supporting Or Portion Paid Directly by Benefited <u>Municipalities</u>	<u>Net</u>
Capital Improvement Bonds	\$ 1,010,000	\$ -	\$ 1,010,000
GOUT Bonds	-	-	-
	<u>\$ 1,010,000</u>	<u>\$ -</u>	<u>\$ 1,010,000</u>

In addition to the above, the County issues self-supporting Limited Tax Delinquent Fund Tax Notes each year which mature in 1 to 3 years.

Per Capita County Direct Debt	\$ 71.76
Percent County Net Direct Debt to 2015 TV	.19%

OVERLAPPING DEBT OF COUNTY:

Cities	\$ 2,150,000
School Districts	11,853,086
Community Colleges	<u>196,620</u>
Net Overlapping Debt	<u>14,199,706</u>
Net County and Overlapping Debt	<u>\$ 15,209,706</u>

Per capita County Net Direct and Overlapping Debt	\$ 1,080.70
Percent Net Direct and Overlapping Debt to 2015 TV	2.02%

Source: Crawford County and Municipal Advisory Council of Michigan.

L. CRAWFORD COUNTY BONDS AND NOTES WITH COUNTY CREDIT PLEDGED:

(Including this Issue)

<u>Year</u>	Capital Improvement Bonds	GOUT Bonds	<u>Total</u>
2016	\$ 95,000	\$ -	\$ 105,000
2017	100,000	-	111,000
2018	100,000	-	116,000
2019	105,000	-	121,000
2020	110,000	-	122,000
2021	115,000	-	127,000
2022	120,000	-	133,000
2023	130,000	-	143,000
2024	<u>135,000</u>	<u>-</u>	<u>150,000</u>
TOTAL	<u>\$ 1,010,000</u>	<u>\$ -</u>	<u>\$ 1,128,000</u>



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MICHIGAN & WISCONSIN

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Honorable Chairperson and Members
Of the Board of Commissioners
County of Crawford, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Crawford, Michigan for the year ended September 30, 2015, and have issued our report thereon dated March 21, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and, if applicable, *Government Auditing Standards*, and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter dated October 23, 2015, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the County of Crawford, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the County of Crawford, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the County of Crawford, Michigan's compliance with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" applicable to each of its major federal programs for the purpose of expressing an opinion on the County of Crawford, Michigan's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the County of Crawford, Michigan's compliance with those requirements.

Generally accepted accounting principles provide for certain required supplementary information (RSI) to supplement the basic financial statements. Our responsibility with respect to the management's discussion and analysis and budgetary comparison schedules, which supplement(s) the basic financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI will not be audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we will not express an opinion or provide any assurance on the RSI.

We have been engaged to report on combining fund financial statements, which accompany the financial statements but are not RSI. Our responsibility for this other information, as described by professional standards, is to evaluate the presentation of the other information in relation to the financial statements as a whole and to report on whether the other information is fairly stated, in all material respects, in relation to the financial statements as a whole.

We have not been engaged to report on the Securities Exchange Commission (SEC) section, which accompany the financial statements but are not RSI. Our responsibility with respect to this other information in documents containing the audited financial statements and auditor's report does not extend beyond the financial information identified in the report. We have no responsibility for determining whether this other information is properly stated. This other information will not be audited and we will not express an opinion or provide any assurance on it.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our correspondence about planning matters on October 23, 2015.

Significant Accounting Policies

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the County of Crawford, Michigan are described in Note 1 to the financial statements. Two new accounting policies were adopted regarding the implementation of GASB Statements 68 and 71 and the application of existing policies were not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

- Management's estimate of the depreciation expense is based on estimated lives. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.

- Management's estimate of the Annual Required Contribution for OPEB Obligations and pension benefits were based on various assumptions regarding life expectancies, inflation, premium increases, and investment rates.

The financial statements disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreement with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 21, 2016.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Comments and Recommendations

Notes Receivables (Prior Year)

The detail of the Housing Commission's notes receivable was not reconciled to the County's general ledger at year end. We recommend that the detail listing of notes receivable be periodically reconciled to the County's general ledger.

Status: Uncorrected.

Inmate Trust Account (Prior Year)

Currently the inmate monies are recorded in a separate bank account; however, the County's general ledger is not reconciled to the reconciled cash balance in that account on a monthly basis. In addition, a listing by inmate showing their respective cash balance at the end of each month is not available. We recommend that the County's general ledger be reconciled on a monthly basis with inmate cash per the reconciled bank statement and that a subsidiary ledger be maintained for individual inmates that agrees in total to the reconciled bank statement and general ledger.

Status: Corrected.

Inventory Recording (Prior Year)

It was noted during our testing that the County didn't record fuel inventory as of year end. We recommend that all inventories be recorded to accurately reflect fuel inventory balances.

Status: Uncorrected.

Check Register (Prior Year)

It was noted during our testing of controls over payroll that on one occasion the general ledger and check register check number differed from the actual check number that cleared the bank. We recommend that more care be taken when inputting information into accounting software.

Status: Corrected.

Housing Commission Budget

The Housing Commission did not adopt a budget in accordance with the State's time table. A budget must be adopted prior to the new year.

Uniform Administrative Requirements

During December 2013, the Office of Management and Budget released its final version of the "*Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards.*" The guidance is applicable to federal grants and cooperative agreements and provides a comprehensive consolidation and revision of OMB Circulars which currently govern Federal and some non-Federal entities. The guidance combines A-110 and A-102 into a single set of administrative rules, combines A-21, A-87 and A-122 into a single set of consolidated cost principles and revises the language of A-133. This publication is designed to provide a single document which will serve as a "one-stop shop" for financial assistance regulatory requirements for all awarding agencies. The new requirements will be effective and applicable for audits of years beginning on or after December 26, 2014.

Revisions Related to Single Audit Requirements

The Office of Management and Budget set forth new consolidated audit standards for entities receiving Federal financial assistance awards and replaces OMB Circular A-133. The changes within the final guidance primarily combine the guidance in OMB A-133 and A-50 on audit follow-up. The guidance reflects a movement to focus these audits and oversight efforts on higher dollar, higher risk awards and focus oversight on improper payments, waste, fraud, and abuse.

Most significantly, the threshold triggering a single audit or program-specific audit requirements is increased to \$750,000 or more in annual Federal awards. These requirements apply equally to recipients and sub-recipients under Federal programs. The final guidelines incorporate an exception to these audit requirements for non-U.S.-based entities expending Federal awards.

Further, the final guidance increases the minimum threshold for reporting questioned costs from \$10,000 to \$25,000 to focus on the audit findings presenting the greatest risk. OMB believes this will eliminate smaller-dollar audit findings, which require utilization of resources for follow-up audits that are unlikely to indicate significant weaknesses in internal controls.

These changes necessitate a careful review and analysis of an organization's current business practices. Although OMB has raised certain thresholds for audit and materiality, it has also improved mechanisms of oversight related to mandatory disclosures, pre-award review of risks, standards for financial and program management, sub-recipient monitoring, and remedies for noncompliance. The revisions are effective for audits of years beginning on or after December 26, 2014.

Other Matters

We applied certain limited procedures to the management's discussion and analysis and budgetary comparison schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquires of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and our knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

We were not engaged to report on the Securities Exchange Commission (SEC) section, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

Conclusion

We would like to express our appreciation, as well as that of our staff, for the excellent cooperation we received while performing the audit. If we can be of assistance in implementing the above recommendations, please contact us.

This report is intended solely for the information and use of the Board of Commissioners, audit committee, management, federal awarding agencies, pass-through entities and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.



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