

Audited Financial Statements

Gladwin County

*Year ended December 31, 2014
with Report of Independent Auditors*

Gladwin County
Audited Financial Statements
Year ended December 31, 2014

Contents

Report of Independent Auditors.....	1
Required Supplementary Information Management's Discussion and Analysis	4
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	12
Statement of Activities.....	13
Fund Financial Statements	
Governmental Funds Balance Sheet	14
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	16
Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances	17
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities.....	19
Statement of Net Position - Proprietary Funds	20
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds.....	21
Statement of Cash Flows – Proprietary Funds.....	22
Statement of Fiduciary Net Position.....	23
Statement of Changes in Fiduciary Net Position	24
Combining Statement of Net Position – Component Units.....	25
Combining Statement of Activities – Component Units	26
Notes to Financial Statements.....	27
Required Supplementary Information	
Defined Benefit Pension Plan (MERS) Schedule of Funding Progress and Employer Contributions.....	63
Postemployment Health Benefits Schedule of Funding Progress and Employer Contributions	64
Budgetary Comparison Schedule – General Fund.....	65
Budgetary Comparison Schedule – Emergency Medical Services Fund.....	67

Gladwin County
Audited Financial Statements
Year ended December 31, 2013

Contents (continued)

Required Supplementary Information (continued)	
Budgetary Comparison Schedule – E-911 Millage Fund	68
Budgetary Comparison Schedule – Wireless E-911 Fund.....	69
Budgetary Comparison Schedule – Senior Citizens Program Fund	70
Other Supplementary Information	
Combining Balance Sheet – Nonmajor Governmental Funds.....	71
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds.....	77
Combining Statement of Net Position – Nonmajor Enterprise Funds.....	83
Combining Statement of Revenues, Expenses, and Changes in Net Position – Nonmajor Enterprise Funds	84
Combining Statement of Cash Flows – Nonmajor Enterprise Funds.....	85
Combining Statement of Fiduciary Net Position – Agency Funds.....	86
Statement of Net Position and Governmental Funds Balance Sheet – Department of Public Works Component Unit.....	87
Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balances – Department of Public Works Component Unit	88
Statement of Net Position and Governmental Funds Balance Sheet – Drain Commission Component Unit.....	89
Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balances – Drain Commission Component Unit.....	91
Reports Required by <i>Government Auditing Standards</i>	
Schedule of Expenditures of Federal Awards.....	92
Notes to Schedule of Expenditures of Federal Awards	93
Independent Auditors’ Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	94
Independent Auditors’ Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133	96
Schedule of Findings and Questioned Costs.....	98
Summary Schedule of Prior Audit Findings.....	101

Report of Independent Auditors

To the Board of Commissioners
Gladwin County
Gladwin, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Gladwin County, Michigan (County), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Gladwin County Road Commission or the Gladwin City-County Transit, which represent 79% and 7% of the assets, and 76% and 17% of the revenues of the aggregate discretely presented component units of the County. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Gladwin County Road Commission and the Gladwin City-County Transit, is based on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Gladwin County, Michigan, as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity 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, schedules of funding progress and employer contributions, and budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Gladwin County, Michigan's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the 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.

The combining and individual nonmajor fund financial statements and the 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2015, on our consideration of Gladwin County, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

PRELIMINARY

Midland, Michigan
June 17, 2015

Gladwin County
Management's Discussion and Analysis
Year ended December 31, 2013

As management of Gladwin County, Michigan (County), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the year ended December 31, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the accompanying basic financial statements.

Financial Highlights

- The net position of the County was \$5,585,420 at December 31, 2014. Of this amount, \$861,537 (unrestricted net position) may be used to meet the County's ongoing obligations to citizens and creditors.
- The County's total net position increased by \$571,037 during 2014.
- As of the close of the current year, the County's governmental funds (this includes the general fund, special revenue, debt service, and capital projects funds) reported combined ending fund balances of \$5,221,796, a increase of \$890,464 in comparison with the prior year. Approximately 21% of this total amount, or \$936,824, is available for spending at the County's discretion (assigned or unassigned fund balance).
- At the end of the current year, the general fund had an unassigned fund balance of \$936,824, or 10% of total general fund expenditures.
- The County's total bonded debt, excluding delinquent tax notes, remained the same during the current year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business. The statement of net position presents information on all of the County's assets, liabilities, and deferred inflows/outflows, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

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

Gladwin County, Michigan
Management's Discussion and Analysis (continued)

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the County include legislative, judicial, general government, public safety, public works, health and welfare, community and economic development, recreation and culture, and other functions. The business-type activities of the County include the various delinquent tax revolving and reversion funds.

The government-wide financial statements include not only the County itself (known as the primary government), but also a legally separate Road Commission, Department of Public Works, Drain Commission, Land Bank Authority, and City-County Transit for which the County is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself. The Gladwin County Building Authority, although legally separate, functions for all practical purposes as a department of the County, and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 12-13 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating the County's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Gladwin County, Michigan
Management's Discussion and Analysis (continued)

The County maintains 34 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Emergency Medical Services Fund, E-911 Millage Fund, Wireless E-911 Fund, and Senior Citizens Program Fund, each of which is considered to be a major fund. Data from the other 29 governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

The basic governmental fund financial statements can be found on pages 14-18 of this report.

Proprietary funds. The County maintains one type of proprietary fund: enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its various delinquent tax revolving and reversion fund operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Unallocated Tax Revolving and the 2014 Tax Revolving Fund, both of which are considered to be major funds. Data from the other proprietary funds are combined in separate single aggregated presentations in the proprietary fund financial statements. Individual fund data for each of these nonmajor enterprise funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 20-22 of this report.

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

The basic fiduciary fund financial statements can be found on pages 23-24 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27-61 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's postemployment health benefits schedule of funding progress and employer contributions and the major funds' budgetary comparison schedules.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information.

Gladwin County, Michigan
Management's Discussion and Analysis (continued)

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the County's financial position. As the following table demonstrates, the County's net position was \$5,870,133 as of December 31, 2014.

Gladwin County's Net Position

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Assets						
Current and other assets	\$ 7,941,182	\$ 7,207,461	\$ 3,037,723	\$ 2,906,194	\$ 10,978,905	\$ 10,113,655
Capital assets, net	557,864	523,630	-	-	557,864	523,630
Total assets	8,499,046	7,731,091	3,037,723	2,906,194	11,367,769	10,637,285
Liabilities						
Long-term liabilities	2,528,237	2,156,470	1,120,000	1,103,000	3,648,237	3,258,470
Other liabilities	212,898	156,735	-	96,740	212,898	254,475
Total liabilities	2,392,409	2,313,205	1,120,000	1,199,740	3,861,135	3,512,945
Deferred inflows of resources	2,090,214	2,109,957	-	-	2,090,241	2,109,957
Net position						
Invested in capital assets, net of related debt	557,864	523,630	-	-	557,864	523,630
Restricted	4,166,019	3,934,490	-	-	4,166,019	3,934,490
Unrestricted (deficit)	(1,056,186)	(1,150,191)	1,917,723	1,706,454	861,537	556,263
Total net position	\$3,667,697	\$3,307,929	\$ 1,917,723	\$ 1,706,454	\$ 5,585,420	\$ 5,014,383

The largest portion of the County's net position, \$4,166,019 (75%), represents resources that are subject to external restrictions on how they may be spent. An additional portion of net position, \$861,537 (15%), is considered unrestricted and may be used to meet the County's ongoing obligations to citizens and creditors. The remaining balance of \$557,864 reflects the County's investment in capital assets (i.e., land, buildings and improvements, vehicles and boats, and equipment and furniture); less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

At December 31, 2014, the County is able to report positive balances in all categories of net position for the government as a whole.

Gladwin County, Michigan
Management's Discussion and Analysis (continued)

Gladwin County's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues						
Program revenues:						
Charges for services	\$ 2,192,597	\$ 2,141,998	\$ 844,124	\$ 840,163	\$ 3,075,006	\$ 2,982,161
Operating grants and contributions	1,211,828	1,211,369	-	-	1,211,828	1,211,369
Capital grants and contributions	-	38,210	-	-	-	38,210
General revenues:						
Property taxes	6,496,577	5,404,583	-	-	6,496,644	5,404,583
State revenue sharing	438,945	334,805	-	-	438,945	334,805
Interest earnings	10,922	11,157	1,545	1,253	12,467	12,410
Other	141,557	49,788	-	-	141,557	49,788
Total revenues	10,492,426	9,191,910	845,669	841,416	11,376,447	10,033,326
Expenses						
Legislative	161,884	161,593	-	-	161,884	161,593
Judicial	1,515,479	1,656,467	-	-	1,515,479	1,656,467
General government	1,777,824	1,856,649	-	-	1,777,824	1,856,649
Public safety	4,001,687	4,416,548	-	-	4,001,687	4,416,548
Public works	413	42,098	-	-	413	42,098
Health and welfare	2,164,510	2,220,103	-	-	2,164,510	2,220,103
Community and economic development	17,896	37,716	-	-	17,896	37,716
Recreation and culture	17,091	23,288	-	-	17,091	23,288
Other functions	638,989	731,869	-	-	638,989	731,869
Interest on long-term debt	-	6,790	-	-	-	6,790
Delinquent tax revolving and reversion	-	-	159,401	208,354	159,401	208,354
Total expenses	10,295,773	11,153,121	159,401	208,354	10,455,174	11,361,475
Change in net position						
before transfers	196,653	(1,961,211)	686,268	633,062	921,273	(1,328,149)
Transfers	470,870	1,128,039	(474,999)	(1,128,039)	(4,129)	-
Change in net position	667,523	(833,172)	211,269	(494,977)	917,144	(1,328,149)
Net position-beginning	3,307,929	4,141,101	1,706,454	2,201,431	5,014,383	6,342,532
Net position-ending	3,952,410	\$ 3,307,929	1,917,723	\$ 1,706,454	5,870,133	\$ 5,014,383

Gladwin County, Michigan
Management's Discussion and Analysis (continued)

The County's net position increased by \$571,037 during the current year; a \$359,768 increase for governmental activities and a \$211,269 increase for business-type activities.

Governmental activities. Governmental activities increased the County's net position by \$571,037. Key elements of this increase are as follows:

- Revenues increased compared to the prior year by \$1,300,583, or 14%. This was primarily a result of a decrease in property taxes due to one less levy in 2013 compared to 2012.
- Expenses decreased compared to the prior year by \$857,348, or 8%.
- Net transfers received from business-type activities increased compared to the prior year by \$68,179, or 6%. This was a result of transfers received from the various delinquent tax funds.

Business-type activities. Business-type activities increased the County's net position by \$211,269. Key elements of this increase are as follows:

- Revenues increased compared to the prior year by \$4,253, or 1%. The increase was a result of higher collection fees, proceeds of land sales, interest on property taxes, and other various fees.
- Expenses decreased compared to the prior year by \$120,953, or 43%. The decrease was a result of lower fees and charges.
- Net transfers to governmental activities decreased by \$653,040, or 58%.

Financial Analysis of the County's Funds

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

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

As of December 31, 2014, the County's governmental funds reported combined ending fund balances of \$5,221,796, an increase of \$890,465 in comparison with the prior year. Approximately 72% of the ending fund balances is subject to the underlying limitations applicable to the particular special revenue, debt service, or capital projects fund and is not available for new spending because it has already been spent or has been restricted or assigned for various functions/activities. The remaining 18% of the total fund balance amount constitutes unassigned fund balance, which is available for spending at the County's discretion.

The General Fund is the chief operating fund of the County. At the end of the current year, the unassigned fund balance of the General Fund was \$936,824 while total fund balance amounted to \$958,389. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 11% of total General Fund expenditures, while total fund balance represents approximately that same amount.

Gladwin County, Michigan
Management's Discussion and Analysis (continued)

The fund balance of the County's General Fund increased by \$672,146 during the current year. This increase resulted from the combination of a 8% increase in revenue, a 6% decrease in expenditures, and a 10% decrease in the net transfers out of the General Fund.

The Emergency Medical Services fund had an increase in fund balance for the current year of \$233,410, for an ending total of \$1,686,725. There was no millage levied for emergency medical services in 2014, however, the services were still paid for from accumulated reserves.

The E-911 Millage fund had a decrease in fund balance for the current year of \$104,211 for an ending total of \$881,008. This decrease was primarily the result of transfers out and expenditures in excess of property taxes collected.

The Wireless E-911 fund had an increase in fund balance for the current year of \$123,689, for an ending total of \$799,301. This increase was primarily the result of state revenue in excess of expenditures.

The Senior Citizens Program fund had a decrease in fund balance for the current year of \$16,683, for an ending total of \$168,452. This decrease was primarily the result of expenditures in excess of property taxes collected.

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

Unrestricted net position of the Unallocated Tax Revolving and 2014 Tax Revolving funds at the end of the year amounted to \$701,928 and \$85,068, respectively. The combined unrestricted net position of the nonmajor enterprise funds were \$1,130,727 at the end of the year. The Unallocated Tax Revolving fund had an increase in net position for the year of \$612,648. The 2014 Tax Revolving fund had an increase in net position for the year of \$85,068. The combined decrease in net position of the nonmajor enterprise funds was \$448,162 for the year. The increases and decreases in the enterprise funds were largely a result of transfers in and out of the various funds..

General Fund Budgetary Highlights

Overall during the year, General Fund revenues (revenue and other financing sources) were more than the budgetary estimates by \$86,873 or 5%. This was caused primarily by a positive variance with the budget of other financing sources. Expenditures (expenditures and other financing uses) were less than budgetary estimates overall by \$296,416 or 7%. This was caused primarily by over spending in most line items. This activity resulted in an increase in fund balance of \$383,289.

Gladwin County, Michigan
Management's Discussion and Analysis (continued)

Capital Asset and Debt Administration

Capital assets. The County's investment in capital assets for its governmental activities as of December 31, 2014, amounted to \$492,665 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, equipment and furniture, and vehicles and boats.

Gladwin County Capital Assets (Net of Accumulated Depreciation)

	2014	2013
Land	\$ 297,231	\$ 297,231
Buildings and improvements	55,359	58,819
Equipment and furniture	22,145	26,780
Vehicles and boats	117,930	140,800
	\$ 492,665	\$ 523,630

Additional information on the County's capital assets can be found in Section III, Note B of this report.

Long-term debt. At the end of the current year, the primary government had total debt outstanding of \$1,120,000.

Gladwin County Long-Term Debt

	2014	2013
General obligation bonds (governmental activities)	\$ -	\$ -
General obligation limited tax notes (business-type activities)	1,120,000	1,103,000
	\$1,120,000	\$1,103,000

Additional information on the County's long-term debt can be found in Note 3B of this report.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the County's 2015 budget:

- Property tax revenues are projected to increase due to the addition of the millage for emergency medical services.
- Employee hours/positions remain reduced due to the continued four-day work schedule for many County offices.

Contacting the County's Management

This financial report is designed to provide a general overview of the County's finances to all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Gladwin County Clerk's Office, 401 West Cedar Avenue, Gladwin, Michigan 48624.

Gladwin County
Statement of Net Position
December 31, 2014

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 3,091,095	\$ 1,080,657	\$ 4,171,752	\$ 1,935,681
Investments	2,473,512	285,215	2,758,727	1,277,285
Accounts receivable	26,989	-	26,989	840,895
Taxes receivable	1,887,665	1,671,851	3,559,516	1,703,671
Special assessments receivable	-	-	-	1,453,886
Due from other governmental units	286,754	-	286,754	621,443
Advances to component unit	6,300	-	6,300	-
Inventory	-	-	-	341,328
Prepaid expenses	-	-	-	113,901
Cash on deposit with agent	-	-	-	145,511
Net pension asset	168,867	-	168,867	811,102
Capital assets:				
Assets not being depreciated	297,231	-	297,231	1,790,646
Assets being depreciated, net	260,633	-	260,633	27,867,911
Total assets	8,499,046	3,037,723	11,536,769	38,903,260
Liabilities				
Accounts payable	172,212	-	172,212	178,185
Accrued expenses	40,686	-	40,686	61,671
Accrued interest payable	-	-	-	25,796
Due to other governmental units	-	-	-	140,322
Advances from primary government	-	-	-	6,300
Performance deposits	-	-	-	53,000
Advances from other governmental units	-	-	-	179,041
Long-term liabilities:				
Net OPEB obligation	2,300,538	-	2,300,538	3,411,898
Due within one year	227,699	1,120,000	1,347,699	463,192
Due in more than one year	-	-	-	3,344,256
Total liabilities	2,741,135	1,120,000	3,861,135	7,863,661
Deferred inflows of resources				
Property taxes levied for a subsequent period	2,090,214	-	2,090,214	1,703,671
Special assessments levied for a subsequent period	-	-	-	157,788
Total deferred inflows of resources	2,090,214	-	2,090,214	1,861,459
Net position				
Invested in capital assets, net of related debt	557,864	-	557,864	26,733,010
Restricted	4,166,019	-	4,166,019	3,171,554
Unrestricted (deficit)	(1,056,186)	1,917,723	861,537	(726,424)
Total net position	\$ 3,667,697	\$ 1,917,723	\$ 5,585,420	\$ 29,178,140

Dolan
11/11/14

See accompanying notes.

Gladwin County
Statement of Activities
Year ended December 31, 2014

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues			Net (Expense) Revenue
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:						
Legislative	\$ 164,939	\$ -	\$ -	\$ -	\$ -	\$ (164,939)
Judicial	1,585,281	-	705,996	514,512	-	(364,773)
General government	1,959,417	(108,085)	553,849	98,706	-	(1,198,777)
Public safety	4,197,870	20,693	800,061	225,649	-	(3,192,853)
Public works	489	-	874	-	-	385
Health and welfare	2,125,874	49,213	128,879	316,405	-	(1,729,803)
Community and economic development	17,896	-	2,437	7,813	-	(7,646)
Recreation and culture	17,091	-	501	68,946	-	52,356
Other functions	638,989	-	-	-	-	(638,989)
Interest on long-term debt	-	-	-	-	-	-
Total governmental activities	10,707,846	(38,179)	2,192,597	1,232,031	-	(7,245,039)
Business-type activities:						
Delinquent tax revolving and reversion	157,573	1,828	844,124	-	-	684,723
Total business-type activities	157,573	1,828	844,124	-	-	684,723
Total primary government	\$ 10,865,419	\$ (36,351)	\$ 3,036,721	\$ 1,232,031	\$ -	\$ (6,560,316)

Component units:						
Road Commission	\$ 6,721,351	\$ 4,651	\$ 1,830,997	\$ 3,698,251	\$ 1,706,178	\$ 509,424
Department of Public Works	26,470	-	26,470	-	-	-
Drain Commission	531,430	-	827,960	-	-	296,530
Land Bank Authority	74,724	-	57,695	-	-	(17,029)
Gladwin City-County Transit	1,927,257	6,450	183,636	940,695	127,841	(681,535)
Total component units	\$ 9,281,232	\$ 11,101	\$ 2,926,758	\$ 4,638,946	\$ 1,834,019	\$ 107,390

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Change in net position				
Net (expense) revenue	\$ (7,245,039)	\$ 684,723	\$ (6,560,316)	\$ 107,390
General revenues:				
Property taxes		6,505,465	-	2,166,286
State revenue sharing		438,945	-	-
Interest earnings		10,922	1,545	7,235
Gain on sale of assets		-	-	60,584
Other		178,605	-	18,078
Transfers		470,870	(474,999)	-
Total general revenues and transfers		7,604,807	(473,454)	2,252,183
Change in net position		359,768	211,269	2,359,573
Net position-beginning		3,307,929	1,706,454	26,818,567
Net position-ending		\$ 3,667,697	\$ 1,917,723	\$ 29,178,140

Gladwin County
Governmental Funds Balance Sheet
December 31, 2014

	General Fund	Emergency Medical Services	E-911 Millage	Wireless E-911 Fund
Assets				
Cash and cash equivalents	\$ 635,107	\$ 831,596	\$ 629,797	\$ 285,299
Investments	10,969	1,149,014	471,708	475,226
Accounts receivable	(3,771)	-	-	-
Taxes receivable	458,879	635,099	476,241	-
Due from other governmental units	202,247	-	-	39,026
Advances to component units	6,300	-	-	-
Total assets	\$ 1,309,731	\$ 2,615,709	\$ 1,577,746	\$ 799,551
Liabilities				
Accounts payable	\$ 105,292	\$ -	\$ -	\$ 250
Accrued expenses	40,057	-	-	-
Total liabilities	145,349	-	-	250
Deferred inflows of resources				
Unavailable revenue - property taxes	205,993	-	-	-
Unavailable revenue - long-term accounts receivable	-	-	-	-
Property taxes levied for a subsequent period	-	928,984	696,738	-
Total deferred inflows of resources	205,993	928,984	696,738	-
Fund balances				
Nonspendable	6,300	-	-	-
Restricted	-	1,686,725	881,008	799,301
Assigned	15,265	-	-	-
Unassigned	936,824	-	-	-
Total fund balances	958,389	1,686,725	881,008	799,301
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,309,731	\$ 2,615,709	\$ 1,577,746	\$ 799,551

See accompanying notes.

Gladwin County
 Governmental Funds Balance Sheet
 December 31, 2014

	Senior Citizens Program	Other Governmental Funds	Total
Assets			
Cash and cash equivalents	\$ 155,646	\$ 553,650	\$ 3,091,095
Investments	159,852	206,743	\$ 2,473,512
Accounts receivable	-	30,760	\$ 26,989
Taxes receivable	317,446	-	\$ 1,887,665
Due from other governmental units	-	45,481	\$ 286,754
Advances to component units	-	-	\$ 6,300
Total assets	\$ 632,944	\$ 836,634	\$ 7,772,315
Liabilities			
Accounts payable	\$ -	\$ 66,670	\$ 172,212
Accrued expenses	-	629	\$ 40,686
Total liabilities	-	67,299	212,898
Deferred inflows of resources			
Unavailable revenue - property taxes	-	-	205,993
Unavailable revenue - long-term accounts receivable	-	41,414	41,414
Property taxes levied for a subsequent period	464,492	-	2,090,214
Total deferred inflows of resources	464,492	41,414	2,337,621
Fund balances			
Nonspendable	-	-	6,300
Restricted	168,452	630,533	4,166,019
Assigned	-	97,388	112,653
Unassigned	-	-	936,824
Total fund balances	168,452	727,921	5,221,796
Total liabilities, deferred inflows of resources, and fund balances	\$ 632,944	\$ 836,634	\$ 7,772,315

See accompanying notes

Gladwin County
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
 December 31, 2014

Total fund balances for governmental funds	\$ 5,221,796
Total net position reported for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:	
Add - capital assets	2,977,820
Deduct - accumulated depreciation	(2,419,956)
Other long-term assets are not available to pay for current period expenditures and their inflows are deferred in the funds. Those items consist of:	
Add - deferred inflows related to taxes receivable	205,993
Add - deferred inflows related to accounts receivable	41,414
Add - net pension asset	168,867
Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position. Those liabilities consist of:	
Deduct - other postemployment benefit obligation	(2,300,538)
Deduct - accrued compensated absences	(227,699)
Total net position of governmental activities	\$ 3,667,697

Gladwin County
 Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances
 Year ended December 31, 2014

	General Fund	Emergency Medical Services	E-911 Millage	Wireless E-911 Fund
Revenues				
Property taxes and related fees	\$ 4,572,294	\$ 932,330	\$ 699,159	\$ -
Licenses and permits	306,710	-	-	-
Federal revenue	318,546	-	-	-
State revenue	985,054	-	-	162,591
Charges for services	1,460,881	-	-	-
Fines and forfeitures	-	-	-	-
Interest earnings	4,767	3,116	957	1,185
Reimbursements	240,990	-	-	-
Donations and contributions	-	-	-	-
Miscellaneous	128,324	-	-	-
Total revenues	8,017,566	935,446	700,116	163,776
Expenditures				
Legislative	161,884	-	-	-
Judicial	1,518,109	-	-	-
General government	1,800,334	-	-	-
Public safety	3,629,261	-	49,610	40,087
Public works	413	-	-	-
Health and welfare	484,333	702,036	-	-
Community and economic development	28,925	-	-	-
Recreation and culture	13,344	-	-	-
Other	638,989	-	-	-
Debt service	-	-	-	-
Capital outlay	209,994	-	-	-
Total expenditures	8,485,586	702,036	49,610	40,087
Excess (deficiency) of revenues over expenditures	(468,020)	233,410	650,506	123,689
Other financing sources (uses)				
Transfers in	1,351,672	-	-	-
Transfers out	(211,506)	-	(754,717)	-
Total other financing sources (uses)	1,140,166	-	(754,717)	-
Net change in fund balances	672,146	233,410	(104,211)	123,689
Fund balances-beginning	286,243	1,453,315	985,219	675,612
Fund balances-ending	\$ 958,389	\$ 1,686,725	\$ 881,008	\$ 799,301

See accompanying notes.

Gladwin County
 Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances
 Year ended December 31, 2014

	Senior Citizens Program	Other Governmental Funds	Total
Revenues			
Property taxes and related fees	\$ 466,120	\$ (71)	\$ 6,669,832
Licenses and permits	-	-	\$ 306,710
Federal revenue	-	171,828	\$ 490,374
State revenue	-	205,987	\$ 1,353,632
Charges for services	-	336,029	\$ 1,796,910
Fines and forfeitures	-	160	\$ 160
Interest earnings	518	1,686	\$ 12,229
Reimbursements	-	57,682	\$ 298,672
Donations and contributions	-	(1,801)	\$ (1,801)
Miscellaneous	-	13,233	\$ 141,557
Total revenues	466,638	784,733	11,068,275
Expenditures			
Legislative	-	-	161,884
Judicial	-	-	1,518,109
General government	-	103,244	1,903,578
Public safety	-	96,769	3,815,727
Public works	-	-	413
Health and welfare	483,321	524,610	2,194,300
Community and economic development	-	167,547	196,472
Recreation and culture	-	-	13,344
Other	-	-	638,989
Debt service	-	-	-
Capital outlay	-	-	209,994
Total expenditures	483,321	892,170	10,652,810
Excess (deficiency) of revenues over expenditures	(16,683)	(107,437)	415,465
Other financing sources (uses)			
Transfers in	-	194,000	1,545,672
Transfers out	-	(104,449)	(1,070,672)
Total other financing sources (uses)	-	89,551	475,000
Net change in fund balances	(16,683)	(17,886)	890,465
Fund balances-beginning	185,135	745,807	4,331,331
Fund balances-ending	\$ 168,452	\$ 727,921	\$ 5,221,796

See accompanying notes.

Gladwin County
 Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes
 in Fund Balances to the Statement of Activities
 Year ended December 31, 2014

Net change in fund balances - total governmental funds \$ 890,465

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add - capital outlay	92,573
Deduct - depreciation expense	(58,339)

Revenues in the statement of activities that do not provide current resources are not reported as fund revenues.	20,241
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Certain expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the funds.

Deduct - increase in net other postemployment benefit obligation	(377,168)
Deduct - decrease in net pension asset	(2,136)
Add - decrease in accrued compensated absences	5,401

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Add - principal payments on long-term liabilities	-
Change in net position of governmental activities	\$ 571,037

Gladwin County
Statement of Net Position - Proprietary Funds
December 31, 2014

	Unallocated Tax Revolving	2014 Tax Revolving	Other Enterprise Funds	Total
Assets				
Cash and cash equivalents	\$ 662,391	\$ 115,495	\$ 302,771	\$ 1,080,657
Investments	-	-	285,215	285,215
Taxes receivable	39,537	1,209,573	422,741	1,671,851
Advances to other funds	-	-	265,000	265,000
Total assets (all current)	<u>701,928</u>	<u>1,325,068</u>	<u>1,275,727</u>	<u>3,302,723</u>
Liabilities				
Accrued expenses	-	-	-	-
Advances from other funds	-	120,000	145,000	265,000
Notes payable	-	1,120,000	-	1,120,000
Total liabilities (all current)	<u>-</u>	<u>1,240,000</u>	<u>145,000</u>	<u>1,385,000</u>
Net position				
Unrestricted	701,928	85,068	1,130,727	1,917,723
Total net position	<u>\$ 701,928</u>	<u>\$ 85,068</u>	<u>\$ 1,130,727</u>	<u>\$ 1,917,723</u>

See accompanying notes.

Gladwin County
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds
Year ended December 31, 2014

	Unallocated Tax Revolving	2014 Tax Revolving	Other Enterprise Funds	Total
Operating revenues				
Interest earned on delinquent taxes	\$ 4,258	\$ 69,931	\$ 281,427	\$ 355,616
Collection fees	-	35,369	453,139	488,508
Total operating revenues	4,258	105,300	734,566	844,124
Operating expenses				
Fees and charges	-	-	136,192	136,192
Total operating expenses	-	-	136,192	136,192
Operating income	4,258	105,300	598,374	707,932
Nonoperating revenues (expenses)				
Interest earnings	107	54	1,384	1,545
Interest expense	-	(20,286)	(2,923)	(23,209)
Net nonoperating revenues (expenses)	107	(20,232)	(1,539)	(21,664)
Income before transfers	4,365	85,068	596,835	686,268
Transfers				
Transfers in	958,283	-	-	958,283
Transfers out	(350,000)	-	(1,083,282)	(1,433,282)
Total transfers	608,283	-	(1,083,282)	(474,999)
Changes in net position	612,648	85,068	(486,447)	211,269
Total net position-beginning	89,280	-	1,617,174	1,706,454
Total net position-ending	\$ 701,928	\$ 85,068	\$ 1,130,727	\$ 1,917,723

See accompanying notes.

Gladwin County
Statement of Cash Flows - Proprietary Funds
Year ended December 31, 2014

	Unallocated Tax Revolving	2014 Tax Revolving	Other Enterprise Funds	Total
Cash flows from operating activities				
Receipts from penalties and interest on delinquent taxes	\$ (35,279)	\$ (1,104,273)	\$ 1,577,749	\$ 438,197
Payments for delinquent tax rolls	-	-	-	-
Payments to suppliers for goods and services	(142,060)	-	(136,192)	(278,252)
Net cash provided (used) by operating activities	(177,339)	(1,104,273)	1,441,557	159,945
Cash flows from noncapital financing activities				
Proceeds from interfund advances	-	-	350,000	350,000
Issuances / repayments of interfund advances	-	120,000	(496,000)	(376,000)
Proceeds from issuance of notes payable	-	-	-	-
Principal paid on notes payable	-	-	-	-
Interest paid on notes payable	-	(20,286)	-	(20,286)
Transfers in	958,283	-	-	958,283
Transfers out	(350,000)	-	(1,083,282)	(1,433,282)
Net cash provided (used) by noncapital financing activities	608,283	99,714	(1,229,282)	(521,285)
Cash flows from investing activities				
Proceeds from sale of investments	360,242	-	-	360,242
Interest earnings	107	54	1,384	1,545
Net cash provided by investing activities	360,349	54	1,384	361,787
Net increase (decrease) in cash and cash equivalents	791,293	(1,004,505)	213,659	447
Cash and cash equivalents-beginning	71,075	-	927,648	998,723
Cash and cash equivalents-ending	\$ 862,368	\$ (1,004,505)	\$ 1,141,307	\$ 999,170
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income	\$ 4,258	\$ 105,300	\$ 598,374	\$ 707,932
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Change in assets and liabilities:				
Taxes receivable	(39,537)	(1,209,573)	412,039	(837,071)
Accrued expenses	(142,060)	-	-	(142,060)
Net cash provided (used) by operating activities	\$ (177,339)	\$ (1,104,273)	\$ 1,010,413	\$ (271,199)

See accompanying notes.

Gladwin County
Statement of Fiduciary Net Position
December 31, 2014

	Private- Purpose Trust Fund - Inmate Trust	Agency Funds
Assets		
Cash and cash equivalents	\$ 6,969	\$ 289,912
Total assets	<u>6,969</u>	<u>\$ 289,912</u>
Liabilities		
Due to other governmental units	\$ -	\$ 145,102
Due to others	6,762	146,154
Total liabilities	<u>6,762</u>	<u>\$ 291,256</u>
Net position held in trust for		
Specific programs	<u>207</u>	
Total net position	<u>\$ 207</u>	

Gladwin County
Statement of Changes in Fiduciary Net Position
Year ended December 31, 2014

	<u>Private- Purpose Trust Fund - Inmate Trust</u>
Additions	
Investment income:	
Interest earnings	\$ -
Net investment income	<u>-</u>
Change in net position	-
Net position held in trust for specific projects-beginning	<u>207</u>
Net position held in trust for specific projects-ending	<u>\$ 207</u>

See accompanying notes.

Gladwin County
Combining Statement of Net Position - Component Units
December 31, 2014

	Road Commission	Department of Public Works	Drain Commission	Land Bank Authority	Gladwin City-County Transit 9/30/2014	Total
Assets						
Cash and cash equivalents	\$ 597,572	\$ 174,629	\$ 748,285	\$ 41,127	\$ 374,068	\$ 1,935,681
Investments	1,113,403	-	163,882	-	-	1,277,285
Accounts receivable	838,330	-	-	-	2,565	840,895
Taxes receivable	1,703,671	-	-	-	-	1,703,671
Special assessments receivable	-	-	1,453,886	-	-	1,453,886
Due from other governmental units	-	543,540	-	-	77,903	621,443
Inventory	296,101	-	-	-	45,227	341,328
Prepaid expenses	97,229	-	-	-	16,672	113,901
Cash on deposit with agent	-	-	-	-	145,511	145,511
Net pension asset	153,095	-	-	-	658,007	811,102
Capital assets:						
Assets not being depreciated	1,776,511	-	-	-	14,135	1,790,646
Assets being depreciated, net	25,056,718	-	1,517,557	-	1,293,636	27,867,911
Total assets	31,632,630	718,169	3,883,610	41,127	2,627,724	38,903,260
Liabilities						
Accounts payable	97,300	-	1,000	-	79,885	178,185
Accrued expenses	15,093	-	-	-	46,578	61,671
Accrued interest payable	9,698	8,540	7,558	-	-	25,796
Due to other governmental units	-	-	-	-	140,322	140,322
Advances from primary government	-	-	6,300	-	-	6,300
Unearned revenue	-	-	-	-	-	-
Performance deposits	53,000	-	-	-	-	53,000
Advances from other governmental units	179,041	-	-	-	-	179,041
Long-term liabilities:						
Net OPEB obligation	3,411,898	-	-	-	-	3,411,898
Due within one year	256,417	80,000	95,000	-	31,775	463,192
Due in more than one year	1,564,256	455,000	1,325,000	-	-	3,344,256
Total liabilities	5,586,703	543,540	1,434,858	-	298,560	7,863,661
Deferred inflows of resources						
Property taxes levied for a subsequent period	1,703,671	-	-	-	-	1,703,671
Special assessments levied for a subsequent period	-	-	157,788	-	-	157,788
Total deferred inflows of resources	1,703,671	-	157,788	-	-	1,861,459
Net position						
Invested in capital assets, net of	25,327,682	-	97,557	-	1,307,771	26,733,010
Restricted for:						
Debt service	-	1,550	445,406	-	-	446,956
Acquisition/construction of capital assets	-	173,079	1,748,001	-	-	1,921,080
Cash on deposit with agent	-	-	-	-	145,511	145,511
Net pension asset	-	-	-	-	658,007	658,007
Unrestricted	(985,426)	-	-	41,127	217,875	(726,424)
Total net position	\$ 24,342,256	\$ 174,629	\$ 2,290,964	\$ 41,127	\$ 2,329,164	\$ 29,178,140

See accompanying notes.

Gladwin County
Combining Statement of Activities - Component Units
Year ended December 31, 2014

	Program Revenues				Net (Expense) Revenue
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Road Commission					
Governmental activities:					
Public works	\$ 6,695,006	\$ 1,830,997	\$ 3,698,251	\$ 1,706,178	\$ 540,420
Interest on long-term debt	30,996	-	-	-	(30,996)
Total Road Commission	6,726,002	1,830,997	3,698,251	1,706,178	509,424
Department of Public Works					
Governmental activities:					
Interest on long-term debt	26,470	26,470	-	-	-
Total Department of Public Works	26,470	26,470	-	-	-
Drain Commission					
Governmental activities:					
Public works	472,430	827,960	-	-	355,530
Interest on long-term debt	59,000	-	-	-	(59,000)
Total Drain Commission	531,430	827,960	-	-	296,530
Land Bank Authority					
Business-type activities:					
Community and economic development	74,724	57,695	-	-	(17,029)
Total Land Bank Authority	74,724	57,695	-	-	(17,029)
Gladwin City-County Transit 9/30/2014					
Business-type activities:					
Transportation	1,933,707	183,636	940,695	127,841	(681,535)
Total Gladwin City-County Transit	1,933,707	183,636	940,695	127,841	(681,535)
Total component units	\$ 9,292,333	\$ 2,926,758	\$ 4,638,946	\$ 1,834,019	\$ 107,390

	Road Commission	Department of Public Works	Drain Commission	Land Bank Authority	Gladwin City-County Transit 9/30/2014	Total
Change in net position						
Net (expense) revenue	\$ 509,424	\$ -	\$ 296,530	\$ (17,029)	\$ (681,535)	\$ 107,390
General revenues:						
Property taxes	1,703,844	-	-	-	462,442	2,166,286
Interest earnings	5,215	52	1,131	61	776	7,235
Gain on sale of assets	60,584	-	-	-	-	60,584
Other	-	-	-	-	18,078	18,078
Total general revenues	1,769,643	52	1,131	61	481,296	2,252,183
Change in net position	2,279,067	52	297,661	(16,968)	(200,239)	2,359,573
Net position-beginning	22,063,189	174,577	1,993,303	58,095	2,529,403	26,818,567
Net position-ending	\$ 24,342,256	\$ 174,629	\$ 2,290,964	\$ 41,127	\$ 2,329,164	\$ 29,178,140

See accompanying notes.

Gladwin County
Notes to Financial Statements
December 31, 2014

1. Summary of Significant Accounting Policies

A. Description of government-wide 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. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

B. Reporting Entity

Gladwin County, Michigan (County) was organized in 1875, covers an area of 503 square miles divided into 15 townships and two cities, and has 25,692 residents (based on the 2010 census). The county seat is located in the City of Gladwin. The County operates under an elected Board of Commissioners (County Board) with seven members and provides many services to its residents including law enforcement, administration of justice, community enrichment and development, and human services.

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

As required by GAAP, the financial statements of the reporting entity include those of the County and its component units. The component units discussed below are included in the County's reporting entity because they are entities for which the County is considered to be financially accountable.

Blended component unit – The Building Authority has been included as part of the County financial statements since the County appoints the governing authority and the Building Authority provides its services entirely to the County. The Building Authority is reported as a debt service fund and does not issue separate financial statements.

Discretely presented component units

The component unit column in the government-wide financial statements includes the financial data of the County's other component units. These units are reported in a separate column to emphasize that they are legally separate from the County.

Gladwin County
Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

B. Reporting Entity (continued)

Discretely presented component units (continued)

Road Commission – The Gladwin County Road Commission (Road Commission) is governed by an elected three member Board of County Road Commissioners. The Road Commission may not issue debt or levy a tax without the approval of the County Board. If approval is granted, Road Commission's taxes are levied under the taxing authority of the County, as approved by the County electors. The nature and significance of the relationship between the primary government and the Road Commission is such that exclusion would cause the reporting entity's financial statements to be misleading. A complete financial statement can be obtained from the Gladwin County Road Commission, 301 South State Street, Gladwin, Michigan 48624.

Gladwin City-County Transit – The Gladwin City-County Transit (Transit) is a county-wide transportation system created by an interlocal agreement dated June 22, 1981, between the County and the City of Gladwin. Pursuant to the interlocal agreement, administrative control of the system was transferred to the Gladwin City Housing Commission (Housing Commission), with the County Treasurer acting as fiscal agent for the system. The Transit may not issue debt and the tax levy is subject to County Board approval. The transit taxes are levied under the taxing authority of the County, as approved by the County electors. The nature and significance of the relationship between the primary government and the Transit is such that exclusion would cause the reporting entity's financial statements to be misleading. Due to the difference in the fiscal year-end of the Transit, the September 30, 2014 amounts have been included in the County audit. A complete financial statement can be obtained from the Gladwin City Housing Commission, 615 Weaver Ct, Gladwin, Michigan 48624.

Department of Public Works – Pursuant to Michigan Compiled Law 123.732, Gladwin County created the Department of Public Works. The Department of Public Works operates under the general control of the County Board and under the immediate control of a Board of Public Works, which includes the County Drain Commissioner. The Board of Public Works is considered an agency of the County. The Board of Public Works manages water supply and sanitary sewer system construction projects that are bonded by the County. Bonds issued are authorized by an ordinance or a resolution approved by the Board of Public Works and adopted by the County Board. The nature and significance of the relationship between the County and the Department of Public Works is such that exclusion would cause the reporting entity financial statements to be misleading or incomplete.

Drain Commission – Each of the drainage districts established pursuant to the Drain Code of 1956 are separate legal entities, with the power to contract, to sue and be sued, to hold, manage and dispose of real and personal property, etc. The Drain Commissioner is responsible for planning, developing, and maintaining surface water drainage systems within the County. The Drain Commissioner, on behalf of each drainage district, may issue debt or levy a tax as authorized by the State Drain Code without the approval of the County Board. The County employs all full-time employees and the elected officials of the Drain Commission. The Drain Commission deposits its receipts with the County Treasurer. The nature and significance of the relationship between the County and the Drain Commission is such that exclusion would cause the reporting entity financial statements to be misleading or incomplete.

Gladwin County
Notes to Financial Statements (continued)

I. Summary of Significant Accounting Policies (continued)

B. Reporting Entity (continued)

Discretely presented component units (continued)

Land Bank Authority – The Gladwin County Land Bank Authority (Land Bank) is a public body corporate organized pursuant to the Michigan Land Bank Fast Track Public Act 258 and an intergovernmental agreement entered into between the Michigan Land Bank Fast Track Authority and the County Treasurer. The Land Bank was created to acquire, hold, manage and develop tax-foreclosed properties, as well as other vacant and abandoned properties. The Land Bank was legally established on October 16, 2008, and began operations on that date. The Land Bank is comprised of seven members, as follows: the County Treasurer, one member of the County Board, and five persons appointed by the County Board to represent the interests of the City of Gladwin, the City of Beaverton, the townships in the County, and the members of the general public.

Joint Organizations

Central Michigan District Health Department – Gladwin, Clare, Arenac, Isabella, Osceola, and Roscommon counties participate jointly in the operation of the Central Michigan District Health Department (Health Department). All of the financial operations of the Health Department are recorded in the records of Isabella County.

The funding formula approved by the member counties is based pro-rata on each unit's population and equalized valuation to the Health Department's total population and valuation. Member counties' percentages of the net operating budget for the year of 2014 were:

Gladwin	14.00%	Isabella	28.00%
Clare	17.00%	Osceola	13.00%
Arenac	10.00%	Roscommon	18.00%

The County's appropriation to the Health Department for the year ended December 31, 2014 was \$180,877.

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

The Services Board is legally separate from the County; however, it has not met the financial accountability criteria. For this reason, it is not considered a component unit of the County.

The County's appropriation to the Services Board for the year ended December 31, 2014 was \$92,565.

Gladwin County
Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

B. Reporting Entity (continued)

Related Organization

Northern Michigan Substance Abuse Services, Inc. – The County, in conjunction with 31 other counties, has entered into an agreement which created Northern Michigan Substance Abuse Services, Inc. This organization’s board is composed of one member appointed by the board of commissioners from each of the participating counties.

C. Basis of presentation – government-wide financial statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the County’s enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As discussed earlier, the County has five discretely presented component units. While not all are considered to be a major component unit, they are nevertheless shown in separate columns in the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

D. Basis of presentation – fund financial statements

The fund financial statements provide information about the County’s funds, including its fiduciary funds and blended component unit. Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The County reports the following major governmental funds:

The *General Fund* is the County’s primary operating fund. It accounts for all financial resources of the County, except those required to be accounted for in another fund.

The *Emergency Medical Services Fund* accounts for funds raised by a special tax levy to maintain emergency medical services to County citizens.

The *E-911 Millage Fund* accounts for funds raised by a special tax levy to maintain E-911 services to County citizens.

The *Senior Citizens Program Fund* accounts for funds raised by a special tax levy to maintain and expand services to older citizens of the County.

Gladwin County
Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

D. Basis of presentation – fund financial statements (continued)

The *Wireless E-911 Millage Fund* accounts for funds raised by a special tax levy to maintain E-911 services to County citizens.

The County reports the following major proprietary funds:

The *Unallocated Tax Revolving Fund* accounts for the purchase and collection of delinquent taxes.

The *2014 Tax Revolving Fund* accounts for the purchase of delinquent taxes from other local taxing units and the subsequent collection of those taxes receivable.

Additionally, the County reports the following fund types:

Private purpose trust funds account for arrangements to accumulate resources held in trust for specific purposes, such as inmates at the jail.

Agency funds are used to account for assets held for other governments in an agency capacity, including tax collections.

During the course of operations the County has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

E. Measurement focus and basis of accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

Gladwin County
Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

E. Measurement focus and basis of accounting (continued)

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are 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 revenues 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.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County 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, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the County.

The proprietary and private-purpose trust funds are reported using the economic resources measurement focus and the accrual basis of accounting.

The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

Gladwin County
Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

F. Budgetary Accounting

Budgetary basis of accounting

The General Fund and special revenue funds operate under formal budgetary control. A general appropriation budget is prepared in accordance with Michigan Public Act 2 of 1968, as amended, and the budgetary document is submitted annually by the Finance Committee which recommends formal adoption by the County Board. Budgets presented in the financial statements are prepared on a modified accrual basis of accounting and encompass all amendments.

Budgetary control is exercised at the activity level. The Finance Committee is authorized to make budget transfers within these funds at the activity level.

The County Board is authorized to make and has made supplemental appropriation adjustments to the budget during the year as deemed necessary at the levels of budgetary control as noted above. These adjustments are reflected in the budget amounts in the financial statements. All encumbered appropriations lapse at the end of the year.

Excess of expenditures over appropriations

The following funds had excess of expenditures over appropriation at the legal level of budgetary control:

	<u>Final Budget</u>	<u>Actual</u>	<u>Budget Variance</u>
General Fund			
Health and welfare:			
Soldiers and sailors	\$ -	\$ 8,267	\$ (8,267)
Recreation and culture:			
Parks and recreation	2,404	2,406	(2)
Law library	-	10,938	(10,938)
Other:			
Employee retirement	-	30,000	(30,000)
Capital outlay	144,584	209,994	(65,410)
Emergency Medical Services Fund			
Health and welfare:			
Emergency medical services	-	702,036	(702,036)
E-911 Millage Fund			
Public safety:			
Emergency 911 services	-	49,610	(49,610)

Gladwin County
Notes to Financial Statements (continued)

Wireless E-911 Millage Fund

Public safety:

Emergency 911 services	\$ -	\$ 40,087	\$ (40,087)
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Senior Citizens Program Fund

Health and welfare:

Senior citizens programs	-	483,321	(483,321)
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G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash and cash equivalents

For purposes of the statement of cash flows, the County considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Investments

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

Inventory and prepaid items

Inventory in the Road Commission component unit, consisting of various operating parts, supplies and road materials, is valued at cost, as determined on the average unit cost method. Inventory items are charged to road construction and maintenance, equipment repairs and operations as they are used. Inventory in the Gladwin City-County Transit component unit is valued at cost, on a first-in, first-out basis. Certain payments to vendors reflect cost applicable to future years and are recorded as prepaid expenses or expenditures in the government-wide and fund statements.

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. 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.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

In the Drain Commission component unit and the Road Commission component unit, infrastructure includes only those infrastructure assets acquired subsequent to January 1, 2004.

Gladwin County
Notes to Financial Statements (continued)

Capital assets of the County are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	10 to 50 years
Equipment and furniture	3 to 10 years
Vehicles and boats	3 to 12 years
Infrastructure (drains and roads)	5 to 50 years

Deferred outflows/inflows of resources

In addition to assets, the statement of financial 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 County has no items that qualify for reporting in this category.

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 and so will not be recognized as an inflow of resources (revenue) until that time. The County has several types of items that qualify for reporting in this category. The governmental funds report unavailable revenues, which arise only under a modified accrual basis of accounting, from property taxes and accounts receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In addition, deferred inflows of resources are reported in the government-wide and governmental fund financial statements for property taxes levied during the year that were intended to finance future periods. The component units also report deferred inflows of resources for property taxes and special assessments levied for a subsequent period, as well as unavailable revenues for special assessments.

Net position flow assumption

Sometimes the County will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the County's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund balance flow assumptions

Sometimes the County will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied.

Gladwin County
Notes to Financial Statements (continued)

It is the County's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund balance policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes.

Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually require to be maintained intact.

Restricted fund balance is reported when externally imposed constraints are placed on the use of the resources by grantors, contributors, or laws or regulations of other governments.

Committed fund balance is reported for amounts that can be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority, the County Board. A formal resolution of the County Board is required to establish, modify or rescind a fund balance commitment.

Assigned fund balance is reported for amounts that are constrained by the County's intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned fund balance is available for any purpose. The General Fund is the only fund that reports a positive unassigned fund balance amount. Unassigned balances also include negative balances in the governmental funds reporting resources restricted for specific programs.

H. Revenues and Expenditures/Expenses

Program revenues

Amounts reported as *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 (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property taxes

County general operating property taxes are levied annually on July 1 (the lien date) to fund operations for the current year. The property taxes are due in full within nine months (prior to March 1), at which time uncollected taxes became delinquent. The assessed value of real and personal property is established by the local units, accepted by the County and equalized under State statute at approximately 50% of the current estimated market value. In March 1994, Michigan voters approved Proposal A, which requires property taxes to be levied based on the taxable value of the underlying property. Annual increases in taxable value are limited to the lesser of 5% or the rate of inflation.

Gladwin County
Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

H. Revenues and Expenditures/Expenses (continued)

Property taxes (continued)

Taxable value reverts to 50% of true cash value when the property is sold. Taxable value is determined by using such factors as equalized, assessed and capped values, along with a value change multiplier.

The taxable value of real and personal property for the July 1, 2014 general operating levy was \$929.0 million. The general operating tax rate for this levy was at the maximum rate of 4.4052 mills, as adjusted by the Headlee Amendment to the State of Michigan Constitution. The County also had voter approved taxes of 0.5000 mills for senior citizen programs and 0.7500 for 911 services on the December 1, 2013 voter-approved levy.

By agreement with various taxing authorities, the County purchases at face value the real property taxes returned delinquent each March 1 and records a corresponding delinquent taxes receivable. These receivables (\$1.2 million at December 31, 2014, not including accrued interest and collection fees) are pledged to a bank for payment of the notes payable; the subsequent collection of the receivables, interest and collection fees thereon, and investment earnings are used to extinguish the debt.

Compensated absences

County employees accumulate compensated leave time in varying amounts depending on length of service and other factors. All vacation pay and 50% of sick pay are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they matured, for example, as a result of employee resignations and retirements. This liability includes salary-related benefits, where applicable.

Proprietary funds operating and nonoperating revenues and expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are collection fees and interest earned on delinquent taxes. Operating expenses for enterprise funds include the fees and charges. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

2. Stewardship, Compliance, and Accountability

A. Deficit Fund Equity

As of December 31, 2014, the Remonumentation Fund within the nonmajor governmental funds has a fund balance deficit of \$20,055. The reason for the deficit is due to the fact that the fund spent more in expenditures than they received in state revenue.

Gladwin County
Notes to Financial Statements (continued)

3. Detailed Notes on All Funds

A. Deposits and Investments

Statutory Authority

State statutes authorize the County to invest in:

- a. Bond, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers' acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase, are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended through 12/31/97.

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

	Primary Government	Component Units	Total
Statement of Net Position:			
Cash and cash equivalents	\$ 4,171,752	\$ 1,935,681	\$ 6,107,433
Investments	2,758,727	1,277,285	4,036,012
Cash on deposit with agent	-	145,511	145,511
Fiduciary fund financial statement captions:			
Cash and cash equivalents	296,881	-	296,881
	\$ 7,227,360	\$ 3,358,477	\$ 10,585,837
Deposits and investments:			
Bank deposits (checking and savings accounts and certificates of deposit)			\$ 9,652,876
Cash alternative funds			785,030
Cash on hand			2,420
Cash on deposit with agent			145,511
			\$ 10,585,837

Gladwin County
Notes to Financial Statements (continued)

3. Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

Investment and Deposit Risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the summary of significant accounting policies. The County's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The cash alternative funds held at year-end are short-term investments with a maturity under one year.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the summary of significant accounting policies. The County's investment policy does not have specific limits in excess of state law on investment credit. At year-end, the County's cash alternative funds were rated A-1 by Standard and Poor's and P-1 by Moody's Investors Service.

Custodial Credit Risk – Deposits. Custodial 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 approximately \$8,135,000 of the County's bank balance of approximately \$9,400,000 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the County does not have a policy for investment custodial credit risk. At year-end, all investments were held in the County's name and were not exposed to custodial credit risk.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk. The County's investment policy does not have specific limits in excess of state law on concentration of credit risk. At year-end, the County had only one investment: cash alternative funds in the amount of \$785,030.

Gladwin County
Notes to Financial Statements (continued)

3. Detailed Notes on All Funds (continued)

B. Capital Assets

Primary Government

Capital assets activity for the year ended December 31, 2014 was as follows:

	Balance January 1, 2014	Additions	Disposals	Balance December 31, 2014
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 297,231	\$ -	\$ -	\$ 297,231
Capital assets being depreciated:				
Buildings and improvements	1,626,331	65,199	-	1,691,530
Equipment and furniture	384,159	-	-	384,159
Vehicles and boats	577,526	27,374	-	604,900
Total capital assets being depreciated	2,588,016	92,573	-	2,680,589
Less accumulated depreciation:				
Buildings and improvements	(1,567,512)	(3,460)	-	(1,570,972)
Equipment and furniture	(357,379)	(4,635)	-	(362,014)
Vehicles and boats	(436,726)	(50,244)	-	(486,970)
Total accumulated depreciation	(2,361,617)	(58,339)	-	(2,419,956)
Total capital assets being depreciated, net	226,399	34,234	-	260,633
Governmental activities capital assets, net	<u>\$ 523,630</u>	<u>\$ 34,234</u>	<u>\$ -</u>	<u>\$ 557,864</u>

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

General government	\$ 8,095
Public safety	<u>50,244</u>
	<u>\$ 58,339</u>

Gladwin County
Notes to Financial Statements (continued)

3. Detailed Notes on All Funds (continued)

B. Capital Assets (continued)

Discretely Presented Component Units

Activity for the Road Commission for the year ended December 31, 2014 was as follows:

	Balance January 1, 2014	Additions	Disposals	Balance December 31, 2014
Capital assets not being depreciated:				
Land and improvements	\$ 1,679,645	\$ 11,821	\$ -	\$ 1,691,466
Construction in progress	176,904	23,643	(115,502)	85,045
Total capital assets not being depreciated	1,856,549	35,464	(115,502)	1,776,511
Capital assets being depreciated:				
Buildings	3,096,973	-	-	3,096,973
Road equipment	6,231,757	524,098	(233,715)	6,522,140
Garage equipment	140,648	-	-	140,648
Sign shop equipment	6,590	-	-	6,590
Yard equipment	85,252	-	-	85,252
Office equipment	120,285	-	-	120,285
Engineers equipment	35,088	-	-	35,088
Infrastructure - bridges	3,486,567	527,058	-	4,013,625
Infrastructure - roads	23,597,387	3,596,802	-	27,194,189
Total capital assets being depreciated	36,800,547	4,647,958	(233,715)	41,214,790
Less accumulated depreciation:				
Buildings	(1,221,863)	(82,363)	-	(1,304,226)
Road equipment	(5,086,398)	(514,715)	230,799	(5,370,314)
Garage equipment	(134,894)	(3,531)	-	(138,425)
Sign shop equipment	(6,590)	-	-	(6,590)
Yard equipment	(71,382)	(3,219)	-	(74,601)
Office equipment	(118,448)	(1,407)	-	(119,855)
Engineers equipment	(32,243)	(948)	-	(33,191)
Infrastructure - bridges	(405,931)	(84,412)	-	(490,343)
Infrastructure - roads	(7,248,166)	(1,372,361)	-	(8,620,527)
Total accumulated depreciation	(14,325,915)	(2,062,956)	230,799	(16,158,072)
Total capital assets being depreciated, net	22,474,632	2,585,002	(2,916)	25,056,718
Road Commission capital assets, net	\$ 24,331,181	\$ 2,620,466	\$ (118,418)	\$ 26,833,229

Gladwin County
Notes to Financial Statements (continued)

3. Detailed Notes on All Funds (continued)

B. Capital Assets (continued)

Discretely Presented Component Units (continued)

Activity for the Drain Commission for the year ended December 31, 2014, was as follows:

	Balance January 1, 2014	Additions	Disposals	Balance December 31, 2014
Capital assets being depreciated:				
Infrastructure – drains	\$ 1,614,421	\$ -	\$ -	\$ 1,614,421
Total capital assets being depreciated	1,614,421	-	-	1,614,421
Less accumulated depreciation:				
Infrastructure – drains	(64,576)	(32,288)	-	(96,864)
Total accumulated depreciation	(64,576)	(32,288)	-	(96,864)
Total capital assets being depreciated, net	1,549,845	(32,288)	-	1,517,556
Drain Commission capital assets, net	<u>\$ 1,549,845</u>	<u>\$ (32,288)</u>	<u>\$ -</u>	<u>\$ 1,517,556</u>

Gladwin County
Notes to Financial Statements (continued)

3. Detailed Notes on All Funds (continued)

B. Capital Assets (continued)

Discretely Presented Component Units (continued)

Activity for the Transit for the year ended September 30, 2014 was as follows:

	Balance October 1, 2013	Additions	Disposals	Balance September 30, 2014
Capital assets not being depreciated:				
Land	\$ 14,135	\$ -	\$ -	\$ 14,135
Capital assets being depreciated:				
Building and improvements	1,402,152	188,802	-	1,590,954
Land improvements	12,600	-	-	12,600
Office equipment	149,859	5,518	-	155,377
Bus equipment	50,397	-	-	50,397
Buses and other vehicles	1,848,596	91,342	-	1,939,938
Maintenance equipment	129,323	39,610	-	168,933
Total capital assets being depreciated	3,592,927	325,272	-	3,918,199
Less accumulated depreciation:				
Building and improvements	(823,782)	(59,580)	-	(883,362)
Land improvements	(12,600)	-	-	(12,600)
Office equipment	(119,468)	(17,586)	-	(137,054)
Bus equipment	(50,397)	-	-	(50,397)
Buses and other vehicles	(1,262,253)	(182,040)	-	(1,444,293)
Maintenance equipment	(82,457)	(14,400)	-	(96,857)
Total accumulated depreciation	(2,350,957)	(273,606)	-	(2,624,563)
Total capital assets being depreciated, net	1,241,970	51,666	-	1,293,636
Transit capital assets, net	\$ 1,256,105	\$ 51,666	\$ -	\$ 1,307,771

Gladwin County
Notes to Financial Statements (continued)

3. Detailed Notes on All Funds (continued)

C. Interfund Receivables, Payables, and Transfers

Long-term advances as of December 31, 2014 are as follows:

	Advance to Other Funds	Advance from Other Funds
Advance to/from other funds:		
Unallocated Tax Revolving	\$ -	\$ -
2014 Tax Revolving	-	120,000
Nonmajor Enterprise Funds	266,879	145,000
	\$ 266,879	\$ 265,000

Advances between the various enterprise funds exist to maintain adequate reserves in the delinquent tax revolving funds until delinquent taxes are collected.

Interfund transfers as of December 31, 2014 are as follows:

	General	Nonmajor Governmental Funds	2014 Tax Revolving	Total
Transfers out:				
General	\$ -	\$ 194,000	\$ 17,507	\$ 211,507
E-911 Millage	754,717	-	-	754,717
Nonmajor Governmental Funds	104,449	-	-	104,449
2014 Tax Revolving	350,000	-	-	350,000
Nonmajor Enterprise Funds	142,506	-	940,776	1,083,282
Total	\$ 1,351,672	\$ 194,000	\$ 958,283	\$ 2,503,955

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) move 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.

Gladwin County
Notes to Financial Statements (continued)

3. Detailed Notes on All Funds (continued)

D. Long-Term Debt

Changes in Long-Term Debt

Long-term liability activity for the year ended December 31, 2014 was as follows:

	Balance January 1, 2014	Additions	Deductions	Balance December 31, 2014	Due Within One Year
Primary Government:					
Governmental activities:					
General obligation bonds	\$ -	\$ -	\$ -	\$ -	\$ -
Compensated absences	233,100	227,699	(233,100)	227,699	227,699
	<u>\$ 233,100</u>	<u>\$ 227,699</u>	<u>\$ (233,100)</u>	<u>\$ 227,699</u>	<u>\$ 227,699</u>
Business-type activities:					
General obligation limited tax notes	\$ 1,103,000	\$ 2,150,000	\$ (2,133,000)	\$ 1,120,000	\$ 1,120,000
Component Units:					
Road Commission:					
Installment purchase agreements	\$ 215,601	\$ 113,925	\$ (88,979)	\$ 240,547	\$ 117,334
Bonds payable	1,375,000	-	(110,000)	1,265,000	115,000
Compensated absences	292,380	34,022	(11,276)	315,126	24,083
	<u>\$ 1,882,981</u>	<u>\$ 147,947</u>	<u>\$ (210,255)</u>	<u>\$ 1,820,673</u>	<u>\$ 256,417</u>
Department of Public Works:					
General obligation bonds	\$ 610,000	-	\$ (75,000)	\$ 535,000	\$ 80,000
Drain Commission:					
General obligation notes	\$ 1,515,000	-	\$ (95,000)	\$ 1,420,000	\$ 95,000
Transit (at 9/30/2014):					
Compensated absences	\$ 28,693	\$ 31,775	\$ (28,693)	\$ 31,775	\$ 31,775

Gladwin County
Notes to Financial Statements (continued)

3. Detailed Notes on All Funds (continued)

D. Long-Term Debt (continued)

Primary Government

General obligation and revenue bonds and notes are direct obligations and pledge the full faith and credit of the government. These bonds are generally issued as 5 to 20-year serial bonds with varying amounts of principal maturing each year. General obligation and revenue bonds and notes currently outstanding are as follows:

Purpose	Interest Rates	Amount
Business-type activities	0.75-1.05%	\$ 1,120,000

Annual debt service requirements to maturity for general obligation and revenue bonds and notes are as follows:

Year Ending December 31	Business-type Activities	
	Principal	Interest
2015	\$ 1,120,000	\$ 5,000

Component Units

Road Commission

Michigan Transportation Bonds are issued by the Road Commission to finance construction projects and are direct obligations, pledging the full faith and credit of the County and the Road Commission. The bonds are issued as 20-year serial bonds with varying amounts of principal maturing each year through 2024 and bear interest at varying rates from 1.84% to 4.15%. The installment purchase agreements bear interest from 3.3% to 5.75%. Title to the equipment is transferred to the lessor at the end of the lease.

Annual debt service requirements to maturity for Michigan Transportation bonds and installment purchase agreements are as follows:

Year Ending December 31	Principal	Interest
2015	\$ 232,334	\$ 28,884
2016	162,992	23,384
2017	164,363	19,805
2018	156,561	16,242
2019	649,297	42,765
2020-2024	140,000	1,288
	\$ 1,505,547	\$ 132,368

Gladwin County
Notes to Financial Statements (continued)

3. Detailed Notes on All Funds (continued)

D. Long-Term Debt (continued)

Department of Public Works

General obligation bonds are issued by the County to finance construction projects managed and administered by the Department of Public Works. These bonds are direct obligations, pledging the full faith and credit of the County and the City of Gladwin. The bonds are issued as serial bonds with varying amounts of principal maturing each year through November 2020 and bearing interest at rates from 3.95% to 5.4%.

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending December 31	Principal	Interest
2015	\$ 80,000	\$ 23,708
2016	85,000	20,268
2017	85,000	16,570
2018	90,000	12,830
2019	95,000	8,825
2020	100,000	4,550
	<u>\$ 535,000</u>	<u>\$ 86,751</u>

Drain Commission

General obligation drain improvement bonds and notes are issued by the County to finance certain drainage district construction projects. General obligation bonds have been issued for governmental activities. These bonds and notes are direct obligations, pledging the full faith and credit of the County and the respective drainage districts. The bonds are generally issued as 10 to 20-year serial bonds with varying amounts of principal maturing each year and bear interest rates varying from 4.14% to 6%.

Year Ending December 31	Principal	Interest
2015	\$ 95,000	\$ 75,278
2016	75,000	70,813
2017	75,000	66,688
2018	75,000	62,563
2019	100,000	57,750
2020-2024	500,000	206,250
2025-2029	500,000	68,750
	<u>\$ 1,420,000</u>	<u>\$ 608,092</u>

Gladwin County
Notes to Financial Statements (continued)

3. Detailed Notes on All Funds (continued)

D. Long-Term Debt (continued)

Advance Refunding

On July 26, 2007, the Department of Public Works component unit advance refunded the 1996 Water and Sewer general obligation bonds (original issue amount of \$1,525,000) with Series 1997 Water and Sewer general obligation bonds. The Department of Public Works issued \$1,005,000 of general obligation bonds to provide an escrow agent with the resources for all future debt service payments of the refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of net position. The balance of the defeased debt outstanding at December 31, 2014 was \$710,000.

In October 2012, the Road Commission component unit issued Michigan Transportation Fund Bonds in the amount of \$1,285,000. Proceeds from this bond issue, along with a contribution from the Road Commission of \$10,818, were used to advance refund Michigan Transportation Fund Bonds issued in 2004. The refunded bonds mature as scheduled through February 2024. The balance of the defeased debt outstanding at December 31, 2014, was \$1,180,000. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of net position.

E. Fund Balances by Purpose

Following is more detailed information on the governmental funds' fund balances:

	General Fund	Emergency Medical Services	E-911 Millage	Wireless E-911	Senior Citizens Program	Nonmajor Governmental Funds	Total
Nonspendable for:							
Advances to component units	\$ 6,300		-\$		-\$		\$ 6,300
Restricted for:							
Judicial	-	-	-	-	-	138,830	138,830
General government	-	-	-	-	-	61,475	61,475
Public safety	-	1,686,725	881,008	799,301	-	156,327	3,523,361
Public works	-	-	-	-	-	11,301	11,301
Health and welfare	-	-	-	-	168,452	211,396	379,848
Community and economic development	-	-	-	-	-	51,204	51,204
Recreation and culture	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-

Gladwin County
Notes to Financial Statements (continued)

3. Detailed Notes on All Funds (continued)

E. Fund Balances by Purpose (continued)

	General Fund	Emergency Medical Services	E-911 Millage	Wireless E-911	Senior Citizens Program	Nonmajor Governmental Funds	Total
Assigned to:							
Judicial	-	-	-			13,233	13,233
General government	-	-	-			-	-
Public safety	-	-	-			12,305	12,305
Health and welfare	14,559	-	-			13,453	28,012
Community and economic development	-	-	-			58,397	58,397
Recreation and culture	706	-	-			-	706
Unassigned	936,824	-	-			-	936,824
	<u>\$958,389</u>	<u>\$ 1,686,725</u>	<u>\$ 881,008</u>	<u>\$799,301</u>	<u>\$168,452</u>	<u>\$ 727,921</u>	<u>\$5,221,796</u>

For the flow assumption policy regarding use of fund balance types, refer to Note 1G.

F. Defined Benefit Pension Plans

Primary Government

Plan Description – The County’s defined benefit pension plan, the Gladwin County Employees Retirement Plan, provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The County participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the MERS Retirement Board. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. MERS issues a publicly available financial report that includes financial statements and required supplementary information (RSI) for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 1134 Municipal Way, Lansing, Michigan 48917 or by calling (800) 767-6377.

Funding Policy – The County is required to contribute at an actuarially determined rate; the current rate is 8.84-28.96% of annual covered payroll for employees, depending upon the applicable division/union. Employees are required to contribute 3.80% of their annual covered payroll to the plan. The contribution requirements of the County are established by Act No. 427 of the Public Acts of 1984, as amended, and may be amended by the Retirement Board of MERS. The contribution requirements of plan members are established and may be amended by the County Board.

Gladwin County
Notes to Financial Statements (continued)

3. Detailed Notes on All Funds (continued)

F. Defined Benefit Pension Plans (continued)

Primary Government (continued)

Annual Pension Cost (APC) – The County’s APC and net pension asset for the current year were as follows:

Annual required contribution (ARC)	\$	546,984
Less: interest on net pension asset		(8,732)
Plus: adjustment to the ARC		10,844
APC		549,097
Contributions made		523,929
Decrease in net pension asset		25,168
Net pension asset, beginning of year		194,035
Net pension asset, end of year	\$	168,867

For the year ended December 31, 2014, the County’s APC of \$549,097 for MERS was more than the County’s required contribution, and more than the actual contributions made. Actual contributions to MERS for the year ended December 31, 2014 amounted to \$523,929. The required contribution was determined as part of the December 31, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, and (c) additional projected salary increases of 0.0% to 8.40% per year, depending on age, attributable to seniority/merit. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment to reflect fair value. The County’s unfunded actuarial accrued liability (UAAL) is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2013, the date of the latest actuarial valuation, was 25 years.

Three-Year Trend Information

Year Ending	APC	Percentage of APC Contributed	Net Pension Asset
12/31/2012	\$ 501,268	105.6%	\$ 196,171
12/31/2013	530,522	99.6%	194,035
12/31/2014	549,097	95.4%	168,867

Gladwin County
Notes to Financial Statements (continued)

3. Detailed Notes on All Funds (continued)

F. Defined Benefit Pension Plans (continued)

Primary Government (continued)

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	UAAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2012	\$ 13,727,149	\$ 17,548,995	\$ 3,821,846	80%	\$ 3,522,473	108%
12/31/2013	\$ 14,358,987	\$ 19,116,274	\$ 4,757,287	75%	\$ 3,606,038	132%

The schedule of funding progress, presented as RSI 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 AAL for benefits.

Component Units

Road Commission

Plan Description – The Road Commission’s defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Road Commission participates in the MERS, an agent multiple-employer plan administered by the Retirement Board of MERS. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. MERS issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 1134 Municipal Way, Lansing, Michigan 48917 or by calling (800) 767-6377.

Funding Policy – The Road Commission is required to contribute at an actuarially determined rate; the rate required during the year was 4.24% for Commissioners. In addition, the Road Commission was required to contribute a monthly fixed dollar amount of \$34,339 for general employees. Road Commission employees are required to contribute 3% of their first \$4,200 of annual covered payroll and 5% of their annual covered payroll in excess of \$4,200 to the plan. The contribution requirements of the Road Commission are established by Act No. 427 of the Public Acts of 1984, as amended, and may be amended by the Retirement Board of MERS. The contribution requirements of plan members are established and may be amended by the Board of County Road Commissioners.

Gladwin County
Notes to Financial Statements (continued)

3. Detailed Notes on All Funds (continued)

F. Defined Benefit Pension Plans (continued)

Component Units (continued)

Road Commission (continued)

APC – For the year ended December 31, 2014, the Road Commission’s APC of \$412,797 for MERS was \$2,021 less than the Road Commission’s required contribution and \$52,021 less than the actual contributions. The required contribution was determined as part of the December 31, 2012, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, and (c) additional projected salary increases of 0.0% to 8.40% per year, depending on age, attributable to seniority/merit. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment to reflect fair value. The Road Commission’s UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2013, the date of the latest actuarial valuation, was 25 years.

Three-Year Trend Information			
Year Ending	APC	Percentage of APC Contributed	Net Pension Asset
12/31/2012	\$ 287,139	117%	\$ 50,000
12/31/2013	386,957	112%	101,074
12/31/2014	412,797	113%	153,095

Funding Status and Funding Progress – As of December 31, 2013, the most recent actuarial valuation date, the plan was 60% funded. The AAL for benefits was \$14,043,484 and the actuarial value of assets was \$8,375,139, resulting in a UAAL of \$5,668,345. The covered payroll (annual payroll of active employees covered by the plan) was \$1,318,220, and the ratio of the UAAL to the covered payroll was 430%.

Transit

Plan Description – The Transit participates in the MERS, an agent multiple-employer defined benefit pension plan that covers all eligible employees of the Housing Commission including Transit employees. The plan provides retirement, disability and death benefits to plan participants and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 1134 Municipal Way, Lansing, Michigan 48917 or by calling (800) 767-6377.

Gladwin County
Notes to Financial Statements (continued)

3. Detailed Notes on All Funds (continued)

F. Defined Benefit Pension Plans (continued)

Component Units (continued)

Transit (continued)

Funding Policy – The obligation to contribute to and maintain the plan was established by the Housing Commission on November 8, 2003, by resolution of the Board. The Plan requires a 5% contribution by the employees to the plan. The Housing Commission is required to contribute based on an actuarially determined rate.

APC – The Transit’s APC and net pension asset for the current year were as follows:

ARC	\$	38,859
Less: interest on net pension asset		(43,590)
Plus: adjustment to the ARC		30,453
APC		25,722
Contributions made		138,860
Increase in net pension asset		113,138
Net pension asset, beginning of year		544,869
Net pension asset, end of year	\$	658,007

For the year ended September 30, 2014, the Transit’s APC of \$25,722 for the plan was less than the Transit’s required contribution, and less than the actual contributions made. Actual contributions to MERS for the year ended September 30, 2014 amounted to \$138,860. The ARC was determined as part of an actuarial valuation at December 31, 2013, using the entry age normal actuarial cost method. The actuarial assumptions include, (1) an 8.0% investment rate of return, (2) projected salary increases of 4.5% per year for inflation, plus a percentage based upon an age-related scale to reflect merit, and longevity, and (3) the assumption that benefits will not increase after retirement. The funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as a percentage of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the year was determined using an attained age actuarial funding method. The UAAL is being amortized as a level percentage of projected payroll on an open basis. UAALs, if any, are amortized as a level percentage of payroll over a period of 28 years.

The following three year trend information is presented for the Transit only, while the schedule of funding progress is presented for the entire Housing Commission.

Three-Year Trend Information			
Year	Percentage of		Net
Ending	APC	APC	Pension
		Contributed	Asset
9/30/2012	\$ 21,801	139%	\$ 434,395
9/30/2013	18,822	156%	544,869
9/30/2014	25,722	151%	658,007

Gladwin County
Notes to Financial Statements (continued)

3. Detailed Notes on All Funds (continued)

F. Defined Benefit Pension Plans (continued)

Component Units (continued)

Transit (continued)

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	AAL - Entry Age (b)	UAAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2011	\$1,968,374	\$2,853,533	\$885,159	69%	\$549,749	161%
12/31/2012	2,117,337	2,970,019	852,682	71%	581,261	147%
12/31/2013	2,377,402	3,120,428	743,026	76%	608,987	122%

G. Postemployment Health Benefits

Primary Government

Plan Description – The County sponsors a single employer defined benefit retiree health care plan (Plan) to all employees provided proper application is made prior to retirement and the employee is a member of the Plan on the date of retirement. The County reimburses the amount of validated claims for medical, dental and hospitalization costs incurred by pre-Medicare retirees and their dependents based upon the employee’s number of years of service. Expenditures for postretirement healthcare benefits are recognized as retirees report claims. As of December 31, 2014, the County has not advance funded any portion of the liability. Therefore, financial statements for the plan are not prepared nor are they included in the financial statements of any other plan or the primary government.

Funding Policy – The County has no obligation to make contributions in advance of when the insurance premiums or benefits are due for payment; therefore, the Plan may be financed on a pay-as-you-go basis. For the year ended December 31, 2014, the County contributed \$212,318 to the plan for current premiums and no additional amount to prefund benefits.

Funding Progress – For the year ended December 31, 2014, the County estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of December 31, 2010. Such valuation computes the ARC that represents a level of funding, that if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any UAALs (or funding excess) over a period of 27 years.

As of December 31, 2010, the date of the latest actuarial valuation, participants in the Plan consisted of:

Retirees and beneficiaries currently receiving benefits	55
Active employees	95
	150

Gladwin County
Notes to Financial Statements (continued)

3. Detailed Notes on All Funds (continued)

G. Postemployment Benefits (continued)

Primary Government (continued)

Actuarial valuations 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. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress, presented as RSI following the notes to financial statements, will present multiyear trend information about whether the actuarial values of the Plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The benefit obligation represents the actuarial present value of those estimated future benefits that are attributed to employee service rendered December 31. Postretirement benefits include future benefits expected to be paid to or for (1) currently retired or terminated employees and dependents (as defined by the Plan) and (2) active employees and their beneficiaries and dependents after retirement from service. Prior to an active employee's full eligibility date, the postretirement benefit obligation is the portion of the expected postretirement benefit obligation that is attributed to that employee's service rendered to the valuation date.

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

The Plan's unfunded accrued liability was determined as part of an actuarial valuation of the Plan as of December 31, 2010. Significant actuarial assumptions used in determining the Plan's unfunded accrued liability included (a) a rate of return on the investment of present and future assets of 4.5% per year compounded annually after net investment expenses, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.3% to 8.4% per year, depending on age, attributable to seniority/merit, and (d) health care cost increases of 10% in 2010 and scaling down by 0.75% every year until it is 4.5% for 2018 and beyond.

Gladwin County
Notes to Financial Statements (continued)

3. Detailed Notes on All Funds (continued)

G. Postemployment Benefits (continued)

Primary Government (continued)

ARC		\$	610,430
Interest on the prior year's net other postemployment benefits (OPEB) obligation			86,552
Less adjustment to the ARC			(107,495)
Annual OPEB cost			(589,486)
Amount contributed			212,318
Increase in net OPEB obligation			377,168
OPEB obligation (asset) - beginning of year			1,923,370
OPEB obligation (asset) - end of year			<u>\$ 2,300,538</u>

Three-Year Trend Information

Year Ended December 31,	ARC	Percentage Contributed
2012	\$ 560,028	42%
2013	585,229	46%
2014	610,430	35%

A schedule of funding progress is as follows:

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	AAL - Entry Age (b)	UAAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2010 \$	-\$	6,644,136	\$ (6,644,136)	0%	\$ 3,596,473	-185%

The foregoing assumptions are based on the presumption that the Plan will continue. Were the Plan to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of the postretirement accrued liability.

Gladwin County
Notes to Financial Statements (continued)

3. Detailed Notes on All Funds (continued)

G. Postemployment Benefits (continued)

Component Units

Road Commission

Plan Description – The Road Commission provides healthcare and prescription drug benefits to all full-time employees hired prior to August 19, 2009 upon retirement, in accordance with labor contracts. The plan is a single employer defined benefit public retiree healthcare plan administered by the Board of County Road Commissioners. The benefits are provided under labor contracts and may be amended by the Board of County Road Commissioners through labor negotiations. Beginning during the year ended December 31, 2012, the Road Commission has advance funded a portion of the liability. Therefore financial statements for the trust fund used to account for these assets of the plan are included in the financial statement of the Road Commission.

Employees hired after August 19, 2009 who retire for any reason, will not be eligible for health insurance, dental insurance, vision insurance, life insurance, or the hearing aid rider. These employees will be required to contribute a minimum of one percent (1%) of their pay through payroll deduction to a Healthcare Savings Program (HSCP) through MERS. The Road Commission will also contribute a maximum amount equal to one percent (1%) of an employee's pay to an employee's HCSP.

Currently 27 retirees, including 18 Medicare qualified retirees, are eligible. The Road Commission includes retirees and their spouses in its insured healthcare plan. Previous eligible employees who retired on or before October 31, 2005 are not required to contribute to their healthcare plan, in accordance with labor contracts. Previous eligible employees who retired after October 31, 2005 are required to contribute monthly to their healthcare plans in the same amounts as required for active employees, in accordance with labor contracts. The monthly contribution amounts for eligible retirees and active employees vary based on the single, two-person, and family coverage, and will also vary each year based on the cost of healthcare.

Effective July 1, 2012, the employer's contribution towards healthcare cannot exceed those amounts permitted by Public Act 152 (PA 152) of 2011; Publicly Funded Health Insurance Contribution Act, with maximum amounts revised July 1st of each year. Eligible retirees and active employees are required to contribute monthly towards healthcare costs that exceed employer amounts allowed under PA 152.

Expenditures for postemployment healthcare benefits are recognized as the insurance premiums become due.

Gladwin County
Notes to Financial Statements (continued)

3. Detailed Notes on All Funds (continued)

G. Postemployment Benefits (continued)

Component Units (continued)

Road Commission (continued)

Funding Policy – The contribution requirements of plan members and the Road Commission are established by labor contracts and may be amended by the Board of County Road Commissioners through labor negotiations. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined by the Board of County Road Commissioners. For the year ended December 31, 2014, the Road Commission contributed \$255,728 to the plan for current premiums and \$25,000 as an additional amount to prefund benefits.

Annual OPEB Cost and Net OPEB Obligation – The Road Commission’s annual OPEB cost (expense) is calculated based on the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any UAALs (or funding excess) over a period not to exceed 30 years.

The following table shows the components of the Road Commission’s annual OPEB cost for the year, the amount actually contributed to the plan and changes in the Road Commission’s net OPEB obligation to the plan:

ARC	\$	1,278,363
Interest on the prior year's net OPEB obligation		134,773
Less adjustment to the ARC		<u>(715,476)</u>
Annual OPEB cost		697,660
Amount contributed:		
Payments of current premiums		(255,728)
Advance funding		<u>(25,000)</u>
Increase in net OPEB obligation		416,932
OPEB obligation (asset) - beginning of year		<u>2,994,966</u>
OPEB obligation (asset) - end of year	\$	<u><u>3,411,898</u></u>

Three-Year Trend Information

Year Ended December 31,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 780,625	57%	\$ 2,530,768
2013	787,665	41%	2,994,966
2014	697,660	41%	3,411,898

Gladwin County
Notes to Financial Statements (continued)

3. Detailed Notes on All Funds (continued)

G. Postemployment Benefits (continued)

Component Units (continued)

Road Commission (continued)

Funded Status and Funding Progress – The funded status of the plan as of December 31, 2012 (the most recent valuation date) was as follows:

AAL	\$	15,233,388
Actuarial value of plan assets		25,000
UAAL	\$	15,208,388
Funded ratio		0.16%
Annual covered payroll (12/31/12)	\$	1,378,026
UAAL as a percentage of covered payroll		1,104%

Actuarial valuations 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 ARC 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 members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The following simplifying assumptions were made:

Retirement age for active employees – Based on the historical average retirement age for the covered group, active plan members were assumed to retire at various ages ranging from 55 to 65. These assumptions are consistent with the first subsequent year in which the member would qualify for benefits. Employees of the Road Commission are eligible to participate in the Retiree Health Care Plan upon retirement at age 55 with 30 years of service, age 60 with 25 years of service or age 62 with any years of service.

Marital status – Marital status of members at the calculation date was assumed to continue throughout retirement.

Gladwin County
Notes to Financial Statements (continued)

3. Detailed Notes on All Funds (continued)

G. Postemployment Benefits (continued)

Component Units (continued)

Road Commission (continued)

Mortality – Life expectancies were based on mortality tables from the United States Social Security Administration. The 2009 Period Life Table for males and females was used.

Turnover – Non-group-specific age based turnover data from GASB Statement No. 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Healthcare cost trend rate – The expected rate of increase in healthcare insurance premiums was based on projections of the Office of the Actuary at the Centers for Medicare & Medicaid Services. A rate of 5.2% initially, with gradual fluctuations up to 6.6% through 2019 was used.

Healthcare premiums – Health insurance premiums for employees and retirees that were paid in 2011 were used as the basis for calculation of the present value of total benefits to be paid.

Inflation rate – The expected long-term inflation assumption of 2.8% was based on projected changes in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) in the 2012 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds for an intermediate growth scenario.

Payroll growth rate – The expected long-term payroll growth rate was assumed to equal the rate of inflation.

Transit

As authorized by the Housing Commission Board, the Housing Commission has elected to provide postemployment healthcare benefits to certain retirees. The Housing Commission's employees become eligible for postemployment healthcare benefits if they retire with 30 years of service at the Housing Commission. Currently, two retirees are eligible to receive healthcare benefits from the Transit. The Housing Commission pays 90% of the cost of the health insurance coverage for these retirees. The amount expensed for the year ended September 30, 2014 was \$18,038.

The Housing Commission is required by GASB Statement No. 45 to make contributions into a trust to cover the future costs of providing postemployment benefits. However, due to the substantial cost to obtain an actuarial valuation and establish such a trust, coupled with the immateriality of the annual costs of providing such coverage, the Housing Commission has elected to continue to fund this plan on a pay-as-you-go basis. The effects of noncompliance with GASB Statement No. 45 are not material to the Transit and the Housing Commission as a whole.

Gladwin County
Notes to Financial Statements (continued)

3. Detailed Notes on All Funds (continued)

H. Risk Management

The County is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers compensation), as well as medical benefits provided to employees. The County manages risk through the purchase of commercial insurance.

Liability, Vehicle Physical Damage, and Property and Crime – The County is a member of the Michigan Municipal Liability and Property Pool, which is an association organized to purchase commercial insurance for protection against loss for Michigan cities, counties, townships and special service governments. The County is insured up to the following limits: Liability - \$5,000,000, vehicle physical damage - \$5,000,000 and property and crime - \$5,000,000, subject to deductibles of \$1,000, \$100 - \$250 and \$1,000, respectively. The County is not subject to supplemental premium assessments by the association.

Workers' Compensation – The County purchases coverage through the Michigan Municipal Workers' Compensation Fund. The Fund is authorized by State law to provide its members with coverage required by the Workers' Disability Compensation Act. Claims are subject to a maximum limit of \$500,000 per occurrence.

Federal Financial Assistance – It is required by the Michigan Department of Transportation (MDOT) that the county road commissioners report total Federal financial assistance for highway research, planning, and construction pertaining to their county. During the year ended December 31, 2014, the Federal aid received and expended by the Road Commission was \$1,042,463 for contracted projects and \$0 for negotiated projects. Contracted projects are defined as projects performed by private contractors paid for and administered by MDOT (they are included in MDOT's Single Audit). Negotiated projects are projects where the Road Commission administers the grant and either performs the work or contracts it out. The Road Commission would be subject to Single Audit requirements if it expended \$500,000 or more for negotiated projects.

I. Contingencies and Pending Litigation

The County has been named as a defendant in various litigation involving lawsuits pending and notices of intent to file suit. Management and legal counsel of the County expect no material losses in excess of insurances should an unfavorable outcome prevail. No provision for any loss has been made in the accompanying financial statements.

Under the terms of various Federal and State grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such grants could lead to reimbursement to the grantor agencies. However, County management does not believe such disallowances, if any, will be material to the financial position of the County.

Gladwin County
 Required Supplementary Information
 Defined Benefit Pension Plan (MERS) Schedule of Funding Progress and Employer
 Contributions
 Historical Trend Information - Unaudited

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL) Entry Age	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	Excess as a Percentage of Covered Payroll
December 31,						
2007	\$ 10,480,689	\$ 13,186,000	79%	\$ 2,705,311	\$ 3,496,563	77%
2008	11,073,667	14,412,994	77%	3,339,327	3,516,506	95%
2009	11,695,225	14,790,653	79%	3,095,428	3,537,583	88%
2010	12,344,322	15,318,783	81%	2,974,461	3,596,473	83%
2011	13,177,411	16,398,988	80%	3,221,577	3,528,885	91%
2012	13,727,149	17,548,995	78%	3,821,846	3,522,473	108%
2013	14,358,987	19,116,274	75%	4,757,287	3,606,038	132%

Schedule of Employer Contributions

Year Ended December 31,	Annual Required Contribution	Percentage Contributed
2008	\$ 470,266	100%
2009	472,655	100%
2010	492,487	100%
2011	497,468	134%
2012	499,439	106%
2013	528,386	100%

Gladwin County
 Required Supplementary Information
 Postemployment Health Benefits Schedule of Funding Progress and Employer Contributions
 Historical Trend Information - Unaudited

Schedule of Funding Progress

Actuarial Valuation Date December 31,	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL) Entry Age	Funded Ratio	Excess of AAL Over Assets	Covered Payroll	Excess as a Percentage of Covered Payroll
2007	\$ -	\$ 6,628,963	0%	\$ (6,628,963)	\$ 3,496,563	-190%
2010	-	6,644,136	0%	(6,644,136)	3,596,473	-185%

Schedule of Employer Contributions

Year Ended December 31,	Annual Required Contribution	Percentage Contributed
2009	\$ 602,458	35%
2010	629,568	34%
2011	535,912	41%
2012	560,028	42%
2013	585,229	46%

The information presented in the supplemental schedule was determined as part of the actuarial valuation at the dates indicated. Additional information as of the latest actuarial valuation (December 31, 2010) follows:

Actuarial cost method	Individual entry age
Amortization method	Level percent open
Remaining amortization period	27 years
Asset valuation method	Market value
Actuarial assumptions:	
Discount rate	6.0 percent per year
Projected salary increases	12.9 percent - 4.8 percent
Valuation health care cost trend rate	9 percent in 2012, grading to 4.5 percent in 2021

Gladwin County
 Budgetary Comparison Schedule - General Fund
 Year ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes and related fees	\$ (3,966,902)	\$ (4,420,959)	\$ 4,572,294	\$ 8,993,253
Licenses and permits	(299,985)	(321,200)	306,710	627,910
Federal revenue	(217,000)	(232,703)	318,546	551,249
State revenue	(852,455)	(942,180)	985,054	1,927,234
Charges for services	(1,383,832)	(1,590,909)	1,460,881	3,051,790
Interest earnings	(2,250)	(4,740)	4,767	9,507
Reimbursements	(159,600)	(273,332)	240,990	514,322
Donations and contributions	-	-	-	-
Miscellaneous	(45,400)	(136,583)	128,324	264,907
Total revenues	(6,927,424)	(7,922,606)	8,017,566	15,940,172
Expenditures				
Legislative:				
Board of commissioners	125,449	174,645	161,884	12,761
Judicial:				
Circuit court	399,252	404,507	376,919	27,588
District court	439,032	490,885	484,772	6,113
District court - P.I.T.	23,940	14,021	8,942	5,079
Friend of the court	291,472	327,932	304,960	22,972
Jury commission	500	500	390	110
Probate court	326,895	345,950	339,080	6,870
Circuit court probation	3,500	3,540	3,046	494
General government:				
Elections	69,600	73,796	73,792	4
Budget	-	-	-	-
Clerk	303,084	302,177	300,112	2,065
Equalization	129,558	130,377	126,606	3,771
Prosecuting attorney	361,044	361,360	348,198	13,162
Register of deeds	145,569	149,321	148,626	695
Treasurer	235,602	236,753	234,476	2,277
Cooperative extension	21,325	48,094	38,439	9,655
Data processing	91,250	121,522	111,279	10,243
Building and grounds	226,335	253,257	241,334	11,923
Drain commissioner	45,788	46,496	43,156	3,340
Audit services	29,000	29,000	27,800	1,200
Duplicator	53,400	61,310	60,871	439
Telephone contract	1,500	1,500	1,248	252
Mail department	29,600	45,401	44,397	1,004
Public safety:				
Sheriff	1,121,468	1,208,572	1,199,797	8,775
Traffic enforcement grant	-	1,213	1,212	1
Secondary road patrol	81,598	84,622	84,580	42
Marine division	-	747	746	1
Courthouse security	38,600	43,404	43,298	106

Gladwin County
 Budgetary Comparison Schedule - General Fund (continued)
 Year ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Expenditures (continued)				
Public safety (continued):				
Jail	1,115,854	1,210,902	1,125,764	85,138
Jail - meals	140,400	140,400	138,483	1,917
Construction code department	226,955	229,715	224,278	5,437
Emergency 911	673,387	766,864	685,087	81,777
Office of emergency preparedness	9,684	42,732	32,879	9,853
Animal control	89,643	93,597	93,137	460
Public works:				
Department of public works	1,185	1,185	413	772
Drains-at-large	35,750	35,750	-	35,750
Health and welfare:				
Public health	181,621	181,693	180,560	1,133
Substance abuse	45,000	51,623	51,623	-
Medical examiner	52,200	71,381	71,381	-
Mental health	91,531	91,531	91,531	-
Mental health - guardianships	12,408	12,643	12,643	-
Veterans' affairs	72,118	72,614	68,328	4,286
Soldiers and sailors	-	-	8,267	(8,267)
Community and economic development:				
Planning commission	2,745	2,820	2,091	729
Zoning administration	28,920	28,913	26,834	2,079
Recreation and culture:				
Parks and recreation	2,000	2,404	2,406	(2)
Law library	-	-	10,938	(10,938)
Other:				
Insurance and bonds	330,000	381,673	381,671	2
Health insurance	250,000	243,782	212,318	31,464
Employee retirement			30,000	(30,000)
City/County airport	12,500	15,000	15,000	-
Capital outlay	-	144,584	209,994	(65,410)
Total expenditures	7,968,262	8,782,708	8,485,586	297,122
Excess (deficiency) of revenues over expenditures	(14,895,686)	(16,705,314)	(468,020)	16,237,294
Other financing sources (uses)				
Transfers in	(1,288,000)	(1,359,759)	1,351,672	2,711,431
Transfers out	(199,300)	(210,800)	(211,506)	(706)
Total other financing sources (uses)	(1,487,300)	(1,570,559)	1,140,166	2,710,725
Net change in fund balances	(16,382,986)	(18,275,873)	672,146	18,948,019
Fund balances-beginning	286,243	286,243	286,243	-
Fund balances-ending	\$ (16,096,743)	\$ (17,989,630)	\$ 958,389	\$ 18,948,019

Gladwin County
 Budgetary Comparison Schedule - Emergency Medical Services Fund
 Year ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes and related fees	\$ -	\$ -	\$ 932,330	\$ 932,330
Interest earnings	-	-	3,116	3,116
Total revenues	-	-	935,446	935,446
Expenditures				
Health and welfare:				
Emergency medical services	-	-	702,036	(702,036)
Total expenditures	-	-	702,036	(702,036)
Net change in fund balances	-	-	233,410	233,410
Fund balances-beginning	1,453,315	1,453,315	1,453,315	-
Fund balances-ending	\$ 1,453,315	\$ 1,453,315	\$ 1,686,725	\$ 233,410

Gladwin County
 Budgetary Comparison Schedule - E-911 Millage Fund
 Year ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes and related fees	\$ -	\$ -	\$ 699,159	\$ 699,159
Interest earnings	-	-	957	957
Total revenues	-	-	700,116	700,116
Expenditures				
Public safety:				
Emergency 911 services	-	-	49,610	(49,610)
Total expenditures	-	-	49,610	(49,610)
Excess (deficiency) of revenues over expenditures	-	-	650,506	650,506
Other financing sources (uses)				
Transfers out	-	-	(754,717)	(754,717)
Total other financing sources (uses)	-	-	(754,717)	(754,717)
Net change in fund balances	-	-	(104,211)	(104,211)
Fund balances-beginning	985,219	985,219	985,219	-
Fund balances-ending	\$ 985,219	\$ 985,219	\$ 881,008	\$ (104,211)

Gladwin County
 Budgetary Comparison Schedule - E-911 Millage Fund
 Year ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes and related fees	\$ -	\$ -	\$ -	\$ -
State revenue	-	-	162,591	162,591
Interest earnings	-	-	1,185	1,185
Total revenues	-	-	163,776	163,776
Expenditures				
Public safety:				
Emergency 911 services	-	-	40,087	(40,087)
Total expenditures	-	-	40,087	(40,087)
Excess (deficiency) of revenues over expenditures	-	-	123,689	123,689
Other financing sources (uses)				
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	-	123,689	123,689
Fund balances-beginning	675,612	675,612	675,612	-
Fund balances-ending	\$ 675,612	\$ 675,612	\$ 799,301	\$ 123,689

Gladwin County
 Budgetary Comparison Schedule - Senior Citizens Program Fund
 Year ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes and related fees	\$ -	\$ -	\$ 466,120	\$ 466,120
Interest earnings	-	-	518	518
Total revenues	-	-	466,638	466,638
Expenditures				
Health and welfare:				
Senior citizens programs	-	-	483,321	(483,321)
Total expenditures	-	-	483,321	(483,321)
Net change in fund balances	-	-	(16,683)	(16,683)
Fund balances-beginning	185,135	185,135	185,135	-
Fund balances-ending	\$ 185,135	\$ 185,135	\$ 168,452	\$ (16,683)

Gladwin County
Combining Balance Sheet - Nonmajor Governmental Funds
December 31, 2014

	Special Revenue				
	Friend of the Court	Gypsy Moth	Economic Development Administration	Courthouse Preservation	Economic Development Revolving Loan
Assets					
Cash and cash equivalents	\$ 97,579	\$ 6,001	\$ 5,868	\$ 13,233	\$ 45,703
Investments	-	190,289	16,454	-	-
Accounts receivable	-	-	-	-	30,760
Due from other funds	-	-	-	-	-
Due from other governmental units	12,047	-	-	-	-
Total assets	\$ 109,626	\$ 196,290	\$ 22,322	\$ 13,233	\$ 76,463
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued expenses	-	629	-	-	-
Advances from other governmental units	-	-	-	-	-
Total liabilities	-	629	-	-	-
Deferred inflows of resources					
Unavailable revenue - accounts receivable	-	-	-	-	41,414
Total deferred inflows of resources	-	-	-	-	41,414
Fund balances					
Restricted	109,626	195,661	-	-	-
Assigned	-	-	22,322	13,233	35,049
Total fund balances	109,626	195,661	22,322	13,233	35,049
Total liabilities, deferred inflows of resources, and fund balances	\$ 109,626	\$ 196,290	\$ 22,322	\$ 13,233	\$ 76,463

Gladwin County
Combining Balance Sheet - Nonmajor Governmental Funds
December 31, 2014

	Special Revenue				
	Remonu- mentation	Register of Deeds Technology	FEMA Flood Mapping	Marriage Counseling	Corrections Officer Training
Assets					
Cash and cash equivalents	\$ 26,965	\$ 61,475	\$ 11,301	\$ 29,204	\$ 22,941
Investments	-	-	-	-	-
Accounts receivable	-	-	-	-	-
Due from other funds	-	-	-	-	-
Due from other governmental units	-	-	-	-	-
Total assets	<u>\$ 26,965</u>	<u>\$ 61,475</u>	<u>\$ 11,301</u>	<u>\$ 29,204</u>	<u>\$ 22,941</u>
Liabilities					
Accounts payable	\$ 47,020	\$ -	\$ -	\$ -	\$ -
Accrued expenses	-	-	-	-	-
Advances from other governmental units	-	-	-	-	-
Total liabilities	<u>47,020</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources					
Unavailable revenue - accounts receivable	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances					
Restricted	(20,055)	61,475	11,301	29,204	22,941
Assigned	-	-	-	-	-
Total fund balances	<u>(20,055)</u>	<u>61,475</u>	<u>11,301</u>	<u>29,204</u>	<u>22,941</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 26,965</u>	<u>\$ 61,475</u>	<u>\$ 11,301</u>	<u>\$ 29,204</u>	<u>\$ 22,941</u>

Diary entry

Gladwin County
Combining Balance Sheet - Nonmajor Governmental Funds
December 31, 2014

	Special Revenue				
	Drug Enforcement	County Library	CDBG	Uniform Addressing	E-911 4% Surcharge
Assets					
Cash and cash equivalents	\$ 23,840	\$ -	\$ 58,507	\$ -	\$ 100,659
Investments	-	-	-	-	-
Accounts receivable	-	-	-	-	-
Due from other funds	-	-	-	-	-
Due from other governmental units	-	-	12,752	-	-
Total assets	\$ 23,840	\$ -	\$ 71,259	\$ -	\$ 100,659
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 2,450
Accrued expenses	-	-	-	-	-
Advances from other governmental units	-	-	-	-	-
Total liabilities	-	-	-	-	2,450
Deferred inflows of resources					
Unavailable revenue - accounts receivable	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-
Fund balances					
Restricted	23,840	-	71,259	-	98,209
Assigned	-	-	-	-	-
Total fund balances	23,840	-	71,259	-	98,209
Total liabilities, deferred inflows of resources, and fund balances	\$ 23,840	\$ -	\$ 71,259	\$ -	\$ 100,659

Gladwin County
Combining Balance Sheet - Nonmajor Governmental Funds
December 31, 2014

	Special Revenue				
	Commissary	Sheriff Training	Jail Telephone	Project Fresh	Leadership Academy
Assets					
Cash and cash equivalents	\$ 11,162	\$ 11,337	\$ 1,143	\$ 3,399	\$ 1,026
Investments	-	-	-	-	-
Accounts receivable	-	-	-	-	-
Due from other funds	-	-	-	-	-
Due from other governmental units	-	-	-	-	-
Total assets	\$ 11,162	\$ 11,337	\$ 1,143	\$ 3,399	\$ 1,026
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued expenses	-	-	-	-	-
Advances from other governmental units	-	-	-	-	-
Total liabilities	-	-	-	-	-
Deferred inflows of resources					
Unavailable revenue - accounts receivable	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-
Fund balances					
Restricted	-	11,337	-	-	-
Assigned	11,162	-	1,143	3,399	1,026
Total fund balances	11,162	11,337	1,143	3,399	1,026
Total liabilities, deferred inflows of resources, and fund balances	\$ 11,162	\$ 11,337	\$ 1,143	\$ 3,399	\$ 1,026

Gladwin County
Combining Balance Sheet - Nonmajor Governmental Funds
December 31, 2014

	Special Revenue					
	DHS - Social Welfare	DIIS - Child Care	Probate Court - Child Care	Veterans	ORV	Youth Leadership Academy
Assets						
Cash and cash equivalents	\$ -	\$ 312	\$ 10,039	\$ 1,902	\$ -	\$ 657
Investments	-	-	-	-	-	-
Accounts receivable	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Due from other governmental units	7,638	5,305	7,739	-	-	-
Total assets	\$ 7,638	\$ 5,617	\$ 17,778	\$ 1,902	\$ -	\$ 657
Liabilities						
Accounts payable	\$ -	\$ -	\$ 17,200	\$ -	\$ -	\$ -
Accrued expenses	-	-	-	-	-	-
Advances from other governmental units	-	-	-	-	-	-
Total liabilities	-	-	17,200	-	-	-
Deferred inflows of resources						
Unavailable revenue - accounts receivable	-	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-	-
Fund balances						
Restricted	7,638	5,617	578	1,902	-	-
Assigned	-	-	-	-	-	657
Total fund balances	7,638	5,617	578	1,902	-	657
Total liabilities, deferred inflows of resources, and fund balances	\$ 7,638	\$ 5,617	\$ 17,778	\$ 1,902	\$ -	\$ 657

Gladwin County
Combining Balance Sheet - Nonmajor Governmental Funds
December 31, 2014

	<u>Special</u>			Total Nonmajor Governmental Funds
	<u>Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
	<u>Veterans Brouillard</u>	<u>Building Authority</u>	<u>Public Improvement</u>	
Assets				
Cash and cash equivalents	\$ 9,397	\$ -	\$ -	\$ 553,650
Investments	-	-	-	206,743
Accounts receivable	-	-	-	30,760
Due from other funds	-	-	-	-
Due from other governmental units	-	-	-	45,481
Total assets	\$ 9,397	\$ -	\$ -	\$ 836,634
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ 66,670
Accrued expenses	-	-	-	629
Advances from other governmental units	-	-	-	-
Total liabilities	-	-	-	67,299
Deferred inflows of resources				
Unavailable revenue - accounts receivable	-	-	-	41,414
Total deferred inflows of resources	-	-	-	41,414
Fund balances				
Restricted	-	-	-	630,533
Assigned	9,397	-	-	97,388
Total fund balances	9,397	-	-	727,921
Total liabilities, deferred inflows of resources, and fund balances	\$ 9,397	\$ -	\$ -	\$ 836,634

Gladwin County
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor
Governmental Funds
Year ended December 31, 2014

	Special Revenue				
	Friend of the Court	Gypsy Moth	Economic Development Administration	Courthouse Preservation	Economic Development Revolving Loan
Revenues					
Property taxes and related fees	\$ -	\$ -	\$ -	\$ -	\$ -
Federal revenue	48,117	-	-	-	-
State revenue	-	-	-	-	-
Charges for services	4,240	-	-	-	80
Fines and forfeitures	-	-	-	-	-
Interest earnings	-	220	39	-	1,307
Reimbursements	-	(776)	8,050	-	-
Other revenue	-	-	-	13,233	-
Donations and contributions	-	-	-	-	-
Total revenues	52,357	(556)	8,089	13,233	1,387
Expenditures					
Judicial	-	-	-	-	-
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Health and welfare	-	120,132	-	-	-
Community and economic development	-	-	15,492	-	500
Recreation and culture	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	-	120,132	15,492	-	500
Excess (deficiency) of revenues over expenditures	52,357	(120,688)	(7,403)	13,233	887
Other financing sources (uses)					
Transfers in	-	-	7,500	-	-
Transfers out	(68,000)	-	-	(795)	-
Total other financing sources (uses)	(68,000)	-	7,500	(795)	-
Net change in fund balances	(15,643)	(120,688)	97	12,438	887
Fund balances-beginning	125,269	316,349	22,225	795	34,162
Fund balances-ending	\$ 109,626	\$ 195,661	\$ 22,322	\$ 13,233	\$ 35,049

Gladwin County
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor
Governmental Funds
Year ended December 31, 2014

	Special Revenue				
	Remonu- mentation	Register of Deeds Technology	FEMA Flood Mapping	Marriage Counseling	Corrections Officer Training
Revenues					
Property taxes and related fees	\$ -	\$ -	\$ -	\$ -	\$ -
Federal revenue	-	-	-	-	-
State revenue	42,986	-	-	-	-
Charges for services	-	37,770	-	2,360	6,195
Fines and forfeitures	-	-	-	-	-
Interest earnings	-	63	-	-	-
Reimbursements	-	-	-	-	-
Other revenue	-	-	-	-	-
Donations and contributions	-	-	-	-	-
Total revenues	42,986	37,833	-	2,360	6,195
Expenditures					
Judicial	-	-	-	-	-
General government	63,041	40,203	-	-	-
Public safety	-	-	-	-	208
Public works	-	-	-	-	-
Health and welfare	-	-	-	-	-
Community and economic development	-	-	-	-	-
Recreation and culture	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	63,041	40,203	-	-	208
Excess (deficiency) of revenues over expenditures	(20,055)	(2,370)	-	2,360	5,987
Other financing sources (uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balances	(20,055)	(2,370)	-	2,360	5,987
Fund balances-beginning	-	63,845	11,301	26,844	16,954
Fund balances-ending	\$ (20,055)	\$ 61,475	\$ 11,301	\$ 29,204	\$ 22,941

Gladwin County
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor
Governmental Funds
Year ended December 31, 2014

	Special Revenue				
	Drug Enforcement	County Library	CDBG	Uniform Addressing	E-911 4% Surcharge
Revenues					
Property taxes and related fees	\$ -	\$ (71)	\$ -	\$ -	\$ -
Federal revenue	-	-	123,711	-	-
State revenue	-	-	-	-	-
Charges for services	-	-	97,199	-	122,201
Fines and forfeitures	160	-	-	-	-
Interest earnings	-	-	-	-	57
Reimbursements	-	-	-	-	5,753
Other revenue	-	-	-	-	-
Donations and contributions	-	-	-	(5,430)	-
Total revenues	160	(71)	220,910	(5,430)	128,011
Expenditures					
Judicial	-	-	-	-	-
General government	-	-	-	-	-
Public safety	51	-	-	-	35,894
Public works	-	-	-	-	-
Health and welfare	-	-	-	-	-
Community and economic development	-	-	149,651	-	-
Recreation and culture	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	51	-	149,651	-	35,894
Excess (deficiency) of revenues over expenditures	109	(71)	71,259	(5,430)	92,117
Other financing sources (uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	(4,213)
Total other financing sources (uses)	-	-	-	-	(4,213)
Net change in fund balances	109	(71)	71,259	(5,430)	87,904
Fund balances-beginning	23,731	71	-	5,430	10,305
Fund balances-ending	\$ 23,840	\$ -	\$ 71,259	\$ -	\$ 98,209

Gladwin County
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor
Governmental Funds
Year ended December 31, 2014

	Special Revenue				
	Commissary	Sheriff Training	Jail Telephone	Project Fresh	Leadership Academy
Revenues					
Property taxes and related fees	\$ -	\$ -	\$ -	\$ -	\$ -
Federal revenue	-	-	-	-	-
State revenue	-	3,068	-	-	-
Charges for services	48,902	-	16,976	-	1,050
Fines and forfeitures	-	-	-	-	-
Interest earnings	-	-	-	-	-
Reimbursements	-	-	-	-	-
Other revenue	-	-	-	-	-
Donations and contributions	-	-	-	-	(237)
Total revenues	48,902	3,068	16,976	-	813
Expenditures					
Judicial	-	-	-	-	-
General government	-	-	-	-	-
Public safety	49,774	1,251	9,591	-	-
Public works	-	-	-	-	-
Health and welfare	-	-	-	10	-
Community and economic development	-	-	-	-	1,904
Recreation and culture	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	49,774	1,251	9,591	10	1,904
Excess (deficiency) of revenues over expenditures	(872)	1,817	7,385	(10)	(1,091)
Other financing sources (uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	(9,400)	(18,000)	-
Total other financing sources (uses)	-	-	(9,400)	(18,000)	-
Net change in fund balances	(872)	1,817	(2,015)	(18,010)	(1,091)
Fund balances-beginning	12,034	9,520	3,158	21,409	2,117
Fund balances-ending	\$ 11,162	\$ 11,337	\$ 1,143	\$ 3,399	\$ 1,026

Gladwin County
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor
Governmental Funds
Year ended December 31, 2014

	Special Revenue					
	DHHS - Social Welfare	DHS - Child Care	Probate Court - Child Care	Veterans	ORV	Youth Leadership Academy
Revenues						
Property taxes and related fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal revenue	-	-	-	-	-	-
State revenue	-	29,790	110,241	19,902	-	-
Charges for services	-	-	-	-	(944)	-
Fines and forfeitures	-	-	-	-	-	-
Interest earnings	-	-	-	-	-	-
Reimbursements	-	16,559	28,096	-	-	-
Other revenue	-	-	-	-	-	-
Donations and contributions	-	-	-	-	-	600
Total revenues	-	46,349	138,337	19,902	(944)	600
Expenditures						
Judicial	-	-	-	-	-	-
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Health and welfare	5,177	76,682	299,533	20,940	-	1,291
Community and economic development	-	-	-	-	-	-
Recreation and culture	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	5,177	76,682	299,533	20,940	-	1,291
Excess (deficiency) of revenues over expenditures	(5,177)	(30,333)	(161,196)	(1,038)	(944)	(691)
Other financing sources (uses)						
Transfers in	5,000	31,500	150,000	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	5,000	31,500	150,000	-	-	-
Net change in fund balances	(177)	1,167	(11,196)	(1,038)	(944)	(691)
Fund balances-beginning	7,815	4,450	11,774	2,940	944	1,348
Fund balances-ending	\$ 7,638	\$ 5,617	\$ 578	\$ 1,902	\$ -	\$ 657

Gladwin County
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor
Governmental Funds
Year ended December 31, 2014

	<u>Special</u>			Total Nonmajor Governmental Funds
	<u>Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
	Veterans Brouillard	Building Authority	Public Improvement	
Revenues				
Property taxes and related fees	\$ -	\$ -	\$ -	\$ (71)
Federal revenue	-	-	-	171,828
State revenue	-	-	-	205,987
Charges for services	-	-	-	336,029
Fines and forfeitures	-	-	-	160
Interest earnings	-	-	-	1,686
Reimbursements	-	-	-	57,682
Other revenue	-	-	-	13,233
Donations and contributions	3,266	-	-	(1,801)
Total revenues	<u>3,266</u>	<u>-</u>	<u>-</u>	<u>784,733</u>
Expenditures				
Judicial	-	-	-	-
General government	-	-	-	103,244
Public safety	-	-	-	96,769
Public works	-	-	-	-
Health and welfare	845	-	-	524,610
Community and economic development	-	-	-	167,547
Recreation and culture	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>845</u>	<u>-</u>	<u>-</u>	<u>892,170</u>
Excess (deficiency) of revenues over expenditures	2,421	-	-	(107,437)
Other financing sources (uses)				
Transfers in	-	-	-	194,000
Transfers out	-	-	(4,041)	(104,449)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(4,041)</u>	<u>89,551</u>
Net change in fund balances	2,421	-	(4,041)	(17,886)
Fund balances-beginning	6,976	-	4,041	745,807
Fund balances-ending	<u>\$ 9,397</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 727,921</u>

Gladwin County
 Combining Statement of Net Position
 - Nonmajor Enterprise Funds
 December 31, 2014

	Tax Reversion	2009 Tax Revolving	2010 Tax Revolving	2011 Tax Revolving	2012 Tax Revolving	2013 Tax Revolving	Total
Assets							
Cash and cash equivalents	\$ 250,317	\$ -	\$ -	\$ -	\$ -	\$ 52,454	\$ 302,771
Investments	285,215						285,215
Taxes receivable	-	-	-	65,049	1,879	355,813	422,741
Advances to other funds	-	-	-	145,000	120,000	-	265,000
Total assets (all current)	535,532	-	-	210,049	121,879	408,267	1,275,727
Liabilities							
Advances from other funds						145,000	145,000
Net position							
Unrestricted	535,532	-	-	210,049	121,879	263,267	1,130,727
Total net position	\$ 535,532	\$ -	\$ -	\$ 210,049	\$ 121,879	\$ 263,267	\$ 1,130,727

Gladwin County
Combining Statement of Revenues, Expenses, and Changes in Net Position - Nonmajor
Enterprise Funds
Year ended December 31, 2014

	Tax Reversion	2009 Tax Revolving	2010 Tax Revolving	2011 Tax Revolving	2012 Tax Revolving	2013 Tax Revolving	Total
Operating revenues							
Interest earned on delinquent taxes	\$ -	\$ -	\$ 3,440	\$ 13,879	\$ 116,401	\$ 147,707	\$ 281,427
Collection fees	329,935	-	6,499	29,017	44,894	42,794	453,139
Total operating revenues	329,935	-	9,939	42,896	161,295	190,501	734,566
Operating expenses							
Fees and charges	136,192	-	-	-	-	-	136,192
Total operating expenses	136,192	-	-	-	-	-	136,192
Operating income	193,743	-	9,939	42,896	161,295	190,501	598,374
Nonoperating revenues (expenses)							
Interest earnings	811	-	-	321	229	23	1,384
Interest expense	-	-	-	-	-	(2,923)	(2,923)
Net nonoperating revenues (expenses)	811	-	-	321	229	(2,900)	(1,539)
Income before transfers	194,554	-	9,939	43,217	161,524	187,601	596,835
Transfers							
Transfers in	-	-	-	-	-	-	-
Transfers out	(125,000)	-	(363,725)	(286,166)	(308,391)	-	(1,083,282)
Total transfers	(125,000)	-	(363,725)	(286,166)	(308,391)	-	(1,083,282)
Changes in net position	69,554	-	(353,786)	(242,949)	(146,867)	187,601	(486,447)
Total net position-beginning	465,978	-	353,786	452,998	268,746	75,666	1,617,174
Total net position-ending	\$ 535,532	\$ -	\$ -	\$ 210,049	\$ 121,879	\$ 263,267	\$ 1,130,727

Gladwin County
 Combining Statement of Cash Flows - Nonmajor Enterprise Funds
 Year ended December 31, 2014

	Tax Reversion	2009 Tax Revolving	2010 Tax Revolving	2011 Tax Revolving	2012 Tax Revolving	2013 Tax Revolving	Total
Cash flows from operating activities							
Receipts from penalties and interest on delinquent taxes	\$ 345,083	\$ -	\$ 77,461	\$ 372,265	\$ 553,834	\$ 229,106	\$1,577,749
Payments to suppliers for goods and services	(136,192)	-	-	-	-	-	(136,192)
Net cash provided by operating activities	208,891	-	77,461	372,265	553,834	229,106	1,441,557
Cash flows from noncapital financing activities							
Proceeds from interfund advances	-	-	350,000	-	-	-	350,000
Issuances / repayments of interfund advances	-	-	-	(222,000)	(197,000)	(77,000)	(496,000)
Transfers in	-	-	-	-	-	-	-
Transfers out	(125,000)	-	(363,725)	(286,166)	(308,391)	-	(1,083,282)
Net cash provided (used) by noncapital financing activities	(125,000)	-	(13,725)	(508,166)	(505,391)	(77,000)	(1,229,282)
Cash flows from investing activities							
Interest earnings	811	-	-	321	229	23	1,384
Net cash provided by investing activities	811	-	-	321	229	23	1,384
Net increase (decrease) in cash and cash equivalents	84,702	-	63,736	(135,580)	48,672	152,129	213,659
Cash and cash equivalents-beginning	277,187	-	138,786	225,596	160,463	125,616	927,648
Cash and cash equivalents-ending	\$ 361,889	\$ -	\$ 202,522	\$ 90,016	\$ 209,135	\$ 277,745	\$1,141,307
Reconciliation of operating income to net cash provided by operating activities:							
Operating income	\$ 193,743	\$ -	\$ 9,939	\$ 42,896	\$ 161,295	\$ 190,501	\$ 598,374
Adjustments to reconcile operating income to net cash provided by operating activities:							
Change in assets and liabilities:							
Taxes receivable	15,148	-	67,522	329,369	392,539	38,605	412,039
Net cash provided by operating activities	\$ 208,891	\$ -	\$ 77,461	\$ 372,265	\$ 553,834	\$ 229,106	\$1,010,413

Gladwin County
Combining Statement of Fiduciary Net Position - Agency Funds
December 31, 2014

	Trust & Agency	Penal Fines	Total
Assets			
Cash and cash equivalents	\$ 276,298	\$ 13,614	\$ 289,912
Total assets	\$ 276,298	\$ 13,614	\$ 289,912
Liabilities			
Due to other governmental units	\$ 145,102	\$ -	\$ 145,102
Due to others	132,540	13,614	146,154
Total liabilities	\$ 277,642	\$ 13,614	\$ 291,256

Gladwin County
 Statement of Net Position and Governmental Funds Balance Sheet - Department of Public Works Component Unit
 December 31, 2014

	Gladwin City 1996		Gladwin City 1997		Total	Adjustments	Statement of Net Position
	Public Works	Water/ Sewage Debt	Water/ Sewage Debt	Water/ Sewage Debt			
Assets							
Cash and cash equivalents	\$ 173,079	\$ 1,544	\$ 6	\$ 174,629	\$ -	\$ -	\$ 174,629
Due from other governmental units	-	-	-	-	543,540	543,540	543,540
Total assets	\$ 173,079	\$ 1,544	\$ 6	\$ 174,629	543,540	543,540	718,169
Liabilities and fund balances							
Liabilities							
Accrued interest payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,540	\$ 8,540
Long-term liabilities:							
Due within one year	-	-	-	-	-	80,000	80,000
Due in more than one year	-	-	-	-	-	455,000	455,000
Total liabilities	-	-	-	-	-	543,540	543,540
Fund balances							
Restricted for debt service	-	1,544	6	1,550	(1,550)	-	-
Restricted for capital projects	173,079	-	-	173,079	(173,079)	-	-
Total fund balances	173,079	1,544	6	174,629	(174,629)	-	-
Total liabilities and fund balances	\$ 173,079	\$ 1,544	\$ 6	\$ 174,629	\$ 174,629		
Net position							
Restricted for debt service						1,550	1,550
Restricted for acquisition/construction of capital assets						173,079	173,079
Total net position						\$ 174,629	\$ 174,629

Gladwin County
 Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balances - Department of Public
 Works Component Unit
 Year ended December 31, 2014

	Gladwin City 1996		Gladwin City 1997		Total	Adjustments	Statement of Activities
	Public Works	Sewage Debt	Water/ Sewage Debt	Water/ Sewage Debt			
Revenues							
Interest earnings	\$ 47	\$ 5	\$ -	\$ -	\$ 52	\$ -	\$ 52
Reimbursements	-	101,895	-	-	101,895	(75,425)	26,470
Total revenues	47	101,900	-	-	101,947	(75,425)	26,522
Expenditures/expenses							
Debt service:							
Principal	-	75,000	-	-	75,000	(75,000)	-
Interest and related fees	-	26,895	-	-	26,895	(425)	26,470
Total expenditures/expenses	-	101,895	-	-	101,895	(75,425)	26,470
Net change in fund balances	47	5	-	-	52	(52)	-
Change in net position	-	-	-	-	-	52	52
Fund balances/net position-beginning	173,032	1,539	6	6	174,577	-	174,577
Fund balances/net position-ending	\$ 173,079	\$ 1,544	\$ 6	\$ 6	\$ 174,629	\$ -	\$ 174,629

Gladwin County
 Statement of Net Position and Governmental Funds Balance Sheet - Drain Commission Component Unit
 December 31, 2014

	Drain	Revolving Drain	Storm Water Management	Chappel Dam Drain Construction	Lake Level	Payne Creek Drain Debt
Assets						
Cash and cash equivalents	\$ 260,594	\$ 34,959	\$ 5,234	\$ 2,953	\$ 88,801	\$ -
Investments	-	-	-	38,336	-	-
Due from other funds	-	51,160	-	15,000	-	-
Special assessments receivable	243,857	-	-	-	14,809	-
Capital assets	-	-	-	-	-	-
Assets being depreciated, net	-	-	-	-	-	-
Total assets	\$ 504,451	\$ 86,119	\$ 5,234	\$ 56,289	\$ 103,610	\$ -
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued interest payable	-	-	-	-	-	-
Due to other funds	51,162	-	-	-	15,000	-
Advances from primary government	-	6,300	-	-	-	-
Long-term liabilities:						
Due within one year	-	-	-	-	-	-
Due in more than one year	-	-	-	-	-	-
Total liabilities	51,162	6,300	-	-	15,000	-
Deferred inflows of resources						
Unavailable revenue - special assessments	170,107	-	-	-	-	-
Special assessments levied for a subsequent period	21,643	-	-	-	6,020	-
Total deferred inflows of resources	191,750	-	-	-	6,020	-
Fund balances						
Restricted for debt service	-	-	-	-	-	-
Restricted for capital projects	-	79,819	5,234	56,289	82,590	-
Unassigned (deficit)	261,539	-	-	-	-	-
Total fund balances (deficit)	261,539	79,819	5,234	56,289	82,590	-
Total liabilities, deferred inflows of resources, and fund balances	\$ 504,451	\$ 86,119	\$ 5,234	\$ 56,289	\$ 103,610	\$ -

Gladwin County
Statement of Net Position and Governmental Funds Balance Sheet - Drain Commission Component Unit (continued)
December 31, 2014

	Chappel Dam Drain Debt	Lake Improvement	Total	Adjustments	Statement of Net Position
Assets					
Cash and cash equivalents	\$ 235,425	\$ 120,319	\$ 748,285	\$ -	\$ 748,285
Investments	125,546	-	163,882	-	163,882
Due from other funds	-	66,160	(66,160)	-	-
Special assessments receivable	883,570	311,650	1,453,886	-	1,453,886
Capital assets					
Assets being depreciated, net	-	-	-	1,517,557	1,517,557
Total assets	\$ 1,244,541	\$ 431,969	\$ 2,432,213	1,451,397	3,883,610
Liabilities					
Accounts payable	\$ -	\$ 1,000	\$ 1,000	\$ -	\$ 1,000
Accrued interest payable	-	-	-	7,558	7,558
Due to other funds	-	-	66,162	(66,162)	-
Advances from primary government	-	-	6,300	-	6,300
Long-term liabilities					
Due within one year	-	-	-	95,000	95,000
Due in more than one year	-	-	-	1,325,000	1,325,000
Total liabilities	-	1,000	73,462	1,361,396	1,434,858
Deferred inflows of resources					
Unavailable revenue - special assessments	799,135	-	969,242	(969,242)	-
Special assessments levied for a subsequent period	-	130,125	157,788	-	157,788
Total deferred inflows of resources	799,135	130,125	1,127,030	(969,242)	157,788
Fund balances					
Restricted for debt service	445,406	-	445,406	(445,406)	-
Restricted for capital projects	-	300,844	524,776	(524,776)	-
Unassigned (deficit)	-	-	261,539	(261,539)	-
Total fund balances (deficit)	445,406	300,844	1,231,721	(1,231,721)	-
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,244,541	\$ 431,969	\$ 2,432,213		
Net position					
Invested in capital assets, net of related debt				97,557	97,557
Restricted for debt service				445,406	445,406
Restricted for acquisition/construction of capital assets				1,748,001	1,748,001
Total net position				\$ 2,290,964	\$ 2,290,964

Gladwin County
 Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balances - Drain Commission
 Component Unit
 Year ended December 31, 2014

	Drain	Revolving Drain	Storm Water Management	Chappel Dam Drain Construction	Lake Level	Payne Creek Drain Debt	Chappel Dam Drain Debt	Lake Improvement	Total	Adjustments	Statement of Activities
Revenues											
Special assessments	\$ 402,782	\$ -	\$ -	\$ -	\$ 21,856	\$ -	\$ 245,822	\$ 528,669	\$ 1,199,131	\$ (371,571)	\$ 827,560
Interest earnings	275	-	5	43	98	-	415	295	1,131	-	1,131
Reimbursements	-	-	400	-	-	-	-	-	400	-	400
Total revenues	403,057	-	405	43	21,954	-	246,237	528,964	1,200,662	(371,571)	829,091
Expenditures/expenses											
Public works	51,945	392	-	-	17,435	-	-	370,370	440,142	32,288	472,430
Debt service	-	-	-	-	-	-	95,000	-	95,000	(95,000)	-
Principal	-	-	-	-	-	-	59,000	-	59,000	-	59,000
Interest and related fees	-	-	-	-	-	-	154,000	-	154,000	(162,712)	531,430
Total expenditures/expenses	51,945	392	-	-	17,435	-	154,000	370,370	594,142	(162,712)	531,430
Excess (deficiency) of revenues over expenditures/expenses	351,112	(392)	405	43	4,519	-	92,237	158,594	606,520	(308,859)	297,661
Other financing sources (uses)											
Issuance of long-term debt	-	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-	-
Net change in fund balances	351,112	(392)	405	43	4,519	-	92,237	158,594	606,520	(606,520)	297,661
Change in net position	(89,573)	80,211	4,829	56,246	78,071	-	353,169	142,250	625,203	1,368,100	1,993,303
Fund balances (deficit)/net position-beginning	\$ 261,539	\$ 79,819	\$ 5,234	\$ 56,289	\$ 82,590	\$ -	\$ 435,406	\$ 300,844	\$ 1,231,723	\$ 1,059,241	\$ 2,290,964
Fund balances (deficit)/net position-ending											

Gladwin County
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2014

Federal Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Awards Expended
US Department of Health and Human Services:			
Passed through Michigan Department of Human Services:			
Incentive FOC	93.563	N/A	\$ 27,455
CRP - Friend of the Court	93.563	CSFOC13-26001	164,103
CRP - Prosecutor	93.563	CSPA13-26002	43,101
US Department of Justice:			
Passed through Michigan Department of Community Health:			
Victims of Crime Act	16.575	CVS 10125-18 U 2014	25,803
Victims of Crime Act	16.575	CVRP 2015	7,007
US Department of Homeland Security:			
Passed through Michigan Department of State Police:			
Emergency Management Performance Grant	97.042	N/A	10,045
US Department of Transportation:			
Passed through Michigan Department of Transportation:			
Capital Assistance Section 5311	20.509	2012-0083/P4	70,584
Capital Assistance Section 5311	20.509	2012-0083/P5	31,689
Operating Assistance Section 5311	20.509	2012-0083/P6	250,278
Prior Year Reconciliations	20.509	2012-0083/P3	7,620
US Department of Housing and Urban Development:			
Passed through Michigan Housing Development Authority:			
Community Development Block Grant	14.228	MSC-2010-0496-HOA	123,711
US Department of Agriculture Rural Development			
		N/A	<u>68,946</u>
Total Expenditures of Federal Awards			<u><u>\$ 830,342</u></u>

Gladwin County
Notes to Schedule of Expenditures of Federal Awards
Year ended December 31, 2014

Note 1. The schedule of expenditures of federal awards includes the federal grant activity of Gladwin County 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 financial statements, which are reconciled in Note 4.

Note 2. The schedule of expenditures of federal awards excludes any expenditures of the Road Commission and Gladwin City-County Transit component units because they received separate audits.

Note 3. The amount received from the US Department of Transportation on the schedule of expenditures of federal awards is 100% provided to a subrecipient.

Note 4. The following reconciles the federal revenues reported in the December 31, 2014 financial statements to the expenditures of the County administered federal programs reported on the schedule of expenditures of federal awards:

Federal revenue reported in governmental funds	\$ 470,171
Amounts received by the County and passed through to the Gladwin City-County Transit	360,171
Total expenditures of federal awards	<u>\$ 830,342</u>

The amounts that are received and passed through to subrecipients are received by Agency funds, and are therefore not reported as revenues.

Independent Auditors' 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*

Board of Commissioners
Gladwin County
Gladwin, Michigan

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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Gladwin County, Michigan (County), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated June 17, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the County'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.

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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as 2014-1, that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County'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 statements 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*.

Gladwin County, Michigan's Response to Findings

The County's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subject 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 results 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 purposes.

Midland, Michigan
June 17, 2015

Independent Auditors' Report on Compliance for Each Major Program and on Internal
Control over Compliance Required by OMB Circular A-133

Board of Commissioners
Gladwin County
Gladwin, Michigan

Report on Compliance for Each Major Federal Program

We have audited Gladwin County, Michigan's (County) 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 the County's major federal program for the year ended December 31, 2014. The County's major federal program is 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the County's major federal program 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'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 the major federal program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

In our opinion, Gladwin County, Michigan, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2014.

Report on Internal Control over Compliance

Management of the County 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's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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'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 a 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.

Midland, Michigan
June 17, 2015

Gladwin County
 Schedule of Findings and Questioned Costs
 Year Ended December 31, 2014

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued:

Unqualified

Internal control over financial reporting:

Material weakness identified?

 X Yes No

Significant deficiency identified not considered to be a material weakness?

 X Yes None reported

Noncompliance material to financial statements noted?

 Yes X No

Federal Awards

Internal control over major programs:

Material weakness identified?

 Yes X No

Significant deficiency identified not considered to be a material weakness?

 X Yes None reported

Type of auditor’s report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)

 X Yes No

Identification of major programs:

CFDA Number

93.563

Name of Federal Program or Cluster

Child Support Enforcement

Dollar threshold used to distinguish between Type A and Type B programs

\$300,000

Auditee qualified as a low-risk auditee?

 X Yes No

Gladwin County
Schedule of Findings and Questioned Costs (continued)

Section II – Financial Statement Findings

2014-1) Recording of Year-End Receivables (Significant Deficiency, Repeat Comment)

Criteria: Modified accrual accounting requires the timely recording and reconciling of receivables and assessments and the related reconciliation to the underlying detail records.

Condition: For the year ended December 31, 2014, the Drain Commissioner's office experienced staff turnover which delayed the timely reconciliation of certain assessment receivable records to the amounts recorded in the general ledger. Accordingly, changes in the balances of assessments receivable were not recorded until a significant time after the end of the fiscal year.

Questioned Costs: None.

Effect: Revenues, receivables, and deferred inflows of resources were initially misstated on the general ledger.

Cause: The primary cause of this situation was personnel turnover in the Drain Commissioner's office, lack of documentation of accounting procedures, plus lack of sufficient training in applicable accounting and recordkeeping procedures and software program usage.

Recommendation: We recommend that the Drain Commissioner's office Treasurer's office continue to diligently identify receivables for all federal and state funds received after year-end. In addition, we recommend that all receivables identified be recorded as debits to receivable accounts and credits to the corresponding revenue accounts.

Management's Response: Management agrees with the recommendation proposed by its auditors and has already made plans to upgrade its existing tax assessment software and to provide formal training on its use.

Gladwin County
Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs

None.

Gladwin County
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2012

2012-1 Identification of State/Federal Receivables

This finding was not adequately resolved and is shown as finding 2014-1.

2012-2 Recording of Accounts Payable

This finding was adequately resolved and is no longer considered a finding.