

**COUNTY OF HOUGHTON  
MICHIGAN**

**REPORT ON FINANCIAL STATEMENTS  
(with required supplementary and additional information)**

**Year Ended September 30, 2011**

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## INDEPENDENT AUDITOR'S REPORT

The Board of Commissioners  
County of Houghton, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Houghton as of and for the year then ended September 30, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Houghton County Medical Care Facility, which represent 43 percent, 45 percent, and 80 percent, respectively, of the assets, net assets, and revenues of the business-type activities. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Houghton County Medical Care Facility, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Houghton as of September 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 27, 2012 on our consideration of the County of Houghton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and MERS pension schedule of funding progress on pages 6 through 12 and 50 through 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the County of Houghton's financial statements as a whole. The additional information on pages 54 to 77 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards on page 83 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The additional information on pages 54 to 77 and the schedule of expenditures of federal awards on page 83 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

March 27, 2012

**COUNTY OF HOUGHTON, MICHIGAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2011**

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Our discussion and analysis of the County of Houghton's (the County) financial performance provides an overview of the County's financial activities for the year ended September 30, 2011. Please read it in conjunction with the financial statements as listed in the table of contents.

**FINANCIAL HIGHLIGHTS**

- ▶ Net assets for the County as a whole increased by \$2,376,025 as a result of this year's operations. Net assets of our business-type activities increased by \$1,892,875 or 4.6 percent, and net assets of our governmental activities increased by \$483,150, or 12.3 percent.
- ▶ During the year, the County had expenses for governmental activities that were \$10,657,712 including transfers and expenses for business type activities that were \$23,121,698.
- ▶ The General Fund reported a net change in fund balance of \$452,794, after net transfers, which is \$724,745 higher than the forecasted deficit balance of \$271,951.

**USING THIS ANNUAL REPORT**

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

Reporting the County as a Whole

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

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

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

**COUNTY OF HOUGHTON, MICHIGAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2011**

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Reporting the County as a Whole (Continued)

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

Reporting the County's Most Significant Funds

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

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

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

The County as Trustee

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

**COUNTY OF HOUGHTON, MICHIGAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2011**

The County as a whole:

Table 1 provides a summary of the County's net assets as of September 30, 2011.

Table 1  
Net Assets

	2011			2010		
	Governmental Activities	Business-Type Activities	Total Primary Governmental	Governmental Activities	Business-Type Activities	Total Primary Governmental
Current and other assets	\$ 3,561,153	\$ 18,204,433	\$ 21,765,586	\$ 3,206,609	\$ 15,244,293	\$ 18,450,902
Capital assets, net	3,523,183	29,189,977	32,713,160	3,697,168	27,963,236	31,660,404
<b>Total Assets</b>	<b>\$ 7,084,336</b>	<b>\$ 47,394,410</b>	<b>\$ 54,478,746</b>	<b>\$ 6,903,777</b>	<b>\$ 43,207,529</b>	<b>\$ 50,111,306</b>
Current liabilities	\$ 607,317	\$ 2,774,610	\$ 3,381,927	\$ 794,475	\$ 1,082,408	\$ 1,876,883
Non-current liabilities	2,072,150	1,293,669	3,365,819	2,187,583	691,865	2,879,448
<b>Total Liabilities</b>	<b>2,679,467</b>	<b>4,068,279</b>	<b>6,747,746</b>	<b>2,982,058</b>	<b>1,774,273</b>	<b>4,756,331</b>
<b>Net Assets:</b>						
Invested in capital assets, net of related debt	1,957,062	28,618,977	30,576,039	2,017,337	25,520,236	27,537,573
Restricted	881,224	-	881,224	29,048	-	29,048
Unrestricted	1,566,583	14,707,154	16,273,737	1,875,334	15,913,020	17,788,354
<b>Total Net Assets</b>	<b>4,404,869</b>	<b>43,326,131</b>	<b>47,731,000</b>	<b>3,921,719</b>	<b>41,433,256</b>	<b>45,354,975</b>
<b>Total Liabilities and Net</b>	<b>\$ 7,084,336</b>	<b>\$ 47,394,410</b>	<b>\$ 54,478,746</b>	<b>\$ 6,903,777</b>	<b>\$ 43,207,529</b>	<b>\$ 50,111,306</b>

Net assets of the County's governmental activities stood at \$4,404,869. Unrestricted net assets – the part of net assets that could be used to finance day-to-day activities without constraints established by debt covenants, enabling legislation, or other legal requirements stood at \$1,566,583.

The \$1,566,583 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net asset from year to year.

The net assets of our business-type activities stood at \$43,326,131. The County can generally only use these net assets to finance continuing operations of Medical Care Facility, the Airport, Solid Waste Transfer, and other enterprise operations.

The results of this year's operations for the County as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net assets for fiscal year 2011.



**COUNTY OF HOUGHTON, MICHIGAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2011**

The County as a whole: (Continued)

Table 2  
Changes in Net Assets

	2011			2010		
	Governmental Activities	Business Type Activities	Total Primary Government	Governmental Activities	Business Type Activities	Total Primary Government
<b>Revenue:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 1,243,613	\$ 21,642,370	\$ 22,885,983	\$ 1,183,618	\$ 20,229,065	\$ 21,412,683
Operating grants and contributions	3,418,398	1,471,372	4,889,770	2,183,091	-	2,183,091
Capital grant and contributions	3,000	-	3,000	65,000	2,948,117	3,013,117
<b>General revenues:</b>						
Property taxes	5,014,143	1,876,417	6,890,560	4,759,806	1,871,857	6,631,663
State shared	682,735	-	682,735	614,855	-	614,855
Interest	259,975	13,049	273,024	221,857	18,014	239,871
Miscellaneous	518,998	11,365	530,363	665,188	6,990	672,178
<b>Total Revenues</b>	<b>11,140,862</b>	<b>25,014,573</b>	<b>36,155,435</b>	<b>9,693,415</b>	<b>25,074,043</b>	<b>34,767,458</b>
<b>Expenses:</b>						
Legislative	100,618	-	100,618	127,012	-	127,012
Judicial	1,437,406	-	1,437,406	1,485,912	-	1,485,912
General Government	1,675,005	-	1,675,005	1,667,180	-	1,667,180
Public Safety	4,360,995	-	4,360,995	3,188,964	-	3,188,964
Health and Welfare	604,370	-	604,370	457,911	-	457,911
Community and Economic	236,450	-	236,450	304,957	-	304,957
Recreation and Culture	29,539	-	29,539	29,539	-	29,539
Other	1,846,028	-	1,846,028	1,994,504	-	1,994,504
Interest on long-term debt	137,132	-	137,132	133,932	-	133,932
Medical Care Facility	-	19,200,096	19,200,096	-	17,604,817	17,604,817
Airport	-	2,362,506	2,362,506	-	1,829,457	1,829,457
911	-	484,293	484,293	-	478,002	478,002
Solid Waste Transfer	-	665,348	665,348	-	663,686	663,686
Airport Water/Sewer	-	66,257	66,257	-	57,560	57,560
Airport Testing	-	82,037	82,037	-	158,537	158,537
Passenger Facility Charge	-	252,532	252,532	-	232,118	232,118
Marina	-	8,629	8,629	-	11,446	11,446
Delinquent Tax Revolving	-	-	-	-	38	38
<b>Total Expenses</b>	<b>10,427,543</b>	<b>23,121,698</b>	<b>33,549,241</b>	<b>9,389,911</b>	<b>21,035,661</b>	<b>30,425,572</b>
Excess (deficiency) before transfers	713,319	1,892,875	2,606,194	303,504	4,038,382	4,341,886
Transfers	(230,169)	-	(230,169)	(225,972)	-	(225,972)
<b>Increase (decreases) in net assets</b>	<b>483,150</b>	<b>1,892,875</b>	<b>2,376,025</b>	<b>77,532</b>	<b>4,038,382</b>	<b>4,115,914</b>
Net assets, Beginning	3,921,719	41,433,256	45,354,975	3,844,187	37,394,874	41,239,061
<b>Net Assets, Ending</b>	<b>\$ 4,404,869</b>	<b>\$ 43,326,131</b>	<b>\$ 47,731,000</b>	<b>\$ 3,921,719</b>	<b>\$ 41,433,256</b>	<b>\$ 45,354,975</b>

**COUNTY OF HOUGHTON, MICHIGAN  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2011**

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The County as a whole: (Continued)

The County’s total revenues were \$36,155,435. The total cost of all programs and services was \$33,779,410 leaving an increase in net assets of \$2,376,025. Our analysis below separately considers the operations of governmental and business-type activities:

Governmental Activities

The increase in net assets of the County’s governmental activities of \$483,150 was largely the result of an increase in operating grants and contributions exceeding budget.

The General Fund realized an increase in net assets due to all revenue items exceeding budgeted amounts.

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

Table 3  
Governmental Activities

	Total Cost of Services	Net Cost of Services
Judicial	\$ 1,437,406	\$ (314,617)
General Government	\$ 1,675,005	\$ (1,239,191)
Public Safety	\$ 4,360,995	\$ (1,769,744)
Health and Welfare	\$ 604,370	\$ (395,605)
Other	\$ 1,846,028	\$ (1,846,028)

Business-Type Activities

During the year ended September 30, 2011, the net assets of the County’s business type activities increased by \$1,892,875. The majority of the increase, \$625,377, came from the Airport Fund and \$844,518 from the Medical Care Facility Operations.

**COUNTY OF HOUGHTON, MICHIGAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2011**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

Capital Assets – At the end of the fiscal year the County had \$32,713,160 invested in a variety of capital assets including land, buildings, infrastructure, other equipment, vehicles, and construction in progress. (See table 4 below)

Table 4  
Net Assets

	2011			2010		
	Governmental Activities	Business Type Activities	Total Primary Governmental	Governmental Activities	Business Type Activities	Total Primary Governmental
Land	\$ 1,117,565	\$ 1,110,447	\$ 2,228,012	\$ 1,117,565	\$ 825,055	\$ 1,942,620
Buildings and improvements	1,997,321	4,248,595	6,245,916	2,094,597	4,616,462	6,711,059
Equipment and furnishings	216,645	2,810,730	3,027,375	193,897	2,720,967	2,914,864
Vehicles	191,652	1,608,543	1,800,195	291,109	1,846,606	2,137,715
Infrastructure	-	18,282,231	18,282,231	-	17,605,617	17,605,617
Construction in progress	-	1,129,431	1,129,431	-	348,529	348,529
Total	<u>\$ 3,523,183</u>	<u>\$ 29,189,977</u>	<u>\$ 32,713,160</u>	<u>\$ 3,697,168</u>	<u>\$ 27,963,236</u>	<u>\$ 31,660,404</u>

During the fiscal year the county's governmental activities purchased a total of \$114,800 which was for server software. This \$114,800 was paid from fund balance and various grants. The governmental activities record \$282,570 in depreciation expense and had a loss of \$1,122 on the disposal of two Polaris snowmobiles.

During the fiscal year the County's business-type activities purchased a total of \$3,256,009 of which was; \$1,334,184 for airport infrastructure improvements, \$31,947 for vehicle purchases, land for the Airport and Medical Care Facility of \$285,391, a building for the Airport and Medical Care Facility for \$345,900, construction in progress for a transfer station building plans, the Medical Care Facility and the Airport of \$1,127,921, and equipment for the Airport and Medical Care Facility of \$130,666. These additions were paid for by fund balance and contributed capital grants. The business-type activities recorded \$1,673,796 in depreciation expense and had no gain or loss on the disposal of various assets.

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

Long-Term Debt – At the end of fiscal year 2011 the County had \$2,137,121 in bonds and notes outstanding as depicted in Table 5 below.

Table 5  
Schedule of Long-Term Debt

	2011			2010		
	Governmental Activities	Business Type Activities	Total Primary Governmental	Governmental Activities	Business Type Activities	Total Primary Governmental
General Obligation Bonds	\$ 1,395,000	\$ 571,000	\$ 1,966,000	\$ 1,481,505	\$ -	\$ 1,481,505
Contracts and notes payable	171,121	-	171,121	198,326	-	198,326
Total	<u>\$ 1,566,121</u>	<u>\$ 571,000</u>	<u>\$ 2,137,121</u>	<u>\$ 1,679,831</u>	<u>\$ -</u>	<u>\$ 1,679,831</u>

During the fiscal year, the County issued new general obligation bonds for the new transfer station project of \$571,000. Total principal payments on long-term debt for the County was \$113,710.

Additional information on the County's long-term debt can be found starting on page 36 of this report.

**COUNTY OF HOUGHTON, MICHIGAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2011**

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**THE COUNTY'S FUNDS**

For the year ended September 30, 2011, the County's governmental funds reported a combined fund balance increase of \$547,068 resulting in a total fund balance of \$3,097,126 as of September 30, 2011.

General Fund Budgetary Highlights

Over the course of the year, the County Commissioners may revise the General Fund Budget. With these revisions, actual General Fund expenditures were \$307,671 less than the final amended budget while revenues were \$430,361 more than the final amended budget. Significant fluctuations where actual revenues exceeded budget include; Taxes, Licenses and Permits, and Charges for Services. There were no significant fluctuations where actual expenses were less than budgeted.

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

In preparing the County's budget for the year ending September 30, 2011, the current economic health of the State of Michigan continued to be of great concern. The prolonged economic turndown has caused a significant reduction in State revenues which threatens to affect any area within The County that receives revenue from the State.

**CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

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

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

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

**COUNTY OF HOUGHTON, MICHIGAN**

**STATEMENT OF NET ASSETS**

**September 30, 2011**

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>ASSETS:</b>				
<b>CURRENT ASSETS:</b>				
Cash	\$ 1,376,854	\$ 7,210,844	\$ 8,587,698	\$ 2,255,333
Restricted cash	-	280,855	280,855	-
Investments - restricted	-	6,484,487	6,484,487	-
Account receivables (net)	1,516,841	4,296,162	5,813,003	1,281,897
Primary government internal balances	625,000	(625,000)	-	-
Due from fiduciary fund	3,861	-	3,861	-
Due from other governments	-	76,526	76,526	-
Inventory	-	91,482	91,482	727,080
Prepaid expense	38,597	389,077	427,674	100,033
<b>TOTAL CURRENT ASSETS</b>	<b>3,561,153</b>	<b>18,204,433</b>	<b>21,765,586</b>	<b>4,364,343</b>
<b>NONCURRENT ASSETS:</b>				
Capital assets - net of accumulated depreciation	3,523,183	29,189,977	32,713,160	17,317,584
<b>TOTAL NONCURRENT ASSETS</b>	<b>3,523,183</b>	<b>29,189,977</b>	<b>32,713,160</b>	<b>17,317,584</b>
	<b>TOTAL ASSETS \$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
	<b>7,084,336</b>	<b>47,394,410</b>	<b>54,478,746</b>	<b>21,681,927</b>
<b>LIABILITIES:</b>				
<b>CURRENT LIABILITIES:</b>				
Cash overdraft	\$ 3,259	\$ 1,190,293	1,193,552	\$ 406,421
Accounts payable	155,666	1,071,595	1,227,261	229,167
Accrued payroll and wages	86,593	356,679	443,272	116,746
Accrued interest payable	23,183	-	23,183	-
Accrued sick and vacation	32,953	19,699	52,652	68,152
Due to other governments	-	97,344	97,344	-
Current portion of long term debt	120,107	39,000	159,107	24,173
Deferred revenue	185,556	-	185,556	1,800
<b>TOTAL CURRENT LIABILITIES</b>	<b>607,317</b>	<b>2,774,610</b>	<b>3,381,927</b>	<b>846,459</b>
<b>NONCURRENT LIABILITIES:</b>				
Post-employment benefits other than pension	-	-	-	113,257
Advances from state	-	-	-	145,736
Accrued sick and vacation	626,136	761,669	1,387,805	569,616
Bonds and notes payable	1,446,014	532,000	1,978,014	57,154
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>2,072,150</b>	<b>1,293,669</b>	<b>3,365,819</b>	<b>885,763</b>
	<b>TOTAL LIABILITIES</b>	<b>2,679,467</b>	<b>4,068,279</b>	<b>6,747,746</b>
<b>1,732,222</b>				
<b>NET ASSETS:</b>				
Invested in capital assets net of related debt	1,957,062	28,618,977	30,576,039	17,116,365
Restricted	881,224	-	881,224	801,533
Unrestricted	1,566,583	14,707,154	16,273,737	2,031,807
<b>TOTAL NET ASSETS</b>	<b>4,404,869</b>	<b>43,326,131</b>	<b>47,731,000</b>	<b>19,949,705</b>
	<b>TOTAL LIABILITIES AND NET ASSETS \$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
	<b>7,084,336</b>	<b>47,394,410</b>	<b>54,478,746</b>	<b>21,681,927</b>

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

**COUNTY OF HOUGHTON, MICHIGAN**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2011**

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		Net (Expense) Revenue	
		Charges for Services	Grants and Contributions Operating      Capital		
Primary government:					
Government activities:					
Legislative	\$ 100,618	\$ -	\$ -	\$ -	\$ (100,618)
Judicial	1,437,406	579,157	543,632	-	(314,617)
General government	1,675,005	335,145	100,669	-	(1,239,191)
Public safety	4,360,995	297,156	2,291,095	3,000	(1,769,744)
Health and welfare	604,370	3,567	205,198	-	(395,605)
Community & economic development	236,450	-	277,804	-	41,354
Recreation and culture	29,539	-	-	-	(29,539)
Interest on long-term debt	137,132	28,588	-	-	(108,544)
Other	1,846,028	-	-	-	(1,846,028)
Total governmental activities	10,427,543	1,243,613	3,418,398	3,000	(5,762,532)
Business-type activities:					
Medical Care Facility	19,200,096	18,161,382	-	-	(1,038,714)
Airport	2,362,506	1,311,953	1,471,372	-	420,819
911	484,293	546,649	-	-	62,356
Solid Waste Transfer	665,348	743,897	-	-	78,549
Airport water/sewer	66,257	58,701	-	-	(7,556)
Passenger Facility Charge	82,037	91,506	-	-	9,469
Marina	252,532	266,219	-	-	13,687
Car Rental	8,629	18,456	-	-	9,827
Delinquent tax revolving funds	-	443,607	-	-	443,607
Total business-type activities	23,121,698	21,642,370	1,471,372	-	(7,956)
Total primary government	\$ 33,549,241	\$ 22,885,983	\$ 4,889,770	\$ 3,000	\$ (5,770,488)
Component Units:					
Western U.P. Health Department	\$ 6,756,291	\$ 4,348,889	\$ 1,775,167	\$ -	\$ (632,235)
Road Commission	5,469,699	12,483	5,569,563	-	112,347
Total component units	\$ 12,225,990	\$ 4,361,372	\$ 7,344,730	\$ -	\$ (519,888)

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

**COUNTY OF HOUGHTON, MICHIGAN**  
**STATEMENT OF ACTIVITIES - (CONTINUED)**  
**For the Year Ended September 30, 2011**

	Primary Government			Component Units
	Governmental Activities	Business Type Activities	Total	
Changes in net assets:				
Net (expense) revenue	\$ (5,762,532)	\$ (7,956)	(5,770,488)	\$ (519,888)
General Revenues:				
Taxes	5,014,143	1,876,417	6,890,560	689,023
State shared revenue	682,735	-	682,735	-
Interest and investment earnings	259,975	13,049	273,024	16,691
Realized gain (loss)	1,122	-	1,122	3,009
Transfers to component units	(230,169)	-	(230,169)	-
Transfer of asset	(4,550)	4,550	-	-
County appropriations	-	-	-	508,420
Other	522,426	6,815	529,241	59,985
Total general revenues and transfers	6,245,682	1,900,831	8,146,513	1,271,110
Change in Net Assets	483,150	1,892,875	2,376,025	751,222
Net Assets - Beginning	3,921,719	41,433,256	45,354,975	19,198,483
Net Assets - Ending	\$ 4,404,869	\$ 43,326,131	\$ 47,731,000	\$ 19,949,705

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

**COUNTY OF HOUGHTON, MICHIGAN**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**September 30, 2011**

	General Fund	Other Non-major Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 443,957	\$ 932,897	\$ 1,376,854
Taxes receivable	1,028,724	-	1,028,724
Other receivables	271,409	5,376	276,785
Loan receivables	-	185,556	185,556
Due from state	-	25,776	25,776
Due from other funds	625,000	1,710	626,710
Due from fiduciary	3,473	388	3,861
Prepaid expenses	38,597	-	38,597
<b>TOTAL ASSETS</b>	<b>\$ 2,411,160</b>	<b>\$ 1,151,703</b>	<b>\$ 3,562,863</b>
<b>LIABILITIES:</b>			
Cash overdraft	\$ -	\$ 3,259	\$ 3,259
Accounts payable	142,246	13,420	155,666
Accrued payroll and wages	77,201	9,392	86,593
Accrued sick and vacation	29,778	3,175	32,953
Due to other funds	1,710	-	1,710
Deferred revenue	-	185,556	185,556
<b>TOTAL LIABILITIES</b>	<b>250,935</b>	<b>214,802</b>	<b>465,737</b>
<b>FUND BALANCES:</b>			
Nonspendable:			
Prepaid expenses	38,597	-	38,597
Restricted	-	936,901	936,901
Unassigned	2,121,628	-	2,121,628
	2,160,225	936,901	3,097,126
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 2,411,160</b>	<b>\$ 1,151,703</b>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	3,523,183
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.	<u>(2,215,440)</u>
Net assets of governmental activities	<u>\$ 4,404,869</u>

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



**COUNTY OF HOUGHTON, MICHIGAN**  
**GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**For the Year Ended September 30, 2011**

	General	Non-Major	Total
	Fund	Governmental	Governmental
	Fund	Funds	Funds
REVENUES:			
Taxes	\$ 4,940,629	\$ 73,514	\$ 5,014,143
Licenses and permits	314,520	-	314,520
Federal sources	23,509	2,071,411	2,094,920
State sources	1,633,702	325,470	1,959,172
Local sources	-	23,509	23,509
Charges for services	1,143,135	71,979	1,215,114
Interest	243,483	16,492	259,975
Other revenues	159,508	103,429	262,937
TOTAL REVENUES	<u>8,458,486</u>	<u>2,685,804</u>	<u>11,144,290</u>
EXPENDITURES:			
Legislative	100,618	-	100,618
Judicial	1,418,857	18,549	1,437,406
General government	1,453,552	16,313	1,469,865
Public safety	1,956,021	2,355,125	4,311,146
Health and welfare	132,534	471,836	604,370
Community and economic development	-	236,450	236,450
Recreation and culture	12,866	-	12,866
Other	1,802,873	43,155	1,846,028
Capital outlay	174,076	39,883	213,959
Debt service	132,838	4,294	137,132
TOTAL EXPENDITURES	<u>7,184,235</u>	<u>3,185,605</u>	<u>10,369,840</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,274,251	(499,801)	774,450
OTHER FINANCING SOURCES (USES):			
Sale of fixed assets	2,787	-	2,787
Transfers in (out)	(824,244)	594,075	(230,169)
Total other financing sources	<u>(821,457)</u>	<u>594,075</u>	<u>(227,382)</u>
NET CHANGE IN FUND BALANCE	452,794	94,274	547,068
FUND BALANCES - BEGINNING OF YEAR	<u>1,707,431</u>	<u>842,627</u>	
FUND BALANCES - END OF YEAR	<u>\$ 2,160,225</u>	<u>\$ 936,901</u>	

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

Governmental funds do not record depreciation. This amount represents depreciation.	(172,320)
In the statement of activities, only the gain on the sale of equipment is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources.	
Thus, the change in net assets differs from the change in fund balance by the cost of equipment sold.	(1,665)
Long-term liabilities, including loan proceeds and principal payments, are not due and payable in the current period and therefore are not reported in the funds.	113,710
Accrued expenses recorded in the statement of activities are not recorded as expenditures in the governmental funds until they are incurred.	(3,643)
Change in net assets of governmental activities	<u>\$ 483,150</u>

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

**COUNTY OF HOUGHTON, MICHIGAN**  
**PROPRIETARY FUNDS**  
**STATEMENT OF NET ASSETS**  
**September 30, 2011**

	Business-Type Activities						Total
	Enterprise Funds						
	Component	Major Funds					
	Unit	Solid		Delinquent		Non-Major	
Medical Care	Airport	Waste	Tax	Enterprise			
Facility	Fund	Transfer	Revolving	Funds			
Operating Fund	Fund	Fund	Fund	Funds			
<b>ASSETS:</b>							
Current assets:							
Cash	\$ 5,066,857	\$ 25,661	\$ 752,006	\$ 741,186	\$ 625,134	\$ 7,210,844	
Restricted cash	-	16,738	-	-	264,117	280,855	
Investments - restricted	6,484,487	-	-	-	-	6,484,487	
Account receivables (net)	2,072,287	66,512	44,232	1,962,447	150,684	4,296,162	
Due from other governmentals	-	76,516	-	10	-	76,526	
Due from other funds	-	568,494	-	-	-	568,494	
Inventory	-	76,433	-	-	15,049	91,482	
Prepaid expense	360,737	22,614	3,070	-	2,656	389,077	
Total current assets	13,984,368	852,968	799,308	2,703,643	1,057,640	19,397,927	
Non-current assets:							
Capital assets - net of accumulated depreciation	7,041,436	20,656,583	1,352,690	-	139,268	29,189,977	
Total non-current assets	7,041,436	20,656,583	1,352,690	-	139,268	29,189,977	
<b>TOTAL ASSETS</b>	<b>\$ 21,025,804</b>	<b>\$ 21,509,551</b>	<b>\$ 2,151,998</b>	<b>\$ 2,703,643</b>	<b>\$ 1,196,908</b>	<b>\$ 48,587,904</b>	
<b>LIABILITIES:</b>							
Current liabilities:							
Cash fund overdraft	\$ -	\$ 1,179,349	\$ -	\$ -	\$ 10,944	1,190,293	
Accounts payable	554,107	59,638	359,170	-	98,680	1,071,595	
Accrued payroll and wages	336,100	13,321	5,068	-	2,190	356,679	
Accrued sick and vacation	-	-	19,699	-	-	19,699	
Due to other governmentals	-	-	-	97,344	-	97,344	
Due to other funds	-	-	625,000	-	568,494	1,193,494	
Current portion of long term debt	-	-	39,000	-	-	39,000	
Total current liabilities	890,207	1,252,308	1,047,937	97,344	680,308	3,968,104	
Non-current liabilities:							
Accrued sick and vacation	678,755	82,914	-	-	-	761,669	
Bonds and notes payable	-	-	532,000	-	-	532,000	
Total non-current liabilities	678,755	82,914	532,000	-	-	1,293,669	
<b>TOTAL LIABILITIES</b>	<b>1,568,962</b>	<b>1,335,222</b>	<b>1,579,937</b>	<b>97,344</b>	<b>680,308</b>	<b>5,261,773</b>	
<b>NET ASSETS:</b>							
Invested in capital assets net of related debt	7,041,436	20,656,583	781,690	-	139,268	28,618,977	
Unrestricted	12,415,406	(482,254)	(209,629)	2,606,299	377,332	14,707,154	
<b>TOTAL NET ASSETS</b>	<b>19,456,842</b>	<b>20,174,329</b>	<b>572,061</b>	<b>2,606,299</b>	<b>516,600</b>	<b>43,326,131</b>	
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<b>\$ 21,025,804</b>	<b>\$ 21,509,551</b>	<b>\$ 2,151,998</b>	<b>\$ 2,703,643</b>	<b>\$ 1,196,908</b>	<b>\$ 48,587,904</b>	

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

**COUNTY OF HOUGHTON, MICHIGAN**  
**PROPRIETARY FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN NET ASSETS**  
**For the Year Ended September 30, 2011**

Component Unit	Business-Type Activities Enterprise Funds					Total
	Major Funds			Non-Major Enterprise Funds		
	Medical Care Facility Operating Fund	Airport Fund	Solid Waste Transfer Fund			
OPERATING REVENUES:						
Charges for services	\$ 18,133,834	\$ 1,233,317	\$ 741,201	\$ 427,104	\$ 969,330	\$ 21,504,786
Other operating revenue	27,548	78,636	2,696	16,503	12,201	137,584
<b>TOTAL OPERATING REVENUES</b>	<b>18,161,382</b>	<b>1,311,953</b>	<b>743,897</b>	<b>443,607</b>	<b>981,531</b>	<b>21,642,370</b>
OPERATING EXPENSES:						
Personnel services	9,080,443	649,031	162,194	-	108,069	9,999,737
Supplies	-	476,380	44,367	-	180,567	701,314
Other services and charges	9,431,931	338,982	398,395	-	577,543	10,746,851
Depreciation	687,722	898,113	60,392	-	27,569	1,673,796
<b>TOTAL OPERATING EXPENSES</b>	<b>19,200,096</b>	<b>2,362,506</b>	<b>665,348</b>	<b>-</b>	<b>893,748</b>	<b>23,121,698</b>
OPERATING INCOME (LOSS)	(1,038,714)	(1,050,553)	78,549	443,607	87,783	(1,479,328)
NON-OPERATING REVENUES:						
Property Taxes	1,876,417	-	-	-	-	1,876,417
Other non-operating revenues	6,815	-	-	-	-	6,815
Grant revenue	-	1,471,372	-	-	-	1,471,372
Interest income	-	8	28	7,832	5,181	13,049
Transfer of asset	-	4,550	-	-	-	4,550
<b>TOTAL NON-OPERATING REVENUES</b>	<b>1,883,232</b>	<b>1,475,930</b>	<b>28</b>	<b>7,832</b>	<b>5,181</b>	<b>3,372,203</b>
INCOME (LOSS) BEFORE TRANSFERS	844,518	425,377	78,577	451,439	92,964	1,892,875
Transfers in (out)	-	200,000	-	(200,000)	-	-
CHANGE IN NET ASSETS	844,518	625,377	78,577	251,439	92,964	1,892,875
NET ASSETS - BEGINNING OF YEAR	18,612,324	19,548,952	493,484	2,354,860	423,636	41,433,256
NET ASSETS - END OF YEAR	\$ 19,456,842	\$ 20,174,329	\$ 572,061	\$ 2,606,299	\$ 516,600	\$ 43,326,131

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

**COUNTY OF HOUGHTON**  
**PROPRIETARY FUNDS**  
**COMBINING STATEMENTS OF CASH FLOWS**  
**For the Year Ended September 30, 2011**

	Business - Type Activities					
	Component	Enterprise Funds				
	Unit	Major Funds				
	Medical Care Facility Operating Fund	Airport Fund	Solid Waste Transfer Fund	Delinquent Tax Revolving Fund	Non-Major Enterprise Funds	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Receipts from customers	\$ 15,346,788	\$ 1,313,283	\$ 743,512	\$ 519,116	\$ 979,663	\$ 18,902,362
Cash paid to employees and suppliers	(17,649,035)	(1,279,605)	(603,176)	18,541	(878,584)	(20,391,859)
	2,164,260	-	-	-	-	2,164,260
Cash paid for quality assurance provider tax	(699,510)	-	-	-	-	(699,510)
Other receipts (payments)	27,548	-	-	-	-	27,548
Net cash provided by operating activities	<u>(809,949)</u>	<u>33,678</u>	<u>140,336</u>	<u>537,657</u>	<u>101,079</u>	<u>2,801</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Cash received from property and other taxes	1,876,417	-	-	-	-	1,876,417
Operating subsidies and transfers to other funds	6,815	117,964	625,000	(200,000)	82,037	631,816
	<u>1,883,232</u>	<u>117,964</u>	<u>625,000</u>	<u>(200,000)</u>	<u>82,037</u>	<u>2,508,233</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Proceeds from capital debt	-	-	571,000	-	-	571,000
Grant proceeds	-	1,471,372	-	-	-	1,471,372
Purchases of capital assets	(431,318)	(1,402,929)	(746,607)	-	-	(2,580,854)
Net cash (used) by capital and related financing activities	<u>(431,318)</u>	<u>68,443</u>	<u>(175,607)</u>	<u>-</u>	<u>-</u>	<u>(538,482)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Interest and dividends	-	8	28	7,832	5,181	13,049
Net increase (decrease) in cash and cash equivalents	641,965	220,093	589,757	345,489	188,297	1,985,601
Balances – beginning of the year	10,909,379	(1,357,043)	162,249	395,697	690,010	10,800,292
Balances – end of the year	<u>\$ 11,551,344</u>	<u>\$ (1,136,950)</u>	<u>\$ 752,006</u>	<u>\$ 741,186</u>	<u>\$ 878,307</u>	<u>\$ 12,785,893</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>						
Operating income (loss)	\$ (1,038,714)	\$ (1,050,553)	\$ 78,549	\$ 443,607	\$ 87,783	\$ (1,479,328)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation expense	687,722	898,113	60,392	-	27,569	1,673,796
Provision for bad debts	30,087	-	-	-	-	30,087
Change in assets and liabilities:						
Receivables, net	(278,989)	1,330	(385)	75,509	(1,868)	(204,403)
Third-party payor settlements	(373,884)	-	-	-	-	(373,884)
Due to/from other governmental units	-	155,737	-	18,541	-	174,278
Inventory	-	(33,467)	-	-	(7,208)	(40,675)
Prepaid expenses	-	(1,262)	-	-	170	(1,092)
Other current assets	(34,129)	-	-	-	-	(34,129)
Accounts and other payables	22,302	45,020	4,838	-	5,525	77,685
Accrued expenses	175,656	18,760	(3,058)	-	52	191,410
Net cash provided by operating activities	<u>\$ (809,949)</u>	<u>\$ 33,678</u>	<u>\$ 140,336</u>	<u>\$ 537,657</u>	<u>\$ 112,023</u>	<u>\$ 13,745</u>

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

**COUNTY OF HOUGHTON, MICHIGAN**  
**FIDUCIARY FUNDS**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**September 30, 2011**

	Trust & Agency Fund	Library Fund	Payroll Fund	Total
ASSETS:				
Cash and cash equivalents	\$ 1,679,178	\$ 104,690	\$ 81,309	\$ 1,865,177
TOTAL ASSETS	<u>\$ 1,679,178</u>	<u>\$ 104,690</u>	<u>\$ 81,309</u>	<u>\$ 1,865,177</u>
LIABILITIES:				
Due to others	\$ 1,678,790	\$ 104,690	\$ 77,836	\$ 1,861,316
Due to governmental units	388	-	3,473	3,861
TOTAL LIABILITIES	<u>\$ 1,679,178</u>	<u>\$ 104,690</u>	<u>\$ 81,309</u>	<u>\$ 1,865,177</u>

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

**COUNTY OF HOUGHTON, MICHIGAN**  
**COMPONENT UNITS**  
**COMBINING STATEMENT OF NET ASSETS**  
**September 30, 2011**

	Western UP Health Department	Road Commission	Total
<b>ASSETS:</b>			
Current assets:			
Cash	\$ 733,260	\$ 1,522,073	\$ 2,255,333
Receivables (net)	521,256	760,641	1,281,897
Inventory	9,274	717,806	727,080
Prepaid expenses	58,861	41,172	100,033
Total current assets	<u>1,322,651</u>	<u>3,041,692</u>	<u>4,364,343</u>
Non-current assets:			
Capital assets - net of accumulated depreciation	785,783	16,531,801	17,317,584
Total non-current assets	<u>785,783</u>	<u>16,531,801</u>	<u>17,317,584</u>
<b>TOTAL ASSETS</b>	<u>\$ 2,108,434</u>	<u>\$ 19,573,493</u>	<u>\$ 21,681,927</u>
<b>LIABILITIES:</b>			
Current liabilities:			
Cash overdraft	\$ 406,421	-	\$ 406,421
Accounts payable	221,111	8,056	229,167
Accrued payroll and wages	116,746	-	116,746
Accrued sick and vacation - current portion	8,214	59,938	68,152
Current portion of long term debt	24,173	-	24,173
Deferred revenue	1,800	-	1,800
Total current liabilities	<u>778,465</u>	<u>67,994</u>	<u>846,459</u>
Non-current liabilities:			
Other post-employment benefits	-	113,257	113,257
Advances from state	-	145,736	145,736
Accrued sick and vacation	218,214	351,402	569,616
Bonds and notes payable	57,154	-	57,154
Total non-current liabilities	<u>275,368</u>	<u>610,395</u>	<u>885,763</u>
<b>TOTAL LIABILITIES</b>	<u>1,053,833</u>	<u>678,389</u>	<u>1,732,222</u>
<b>NET ASSETS:</b>			
Invested in capital assets net of related debt	584,564	16,531,801	17,116,365
Restricted	42,555	758,978	801,533
Unrestricted	427,482	1,604,325	2,031,807
<b>TOTAL NET ASSETS</b>	<u>1,054,601</u>	<u>18,895,104</u>	<u>19,949,705</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 2,108,434</u>	<u>\$ 19,573,493</u>	<u>\$ 21,681,927</u>

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

**COUNTY OF HOUGHTON, MICHIGAN**  
**COMPONENT UNITS**  
**COMBINING STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2011**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Component Units</b>					
Western UP Health Department	\$ 6,756,291	\$ 4,348,889	\$ 1,775,167	\$ -	\$ (632,235)
Road Commission	5,469,699	12,483	5,569,563	-	112,347
<b>Total component unit</b>	<b>\$ 12,225,990</b>	<b>\$ 4,361,372</b>	<b>\$ 7,344,730</b>	<b>\$ -</b>	<b>\$ (519,888)</b>

Changes in Net Assets

	Western UP		
	Health	Road	Total
	Department	Commission	
Net (expense) revenue	\$ (632,235)	\$ 112,347	\$ (519,888)

General Revenues:

Taxes	-	689,023	689,023
County appropriations	508,420	-	508,420
Interest and investment earnings	-	16,691	16,691
Loss on sale of assets	(3,009)	-	(3,009)
Other	-	59,985	59,985
<b>Total general revenues and transfers</b>	<b>505,411</b>	<b>765,699</b>	<b>1,271,110</b>
Change in Net Assets	(126,824)	878,046	751,222
Net Assets - Beginning	1,181,425	18,017,058	19,198,483
Net Assets - Ending	\$ 1,054,601	\$ 18,895,104	\$ 19,949,705

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

**COUNTY OF HOUGHTON, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011**

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

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

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

**REPORTING ENTITY**

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

Blended Component Units - The Houghton County Department of Health and Human Services is governed by a three member board. Two are appointed by the County Board and one is appointed by the governor. In addition, one County board member serves as a non-voting member. Although the employees are employed by the State of Michigan, and the State pays for most of the programs, the entity is considered part of the primary government because State law makes it a county organization.

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

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

The Western Upper Peninsula Health Department (WUPHD) provides limited health services to the residents of Houghton, Ontonagon, Gogebic, Baraga and Keweenaw Counties. The County of Houghton, and the other counties, provides an annual subsidy to the WUPHD. WUPHD includes the component unit of Aspirus Superior Home Health & Hospice, Inc.

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



**COUNTY OF HOUGHTON, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

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

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

Houghton County Department of Health and Human Services County Welfare Building - 200 Quincy Street Hancock, Michigan 49930	Houghton County Medical Care Facility 100 Quincy Street Hancock, Michigan 49930
Western Upper Peninsula Health Department 540 Depot Street Hancock, Michigan 49930	Houghton County Road Commission P.O. Box 269 Hancock, Michigan 49930

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

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

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

In the government-wide Statement of Net Assets, 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 assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

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 assets resulting from the current year's activities. For the most part, the effect of inter-fund activities has been removed from these statements.

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

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

Governmental Funds:

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

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

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

*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).

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

The County reports the following major governmental fund:

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

Proprietary Funds:

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

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

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

The County reports the following major proprietary funds:

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

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

Delinquent Tax Fund - The Delinquent Tax Fund accounts for all activities related for the collection of taxes, once they become delinquent.

Fiduciary Funds:

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

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

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

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

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

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

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

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

**COUNTY OF HOUGHTON, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

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

*Other Accounting Policies*

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 certificates of deposit. Investments are carried at fair value.

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

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

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

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

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

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 assets. 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.

**COUNTY OF HOUGHTON, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

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

Restricted Net Assets - When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted net assets will be reduced first.

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

Although the County of Houghton 2011 ad valorem tax is levied and collectible on July 1, 2011, and December 1, 2010; it is the County of Houghton's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made available for the financing of operations. Available means levied and the tax collection period is within the current fiscal year.

The December 1, 2010 taxable valuation totaled \$734,032,911 on which ad valorem taxes levied consisted of 1.3149 mills for County Road Commission operating, and 0.0986 mills for Department of Veterans Affairs. July 1, 2011 taxable valuation totaled \$752,788,024, on which ad valorem taxes levied consisted of 6.2666 mills for the County of Houghton operation purposes. These amounts are recognized in the respective Road Commission Component Unit Fund, Medical Care Facility Enterprise Fund, Department of Veteran Affairs Special Revenue Fund, and the General Fund statements as revenue.

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

Deferred Revenues – Deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. The Economic Development Revolving Loan Special Revenue Fund type has deferred revenue amounting to \$185,556. This amount represents Michigan Small Cities Block Grant Loans to various businesses. Terms vary with respect to repayment of these loans. Proceeds from repayments on these loans will be used for future County economic development.

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

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

Reclassification - Certain reported prior year information have been reclassified to conform with the current year presentation.

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

Fund Balance - The County adopted the provisions of GASB Statement Number 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, in the current year. GASB 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Detailed information on fund balances of governmental funds is presented on the face of the balance sheet.

Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either a.) Not in spendable form, or b.) Legally or contractually required to be maintained intact. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of the resources by grantors, contributors, laws or regulations of other governments. *Committed fund balance*, if any, is reported from amounts that can be used for specific purposes pursuant to constraints imposed by formal action by the government's highest level of decision making authority, the Board of Commissioners. A formal resolution of the Board of Commissioners is required to establish, modify or rescind a fund balance commitment. The County reports *assigned fund balance* for amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. *Unassigned fund balance* is the residual classification for the general fund.

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

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

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

1. The County Controller submits to the County Board of Commissioners proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Numerous opportunities exist for public comment during the budget process including at least two formal public hearings conducted at the Courthouse to obtain taxpayer comment.
3. Pursuant to statute, prior to September 30 of each year the budget for the ensuing year is legally enacted through adoption of an Annual General Appropriations Act.
4. The general statute governing County budgetary activity is the State of Michigan Uniform Budgeting and Accounting Act. In addition to the provisions of the said Act and Board policy, general statements concerning the Board's intent regarding the administration of each year's budget are set out in the Annual General Appropriations Act. The Houghton County Board of Commissioners, through policy action, specifically directs the Controller not to authorize or participate in any expenditure of funds except as authorized by the Annual General Appropriations Act. The Board recognized that, in addition to possible Board sanctions for willful disregard of this policy, State statutes provide for civil liability for violations of the Annual General Appropriations Act.
5. The Houghton County Controller is authorized by means of County policy to make certain transfers:
  - a. The Controller receives a request for a budget transfer from the head of the department whose budget is to be affected. Such request must specify the necessity for the transfer, the account name and/or group(s) and amounts to be affected within prescribed limitations. Transfers in excess of those limitations must be approved by the Board of Commissioners.

**COUNTY OF HOUGHTON, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

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**NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)**

- b. The following considerations must be reviewed in determination of transfer approvals:
- (1) Are the transfers consistent with the intent of the Board of Commissioners in adopting the annual budget?
  - (2) Will the transfer maintain the financial integrity of the County?
  - (3) Will the transfer provide a reasonable solution to the departmental operating problem?

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

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

6. The County of Houghton adopts its Annual Budget on a departmental basis. At each level of detail, governmental operations are summarized into expenditure account groups. Funding sources are also identified and adopted at each level of detail. Budgetary control exists at the most detailed level adopted by the Board of Commissioners, i.e., department for analytical purposes. A detailed line item breakdown is prepared for each program. Accounting, i.e., classification control, resides at the line item detail level. Violations of excessive expenditures, if any, are noted in the required supplementary information section.
7. Budgets for the General and Special Revenue Funds were adopted in substance on an accrual basis which is consistent with generally accepted accounting principles. Budgeted amounts as reported in the Financial Report are as originally adopted and/or amended by the County Board of Commissioners.

**NOTE C – CASH AND INVESTMENTS**

Cash Equivalents

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 Assets:

	Governmental	Business type	Total Primary	Component	Fiduciary	Total
	<u>Activities</u>	<u>Activities</u>	<u>Government</u>	<u>Units</u>	<u>Funds</u>	<u>Total</u>
Cash and cash equivalents						
Unrestricted	\$ 1,376,854	\$ 6,103,136	\$ 7,479,990	\$ 2,255,333	\$ 1,865,177	\$ 11,600,500
Restricted	-	280,855	280,855	-	-	280,855
<b>TOTALS</b>	<u>\$ 1,376,854</u>	<u>\$ 6,383,991</u>	<u>\$ 7,760,845</u>	<u>\$ 2,255,333</u>	<u>\$ 1,865,177</u>	<u>\$ 11,881,355</u>

**COUNTY OF HOUGHTON, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011**

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

*Custodial Credit Risk – Deposits*

Custodial credit risk is the risk that in the event of a bank failure, the County’s deposits may not be returned to it. State law does not require and the County does not have a deposit policy for custodial credit risk. The carrying amounts of the primary government, component units and fiduciary fund’s deposits with financial institutions (including investments) were \$17,461,327 and the bank balance was \$12,345,991. The bank balance is categorized as follows:

Amount insured by the FDIC or uncollateralized with securities held by the County in its name	\$ 1,269,063
Amount uncollateralized and uninsured	<u>11,076,928</u>
Total bank balance	<u><u>\$ 12,345,991</u></u>

Investments

As of September 30, 2011, the County had the following investments.

	<u>Rating</u>	<u>Level 1 Fair Value</u>
Primary Government:		
Restricted investments:		
Federal Governmental Obligation	AAA	\$ 1,700,566
Principal		
U.S. Governmental Agencies	AAA	<u>4,783,921</u>
TOTALS		<u><u>\$ 6,484,487</u></u>

*Interest Rate Risk*

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

*Credit Risk*

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

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

*Concentration of Credit Risk*

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.



**COUNTY OF HOUGHTON, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

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**NOTE D – EDC LOANS RECEIVABLE**

A summary of Economic Development Revolving Loan Fund receivable at September 30, 2011 is as follows:

Debtor	Balance at 09/30/11	Fiscal Year of Award	Interest Rate	Term in Years
Endress Machining	\$ 62,650	2008	8.25%	7
UP Auto Glass	18,612	2008	8.25%	6
Keweenaw Scrap Metal, LLC	20,371	2009	7.00%	2
Kenton Woodworks	43,654	2009	6.50%	3
La Salle Technology Group	40,269	2010	6.00%	3.5
Total	<u>\$ 185,556</u>			

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

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

Fund	Due From	Fund	Due To
General fund	\$ 625,000	Solid Waste Transfer fund	\$ 625,000
ROD Automation fund	1,710	General fund	1,710
Airport fund	568,494	Passenger Facility Charge Fund	568,494
TOTALS	<u>\$ 1,195,204</u>	TOTALS	<u>\$ 1,195,204</u>

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

Fund	Transfers In	Fund	Transfers Out
General fund	\$ 200,500	General fund	\$ 1,189,235
Non -Major governmental funds	594,575	Delinquent tax revolving funds	200,000
Airport fund	200,000	Non-Major governmental funds	500
Western UP Health Department	230,169		
Community Mental Health Services	164,491		
TOTALS	<u>\$ 1,389,735</u>	TOTALS	<u>\$ 1,389,735</u>

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

**COUNTY OF HOUGHTON, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011**

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**NOTE F – CAPITAL ASSETS**

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

<u>GOVERNMENTAL ACTIVITIES</u>				
	<u>Beginning</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending</u>
Non-depreciable Capital Assets				
Land	\$ 1,117,565	\$ -	\$ -	\$ 1,117,565
Depreciable Capital Assets				
Buildings and improvements	3,242,133	-	-	3,242,133
Furniture and equipment	569,196	114,800	-	683,996
Vehicles	572,341	-	28,185	544,156
Subtotal	<u>4,383,670</u>	<u>\$ 114,800</u>	<u>\$ 28,185</u>	<u>4,470,285</u>
Accumulated Depreciation				
Buildings and improvements	1,147,536	\$ 97,276	\$ -	1,244,812
Furniture and equipment	375,299	92,052	-	467,351
Vehicles	281,232	93,242	21,970	352,504
Subtotal	<u>1,804,067</u>	<u>\$ 282,570</u>	<u>\$ 21,970</u>	<u>2,064,667</u>
Net depreciable capital assets	<u>2,579,603</u>			<u>2,405,618</u>
Net capital assets	<u>\$ 3,697,168</u>			<u>\$ 3,523,183</u>

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

General and administrative	\$ 141,131
Public safety	124,766
Recreation and culture	<u>16,673</u>
Total Depreciation Expense	<u>\$ 282,570</u>

**COUNTY OF HOUGHTON, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

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

The components of property, plant, and equipment in County proprietary funds at June 30, 2011 are summarized as follows:

BUSINESS-TYPE ACTIVITIES				
<b>SOLID WASTE TRANSFER FUND</b>				
	<u>Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u>
Land	\$ 15,000	\$ -	\$ -	\$ 15,000
Construction in progress	-	1,042,796	-	1,042,796
Buildings	345,680	-	-	345,680
Equipment - Vehicles	524,990	18,947	48,000	495,937
Equipment - Shop/Tools	79,605	-	-	79,605
Subtotal	<u>965,275</u>	<u>\$ 1,061,743</u>	<u>\$ 48,000</u>	<u>1,979,018</u>
Accumulated depreciation:				
Buildings	\$ 181,239	\$ 8,597	\$ -	\$ 189,836
Equipment - Vehicles	353,091	51,795	48,000	356,886
Equipment - Shop/Tools	79,606	-	-	79,606
Subtotal	<u>613,936</u>	<u>\$ 60,392</u>	<u>\$ -</u>	<u>626,328</u>
Net capital assets	<u>\$ 351,339</u>			<u>\$ 1,352,690</u>
 <b>MARINA FUND</b>				
	<u>Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u>
Equipment	\$ 79,097	\$ -	\$ -	\$ 79,097
Accumulated depreciation	44,119	3,164	-	47,283
Net capital assets	<u>\$ 34,978</u>			<u>\$ 31,814</u>
 <b>911 FUND</b>				
	<u>Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u>
Land	\$ 14,027	\$ -	\$ -	\$ 14,027
Buildings	178,708	-	-	178,708
Equipment	607,705	-	-	607,705
Subtotal	<u>800,440</u>	<u>\$ -</u>	<u>\$ -</u>	<u>800,440</u>
Accumulated depreciation:				
Buildings	\$ 132,072	\$ 5,489	\$ -	\$ 137,561
Equipment	536,509	18,916	-	555,425
Subtotal	<u>668,581</u>	<u>\$ 24,405</u>	<u>\$ -</u>	<u>692,986</u>
Net capital assets	<u>\$ 131,859</u>			<u>\$ 107,454</u>
 <b>AIRPORT FUND</b>				
	<u>Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u>
Land	\$ 368,638	\$ 269,507	\$ -	\$ 638,145
Airpark improvements	19,945,126	1,334,184	-	21,279,310
Buildings	291,114	2,778	-	293,892
Construction in progress	348,529	54,558	347,019	56,068
Equipment	152,988	88,921	-	241,909
Equipment - Vehicles	3,104,084	13,000	-	3,117,084
Subtotal	<u>24,210,479</u>	<u>\$ 1,762,948</u>	<u>\$ 347,019</u>	<u>25,626,408</u>
Accumulated depreciation:				
Airpark improvements	\$ 2,339,509	\$ 657,570	\$ -	\$ 2,997,079
Buildings	157,383	11,959	-	169,342
Equipment	136,992	18,820	-	155,812
Equipment - Vehicles	1,437,828	209,764	-	1,647,592
Subtotal	<u>4,071,712</u>	<u>\$ 898,113</u>	<u>\$ -</u>	<u>4,969,825</u>
Net capital assets	<u>\$ 20,138,767</u>			<u>\$ 20,656,583</u>

**COUNTY OF HOUGHTON, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

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

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

	Component Units			
	Medical Care Facility	Western UP Health Dept and Aspirus Superior	Road Commissions	Total
Non-depreciable Capital Assets				
Land	\$ 443,275	\$ 90,000	\$ 93,137	\$ 626,412
Depreciable Capital Assets				
Construction in progress	30,567	-	-	30,567
Land improvements	-	17,595	-	17,595
Buildings and improvements	12,917,842	1,488,253	1,511,455	15,917,550
Furniture and equipment	2,640,540	368,538	8,296,901	11,305,979
Infrastructure	-	-	19,876,487	19,876,487
Subtotal	<u>15,588,949</u>	<u>1,874,386</u>	<u>29,684,843</u>	<u>47,148,178</u>
Accumulated Depreciation				
Land improvements	-	17,595	-	17,595
Buildings and improvements	8,990,788	1,070,666	946,344	11,007,798
Furniture and equipment	-	90,342	7,442,742	7,533,084
Infrastructure	-	-	4,857,093	4,857,093
Subtotal	<u>8,990,788</u>	<u>1,178,603</u>	<u>13,246,179</u>	<u>23,415,570</u>
Net depreciable capital assets	<u>6,598,161</u>	<u>695,783</u>	<u>16,438,664</u>	<u>23,732,608</u>
Net capital assets	<u>\$ 7,041,436</u>	<u>\$ 785,783</u>	<u>\$ 16,531,801</u>	<u>\$ 24,359,020</u>

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

Medical Care Facility	\$ 687,722
Western UP Health Dept and Aspirus Superior	92,493
Road Commission	<u>1,263,777</u>
Total Depreciation Expense	<u>\$ 2,043,992</u>

**NOTE G – LONG-TERM DEBT**

**GOVERNMENTAL ACTIVITIES**

SNB Jail Ventilation Loan - The County borrowed \$146,981 with an interest rate of 3.5% interest from Superior National Bank to update the jail ventilation system on May 11, 2004. This loan will be paid from the general fund, with 10 annual payments of \$17,670 paid in May of each year.

Year	Interest	Principal	Total
2011-12	\$ 1,699	\$ 15,971	\$ 17,670
2012-13	1,148	16,522	17,670
2013-14	577	15,394	15,971
TOTALS	<u>\$ 3,424</u>	<u>\$ 47,887</u>	<u>\$ 51,311</u>

**COUNTY OF HOUGHTON, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011**

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

Brownfield Redevelopment Authority Tax Incremental Revenue Loan - On October 2, 2004, the City of Houghton borrowed \$425,000 on behalf of the County from the State of Michigan Department of Environmental Quality Environmental Response Division. The Brownfield Redevelopment Authority Tax Incremental Revenue Loan was borrowed for the redevelopment of the former Houghton High School lot. The payments are paid from the general fund. These loans bear interest of 2.25% per annum. Principal and interest payment totaling \$46,880, will be due annually in October of each year.

Year	Interest	Principal	Total
2011-12	\$ 2,041	\$ 44,839	\$ 46,880
2012-13	1,031	46,814	47,845
<b>TOTALS</b>	<u>\$ 3,072</u>	<u>\$ 91,653</u>	<u>\$ 94,725</u>

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

Schedule of Interest Rates on Arena Project Bond

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

Year	April 1		October 1		Total
	Interest	Interest	Principal	Interest	
2011-12	\$ 13,571	\$ 13,172	\$ 10,000	\$ 36,743	
2012-13	13,171	12,871	15,000	41,042	
2013-14	12,871	12,572	15,000	40,443	
2014-15	12,571	12,271	15,000	39,842	
2015-16	12,271	11,972	15,000	39,243	
2016-17	11,971	11,571	20,000	43,542	
2017-18	11,571	11,167	20,000	42,738	
2018-19	11,166	10,756	20,000	41,922	
2019-20	10,756	10,337	20,000	41,093	
2020-21	10,336	9,906	20,000	40,242	
2021-22	9,906	9,357	25,000	44,263	
2022-23	9,356	8,793	25,000	43,149	
2023-24	8,793	8,219	25,000	42,012	
2024-25	8,218	7,638	25,000	40,856	
2025-26	7,637	6,933	30,000	44,570	
2026-27	6,932	6,221	30,000	43,153	
2027-28	6,220	5,501	30,000	41,721	
2028-29	5,500	0	220,000	225,500	
<b>TOTALS</b>	<u>\$ 182,817</u>	<u>\$ 169,257</u>	<u>\$ 580,000</u>	<u>\$ 932,074</u>	

**COUNTY OF HOUGHTON, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011**

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

Capital Improvement Transfer Station Bond - On June 29, 2011, the County of Houghton authorized the issuance of general obligation limited tax bonds in the amount of \$2,209,000 to fund the acquisition, construction and equipping of improvements to the existing solid waste transfer station. The bonds current and future bonds interest rates are 4%, with principal amounts payable June 1 and interest payable semi-annually on June 1 and December 1. The bond will be paid for from the solid waste transfer fund. At September 30, 2011 only \$571,000 was received in bond proceeds.

Year	December 1		June 1		Total
	Interest	Interest	Interest	Principal	
2011-12	\$ 44,180	\$ 44,180	\$ 39,000	\$ 127,360	
2012-13	43,400	43,400	41,000	127,800	
2013-14	42,580	42,580	43,000	128,160	
2014-15	41,720	41,720	44,000	127,440	
2015-16	40,840	40,840	45,000	126,680	
2016-17	39,940	39,940	48,000	127,880	
2017-18	38,980	38,980	50,000	127,960	
2018-19	37,980	37,980	52,000	127,960	
2019-20	36,940	36,940	54,000	127,880	
2020-21	35,860	35,860	56,000	127,720	
2021-22	34,740	34,740	58,000	127,480	
2022-23	33,580	33,580	61,000	128,160	
2023-24	32,360	32,360	63,000	127,720	
2024-25	31,100	31,100	66,000	128,200	
2025-26	29,780	29,780	68,000	127,560	
2026-27	28,420	28,420	71,000	127,840	
2027-28	27,000	27,000	74,000	128,000	
2028-29	25,520	25,520	77,000	128,040	
2029-30	23,980	23,980	80,000	127,960	
2030-31	22,380	22,380	83,000	127,760	
2031-32	20,720	20,720	86,000	127,440	
2032-33	19,000	19,000	90,000	128,000	
2033-34	17,200	17,200	93,000	127,400	
2034-35	15,340	15,340	97,000	127,680	
2035-36	13,400	13,400	101,000	127,800	
2036-37	11,380	11,380	105,000	127,760	
2037-38	9,280	9,280	109,000	127,560	
2038-39	7,100	7,100	115,000	129,200	
2039-40	4,800	4,800	118,000	127,600	
2040-41	2,440	2,440	122,000	126,880	
<b>TOTALS</b>	<u>\$ 811,940</u>	<u>\$ 811,940</u>	<u>\$ 2,209,000</u>	<u>\$ 3,832,880</u>	

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

**COUNTY OF HOUGHTON, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011**

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

Year	November	February	May	August	Total
2011-12	\$ 1,074	\$ 1,074	\$ 1,074	\$ 1,074	\$ 4,296
2012-13	1,074	1,074	1,074	1,074	4,296
2013-14	1,074	1,074	1,074	1,074	4,296
2014-15	1,074	1,074	1,074	1,074	4,296
2015-16	1,074	1,074	1,074	1,074	4,296
2016-17	1,074	1,074	1,074	1,074	4,296
2017-18	1,074	1,074	1,074	1,074	4,296
2018-19	1,074	435	-	-	1,509
<b>TOTALS</b>	<b>\$ 8,592</b>	<b>\$ 7,953</b>	<b>\$ 7,518</b>	<b>\$ 7,518</b>	<b>\$ 31,581</b>

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

Year	December 1		June 1		Total
	Interest	Interest	Principal		
2011-12	\$ 18,100	18,100	\$ 45,000	\$ 81,200	
2012-13	17,200	17,200	50,000	84,400	
2013-14	16,200	16,200	55,000	87,400	
2014-15	14,963	14,962	60,000	89,925	
2015-16	13,613	13,612	65,000	92,225	
2016-17	12,150	12,150	70,000	94,300	
2017-18	10,575	10,575	75,000	96,150	
2018-19	8,888	8,887	80,000	97,775	
2019-20	7,088	7,087	80,000	94,175	
2020-21	5,288	5,287	80,000	90,575	
2021-22	3,488	3,487	80,000	86,975	
2022-23	1,688	1,687	75,000	78,375	
<b>TOTALS</b>	<b>\$ 129,241</b>	<b>\$ 129,234</b>	<b>\$ 815,000</b>	<b>\$ 1,073,475</b>	

**COMPONENT UNIT ACTIVITIES**

Western UP Health Department Loan - On September 29, 2000, the Health Department entered into a 15 year land contract with Baraga-Houghton-Keweenaw-Child-Development Board and the Copper Country Intermediate School District for the shared use of a building in L'Anse. The agreement, effective January 1, 2000, requires monthly payments of \$2,377, which includes interest at a rate of 5.5%.

Year	Principal	Interest	Total
2011-12	\$ 24,173	\$ 3,869	\$ 28,042
2012-13	25,536	2,506	28,042
2013-14	26,977	1,065	28,042
2014-15	4,641	33	4,674
<b>TOTALS</b>	<b>\$ 81,327</b>	<b>\$ 7,473</b>	<b>\$ 88,800</b>

**COUNTY OF HOUGHTON, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011**

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

Michigan Department of Treasury - On December 17, 2009 the Road Commission and Michigan Department of Transportation settled a dispute regarding the final settlement relating to fiscal year 2002 and 2003 in the amount of \$175,578. This matter was concluded with the Road Commission paying five annual installments of \$35,116 without interest commencing on May 1, 2010 and the final installment due May 1, 2014.

Remaining payments at September 30, 2011 are as follows:

Fiscal Year	Advance Repayment		Total
	Capital Equipment	Operating Advance	
2011-12	\$ 40,389	\$ 35,116	\$ 75,505
2012-13	-	35,116	35,116
2013-14	-	35,115	35,115
<b>TOTAL</b>	<b>\$ 40,389</b>	<b>\$ 105,347</b>	<b>\$ 145,736</b>

Changes in long-term debt principal during the year ended September 30, 2011 are summarized as follows:

	Balance 09/30/10	Additions	Retired	Balance 09/30/11	Current Maturities
<b>GOVERNMENTAL ACTIVITIES</b>					
Jail Ventilation Loan	\$ 63,785	\$ -	\$ 15,898	\$ 47,887	\$ 15,971
Brownfield Redevelopment Loan	134,541	-	42,888	91,653	44,839
Arena Project Bond	590,000	-	10,000	580,000	10,000
Courthouse Improvement Bond	855,000	-	40,000	815,000	45,000
Houghton County Transfer Station Bond	-	571,000	-	571,000	39,000
Michigan Economic Development Community	36,505	-	4,924	31,581	4,297
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>1,679,831</b>	<b>571,000</b>	<b>113,710</b>	<b>2,137,121</b>	<b>159,107</b>
<b>COMPONENT UNITS</b>					
Road Commission Advances from the State	221,241	-	75,505	145,736	75,505
Western UP Health Department loan	104,209	-	22,882	81,327	24,173
<b>TOTAL COMPONENT UNITS</b>	<b>325,450</b>	<b>-</b>	<b>98,387</b>	<b>227,063</b>	<b>99,678</b>
<b>TOTAL</b>	<b>\$ 1,784,040</b>	<b>\$ -</b>	<b>\$ 136,592</b>	<b>\$ 2,218,448</b>	<b>\$ 183,280</b>



**COUNTY OF HOUGHTON, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011**

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

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

Year	Governmental Activities			Component Unit Activities		
	Principal	Interest	Total	Principal	Interest	Total
2011-12	\$ 159,106	\$ 154,843	\$ 313,949	\$ 99,678	3,869	\$ 103,547
2012-13	173,632	149,421	323,053	60,652	2,506	63,158
2013-14	132,690	143,580	276,270	62,092	1,065	63,157
2014-15	123,296	138,207	261,503	4,641	33	4,674
2015-16	129,296	133,148	262,444	-	-	-
2016-17	142,296	127,722	270,018	-	-	-
2017-18	149,296	121,848	271,144	-	-	-
2018-19	153,509	115,657	269,166	-	-	-
2019-20	154,000	109,148	263,148	-	-	-
2020-21	156,000	102,537	258,537	-	-	-
2021-22	163,000	95,718	258,718	-	-	-
2022-23	161,000	88,684	249,684	-	-	-
2023-24	88,000	81,732	169,732	-	-	-
2024-25	91,000	78,056	169,056	-	-	-
2025-26	98,000	74,130	172,130	-	-	-
2026-27	101,000	69,993	170,993	-	-	-
2027-28	104,000	65,721	169,721	-	-	-
2028-29	297,000	56,540	353,540	-	-	-
2029-30	80,000	47,960	127,960	-	-	-
2030-31	83,000	44,760	127,760	-	-	-
2031-32	86,000	41,440	127,440	-	-	-
2032-33	90,000	38,000	128,000	-	-	-
2033-34	93,000	34,400	127,400	-	-	-
2034-35	97,000	30,680	127,680	-	-	-
2035-36	101,000	26,800	127,800	-	-	-
2036-37	105,000	22,760	127,760	-	-	-
2037-38	109,000	18,560	127,560	-	-	-
2038-39	115,000	14,200	129,200	-	-	-
2039-40	118,000	9,600	127,600	-	-	-
2040-41	122,000	4,880	126,880	-	-	-
<b>TOTALS</b>	<b>\$ 3,775,121</b>	<b>\$ 2,240,725</b>	<b>\$6,015,846</b>	<b>\$ 227,063</b>	<b>\$ 7,473</b>	<b>\$ 234,536</b>

**NOTE H – VESTED EMPLOYEE BENEFITS**

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

	Accrued Sick and Vacation	
	Primary	Component
Current Portion	\$ 52,652	\$ 68,152
Long Term Portion	1,387,805	569,616
Total:	<u>\$ 1,440,457</u>	<u>\$ 637,768</u>

**COUNTY OF HOUGHTON, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

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**NOTE I – CONTINGENT LIABILITIES**

The County has received significant financial assistance from state and federal agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the County. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the county at September 30, 2011.

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

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

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

Pursuant to an amendment to the Mental Health Code, Public Act 290 of 1995 the Counties of Houghton, Baraga, Keweenaw, and Ontonagon created a Community Mental Health Authority with powers and duties as defined in Section 205, MCL 330.1205, known as Copper Country Community Mental Health Services Board. Under such provisions the Copper Country Community Mental Health Services Board became a separate legal entity from the respective counties and has its own reporting unit. The Board consists of members of the participating counties as appointed by the respective county. The Board has full power to comply and carry out the financial and clinical provisions of the Mental Health Code. As of the date of this report the September 30, 2011 information was not available. Summary financial information as of and for the fiscal year ended September 30, 2010 for the Board is as follows:

	<u>Balance 9/30/10</u>
Assets	\$ 10,540,031
Liabilities	\$ 3,687,084
Net Assets	\$ 6,852,947
Total Revenues	\$ 17,276,304
Total Expenditures	\$ 17,552,009
Net Increase (Decrease) in Net Assets	\$ (275,705)

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

**COUNTY OF HOUGHTON, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

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**NOTE K – PENSION PLAN**

**DEFINED BENEFIT PENSION PLAN – COUNTY**

*Plan Description* – The County participates in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all employees of the County. The System provides retirement, disability and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 1134 Municipal Way, Lansing, MI 48917.

*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 0 - 4.08% of gross wages.

*Annual Pension Cost* – For the year ended September 30, 2011, the County’s annual pension cost of \$708,168 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, 2010, 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 payrolls on a closed basis. The remaining amortization period is 30 years.

*Analysis of Funding Progress Three-Year Trend Information*

	<u>Valuation as of December 31</u>		
	<u>2008</u>	<u>2009</u>	<u>2010</u>
Actuarial value of assets	\$13,431,761	\$13,856,501	\$ 14,426,950
Actuarial accrued liability (entry age)	\$19,890,335	\$20,981,724	\$ 21,736,084
Unfunded actuarial liability (UAAL)	\$ 6,458,574	\$ 7,125,223	\$ 7,309,134
Funded ratio	68%	66%	66%
Covered payroll	\$ 3,759,989	\$ 4,120,238	\$ 4,022,538
UAAL as a percentage of covered payroll	172%	173%	182%

*Schedule of Employer Contributions Three-Year Trend Information*

	<u>Valuation as of December 31</u>		
	<u>2008</u>	<u>2009</u>	<u>2010</u>
Annual pension cost (APC)	\$ 745,316	\$ 611,292	\$ 630,475
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -

**COUNTY OF HOUGHTON, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

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**NOTE K – PENSION PLAN (Continued)**

**DEFINED BENEFIT PENSION PLAN – WESTERN UPPER PENINSULA HEALTH DEPARTMENT**

*Plan Description* - The Western Upper Peninsula Health Department participates in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all employees of the Western Upper Peninsula Health Department. The System provides retirement, disability and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that

includes financial statements and required supplementary information for the system. That report may be obtained by writing to Gabriel, Roeder, Smith & Company, One Town Square, Suite 800, Southfield, MI 48076-3723.

*Funding Policy* – The obligation to contribute to and maintain the system for these employees was established by negotiation with the Western Upper Peninsula Health Department’s competitive bargaining units, and requires a contribution from the employees of 0-2 percent of gross wages.

*Annual Pension Cost* – For the year ended September 30, 2011, the Health Department’s annual pension cost of \$299,811 for the plan was equal to the Health Department’s required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2010, 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 and (c) a percentage based on an age-related scale to reflect merit, longevity and promotional salary increases. 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 30 years.

*Three Year Trend Information from Actuarial Valuation*

	<u>Valuation as of December 31</u>		
	<u>2008</u>	<u>2009</u>	<u>2010</u>
Actuarial value of assets	\$ 8,128,068	\$ 8,472,257	\$ 8,824,378
Actuarial accrued liability (entry age)	\$ 10,433,591	\$ 10,703,822	\$ 11,351,198
Unfunded actuarial liability (UAAL)	\$ 2,305,523	\$ 2,231,565	\$ 2,526,820
Funded ratio	78%	79%	78%
Covered payroll	\$ 2,942,886	\$ 1,759,546	\$ 1,673,204
UAAL as a percentage of covered payroll	78%	126%	151%

*Schedule of Employer Contributions Three-Year Trend Information*

	<u>Valuation as of December 31</u>		
	<u>2008</u>	<u>2009</u>	<u>2010</u>
Annual pension cost (APC)	\$ 351,207	\$ 361,926	\$ 348,251
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -

**COUNTY OF HOUGHTON, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

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**NOTE K – PENSION PLAN (Continued)**

**DEFINED BENEFIT PENSION PLAN – HOUGHTON COUNTY ROAD COMMISSION**

Defined Benefit Pension Plan (Michigan Municipal Employees’ Retirement System)

*Plan Description* – The County Road Commission participates in the Michigan Municipal Employees’ Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers all nonunion employees of the Road Commission. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at: Gabriel, Roeder, Smith & Company, One Town Square, Suite 800, Southfield, Michigan, 48076.

*Funding Policy* – The obligation to contribute to and maintain the system for these employees was established by negotiation with the County Road Commission’s competitive bargaining units and requires a contribution from the employer of 27% of gross wages for the County Road Commission.

*Annual Pension Costs* – For year ended 2011, County Road Commission’s annual pension cost of \$110,132 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2005, using the entry age normal funding method. Significant actuarial assumptions used include: (1) an 8% investment rate of return; (2) projected salary increases of 4.5% per year; and (3) 4.5% per year cost of living adjustments. Both 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 percent of payroll on a closed basis. The remaining amortization period is 30 years.

Three year trend information is as follows:

Three Year Trend Information from Actuarial Valuation

	<u>Valuation as of December 31</u>		
	<u>2008</u>	<u>2009</u>	<u>2010</u>
Actuarial value of assets	\$ 2,709,097	\$ 2,858,049	\$ 2,824,797
Actuarial accrued liability (entry age)	\$ 3,801,932	\$ 3,839,178	\$ 3,875,715
Unfunded actuarial liability (UAAL)	\$ 1,092,835	\$ 981,129	\$ 1,051,018
Funded ratio	71%	74%	73%
Covered payroll	\$ 335,225	\$ 387,798	\$ 395,764
UAAL as a percentage of covered payroll	326%	253%	266%

Schedule of Employer Contributions Three-Year Trend Information

	<u>Fiscal Year Ended December 31</u>		
	<u>2008</u>	<u>2009</u>	<u>2010</u>
Annual pension cost (APC)	\$ 106,553	\$ 297,848	\$ 121,698
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -

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

**NOTE K – PENSION PLAN (Continued)**

Defined Contribution Pension Plan

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

The current year contribution was calculated based on \$81.90 (October to December 2010), and \$88.50 (January to September 2011) per employee, for 31 employees, resulting in an employer contribution of \$139,360 and employee contributions of \$0.

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

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

The hospital and medical coverage benefits are provided in accordance with the Houghton County Road Commission Retiree Medical Plan, which can be amended at the Commission's discretion. Currently, there are 45 employees and retirees covered under this plan. The current union contract states: After 30 years of service with the Houghton County Road Commission, the employee may elect to receive up to \$600 towards the premium cost for the employee and spouse health and prescription drug coverage only, paid for a period of the next 3 years by the Board, if it is before the employee's sixty second birthday when he retires. If the employee is at least age sixty two on the date he retires, and has at least 10 years of service with the Houghton County Road Commission, the employee shall receive up to \$600 of the premium paid until such time as the employee is eligible for Medicare benefits. The employee will be reimbursed up to \$600 for the above premium for any health insurance plan purchased and paid for upon presentation of proof of payment to the Houghton County Road Commission.

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

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

For the year ended September 30, 2011 the Road Commission has prospectively estimated the cost of providing retiree health care benefits, utilizing the alternative measurement method, as provided by GASB 45, for the actuarial valuation as of September 31, 2011. The OPEB Accounting Report and Valuation can be obtained by contacting the Houghton County Road Commission, Hancock MI 49930. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. These valuations computed contribution and actual funding are summarized as follows:

**COUNTY OF HOUGHTON, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

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

	<u>2010</u>	<u>2011</u>
Annual required contribution (ARC)	\$ 147,423	\$ 42,913
Interest on Net OPEB Obligation	-	-
Adjustments to ARC	-	-
Annual OPEB cost	<u>147,423</u>	<u>42,913</u>
Contributions made	<u>(32,748)</u>	<u>(44,331)</u>
Increase (Decrease) in net OPEB obligation	114,675	(1,418)
OPEB obligation - beginning of year	<u>-</u>	<u>114,675</u>
OPEB obligation - end of year	<u>\$ 114,675</u>	<u>\$ 113,257</u>

The annual OPEB costs, the percentage contributed to the plan, and the net OPEB obligation for the fiscal year ended September 30, 2011 were as follows:

	<u>2010</u>	<u>2011</u>
Annual OPEB costs	\$ 147,423	\$ 42,913
Percentage contributed	77.79%	103.00%
Net OPEB obligation	\$ 114,675	\$ 113,257

As of the date of this reporting, the organization has not yet made contributions to the Houghton County Road Commission OPEB Trust that are in excess of the benefit payments due in the current year. Thus, there are no assets to report in the Trust as of September 30, 2011.

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

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

In the September 30, 2011 actuarial valuation, the actuarial assumptions used to calculate the annual required contribution included an annual increase in salary of 2.5 percent, a discount rate of 4.8 percent, no mortalities prior to retirement, and a post retirement interest rate of 7.0 percent. The assumptions also include expected increases in healthcare costs of 6.2 percent, utilizing the NIH National Health Expenditure Projections for 2008-2018. Tables provided by GASB 45 were used for employee turnover prior to retirement, expected employee future working life, and post retirement mortality projections. To determine the current liability, an assumed interest rate of 7.0 percent was utilized.

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

**COUNTY OF HOUGHTON, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

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

At September 30, 2011 the following funds had a material cash and investment deficit:

Fund	Deficit Cash/ Investment Balance
Business-Type Activities	
Airport	\$ 1,179,349
Airport Water/Sewer	\$ 10,944

**NOTE N – FUND EQUITY DEFICIT BALANCES**

At September 30, 2011 the following funds had an unrestricted fund equity deficit:

Fund	Deficit Fund Equity
Business-Type Activities:	
Passenger Facility Charge	\$ 295,797
Airport	\$ 482,254
Solid Waste Transfer	\$ 209,629

**NOTE O - RESTRICTED FUND EQUITY CLASSIFICATIONS**

At September 30, 2011 the following restricted fund balances are aggregated on page 16:

Program	Restricted	Program	Restricted
Airport Improvement:	\$ 93,425	2011 Delinquent Property Tax Sale	50,394
Region 8 (2007) All County Grant	216	ROD Automation	79,228
Region 8 (2008) All County Grant	140	Law Library	6,393
Region 8 CITZ CORP & IECGP	6,631	Houghton-Keweenaw Trail Rescue:	661
Prosecutor’s Forfeiture Account	6,150	Grant	13
Tri-County Community Corrections	85,045	Corrections Officers Training	7,828
Tri-County Work Camp	23,932	Justice Training	1,014
Special Equipment & Reward	10,668	EECBG	-
Drug Enforcement	3,008	CDBG Housing	36,503
A.L.E.R.T.	21,588	Department of Human Services	57,783
ORV Equipment	3,691	Department of Veteran Affairs	43,220
Friend of the Court	22,500	Child Care	130,082
Land Bank Authority	2,068	Veteran’s Trust	1
2008 Delinquent Property Tax Sale	15,350	Family Counseling	22,091
2009 Delinquent Property Tax Sale	37,019	EDC Revolving Loan Fund	97,509
2010 Delinquent Property Tax Sale	72,750	Total Fund Balances	<u>\$ 936,901</u>

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



**REQUIRED SUPPLEMENTARY INFORMATION**

**COUNTY OF HOUGHTON**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**For the Year Ended September 30, 2011**

	Budgeted Amounts		Actual (GAAP Basis)	Variance Final to Actual
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 4,730,870	\$ 4,736,517	\$ 4,940,629	\$ 204,112
Licenses and permits	291,800	287,450	314,520	27,070
Federal sources	17,500	17,500	23,509	6,009
State sources	1,634,776	1,621,335	1,633,702	12,367
Charges for services	1,059,659	1,042,967	1,143,135	100,168
Interest	200,000	212,000	243,483	31,483
Other revenue	148,877	110,356	159,508	49,152
<b>TOTAL REVENUE</b>	<b>8,083,482</b>	<b>8,028,125</b>	<b>8,458,486</b>	<b>430,361</b>
<b>EXPENDITURES:</b>				
Legislative	111,900	109,725	100,618	9,107
Judicial	1,391,007	1,448,907	1,418,857	30,050
General government	1,438,499	1,507,529	1,453,552	53,977
Public safety	2,038,040	2,028,214	1,956,021	72,193
Health and welfare	147,519	147,520	132,534	14,986
Recreation and culture	12,866	12,866	12,866	-
Other	1,809,195	1,873,595	1,802,873	70,722
Capital outlay	207,905	231,018	174,076	56,942
Debt service	132,412	132,532	132,838	(306)
<b>TOTAL EXPENDITURES</b>	<b>7,289,343</b>	<b>7,491,906</b>	<b>7,184,235</b>	<b>307,671</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>794,139</b>	<b>536,219</b>	<b>1,274,251</b>	<b>738,032</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in (out)	(807,280)	(808,170)	(821,457)	13,287
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ (13,141)</b>	<b>\$ (271,951)</b>	<b>452,794</b>	<b>\$ 751,319</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>			<b>1,707,431</b>	
<b>FUND BALANCE - END OF YEAR</b>			<b>\$ 2,160,225</b>	

**COUNTY OF HOUGHTON, MICHIGAN**  
**MERS PENSION PLAN**  
**SCHEDULE OF FUNDING PROGRESS**  
**Year Ended September 30, 2011**

Valuation Date December 30	Actuarial Value of Assets (a)	Actuarial Accrued Liability ("AAL") (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll	Ratio of UAAL to Covered Payroll
2010	\$ 14,426,950	\$ 21,736,084	\$ 7,309,134	66%	\$ 4,022,538	182%
2009	\$ 13,856,501	\$ 20,981,724	\$ 7,125,223	66%	\$ 4,120,238	173%
2008	\$ 13,431,761	\$ 19,890,335	\$ 6,458,574	68%	\$ 3,759,989	172%
2007	\$ 12,984,010	\$ 18,602,874	\$ 5,618,864	70%	\$ 3,721,371	151%
2006	\$ 12,146,243	\$ 17,771,192	\$ 5,624,949	68%	\$ 3,619,208	155%

	<u>Employee Retirement</u>
Actuarial Cost Method:	Entry age normal
Amortization Method	Level percent of payroll
Remaining amortization period	30 years (closed)
Asset valuation method	4-year smoothed market
Actuarial Assumption:	
Investment rate of return	8.0%
Wage inflation	4.5%
Projected salary increases	4.5%

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**SUPPLEMENTARY INFORMATION**

**COUNTY OF HOUGHTON, MICHIGAN**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2011**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES:</b>			
Taxes:			
Current levy	\$ 4,372,755	\$ 4,549,192	\$ 176,437
Commercial forest taxes	54,382	81,543	27,161
Swamp taxes	33,258	30,981	(2,277)
Trailer taxes	216	216	-
Federal payment in lieu of taxes	275,906	278,697	2,791
Total taxes	<u>4,736,517</u>	<u>4,940,629</u>	<u>204,112</u>
Licenses and Permits:			
Dog licenses	1,950	1,998	48
Building permits	280,000	302,551	22,551
Other permits	5,500	9,971	4,471
Total Licenses and Permits	<u>287,450</u>	<u>314,520</u>	<u>27,070</u>
Federal Sources:			
Civil defense	17,500	23,509	6,009
Total Federal Sources	<u>17,500</u>	<u>23,509</u>	<u>6,009</u>
State Sources:			
Judges standardization	107,752	108,823	1,071
State income taxes	678,680	682,735	4,055
State liquor taxes	181,038	190,513	9,475
Case flow assistance	13,900	13,985	85
Snowmobile safety program	26,415	26,415	-
Probate Judge's salary	101,401	102,854	1,453
Marine safety	13,681	13,955	274
Friend of the Court - cooperative reimbursement	205,932	188,568	(17,364)
Prosecutor - cooperative reimbursement	33,385	31,777	(1,608)
Township liquor fees	4,000	3,588	(412)
Friend of the court incentive	32,000	46,711	14,711
Secondary road patrol	57,000	57,000	-
Victim's rights reimbursement	8,300	8,398	98
Court reimbursement	92,994	89,575	(3,419)
Welfare fraud reimbursement	500	518	18
Cigarette tax	5,946	5,946	-
Remonumentation program	52,766	52,946	180
ORV grant	5,645	9,395	3,750
Total State Sources	<u>1,621,335</u>	<u>1,633,702</u>	<u>12,367</u>

**COUNTY OF HOUGHTON, MICHIGAN**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)**  
**For the Year Ended September 30, 2011**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Charges for Services:			
Circuit Court costs	12,755	13,138	383
Circuit Court services	24,500	26,599	2,099
District Court services	167,000	165,687	(1,313)
District Court supervision fees	32,500	32,499	(1)
District Court civil fees	95,500	114,029	18,529
Register of Deeds services	140,000	143,890	3,890
Real estate transfer tax	47,000	51,253	4,253
Friend of Court services	67,170	88,293	21,123
Probate Court services	8,000	9,098	1,098
Treasurer services	9,275	10,056	781
Clerk services	57,000	59,405	2,405
Sheriff services	123,650	137,499	13,849
Tax department services	32,065	38,401	6,336
Bond costs	2,200	2,773	573
Remonumentation fees	200	338	138
Attorney fees	2,100	2,440	340
Prisoner board	105,000	129,015	24,015
Circuit/District Court reimbursement	116,474	118,044	1,570
Circuit Court enhancement fees	578	678	100
Total Charges for Services	<u>1,042,967</u>	<u>1,143,135</u>	<u>100,168</u>
Interest Earnings	<u>212,000</u>	<u>243,483</u>	<u>31,483</u>
Other Revenues:			
Penal fines	1,000	1,125	125
Ordinance fines and costs	8,500	8,910	410
Bond forfeitures	2,000	2,790	790
Rentals	97,625	97,235	(390)
Sale of assets	-	500	500
Refunds	15,200	15,272	72
Controller administration	3,552	3,552	-
Insurance recoveries	2,377	2,377	-
Civil defense services	15,900	15,946	46
Region 8 services	1,380	1,380	-
Reimbursements	11,500	12,095	595
Gain/loss on investment	(90,000)	(41,712)	48,288
Miscellaneous other	41,322	40,038	(1,284)
Total Other Revenues	<u>110,356</u>	<u>159,508</u>	<u>49,152</u>
<b>TOTAL REVENUES</b>	<u><b>8,028,125</b></u>	<u><b>8,458,486</b></u>	<u><b>430,361</b></u>

**COUNTY OF HOUGHTON, MICHIGAN**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)**  
**For the Year Ended September 30, 2011**

	Budget	Actual	Variance
EXPENDITURES:			
LEGISLATIVE:			
Board of Commissioners:			
Personnel services	50,100	47,293	2,807
Supplies	100	36	64
Other services and charges	59,525	53,289	6,236
Total Board of Commissioners	<u>109,725</u>	<u>100,618</u>	<u>9,107</u>
TOTAL LEGISLATIVE	<u>109,725</u>	<u>100,618</u>	<u>9,107</u>
JUDICIAL:			
Circuit Court:			
Personnel services	155,898	158,863	(2,965)
Supplies	4,600	4,852	(252)
Other services and charges	147,200	136,298	10,902
Total Circuit Court	<u>307,698</u>	<u>300,013</u>	<u>7,685</u>
District Court:			
Personnel services	339,011	337,947	1,064
Supplies	10,400	9,121	1,279
Other services and charges	70,100	65,248	4,852
Total District Court	<u>419,511</u>	<u>412,316</u>	<u>7,195</u>
Friend of the Court:			
Personnel services	266,585	264,892	1,693
Office supplies	4,150	2,107	2,043
Other services and charges	55,850	48,899	6,951
Total Friend of the Court	<u>326,585</u>	<u>315,898</u>	<u>10,687</u>
Friend of the Court - access/visitation grant:			
Other services and charges	5,500	4,970	530
Total Friend of the Court - access/visitation grant	<u>5,500</u>	<u>4,970</u>	<u>530</u>
Probate Court:			
Personnel services	341,513	340,257	1,256
Office supplies	3,200	3,524	(324)
Other services and charges	44,900	41,879	3,021
Total Probate Court	<u>389,613</u>	<u>385,660</u>	<u>3,953</u>
TOTAL JUDICIAL	<u>1,448,907</u>	<u>1,418,857</u>	<u>30,050</u>



**COUNTY OF HOUGHTON, MICHIGAN**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)**  
**For the Year Ended September 30, 2011**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>GENERAL GOVERNMENT:</b>			
County Clerk:			
Personnel services	154,016	153,307	709
Supplies	3,300	2,910	390
Other services and charges	3,800	2,475	1,325
Total County Clerk	<u>161,116</u>	<u>158,692</u>	<u>2,424</u>
Equalization:			
Personnel services	164,417	164,441	(24)
Supplies	5,200	2,978	2,222
Other services and charges	8,850	4,518	4,332
Total Equalization	<u>178,467</u>	<u>171,937</u>	<u>6,530</u>
Elections:			
Personnel services	1,000	330	670
Supplies	25,100	15,360	9,740
Other services and charges	5,150	2,333	2,817
Total Elections	<u>31,250</u>	<u>18,023</u>	<u>13,227</u>
Register of Deeds:			
Personnel services	117,829	118,266	(437)
Supplies	1,150	470	680
Other services and charges	1,600	900	700
Total Register of Deeds	<u>120,579</u>	<u>119,636</u>	<u>943</u>
Remonumentation:			
Other services and charges	80,766	64,313	16,453
Total Remonumentation	<u>80,766</u>	<u>64,313</u>	<u>16,453</u>
Record Copying:			
Supplies	500	197	303
Other services and charges	600	552	48
Total Record Copying	<u>1,100</u>	<u>749</u>	<u>351</u>
Mailing:			
Supplies	59,000	55,381	3,619
Other services and charges	1,000	768	232
Total Mailing	<u>60,000</u>	<u>56,149</u>	<u>3,851</u>
Courthouse and grounds:			
Personnel services	61,074	64,124	(3,050)
Supplies	18,300	16,877	1,423
Other services and charges	79,750	72,705	7,045
Total Courthouse and Grounds	<u>159,124</u>	<u>153,706</u>	<u>5,418</u>

**COUNTY OF HOUGHTON, MICHIGAN**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)**  
**For the Year Ended September 30, 2011**

	Budget	Actual	Variance
County Properties:			
Personnel services	30,411	35,451	(5,040)
Supplies	2,185	1,015	1,170
Other services and charges	12,000	14,678	(2,678)
Total County Properties	44,596	51,144	(6,548)
Treasurer:			
Personnel services	154,924	155,529	(605)
Supplies	1,500	1,058	442
Other services and charges	6,550	4,501	2,049
Total Treasurer	162,974	161,088	1,886
Controller:			
Personnel services	175,321	174,196	1,125
Supplies	1,600	1,776	(176)
Other services and charges	3,150	1,635	1,515
Total Controller	180,071	177,607	2,464
Drain Commissioner:			
Personnel services	22,496	24,412	(1,916)
Supplies	100	36	64
Other services and charges	5,830	5,550	280
Total Drain Commissioner	28,426	29,998	(1,572)
Prosecuting Attorney:			
Personnel services	230,052	230,153	(101)
Supplies	4,100	3,791	309
Other services and charges	8,365	5,994	2,371
Total Prosecuting Attorney	242,517	239,938	2,579
Cooperative Extensions:			
Personnel services	25,503	24,044	1,459
Supplies	2,250	1,811	439
Other services and charges	28,790	24,717	4,073
Total Cooperative Extensions	56,543	50,572	5,971
<b>TOTAL GENERAL GOVERNMENT</b>	<b>1,507,529</b>	<b>1,453,552</b>	<b>53,977</b>
<b>PUBLIC SAFETY:</b>			
Law enforcement:			
Sheriff:			
Personnel services	715,161	703,080	12,081
Supplies	42,500	37,882	4,618
Other services and charges	72,350	58,734	13,616
Total sheriff	830,011	799,696	30,315

**COUNTY OF HOUGHTON, MICHIGAN**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)**  
**For the Year Ended September 30, 2011**

	Budget	Actual	Variance
Sheriff - secondary roads:			
Personnel services	145,010	144,680	330
Supplies	9,500	9,996	(496)
Total sheriff - secondary roads	<u>154,510</u>	<u>154,676</u>	<u>(166)</u>
Snowmobile safety:			
Personnel services	12,981	12,966	15
Supplies	1,411	1,411	-
Other services and charges	1,035	949	86
Total snowmobile safety	<u>15,427</u>	<u>15,326</u>	<u>101</u>
ORV grant:			
Personnel services	5,045	5,761	(716)
Supplies	850	357	493
Other services and charges	850	570	280
Total ORV grant	<u>6,745</u>	<u>6,688</u>	<u>57</u>
Total law enforcement:	<u>1,006,693</u>	<u>976,386</u>	<u>30,307</u>
Corrections (Jail):			
Personnel services	454,107	448,789	5,318
Supplies	12,000	12,421	(421)
Other services and charges	194,531	187,266	7,265
Total Corrections (Jail)	<u>660,638</u>	<u>648,476</u>	<u>12,162</u>
Protection:			
Marine safety:			
Supplies	5,000	3,667	1,333
Other services and charges	4,250	2,266	1,984
Total marine safety	<u>9,250</u>	<u>5,933</u>	<u>3,317</u>
Mine inspector:			
Personnel services	12,475	8,531	3,944
Total mine inspector	<u>2,550</u>	<u>1,763</u>	<u>787</u>
Building inspector:			
Personnel services	137,647	139,505	(1,858)
Supplies	16,000	14,648	1,352
Other services and charges	107,940	87,744	20,196
Total building inspector	<u>261,587</u>	<u>241,897</u>	<u>19,690</u>

**COUNTY OF HOUGHTON, MICHIGAN**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)**  
**For the Year Ended September 30, 2011**

	Budget	Actual	Variance
Civil defense:			
Personnel services	51,681	51,101	580
Supplies	450	360	90
Other services and charges	6,390	5,652	738
Total civil defense	58,521	57,113	1,408
Animal control:			
Other services and charges	16,500	15,922	578
Total animal control	16,500	15,922	578
Total protection	360,883	331,159	29,724
<b>TOTAL PUBLIC SAFETY</b>	<b>2,028,214</b>	<b>1,956,021</b>	<b>72,193</b>
<b>HEALTH AND WELFARE:</b>			
Contributions to others:			
Substance abuse	90,520	95,257	(4,737)
Medical examiner	35,000	22,301	12,699
Veteran's burials	20,000	12,976	7,024
Commission on aging	2,000	2,000	-
Total contributions to others	147,520	132,534	14,986
<b>TOTAL HEALTH AND WELFARE</b>	<b>147,520</b>	<b>132,534</b>	<b>14,986</b>
<b>RECREATION AND CULTURE:</b>			
Contributions to others:			
Western UP planning and development	11,466	11,466	-
UPCAP	1,100	1,100	-
Recreation and development council	300	300	-
Total contributions to others	12,866	12,866	-
<b>TOTAL RECREATION AND CULTURE</b>	<b>12,866</b>	<b>12,866</b>	<b>-</b>
<b>OTHER:</b>			
Fringe benefits:			
Social security	266,615	264,110	2,505
Hospitalization	699,482	688,744	10,738
Life insurance	6,500	5,516	984
Retirement	582,503	567,032	15,471
Workman's compensation	15,000	(1,891)	16,891
Unemployment	5,000	2,770	2,230
Other	1,600	930	670
Total fringe benefits	1,576,700	1,527,211	49,489

**COUNTY OF HOUGHTON, MICHIGAN**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)**  
**For the Year Ended September 30, 2011**

	Budget	Actual	Variance
Special appropriations:			
Jury commission	1,725	1,059	666
Planning commission	11,575	6,703	4,872
Copper Country Mental Health Authority	164,495	164,491	4
Township mapping project	1,000	-	1,000
Total special appropriations	<u>178,795</u>	<u>172,253</u>	<u>6,542</u>
Other:			
Miscellaneous	5,100	5,164	(64)
Insurance	100,000	92,500	7,500
Bonds	1,000	1,950	(950)
Refunds	12,000	3,795	8,205
Total other	<u>118,100</u>	<u>103,409</u>	<u>14,691</u>
TOTAL OTHER	<u>1,873,595</u>	<u>1,802,873</u>	<u>70,722</u>
CAPITAL OUTLAY	<u>231,018</u>	<u>174,076</u>	<u>56,942</u>
DEBT SERVICE	<u>132,532</u>	<u>132,838</u>	<u>(306)</u>
TOTAL EXPENDITURES	<u>7,491,906</u>	<u>7,184,235</u>	<u>307,671</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>536,219</u>	<u>1,274,251</u>	<u>738,032</u>
OTHER FINANCING SOURCES (USES):			
Transfers in:			
Sale of fixed assets	-	2,787	(2,787)
Family counseling fund	500	500	-
Delinquent tax revolving funds	200,000	200,000	-
Total transfers in	<u>200,500</u>	<u>203,287</u>	<u>(2,787)</u>
Transfers (out):			
Airport fund	(200,000)	(200,000)	-
Law library fund	(5,500)	(5,500)	-
Child care fund	(160,000)	(160,000)	-
Tri-county work camp fund	(375,000)	(375,000)	-
ROD automation fund	(38,000)	(34,075)	3,925
Airport water/sewer fund	-	(20,000)	(20,000)
Total transfers (out)	<u>(778,500)</u>	<u>(794,575)</u>	<u>(16,075)</u>

**COUNTY OF HOUGHTON, MICHIGAN**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)**  
**For the Year Ended September 30, 2011**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Transfers to component units:			
Western UP Health Department	(230,170)	(230,169)	1
Total transfers to component units:	<u>(230,170)</u>	<u>(230,169)</u>	<u>1</u>
 TOTAL OTHER FINANCING SOURCES (USES):	 <u>(808,170)</u>	 <u>(821,457)</u>	 <u>13,287</u>
 NET CHANGE IN FUND BALANCE	 <u>\$ (271,951)</u>	 <u>452,794</u>	 <u>\$ 751,319</u>
 FUND BALANCES - BEGINNING OF YEAR		 <u>1,707,431</u>	
 FUND BALANCES - END OF YEAR		 <u>\$ 2,160,225</u>	

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

**September 30, 2011**

	Special Revenue Funds	<u>Capital Project</u> Airport Improvement Fund	Total
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 839,318	\$ 93,579	\$ 932,897
Receivables	5,376	-	5,376
Loan receivables	185,556	-	185,556
Due from state	25,776	-	25,776
Due from other funds	1,710	-	1,710
Due from other governments	388	-	388
<b>TOTAL ASSETS</b>	<b>\$ 1,058,124</b>	<b>\$ 93,579</b>	<b>\$ 1,151,703</b>
<b>LIABILITIES:</b>			
Cash overdraft	\$ 3,259	-	\$ 3,259
Accounts payable	13,266	154	13,420
Accrued payroll and wages	9,392	-	9,392
Accrued sick and vacation	3,175	-	3,175
Deferred revenue	185,556	-	185,556
<b>TOTAL LIABILITIES</b>	<b>214,648</b>	<b>154</b>	<b>214,802</b>
<b>FUND BALANCES:</b>			
Restricted	843,476	93,425	936,901
<b>TOTAL FUND BALANCES</b>	<b>843,476</b>	<b>93,425</b>	<b>936,901</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,058,124</b>	<b>\$ 93,579</b>	<b>\$ 1,151,703</b>

**COUNTY OF HOUGHTON, MICHIGAN**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**For the Year Ended September 30, 2011**

	<u>Capital Projects</u>		<u>Total</u>
	<u>Special Revenue Funds</u>	<u>Airport Improvement Fund</u>	
REVENUES:			
Property taxes	\$ 73,514	\$ -	\$ 73,514
Federal sources	2,071,411	-	2,071,411
State sources	325,470	-	325,470
Local sources	12,442	11,067	23,509
Charges for services	71,979	-	71,979
Interest	16,492	-	16,492
Other	103,429	-	103,429
<b>TOTAL REVENUES</b>	<b>2,674,737</b>	<b>11,067</b>	<b>2,685,804</b>
EXPENDITURES:			
Judicial	18,549	-	18,549
General government	16,313	-	16,313
Public safety	2,355,125	-	2,355,125
Health and welfare	471,836	-	471,836
Community and economic development	279,605	-	279,605
Capital outlay	-	39,883	39,883
Debt service	-	4,294	4,294
<b>TOTAL EXPENDITURES</b>	<b>3,141,428</b>	<b>44,177</b>	<b>3,185,605</b>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(466,691)	(33,110)	(499,801)
OTHER FINANCING SOURCES (USES):			
Transfers in (out)	594,075	-	(594,075)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>594,075</b>	<b>-</b>	<b>(594,075)</b>
NET CHANGE IN FUND BALANCE	127,384	(33,110)	94,274
FUND BALANCES - BEGINNING OF YEAR	716,092	126,535	842,627
FUND BALANCES - END OF YEAR	<b>\$ 843,476</b>	<b>\$ 93,425</b>	<b>\$ 936,901</b>



**COUNTY OF HOUGHTON, MICHIGAN**  
**NON-MAJOR GOVERNMENTAL - SPECIAL REVENUE FUNDS**  
**COMBINING BALANCE SHEET**  
**September 30, 2011**

	Region 8 - (2007) All County Grant Fund	Region 8 - (2008) All County Grant Fund	Region 8 - (2009) All County Grant Fund	Region 8 - CITZ CORP & IECGP Grant Fund	Prosecutor's Forfeiture Account Fund	Tri-County Community Corrections Fund
<b>ASSETS:</b>						
Cash and cash equivalents	\$ 216	\$ 140	\$ -	\$ 6,631	\$ 6,150	74,821
Receivables	-	-	-	-	-	1,440
Loan receivables	-	-	-	-	-	-
Due from state	-	-	2,670	-	-	11,640
Due from other funds	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 216</b>	<b>\$ 140</b>	<b>\$ 2,670</b>	<b>\$ 6,631</b>	<b>\$ 6,150</b>	<b>\$ 87,901</b>
<b>LIABILITIES:</b>						
Cash overdraft	\$ -	\$ -	600	\$ -	\$ -	-
Accounts payable	-	-	2,070	-	-	2,856
Accrued payroll and wages	-	-	-	-	-	-
Accrued sick and vacation	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>2,670</b>	<b>-</b>	<b>-</b>	<b>2,856</b>
<b>FUND BALANCES:</b>						
Restricted	216	140	-	6,631	6,150	85,045
<b>TOTAL FUND BALANCES</b>	<b>216</b>	<b>140</b>	<b>-</b>	<b>6,631</b>	<b>6,150</b>	<b>85,045</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 216</b>	<b>\$ 140</b>	<b>\$ 2,670</b>	<b>\$ 6,631</b>	<b>\$ 6,150</b>	<b>\$ 87,901</b>

**COUNTY OF HOUGHTON, MICHIGAN**  
**NON-MAJOR GOVERNMENTAL - SPECIAL REVENUE FUNDS**  
**COMBINING BALANCE SHEET**  
**September 30, 2011**

	Tri-County Work Camp Fund	Special Equipment & Reward Fund	Drug Enforcement Fund	A.L.E.R.T. Fund	ORV Equipment Fund	Friend of The Court Fund
<b>ASSETS:</b>						
Cash and cash equivalents	\$ 38,582	\$ 10,668	\$ 3,008	\$ 21,588	\$ 3,691	\$ 21,876
Receivables	2,208	-	-	-	-	-
Loan receivables	-	-	-	-	-	-
Due from state	-	-	-	-	-	660
Due from other funds	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 40,790</b>	<b>\$ 10,668</b>	<b>\$ 3,008</b>	<b>\$ 21,588</b>	<b>\$ 3,691</b>	<b>\$ 22,536</b>
<b>LIABILITIES:</b>						
Cash overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	5,835	-	-	-	-	36
Accrued payroll and wages	7,848	-	-	-	-	-
Accrued sick and vacation	3,175	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>16,858</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>36</b>
<b>FUND BALANCES:</b>						
Restricted	23,932	10,668	3,008	21,588	3,691	22,500
<b>TOTAL FUND BALANCES</b>	<b>23,932</b>	<b>10,668</b>	<b>3,008</b>	<b>21,588</b>	<b>3,691</b>	<b>22,500</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 40,790</b>	<b>\$ 10,668</b>	<b>\$ 3,008</b>	<b>\$ 21,588</b>	<b>\$ 3,691</b>	<b>\$ 22,536</b>

**COUNTY OF HOUGHTON, MICHIGAN**  
**NON-MAJOR GOVERNMENTAL - SPECIAL REVENUE FUNDS**  
**COMBINING BALANCE SHEET**  
**September 30, 2011**

	Land Bank Authority Fund	2008 Delinquent Property Tax Sale Fund	2009 Delinquent Property Tax Sale Fund	2010 Delinquent Property Tax Sale Fund	2011 Delinquent Property Tax Sale Fund	ROD Automation Fund	Law Library Fund
<b>ASSETS:</b>							
Cash and cash equivalents	\$ 2,068	\$ 15,350	\$ 37,019	\$ 72,750	\$ 50,394	\$ 77,518	\$ 6,854
Receivables	-	-	-	-	-	-	-
Loan receivables	-	-	-	-	-	-	-
Due from state	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	1,710	-
Due from other governments	-	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 2,068</b>	<b>\$ 15,350</b>	<b>\$ 37,019</b>	<b>\$ 72,750</b>	<b>\$ 50,394</b>	<b>\$ 79,228</b>	<b>\$ 6,854</b>
<b>LIABILITIES:</b>							
Cash overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	-	-	-	-	-	461
Accrued payroll and wages	-	-	-	-	-	-	-
Accrued sick and vacation	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>461</b>
<b>FUND BALANCES:</b>							
Restricted	2,068	15,350	37,019	72,750	50,394	79,228	6,393
<b>TOTAL FUND BALANCES</b>	<b>2,068</b>	<b>15,350</b>	<b>37,019</b>	<b>72,750</b>	<b>50,394</b>	<b>79,228</b>	<b>6,393</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 2,068</b>	<b>\$ 15,350</b>	<b>\$ 37,019</b>	<b>\$ 72,750</b>	<b>\$ 50,394</b>	<b>\$ 79,228</b>	<b>\$ 6,854</b>

**COUNTY OF HOUGHTON, MICHIGAN**  
**NON-MAJOR GOVERNMENTAL - SPECIAL REVENUE FUNDS**  
**COMBINING BALANCE SHEET**  
**September 30, 2011**

	Houghton- Keweenaw Trail Rescue Fund	Grant Fund	Corrections Officers Training Fund	Justice Training Fund	EECBG Fund	CDBG Housing Fund	Department of Human Services Fund
<b>ASSETS:</b>							
Cash and cash equivalents	\$ 661	\$ 13	\$ 7,828	\$ -	\$ -	\$ 36,503	\$ 58,098
Receivables	-	-	-	-	-	-	-
Loan receivables	-	-	-	-	-	-	-
Due from state	-	-	-	1,987	-	-	-
Due from other funds	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 661</b>	<b>\$ 13</b>	<b>\$ 7,828</b>	<b>\$ 1,987</b>	<b>\$ -</b>	<b>\$ 36,503</b>	<b>\$ 58,098</b>
<b>LIABILITIES:</b>							
Cash overdraft	\$ -	\$ -	\$ -	\$ 393	\$ -	\$ -	\$ -
Accounts payable	-	-	-	580	-	-	315
Accrued payroll and wages	-	-	-	-	-	-	-
Accrued sick and vacation	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>973</b>	<b>-</b>	<b>-</b>	<b>315</b>
<b>FUND BALANCES:</b>							
Restricted	661	13	7,828	1,014	-	36,503	57,783
<b>TOTAL FUND BALANCES</b>	<b>661</b>	<b>13</b>	<b>7,828</b>	<b>1,014</b>	<b>-</b>	<b>36,503</b>	<b>57,783</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 661</b>	<b>\$ 13</b>	<b>\$ 7,828</b>	<b>\$ 1,987</b>	<b>\$ -</b>	<b>\$ 36,503</b>	<b>\$ 58,098</b>

**COUNTY OF HOUGHTON, MICHIGAN**  
**NON-MAJOR GOVERNMENTAL - SPECIAL REVENUE FUNDS**  
**COMBINING BALANCE SHEET**  
**September 30, 2011**

	Department of Veteran Affairs Fund	Child Care Fund	Veteran's Trust Fund	Family Counseling Fund	EDC Revolving Loan Fund	Total
<b>ASSETS:</b>						
Cash and cash equivalents	\$ 42,698	\$ 124,541	\$ -	\$ 22,091	\$ 97,561	\$ 839,318
Receivables	1,728	-	-	-	-	5,376
Loan receivables	-	-	-	-	185,556	185,556
Due from state	-	6,105	2,714	-	-	25,776
Due from other funds	-	-	-	-	-	1,710
Due from other governments	388	-	-	-	-	388
<b>TOTAL ASSETS</b>	<b>\$ 44,814</b>	<b>\$ 130,646</b>	<b>\$ 2,714</b>	<b>\$ 22,091</b>	<b>\$ 283,117</b>	<b>\$ 1,058,124</b>
<b>LIABILITIES:</b>						
Cash overdraft	\$ -	\$ -	\$ 2,266	\$ -	\$ -	\$ 3,259
Accounts payable	50	564	447	-	52	13,266
Accrued payroll and wages	1,544	-	-	-	-	9,392
Accrued sick and vacation	-	-	-	-	-	3,175
Deferred revenue	-	-	-	-	185,556	185,556
<b>TOTAL LIABILITIES</b>	<b>1,594</b>	<b>564</b>	<b>2,713</b>	<b>-</b>	<b>185,608</b>	<b>214,648</b>
<b>FUND BALANCES:</b>						
Restricted	43,220	130,082	1	22,091	97,509	843,476
<b>TOTAL FUND BALANCES</b>	<b>43,220</b>	<b>130,082</b>	<b>1</b>	<b>22,091</b>	<b>97,509</b>	<b>843,476</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 44,814</b>	<b>\$ 130,646</b>	<b>\$ 2,714</b>	<b>\$ 22,091</b>	<b>\$ 283,117</b>	<b>\$ 1,058,124</b>

**COUNTY OF HOUGHTON, MICHIGAN**  
**NON-MAJOR GOVERNMENTAL - SPECIAL REVENUES FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**For the Year Ended September 30, 2011**

	Region 8 - (2007) All County Grant Fund	Region 8 - (2008) All County Grant Fund	Region 8 - (2009) All County Grant Fund	Region 8 - CITZ CORP & IECGP Grant Fund	Prosecutor's Forfeiture Account Fund	Tri-County Community Corrections Fund
REVENUES:						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	-
Federal sources	916,435	878,856	2,670	6,631	-	-
State sources	-	-	-	988	-	121,099
Local sources	-	-	-	-	-	-
Charges for services	-	-	-	-	-	21,194
Interest	-	-	-	-	-	-
Other revenues	-	-	-	-	-	-
<b>TOTAL REVENUES</b>	<b>916,435</b>	<b>878,856</b>	<b>2,670</b>	<b>7,619</b>	<b>-</b>	<b>142,293</b>
EXPENDITURES:						
Judicial	-	-	-	-	-	-
General government	-	-	-	-	-	-
Public safety	901,527	878,860	2,670	988	-	144,938
Health and welfare	-	-	-	-	-	-
Community and economic development	-	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>901,527</b>	<b>878,860</b>	<b>2,670</b>	<b>988</b>	<b>-</b>	<b>144,938</b>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	14,908	(4)	-	6,631	-	(2,645)
OTHER FINANCING SOURCES (USES):						
Transfers in (out)	-	-	-	-	-	-
NET CHANGE IN FUND BALANCE	14,908	(4)	-	6,631	-	(2,645)
FUND BALANCES - BEGINNING OF YEAR	(14,692)	144	-	-	6,150	87,690
FUND BALANCES - END OF YEAR	\$ 216	\$ 140	\$ -	\$ 6,631	\$ 6,150	\$ 85,045

**COUNTY OF HOUGHTON, MICHIGAN**  
**NON-MAJOR GOVERNMENTAL - SPECIAL REVENUES FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**For the Year Ended September 30, 2011**

	Tri-County Work Camp Fund	Special Equipment & Reward Fund	Drug Enforcement Fund	A.L.E.R.T. Fund	ORV Equipment Fund	Friend of The Court Fund
REVENUES:						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal sources	-	-	-	-	-	-
State sources	-	-	-	-	-	1,140
Local sources	-	6,947	-	5,495	-	-
Charges for services	25,911	-	-	-	-	7,270
Interest	-	121	29	-	-	-
Other revenues	-	-	-	-	-	-
<b>TOTAL REVENUES</b>	<b>25,911</b>	<b>7,068</b>	<b>29</b>	<b>5,495</b>	<b>-</b>	<b>8,410</b>
EXPENDITURES:						
Judicial	-	-	-	-	-	9,844
General government	-	-	-	-	-	-
Public safety	377,599	10,663	-	2,840	-	-
Health and welfare	-	-	-	-	-	-
Community and economic development	-	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>377,599</b>	<b>10,663</b>	<b>-</b>	<b>2,840</b>	<b>-</b>	<b>9,844</b>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(351,688)	(3,595)	29	2,655	-	(1,434)
OTHER FINANCING SOURCES (USES):						
Transfers in (out)	375,000	-	-	-	-	-
NET CHANGE IN FUND BALANCE	23,312	(3,595)	29	2,655	-	1,434
FUND BALANCES - BEGINNING OF YEAR	620	14,263	2,979	18,933	3,691	23,934
FUND BALANCES - END OF YEAR	\$ 23,932	\$ 10,668	\$ 3,008	\$ 21,588	\$ 3,691	\$ 22,500

**COUNTY OF HOUGHTON, MICHIGAN**  
**NON-MAJOR GOVERNMENTAL - SPECIAL REVENUES FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**For the Year Ended September 30, 2011**

	Land Bank Authority Fund	2008 Delinquent Property Tax Sale Fund	2009 Delinquent Property Tax Sale Fund	2010 Delinquent Property Tax Sale Fund	2011 Delinquent Property Tax Sale Fund	ROD Automation Fund	Law Library Fund
<b>REVENUES:</b>							
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Local sources	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	4,500
Interest	43	-	-	780	-	282	-
Other revenues	4,496	15,350	-	50	50,394	-	-
<b>TOTAL REVENUES</b>	<b>4,539</b>	<b>15,350</b>	<b>-</b>	<b>830</b>	<b>50,394</b>	<b>282</b>	<b>4,500</b>
<b>EXPENDITURES:</b>							
Judicial	-	-	-	-	-	-	8,705
General government	-	-	-	-	-	16,313	-
Public safety	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-
Community and economic development	16,065	-	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>16,065</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16,313</b>	<b>8,705</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(11,526)</b>	<b>15,350</b>	<b>-</b>	<b>830</b>	<b>50,394</b>	<b>(16,031)</b>	<b>(4,205)</b>
<b>OTHER FINANCING SOURCES (USES):</b>							
Transfers in (out)	-	-	-	-	-	34,075	5,500
<b>NET CHANGE IN FUND BALANCE</b>	<b>(11,526)</b>	<b>15,350</b>	<b>-</b>	<b>830</b>	<b>50,394</b>	<b>18,044</b>	<b>1,295</b>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<b>13,594</b>	<b>-</b>	<b>37,019</b>	<b>71,920</b>	<b>-</b>	<b>61,184</b>	<b>5,098</b>
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 2,068</b>	<b>\$ 15,350</b>	<b>\$ 37,019</b>	<b>\$ 72,750</b>	<b>\$ 50,394</b>	<b>\$ 79,228</b>	<b>\$ 6,393</b>



**COUNTY OF HOUGHTON, MICHIGAN**  
**NON-MAJOR GOVERNMENTAL - SPECIAL REVENUES FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**For the Year Ended September 30, 2010**

	Houghton- Keweenaw Trail Rescue Fund	Grant Fund	Corrections Officers Training Fund	Justice Training Fund	EECBG Fund	CDBG Housing Fund	Department of Human Services Fund
REVENUES:							
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal sources	-	3,000	-	-	84,608	179,211	-
State sources	-	-	-	5,961	-	-	-
Local sources	-	-	-	-	-	-	-
Charges for services	-	-	4,688	-	-	-	-
Interest	-	-	-	-	-	-	-
Other revenues	3	-	-	-	-	-	-
<b>TOTAL REVENUES</b>	<b>3</b>	<b>3,000</b>	<b>4,688</b>	<b>5,961</b>	<b>84,608</b>	<b>179,211</b>	<b>-</b>
EXPENDITURES:							
Judicial	-	-	-	-	-	-	-
General government	-	-	-	-	-	-	-
Public safety	-	22,997	3,567	8,476	-	-	-
Health and welfare	-	-	-	-	-	-	61,067
Community and economic development	-	-	-	-	43,155	209,060	-
<b>TOTAL EXPENDITURES</b>	<b>-</b>	<b>22,997</b>	<b>3,567</b>	<b>8,476</b>	<b>43,155</b>	<b>209,060</b>	<b>61,067</b>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	3	(19,997)	1,121	(2,515)	41,453	(29,849)	(61,067)
OTHER FINANCING SOURCES (USES):							
Transfers in (out)	-	20,000	-	-	-	-	-
NET CHANGE IN FUND BALANCE	3	3	1,121	(2,515)	41,453	(29,849)	(61,067)
FUND BALANCES - BEGINNING OF YEAR	658	10	6,707	3,529	(41,453)	66,352	118,850
FUND BALANCES - END OF YEAR	\$ 661	\$ 13	\$ 7,828	\$ 1,014	\$ -	\$ 36,503	\$ 57,783

**COUNTY OF HOUGHTON, MICHIGAN**  
**NON-MAJOR GOVERNMENTAL - SPECIAL REVENUES FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**For the Year Ended September 30, 2011**

	Department of Veteran Affairs Fund	Child Care Fund	Veteran's Trust Fund	Family Counseling Fund	EDC Revolving Loan Fund	Total
<b>REVENUES:</b>						
Property taxes	\$ 73,514	\$ -	\$ -	\$ -	\$ -	73,514
Federal sources	-	-	-	-	-	2,071,411
State sources	-	181,006	15,276	-	-	325,470
Local sources	-	-	-	-	-	12,442
Charges for services	-	4,849	-	3,567	-	71,979
Interest	-	-	-	-	15,237	16,492
Other revenues	4,548	-	-	-	28,588	103,429
<b>TOTAL REVENUES</b>	<b>78,062</b>	<b>185,855</b>	<b>15,276</b>	<b>3,567</b>	<b>43,825</b>	<b>2,674,737</b>
<b>EXPENDITURES:</b>						
Judicial	-	-	-	-	-	18,549
General government	-	-	-	-	-	16,313
Public safety	-	-	-	-	-	2,355,125
Health and welfare	59,113	337,967	13,214	475	-	471,836
Community and economic development	-	-	-	-	11,325	279,605
<b>TOTAL EXPENDITURES</b>	<b>59,113</b>	<b>337,967</b>	<b>13,214</b>	<b>475</b>	<b>11,325</b>	<b>3,141,428</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>18,949</b>	<b>(152,112)</b>	<b>2,062</b>	<b>3,092</b>	<b>32,500</b>	<b>(466,691)</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in (out)	-	160,000	-	500	-	594,075
<b>NET CHANGE IN FUND BALANCE</b>	<b>18,949</b>	<b>7,888</b>	<b>2,062</b>	<b>2,592</b>	<b>32,500</b>	<b>127,384</b>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<b>24,271</b>	<b>122,194</b>	<b>(2,061)</b>	<b>19,499</b>	<b>65,009</b>	<b>716,092</b>
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 43,220</b>	<b>\$ 130,082</b>	<b>\$ 1</b>	<b>\$ 22,091</b>	<b>\$ 97,509</b>	<b>\$ 843,476</b>

**COUNTY OF HOUGHTON, MICHIGAN**  
**NON-MAJOR ENTERPRISE FUNDS**  
**COMBINING STATEMENT OF NET ASSETS**  
**September 30, 2011**

	911 Fund	Airport Water/Sewer Fund	Passenger Facility Charge Fund	Marina Fund	Car Rental Fund	Total
<b>ASSETS:</b>						
Current assets:						
Cash	\$ 514,053	\$ -	\$ 264,117	\$ 79,543	\$ 31,538	\$ 889,251
Account receivables (net)	131,371	10,588	8,580	145	-	150,684
Inventory	-	-	-	15,049	-	15,049
Prepaid expense	451	-	-	2,205	-	2,656
<b>Total current assets:</b>	<b>645,875</b>	<b>10,588</b>	<b>272,697</b>	<b>96,942</b>	<b>31,538</b>	<b>1,057,640</b>
Non-current assets:						
Capital assets - net of accumulated depreciation	107,454	-	-	31,814	-	139,268
<b>Total non-current assets:</b>	<b>107,454</b>	<b>-</b>	<b>-</b>	<b>31,814</b>	<b>-</b>	<b>139,268</b>
<b>TOTAL ASSETS</b>	<b>\$ 753,329</b>	<b>\$ 10,588</b>	<b>\$ 272,697</b>	<b>\$ 128,756</b>	<b>\$ 31,538</b>	<b>\$ 1,196,908</b>
<b>LIABILITIES:</b>						
Cash overdraft	\$ -	\$ 10,944	\$ -	\$ -	\$ -	\$ 10,944
Accounts payable	93,548	612	-	179	4,341	98,680
Accrued payroll and wages	180	-	-	2,010	-	2,190
Due to other funds	-	-	568,494	-	-	568,494
<b>TOTAL LIABILITIES</b>	<b>93,728</b>	<b>11,556</b>	<b>568,494</b>	<b>2,189</b>	<b>4,341</b>	<b>680,308</b>
<b>NET ASSETS:</b>						
Invested in capital assets net of related debt	107,454	-	-	31,814	-	139,268
Unrestricted	552,147	(968)	(295,797)	94,753	27,197	377,332
<b>TOTAL NET ASSETS</b>	<b>659,601</b>	<b>(968)</b>	<b>(295,797)</b>	<b>126,567</b>	<b>27,197</b>	<b>516,600</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 753,329</b>	<b>\$ 10,588</b>	<b>\$ 272,697</b>	<b>\$ 128,756</b>	<b>\$ 31,538</b>	<b>\$ 1,196,908</b>

**COUNTY OF HOUGHTON, MICHIGAN**  
**NON-MAJOR ENTERPRISE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET ASSETS**  
**For the Year Ended September 30, 2011**

	911 Fund	Airport Water/Sewer Fund	Passenger Facility Charge Fund	Marina Fund	Car Rental Fund	Total
<b>OPERATING REVENUES:</b>						
Charges for services	\$ 546,649	\$ 48,669	\$ 91,506	\$ 264,050	\$ 18,456	\$ 969,330
Other revenues	-	10,032	-	2,169	-	12,201
<b>TOTAL OPERATING REVENUES</b>	<b>546,649</b>	<b>58,701</b>	<b>91,506</b>	<b>266,219</b>	<b>18,456</b>	<b>981,531</b>
<b>OPERATING EXPENSES:</b>						
Personnel services	60,996	-	-	47,073	-	108,069
Supplies	1,919	-	-	178,648	-	180,567
Other services and charges	396,973	66,257	82,037	23,647	8,629	577,543
Depreciation	24,405	-	-	3,164	-	27,569
<b>TOTAL OPERATING EXPENSES:</b>	<b>484,293</b>	<b>66,257</b>	<b>82,037</b>	<b>252,532</b>	<b>8,629</b>	<b>893,748</b>
<b>OPERATING INCOME (LOSS)</b>	<b>62,356</b>	<b>(7,556)</b>	<b>9,469</b>	<b>13,687</b>	<b>9,827</b>	<b>87,783</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>						
Interest earnings	3,682	-	1,499	-	-	5,181
<b>TOTAL NON-OPERATING REVENUES (EXPENSES):</b>	<b>3,682</b>	<b>-</b>	<b>1,499</b>	<b>-</b>	<b>-</b>	<b>5,181</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>66,038</b>	<b>(7,556)</b>	<b>10,968</b>	<b>13,687</b>	<b>9,827</b>	<b>92,964</b>
<b>CHANGE IN NET ASSETS</b>	<b>66,038</b>	<b>(7,556)</b>	<b>10,968</b>	<b>13,687</b>	<b>9,827</b>	<b>92,964</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>593,563</b>	<b>6,588</b>	<b>(306,765)</b>	<b>112,880</b>	<b>17,370</b>	<b>423,636</b>
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 659,601</b>	<b>\$ (968)</b>	<b>\$ (295,797)</b>	<b>\$ 126,567</b>	<b>\$ 27,197</b>	<b>\$ 516,600</b>

**COUNTY OF HOUGHTON**  
**NON-MAJOR ENTERPRISE FUNDS**  
**COMBINING STATEMENTS OF CASH FLOWS**

**For the Year Ended September 30, 2011**

	911 Fund	Airport Water/Sewer System	Passenger Facility Charge Fund	Marina Fund	Car Rental System	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Receipts from customers	\$ 547,632	\$ 56,310	\$ 90,961	\$ 266,304	\$ 18,456	\$ 979,663
Cash paid to employees and suppliers	<u>(465,292)</u>	<u>(67,770)</u>	<u>(82,037)</u>	<u>(258,197)</u>	<u>(5,288)</u>	<u>(878,584)</u>
Net cash provided by operating activities	<u>82,340</u>	<u>(11,460)</u>	<u>8,924</u>	<u>8,107</u>	<u>13,168</u>	<u>101,079</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Operating subsidies and transfers to other funds	<u>-</u>	<u>-</u>	<u>82,037</u>	<u>-</u>	<u>-</u>	<u>82,037</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Interest and dividends	<u>3,682</u>	<u>-</u>	<u>1,499</u>	<u>-</u>	<u>-</u>	<u>5,181</u>
Net cash provided by investing activities	<u>3,682</u>	<u>-</u>	<u>1,499</u>	<u>-</u>	<u>-</u>	<u>5,181</u>
Net (decrease) in cash and cash equivalents	86,022	(11,460)	92,460	8,107	13,168	188,297
Balances – beginning of the year	<u>428,031</u>	<u>516</u>	<u>171,657</u>	<u>71,436</u>	<u>18,370</u>	<u>690,010</u>
Balances – end of the year	<u>\$ 514,053</u>	<u>\$ (10,944)</u>	<u>\$ 264,117</u>	<u>\$ 79,543</u>	<u>\$ 31,538</u>	<u>\$ 878,307</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	\$ 62,356	\$ (7,556)	\$ 9,469	\$ 13,687	\$ 9,827	\$ 87,783
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation expense	24,405	-	-	3,164	-	27,569
Change in assets and liabilities:						
Receivables, net	983	(2,391)	(545)	85	-	(1,868)
Inventory	-	-	-	(7,208)	-	(7,208)
Prepaid expenses	-	-	-	170	-	170
Accounts and other payables	(5,203)	9,431	-	(2,044)	3,341	5,525
Accrued expenses	<u>(201)</u>	<u>-</u>	<u>-</u>	<u>253</u>	<u>-</u>	<u>52</u>
Net cash provided by operating activities	<u>\$ 82,340</u>	<u>\$ (516)</u>	<u>\$ 8,924</u>	<u>\$ 8,107</u>	<u>\$ 13,168</u>	<u>\$ 112,023</u>

**COUNTY OF HOUGHTON, MICHIGAN  
FEDERAL AWARDS PROGRAMS  
September 30, 2011**

# RUKKILA | NEGRO AND ASSOCIATES

*Certified Public Accountants, P C*

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

The Board of Commissioners  
County of Houghton, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Houghton (the County) as of and for the year then ended September 30, 2011 which collectively comprise the County's basic financial statements and have issued our report thereon dated March 27, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiency in internal control over financial reporting as item 2011-1. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2011-2 and 2011-3.

We noted certain matters that we reported to management of the County of Houghton in a separate letter dated March 27, 2012.

Houghton County's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Houghton County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board, others within the entity and is not intended to be and should not be used by anyone other than these specified parties.

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

March 27, 2012



# RUKKILA | NEGRO AND ASSOCIATES

*Certified Public Accountants, P C*

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## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

The Board of Commissioners  
County of Houghton, Michigan

### Compliance

We have audited the County of Houghton's (the County's) compliance with the types of compliance requirements described in the *(OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended September 30, 2011. The County of Houghton's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County of Houghton's management. Our responsibility is to express an opinion on the County of Houghton's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County of Houghton's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County of Houghton's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2011.

### Internal Control Over Compliance

The management of the County of Houghton is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered County of Houghton's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of County's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance, is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

The County of Houghton's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County of Houghton's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the County's council, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

March 27, 2012

**COUNTY OF HOUGHTON, MICHIGAN**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended, September 30, 2011**

Federal Grant/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor Number	Federal Expenditures
U.S. Department of Agriculture:			
Passed through the Michigan Department of Community Health			
Food Stamps	10.551	615431S	\$ 25,421
Women, Infants and Children Program	10.557	IW100342	269,673
Passed through the Michigan Department of Natural Resources			
Schools and Roads - Title I Projects	10.665	N/A	126,096
Passed through USDA, Rural Development			
Rural Housing Service - Community Facilities Grant			
Solid Waste Transfer Station	10.766		885,966
Patrol Vehicle	10.766		3,000
Tractor Mower	10.766		50,000
Sign Vehicle	10.766		44,000
Tire Service	10.766		19,000
Road Patrol Vehicle #0015	10.766		13,000
Road Patrol Vehicle #0016 pneumonia	10.766		16,000
			<u>1,030,966</u>
Total U.S. Department of Agriculture			<u>1,452,156</u>
U.S. Department of Housing and Urban Development			
Passed through the Michigan State Housing Development Authority			
CDBG Housing Program Grant 2007-08	14.228		28,508
CDBG Housing Program Grant 2009-11	14.228		150,703
Total U.S. Department of Housing and Urban Development			<u>179,211</u>
U.S. Department of Transportation			
Passed through the Michigan Department of Transportation			
Rice Lake Road	20.205		197,400
Pike River Road ARRA 1031 (008) ARL 31049 106078	20.205	JJ 3942	31,000
Bootjack Road	20.205		27,504
Chassell-Painesdale Road	20.205		52
Main Street - Dodgeville	20.205		2,698
Smith Road	20.205		125,000
Erickson Drive Calumet Village ARUL 31437/31430 107099/107112	20.205	JJ 3438/JJ 3439	6,686
Quincy Mine Hoist #2 Roundhouse Historic Restoration	20.205	RR 7164	280,387
			<u>670,727</u>
Highway Planning & Construction - Safe Routes to School	20.205		27,575
			<u>698,302</u>
Bureau of Aeronautics and Freight Services Aviation Services Division			
Runway 7/25 Rehabilitation	20.106	3-26-0041-3009	94,133
Land Acquisition/Wildlife Assessment/Terminal Complex	20.106	3-26-0041-3310	329,762
Road Entrance Preparation and Lights	20.106	3-26-0041-3410	600,803
Road Entrance Paving and Signs	20.106	3-26-0041-3511	347,450
Land Acquisition	20.106	3-26-0041-3611	271
			<u>1,372,419</u>
Total U.S. Department of Transportation			<u>2,070,721</u>

**COUNTY OF HOUGHTON, MICHIGAN**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**(Continued)**  
**For the Year Ended, September 30, 2011**

Federal Grant/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor Number	Federal Expenditures
U.S. Department of Energy			
Passed through the Michigan Department of Energy, Labor & Economic Growth			
Bureau of Energy Systems - EECBG Multi-purpose Grant	81.128	BES-10-134	<u>84,608</u>
U.S. Department of Health and Human Services			
Passed through UPCAP			
Title IIID - Health Screening	93.043	N/A	<u>10,362</u>
U.S. Department of Health and Human Services (Continued)			
Passed through Michigan Department of Community Health			
H1N1 Pan Flu Focus Area 3	93.069	IH75TD000353	228,680
Bio-terrorism - Supplemental 10/1/10 through 7/31/11	93.069	CCU517018	114,198
Bio-terrorism - Supplemental 8/1/11 through 9/30/11	93.069	CCU517018	<u>19,194</u>
			<u>362,072</u>
Family Planning	93.217	05H000173	<u>81,693</u>
Childhood Immunization	93.268	H23 VVH522556	<u>266,444</u>
Healthy Communities	93.283	1U58DP001386	14,000
Cancer - BCCCP Coordination	93.283	U58DP000812	38,606
Cancer - Family Planning Coordinator	93.283	U58DP000812	<u>990</u>
			<u>53,596</u>
Infectious Disease Control ARRA RMCA	93.712	3H23 IP522556 0752	<u>7,455</u>
Complete Streets - ARRA	93.720	3U58DPO01973	<u>18,582</u>
Medicaid Administration - Case Management Services	93.778	5XX05MI5048	<u>83,901</u>
Maternal/Child Health Service Block Title V - Case Mgmt Services	93.994	B1MIMCHS	15,540
Maternal/Child Health Service Block Title V - Local Match	93.994	B1MIMCHS	<u>43,714</u>
			<u>59,254</u>
			<u>932,997</u>
Passed through Michigan Department of Health and Human Services			
Friend of the Court - Cooperative Reimbursement	93.563		184,823
Friend of the Court - Reimbursement Incentive	93.563		50,456
Prosecuting Attorney - Cooperative Reimbursement	93.563		<u>31,777</u>
			<u>267,056</u>
Passed through Western U.P. Substance Abuse Coordinating Services			
SAPT Block Grant	93.959		<u>63,019</u>
Total U.S. Department of Health and Human Services			<u>1,273,434</u>

**COUNTY OF HOUGHTON, MICHIGAN**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**(Continued)**  
**For the Year Ended, September 30, 2011**

Federal Grant/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor Number	Federal Expenditures
U.S. Department of Homeland Security			
Passed through the Michigan State Police			
Emergency Management Performance Grant	97.042		23,509
Homeland Security Grant Program	97.067		1,780,878
State Homeland Security Program (Citizens Corps)	97.067		3,167
			<u>1,784,045</u>
Passed through the Transportation Security Administration			
Law Enforcement Officer Reimbursement Agreement Program	97.090	07-0990-001	62,836
Total U.S. Department of Homeland Security			<u>1,870,390</u>
Total Expenditure of Federal Awards			<u>\$ 6,930,520</u>

**HOUGHTON COUNTY  
SCHEDULE OF FEDERAL ASSISTANCE  
PROVIDED TO SUB-RECIPIENTS  
SEPTEMBER 30, 2011**

<u>Program Title/Sub-recipient/Project Name</u>	<u>CFDA Number</u>	<u>Amount</u>
Homeland Security Grant Program	97.067	
Michigan Homeland Security Grant Program		
Alger County		\$ 77,478
Baraga County		87,437
Chippewa County		278,721
Delta County		182,537
Dickinson County		76,161
Gogebic County		121,570
Iron County		88,028
Keweenaw County		47,778
Luce County		61,602
Mackinac County		90,916
Marquette County		108,116
Menominee County		123,275
Ontonagon County		49,567
Schoolcraft County		95,572
		<u>\$ 1,488,758</u>

**COUNTY OF HOUGHTON, MICHIGAN**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**SEPTEMBER 30, 2011**

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**NOTE A – BASIS OF PRESENTATION**

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

**NOTE B – OVERSIGHT AGENCY**

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

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

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

**COUNTY OF HOUGHTON, MICHIGAN  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2011**

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

*Financial Statements*

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

*Federal Awards*

Internal Control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	No
Type of auditors’ report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)?	No

Identification of major programs:	CFDA #
U.S. Department of Agriculture	
Community Facilities Loans and Grant	
Solid Waste Transfer Station	10.766
U.S. Department of Transportation	
Highway Planning and Construction	
Michigan Department of Transportation	20.205
U.S. Department of Health and Human Services	
Bio Terrorism and H1N1	93.069
Immunization Grants	93.268
ARRA Immunization Grants	93.712
U.S. Department of Homeland Security	
Homeland Security Grant Program	
Region 8	97.067

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes



**COUNTY OF HOUGHTON, MICHIGAN  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

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**SECTION II - FINANCIAL STATEMENT FINDINGS**

**2011-1 – PREPARATION OF FINANCIAL STATEMENTS IN ACCORDANCE WITH GAAP**

Criteria: All entities are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of management. The preparation of financial statements in accordance with GAAP requires internal controls over both recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and reporting government-wide financial statements, including related footnotes.

Condition, Cause and Effect: The County has historically relied on its independent external auditors to assist in the preparation of the financial statements and footnotes as part of its external financial reporting process. Accordingly, the County's ability to prepare financial statements in accordance with GAAP is based, in part, on its external auditors, who cannot by definition be considered a part of the internal controls. As a result of this condition, the County lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

View of Responsible Officials: The County has evaluated the benefits of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the County to outsource this task to its external auditors. The finance department has the knowledge, expertise and education relative to preparing GAAP financial statements and will carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

**Instances of Non-compliance**

**2011-2 - BUDGET**

Condition/Criteria: Public Act 621 of 1978, Section 18 (1) as amended, provides that counties shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the County of Houghton had actual expenditures and budgeted expenditures. The approved budgets of these funds were adopted on an activity and/or program level. During the year ended September 30, 2011, the County of Houghton incurred expenditures which were in excess of the amounts appropriated as shown within the basic financial statements.

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

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

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

View of Responsible Officials: Contact Person(s) Responsible for Correction: Eric Forsberg, Controller, Corrective Action Planned: The budget will be closely monitored and budget amendments will be made accordingly. Anticipated Completion Date: September 30, 2011.

**COUNTY OF HOUGHTON, MICHIGAN**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the year ended September 30, 2011**

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**SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)**

**2011-3 - DEFICIT NET ASSETS**

Condition/Criteria: At September 30, 2011 the County of Houghton had an unrestricted equity deficit in four of their funds, as shown on page 48. Public Act 275 of 1980 requires that all deficits in any fund balance of local units be disclosed and enumerated upon in the footnotes of the financial statements. In accordance with the Act, a corrective action plan for the deficit is required to be filed with the State Treasurer within 90 days of the end of the fiscal year. As of this time, the County of Houghton has not filed such a plan.

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

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

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

View of Responsible Officials: Contact Person(s) Responsible for Correction: Eric Forsberg, Controller, Corrective Action Planned: The revenue and expenditures will be closely monitored. Anticipated Completion Date: September 30, 2011.

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

## **COMMUNICATIONS SECTION**

# RUKKILA | NEGRO AND ASSOCIATES

*Certified Public Accountants, P C*

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## COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

The Board of Commissioners  
County of Houghton, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Houghton for the year ended September 30, 2011. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, Government Auditing Standards and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 17, 2012. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Policies*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the County of Houghton are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended September 30, 2011. We noted no transactions entered into by the County of Houghton during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

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

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

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

#### *Corrected and Uncorrected Misstatements*

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

*Disagreements with Management*

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

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated March 27, 2012.

*Management Consultations with Other Independent Accountants*

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

*Other Audit Findings or Issues*

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

(Other Information in Documents Containing Audited Financial Statements)

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

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

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

We appreciate your business, thank you.

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

March 27, 2012