

Comprehensive Annual Financial Report



Isabella County, Michigan

For The Year Ended
September 30, 2016

Issued by:
County Administrator's Department

Margaret A. McAvoy
County Administrator/Controller

Donna J. Barker, CPA
Director of Accounting Services

ISABELLA COUNTY, MICHIGAN

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INTRODUCTORY SECTION



Isabella County

Margaret A. McAvoy
Administrator/Controller

March 16, 2017

Honorable George Green, Chairperson
Members of the Isabella County Board of Commissioners
County of Isabella
200 North Main Street
Mount Pleasant, Michigan 48858

Members of the Board:

The Comprehensive Annual Financial Report of the County of Isabella, Mount Pleasant, Michigan, for the year ended September 30, 2016, is submitted herewith. The financial statements included in this report have been audited by Abraham & Gaffney, P.C. The Comprehensive Annual Financial Report is prepared for the purpose of disclosing the County's financial condition to its residents, elected officials, and other interested parties.

The financial statements have been prepared in compliance with applicable statutes of the State of Michigan and generally accepted accounting principles in the United States of America (GAAP) along with the Governmental Accounting Standards Board's (GASB) statements and interpretations.

Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the County. We believe the data as presented is accurate in all material respects; that it is presented in such a manner so as to fairly set forth financial position and results of operations of the County as measured by the financial activity of its funds; and that all disclosures necessary to enable the statement reader to gain the maximum understanding of the County's affairs have been included.

It is believed that the Comprehensive Annual Financial Report substantially conforms to the high standards of financial reporting promulgated by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants. This report will be submitted to the Government Finance Officers Association's (GFOA) Certificate of Achievement for Excellence in Financial Reporting Program.

200 North Main Street, Suite 205 | Mount Pleasant, MI 48858 | Ph. 989-317-4058 | Fax: 989-773-7431
mmcavoy@isabellacounty.org | www.isabellacounty.org

An Equal Opportunity Employer

The County is required to undergo an annual single audit in conformity with audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Information related to this single audit, including the schedule of expenditures of federal awards, findings and recommendations, and auditors' reports on internal control and compliance with applicable laws, regulations, contracts and grants, is included in a separately issued report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The County's MD&A can be found immediately following the report of the independent auditors.

THE REPORTING ENTITY AND ITS SERVICES:

This report includes all funds of the County and its component units as defined in Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity." In accordance with the criteria of this statement (as amended by GASB No.39 & GASB No. 61) the Isabella County Building Authority, Isabella County Family Independence Agency, Isabella County Commission on Aging, and Isabella County Parks Board, are blended into the County's Comprehensive Annual Financial Report. The Family Independence Agency is under the oversight of the Isabella County Family Independence Agency Board. These organizations, with the exception of the Building Authority, are not legally separate. In addition the County maintains a significant degree of financial accountability over the operations of these units. The Isabella County Building Authority is a legally separate organization. However, its operations are blended into the County fund structure because its sole purpose is to finance and construct the County's public buildings.

In accordance with the above criteria the Isabella County Medical Care Facility, the Isabella County Road Commission, the Isabella County Transportation Commission, the Isabella County Board of Public Works, and the Isabella County Drainage Districts have been discretely presented as component units in the financial statements.

PROFILE OF THE GOVERNMENT:

The management of Isabella County is overseen by a district-elected Board of Commissioners. This board consists of seven members. Commissioners are elected for two year terms and have the responsibility of making appropriations to all County functions and establishing policy for all county operations except the Trial Court. The Board of Commissioners appoints an Administrator/Controller who has the overall responsibility to oversee the administrative duties of the County with the exception of Elected Officials' offices. Management of the Trial Court is overseen by the Chief Trial Court Judge who is also responsible for administrative oversight of the Court.

The County provides many services to the County residents including Sheriff Department road patrol services in the unincorporated jurisdictions of the County, the constitutional offices of the County Clerk, Treasurer, Register of Deeds, Sheriff, and Prosecutor and the statutory office of the Drain Commissioner. In addition, the County supports many other programs such as services to older citizens and cultural and recreational services such as the MSU Extension, and parks and recreation, which includes the Pere Marquette Rail-Trail.

FACTORS AFFECTING FINANCIAL CONDITION:

Local Economy:

Isabella County, located near the geographical center of Michigan's Lower Peninsula, has a strong economy and enjoys a rich human and technical resource base. The presence of Soaring Eagle Casino and Resort, the County's single largest employer, and Central Michigan University help to assure economic viability by providing a secure foundation for the area's economy.

The Isabella County Convention and Visitor's Bureau (CVB) is continuing its efforts to promote tourism in the County. Two of the State's major thoroughfares, US-127 and M-20, meet in Mt. Pleasant accounting for millions of vehicle passengers annually.

Recreation:

Isabella County is home to multiple, vibrant and diverse recreational opportunities. The County has over 1,000 acres of park lands which include over 175 campsites, fishing, swimming, boating, hiking, playgrounds, cross country skiing and more. The Isabella County Parks and Recreation Department also offers Art in Our Park, Civil War enactments, nature walks, cross country skiing and snowshoeing workshops, disc golf tournaments and many more activities. Isabella County is a partner in the Pere Marquette Rail Trail, a 100 acre 8.25 mile barrier free non-motorized pathway.

The Saginaw Chippewa Indian Tribe sponsored Casino and Resort offers gaming, a 500 room luxury hotel, fully equipped conference center and a multitude of restaurants. The Soaring Eagle Casino and Resort also offers live entertainment and performances.

Central Michigan University is home to many recreational and entertainment activities such as sporting events, an art gallery, cultural activities, musical concerts and more.

From water parks, to golf courses, City, Village, Township and County parks, the beautiful Chippewa River, the University, the Tribe, vibrant downtowns, great walk ability, movie theaters, restaurants and shopping; Isabella County offers many options for recreation to her residents and visitors alike.

Commercial:

The retail trade business continues to be a major contributor to the growth of the County. Positioned strategically near the north and south US-127 interchanges into Mt. Pleasant, Home Depot, Target, Wal-Mart, Sam's Club, Kohl's, Menards, and Meijer department stores contribute significantly to the volume of retail trade conducted within the confines of the County, employ County residents, and draw people into our community.

Financial Management:

Management of the County is responsible for establishing and maintaining internal control designed to ensure that the assets of the County are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived; and 2) the valuation of costs and benefits requires estimates and judgments by management.

Budgeting Control:

Isabella County maintains budgetary control with the objective to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the County Board of Commissioners. Activities of the General, Special Revenue, Debt Service, and the Capital Projects funds are included in the annual appropriation budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established by activity within these Funds.

Generally, the budget and approved appropriations lapse at the end of the fiscal year, unless specifically re-appropriated by Board action. Encumbrance accounting is not employed by the County, because it is at present considered not necessary to assure affective budgetary control or to facilitate effective cash planning and control.

Single Audit:

As a recipient of federal and state awards, the County is responsible for ensuring that adequate internal control is in place to achieve compliance with applicable laws and regulations related to those programs. This internal control is subject to periodic evaluation by management and the independent auditors of the County.

As part of the County's single audit, described earlier, tests are made to determine the adequacy of internal control, including that portion related to federal award programs, as well as to determine that the County has complied with applicable laws and regulations. The results of the County's Single Audit for the year ended September 30, 2016 disclosed no significant violations of applicable laws and regulations.

Risk Management:

The County utilizes a high deductible health insurance plan through Blue Cross and Blue Shield of Michigan, (BCBSM) combined with a health reimbursement account administered by the County using an independent third party. The County expects this model to reduce risk exposure for medical claims and reduce its overall cost of providing insurance coverage for employees. The program, including prescription drugs, dental and vision services, is accounted for in the Insurance Fund (an internal service fund), and is set up as a "pool" of participating groups. There are two groups in the pool which include Isabella County government and the Medical Care Facility. Insurance premiums, medical bills paid from the health reimbursement account and administrative charges are paid from the Fund.

Revenue for Fund operations originates from the participating groups that pay a fee for each participating employee. The fee is determined based on the premium rate established by BCBSM and a third party administrator's estimate of annual deductibles that will be paid from the health reimbursement account. These rates vary depending on the coverage selected by the individual employee. The County sets caps on the amount of premiums it will pay for non-union employees and negotiates caps with its labor unions. Any premiums above the caps are paid by the employees through payroll deductions. For additional information concerning risk management, refer to Note J of the Notes to the Financial Statements.

Employee Pension Plan:

Isabella County participates in the Michigan Municipal Employees Retirement System (MERS); an agent multiple employer state-wide, public employee defined benefit pension plan. Under this plan, the County is required to contribute at an actuarially determined rate. Effective in 2002, all new employees are in a defined contribution plan through MERS. Under this plan, the County contributes 7% and the employee contributes 2% of their gross salary. For additional information concerning the employee retirement system, refer to Note H of the Notes to the Financial Statements.

OTHER INFORMATION:

Independent Audit:

The Michigan Uniform Accounting and Budgeting Act requires an annual audit by independent certified public accountants. The accounting firm of Abraham & Gaffney, P.C. was selected by the Isabella County Board of Commissioners to perform the County's annual audit. In addition to meeting requirements set forth in state statutes, the audit also was designed to meet the requirements of the Uniform Guidance as previously described. The auditor's report on the financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in a separately issued report.

Awards:

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Isabella County, Michigan for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2015.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for another Certificate.

Acknowledgements:

We would like to thank members of the Isabella County Board of Commissioners for your interest and support in planning and conducting the financial operations of the County in a responsible and progressive manner. We also wish to thank the elected officials, appointed department heads, and staff whose commitment to excellence and public service is reflected in this report and in the operations of Isabella County.

Respectfully submitted,

A handwritten signature in blue ink that reads "Margaret McAvoy". The signature is written in a cursive style with a large, stylized initial "M".

Margaret McAvoy
County Administrator/Controller

**ISABELLA COUNTY, MICHIGAN
OFFICIALS
YEAR ENDED SEPTEMBER 30, 2016**

BOARD OF COMMISSIONERS

GEORGE GREEN	CHAIRPERSON
DAVID LING	VICE-CHAIRPERSON
JIM HORTON	COMMISSIONER
JOHN HAUPT	COMMISSIONER
JERRY JALOSZYNSKI	COMMISSIONER
MICHAEL FISHER	COMMISSIONER
JAMES MORENO	COMMISSIONER

TRIAL COURT JUDGES

PAUL CHAMBERLAIN, CHIEF JUDGE

WILLIAM T. ERVIN

MARK DUTHIE

ERIC R. JANES

OTHER ELECTED OFFICIALS

MINDÉ LUX	COUNTY CLERK
RICK JAKUBIEC	DRAIN COMMISSIONER
KAREN JACKSON	REGISTER OF DEEDS
STEVEN PICKENS	COUNTY TREASURER
RISA HUNT-SCULLY	PROSECUTING ATTORNEY
MICHAEL MAIN	COUNTY SHERIFF

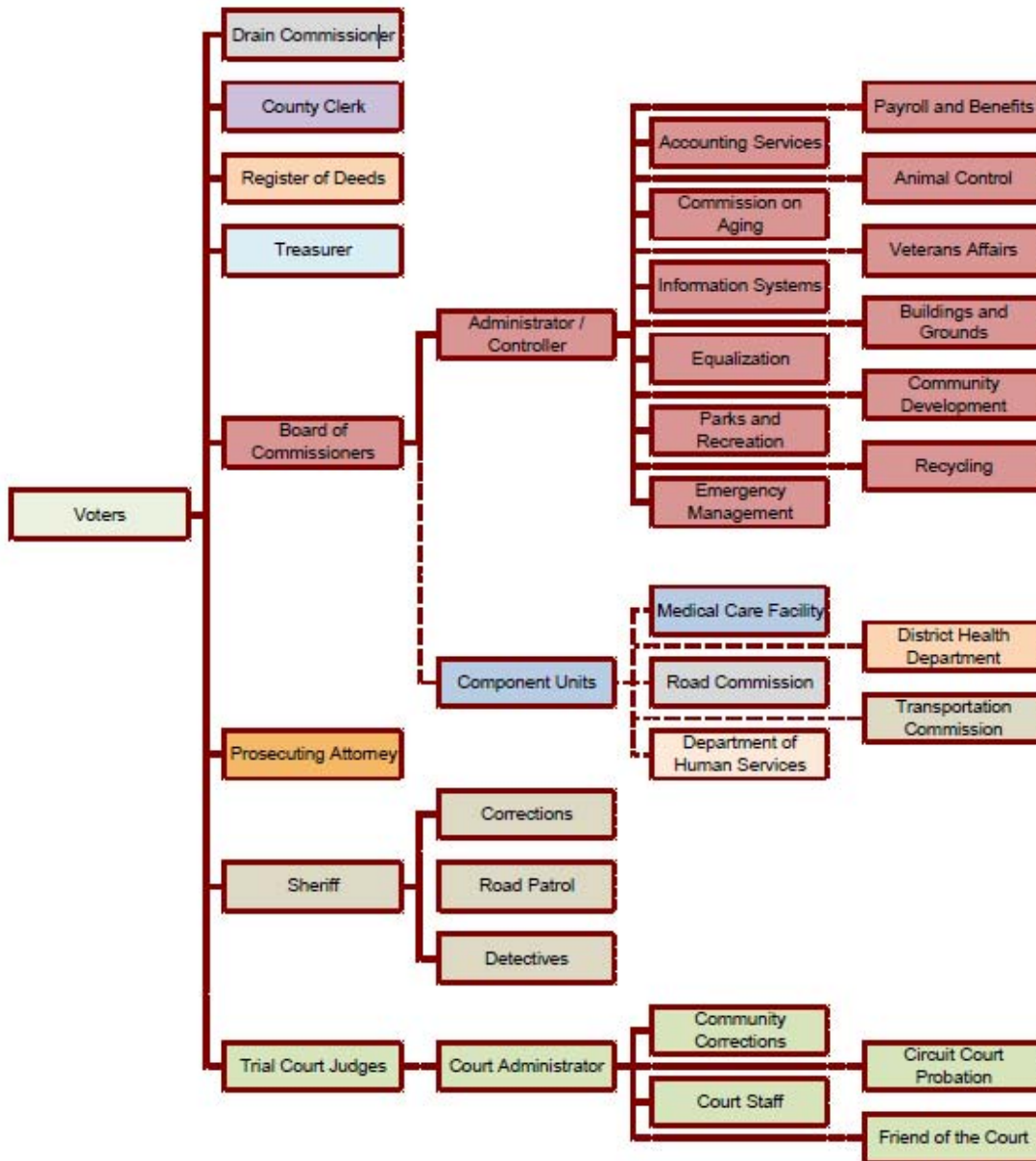
COUNTY ADMINISTRATOR/CONTROLLER

MARGARET A. McAVOY

DIRECTOR OF ACCOUNTING SERVICES

DONNA J. BARKER, CPA

ISABELLA COUNTY ORGANIZATIONAL FLOW CHART





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Isabella County
Michigan**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2015

Executive Director/CEO

FINANCIAL SECTION

Principals

Dale J. Abraham, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA
Alan D. Panter, CPA
William I. Tucker IV, CPA



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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
of Isabella County
Mt. Pleasant, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Isabella County, Michigan (the County), as of and for the year ended September 30, 2016, 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 the Isabella County Road Commission, which represents 57%, 64%, and 36%, respectively, of the total assets, net position, and revenues of the component units and the Isabella County Medical Care Facility which represents 13%, 12%, and 41%, respectively, of the total assets, net position, and revenues of the component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the Road Commission and the Medical Care Facility, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Isabella County, Michigan, as of September 30, 2016, 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.

Change in Accounting Principle

As discussed in Note Q to the financial statements, the County implemented GASB Statement No. 72, *Fair Value Measurement and Application*, during the year. As a result, this statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. Our opinions are not modified 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, schedule of changes in the County's net pension liability and related ratios, and schedule of employer contributions, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of 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 Isabella County, Michigan's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section, as identified in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules 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. The 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of other auditors, the combining and individual nonmajor fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2017, on our consideration of Isabella County, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Isabella County, Michigan's internal control over financial reporting and compliance.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

March 16, 2017

Management's Discussion and Analysis

As management of *Isabella County, Michigan*, we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of Isabella County for the fiscal year ended September 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

Financial Highlights

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$27,695,888. Of this amount, \$8,772,160 may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position decreased by \$3,191,252. A significant factor in the decrease is the County's increased pension expense reported since the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The pension expense for the 2015-2016 fiscal year was \$3,339,701 compared to \$1,481,602 reported last fiscal year.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$14,381,845, a decrease of \$320,888 in comparison with the prior year. Approximately 39 percent of this amount or \$5,611,774 is available for spending at the government's discretion (*unassigned fund balance*).
- "**Fund balance**" describes the net position of a government fund calculated on a budgetary basis. It is intended to serve as a measure of financial resources available in a government fund (GFOA, 2009). Officials often treat fund balance like a "rainy day" fund or savings account. "**Restricted**" and "**committed**" fund balance refers to monies set aside for a specific purpose and not available for appropriation, while "**unassigned**" fund balance represents resources held in reserve, but available for appropriation. The Government Finance Officers Association (GFOA) advises governments to maintain adequate levels of fund balance to mitigate current and future risks (e.g., revenue shortfalls and unanticipated expenditures) and to ensure stable tax rates. Fund balance levels are also a crucial consideration in long-term financial planning. GFOA recommends, at a minimum, that general-purpose governments maintain an unrestricted fund balance in their general funds of no less than two months (16.6%) of regular operating expenditures (GFOA, 2009). However, a 2007 state-mandated shift in annual property tax collection dates created a significant cash flow challenge for Isabella County. This change resulted in a six-month delay in property tax payments made to the County. Therefore, the County must maintain an unassigned fund balance greater than the GFOA minimum in order to assure adequate reserves and cash on hand. At the end of the current fiscal year, unassigned fund balance for the general fund was \$5,611,774 or 28 percent of total general fund expenditures and transfers out.
- The County's total bonded debt decreased by \$1,000,000 during the current fiscal year. This decrease was largely due to the normal pay-off of principal on general obligation bonds.
- The term budget variance refers to a periodic measure used by governments, corporations, or individuals to quantify the difference between budgeted and actual figures for a particular accounting category. For revenue, a favorable budget variance (greater than 100%) refers to positive variances or gains; an unfavorable budget variance (less than 100%) describes negative variance, meaning losses and shortfalls. The opposite is true for expenditures - a favorable budget variance (less than 100%) refers to expenditures below budgeted amounts; an unfavorable budget variance (greater than 100%) describes expenditures over budgeted amounts. Annual financial reports provide data necessary to determine variances.

Budget variances occur because forecasters are unable to predict the future with complete accuracy. Therefore, some variance should be expected when budgets are created. Isabella County budget administrators target an annual budget variance range of 95% to 105% for performance accountability measurement. With a revenue variance of 98.8% and an expenditure variance of 96.4% for fiscal year 2016, budget administrators met their goal.

Isabella County general fund revenue and expenditure variances: 2012 - 2016

Fiscal Year	2012	2013	2014	2015	2016
Revenue Variance	104.6%	105.4%	105.7%	100.3%	98.8%
Expenditure Variance	96.2%	99.8%	95.8%	98.5%	96.4%

Overview of the Financial Statements

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

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

The *statement of net position* presents information on all of the County's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, public safety (including the jail), public works, health and welfare, community and economic development, and culture and recreation. The business-type activities of the County include the delinquent tax collections, recycling facility, building inspections, and concessions.

The government-wide financial statements include not only Isabella County itself (known as the primary government), but also a legally separate Road Commission, Transportation Commission, Board of Public Works, Drainage Districts, and a Medical Care Facility, for which Isabella County is financially accountable. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself. The Isabella County Building Authority, although legally separate, functions for all practical purposes as a department of the County, and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 1-2 of this report.

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

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

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

The County maintains 21 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Tribal Contribution, CDBG Housing Assistance Grant, Commission on Aging Activities, and Building Authority Bond Funds, each of which are considered to be major funds. Data from the other governmental funds are combined into single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

The basic governmental fund financial statements can be found on pages 3-8 of this report.

Proprietary funds. The County maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for its jail commissary operations, material recovery facility, building inspections department, and delinquent tax operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the County's various functions. Isabella County uses an internal service fund to account for its self-insurance activities. Because these services predominantly benefit governmental rather than business-type functions, they have been included within the *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the material recovery facility, PA123 Restricted Tax Fund, and delinquent tax revolving activity, which are considered to be major funds. Individual fund data for non-major enterprise funds are provided in the form of *combining statements* elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 9-18 of this report.

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

The basic fiduciary fund financial statements can be found on page 19 of this report.

Notes to the financial statements. The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23-58 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *supplementary information*. This includes the combining and individual fund financial statements and schedules. Combining and individual fund statements and schedules can be found on pages 59-109 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Isabella County, assets exceeded liabilities by \$27,695,888 at the close of the most recent fiscal year.

One of the largest portions of the County's net position (54 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that are still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Isabella County Net Position

	Governmental Activities		Business-type Activities		Total	
	2015	2016	2015	2016	2015	2016
Current and other assets	\$ 21,464,472	\$ 20,856,367	\$ 10,423,996	\$ 8,797,302	\$ 31,888,468	\$ 29,653,669
Capital assets, net	15,326,812	14,920,488	1,455,010	1,423,200	16,781,822	16,343,688
Total assets	36,791,284	35,776,855	11,879,006	10,220,502	48,670,290	45,997,357
Total deferred outflows of resources	1,400,839	4,842,598	45,640	213,064	1,446,479	5,055,662
Long-term liabilities outstanding	13,555,941	18,198,161	394,820	752,934	13,950,761	18,951,095
Other liabilities	4,958,017	4,173,924	320,851	232,112	5,278,868	4,406,036
Total liabilities	18,513,958	22,372,085	715,671	985,046	19,229,629	23,357,131
Net Position						
Net investment in capital assets	13,030,558	13,621,811	1,455,010	1,423,200	14,485,568	15,045,011
Restricted	2,903,804	3,528,717	350,000	350,000	3,253,804	3,878,717
Unrestricted	3,743,803	1,096,840	9,403,965	7,675,320	13,147,768	8,772,160
Total net position	\$ 19,678,165	\$ 18,247,368	\$ 11,208,975	\$ 9,448,520	\$ 30,887,140	\$ 27,695,888

An additional portion of the County's net position (14 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (32 percent or \$8,772,160) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the County is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

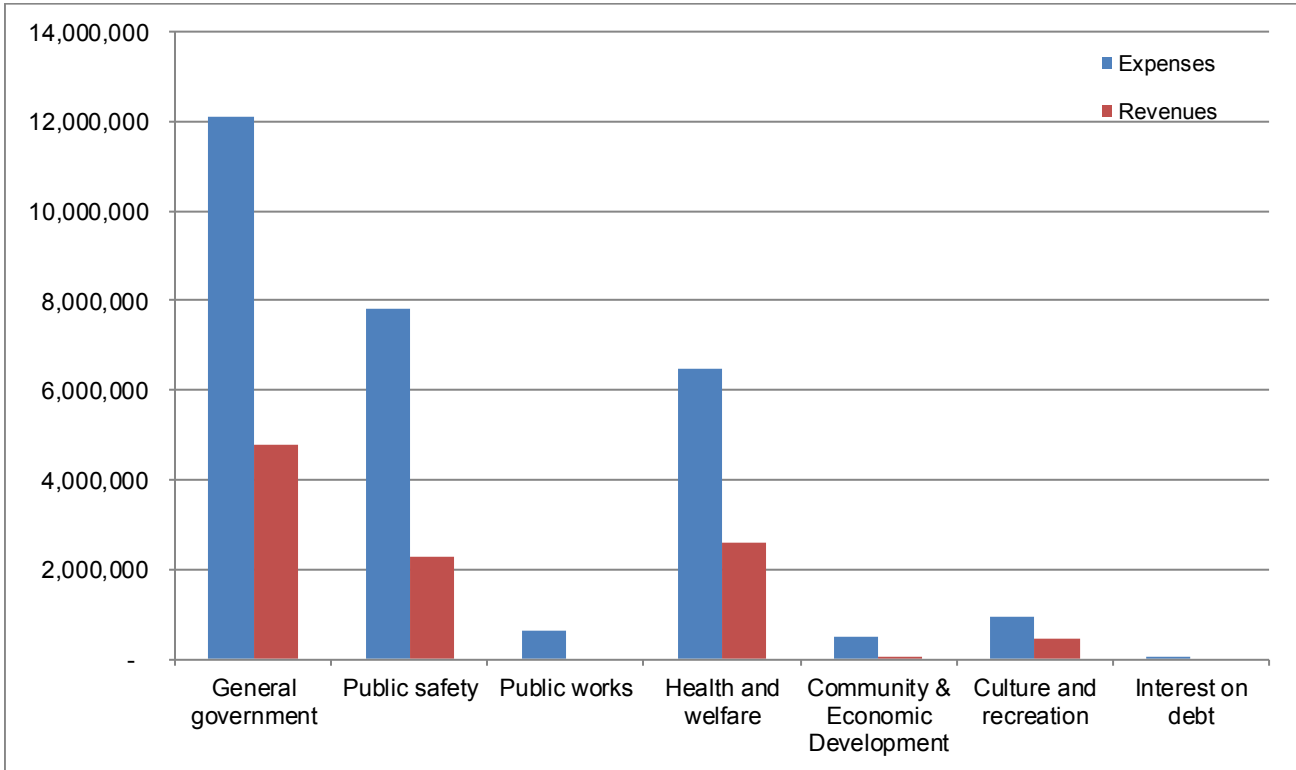
The government's net position decreased by \$3,191,252 during the current fiscal year. This decrease was in both Business-type Activities and the Governmental Activities.

Isabella County Change in Net Position

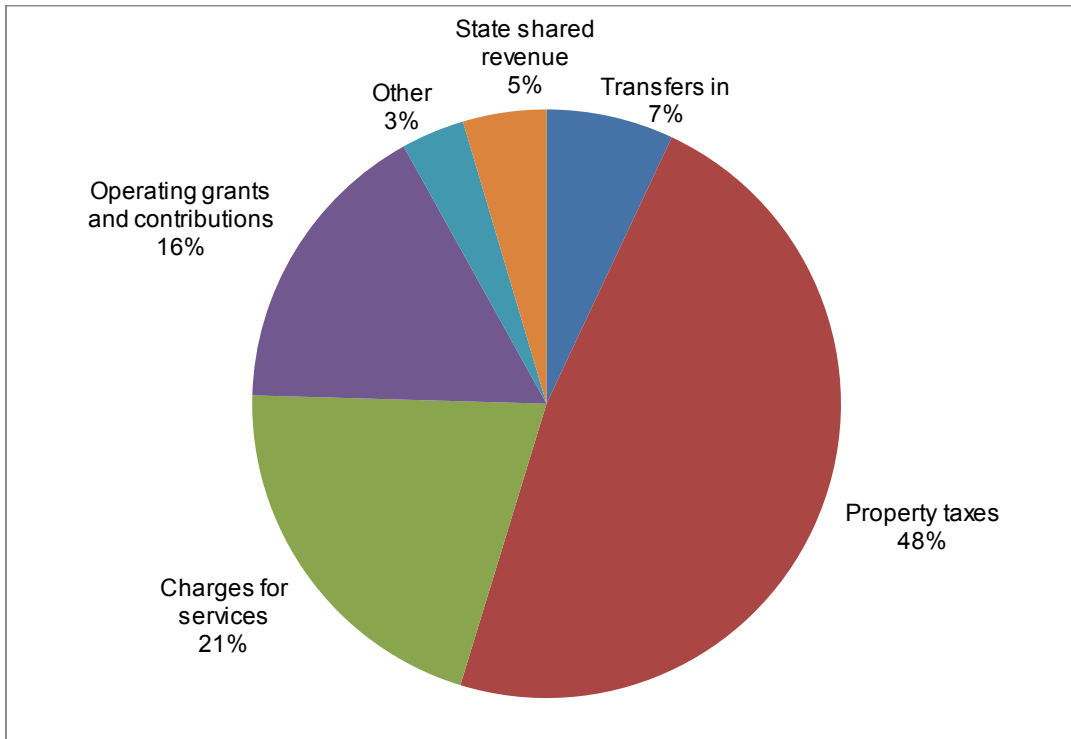
	Governmental Activities		Business-type Activities		Total	
	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>
Revenues:						
Program revenues:						
Charges for services	\$ 5,130,147	\$ 5,613,296	\$ 1,940,983	\$ 2,059,568	\$ 7,071,130	\$ 7,672,864
Operating grants and contributions	4,950,360	4,464,476	165,300	271,930	5,115,660	4,736,406
Capital grants and contributions	13,040	38,920	-	-	13,040	38,920
General revenues:						
Property taxes	12,640,166	12,933,132	-	-	12,640,166	12,933,132
State shared revenue	1,241,312	1,243,491	-	-	1,241,312	1,243,491
Grants and contributions not restricted to specific programs	829,107	494,694	-	-	829,107	494,694
Unrestricted investment earnings	70,725	74,993	90,673	22,674	161,398	97,667
Miscellaneous revenue	167,374	334,083	3,551	5,088	170,925	339,171
Total revenues	<u>25,042,231</u>	<u>25,197,085</u>	<u>2,200,507</u>	<u>2,359,260</u>	<u>27,242,738</u>	<u>27,556,345</u>
Expenses						
General government	10,870,079	12,092,262	-	-	10,870,079	12,092,262
Public safety	7,120,091	7,831,619	-	-	7,120,091	7,831,619
Public works	497,128	626,388	-	-	497,128	626,388
Health and welfare	6,346,368	6,478,989	-	-	6,346,368	6,478,989
Community & Economic Development	423,975	485,698	-	-	423,975	485,698
Culture and recreation	904,810	963,879	-	-	904,810	963,879
Interest on debt	98,065	42,997	-	-	98,065	42,997
Delinquent property tax	-	-	379,153	569,796	379,153	569,796
Recycling facility	-	-	1,040,113	1,069,899	1,040,113	1,069,899
Building Inspections	-	-	352,828	384,258	352,828	384,258
Concessions	-	-	231,245	201,812	231,245	201,812
Medical care facility	-	-	-	-	-	-
Total expenses	<u>26,260,516</u>	<u>28,521,832</u>	<u>2,003,339</u>	<u>2,225,765</u>	<u>28,263,855</u>	<u>30,747,597</u>
Revenues over (under) expenses before transfers	(1,218,285)	(3,324,747)	197,168	133,495	(1,021,117)	(3,191,252)
Transfers - internal activities	550,000	1,893,950	(550,000)	(1,893,950)	-	-
Increase (decrease) in net position	(668,285)	(1,430,797)	(352,832)	(1,760,455)	(1,021,117)	(3,191,252)
Restated net position, beginning of year	20,346,450	19,678,165	11,561,807	11,208,975	31,908,257	30,887,140
Total net position	<u>\$ 19,678,165</u>	<u>\$ 18,247,368</u>	<u>\$ 11,208,975</u>	<u>\$ 9,448,520</u>	<u>\$ 30,887,140</u>	<u>\$ 27,695,888</u>

Governmental activities. Isabella County recorded a decrease in governmental activity net position totaling \$1,430,797 in FY 2016. While grants and contributions were down in 2016, this reduction was offset by an increase in charges for services. Total expenses increased by \$2,261,316 with higher expenses related to significant increases in reported pension expense.

Expenses and Program Revenues - Governmental Activities



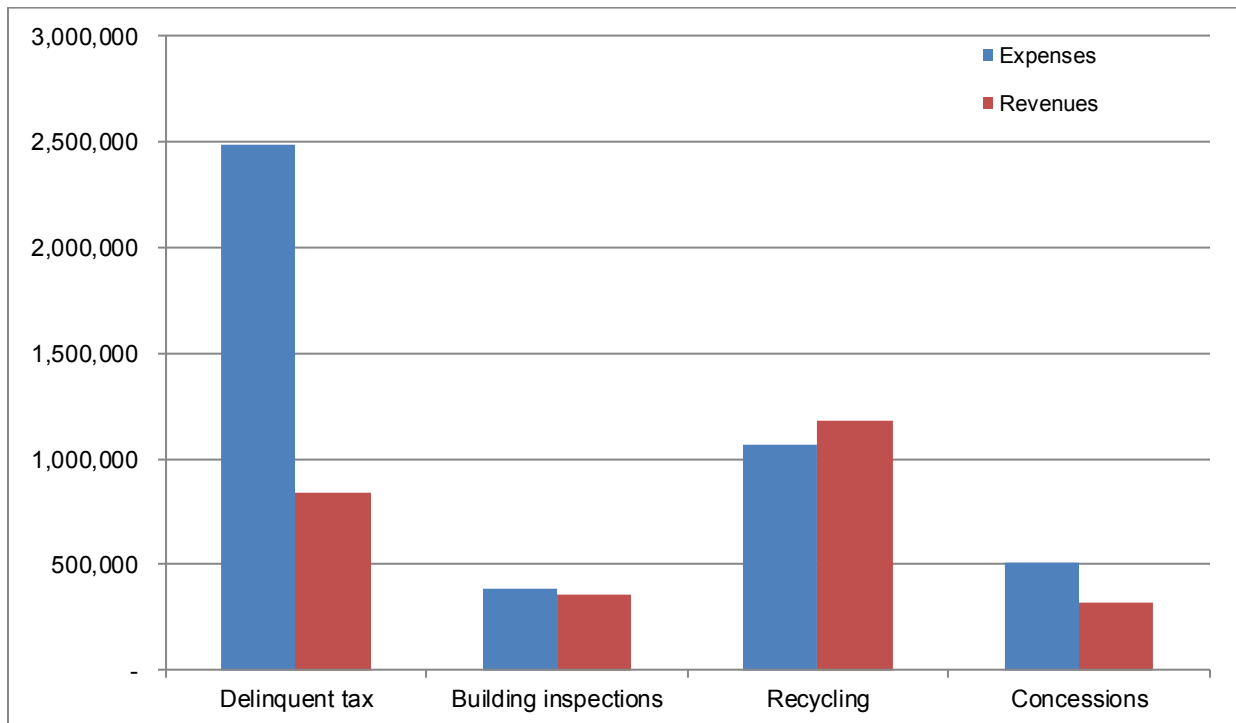
Revenues by Source - Governmental Activities



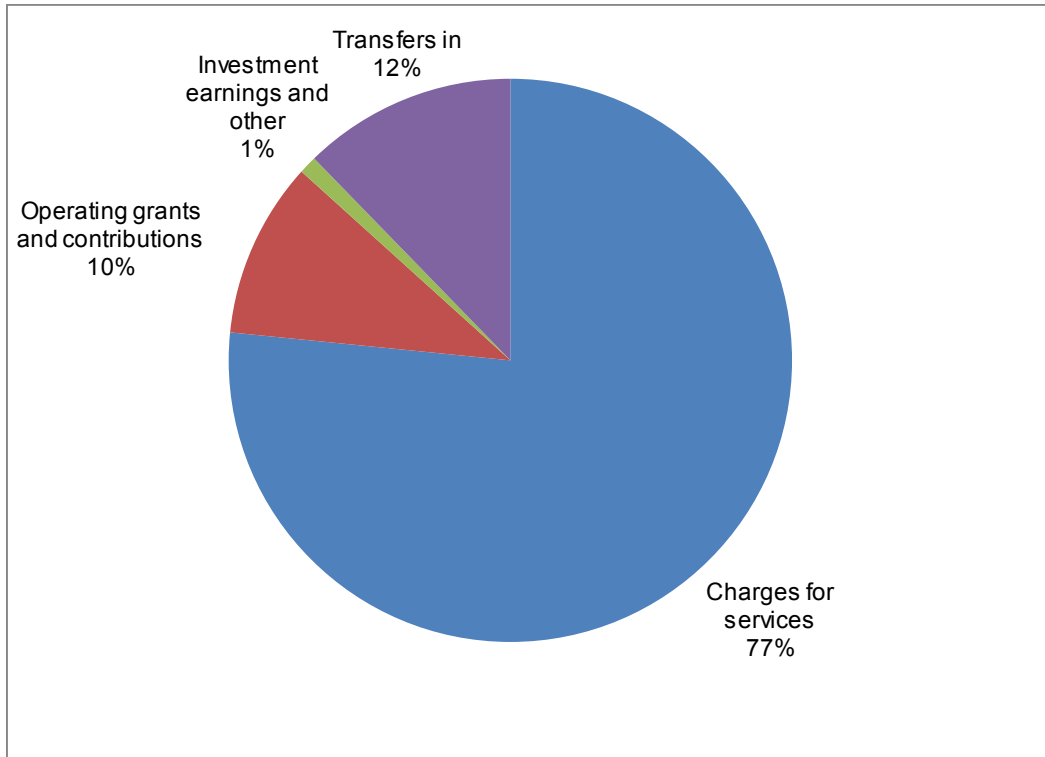
Business-type activities. Business-type activities decreased the County's net position by (\$1,760,455).

- The Recycling fund net position increased by \$106,241 in 2016. Sales were up from 2015 due to an increase in commodity prices. In addition, the Recycling fund received local funding to purchase containers and renovate the comingle line.
- The PA123 Restricted Tax fund had a decrease in net position of \$815,834 in 2016 due to a budgeted transfer of \$1,000,000 to the General Fund.
- The Delinquent Tax Revolving fund had a decrease in net position of \$730,247 in 2016. While revenues on delinquent taxes in Isabella County were down 5% from 2015, the fund still generated income of \$133,703 before its budgeted transfer of \$683,366 to the General Fund and \$180,584 to the Capital Improvement Fund.

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities
Financial Analysis of the Government's Funds



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

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

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$14,381,845, a decrease of \$320,888 in comparison with the prior year. Approximately 75 percent of this total amount (\$10,775,738) constitutes *unassigned, assigned, or committed fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *restricted or nonspendable* to indicate that it is not available for new spending because it has already been committed for items such as inventory, prepaid items, or debt service.

The general fund is the chief operating fund of the County. At the end of the current fiscal year, unassigned fund balance of the general fund was \$5,611,774 while total fund balance was \$10,751,998. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 28 percent of total general fund expenditures and transfers out.

The general fund had a decrease of \$340,416 in FY 2016. Current and delinquent property tax revenue increased by 0.4% in FY16, a relatively flat increase. Intergovernmental revenues decreased by \$280,096 in FY16; made up largely by a decrease in the convention facility tax of approximately \$300,000.

The fund balance of the Tribal Contribution Fund was \$197, consistent with the prior year balance. The activity in the Tribal Contribution Fund is completely funded by the bi-annual distributions received by the Saginaw Chippewa Tribe for projects the Board of Commissioners submitted for their consideration.

The CDBG Housing Assistance Grant fund had an increase in fund balance of \$22,445 in FY 2016. In the community this year were projects that qualified for improvements and grant funding.

The Commission on Aging Activities increased fund balance by \$298,447 to \$1,159,765 as of September 30, 2016. This increase is due in part to a greater allocation of the property tax millage to operations and a reduction in expenditures.

The Building Authority Bonds Fund had a decrease in fund balance of approximately \$520,434 during the year. This approximately represented the annual payments on the 2007 Building Authority Bonds for the Commission on Aging building which was paid off in FY 2016. Fund balance as of September 30, 2016 was \$53,440.

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

General Fund Budgetary Highlights

General fund revenues and other financing sources were less than the budgetary estimates by \$233,388. Current and delinquent property tax revenue exceeded budget estimates by \$136,692. This positive variance was offset by budget shortfalls in charges for services (\$293,546) and fines and forfeitures (\$86,059).

During FY 2016, the original expenditure budget was amended by \$408,616, which included the Board authorized prepayment of the County's portion of a new drain assessment. Significant cost savings during the year in general government and public safety brought expenditures under the final budget by \$659,558 and the original budget by \$250,942.

Capital Asset and Debt Administration

Capital Assets. The County's investment in capital assets for its governmental and business type activities as of September 30, 2016, amounted to \$16,343,688 (net of accumulated depreciation). This investment in capital assets includes land, building and improvements, machinery and equipment, and vehicles.

Capital asset events during the current fiscal year included the following:

- Large purchases during 2016 included: County security system for \$55,284; 6 vehicles totaling \$175,297 for County activities; co-mingle line at the Recycling center for \$74,352; and a new phone system at the Sheriff's department for \$45,171.
- The Drainage Districts added \$1,715,178 in construction in progress costs for seven drains and added \$843,835 to drain infrastructure with the completion of work on two drains.

Isabella County's Capital Assets (net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2015	2016	2015	2016	2015	2016
Land	\$ 2,338,887	\$ 2,338,887	\$ 121,953	\$ 121,953	\$ 2,460,840	\$ 2,460,840
Buildings and improvements	11,676,236	11,195,986	705,664	677,422	12,381,900	11,873,408
Equipment	823,505	876,720	310,665	364,786	1,134,170	1,241,506
Vehicles	325,961	375,730	316,728	259,039	642,689	634,769
Other	162,223	133,165	-	-	162,223	133,165
Total net assets	<u>\$ 15,326,812</u>	<u>\$ 14,920,488</u>	<u>\$ 1,455,010</u>	<u>\$ 1,423,200</u>	<u>\$ 16,781,822</u>	<u>\$ 16,343,688</u>

Additional information on the County's capital assets can be found in Note E on pages 38-42 of this report.

Long-term debt. At the end of the current fiscal year, the County had total debt outstanding of \$2,785,055. Of this amount, \$1,300,000 comprises debt backed by the full faith and credit of the government. The remainder of the County's debt represents post-closure landfill costs and compensated absences.

Isabella County's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2015	2016	2015	2016	2015	2016
General obligation bonds	\$ 2,300,000	\$ 1,300,000	\$ -	\$ -	\$ 2,300,000	\$ 1,300,000
Postclosure landfill costs	646,921	619,727	-	-	646,921	619,727
Accrued compensated absences	904,133	808,620	41,169	32,922	945,302	841,542
Deferred charges	29,732	23,786	-	-	29,732	23,786
Total net debt	\$ 3,880,786	\$ 2,752,133	\$ 41,169	\$ 32,922	\$ 3,921,955	\$ 2,785,055

General Obligation Bonds - \$1,300,000

The County's total governmental activity debt decreased by \$1,128,653 (29 percent) during the current fiscal year due largely to the normal pay-off on general obligation bonds.

The County's total business-type activity debt decreased by \$8,247 (20 percent) during the current fiscal year due to a decrease in accrued compensated absences.

The County's bond rating ranges from A to AAA. The AAA rating is given for bond issues that are backed with millage levies.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the County is significantly higher than the County's outstanding general obligation debt.

Additional information on the County's long-term debt can be found in Note F on pages 42-48 of this report.

Economic Factors and Next Year's Budgets and Rates

The Isabella County Board of Commissioners has directed the County financial position to be proactive and not reactive. Isabella County has done well protecting its resources and meeting its financial obligations. This has been accomplished by concerted effort of the Board, Elected and Appointed Officials and staff.

Looking towards the future, the County's Administrator/Controller and professional financial staff will continue updating financial reporting, budgeting processes, and implementing new financial management and control procedures. Elected and Appointed Officials will be empowered to accept responsibility for their department revenues, expenditures, budgets, adjustments and be partners in assuring the fiscal stability of the County.

The County administrative staff is dedicated to fostering good partnerships and collaborations with our municipal and private sector neighbors and partners. To this end, we participate in a number of economic development organizations and serve on the Boards of the Mid Michigan Development Corporation, the City of Mount Pleasant Central Business District, Industrial Park North and University Park Tax Increment Finance Authorities, the Mission-Pickard Downtown Development Authority and the CMU-RC Local Development Financing Act Board of Directors.

Isabella County is home to Central Michigan University, the Saginaw-Chippewa Indian Tribe, major manufacturers and many vibrant and charming communities. The economy is steady, the workforce well trained, business persons are investing in the community and public officials are dedicated to preserving the rich heritage and character of the county while positioning the area to be vibrant for generations to come. Isabella County is honored to be a partner in the future of this great community.

The following economic factors were considered in developing the 2016-2017 fiscal year budget.

- Property tax revenue anticipated for the 2016-2017 fiscal year budget is flat.
- The budget maintains current service levels to our County residents and utilizes General Fund balance resources of two million dollars to do so.
- The County is strategically considering much needed facility improvements.
- The County Board allocated funds in the 2016-2017 fiscal year budget sufficient to enter into an contract with BS&A, a Michigan based company, for the implementation of a state of the art financial management system.

Requests for Information

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Isabella County Administration Office, 200 N. Main Street, Mt. Pleasant, Michigan 48858.

BASIC FINANCIAL STATEMENTS

Isabella County, Michigan
STATEMENT OF NET POSITION
September 30, 2016

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 8,624,245	\$ 4,396,422	\$ 13,020,667	\$ 10,928,605
Investments	3,371,811	1,991,467	5,363,278	2,254,095
Receivables	6,106,021	2,263,529	8,369,550	13,187,589
Inventories	21,750	13,347	35,097	394,929
Due from other governmental units	1,019,868	5,251	1,025,119	321,375
Prepays	365,085	104,873	469,958	954,738
Other current assets	-	-	-	224,432
Current portion of lease receivable	500,000	-	500,000	525,000
Restricted cash and cash equivalents	-	-	-	3,641,439
Internal balances	(22,413)	22,413	-	-
Total current assets	19,986,367	8,797,302	28,783,669	32,432,202
Noncurrent assets				
Noncurrent portion of lease receivable	870,000	-	870,000	2,855,000
Capital assets not being depreciated	2,338,887	121,953	2,460,840	30,423,416
Capital assets being depreciated, net	12,581,601	1,301,247	13,882,848	86,501,352
Total noncurrent assets	15,790,488	1,423,200	17,213,688	119,779,768
TOTAL ASSETS	35,776,855	10,220,502	45,997,357	152,211,970
DEFERRED OUTFLOWS OF RESOURCES				
Refunding on bonds payable	25,109	-	25,109	167,498
Deferred outflows of resources related to pensions	4,817,489	213,064	5,030,553	4,133,979
TOTAL DEFERRED OUTFLOWS OF RESOURCES	4,842,598	213,064	5,055,662	4,301,477
LIABILITIES				
Current liabilities				
Accounts payable	650,597	48,622	699,219	1,495,965
Accrued wages	387,985	29,983	417,968	334,428
Other accrued liabilities	19,557	-	19,557	304,943
Due to other governmental units	540,873	17,497	558,370	262,548
Unearned revenue	1,850,329	122,841	1,973,170	96,191
Current portion of compensated absences	323,448	13,169	336,617	543,793
Current portion of long-term debt	401,135	-	401,135	1,730,958
Total current liabilities	4,173,924	232,112	4,406,036	4,768,826
Noncurrent liabilities				
Other post-employment benefits	-	-	-	81,740
Net pension liability	16,170,611	733,181	16,903,792	7,171,964
Noncurrent portion of compensated absences	485,172	19,753	504,925	228,545
Noncurrent portion of long-term debt	1,542,378	-	1,542,378	15,342,324
Total noncurrent liabilities	18,198,161	752,934	18,951,095	22,824,573
TOTAL LIABILITIES	22,372,085	985,046	23,357,131	27,593,399
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources related to pensions	-	-	-	18,323
NET POSITION				
Net investment in capital assets	13,621,811	1,423,200	15,045,011	103,821,486
Restricted				
Legal restrictions	3,107,551	-	3,107,551	-
Grant programs	332,449	-	332,449	-
Debt service	33,883	-	33,883	155,210
Capital projects	54,834	-	54,834	-
Equipment replacement	-	350,000	350,000	-
Nonexpendable				
Drayton and Minnie Miley Trust	-	-	-	55,226
Expendable				
Drayton and Minnie Miley Trust	-	-	-	37,040
Patient Equipment Trust	-	-	-	180,496
Road Commission-County roads	-	-	-	3,005,497
Drainage Districts-Debt service	-	-	-	5,226,279
Unrestricted	1,096,840	7,675,320	8,772,160	16,420,491
TOTAL NET POSITION	\$ 18,247,368	\$ 9,448,520	\$ 27,695,888	\$ 128,901,725

See accompanying notes to financial statements.

Isabella County, Michigan

STATEMENT OF ACTIVITIES

Year Ended September 30, 2016

Functions/Programs	Net (Expense) Revenue and Changes in Net Position							
	Expenses	Program Revenues			Primary Government			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities								
General government	\$ 12,092,262	\$ 2,872,758	\$ 1,912,430	\$ 6,500	\$ (7,300,574)	\$ -	\$ (7,300,574)	\$ -
Public safety	7,831,619	1,947,806	329,788	8,820	(5,545,205)	-	(5,545,205)	-
Public works	626,388	-	-	-	(626,388)	-	(626,388)	-
Health and welfare	6,478,989	353,901	2,222,258	-	(3,902,830)	-	(3,902,830)	-
Community and economic development	485,698	26,636	-	-	(459,062)	-	(459,062)	-
Recreation and cultural	963,879	412,195	-	23,600	(528,084)	-	(528,084)	-
Interest on long-term debt	42,997	-	-	-	(42,997)	-	(42,997)	-
Total governmental activities	28,521,832	5,613,296	4,464,476	38,920	(18,405,140)	-0-	(18,405,140)	-0-
Business-type activities								
Delinquent tax	569,796	814,021	-	-	-	244,225	244,225	-
Building inspections	384,258	352,600	-	-	-	(31,658)	(31,658)	-
Recycling	1,069,899	572,053	271,930	-	-	(225,916)	(225,916)	-
Concessions	201,812	320,894	-	-	-	119,082	119,082	-
Total business-type activities	2,225,765	2,059,568	271,930	-0-	-0-	105,733	105,733	-0-
Total primary government	\$ 30,747,597	\$ 7,672,864	\$ 4,736,406	\$ 38,920	(18,405,140)	105,733	(18,299,407)	-0-
Component units								
Road Commission	\$ 8,779,901	\$ 283,426	\$ 5,984,512	\$ 5,898,348	-	-	-	3,386,385
Transportation Commission	5,984,152	416,456	3,573,308	193,168	-	-	-	(1,801,220)
Medical Care Facility	13,572,944	13,090,792	-	-	-	-	-	(482,152)
Drainage Districts	1,115,086	-	47,276	2,164,348	-	-	-	1,096,538
Board of Public Works	194,849	27,561	-	46,440	-	-	-	(120,848)
Total component units	\$ 29,646,932	\$ 13,818,235	\$ 9,605,096	\$ 8,302,304	-0-	-0-	-0-	2,078,703
General revenues								
Property taxes					12,933,132	-	12,933,132	2,584,957
State shared revenue					1,243,491	-	1,243,491	-
Unrestricted grants and contributions					494,694	-	494,694	-
Investment earnings					74,993	22,674	97,667	39,688
Gain on disposal of capital assets					-	-	-0-	247,095
Other					334,083	5,088	339,171	40,116
Transfers					1,893,950	(1,893,950)	-0-	-
Total general revenues and transfers					16,974,343	(1,866,188)	15,108,155	2,911,856
Change in net position					(1,430,797)	(1,760,455)	(3,191,252)	4,990,559
Net position, beginning of the year					19,678,165	11,208,975	30,887,140	123,911,166
Net position, end of the year					\$ 18,247,368	\$ 9,448,520	\$ 27,695,888	\$ 128,901,725

See accompanying notes to financial statements.

Isabella County, Michigan

GOVERNMENTAL FUNDS BALANCE SHEET

September 30, 2016

	General	Tribal Contribution	CDBG Housing Assistance Grant
ASSETS			
Cash and cash equivalents	\$ 4,110,849	\$ 884,780	\$ 85,344
Investments	3,133,778	231,974	-
Receivables			
Accounts	122,213	363,904	1,099,738
Taxes	4,317,744	-	-
Leases	-	-	-
Due from other governmental units			
Federal/State	467,071	-	-
Local	31,768	-	-
Due from other funds	540,602	-	-
Inventories	14,836	-	-
Prepays	42,997	-	-
	<u>\$ 12,781,858</u>	<u>\$ 1,480,658</u>	<u>\$ 1,185,082</u>
LIABILITIES			
Accounts payable	\$ 336,638	\$ -	\$ -
Accrued wages	276,934	-	-
Due to other governmental units			
Federal/State	144,151	-	-
Local	-	394,901	-
Due to other funds	366,492	961,597	11,000
Unearned revenue	-	123,963	-
	<u>1,124,215</u>	<u>1,480,461</u>	<u>11,000</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	905,645	-	1,099,738
FUND BALANCES			
Nonspendable	57,833	-	-
Restricted	-	197	74,344
Committed	-	-	-
Assigned	5,082,391	-	-
Unassigned	5,611,774	-	-
	<u>10,751,998</u>	<u>197</u>	<u>74,344</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u><u>\$ 12,781,858</u></u>	<u><u>\$ 1,480,658</u></u>	<u><u>\$ 1,185,082</u></u>

See accompanying notes to financial statements.

Commission on Aging Activities	Building Authority Bonds	Nonmajor Governmental Funds	Total
\$ 920,645	\$ 53,440	\$ 2,047,812	\$ 8,102,870
-	-	6,059	3,371,811
15,364	-	187,058	1,788,277
-	-	-	4,317,744
-	1,370,000	-	1,370,000
103,492	-	417,537	988,100
-	-	-	31,768
859,494	-	389,017	1,789,113
6,914	-	-	21,750
3,427	-	36,897	83,321
<u>\$ 1,909,336</u>	<u>\$ 1,423,440</u>	<u>\$ 3,084,380</u>	<u>\$ 21,864,754</u>
\$ 77,148	\$ -	\$ 203,027	\$ 616,813
38,453	-	72,598	387,985
-	-	1,821	145,972
-	-	-	394,901
8,599	-	463,838	1,811,526
625,371	-	995	750,329
749,571	-0-	742,279	4,107,526
-	1,370,000	-	3,375,383
10,341	-	36,897	105,071
1,149,424	53,440	2,223,631	3,501,036
-	-	81,573	81,573
-	-	-	5,082,391
-	-	-	5,611,774
<u>1,159,765</u>	<u>53,440</u>	<u>2,342,101</u>	<u>14,381,845</u>
<u>\$ 1,909,336</u>	<u>\$ 1,423,440</u>	<u>\$ 3,084,380</u>	<u>\$ 21,864,754</u>

Isabella County, Michigan

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

September 30, 2016

Total fund balance - governmental funds **\$ 14,381,845**

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

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

The cost of capital assets is	\$ 35,190,608	
Accumulated depreciation is	<u>(20,270,120)</u>	
Capital assets, net		14,920,488

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

Unavailable revenue	3,375,383	
Less: lease receivable from other County funds	<u>(1,100,000)</u>	
		2,275,383

Internal service funds are used by management to charge the costs of certain activities to individual funds.

Net position of governmental activities accounted for in the Internal Service Fund		769,355
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Governmental funds report actual pension expenditures for the fiscal year, whereas the governmental activities will recognize the net pension asset or liability as of the measurement date. Pension contributions subsequent to the measurement date will be deferred in the statement of net position. In addition, resources related to changes of assumptions, differences between expected and actual experience, and differences between projected and actual pension plan investment earnings will be deferred over time in the government-wide financial statements. These amounts consist of:

Deferred outflows of resources related to pensions		4,817,489
--	--	-----------

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

Direct County obligations	(1,943,513)	
Net pension liability	(16,170,611)	
Deferred charges on refunding	25,109	
Accrued interest payable	(19,557)	
Compensated absences	<u>(808,620)</u>	
		<u>(18,917,192)</u>

Net position of governmental activities **\$ 18,247,368**

Isabella County, Michigan

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended September 30, 2016

	General	Tribal Contribution	CDBG Housing Assistance Grant
REVENUES			
Taxes	\$ 10,980,407	\$ -	\$ -
Licenses and permits	91,915	-	-
Intergovernmental	2,907,858	44,015	146,554
Charges for services	3,090,504	-	-
Fines and forfeitures	159,641	-	-
Interest and rents	441,380	-	-
Contributions	-	-	-
Other	252,837	-	18,722
TOTAL REVENUES	17,924,542	44,015	165,276
EXPENDITURES			
Current			
General government	9,702,059	13,936	-
Public safety	5,642,917	5,295	-
Public works	565,096	-	-
Health and welfare	1,008,494	-	-
Community and economic development	250,249	1,184	142,831
Recreation and cultural	-	23,600	-
Other	580,810	-	-
Debt service	-	-	-
Capital outlay	-	-	-
TOTAL EXPENDITURES	17,749,625	44,015	142,831
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	174,917	-0-	22,445
OTHER FINANCING SOURCES (USES)			
Transfers in	1,898,549	-	-
Transfers out	(2,413,882)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(515,333)	-0-	-0-
NET CHANGE IN FUND BALANCES	(340,416)	-0-	22,445
Fund balances, beginning of year	11,092,414	197	51,899
Fund balances, end of year	<u>\$ 10,751,998</u>	<u>\$ 197</u>	<u>\$ 74,344</u>

See accompanying notes to financial statements.

Commission on Aging Activities	Building Authority Bonds	Nonmajor Governmental Funds	Total
\$ 1,432,583	\$ -	\$ 571,407	\$ 12,984,397
-	-	447,969	539,884
811,680	-	2,100,380	6,010,487
35,033	-	1,165,598	4,291,135
-	-	7,142	166,783
1,699	256,280	2,166	701,525
212,634	-	-	212,634
25,385	-	44,562	341,506
<u>2,519,014</u>	<u>256,280</u>	<u>4,339,224</u>	<u>25,248,351</u>
-	-	1,035,162	10,751,157
-	-	1,256,049	6,904,261
-	-	-	565,096
2,228,147	-	2,652,685	5,889,326
-	-	-	394,264
-	-	857,814	881,414
-	-	-	580,810
-	1,084,904	-	1,084,904
-	-	411,957	411,957
<u>2,228,147</u>	<u>1,084,904</u>	<u>6,213,667</u>	<u>27,463,189</u>
290,867	(828,624)	(1,874,443)	(2,214,838)
7,580	308,898	2,195,225	4,410,252
-	(708)	(101,712)	(2,516,302)
<u>7,580</u>	<u>308,190</u>	<u>2,093,513</u>	<u>1,893,950</u>
298,447	(520,434)	219,070	(320,888)
<u>861,318</u>	<u>573,874</u>	<u>2,123,031</u>	<u>14,702,733</u>
<u>\$ 1,159,765</u>	<u>\$ 53,440</u>	<u>\$ 2,342,101</u>	<u>\$ 14,381,845</u>

Isabella County, Michigan

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

Year Ended September 30, 2016

Net change in fund balances - total governmental funds \$ (320,888)

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

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 368,663	
Depreciation expense	<u>(774,987)</u>	
Excess of depreciation expense over capital outlay		(406,324)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (51,266)

Internal service funds are used by management to charge the costs of certain activities to individual funds:

Change in net position from governmental activities accounted for in internal service fund		(157,858)
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Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net position. In the current year, these amounts consist of:

Repayment of long-term debt	1,000,000	
Net effect of bond refunding	(2,423)	
Decrease in long-term liability for environmental remediation	<u>27,194</u>	
		1,024,771

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued interest payable	17,136	
(Increase) in net pension liability	(5,082,009)	
Increase in deferred outflows related to pensions	3,450,128	
Decrease in compensated absences	<u>95,513</u>	
		<u>(1,519,232)</u>

Change in net position of governmental activities \$ (1,430,797)

Isabella County, Michigan

Proprietary Funds

STATEMENT OF NET POSITION

September 30, 2016

	Business-type		
	Delinquent Tax Revolving	Recycling	PA 123 Restricted Tax
ASSETS			
Current assets			
Cash and cash equivalents	2,819,550	\$ 485,647	\$ 318,618
Investments	806,476	-	1,184,991
Receivables			
Accounts	-	52,011	1,334
Delinquent taxes	2,210,184	-	-
Due from other governmental units	5,251	-	-
Due from other funds	-	50,000	-
Inventories	-	-	-
Prepays	-	89	-
Total current assets	5,841,461	587,747	1,504,943
Noncurrent assets			
Capital assets not being depreciated	-	121,953	-
Capital assets being depreciated, net	-	1,005,779	-
Total noncurrent assets	-0-	1,127,732	-0-
TOTAL ASSETS	5,841,461	1,715,479	1,504,943
DEFERRED OUTFLOWS RESOURCES			
Deferred outflows related to pensions	103,179	-	61,023
LIABILITIES			
Current liabilities			
Accounts payable	-	28,479	125
Accrued wages	2,972	17,227	1,755
Due to other governmental units	-	17,497	-
Due to other funds	7,772	54	11,635
Current portion of compensated absences	938	7,944	953
Unearned revenue	-	122,841	-
Total current liabilities	11,682	194,042	14,468
Noncurrent liabilities			
Net pension liability	355,052	-	209,988
Noncurrent portion of compensated absences	1,406	11,915	1,430
Total noncurrent liabilities	356,458	11,915	211,418
TOTAL LIABILITIES	368,140	205,957	225,886
NET POSITION			
Net investment in capital assets	-	1,127,732	-
Restricted for equipment replacement	-	350,000	-
Unrestricted	5,576,500	31,790	1,340,080
TOTAL NET POSITION	\$ 5,576,500	\$ 1,509,522	\$ 1,340,080

See accompanying notes to financial statements.

Activities		Governmental
Nonmajor Enterprise Funds	Total	Internal Service Fund
\$ 598,815	\$ 4,222,630	\$ 695,167
-	1,991,467	-
-	53,345	-
-	2,210,184	-
-	5,251	-
-	50,000	-
13,347	13,347	-
10,863	10,952	375,685
623,025	8,557,176	1,070,852
-	121,953	-
295,468	1,301,247	-
295,468	1,423,200	-0-
918,493	9,980,376	1,070,852
48,862	213,064	-
8,757	37,361	45,045
8,029	29,983	-
-	17,497	-
8,126	27,587	-
3,334	13,169	-
-	122,841	-
28,246	248,438	45,045
168,141	733,181	-
5,002	19,753	-
173,143	752,934	-0-
201,389	1,001,372	45,045
295,468	1,423,200	-
-	350,000	-
470,498	7,418,868	1,025,807
<u>\$ 765,966</u>	<u>\$ 9,192,068</u>	<u>\$ 1,025,807</u>

Isabella County, Michigan

RECONCILIATION OF THE ENTERPRISE FUNDS STATEMENT
OF NET POSITION TO THE STATEMENT OF NET POSITION

September 30, 2016

Total net position - enterprise funds \$ 9,192,068

Amounts reported for business-type activities in the statement of net position are different because:

Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. The assets and liabilities of certain internal services are included in business-type activities.

Add: portion of net position of business-type activities accounted for in the internal service fund

256,452

Net position of business-type activities

\$ 9,448,520

Isabella County, Michigan

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Year Ended September 30, 2016

	Business-type		
	Delinquent Tax Revolving	Recycling	PA 123 Restricted Tax
OPERATING REVENUES			
Charges for services	\$ 135,724	\$ 39,794	\$ 321,426
Sales	-	532,259	-
Reimbursements	-	-	-
Interest and penalties on delinquent taxes	273,089	-	79,512
TOTAL OPERATING REVENUES	408,813	572,053	400,938
OPERATING EXPENSES			
Personnel services	249,480	633,259	149,093
Supplies	5,500	14,502	14,414
Contractual services	35,000	114,778	58,058
Other services and charges	-	212,087	5,437
Cost of goods sold	-	-	-
Health insurance benefits, premiums, and fees	-	-	-
Depreciation and amortization	-	95,273	-
TOTAL OPERATING EXPENSES	289,980	1,069,899	227,002
OPERATING INCOME (LOSS)	118,833	(497,846)	173,936
NONOPERATING REVENUES			
Intergovernmental			
Local	-	271,930	-
Other	-	1,638	3,450
Interest revenue	14,870	519	6,780
TOTAL NONOPERATING REVENUES	14,870	274,087	10,230
NET INCOME (LOSS) BEFORE OTHER FINANCING SOURCES (USES)	133,703	(223,759)	184,166
OTHER FINANCING SOURCES (USES)			
Transfers in	-	330,000	-
Transfers out	(863,950)	-	(1,000,000)
TOTAL OTHER FINANCING SOURCES (USES)	(863,950)	330,000	(1,000,000)
CHANGE IN NET POSITION	(730,247)	106,241	(815,834)
Net position, beginning of year	6,306,747	1,403,281	2,155,914
Net position, end of year	\$ 5,576,500	\$ 1,509,522	\$ 1,340,080

See accompanying notes to financial statements.

Activities		Governmental
Nonmajor Enterprise Funds	Total	Internal Service Fund
\$ 677,764	\$ 1,174,708	\$ 3,492,047
-	532,259	-
-	-0-	1,686
-	352,601	-
677,764	2,059,568	3,493,733
351,364	1,383,196	-
6,720	41,136	-
10,793	218,629	-
15,947	233,471	-
133,732	133,732	-
-	-0-	3,705,287
67,708	162,981	-
586,264	2,173,145	3,705,287
91,500	(113,577)	(211,554)
-	271,930	-
-	5,088	-
505	22,674	1,076
505	299,692	1,076
92,005	186,115	(210,478)
-	330,000	-
(360,000)	(2,223,950)	-
(360,000)	(1,893,950)	-0-
(267,995)	(1,707,835)	(210,478)
1,033,961	10,899,903	1,236,285
\$ 765,966	\$ 9,192,068	\$ 1,025,807

Isabella County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND
NET POSITION OF ENTERPRISE FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended September 30, 2016

Change in net position - total enterprise funds \$ (1,707,835)

Amounts reported for business-type activities in the statement of activities are different because:

Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. A portion of the net revenue (expense) of the internal service fund is reported with business-type activities.

Increase (decrease) in net position from business-type activities accounted for in the internal service fund (52,620)

Change in net position of business-type activities \$ (1,760,455)

Isabella County, Michigan

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended September 30, 2016

	Business-type		
	Delinquent Tax Revolving	Recycling	PA 123 Restricted Tax
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 135,724	\$ 585,858	\$ 325,469
Cash paid to suppliers	(40,500)	(338,143)	(159,038)
Cash paid for employee services and benefits	(149,820)	(632,146)	(2,518)
Interest on delinquent taxes	327,563	-	79,512
	<u>272,967</u>	<u>(384,431)</u>	<u>243,425</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Local grants	-	271,930	-
Transfers out	(863,950)	-	(1,000,000)
Transfers in	-	330,000	-
	<u>(863,950)</u>	<u>601,930</u>	<u>(1,000,000)</u>
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES			
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	-	(104,856)	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	(806,476)	-	-
Maturity of investments	1,590,326	-	296,069
Interest revenue	14,870	519	6,780
	<u>798,720</u>	<u>519</u>	<u>302,849</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES			
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
	207,737	113,162	(453,726)
Cash and cash equivalents, beginning of year	<u>2,611,813</u>	<u>372,485</u>	<u>772,344</u>
Cash and cash equivalents, end of year	<u><u>\$ 2,819,550</u></u>	<u><u>\$ 485,647</u></u>	<u><u>\$ 318,618</u></u>

See accompanying notes to financial statements.

Activities		Governmental
Nonmajor Enterprise Funds	Total	Internal Service Fund
\$ 677,764	\$ 1,724,815	\$ 3,393,148
(191,012)	(693,693)	(3,743,962)
(309,412)	(1,093,896)	-
-	407,075	-
177,340	344,301	(350,814)
-	271,930	-
(360,000)	(2,223,950)	-
-	330,000	-
(360,000)	(1,622,020)	-0-
(26,315)	(131,171)	-
-	(806,476)	-
-	1,886,395	-
505	22,674	1,076
505	1,102,593	1,076
(208,470)	(306,297)	(349,738)
807,285	4,563,927	1,044,905
<u>\$ 598,815</u>	<u>\$ 4,257,630</u>	<u>\$ 695,167</u>

Isabella County, Michigan

Proprietary Funds

STATEMENT OF CASH FLOWS - CONCLUDED

Year Ended September 30, 2016

	Business-type		
	Delinquent Tax Revolving	Recycling	PA 123 Restricted Tax
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ 118,833	\$ (497,846)	\$ 173,936
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation and amortization	-	95,273	-
Other income	-	1,638	3,450
(Increase) decrease in:			
Receivables	(73,397)	(16,180)	593
Due from other governmental units	122,302	28,347	-
Due from other funds	-	90,409	-
Inventories	-	-	-
Prepays	-	(89)	-
Deferred outflows related to pensions	(81,560)	-	(47,882)
Increase (decrease) in:			
Accounts payable	-	(26,072)	(202)
Accrued wages	1,487	1,113	(189)
Due to other governmental units	-	11,796	-
Due to other funds	5,569	(23,571)	10,297
Unearned revenue	-	(49,249)	-
Net pension liability	179,733	-	103,422
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 272,967</u>	<u>\$ (384,431)</u>	<u>\$ 243,425</u>

See accompanying notes to financial statements.

Activities		Governmental
Nonmajor Enterprise Funds	Total	Internal Service Fund
\$ 91,500	\$ (113,577)	\$ (211,554)
67,708	162,981	-
-	5,088	-
-	(88,984)	-
-	150,649	-
-	90,409	-
(4,701)	(4,701)	-
6,589	6,500	(40,023)
(37,982)	(167,424)	-
(3,804)	(30,078)	1,348
(3,906)	(1,495)	-
-	11,796	-
7,027	(678)	(100,585)
(25,000)	(74,249)	-
79,909	363,064	-
<u>\$ 177,340</u>	<u>\$ 309,301</u>	<u>\$ (350,814)</u>

Isabella County, Michigan

Fiduciary Funds

STATEMENT OF ASSETS AND LIABILITIES

September 30, 2016

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	<u>\$ 7,249,320</u>
LIABILITIES	
Due to other governmental units	
Federal/State	\$ 195,542
Local	6,667,422
Due to individuals and agencies	<u>386,356</u>
TOTAL LIABILITIES	<u>\$ 7,249,320</u>

See accompanying notes to the financial statements.

Isabella County, Michigan

Component Units

COMBINING STATEMENT OF NET POSITION

September 30, 2016

	Road Commission	Transportation Commission	Medical Care Facility
ASSETS			
Current assets			
Cash and cash equivalents	\$ 3,775,331	\$ 1,352,924	\$ 2,040,460
Investments	-	-	-
Receivables	3,177,424	42,249	1,991,874
Due from other governmental units	-	321,375	-
Inventories	260,148	112,408	-
Prepays	137,413	319,854	-
Other current assets	-	-	224,432
Restricted cash and cash equivalents	-	-	3,641,439
Current portion of lease receivable	-	-	-
Total current assets	7,350,316	2,148,810	7,898,205
Noncurrent assets			
Noncurrent portion of lease receivable	-	-	-
Capital assets, not being depreciated	26,498,582	54,004	-
Capital assets, net of accumulated depreciation	<u>53,408,450</u>	<u>2,047,098</u>	<u>12,188,996</u>
Total noncurrent assets	79,907,032	2,101,102	12,188,996
TOTAL ASSETS	87,257,348	4,249,912	20,087,201
DEFERRED OUTFLOWS OF RESOURCES			
Refunding on bonds payable	-	-	80,489
Deferred outflows of resources related to pensions	<u>1,714,718</u>	<u>428,783</u>	<u>1,990,478</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,714,718	428,783	2,070,967
LIABILITIES			
Current liabilities			
Accounts payable	927,350	98,126	429,924
Accrued wages	56,146	49,501	228,781
Due to other governmental units	-	262,548	-
Accrued interest payable	1,093	-	40,563
Other accrued liabilities	38,707	13,232	18,544
Unearned revenue	-	96,191	-
Current portion of compensated absences	-	95,578	448,215
Current portion of long-term debt	<u>52,261</u>	<u>-</u>	<u>495,000</u>
Total current liabilities	1,075,557	615,176	1,661,027
Noncurrent liabilities			
Other post-employment benefits	81,740	-	-
Net pension liability	4,725,956	603,791	1,842,217
Noncurrent portion of compensated absences	228,545	-	-
Noncurrent portion of long-term debt	<u>494,997</u>	<u>-</u>	<u>2,869,817</u>
Total noncurrent liabilities	5,531,238	603,791	4,712,034
TOTAL LIABILITIES	6,606,795	1,218,967	6,373,061
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	<u>-0-</u>	<u>-0-</u>	<u>18,323</u>
NET POSITION			
Net investment in capital assets	79,359,774	2,101,102	8,824,179
Restricted	3,005,497	-	155,210
Nonexpendable			
Drayton and Millie Miley Trust	-	-	55,226
Expendable			
Drayton and Millie Miley Trust	-	-	37,040
Patient Equipment Trust	-	-	180,496
Unrestricted	<u>-</u>	<u>1,358,626</u>	<u>6,514,633</u>
TOTAL NET POSITION	<u>\$ 82,365,271</u>	<u>\$ 3,459,728</u>	<u>\$ 15,766,784</u>

See accompanying notes to the financial statements.

Drainage Districts	Board of Public Works	Total
\$ 3,739,915	\$ 19,975	\$ 10,928,605
2,254,095	-	2,254,095
7,964,767	11,275	13,187,589
-	-	321,375
22,373	-	394,929
-	497,471	954,738
-	-	224,432
-	-	3,641,439
-	525,000	525,000
13,981,150	1,053,721	32,432,202
-	2,855,000	2,855,000
3,854,830	16,000	30,423,416
18,843,549	13,259	86,501,352
<u>22,698,379</u>	<u>2,884,259</u>	<u>119,779,768</u>
36,679,529	3,937,980	152,211,970
-	87,009	167,498
-	-	4,133,979
-0-	87,009	4,301,477
36,335	4,230	1,495,965
-	-	334,428
-	-	262,548
123,415	69,389	234,460
-	-	70,483
-	-	96,191
-	-	543,793
758,697	425,000	1,730,958
918,447	498,619	4,768,826
-	-	81,740
-	-	7,171,964
-	-	228,545
8,432,510	3,545,000	15,342,324
<u>8,432,510</u>	<u>3,545,000</u>	<u>22,824,573</u>
9,350,957	4,043,619	27,593,399
-0-	-0-	18,323
13,507,172	29,259	103,821,486
5,226,279	-	8,386,986
-	-	55,226
-	-	37,040
-	-	180,496
8,595,121	(47,889)	16,420,491
<u>\$ 27,328,572</u>	<u>\$ (18,630)</u>	<u>\$ 128,901,725</u>

Isabella County, Michigan

Component Units

STATEMENT OF ACTIVITIES

Year Ended September 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position					
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Road Commission	Transportation Commission	Medical Care Facility	Drainage Districts	Board of Public Works	Total
Road Commission	\$ 8,779,901	\$ 283,426	\$ 5,984,512	\$ 5,898,348	\$ 3,386,385	\$ -	\$ -	\$ -	\$ -	\$ 3,386,385
Transportation Commission	5,984,152	416,456	3,573,308	193,168	-	(1,801,220)	-	-	-	(1,801,220)
Medical Care Facility	13,572,944	13,090,792	-	-	-	-	(482,152)	-	-	(482,152)
Drainage Districts	1,115,086	-	47,276	2,164,348	-	-	-	1,096,538	-	1,096,538
Board of Public Works	194,849	27,561	-	46,440	-	-	-	-	(120,848)	(120,848)
TOTALS	\$ 29,646,932	\$ 13,818,235	\$ 9,605,096	\$ 8,302,304	3,386,385	(1,801,220)	(482,152)	1,096,538	(120,848)	2,078,703
General revenues										
Property taxes										
Investment earnings										
Gain on disposal of capital assets										
Other										
Total general revenues										
CHANGE IN NET POSITION										
Net position, beginning of year										
Net position, end of year										

See accompanying notes to the financial statements.

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Isabella County, Michigan (the County) was organized in 1856 and covers an area of 572 square miles divided into 16 townships, 1 village, and 2 cities. The County seat is located in the City of Mt. Pleasant. The County operates under an elected county Board of Commissioners and provides services to its more than 70,000 residents in many areas including law enforcement, administration of justice, community enrichment and development, and human services.

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

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; these financial statements present the financial activities of Isabella County (primary government) and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the financial statements to emphasize that they are legally separate from the primary government.

2. Blended Component Unit

Building Authority

The Isabella County Building Authority is governed by a five (5) member Board appointed by the County Board of Commissioners. Although it is legally separate from the County, the Building Authority is reported as part of the primary government because its sole purpose is to finance and construct the County's public buildings.

3. Discretely Presented Component Units

These component units are reported in a separate column to emphasize that, while legally separate, Isabella County remains financially accountable for these entities or the nature and significance of the relationship between these entities and the County is such that exclusion of these entities would render the financial statements misleading or incomplete.

Isabella County Transportation Commission

The Isabella County Transportation Commission (the Commission) provides mass transit services to the citizens of Isabella County. The Commission was created by an inter-local agreement between the County and the City of Mt. Pleasant. The Commission is administered by a Board with a voting majority appointed by the County Board of Commissioners. The Transportation Commission Board may not issue debt and the tax levy is subject to County Board of Commissioners' approval. The Transportation Commission taxes are levied under the taxing authority of the County, as approved by the County electors, and included as part of the County's total tax levy as well as reported in the Public Transportation Commission Fund. The Isabella County Treasurer, by statute, is responsible for the treasury function for the Commission. A copy of the Commission's audited financial statements can be obtained at their administrative offices.

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Discretely Presented Component Units - Concluded

Isabella County Road Commission

The Isabella County Road Commission (the Road Commission) is responsible for the maintenance and construction of the County road system. The Road Commission operations are financed primarily from the State distribution of gas and weight taxes, Federal financial assistance, and contributions from other local government units within the County. The Road Commission is governed by a five (5) member Board of County Road Commissioners elected by Isabella County voters. Isabella County is secondarily obligated to provide repayment of a material loan through the State of Michigan. All long-term debt issuances excluding capital lease purchase agreements require County authorization. A copy of the Road Commission's audited financial statements can be obtained at their administrative offices.

Isabella County Drainage Districts

The Drain Commissioner has the sole responsibility to administer the drainage districts established by the Drain Code of 1956. The Isabella County Drain Commissioner is responsible for planning, developing, and maintaining surface water drainage systems within the County. The statutory Inter-County Drainage Boards consist of the State Director of Agriculture and the Drain Commissioners of each County involved in the projects. Each of the Drainage Districts is a separate legal entity. The Drainage Board or Drain Commissioner, on behalf of the drainage district, may issue debt and levy special assessments authorized by the Drain Code without the prior approval of the County Board of Commissioners. The full faith and credit of the County may be given for the debt of the Drainage Districts upon authorization of the County Board of Commissioners. The Drainage Districts are financially accountable to the County because the County has pledged its full faith and credit for the payment of the outstanding bond issues authorized by the Drain Commissioner and because annual operating budgets must be approved by the County Board of Commissioners. The combining financial statements for the Drainage Districts are presented as part of Other Supplementary Information and are not audited separately.

Isabella County Board of Public Works

Pursuant to the provisions of Act 185, Public Acts of 1957, as amended, the Isabella County Board of Public Works has the responsibility of administering the various Public Works construction projects and the associated debt service funds. The Board is also responsible for the administration of the operations of the Lake Isabella Water Supply System. The Board of Public Works is administered by a seven (7) member Board comprised of the Drain commissioner and six (6) members with a voting majority appointed by the County Board of Commissioners. All general obligation bond issuances require County authorization and are backed by the full faith and credit of the County. The combining financial statements for the Board of Public Works are presented as part of Other Supplementary Information and are not audited separately.

Isabella County Medical Care Facility

The Isabella County Medical Care Facility is governed by the Isabella County Department of Human Services Board. This board consists of three (3) members, two (2) of whom are appointed by the County Board of Commissioners and one appointed by the Michigan governor. The County Human Services Board approves the Facility's budget and submits a copy to the County Board of Commissioners. A copy of the Medical Care Facility's audited financial statements can be obtained at their administrative offices.

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Jointly Governed Organizations

Central Michigan Mental Health Facilities Board

The Central Michigan Mental Health Facilities Board (the Facilities Board) provides mental health facilities to Isabella, Clare, Mecosta, and Osceola Counties. The Central Michigan Mental Health Facilities Board is organized as a nonprofit under Section 501(c)(3) of the Internal Revenue Code. Each of the four (4) counties through their respective Boards of Commissioners appoints two (2) members to the Facilities Board. The Facilities Board, Isabella County, and the Isabella County Building Authority entered into a three-party agreement whereby, the County, through the Building Authority, sold general obligation bonds to construct a mental health building within Mt. Pleasant. The Building Authority leases the building to the County.

The County in turn subleases the building to the Facilities Board, with the annual rent equal to the debt service requirements of the bond issue. The Facilities Board entered into a separate, but related, rental agreement with the Central Michigan Mental Health Services Board to provide office space. This operating lease provides substantially all the funding necessary to meet the Facilities Board's lease obligation with the County. The title of the building is to revert to the Facilities Board upon redemption of the bond issue.

Similar arrangements have been made to construct mental health facilities in Mecosta and Osceola Counties between the Facilities Board, the counties, and their Building Authorities.

The Facilities Board is legally separate from the County and has not met the financial accountability criteria of GASB Statement No. 14 (as amended by GASB Statements No. 39 and 61). For this reason, it is not considered a component unit of the County.

Central Michigan Community Mental Health Services Board

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

The Services Board is legally separate from the County and has not met the financial accountability criteria of GASB Statement No. 14 (as amended by GASB Statements No. 39 and 61). For this reason, it is not considered a component unit of the County.

Central Michigan District Health Department

The Central Michigan District Health Department is a multi-county agency established to provide public health services. The Health Department serves the Counties of Arenac, Clare, Gladwin, Isabella, Osceola, and Roscommon. Isabella County and the other participating counties provide annual appropriations to subsidize the operations of the Health Department. The District Health Department is primarily responsible for the debt service relating to the Building Authority bond issue sold to finance the construction of the District Health Department Building. Financial accountability to the County is demonstrated by these annual operating appropriations and the rental of space to house their operations. In addition, the treasury function for the agency rests with the Isabella County Treasurer. A copy of the Health Department's audited financial statements can be obtained at their administrative offices.

The Health Department is legally separate from the County and has not met the financial accountability criteria of GASB Statement No. 14 (as amended by GASB Statements No. 39 and 61). For this reason, it is not considered a component unit of the County.

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Related Organization

Economic Development Corporation

The Isabella County Economic Development Corporation (EDC) was established to provide community and economic development services. The County's officials are responsible for appointing the members of the Board of the Economic Development Corporation. The County's responsibility for this organization does not extend beyond making the board appointments. In fiscal year 2016, the County did not provide any operating assistance to this organization.

6. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities (the government-wide financial statements) present information for the primary government and its component units as a whole. All nonfiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide financial statements). For the most part, interfund activity (except for interfund services provided) has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities presents the direct functional expenses of the primary government and its component units and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

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

The County reports the following major governmental funds:

- a. The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- b. The Tribal Contribution Fund accounts for the funding provided from the Saginaw Chippewa Tribe and the related uses of those funds.
- c. The CDBG Housing Assistance Grant Fund accounts for the operations of the CDBG housing program and is funded primarily through grant revenue.
- d. The Commission on Aging Activities Fund accounts for the operations of the Commission on Aging and is funded primarily through grant revenue and taxes.

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Basis of Presentation - Concluded

FUND FINANCIAL STATEMENTS - CONCLUDED

- e. The Building Authority Bonds Fund accounts for the debt service on the bonds issued by the building authority.
 - The Commission on Aging Building Authority \$3,500,000 bond issue dated November 1, 2007.
 - The Building Authority Refunding \$4,620,000 bond issue dated August 19, 2008.

The County reports the following major enterprise funds:

- a. The Delinquent Tax Revolving Fund accounts for the activities of the government's purchase and collection of delinquent property taxes.
- b. The Recycling Fund accounts for the activities of the government's recycling program.
- c. The PA 123 Restricted Tax Fund accounts for the activities related to the sale of real property to satisfy delinquent taxes receivable under Public Act 123.

7. Measurement Focus

The government-wide and proprietary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide financial statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance.

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

8. Basis of Accounting

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

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is sixty (60) days. Revenues that are considered measurable but not available are recorded as receivable and unavailable revenue. Significant revenues susceptible to accrual are special assessments and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

All government-wide financial statements, proprietary funds, and similar trust funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

8. Basis of Accounting - Concluded

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

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

9. Budgets and Budgetary Accounting

Budgets are adopted by the County Board of Commissioners for the General and Special Revenue Funds, except for those that are adopted and administered by separate Boards. All governmental funds have legally adopted budgets. The budget document presents information by fund, function, department, and line items. The County Board of Commissioners monitors and amends the budgets as necessary. Budgetary control is exercised at the department level. Management is authorized to amend the budget within departments at a line item level without board approval. The County employs the following procedures in establishing budgets:

- a. The County departments meet with and submit their budgetary estimates to the Administrator/Controller who will: review the estimates, assemble, and prepare a recommended budget. The operating budgets include proposed expenditures and resources to finance them.
- b. The Administrator/Controller will then convey the recommended budgets to the Board of Commissioners, for consideration, a public hearing, and adoption.
- c. The County does not employ encumbrance accounting as an extension of formula budgetary integration in the governmental funds. All unexpended appropriations lapse at year-end, unless specifically re-appropriated by Board action.
- d. Applicable budgeted amounts are reported as originally adopted or as amended by the Board of Commissioners during the year. Individual amendments were not material in relation to the original appropriations that were adopted.

10. Cash and Cash Equivalents

The County pools cash resources of various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balances in the pooled cash accounts are available to meet current operating requirements. Cash in excess of current requirements is invested in various interest bearing securities and disclosed as part of the County's investments. Cash equivalents consist of temporary investments in various instruments with a maturity from date of purchase of 90 days or less.

11. Investments

Investments consist of certificates of deposit with original maturities of greater than 90 days. Investments are recorded at fair value.

12. Restricted Assets

Certain resources have been classified as restricted on the balance sheet because their use is limited. The Medical Care Facility has recorded restricted assets for various trust activities.

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

13. Receivables

Receivables consist of amounts due from governmental units for various financial assistance programs, accounts receivable related to charges for services, special assessments, and notes and leases receivable made in connection with various programs.

14. Capitalized Lease Receivable

PRIMARY GOVERNMENT

The Isabella County Building Authority (included as part of the primary government) has entered into numerous contracts with the County and other agencies for the purposes of constructing buildings and the financing of the same by the Building Authority through the issuance of Building Authority bonds.

The agreements specify that the Building Authority enter into lease agreements for the buildings with the County. The County in turn leases the building to the ultimate user, if not a part of the County, and that lease is at a rate sufficient to retire the bonds and pay all other necessary and proper expenses of the project. The future minimum lease payments to be received under each lease agreement are equal to the outstanding principle and interest on the bond issue.

The agreement specifies that when all the bonds have been retired, the Authority shall convey to the County all of its rights, title, and interest in the project. The lease is accounted for as a sale of the building by the Building Authority as it constitutes a capital lease.

For those leases with outside agencies, the aggregate future lease payments necessary for retirement of outstanding bond principal have been recorded as a Capitalized Lease Receivable. Unavailable revenue is shown on the balance sheet in the same amount as the Capitalized Lease Receivable as revenue that is not recognized until lease payments are received. There is no provision for any contingent rentals in the lease.

COMPONENT UNITS

In accordance with the terms of an agreement between the Isabella County Board of Public Works and Union Township, the County authorized the construction of a Wastewater Treatment Plant construction project and the financing of the same by the Board of Public Works through the issuance of a \$7,605,000 bond. Of the original issue, \$6,050,000 of the debt was defeased with the issuance of 2009 refunding bonds. Local contributions reduced the amount of the debt obligation.

In accordance with the terms of an agreement between the Isabella County Board of Public Works and Union Township, the County authorized the construction of a Water and Sewer System improvement project and the financing of the same by the Board of Public Works through the issuance of \$2,105,000 bond.

These agreements provide for the Board of Public Works to enter into lease agreements with the local units with rentals equal to the annual debt service requirements over the life of the bond issue. The local unit is responsible for the operation, maintenance, and management of the system over the life of the lease. Upon final payment of the bond issue, ownership of the assets will revert to the local unit. Consequently, the leases are accounted for as capital leases.

On this basis, the aggregate future lease payments necessary for the retirement of outstanding bond principal have been recorded as a capitalized lease receivable. Unavailable revenue is shown on the balance sheet of the Shepherd Storm Sewer, Clare Water and Sewer, and Union Township Wastewater Treatment Debt Service Funds in the Board of Public Works Component Unit in the same amount as the capitalized lease as revenue that is not recognized until lease payments are received. There is no provision for any contingent rental contained in the lease. The future minimum lease payments to be received are equal to the outstanding principal and interest of each bond issue.

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

15. Inventories

Inventories for the General Fund, County Jail Fund, and Commission on Aging Fund consist of food and food supplies, and are reported at cost and accounted for using the consumption method. Nonspendable fund balances have been recorded to indicate that inventories are not currently available, spendable components of fund balance.

16. Prepays

Prepays consist of amounts paid in the current year that pertain to the following fiscal year and are accounted for using the consumption method. Nonspendable fund balances have been recorded in the applicable funds to indicate that prepaids are not currently available, spendable components of fund balance.

17. Compensated Absences

County employees are granted vacation and sick leave in varying amounts according to their personnel contracts. In the event of termination, individual employees have vested rights to receive payment for unused vacation and sick leave.

Accumulated vacation and sick pay amounts that are vested have been recorded in the government-wide financial statements.

18. Net Pension Liability

The net pension liability is deemed to be a noncurrent liability and is recognized on the County's government-wide and proprietary financial statements.

19. Unavailable/Unearned Revenue

Governmental funds report unavailable revenues in connection with receivables for revenue that is not considered available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. Government-wide financial statements also report unearned revenue for amounts received but not yet earned.

20. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position or balance sheet will, when applicable, report separate sections for deferred outflows of resources and deferred inflows of resources. *Deferred outflows of resources*, a separate financial statement element, represents a consumption of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. *Deferred inflows of resources*, a separate financial statement element, represents an acquisition of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

The County has several items that qualify for reporting in these categories and are reported in the government-wide financial statement of net position. These items relate to the County's net pension liability and deferred charges on refunding. The net pension liability amounts are related to differences between expected and actual experience, changes in assumptions, differences between projected and actual pension plan investment earnings, and contributions made subsequent to the measurement date. The deferred charges on refunding result from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. These amounts are deferred and recognized as an outflow or inflow of resources in the period to which they apply.

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

21. Interfund Transactions

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

22. Capital Assets

PRIMARY GOVERNMENT AND COMPONENT UNITS (EXCEPT ROAD COMMISSION)

Capital assets include land, buildings and improvements, equipment, vehicles, drain infrastructure, and other assets and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities and component units columns. Capital assets are those with an initial individual cost of \$5,000 or more (\$25,000 for drain infrastructure) and an estimated useful life of more than one (1) year.

Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and improvements	20 - 50 years
Equipment	4 - 20 years
Drain infrastructure	5 - 100 years
Vehicles	5 - 20 years
Other	5 - 15 years

ROAD COMMISSION - COMPONENT UNIT

Capital assets, which include property, equipment, and infrastructure assets (i.e., roads, bridges, and similar items), are reported in the government-wide financial statements (statement of net position and statement of activities). Capital assets are defined by the Road Commission as assets with an initial individual cost of more than \$1,000 and an estimated life in excess of two (2) years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date donated.

Depreciation is recorded over the estimated useful lives (ranging from four to fifty years) of the assets, using the sum-of-years digits method for road equipment and straight-line method for all other capital assets and infrastructure as follows:

Buildings and improvements	30 - 50 years
Road Equipment	5 - 8 years
Shop Equipment	10 years
Engineering Equipment	4 - 10 years
Office Equipment	4 - 10 years
Infrastructure - Roads	8 - 30 years
Infrastructure - Bridges	12 - 50 years

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONCLUDED

23. Long-Term Obligations

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

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

24. Fund Balance Classification Policies and Procedures

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

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

Isabella County, Michigan has not formally adopted a policy that defines the order of usage for fund balance amounts classified as restricted, committed, assigned, or unassigned. In the absence of such a policy, resources with the highest level of restriction will be used first.

25. Internal Service Fund

The County uses an Internal Service Fund to account for revenues collected from user departments for the payment of costs incurred to administer a high deductible health insurance plan and health reimbursement account for active and eligible retired employees and their families.

26. Fiduciary Funds

The County uses Agency Funds to account for various amounts held on behalf of other governments and individuals. Specific activities include Trial Court deposits, Inmate Trust, Employee Benefits, Payroll, and Library Penal Fines, and Medical Care Facility patient deposits.

27. Federal Programs

Federal programs are accounted for in the funds to which the programs pertain. The Single Audit reports and financial data have been presented separately from the Comprehensive Annual Financial Report.

28. Comparative Data

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS

The County utilizes various pooled cash accounts and investments for approximately 69 funds. The County's pooled cash and investments consist of a common checking account.

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

The other funds of the County utilize separate savings and interest bearing checking accounts. In addition, certificates of deposit and mutual funds are separately held by several of the County's funds.

In accordance with Michigan Compiled Laws, the County is authorized to invest in the following investment vehicles:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration (NCUA), but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
- c. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers acceptances of United States banks.
- f. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Deposits

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

Carrying Amount	
PRIMARY GOVERNMENT	
Cash and cash equivalents	\$ 13,020,667
Investments	<u>5,363,278</u>
Total primary government	18,383,945
FIDUCIARY FUNDS	
Cash and cash equivalents	7,249,320

Isabella County, Michigan
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

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

Deposits - Concluded

Carrying Amount

COMPONENT UNITS

Cash and cash equivalents	\$ 10,928,605
Investments	2,254,095
Restricted cash and cash equivalents	<u>3,641,439</u>
Total component units	<u>16,824,139</u>

TOTAL REPORTING ENTITY	<u><u>\$ 42,457,404</u></u>
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Deposits and Investments

Bank deposits (checking accounts, savings accounts, money market accounts, and certificates of deposit)	\$ 40,683,430
Cash on hand	9,111
Cash on deposit with MMRMA	85,506
Uncategorized pooled investment funds	<u>1,679,357</u>

TOTAL REPORTING ENTITY	<u><u>\$ 42,457,404</u></u>
------------------------	-----------------------------

Deposits of the County are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the County. As of September 30, 2016, the primary government, component units, and fiduciary fund accounts were insured by the FDIC, FSLIC, or NCUA for \$4,504,076 and the amount of \$45,219,569 was uninsured and uncollateralized.

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

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy is also established which requires an entity to maximize the use of observable and minimize the use of unobservable inputs. There are three (3) levels of inputs that may be used to measure fair value:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk and others.

Level 3: Prices determined using significant unobservable inputs. Unobservable inputs may be used in situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period). Unobservable inputs reflect the organization's own assumptions about the factors market participants would use in pricing an investment, and would be based on the best information available.

Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONCLUDED

Investments

As of September 30, 2016, the carrying amounts and market values for each type of investment as reported in the cash and cash equivalents caption on the combined balance sheet are as follows:

<u>INVESTMENT TYPE</u>	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Uncategorized pooled investment funds Michigan CLASS	\$ 1,679,357	\$ 1,679,357	47 days

The County participates in the Michigan Cooperative Liquid Assets Securities System (Michigan CLASS). Portfolio investments, including uncategorized pooled investments, are assigned a level based upon the observability of the inputs which are significant to the overall valuation. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. Since the value is not obtained from a quoted price in an active market, such investments are categorized as Level 2. Fair value is determined based on the fair value of the pool's underlying investments. Michigan CLASS's annual financial statement may be obtained at www.michiganclass.org.

Credit Risk

In accordance with Michigan Compiled Laws and the County's investment policy, certain types of investments must be rated prime or better by a nationally recognized statistical rating organizations (NRSRO's). As of September 30, 2016, the Michigan CLASS investment is rated AAAm by Standard and Poor's.

Interest Rate Risk

The County will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operating funds primarily in shorter-term securities, liquid asset funds, money market, mutual funds, or similar investment pools and limiting the average maturity in accordance with the County's cash requirements.

Concentration of Credit Risk

The County will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the County's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial Credit Risk

The County will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer by limiting investments to the types of securities listed in the investment policy and by pre-qualifying the financial institutions, brokers/dealers, intermediaries and advisors with which the County will do business in accordance with the investment policy.

Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE C: INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the Statement of Activities, all interfund transfers between individual governmental funds, business-type funds, and component units have been eliminated.

Transfers to General Fund from:	
Nonmajor governmental funds	\$ 5,183
Delinquent Tax Revolving Fund	683,366
PA 123 Restricted Tax Fund	1,000,000
Nonmajor enterprise funds	<u>210,000</u>
	<u>\$ 1,898,549</u>
Transfers to Commission on Aging Activities Fund from:	
Building Authority Bonds Fund	\$ 708
Nonmajor governmental funds	<u>6,872</u>
	<u>\$ 7,580</u>
Transfers to Building Authority Bonds Fund from:	
General Fund	<u>\$ 308,898</u>
Transfers to nonmajor governmental funds from:	
General Fund	\$ 1,774,984
Delinquent Tax Revolving Fund	180,584
Nonmajor enterprise funds	150,000
Nonmajor governmental funds	<u>89,657</u>
	<u>\$ 2,195,225</u>
Transfers to Recycling Fund from:	
General Fund	<u>\$ 330,000</u>

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

Isabella County transferred funds from the General Fund to the Building Authority Bonds fund, Recycling Fund, and various nonmajor governmental funds in order to supplement funding for the activities that are accounted for in those funds. Transfers were made from the Delinquent Tax Revolving Fund, the PA 123 Restricted Tax Fund, nonmajor enterprise funds, and the nonmajor governmental funds to the General Fund to supplement current year operations.

Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE D: INTERFUND RECEIVABLES AND PAYABLES

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

PRIMARY GOVERNMENT

Due to General Fund from:

Tribal Contribution Fund	\$ 52,103
CDBG Housing Assistance Grant Fund	11,000
Commission on Aging Activities Fund	8,599
Delinquent Tax Revolving Fund	7,772
PA 123 Restricted Fund	11,635
Recycling Fund	54
Nonmajor governmental funds	448,103
Nonmajor enterprise funds	1,336

\$ 540,602

Due to Commission on Aging Activities Fund from:

Tribal Contribution Fund	\$ 859,494
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\$ 859,494

Due to nonmajor governmental funds from:

General Fund	\$ 366,492
Nonmajor governmental funds	15,735
Nonmajor enterprise funds	6,790

\$ 389,017

Due to Recycling Fund from:

Tribal Contribution Fund	\$ 50,000
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\$ 50,000

Isabella County, Michigan
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE E: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2016, was as follows:

Primary Government

	Balance Oct. 1, 2015	Additions	Deletions	Balance Sept. 30, 2016
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 2,338,887	\$ -	\$ -	\$ 2,338,887
Capital assets, being depreciated:				
Buildings and improvements	24,395,122	10,733	-	24,405,855
Equipment	6,666,806	202,157	(112,259)	6,756,704
Vehicles	913,250	155,773	(88,874)	980,149
Other	709,013	-	-	709,013
Total capital assets being depreciated	32,684,191	368,663	(201,133)	32,851,721
Less accumulated depreciation for:				
Buildings and improvements	(12,718,886)	(490,983)	-	(13,209,869)
Equipment	(5,843,301)	(148,942)	112,259	(5,879,984)
Vehicles	(587,289)	(100,481)	83,351	(604,419)
Other	(546,790)	(29,058)	-	(575,848)
Total accumulated depreciation	(19,696,266)	(769,464)	195,610	(20,270,120)
Total capital assets being depreciated, net	12,987,925	(400,801)	(5,523)	12,581,601
Governmental activities capital assets, net	\$ 15,326,812	\$ (400,801)	\$ (5,523)	\$ 14,920,488

Depreciation expense was charged to governmental activities as follows:

Governmental activities	
General government	\$ 409,764
Public safety	267,670
Public works	8,071
Health and welfare	37,606
Recreational and cultural	51,727
Community and economic development	149
Total governmental activities	\$ 774,987

The current year depreciation expense for governmental activities of \$769,464 has been adjusted by \$5,523 for the disposal of capital assets during the year, in accordance with GASB Statement No. 34 implementation guide which states that immaterial losses may be handled as an adjustment to the current period's depreciation expense.

Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE E: CAPITAL ASSETS - CONTINUED

Primary Government - Concluded

	Balance Oct. 1, 2015	Additions	Deletions	Balance Sept. 30, 2016
Business-type Activities				
Capital assets not being depreciated:				
Land	\$ 121,953	\$ -	\$ -	\$ 121,953
Capital assets, being depreciated:				
Buildings and improvements	1,375,818	7,076	-	1,382,894
Equipment	1,563,447	104,571	-	1,668,018
Vehicles	806,746	19,524	(18,693)	807,577
Total capital assets being depreciated	3,746,011	131,171	(18,693)	3,858,489
Less accumulated depreciation for:				
Buildings and improvements	(670,154)	(35,318)	-	(705,472)
Equipment	(1,252,782)	(50,450)	-	(1,303,232)
Vehicles	(490,018)	(77,213)	18,693	(548,538)
Total accumulated depreciation	(2,412,954)	(162,981)	18,693	(2,557,242)
Total capital assets being depreciated, net	1,333,057	(31,810)	-0-	1,301,247
Business-type activities capital assets, net	<u>\$ 1,455,010</u>	<u>\$ (31,810)</u>	<u>\$ -0-</u>	<u>\$ 1,423,200</u>
Discretely Presented Component Units				
Component Unit - Drainage Districts				
Capital assets not being depreciated:				
Construction in progress	\$ 2,983,487	\$ 1,715,178	\$ (843,835)	\$ 3,854,830
Capital assets, being depreciated:				
Infrastructure - drains	24,341,045	843,835	-	25,184,880
Less accumulated depreciation for:				
Infrastructure - drains	(5,924,811)	(416,520)	-	(6,341,331)
Total capital assets being depreciated, net	18,416,234	427,315	-0-	18,843,549
Drainage Districts capital assets, net	<u>\$ 21,399,721</u>	<u>\$ 2,142,493</u>	<u>\$ (843,835)</u>	<u>\$ 22,698,379</u>

Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE E: CAPITAL ASSETS - CONTINUED

Discretely Presented Component Units - Continued

	Balance Oct. 1, 2015	Additions	Deletions	Balance Sept. 30, 2016
Component Unit - Board of Public Works				
Capital assets not being depreciated:				
Land	\$ 16,000	\$ -	\$ -	\$ 16,000
Capital assets, being depreciated:				
Buildings	12,856	-	-	12,856
Equipment	26,521	-	-	26,521
Infrastructure - water supply	231,157	-	-	231,157
Total capital assets being depreciated	270,534	-0-	-0-	270,534
Less accumulated depreciation for:				
Buildings and improvements	(12,856)	-	-	(12,856)
Equipment	(20,791)	(1,432)	-	(22,223)
Infrastructure - water supply	(219,490)	(2,706)	-	(222,196)
Total accumulated depreciation	(253,137)	(4,138)	-0-	(257,275)
Total capital assets being depreciated, net	17,397	(4,138)	-0-	13,259
Board of Public Works capital assets, net	<u>\$ 33,397</u>	<u>\$ (4,138)</u>	<u>\$ -0-</u>	<u>\$ 29,259</u>
Component Unit - Road Commission				
Capital assets not being depreciated:				
Land	\$ 169,964	\$ -	\$ -	\$ 169,964
Land improvements	230,168	-	-	230,168
Land - infrastructure	25,575,634	522,816	-	26,098,450
Total capital assets not being depreciated	25,975,766	522,816	-0-	26,498,582
Capital assets, being depreciated:				
Land improvements	2,948	-	-	2,948
Buildings	1,440,004	1,650	(2,700)	1,438,954
Equipment	7,006,970	1,581,976	(316,733)	8,272,213
Infrastructure - Bridges	21,829,632	103,943	-	21,933,575
Infrastructure - Roads	66,691,708	5,271,589	(3,288,770)	68,674,527
Total capital assets being depreciated	96,971,262	6,959,158	(3,608,203)	100,322,217

Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE E: CAPITAL ASSETS - CONTINUED

Discretely Presented Component Units - Continued

	Balance Oct. 1, 2015	Additions/ Reclassifications	Deletions/ Reclassifications	Balance Sept. 30, 2016
Component Unit - Road Commission - Concluded				
Less accumulated depreciation for:				
Land improvements	\$ (1,019)	\$ (147)	\$ -	\$ (1,166)
Buildings	(636,764)	(36,275)	2,655	(670,384)
Equipment	(5,545,777)	(571,446)	298,251	(5,818,972)
Infrastructure - Bridges	(7,085,036)	(677,283)	-	(7,762,319)
Infrastructure - Roads	(32,970,612)	(2,979,084)	3,288,770	(32,660,926)
Total accumulated depreciation	(46,239,208)	(4,264,235)	3,589,676	(46,913,767)
Total capital assets being depreciated, net	50,732,054	2,694,923	(18,527)	53,408,450
Road Commission capital assets, net	<u>\$ 76,707,820</u>	<u>\$ 3,217,739</u>	<u>\$ (18,527)</u>	<u>\$ 79,907,032</u>
Component Unit - Transportation Commission				
Capital assets not being depreciated:				
Land	\$ 54,004	\$ -	\$ -	\$ 54,004
Construction in progress	10,750	-	(10,750)	-0-
Total capital assets not being depreciated	64,754	-0-	(10,750)	54,004
Capital assets, being depreciated:				
Buildings and improvements	2,929,673	-	-	2,929,673
Equipment and furniture	1,056,508	13,546	(2,078)	1,067,976
Buses	5,224,805	222,920	(236,525)	5,211,200
Total capital assets being depreciated	9,210,986	236,466	(238,603)	9,208,849
Less accumulated depreciation for:				
Buildings and improvements	(2,078,204)	(153,990)	-	(2,232,194)
Equipment and furniture	(749,105)	(76,909)	2,078	(823,936)
Buses	(3,864,290)	(477,856)	236,525	(4,105,621)
Total accumulated depreciation	(6,691,599)	(708,755)	238,603	(7,161,751)
Total capital assets being depreciated, net	2,519,387	(472,289)	-0-	2,047,098
Transportation Commission capital assets, net	<u>\$ 2,584,141</u>	<u>\$ (472,289)</u>	<u>\$ (10,750)</u>	<u>\$ 2,101,102</u>

Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE E: CAPITAL ASSETS - CONCLUDED

Discretely Presented Component Units - Concluded

	Balance Oct. 1, 2015	Additions	Deletions	Balance Sept. 30, 2016
Component Unit - Medical Care Facility				
Capital assets, being depreciated:				
Buildings and improvements	\$ 16,966,775	\$ 12,424	\$ -	\$ 16,979,199
Equipment	1,961,428	26,352	(42,046)	1,945,734
Total capital assets being depreciated	18,928,203	38,776	(42,046)	18,924,933
Less accumulated depreciation for:				
Buildings and improvements	(4,608,491)	(523,971)	-	(5,132,462)
Equipment	(1,570,810)	(54,895)	22,230	(1,603,475)
Total accumulated depreciation	(6,179,301)	(578,866)	22,230	(6,735,937)
Medical Care Facility capital assets, net	<u>\$ 12,748,902</u>	<u>\$ (540,090)</u>	<u>\$ (19,816)</u>	<u>\$ 12,188,996</u>

NOTE F: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portions) of the County for the year ended September 30, 2016:

PRIMARY GOVERNMENT

	Balance Oct. 1, 2015	Additions	Deletions	Balance Sept. 30, 2016	Amounts Due Within One Year
Governmental activities					
2007 Building Authority Bonds	\$ 500,000	\$ -	\$ (500,000)	\$ -0-	\$ -
2008 Building Authority Refunding Bonds	1,800,000	-	(500,000)	1,300,000	350,000
Postclosure landfill costs	646,921	-	(27,194)	619,727	45,189
Compensated absences	904,133	990,977	(1,086,490)	808,620	323,448
	3,851,054	990,977	(2,113,684)	2,728,347	718,637
Less: deferred bond premium	29,732	-	(5,946)	23,786	5,946
Total governmental activities	3,880,786	990,977	(2,119,630)	2,752,133	724,583
Business-type activities					
Compensated absences	41,169	62,219	(70,466)	32,922	13,169
TOTAL PRIMARY GOVERNMENT	3,921,955	1,053,196	(2,190,096)	2,785,055	737,752

Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE F: LONG-TERM DEBT - CONTINUED

COMPONENT UNITS

	Balance Oct. 1, 2015	Additions	Deletions	Balance Sept. 30, 2016	Amounts Due Within One Year
Road Commission					
Notes payable	\$ 485,769	\$ 240,525	\$ (179,036)	\$ 547,258	\$ 52,261
Accumulated sick and vacation	206,343	22,202	-	228,545	-
Total Road Commission	692,112	262,727	(179,036)	775,803	52,261
Transportation Commission					
Compensated absences	102,660	210,050	(217,132)	95,578	95,578
Board of Public Works					
2009 Wastewater refunding bonds	2,565,000	-	(335,000)	2,230,000	340,000
2010 Union Township water supply bonds	1,820,000	-	(80,000)	1,740,000	85,000
Total Board of Public Works	4,385,000	-0-	(415,000)	3,970,000	425,000
Drainage Districts					
Drain notes					
Saunders #550	795,075	-	(61,160)	733,915	61,160
Childs Creek Dubois	94,000	-	(47,000)	47,000	47,000
Huber #377	33,000	-	(11,000)	22,000	11,000
Woodin #667	60,600	-	(10,100)	50,500	10,100
West #652	78,000	-	(13,000)	65,000	13,000
Millet Joint Intercounty	32,353	-	(13,570)	18,783	3,130
Dutt & Hart Intercounty	366,000	-	(61,000)	305,000	61,000
Lake Isabella #420	270,000	-	(90,000)	180,000	90,000
Martin #451	170,100	-	(18,900)	151,200	18,900
Tice #600	695,000	-	(34,750)	660,250	34,750
Myers # 481	334,724	-	(13,327)	321,397	13,726
Shuler #569	292,000	-	(14,600)	277,400	14,600
Leonard #433	-	619,000	-	619,000	30,950
Cahoon #259	-	798,618	-	798,618	39,931
Subtotal	3,220,852	1,417,618	(388,407)	4,250,063	449,247
Drain bonds					
Little Salt intercounty drain bonds	34,125	-	(34,125)	-0-	-
Paisley drain bonds	56,000	-	(56,000)	-0-	-
Beltinck drain bonds	355,594	-	(44,450)	311,144	44,450
Bachelder improvement bond	855,000	-	(55,000)	800,000	50,000
Lewis #435 drainage district bonds	2,270,000	-	(115,000)	2,155,000	115,000
Figg #319 drainage district bonds	1,775,000	-	(100,000)	1,675,000	100,000
Subtotal	5,345,719	-0-	(404,575)	4,941,144	309,450
Total Drainage Districts	8,566,571	1,417,618	(792,982)	9,191,207	758,697

Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE F: LONG-TERM DEBT - CONTINUED

COMPONENT UNITS - CONCLUDED

	Balance Oct. 1, 2015	Additions	Deletions	Balance Sept. 30, 2016	Amounts Due Within One Year
Medical Care Facility					
Building Authority Bond - 2012	\$ 3,730,000	\$ -	\$ (485,000)	\$ 3,245,000	\$ 495,000
Premium on refunding	141,276	-	(21,459)	119,817	-
Compensated absences	455,750	448,215	(455,750)	448,215	448,215
Total Medical Care Facility	4,327,026	448,215	(962,209)	3,813,032	943,215
TOTAL COMPONENT UNITS	18,073,369	2,338,610	(2,566,359)	17,845,620	2,274,751
TOTAL REPORTING ENTITY	<u>\$ 21,995,324</u>	<u>\$ 3,391,806</u>	<u>\$ (4,756,455)</u>	<u>\$ 20,630,675</u>	<u>\$ 3,012,503</u>

PRIMARY GOVERNMENT

General Long-Term Debt Bonds

Bonds payable at September 30, 2016, is as follows:

\$4,620,000 2008 Building Authority Refunding Bonds dated August 19, 2008 due in annual principal installments ranging \$250,000 to \$350,000 through November 1, 2019, with interest ranging from 4.00 to 4.25 percent, payable semi-annually. \$ 1,300,000

Postclosure Landfill Costs

The County owns a solid waste landfill located in Deerfield Township, Isabella County, Michigan. The County stopped accepting waste at this site on June 15, 1987, and completed the capping off of the site on July 21, 1989. See Note G for full details. The landfill postclosure liability is: \$ 619,727

Advance Refunding - Prior

On August 19, 2008, the County defeased the 1996 Building Authority Bonds and a portion of the 1998 and 1999 Building Authority Bonds, which were due and payable through May 1, 2016, January 1, 2019, and November 1, 2019, respectively. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. Government Securities sufficient to meet the applicable principal and interest payments. The County issued 2008 Building Authority Refunding Bonds in the amount of \$4,620,000 to fund escrow amounts and pay the cost of issuance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the County's financial statements. At September 30, 2016, bonds due and payable through January 1, 2019 for the 1998 Building Authority Bonds, and November 1, 2019 for the 1999 Building Authority Bonds in the amount of \$1,300,000 are considered defeased.

Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE F: LONG-TERM DEBT - CONTINUED

PRIMARY GOVERNMENT - CONCLUDED

Compensated Absences

In accordance with County personnel policies and/or contracts negotiated with various employee groups of the County, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in their respective personnel policies and/or contracts. The dollar amount of these vested rights, including related payroll taxes, amounted to \$808,620 for governmental activities and \$32,922 for business-type activities for vacation and sick at September 30, 2016. Of these amounts, \$323,448 and \$13,169, respectively, have been recorded as current liabilities, and \$485,172 and \$19,753, respectively, have been recorded as noncurrent liabilities. Compensated absences are normally liquidated by the fund in which the individual employees are budgeted. The General Fund, Parks and Recreation Fund, Friend of the Court Fund, Commission on Aging Activities Fund, Building Inspection Fund, and Recycling Fund are funds where compensated absences would typically be liquidated.

COMPONENT UNIT - ROAD COMMISSION

Notes Payable

Note payable dated in 2013, due in installments of \$2,820 through 2023, with interest of 2.40 percent, payable monthly.	\$ 97,777
Note payable dated in 2014, due in installments of \$1,116 through 2019, with interest of 2.19 percent, payable monthly.	209,894
Note payable dated in 2016, due in installments of \$1,518 through 2021, with interest of 2.80 percent, payable monthly.	<u>239,587</u>
	<u>\$ 547,258</u>

COMPONENT UNIT - BOARD OF PUBLIC WORKS

Water Supply and Sewage Disposal System Bonds

\$4,130,000 Wastewater Treatment Refunding Bonds dated August 27, 2009, due in annual principal installments ranging from \$340,000 to \$405,000 through October 1, 2021 with interest ranging from 3.00 to 4.00 percent, payable semi-annually.	\$ 2,230,000
\$2,105,000 Union Township Water Supply Bonds dated July 21, 2010 due in annual principal installments ranging from \$85,000 to \$155,000 through October 1, 2030 with interest ranging from 2.50 to 4.40 percent, payable semi-annually.	<u>1,740,000</u>
	<u>\$ 3,970,000</u>

Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE F: LONG-TERM DEBT - CONTINUED

COMPONENT UNIT - BOARD OF PUBLIC WORKS - CONCLUDED

Advance Refunding - Prior

On August 27, 2009, the County defeased a portion of the 2001 Union Wastewater Treatment Refunding Bonds, which were due and payable through October 1, 2021. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. Government Securities sufficient to meet the applicable principal and interest payments. The County issued 2009 Wastewater Treatment Refunding Bonds in the amount of \$4,130,000, and Union Township contributed \$2,145,608 of cash to fund escrow amounts and pay the cost of issuance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the County's financial statements. At September 30, 2016, bonds due and payable through October 1, 2021 for the 2001 Union Wastewater Treatment Refunding Bonds, in the amount of \$2,655,000 are considered defeased.

COMPONENT UNIT - DRAINAGE DISTRICTS

Drain Notes

\$470,000 Childs Creek Dubois Drain Note dated August 15, 2007, due in an annual installment of \$47,000 on June 1, 2017, with interest of 4.37 percent, payable annually.	\$ 47,000
\$110,000 Huber Drain Note dated January 22, 2008, due in annual installments of \$11,000 through May 1, 2018, with interest of 4.35 percent, payable annually.	22,000
\$101,000 Woodin Drain Note dated January 3, 2011, due in annual installments of \$10,100 through May 1, 2021, with interest of 3.29 percent, payable annually.	50,500
\$130,000 West Drain Note dated June 6, 2011, due in annual installments of \$13,000 through June 1, 2021, with interest of 3.75 percent, payable annually.	65,000
\$46,219 Millet Joint Intercounty Drain Note dated March 15, 2012, due in annual installments of \$4,622 through June 15, 2022, with interest ranging from 2.30 to 4.05 percent, payable annually.	18,783
\$610,000 Dutt & Hart Drain Intercounty Note dated September 16, 2011, due in annual installments of \$61,000 through June 1, 2021, with interest of 2.69 percent, payable annually.	305,000
\$360,000 Lake Isabella Drain Note dated November 1, 2013, due in installments of \$90,000 through May 1, 2018, with interest of 3.75 percent, payable annually.	180,000
\$189,000 Martin Drain Note dated August 22, 2014, due in annual installments of \$18,900 through June 1, 2024, with interest of 2.35 percent, payable annually.	151,200
\$917,395 Saunders Drain Note dated October 2, 2013, due in annual installments of \$61,160 through June 1, 2028, with interest of 3.75 percent, payable annually.	733,915
\$695,000 Tice Drain Note dated September 26, 2014, due in annual installments of \$34,750 through May 1, 2035, with interest of 3.69 percent, payable annually.	660,250

Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE F: LONG-TERM DEBT - CONTINUED

COMPONENT UNIT - DRAINAGE DISTRICTS - CONCLUDED

Drain Notes - Concluded

\$348,000 Myers Drain Note dated June 13, 2014, due in annual installments ranging from \$13,726 to \$22,688 through June 1, 2034, with interest of 3.00 percent, payable annually.	\$ 321,397
\$292,000 Shuler Drain Note dated November 14, 2014, due in annual installments of \$14,600 through May 1, 2035, with interest of 3.69 percent, payable annually.	277,400
\$619,000 Leonard Drain Note dated November 12, 2015, due in annual installments of \$30,950 through May 1, 2036, with interest of 3.69 percent, payable annually.	619,000
\$798,618 Cahoon Drain Note dated May 6, 2016, due in annual installments of \$39,931 through May 1, 2036, with interest of 2.49 percent, payable annually.	<u>798,618</u>
	<u>\$ 4,250,063</u>

Drain Bonds

\$666,743 Beltinck Debt Revolving Drain Bond dated November 21, 2007, due in annual principal installments of \$44,450 through June 1, 2023, with interest of 4.11 percent, payable annually.	\$ 311,144
\$1,070,000 Bachelder Improvement Drain Bond dated March 24, 2011, due in annual principal installments ranging from \$50,000 to \$55,000 through May 1, 2031, with interest ranging from 4.20 to 5.20 percent, payable annually.	800,000
\$2,385,000 Lewis #435 Drainage District Bond dated August 29, 2013, due in annual principal installments ranging from \$115,000 to \$120,000 through May 1, 2034, with interest ranging from 1.600 to 4.500 percent, payable semi-annually.	2,155,000
\$1,970,000 Figg #319 Drainage District Bond dated December 20, 2012, due in annual principal installments ranging from \$95,000 to \$100,000 through May 1, 2033, with interest ranging from 2.00 to 3.00 percent, payable annually.	<u>1,675,000</u>
	<u>\$ 4,941,144</u>

COMPONENT UNIT - MEDICAL CARE FACILITY

\$5,090,000 Building Authority - Limited Tax General Obligation Refunding Bonds, dated May 11, 2012, due in annual principal installments ranging from \$495,000 to \$590,000 through May 1, 2022, with interest ranging from 2.00 to 3.00 percent semi-annually. These bonds are collateralized by tax revenues of the Medical Care Facility.	<u>\$ 3,245,000</u>
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Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE F: LONG-TERM DEBT - CONCLUDED

The annual requirements to pay the debt principal and interest outstanding for the above Bonds and Notes are as follows:

Year Ending September 30,	Governmental Activities		Component Units			
	Principal	Interest	Medical Care Facility		Drainage District Drain Bonds	
			Principal	Interest	Principal	Interest
2017	\$ 350,000	\$ 46,938	\$ 495,000	\$ 97,350	\$ 309,450	\$ 161,107
2018	350,000	32,063	510,000	82,500	314,450	153,282
2019	350,000	17,625	530,000	67,200	319,450	145,150
2020	250,000	5,313	550,000	51,300	314,450	136,824
2021	-	-	570,000	34,800	319,450	547,411
2022-2026	-	-	590,000	17,700	1,443,895	313,916
2027-2031	-	-	-	-	1,365,000	73,210
2032-2036	-	-	-	-	554,999	-
	<u>\$ 1,300,000</u>	<u>\$ 101,939</u>	<u>\$ 3,245,000</u>	<u>\$ 350,850</u>	<u>\$ 4,941,144</u>	<u>\$ 1,530,900</u>

Year Ending September 30,	Component Units					
	Road Commission		Board of Public Works Water and Sewer Bonds		Drainage Districts Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 52,261	\$ 13,083	\$ 425,000	\$ 138,778	\$ 449,247	\$ 180,250
2018	53,473	11,871	440,000	113,521	402,659	163,342
2019	237,284	9,619	455,000	97,584	302,083	151,541
2020	12,480	5,738	470,000	71,978	302,520	141,885
2021	191,760	4,939	490,000	61,203	302,970	132,172
2022-2026	-	-	980,000	214,754	1,051,265	540,265
2027-2031	-	-	710,000	78,868	821,412	374,627
2032-2036	-	-	-	-	617,907	253,915
	<u>\$ 547,258</u>	<u>\$ 45,250</u>	<u>\$ 3,970,000</u>	<u>\$ 776,686</u>	<u>\$ 4,250,063</u>	<u>\$ 1,937,997</u>

NOTE G: POSTCLOSURE LANDFILL COSTS

The County owns a solid waste landfill located in Deerfield Township, Isabella County, Michigan. The County stopped accepting waste at this site on June 15, 1987, and completed the capping off of the site on July 21, 1989.

Since that time, postclosure monitoring of the site by the County and the Michigan Department of Natural Resources has identified ground water contamination in excess of state and federal laws and regulations. A Consent Judgment, initiated by the State Attorney General and Michigan Department of Natural Resources and its director established the requirements the County had to meet to bring the County back into compliance.

As part of this consent judgment, the County had to implement their remedial action plan previously submitted and approved by the Michigan Department of Natural Resources (DNR). The remedial action plan called for the construction of purge wells and piping as well as, construction of an air stripping facility which was completed during 1996. Air stripping involves the mass transfer of the contaminants from solution to a gas, thereby removing the contaminants from the groundwater. This is accomplished by pumping water through a packed column which has a counter current flow of air.

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE G: POSTCLOSURE LANDFILL COSTS - CONCLUDED

The County is required to perform certain maintenance and monitoring functions as stipulated in the consent judgment for a minimum of thirty years from October 23, 1992, the date of DNR approval of the County remedial action plan. It is anticipated that the purge wells and air stripping facility will have to be operated over this thirty year period.

For the year ended September 30, 2016, the County incurred postclosure care expenditures of \$27,194.

The landfill postclosure care liability as reported in Long-Term Debt of the governmental activities at September 30, 2016, is \$619,727.

All amounts recognized are based on the estimated cost to perform postclosure care at September 30, 2016. Actual costs may be higher due to inflation, changes in technology or applicable laws and regulations. The amount recognized is based on estimates developed by solid waste management engineering consultants used by the County to develop the County remedial action plan. These estimates are considered sufficient and reasonable by Management. The postclosure care costs are to be budgeted within the General Fund on an annual basis.

NOTE H: EMPLOYEE RETIREMENT SYSTEM

PRIMARY GOVERNMENT

Defined Benefit Pension Plan

Plan Description

The County participates in the Michigan Municipal Employees Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers all eligible full-time employees of the County hired before January 1, 2002, with the exception of certain bargaining units. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917.

Summary of Significant Accounting Policies

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

Benefits Provided

Benefits provided include plans with multipliers ranging from 2.00% to 2.50%.

Vesting period is 10 years.

Normal retirement age is 60 with early retirement at 55 with 20 years of service. A reduced benefit is available at age 50 with 25 years of service, or at age 55 with 15 years of service.

Final average compensation is calculated based on 3 to 5 years. Member contributions range from 0.00% to 3.95%.

Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE H: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

Benefits Provided - Concluded

At the December 31, 2015 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	140
Inactive employees entitled to but not year receiving benefits	53
Active employees	<u>101</u>
	<u><u>294</u></u>

Contributions

Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, MERS retains an independent actuary to determine the annual contribution. The employer 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 costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

All six (6) divisions are closed to new employees and have annual employer contributions ranging from 11.26% to 30.38% based on annual payroll.

Net Pension Liability

The employer's Net Pension Liability was measured as of December 31, 2015, 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:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at December 31, 2014	\$ 41,313,221	\$ 29,854,502	\$ 11,458,719
Changes for the Year			
Service Cost	565,790	-	565,790
Interest on Total Pension Liability	3,344,840	-	3,344,840
Changes in benefits	-	-	-0-
Difference between expected and actual experience	392,120	-	392,120
Changes in assumptions	2,225,734	-	2,225,734
Employer contributions	-	1,420,389	(1,420,389)
Employee contributions	-	175,830	(175,830)
Net investment income	-	(447,563)	447,563
Benefit payments, including employee refunds	(2,105,195)	(2,105,195)	-0-
Administrative expense	-	(65,245)	65,245
Net changes	<u>4,423,289</u>	<u>(1,021,784)</u>	<u>5,445,073</u>
Balances at December 31, 2015	<u>\$ 45,736,510</u>	<u>\$ 28,832,718</u>	<u>\$ 16,903,792</u>

Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE H: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

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

For the year ended September 30, 2016, the employer recognized pension expense of \$3,339,701. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 196,060	\$ -
Changes in assumptions	1,112,867	-
Net difference between projected and actual earnings on pension plan investments	2,587,491	-
Contributions subsequent to the measurement date*	<u>1,134,135</u>	<u>-</u>
Total	<u>\$ 5,030,553</u>	<u>\$ -0-</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 ended September 30, 2016.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows. These amounts are exclusive of the employer contributions to the plan made subsequent to the measurement date (\$1,134,135), which will impact the net pension liability in fiscal year 2017, rather than pension expense.

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

<u>Year Ending September 30,</u>	<u>Pension Expense</u>
2017	\$ 1,978,965
2018	670,038
2019	670,039
2020	577,376

Actuarial Assumptions

The total pension liability in the December 31, 2015, annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 3%-4%

Salary increases: 4.5% in the long-term (1%, 2%, and 3% for calendar years 2015, 2016, and 2017, respectively).

Investment rate of return: 7.75%, net of investment expenses, including inflation.

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE H: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

Actuarial Assumptions - Concluded

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

The mortality table used to project the mortality experience of non-disabled plan members is a 50% Male - 50% Female blend of the following tables: 1. The RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105%, 2. The RP-2014 Employee Mortality Tables, and 3. The RP-2014 Juvenile Mortality Tables. The mortality table used to project the mortality experience of disabled plan members is a 50% Male - 50% Female blend of the RP-2014 Disabled Retiree Mortality Tables.

The actuarial assumptions used in valuation were based on the results of the 2009-2013 Five-Year Experience Study.

Discount Rate

The discount rate used to measure the total pension liability is 8.25%. 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.

Projected Cash Flows

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.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	57.50%	8.52%
Global Fixed Income	20.00%	5.68%
Real Assets	12.50%	7.73%
Diversifying Strategies	10.00%	10.06%

Sensitivity of the Net Position Liability to Changes in the Discount Rate

The following presents the Net Pension Liability of the employer, calculated using the discount rates 8.25%, as well as what the employer's Net Position Liability would be using a discount rate that is 1% lower (7.25%) or 1% higher (9.25%) than the current rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Net pension liability	\$ 22,172,153	\$ 16,903,792	\$ 12,434,965

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE H: EMPLOYEE RETIREMENT SYSTEM - CONCLUDED

Defined Contribution Pension Plan

The Isabella County Employees Defined Contribution Pension Plan (the "Plan") is a single employer defined contribution pension plan, established by the County and administered by an outside third-party administrator. All County employees hired after January 1, 2002, with the exception of certain bargaining units, are required to participate in the Plan. As of September 30, 2015 all union contracts now specify that new employees of these units are added to the Plan. All other County employees that are not vested in the County's Defined Benefit Plan have the option of becoming a participant in the Defined Contribution Plan. Employees vest in the County's contributions completely after five (5) years.

As of September 30, 2016, there were 149 plan members. Plan members are required to contribute a minimum of 2% of their annual salary to the Plan. The County is required to contribute 7% of the employees' annual salary. Authority for establishing and amending the Plan's provisions rests with the County Board of Commissioners.

Employer contributions to the Plan for the year ended September 30, 2016, amounted to \$333,571 and employee contributions were \$100,619.

A stand-alone pension plan report has not been issued for the defined contribution plan.

Deferred Compensation Pension Plan

The Isabella County Employees Deferred Compensation Pension Plan (the "Plan") is a single employer defined contribution pension plan, established by the County and administered by outside third-party administrators. Participation in the plan is optional to all County employees. The County does not make any contributions to this plan.

As of September 30, 2016, there were 93 plan members who contributed \$246,938 to the plan. Authority for establishing and amending the Plan's provisions rests with the County Board of Commissioners.

A stand-alone pension plan report has not been issued for the deferred compensation plan.

COMPONENT UNITS

The Isabella County Road Commission, Isabella County Medical Care Facility, and the Isabella County Transportation Commission have separate retirement plans. Separate accounts are maintained by MERS for each of the component units identified above. Details applicable to the Road Commission, Medical Care Facility, and the Transportation Commission pension plans are available in their separately issued financial statements. The actuarially determined contribution requirements have been met.

NOTE I: OTHER POST-EMPLOYMENT BENEFITS (ROAD COMMISSION)

In addition to the pension benefits, the Isabella County Road Commission provides post-retirement health care insurance benefits to all retired employees by a group insurance plan. The benefits are provided in accordance with articles of the union agreement, which includes the provision that upon retirement, the Road Commission contributes \$150 to \$350 per month for health coverage per retiree based on years of service scale for employees hired before January 1, 2010 only. The Road Commission's obligation ceases upon the employee attaining the minimum age for Medicare coverage. Details applicable to the Road Commission plan are available in their separately issued financial statements.

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE J: RISK MANAGEMENT

PRIMARY GOVERNMENT

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 is a member of the Michigan Municipal Risk Management Authority for the risks of loss, including property, casualty loss, and general liability. The County participates in the Michigan Counties Workers' Compensation Fund for workers' compensation coverage. Settlements have not exceeded insurance coverage in any of the past three (3) years.

Employee Health Benefits

The County has established a high deductible health insurance plan and a health reimbursement account which are accounted for in an Internal Service Fund. Employee groups of the primary government, including the Medical Care Facility as a separate unit, participate in the insurance plan. The Plan is administered under contractual agreements with Blue Cross and Blue Shield of Michigan (BCBSM) and 44 North as third-party administrators.

The County is responsible for paying the medical claims over the employees' deductible and up to the high deductible cap established with BCBSM. These claims are processed through 44 North and paid from the County's health reimbursement account.

Certain benefits such as dental and prescription drug are cover by supplemental policies funded by the Plan. The insurance arrangements will be renegotiated annually in compliance with the Public Employees Health Benefit Act (Act 106 of 2007).

The Insurance Fund is responsible for collecting interfund premiums from the participating funds and departments and for paying insurance premiums, administrative fees, and deductibles paid from the health reimbursement account.

Interfund premiums are treated as interfund services provided and used; meaning the interfund premiums are recognized as expenditures or expenses in the contributing funds and interfund revenue is recognized in the Insurance Fund as earned.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include a provision for claims that have been incurred but not reported (IBNR's). The provision is based upon historical trends. Claims liabilities are estimated based on actual claims filed subsequent to year end.

Changes in the balance of claim liabilities during the current year and the prior year are as follows:

	<u>2015</u>	<u>2016</u>
Unpaid Claims, beginning of year	\$ 55,197	\$ 43,697
Incurred Claims, (including IBNR)	3,517,262	3,706,635
Claims Paid	<u>(3,528,762)</u>	<u>(3,705,287)</u>
Unpaid Claims	<u>\$ 43,697</u>	<u>\$ 45,045</u>

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE J: RISK MANAGEMENT - CONCLUDED

COMPONENT UNITS

Transportation Commission

The Transportation Commission participates in a pool, the Michigan Counties Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The Commission has not been informed of any special assessments being required.

The Transportation Commission also participates in a pool, the Michigan Municipal Risk Management Authority, with other municipalities for property and casualty losses. The pool is organized under Public Act 138 of 1982, as amended as a governmental group property and casualty self-insurance pool. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The Commission has not been informed of any special assessments being required.

Road Commission

The Road Commission joined together with other Road Commissions and created a public entity risk pool currently operating as a common risk management and insurance program. The Road Commission pays an annual premium to the pool for its general insurance coverage. The agreement provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$1,000 for each insured event. The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The Road Commission is unable to provide an estimate of the amounts of additional assessments.

NOTE K: PROPERTY TAXES AND TAXES RECEIVABLE

The County property tax is levied each December 1 and July 1 on the taxable valuation of property located in the County as of the preceding December 31. Unpaid property taxes are considered to be delinquent as of March 1 of the year after the tax was levied.

The County's ad valorem taxes were levied and collectible on December 1, 2015, and July 1, 2016. It is the County's policy to recognize revenues from the tax levy in the year when the proceeds of the levy are budgeted and made available for the financing of County operations. The 2016 taxable value of Isabella County amounted to \$1,720,335,250 on which ad valorem taxes levied for the County general operating purposes was 6.6100 mills. For the year ended September 30, 2016, the County levied 0.8776 mills for Senior Services, 0.9795 mills for the Medical Care Facilities, and 0.3500 mills for Parks and Recreation. The Isabella County Transportation Commission levied 0.9929 mills for transportation services.

NOTE L: FEDERAL FINANCIAL ASSISTANCE

COMPONENT UNIT - ROAD COMMISSION

It is required by the Michigan Department of Transportation (MDOT) that all road commissions report total federal financial assistance for highway research, planning, and construction pertaining to their County. During the year ended September 30, 2016, the federal aid received and expended by the Road Commission was \$1,171,956 for contracted projects.

Contracted projects are defined as projects performed by private contractors paid for and administered by MDOT (they are included in MDOT's single audit). Local force account projects are projects where the road commissions perform the work and would be subject to single audit requirements if they expended \$750,000 or more.

Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE M: DETAILS OF FUND BALANCE CLASSIFICATIONS

In the fund financial statements, the governmental funds report the following activity:

Nonspendable - assets that are not available in a spendable form such as inventory, prepaid expenditures, and long-term receivables not expected to be converted to cash in the near term. It also includes funds that are legally or contractually required to be maintained intact such as the corpus of a permanent fund or foundation.

Restricted - amounts that are required by external parties to be used for a specific purpose. Constraints are externally imposed by creditors, grantors, contributors or laws, regulations or enabling legislation.

Committed - amounts constrained on use imposed by formal action of the government's highest level of decision making authority (i.e., Board, Council, etc.).

Assigned - amounts intended to be used for specific purposes. This is determined by the governing body, the budget or finance committee or a delegated municipality official.

Unassigned - all other resources; the remaining fund balance after nonspendable, restrictions, commitments, and assignments. This class only occurs in the General Fund, except for cases of negative fund balances. Negative fund balances are always reported as unassigned, no matter which fund the deficit occurs in.

Details of fund balance classification as of September 30, 2016 are as follows:

	General Fund	Tribal Contribution	CDBG Housing Assistance Grant	Commission on Aging Activities	Building Authority Bonds	Nonmajor Governmental Funds	Total
Fund Balances							
Nonspendable:							
Inventories	\$ 14,836	\$ -	\$ -	\$ 6,914	\$ -	\$ -	\$ 21,750
Prepays	42,997	-	-	3,427	-	36,897	83,321
Restricted:							
Tribal Contribution	-	197	-	-	-	-	197
Building Authority Bonds	-	-	-	-	53,440	-	53,440
Parks and recreation	-	-	-	-	-	771,147	771,147
Friend of the Court	-	-	-	-	-	258,105	258,105
Register of Deeds Automation	-	-	-	-	-	162,592	162,592
Drug Law Enforcement Activities	-	-	-	-	-	30,928	30,928
Concealed Pistol License	-	-	-	-	-	26,617	26,617
CDBG Housing Assistance Grant	-	-	74,344	-	-	-	74,344
Commission on Aging Activities	-	-	-	1,149,424	-	-	1,149,424
Department of Human Services	-	-	-	-	-	11,536	11,536
Child Care	-	-	-	-	-	281,611	281,611
Veterans Activities	-	-	-	-	-	17,553	17,553
E-911	-	-	-	-	-	608,708	608,708
Capital improvement	-	-	-	-	-	54,834	54,834
Committed:							
Geographical Information System	-	-	-	-	-	58,493	58,493
Community Alternatives	-	-	-	-	-	12,639	12,639
Local Corrections Officers Training	-	-	-	-	-	10,373	10,373
County Law Library	-	-	-	-	-	68	68
Assigned:							
Working capital	2,000,000	-	-	-	-	-	2,000,000
Vested benefits	594,414	-	-	-	-	-	594,414
District health capital	2,773	-	-	-	-	-	2,773
Central dispatch capital	6,303	-	-	-	-	-	6,303
Claims liability	65,506	-	-	-	-	-	65,506
Agriculture board	59,042	-	-	-	-	-	59,042
Court technology	270,759	-	-	-	-	-	270,759
Subsequent year expenditures	2,080,531	-	-	-	-	-	2,080,531
Link Michigan Grant	3,063	-	-	-	-	-	3,063
Unassigned:	5,611,774	-	-	-	-	-	5,611,774
TOTAL FUND BALANCES	\$ 10,751,998	\$ 197	\$ 74,344	\$ 1,159,765	\$ 53,440	\$ 2,342,101	\$ 14,381,845

Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE N: CONTINGENT LIABILITIES

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the County and its attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the County.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures, which may be disallowed by the grantor, cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

NOTE O: RESTRICTED NET POSITION

Restrictions of net position shown in the government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the various net position restrictions as of September 30, 2016:

Governmental Activities	
Legal restrictions	
Tribal Contribution	\$ 197
Parks and Recreation	771,147
Register of Deeds Automation	162,592
Drug Law Enforcement Activities	30,928
Commission on Aging Activities	1,159,765
Department of Human Services	11,536
Child Care	318,413
Veterans Activities	17,553
Concealed Pistol License	26,617
E-911	608,803
	<u>\$ 3,107,551</u>
Grant programs	
CDBG Housing Assistance Grant	\$ 74,344
Friend of the Court	258,105
	<u>\$ 332,449</u>
Debt service	
Building Authority Bonds	\$ 33,883
Capital projects	
Capital improvement	\$ 54,834
Business-type Activities	
Equipment replacement	\$ 350,000

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE P: SUBSEQUENT EVENT

In November 2016, the County issued a drain note for \$675,000, with interest of 2.49%, payable annually. Future special assessment revenue is anticipated to be sufficient to pay this note.

NOTE Q: CHANGE IN ACCOUNTING PRINCIPLE

GASB Statement No. 72, Fair Value Measurement and Application, was implemented during the year. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair measurements.

NOTE R: UPCOMING ACCOUNTING PRONOUNCEMENTS

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. The statement improves financial reporting through the disclosure of information about the nature and magnitude of tax abatements that are not consistently or comprehensively reported to the public at present. The County is currently evaluating the impact this standard will have on the financial statements when adopted during the 2016-2017 fiscal year.

In March 2016, the GASB issued Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers who satisfy employee (plan member) contribution requirements. The County is currently evaluating the impact this standard will have on the financial statements when adopted during the 2017-2018 fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

Isabella County, Michigan

BUDGETARY COMPARISON SCHEDULES

Fund Descriptions

GENERAL FUND

The General Fund is used to account for all financial transactions not properly accounted for in another fund. The transactions relating to the general governmental activities of the County, which are financed by property tax levies, by distribution of State and Federal revenues, and by revenue from various activities and services, are recorded in this fund. The majority of current operating expenditures of the County, other than proprietary fund activities, are financed through revenue received by the General Fund.

TRIBAL CONTRIBUTION FUND

The Tribal Contribution Fund is used to account for funding provided by the Saginaw Chippewa Tribe, and the related uses of those funds.

CDBG HOUSING ASSISTANCE GRANT FUND

The CDBG Housing Assistance Grant Fund is used to account for the Community Development Block Grant, and the activities related to those funds.

COMMISSION ON AGING ACTIVITIES FUND

The Commission on Aging Activities Fund is used to account for the Commission on Aging and is funded primarily through grant revenue and taxes.

Isabella County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended September 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Current and delinquent property taxes	\$ 10,724,000	\$ 10,724,000	\$ 10,860,692	\$ 136,692
Payments in lieu of taxes	75,000	75,000	97,487	22,487
Mobile home park taxes	4,000	4,000	5,436	1,436
Administrative fees	9,500	9,500	16,792	7,292
Total taxes	10,812,500	10,812,500	10,980,407	167,907
Licenses and permits				
Dog licenses	65,000	65,000	61,723	(3,277)
Marriage license fees	27,000	27,000	10,888	(16,112)
Soil and erosion permits	-	-	7,204	7,204
Zoning permits	10,000	10,000	12,100	2,100
Total licenses and permits	102,000	102,000	91,915	(10,085)
Intergovernmental - Federal/State				
Revenue sharing	1,243,488	1,243,488	1,243,491	3
Homeland security	33,066	33,066	31,196	(1,870)
Michigan justice training	4,000	4,000	4,058	58
Remonumentation	63,550	63,550	62,319	(1,231)
Youth grant	-	1,112	1,111	(1)
SCAO grant	450,167	450,167	380,235	(69,932)
Secondary road patrol	70,000	70,000	72,726	2,726
Sheriff grants	2,597	2,597	2,738	141
Prosecutor - CRP	23,300	23,300	24,410	1,110
Prosecutor - FIA reimbursement	18,000	18,000	5,004	(12,996)
Prosecutor - Diversion	2,000	2,000	375	(1,625)
Victims' Rights	115,010	119,009	100,777	(18,232)
Probate court judge salary	189,000	189,000	192,135	3,135
Judges salary standardization	94,000	94,000	94,195	195
Court equity	270,000	270,000	282,637	12,637
Convention facility tax	329,614	331,061	332,507	1,446
Juvenile officer grant	27,317	27,317	27,317	-0-
Liquor licenses	8,500	8,500	9,717	1,217
Marine safety grant	3,000	7,100	7,100	-0-
Other	42,000	42,000	33,810	(8,190)
Total intergovernmental - Federal/State	2,988,609	2,999,267	2,907,858	(91,409)

Isabella County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended September 30, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
REVENUES - CONCLUDED				
Charges for services				
Circuit Court costs	\$ 278,000	\$ 278,000	\$ 233,959	\$ (44,041)
District Court costs	1,447,000	1,447,000	1,279,260	(167,740)
Probate Court costs	35,000	35,000	27,371	(7,629)
Juvenile Court costs	24,000	24,000	25,172	1,172
Prosecuting attorney	13,200	13,200	10,386	(2,814)
Treasurer	5,000	5,000	48,930	43,930
Clerk	116,850	116,850	147,314	30,464
Register of deeds	291,500	291,500	230,268	(61,232)
Drain commissioner	22,000	22,000	20,887	(1,113)
Sheriff department	45,150	45,150	39,131	(6,019)
Jail	901,700	901,700	823,642	(78,058)
Equalization	7,600	7,600	8,996	1,396
Animal control	27,000	27,000	32,153	5,153
Real estate transfer tax	160,000	160,000	152,469	(7,531)
Miscellaneous services	10,050	10,050	10,566	516
Total charges for services	3,384,050	3,384,050	3,090,504	(293,546)
Fines and forfeits				
Circuit Court	-	-	6,140	6,140
District Court	15,000	15,000	15,225	225
Ordinance fines	230,000	230,000	138,024	(91,976)
Probate Court	700	700	252	(448)
Total fines and forfeits	245,700	245,700	159,641	(86,059)
Interest and rents				
Investment earnings	63,500	63,500	70,824	7,324
Rental fees	340,192	340,192	370,556	30,364
Total interest and rents	403,692	403,692	441,380	37,688
Other				
Reimbursements	92,900	181,354	203,415	22,061
Donations - general	10,750	10,750	13,061	2,311
Miscellaneous revenue	8,800	8,800	36,361	27,561
Total other	112,450	200,904	252,837	51,933
TOTAL REVENUES	18,049,001	18,148,113	17,924,542	(223,571)

Isabella County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended September 30, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
EXPENDITURES				
General government				
Board of Commissioners	\$ 188,847	\$ 188,847	\$ 161,124	\$ 27,723
Administration	667,485	670,985	670,663	322
Elections	63,850	141,154	139,513	1,641
Clerk	498,251	499,851	497,308	2,543
Equalization	373,353	372,093	347,513	24,580
Prosecuting attorney	1,160,999	1,164,998	1,133,634	31,364
Register of Deeds	344,156	334,156	320,879	13,277
Human resources	60,000	39,496	34,671	4,825
Public defender	534,500	584,200	584,160	40
Remonumentation	63,000	73,000	72,984	16
Treasurer	225,878	225,878	225,863	15
MSU cooperative extension service	148,237	148,887	148,846	41
Information systems	242,959	245,319	214,868	30,451
Building authority	256,366	256,366	256,352	14
Building and grounds	772,639	787,489	786,778	711
Drain commissioner	324,366	336,166	336,152	14
Trial Court	3,811,341	3,760,541	3,516,222	244,319
Adult Drug Court	109,030	109,030	104,222	4,808
Juvenile Drug Court	96,828	96,828	87,884	8,944
Family Court	60,931	60,931	59,688	1,243
Jury board	2,200	2,750	2,735	15
Total general government	10,005,216	10,098,965	9,702,059	396,906
Public safety				
Sheriff	2,403,967	2,399,694	2,309,210	90,484
Road patrol	194,568	194,568	176,605	17,963
Marine safety	3,000	11,373	11,373	-0-
Corrections	2,676,094	2,676,094	2,652,354	23,740
Emergency management	112,310	95,100	90,257	4,843
Michigan Justice Training Act	4,000	4,000	2,385	1,615
Youth grant	-	1,112	1,111	1
Animal control	403,346	399,646	399,622	24
Total public safety	5,797,285	5,781,587	5,642,917	138,670
Public works				
Board of public works	800	800	240	560
Drain at large	296,000	593,704	537,662	56,042
Well monitoring - landfill	45,848	45,848	27,194	18,654
Total public works	342,648	640,352	565,096	75,256

Isabella County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - CONCLUDED

Year Ended September 30, 2016

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
EXPENDITURES - CONCLUDED				
Health and welfare				
Substance abuse counseling	\$ 164,807	\$ 166,254	\$ 166,254	\$ -0-
Medical examiner	150,600	148,544	145,671	2,873
Public health	387,270	393,330	393,330	-0-
Mental health services	216,300	216,300	216,300	-0-
Child protection council	5,000	5,000	5,000	-0-
Veteran's affairs	74,518	74,924	74,924	-0-
Disabilities advisory commission	7,150	7,150	7,015	135
Total health and welfare	1,005,645	1,011,502	1,008,494	3,008
Community economic and development				
Community development	258,119	258,119	250,249	7,870
Other				
Contingency	50,000	26,000	-	26,000
Insurance and bonds	215,000	266,004	282,390	(16,386)
Other	326,654	326,654	298,420	28,234
Total other	591,654	618,658	580,810	37,848
TOTAL EXPENDITURES	18,000,567	18,409,183	17,749,625	659,558
EXCESS REVENUE OVER (UNDER) EXPENDITURES	48,434	(261,070)	174,917	435,987
OTHER FINANCING SOURCES (USES)				
Transfers in	1,908,366	1,908,366	1,898,549	(9,817)
Transfers out	(2,106,800)	(2,465,259)	(2,413,882)	51,377
TOTAL OTHER FINANCING SOURCES (USES)	(198,434)	(556,893)	(515,333)	41,560
NET CHANGE IN FUND BALANCE	(150,000)	(817,963)	(340,416)	477,547
Fund balance, beginning of year	11,092,414	11,092,414	11,092,414	-0-
Fund balance, end of year	<u>\$ 10,942,414</u>	<u>\$ 10,274,451</u>	<u>\$ 10,751,998</u>	<u>\$ 477,547</u>

Isabella County, Michigan

Tribal Contribution Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended September 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental - local	\$ 118,750	\$ 118,750	\$ 44,015	\$ (74,735)
EXPENDITURES				
Current				
General government	109,000	109,000	13,936	95,064
Public safety	750	750	5,295	(4,545)
Community and economic development	9,000	9,000	1,184	7,816
Recreation and cultural	-	-	23,600	(23,600)
TOTAL EXPENDITURES	118,750	118,750	44,015	74,735
NET CHANGE IN FUND BALANCE	-0-	-0-	-0-	-0-
Fund balance, beginning of year	197	197	197	-0-
Fund balance, end of year	\$ 197	\$ 197	\$ 197	\$ -0-

Isabella County, Michigan
 CDBG Housing Assistance Grant Fund
 BUDGETARY COMPARISON SCHEDULE
 Year Ended September 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 137,000	\$ 137,000	\$ 146,554	\$ 9,554
Other revenue	17,500	17,500	18,722	1,222
TOTAL REVENUES	154,500	154,500	165,276	10,776
EXPENDITURES				
Current				
Community and economic development	154,500	154,500	142,831	11,669
NET CHANGE IN FUND BALANCE	-0-	-0-	22,445	22,445
Fund balance, beginning of year	51,899	51,899	51,899	-0-
Fund balance, end of year	<u>\$ 51,899</u>	<u>\$ 51,899</u>	<u>\$ 74,344</u>	<u>\$ 22,445</u>

Isabella County, Michigan
 Commission on Aging Activities Fund
 BUDGETARY COMPARISON SCHEDULE
 Year Ended September 30, 2016

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ 1,397,857	\$ 1,309,363	\$ 1,432,583	\$ 123,220
Intergovernmental				
Federal	255,032	266,949	198,731	(68,218)
State	280,356	293,448	358,222	64,774
Local	200,000	219,178	254,727	35,549
Charges for services	32,500	35,015	35,033	18
Interest and rents	-	-	1,699	1,699
Contributions	173,208	180,120	212,634	32,514
Other	20,651	28,481	25,385	(3,096)
	<u>2,359,604</u>	<u>2,332,554</u>	<u>2,519,014</u>	<u>186,460</u>
TOTAL REVENUES				
EXPENDITURES				
Current				
Health and welfare	<u>2,247,289</u>	<u>2,228,289</u>	<u>2,228,147</u>	<u>142</u>
EXCESS OF REVENUES OVER EXPENDITURES	112,315	104,265	290,867	186,602
OTHER FINANCING SOURCES				
Transfers in	<u>-</u>	<u>-</u>	<u>7,580</u>	<u>7,580</u>
NET CHANGE IN FUND BALANCE	112,315	104,265	298,447	194,182
Fund balance, beginning of year	<u>861,318</u>	<u>861,318</u>	<u>861,318</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 973,633</u>	<u>\$ 965,583</u>	<u>\$ 1,159,765</u>	<u>\$ 194,182</u>

Isabella County, Michigan

Defined Benefit Pension Plan

SCHEDULE OF CHANGES IN THE COUNTY'S NET PENSION LIABILITY AND RELATED RATIOS

Last Two Measurement Dates (ultimately ten years will be displayed)
(Amounts were determined as of 12/31 of each year)

	<u>2014</u>	<u>2015</u>
Total Pension Liability		
Service cost	\$ 567,176	\$ 565,790
Interest	3,105,900	3,344,840
Changes of benefit terms	-	-
Difference between expected and actual experience	-	392,120
Changes of assumptions	-	2,225,734
Benefit payments, including employee refunds	(1,994,155)	(2,105,195)
Other	97,060	-
	<u>1,775,981</u>	<u>4,423,289</u>
Net Change in Total Pension Liability		
	1,775,981	4,423,289
Total Pension Liability, beginning	<u>39,537,240</u>	<u>41,313,221</u>
Total Pension Liability, ending	<u>\$ 41,313,221</u>	<u>\$ 45,736,510</u>
Plan Fiduciary Net Position		
Contributions - employer	\$ 1,266,473	\$ 1,420,389
Contributions - employee	178,961	175,830
Net investment income	1,805,222	(447,563)
Benefit payments, including employee refunds	(1,994,155)	(2,105,195)
Administrative expense	(66,306)	(65,245)
	<u>1,190,195</u>	<u>(1,021,784)</u>
Net Change in Plan Fiduciary Net Position		
	1,190,195	(1,021,784)
Plan Fiduciary Net Position, beginning	<u>28,664,307</u>	<u>29,854,502</u>
Plan Fiduciary Net Position, ending	<u>\$ 29,854,502</u>	<u>\$ 28,832,718</u>
Employer Net Pension Liability	<u>\$ 11,458,719</u>	<u>\$ 16,903,792</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	72%	63%
Covered employee payroll	\$ 5,344,166	\$ 4,915,260
Employer's Net Pension Liability as a percentage of covered employee payroll	214%	344%

Note: This table will ultimately have ten years of information. Additional information will be displayed as it becomes available.

Isabella County, Michigan

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended September 30, 2016

Last Two Fiscal Years (ultimately ten fiscal years will be displayed)
 (Amounts were determined as of 9/30 of each year)

	<u>2015</u>	<u>2016</u>
Actuarially determined contributions	\$ 1,389,792	\$ 1,512,180
Contributions in relation to the actuarially determined amount	<u>1,389,792</u>	<u>1,512,180</u>
Contribution deficiency (excess)	<u>\$ -0-</u>	<u>\$ -0-</u>
Covered employee payroll	\$ 4,940,238	\$ 4,723,273
Contributions as a percentage of covered employee payroll	28%	32%

Note: This table will ultimately have ten years of information. Additional information will be displayed as it becomes available.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended September 30, 2016

NOTE A: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

PRIMARY GOVERNMENT

In the budgetary comparison schedules and other supplementary information section, the County's budgeted expenditures in the General Fund and Special Revenue Funds have been shown at the functional classification (department) level. The approved budgets of the County have been adopted at the department level for the General Fund and the fund level for Special Revenue Funds. The General and Special Revenue Funds' budgets shown as required and other supplementary information were prepared on the same modified accrual basis used to reflect actual results.

During the year ended September 30, 2016, the County incurred expenditures in the General Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
Other			
Insurance and bonds	\$ 266,004	\$ 282,390	\$ 16,386

NOTE B: EMPLOYEE RETIREMENT SYSTEM

Changes of benefits terms: There were no changes of benefit terms during fiscal year 2016.

Changes in assumptions: Assumption changes as a result of the 2009-2013 Five-Year Experience Study were adopted by MERS for use in the December 31, 2015 annual pension valuation.

For amounts reported prior to the December 31, 2015, actuarial valuation, the expectation of retired life mortality was based on the 1994 Group Annuity Mortality table of a 50% Male and 50% Female blend. For disabled retirees, the regular mortality table was used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members. For the December 31, 2015, actuarial valuation, the mortality table was adjusted to reflect longer lifetimes. The mortality table used to project the mortality experience of nondisabled plan members is a 50% Male - 50% Female blend of the following tables: 1. the RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105%, 2. the RP-2014 Employee Mortality Tables, and 3. the RP-2014 Juvenile Mortality Tables. The mortality table used to project the mortality experience of disabled plan members is a 50% Male - 50% Female blend of the RP-2014 Disabled Retiree Mortality Tables.

The assumed annual rate of investment return, net of all expenses, was lowered from 8% to 7.75%.

OTHER SUPPLEMENTARY INFORMATION

Isabella County, Michigan

NONMAJOR GOVERNMENTAL FUNDS

Fund Descriptions

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Special Revenue Funds are part of the governmental fund category and, accordingly, are accounted for using the modified accrual basis of accounting. Revenue is recognized when it becomes measurable and available as a net current asset, and expenditures are generally recognized when the related fund liability is incurred.

The Department of Human Services Special Revenue Fund operates as a “quasi-independent” unit.

Certain Special Revenue Funds are required to account for specified activities of the Courts (the Friend of the Court Fund, Community Alternatives Fund, and Public Act 511 Fund) or certain County departments (Veterans’ Activities) or in accordance with public law (County Law Library).

Other Special Revenue Funds are used to account for activities financed with specific revenue sources (the Geographical Information System Fund, Parks and Recreation Fund, Register of Deeds Automation Fund, Drug Law Enforcement Fund, Concealed Pistol License Fund, Local Corrections Officer Training, Department of Human Services Fund, Child Care Fund, and the E-911 Fund).

CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The funds are used when legally mandated or when projects are financed wholly or in part by bond issues, intergovernmental revenue, or private donations. This is also particularly useful for projects financed from the current revenue of more than one fund or covering more than one year.

The County has two Capital Projects Funds.

The Capital Improvement Fund is used to account for the financing of various capital projects. Many projects are financed with transfers from other funds.

The Commission on Aging Building Construction Fund is used to account for the construction of the Commission on Aging facility.

Isabella County, Michigan
 Nonmajor Governmental Funds
 COMBINING BALANCE SHEET
 September 30, 2016

	Special		
	Geographical Information System	Parks and Recreation	Friend of the Court
ASSETS			
Cash and cash equivalents	\$ 63,018	\$ 804,938	\$ 210,821
Investments	-	-	-
Accounts receivable	-	11,882	-
Due from other funds	-	-	-
Due from other governmental units			
Federal/State	-	-	69,508
Prepays	-	-	-
	\$ 63,018	\$ 816,820	\$ 280,329
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 3,585	\$ 20,361	\$ 1,109
Accrued wages	940	18,249	18,764
Due to other governmental units - State	-	-	-
Due to other funds	-	6,068	2,351
Unearned revenue	-	995	-
	4,525	45,673	22,224
FUND BALANCES			
Nonspendable	-	-	-
Restricted	-	771,147	258,105
Committed	58,493	-	-
	58,493	771,147	258,105
TOTAL LIABILITIES AND FUND BALANCES	\$ 63,018	\$ 816,820	\$ 280,329

Revenue

Register of Deeds Automation	Drug Law Enforcement Activities	Community Alternatives	Public Act 511	Concealed Pistol License	Local Corrections Officers Training	County Law Library
\$ 170,348	\$ 30,928	\$ 30,227	\$ 63,713	\$ 26,617	\$ 5,923	\$ 38
-	-	-	-	-	-	-
-	-	-	2,618	-	-	-
-	-	-	15,735	-	4,450	3,583
-	-	-	19,608	-	-	-
-	-	-	-	-	-	-
<u>\$ 170,348</u>	<u>\$ 30,928</u>	<u>\$ 30,227</u>	<u>\$ 101,674</u>	<u>\$ 26,617</u>	<u>\$ 10,373</u>	<u>\$ 3,621</u>
\$ 2,573	\$ -	\$ 10	\$ 6,940	\$ -	\$ -	\$ 2,253
-	-	1,843	1,986	-	-	-
-	-	-	-	-	-	-
5,183	-	15,735	92,748	-	-	1,300
-	-	-	-	-	-	-
7,756	-0-	17,588	101,674	-0-	-0-	3,553
-	-	-	-	-	-	-
162,592	30,928	-	-	26,617	-	-
-	-	12,639	-	-	10,373	68
<u>162,592</u>	<u>30,928</u>	<u>12,639</u>	<u>-0-</u>	<u>26,617</u>	<u>10,373</u>	<u>68</u>
<u>\$ 170,348</u>	<u>\$ 30,928</u>	<u>\$ 30,227</u>	<u>\$ 101,674</u>	<u>\$ 26,617</u>	<u>\$ 10,373</u>	<u>\$ 3,621</u>

Isabella County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONCLUDED

September 30, 2016

	Special Revenue			
	Department of Human Services	Child Care	Veterans' Activities	E-911
ASSETS				
Cash and cash equivalents	\$ -	\$ 34,402	\$ 17,553	\$ 426,821
Investments	-	3,986	-	-
Accounts receivable	-	-	-	172,558
Due from other funds	-	358,459	-	-
Due from other governmental units				
Federal/State	11,536	257,497	-	59,388
Prepays	-	36,802	-	95
TOTAL ASSETS	\$ 11,536	\$ 691,146	\$ 17,553	\$ 658,862
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ -	\$ 91,052	\$ -	\$ 18,664
Accrued wages	-	2,360	-	28,456
Due to other governmental units - State	-	1,821	-	-
Due to other funds	-	277,500	-	2,939
Unearned revenue	-	-	-	-
TOTAL LIABILITIES	-0-	372,733	-0-	50,059
FUND BALANCES				
Nonspendable	-	36,802	-	95
Restricted	11,536	281,611	17,553	608,708
Committed	-	-	-	-
TOTAL FUND BALANCES	11,536	318,413	17,553	608,803
TOTAL LIABILITIES AND FUND BALANCES	\$ 11,536	\$ 691,146	\$ 17,553	\$ 658,862

Capital Projects

<u>Capital Improvement</u>	<u>Commission on Aging Building Construction</u>	<u>Total</u>
\$ 162,465	\$ -	\$ 2,047,812
2,073	-	6,059
-	-	187,058
6,790	-	389,017
-	-	417,537
-	-	36,897
<u>\$ 171,328</u>	<u>\$ -0-</u>	<u>\$ 3,084,380</u>
\$ 56,480	\$ -	\$ 203,027
-	-	72,598
-	-	1,821
60,014	-	463,838
-	-	995
<u>116,494</u>	<u>-0-</u>	<u>742,279</u>
-	-	36,897
54,834	-	2,223,631
-	-	81,573
<u>54,834</u>	<u>-0-</u>	<u>2,342,101</u>
<u>\$ 171,328</u>	<u>\$ -0-</u>	<u>\$ 3,084,380</u>

Isabella County, Michigan

Nonmajor Governmental Funds

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

Year Ended September 30, 2016

	Special		
	Geographical Information System	Parks and Recreation	Friend of the Court
REVENUES			
Taxes	\$ -	\$ 571,407	\$ -
Licenses and permits	-	423,846	-
Intergovernmental			
Federal	-	-	565,744
State	-	-	-
Charges for services	7,883	-	50,452
Fines and forfeits	-	-	-
Interest and rents	-	1,225	-
Other	17,000	24,604	-
TOTAL REVENUES	24,883	1,021,082	616,196
EXPENDITURES			
Current			
General government	50,964	-	720,036
Public safety	-	-	-
Health and welfare	-	-	-
Recreation and cultural	-	857,814	-
Capital outlay	-	-	-
TOTAL EXPENDITURES	50,964	857,814	720,036
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(26,081)	163,268	(103,840)
OTHER FINANCING SOURCES (USES)			
Transfers in	32,555	-	105,000
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	32,555	-0-	105,000
NET CHANGE IN FUND BALANCES	6,474	163,268	1,160
Fund balances, beginning of year	52,019	607,879	256,945
Fund balances, end of year	<u>\$ 58,493</u>	<u>\$ 771,147</u>	<u>\$ 258,105</u>

Revenue

Register of Deeds Automation	Drug Law Enforcement Activities	Community Alternatives	Public Act 511	Concealed Pistol Licenses	Local Corrections Officers Training	County Law Library
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	24,123	-	-
-	-	-	-	-	-	-
48,936	-	76,059	118,982	-	22,260	-
-	642	-	1,205	-	-	6,500
178	10	-	-	-	-	-
-	-	-	-	-	-	-
49,114	652	76,059	120,187	24,123	22,260	6,500
19,082	-	48,686	173,410	-	-	22,984
-	-	-	-	2,420	20,741	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
19,082	-0-	48,686	173,410	2,420	20,741	22,984
30,032	652	27,373	(53,223)	21,703	1,519	(16,484)
-	-	-	53,222	-	-	16,483
(5,183)	-	(15,735)	-	-	-	-
(5,183)	-0-	(15,735)	53,222	-0-	-0-	16,483
24,849	652	11,638	(1)	21,703	1,519	(1)
137,743	30,276	1,001	1	4,914	8,854	69
<u>\$ 162,592</u>	<u>\$ 30,928</u>	<u>\$ 12,639</u>	<u>\$ -0-</u>	<u>\$ 26,617</u>	<u>\$ 10,373</u>	<u>\$ 68</u>

Isabella County, Michigan

Nonmajor Governmental Funds

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

Year Ended September 30, 2016

	Special Revenue			
	Department of Human Services	Child Care	Veterans' Activities	E-911
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental				
Federal	-	-	-	-
State	11,536	1,186,716	3,308	214,094
Charges for services	-	113,889	-	844,914
Fines and forfeits	-	-	-	-
Interest and rents	-	-	-	547
Other	-	-	-	2,958
TOTAL REVENUES	11,536	1,300,605	3,308	1,062,513
EXPENDITURES				
Current				
General government	-	-	-	-
Public safety	-	-	-	1,232,888
Health and welfare	-	2,649,259	3,426	-
Recreation and cultural	-	-	-	-
Capital outlay	-	-	-	-
TOTAL EXPENDITURES	-0-	2,649,259	3,426	1,232,888
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	11,536	(1,348,654)	(118)	(170,375)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	1,562,381	-	-
Transfers out	(73,922)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(73,922)	1,562,381	-0-	-0-
NET CHANGE IN FUND BALANCES	(62,386)	213,727	(118)	(170,375)
Fund balances, beginning of year	73,922	104,686	17,671	779,178
Fund balances, end of year	<u>\$ 11,536</u>	<u>\$ 318,413</u>	<u>\$ 17,553</u>	<u>\$ 608,803</u>

Capital Projects		
Capital Improvement	Commission on Aging Building Construction	Total
\$ -	\$ -	\$ 571,407
-	-	447,969
-	-	565,744
-	-	1,534,636
-	-	1,165,598
-	-	7,142
133	73	2,166
-	-	44,562
133	73	4,339,224
-	-	1,035,162
-	-	1,256,049
-	-	2,652,685
-	-	857,814
411,957	-	411,957
411,957	-0-	6,213,667
(411,824)	73	(1,874,443)
425,584	-	2,195,225
-	(6,872)	(101,712)
425,584	(6,872)	2,093,513
13,760	(6,799)	219,070
41,074	6,799	2,123,031
\$ 54,834	\$ -0-	\$ 2,342,101

Isabella County, Michigan

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE BY FUND - BUDGET AND ACTUAL

Year Ended September 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Geographical Information System</u>				
REVENUES				
Charges for services	\$ 12,500	\$ 12,500	\$ 7,883	\$ (4,617)
Other	17,000	17,000	17,000	-0-
TOTAL REVENUES	29,500	29,500	24,883	(4,617)
EXPENDITURES				
Current				
General government	62,366	62,366	50,964	11,402
EXCESS OF REVENUES (UNDER) EXPENDITURES	(32,866)	(32,866)	(26,081)	6,785
OTHER FINANCING SOURCES				
Transfers in	32,555	32,555	32,555	-0-
NET CHANGE IN FUND BALANCE	(311)	(311)	6,474	6,785
Fund balance, beginning of year	52,019	52,019	52,019	-0-
Fund balance, end of year	\$ 51,708	\$ 51,708	\$ 58,493	\$ 6,785

Isabella County, Michigan

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE BY FUND - BUDGET AND ACTUAL - CONTINUED

Year Ended September 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Parks and Recreation</u>				
REVENUES				
Taxes	\$ 560,000	\$ 560,000	\$ 571,407	\$ 11,407
Licenses and permits	373,760	373,760	423,846	50,086
Interest	500	500	1,225	725
Other	7,000	7,000	24,604	17,604
TOTAL REVENUES	941,260	941,260	1,021,082	79,822
EXPENDITURES				
Current				
Recreation and cultural				
Administration	364,461	364,461	332,835	31,626
Coldwater Lake County Park	107,093	107,093	96,742	10,351
Deerfield County Park	77,410	119,026	107,107	11,919
Herrick County Park	103,934	103,934	91,884	12,050
Meridian Park	6,343	6,343	5,652	691
Pere Marquette Rail Trail	2,895	2,895	6,284	(3,389)
Maintenance shop	268,305	226,689	217,310	9,379
TOTAL EXPENDITURES	930,441	930,441	857,814	72,627
NET CHANGE IN FUND BALANCE	10,819	10,819	163,268	152,449
Fund balance, beginning of year	607,879	607,879	607,879	-0-
Fund balance, end of year	<u>\$ 618,698</u>	<u>\$ 618,698</u>	<u>\$ 771,147</u>	<u>\$ 152,449</u>

Isabella County, Michigan

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE BY FUND - BUDGET AND ACTUAL - CONTINUED

Year Ended September 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Friend of the Court</u>				
REVENUES				
Intergovernmental				
Federal	\$ 541,855	\$ 553,705	\$ 565,744	\$ 12,039
Charges for services	51,200	51,200	50,452	(748)
TOTAL REVENUES	593,055	604,905	616,196	11,291
EXPENDITURES				
Current				
General government	708,195	720,045	720,036	9
EXCESS OF REVENUES (UNDER) EXPENDITURES	(115,140)	(115,140)	(103,840)	11,282
OTHER FINANCING SOURCES				
Transfers in	105,000	105,000	105,000	-0-
NET CHANGE IN FUND BALANCE	(10,140)	(10,140)	1,160	11,300
Fund balance, beginning of year	256,945	256,945	256,945	-0-
Fund balance, end of year	<u>\$ 246,805</u>	<u>\$ 246,805</u>	<u>\$ 258,105</u>	<u>\$ 11,300</u>
<u>Register of Deeds Automation</u>				
REVENUES				
Charges for services	\$ 50,000	\$ 50,000	\$ 48,936	\$ (1,064)
Interest	150	150	178	28
TOTAL REVENUES	50,150	50,150	49,114	(1,036)
EXPENDITURES				
Current				
General government	15,750	15,750	19,082	(3,332)
EXCESS OF REVENUES OVER EXPENDITURES	34,400	34,400	30,032	(4,368)
OTHER FINANCING (USES)				
Transfers out	(15,000)	(15,000)	(5,183)	9,817
NET CHANGE IN FUND BALANCE	19,400	19,400	24,849	5,449
Fund balance, beginning of year	137,743	137,743	137,743	-0-
Fund balance, end of year	<u>\$ 157,143</u>	<u>\$ 157,143</u>	<u>\$ 162,592</u>	<u>\$ 5,449</u>

Isabella County, Michigan

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE BY FUND - BUDGET AND ACTUAL - CONTINUED

Year Ended September 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Drug Law Enforcement Activities</u>				
REVENUES				
Fines and forfeits	\$ 1,750	\$ 1,750	\$ 642	\$ (1,108)
Interest	5	5	10	5
TOTAL REVENUES	1,755	1,755	652	(1,103)
EXPENDITURES				
Current				
Public safety	1,500	1,500	-	1,500
NET CHANGE IN FUND BALANCE	255	255	652	397
Fund balance, beginning of year	30,276	30,276	30,276	-0-
Fund balance, end of year	<u>\$ 30,531</u>	<u>\$ 30,531</u>	<u>\$ 30,928</u>	<u>\$ 397</u>
<u>Community Alternatives</u>				
REVENUES				
Charges for services	\$ 83,500	\$ 83,500	\$ 76,059	\$ (7,441)
EXPENDITURES				
Current				
General government	67,335	67,335	48,686	18,649
EXCESS OF REVENUES OVER EXPENDITURES	16,165	16,165	27,373	11,208
OTHER FINANCING (USES)				
Transfers out	(15,586)	(15,586)	(15,735)	(149)
NET CHANGE IN FUND BALANCE	579	579	11,638	11,059
Fund balance, beginning of year	1,001	1,001	1,001	-0-
Fund balance, end of year	<u>\$ 1,580</u>	<u>\$ 1,580</u>	<u>\$ 12,639</u>	<u>\$ 11,059</u>

Isabella County, Michigan

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE BY FUND - BUDGET AND ACTUAL - CONTINUED

Year Ended September 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
	<u>Public Act 511</u>			
REVENUES				
Intergovernmental				
State	\$ 121,067	\$ 121,067	\$ 118,982	\$ (2,085)
Charges for services	300	300	1,205	905
TOTAL REVENUES	121,367	121,367	120,187	(1,180)
EXPENDITURES				
Current				
General government	174,440	174,440	173,410	1,030
EXCESS OF REVENUES (UNDER) EXPENDITURES	(53,073)	(53,073)	(53,223)	(150)
OTHER FINANCING SOURCES				
Transfers in	53,073	53,073	53,222	149
NET CHANGE IN FUND BALANCE	-0-	-0-	(1)	(1)
Fund balance, beginning of year	1	1	1	-0-
Fund balance, end of year	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ -0-</u>	<u>\$ (1)</u>

	<u>Concealed Pistol License Fund</u>			
REVENUES				
Licenses and permits	\$ -	\$ 11,000	\$ 24,123	\$ 13,123
EXPENDITURES				
Current				
Public safety	-	7,000	2,420	4,580
NET CHANGE IN FUND BALANCE	-0-	(7,000)	21,703	28,703
Fund balance, beginning of year	4,914	4,914	4,914	-0-
Fund balance, end of year	<u>\$ 4,914</u>	<u>\$ (2,086)</u>	<u>\$ 26,617</u>	<u>\$ 28,703</u>

	<u>Local Corrections Officers Training</u>			
REVENUES				
Charges for services	\$ 18,000	\$ 22,260	\$ 22,260	\$ -0-
EXPENDITURES				
Current				
Public safety	18,000	22,260	20,741	1,519
NET CHANGE IN FUND BALANCE	-0-	-0-	1,519	1,519
Fund balance, beginning of year	8,854	8,854	8,854	-0-
Fund balance, end of year	<u>\$ 8,854</u>	<u>\$ 8,854</u>	<u>\$ 10,373</u>	<u>\$ 1,519</u>

Isabella County, Michigan

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE BY FUND - BUDGET AND ACTUAL - CONTINUED

Year Ended September 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>County Law Library</u>				
REVENUES				
Fines and forfeits	\$ 6,500	\$ 6,500	\$ 6,500	\$ -0-
EXPENDITURES				
Current				
General government	<u>19,400</u>	<u>22,984</u>	<u>22,984</u>	<u>-0-</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	(12,900)	(16,484)	(16,484)	-0-
OTHER FINANCING SOURCES				
Transfers in	<u>12,900</u>	<u>16,484</u>	<u>16,483</u>	<u>(1)</u>
NET CHANGE IN FUND BALANCE	-0-	-0-	(1)	(1)
Fund balance, beginning of year	<u>69</u>	<u>69</u>	<u>69</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 69</u>	<u>\$ 69</u>	<u>\$ 68</u>	<u>\$ (1)</u>
<u>Department of Human Services</u>				
REVENUES				
Intergovernmental				
State	\$ -	\$ -	\$ 11,536	\$ 11,536
EXPENDITURES				
Current				
Health and welfare	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(5,000)	(5,000)	11,536	16,536
OTHER FINANCING (USES)				
Transfers out	<u>-</u>	<u>(73,922)</u>	<u>(73,922)</u>	<u>-0-</u>
NET CHANGE IN FUND BALANCE	(5,000)	(78,922)	(62,386)	16,536
Fund balance, beginning of year	<u>73,922</u>	<u>73,922</u>	<u>73,922</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 68,922</u>	<u>\$ (5,000)</u>	<u>\$ 11,536</u>	<u>\$ 16,536</u>

Isabella County, Michigan

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE BY FUND - BUDGET AND ACTUAL - CONTINUED

Year Ended September 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
	<u>Child Care</u>			
REVENUES				
Intergovernmental				
State	\$ 925,000	\$ 1,012,952	\$ 1,186,716	\$ 173,764
Charges for services	132,000	132,000	113,889	(18,111)
TOTAL REVENUES	1,057,000	1,144,952	1,300,605	155,653
EXPENDITURES				
Current				
Health and welfare	2,159,501	2,679,834	2,649,259	30,575
EXCESS OF REVENUES (UNDER) EXPENDITURES	(1,102,501)	(1,534,882)	(1,348,654)	186,228
OTHER FINANCING SOURCES				
Transfers in	1,130,000	1,562,381	1,562,381	-0-
NET CHANGE IN FUND BALANCE	27,499	27,499	213,727	186,228
Fund balance, beginning of year	104,686	104,686	104,686	-0-
Fund balance, end of year	<u>\$ 132,185</u>	<u>\$ 132,185</u>	<u>\$ 318,413</u>	<u>\$ 186,228</u>

Isabella County, Michigan

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE BY FUND - BUDGET AND ACTUAL - CONCLUDED

Year Ended September 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Veterans' Activities</u>				
REVENUES				
Intergovernmental				
State	\$ 4,300	\$ 4,300	\$ 3,308	\$ (992)
EXPENDITURES				
Current				
Health and welfare				
Veterans affairs relief	2,000	2,000	-	2,000
Veterans trust	4,300	4,300	3,426	874
TOTAL EXPENDITURES	<u>6,300</u>	<u>6,300</u>	<u>3,426</u>	<u>2,874</u>
NET CHANGE IN FUND BALANCE	(2,000)	(2,000)	(118)	1,882
Fund balance, beginning of year	<u>17,671</u>	<u>17,671</u>	<u>17,671</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 15,671</u>	<u>\$ 15,671</u>	<u>\$ 17,553</u>	<u>\$ 1,882</u>
<u>E-911</u>				
REVENUES				
Intergovernmental				
State	\$ 210,000	\$ 210,000	\$ 214,094	\$ 4,094
Charges for services	888,000	888,000	844,914	(43,086)
Interest	1,000	1,000	547	(453)
Other	500	500	2,958	2,458
TOTAL REVENUES	<u>1,099,500</u>	<u>1,099,500</u>	<u>1,062,513</u>	<u>(36,987)</u>
EXPENDITURES				
Current				
Public safety	<u>1,437,418</u>	<u>1,437,418</u>	<u>1,232,888</u>	<u>204,530</u>
NET CHANGE IN FUND BALANCE	(337,918)	(337,918)	(170,375)	167,543
Fund balance, beginning of year	<u>779,178</u>	<u>779,178</u>	<u>779,178</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 441,260</u>	<u>\$ 441,260</u>	<u>\$ 608,803</u>	<u>\$ 167,543</u>

Isabella County, Michigan

NONMAJOR ENTERPRISE FUNDS

Fund Descriptions

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the County is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The County has three (3) Nonmajor Enterprise Funds, which are:

The Building Inspection Fund, which is used for the activity related to construction inspections, the PA 105 Fund, which accounts for the activities related to the County Treasurer's audits of the Homestead (Homeowner's Principal Residence) Exemption under Public Act 105 of 2003, and the Concessions Fund, which accounts for the government's sale of concessions within the County Jail.

Isabella County, Michigan
Nonmajor Enterprise Funds
COMBINING STATEMENT OF NET POSITION
September 30, 2016

	Building Inspection	Concessions	PA 105	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 351,431	\$ 211,184	\$ 36,200	\$ 598,815
Inventories	-	13,347	-	13,347
Prepays	2,266	8,597	-	10,863
Total current assets	353,697	233,128	36,200	623,025
Noncurrent assets				
Capital assets being depreciated, net	42,493	252,975	-	295,468
TOTAL ASSETS	396,190	486,103	36,200	918,493
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	48,862	-	-	48,862
LIABILITIES				
Current liabilities				
Accounts payable	1,998	6,759	-	8,757
Accrued wages	8,029	-	-	8,029
Due to other funds	1,336	6,790	-	8,126
Current portion of compensated absences	3,334	-	-	3,334
Total current liabilities	14,697	13,549	-0-	28,246
Noncurrent liabilities				
Net pension liability	168,141	-	-	168,141
Noncurrent portion of compensated absences	5,002	-	-	5,002
Total noncurrent liabilities	173,143	-0-	-0-	173,143
TOTAL LIABILITIES	187,840	13,549	-0-	201,389
NET POSITION				
Net investment in capital assets	42,493	252,975	-	295,468
Unrestricted	214,719	219,579	36,200	470,498
TOTAL NET POSITION	<u>\$ 257,212</u>	<u>\$ 472,554</u>	<u>\$ 36,200</u>	<u>\$ 765,966</u>

Isabella County, Michigan

Nonmajor Enterprise Funds

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Year Ended September 30, 2016

	<u>Building Inspection</u>	<u>Concessions</u>	<u>PA 105</u>	<u>Total</u>
OPERATING REVENUES				
Charges for services	\$ 352,600	\$ 320,894	\$ 4,270	\$ 677,764
OPERATING EXPENSES				
Personnel services	351,339	-	25	351,364
Supplies	6,551	-	169	6,720
Contractual services	10,793	-	-	10,793
Other services and charges	8,671	7,276	-	15,947
Cost of goods sold	-	133,732	-	133,732
Depreciation and amortization	6,904	60,804	-	67,708
TOTAL OPERATING EXPENSES	<u>384,258</u>	<u>201,812</u>	<u>194</u>	<u>586,264</u>
OPERATING INCOME (LOSS)	(31,658)	119,082	4,076	91,500
NONOPERATING REVENUES				
Interest revenue	<u>-</u>	<u>440</u>	<u>65</u>	<u>505</u>
NET INCOME (LOSS) BEFORE OTHER FINANCING (USES)	(31,658)	119,522	4,141	92,005
OTHER FINANCING (USES)				
Transfers out	<u>-</u>	<u>(310,000)</u>	<u>(50,000)</u>	<u>(360,000)</u>
CHANGE IN NET POSITION	(31,658)	(190,478)	(45,859)	(267,995)
Net position, beginning of year	<u>288,870</u>	<u>663,032</u>	<u>82,059</u>	<u>1,033,961</u>
Net position, end of year	<u>\$ 257,212</u>	<u>\$ 472,554</u>	<u>\$ 36,200</u>	<u>\$ 765,966</u>

Isabella County, Michigan
Nonmajor Enterprise Funds
STATEMENT OF CASH FLOWS
Year Ended September 30, 2016

	Building Inspection	Concessions	PA 105	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers	\$ 352,600	\$ 320,894	\$ 4,270	\$ 677,764
Cash paid to suppliers	(28,901)	(161,896)	(215)	(191,012)
Cash paid for employee services and benefits	(309,412)	-	-	(309,412)
	<u>14,287</u>	<u>158,998</u>	<u>4,055</u>	<u>177,340</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES				
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers out	-	(310,000)	(50,000)	(360,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(19,524)	(6,791)	-	(26,315)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest revenue	-	440	65	505
	<u>-</u>	<u>440</u>	<u>65</u>	<u>505</u>
NET (DECREASE) IN CASH AND CASH EQUIVALENTS				
	(5,237)	(157,353)	(45,880)	(208,470)
Cash and cash equivalents, beginning of year	<u>356,668</u>	<u>368,537</u>	<u>82,080</u>	<u>807,285</u>
Cash and cash equivalents, end of year	<u>\$ 351,431</u>	<u>\$ 211,184</u>	<u>\$ 36,200</u>	<u>\$ 598,815</u>
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	\$ (31,658)	\$ 119,082	\$ 4,076	\$ 91,500
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation and amortization	6,904	60,804	-	67,708
(Increase) decrease in:				
Prepays	(432)	7,021	-	6,589
Inventories	-	(4,701)	-	(4,701)
Deferred outflows related to pensions	(37,982)	-	-	(37,982)
Increase (decrease) in:				
Accounts payable	1,215	(4,998)	(21)	(3,804)
Accrued wages	(3,906)	-	-	(3,906)
Due to other funds	237	6,790	-	7,027
Net pension liability	79,909	-	-	79,909
Unearned revenue	-	(25,000)	-	(25,000)
	<u>-</u>	<u>(25,000)</u>	<u>-</u>	<u>(25,000)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES				
	<u>\$ 14,287</u>	<u>\$ 158,998</u>	<u>\$ 4,055</u>	<u>\$ 177,340</u>

Isabella County, Michigan

TRUST AND AGENCY FUNDS

Fund Descriptions

Fiduciary, or Trust and Agency Funds, are used to account for assets which the County holds as trustee or agent for individuals, private organizations, and other governmental units.

Agency Funds

Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of the results of operations. Agency Funds are merely clearing accounts, and are accounted for using the modified accrual basis of accounting. The County's Fiduciary Funds are all Agency Funds.

The Trust and Agency Fund is used to account for collection and distribution of Court-imposed fines, current property tax collections remitted by the taxing units, and other similar collections.

The Inmate Trust Fund is used to account for cash held on behalf of inmates lodged in the County Jail.

The Employee Flexible Benefit Plan Fund is used to account for salary reductions made by employees for certain benefits as specified by the County's Flexible Benefits Plan and as permitted by IRC Section 125.

The Payroll Fund is used to account for all payroll tax-related transactions. Payroll withholdings are deposited to and disbursed from this fund.

The Library Penal Fines Fund is used to receive money from penal fines imposed for State law violations. Money is transferred annually to the County Law Library Fund and to the City/County Library.

The Central Michigan District Health Department Fund is used to account for the funds held on behalf of the Health Department.

Isabella County, Michigan

Agency Funds

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

September 30, 2016

	Agency		
	Trust and Agency	Inmate Trust	Employee Flexible Benefits Plan
ASSETS			
Cash and cash equivalents	\$ 5,922,002	28,019	\$ 19,044
LIABILITIES			
Due to other governmental units			
Federal/State	\$ 195,542	\$ -	\$ -
Local	5,475,676	-	-
Due to individuals and agencies	250,784	28,019	19,044
TOTAL LIABILITIES	\$ 5,922,002	\$ 28,019	\$ 19,044

Funds			
Payroll	Library Penal Fines	Central Michigan District Health Department	Total
\$ 22,507	\$ 347,160	\$ 910,588	\$ 7,249,320
\$ -	\$ -	\$ -	\$ 195,542
-	281,158	910,588	6,667,422
22,507	66,002	-	386,356
\$ 22,507	\$ 347,160	\$ 910,588	\$ 7,249,320

Isabella County, Michigan

Agency Funds

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

Year Ended September 30, 2016

	<u>Balance</u> <u>Oct. 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>Sept. 30, 2016</u>
	<u>Trust and Agency</u>			
ASSETS				
Cash and cash equivalents	<u>\$ 3,259,785</u>	<u>\$ 51,840,559</u>	<u>\$ 49,178,342</u>	<u>\$ 5,922,002</u>
LIABILITIES				
Due to other governmental units				
Federal/State	\$ 171,589	\$ 1,946,541	\$ 1,922,588	\$ 195,542
Local	2,813,149	31,668,732	29,006,205	5,475,676
Due to individuals and agencies	<u>275,047</u>	<u>852,702</u>	<u>876,965</u>	<u>250,784</u>
TOTAL LIABILITIES	<u>\$ 3,259,785</u>	<u>\$ 34,467,975</u>	<u>\$ 31,805,758</u>	<u>\$ 5,922,002</u>
	<u>Inmate Trust</u>			
ASSETS				
Cash and cash equivalents	<u>\$ 30,333</u>	<u>\$ 1,119,478</u>	<u>\$ 1,121,792</u>	<u>\$ 28,019</u>
LIABILITIES				
Due to individuals and agencies	<u>\$ 30,333</u>	<u>\$ 1,119,478</u>	<u>\$ 1,121,792</u>	<u>\$ 28,019</u>
	<u>Employee Flexible Benefits Plan</u>			
ASSETS				
Cash and cash equivalents	<u>\$ 13,435</u>	<u>\$ 81,160</u>	<u>\$ 75,551</u>	<u>\$ 19,044</u>
LIABILITIES				
Due to individuals and agencies	<u>\$ 13,435</u>	<u>\$ 81,160</u>	<u>\$ 75,551</u>	<u>\$ 19,044</u>
	<u>Payroll</u>			
ASSETS				
Cash and cash equivalents	<u>\$ 1,244</u>	<u>\$ 21,263</u>	<u>\$ -</u>	<u>\$ 22,507</u>
LIABILITIES				
Due to individuals and agencies	<u>\$ 1,244</u>	<u>\$ 21,263</u>	<u>\$ -</u>	<u>\$ 22,507</u>

Isabella County, Michigan

Agency Funds

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - CONCLUDED

Year Ended September 30, 2016

	<u>Balance Oct. 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance Sept. 30, 2016</u>
<u>Library Penal Fines</u>				
ASSETS				
Cash and cash equivalents	\$ 305,930	\$ 829,429	\$ 788,199	\$ 347,160
LIABILITIES				
Due to other governmental units				
Local	\$ 305,930	\$ 696,046	\$ 720,818	\$ 281,158
Due to individuals and agencies	-	133,383	67,381	66,002
	<u>\$ 305,930</u>	<u>\$ 829,429</u>	<u>\$ 788,199</u>	<u>\$ 347,160</u>
<u>Central Michigan District Health Department</u>				
ASSETS				
Cash and cash equivalents	\$ 750,509	\$ 17,738,737	\$ 17,578,658	\$ 910,588
LIABILITIES				
Due to other governmental units				
Local	\$ 750,509	\$ 8,825,941	\$ 8,665,862	\$ 910,588
<u>Total</u>				
ASSETS				
Cash and cash equivalents	\$ 4,361,236	\$ 71,630,626	\$ 68,742,542	\$ 7,249,320
LIABILITIES				
Due to other governmental units				
Federal/State	\$ 171,589	\$ 1,946,541	\$ 1,922,588	\$ 195,542
Local	3,869,588	41,190,719	38,392,885	6,667,422
Due to individuals and agencies	320,059	2,207,986	2,141,689	386,356
TOTAL LIABILITIES	<u>\$ 4,361,236</u>	<u>\$ 45,345,246</u>	<u>\$ 42,457,162</u>	<u>\$ 7,249,320</u>

Isabella County, Michigan

DISCRETELY PRESENTED COMPONENT UNITS

Fund Descriptions

The Discretely Presented Component Units of Isabella County are legally separate organizations included in the County's reporting entity because they are financially accountable to the County as defined by GASB Statement No. 61.

Financial statements for the Isabella County Board of Public Works and the Drainage Districts administered by the Isabella County Drain Commissioner have been presented in this section because separate audited financial statements are not available.

Isabella County Board of Public Works is responsible for the administration of the various public works capital projects funds and the associated debt service funds under the provisions of Act 185, Public Act of 1937, as amended. The Board of Public Works is also responsible for the administration of the operations of the Lake Isabella Water Supply System as reported in an Enterprise Fund.

The Drainage Districts are established pursuant to Act 40, Public Act of 1956, as amended, and are administered by the Isabella County Drain Commissioner. The Drainage Districts include capital projects funds to report the drain construction and maintenance activities, debt service funds to maintain the financial resources for the payment of long-term debt, and an internal service fund utilized to account for the purchase of drain tile which is then sold to the individual drainage districts.

Isabella County, Michigan

Component Unit Funds

COMBINING BALANCE SHEET - DRAINAGE DISTRICTS

September 30, 2016

	Debt					
	County Drain	Little Salt River	Paisley Drain	Saunders Extension	Childs Creek & Dubois Drain	Beltinck Debt Retirement 220
ASSETS						
Cash and cash equivalents	\$ 127,674	\$ -	\$ -	\$ 92,693	\$ 26,194	\$ 246,585
Investments	-	-	-	-	-	-
Interest receivable	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Special assessments receivable	734,918	-	-	666,732	39,883	235,930
TOTAL ASSETS	\$ 862,592	\$ -0-	\$ -0-	\$ 759,425	\$ 66,077	\$ 482,515
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	-
TOTAL LIABILITIES	-0-	-0-	-0-	-0-	-0-	-0-
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	731,655	-	-	666,732	39,883	235,930
FUND BALANCES						
Restricted						
Debt service	130,937	-	-	92,693	26,194	246,585
Capital projects	-	-	-	-	-	-
TOTAL FUND BALANCES	130,937	-0-	-0-	92,693	26,194	246,585
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 862,592	\$ -0-	\$ -0-	\$ 759,425	\$ 66,077	\$ 482,515

Service

Bachelor Drain Debt	Figg Drain Debt	Lewis Drain Debt	Lake Isabella Drain Debt	Tice Drain Debt	Myers Drain Debt	Leonard Drain Debt	Cahoon Drain Debt
\$ 176,321	\$ 328,019	\$ 462,974	\$ 9,572	\$ 21,495	\$ 41,761	\$ 84,160	\$ 12,365
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
654,543	1,424,700	1,784,869	170,991	625,936	286,188	536,993	786,322
<u>\$ 830,864</u>	<u>\$ 1,752,719</u>	<u>\$ 2,247,843</u>	<u>\$ 180,563</u>	<u>\$ 647,431</u>	<u>\$ 327,949</u>	<u>\$ 621,153</u>	<u>\$ 798,687</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
654,543	1,424,700	1,784,869	170,991	625,936	286,188	536,993	786,322
176,321	328,019	462,974	9,572	21,495	41,761	84,160	12,365
-	-	-	-	-	-	-	-
<u>176,321</u>	<u>328,019</u>	<u>462,974</u>	<u>9,572</u>	<u>21,495</u>	<u>41,761</u>	<u>84,160</u>	<u>12,365</u>
<u>\$ 830,864</u>	<u>\$ 1,752,719</u>	<u>\$ 2,247,843</u>	<u>\$ 180,563</u>	<u>\$ 647,431</u>	<u>\$ 327,949</u>	<u>\$ 621,153</u>	<u>\$ 798,687</u>

Isabella County, Michigan

Component Unit Funds

COMBINING BALANCE SHEET - DRAINAGE DISTRICTS - CONCLUDED

September 30, 2016

	Capital Projects		Total
	County Drain Revolving	County Drain Construction & Maintenance	
ASSETS			
Cash and cash equivalents	\$ 33,442	\$ 2,026,827	\$ 3,690,082
Investments	-	2,254,095	2,254,095
Interest receivable	-	4,043	4,043
Due from other funds	329,403	50,000	379,403
Special assessments receivable	-	12,719	7,960,724
TOTAL ASSETS	\$ 362,845	\$ 4,347,684	\$ 14,288,347
LIABILITIES			
Accounts payable	\$ -	\$ 35,937	\$ 35,937
Due to other funds	50,000	329,403	379,403
TOTAL LIABILITIES	50,000	365,340	415,340
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	-	578,571	8,523,313
FUND BALANCES			
Restricted			
Debt service	-	-	1,633,076
Capital projects	312,845	3,403,773	3,716,618
TOTAL FUND BALANCES	312,845	3,403,773	5,349,694
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 362,845	\$ 4,347,684	\$ 14,288,347

Isabella County, Michigan

Component Unit Funds

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

September 30, 2016

Total fund balances - governmental funds **\$ 5,349,694**

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

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

Unavailable revenue	8,523,313
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Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 29,039,710	
Accumulated depreciation is	<u>(6,341,331)</u>	
Capital assets, net		22,698,379

An Internal Service Fund is used by management to charge the costs of certain activities to individual funds.

Net position of governmental activities accounted for in an Internal Service Fund	71,808
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Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Bonds and notes payable	(9,191,207)	
Accrued interest payable	<u>(123,415)</u>	
		<u>(9,314,622)</u>

Net position of component unit activities **\$ 27,328,572**

Isabella County, Michigan

Component Unit Funds

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

Year Ended September 30, 2016

	Debt					
	County Drain	Little Salt River	Paisley Drain	Saunders Extension	Childs Creek & Dubois Drain	Belinck Debt Retirement 220
REVENUES						
Intergovernmental - local	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	195	23	19	115	46	321
Other						
Special assessments	157,278	29,668	29,826	112,706	44,242	115,957
Other	-	-	-	-	-	-
TOTAL REVENUES	157,473	29,691	29,845	112,821	44,288	116,278
EXPENDITURES						
Debt service						
Principal	128,600	34,125	44,932	61,160	47,000	44,450
Interest and fiscal charges	31,086	1,569	-	29,815	4,119	14,638
Capital outlay	-	-	-	-	-	-
TOTAL EXPENDITURES	159,686	35,694	44,932	90,975	51,119	59,088
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,213)	(6,003)	(15,087)	21,846	(6,831)	57,190
OTHER FINANCING SOURCES (USES)						
Issuance of debt	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	(19,030)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-0-	(19,030)	-0-	-0-	-0-	-0-
NET CHANGE IN FUND BALANCES	(2,213)	(25,033)	(15,087)	21,846	(6,831)	57,190
Fund balances, beginning of year	133,150	25,033	15,087	70,847	33,025	189,395
Fund balances, end of year	<u>\$ 130,937</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 92,693</u>	<u>\$ 26,194</u>	<u>\$ 246,585</u>

Service							
Bachelor Drain Debt	Figg Drain Debt	Lewis Drain Debt	Lake Isabella Drain Debt	Tice Drain Debt	Myers Drain Debt	Leonard Drain Debt	Cahoon Drain Debt
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
235	380	530	20	32	179	2,153	69
82,121	186,208	214,526	101,742	59,947	41,568	82,007	12,296
-	-	-	-	-	-	-	-
82,356	186,588	215,056	101,762	59,979	41,747	84,160	12,365
55,000	100,000	115,000	90,000	34,750	13,327	-	-
41,183	41,735	72,317	10,125	25,646	10,042	-	-
-	-	-	-	-	-	-	-
96,183	141,735	187,317	100,125	60,396	23,369	-0-	-0-
(13,827)	44,853	27,739	1,637	(417)	18,378	84,160	12,365
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
(13,827)	44,853	27,739	1,637	(417)	18,378	84,160	12,365
190,148	283,166	435,235	7,935	21,912	23,383	-	-
<u>\$ 176,321</u>	<u>\$ 328,019</u>	<u>\$ 462,974</u>	<u>\$ 9,572</u>	<u>\$ 21,495</u>	<u>\$ 41,761</u>	<u>\$ 84,160</u>	<u>\$ 12,365</u>

Isabella County, Michigan

Component Unit Funds

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

Year Ended September 30, 2016

	Capital Projects		Total
	County Drain Revolving	County Drain Construction & Maintenance	
REVENUES			
Intergovernmental - local	\$ -	\$ 47,276	\$ 47,276
Interest	69	15,529	19,915
Other			
Special assessments	-	456,944	1,727,036
Other	-	35,584	35,584
TOTAL REVENUES	69	555,333	1,829,811
EXPENDITURES			
Debt service			
Principal	-	-	768,344
Interest and fiscal charges	-	-	282,275
Capital outlay	-	2,147,748	2,147,748
TOTAL EXPENDITURES	-0-	2,147,748	3,198,367
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	69	(1,592,415)	(1,368,556)
OTHER FINANCING SOURCES (USES)			
Issuance of debt	-	1,417,618	1,417,618
Transfers in	-	19,030	19,030
Transfers out	-	-	(19,030)
TOTAL OTHER FINANCING SOURCES (USES)	-0-	1,436,648	1,417,618
NET CHANGE IN FUND BALANCES	69	(155,767)	49,062
Fund balances, beginning of year	312,776	3,559,540	5,300,632
Fund balances, end of year	<u>\$ 312,845</u>	<u>\$ 3,403,773</u>	<u>\$ 5,349,694</u>

Isabella County, Michigan

Component Unit Funds

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

Year Ended September 30, 2016

Net change in fund balances - total governmental funds \$ 49,062

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

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 437,312

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 1,715,178	
Depreciation expense	<u>(416,520)</u>	
Excess of capital outlay over depreciation expense		1,298,658

An Internal Service Funds is used by management to charge the costs of certain activities to individual funds.

Increase in net position of Internal Service Fund	4,260
---	-------

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net position. In the current year, these amounts consist of:

Issuance of debt	(1,417,618)	
Debt principal retirement	<u>792,982</u>	
		(624,636)

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

(Increase) in accrued interest payable	<u>(12,619)</u>
--	-----------------

Change in net position of component unit activities \$ 1,152,037

Isabella County, Michigan

Component Unit Funds

STATEMENT OF NET POSITION - DRAINAGE DISTRICTS - DRAIN TILE FUND

September 30, 2016

	<u>Internal Service Fund</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 49,833
Inventories	<u>22,373</u>
TOTAL ASSETS	72,206
LIABILITIES	
Current assets	
Accounts payable	<u>398</u>
NET POSITION (Unrestricted)	<u><u>\$ 71,808</u></u>

Isabella County, Michigan

Component Unit Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION - DRAINAGE DISTRICTS - DRAIN TILE FUND

Year Ended September 30, 2016

	<u>Internal Service Fund</u>
OPERATING REVENUES	
Sales	\$ 44,235
OPERATING EXPENSES	
Materials	39,190
Contractual services	<u>785</u>
TOTAL OPERATING EXPENSES	<u>39,975</u>
OPERATING INCOME/CHANGE IN NET POSITION	4,260
Net position, beginning of year	<u>67,548</u>
Net position, end of year	<u><u>\$ 71,808</u></u>

Isabella County, Michigan

Component Unit Funds

STATEMENT OF CASH FLOWS - DRAINAGE DISTRICTS - DRAIN TILE FUND

Year Ended September 30, 2016

	<u>Internal Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	\$ 44,235
Cash paid to suppliers	<u>(49,557)</u>
NET CASH (USED) BY OPERATING ACTIVITIES	(5,322)
Cash and cash equivalents, beginning of year	<u>55,155</u>
Cash and cash equivalents, end of year	<u><u>\$ 49,833</u></u>
Reconciliation of operating income to net cash (used) by operating activities	
Operating income	\$ 4,260
Adjustments to reconcile operating income to net cash (used) by operating activities	
(Increase) in:	
Inventories	(9,280)
(Decrease) in:	
Accounts payable	<u>(302)</u>
NET CASH (USED) BY OPERATING ACTIVITIES	<u><u>\$ (5,322)</u></u>

Isabella County, Michigan

Component Unit Funds

COMBINING BALANCE SHEET - BOARD OF PUBLIC WORKS

September 30, 2016

	Debt Service		Total
	Union Township Wastewater Treatment	Union Township Water System	
ASSETS			
Lease receivable	\$ 3,380,000	\$ -	\$ 3,380,000
Due from other funds	37,040	-	37,040
Prepays	379,993	117,478	497,471
TOTAL ASSETS	\$ 3,797,033	\$ 117,478	\$ 3,914,511
LIABILITIES			
Due to other funds	\$ -	\$ 37,040	\$ 37,040
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	3,747,014	-	3,747,014
FUND BALANCES			
Nonspendable	379,993	117,478	497,471
Unassigned (deficit)	(329,974)	(37,040)	(367,014)
TOTAL FUND BALANCES	50,019	80,438	130,457
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 3,797,033	\$ 117,478	\$ 3,914,511

Isabella County, Michigan

Component Unit Funds

RECONCILIATION OF THE COMBINING BALANCE SHEET TO THE
STATEMENT OF NET POSITION - BOARD OF PUBLIC WORKS

September 30, 2016

Fund balance/net position - total component unit funds \$ 186,736

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

Certain accounts receivable are not susceptible to accrual in the governmental funds due to not having met the criteria to be considered available to finance current operations. 3,747,014

Governmental funds report the difference between the carrying amount of the defeased debt and its reacquisition price when debt is first issued, whereas these amounts are deferred and amortized in the statement of net position. These amounts consist of:

Deferred charges on refunding 87,009

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Accrued interest payable \$ (69,389)
Direct County obligations (3,970,000)
(4,039,389)

Net position of component unit activities \$ (18,630)

Isabella County, Michigan

Component Unit Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BOARD OF PUBLIC WORKS

Year Ended September 30, 2016

	<u>Debt Service</u>		
	<u>Union Township Wastewater Treatment</u>	<u>Union Township Water System</u>	<u>Total</u>
REVENUES			
Intergovernmental - local	\$ 420,735	\$ 150,705	\$ 571,440
EXPENDITURES			
Debt service			
Principal	335,000	80,000	415,000
Interest and fiscal charges	<u>85,257</u>	<u>66,705</u>	<u>151,962</u>
TOTAL EXPENDITURES	<u>420,257</u>	<u>146,705</u>	<u>566,962</u>
NET CHANGE IN FUND BALANCES	478	4,000	4,478
Fund balances, beginning of year	<u>49,541</u>	<u>76,438</u>	<u>125,979</u>
Fund balances, end of year	<u><u>\$ 50,019</u></u>	<u><u>\$ 80,438</u></u>	<u><u>\$ 130,457</u></u>

Isabella County, Michigan

Component Unit Funds

RECONCILIATION OF THE COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES - BOARD OF PUBLIC WORKS

Year Ended September 30, 2016

Net change in fund balances/net position - total component unit funds \$ (9,414)

Amounts reported for component unit activities in the statement of activities are different because:

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net position. In the current year, these amounts consist of:

Long-term debt retirements	\$ 415,000
Net effect of bond refunding related items	<u>(7,251)</u>

407,749

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

(525,000)

Some items reported in the statement of activities do not require the use of financial resources and are therefore not reported as expenditures in governmental funds. These items consist of:

Decrease in accrued interest payable

5,843

Change in net position of component unit activities

\$ (120,822)

Isabella County, Michigan

Component Unit Funds

STATEMENT OF NET POSITION - BOARD OF PUBLIC WORKS -
LAKE ISABELLA WATER SUPPLY SYSTEM

September 30, 2016

	<u>Enterprise Fund</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 19,975
Accounts receivable	<u>11,275</u>
Total current assets	31,250
Noncurrent assets	
Capital assets not being depreciated	16,000
Capital assets being depreciated, net	<u>13,259</u>
Total noncurrent assets	<u>29,259</u>
TOTAL ASSETS	60,509
LIABILITIES	
Current liabilities	
Accounts payable	<u>4,230</u>
TOTAL LIABILITIES	<u>4,230</u>
NET POSITION	
Investment in capital assets	29,259
Unrestricted	<u>27,020</u>
NET POSITION	<u>\$ 56,279</u>

Isabella County, Michigan

Component Unit Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION - BOARD OF PUBLIC WORKS -
LAKE ISABELLA WATER SUPPLY SYSTEM

Year Ended September 30, 2016

	<u>Enterprise Fund</u>
OPERATING REVENUES	
Charges for services	\$ 27,561
OPERATING EXPENSES	
Personnel services	12,537
Supplies	6,552
Utilities	3,231
Contractual services	12,945
Other	2,076
Depreciation	<u>4,138</u>
TOTAL OPERATING EXPENSES	<u>41,479</u>
OPERATING (LOSS)	(13,918)
NONOPERATING REVENUES	
Interest	<u>26</u>
CHANGE IN NET POSITION	(13,892)
Net position, beginning of year	<u>70,171</u>
Net position, end of year	<u><u>\$ 56,279</u></u>

Isabella County, Michigan

Component Unit Funds

STATEMENT OF CASH FLOWS - BOARD OF PUBLIC WORKS
LAKE ISABELLA WATER SUPPLY SYSTEM

Year Ended September 30, 2016

	Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	\$ 30,513
Cash paid to suppliers	<u>(36,035)</u>
NET CASH (USED) BY OPERATING ACTIVITIES	(5,522)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest	<u>26</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(5,496)
Cash and cash equivalents, beginning of year	<u>25,471</u>
Cash and cash equivalents, end of year	<u>\$ 19,975</u>
Reconciliation of operating (loss) to net cash (used) by operating activities	
Operating (loss)	\$ (13,918)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities	
Depreciation	4,138
Decrease in:	
Accounts receivable	2,952
Increase in:	
Accounts payable	<u>1,306</u>
NET CASH (USED) BY OPERATING ACTIVITIES	<u>\$ (5,522)</u>

STATISTICAL SECTION

This part of Isabella County’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government’s overall financial health.

Contents	<u>Page</u>
Financial Trends	
<i>These schedules contain trend information to help the reader understand how the government’s financial performance and well-being have changed over time.</i>	110
Revenue Capacity	
<i>These schedules contain information to help the reader assess the government’s most significant local revenue source, the property tax.</i>	113
Debt Capacity	
<i>These schedules present information to help the reader assess the affordability of the government’s current level of outstanding debt and the government’s ability to issue additional debt in the future.</i>	120
Demographic and Economic Information	
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government’s financial activities take place.</i>	124
Operating Information	
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the government’s financial report relates to the services the government provides and the activities it performs.</i>	126

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

Isabella County, Michigan
 NET POSITION BY COMPONENT
 LAST TEN FISCAL YEARS
 (Unaudited)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Governmental activities										
Net investment in capital assets	\$ 11,693,861	\$ 11,537,707	\$ 11,631,381	\$ 11,656,812	\$ 11,424,516	\$ 11,430,374	\$ 11,884,156	\$ 12,414,882	\$ 13,030,558	\$ 13,621,811
Restricted	283,882	611,045	649,345	449,996	4,652,196	4,733,613	4,497,495	4,774,534	2,903,804	3,528,717
Unrestricted	12,801,477	14,194,649	13,565,998	13,835,102	11,233,500	10,909,768	11,690,749	12,789,431	3,743,803	1,096,840
Total governmental activities net position	<u>\$ 24,779,220</u>	<u>\$ 26,343,401</u>	<u>\$ 25,846,724</u>	<u>\$ 25,941,910</u>	<u>\$ 27,310,212</u>	<u>\$ 27,073,755</u>	<u>\$ 28,072,400</u>	<u>\$ 29,978,847</u>	<u>\$ 19,678,165</u>	<u>\$ 18,247,368</u>
Business-type activities										
Net investment in capital assets	\$ 4,430,933	\$ 4,613,014	\$ 5,900,138	\$ 6,120,965	\$ 6,125,310	\$ 6,537,343	\$ 1,405,648	\$ 1,636,046	\$ 1,455,010	\$ 1,423,200
Restricted	3,830,776	4,261,178	1,087,003	597,232	605,557	566,147	350,000	350,000	350,000	350,000
Unrestricted	8,507,289	9,844,349	12,414,510	14,673,443	15,928,820	17,600,762	10,133,828	9,897,272	9,403,965	7,675,320
Total business-type activities net position	<u>\$ 16,768,998</u>	<u>\$ 18,718,541</u>	<u>\$ 19,401,651</u>	<u>\$ 21,391,640</u>	<u>\$ 22,659,687</u>	<u>\$ 24,704,252</u>	<u>\$ 11,889,476</u>	<u>\$ 11,883,318</u>	<u>\$ 11,208,975</u>	<u>\$ 9,448,520</u>
Primary government										
Net investment in capital assets	\$ 16,124,794	\$ 16,150,721	\$ 17,531,519	\$ 17,777,777	\$ 17,549,826	\$ 17,967,717	\$ 17,967,717	\$ 14,050,928	\$ 14,485,568	\$ 15,045,011
Restricted	4,114,658	4,872,223	1,736,348	1,047,228	5,257,753	5,299,760	5,299,760	5,124,534	3,253,804	3,878,717
Unrestricted	21,308,766	24,038,998	25,980,508	28,508,545	27,162,320	28,510,530	28,510,530	22,686,703	13,147,768	8,772,160
Total primary activities net position	<u>\$ 41,548,218</u>	<u>\$ 45,061,942</u>	<u>\$ 45,248,375</u>	<u>\$ 47,333,550</u>	<u>\$ 49,969,899</u>	<u>\$ 51,778,007</u>	<u>\$ 51,778,007</u>	<u>\$ 41,862,165</u>	<u>\$ 30,887,140</u>	<u>\$ 27,695,888</u>

Isabella County, Michigan
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Unaudited)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Expenses										
Governmental activities:										
General government	\$ 9,037,551	\$ 9,323,399	\$ 9,500,081	\$ 9,799,291	\$ 9,519,926	\$ 9,951,030	\$ 10,178,468	\$ 10,051,170	\$ 10,870,079	\$ 12,092,262
Public safety	7,244,038	6,705,990	6,738,044	6,841,410	7,043,762	7,094,068	7,276,762	7,112,889	7,120,091	7,831,619
Public works	327,166	198,483	250,084	225,971	209,533	230,021	242,392	242,005	497,128	626,388
Community and economic development	230,869	233,436	209,415	205,914	214,605	242,477	226,684	289,280	423,975	485,698
Health and welfare	6,019,736	6,252,019	6,407,529	5,979,709	5,774,589	5,827,870	5,959,473	5,783,379	6,346,368	6,478,989
Culture and recreation	704,189	754,376	866,072	746,056	604,405	596,249	769,779	833,562	904,810	963,879
Interest on debt	172,524	314,741	224,791	217,606	212,604	185,223	143,230	114,830	98,065	42,997
Total governmental activities expenses	<u>23,736,073</u>	<u>23,782,444</u>	<u>24,196,016</u>	<u>24,015,957</u>	<u>23,579,424</u>	<u>24,126,938</u>	<u>24,796,788</u>	<u>24,427,115</u>	<u>26,260,516</u>	<u>28,521,832</u>
Business-type activities:										
Delinquent tax	179,154	188,357	189,073	160,524	205,902	267,016	312,806	349,329	379,153	569,796
Building inspections	343,190	280,582	253,795	212,858	236,522	255,209	273,768	304,450	352,828	384,258
Recycling facility	1,115,104	1,174,988	897,922	1,001,916	1,082,746	1,125,230	981,435	1,020,239	1,040,113	1,069,899
Concessions	109,441	227,204	200,022	239,422	235,313	551,900	284,061	256,820	231,245	201,812
Medical Care Facility	8,368,433	8,856,618	10,554,367	10,614,196	11,164,093	11,142,288	-	-	-	-
Total business-type activities expenses	<u>10,115,322</u>	<u>10,727,749</u>	<u>12,095,179</u>	<u>12,228,916</u>	<u>12,924,576</u>	<u>13,341,643</u>	<u>1,852,070</u>	<u>1,930,838</u>	<u>2,003,339</u>	<u>2,225,765</u>
Total primary government expenses	<u>\$ 33,851,395</u>	<u>\$ 34,510,193</u>	<u>\$ 36,291,195</u>	<u>\$ 36,244,873</u>	<u>\$ 36,504,000</u>	<u>\$ 37,468,581</u>	<u>\$ 26,648,858</u>	<u>\$ 26,357,953</u>	<u>\$ 28,263,855</u>	<u>\$ 30,747,597</u>
Program Revenues										
Governmental activities:										
Charges for services										
General government	\$ 3,014,558	\$ 3,149,557	\$ 2,941,321	\$ 2,908,399	\$ 3,043,776	\$ 3,265,951	\$ 3,128,327	\$ 2,923,473	\$ 2,706,910	\$ 2,872,758
Public safety	2,511,478	2,921,676	2,629,612	2,725,489	2,635,438	2,791,059	3,041,601	1,969,112	1,741,185	1,947,806
Public works	126,847	-	-	-	-	-	-	-	-	-
Community and economic development	36,974	6,409	8,888	4,933	6,733	7,712	13,715	21,047	17,484	26,636
Health and welfare	494,261	519,802	536,869	504,500	398,781	356,106	418,918	282,756	274,621	353,901
Culture and recreation	268,677	271,132	283,249	342,994	336,200	345,848	328,447	347,735	389,947	412,195
Interest on debt	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions	6,103,937	5,397,183	5,459,794	5,246,429	5,148,434	4,938,237	5,101,328	4,570,129	4,950,360	4,464,476
Capital grants and contributions	73,939	26,511	111,188	30,430	72,819	29,811	46,169	8,472	13,040	38,920
Total governmental activities program revenues	<u>12,630,671</u>	<u>12,292,270</u>	<u>11,970,921</u>	<u>11,763,174</u>	<u>11,642,181</u>	<u>11,734,724</u>	<u>12,078,505</u>	<u>10,122,724</u>	<u>10,093,547</u>	<u>10,116,692</u>
Business-type activities:										
Charges for services										
Delinquent tax	491,552	639,056	718,410	967,436	729,239	721,251	875,716	643,695	720,086	814,021
Building inspections	302,560	220,226	198,042	249,272	318,352	297,834	369,585	417,505	346,840	352,600
Recycling facility	738,576	711,884	426,162	687,810	931,803	740,951	632,811	595,105	531,197	572,053
Concessions	235,051	261,737	319,879	308,364	266,553	329,029	374,519	305,405	342,860	320,894
Medical Care Facility	8,188,068	8,146,853	8,864,193	9,067,589	9,662,823	11,787,761	-	-	-	-
Operating grants and contributions	293,545	935,623	670,013	1,341,355	977,303	247,850	170,524	256,373	165,300	271,930
Capital grants and contributions	-	-	-	70,011	5,212	5,147	-	-	-	-
Total business-type activities program revenues	<u>10,249,352</u>	<u>10,915,379</u>	<u>11,196,699</u>	<u>12,691,837</u>	<u>12,891,285</u>	<u>14,129,823</u>	<u>2,423,155</u>	<u>2,218,083</u>	<u>2,106,283</u>	<u>2,331,498</u>
Total primary government program revenues	<u>\$ 22,880,023</u>	<u>\$ 23,207,649</u>	<u>\$ 23,167,620</u>	<u>\$ 24,455,011</u>	<u>\$ 24,533,466</u>	<u>\$ 25,864,547</u>	<u>\$ 14,501,660</u>	<u>\$ 12,340,807</u>	<u>\$ 12,199,830</u>	<u>\$ 12,448,190</u>

Isabella County, Michigan

CHANGES IN NET POSITION - CONCLUDED

LAST TEN FISCAL YEARS

(Unaudited)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Net (expense)/revenue										
Governmental activities	\$ (11,105,402)	\$ (11,490,174)	\$ (12,225,095)	\$ (12,252,783)	\$ (11,937,243)	\$ (12,392,214)	\$ (12,718,283)	\$ (14,304,391)	\$ (16,166,969)	\$ (18,405,140)
Business-type activities	134,030	187,630	(898,480)	462,921	(33,291)	788,180	571,085	287,245	102,944	105,733
Total primary government net expense	<u>\$ (10,971,372)</u>	<u>\$ (11,302,544)</u>	<u>\$ (13,123,575)</u>	<u>\$ (11,789,862)</u>	<u>\$ (11,970,534)</u>	<u>\$ (11,604,034)</u>	<u>\$ (12,147,198)</u>	<u>\$ (14,017,146)</u>	<u>\$ (16,064,025)</u>	<u>\$ (18,299,407)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes	\$ 13,087,917	\$ 11,379,585	\$ 10,832,634	\$ 11,681,218	\$ 11,689,532	\$ 11,264,546	\$ 11,934,960	\$ 12,642,259	\$ 12,640,166	\$ 12,933,132
State shared revenue	-	-	-	-	-	942,120	948,914	995,270	1,241,312	1,243,491
Unrestricted grants and contributions	568,277	569,939	507,392	507,766	516,595	626,255	729,054	812,668	829,107	494,694
Unrestricted investment earnings	532,088	468,995	172,972	64,998	56,898	50,587	40,477	71,988	70,725	74,993
Gain on disposal of capital assets	-	348,844	-	-	-	-	-	-	-	-
Other revenue	122,176	225,596	125,420	93,987	141,178	142,867	193,523	353,023	167,374	334,083
Transfers - internal activities	(145,482)	76,165	90,000	-	45,305	(14,581)	(130,000)	396,076	550,000	1,893,950
Total governmental activities	<u>14,164,976</u>	<u>13,069,124</u>	<u>11,728,418</u>	<u>12,347,969</u>	<u>12,449,508</u>	<u>13,011,794</u>	<u>13,716,928</u>	<u>15,271,284</u>	<u>15,498,684</u>	<u>16,974,343</u>
Business-type activities:										
Property taxes	1,223,378	1,326,806	1,385,061	1,287,847	1,090,229	1,094,046	-	-	-	-
Unrestricted grants and contributions	-	-	-	-	-	-	-	-	-	-
Unrestricted investment earnings	398,090	338,589	182,859	143,908	145,576	146,133	107,985	86,149	90,673	22,674
Gain on disposal of capital assets	7,000	701	-	-	-	-	-	-	-	-
Other revenue	462,571	171,982	103,670	95,313	110,838	1,625	8,077	31,911	3,551	5,088
Transfers - internal activities	145,482	(76,165)	(90,000)	-	(45,305)	14,581	130,000	(396,076)	(550,000)	(1,893,950)
Total business-type activities	<u>2,236,521</u>	<u>1,761,913</u>	<u>1,581,590</u>	<u>1,527,068</u>	<u>1,301,338</u>	<u>1,256,385</u>	<u>246,062</u>	<u>(278,016)</u>	<u>(455,776)</u>	<u>(1,866,188)</u>
Total primary government	<u>\$ 16,401,497</u>	<u>\$ 14,831,037</u>	<u>\$ 13,310,008</u>	<u>\$ 13,875,037</u>	<u>\$ 13,750,846</u>	<u>\$ 14,268,179</u>	<u>\$ 13,962,990</u>	<u>\$ 14,993,268</u>	<u>\$ 15,042,908</u>	<u>\$ 15,108,155</u>
Change in Net Position										
Governmental activities	\$ 3,059,574	\$ 1,578,950	\$ (496,677)	\$ 95,186	\$ 512,265	\$ 619,580	\$ 998,645	\$ 966,893	\$ (668,285)	\$ (1,430,797)
Business-type activities	2,370,551	1,949,543	683,110	1,989,989	1,268,047	2,044,565	817,147	9,229	(352,832)	(1,760,455)
Total primary government	<u>\$ 5,430,125</u>	<u>\$ 3,528,493</u>	<u>\$ 186,433</u>	<u>\$ 2,085,175</u>	<u>\$ 1,780,312</u>	<u>\$ 2,664,145</u>	<u>\$ 1,815,792</u>	<u>\$ 976,122</u>	<u>\$ (1,021,117)</u>	<u>\$ (3,191,252)</u>

Isabella County, Michigan
GOVERNMENTAL ACTIVITIES TAX REVENUE BY SOURCE
LAST TEN FISCAL YEARS
(Unaudited)

<u>Fiscal Year</u>	<u>Property Tax</u>
2007	\$ 13,087,917
2008	11,379,585
2009	11,002,634
2010	11,681,218
2011	11,689,532
2012	11,264,546
2013	11,934,960
2014	12,642,259
2015	12,640,166
2016	12,933,132

Isabella County, Michigan
 FUND BALANCES OF GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS
 (Unaudited)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General fund										
Reserved	\$ 75,098	\$ 63,282	\$ 64,690	\$ 38,147	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	4,867,875	6,326,335	6,214,950	6,786,588	-	-	-	-	-	-
Nonspendable	-	-	-	-	36,477	41,530	41,001	55,628	48,774	57,833
Assigned	-	-	-	-	2,958,362	3,020,750	3,063,686	3,097,321	3,073,275	5,082,391
Unassigned	-	-	-	-	4,697,759	5,371,626	6,300,152	7,869,977	7,970,365	5,611,774
Total general fund	<u>\$ 4,942,973</u>	<u>\$ 6,389,617</u>	<u>\$ 6,279,640</u>	<u>\$ 6,824,735</u>	<u>\$ 7,692,598</u>	<u>\$ 8,433,906</u>	<u>\$ 9,404,839</u>	<u>\$ 11,022,926</u>	<u>\$ 11,092,414</u>	<u>\$ 10,751,998</u>
All other governmental funds										
Reserved	\$ 347,858	\$ 736,162	\$ 743,008	\$ 573,744	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved										
Special revenue funds	5,829,483	5,042,586	3,999,598	3,316,250	-	-	-	-	-	-
Debt Service Funds	123,741	379,825	1,009,339	1,181,276	-	-	-	-	-	-
Capital Project Funds	-	-	-	-	-	-	-	-	-	-
Nonspendable	-	-	-	-	970,630	104,109	148,844	97,151	82,140	47,238
Restricted	-	-	-	-	4,753,910	4,845,364	4,570,594	3,671,083	2,858,438	3,501,036
Committed	-	-	-	-	259,646	300,685	457,593	591,963	669,741	81,573
Total all other governmental funds	<u>\$ 6,301,082</u>	<u>\$ 6,158,573</u>	<u>\$ 5,751,945</u>	<u>\$ 5,071,270</u>	<u>\$ 5,984,186</u>	<u>\$ 5,250,158</u>	<u>\$ 5,177,031</u>	<u>\$ 4,360,197</u>	<u>\$ 3,610,319</u>	<u>\$ 3,629,847</u>

Note: GASB 54 became effective and was implemented in 2011. Prior period amounts were not restated.

Isabella County, Michigan

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(Unaudited)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Taxes	\$ 14,267,784	\$ 11,145,067	\$ 10,966,957	\$ 11,735,590	\$ 11,584,266	\$ 11,509,423	\$ 12,094,789	\$ 12,871,889	\$ 12,892,823	\$ 12,984,397
Licenses and permits	363,080	367,611	357,423	429,897	418,847	451,006	477,251	453,337	491,750	539,884
Intergovernmental revenue	5,049,049	5,409,168	5,477,999	5,226,707	5,557,400	5,932,033	6,156,755	5,830,859	6,164,258	6,010,487
Charges for services	5,286,450	5,760,081	5,362,434	5,266,974	5,196,396	5,563,755	5,651,331	4,373,826	4,006,683	4,291,135
Fines and forfeits	279,379	185,898	199,954	236,544	293,265	257,853	284,880	248,534	208,841	166,783
Interest and rent	1,105,727	1,067,122	753,732	664,139	649,038	639,336	632,066	668,069	661,330	701,525
Contributions	-	-	-	-	443,155	464,465	517,428	433,670	657,714	212,634
Other revenue	512,125	668,416	607,111	596,854	171,339	185,003	269,826	345,555	211,489	341,506
Total revenues	<u>26,863,594</u>	<u>24,603,363</u>	<u>23,725,610</u>	<u>24,156,705</u>	<u>24,313,706</u>	<u>25,002,874</u>	<u>26,084,326</u>	<u>25,225,739</u>	<u>25,294,888</u>	<u>25,248,351</u>
Expenditures										
General government	8,538,845	8,852,832	8,920,239	9,306,627	8,859,985	9,343,780	9,523,692	9,578,054	10,265,973	10,751,157
Public safety	6,693,599	6,192,682	6,122,729	6,387,256	6,420,087	6,579,415	6,840,398	6,782,321	6,730,652	6,904,261
Public works	321,908	192,127	242,899	219,239	200,959	220,353	232,383	232,163	478,372	565,096
Health and welfare	5,970,279	6,075,394	6,240,506	5,804,995	5,546,263	5,600,066	5,754,149	5,626,061	6,159,223	5,889,326
Culture and recreation	677,657	714,648	738,896	705,234	553,369	581,121	749,408	813,424	881,966	881,414
Other	612,004	723,047	675,429	797,636	788,299	665,905	661,849	655,758	778,566	975,074
Capital outlay	1,017,937	3,558,426	389,329	80,637	5,282	99,236	255,678	65,752	283,250	411,957
Debt service										
Principal	359,685	640,000	750,000	715,000	766,850	741,925	745,788	773,856	754,102	791,729
Interest and fiscal charges	248,080	369,093	252,188	275,661	293,175	293,175	293,175	293,174	293,174	293,175
Bond issuance costs	-	74,306	-	-	-	-	-	-	-	-
Total expenditures	<u>24,439,994</u>	<u>27,392,555</u>	<u>24,332,215</u>	<u>24,292,285</u>	<u>23,434,269</u>	<u>24,124,976</u>	<u>25,056,520</u>	<u>24,820,563</u>	<u>26,625,278</u>	<u>27,463,189</u>
Excess of revenues over (under) expenditures	2,423,600	(2,789,192)	(606,605)	(135,580)	879,437	877,898	1,027,806	405,176	(1,330,390)	(2,214,838)
Other financing sources (uses)										
Bond proceeds	-	8,164,470	-	-	-	-	-	-	-	-
Bond premium	-	71,356	-	-	-	-	-	-	-	-
Sale of capital assets	-	478,120	-	-	-	-	-	-	-	-
Transfers in	7,298,040	3,930,376	4,339,800	3,578,875	2,470,224	1,868,619	1,269,512	1,769,673	2,396,938	4,410,252
Underwriter discount	-	(41,580)	-	-	-	-	-	-	-	-
Transfer to escrow agent	-	(4,640,435)	-	-	-	-	-	-	-	-
Transfers (out)	(7,443,522)	(3,854,211)	(4,249,800)	(3,578,875)	(2,424,919)	(1,883,200)	(1,399,512)	(1,373,597)	(1,746,938)	(2,516,302)
Total other financing sources (uses)	<u>(145,482)</u>	<u>4,108,096</u>	<u>90,000</u>	<u>-0-</u>	<u>45,305</u>	<u>(14,581)</u>	<u>(130,000)</u>	<u>396,076</u>	<u>650,000</u>	<u>1,893,950</u>
Net change in fund balances	<u>\$ 2,278,118</u>	<u>\$ 1,318,904</u>	<u>\$ (516,605)</u>	<u>\$ (135,580)</u>	<u>\$ 924,742</u>	<u>\$ 863,317</u>	<u>\$ 897,806</u>	<u>\$ 801,252</u>	<u>\$ (680,390)</u>	<u>\$ (320,888)</u>
Debt service as a percentage of noncapital expenditures	2.67%	3.82%	4.89%	4.15%	4.61%	4.30%	4.18%	4.39%	4.01%	4.00%

Isabella County, Michigan

ASSESSED VALUE AND ESTIMATED TRUE CASH VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS

(Unaudited)

Fiscal Year Ended September 30,	A.V. Real Property		A.V. Personal Property	Total Assessed Value	Total Direct Tax Rate	Total Taxable Value	Estimated True Cash Value	Taxable Value as a Percentage of True Cash Value
	Ag/Res	Com/Ind/T-C/Dev						
2007	\$ 1,542,103,877	\$ 464,507,257	\$ 114,135,396	\$ 2,120,746,530	9.1476	\$ 1,529,082,641	\$ 4,241,493,060	36.05%
2008	1,583,119,644	488,103,444	118,716,860	2,189,939,948	9.0129	1,596,594,915	4,379,879,896	36.45%
2009	1,539,266,015	509,139,302	123,792,826	2,172,198,143	9.0129	1,657,956,466	4,344,396,286	38.16%
2010	1,462,927,237	474,667,593	124,625,346	2,062,220,176	8.9220	1,617,447,158	4,124,440,352	39.22%
2011	1,420,391,692	472,871,897	122,386,720	2,015,650,309	8.9220	1,627,829,213	4,031,300,618	40.38%
2012	1,387,832,752	453,018,650	123,973,688	1,964,825,090	8.9220	1,622,754,247	3,929,650,180	41.30%
2013	1,410,121,499	449,752,506	137,740,937	1,997,614,942	9.1720	1,658,603,851	3,995,229,884	41.51%
2014	1,464,742,254	446,647,572	120,690,993	2,032,080,819	9.3996	1,664,679,324	4,064,161,638	40.96%
2015	1,537,364,463	490,359,261	126,167,761	2,153,891,485	9.3996	1,711,805,770	4,307,782,970	39.74%
2016	1,567,017,396	494,692,800	118,952,744	2,180,662,940	9.3996	1,720,335,250	4,361,325,880	39.45%

Source: Isabella County Equalization Department

Note: Property in the county is reassessed annually. The tax rates are applied to taxable value to generate revenue. True cash values are estimated at twice the State Equalized Values. Estimated actual value is calculated by dividing assessed value by those percentages.

Tax rates are per \$1,000 of taxable value.

Isabella County, Michigan
 PROPERTY TAX RATES
 DIRECT AND OVERLAPPING GOVERNMENTS
 LAST TEN FISCAL YEARS
 (Unaudited)

Fiscal Year (1)	Isabella County				Overlapping Rates								
	Operating Millage	Special Millage	Total County Millage	SET (2)	Local School Districts	Intermediate Schools	Library Districts	Community Colleges		Townships	Cities		
								Mid-Michigan Community College	Montcalm Community College		Mt. Pleasant	Clare	Villages
2007	6.4700	2.6776	9.1476	6.0000	20.4000 - 26.5200	1.1756 - 5.0859	2.6790	1.2232	2.7292	.9502 - 3.1272	15.7500	19.2500	1.8465 - 13.0000
2008	6.4700	2.5429	9.0129	6.0000	20.4000 - 26.5200	1.1756 - 5.0859	2.6790	1.2232	2.7292	.9363 - 3.0946	15.9500	19.2329	1.8463 - 13.0000
2009	6.4700	2.5429	9.0129	6.0000	20.4000 - 26.2640	2.0385 - 5.0859	.9931 - 1.75	1.2232	2.7292	1.000 - 2.9941	15.7500	19.2402	1.8463 - 13.0000
2010	6.6100	2.3120	8.9220	6.0000	20.4300 - 26.2640	2.0385 - 5.0859	.9931 - 1.75	1.2232	2.7292	.9980 - 3.0000	15.7500	19.2475	1.8463 - 13.0000
2011	6.6100	2.3120	8.9220	6.0000	20.2300 - 26.2640	2.0385 - 5.0859	.9931 - 1.75	1.2232	2.7292	.9980 - 5.7108	15.7500	19.0000	1.8463 - 13.0000
2012	6.6100	2.6620	9.2720	6.0000	20.5600 - 26.0140	2.0385 - 5.0859	.9931 - 1.75	1.2232	2.7292	.9980 - 5.1595	15.7500	19.0000	1.8463 - 13.0000
2013	6.6100	2.5620	9.1720	6.0000	19.8358 - 26.0000	2.0385 - 5.2985	.9931 - 1.75	1.2232	2.7292	.9976 - 5.1619	15.7500	19.0000	1.8463 - 13.0000
2014	6.6100	2.7896	9.3996	6.0000	19.8500 - 26.0000	2.0385 - 5.2985	.9931 - 1.75	1.2232	2.7292	.9938 - 5.4864	16.2500	19.0000	1.8463 - 13.0000
2015	6.6100	2.7896	9.3996	6.0000	20.4500 - 26.0000	2.0385 - 5.2985	.9931 - 1.75	1.2232	2.7200	.9938 - 5.4864	16.2500	18.2500	1.8463 - 13.0000
2016	6.6100	2.7896	9.3996	6.0000	20.4500 - 26.0000	2.6756 - 5.2985	.9931 - 1.75	1.2232	2.7200	.9938 - 5.4864	16.2500	18.2500	1.8424 - 11.5000

Source: Isabella County Equalization Department

(1) Rates reduced to comply with the Headlee Amendment.

(2) Proposal A voted in on March 15, 1994 implemented a 6 mill state education tax with the exception of 2003 which was reduced to 5 mills.

Isabella County, Michigan
 PRINCIPAL PROPERTY TAXPAYERS
 2016 and 2007
 (Unaudited)

<u>Taxpayer</u>	<u>2016</u>			<u>2007</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>
Consumers Energy	\$ 38,102,388	1	2.21%	\$ 24,785,930	1	1.62%
Campus Crest at Mt. Pleasant II LLC	15,445,803	2	0.90%			
Copper Beech Townhome	13,159,206	3	0.76%			
PEP-CMU, LLC (formerly GFII...)	8,928,592	4	0.52%			
Deerfield Village, LLC	8,455,568	5	0.49%	8,569,768	4	0.56%
Westpoint Village, LLC	6,837,300	6	0.40%			
Jamestown Mt. Pleasant Apt., LLC	6,499,011	7	0.38%			
Lexington Ridge Apartments, LLC	6,482,959	8	0.38%	7,457,616	8	0.49%
Wal-Mart Real Estate Business	6,037,673	9	0.35%			
Chips Housing, LLC	5,972,400	10	0.35%			
American Mitsuba Corp (formerly CME Corp)				12,549,371	2	0.82%
Morbark, Inc.				7,725,099	7	0.51%
Sterling Wy Associates, LLC				7,439,840	9	0.49%
Mid Michigan Inns, Inc.				8,039,419	6	0.53%
Bluegrass Crossings, LLC				8,265,541	5	0.54%
United Investments Inc.				11,250,894	3	0.74%
Menard, Inc.				7,333,272	10	0.48%
Totals	<u>\$ 115,920,900</u>		<u>6.74%</u>	<u>\$ 103,416,750</u>		<u>6.78%</u>

Source: Isabella County Equalization Department

Isabella County, Michigan
 PROPERTY TAX LEVIES AND COLLECTIONS
 LAST TEN FISCAL YEARS
 (Unaudited)

Year Ended December 31,	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Delinquents Purchased by Treasurer	Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy			Amount	Percentage of Levy
2007	\$ 61,765,095	\$ 58,024,415	93.94%	\$ 3,740,680	\$ 3,740,680	\$ 61,765,095	100.00%
2008	64,211,250	60,055,194	93.53%	4,156,056	4,155,189	64,210,383	100.00%
2009	65,950,129	61,676,929	93.52%	4,273,200	4,270,160	65,947,089	100.00%
2010	65,359,749	61,319,535	93.82%	3,938,193	3,937,182	65,256,717	99.84%
2011	65,801,343	62,256,607	94.61%	3,544,736	3,540,364	65,796,971	99.99%
2012	66,335,710	62,839,145	94.73%	3,496,565	3,490,718	66,329,863	99.99%
2013	68,483,244	64,654,008	94.41%	3,829,236	3,824,362	68,478,370	99.99%
2014	69,838,758	66,202,847	94.79%	3,635,911	3,172,884	69,375,731	99.34%
2015	71,563,655	67,958,016	94.96%	3,589,022	1,856,102	69,814,118	97.56%
**2016							

Source: Isabella County Administration / Isabella County Treasurer

(1) Includes all delinquent tax years March 31- March 31 and excludes personal tax collections.

**2016 tax settlement not completed.

Isabella County, Michigan

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

(Unaudited)

Fiscal Year	Governmental Activities			Business-Type Activities	Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Capital Leases					
2007	\$ 5,135,000	\$ -	\$ -	\$ 7,251,824	\$ 13,395,021	0.77%	201
2008	8,010,229	-	-	6,945,974	15,904,481	0.89%	238
2009	7,266,117	-	-	6,664,649	14,809,896	0.80%	217
2010	6,557,005	-	-	6,292,876	13,670,495	0.75%	194
2011	5,752,893	-	-	5,958,583	12,496,161	0.67%	167
2012	4,943,782	-	-	5,629,018	10,572,800	0.54%	150
2013	4,135,000	-	-	-	4,843,509	N/A	69
2014	3,225,000	-	-	-	3,905,081	N/A	55
2015	2,300,000	-	-	-	2,300,000	N/A	33
2016	1,300,000	-	-	-	1,980,081	N/A	28

Note: Details regarding the County's outstanding debt can be found in the notes to the financial statements.

(1) See Statistical Table Number 14 for personal income and population data. These ratios are calculated using the most recent available income and population data.

Isabella County, Michigan

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

LAST TEN FISCAL YEARS

(Unaudited)

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property (1)	Per Capita (2)
2007	\$ 5,135,000	\$ 123,741	\$ 5,011,259	0.33%	75
2008	8,010,229	443,825	7,566,404	0.47%	113
2009	7,266,117	1,067,364	6,198,753	0.41%	91
2010	6,557,005	1,233,301	5,323,704	0.35%	78
2011	5,752,893	1,308,152	4,444,741	0.27%	63
2012	4,943,782	1,403,402	3,540,380	0.22%	50
2013	4,135,000	1,407,011	2,727,989	0.16%	39
2014	3,225,000	1,008,322	2,216,678	0.13%	31
2015	2,300,000	537,181	1,762,819	0.10%	25
2016	1,300,000	33,883	1,266,117	0.07%	18

Note: Details regarding the county's outstanding debt can be found in the notes to the financial statements.

(1) See Statistical Table Number 6 for property value data.

(2) See Statistical Table Number 14 for population data, last available population was used.

Isabella County, Michigan
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(Unaudited)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Legal debt limit	\$ 152,908,264	\$ 159,659,792	\$ 152,912,268	\$ 161,744,716	\$ 162,782,921	\$ 162,275,425	\$ 165,860,385	\$ 166,467,932	\$ 171,180,577	\$ 172,033,525
Total net debt applicable to limit	11,901,259	14,270,175	12,555,661	11,318,724	10,055,873	8,707,623	7,304,890	6,377,238	5,466,126	4,491,560
Legal debt margin	<u>\$ 141,007,005</u>	<u>\$ 145,389,617</u>	<u>\$ 140,356,607</u>	<u>\$ 150,425,992</u>	<u>\$ 152,727,048</u>	<u>\$ 153,567,802</u>	<u>\$ 158,555,495</u>	<u>\$ 160,090,694</u>	<u>\$ 165,714,451</u>	<u>\$ 167,541,965</u>
Total net debt applicable to the limit as a percentage of debt limit	7.78%	8.94%	8.21%	7.00%	6.18%	5.37%	4.40%	3.83%	3.19%	2.61%

Legal Debt Margin Calculation for Fiscal Year 2016

Taxable Value	\$ 1,720,335,250
Debt limit (10% of taxable value of property in County)	172,033,525
Debt applicable to limit:	4,545,000
Less:	
Assets in Debt Service funds available for payment of principal	<u>53,440</u>
Total amount of debt applicable to debt limit	<u>4,491,560</u>
Legal debt margin	<u>\$ 167,541,965</u>

Note: Under state finance law Isabella County's outstanding general obligation debt shall not exceed 10 percent of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

Isabella County, Michigan

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

September 30, 2016

(Unaudited)

	<u>Government Unit:</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Amount Applicable to Isabella County</u>
City	Clare (Clare)	\$ 1,145,000	11.57%	\$ 132,477
	Mt Pleasant (Isabella)	3,415,000	100.00%	3,415,000
	City Total			<u>3,547,477</u>
Township	Lincoln (Isabella)	50,250	100.00%	50,250
	Union (Isabella)	4,034,000	100.00%	4,034,000
	Township Total			<u>4,084,250</u>
Village	Lake Isabella (Isabella)	889,000	100.00%	889,000
	Village Total			<u>889,000</u>
School District	Alma (Gratiot)	24,669,090	0.01%	2,467
	Beal City (Isabella)	44,130,149	100.00%	4,130,149
	Chippewa Hills (Mecosta)	13,935,000	29.58%	4,121,973
	Clare (Clare)	6,910,000	24.95%	1,724,045
	Coleman (Midland)	6,705,000	12.19%	817,340
	Farwell (Clare)	4,040,000	7.70%	311,080
	Montabella (Montcalm)	4,190,000	32.12%	1,345,828
	Mt Pleasant (Isabella)	36,085,000	100.00%	36,085,000
	Shepherd (Isabella)	30,313,756	94.35%	28,601,029
	St. Louis (Gratiot)	18,833,857	2.01%	378,561
	Vestaburg (Montcalm)	13,346,764	7.72%	1,030,370
	School District Total			<u>78,547,842</u>
Intermediate School District	Clare-Gladwin ISD	620,000	4.85%	30,070
	Gratiot-Isabella ISA	995,000	48.75%	485,063
	Montcalm ISD	1,377,000	3.48%	47,920
	Intermediate School District Total			<u>563,053</u>
Community College	Mid Michigan Community College	1,360,000	4.85%	65,960
	Montcalm Community College	3,400,000	3.48%	118,320
	Community College Total			<u>184,280</u>
	Subtotal, Overlapping Debt Isabella County Direct Debt			87,815,902
	G.O. Debt			1,300,000
	BPW Bonds			3,970,000
	Drain Notes			4,250,063
	Drain Bonds			4,941,144
	B.A. Bonds			<u>3,245,000</u>
	Isabella County Direct Debt			<u>17,706,207</u>
	Total Direct and Overlapping Debt			<u>\$ 105,522,109</u>

Source: Municipal Advisory Council of Michigan

Note: the Municipal Advisory Council gathers all the financial obligations of the various political jurisdictions that also partially falls into a neighboring jurisdiction throughout the State of Michigan and maps out this debt geographically to determine the total overlapping debt that is the responsibility of each taxpayer within each jurisdiction. This proportional share of the other jurisdictions debt, plus the County's direct debt together make up the municipality's overall debt amounts. The overlapping percentage is calculated by dividing the taxable value of property of the overlapping government located in Isabella County by the total taxable value of all property in the overlapping government.

Isabella County, Michigan
 DEMOGRAPHIC AND ECONOMIC STATISTICS
 LAST TEN FISCAL YEARS
 (Unaudited)

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Personal Income Per Capita</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>
2007	66,790	\$ 1,787,953,000	\$ 26,770	28,827	5.30%
2008	66,778	1,844,192,000	27,639	28,483	5.99%
2009	68,228	1,833,000,000	28,049	29,836	8.50%
2010	70,311	1,876,000,000	26,678	30,756	7.20%
2011	70,636	1,975,000,000	27,960	30,893	7.40%
2012	70,617	2,149,138,000	30,434	30,770	5.90%
2013	70,436	2,192,286,000	31,125	31,642	6.80%
2014	70,506	2,175,646,000	30,810	31,056	5.60%
2015	70,698	2,255,267,000	31,900	30,602	4.60%
2016	(1)	(1)	(1)	(1)	3.70%

Data Sources:

- U.S. Department of Commerce, Bureau of the Census
 - Bureau of Economic Analysis, U.S. Department of Commerce (<http://www.bea.gov/iTable>)Table CA1-3 Personal income summary
 - Michigan Department of Technology, Management & Budget- Labor Market Information(<http://milmi.org>)
- ' Employment rate information is a yearly average not seasonally adjusted.

(1) Information not available.

Isabella County, Michigan
 PRINCIPAL EMPLOYERS
 2015 and 2007
 (Unaudited)

Employer	2015 (1)			2007 (2)		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Saginaw Chippewa Indian Tribe (3)	3,602	1	10.52%	5,200	1 & 4	14.09%
Central Michigan University	2,693	2	7.87%	2,403	2	6.51%
Delfield Co.	693	3	2.02%	460	7	1.25%
Morbark	507	4	1.48%	633	5	1.71%
McBride Quality Care Services	500	5	1.46%			
Mt. Pleasant Public Schools	466	6	1.36%	573	6	1.55%
Bandit Industries	425	7	1.24%			
Isabella Bank	408	8	1.19%			
Walmart	375	9	1.10%			
Meijer	350	10	1.02%	450	9	1.22%
Central Michigan Community Hospital				750	3	2.03%
Mount Pleasant Center				450	8	1.22%
Mears, LLC (Rosebush)				400	10	1.08%
Totals	10,019		29.26%	11,319		30.66%

(1) Most recent data on Middle Michigan Development Company website.

(2) Isabella County Comprehensive Annual Financial Report 9/30/2007

(3) In 2007 the data was reported separately as Soaring Eagle Hotel & Casino 4,500 and Saginaw Chippewa Indian Tribe 700

Source:

www.mmdc.org

Isabella County, Michigan

FULL-TIME EQUIVALENT COUNTY EMPLOYEES BY FUNCTION

LAST TEN FISCAL YEARS

(Unaudited)

Function	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Service Administration	54.5	53.0	53.0	50.4	49.5	45.5	49.1	50.6	49.1	50.5
Legislative	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Judicial	56.0	54.0	54.0	54.0	54.0	56.0	53.8	58.9	61.0	62.4
Law Enforcement and Correction	50.5	50.0	50.0	50.0	50.0	49.0	49.9	52.4	50.8	53.7
Public Safety and Emergency Services	24.6	21.4	21.4	20.7	20.7	20.7	21.5	21.4	22.1	21.0
Health and Welfare	33.0	31.3	31.3	31.3	31.3	31.3	28.2	29.1	25.3	26.5
Culture and Recreation	4.6	4.3	4.3	4.3	4.3	4.3	8.3	8.3	7.9	8.2
Planning and Development	3.0	3.0	3.0	3.0	3.0	3.0	2.6	3.4	3.6	2.5
Other Agencies	3.0	3.0	12.5	12.5	9.0	12.5	14.8	16.2	15.0	7.5
Total	236.2	227.0	236.5	233.2	228.8	229.3	235.2	247.3	241.8	239.3

Source: Isabella County Administration Office

Isabella County, Michigan
 OPERATING INDICATORS BY FUNCTION
 LAST TEN FISCAL YEARS
 (Unaudited)

Function	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Judicial										
Trial Court total caseload	17,751	15,184	16,130	16,279	13,250	13,453	13,722	13,586	13,459	14,857
Law enforcement and corrections										
Number of incarcerated offenders	5,550	5,529	5,610	5,502	5,664	6,012	6,227	4,449	4,331	4,064
Public safety and emergency services										
Animal Control										
Complaints	2,471	3,273	1,618	1,383	1,297	1,861	1,705	1,151	1,455	1,449
Animal adoptions	1,060	1,799	1,371	1,390	1,542	1,576	1,620	1,042	972	560
Health and welfare										
Health Department										
Immunizations administered	3,365	3,864	(1)	5,187	5,785	4,365	4,863	4,194	3,495	3,586
House numbering										
House numbers issued	108	50	47	49	52	45	44	48	47	61
Housing										
Mortgages granted	-	-	-	-	-	6	7	9	4	7
Recreation and culture										
Annual vehicle park passes	1,485	1,487	1,727	1,560	1,528	1,692	1,447	1,640	1,782	2,089
Daily vehicle park passes	8,669	8,567	9,045	9,858	10,459	10,983	9,425	10,646	12,248	13,390
Annual boat passes	545	504	551	712	576	729	564	653	739	1,001

Note: Indicators are not available for the general government, legislative functions, planning and development.

(1) Information not available at this time. Table will be populated as information becomes available.

Data Sources: Isabella County Trial Court, Isabella County Sheriff Department, Isabella County Animal Control
 Central Michigan District/Health Department, Isabella County Community Development, Isabella County Parks & Recreation

Isabella County, Michigan
 CAPITAL ASSET STATISTICS BY FUNCTION
 LAST TEN FISCAL YEARS
 (Unaudited)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Function										
Judicial										
Juvenile Detention										
Facilities	2	2	2	2	2	2	2	2	2	2
Law enforcement and corrections										
Sheriff										
Vehicles	19	23	23	23	23	23	21	20	19	18
Boats	1	1	1	1	1	1	1	1	1	1
Jail Facilities	1	1	1	1	1	1	1	1	1	1
Public safety and emergency services										
Animal control										
Vehicles	2	2	2	2	2	2	2	2	2	2
Emergency Services										
Vehicles	2	2	2	2	2	2	1	1	2	2
Community & Economic Development										
Vehicles	1	1	1	1	1	2	3	3	3	3
Recreation and culture										
Parks and recreation										
Parks	5	5	5	5	5	5	5	5	5	5
Vehicles	6	7	8	8	8	8	7	7	7	7

Source: Isabella County Finance Department

Note: No capital asset indicators are available for the general government, legislative, health & welfare, or public works functions.