COUNTY OF MARQUETTE, MICHIGAN

STATEMENT OF NET POSITION

December 31, 2012

	Primary Government			
	Governmental Activities	Business Type Activities	Total	Component Units
ASSETS				
Cash and equivalents	$ 11,686,626	$ 4,927,668	$ 16,614,294	$ 1,871,546
Investments	8,547,531	5,841,646	14,389,177	520,327
Investments - restricted	-	3,624,157	3,624,157	-
Receivables, net	10,207,767	5,308,179	15,515,946	3,231,139
Other current assets	55,719	353,082	408,801	2,397,737
Capital assets being depreciated, net	3,519,233	73,157,236	76,676,469	67,596,303
TOTAL ASSETS	34,016,876	93,211,968	127,228,844	75,617,052
LIABILITIES				
Accounts payable	1,474,485	431,716	1,906,201	837,899
Accrued payroll and related liabilities	338,513	426,472	764,985	92,309
Current portion of compensated absences	81,116	-	81,116	-
Current portion of bonds payable	-	-	-	250,000
Other current liabilities	-	181,878	181,878	143,000
Compensated absences	1,523,315	842,530	2,365,845	1,085,743
Bonds payable	-	-	-	339,105
Other post-employment benefits	6,767,581	-	6,767,581	-
Other	-	-	-	522,454
TOTAL LIABILITIES	10,185,010	1,882,596	12,067,606	3,270,510
DEFERRED INFLOW OF RESOURCES				
Taxes levied for a subsequent period	9,516,716	-	9,516,716	-
Community Development	2,835,588	-	2,835,588	-
Forest Road Funds	-	-	-	329,894
TOTAL DEFERRED INFLOW OF RESOURCES	12,352,304	-	12,352,304	329,894
NET POSITION				
Net investment in capital assets	3,519,233	73,157,236	76,676,469	67,596,303
Restricted	251,189	620,939	872,128	3,948,740
Unrestricted	7,709,140	17,551,197	25,260,337	471,605
TOTAL NET POSITION	$ 11,479,562	$ 91,329,372	$ 102,808,934	$ 72,016,648

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

COUNTY OF MARQUETTE, MICHIGAN

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2012

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
					Primary Government			
Function / Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business Type Activities**	**Total**	**Component Units**
Primary Government:								
Governmental Activities:								
Legislative	$ 403,759	$ 33,854	$ 529,383	$ -	$ 159,478	$ -	$ 159,478	$ -
Judicial	6,803,315	1,426,186	2,488,745	-	(2,888,384)	-	(2,888,384)	-
Elections	77,004	-	-	-	(77,004)	-	(77,004)	-
Management	1,660,406	-	-	-	(1,660,406)	-	(1,660,406)	-
Public records	1,692,948	981,949	100,825	-	(610,174)	-	(610,174)	-
Public Safety	8,291,969	1,236,094	823,304	-	(6,232,571)	-	(6,232,571)	-
Human services	5,301,006	589,917	2,270,165	-	(2,440,924)	-	(2,440,924)	-
Resource management/ Development	2,203,601	674,777	4,546	-	(1,524,278)	-	(1,524,278)	-
Other	6,060,438	200	357,566	-	(5,702,672)	-	(5,702,672)	-
Total Governmental Activities	32,494,446	4,942,977	6,574,534	-	(20,976,935)	-	(20,976,935)	-
Business Type Activities:								
Medical Care Facility	13,814,509	13,037,378	-	-	-	(777,131)	(777,131)	-
Airport	3,695,660	1,634,148	131,562	2,293,059	-	363,109	363,109	-
Forestry	227,251	286,106	25,892	-	-	84,747	84,747	-
Foreclosure	148,423	220,311	-	-	-	71,888	71,888	-
100 % Tax Payment Funds	4,204	693,939	-	-	-	689,735	689,735	-
Sewer Fund	977,254	810,006	-	-	-	(167,248)	(167,248)	-
Water Fund	382,142	371,537	-	-	-	(10,605)	(10,605)	-
Total Business Type Activities	19,249,443	17,053,425	157,454	2,293,059	-	254,495	254,495	-
TOTAL PRIMARY GOVERNMENT	$ 51,743,889	$ 21,996,402	$ 6,731,988	$ 2,293,059	(20,976,935)	254,495	(20,722,440)	-
Component Units:								
County Road Department	$ 10,447,033	$ 2,571,001	$ 5,544,282	$ 4,176,393	-	-	-	1,844,643
EDC Fund	239,366	36,096	-	-	-	-	-	(203,270)
Brownfield Authority	1,139	-	-	-	-	-	-	(1,139)
Land Bank Authority	93,729	-	4,217	-	-	-	-	(89,512)
DPW Debt Funds	20,225	16,995	-	-	-	-	-	(3,230)
Drain Maintenance Fund	-	-	-	-	-	-	-	-
TOTAL COMPONENT UNITS	$ 10,801,492	$ 2,624,092	$ 5,548,499	$ 4,176,393	-	-	-	1,547,492
General Revenues:								
Taxes					18,316,102	-	18,316,102	-
Unrestricted State sources					882,139	-	882,139	-
Interest and investment earnings					911,407	14,051	925,458	68,856
Miscellaneous					1,503,895	-	1,503,895	128,975
Transfers					(315,000)	315,000	-	-
TOTAL GENERAL REVENUES AND TRANSFERS					21,298,543	329,051	21,627,594	197,831
CHANGE IN NET POSITION					321,608	583,546	905,154	1,745,323
Net position, beginning of year					11,157,954	90,745,826	101,903,780	70,271,325
NET POSITION, END OF YEAR					$ 11,479,562	$ 91,329,372	$ 102,808,934	$ 72,016,648

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

COUNTY OF MARQUETTE, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET

December 31, 2012

	General Fund	Health Department Fund	Community Development Fund	Maintenance of Effort Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments	$ 9,208,824	$ 345,630	$ 124,011	$ 3,210,237	$ 5,263,394	$ 18,152,096
Receivables	412,621	-	73,203	-	2,259,476	2,745,300
Taxes receivable	2,791,319	-	-	1,078,300	-	3,869,619
Due from State	-	60,614	-	-	405,216	465,830
Due from others	12,632	74,585	-	-	-	87,217
Loans receivable	-	-	2,835,587	-	204,214	3,039,801
Other assets	28,388	22,318	-	-	5,013	55,719
TOTAL ASSETS	$ 12,453,784	$ 503,147	$ 3,032,801	$ 4,288,537	$ 8,137,313	$ 28,415,582
LIABILITIES						
Cash overdraft	$ -	$ -	$ -	$ -	$ 36,317	$ 36,317
Accounts payable	434,276	183,853	19,817	115,907	158,874	912,727
Due to State	-	-	-	-	-	-
Due to others	-	-	-	-	552,397	552,397
Due to other funds	-	-	-	-	-	-
Accrued payroll and related liabilities	228,763	78,194	-	-	30,489	337,446
Accrued sick and vacation	49,112	20,000	-	-	12,004	81,116
TOTAL LIABILITIES	712,151	282,047	19,817	115,907	790,081	1,920,003
DEFERRED INFLOW OF RESOURCES						
Taxes levied for a subsequent period	6,039,757	-	2,835,587	1,159,650	2,317,310	12,352,304
TOTAL DEFERRED INFLOW OF RESOURCES	6,039,757	-	2,835,587	1,159,650	2,317,310	12,352,304
FUND BALANCE						
Non-spendable	28,388	22,318	-	-	1,701	52,407
Restricted	-	198,782	-	-	-	198,782
Assigned	883,975	-	177,397	3,012,980	5,028,221	9,102,573
Unassigned	4,789,513	-	-	-	-	4,789,513
TOTAL FUND BALANCE	5,701,876	221,100	177,397	3,012,980	5,029,922	14,143,275
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCE	$ 12,453,784	$ 503,147	$ 3,032,801	$ 3,128,887	$ 8,137,313	$ 28,415,582

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

COUNTY OF MARQUETTE, MICHIGAN

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

December 31, 2012

Total Fund Balances for Governmental Funds		$ 14,143,275
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		2,846,972
Internal service funds are used by management to administer the Employee Retirement Benefit activities and allocate space and equipment costs. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position, net of capital assets.		(3,987,370)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Other post-employment benefits	$ -	
Compensated absences	1,523,315	
		(1,523,315)
NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 11,479,562

COUNTY OF MARQUETTE, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Year Ended December 31, 2012

	General Fund	Health Department Fund	Community Development Fund	Maintenance of Effort Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes and Penalties	$ 15,169,746	$ -	$ -	$ 1,066,366	$ 2,079,990	$ 18,316,102
Licenses and permits	596,312	-	-	-	-	596,312
Federal sources	417,139	-	228,810	-	831,903	1,477,852
State sources	2,302,838	2,012,423	-	-	1,663,560	5,978,821
Charges for services	3,667,656	589,917	-	-	89,092	4,346,665
Interest earned	275,478	595,580	133	4,234	34,449	909,874
Other	1,109,268	-	112,740	-	281,887	1,503,895
TOTAL REVENUES	23,538,437	3,197,920	341,683	1,070,600	4,980,881	33,129,521
EXPENDITURES						
Legislative	403,759	-	-	-	-	403,759
Judicial	3,502,618	-	-	-	3,294,148	6,796,766
Elections	77,005	-	-	-	-	77,005
Management	1,559,240	-	-	-	-	1,559,240
Public Records	1,553,052	-	-	-	139,896	1,692,948
Public Safety	6,629,476	-	-	-	1,560,821	8,190,297
Human Services	117,653	3,457,857	-	495,306	1,009,474	5,080,290
Resource Management and Development	2,177,979	-	-	-	89,140	2,267,119
Other	4,829,826	-	265,559	-	2,989	5,098,374
TOTAL EXPENDITURES	20,850,608	3,457,857	265,559	495,306	6,096,468	31,165,798
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,687,829	(259,937)	76,124	575,294	(1,115,587)	1,963,723
OTHER FINANCING SOURCES (USES)						
Transfers in	285,000	318,711	-	-	1,782,888	2,386,599
Transfers out	(2,201,599)	-	-	(300,000)	(300,000)	(2,801,599)
TOTAL OTHER FINANCING SOURCES (USES)	(1,916,599)	318,711	-	(300,000)	1,482,888	(415,000)
CHANGE IN FUND BALANCE	771,230	58,774	76,124	275,294	367,301	1,548,723
Fund balance, beginning of year	4,930,646	162,326	101,273	2,737,686	4,662,621	12,594,552
FUND BALANCE, END OF YEAR	$ 5,701,876	$ 221,100	$ 177,397	$ 3,012,980	$ 5,029,922	$ 14,143,275

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

COUNTY OF MARQUETTE, MICHIGAN

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

For the Year Ended December 31, 2012

Net Change in Fund Balances - Total Governmental Funds		$ 1,548,723
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital outlays	$ 203,157	
Depreciation expense	(389,281)	
Gain (loss) on disposals	-	
		(186,124)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		26,018
Some expenses reported in the statement of activities, such as other post-employment benefits, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds		-
Internal service funds are used by management to administer the Employee Retirement Benefit activities and allocate space and equipment costs . The net revenue of the internal service funds are included in government activities in the statement of net position.		(1,067,009)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 321,608

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

COUNTY OF MARQUETTE, MICHIGAN

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

December 31, 2012

	Business Type Activities: Enterprise Funds								Governmental Activities
	Medical Care Facility Operating Fund	**Airport Fund**	**Forestry Fund**	**Foreclosure Fund**	**100% Tax Payment Fund**	**Sewer Fund**	**Water Fund**	**Total**	**Internal Service Funds**
ASSETS									
Cash and equivalents	$ 3,986,561	$ 1,019,030	$ 649,218	$ 434,912	$ 3,710,169	$ 626,244	$ 343,180	$ 10,769,314	$ 2,118,378
Cash and equivalents-restricted	3,624,157	-	-	-	-	-	-	3,624,157	-
Accounts receivable, net	1,968,527	99,762	-	-	3,098,931	95,951	45,009	5,308,180	-
Other assets	336,965	13,749	-	-	-	1,610	758	353,082	-
Capital assets being depreciated, net	4,916,105	50,507,158	10,864,307	-	-	3,171,343	3,698,323	73,157,236	672,261
TOTAL ASSETS	14,832,315	51,639,699	11,513,525	434,912	6,809,100	3,895,148	4,087,270	93,211,969	2,790,639
LIABILITIES									
Accounts payable	350,241	47,177	7,116	5,699	4,091	13,198	4,194	431,716	9,361
Accrued payroll and related liabilities	383,706	33,620	-	-	-	6,725	2,421	426,472	1,067
Other liabilities	9,515	100,837	-	-	-	35,763	35,763	181,878	-
Compensated absences	667,013	119,672	-	-	-	36,300	19,546	842,531	-
Other post-employment benefits payable	-	-	-	-	-	-	-	-	6,767,581
TOTAL LIABILITIES	1,410,475	301,306	7,116	5,699	4,091	91,986	61,924	1,882,597	6,778,009
DEFERRED INFLOW OF RESOURCES	-	-	-	-	-	-	-	-	-
TOTAL DEFERRED INFLOW OF RESOURCES	-	-	-	-	-	-	-	-	-
NET POSITION									
Investment in capital assets	4,916,105	50,507,158	10,864,307	-	-	3,171,343	3,698,323	73,157,236	672,261
Designated	-	570,939	50,000	-	-	-	-	620,939	-
Unrestricted	8,505,735	260,296	592,102	429,213	6,805,009	631,819	327,023	17,551,197	(4,659,631)
TOTAL NET POSITION	$ 13,421,840	$ 51,338,393	$ 11,506,409	$ 429,213	$ 6,805,009	$ 3,803,162	$ 4,025,346	$ 91,329,372	$ (3,987,370)

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

COUNTY OF MARQUETTE, MICHIGAN

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Year Ended December 31, 2012

	Business Type Activities: Enterprise Funds								Governmental Activities
	Medical Care Facility Operating Fund	Airport Fund	Forestry Fund	Foreclosure Fund	100% Tax Payment Fund	Sewer Fund	Water Fund	Total	Internal Service Funds
OPERATING REVENUES									
Federal sources	$ -	$ 2,349,407	$ -	$ -	$ -	$ -	$ -	$ 2,349,407	$ -
State sources	-	75,214	25,892	-	-	-	-	101,106	-
Charges for services (net)	11,262,923	519,864	286,106	193,712	-	704,270	360,393	13,327,268	584,235
Penalties and interest on taxes	-	-	-	-	693,939	-	-	693,939	-
Other	1,774,455	1,114,284	-	26,599	-	105,736	11,144	3,032,218	80,076
TOTAL OPERATING REVENUES	13,037,378	4,058,769	311,998	220,311	693,939	810,006	371,537	19,503,938	664,311
OPERATING EXPENSES									
Operating expenses	13,327,839	2,053,978	203,543	148,423	4,204	699,068	244,348	16,681,403	1,705,957
Depreciation	486,670	1,641,682	23,708	-	-	278,186	137,794	2,568,040	126,895
TOTAL OPERATING EXPENSES	13,814,509	3,695,660	227,251	148,423	4,204	977,254	382,142	19,249,443	1,832,852
OPERATING INCOME (LOSS)	(777,131)	363,109	84,747	71,888	689,735	(167,248)	(10,605)	254,495	(1,168,541)
NON-OPERATING REVENUES (EXPENSES)									
Interest income	6,868	984	682	526	3,876	655	460	14,051	1,532
NON-OPERATING REVENUES (EXPENSES)	6,868	984	682	526	3,876	655	460	14,051	1,532
INCOME (LOSS) BEFORE TRANSFERS	(770,263)	364,093	85,429	72,414	693,611	(166,593)	(10,145)	268,546	(1,167,009)
Transfers in	300,000	300,000	-	-	-	-	-	600,000	100,000
Transfers out	-	-	-	-	(285,000)	-	-	(285,000)	-
CHANGE IN NET POSITION	(470,263)	664,093	85,429	72,414	408,611	(166,593)	(10,145)	583,546	(1,067,009)
Net position, beginning of year	13,892,103	50,674,300	11,420,980	356,799	6,396,398	3,969,755	4,035,491	90,745,826	(2,920,361)
NET POSITION, END OF YEAR	$ 13,421,840	$ 51,338,393	$ 11,506,409	$ 429,213	$ 6,805,009	$ 3,803,162	$ 4,025,346	$ 91,329,372	$ (3,987,370)

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

COUNTY OF MARQUETTE, MICHIGAN

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2012

	Business Type Activities: Enterprise Funds								Governmental Activities
	Medical Care Facility Operating Fund	Airport Fund	Forestry Fund	Foreclosure Fund	100% Tax Payment Fund	Sewer Fund	Water Fund	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES									
Cash received from delinquent taxes	$ -	$ -	$ -	$ -	$ 446,037	$ -	$ -	$ 446,037	$ -
Cash received Federal sources	-	2,349,407	-	-	-	-	-	2,349,407	-
Cash received State sources	-	75,214	25,892	-	-	-	-	101,106	-
Cash received from fees and charges for services	11,057,285	498,876	413,650	193,712	-	711,208	367,338	13,242,069	584,235
Other revenue	1,774,455	1,114,284	-	26,599	-	105,736	11,144	3,032,218	80,076
Cash payments to employees for services	(12,071,399)	(1,093,463)	(119,844)	-	-	(302,132)	(103,696)	(13,690,534)	(4,899)
Other operating expenses	(1,124,521)	(926,739)	(85,241)	(143,939)	(4,117)	(405,795)	(139,150)	(2,829,502)	(393,191)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(364,180)	2,017,579	234,457	76,372	441,920	109,017	135,636	2,650,801	266,221
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES									
Cash from (withdrawal from) patient trust	510	-	-	-	-	-	-	510	-
Transfers in (out)	300,000	300,000	-	-	(285,000)	-	-	315,000	100,000
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	300,510	300,000	-	-	(285,000)	-	-	315,510	100,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES									
Cash payments for capital assets	(286,645)	(2,379,608)	(56,082)	-	-	-	(111,772)	(2,834,107)	(207,661)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(286,645)	(2,379,608)	(56,082)	-	-	-	(111,772)	(2,834,107)	(207,661)
CASH FLOWS FROM INVESTING ACTIVITIES:									
Interest income	6,868	984	682	526	3,876	655	460	14,051	1,532
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	6,868	984	682	526	3,876	655	460	14,051	1,532
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(343,447)	(61,045)	179,057	76,898	160,796	109,672	24,324	146,255	160,092
Cash and cash equivalents, beginning of year	7,954,165	1,080,075	470,161	358,014	3,549,373	516,572	318,856	14,247,216	1,958,286
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 7,610,718	$ 1,019,030	$ 649,218	$ 434,912	$ 3,710,169	$ 626,244	$ 343,180	$ 14,393,471	$ 2,118,378
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:									
Operating income (loss)	$ (777,131)	$ 363,109	$ 84,747	$ 71,888	$ 689,735	$ (167,248)	$ (10,605)	$ 254,495	$ (1,168,541)
Adjustments to reconcile operating income to net cash provided by operating activities:									
Depreciation	486,670	1,641,682	23,708	-	-	278,186	137,794	2,568,040	126,895
Bad debt	236,538	-	-	-	-	-	-	236,538	-
Loss on disposal of fixed assets		-	-	-	-	-	-	-	-
Change in assets and liabilities:									
(Increase) decrease in accounts receivable	(442,176)	(20,988)	127,544	-	(247,902)	6,938	6,945	(569,639)	-
(Increase) decrease in other assets	(1,122)	630	-	-	-	1,833	(55)	1,286	9,017
Increase (decrease) in accounts payable	85,301	1,489	(1,542)	4,484	87	(15,550)	(3,097)	71,172	(9,467)
Increase (decrease) in accrued payroll and related liabilities	47,740	(23,778)	-	-	-	2,445	2,241	28,648	1,308,317
Increase (decrease) in other liabilities	-	55,435	-	-	-	2,413	2,413	60,261	-
Increase (decrease) in deferred revenue	-	-	-	-	-	-	-	-	-
NET ADJUSTMENTS	412,951	1,654,470	149,710	4,484	(247,815)	276,265	146,241	2,396,306	1,434,762
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ (364,180)	$ 2,017,579	$ 234,457	$ 76,372	$ 441,920	$ 109,017	$ 135,636	$ 2,650,801	$ 266,221

COUNTY OF MARQUETTE, MICHIGAN

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

December 31, 2012

		Agency Funds
ASSETS		
Cash and equivalents	$	3,028,873
Due from other funds		-
TOTAL ASSETS	$	3,028,873
LIABILITIES:		
Due to others	$	3,028,873
TOTAL LIABILITIES	$	3,028,873

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

COUNTY OF MARQUETTE, MICHIGAN

COMPONENT UNITS

STATEMENT OF NET POSITION

December 31, 2012

	County Road Department	EDC	Brownfield Authority	Land Bank Authority	DPW Debt Fund	Drain Maintenance	Total
ASSETS							
Cash and cash equivalents	$ 1,437,387	$ 812,818	$ 26,759	$ 87,553	$ 72	$ 27,284	$ 2,391,873
Receivables, net	2,351,530	153,969	268,218	207,422	250,000	-	3,231,139
Inventory	1,577,623	-	-	-	-	-	1,577,623
Prepaid expenses and other assets	356,985	463,129	-	-	-	-	820,114
Capital assets being depreciated, net	67,596,303	-	-	-	-	-	67,596,303
TOTAL ASSETS	73,319,828	1,429,916	294,977	294,975	250,072	27,284	75,617,052
LIABILITIES							
Cash Overdraft	-	-	-	-	-	-	-
Accounts payable	565,104	-	245,418	93	-	27,284	837,899
Accrued payroll and related liabilities	92,309	-	-	-	-	-	92,309
Current portion of bonds payable	-	-	-	-	250,000	-	250,000
Other current liabilities	-	143,000	-	-	-	-	143,000
Compensated absences	1,085,743	-	-	-	-	-	1,085,743
Notes payable	-	339,105	-	-	-	-	339,105
Other	522,454	-	-	-	-	-	522,454
TOTAL LIABILITIES	2,265,610	482,105	245,418	93	250,000	27,284	3,270,510
DEFERRED INFLOW OF RESOURCES							
Forest Road Funds	329,894	-	-	-	-	-	329,894
TOTAL DEFERRED INFLOW OF RESOURCES	329,894	-	-	-	-	-	329,894
NET POSITION							
Investment in capital assets	67,596,303	-	-	-	-	-	67,596,303
Non-spendable	-		-	-	-	-	-
Restricted	3,128,021	820,719	-	-	-	-	3,948,740
Unrestricted	-	127,092	49,559	294,882	72	-	471,605
TOTAL NET POSITION	$ 70,724,324	$ 947,811	$ 49,559	$ 294,882	$ 72	$ -	$ 72,016,648

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

COUNTY OF MARQUETTE, MICHIGAN

COMPONENT UNITS

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2012

		Program Revenues			Net (Expense) Revenue and Changes in Net Position						
Function / Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**County Road Department**	**EDC Fund**	**Brownfield Authority**	**Land Bank Authority**	**DPW Debt**	**Drain Maintenance**	**Total**
County Road Department	$ 10,447,033	$ 2,571,001	$ 5,544,282	$ 4,176,393	$ 1,844,643	$ -	$ -	$ -	$ -	$ -	$ 1,844,643
EDC	239,366	36,096	-	-	-	(203,270)	-	-	-	-	(203,270)
Brownfield Authority	1,139	-	-	-	-	-	(1,139)	-	-	-	(1,139)
Land Bank Authority	93,729	-	4,217	-	-	-	-	(89,512)	-	-	(89,512)
DPW Debt Fund	20,225	16,995	-	-	-	-	-	-	(3,230)	-	(3,230)
Drain Maintenance	-	-	-	-	-	-	-	-	-	-	-
TOTAL COMPONENT UNITS	$ 10,801,492	$ 2,624,092	$ 5,548,499	$ 4,176,393	1,844,643	(203,270)	(1,139)	(89,512)	(3,230)	-	1,547,492
		General Revenues:									
		Interest and investment earnings			54,869	13,372	-	615	-	-	68,856
		Miscellaneous			14,426	7,520	-	107,029	-	-	128,975
				TOTAL GENERAL REVENUES	69,295	20,892	-	107,644	-	-	197,831
				CHANGE IN NET POSITION	1,913,938	(182,378)	(1,139)	18,132	(3,230)	-	1,745,323
		Net position, beginning of year			68,810,386	1,130,189	50,698	276,750	3,302	-	70,271,325
		Prior Period Adjustment			-	-	-	-	-	-	-
				NET POSITION, END OF YEAR	$ 70,724,324	$ 947,811	$ 49,559	$ 294,882	$ 72	$ -	$ 72,016,648

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Marquette was organized in 1848 under the provisions of the Michigan Constitution. The County operates under a Commission/Administrator form of government and provides services in the following functional areas: legislative, courts, public records, management, human services, resource management and development, law enforcement, and community maintenance.

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

REPORTING ENTITY

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

Blended Component Units

The Marquette County Health Department (MCHD) is governed by a seven-member board appointed by the County Board. It provides limited health services to the residents of Marquette County. The County of Marquette provides an annual subsidy to the MCHD.

The Marquette County Department of Human Services (DHS) Board is a three member body appointed to three-year terms. Two of the appointments are made by the County Board, and the remaining appointment is made by the Governor through the Director of the State Department of Human Services. The DHS Board directs the operations of social services through its director and it is responsible for maintaining and operating the Marquette County Medical Care Facility.

The Marquette County Medical Care Facility (MCF) is also governed by the three-member DHS Board appointed by the County Board. Although it is a distinct entity from the county, the MCF is reported as if it were part of the primary government because its sole purpose is to provide skilled nursing services to residents of the County of Marquette.

The Marquette County Building Authority is governed by a three-member board appointed by the County Board. Although it is legally separate from the county, the Building Authority is reported as if it were part of the primary government because its sole purpose is to finance and construct Marquette County public buildings.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Discretely Presented Component Units

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

The Marquette County Road Commission (MCRC) is governed by a three-member board appointed by the County Board. The MCRC may not issue debt or levy a tax without the approval of the County Board. If approval is granted, the Road Commission's taxes are levied under the taxing authority of the County, as approved by the County Board, and would be included as part of the County's total tax levy as well as reported in the County Road Fund. The MCRC is supported primarily by payments from other local units of government for local maintenance and construction of roads. Funding sources include State of Michigan Motor Vehicle Highway Funds and Federal Aid Secondary Funds. The County of Marquette does not always provide an annual subsidy to the MCRC. The Marquette County Road Commission has a fiscal year ending September 30, 2012. Accordingly, the component unit financial statement information included in this report reflects activity as of September 30, 2012.

The County Drain Commission pursuant to the Drain Code of 1956, the Drain Commissioner has the responsibility to administer the State Drain Code. The Marquette County Drain Commissioner is elected and is responsible for planning, developing, and maintaining water drainage systems within the County. Each of the drainage districts established is a separate legal entity, with the power to contract, to sue and be sued, to hold, manage, and dispose of real and personal property. The Drain Commissioner has sole responsibility to administer the drainage district established. The Drain Commissioner may issue debt or levy a special assessment as authorized by the Drain Code without the approval of the County Board of Commissioners. Separate financial statements for the County Drain Commission are not published.

The Economic Development Corporation (EDC) of the County of Marquette, which was established pursuant to the provisions of Public Act 338 of 1974, as amended, is governed by a nine-member Board of Directors appointed by the County Board. The EDC provides assistance to new and expanding small to medium-sized businesses within Marquette County, primarily for job retention and creation purposes. The County of Marquette provides an annual subsidy to the EDC.

The Marquette County Brownfield Redevelopment Authority was established in August 2010 pursuant to the Brownfield Redevelopment Financing Act, Act 381 of the Public Acts of the State of Michigan of 1996, as amended. The Authority is governed by a seven-member board, appointed by the County Board of Commissioners. The overall intent of the Authority is to facilitate the implementation of Brownfield plans relative to the designation and treatment of qualified Brownfield Redevelopment projects; to educate the public and promote the benefits of the Brownfield program throughout Marquette County to encourage revitalization of environmentally distressed areas, to determine the captured taxable value of each parcel of eligible property, and to pursue avenues to sustain, supplement, or enhance the program either through grants or other means.

The Marquette County Land Bank Authority was established in May 2009 pursuant to Public Act 258 of 2003. Its mission is to work collaboratively with local government units and community organizations in finding the best way to return tax-foreclosed properties to the tax roll. The Authority receives funding from the sale of property and the specific tax provisions that apply to the properties it sells. It also has received funding from the County Treasurer's Foreclosure Fund. The Authority is governed by a three-member board consisting of the County Treasurer and two County Board appointees.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Joint Ventures

As defined in GASB #14, a joint venture is a legal entity or other organization that results from a contractual arrangement (or inter-local agreement) and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain: (a) an ongoing financial interest; or (b) an ongoing financial responsibility. The County participates in the following joint ventures:

Community Mental Health Services (Pathways) Board consists of members of the participating counties as appointed by the respective counties. As enumerated in the Footnotes, Pathways is not being accounted for in the financial statements of the County.

BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE FINANCIAL STATEMENTS

The County's basic financial statements include both government-wide (reporting the County as a whole) and fund financial statements (reporting the County's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The County's legislative, judicial, public safety, recreation and culture and general services and administration are classified as governmental activities. The County's Medical Care Facility, Airport, Water, Sewer, DTRF Tax, Foreclosure, and Forestry Funds are classified as business-type activities.

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

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

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

BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

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

The following fund types are used by the County:

Governmental Funds:

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

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

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

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

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

Proprietary Funds:

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the County:

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

Internal Service Funds - Internal Service Funds are used to finance, administer, and account for the financing of goods and services provided by one department or agency to other departments or agencies of the governmental unit or to other governmental units on a cost reimbursement basis.

Component Units:

Component units are used to account for the discretely presented component units which follow proprietary fund accounting guidelines.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Non-major funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds.

The County reports the following major governmental funds:

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

The **Health Department** provides limited health services to the residents of the County.

The **Community Development Fund** applies for, receives, and disburses funds from MSHDA (Michigan State Housing Development Authority) to rehabilitate private single-family dwellings, provide emergency assistance and home purchase/rehabilitation.

The **Maintenance of Effort Fund** was established to manage the millage proceeds used for the purpose of funding Marquette County's current and future obligations for the County Medical Care Facility.

The County reports the following major proprietary funds:

The **Medical Care Facility** provides skilled nursing services to residents of the County.

The County's **Internal Service Funds** are presented in the proprietary funds financial statements. Because the principal users of the internal services are the County's governmental activities, the financial statement of the internal service fund is consolidated into the governmental column when presented in the government-wide financial statements. The cost of these services is reported in the general services and administration functional activity.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF ACCOUNTING

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

Accrual

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which the payment is due. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

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

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified basis of accounting, revenues are recorded when they are both measurable and available. "Available" means collectible within the current period or within 60 days of the end of the current fiscal period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. However, debt service expenditures, compensated absences, and claims and judgments are recorded only when payment is due.

FINANCIAL STATEMENT AMOUNTS

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

1. In accordance with the annually adopted budget calendar, generally around September 15, the County Administrator submits to the County Board of Commissioners proposed operating and capital budgets for the fiscal year commencing the following January 1. Proposed budgets include projected expenditures and the means of financing them.

2. Numerous opportunities exist for public comment during the budget process including a formal public hearing.

3. Pursuant to statute, on the second Tuesday of October of each year, the budget for the ensuing year is legally enacted through the adoption of an Annual General Appropriations Act.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

4. The general statute governing County budgetary activity is the State of Michigan Uniform Budgeting and Accounting Act. In addition to the provisions of said Act and Board policy, general statements concerning the Board's intent regarding the administration of each year's budget are set out in the Annual General Appropriations Act. The Marquette County Board of Commissioners, through policy action, specifically directs the Administrator not to authorize or participate in any expenditure of funds except as authorized by the Annual General Appropriations Act. The Board recognizes that, in addition to possible Board sanctions for willful disregard of this policy, State statutes provide for civil liability for violation of the Annual General Appropriations Act.

5. The Marquette County Administrator is authorized by means of County policy to make certain transfers:

   a. The Administrator receives a request for a budget transfer in writing from a department administrator. Such request must specify the necessity for the transfer, as well as the account name and/or group(s) of accounts to be affected within prescribed limitations. Transfers in excess of those limitations must be approved by the Board of Commissioners.

   b. The following considerations must be reviewed in determination of transfer approvals:

      i. Is the transfer consistent with the intent of the Board of Commissioners in adopting the annual budget?

      ii. Will the transfer maintain the financial integrity of the County?

      iii. Will the transfer provide a reasonable solution to the budgetary unit-operating problem?

   c. Considering the above, the Administrator will then decide whether or not the transfer should be made.

   d. In authorizing such budget transfers, the Administrator may not exceed 10 percent of the aggregate total of all accounts within the budgetary unit budget. The budgetary unit wishing budgetary changes in excess of 10 percent in any budget year must apply, through the Administrator, to the County Board of Commissioners for a budget amendment.

   e. Supplemental appropriations are submitted to and reviewed by the County Administrator and submitted to the Committee of the Whole for further consideration. If approved, they are transmitted to the County Board of Commissioners for their review and approval. If approved, they are implemented by the Administrator's Office through a budget revision.

   f. Provisions of the current policy empower the Administrator to authorize certain transfers in the personnel services account group. In no instance does current policy permit the Administrator to authorize transfers in the operating capital outlay account group. An account group is defined as one of four groups of account numbers and titles as set out in the adopted annual budget of the Marquette County Board of Commissioners, i.e., personnel services, supplies, other charges and services, and operating capital outlay.

6. The County of Marquette adopts its Annual Budget on a program basis. Each program is defined within the formal budget structure and glossary of terms adopted by Board action. The program budget structure consists of five levels of detail as follows: Resource Allocation; Major Functioning Group; Department; Program; Activity.

    a. At each level of detail, governmental operations are summarized into expenditure account groups. Funding sources are also identified and adopted at each level of detail. Budgetary controls exist at the most detailed level adopted by the Board of Commissioners, i.e., department, program or activity level. A detailed line item breakdown is prepared for each program. Accounting controls are maintained at the line item detail level.

7. Budgets for the General, Special Revenue, Enterprise and Capital Project Funds are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts, in the Financial Report, are as originally adopted or amended by the County Board of Commissioners.

Encumbrances – The County has adopted the encumbrance method of accounting on a monthly basis. Under the encumbrance method, requisitioned expenditures are recorded as expenditures in the monthly reports. This reserves available resources for expenditures committed in which items or invoices have not yet been received. The County records material encumbrances as a reservation of fund balance at year-end since they do not constitute expenditures or liabilities.

Cash Equivalents and Investments - For the purposes of balance sheet classification and the statement of cash flows, cash and equivalents consist of demand deposits, cash in savings, money market accounts and short-term certificates of deposit with original maturity of three months or less. Investments are carried at fair value.

Statements of Cash Flows - For the purposes of the statement of cash flows, the County considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

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

Capital Assets – Capital assets, which include property, plant, equipment and infrastructure assets (i.e., streets, bridges, and sidewalks), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of five years.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

Deferred Outflow of Resources

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

Long-Term Liabilities

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Deferred Inflow of Resources

In addition to liabilities, the statement of net position and governmental funds balance sheet will sometimes report a separate section for deferred inflow of resources. This separate financial statement element, deferred inflow of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has three types of items that qualify for reporting in this category. The governmental funds report unavailable revenues, which arises only under a modified accrual basis of accounting, from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amount becomes available. In addition, deferred inflows of resources are reported in the government-wide and governmental fund financial statements for property taxes levied during the year that were intended to finance future periods.

Property Taxes

Property taxes attach as an enforceable lien of property as of December 1 and payable by February 28. Taxes receivable are recorded when levied, as the legal right to receive exists. However, such revenues are not normally received until after the 60-day period following the fiscal year. As stated above, deferred inflow of resources is being recognized for such amounts.

Compensated Absences

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

Inter-fund Activity

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

Subsequent Events

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for the disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through June 24, 2013, which is the date of the accompanying independent auditor’s report, and which is the date the financial statements were available to be issued.

NOTE 2 – DEPOSITS AND INVESTMENTS

The following is a reconciliation of cash and investments for both the unrestricted and restricted assets for the primary government and its component units from the Statement of Net Position:

	Primary Government	Component Units	Fiduciary Funds	Total
Unrestricted:				
Cash and cash equivalents	$ 16,614,294	$ 1,871,546	$ 3,028,873	$ 21,514,713
Investments	14,389,177	520,327	-	14,909,504
Restricted:				
Cash and cash equivalents	-	-	-	-
Investments	3,624,157	-	-	3,624,157
TOTALS	$ 34,627,628	$ 2,391,873	$ 3,028,873	$ 40,048,374

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. State law does not require, and the County does not have, a deposit policy for custodial credit risk. The carrying amounts of the primary government, component unit and fiduciary fund's deposits with financial institutions were $21,514,713 and the bank balance was $24,761,293. The bank balance is categorized as follows:

Amount insured by the FDIC	$ 11,034,199
Amount uninsured and uncollateralized	13,727,094
	$ 24,761,293

Investments

As of December 31, 2012, the County had the following investments.

Primary Government	Fair Value	Investment Maturities (in years): Less than 1	1-5	6-10	More than 10
Unrestricted:					
Government & Agency - Cash Management	$ 3,562,972	$ 3,562,972	$ -	$ -	$ -
Federal Home Loan Bank	4,399,328	-	-	3,051,486	1,347,842
Federal National Mortgage Assistance	4,732,184	-	3,279,236	1,353,002	99,946
Natexis Bank	648,668	648,668	-	-	-
Birch Run MI Area School District	533,365	-	-	533,365	-
Michigan State RFDG-Environment	512,660	-	512,660	-	-
Restricted:					
Government & Agency – Cash Management	1,123,074	1,123,074	-	-	-
Natexis Bank	500,971	500,971	-	-	-
Federal Farm Credit Bank	1,249,648	-	999,628	250,020	-
Federal National Mortgage Assistance	750,464	-	500,096	250,368	-

NOTE 2 – DEPOSITS AND INVESTMENTS - CONTINUED

	Fair Value	Investment Maturities (in years) Less than 1	1-5	6-10	More than 10
Component Unit:					
Unrestricted:					
Government Agency – Cash Management	$ 270,202	$ 270,202	$ -	$ -	$ -
Federal Farm Credit Bank	150,005	-	150,005	-	-
Federal National Mortgage Assistance	100,120	-	100,120	-	-
TOTALS	$18,533,661	$ 6,105,887	$5,541,745	$5,438,241	$1,447,788

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

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

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

Concentration of Credit Risk
The County places no limit on the amount the County may invest in any one issuer. There were no investments subject to concentration of credit risk disclosure.

NOTE 3 – JOINT VENTURE COMMUNITY MENTAL HEALTH SERVICES

Pursuant to an amendment to the Mental Health Code, Public Act 290 of 1995, the Counties of Alger, Marquette, Delta, and Luce created a Community Mental Health Authority (Pathways) with powers and duties as defined in Section 205, MCL 330.1205. Under such provisions, Pathways became a separate legal entity from the counties as appointed by the respective counties. Pathways has full power to comply and carry out the financial and clinical provisions of the Mental Health Code. Summary financial information as of and for the fiscal year ended September 30, 2012, for the Board is as follows:

Assets	$ 19,396,461
Liabilities	12,165,273
Total Fund Equity	7,231,188
Total Revenues	91,938,491
Total Expenditures	91,741,226
Net Increase (decrease) in Fund Equity	197,265

NOTE 4 - LONG-TERM DEBT

The following is a summary of long-term debt transactions during the period ended December 31, 2012, are summarized as follows:

	December 31, 2011	Additions	Subtractions	December 31, 2012	Due Within One Year
Discrete Component Units:					
EDC:					
Installment Note Payable #2	$ 348,391	$ -	$ 9,286	$ 339,105	$ 339,105
DPW:					
Marquette County Refunding Bonds (Limited Tax): Series 1998A	480,000	-	230,000	250,000	250,000
Total Discrete Component Units	828,391	-	239,286	589,105	589,105
Compensated Absences	2,438,642	8,319	-	2,446,961	81,116
TOTAL LONG-TERM DEBT	$3,267,033	$ 8,319	$ 239,286	$3,036,066	$ 670,221

Annual maturities on the Long-Term Debt are as follows:

	Primary Government	Business-Type Activities	Discrete Component Unit Principal	Compensated Absences	Interest	Total
2013	$ -	$ -	$ 589,105	$ 81,116	$ 5,625	$ 675,846
2014 and Beyond	-	-	-	2,365,845	-	2,365,845
TOTALS	$ -	$ -	$ 589,105	$2,446,961	$ 5,625	$3,041,691

SCHEDULE OF MARQUETTE COUNTY REFUNDING BONDS (LIMITED TAX) SERIES 1998A
December 31, 2012

	May 1		November 1	
YEAR	INTEREST	PRINCIPAL	INTEREST	TOTAL
2013	$ 5,625	$ 250,000	$ -	$ 255,625
TOTALS	$ 5,625	$ 250,000	$ -	$ 255,625

Marquette County Refunding (Limited Tax) Series 1998A issued for $7,665,000 of which $6,195,000 was part of the refunding. The refunding resulted in a net savings of $234,543. The refunding bonds are dated July 1, 1998, mature annually as scheduled above and bear interest at a maximum of 6.0% per annum.

NOTE 5 – INTER-FUND TRANSFERS IN AND OUT

IN/OUT	General Fund	Internal Service Funds	Maintenance of Effort Fund	Non-Major Governmental Funds	Proprietary Funds	Total Transfers In
General Fund	$ -	$ -	$ -	$ -	$285,000	$285,000
Health Department Fund	318,711	-	-	-	-	318,711
Non-Major Governmental Funds	1,782,888	-	-	-	-	1,782,888
Proprietary Funds	-	-	300,000	-	-	300,000
Internal Services Fund	100,000	-	-	-	-	100,000
Airport Fund	-	-	-	300,000	-	300,000
Total Transfers Out	$2,201,599	$ -	$300,000	$300,000	$285,000	$3,086,599

NOTE 6 – CAPITAL ASSETS

A summary of the capital assets of the Governmental Activities is as follows:

	Balance at December 31, 2011	Additions	Disposals	Balance at December 31, 2012
GOVERNMENTAL ACTIVITIES:				
Construction in progress	$ -	$ -	$ -	$ -
Land	355,233	-	-	355,233
Total Capital Assets, not being depreciated	355,233	-	-	355,233
Land Improvements	35,891	-	-	35,891
Buildings	11,394,993	70,913	-	11,465,906
Equipment	4,000,202	339,905	-	4,340,107
Total Capital Assets, being depreciated	15,431,086	410,818	-	15,841,904
Less Accumulated Depreciation:				
Land Improvements	(31,302)	(919)	-	(32,221)
Buildings	(9,078,638)	(226,725)	-	(9,305,363)
Equipment	(3,051,788)	(288,532)	-	(3,340,320)
Total Accumulated Depreciation	(12,161,728)	(516,176)	-	(12,677,904)
Government-Type Activities Capital Assets, Net	$ 3,624,591	$ (105,358)	$ -	$ 3,519,233

NOTE 6 – CAPITAL ASSETS - CONTINUED

Depreciation expense for the governmental activities was charged to the following functions and activities of primary government:

Governmental:	
Courts	$ 6,549
Management	101,166
Law Enforcement	233,916
Human Services	35,716
Resource Management	7,394
Other	131,435
Total Depreciation Expense – Governmental Activities	$ 516,176

A summary of changes in business-type activities capital assets is as follows:

	Balance at December 31, 2011	Additions	Disposals	Balance at December 31, 2012
BUSINESS-TYPE ACTIVITIES:				
Construction in progress	$ 258,713	$ 2,379,608	$2,351,356	$ 286,965
Land	15,270,486	-	-	15,270,486
Total Capital Assets, not being depreciated	15,529,199	2,379,608	2,351,356	15,557,451
Land improvements	20,053,800	328,983	-	20,382,783
Buildings	53,238,282	1,378,691	-	54,616,973
Utility Systems	2,598,041	111,773	-	2,709,814
Equipment	4,339,123	986,409	-	5,325,532
Total Capital Assets, being depreciated	80,229,246	2,805,856	-	83,035,102
Less Accumulated Depreciation:				
Land Improvements	(4,341,083)	(526,785)	-	(4,867,868)
Buildings	(14,148,130)	(1,271,276)	-	(15,419,406)
Utility Systems	(1,105,277)	(321,434)	-	(1,426,711)
Equipment	(3,272,787)	(448,545)	-	(3,721,332)
Total Accumulated Depreciation	(22,867,277)	($2,568,040)	-	(25,435,317)
Business-Type Activities Capital Assets, Net	$ 72,891,168	$ 2,617,424	$2,351,356	$ 73,157,236

Depreciation expense for the business-type activities was charged to the following funds of primary government:

Business-Type Activities:	
Medical Care Facility	$ 486,670
Airport	1,641,682
Forestry	23,708
Sewer	278,186
Water	137,794
Total Depreciation Expense – Business-Type Activities	$2,568,040

NOTE 6 – CAPITAL ASSETS – CONTINUED

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

	Road Commission	Total Component Units
COMPONENT UNITS:		
Capital Assets Not Being Depreciated:		
Land and Improvements	$ 355,140	$ 355,140
Land Improvements – Infrastructure	25,423,395	25,423,395
Construction in Progress	1,859,907	1,859,907
Subtotal	27,638,442	27,638,442
Capital Assets Being Depreciated:		
Depletable Assets	$ 161,686	$ 161,686
Buildings	2,212,273	2,212,273
Road Equipment	12,325,405	12,325,405
Shop Equipment	140,880	140,880
Office Equipment	233,785	233,785
Engineers' Equipment	83,232	83,232
Yard and Storage	709,666	709,666
Vehicles	36,975	36,975
Infrastructure – Bridges	14,652,766	14,652,766
Infrastructure – Roads	42,699,459	42,699,459
Subtotal	73,256,127	73,256,127
Less Accumulated Depreciation:		
Depletable Assets	161,686	161,686
Buildings	1,463,355	1,463,355
Road Equipment	10,886,225	10,886,225
Shop Equipment	124,706	124,706
Office Equipment	206,783	206,783
Engineers' Equipment	80,108	80,108
Yard and Storage	475,341	475,341
Vehicles	36,975	36,975
Infrastructure – Bridges	2,523,032	2,53,032
Infrastructure – Roads	17,340,055	17,340,055
Subtotal	33,298,266	33,298,266
Net Capital Assets Being Depreciated	39,957,861	39,957,861
Total Net Capital Assets	$67,596,303	$67,596,303

Depreciation expense for the component units was charged to the following funds:

Component Units:	
Road Commission	$ 3,092,134
Total Depreciation Expense – Component Units	$ 3,092,134

NOTE 7 – DEFERRED INFLOW OF RESOURCES

Deferred inflow of resources occurs when asset recognition criteria have been met, but for which revenue recognition criteria have not made met.

1. The County has deferred inflow of resources related to the property tax levied December 1, 2012, to be recorded as revenue in the subsequent year when the proceeds of the levy are budgeted and made available for financing of County operations. The Deferred Outflow of Resources related to this is as follows:

General Fund	$6,039,757
Maintenance of Effort Fund	$1,159,650
Central Dispatch Fund	$1,047,992
Rescue Safety Fund	$ 324,715
Aging Services Fund	$ 944,603

2. The Community and Economic Development Fund have reported $2,835,587, which represents Community Development Block Grant loans to various individuals in accordance with the County housing rehabilitation projects. Terms vary with respect to repayment of these loans. Proceeds from repayments on these loans will be used for future County economic and community development.

3. The Medical Care Facility Fund has reported no Proportionate Share Reimbursement Program monies from the State of Michigan.

4. The County Road Commission Fund has reported $329,894, which represents Forest Road Monies that have been paid, but not yet expended.

NOTE 8 – PENSION PLAN – DEFINED BENEFIT

DEFINED BENEFIT PENSION PLAN – COUNTY

Plan Description - The County contributes to the Municipal Employees Retirement System of Michigan (System), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for all Michigan municipal employees. The 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 MERS at 1134 Municipal Way, Lansing, MI. 48917-9755.

Funding Policy - The obligation to contribute to and maintain the system for these employees was established by negotiation with the County's competitive bargaining units, and requires a contribution from the employees of 2-3 % of gross wages.

Annual Pension Cost - For year ended December 31, 2012, the County's annual pension cost of $3,294,276 for the plan was equal to the County's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2011, using the entry actual age cost method. Significant actuarial assumptions used include: (a) an 8.0 investment rate of return; and (b) projected salary increases of 4.5 percent per year. Both (a) and (b) include an inflation component of 4.5%. The actuarial value of assets was determined using techniques that smooth the effects of short term volatility over a four year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 20 years.

NOTE 8 – PENSION PLAN – DEFINED BENEFIT - CONTINUED

	2012	2011	2010
Annual Pension Cost	$ 3,294,276	$ 3,093,492	$ 2,884,212
Percentage of APC Contributed	100%	100%	100%
Net Pension Obligation	0	0	0
Actuarial Value of Assets	54,460,076	52,769,894	51,707,133
Actuarial Accrued Liability (AAL)	80,418,321	78,150,378	75,416,330
Unfunded AAL	25,985,245	25,380,484	23,709,197
Funded Ratio	68%	68%	69%
Covered Payroll	10,345,397	11,066,585	11,017,917
UAAL as a Percentage of Covered Payroll	251%	229%	215%

DEFINED BENEFIT PENSION PLAN – COUNTY ROAD COMMISSION

Plan Description - The County Road Commission contributes to the Municipal Employees Retirement System of Michigan (System), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for all Michigan municipal employees. The 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 MERS at 1134 Municipal Way, Lansing, MI 48917-9755.

Funding Policy - The obligation to contribute to and maintain the system for these employees was established by negotiation with the County's competitive bargaining units, and requires a contribution from the employees of 1.51 – 2.12% of gross wages.

Annual Pension Cost - During the calendar year ended December 31, 2011, the County Road Commission's annual pension cost of $1,143,085 for the plan was equal to the Road Commission's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2009, using the entry actual age cost method. Significant actuarial assumptions used include: (a) an 8.0 investment rate of return; and (b) projected salary increases of 4.5 percent per year. Both (a) and (b) include an inflation component of 4.5%. The actuarial value of assets was determined using techniques that smooth the effects of short term volatility over a four year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 28 years.

	2011	2010	2009
Annual Pension Cost	$ 1,143,085	$ 879,563	$ 807,319
Percentage of APC Contributed	100%	100%	100%
Net Pension Obligation	0	0	0
Actuarial Value of Assets	11,483,367	11,228,114	11,174,053
Actuarial Accrued Liability (AAL)	24,842,407	23,613,570	23,002,460
Unfunded AAL (UAAL)	13,359,040	12,385,456	11,828,407
Funded Ratio	46%	48%	49%
Covered Payroll	2,228,657	2,171,382	2,275,286
UAAL as a Percentage of Covered Payroll	599%	570%	520%

NOTE 9 – DEFINED CONTRIBUTION PENSION PLAN

The County also provides pension benefits to its employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The County established the plans in the form of the ICMA Retirement Corporation Governmental Money Purchase Plan and Trust, as amended by and as authorized by Section 19A of the Municipal Employees Retirement System of Michigan Plan Document. The Municipal Employees Retirement System of Michigan is the current Plan Administrator. The County's total pension expense for this plan for this current fiscal year was $612,468.

NOTE 10 – OTHER POST EMPLOYMENT BENEFITS - COUNTY

The County administers a single-employer defined benefit heath care plan (The Retiree Health Plan). The plan provides health insurance premiums for retirees until age 65 (Medicare eligible), at which time they receive supplemental coverage. Benefit provisions are established through negotiations between the County and bargaining units and employee groups. The retiree's share of premium costs range from 0% to 100%, depending on the employee group, date of hire, and length of service. All contracts with the County's union employees will be renegotiated at various times in the future and, thus, costs and benefits are subject to change. Benefits and contribution requirements (both employer and employee) for unclassified employees are established by county policy and can only be amended by the County Board of Commissioners. The Retiree Health Plan does not issue a publicly available financial report and a legal trust has not yet been established for the plan.

The County's contribution is based on pay-as-you-go financing requirements. For the current year, contributions were $1,946,718. Current year contributions did not equal the current year's annual required contribution (ARC).

The County's annual other post employment benefit (OBEB) cost (expense) is equal to the ARC, an amount actuarially determined in accordance with parameters of GASB Statement #45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of 28 years. The first actuarial valuation of the Retiree Health Plan was performed as of December 31, 2006, with the requirements of GASB Statement #45 being implemented prospectively. Fiscal year 2008 was the first year for which an actuarially required contribution (ARC) had been determined. The following table shows the components of the County's annual OPEB cost for the current year, the amount actually contributed to the plan, and changes in the County's OPEB obligation to the plan. The county is studying the establishment of a trust to accumulate and invest assets necessary to pay for the accumulated liability, these financial statements assume that pay-as-you-go funding will continue.

Annual required OPEB contribution	$3,255,035
Interest on net OPEB obligation	-
Adjustment to annual required contributions	-
	3,255,035
Estimated contributions made by the County of Marquette	1,946,718
Increase in net OPEB obligation	1,308,317
OPEB obligation – Beginning of Year	5,459,264
OPEB obligation – End of Year	$6,767,581

NOTE 10 – OTHER POST EMPLOYMENT BENEFITS – COUNTY – CONTINUED

Three-Year Trend Information

Fiscal Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed	Net Pension Obligation
12/31/10	$3,146,037	64%	$4,156,096
12/31/11	$3,287,609	60%	$5,429,264
12/31/12	$3,255,035	60%	$6,767,581

Schedule of Funding Process

Actuarial Valuation Date	Market Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio Total
12/31/06	$0	$74,999,443	$74,999,443	0%
12/31/08	$0	$54,235,470	$54,235,470	0%
12/31/11	$0	$57,182,276	$57,182,276	0%

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

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

The number of participants as of December 31, 2011, the effective date of the biannual OPEB valuation, included 241 active employees and 216 retirees. There are 8 terminated employees eligible for deferred plan benefits. In the December 31, 2011, actuarial valuation, the liabilities were computed using the Entry Age Normal actuarial cost method. The assumptions utilized a 5% investment rate of return. Because the plan is unfunded, reference to the general assets, which are short term in nature (such as money market funds) was considered in the selection of the 5% rate. The valuation assumes an 18.5% healthcare cost trend increase for fiscal year 2011, reduced by decrements to an ultimate rate of 4.5% after eight years. Both rates include a 4% inflation assumption. The Unfunded Actuarial Liability (UAAL) is being amortized over 28 years.

NOTE 10 – OTHER POST EMPLOYMENT BENEFITS – ROAD COMMISSION

The Marquette County Road Commission provides post-employment health care insurance benefits to certain retired union and administrative employees and/or their spouse in accordance with the following provisions:

The hospital and medical coverage benefits are provided in accordance with Article 36 (3) in the union agreement, which states: For employees retiring at or after age fifty-five (55) with at least twenty (20) years of service, or after age sixty (60) with at least fifteen (15) years of service, who, because of age, are not eligible for Medicare coverage, the employer will pay the premium from age sixty (60) necessary for such hospital and medical coverage, including the master medical rider, up to the cost for two (2) party coverage (employee and spouse). For retired employees whose age permits them to be eligible for Medicare coverage, the employer will pay the premium for hospital and medical care coverage only in the amount which is necessary to augment Medicare coverage for the retired employee and their spouse; to the extent permitted by the insurance carrier, employees may elect continuation of the Master Medical rider at their own expense.

The Road Commission has no obligation to make contributions in advance of when insurance premiums are due for payment (in other words, this may be financed on a pay-as-you-go basis). However, as shown below, the Road Commission has made contributions to advance-fund these benefits, as determined by the Board of Road Commissioners through annual budget resolutions.

The Road Commission's annual other post-employment benefits (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. These valuations computed contribution and actual funding for the fiscal years ended September 30 are summarized as follows:

Annual required contribution/Annual OPEB cost	$ 650,582
Amounts contributed:	
Payments of current premiums	(507,840)
Advance Funding	-
Increase (Decrease) in net OPEB obligation	$ 142,742
Adjustment for Interest and Amortization	35,038
OPEB obligation – Beginning of year	437,979
OPEB obligation – End of year	$ 615,759

The annual OPEB costs, the percentage contributed to the plan, and the net OPEB obligation for the fiscal year ended September 30, 2012, were as follows:

Annual OBEB costs	$650,582
Percentage contributed	78.06%
Net OPEB obligation	$615,759

NOTE 10 – OTHER POST EMPLOYMENT BENEFITS – ROAD COMMISSION - CONTINUED

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

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

In the December 31, 2009, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included an 8.0 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual increase in salary between 4.8 percent and 12.9 percent. The assumptions also include expected increases in healthcare costs between 4.5 percent and 9.0 percent. All rates included a 4.5 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period.

NOTE 11 – DEFERRED COMPENSATION PLAN

The County of Marquette and its Component Unit's offers its employees deferred compensation plans in accordance with the Internal Revenue Code, Section 457. The plans are available to all county employees and permit them to defer a portion of their current earnings until the employee's termination, retirement, death or unforeseeable future.

Due to changes in the Internal Revenue Code, the Plan's assets are considered to be property of the Plan's participants and no longer subject to the County's general creditors. Therefore, in accordance with the provisions of GASB Statement No. 32, the Plan balances and activities are not reflected in these financial statements.

The Plan's participants have the right to designate how the funds will be invested. Accordingly, the County has no liability for losses under the Plan. The Plan's assets are held in trust for the exclusive benefit of the Plan's participants and their beneficiaries.

The County's plans are administered by International City Management Association (ICMA), Nationwide, and F. T. Jones. The plan administrator's, agree to hold harmless and indemnify the Board, its appointed and elected officers and participating employees from any loss resulting from their failure to perform their duties and services pursuant to the programs.

NOTE 12 - VESTED EMPLOYEE BENEFITS

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

NOTE 13 – BUDGET VIOLATIONS

Public Act 621 of 1978, Section 18(1), as amended, provides that a County shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the County's actual expenditures and budgeted expenditures have been shown on an activity and/or program level.

For the year ended December 31, 2012, none of the funds/departments had excess expenditures over appropriations.

NOTE 14 – CONTINGENT LIABILITIES

The County has received significant financial assistance from state and federal agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and are subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the County. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the county at December 31, 2012.

<u>Risk Management</u> - The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County has obtained commercial insurance to handle its risk of loss.

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

NOTE 15 – RESERVED, DESIGNATED AND RESTRICTED FUND EQUITY

Fund balances in the various funds of the primary government and its component units have been reserved, designated or restricted for the following purposes:

Enterprise Funds	
Airport	
Designated for Capital Improvements	$ 570,544
Designated for Wall of Honor	395
Forest Recreation	
Designated for Capital Projects	50,000
TOTAL	$ 620,939
Component Units	
County Road	
Restricted for County Road Commission Operations	$ 3,128,021
E.D.C.	
Restricted for E.D.C. Operations	820,719
TOTAL	$ 3,948,740

NOTE 16 – PROPERTY TAXES

The Local Governmental Unit property tax is levied on each December 1 on the taxable valuation of property (as defined by State statutes) located in the Local Governmental Unit as of the preceding December 31.

Although the Local Governmental Unit 2011 ad valorem tax is levied and collectible on December 1, 2011, it is the Local Governmental Unit's policy to recognize revenue from the current tax levy in the following year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period sixty (60) days.

The 2012 taxable valuation of the Local Governmental Unit totaled $1,973,547,523, on which ad valorem taxes levied consisted of 5.2938 mills for the County operating purposes, .4376 mills for Aging Services, .4862 mills for Central Dispatch, .1491 mills for Rescue Safety, .5500 mills for Standardization, and .5997 mills for Countywide transit.

NOTE 17 – DEFICIT CASH AND INVESTMENT BALANCES

At December 31, 2012, the following funds had a material cash and investment deficit:

Fund	Deficit Cash/ Investment Balance
Special Revenue Funds:	
Friend of the Court	$ 1,542
Probate Child Care	34,775
TOTAL	$ 36,317

NOTE 18 – FUND EQUITY DEFICIT BALANCES

At December 31, 2012, the following funds had deficit fund equity balances:

Fund	Deficit Fund Equity
Internal Service Funds:	
Employee Retirement Benefits	
Unreserved	$5,579,969

A deficit elimination plan is not required for Internal Service Funds.

NOTE 19 – GASB NO. 54

In March 2009, the Governmental Accounting Standards Board (GASB) approved Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (Statement). Certain significant changes in the Statement will require the following:

As of December 31, 2012, fund balances for each of the County's governmental funds (General Fund, special revenue funds, capital projects funds, and debt service funds) will be displayed in the following classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

- *Nonspendable fund balance* – amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact.
- *Restricted fund balance* – amounts that can be spent only for specific purposes because of constraints imposed by external providers (such as grantors, bondholders, and higher levels of government), or imposed by constitutional provisions or enabling legislation.
- *Committed fund balance* – amounts that can be spent only for specific purposes determined by a formal action of the government's highest level of decision-making authority.
- *Assigned fund balance* – amounts the government intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed.
- *Unassigned fund balance* – amounts that are available for any purpose; these amounts can be reported only in the Agency's General Fund.

NOTE 19 – GASB NO. 54 - CONTINUED

As of December 31, 2012, fund balances are composed of the following:

	General Fund	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total Government Funds
Non-Spendable:					
General Fund	$ 28,388	$ -	$ -	$ -	$ 28,388
Health Department	-	22,318	-	-	22,318
Public Improvement Fund	-	-	-	1,701	1,701
Restricted:					
Health Department	-	198,782	-	-	198,782
Assigned:					
General Fund	883,975	-	-	-	883,975
Community Development Fund	-	177,397	-		177,397
Maintenance of Effort Fund	-	3,012,980	-		3,012,980
Prosecutor's Forfeiture Account Fund	-	39,071	-	-	39,071
Domestic Violence Fund	-	1,105	-	-	1,105
PA 511 Fund	-	14,605	-	-	14,605
Victim Restitution Fund	-	7,208	-	-	7,208
Friend of the Court Fund	-	136,670	-	-	136,670
Sawyer Intermediary Relending Fund	-	224,969	-	-	224,969
Rescue Safety Fund	-	496,994	-	-	496,994
Sheriff MCTV Grant Fund	-	8,280	-		8,280
Probate Child Care Fund	-	164,646	-	-	164,646
Central Dispatch Fund	-	1,702,624	-	-	1,702,624
Veteran's Trust Fund	-	142	-	-	142
Aging Services Fund	-	360,540	-	-	360,540
Homestead Property Administration Fund	-	46,297	-	-	46,297
County Remonumentation Fund	-	58,724	-	-	48,724
Register of Deeds Automation Fund	-	218,147	-	-	218,147
Airport Stabilization Fund	-	-	-	1,145,856	1,145,856
Public Improvement Fund	-	-	-	402,343	402,343
Unassigned:					
General Fund	4,789,513	-	-	-	4,789,513
TOTAL	$5,701,876	$ 6,891,499	$ -	$1,549,900	$14,143,275

NOTE 20 – NEW GASB STANDARDS

Recently Issued and Adopted Accounting Pronouncements

In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB No. 62 incorporates in the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute for Certified Public Accountants' (AICPA) Committee on Accounting Procedure. This Statement is effective for periods beginning after December 15, 2011. The adoption of GASB No. 62 does not have any impact on the County's financial statements.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net assets is renamed the statement of net position and includes the following elements: assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. This Statement is effective for financial statements for periods beginning after December 15, 2012. The County adopted it in fiscal year 2012.

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB No. 65 provides guidance on identifying what items should be reported in the new categories of deferred outflows and deferred inflows as required by GASB No. 63. It additionally identifies what items should be reported in the new categories in proprietary fund, fiduciary fund, and government-wide statements of net position and which ones in governmental fund balance sheets. It also identifies certain items previously reported as assets and liabilities that the GASB determined should be recognized as revenues, expense, or expenditures when incurred and not be reported in statements of net position/balance sheets at all. This Statement is effect for financial statement periods beginning after December 15, 2012, the County elected to early implement it in fiscal year 2012.

Other Recently Issued Accounting Pronouncements

In November 2010, the GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. GASB No. 60 provides financial reporting guidance for service concession arrangements (SCAs). SCAs are defined as an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. This Statement is effective for periods beginning after December 15, 2011. The County does not have any SCAs and therefore the adoption of GASB No. 60 does not have any impact on the County's financial statements.

NOTE 20 – NEW GASB STANDARDS - CONTINUED

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*. GASB No. 61 provides additional criteria for classifying entities as component units to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. This Statement is effective for periods beginning after June 15, 2012. Management is currently evaluating the impact of the adoption of this statement on the County's financial statements.

In June 2011, the GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions -- an amendment of GASB Statement No. 53*. GASB No. 64 provides clarification on whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement is effective for periods beginning after June 15, 2011. The County does not have any hedging activity and therefore the adoption of GASB No. 64 does not have any impact on the County's current financial statements.

NOTE 21 – UPCOMING CHANGES IN ACCOUNTING STANDARDS

The following pronouncements of the Governmental Accounting Standards Board (GASB) have been released recently and may be applicable to the County in the near future. We encourage management to review the following information and determine which standard(s) may be applicable to the County.

<u>GASB 66: 2012 Technical Corrections (an Amendment to GASB 10 and GASB 62)</u>
Effective for fiscal years beginning after 12/15/2013 (County's fiscal year 2014)
This standard was issued to eliminate conflicting guidance that resulted from the issuance of GASB 54 and GASB 62, which are both already effective. GASB 10 was amended to allow for risk financing activities to be accounted for in whichever fund type is most applicable (no longer limited to the general fund or an internal service fund). GASB 62 was amended to modify specific guidance related to (1) operating leases with scheduled rent increases, (2) purchase of loans at an amount other than the principal amount, and (3) service fees related to mortgages that are sold when the service rate varies significantly from the current (normal) service fees.

We do not expect GASB 66 to have any significant impact on the County at this time.

<u>GASB 67: Financial Reporting for Pension Plans</u>
Effective for fiscal years beginning after 06/15/2013 (County's fiscal year FY 2014)
This standard establishes the requirements for pension plans administered by trusts to report on their operations, including setting new uniform requirements for actuarial valuations of the total pension liability, and reporting various 10-year trend data as required supplementary information. The financial statements of pension plans will not change substantially as a result of GASB 67, though the additional note disclosures and required supplementary information will be significant. Additionally, actuarial valuations conducted in accordance with GASB 67 will have to match the government's fiscal year, or be rolled forward to that date by the actuary.

NOTE 21 – UPCOMING CHANGES IN ACCOUNTING STANDARDS - CONTINUED

GASB 68: Accounting and Financial Reporting for Pensions

Effective for fiscal years beginning after 06/15/2014 (County's fiscal year FY 2015)

This standard establishes new requirements for governments to report a "net pension liability" for the unfunded portion of its pension plan. Governments that maintain their own pension plans (either single employer or agent multiple-employer) will report a liability for the difference between the total pension liability calculated in accordance with GASB 67 and the amount held in the pension trust fund. Governments that participate in a cost sharing plan will report a liability for their "proportionate share" of the net pension liability of the entire system.

Historically, governments have only been required to report a net pension obligation to the extent that they have not met the annual required contribution (ARC) in any given year. Upon implementation of this standard, governments will be required to report a net pension liability based on the current funded status of their pension plans. This liability would be limited to the government-wide financial statements and proprietary funds. Changes in this liability from year to year will largely be reflected on the income statement, though certain amounts will be deferred and amortized over varying periods.

GASB 68 also requires more extensive note disclosures and required supplementary information, including 10 years of historical information. The methods used to determine the discount rate (the assumed rate of return on plan assets held in trust) are mandated and must be disclosed, along with what the impact would be on the net pension liability if that rate changed by 1% in either direction. Other new disclosure requirements include details of the changes in the components of the net pension liability, comparisons of actual employer contributions to actuarially determined contributions, and ratios to put the net pension liability in context. For single-employer and agent multiple-employer plans, the information for these statements will come from the annual actuarial valuation. For cost sharing plans, this information will be derived from the financial reports of the plan itself, multiplied by the government's proportionate share of plan.

GASB 67 and 68 are only applicable to pension plans. However, the GASB has announced its intent to issue similar standards for other postemployment benefits (e.g., retiree healthcare) on a two year delay from these standards.

GASB 69: Government Combinations and Disposals of Government Operations

Effective for fiscal years beginning after 12/15/2013 (County's fiscal year FY 2014)

This standard provides detailed requirements for the accounting and disclosure of various types of government combinations, such as mergers, acquisitions, and transfers of operations. The guidance available previously was limited to nongovernmental entities, and therefore did not provide practical examples for situations common in government-specific combinations and disposals. The accounting and disclosure requirements for these events vary based on whether a significant payment is made, the continuation or termination of services, and the legal structure of the new or continuing entity.