

**COUNTY OF HOUGHTON  
MICHIGAN**

**FINANCIAL REPORT  
with Supplemental Information**

**September 30, 2015**

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# **RUKKILA | NEGRO AND ASSOCIATES**

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## **INDEPENDENT AUDITOR'S REPORT**

The Board of Commissioners  
County of Houghton, Michigan

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Houghton as of and for the year then ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Houghton County Medical Care Facility, which represent 43 percent, 45 percent, and 84 percent, respectively, of the assets, net position, and revenues of the business-type activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Houghton County Medical Care Facility, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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. The financial statements of Houghton County Medical Care Facility were not audited in accordance with *Government Auditing Standards*.

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

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

## **Opinions**

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

## **Emphasis of Matter**

As described in Note M to the financial statements, during the year ended September 30, 2015, the County adopted the new accounting guidance of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. As a result of implementing this pronouncement, the District's net pension liability has been recognized on the government-wide and proprietary statements and, as discussed in Note M, the 2014 financial statements have been restated. Our opinion is modified for the General Fund on the government wide statements as noted above. There were no other modifications to our opinion with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and MERS pension schedule of funding progress on pages 7 through 13 and 51 through 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Houghton's basic financial statements. The additional information on pages 56 to 79 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements.

The additional information on pages 56 to 79 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 a report dated March 24, 2016 on our consideration of the County of Houghton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the County of Houghton's internal control over financial reporting and compliance.

March 24, 2016

**Rukkila, Negro & Associates,  
Certified Public Accountants, PC**

COUNTY OF HOUGHTON, MICHIGAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2015

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Our discussion and analysis of the County of Houghton's (the County) financial performance provides an overview of the County's financial activities for the year ended September 30, 2015. Please read it in conjunction with the financial statements as listed in the table of contents.

#### FINANCIAL HIGHLIGHTS

- ▶ Net position for the County as a whole increased by \$3,476,570 as a result of this year's operations. Net position of our business-type activities increased by \$2,623,474 or 6.38 percent, and net position of our governmental activities increased by \$853,096, or 19.59 percent.
- ▶ During the year, the County had expenses for governmental activities of \$9,923,402 and for business type activities \$25,547,642, including transfers.
- ▶ The General Fund reported a net increase in fund balance of \$823,027, after net transfers, which is \$69,132 higher than the forecasted increase in fund balance of \$753,895.

#### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (as listed in the table of contents) provide information about the activities of the County as a whole and present a longer-term view of the County's finances. The fund financial statements (as listed in the table of contents) for governmental activities are statements that tell how these services were financed in the short term as well as what remains for the future spending. Fund financial statements also report the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds. The remaining statements provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those within the government.

#### Reporting the County as a Whole

Our analysis of the County as a whole begins in the Section titled The County as a Whole. One of the most important questions asked about the County's finances is "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the County as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account. These two statements report the County's *net position* and changes in net position. You can think of the County's net position - the difference between assets and liabilities - as one way to measure the County's financial health, or *financial position*. Over time, *increases or decreases* in the County's net position are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the County's patron base and the condition of the County's capital assets, to assess the *overall financial health* of the County.

In the Statement of Net Position and the Statement of Activities, we divide the County into three kinds of activities:

- ▶ Governmental activities – Most of the County's basic services are reported here, including the legislative, judicial, public safety, recreation and culture, and general services and administration. Property taxes, charges for services and state sources fund most of these activities.

COUNTY OF HOUGHTON, MICHIGAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2015

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Reporting the County as a Whole (Continued)

- ▶ Business-type activities – The County charges a fee to customers to help it cover all or most of the cost of certain services it provides. The County's Medical Care Facility, Solid Waste Transfer, Airport and Marina are reported here.
- ▶ Component units – The County includes two separate legal entities in its report – the Western U.P. Health Department and the County Road Commission. Although legally separate, these component units are important because the County is financially accountable for them.

Reporting the County's Most Significant Funds

Our analysis of the County's major funds begins in the Section titled Governmental-Wide Financial Statements. The fund financial statements begin as listed in the table of contents and provide detailed information on the most significant funds – not the County as a whole. Some funds are required to be established by State law and by bond covenants. However, the County Commission establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using taxes, grants, and other money. The County's two kinds of funds – *governmental* and *proprietary* – use different accounting approaches.

*Governmental funds* – Most of the County's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed *short-term view* of the County's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and Statement of Activities) and governmental *funds* in a reconciliation which follows the fund financial statements.

*Proprietary funds* – When the County charges customers for the services it provides – whether to outside customers or to other units of the County – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the County's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. Enterprise funds are also used to report activities of the Delinquent Tax Revolving Funds.

The County as Trustee

The County is the trustee, or fiduciary, for assets that – because of a trust arrangement – can be used only for the trust beneficiaries. All of the County's fiduciary activities are reported in separate Statements of Fiduciary Net Position as listed in the table of contents. We exclude these activities from the County's other financial statements because the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.



**COUNTY OF HOUGHTON, MICHIGAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2015**

The County as a whole:

Table 1 provides a summary of the County's net position as of September 30, 2014 and September 30, 2015.

	2015		2014	
	Governmental Activities	Business-Type Activities	Governmental Activities	Business-Type Activities
Current and other assets	\$ 5,255,541	\$ 26,035,973	\$ 4,187,980	\$ 22,748,597
Capital assets, net	3,198,794	28,969,876	3,241,427	28,914,974
Total Assets	<u>8,454,335</u>	<u>55,005,849</u>	<u>7,429,407</u>	<u>51,663,571</u>
DEFERRED OUTFLOW OF RESOURCES - Pension	971,167	1,445,996	601,732	1,607,818
Current liabilities	511,594	3,076,752	368,280	1,772,597
Non-current liabilities	12,414,541	7,110,804	12,016,588	10,360,994
Total Liabilities	<u>12,926,135</u>	<u>10,187,556</u>	<u>12,384,868</u>	<u>12,133,591</u>
DEFERRED INFLOW OF RESOURCES - Pension	-	278,797	-	-
Net Position:				
Net investment in capital assets	1,654,392	27,432,876	1,617,730	27,348,974
Restricted	956,013	-	952,372	-
Unrestricted	(6,111,038)	16,328,396	(6,923,831)	13,788,824
Total Net Position	<u>\$ (3,500,633)</u>	<u>\$ 43,761,272</u>	<u>\$ (4,353,729)</u>	<u>\$ 41,137,798</u>

Net position of the County's governmental activities stood at (\$3,500,633). Unrestricted net position – the part of net position that could be used to finance day-to-day activities without constraints established by debt covenants, enabling legislation, or other legal requirements stood at (\$6,111,038).

The (\$6,111,038) in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

The net position of our business-type activities stood at \$43,761,272. The County can generally only use the net position to finance continuing operations of Medical Care Facility, the Airport, Solid Waste Transfer, and other enterprise operations.

The results of this year's operations for the County as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net position for fiscal year 2015.

**COUNTY OF HOUGHTON, MICHIGAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2015**

The County as a whole: (Continued)

Table 2  
Changes in Net Position

	2015		2014	
	Governmental Activities	Business Type Activities	Governmental Activities	Business Type Activities
Revenue:				
Program revenues:				
Charges for services	\$ 1,390,447	\$ 25,196,508	\$ 1,451,280	\$ 24,173,793
Operating grants and contributions	2,018,870	746,936	2,496,514	1,408,375
Capital grant and contributions	63,303	-	188,097	-
General revenues:				
Property taxes	5,618,626	2,140,625	5,494,421	2,024,763
State shared	681,225	-	546,198	-
Interest	226,293	8,747	147,041	8,133
Miscellaneous	780,144	-	757,031	-
Total Revenues	<u>10,778,908</u>	<u>28,092,816</u>	<u>11,080,582</u>	<u>27,615,064</u>
Expenses:				
Legislative	90,823	-	81,857	-
Judicial	1,635,188	-	1,620,427	-
General Government	1,663,784	-	1,750,554	-
Public Safety	3,180,859	-	3,386,568	-
Health and Welfare	688,620	-	549,933	-
Community and Economic	56,954	-	174,194	-
Recreation and Culture	43,993	-	39,040	-
Realized gain (loss)	6,333	-	-	-
Other	2,096,186	51,853	2,034,480	56,357
Interest on long-term debt	134,663	-	147,378	-
Medical Care Facility	-	21,414,733	-	22,181,057
Airport	-	2,442,875	-	2,418,873
911	-	251,488	-	386,850
Solid Waste Transfer	-	872,995	-	975,188
Airport Water/Sewer	-	86,500	-	89,504
Passenger Facility Charge	-	71,614	-	145,431
Delinquent tax revolving	-	93,714	-	-
Car rental	-	50,856	-	29,008
Marina	-	211,013	-	229,642
Total Expenses	<u>9,597,403</u>	<u>25,547,641</u>	<u>9,784,431</u>	<u>26,511,910</u>
Excess (deficiency) before transfers	1,181,505	2,545,175	1,296,151	1,103,154
Transfers	<u>(328,409)</u>	<u>78,299</u>	<u>(274,804)</u>	<u>25,000</u>
Increase (decrease) in net position	853,096	2,623,474	1,021,347	1,128,154
Net position, Beginning, as restated	<u>(4,353,729)</u>	<u>41,137,798</u>	<u>(5,375,076)</u>	<u>40,009,644</u>
Net position, Ending	<u><u>\$ (3,500,633)</u></u>	<u><u>\$ 43,761,272</u></u>	<u><u>\$ (4,353,729)</u></u>	<u><u>\$ 41,137,798</u></u>

**COUNTY OF HOUGHTON, MICHIGAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2015**

The County as a whole: (Continued)

See Note M of the Notes to the Financial Statements of this report for additional information of the implementation of GASB Statement No. 68 and the corresponding restatement of the beginning net position for the governmental and business type activities.

The County's total revenues were \$38,871,724. The total cost of all programs and services before transfers was \$35,145,044 leaving an increase in net position of \$3,476,570. Our analysis below separately considers the operations of governmental and business-type activities:

Governmental Activities

Table 3 presents the cost of each of the five largest programs – Judicial, General Government, Public Safety, Health and Welfare, and Other – as well as each program's net cost (total cost less revenues generated by the respective activity). The net cost shows the financial burden that each program placed on the County's general operating revenues.

Table 3  
Governmental Activities

	Total Cost of Services	Net Cost of Services
Judicial	\$ 1,635,188	\$ (280,990)
General Government	\$ 1,663,784	\$ (1,074,074)
Public Safety	\$ 3,180,859	\$ (1,861,983)
Health and Welfare	\$ 688,620	\$ (545,548)
Other	\$ 2,096,186	\$ (2,096,186)

Business-Type Activities

During the year ended September 30, 2015, the net position of the County's business type activities increased by \$2,623,474. The majority of the increase came from the Medical Care Facility Fund, Airport Fund, and the Delinquent Tax Revolving Fund.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

Capital Assets – At the end of the fiscal year the County had \$32,168,670 invested in a variety of capital assets including land, buildings, infrastructure, other equipment, vehicles, and construction in progress. (See table 4 below)

Table 4  
Net Assets

	2015		2014	
	Governmental Activities	Business Type Activities	Governmental Activities	Business Type Activities
Land and improvements	\$ 1,129,521	\$ 943,887	\$ 1,117,565	\$ 925,755
Buildings and improvements	1,841,837	6,712,222	1,841,392	7,218,289
Equipment and furnishings	31,937	1,635,767	59,606	955,618
Vehicles	195,499	781,958	222,864	854,822
Infrastructure	-	18,116,672	-	16,676,351
Construction in progress	-	779,370	-	2,284,139
Total	<u>\$ 3,198,794</u>	<u>\$ 28,969,876</u>	<u>\$ 3,241,427</u>	<u>\$ 28,914,974</u>

During the fiscal year the county's governmental activities expended a total of \$96,929 for courthouse roof replacement, \$50,456 for vehicles, and \$13,163 for jail fencing. This \$160,548 was paid from fund balance. The governmental activities recorded \$196,847 in depreciation expense and had a loss of \$6,333 on disposal of fixed assets.

**COUNTY OF HOUGHTON, MICHIGAN  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2015**

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During the fiscal year the County’s business-type activities expended a total of \$684,234 for airport infrastructure improvements and land, \$84,920 for a compact track loader, \$8,250 for a GPI baler, \$26,552 for an engine replacement, \$827,752 for 911 equipment and \$278,670 increase in fixed assets for the Medical Care Facility for buildings, equipment, and construction in progress. These additions were paid for by fund balance and contributed capital grants. The business-type activities recorded \$1,855,476 in depreciation expense and no gain or loss on the disposal of assets.

Additional information on the County’s capital assets can be found starting on page 34 of this report.

Long-Term Debt – At the end of fiscal year 2015 the County had \$3,189,697 in bonds and notes outstanding as depicted in Table 5 below.

Table 5  
Schedule of Long-Term Debt

	2015		2014	
	Governmental Activities	Business Type Activities	Governmental Activities	Business Type Activities
General Obligation Bonds	\$ 1,530,000	\$ 1,537,000	\$ 1,605,000	\$ 1,566,000
Contracts and notes payable	14,402	-	18,697	-
Total	<u>\$ 1,544,402</u>	<u>\$ 1,537,000</u>	<u>\$ 1,623,697</u>	<u>\$ 1,566,000</u>

Total principal payments on long-term debt for the County was \$108,295.

Additional information on the County’s long-term debt can be found starting on page 37 of this report.

**THE COUNTY’S FUNDS**

For the year ended September 30, 2015, the County’s governmental funds reported a combined fund balance increase of \$923,347 resulting in a total fund balance of \$4,753,022 as of September 30, 2015.

General Fund Budgetary Highlights

Over the course of the year, the County Commissioners may revise the General Fund Budget. With these revisions, actual General Fund revenues were \$157,113 higher than the final amended budget while expenditures were \$431,928 less than the final amended budget.

**ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS**

In preparing the County’s budget for the year ending September 30, 2016, the prolonged low rates of returns on investments, the continuing threat of unfunded mandates from the State of Michigan, and the ever increasing costs of health benefits are items of uncertainty.

**COUNTY OF HOUGHTON, MICHIGAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2015**

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**CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Controller's Office at Houghton County Courthouse, Houghton, Michigan 49931.

If you have any questions about Houghton County's component unit, the Houghton County Road Commission, their report or need additional financial information, contact the Houghton County Road Commission's administrative offices at P.O. Box 269, Hancock, Michigan, 49930.

If you have questions about Houghton County's component unit, the Western Upper Peninsula Health Department, their report or need additional financial information, contact the Western Upper Peninsula Health Department, 540 Depot Street, Hancock, Michigan 49930.

**COUNTY OF HOUGHTON, MICHIGAN**  
**STATEMENT OF NET POSITION**  
**September 30, 2015**

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>ASSETS:</b>				
Cash	\$ 2,493,363	\$ 11,679,235	\$ 14,172,598	\$ 1,766,564
Restricted cash	-	867,353	867,353	-
Investments - restricted	-	7,805,605	7,805,605	-
Account receivables (net)	2,844,184	5,000,411	7,844,595	1,395,985
Primary government internal balances	(177,411)	182,140	4,729	-
Due from other governments	-	16,016	16,016	-
Inventory	-	56,528	56,528	620,905
Prepaid expense	95,405	428,685	524,090	6,311
Capital assets - net of accumulated depreciation	3,198,794	28,969,876	32,168,670	21,135,285
Total assets	8,454,335	55,005,849	63,460,184	24,925,050
DEFERRED OUTFLOWS OF RESOURCES - Pension	971,167	1,445,996	2,417,163	680,678
<b>LIABILITIES:</b>				
Cash overdraft	4,729	-	4,729	-
Accounts payable	360,488	2,176,619	2,537,107	174,503
Accrued payroll and wages	86,861	515,701	602,562	83,721
Accrued interest payable	9,075	20,493	29,568	-
Accrued sick and vacation	-	11,897	11,897	87,153
Due to other governments	-	352,042	352,042	-
Unearned revenue	50,441	-	50,441	368,508
Post-employment benefits other than pension	-	374,167	374,167	138,962
Advances payable	-	575,000	575,000	-
Accrued sick and vacation	556,506	881,134	1,437,640	644,268
Net pension liability	10,313,633	5,967,723	16,281,356	5,583,108
Bonds and notes payable, due within one year	69,296	30,000	99,296	-
Bonds and notes payable, due in more than one year	1,475,106	1,507,000	2,982,106	-
Total liabilities	12,926,135	12,411,776	25,337,911	7,080,223
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension	-	278,797	278,797	-
Other state grants	-	-	-	586,449
Total deferred inflows of resources	-	278,797	278,797	586,449
<b>NET POSITION:</b>				
Net investment in capital assets	1,654,392	27,432,876	29,087,268	21,135,285
Restricted	956,013	-	956,013	(3,196,229)
Unrestricted	(6,111,038)	16,328,396	10,217,358	-
Total net position	\$ (3,500,633)	\$ 43,761,272	\$ 40,260,639	\$ 17,939,056

The accompanying notes to financial statements are an integral part of this statement.

**COUNTY OF HOUGHTON, MICHIGAN**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2015**

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		Net (Expense) Revenue	
		Charges for Services	Grants and Contributions Operating      Capital		
<b>Primary government:</b>					
Government activities:					
Legislative	\$ 90,823	\$ -	\$ -	\$ -	(90,823)
Judicial	1,635,188	645,807	708,391	-	(280,990)
General government	1,663,784	434,224	155,486	-	(1,074,074)
Public safety	3,180,859	286,967	968,606	63,303	(1,861,983)
Health and welfare	688,620	2,880	140,192	-	(545,548)
Community & economic development	56,954	-	46,195	-	(10,759)
Recreation and culture	43,993	-	-	-	(43,993)
Interest on long-term debt	134,663	20,569	-	-	(114,094)
Other	2,096,186	-	-	-	(2,096,186)
Total governmental activities	<u>9,591,070</u>	<u>1,390,447</u>	<u>2,018,870</u>	<u>63,303</u>	<u>(6,118,450)</u>
<b>Business-type activities:</b>					
Medical Care Facility	21,414,733	21,447,280	-	-	32,547
Airport	2,442,875	1,333,158	746,936	-	(362,781)
911	251,488	511,416	-	-	259,928
Solid Waste Transfer	872,995	987,966	-	-	114,971
Airport water/sewer	86,500	101,191	-	-	14,691
Passenger Facility Charge	71,614	102,734	-	-	31,120
Marina	211,013	236,085	-	-	25,072
Car Rental	50,856	21,232	-	-	(29,624)
Delinquent tax revolving funds	93,714	455,446	-	-	361,732
Total business-type activities	<u>25,495,788</u>	<u>25,196,508</u>	<u>746,936</u>	<u>-</u>	<u>447,656</u>
Total primary government	<u>\$ 35,086,858</u>	<u>\$ 26,586,955</u>	<u>\$ 2,765,806</u>	<u>\$ 63,303</u>	<u>\$ (5,670,794)</u>
<b>Component Units:</b>					
Western U.P. Health Department	\$ 3,787,092	\$ 1,638,208	\$ 1,853,994	\$ -	\$ (294,890)
Road Commission	6,213,068	18,373	5,846,951	-	(347,744)
Total component units	<u>\$ 10,000,160</u>	<u>\$ 1,656,581</u>	<u>\$ 7,700,945</u>	<u>\$ -</u>	<u>\$ (642,634)</u>

The accompanying notes to financial statements are an integral part of this statement.

**COUNTY OF HOUGHTON, MICHIGAN**  
**STATEMENT OF ACTIVITIES - (CONTINUED)**  
**For the Year Ended September 30, 2015**

	Primary Government			Component Units
	Governmental Activities	Business Type Activities	Total	
Changes in net position:				
Net (expense) revenue	\$ (6,118,450)	\$ 447,656	(5,670,794)	\$ (642,634)
General Revenues:				
Taxes	5,618,626	2,140,625	7,759,251	765,431
State shared revenue	681,225	-	681,225	-
Interest and investment earnings	226,293	8,747	235,040	1,138
Net increase (decrease) in fair value of investments	184,634	-	184,634	-
Realized gain (loss)	(6,333)	-	6,333	-
Transfers to component units	(250,110)	-	(250,110)	-
Transfers	(78,299)	78,299	-	-
County appropriations	-	-	-	535,334
Other	595,510	(51,853)	543,657	780,449
Total general revenues and transfers	6,971,546	2,175,818	9,147,364	2,082,352
Change in Net Position	853,096	2,623,474	3,476,570	1,439,718
Net Position - Beginning	(4,353,729)	41,137,798	36,784,069	16,499,338
Net Position - Ending	\$ (3,500,633)	\$ 43,761,272	\$ 40,260,639	\$ 17,939,056

The accompanying notes to financial statements are an integral part of this statement.



**COUNTY OF HOUGHTON, MICHIGAN**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**September 30, 2015**

	General Fund	Other Non-major Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 1,228,160	\$ 1,265,203	\$ 2,493,363
Taxes receivable	1,790,986	-	1,790,986
Other receivables	899,038	36,479	935,517
Loan receivables	-	50,441	50,441
Due from state	-	67,240	67,240
Prepaid expenses	91,113	4,292	95,405
<b>TOTAL ASSETS</b>	<b><u>\$ 4,009,297</u></b>	<b><u>\$ 1,423,655</u></b>	<b><u>\$ 5,432,952</u></b>
<b>LIABILITIES:</b>			
Cash overdraft	\$ -	\$ 4,729	4,729
Accounts payable	299,569	60,919	360,488
Accrued payroll and wages	73,756	13,105	86,861
Due to other funds	-	177,411	177,411
Deferred revenue	-	50,441	50,441
<b>TOTAL LIABILITIES</b>	<b><u>373,325</u></b>	<b><u>306,605</u></b>	<b><u>679,930</u></b>
<b>FUND BALANCES:</b>			
Nonsependable - prepaid expenses	91,113	4,292	95,405
Restricted	-	1,112,758	1,112,758
Unrestricted	3,544,859	-	3,544,859
	<u>3,635,972</u>	<u>1,117,050</u>	<u>4,753,022</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 4,009,297</u></b>	<b><u>\$ 1,423,655</u></b>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	3,198,794
Net Pension Liability	(10,313,633)
Deferred outflows from the difference between pension changes of assumptions and contributions subsequent to the measurement date.	971,167
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.	<u>(2,109,983)</u>
Net position of governmental activities	<b><u>\$ (3,500,633)</u></b>

The accompanying notes to financial statements are an integral part of this statement.

**COUNTY OF HOUGHTON, MICHIGAN**  
**GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**For the Year Ended September 30, 2015**

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES:			
Taxes	\$ 5,467,430	\$ 151,196	\$ 5,618,626
Licenses and permits	330,784	-	330,784
Federal sources	25,512	399,230	424,742
State sources	1,765,737	420,151	2,185,888
Local sources	-	85,086	85,086
Charges for services	1,238,041	141,615	1,379,656
Interest	222,579	3,714	226,293
Other revenues	240,896	102,303	343,199
<b>TOTAL REVENUES</b>	<b>9,290,979</b>	<b>1,303,295</b>	<b>10,594,274</b>
EXPENDITURES:			
Legislative	88,198	-	88,198
Judicial	1,434,535	200,653	1,635,188
General government	1,479,248	113,188	1,592,436
Public safety	2,123,283	878,816	3,002,099
Health and welfare	196,720	491,900	688,620
Community and economic development	-	56,954	56,954
Recreation and culture	27,320	-	27,320
Other	2,096,186	-	2,096,186
Capital outlay	198,629	6,859	205,488
Debt service	130,368	4,295	134,663
<b>TOTAL EXPENDITURES</b>	<b>7,774,487</b>	<b>1,752,665</b>	<b>9,527,152</b>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,516,492	(449,370)	1,067,122
OTHER FINANCING SOURCES (USES):			
Net increase (decrease) in fair value of investments	184,634	-	184,634
Transfers in (out)	(878,099)	549,690	(328,409)
Total other financing sources	(693,465)	(549,690)	(143,775)
NET CHANGE IN FUND BALANCE	823,027	100,320	923,347
FUND BALANCES - BEGINNING OF YEAR	2,812,945	1,016,730	
FUND BALANCES - END OF YEAR	<u>\$ 3,635,972</u>	<u>\$ 1,117,050</u>	
Amounts reported for governmental activities in the statement of activities are different because:			
Governmental funds do not record depreciation. This amount represents depreciation.			(36,300)
Long-term liabilities, including loan proceeds and principal payments, are not due and payable in the current period and therefore are not reported in the funds.			79,295
In the statement of activities, only the gain on the sale of equipment is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources.			
Thus, the change in net assets differs from the change in fund balance by the cost of equipment sold.			(6,333)
The change in net pension liability amounts does not require the use of current resources and is not reported in the governmental funds			151,830
Accrued expenses recorded in the statement of activities are not recorded as expenditures in the governmental funds until they are incurred.			44,917
Change in net position of governmental activities			<u>\$ 853,096</u>

The accompanying notes to financial statements are an integral part of this statement.

**COUNTY OF HOUGHTON, MICHIGAN**  
**STATEMENT OF NET POSITION**  
**September 30, 2015**

	Business-Type Activities Enterprise Funds					
	Component		Major Funds			
	Unit					
	Medical Care Facility Operating Fund	Airport Fund	Solid Waste Transfer Fund	Delinquent Tax Revolving Fund	Non-Major Enterprise Funds	Total
<b>ASSETS:</b>						
Cash	\$ 9,236,295	\$ -	\$ 175,666	\$ 1,369,312	\$ 897,962	\$ 11,679,235
Restricted cash	858,170	9,183	-	-	-	867,353
Investments - restricted	7,805,605	-	-	-	-	7,805,605
Account receivables (net)	2,989,187	45,173	70,812	1,761,433	133,806	5,000,411
Due from other funds	-	502,699	-	642,614	-	1,145,313
Due from other governments	-	16,016	-	-	-	16,016
Inventory	-	48,668	-	-	7,860	56,528
Prepaid expense	392,318	28,474	4,045	-	3,848	428,685
Capital assets - Net	5,343,436	20,342,604	2,371,316	-	912,520	28,969,876
Total assets	26,625,011	20,992,817	2,621,839	3,773,359	1,955,996	55,969,022
<b>DEFERRED OUTFLOWS OF RESOURCES -</b>						
Pension	1,372,764	54,631	18,601	-	-	1,445,996
<b>LIABILITIES:</b>						
Accounts payable	2,106,174	23,222	8,980	3,111	35,132	2,176,619
Accrued payroll and wages	494,544	13,595	5,761	-	1,801	515,701
Accrued interest payable	-	-	20,493	-	-	20,493
Accrued sick and vacation	-	-	11,897	-	-	11,897
Due to other governments	-	10,880	-	341,162	-	352,042
Due to other funds	-	460,444	-	30	502,699	963,173
Post-employment benefits other than pens	374,167	-	-	-	-	374,167
Advances payable	-	-	575,000	-	-	575,000
Accrued sick and vacation	798,052	83,082	-	-	-	881,134
Net pension liability	5,056,471	624,577	286,675	-	-	5,967,723
Bonds and notes payable due within one year	-	-	30,000	-	-	30,000
Bonds and notes payable, due in more than one year	-	-	1,507,000	-	-	1,507,000
Total liabilities	8,829,408	1,215,800	2,445,806	344,303	539,632	13,374,949
<b>DEFERRED INFLOWS OF RESOURCES -</b>						
Pension	278,797	-	-	-	-	278,797
<b>NET POSITION:</b>						
Net investment in capital assets	5,343,436	20,342,604	834,316	-	912,520	27,432,876
Unrestricted	13,546,134	(510,956)	(639,682)	3,429,056	503,844	16,328,396
Total net position	\$ 18,889,570	\$ 19,831,648	\$ 194,634	\$ 3,429,056	\$ 1,416,364	\$ 43,761,272

The accompanying notes to financial statements are an integral part of this statement.

**COUNTY OF HOUGHTON, MICHIGAN**  
**PROPRIETARY FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN NET POSITION**  
**For the Year Ended September 30, 2015**

	Business-Type Activities					Non-Major Enterprise Funds	Total
	Enterprise Funds						
	Component Unit	Major Funds					
Medical Care Facility Operating Fund	Airport Fund	Solid Waste Transfer Fund	Delinquent Tax Revolving Fund				
OPERATING REVENUES:							
Charges for services	\$ 21,421,639	\$ 1,265,182	\$ 987,466	\$ 435,157	\$ 955,769	\$ 25,065,213	
Other operating revenue	25,641	67,976	500	20,289	16,889	131,295	
<b>TOTAL OPERATING REVENUES</b>	<b>21,447,280</b>	<b>1,333,158</b>	<b>987,966</b>	<b>455,446</b>	<b>972,658</b>	<b>25,196,508</b>	
OPERATING EXPENSES:							
Personnel services	10,909,506	630,607	211,996	-	81,632	11,833,741	
Supplies	-	365,756	43,976	-	147,701	557,433	
Other services and charges	9,833,280	375,346	529,100	93,714	417,700	11,249,140	
Depreciation	671,947	1,071,166	87,923	-	24,438	1,855,474	
<b>TOTAL OPERATING EXPENSES</b>	<b>21,414,733</b>	<b>2,442,875</b>	<b>872,995</b>	<b>93,714</b>	<b>671,471</b>	<b>25,495,788</b>	
OPERATING INCOME (LOSS)	32,547	(1,109,717)	114,971	361,732	301,187	(299,280)	
NON-OPERATING REVENUES (EXPENSES):							
Property Taxes	2,140,625	-	-	-	-	2,140,625	
Other non-operating revenues	10,400	-	-	-	-	10,400	
Grant revenue	-	746,936	-	-	-	746,936	
Interest income	-	4	-	5,430	3,313	8,747	
Interest expense	-	-	(62,253)	-	-	(62,253)	
<b>TOTAL NON-OPERATING REVENUES (EXPENSES):</b>	<b>2,151,025</b>	<b>746,940</b>	<b>(62,253)</b>	<b>5,430</b>	<b>3,313</b>	<b>2,844,455</b>	
INCOME (LOSS) BEFORE TRANSFERS	2,183,572	(362,777)	52,718	367,162	304,500	2,545,175	
Transfers in (out)	-	275,000	-	(200,000)	3,299	(78,299)	
CHANGE IN NET POSITION	2,183,572	(87,777)	52,718	167,162	307,799	2,623,474	
NET POSITION - BEGINNING OF YEAR	16,705,998	19,919,425	141,916	3,261,894	1,108,565	41,137,798	
NET POSITION - END OF YEAR	<b>\$ 18,889,570</b>	<b>\$ 19,831,648</b>	<b>\$ 194,634</b>	<b>\$ 3,429,056</b>	<b>\$ 1,416,364</b>	<b>\$ 43,761,272</b>	

The accompanying notes to financial statements are an integral part of this statement.

**COUNTY OF HOUGHTON**  
**PROPRIETARY FUNDS**  
**COMBINING STATEMENTS OF CASH FLOWS**  
**For the Year Ended September 30, 2015**

	Business - Type Activities						
	Component Unit	Enterprise Funds					Total
		Major Funds					
		2015 Medical Care Facility Operating Fund	Delinquent Solid Waste Transfer Airport Fund	Tax Revolving Enterprise Funds	Enterprise Funds	Enterprise Funds	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Receipts from customers	\$ 20,559,853	\$ 1,324,531	\$ 980,026	\$ 621,703	\$ 973,510	\$ 24,459,623	
Cash paid to employees and suppliers	(20,295,623)	(1,284,060)	(838,588)	(47,711)	(663,642)	(23,129,624)	
Cash received from quality assurance supplement	2,208,425	-	-	-	-	2,208,425	
Cash paid for quality assurance provider tax	(970,816)	-	-	-	-	(970,816)	
Other receipts (payments)	25,641	-	-	-	-	25,641	
Net cash provided by operating activities	<u>1,527,480</u>	<u>40,471</u>	<u>141,438</u>	<u>573,992</u>	<u>309,868</u>	<u>2,593,249</u>	
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>							
Cash received from property and other taxes	2,140,625	-	-	-	-	2,140,625	
Operating subsidies and transfers to other funds	10,400	(25,837)	-	94,355	71,709	150,627	
	<u>2,151,025</u>	<u>(25,837)</u>	<u>-</u>	<u>94,355</u>	<u>71,709</u>	<u>2,291,252</u>	
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>							
Principal paid on capital debt	-	-	(29,000)	-	-	(29,000)	
Grant proceeds	-	746,936	-	-	-	746,936	
Interest paid on debt	-	-	(62,640)	-	-	(62,640)	
Purchases of capital assets	(278,670)	(769,154)	(34,801)	-	(827,753)	(1,910,378)	
Net cash (used) by capital and related financing activities	<u>(278,670)</u>	<u>(22,218)</u>	<u>(126,441)</u>	<u>-</u>	<u>(827,753)</u>	<u>(1,255,082)</u>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Interest and dividends	-	4	-	5,430	3,313	8,747	
Net increase (decrease) in cash and cash equivalents	3,399,835	(7,580)	14,997	673,777	(442,863)	3,638,166	
Balances – beginning of the year	14,500,235	16,763	160,669	695,535	1,340,825	16,714,027	
Balances – end of the year	<u>\$ 17,900,070</u>	<u>\$ 9,183</u>	<u>\$ 175,666</u>	<u>\$ 1,369,312</u>	<u>\$ 897,962</u>	<u>\$ 20,352,193</u>	
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>							
Operating income (loss)	\$ 32,547	\$ (1,109,717)	\$ 114,971	\$ 361,731	\$ 301,187	\$ (299,281)	
Adjustments to reconcile operating income to net cash provided (used) by operating activities:							
Depreciation expense	671,947	1,071,166	87,923	-	24,438	1,855,474	
Provision for bad debts	228,804	-	-	-	-	228,804	
Amortization of deferred inflows	(47,986)	-	-	-	-	(47,986)	
Loss on disposal of assets	-	-	-	-	-	-	
Change in assets and liabilities:							
Deferred outflows of resources - Pension	183,088	(21,621)	355	-	-	161,822	
Deferred inflows of resources - Pension	326,783	-	-	-	-	326,783	
Pension liability - Net	(1,178,661)	33,815	6,223	-	-	(1,138,623)	
Receivables, net	(852,745)	12,994	(8,295)	166,257	852	(680,937)	
Third-party payor settlements	1,970,580	-	-	-	-	1,970,580	
Due to/from other governmental units	-	73,720	-	43,251	-	116,971	
Inventory	-	16,841	-	-	11,845	28,686	
Prepaid expenses	-	(5,034)	(511)	-	(751)	(6,296)	
Other current assets	(26,339)	-	-	-	-	(26,339)	
Accounts and other payables	41,392	(28,101)	(49,043)	2,753	(27,273)	(60,272)	
Other postemployment benefits	70,420	-	-	-	-	70,420	
Accrued expenses	107,650	(3,592)	(10,185)	-	(430)	93,443	
Net cash provided by operating activities	<u>\$ 1,527,480</u>	<u>\$ 40,471</u>	<u>\$ 141,438</u>	<u>\$ 573,992</u>	<u>\$ 309,868</u>	<u>\$ 2,593,249</u>	

The accompanying notes are an integral part of these financial statements.

**COUNTY OF HOUGHTON, MICHIGAN**  
**FIDUCIARY FUNDS**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**September 30, 2015**

	<u>Agency Funds</u>
ASSETS:	
Cash and cash equivalents	\$ 1,226,682
Due from other governments	<u>8,498</u>
TOTAL ASSETS	<u>\$ 1,226,682</u>
LIABILITIES:	
Due to others	\$ 1,233,358
Due to other governments	<u>1,822</u>
TOTAL LIABILITIES	<u>\$ 1,226,682</u>

The accompanying notes to financial statements are an integral part of this statement.

**COUNTY OF HOUGHTON, MICHIGAN**  
**COMPONENT UNITS**  
**COMBINING STATEMENT OF NET POSITION**  
**September 30, 2015**

	Western UP Health Department	Road Commission	Total
<b>ASSETS:</b>			
Current assets:			
Cash	\$ 1,198,666	\$ 567,898	\$ 1,766,564
Receivables (net)	161,000	1,234,985	1,395,985
Inventory	-	620,905	620,905
Prepaid expenses	6,311	-	6,311
Capital assets - net of accumulated depreciation	325,566	20,809,719	21,135,285
Total assets	<u>1,691,543</u>	<u>23,233,507</u>	<u>24,925,050</u>
 DEFERRED OUTFLOWS OF RESOURCES - Pension	 416,977	 263,701	 680,678
<b>LIABILITIES:</b>			
Accounts payable	145,441	29,062	174,503
Accrued payroll and wages	83,721	-	83,721
Accrued sick and vacation - current portion	-	87,153	87,153
Unearned revenue	368,508	-	368,508
Non-current liabilities:			
Other post-employment benefits	-	138,962	138,962
Accrued sick and vacation	205,674	438,594	644,268
Net pension liability	4,368,297	1,214,811	5,583,108
Total liabilities	<u>5,171,641</u>	<u>1,908,582</u>	<u>7,080,223</u>
 DEFERRED INFLOWS OF RESOURCES			
Other state grants	-	586,449	586,449
 NET POSITION:			
Net investment in capital assets	325,566	20,809,719	21,135,285
Restricted	(3,388,687)	192,458	(3,196,229)
Unrestricted	-	951,110	951,110
<b>TOTAL NET POSITION</b>	<b><u>\$ (3,063,121)</u></b>	<b><u>\$ 21,002,177</u></b>	<b><u>\$ 17,939,056</u></b>

The accompanying notes to financial statements are an integral part of this statement.

**COUNTY OF HOUGHTON, MICHIGAN**  
**COMPONENT UNITS**  
**COMBINING STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2015**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<u>Component Units</u>					
Western UP Health Department	\$ 3,787,092	\$ 1,638,208	\$ 1,853,994	\$ -	\$ (294,890)
Road Commission	6,213,068	18,373	5,846,951	-	(347,744)
Total component unit	<u>\$ 10,000,160</u>	<u>\$ 1,656,581</u>	<u>\$ 7,700,945</u>	<u>\$ -</u>	<u>\$ (642,634)</u>

Changes in Net Position

	<u>Western UP</u>		
	<u>Health</u>	<u>Road</u>	<u>Total</u>
	<u>Department</u>	<u>Commission</u>	
Net (expense) revenue	\$ (294,890)	\$ (347,744)	\$ (642,634)

General Revenues:

Taxes	-	765,431	765,431
County appropriations	535,334	-	535,334
Interest and investment earnings	-	1,138	1,138
Other	-	780,449	780,449
Total general revenues and transfers	<u>535,334</u>	<u>1,547,018</u>	<u>2,082,352</u>
Change in Net Position	240,444	1,199,274	1,439,718
Net Position - Beginning	<u>(3,303,565)</u>	<u>19,802,903</u>	<u>16,499,338</u>
Net Position - Ending	<u>\$ (3,063,121)</u>	<u>\$ 21,002,177</u>	<u>\$ 17,939,056</u>

The accompanying notes to financial statements are an integral part of this statement.



**COUNTY OF HOUGHTON, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

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The County of Houghton, Michigan (the County) was organized in 1845 and covers an area of approximately 1,031 square miles with the County Seat located in Houghton, Michigan. The County operates under an elected Board of Commissioners of five (5) members and provides services, assistance and care to its residents.

The financial statements of the County have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant of these accounting policies established in GAAP and used by the County are described below.

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**REPORTING ENTITY**

The County's financial statements present the County (the primary government) and its component units. In evaluating the County as a reporting entity, management has addressed all potential component units (traditionally separate reporting units) for which the County may or may not be financially accountable and, as such, be includable within the County's financial statements. The component units discussed below are included in the reporting entity because of the significance of their operational or financial relationship with the County.

Blended Component Units -The Houghton County Medical Care Facility is governed by a three member board. Two are appointed by the County Board and one is appointed by the governor. In addition, one County board member serves as a non-voting member. Although it is a distinct entity from the County, the Medical Care Facility would normally be reported as if it were part of the primary government because its sole purpose is to provide skilled nursing services to residents of the County of Houghton.

Discretely Presented Component Units - The component units columns in the combined financial statements include the financial data of the County's other component units. They are reported in a separate column to emphasize that they are legally separate from the County.

The Western Upper Peninsula Health Department (WUPHD) provides limited health services to the residents of Houghton, Ontonagon, Gogebic, Baraga and Keweenaw Counties. The County of Houghton, and the other counties, provides an annual subsidy to the WUPHD.

The Houghton County Road Commission is responsible for the maintenance and construction of roads in the County of Houghton. The members of the governing board of the Road Commission are appointed by the County Commission. Although the County does not have the authority to approve or modify the Road Commission's operational and capital budgets, bonded debt must be approved by the County Commission.

**COUNTY OF HOUGHTON, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Complete financial statements of the individual component units, except for the Department of Health and Human Services which does not issue separate financial statements, can be obtained from the Controller's office at the Courthouse or at the respective administrative offices as noted below:

Houghton County Road Commission  
P.O. Box 269  
Hancock, Michigan 49930

Western Upper Peninsula Health Department  
540 Depot Street  
Hancock, Michigan 49930

Houghton County Medical Care Facility  
100 Quincy Street  
Hancock, Michigan 49930

**GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS**

The County's basic financial statements include both government-wide (reporting the County as a whole) and fund financial statements (reporting the County's major funds). The County's legislative, judicial, public safety, recreation and culture and general services and administration are classified as governmental activities. The County's Medical Care Facility, Solid Waste Transfer, Airport, Marina, 911, Airport Water/Sewer, Passenger Facility Charge, Car Rental and Delinquent Tax Revolving Funds are classified as business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each function is self-financing or draws from the general revenues of the County.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The County's net position are reported in three parts – invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The County first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the County's functions and business-type activities. The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net costs (by function or business-type activity) are normally covered by general revenue.

The statement of net position and statement of activities report information on all of the non-fiduciary activities of the primary government and its component unit.

The government-wide focus is more on the sustainability of the County as an entity and the change in the County's net position resulting from the current year's activities. For the most part, the effect of inter-fund activities has been removed from these statements.

COUNTY OF HOUGHTON, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The financial transactions of the County are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the County:

*General Fund* – General Fund is the general operating fund and, accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.

*Special Revenue Funds* – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

*Capital Projects Funds* – Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds).

*Component Units* – Component units are used to account for the discretely presented component units which follow governmental fund accounting guidelines.

The County reports the following major governmental funds:

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

Proprietary Funds:

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary funds principal ongoing operations. The principal operating revenue of the proprietary funds relates to charges to customers for sales and services. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds included the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

*Enterprise Funds* – Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**COUNTY OF HOUGHTON, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The County reports the following major proprietary funds:

Airport Fund - The Airport Fund accounts for the activities related to the operation of the County's Airport.

Solid Waste Transfer Fund - The Solid Waste Transfer Fund accounts for all activities related to the operation of the Houghton County Transfer Station.

Delinquent Tax Revolving Fund - The Delinquent Tax Revolving Fund accounts for money advanced by the county to pay other taxing units funds for their delinquent taxes.

Fiduciary Funds:

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support County programs. The agency fund is custodial in nature and does not present results of operations or have a measurement focus.

The County's fiduciary funds are presented in the fiduciary fund financial statements by type (agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the County, these funds are not incorporated into the government-wide statements.

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION**

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

Accrual - Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when 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 revenues as soon as all eligibility requirements imposed by the provider have been met.

All enterprise funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Modified Accrual - The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified basis of accounting, revenues are recorded when they are both measurable and available.

Available means collectible within the current period or within 60 days of the end of the current fiscal period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. However, debt service expenditures, compensated absences, and claims and judgments are recorded only when payment is due.

COUNTY OF HOUGHTON, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Other Accounting Policies*

Cash Equivalents and Investments – Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income is generally allocated to each fund using a weighted average of balance for the principal.

Prepaid Expenses - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid expense in both the government-wide and fund financial statements.

Inventory – Inventory is valued at the lower of cost (first-in, first-out) or market. Inventory in the Special Revenue and Enterprise Funds consists of expendable supplies and materials held for consumption. Inventory is charged to operations upon consumption by the various operating funds within the County.

Capital Assets – Capital assets, which include property, plant, equipment and infrastructure assets (e.g. streets, bridges, and sidewalks), are reported in the applicable governmental or business-type activities columns 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 five years.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their fair value on the date donated. Depreciation on all exhaustible capital assets is charged as an expense against their operations in government-wide statements and proprietary financial statements. Accumulated depreciation is reported on government-wide and proprietary statement of net assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Land improvements	20-40 years
Building, structures and improvements	40 years
Equipment	5-20 years
Water and Sewage System	20 years
Vehicles	5 years
Infrastructure	20-50 years

Unearned Revenue – Unearned revenue are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. The Economic Development Revolving Loan Special Revenue Fund has unearned revenue amounting to \$50,441. This amount represents Michigan Small Cities Block Grant Loans to businesses. Terms vary with respect to repayment of these loans. Proceeds from repayments on these loans will be used for future County economic development.

Long-Term Liabilities – In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and business-type activities or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using straight line amortization. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt received, are reported as debt service.

COUNTY OF HOUGHTON, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reporting of certain assets, liabilities, revenues, and expenditures. Actual results may differ from estimated amounts.

Property Taxes – The County of Houghton property tax is levied on each December 1st and July 1st on the taxable valuation of property (as defined by State statutes) located in the Local Governmental Unit as of the preceding December 31st and July 1<sup>st</sup>.

Although the County of Houghton 2015 ad valorem tax is levied and collectible on July 1, 2015, and December 1, 2015; it is the County of Houghton's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made available for the financing of operations. Available means levied and the tax collection period is within the current fiscal year.

The December 1, 2014 taxable valuation totaled \$839,543,817 on which ad valorem taxes levied consisted of 1.3149 mills for County Road Commission operating, 0.0986 mills for Department of Veterans Affairs, and 2.5531 for the Medical Care Facility. July 1, 2015 taxable valuation totaled \$852,086,005, on which ad valorem taxes levied consisted of 6.3000 mills for the County of Houghton operation purposes. These amounts are recognized in the respective Road Commission Component Unit Fund, Medical Care Facility Enterprise Fund, Department of Veteran Affairs Special Revenue Fund, and the General Fund statements as revenue.

Compensated Absences – The County accrues accumulated unpaid vacation and sick leave days and associated employee-related costs when earned (or estimated to be earned) by the employee. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

Inter-fund Activity – Inter-fund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as inter-fund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefitting fund and reduces its related cost as a result of the reimbursement. All other inter-fund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Subsequent Events – Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through the date of the accompanying independent auditor's report, which is the date the financial statements were available to be issued.

Fund Balance – 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 required to be maintained intact. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of the resources by grantors, contributors, laws or regulations of other governments. *Committed fund balance*, if any, is reported from amounts that can be used for specific purposes pursuant to constraints imposed by formal action by the government's highest level of decision making authority, the Board of Commissioners. A formal resolution of the Board of Commissioners is required to establish, modify or rescind a fund balance commitment. The County reports *assigned fund balance* for amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. *Unassigned fund balance* is the residual classification for the general fund.

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

When the County incurs an expenditure for purposes for which various fund balance classifications can be used, it is the County's policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned balance.

**NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The County Controller submits to the County Board of Commissioners proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Numerous opportunities exist for public comment during the budget process including at least two formal public hearings conducted at the Courthouse to obtain taxpayer comment.
3. Pursuant to statute, prior to September 30 of each year the budget for the ensuing year is legally enacted through adoption of an Annual General Appropriations Act.
4. The general statute governing County budgetary activity is the State of Michigan Uniform Budgeting and Accounting Act. In addition to the provisions of the said Act and Board policy, general statements concerning the Board's intent regarding the administration of each year's budget are set out in the Annual General Appropriations Act. The Houghton County Board of Commissioners, through policy action, specifically directs the Controller not to authorize or participate in any expenditure of funds except as authorized by the Annual General Appropriations Act. The Board recognized that, in addition to possible Board sanctions for willful disregard of this policy, State statutes provide for civil liability for violations of the Annual General Appropriations Act.
5. The Houghton County Controller is authorized by means of County policy to make certain transfers:
  - a. The Controller receives a request for a budget transfer from the head of the department whose budget is to be affected. Such request must specify the necessity for the transfer, the account name and/or group(s) and amounts to be affected within prescribed limitations. Transfers in excess of those limitations must be approved by the Board of Commissioners.
  - b. The following considerations must be reviewed in determination of transfer approvals:
    - (1) Are the transfers consistent with the intent of the Board of Commissioners in adopting the annual budget?
    - (2) Will the transfer maintain the financial integrity of the County?
    - (3) Will the transfer provide a reasonable solution to the departmental operating problem?
  - Considering the above, the Controller will then decide whether or not the transfer should be made.
  - Supplemental appropriations are submitted to and reviewed by the County Controller and submitted to the Budget Committee for further consideration. If approved, they are transmitted to the County Board of Commissioners for their review and approval. If approved, they are implemented by the Controller's Office through a budget revision.
6. The County of Houghton adopts its Annual Budget on a departmental basis. At each level of detail, governmental operations are summarized into expenditure account groups. Funding sources are also identified and adopted at each level of detail. Budgetary control exists at the most detailed level adopted by the Board of Commissioners, i.e., department for analytical purposes. A detailed line item breakdown is prepared for each program. Accounting, i.e., classification control, resides at the line item detail level. Violations of excessive expenditures, if any, are noted in the required supplementary information section.
7. Budgets for the General and Special Revenue Funds were adopted in substance on an accrual basis which is consistent with generally accepted accounting principles. Budgeted amounts as reported in the Financial Report are as originally adopted and/or amended by the County Board of Commissioners.

**COUNTY OF HOUGHTON, MICHIGAN  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2015**

**NOTE C – CASH AND INVESTMENTS**

Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income is recorded in the general fund and is used to cover administrative costs. At year-end the County’s cash equivalents were reported in the basic financial statements in the following categories and breakdown between deposits and investments for the County is as follows:

	Governmental Activities	Business type Activities	Total Primary Government	Component Units	Fiduciary Funds	Total
Cash and cash equivalents						
Unrestricted	\$ 2,493,363	\$ 11,679,235	\$ 14,172,598	\$ 1,766,564	\$ -	\$ 15,939,162
Restricted	-	867,353	867,353	-	1,226,682	2,094,035
<b>TOTALS</b>	<u>\$ 2,493,363</u>	<u>\$ 12,546,588</u>	<u>\$ 15,039,951</u>	<u>\$ 1,766,564</u>	<u>\$ 1,226,682</u>	<u>\$ 18,033,197</u>

*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 to it. State law does not require and the County does not have a deposit policy for custodial credit risk. The carrying amounts of the primary government, component units and fiduciary fund’s deposits with financial institutions (including investments) were \$16,806,515 and the bank balance was \$14,832,001. The bank balance is categorized as follows:

Amount insured by the FDIC or collateralized with securities held by the County in its name	\$ 1,751,106
Amount uncollateralized and uninsured	<u>13,080,895</u>
Total bank balance	<u>\$ 14,832,001</u>

Investments

As of September 30, 2015, the County had the following investments.

	<u>Rating</u>	<u>Fair Value</u>
Primary Government:		
Restricted investments:		
Cash and Certificates of Deposit	N/A	\$ 1,447,078
Federal Governmental Obligation	AAA	5,108,123
Principal		
U.S. Governmental Agencies	AAA	<u>1,250,404</u>
<b>TOTALS</b>		<u>\$ 7,805,605</u>

*Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the County’s investments. The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.



**COUNTY OF HOUGHTON, MICHIGAN  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2015**

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**NOTE C – CASH AND INVESTMENTS (Continued)**

*Credit Risk*

Michigan statutes (Act 196, PA 1997) authorize the County to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC and authorized to operate in this state, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days from date of purchase, bankers' acceptances of the United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds. Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

The County has no investment policy that would further limit its investment choices. Ratings are not required for the County's investment in U.S. Government Agencies or equity-type funds. The County's investments are in accordance with statutory authority.

*Concentration of Credit Risk*

On September 30, 2015, the County had investments of 5% or more, of the total portfolio, with the following U.S. agency issuers: Federal National Mortgage 18% and Federal Home Loan 41%. No other issuer exceeded 5% of the total portfolio.

**NOTE D – EDC LOANS RECEIVABLE**

A summary of Economic Development Revolving Loan Fund receivable at September 30, 2015 is as follows:

Debtor	Balance at 09/30/15	Fiscal Year of Award	Interest Rate	Term in Years
Quincy Woodrights, LLC	21,910	2015	6.90%	5
REL, Inc.	\$ 49,100	2012	5.50%	5
Total	<u>\$ 71,010</u>			

**NOTE E – TRANSFERS AND INTER-FUND BALANCES**

The County of Houghton reports inter-fund balances between many of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of inter-fund balances presented in the statements of net position/balance sheet for governmental funds. Inter-fund transactions resulting in inter-fund receivables and payables are as follows:

Fund	Due From	Fund	Due To
Airport fund	<u>\$ 502,699</u>	Passenger Facility Charge Fund	<u>\$ 502,699</u>

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

**COUNTY OF HOUGHTON, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**NOTE E – TRANSFERS AND INTER-FUND BALANCES (Continued)**

Fund	Transfers In	Fund	Transfers Out
General fund	\$ 200,500	General fund	\$ 1,075,300
Non -Major governmental funds	550,190	Delinquent tax revolving funds	200,000
Airport fund	275,000	Non-Major governmental funds	500
Western UP Health Department	250,110		
TOTALS	<u>\$ 1,275,800</u>	TOTALS	<u>\$ 1,275,800</u>

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

**NOTE F – CAPITAL ASSETS**

A summary of capital assets for governmental activities is as follows:

GOVERNMENTAL ACTIVITIES				
	Beginning	Additions	Disposals	Ending
Capital assets, not being depreciated:				
Land	\$ 1,117,565	\$ -	\$ -	\$ 1,117,565
Capital assets, being depreciated:				
Land improvements	-	13,163	-	13,163
Buildings and improvements	3,377,840	96,929	-	3,474,769
Furniture and equipment	714,610	-	-	714,610
Vehicles	684,017	50,456	54,265	680,208
Subtotal	4,776,467	<u>\$ 160,548</u>	<u>\$ 54,265</u>	4,882,750
Accumulated Depreciation				
Land improvements	-	\$ 1,207	-	1,207
Buildings and improvements	1,536,448	96,484	-	1,632,932
Furniture and equipment	655,004	27,669	-	682,673
Vehicles	461,153	71,487	47,931	484,709
Subtotal	2,652,605	<u>\$ 196,847</u>	<u>\$ 47,931</u>	2,801,521
Net depreciable capital assets	<u>2,123,862</u>			2,081,229
Net capital assets	<u>\$ 3,241,427</u>			<u>\$ 3,198,794</u>

Depreciation expenses for the governmental activities were charged to the following functions and activities of the primary government:

General and administrative	\$ 76,958
Public safety	103,216
Recreation and culture	16,673
Total Depreciation Expense	<u>\$ 196,847</u>

**COUNTY OF HOUGHTON, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**NOTE F – CAPITAL ASSETS (Continued)**

The components of property, plant, and equipment in County proprietary funds at September 30, 2015 are summarized as follows:

BUSINESS-TYPE ACTIVITIES				
SOLID WASTE TRANSFER FUND	Beginning	Additions	Deletions	Ending
Capital assets, not being depreciated:				
Land	\$ 146,117	\$ -	\$ -	\$ 146,117
Capital assets, being depreciated:				
Buildings	2,464,282	-	-	2,464,282
Equipment - Vehicles	632,592	26,551	-	659,143
Equipment - Recycling	-	8,250	-	8,250
Equipment - Shop/Tools	141,645	-	-	141,645
Subtotal	<u>3,238,519</u>	<u>\$ 34,801</u>	<u>\$ -</u>	<u>3,273,320</u>
Accumulated depreciation:				
Buildings	347,434	\$ 63,138	\$ -	410,572
Equipment - Vehicles	515,580	18,581	-	534,161
Equipment - Recycling	-	-	-	-
Equipment - Shop/Tools	97,184	6,204	-	103,388
Subtotal	<u>960,198</u>	<u>\$ 87,923</u>	<u>\$ -</u>	<u>1,048,121</u>
Net capital assets, being depreciated	2,278,321			
Net capital assets	<u>\$ 2,424,438</u>			<u>\$ 2,371,316</u>
MARINA FUND	Beginning	Additions	Deletions	Ending
Equipment - Vehicles	\$ 4,010	\$ -	\$ -	\$ 4,010
Equipment	79,097	-	-	79,097
Subtotal	<u>83,107</u>	<u>\$ -</u>	<u>\$ -</u>	<u>83,107</u>
Accumulated depreciation				
Equipment - Vehicles	1,937	\$ 802	\$ -	2,739
Equipment	56,775	3,164	-	59,939
Subtotal	<u>58,712</u>	<u>\$ 3,966</u>	<u>\$ -</u>	<u>62,678</u>
Net capital assets	<u>\$ 24,395</u>			<u>\$ 20,429</u>
911 FUND	Beginning	Additions	Deletions	Ending
Capital assets, not being depreciated:				
Land	\$ 14,027	<u>\$ -</u>	<u>\$ -</u>	\$ 14,027
Capital assets, being depreciated:				
Buildings	178,708	\$ -	\$ -	178,708
Equipment	607,705	827,753	-	1,435,458
Subtotal	<u>800,440</u>	<u>\$ 827,753</u>	<u>\$ -</u>	<u>1,628,193</u>
Accumulated depreciation:				
Buildings	141,770	\$ 1,404	\$ -	143,174
Equipment	573,859	19,069	-	592,928
Subtotal	<u>715,629</u>	<u>\$ 20,473</u>	<u>\$ -</u>	<u>736,102</u>
Net capital assets	<u>\$ 84,811</u>			<u>\$ 892,091</u>

**COUNTY OF HOUGHTON, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**NOTE F – CAPITAL ASSETS (Continued)**

AIRPORT FUND	Beginning	Reclassifications	Additions	Deletions	Ending
Capital assets, not being depreciated:					
Land	\$ 638,145	\$ -	\$ 52,300	\$ -	\$ 690,445
Construction in progress	1,385,135	(1,385,135)	631,934	-	631,934
Subtotal	2,023,280	(1,385,135)	684,234	-	1,322,379
Capital assets, being depreciated:					
Airpark improvements	22,776,438	1,385,135	-	-	24,161,573
Buildings	293,892	-	-	-	293,892
Equipment	300,946	-	84,920	-	385,866
Equipment - Vehicles	2,505,139	-	-	-	2,505,139
Subtotal	25,876,415	\$ -	\$ 769,154	\$ -	27,346,470
Accumulated depreciation:					
Airpark improvements	5,201,083	\$ -	\$ 843,818	\$ -	6,044,901
Buildings	193,271	-	6,706	-	199,977
Equipment	210,407	-	21,526	-	231,933
Equipment - Vehicles	1,650,317	-	199,117	-	1,849,434
Subtotal	7,255,078	\$ -	\$ 1,071,167	\$ -	8,326,245
Net capital assets, being depreciated	18,621,337				19,020,225
Net capital assets	<u>\$ 20,644,617</u>				<u>\$ 20,342,604</u>

MEDICAL CARE FACILITY	Beginning	Additions	Deletions	Ending
Capital assets, not being depreciated:				
Construction in progress	\$ -	\$ 147,436	\$ -	\$ 147,436
Capital assets, being depreciated:				
Land improvements	448,910	-	-	448,910
Building and improvements	13,045,763	25,696	-	13,071,459
Major movable equipment	2,045,432	16,545	-	2,061,977
Fixed equipment	1,021,515	88,993	-	1,110,508
Subtotal	16,561,620	\$ 278,670	\$ -	16,692,854
Accumulated depreciation:				
Land improvements	321,444	\$ 34,168	\$ -	355,612
Building and improvements	8,081,881	460,515	-	8,542,396
Major movable equipment	1,670,340	121,958	-	1,792,298
Fixed equipment	751,242	55,306	-	806,548
Subtotal	10,824,907	\$ 671,947	\$ -	11,496,854
Net capital assets, being depreciated	5,736,713			5,196,000
Net capital assets	<u>\$ 5,736,713</u>			<u>\$ 5,343,436</u>

**COUNTY OF HOUGHTON, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

A summary of component units' capital assets is as follows:

	Western UP Health Dept	Road Commissions	Total
Capital assets, not being depreciated:			
Land	\$ 90,000	\$ 93,137	\$ 183,137
Capital assets, being depreciated:			
Land improvements	17,595	-	17,595
Buildings and improvements	1,502,823	2,866,279	4,369,102
Furniture and equipment	219,560	9,614,807	9,834,367
Infrastructure	-	26,545,600	26,545,600
Subtotal	<u>1,739,978</u>	<u>39,026,686</u>	<u>40,766,664</u>
Accumulated Depreciation			
Land improvements	17,595	-	17,595
Buildings and improvements	1,314,398	977,998	2,292,396
Furniture and equipment	172,419	8,385,804	8,558,223
Infrastructure	-	8,946,302	8,946,302
Subtotal	<u>1,504,412</u>	<u>18,310,104</u>	<u>19,814,516</u>
Net depreciable capital assets	<u>235,566</u>	<u>20,716,582</u>	<u>20,952,148</u>
Net capital assets	<u>\$ 325,566</u>	<u>\$ 20,809,719</u>	<u>\$ 21,135,285</u>

Depreciation expenses for the component units were charged to the following functions:

Western UP Health Department	\$ 89,033
Road Commission	1,699,129
Total Depreciation Expense	<u>\$ 1,788,162</u>

**NOTE G – LONG-TERM DEBT**

**GOVERNMENTAL ACTIVITIES**

Arena Project Bond - On November 1, 2004, the County of Houghton authorized the issuance of general obligation bonds in the amount of \$650,000. The bond was obtained from Superior National Bank and Trust for the remodeling of the Houghton County Ice Arena, and will be paid from the general fund. Payments are due semiannually April 1 (Interest) and October 1 (principal and interest), of each year. These bonds bear variable interest rates as follows:

Schedule of Interest Rates on Arena Project Bond					
Period	Interest Rate	Period	Interest Rate	Period	Interest Rate
11/1/04-10/1/17	4.00%	10/1/21-10/1/22	4.40%	10/1/26-10/1/27	4.75%
10/1/17-10/1/18	4.05%	10/1/22-10/1/23	4.50%	10/1/27-10/1/28	4.80%
10/1/18-10/1/19	4.10%	10/1/23-10/1/24	4.60%	10/1/28-10/1/29	5.00%
10/1/19-10/1/20	4.20%	10/1/24-10/1/25	4.65%		
10/1/20-10/1/21	4.30%	10/1/25-10/1/26	4.70%		

**COUNTY OF HOUGHTON, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

**NOTE G – LONG-TERM DEBT (Continued)**

Year	October 1		April	Total
	Principal	Interest	Interest	
2015-16	\$ -	\$ -	\$ 12,271	\$ 12,271
2016-17	15,000	12,272	11,971	39,243
2017-18	20,000	11,972	11,571	43,543
2018-19	20,000	11,572	11,166	42,738
2019-20	20,000	11,167	10,756	41,923
2020-21	20,000	10,757	10,336	41,093
2021-22	20,000	10,337	9,906	40,243
2022-23	25,000	9,907	9,356	44,263
2023-24	25,000	9,357	8,793	43,150
2024-25	25,000	8,794	8,218	42,012
2025-26	25,000	8,219	7,637	40,856
2026-27	30,000	7,638	6,932	44,570
2027-28	30,000	6,933	6,220	43,153
2028-29	30,000	6,221	5,500	41,721
2029-30	220,000	5,501	-	225,501
<b>TOTALS</b>	<b>\$ 525,000</b>	<b>\$ 130,647</b>	<b>\$ 130,633</b>	<b>\$ 786,280</b>

Michigan Economic Development Community - On September 30, 2006, the County authorized the issuance of general obligation bonds in the amount of \$61,200. The Community Development Block Grant (CDBG) Airpark Improvement Grant was for job creation. The CDBG Repayment is for the pay back part of this grant for not meeting the long term requirements of the grant. The payments will be made from the Airpark Improvement Fund. Repayment schedule is for principal only (57 payments of \$1,074) and are due quarterly with no interest.

Year	November	February	May	August	Total
2015-16	\$ 1,074	\$ 1,074	\$ 1,074	\$ 1,074	\$ 4,296
2016-17	1,074	1,074	1,074	1,074	4,296
2017-18	1,074	1,074	1,074	1,074	4,296
2018-19	1,074	440	-	-	1,514
<b>TOTALS</b>	<b>\$ 4,296</b>	<b>\$ 3,662</b>	<b>\$ 3,222</b>	<b>\$ 3,222</b>	<b>\$ 14,402</b>

Courthouse Improvement Bond - On June 1, 2003, the County of Houghton authorized the issuance of general obligation bonds in the amount of \$995,000 to fund remodeling of the courthouse facility and new adjacent storage facilities through Superior National Bank and Trust. The bonds current and future bonds interest rates are 4% from June 2, 2010 to June 1, 2013 and 4.5% from June 2, 2013 to June 1, 2023, with principal amounts payable June 1 and interest payable semi-annually on June 1 and December 1. The bond will be paid for from the general fund.

Year	December 1	June 1		Total
	Interest	Interest	Principal	
2015-16	\$ 13,613	13,612	\$ 65,000	\$ 92,225
2016-17	12,150	12,150	70,000	94,300
2017-18	10,575	10,575	75,000	96,150
2018-19	8,888	8,887	80,000	97,775
2019-20	7,088	7,087	80,000	94,175
2020-21	5,288	5,287	80,000	90,575
2021-22	3,488	3,487	80,000	86,975
2022-23	1,688	1,687	75,000	78,375
<b>TOTALS</b>	<b>\$ 62,778</b>	<b>\$ 62,772</b>	<b>\$ 605,000</b>	<b>\$ 730,550</b>

**COUNTY OF HOUGHTON, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

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**NOTE G – LONG-TERM DEBT (Continued)**

Brownfield Loan - On April 16, 2012, Houghton County Brownfield Redevelopment Authority, borrowed \$400,000 from the Clean Michigan Initiative Implementation, of the Natural Resources and Environmental Protection Act, 1994 PA 451, as amended (NREPA). The loan proceeds, in conjunction with a \$490,865 grant, were used to demolish and clean up a former gas station site. The loan will be paid back through a tax increment financing district on that site. The payments are paid from the Brownfield fund. The loan bears interest of 1.5% per annum. Principal and interest payment totaling \$39,150.58, will be due annually in May of each year beginning in 2017.

Year	May 1 Interest	Principal	Total
2016-17	\$ -	\$ 39,131	\$ 39,131
2017-18	5,413	33,718	39,131
2018-19	4,907	34,223	39,130
2019-20	4,394	34,737	39,131
2020-21	3,873	35,258	39,131
2021-22	3,344	35,787	39,131
2022-23	2,807	36,323	39,130
2023-24	2,262	36,868	39,130
2024-25	1,709	37,421	39,130
2025-26	1,148	37,983	39,131
2026-27	579	38,551	39,130
<b>TOTALS</b>	<b>\$ 30,436</b>	<b>\$ 400,000</b>	<b>\$ 430,436</b>

Annual maturities on the governmental long-term debt are as follows:

Year	Principal	Interest	Total
2015-16	\$ 69,296	\$ 39,496	\$ 108,792
2015-16	128,427	48,543	176,970
2016-17	133,014	44,693	177,707
2017-18	135,736	45,926	181,662
2018-19	134,738	41,005	175,743
2019-20	135,258	36,002	171,260
2020-21	135,787	31,091	166,878
2021-22	136,323	25,982	162,305
2022-23	61,868	20,957	82,825
2023-24	62,421	19,274	81,695
2024-25	62,983	17,565	80,548
2025-26	68,551	15,718	84,269
2026-27	30,000	13,732	43,732
2027-28	30,000	11,721	41,721
2028-29	220,000	5,501	225,501
<b>TOTALS</b>	<b>\$ 1,544,402</b>	<b>\$ 417,206</b>	<b>\$1,961,608</b>

**COUNTY OF HOUGHTON, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

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**NOTE G – LONG-TERM DEBT (Continued)**

ENTERPRISE FUNDS

Capital Improvement Transfer Station Bond - On June 29, 2011, the County of Houghton authorized the issuance of general obligation limited tax bonds in the amount of \$2,209,000 to fund the acquisition. Of the amount authorized, \$1,620,000 was issued for the construction and equipping of the new transfer station. The bonds current and future bonds interest rates are 4%, with principal amounts payable June 1 and interest payable semi-annually on June 1 and December 1. The bond will be paid for from the solid waste transfer fund.

Year	December 1		June 1		Total
	Interest	Interest	Principal		
2015-16	\$ 30,740	\$ 30,740	\$ 30,000	\$ 91,480	
2016-17	30,140	30,140	33,000	93,280	
2017-18	29,480	29,480	35,000	93,960	
2018-19	28,780	28,780	37,000	94,560	
2019-20	28,040	28,040	39,000	95,080	
2020-21	27,260	27,260	41,000	95,520	
2021-22	26,440	26,440	43,000	95,880	
2022-23	25,580	25,580	46,000	97,160	
2023-24	24,660	24,660	48,000	97,320	
2024-25	23,700	23,700	51,000	98,400	
2025-26	22,680	22,680	48,000	93,360	
2026-27	21,720	21,720	51,000	94,440	
2027-28	20,700	20,700	54,000	95,400	
2028-29	19,620	19,620	57,000	96,240	
2029-30	18,480	18,480	60,000	96,960	
2030-31	17,280	17,280	63,000	97,560	
2031-32	16,020	16,020	66,000	98,040	
2032-33	14,700	14,700	70,000	99,400	
2033-34	13,300	13,300	73,000	99,600	
2034-35	11,840	11,840	77,000	100,680	
2035-36	10,300	10,300	81,000	101,600	
2036-37	8,680	8,680	80,000	97,360	
2037-38	7,080	7,080	84,000	98,160	
2038-39	5,400	5,400	90,000	100,800	
2039-40	3,600	3,600	88,000	95,200	
2040-41	1,840	1,840	92,000	95,680	
<b>TOTALS</b>	<b>\$ 488,060</b>	<b>\$ 488,060</b>	<b>\$ 1,537,000</b>	<b>\$ 2,513,120</b>	



**COUNTY OF HOUGHTON, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**NOTE G – LONG-TERM DEBT (Continued)**

Long-term liabilities activity, as reported in and liquidated through the funds as noted below for the fiscal year ended September 30, 2015 are summarized as follows:

	Balance 10/1/14	Additions	Retired	Balance 09/30/15	Current Maturities
<b>GOVERNMENTAL ACTIVITIES</b>					
Arena Project Bond	\$ 540,000	\$ -	\$ 15,000	\$ 525,000	\$ -
Courthouse Improvement Bond	665,000	-	60,000	605,000	65,000
Brownfield Loan	400,000	-	-	400,000	-
Michigan Economic Development Community	18,697	-	4,295	14,402	4,296
Accrued compensated absences	600,523	-	44,017	556,506	-
<b>TOTAL GOVERNMENT ACTIVITIES</b>	<u>2,224,220</u>	<u>-</u>	<u>123,312</u>	<u>2,100,908</u>	<u>69,296</u>
<b>ENTERPRISE ACTIVITIES</b>					
Solid Waste Transfer Loan	1,566,000	-	29,000	1,537,000	30,000
Accrued compensated absences	809,900	71,234	-	881,134	-
<b>TOTAL ENTERPRISE ACTIVITIES</b>	<u>2,375,900</u>	<u>71,234</u>	<u>29,000</u>	<u>2,418,134</u>	<u>30,000</u>
<b>COMPONENT UNITS</b>					
Western UP Health Department loan	26,977	-	26,977	-	-
Accrued compensated absences	582,430	61,838	-	644,268	-
<b>TOTAL COMPONENT UNITS</b>	<u>609,407</u>	<u>61,838</u>	<u>26,977</u>	<u>644,268</u>	<u>-</u>
<b>TOTAL</b>	<u>\$ 5,209,527</u>	<u>\$ 133,072</u>	<u>\$ 179,289</u>	<u>\$ 5,163,310</u>	<u>\$ 99,296</u>

**NOTE H – VESTED EMPLOYEE BENEFITS**

The County accrues the liability for earned sick leave based on the vesting method. The liability is accrued as the benefits are earned if it is probable that the County will compensate the employees upon retirement, death or termination of employment. Employees earn annual vacation, sick, and combined leave at a rate of a certain number of days per year based on the number of years of service up to a maximum number of accumulated days. Annual vacation, sick, and combined leave days are based on various Labor Union Contract terms and administrative policies of the primary government.

	Accrued Sick and Vacation	
	Primary	Component
Current Portion	\$ 11,897	\$ 87,153
Long Term Portion	1,437,640	644,268
Total:	<u>\$ 1,449,537</u>	<u>\$ 731,421</u>

**NOTE I – CONTINGENT LIABILITIES**

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

Risk Management – The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County has obtained commercial insurance to handle its risk of loss. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**COUNTY OF HOUGHTON, MICHIGAN  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2015**

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**NOTE I – CONTINGENT LIABILITIES (Continued)**

Cost Settlement – Medical Care Facility services rendered to various insurance program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a client classification system that is based on clinical, diagnostic, and other factors. Certain health services and defined capital costs are paid based on a cost reimbursement methodology. The facility reports such activity through the submission of its annual cost reports which are subject to audit by the fiscal intermediary. The facility’s classification of clients under the program and the appropriateness of their admission are subject to an independent review by a peer review organization.

**NOTE J – JOINT VENTURE COMMUNITY MENTAL HEALTH SERVICES**

Pursuant to an amendment to the Mental Health Code, Public Act 290 of 1995 the Counties of Houghton, Baraga, Keweenaw, and Ontonagon created a Community Mental Health Authority with powers and duties as defined in Section 205, MCL 330.1205, known as Copper Country Community Mental Health Services Board. Under such provisions the Copper Country Community Mental Health Services Board became a separate legal entity from the respective counties and has its own reporting unit. The Board consists of members of the participating counties as appointed by the respective county. The Board has full power to comply and carry out the financial and clinical provisions of the Mental Health Code. Summary financial information as of and for the fiscal year ended September 30, 2015 for the Board is as follows:

	Balance 9/30/15
Assets	\$ 11,484,447
Liabilities	\$ 4,944,844
Net Position	\$ 6,539,603
Total Revenues	\$ 15,092,417
Total Expenditures	\$ 15,026,428
Net Increase (Decrease) in Fund Balance	\$ 65,989

The separately issued financial statements can be obtained from the administrative office of the Board at Copper Country Community Mental Health, 901 West Memorial Drive, Houghton, Michigan 49931.

**NOTE K – PENSION PLANS**

Defined Benefit Pension Plan

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

Retirement benefits for employees are calculated with multipliers ranging from one and seven tenths (1.7) percent to two and one half (2.5) percent of the employee’s final average compensation, ranging from three to five years, times the employee’s years of service. Normal retirement age is 60 with early retirement at a reduced benefit at age 50 with 25 years of service or at age 55 with 15 years of service. Deferred retirement benefits vest after 5 to 10 years of service, depending on division each employee is a part of.

Employees covered by benefit terms - At the December 31, 2014 valuation date, the following employees were covered by the benefit terms:

**COUNTY OF HOUGHTON, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**NOTE K – PENSION PLANS (Continued)**

	<u>County</u>	<u>Road Commission</u>	<u>Health Department</u>
Inactive employees or beneficiaries currently receiving benefits	99	8	84
Inactive employees entitled to but not yet receiving benefits	12	-	52
Active employees	<u>93</u>	<u>7</u>	<u>24</u>
Total employees covered by MERS	<u><u>204</u></u>	<u><u>15</u></u>	<u><u>160</u></u>

Contributions - The County is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The County may establish contribution rates to be paid by its covered employees. Employer contributions were based on annual payroll for open divisions as follows:

<u>County</u>	<u>Road Commission</u>	<u>Health Department</u>
<u>2.68% - 35.53%</u>	<u>65.74%</u>	<u>12.65%</u>

Net Pension Liability - The County's Net Pension Liability was measured as of December 31, 2014, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of that date.

Changes in the net pension liability during the measurement year were as follows:

<u>Changes in Net Pension Liability</u>	<u>County</u>		
	<u>Increase (Decrease) Plan Fiduciary</u>		
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a) - (b)</u>
Balances at 12/31/13	\$ 25,480,159	\$ 14,816,576	\$ 10,663,583
Service cost	460,213	-	460,213
Interest on total pension liability	2,057,026	-	2,057,026
Changes in benefits	-	-	-
Difference between expected and actual experience	-	-	-
Changes in assumptions	-	-	-
Employer contributions	-	961,919	(961,919)
Employee Contributions	-	103,032	-
Net investment income	-	925,156	(925,156)
Benefit payments, including employee refunds	(1,546,825)	(1,546,825)	-
Administrative expense	-	(33,907)	33,907
Other changes	263	-	263
Net changes	<u>970,677</u>	<u>409,375</u>	<u>664,334</u>
Balances as of 12/31/14	<u><u>\$ 26,450,836</u></u>	<u><u>\$ 15,225,951</u></u>	<u><u>\$ 11,224,885</u></u>

**COUNTY OF HOUGHTON, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**NOTE K – PENSION PLANS (Continued)**

Road Commission			
Changes in Net Pension Liability	Increase (Decrease) Plan Fiduciary		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 12/31/13	\$ 3,688,890	\$ 2,462,715	\$ 1,226,175
Service cost	49,496	-	49,496
Interest on total pension liability	290,958	-	290,958
Changes in benefits	-	-	-
Difference between expected and actual experience	-	-	-
Changes in assumptions	-	-	-
Employer contributions	-	206,850	(206,850)
Employee Contributions	-	-	-
Net investment income	-	150,448	(150,448)
Benefit payments, including employee refunds	(373,746)	(373,746)	-
Administrative expense	-	(5,480)	5,480
Other changes	-	-	-
Net changes	(33,292)	(21,928)	(11,364)
Balances as of 12/31/14	<u>\$ 3,655,598</u>	<u>\$ 2,440,787</u>	<u>\$ 1,214,811</u>

Health Department			
Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 12/31/13	\$ 12,977,657	\$ 8,658,244	\$ 4,319,413
Service cost	81,005	-	81,005
Interest on total pension liability	1,041,069	-	1,041,069
Changes in benefits	-	-	-
Difference between expected and actual experience	-	-	-
Changes in assumptions	-	-	-
Employer contributions	-	549,835	(549,835)
Employee Contributions	-	-	-
Net investment income	-	542,591	(542,591)
Benefit payments, including employee refunds	(798,277)	(798,277)	-
Administrative expense	-	(19,918)	19,918
Other changes	(682)	-	(682)
Net changes	323,115	274,231	48,884
Balances as of 12/31/14	<u>\$ 13,300,772</u>	<u>\$ 8,932,475</u>	<u>\$ 4,368,297</u>

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

Inflation	3.0%	
Salary increases	4.5%	In the long term, 1 percent, 2 percent, and 3 percent for calendar years 2014, 2015, and 2016, respectively, including inflation
Investment rate of return	10.0%	Gross of pension plan investment expense, including inflation

**COUNTY OF HOUGHTON, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

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**NOTE K – PENSION PLANS (Continued)**

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

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

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study in 2008.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return as of December 31, 2014, the measurement date, for each major asset class summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term expected real rate of return</u>
Global Equity	57.5%	5.0%
Global Fixed Income	20.0%	2.2%
Real Assets	12.5%	4.2%
Diversifying Strategies	10.0%	6.6%

Discount rate - The discount rate used to measure the total pension liability is 8.25% for 2014 and will be 8% in 2015 and thereafter. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

<u>Net pension liability of the County</u>	<u>1% Decrease 7.25%</u>	<u>Current Discount Rate 8.25%</u>	<u>1% Increase 9.25%</u>
County	\$ 14,079,117	\$ 11,224,885	\$ 8,798,413
Road Commission	\$ 1,597,803	\$ 1,214,811	\$ 888,373
Health Department	\$ 5,685,953	\$ 4,368,297	\$ 3,237,521

Defined Contribution Pension Plan

The County Road Commission provides pension benefits to all of its full-time union employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. As established by union contract, the County Road Commission contributes a fixed amount per the union agreement, plus interest allocated to the employee’s account, and employees are fully vested after 10 years of service.

**COUNTY OF HOUGHTON, MICHIGAN  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2015**

**NOTE K – PENSION PLANS (Continued)**

The current year contribution was calculated based on \$105.40 (October to December 2014), and \$109.60 (January to September 2015) per employee, for 30 employees, resulting in an employer contribution of \$169,212 and employee contributions of \$0.

**NOTE L - PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS**

For the year ended September 30, 2015 the County, Road Commission and Health Department recognized pension expense of \$1,247,285, \$149,871, and \$226,208 respectively. The County reported deferred outflows and inflows of resources related to pensions from the following sources:

	County		Road Commission		Health Department	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in experience	\$ -	\$ 18,244	\$ -	\$ -	\$ -	\$ -
Differences in assumptions	-	260,553	-	-	-	-
(Excess) deficit investment returns	275,936	-	45,615	-	160,644	-
Contributions subsequent to the measurement date	2,141,226	-	218,086	-	256,333	-
Total	<u>\$ 2,417,162</u>	<u>\$ 278,797</u>	<u>\$ 263,701</u>	<u>\$ -</u>	<u>\$ 416,977</u>	<u>\$ -</u>

The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending September 30, 2015.

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

Year ended	County	Road Commission	Health Department
2016	\$ 572	\$ 9,123	\$ 32,129
2017	572	9,123	32,129
2018	572	9,123	32,129
2019	572	9,123	32,129
2020	573	9,123	32,128
Total	<u>\$ 2,861</u>	<u>\$ 45,615</u>	<u>\$ 160,644</u>

**NOTE M - CHANGE IN ACCOUNTING PRINCIPLE**

The net position of the governmental and enterprise activities were restated to reflect the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. GASB Statement No. 68 changed how governments measure and report the long-term obligations and annual costs associated with the pension benefits they provide. GASB Statement No. 71 addressed the issue of contributions made to the defined benefit pension plan after the measurement date for the year in which GASB Statement No. 68 is implemented.

**COUNTY OF HOUGHTON, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**NOTE M - CHANGE IN ACCOUNTING PRINCIPLE (Continued)**

The total amount of the adjustment was \$19,836,999 as follows:

September 30, 2014	ENTERPRISE FUNDS				
	Governmental Activities	Solid Waste Fund	Airport Fund	Medical Care Facility	Component Units
Net Position as previously reported	\$ 4,836,907	\$ 403,412	\$ 20,477,177	\$ 21,385,278	\$ 21,650,173
Adjustment	(9,190,636)	(261,496)	(557,752)	(4,679,280)	(5,150,835)
Net Position - As restated	<u>\$ (4,353,729)</u>	<u>\$ 141,916</u>	<u>\$ 19,919,425</u>	<u>\$ 16,705,998</u>	<u>\$ 16,499,338</u>

**NOTE N – POST-EMPLOYMENT BENEFITS OTHER THAN PENSION - ROAD COMMISSION**

The hospital and medical coverage benefits are provided in accordance with the Houghton County Road Commission Retiree Medical Plan, which can be amended at the Commission’s discretion. Currently, there are 40 employees and retirees covered under this plan. The current union contract states: After 30 years of service with the Houghton County Road Commission, the employee may elect to receive up to \$600 per month towards the premium cost for the employee and spouse health and prescription drug coverage only, paid for a period of the next 3 years by the Board, if it is before the employee’s sixty second birthday when he retires. If the employee is at least age sixty two on the date he retires, and has at least 10 years of service with the Houghton County Road Commission, the employee shall receive up to \$600 per month of the premium paid until such time as the employee is eligible for Medicare benefits. The employee will be reimbursed up to \$600 per month for the above premium for any health insurance plan purchased and paid for upon presentation of proof of payment to the Houghton County Road Commission.

The Road Commission has no obligation to make contributions in advance of when insurance premiums are due for payment (in other words, this may be financed on a pay-as-you-go basis).

GASB 45 provides an alternative measurement method for a single employer that operates a Plan with less than 100 total members (including active employees, inactive employees who are not yet receiving benefits, retirees, and beneficiaries) may apply a simplified measurement method in lieu of obtaining an actuarial valuation. This alternative calculation requires the same broad measurement steps as would be necessary in the actuarial process, but allows an organization to utilize a set of predetermined assumptions that simplify the calculations necessary to determine the OPEB liability.

For the year ended September 30, 2015 the Road Commission has prospectively estimated the cost of providing retiree health care benefits, utilizing the alternative measurement method, as provided by GASB 45, for the actuarial valuation as of September 31, 2014. The OPEB Accounting Report and Valuation can be obtained by contacting the Houghton County Road Commission, Hancock MI 49930. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. These valuations computed contribution and actual funding are summarized as follows:

	<u>2010-2012</u>	<u>2014-2015</u>
Annual required contribution (ARC)	\$ 42,913	\$ 153,803
Interest on Net OPEB Obligation	-	-
Adjustments to ARC	-	(98,416)
Annual OPEB cost	42,913	55,387
Contributions made	(44,331)	(14,841)
Increase (Decrease) in net OPEB obligation	(1,418)	40,546
OPEB obligation - beginning of year	114,675	113,257
OPEB obligation - end of year	<u>\$ 113,257</u>	<u>\$ 153,803</u>

**COUNTY OF HOUGHTON, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

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**NOTE N – POST-EMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)**

The annual OPEB costs, the percentage contributed to the plan, and the net OPEB obligation for the fiscal year ended September 30, 2015 were as follows:

	<u>2015</u>
Annual OPEB costs	\$ 14,841
Percentage contributed	10.00%
Net OPEB obligation	\$ 138,962

As of the date of this reporting, the organization has not yet made contributions to the Houghton County Road Commission OPEB Trust that are in excess of the benefit payments due in the current year. Thus, there are no assets to report in the Trust as of September 30, 2015.

Actuarial valuations of an ongoing plan involve estimates of the value for reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision, as actual results are compared with past expectations and new estimates are made about the future.

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.

In the September 30, 2014 actuarial valuation, the actuarial assumptions used to calculate the annual required contribution included an annual increase in salary of 2.5 percent, a discount rate of 4.8 percent, no mortalities prior to retirement, and a post retirement interest rate of 7.0 percent. The assumptions also include expected increases in healthcare costs of 6.2 percent, utilizing the NIH National Health Expenditure Projections for 2008-2018. Tables provided by GASB 45 were used for employee turnover prior to retirement, expected employee future working life, and post retirement mortality projections. To determine the current liability, an assumed interest rate of 7.0 percent was utilized.

The Required Supplementary Information of the Road Commission, a component unit, is disclosed in the entity’s separately issued financial statements.

**NOTE O – DEFICIT CASH AND INVESTMENT BALANCES**

At September 30, 2015 the following funds had a material cash and investment deficit:

Governmental-Type Activities	
Region 8 2010 All County	\$ 538
Twin Lake Special Assessment District	\$ 47,805
Rice Lake Special Assessment District	\$ 85,626
Otter Lake District Fund	\$ 6,982
Law library	\$ 1,364
Corrections officer training fund	\$ 1,467
Veteran’s trust fund	\$ 1,360
Governmental-Type Activities	\$ 1,467
Airport Fund	\$ 460,444



**COUNTY OF HOUGHTON, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

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**NOTE P – DEFICIT FUND BALANCES**

At September 30, 2015 the following funds had an unrestricted fund equity deficit:

Fund	Deficit Fund Equity
Business-Type Activities:	
Car Rental Fund	\$ 15,829
Passenger Facility Charge	\$ 193,660

The Region 8 2014 All County Fund had a deficit fund balance of \$2,673, Rice Lake Special Assessment fund \$93,050, Twin Lake Special Assessment fund \$60,239, Law Library fund \$2,383, Corrections Officers Training fund \$1,667, and the Otter Lake Assessment District had a deficit fund balance of \$8,033.

**NOTE Q - RESTRICTED FUND EQUITY CLASSIFICATIONS**

At September 30, 2015 the following restricted fund balances are aggregated on page 17:

Program	Amount	Program	Amount
Airport Improvement	\$ 43,418	Concealed Pistol Licensing	2,890
Twin Lake Special Assessment	(60,239)	Drug Court	2,315
Rice Lake Special Assessment	(93,050)	2011 Delinquent Property Tax Sale	58,734
Region 8 (2011) All County Grant	122	ROD Automation	172,362
Region 8 CITZ Corp & IECGP Grant	2,194	Law Library	(2,383)
Region 8 (2014) All County Fund	(2,673)	Houghton Keweenaw Recreation Authority	343
CDBG 2015-2017 Program Fund	81	Houghton-Keweenaw Trail Rescue	661
Prosecutor's Forfeiture Account	3,029	Corrections Officers Training	(1,667)
Tri-County Community Corrections	64,776	Justice Training	2,920
Tri-County Work Camp	77,294	Otter Lake Assessment District	(8,033)
Special Equipment & Reward	6,738	CDBG Housing	8,648
Brownfield	105,700	Department of Human Services	8,161
A.L.E.R.T.	23,501	Department of Veteran Affairs	90,423
ORV Equipment	3,691	Child Care	73,595
Friend of the Court	34,513	Veteran's Trust	4,583
Land Bank Authority	43,515	Family Counseling	26,121
2008 Delinquent Property Tax Sale	15,350	EDC Revolving Loan Fund	<u>186,200</u>
2009 Delinquent Property Tax Sale	37,019		
2010 Delinquent Property Tax Sale	181,906	Total Fund Balances	<u>\$ 1,112,758</u>

Detail of aggregated restricted fund balances for the component unit Western Upper Peninsula Health Department can be found in its separately issued financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

**COUNTY OF HOUGHTON**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**For the Year Ended September 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		<u>Final to Actual</u>
<b>REVENUES:</b>				
Taxes	\$ 5,461,642	\$ 5,455,491	\$ 5,467,430	\$ 11,939
Licenses and permits	273,850	293,850	330,784	36,934
Federal sources	23,500	23,500	25,512	2,012
State sources	1,785,173	1,785,173	1,765,737	(19,436)
Charges for services	1,182,571	1,220,571	1,238,041	17,470
Interest	200,000	200,000	222,579	22,579
Other revenue	63,220	152,871	240,896	88,025
<b>TOTAL REVENUE</b>	<u>8,989,956</u>	<u>9,131,456</u>	<u>9,290,979</u>	<u>159,523</u>
<b>EXPENDITURES:</b>				
Legislative	97,000	95,004	88,198	6,806
Judicial	1,519,748	1,500,106	1,434,535	65,571
General government	1,530,792	1,557,063	1,479,248	77,815
Public safety	2,177,070	2,217,268	2,123,283	93,985
Health and welfare	191,195	193,195	196,720	(3,525)
Recreation and culture	22,916	27,320	27,320	-
Other	2,274,789	2,269,589	2,096,186	173,403
Capital outlay	214,103	217,103	198,629	18,474
Debt service	129,767	129,767	130,368	(601)
<b>TOTAL EXPENDITURES</b>	<u>8,157,380</u>	<u>8,206,415</u>	<u>7,774,487</u>	<u>431,928</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	832,576	925,041	1,516,492	591,451
<b>OTHER FINANCING SOURCES (USES)</b>				
Net increase (decrease) in fair value of investments	-	75,000	184,634	109,634
Operating transfers in (out)	(578,000)	(680,799)	(627,989)	52,810
Transfers to component units	(250,110)	(250,110)	(250,110)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(828,110)</u>	<u>(855,909)</u>	<u>(693,465)</u>	<u>162,444</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 4,466</u>	<u>\$ 69,132</u>	823,027	<u>\$ 753,895</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>			<u>2,812,945</u>	
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 3,635,972</u>	

**COUNTY OF HOUGHTON**  
**SCHEDULE OF CHANGES IN THE COUNTY'S NET**  
**PENSION LIABILITY AND RATIOS**  
**For the Year Ended September 30, 2015**

	2014
Total Pension Liability	
Service cost	\$ 460,213
Interest	2,057,026
Benefit payments, including refunds	(1,546,825)
Other changes	263
Net change in total pension liability	970,677
Total pension liability - beginning of year	25,480,159
Total pension liability - end of year	\$ 26,450,836
Plan fiduciary net position	
Contributions - Employer	\$ 961,919
Contributions - Employee	103,032
Net investment income	925,156
Administrative expenses	(33,907)
Benefit payments, including refunds	(1,546,825)
Net change in plan fiduciary net position	409,375
Plan fiduciary net position - beginning of year	14,816,576
Plan fiduciary net position - end of year	\$ 15,225,951
County's net pension liability - ending	\$ 11,224,885
Plan fiduciary net position as a percent of total pension	57.56%
Covered employee payroll	3,954,448
County's net pension liability as a percent of covered	283.85%

**HOUGHTON COUNTY**  
**SCHEDULE OF COUNTY'S CONTRIBUTIONS**  
**For the Year Ended September 30, 2015**

	<u>2014</u>
Actuarial determined contributions	\$ 1,064,950
Contributions in relation to the actuarially determined contributions	<u>1,064,950</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>
Covered-employee payroll	\$ 3,954,448
Contributions as a percentage of covered-employee	27%

**HOUGHTON COUNTY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - SEPTEMBER 30, 2015**

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**NOTE A - METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATE**

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	25 years
Asset valuation method	10 year smoothed
Inflation	3.5%
Salary increases	4.5%
Investment rate of return	8.0%
Retirement age	Varies depending on plan adoption
Mortality	50% Female/50% Male 1994 Group Annuity Mortality Table

**SUPPLEMENTARY INFORMATION**

**COUNTY OF HOUGHTON, MICHIGAN**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES:</b>			
Taxes:			
Current levy	\$ 5,066,217	\$ 5,039,064	\$ (27,153)
Commercial forest taxes	56,527	74,442	17,915
Swamp taxes	61,436	82,829	21,393
Trailer taxes	216	-	(216)
Federal payment in lieu of taxes	271,095	271,095	-
Total taxes	<u>5,455,491</u>	<u>5,467,430</u>	<u>11,939</u>
Licenses and Permits:			
Dog licenses	850	866	16
Building permits	285,000	319,915	34,915
Other permits	8,000	10,003	2,003
Total Licenses and Permits	<u>293,850</u>	<u>330,784</u>	<u>36,934</u>
Federal Sources:			
Civil defense	23,500	25,512	2,012
Total Federal Sources	<u>23,500</u>	<u>25,512</u>	<u>2,012</u>
State Sources:			
Judges standardization	108,823	108,823	-
State income taxes	682,419	681,225	(1,194)
State liquor taxes	269,389	281,412	12,023
Case flow assistance	12,000	12,840	840
Snowmobile safety program	18,653	16,000	(2,653)
Probate Judge's salary	102,966	103,513	547
Marine safety	18,827	10,706	(8,121)
Friend of the Court - cooperative reimbursement	259,562	206,078	(53,484)
Prosecutor - cooperative reimbursement	53,100	51,634	(1,466)
Township liquor fees	3,500	3,072	(428)
Friend of the court incentive	29,488	28,657	(831)
Secondary road patrol	53,010	53,010	-
Victim's rights reimbursement	8,400	17,601	9,201
Court reimbursement	83,000	90,582	7,582
Welfare fraud reimbursement	500	-	(500)
Remonumentation program	75,000	85,934	10,934
ORV grant	6,536	14,650	8,114
Total State Sources	<u>1,785,173</u>	<u>1,765,737</u>	<u>(19,436)</u>



**COUNTY OF HOUGHTON, MICHIGAN**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)**  
**For the Year Ended September 30, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Charges for Services:			
Circuit Court costs	34,000	30,508	(3,492)
Circuit Court services	32,000	30,805	(1,195)
District Court services	190,000	193,534	3,534
District Court supervision fees	31,000	30,766	(234)
District Court civil fees	120,000	130,333	10,333
Register of Deeds services	140,000	153,691	13,691
Real estate transfer tax	65,000	80,322	15,322
Friend of Court services	86,140	64,874	(21,266)
Probate Court services	12,000	13,293	1,293
Treasurer services	13,600	12,036	(1,564)
Clerk services	58,000	52,510	(5,490)
Sheriff services	135,700	131,683	(4,017)
Tax department services	42,500	48,864	6,364
Bond costs	500	850	350
Remonumentation fees	300	305	5
Attorney fees	2,500	11,171	8,671
Prisoner board	125,000	121,707	(3,293)
Circuit/District Court reimbursement	131,131	129,989	(1,142)
Circuit Court enhancement fees	1,200	800	(400)
Total Charges for Services	<u>1,220,571</u>	<u>1,238,041</u>	<u>17,470</u>
Interest Earnings	<u>200,000</u>	<u>222,579</u>	<u>22,579</u>
Other Revenues:			
Penal fines	50	1,062	1,012
Ordinance fines and costs	5,000	5,896	896
Bond forfeitures	2,000	6,900	4,900
Rentals	31,018	32,258	1,240
Sale of assets	64,651	64,651	-
Refunds	8,500	21,040	12,540
Controller administration	3,552	3,552	-
Insurance recoveries	9,000	9,415	415
Civil defense services	12,000	17,918	5,918
Reimbursements	16,000	15,404	(596)
Miscellaneous other	1,100	62,800	61,700
Total Other Revenues	<u>152,871</u>	<u>240,896</u>	<u>88,025</u>
<b>TOTAL REVENUES</b>	<u><b>9,131,456</b></u>	<u><b>9,290,979</b></u>	<u><b>159,523</b></u>

**COUNTY OF HOUGHTON, MICHIGAN**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)**  
**For the Year Ended September 30, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
EXPENDITURES:			
LEGISLATIVE:			
Board of Commissioners:			
Personnel services	38,100	37,484	616
Supplies	104	104	-
Other services and charges	56,800	50,610	6,190
Total Board of Commissioners	<u>95,004</u>	<u>88,198</u>	<u>6,806</u>
JUDICIAL:			
Circuit Court:			
Personnel services	160,764	160,008	756
Supplies	7,200	3,042	4,158
Other services and charges	118,150	102,942	15,208
Total Circuit Court	<u>286,114</u>	<u>265,992</u>	<u>20,122</u>
District Court:			
Personnel services	354,562	355,785	(1,223)
Supplies	11,200	10,466	734
Other services and charges	75,175	66,695	8,480
Total District Court	<u>440,937</u>	<u>432,946</u>	<u>7,991</u>
Friend of the Court:			
Personnel services	271,480	271,489	(9)
Office supplies	2,650	2,493	157
Other services and charges	97,400	77,414	19,986
Total Friend of the Court	<u>371,530</u>	<u>351,396</u>	<u>20,134</u>
Friend of the Court - access/visitation grant:			
Other services and charges	2,500	688	1,812
Total Friend of the Court - access/visitation grant	<u>2,500</u>	<u>688</u>	<u>1,812</u>
Probate Court:			
Personnel services	347,367	346,545	822
Office supplies	5,908	6,206	(298)
Other services and charges	45,750	30,762	14,988
Total Probate Court	<u>399,025</u>	<u>383,513</u>	<u>15,512</u>
TOTAL JUDICIAL	<u>1,500,106</u>	<u>1,434,535</u>	<u>65,571</u>

**COUNTY OF HOUGHTON, MICHIGAN**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)**  
**For the Year Ended September 30, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>GENERAL GOVERNMENT:</b>			
County Clerk:			
Personnel services	155,592	154,259	1,333
Supplies	5,521	5,313	208
Other services and charges	3,850	2,517	1,333
Total County Clerk	<u>164,963</u>	<u>162,089</u>	<u>2,874</u>
Equalization:			
Personnel services	181,463	182,477	(1,014)
Supplies	5,150	2,347	2,803
Other services and charges	14,800	9,293	5,507
Total Equalization	<u>201,413</u>	<u>194,117</u>	<u>7,296</u>
Elections:			
Personnel services	400	300	100
Supplies	29,000	26,789	2,211
Other services and charges	2,000	1,886	114
Total Elections	<u>31,400</u>	<u>28,975</u>	<u>2,425</u>
Register of Deeds:			
Personnel services	115,226	113,429	1,797
Supplies	2,400	2,394	6
Other services and charges	3,600	2,706	894
Total Register of Deeds	<u>121,226</u>	<u>118,529</u>	<u>2,697</u>
Remonumentation:			
Other services and charges	89,000	80,862	8,138
Total Remonumentation	<u>89,000</u>	<u>80,862</u>	<u>8,138</u>
Record Copying:			
Supplies	800	-	800
Other services and charges	1,000	-	1,000
Total Record Copying	<u>1,800</u>	<u>-</u>	<u>1,800</u>
Mailing:			
Supplies	37,200	33,106	4,094
Other services and charges	1,600	1,487	113
Total Mailing	<u>38,800</u>	<u>34,593</u>	<u>4,207</u>
Courthouse and grounds:			
Personnel services	44,624	42,798	1,826
Supplies	19,000	13,942	5,058
Other services and charges	113,100	86,660	26,440
Total Courthouse and Grounds	<u>176,724</u>	<u>143,400</u>	<u>33,324</u>

**COUNTY OF HOUGHTON, MICHIGAN**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)**  
**For the Year Ended September 30, 2015**

	Budget	Actual	Variance
County Properties:			
Personnel services	14,500	15,775	(1,275)
Other services and charges	25,000	22,976	2,024
Total County Properties	39,500	38,751	749
Treasurer:			
Personnel services	154,717	153,441	1,276
Supplies	1,900	1,566	334
Other services and charges	6,200	4,975	1,225
Total Treasurer	162,817	159,982	2,835
Controller:			
Personnel services	126,725	125,362	1,363
Supplies	1,300	862	438
Other services and charges	30,925	28,657	2,268
Total Controller	158,950	154,881	4,069
Drain Commissioner:			
Personnel services	32,500	33,051	(551)
Supplies	100	65	35
Other services and charges	3,400	3,039	361
Total Drain Commissioner	36,000	36,155	(155)
Prosecuting Attorney:			
Personnel services	241,446	240,420	1,026
Supplies	12,430	12,229	201
Other services and charges	17,550	13,932	3,618
Total Prosecuting Attorney	271,426	266,581	4,845
Cooperative Extensions:			
Personnel services	26,754	24,572	2,182
Other services and charges	36,290	35,761	529
Total Cooperative Extensions	63,044	60,333	2,711
<b>TOTAL GENERAL GOVERNMENT</b>	<b>1,557,063</b>	<b>1,479,248</b>	<b>77,815</b>
<b>PUBLIC SAFETY:</b>			
Law enforcement:			
Sheriff:			
Personnel services	823,441	828,657	(5,216)
Supplies	56,000	34,797	21,203
Other services and charges	96,250	84,560	11,690
Total sheriff	975,691	948,014	27,677

**COUNTY OF HOUGHTON, MICHIGAN**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)**  
**For the Year Ended September 30, 2015**

	Budget	Actual	Variance
Sheriff - secondary roads:			
Personnel services	168,035	149,531	18,504
Supplies	25,500	24,969	531
Total sheriff - secondary roads	193,535	174,500	19,035
Snowmobile safety:			
Personnel services	13,545	13,473	72
Supplies	750	316	434
Other services and charges	1,650	2,112	(462)
Total snowmobile safety	15,945	15,901	44
ORV grant:			
Personnel services	8,886	9,086	(200)
Supplies	650	110	540
Other services and charges	1,000	132	868
Total ORV grant	10,536	9,328	1,208
Total law enforcement:	1,195,707	1,147,743	47,964
Corrections (Jail):			
Personnel services	367,108	348,887	18,221
Supplies	22,600	24,033	(1,433)
Other services and charges	256,200	230,967	25,233
Total Corrections (Jail)	645,908	603,887	42,021
Protection:			
Marine safety:			
Supplies	4,000	4,002	(2)
Other services and charges	4,000	723	3,277
Total marine safety	8,000	4,725	3,275
Mine inspector:			
Personnel services	10,408	8,718	1,690
Travel	750	525	225
Other services and charges	3,300	3,048	252
Total mine inspector	14,458	12,291	2,167
Building inspector:			
Personnel services	142,287	149,534	(7,247)
Supplies	6,800	4,441	2,359
Other services and charges	109,275	108,714	561
Total building inspector	258,362	262,689	(4,327)

**COUNTY OF HOUGHTON, MICHIGAN**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)**  
**For the Year Ended September 30, 2015**

	Budget	Actual	Variance
Civil defense:			
Personnel services	53,010	52,970	40
Supplies	606	525	81
Other services and charges	24,217	23,171	1,046
Total civil defense	77,833	76,666	1,167
Animal control:			
Other services and charges	17,000	15,282	1,718
Total animal control	17,000	15,282	1,718
Total protection	375,653	371,653	4,000
<b>TOTAL PUBLIC SAFETY</b>	<b>2,217,268</b>	<b>2,123,283</b>	<b>93,985</b>
<b>HEALTH AND WELFARE:</b>			
Contributions to others:			
Substance abuse	134,695	140,706	(6,011)
Medical examiner	32,500	31,726	774
Veteran's burials	24,000	22,288	1,712
Commission on aging	2,000	2,000	-
<b>TOTAL HEALTH AND WELFARE</b>	<b>193,195</b>	<b>196,720</b>	<b>(3,525)</b>
<b>RECREATION AND CULTURE:</b>			
Contributions to others:			
Western UP Planning and Development	12,966	12,966	-
UPCAP	1,100	1,100	-
Other services	12,904	12,904	-
Recreation and development council	350	350	-
<b>TOTAL RECREATION AND CULTURE</b>	<b>27,320</b>	<b>27,320</b>	<b>-</b>
<b>OTHER:</b>			
Fringe benefits:			
Social security	287,408	267,703	19,705
Hospitalization	721,224	617,350	103,874
Life insurance	6,000	5,116	884
Retirement	930,962	913,129	17,833
Workman's compensation	15,000	9,574	5,426
Unemployment	12,500	-	12,500
Other	1,000	-	1,000
Total fringe benefits	1,974,094	1,812,872	161,222

**COUNTY OF HOUGHTON, MICHIGAN**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)**  
**For the Year Ended September 30, 2015**

	Budget	Actual	Variance
Special appropriations:			
Jury commission	1,200	580	620
Planning commission	4,900	4,344	556
Copper Country Mental Health Authority	164,495	164,495	-
Township mapping project	2,000	-	2,000
Total special appropriations	<u>172,595</u>	<u>169,419</u>	<u>3,176</u>
Other:			
Miscellaneous	8,000	9,602	(1,602)
Insurance	110,000	102,878	7,122
Refunds	4,900	1,415	3,485
Total other	<u>122,900</u>	<u>113,895</u>	<u>9,005</u>
TOTAL OTHER	<u>2,269,589</u>	<u>2,096,186</u>	<u>173,403</u>
CAPITAL OUTLAY	<u>217,103</u>	<u>198,629</u>	<u>18,474</u>
DEBT SERVICE	<u>129,767</u>	<u>130,368</u>	<u>(601)</u>
TOTAL EXPENDITURES	<u>8,206,415</u>	<u>7,774,487</u>	<u>431,928</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>925,041</u>	<u>1,516,492</u>	<u>591,451</u>
OTHER FINANCING SOURCES (USES):			
Net increase (decrease) in fair value of investments	<u>75,000</u>	<u>184,634</u>	<u>109,634</u>
Transfers in:			
Family counseling fund	500	500	-
Delinquent tax revolving funds	200,000	200,000	-
Total transfers in	<u>200,500</u>	<u>200,500</u>	<u>-</u>
Transfers (out):			
Airport fund	(275,000)	(275,000)	-
Law library fund	(10,000)	(10,000)	-
Child care fund	(160,000)	(160,000)	-
Tri-county work camp fund	(390,000)	(350,000)	40,000
ROD automation fund	(38,000)	(30,190)	7,810
Airport water/sewer fund	(8,299)	(3,299)	5,000
Total transfers (out)	<u>(881,299)</u>	<u>(828,489)</u>	<u>52,810</u>

**COUNTY OF HOUGHTON, MICHIGAN**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)**  
**For the Year Ended September 30, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Transfers to component units:			
Western UP Health Department	<u>(250,110)</u>	<u>(250,110)</u>	<u>-</u>
Total transfers to component units:	<u>(250,110)</u>	<u>(250,110)</u>	<u>-</u>
 TOTAL OTHER FINANCING SOURCES (USES):	 <u>(855,909)</u>	 <u>(693,465)</u>	 <u>162,444</u>
 NET CHANGE IN FUND BALANCE	 <u>\$ 69,132</u>	 823,027	 <u>\$ 753,895</u>
 FUND BALANCES - BEGINNING OF YEAR		 <u>2,812,945</u>	
 FUND BALANCES - END OF YEAR		 <u>\$ 3,635,972</u>	



**COUNTY OF HOUGHTON, MICHIGAN**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**

**September 30, 2015**

	Special Revenue Funds	<u>Capital Project</u> Airport Improvement Fund	Total
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 1,223,230	\$ 41,973	\$ 1,265,203
Receivables	34,964	1,515	36,479
Loan receivables	50,441	-	50,441
Prepays	4,292	-	4,292
Due from state	67,240	-	67,240
<b>TOTAL ASSETS</b>	<b>\$ 1,380,167</b>	<b>\$ 43,488</b>	<b>\$ 1,423,655</b>
<b>LIABILITIES:</b>			
Cash overdraft	\$ 4,729	-	\$ 4,729
Accounts payable	60,849	70	60,919
Accrued payroll and wages	13,105	-	13,105
Due to other funds	177,411	-	177,411
Deferred revenue	50,441	-	50,441
<b>TOTAL LIABILITIES</b>	<b>306,535</b>	<b>70</b>	<b>306,605</b>
<b>FUND BALANCES:</b>			
Restricted	1,073,632	43,418	1,117,050
<b>TOTAL FUND BALANCES</b>	<b>1,073,632</b>	<b>43,418</b>	<b>1,117,050</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,380,167</b>	<b>\$ 43,488</b>	<b>\$ 1,423,655</b>

**COUNTY OF HOUGHTON, MICHIGAN**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**For the Year Ended September 30, 2015**

	<u>Capital Projects</u>		<u>Total</u>
	<u>Special</u>	<u>Airport</u>	
	<u>Revenue</u>	<u>Improvement</u>	
	<u>Funds</u>	<u>Fund</u>	
REVENUES:			
Property taxes	\$ 151,196	\$ -	\$ 151,196
Federal sources	399,230	-	399,230
State sources	420,151	-	420,151
Local sources	72,839	12,247	85,086
Charges for services	141,615	-	141,615
Interest	3,714	-	3,714
Other	102,303	-	102,303
<b>TOTAL REVENUES</b>	<b>1,291,048</b>	<b>12,247</b>	<b>1,303,295</b>
EXPENDITURES:			
Judicial	200,653	-	200,653
General government	113,188	-	(113,188)
Public safety	878,816	-	878,816
Health and welfare	491,900	-	491,900
Community and economic development	56,954	-	56,954
Capital outlay	-	6,859	6,859
Debt service	-	4,295	4,295
<b>TOTAL EXPENDITURES</b>	<b>1,741,511</b>	<b>11,154</b>	<b>1,752,665</b>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(450,463)	1,093	(449,370)
OTHER FINANCING SOURCES (USES):			
Transfers in (out)	549,690	-	549,690
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(549,690)</b>	<b>-</b>	<b>549,690</b>
NET CHANGE IN FUND BALANCE	99,227	1,093	100,320
FUND BALANCES - BEGINNING OF YEAR	974,405	42,325	1,016,730
FUND BALANCES - END OF YEAR	<b>\$ 1,073,632</b>	<b>\$ 43,418</b>	<b>\$ 1,117,050</b>

**COUNTY OF HOUGHTON, MICHIGAN**  
**NON-MAJOR GOVERNMENTAL - SPECIAL REVENUE FUNDS**  
**COMBINING BALANCE SHEET**  
**September 30, 2015**

	Region 8 - 2013 All County Fund	Region 8 - 2011 All County Grant Fund	Region 8 - CITZ CORP & IECGP Grant Fund	Region 8 - 2014 All County Fund	Houghton Keweenaw Recreation Authority	Prosecutor's Forfeiture Account Fund	Tri-County Community Corrections Fund
<b>ASSETS:</b>							
Cash and cash equivalents	\$ -	\$ 122	\$ 2,194	\$ -	\$ 343	\$ 3,029	\$ 46,404
Receivables	-	-	-	-	-	-	22,065
Loan receivables	-	-	-	-	-	-	-
Prepays	-	-	-	-	-	-	600
Due from state	-	-	-	-	-	-	300
<b>TOTAL ASSETS</b>	<b>\$ -</b>	<b>\$ 122</b>	<b>\$ 2,194</b>	<b>\$ -</b>	<b>\$ 343</b>	<b>\$ 3,029</b>	<b>\$ 69,369</b>
<b>LIABILITIES:</b>							
Cash overdraft	\$ -	\$ -	\$ -	\$ 538	\$ -	\$ -	\$ -
Accounts payable	-	-	-	2,135	-	-	3,993
Accrued payroll and wages	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,673</b>	<b>-</b>	<b>-</b>	<b>3,993</b>
<b>FUND BALANCES:</b>							
Nonspendable - prepaids	-	-	-	-	-	-	600
Restricted	-	122	2,194	(2,673)	343	3,029	64,776
<b>TOTAL FUND BALANCES</b>	<b>-</b>	<b>122</b>	<b>2,194</b>	<b>(2,673)</b>	<b>343</b>	<b>3,029</b>	<b>65,376</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ -</b>	<b>\$ 122</b>	<b>\$ 2,194</b>	<b>\$ -</b>	<b>\$ 343</b>	<b>\$ 3,029</b>	<b>\$ 69,369</b>

**COUNTY OF HOUGHTON, MICHIGAN**  
**NON-MAJOR GOVERNMENTAL - SPECIAL REVENUE FUNDS**  
**COMBINING BALANCE SHEET**  
**September 30, 2015**

	Tri-County Work Camp Fund	Special Equipment & Reward Fund	Twin Lake Special Assessment District	Rice Lake Special Assessment District	ORV Equipment Fund	Friend of The Court Fund	A.L.E.R.T. Fund
<b>ASSETS:</b>							
Cash and cash equivalents	\$ 86,365	\$ 6,738	\$ -	\$ -	\$ 3,691	\$ 34,549	\$ 23,501
Receivables	6,183	-	-	-	-	-	-
Loan receivables	-	-	-	-	-	-	-
Prepays	3,683	-	-	-	-	-	-
Due from state	-	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 96,231</b>	<b>\$ 6,738</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,691</b>	<b>\$ 34,549</b>	<b>\$ 23,501</b>
<b>LIABILITIES:</b>							
Cash overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	5,443	-	12,434	7,424	-	36	-
Accrued payroll and wages	9,811	-	-	-	-	-	-
Due to other funds	-	-	47,805	85,626	-	-	-
Deferred revenue	-	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>15,254</b>	<b>-</b>	<b>60,239</b>	<b>93,050</b>	<b>-</b>	<b>36</b>	<b>-</b>
<b>FUND BALANCES:</b>							
Nonspendable - prepaids	3,683	-	-	-	-	-	-
Restricted	77,294	6,738	(60,239)	(93,050)	3,691	34,513	23,501
	80,977	6,738	(60,239)	(93,050)	3,691	34,513	23,501
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 96,231</b>	<b>\$ 6,738</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,691</b>	<b>\$ 34,549</b>	<b>\$ 23,501</b>

**COUNTY OF HOUGHTON, MICHIGAN**  
**NON-MAJOR GOVERNMENTAL - SPECIAL REVENUE FUNDS**  
**COMBINING BALANCE SHEET**  
**September 30, 2015**

	Land Bank Authority Fund	2008 Delinquent Property Tax Sale Fund	2009 Delinquent Property Tax Sale Fund	2010 Delinquent Property Tax Sale Fund	2011 Delinquent Property Tax Sale Fund	ROD Automation Fund	Law Library Fund
<b>ASSETS:</b>							
Cash and cash equivalents	\$ 43,515	\$ 15,350	\$ 37,019	\$ 181,906	\$ 58,734	\$ 173,484	-
Receivables	-	-	-	-	-	-	-
Loan receivables	-	-	-	-	-	-	-
Prepays	-	-	-	-	-	-	-
Due from state	-	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 43,515</b>	<b>\$ 15,350</b>	<b>\$ 37,019</b>	<b>\$ 181,906</b>	<b>\$ 58,734</b>	<b>\$ 173,484</b>	<b>-</b>
<b>LIABILITIES:</b>							
Cash overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	1,364
Accounts payable	-	-	-	-	-	1,122	1,019
Accrued payroll and wages	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,122</b>	<b>2,383</b>
<b>FUND BALANCES:</b>							
Nonspendable - prepaids	-	-	-	-	-	-	-
Restricted	43,515	15,350	37,019	181,906	58,734	172,362	(2,383)
	43,515	15,350	37,019	181,906	58,734	172,362	(2,383)
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 43,515</b>	<b>\$ 15,350</b>	<b>\$ 37,019</b>	<b>\$ 181,906</b>	<b>\$ 58,734</b>	<b>\$ 173,484</b>	<b>-</b>

**COUNTY OF HOUGHTON, MICHIGAN**  
**NON-MAJOR GOVERNMENTAL - SPECIAL REVENUE FUNDS**  
**COMBINING BALANCE SHEET**  
**September 30, 2015**

	Houghton- Keweenaw Trail Rescue Fund	Concealed Pistol Licensing Fund	Corrections Officers Training Fund	Justice Training Fund	Drug Court	Brownfield Fund	CDBG Homebuyer Program Fund	Department of Human Services Fund
<b>ASSETS:</b>								
Cash and cash equivalents	\$ 661	\$ 2,890	\$ -	\$ 3,880	\$ -	\$ 105,700	\$ 8,648	\$ 8,161
Receivables	-	-	-	-	-	-	-	-
Loan receivables	-	-	-	-	-	-	-	-
Prepays	-	-	-	-	-	-	-	-
Due from state	-	-	-	-	55,729	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 661</b>	<b>\$ 2,890</b>	<b>\$ -</b>	<b>\$ 3,880</b>	<b>\$ 55,729</b>	<b>\$ 105,700</b>	<b>\$ 8,648</b>	<b>\$ 8,161</b>
<b>LIABILITIES:</b>								
Cash overdraft	\$ -	\$ -	\$ 1,467	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	-	200	960	15,024	-	-	-
Accrued payroll and wages	-	-	-	-	1,392	-	-	-
Due to other funds	-	-	-	-	36,998	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>1,667</b>	<b>960</b>	<b>53,414</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES:</b>								
Nonspendable - prepaids	-	-	-	-	-	-	-	-
Restricted	661	2,890	(1,667)	2,920	2,315	105,700	8,648	8,161
	661	2,890	(1,667)	2,920	2,315	105,700	8,648	8,161
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 661</b>	<b>\$ 2,890</b>	<b>\$ -</b>	<b>\$ 3,880</b>	<b>\$ 55,729</b>	<b>\$ 105,700</b>	<b>\$ 8,648</b>	<b>\$ 8,161</b>

**COUNTY OF HOUGHTON, MICHIGAN**  
**NON-MAJOR GOVERNMENTAL - SPECIAL REVENUE FUNDS**  
**COMBINING BALANCE SHEET**  
**September 30, 2015**

	Department of Veteran Affairs Fund	Otter Lake Assessment District Fund	Child Care Fund	Veteran's Trust Fund	Family Counseling Fund	EDC Revolving Loan Fund	CDBG 2012-2014 Program Fund	CDBG 2015-2017 Program Fund	Total
<b>ASSETS:</b>									
Cash and cash equivalents	\$ 91,167	\$ -	\$ 71,987	\$ -	\$ 26,411	\$ 186,700	\$ -	\$ 81	\$ 1,223,230
Receivables	1,713	-	5,003	-	-	-	-	-	34,964
Loan receivables	-	-	-	-	-	50,441	-	-	50,441
Prepays	-	-	9	-	-	-	-	-	4,292
Due from state	-	-	5,211	6,000	-	-	-	-	67,240
<b>TOTAL ASSETS</b>	<b>\$ 92,880</b>	<b>\$ -</b>	<b>\$ 82,210</b>	<b>\$ 6,000</b>	<b>\$ 26,411</b>	<b>\$ 237,141</b>	<b>\$ -</b>	<b>\$ 81</b>	<b>\$ 1,380,167</b>
<b>LIABILITIES:</b>									
Cash overdraft	\$ -	\$ -	\$ -	\$ 1,360	\$ -	\$ -	\$ -	\$ -	\$ 4,729
Accounts payable	555	1,051	8,606	57	290	500	-	-	60,849
Accrued payroll and wages	1,902	-	-	-	-	-	-	-	13,105
Due to other funds	-	6,982	-	-	-	-	-	-	177,411
Deferred revenue	-	-	-	-	-	50,441	-	-	50,441
<b>TOTAL LIABILITIES</b>	<b>2,457</b>	<b>8,033</b>	<b>8,606</b>	<b>1,417</b>	<b>290</b>	<b>50,941</b>	<b>-</b>	<b>-</b>	<b>306,535</b>
<b>FUND BALANCES:</b>									
Nonspendable - prepaids	-	-	9	-	-	-	-	-	4,292
Restricted	90,423	(8,033)	73,595	4,583	26,121	186,200	-	81	1,069,340
	90,423	(8,033)	73,604	4,583	26,121	186,200	-	81	1,073,632
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 92,880</b>	<b>\$ -</b>	<b>\$ 82,210</b>	<b>\$ 6,000</b>	<b>\$ 26,411</b>	<b>\$ 237,141</b>	<b>\$ -</b>	<b>\$ 81</b>	<b>\$ 1,380,167</b>

**COUNTY OF HOUGHTON, MICHIGAN**  
**NON-MAJOR GOVERNMENTAL - SPECIAL REVENUES FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**For the Year Ended September 30, 2015**

	Region 8 - 2013 All County Fund	Region 8 - 2011 All County Grant Fund	Region 8 - CITZ CORP & IECGP Grant Fund	Region 8 - 2014 All County Fund	Houghton Keweenaw Recreation Authority	Prosecutor's Forfeiture Account Fund	Tri-County Community Corrections Fund
REVENUES:							
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Federal sources	302,561	-	-	71,981	-	-	-
State sources	-	-	-	-	-	-	126,822
Local sources	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	13,290
Interest	-	-	-	-	-	-	-
Other revenues	-	-	-	-	-	-	-
<b>TOTAL REVENUES</b>	<b>302,561</b>	<b>-</b>	<b>-</b>	<b>71,981</b>	<b>-</b>	<b>-</b>	<b>140,112</b>
EXPENDITURES:							
Judicial	-	-	-	-	-	-	-
General government	-	-	-	-	102	-	-
Public safety	245,819	-	-	66,138	-	-	123,476
Health and welfare	56,742	-	-	8,516	-	-	-
Community and economic development	-	-	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>302,561</b>	<b>-</b>	<b>-</b>	<b>74,654</b>	<b>102</b>	<b>-</b>	<b>123,476</b>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-	(2,673)	(102)	-	16,636
OTHER FINANCING SOURCES (USES):							
Transfers in (out)	-	-	-	-	-	-	-
Total other financing sources	-	-	-	-	-	-	-
NET CHANGE IN FUND BALANCE	-	-	-	(2,673)	(102)	-	16,636
FUND BALANCES - BEGINNING OF YEAR	-	122	2,194	-	445	3,029	48,740
FUND BALANCES - END OF YEAR	\$ -	\$ 122	\$ 2,194	\$ (2,673)	\$ 343	\$ 3,029	\$ 65,376



**COUNTY OF HOUGHTON, MICHIGAN**  
**NON-MAJOR GOVERNMENTAL - SPECIAL REVENUES FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**For the Year Ended September 30, 2015**

	Tri-County Work Camp Fund	Special Equipment & Reward Fund	Twin Lake Special Assessment District	Rice Lake Special Assessment District	ORV Equipment Fund	Friend of The Court Fund	A.L.E.R.T. Fund
REVENUES:							
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Federal sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	2,617	-
Local sources	-	5,047	-	-	-	-	4,489
Charges for services	73,675	-	-	-	-	8,740	-
Interest	-	21	-	-	-	-	-
Other revenues	-	-	-	-	-	-	-
<b>TOTAL REVENUES</b>	<b>73,675</b>	<b>5,068</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,357</b>	<b>4,489</b>
EXPENDITURES:							
Judicial	-	-	-	-	-	5,027	-
General government	-	-	29,824	47,076	-	-	-
Public safety	417,043	9,362	-	-	-	-	2,363
Health and welfare	-	-	-	-	-	-	-
Community and economic development	-	-	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>417,043</b>	<b>9,362</b>	<b>29,824</b>	<b>47,076</b>	<b>-</b>	<b>5,027</b>	<b>2,363</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(343,368)</b>	<b>(4,294)</b>	<b>(29,824)</b>	<b>(47,076)</b>	<b>-</b>	<b>6,330</b>	<b>2,126</b>
OTHER FINANCING SOURCES (USES):							
Transfers in (out)	350,000	-	-	-	-	-	-
Total other financing sources	350,000	-	-	-	-	-	-
<b>NET CHANGE IN FUND BALANCE</b>	<b>6,632</b>	<b>(4,294)</b>	<b>(29,824)</b>	<b>(47,076)</b>	<b>-</b>	<b>6,330</b>	<b>2,126</b>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<b>74,345</b>	<b>11,032</b>	<b>(30,415)</b>	<b>(45,974)</b>	<b>3,691</b>	<b>28,183</b>	<b>21,375</b>
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 80,977</b>	<b>\$ 6,738</b>	<b>\$ (60,239)</b>	<b>\$ (93,050)</b>	<b>\$ 3,691</b>	<b>\$ 34,513</b>	<b>\$ 23,501</b>

**COUNTY OF HOUGHTON, MICHIGAN**  
**NON-MAJOR GOVERNMENTAL - SPECIAL REVENUES FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**For the Year Ended September 30, 2015**

	Land Bank Authority Fund	2008 Delinquent Property Tax Sale Fund	2009 Delinquent Property Tax Sale Fund	2010 Delinquent Property Tax Sale Fund	2011 Delinquent Property Tax Sale Fund	ROD Automation Fund	Law Library Fund
REVENUES:							
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Local sources	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	4,500
Interest	35	-	-	526	-	404	-
Other revenues	9,944	-	-	58,592	-	-	-
<b>TOTAL REVENUES</b>	<b>9,979</b>	<b>-</b>	<b>-</b>	<b>59,118</b>	<b>-</b>	<b>404</b>	<b>4,500</b>
EXPENDITURES:							
Judicial	-	-	-	-	-	-	17,542
General government	-	-	-	12,750	-	13,283	-
Public safety	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-
Community and economic development	84	-	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>84</b>	<b>-</b>	<b>-</b>	<b>12,750</b>	<b>-</b>	<b>13,283</b>	<b>17,542</b>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	9,895	-	-	46,368	-	(12,879)	(13,042)
OTHER FINANCING SOURCES (USES):							
Transfers in (out)	-	-	-	-	-	30,190	10,000
Total other financing sources	-	-	-	-	-	30,190	10,000
NET CHANGE IN FUND BALANCE	9,895	-	-	46,368	-	17,311	(3,042)
FUND BALANCES - BEGINNING OF YEAR	33,620	15,350	37,019	135,538	58,734	155,051	659
FUND BALANCES - END OF YEAR	\$ 43,515	\$ 15,350	\$ 37,019	\$ 181,906	\$ 58,734	\$ 172,362	\$ (2,383)

**COUNTY OF HOUGHTON, MICHIGAN**  
**NON-MAJOR GOVERNMENTAL - SPECIAL REVENUES FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**For the Year Ended September 30, 2015**

	Houghton- Keweenaw Trail Rescue Fund	Concealed Pistol Licensing Fund	Corrections Officers Training Fund	Justice Training Fund	Drug Court	Brownfield Fund	CDBG Homebuyer Program Fund	Department of Human Services Fund
REVENUES:								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	62,854	\$ -	-
Federal sources	-	-	-	-	-	-	-	-
State sources	-	-	-	4,198	163,923	-	-	-
Local sources	-	-	-	-	-	-	-	-
Charges for services	-	3,276	3,879	-	8,465	-	-	-
Interest	-	-	-	-	-	1	-	-
Other revenues	-	-	-	-	-	-	8,667	-
<b>TOTAL REVENUES</b>	<b>-</b>	<b>3,276</b>	<b>3,879</b>	<b>4,198</b>	<b>172,388</b>	<b>62,855</b>	<b>8,667</b>	<b>-</b>
EXPENDITURES:								
Judicial	-	-	-	-	178,084	-	-	-
General government	-	-	-	-	-	-	-	-
Public safety	-	386	7,857	6,372	-	-	-	-
Health and welfare	-	-	-	-	-	-	-	4,579
Community and economic development	-	-	-	-	-	-	3,038	-
<b>TOTAL EXPENDITURES</b>	<b>-</b>	<b>386</b>	<b>7,857</b>	<b>6,372</b>	<b>178,084</b>	<b>-</b>	<b>3,038</b>	<b>4,579</b>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	2,890	(3,978)	(2,174)	(5,696)	62,855	5,629	(4,579)
OTHER FINANCING SOURCES (USES):								
Transfers in (out)	-	-	-	-	-	-	-	-
Total other financing sources	-	-	-	-	-	-	-	-
NET CHANGE IN FUND BALANCE	-	2,890	(3,978)	(2,174)	(5,696)	62,855	5,629	(4,579)
FUND BALANCES - BEGINNING OF YEAR	661	-	2,311	5,094	8,011	42,845	3,019	12,740
FUND BALANCES - END OF YEAR	\$ 661	\$ 2,890	\$ (1,667)	\$ 2,920	\$ 2,315	\$ 105,700	\$ 8,648	\$ 8,161

**COUNTY OF HOUGHTON, MICHIGAN**  
**NON-MAJOR GOVERNMENTAL - SPECIAL REVENUES FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**For the Year Ended September 30, 2015**

	Department of Veteran Affairs Fund	Otter Lake Assessment District Fund	Child Care Fund	Veteran's Trust Fund	Family Counseling Fund	EDC Revolving Loan Fund	CDBG 2012-2014 Program Fund	CDBG 2015-2017 Program Fund	Total
REVENUES:									
Property taxes	\$ 88,342	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 151,196
Federal sources	-	-	-	-	-	-	19,688	5,000	399,230
State sources	-	-	102,239	20,352	-	-	-	-	420,151
Local sources	-	63,303	-	-	-	-	-	-	72,839
Charges for services	-	-	22,910	-	2,880	-	-	-	141,615
Interest	-	-	-	-	-	2,727	-	-	3,714
Other revenues	4,531	-	-	-	-	20,569	-	-	102,303
<b>TOTAL REVENUES</b>	<b>92,873</b>	<b>63,303</b>	<b>125,149</b>	<b>20,352</b>	<b>2,880</b>	<b>23,296</b>	<b>19,688</b>	<b>5,000</b>	<b>1,291,048</b>
EXPENDITURES:									
Judicial	-	-	-	-	-	-	-	-	200,653
General government	-	10,153	-	-	-	-	-	-	113,188
Public safety	-	-	-	-	-	-	-	-	878,816
Health and welfare	87,031	-	311,733	18,019	5,280	-	-	-	491,900
Community and economic development	-	-	-	-	-	28,340	20,573	4,919	56,954
<b>TOTAL EXPENDITURES</b>	<b>87,031</b>	<b>10,153</b>	<b>311,733</b>	<b>18,019</b>	<b>5,280</b>	<b>28,340</b>	<b>20,573</b>	<b>4,919</b>	<b>1,741,511</b>
EXCESS OF REVENUES OVER (UNDER) EXPENDITUR	5,842	53,150	(186,584)	2,333	(2,400)	(5,044)	(885)	81	(450,463)
OTHER FINANCING SOURCES (USES):									
Transfers in (out)	-	-	160,000	-	(500)	-	-	-	549,690
Total other financing sources	-	-	160,000	-	(500)	-	-	-	(549,690)
NET CHANGE IN FUND BALANCE	5,842	53,150	(26,584)	2,333	(2,900)	(5,044)	(885)	81	99,227
FUND BALANCES - BEGINNING OF YEAR	84,581	(61,183)	100,188	2,250	29,021	191,244	885	-	974,405
FUND BALANCES - END OF YEAR	\$ 90,423	\$ (8,033)	\$ 73,604	\$ 4,583	\$ 26,121	\$ 186,200	\$ -	\$ 81	1,073,632

**COUNTY OF HOUGHTON, MICHIGAN**  
**NON-MAJOR ENTERPRISE FUNDS**  
**COMBINING STATEMENT OF NET POSITION**  
**September 30, 2015**

	911 Fund	Airport Water/Sewer Fund	Passenger Facility Charge Fund	Marina Fund	Car Rental Fund	Total
<b>ASSETS:</b>						
Cash	\$ 425,175	\$ 10,173	\$ 309,039	\$ 144,229	\$ 9,346	\$ 897,962
Account receivables (net)	124,667	9,139	-	-	-	133,806
Inventory	-	-	-	7,860	-	7,860
Prepaid expense	1,220	-	-	2,628	-	3,848
Capital assets - net of accumulated depreciation	892,091	-	-	20,429	-	912,520
<b>TOTAL ASSETS</b>	<b>1,443,153</b>	<b>19,312</b>	<b>309,039</b>	<b>175,146</b>	<b>9,346</b>	<b>1,955,996</b>
<b>LIABILITIES:</b>						
Accounts payable	2,985	4,621	-	2,351	25,175	35,132
Accrued payroll and wages	157	-	-	1,644	-	1,801
Due to other funds	-	-	502,699	-	-	502,699
<b>TOTAL LIABILITIES</b>	<b>3,142</b>	<b>4,621</b>	<b>502,699</b>	<b>3,995</b>	<b>25,175</b>	<b>539,632</b>
<b>NET POSITION:</b>						
Invested in capital assets net of related debt	892,091	-	-	20,429	-	912,520
Unrestricted	547,920	14,691	(193,660)	150,722	(15,829)	503,844
<b>TOTAL NET POSITION</b>	<b>\$ 1,440,011</b>	<b>\$ 14,691</b>	<b>\$ (193,660)</b>	<b>\$ 171,151</b>	<b>\$ (15,829)</b>	<b>\$ 1,416,364</b>

**COUNTY OF HOUGHTON, MICHIGAN**  
**NON-MAJOR ENTERPRISE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION**  
**For the Year Ended September 30, 2015**

	911 Fund	Airport Water/Sewer Fund	Passenger Facility Charge Fund	Marina Fund	Car Rental Fund	Total
<b>OPERATING REVENUES:</b>						
Charges for services	\$ 511,416	\$ 85,847	\$ 102,734	\$ 234,540	\$ 21,232	\$ 955,769
Other revenues	-	15,344	-	1,545	-	16,889
<b>TOTAL OPERATING REVENUES</b>	<b>511,416</b>	<b>101,191</b>	<b>102,734</b>	<b>236,085</b>	<b>21,232</b>	<b>972,658</b>
<b>OPERATING EXPENSES:</b>						
Personnel services	43,912	-	-	37,720	-	81,632
Supplies	4,204	-	-	143,497	-	147,701
Other services and charges	182,900	86,500	71,614	25,830	50,856	417,700
Depreciation	20,472	-	-	3,966	-	24,438
<b>TOTAL OPERATING EXPENSES:</b>	<b>251,488</b>	<b>86,500</b>	<b>71,614</b>	<b>211,013</b>	<b>50,856</b>	<b>671,471</b>
<b>OPERATING INCOME (LOSS)</b>	<b>259,928</b>	<b>14,691</b>	<b>31,120</b>	<b>25,072</b>	<b>(29,624)</b>	<b>301,187</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>						
Interest earnings	2,679	-	634	-	-	3,313
<b>TOTAL NON-OPERATING REVENUES (EXPENSES):</b>	<b>2,679</b>	<b>-</b>	<b>634</b>	<b>-</b>	<b>-</b>	<b>3,313</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>262,607</b>	<b>14,691</b>	<b>31,754</b>	<b>25,072</b>	<b>(29,624)</b>	<b>304,500</b>
Transfers in (out)	-	3,299	-	-	-	(3,299)
<b>CHANGE IN NET POSITION</b>	<b>262,607</b>	<b>17,990</b>	<b>31,754</b>	<b>25,072</b>	<b>(29,624)</b>	<b>307,799</b>
<b>NET POSITION, BEGINNING OF YEAR</b>	<b>1,177,404</b>	<b>(3,299)</b>	<b>(225,414)</b>	<b>146,079</b>	<b>13,795</b>	<b>1,108,565</b>
<b>NET POSITION - END OF YEAR</b>	<b>\$ 1,440,011</b>	<b>\$ 14,691</b>	<b>\$ (193,660)</b>	<b>\$ 171,151</b>	<b>\$ (15,829)</b>	<b>\$ 1,416,364</b>

**COUNTY OF HOUGHTON**  
**NON-MAJOR ENTERPRISE FUNDS**  
**COMBINING STATEMENTS OF CASH FLOWS**  
**For the Year Ended September 30, 2015**

	911 Fund	Airport Water/Sewer System	Passenger Facility Charge Fund	Marina Fund	Car Rental System	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Receipts from customers	\$ 511,891	\$ 101,568	\$ 102,734	\$ 236,085	\$ 21,232	\$ 973,510
Cash paid to employees and suppliers	<u>(274,536)</u>	<u>(93,553)</u>	<u>(71,614)</u>	<u>(198,258)</u>	<u>(25,681)</u>	<u>(663,642)</u>
Net cash provided by operating activities	<u>237,355</u>	<u>8,015</u>	<u>31,120</u>	<u>37,827</u>	<u>(4,449)</u>	<u>309,868</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Operating subsidies and transfers to other funds	<u>-</u>	<u>1,141</u>	<u>70,568</u>	<u>-</u>	<u>-</u>	<u>71,709</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Interest paid on debt	-	-	-	-	-	-
Purchases of capital assets	<u>(827,753)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(827,753)</u>
Net cash (used) by capital and related financing activities	<u>(827,753)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(827,753)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Interest and dividends	<u>2,679</u>	<u>-</u>	<u>634</u>	<u>-</u>	<u>-</u>	<u>3,313</u>
Net cash provided by investing activities	<u>2,679</u>	<u>-</u>	<u>634</u>	<u>-</u>	<u>-</u>	<u>3,313</u>
Net (decrease) in cash and cash equivalents	<u>(587,719)</u>	<u>9,156</u>	<u>102,322</u>	<u>37,827</u>	<u>(4,449)</u>	<u>(442,863)</u>
Balances – beginning of the year	<u>1,012,894</u>	<u>1,017</u>	<u>206,717</u>	<u>106,402</u>	<u>13,795</u>	<u>1,340,825</u>
Balances – end of the year	<u>\$ 425,175</u>	<u>\$ 10,173</u>	<u>\$ 309,039</u>	<u>\$ 144,229</u>	<u>\$ 9,346</u>	<u>\$ 897,962</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	\$ 259,928	\$ 14,691	\$ 31,120	\$ 25,072	\$ (29,624)	\$ 301,187
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation expense	20,472	-	-	3,966	-	24,438
Change in assets and liabilities:						
Receivables, net	475	377	-	-	-	852
Due to/from other governmental units	-	-	-	-	-	-
Inventory	-	-	-	11,845	-	11,845
Prepaid expenses	(718)	-	-	(33)	-	(751)
Accounts and other payables	(42,805)	(7,053)	-	(2,590)	25,175	(27,273)
Accrued expenses	<u>3</u>	<u>-</u>	<u>-</u>	<u>(433)</u>	<u>-</u>	<u>(430)</u>
Net cash provided by operating activities	<u>\$ 237,355</u>	<u>\$ 8,015</u>	<u>\$ 31,120</u>	<u>\$ 37,827</u>	<u>\$ (4,449)</u>	<u>\$ 309,868</u>

**COUNTY OF HOUGHTON, MICHIGAN**  
**FEDERAL AWARDS PROGRAMS**  
September 30, 2015



# RUKKILA | NEGRO AND ASSOCIATES

*Certified Public Accountants, PC*

310 Sheldon Avenue, Houghton, Michigan 49931

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

The Board of Commissioners  
County of Houghton, 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 unit, each major fund and the remaining fund information of the County of Houghton (the County) as of and for the year then ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated March 24, 2016.

### 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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as items 2015-001 and 2015-002.

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 purpose.

**Rukkila, Negro & Associates,  
Certified Public Accountants, PC**

March 24, 2016

# **RUKKILA | NEGRO AND ASSOCIATES**

*Certified Public Accountants, PC*

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## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

The Board of Commissioners  
County of Houghton, Michigan

### **Report on Compliance for Each Major Federal Program**

We have audited the County of Houghton's (the 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 each of the County of Houghton's major federal programs for the year ended September 30, 2015. The County of Houghton's major federal programs are identified in the summary of auditors results section of the accompanying schedule of findings and questioned costs.

### **Management Responsibility**

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

### **Auditor's Responsibility**

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

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

### **Opinion on Each Major Federal Program**

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

## **Report on Internal Control Over Compliance**

Management of the County of Houghton 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 each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County'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.

**Rukkila, Negro & Associates,  
Certified Public Accountants, PC**

March 24, 2016

**COUNTY OF HOUGHTON, MICHIGAN**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended, September 30, 2015**

Federal Grant/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor Number	Federal Expenditures
U.S. Department of Agriculture:			
Passed through the Michigan Department of Community Health			
Women, Infants and Children Program - Breast Feeding Peer Counseling	10.557	W500342	\$ 27,973
Women, Infants and Children Program - Breast Feeding	10.557	IW100342	13,174
Women, Infants and Children Program - Resident Services	10.557	IW100342	254,195
			<u>295,342</u>
Passed through the Michigan Department of Natural Resources			
Schools and Roads - Title I Projects	10.665	N/A	122,797
Passed through Michigan Nutrition Network			
SNAP Ed Nutrition Assistance Program	10.561		73,460
			<u>491,599</u>
Total U.S. Department of Agriculture			
U.S. Department of Housing and Urban Development			
Passed through the Michigan State Housing Development Authority			
CDBG Housing Program Grant	14.228	MSC-2011-0739-HOA	19,688
CDBG Housing Program Grant	14.228	MSC-2014-0739-HO	5,000
			<u>24,688</u>
U.S. Environmental Protection Agency			
Passed through Michigan Department Environmental Quality			
State Drinking Water Revolving Loan Fund Program	66.468	FS97548712	2,494
Great Lakes Beach Monitoring and Notification Program Grant	66.472	PT1011272	7,845
			<u>10,339</u>
Total U.S. Environmental Protection Agency			
U.S. Department of Health and Human Services			
Passed through Michigan Department of Community Health			
Bio-terrorism - Supplemental 10/1/14 through 6/30/15	93.069	U9OTP000528	96,602
Bio-terrorism - Supplemental 7/1/15 through 9/30/15	93.069	U9OTP000528	32,086
Bio-terrorism - Ebola Virus Disease Phase II	93.069	U9OTP000528	3,412
			<u>132,100</u>
Family Planning	93.217	GFPHPA50173 41	34,224
Immunization & Vaccine Program	93.268	H23 CCH522556	6,100
Immunization Billing Practice	93.268	1H231IP000940-1	20,137
Federal Value of Vaccines	93.268		114,184
Childhood Immunization	93.268	H23 CCH522556	31,485
			<u>171,906</u>
Immunization Action Plan - Capacity Building Assistance	93.539	H23IP000752	5,888
Cancer Prevention and Control Program	93.752	1U58DP003921	26,650
Family Planning - BCCCP Joint Project	93.752	1U58DP003921	770
Cancer Prevention and Control Program	93.752	1U58DP003921	8,750
			<u>36,170</u>
TB Control	93.116	U52 CCU500499	100
Medicaid Administration - Case Management Services	93.778	05 U05M15ADM	6,250
Medicaid Administration - Children Special Health Care	93.778	05 U05M15ADM	20,000
Medicaid Administration - Medicaid Outreach	93.778	05 U05M15ADM	80,417
			<u>106,667</u>

**COUNTY OF HOUGHTON, MICHIGAN**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**(Continued)**  
**For the Year Ended, September 30, 2015**

Federal Grant/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor Number	Federal Expenditures
U.S. Department of Health and Human Services (Continued)			
Passed through Michigan Department of Community Health			
Maternal/Child Health Service Block Title V Local Match	93.994	B1MIMCHS	10,964
Maternal/Child Health Service Block Title V Local Match	93.994	B1MIMCHS	17,929
Maternal/Child Health Service Block Title V Local Match	93.994	B1MIMCHS	32,750
			<u>61,643</u>
			<u>548,698</u>
Passed through UPCAP Services, Inc.			
Title IID Health Screenings	93.043		5,958
Passed through Michigan Dept of Health & Human Services			
Child Support Enforcement			
Friend of the Court - Cooperative Reimbursement	93.563	CSFOC13-31001 2	181,247
Friend of the Court - Cooperative Reimbursement	93.563	CSFOC13-31001 2	24,081
Friend of the Court - Reimbursement Incentive	93.563	CSFOC13-31001 2	750
Prosecuting Attorney - Cooperative Reimbursement	93.563	CSPA13-31002 2	51,634
			<u>257,712</u>
SAPT Block Grant - Prevention of Substance Abuse	93.959		48,000
Building Healthy Communities	93.991	B01OT009028	100,000
Rural Outreach Grant - Catch Up Project	93.912	D04RH23624	137,091
Total U.S. Department of Health and Human Services			<u>1,097,459</u>
Corporation for National and Community Service			
RSVP - Seniors	94.002	12SRNM1004	1,500
U.S. Department of Homeland Security			
Passed through the Michigan State Police			
Emergency Management Performance Grant	97.042		17,918
Homeland Security Grant Program	97.067	EMW-2014-SS-00059	374,542
			<u>392,460</u>
Passed through the Transportation Security Administration			
Law Enforcement Officer Reimbursement Agreement Program	97.090		50,140
Passed through the Department of Natural Resources			
Federal Boating Safety Financial Assistance Program	97.012		10,700
Total U.S. Department of Homeland Security			<u>453,300</u>
			<u>\$ 2,078,885</u>

**HOUGHTON COUNTY  
SCHEDULE OF FEDERAL ASSISTANCE  
PROVIDED TO SUB-RECIPIENTS  
SEPTEMBER 30, 2015**

<u>Program Title/Sub-recipient/Project Name</u>	<u>CFDA Number</u>	<u>Amount</u>
Schools and Roads - Title I Projects	10.665	
L'Anse Area Schools		\$ 68,928
Laird Township		13,466
Duncan Township		17,234
Ewen-Trout Creek School District		23,169
		<u>\$ 122,797</u>
Rural Outreach Grant - Catch Up Project	93.912	
Adams Township School District		\$ 2,023
Baraga School District		1,607
Bessemer Area Schools		1,625
BHK Child Development Board		2,158
CLK School District		4,648
Copper Country Intermediate School District		462
Dollar Bay-Tamarack City Area School District		988
Hancock Public Schools		2,600
Houghton-Portage Township School District		5,538
L'Anse Area Schools		2,074
Lake Linden-Hubbell School District		1,670
Ontonagon School District		1,204
Stanton Township School District		975
		<u>\$ 27,572</u>
Building Healthy Communities	93.991	
Adams Township School District		\$ 11,900
City of Hancock		15,000
City of Houghton		23,100
		<u>\$ 50,000</u>
Homeland Security Grant Program	97.067	
Michigan Homeland Security Grant Program		
Alger County		\$ 10,737
Baraga County		15,358
Chippewa County		16,527
Delta County		27,037
Dickinson County		16,146
Gogebic County		14,273
Iron County		5,277
Keweenaw County		4,275
Luce County		6,026
Mackinac County		13,358
Marquette County		19,466
Menominee County		24,732
Ontonagon County		12,192
Schoolcraft County		10,865
		<u>\$ 196,269</u>

**COUNTY OF HOUGHTON, MICHIGAN**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**SEPTEMBER 30, 2015**

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**NOTE A – BASIS OF PRESENTATION**

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

**NOTE B – OVERSIGHT AGENCY**

The U.S. Department of Homeland Security is the current year's oversight agency for the single audit as determined by the agency providing the largest share of the County of Houghton's federal financial assistance.

**NOTE C – PASS-THROUGH GRANTOR'S NUMBER**

The Pass-Through grantor's number represents the County of Houghton's provider I.D. number. Such other I.D. numbers were not available or provided by State administering agencies.

**NOTE D – MICHIGAN DEPARTMENT OF TRANSPORTATION**

Road Commission: The Michigan Department of Transportation (MDOT) requires that road commissions report all Federal and State grants pertaining to their county. During the fiscal year ended September 30, 2015, the Federal aid expended by the Road Commission was \$971,933 for contracted projects. Contracted projects are defined as projects performed by private contractors paid for and administrated by MDOT. The contracted Federal projects are not subject to single audit requirements by the road commissions, as they are included in MDOT's Single Audit.

Airport: During the year ended September 30, 2015, the Airport received and expended \$602,353 in federal funding. Projects utilizing this aid were administered by the Michigan Bureau of Aeronautics and will be audited for compliance by the State of Michigan. The State of Michigan is responsible for including these projects in its schedule of expenditures of Federal Awards.



**COUNTY OF HOUGHTON, MICHIGAN  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2015**

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**SECTION I – SUMMARY OF AUDITORS’ RESULTS**

*Financial Statements*

Type of auditors’ report issued:	Unmodified
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	No
Noncompliance items material to financial statements noted?	Yes

*Federal Awards*

Internal Control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	No
Type of auditors’ report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)?	No
Identification of major programs:	CFDA #
U.S. Department of Agriculture Women, Infants and Children Program	10.557
U.S. Department of Health and Human Services Bio-Terrorism	93.069
Immunization Grants	93.268
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

**COUNTY OF HOUGHTON, MICHIGAN  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

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**SECTION II - FINANCIAL STATEMENT FINDINGS**

**Instances of Non-compliance**

**2015-001 - DEFICIT NET POSITION**

Condition/Criteria: At September 30, 2015 the County of Houghton had an unrestricted equity deficit in eight of their funds, as shown on page 49. Public Act 275 of 1980 requires that all deficits in any fund balance of local units be disclosed and enumerated upon in the footnotes of the financial statements. In accordance with the Act, a corrective action plan for the deficit is required to be filed with the State Treasurer within 90 days of the end of the fiscal year. As of this time, the County of Houghton has not filed such a plan.

Cause of Condition: Failure of operating revenues to cover operating expenditures in the current and prior fiscal years.

Effect: The County of Houghton is not in compliance with State Law.

Recommendation: The County of Houghton needs to either increase operating revenues or decrease operating expenditures in the future.

View of Responsible Officials: Contact Person(s) Responsible for Correction: Eric Forsberg, Controller, Corrective Action Planned: The revenue and expenditures will be closely monitored. Anticipated Completion Date: September 30, 2015.

**2015-002 - Budget**

Condition/Criteria: Public Act 621 of 1978, Section 18 (1) as amended, provides that counties shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, Houghton County has actual expenditures and budgeted expenditures. The approved budgets of these funds were adopted on an activity and/or program level. During the year ended September 30, 2015, Houghton County incurred expenditures which were in excess of the amounts appropriated as shown within the basic financial statements.

Cause of Condition: Failure to amend the budgets during the year based on the level of expenditures.

Effect: The County of Houghton is not in compliance with State Law.

Recommendation: Houghton County should control expenditures in each governmental fund so as not to exceed the amounts appropriated. When this is not possible, the budget should be amended accordingly.

View of Responsible Officials: The budget will be closely monitored and budget amendments will be made accordingly.

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS** - There were no findings and/or questioned costs identified.

## **COMMUNICATIONS SECTION**

# RUKKILA | NEGRO AND ASSOCIATES

*Certified Public Accountants, PC*

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## COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

The Board of Commissioners  
County of Houghton, Michigan

We have audited 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 the County of Houghton for the year ended September 30, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated December 8, 2015. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Policies*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the County of Houghton are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended September 30, 2015. We noted no transactions entered into by the County of Houghton during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management's estimate of the useful lives of fixed assets, used to calculate depreciation, is based on the estimated useful lives of certain classes of assets. We evaluated the key factors and assumptions used to develop the useful lives to determine that they are reasonable in relation to the financial statements taken as a whole.

#### *Difficulties Encountered in Performing the Audit*

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

#### *Corrected and Uncorrected Misstatements*

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

#### *Disagreements with Management*

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

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated March 24, 2016.

#### *Management Consultations with Other Independent Accountants*

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

#### *Other Audit Findings or Issues*

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

#### Other Matters

We applied certain limited procedures to the budgetary comparison schedules, Schedule of Changes in Employer's Net Pension Liability and Related Ratios, and Schedule of Employer Contributions which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on RSI.

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

#### Restriction on Use

This information is intended solely for the use of the County of Houghton board and management and is not intended to be, and should not be, used for anyone other than these specified parties.

It has been a pleasure to provide audit services to the County of Houghton. Management was prepared for the audit, providing us with all supporting documents requested. Management was friendly, conscientious, and very helpful.

We appreciate your business, thank you.

**Rukkila, Negro & Associates,  
Certified Public Accountants, PC**

March 24, 2016