

*Stephenson & Company, P.C.*

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COUNTY OF OGEMAW  
WEST BRANCH, MICHIGAN

AUDITORS' REPORT  
YEAR ENDED SEPTEMBER 30, 2016

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February 28, 2017

Independent Auditors' Report

Board of Commissioners  
County of Ogemaw  
West Branch, Michigan

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Ogemaw, West Branch, Michigan, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the index.

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

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

**Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

**Opinions**

In our opinion, 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 Ogemaw, West Branch, Michigan, as of September 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### **Required Supplementary Information**

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

### **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Ogemaw's basic financial statements. The combining nonmajor fund financial statements, Ogemaw County Drain Commission - component unit fund financial statements, Economic Development Corporation - component unit fund financial statements, schedule of indebtedness, Ogemaw County Public Transit - Nonurban Regular Service Revenue Report, Ogemaw County Public Transit - Nonurban Regular Service Expense Report, Ogemaw County Public Transit - Schedule of Expenditures of Federal and State Awards, Ogemaw County Public Transit - Operating Assistance Calculation, and Ogemaw County Public Transit - Nonurban Regular Service Nonfinancial Report are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements, Ogemaw County Drain Commission - component unit fund financial statements, Economic Development Corporation - component unit fund financial statements, and schedule of indebtedness are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements, Ogemaw County Drain Commission - component unit fund financial statements, Economic Development Corporation - component unit fund financial statements, and schedule of indebtedness are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Ogemaw County Public Transit - Nonurban Regular Service Revenue Report, Ogemaw County Public Transit - Nonurban Regular Service Expense Report, Ogemaw County Public Transit - Schedule of Expenditures of Federal and State Awards, Ogemaw County Public Transit - Operating Assistance Calculation, and Ogemaw County Public Transit - Nonurban Regular Service Nonfinancial Report have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2017, included in the Single Audit Report issued under a separate cover, on our consideration of the County of Ogemaw's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of Ogemaw's internal control over financial reporting and compliance.

*Stephenson & Company, P.C.*

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**MANAGEMENT’S DISCUSSION AND ANALYSIS**

The discussion and analysis of the County of Ogemaw’s (the County) financial performance provides an overview of the County’s financial activities for the fiscal year ended September 30, 2016. The intent of this discussion and analysis is to look at the County’s financial performance as a whole. The discussion focuses on the County’s primary government and, unless otherwise noted, component units reported separately from the primary government are not included.

**Financial Highlights**

- The County’s assets exceeded its liabilities by \$5,370,251 .
- The County’s total net position decreased by \$1,442,362 due to a decrease in net position of governmental activities of \$1,324,024 and a decrease in net position of business-type activities of \$118,338.
- The County’s governmental funds reported a combined ending fund balance of \$465,296 this year, a decrease of \$251,814. The County General Fund 2016 fiscal year end *fund balance* is \$0.

**Overview of the Financial Statements**

The financial statements are organized so the reader can understand the County as a financial whole or as an entire operating entity. The statements also provide a detailed look at specific financial conditions.

The County’s basic financial statements are comprised of three components: The government-wide financial statements, fund financial statements, and notes to financial statements. The report also contains other supplementary information in addition to the basic financial statements.

**Government-wide Financial Statements**

The *statement of net position* and the *statement of activities* display information about the County as a whole. These statements include the financial activities of the primary government and its component units except for fiduciary funds. For the most part, the effect of interfund activity has been removed from the statements. The statements distinguish between those activities of the County that are governmental in nature and those that are considered business-type activities. Governmental activities are normally supported by taxes and intergovernmental revenues while business-type activities rely to a significant extent on fees and charges for services.

The statement of net position presents the financial condition of the governmental and business-type activities of the County at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or functions of the County’s governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function.

Program revenues include charges paid by the recipient for the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the County with certain limited exceptions. The comparisons of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the County.

With this report, capital assets are listed for the County of Ogemaw. These assets are comprised of buildings, building improvements, water and sewer lines, dams, radio towers, vehicles, office equipment, computer equipment and land owned by the County. These assets total over \$14.5 million. The County Treasurer performed a department-by-department inventory and evaluation of assets and categorized a depreciation schedule for assets not fully depreciated.

Property taxes for 2016 that will be received in the future are listed as *taxes receivable* and as *unavailable revenue*.

The County's component units are comprised of the Ogemaw County Drain Commission, Ogemaw County Road Commission, Ogemaw County Economic Development Corporation, and the Ogemaw County Land Bank Authority. These component units are described in the *Notes to the Financial Statements* under Note 1 – Summary of Significant Accounting Policies. The component units are legally separate and may buy, sell, lease, and mortgage property in their own name and can sue or be sued in their own name.

The Ogemaw County Drain Commission net position totaled \$533,929 and, of that amount, \$473,422 is shown as net investment in capital assets. The Ogemaw County Road Commission displays net position totaling \$32,360,912, primarily attributable to County road infrastructure. The Ogemaw County Economic Development Corporation net position is \$35,347 and the Ogemaw County Land Bank Authority net position is \$22,695.

### **Fund Financial Statements**

The County uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: *Governmental, Proprietary and Fiduciary*.

#### ***Governmental Funds:***

Governmental funds are those through which most governmental functions of the County are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the County's major governmental funds:

- General Fund – This fund accounts for all financial resources, except those required to be accounted for in another fund. Revenues are derived primarily from property taxes and state and federal distributions, grants and other intergovernmental revenue.
- Housing Commission Fund – This fund accounts for federal, state and local funding used to obtain financing and construct or rehabilitate low-income housing for qualified Ogemaw County residents.

The General Fund fund balance decreased by \$284,492 which was a decrease from the prior year's decrease of approximately \$210,000. This decrease in fund balance is primarily due to expenditures and transfers out exceeding revenues and transfers in. Transfers out decreased by \$143,000, while transfers in increased by \$181,000 mainly due to the need for an increase transfer to cover any fund deficit.

The Housing Commission Fund fund balance decreased by \$64,331 due to large increases in projects during the current year causing increases in federal revenue and property improvement program revenue offset by larger increases in related expenditures.

The Other Governmental Funds fund balance increased by \$97,009. The funds experiencing significant changes in fund balance were the Register of Deeds Automation Fund, Veterans Office Fund, and the Commissary Fund. The Register of Deeds Automation Fund saw an increase in fund balance of \$23,662 due to revenues exceeding expenditures. Compared to the prior year, expenditures were about \$39,000 less than the prior year. The Veterans Office Fund saw an increase in fund balance of \$23,569 due to revenues exceeding expenditures. There were no significant changes in activities in the Veterans Office Fund in the current year. The Commissary Fund saw an increase in fund balance of \$21,230 due to revenues exceeding expenditures. Compared to the prior year, expenditures were about \$37,000 more and revenues increased by about \$26,000.

***Proprietary Funds:***

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows.

The County's enterprise funds may be used to account for any activity for which a fee is charged to external users (citizens) for goods and services. The following are the County's major enterprise funds:

- Public Transit – This fund accounts for all activity related to providing Transportation services to the residents of the County.
- Tax Umbrella – This fund accounts for 2010 and prior delinquent property tax collection activity.
- 2015 DTRF – This fund accounts for the purchase of the 2015 delinquent taxes from other local taxing units and subsequent tax collections.
- 2014 DTRF – This fund accounts for the purchase of the 2014 delinquent taxes from other local taxing units and subsequent tax collections.
- 2013 DTRF – This fund accounts for the purchase of the 2013 delinquent taxes from other local taxing units and subsequent tax collections.
- 2012 DTRF – This fund accounts for the purchase of the 2012 delinquent taxes from other local taxing units and subsequent tax collections.
- 2011 DTRF – This fund accounts for the purchase of the 2011 delinquent taxes from other local taxing units and subsequent tax collections.

The Ogemaw County Public Transit Fund net position decreased by \$179,329, which was a decrease of approximately \$366,000 compared to the prior year, mainly due to a decrease in capital contributions of approximately \$344,000.

The Tax Umbrella Fund net position decreased by \$338,334. This decrease is larger than the prior year's decrease due primarily to the prior year having a transfer out to the General Fund of \$148,596 where the current year transfer increased to \$341,658.

The 2015 DTRF, 2014 DTRF, 2013 DTRF, 2012 DTRF, and 2011 DTRF net position increased by \$95,530, \$158,067, \$87,176, \$18,114, and \$15,790, respectively, as a result of receiving delinquent taxes during the current year.

The Other Enterprise Funds net position increased by \$24,648, which was \$15,419 lower than the prior year increase of \$40,067. This was primarily due to a decrease in the Tax Reversion Fund activity compared to the prior year of approximately \$10,000 and the County Park Fund activity compared to the prior year of approximately \$6,000.

### ***Fiduciary Funds:***

Fiduciary fund reporting focuses on net position and changes in net position. The County's agency funds account for assets held by the County for political subdivisions in which the County acts as fiscal agent for taxes, state-levied shared revenues, and fines and forfeitures collected and distributed to other political subdivisions. The County's trust funds accumulate resources for postemployment benefit payments for the County's retired employees.

### **Notes to Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided on the County *government-wide* and *fund* financial statements. The notes to financial statements are presented following the Basic Financial Statements, and provide an expansive and thorough view of various aspects of the audited financial statements.

The Ogemaw County Drain Commission, Ogemaw County Road Commission, Ogemaw County Economic Development Corporation, and the Ogemaw County Land Bank Authority related financial data are included throughout the notes to financial statements.

### **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents combining and individual fund statements and schedules.

### **Government -Wide Financial Analysis**

#### **Summary of Net Position:**

The following summarizes the net position of the County of Ogemaw at September 30, 2016 and 2015:

	<b>Net Position Summary</b>			
	<b><u>Governmental Activities</u></b>	<b><u>Business-Type Activities</u></b>	<b><u>September 30, 2016</u></b>	<b><u>September 30, 2015</u></b>
Current Assets	\$ 1,428,380	\$ 7,080,506	\$ 8,508,886	\$ 9,787,773
Other Noncurrent Assets	1,927,945	0	1,927,945	1,853,249
Capital Assets – net	<u>7,025,361</u>	<u>351,029</u>	<u>7,376,390</u>	<u>7,672,627</u>
<b>Total Assets</b>	<b><u>10,381,686</u></b>	<b><u>7,431,535</u></b>	<b><u>17,813,221</u></b>	<b><u>19,313,649</u></b>
<b>Deferred Outflows of Resources</b>	<b><u>3,388,521</u></b>	<b><u>111,444</u></b>	<b><u>3,499,965</u></b>	<b><u>1,324,106</u></b>
Current Liabilities	449,327	63,100	512,427	1,630,278
Long-Term Liabilities	<u>15,060,107</u>	<u>340,152</u>	<u>15,400,259</u>	<u>12,194,864</u>
<b>Total Liabilities</b>	<b><u>15,509,434</u></b>	<b><u>403,252</u></b>	<b><u>15,912,686</u></b>	<b><u>13,825,142</u></b>
<b>Deferred Inflows of Resources</b>	<b><u>29,087</u></b>	<b><u>1,162</u></b>	<b><u>30,249</u></b>	<b><u>0</u></b>
<b>Net Position</b>				
Net Investment in				
Capital Assets	1,599,978	351,029	1,951,007	2,071,545
Restricted	2,304,859	0	2,304,859	2,212,789
Unrestricted	<u>(5,673,151)</u>	<u>6,787,536</u>	<u>1,114,385</u>	<u>2,528,279</u>
<b>Total Net Position</b>	<b><u>\$ (1,768,314)</u></b>	<b><u>\$ 7,138,565</u></b>	<b><u>\$ 5,370,251</u></b>	<b><u>\$ 6,812,613</u></b>

## Summary of Changes in Net Position:

Following is an analysis of the changes in net position for the periods ended September 30, 2016 and 2015:

Generally speaking, the County's net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for acquisition, construction, or improvement of those assets. The County of Ogemaw, through its governing body, i.e., Board of Commissioners, has taken a sensible approach regarding capital asset acquisition and amortization of the incurred debt. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors or laws/regulations of other governments.

The County Board of Commissioners has prudently set aside funds to offset potential personnel and/or administrative liabilities. It is the County's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Year Ended</u> <u>September 30, 2016</u>	<u>Year Ended</u> <u>September 30, 2015</u>
Program Revenue:				
Charges for Services	\$ 3,144,162	\$ 345,123	\$ 3,489,285	\$ 3,435,662
Operating Grants and Contributions	2,116,154	481,163	2,597,317	2,464,123
Capital Grants and Contributions	<u>13,000</u>	<u>0</u>	<u>13,000</u>	<u>353,453</u>
Total Program Revenue	<u>5,273,316</u>	<u>826,286</u>	<u>6,099,602</u>	<u>6,253,238</u>
General Revenue:				
Property Taxes	5,737,588	239,286	5,976,874	5,868,894
State Revenue Sharing	469,850	0	469,850	462,446
Investment Earnings	5,078	284,495	289,573	266,164
Contributions of Capital Assets	0	54,000	54,000	(32,000)
Gain (Loss) on Disposal of Capital Assets	250	6,000	6,250	(33,627)
Other	165,889	4,835	170,724	232,702
Transfers	341,658	(341,658)	0	0
Special Item – Payable Forgiveness	<u>18,706</u>	<u>0</u>	<u>18,706</u>	<u>0</u>
Total General Revenue, Transfers, and Special Item	<u>6,739,019</u>	<u>246,958</u>	<u>6,985,977</u>	<u>6,764,579</u>
Total Revenue, Transfers, and Special Item	<u>12,012,335</u>	<u>1,073,244</u>	<u>13,085,579</u>	<u>13,017,817</u>
Program Expenses:				
General Government:				
Legislative and Executive	130,930	0	130,930	136,142
Judicial	2,001,389	0	2,001,389	1,949,665
Financial and Tax Administration	1,139,647	0	1,139,647	922,104
Other General Government	1,895,745	0	1,895,745	1,609,042
Public Safety	5,368,668	0	5,368,668	4,586,866
Public Transit	0	1,044,996	1,044,996	958,585
Public Works	144,288	0	144,288	157,610
Health and Welfare	2,030,654	0	2,030,654	2,036,577
Community and Economic Development	426,082	0	426,082	100,879
Interest and Fees on Long-Term Debt	198,956	0	198,956	204,015
Delinquent Tax Revolving	0	0	0	52,901
County Park	0	33,881	33,881	35,322
Tax Reversion	<u>0</u>	<u>112,705</u>	<u>112,705</u>	<u>119,698</u>
Total Expenses	<u>13,336,359</u>	<u>1,191,582</u>	<u>14,527,941</u>	<u>12,869,406</u>
<b>Change in Net Position</b>	(1,324,024)	(118,338)	(1,442,362)	148,411
<b>Beginning Net Position (Restated)</b>	<u>(444,290)</u>	<u>7,256,903</u>	<u>6,812,613</u>	<u>6,664,202</u>
<b>Ending Net Position (Restated)</b>	<u>\$ (1,768,314)</u>	<u>\$ 7,138,565</u>	<u>\$ 5,370,251</u>	<u>\$ 6,812,613</u>

## **Governmental Activities**

The *Statement of Activities* illustrates, by department, the expense incurred and revenue received. Total governmental activities reveal revenues of \$5,273,316 from *Charges for Services, Operating Grants and Contributions, and Capital Grants and Contributions*. The *Charges for Services* are fees for real estate transfers/recordings, fine and forfeitures related to judicial activity, and licenses and permits. While revenue collected is substantial, operating expenses totaled \$13,336,359 for these same activities. The largest expenses were incurred by Other General Government offices (\$1,895,745), Circuit, District, and Probate Courts (\$2,001,389), Health and Welfare (\$2,030,654) and Public Safety (\$5,368,668).

## **Business-Type Activities**

Ogemaw County's *Business-Type Activities* include the Ogemaw County Public Transit, Tax Umbrella, 2015 DTRF, 2014 DTRF, 2013 DTRF, 2012 DTRF, and 2011 DTRF activities related to delinquent tax collection; as well as the County Park and Tax Reversion activities. The business-type activities reveal revenues of \$826,286 from *Charges for Services, Operating Grants and Contributions, and Capital Grants and Contributions*. The *Charges for Services* are for fees associated with the collection of property taxes, sales of property forfeited to the County for delinquent property taxes, camping fees at the County Park, and fare revenue at the Ogemaw County Public Transit. The operating expenses for these same activities totaled \$1,191,582, the largest of which were incurred by the Public Transit (\$1,044,996).

## **Financial Analysis of County Funds**

As noted earlier in this report, the County uses fund accounting to ensure and demonstrate compliance with finance-related statutory and legal requirements. A thorough review and examination of fund types will reveal the strengths and weaknesses of its daily operations.

### **Governmental Funds**

Governmental funds are those through which most governmental functions of the County are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the County's major governmental funds: 1) General Fund – accounts for all financial resources, except those required to be accounted for in another fund. Revenues are derived primarily from property taxes and state and federal distributions, grants and other intergovernmental revenue; and 2) Housing Commission Fund – accounts for federal, state and local funding used to obtain financing and construct or rehabilitate low-income housing for qualified Ogemaw County residents.

The other governmental funds of the County account for property taxes, grants and other resources whose use is restricted for a particular purpose.

This year's County audit, following GASB 34 format, shows 34 funds. These funds are maintained by the County Treasurer as separate units in the general ledger.

### **Enterprise Funds**

The County's enterprise funds provide the same type of information found in the government-wide financial statements. Departments such as County Park, Tax Reversion, Delinquent Tax Revolving, and Ogemaw County Public Transit comprise these funds. GASB 34 places such funds under the caption of *Propriety Funds* under the appropriate statements, i.e., *Statement of Net Position, Statement of Cash Flows, etc.*

## **Budgetary Highlights**

The year ending September 30, 2016 was a financially challenging year for the County of Ogemaw. Both external and internal pressures forced the Board of Commissioners, elected officials, department heads, and employees to work cohesively and in collaboration to mitigate potential problems. To help mitigate potential financial problems, the Commissioners maintain a Capital Improvement Fund.

The County began the year with a \$284,492 General Fund fund balance. At year's end, the General Fund fund balance decreased to \$0. The General Fund actual revenue of \$9,509,566 versus final amended budgeted revenue of \$9,977,780 netted an unfavorable variance of \$468,214 due mainly to budgeting for insurance reimbursement revenue that was primarily used to offset related expenditures. The variance between the original and final budgeted revenue (increase of approximately \$674,000) was due primarily to an increase of about \$200,000 in senior tax millage revenue budgeted originally at prior year amount, and an increase of about \$348,000 in the revenue budgeted for insurance proceeds, not originally budgeted for, among various other increases and decreases.

Actual expenditures of the General Fund were \$8,963,287 versus final amended budgeted expenditures of \$9,689,444 showing a favorable variance of \$726,157 due mainly to budgeting about \$349,000 for roof repairs due to hail damage that was offset by insurance proceeds as well as other various increases and decreases. The variance between the original and final budgeted expenditures (increase of approximately \$1,070,000) was due primarily to an increase in budgeted expenditures for the roof repairs due to hail damage of about \$349,000, increases in public safety expenditures of about \$253,000, and increases in health and welfare expenditures of about \$216,000, as well as various other increases and decreases.

## **Capital Asset and Debt Administration**

### **Capital Assets**

Capital assets are defined by the County as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at *historical cost* or *estimated historical cost* if purchased or constructed. Donated capital assets are recorded at estimated FMV (fair market value) at the date of donation.

The County's infrastructure consists of roads and bridges. Improvements are capitalized, i.e., depreciated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of enterprise fund capital assets is also capitalized.

Capital Assets – Governmental Activities beginning balance was \$13,071,951 with an ending balance of \$13,141,845. Governmental Activities Total Capital Assets – Net of Depreciation was \$7,025,361. An expanded and detailed presentation may be seen in Note 6 of the audit, notes to financial statements.

During 2016, the County's governmental capital asset additions totaled \$110,622. The additions consisted of the purchase of two new 2017 Ford Police Interceptors, defibrillators, BS&A Software, antenna system, and tactical HSGP equipment. Disposals for the year included two Ford Crown Victoria Police Interceptor vehicles, which were both fully depreciated.

Capital Assets - Business Type Activities beginning balance was \$1,433,680 with an ending balance of \$1,360,802. Current year additions consisted of \$54,000 for three new transit buses donated by other units of government. Current year disposals consisted of the disposal of three buses, which were fully depreciated. Business-Type Activities Total Capital Assets – Net of Depreciation was \$351,029. An expanded and detailed presentation may be seen in Note 6 of the audit, notes to financial statements.

### **Long-Term Debt**

The Long-Term debt of the County of Ogemaw, as noted on the financial statements contained herein, is comprised of debt related to direct business transactions by the County Board of Commissioners or business trade activity on the part of a local unit of government.

At year's end, long-term debt amounted to \$15,400,259. Such debt includes *Bonds Payable* and the related *Deferred Amounts for Issuance Premium* (Primary Government), *Net Pension Liability*, *Net OPEB Obligation* (Primary Government), and *Compensated Absences*. That is, accumulated vested vacation benefits payable and contingent liability for the accumulated sick leave benefits of County employees. An expanded detailed presentation may be seen in Note 7 of the audit, notes to financial statements.

### **Net Pension Liability**

At September 30, 2016, the County's Net Pension Liability amounted to \$8,875,989. This constitutes their unfunded pension benefit obligation as of the measurement date of the Municipal Employees' Retirement System Plan.

Additional information on the County's Net Pension Liability can be found in Note 12 of this report.

### **Economic Factors**

Ogemaw County is uniquely situated in Northeast Lower Michigan which is a tourist haven abounding in streams, lakes, forests, beaches, retail trade and a myriad of tourist-related activity. While the County realized significant growth during the last 10 years, the recent economic downturn has resulted in a migration of residents from the region.

The County faces a dualistic challenge. It is historically confronted with very high regional unemployment; high illiteracy and low newborn birth weights, as well as, the exodus of its young adult population due to insufficient economic opportunity. Lower investment earnings and stressed state and federal budgets further challenge the region's populace.

For some time, Ogemaw County reaped the benefits of the migration north of southern Michigan residents. Unfortunately, the downturn of the housing market and failures in the banking industry have resulted in lower land values, decreased property tax revenues and fewer new residents in our region. With few manufacturing concerns to fall back on during economic recession, the County must rely on its mainstay economic activities of tourism, agriculture, and local government along with its service and retail trade.

County budgetary operations will continue to experience the effect of the interplay between the positive and negative aspects of this northern Michigan rural area. County officials will be faced with the challenges inherent with state budgetary deficits and challenges. These same officials have implemented many cost-saving and budgetary measures to keep pace with state mandated budget measures and inflation. Increasingly, extra-voted millage proposals may be the tool of last resort to fund some County services.

### **Component Units**

Complete financial statements for the Ogemaw County Drain Commission are included in this audit report.

Complete financial statements for the Ogemaw County Road Commission may be obtained from the Ogemaw County Road Commission's administrative office located at 1250 South M-33, West Branch, Michigan 48661.

Complete financial statements of the Ogemaw County Economic Development Corporation are included in this audit report.

Complete financial statements of the Ogemaw County Land Bank Authority are included in this audit report.

### **Requests for Information**

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Ogemaw County Clerk, 806 W. Houghton Avenue, West Branch, Michigan 48661.

COUNTY OF OGEMAW  
West Branch, Michigan

STATEMENT OF NET POSITION  
September 30, 2016

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>Assets</b>				
Cash and Cash Equivalents (Note 3)	\$ 366,929	\$ 146	\$ 367,075	\$ 1,415,608
Investments (Note 3)	101,184	4,617,571	4,718,755	749,224
Receivables:				
Property Taxes	1,061,212	0	1,061,212	0
Delinquent Taxes	0	1,474,588	1,474,588	0
Special Assessments	0	0	0	53,053
Accounts, Net	227,885	13,040	240,925	13,390
Interest Receivable	17	5,082	5,099	0
Mortgages Receivable	50,443	0	50,443	0
Due from Local Units	46,847	0	46,847	0
Due from Component Units (Note 5)	38,245	0	38,245	0
Due from State	401,037	52,317	453,354	642,365
Due from Other Units of Government	2,212	50,131	52,343	0
Internal Balances	(867,631)	867,631	0	0
Prepaid Items	0	0	0	226,630
Inventory	0	0	0	535,640
Noncurrent Assets:				
Long-Term Mortgages Receivable	1,927,945	0	1,927,945	0
Capital Assets Not Being Depreciated (Note 6)	255,553	0	255,553	22,242,506
Capital Assets, Net of Accumulated Depreciation (Note 6)	6,769,808	351,029	7,120,837	12,574,306
Total Assets	<u>10,381,686</u>	<u>7,431,535</u>	<u>17,813,221</u>	<u>38,452,722</u>
<b>Deferred Outflows of Resources</b>				
Deferred Amounts Related to Pensions (Note 13)	2,836,910	111,444	2,948,354	1,190,221
Deferred Charge on Refunding	551,611	0	551,611	0
Total Deferred Outflows of Resources	<u>3,388,521</u>	<u>111,444</u>	<u>3,499,965</u>	<u>1,190,221</u>
<b>Liabilities</b>				
Accounts Payable	201,497	18,271	219,768	442,195
Due to Primary Government (Note 5)	0	0	0	38,245
Due to Local Units	35,175	11,676	46,851	0
Due to Other Units of Government	30,669	24,419	55,088	19,023
Advances Payable	0	0	0	141,889
Accrued Interest Payable	71,135	0	71,135	0
Accrued Liabilities	78,851	8,734	87,585	68,520
Unearned Revenue - State Grants	32,000	0	32,000	5,883
Long Term Liabilities: (Note 7)				
Due Within One Year	256,113	8,890	265,003	200,324
Due In More Than One Year	6,237,352	21,915	6,259,267	1,126,383
Net Pension Liability	8,566,642	309,347	8,875,989	4,647,598
Total Liabilities	<u>15,509,434</u>	<u>403,252</u>	<u>15,912,686</u>	<u>6,690,060</u>
<b>Deferred Inflows of Resources</b>				
Deferred Amounts Related to Pension (Note 13)	29,087	1,162	30,249	0
<b>Net Position</b>				
Net Investment in Capital Assets	1,599,978	351,029	1,951,007	34,294,600
Restricted For:				
Judicial	1,404	0	1,404	0
Public Safety	63,992	0	63,992	0
Health and Welfare	148,792	0	148,792	0
County Roads (Deficit)	0	0	0	(1,460,266)
Debt Service	0	0	0	14,853
Capital Projects	0	0	0	45,654
Community and Economic Development	1,980,465	0	1,980,465	35,347
Other State Mandated Programs	110,206	0	110,206	0
Unrestricted (Deficit)	<u>(5,673,151)</u>	<u>6,787,536</u>	<u>1,114,385</u>	<u>22,695</u>
Total Net Position	<u>\$ (1,768,314)</u>	<u>\$ 7,138,565</u>	<u>\$ 5,370,251</u>	<u>\$ 32,952,883</u>

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

COUNTY OF OGEMAW  
West Branch, Michigan

STATEMENT OF ACTIVITIES  
For the Year Ended September 30, 2016

Function/Program	Net (Expense) Revenue and Changes in Net Position							Component Units
	Expenses	Program Revenues			Primary Government		Total	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities		
<u>Primary Government</u>								
Governmental Activities:								
General Government:								
Legislative and Executive	\$ 130,930	\$ 0	\$ 0	\$ 0	\$ (130,930)	\$ 0	\$ (130,930)	
Judicial:								
Circuit Court	259,658	23,590	0	0	(236,068)	0	(236,068)	
District Court	834,225	917,941	52,423	0	136,139	0	136,139	
Probate Court	529,391	45,424	149,094	0	(334,873)	0	(334,873)	
Other Judicial	378,115	33,258	441,462	0	96,605	0	96,605	
Financial and Tax Administration	1,139,647	220,635	0	0	(919,012)	0	(919,012)	
Other General Government	1,895,745	483,448	44,537	0	(1,367,760)	0	(1,367,760)	
Public Safety:								
Sheriff	1,473,608	19,790	48,946	13,000	(1,391,872)	0	(1,391,872)	
Jail	2,005,575	702,659	5,330	0	(1,297,586)	0	(1,297,586)	
Building and Zoning	235,621	298,159	0	0	62,538	0	62,538	
Other Public Safety	1,653,864	339,084	337,974	0	(976,806)	0	(976,806)	
Public Works:								
Airport	55,729	0	0	0	(55,729)	0	(55,729)	
Other Public Works	88,559	0	79,033	0	(9,526)	0	(9,526)	
Health and Welfare:								
Probate Child Care	988,250	36,523	536,180	0	(415,547)	0	(415,547)	
Other Health and Welfare	1,042,404	0	0	0	(1,042,404)	0	(1,042,404)	
Community and Economic Development	426,082	23,651	421,175	0	18,744	0	18,744	
Interest and Fees on Long- Term Debt	198,956	0	0	0	(198,956)	0	(198,956)	
Total Governmental Activities	<u>13,336,359</u>	<u>3,144,162</u>	<u>2,116,154</u>	<u>13,000</u>	<u>(8,063,043)</u>	<u>0</u>	<u>(8,063,043)</u>	

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

COUNTY OF OGEMAW  
West Branch, Michigan

STATEMENT OF ACTIVITIES  
For the Year Ended September 30, 2016

Function/Program	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
<b>Business-Type Activities:</b>								
Delinquent Tax Revolving	\$ 0	\$ 95,067	\$ 0	\$ 0	\$ 0	\$ 95,067	\$ 95,067	
County Park	33,881	22,943	6,703	0	0	(4,235)	(4,235)	
Tax Reversion	112,705	136,106	0	0	0	23,401	23,401	
Public Transit	1,044,996	91,007	474,460	0	0	(479,529)	(479,529)	
Total Business-Type Activities	<u>1,191,582</u>	<u>345,123</u>	<u>481,163</u>	<u>0</u>	<u>0</u>	<u>(365,296)</u>	<u>(365,296)</u>	
Total Primary Government	<u>\$ 14,527,941</u>	<u>\$ 3,489,285</u>	<u>\$ 2,597,317</u>	<u>\$ 13,000</u>	<u>(8,063,043)</u>	<u>(365,296)</u>	<u>(8,428,339)</u>	
<b>Component Units</b>								
Drain Commission	\$ 118,049	\$ 1,316	\$ 0	\$ 0				\$ (116,733)
Road Commission	5,984,986	836,130	3,856,990	1,264,193				(27,673)
Economic Development	21,847	0	23,000	0				1,153
Land Bank Authority	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>				<u>0</u>
Total Component Units	<u>\$ 6,124,882</u>	<u>\$ 837,446</u>	<u>\$ 3,879,990</u>	<u>\$ 1,264,193</u>				<u>(143,253)</u>

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

COUNTY OF OGEMAW  
West Branch, Michigan

STATEMENT OF ACTIVITIES  
For the Year Ended September 30, 2016

Function/Program	Net (Expense) Revenue and Changes in Net Position							
	Program Revenues			Primary Government			Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities		Total
General Revenue:								
Property Taxes Levied For:								
General Operating					\$ 5,020,524	\$ 0	\$ 5,020,524	\$ 0
Payment in Lieu of Taxes					7,515	0	7,515	0
Veterans Services					99,829	0	99,829	0
Public Transit					0	239,286	239,286	0
Senior Services					609,720	0	609,720	0
State Revenue Sharing					469,850	0	469,850	0
Contributions from Local Units					0	0	0	3,500
Interest and Investment Earnings					5,078	284,495	289,573	11,060
Contributions of Capital Assets					0	54,000	54,000	0
Gain (Loss) on Disposal of Capital Assets					250	6,000	6,250	115,789
Other					165,889	4,835	170,724	27,436
Transfers					341,658	(341,658)	0	0
Special Item - Payable Forgiveness					18,706	0	18,706	0
Total General Revenue, Transfers, and Special Item					<u>6,739,019</u>	<u>246,958</u>	<u>6,985,977</u>	<u>157,785</u>
Change in Net Position					(1,324,024)	(118,338)	(1,442,362)	14,532
Net Position - Beginning (Restated) (Note 18)					<u>(444,290)</u>	<u>7,256,903</u>	<u>6,812,613</u>	<u>32,938,351</u>
Net Position - Ending					<u>\$ (1,768,314)</u>	<u>\$ 7,138,565</u>	<u>\$ 5,370,251</u>	<u>\$ 32,952,883</u>

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

COUNTY OF OGEMAW  
West Branch, Michigan

BALANCE SHEET  
GOVERNMENTAL FUNDS  
September 30, 2016

	<u>General Fund</u>	<u>Special Revenue Funds Housing Commission Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>				
Cash and Cash Equivalents (Note 3)	\$ 0	\$ 225	\$ 366,704	\$ 366,929
Investments (Note 3)	101,184	0	0	101,184
Receivables:				
Property Taxes	1,061,212	0	0	1,061,212
Accounts, Net	108,309	49,175	70,401	227,885
Interest Receivable	17	0	0	17
Mortgages Receivable	0	50,443	0	50,443
Due from Local Units	18,361	0	28,486	46,847
Due from State	218,262	0	182,775	401,037
Due from Other Units of Government	0	0	2,212	2,212
Due from Other Funds (Note 5)	584,076	0	181,134	765,210
Noncurrent Assets:				
Long-Term Mortgages Receivable	<u>0</u>	<u>1,927,945</u>	<u>0</u>	<u>1,927,945</u>
<b>Total Assets</b>	<b><u>\$ 2,091,421</u></b>	<b><u>\$ 2,027,788</u></b>	<b><u>\$ 831,712</u></b>	<b><u>\$ 4,950,921</u></b>
<u>Liabilities</u>				
Accounts Payable	\$ 119,044	\$ 47,281	\$ 35,172	\$ 201,497
Due to Other Funds (Note 5)	1,365,650	0	228,946	1,594,596
Due to Local Units	35,175	0	0	35,175
Due to Other Units of Government	11,133	42	19,494	30,669
Accrued Liabilities	62,773	0	16,078	78,851
Unearned Revenue	<u>0</u>	<u>0</u>	<u>32,000</u>	<u>32,000</u>
<b>Total Liabilities</b>	<b><u>1,593,775</u></b>	<b><u>47,323</u></b>	<b><u>331,690</u></b>	<b><u>1,972,788</u></b>
<u>Deferred Inflows of Resources</u>				
Unavailable Revenue - Property Taxes	461,370	0	0	461,370
Unavailable Revenue - Mortgages	0	1,978,388	0	1,978,388
Unavailable Revenue - Grants	27,990	0	36,803	64,793
Unavailable Revenue - Administrative Billing	<u>8,286</u>	<u>0</u>	<u>0</u>	<u>8,286</u>
<b>Total Deferred Inflows of Resources</b>	<b><u>497,646</u></b>	<b><u>1,978,388</u></b>	<b><u>36,803</u></b>	<b><u>2,512,837</u></b>
<u>Fund Equity</u>				
Fund Balances: (Note 19)				
Restricted	0	2,077	324,394	326,471
Committed	<u>0</u>	<u>0</u>	<u>138,825</u>	<u>138,825</u>
<b>Total Fund Equity</b>	<b><u>0</u></b>	<b><u>2,077</u></b>	<b><u>463,219</u></b>	<b><u>465,296</u></b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Equity</b>	<b><u>\$ 2,091,421</u></b>	<b><u>\$ 2,027,788</u></b>	<b><u>\$ 831,712</u></b>	<b><u>\$ 4,950,921</u></b>

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

COUNTY OF OGEMAW  
West Branch, Michigan

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
September 30, 2016

Total Governmental Fund Balances		\$	465,296
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. Capital assets at year end consist of:			
Capital Assets Cost		\$	13,141,845
Accumulated Depreciation			<u>(6,116,484)</u>
			7,025,361
Other assets are not available to pay for current period expenditures and, therefore, are unavailable in the governmental funds:			
Real and Personal Property Taxes			461,370
Mortgages Receivable			1,978,388
Administrative Billing Receivable			8,286
Grants Receivable			<u>64,793</u>
			2,512,837
Accrued Interest on Long-Term Liabilities			(71,135)
Governmental funds report actual pension expenditures for the fiscal year, whereas the governmental activities will recognize the net pension liability as of the measurement date. Pension contributions subsequent to the measurement date will be deferred in the statement of net position. In addition, resources related to changes of assumptions, differences between expected and actual experience, and differences between projected and actual pension plan investment earnings will be deferred over time in the government-wide financial statements. These amounts consist of:			
Deficit Investment Return			1,692,648
Change in Assumptions			663,358
Change in Experience			(29,087)
Employer Pension Contributions			<u>480,904</u>
			2,807,823
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year end consist of:			
Bonds Payable (Net of Unamortized Premium and Deferred Amounts on Refunding)			(5,425,383)
Net OPEB Obligation			(178,234)
Net Pension Liability			(8,566,642)
Compensated Absences Payable			<u>(338,237)</u>
Total Long-Term Liabilities			<u>(14,508,496)</u>
Total Net Position - Governmental Activities		\$	<u><u>(1,768,314)</u></u>

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

COUNTY OF OGEMAW  
West Branch, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended September 30, 2016

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
		<u>Housing Commission Fund</u>		
<u>Revenue</u>				
Property Taxes	\$ 5,611,283	\$ 0	\$ 99,829	\$ 5,711,112
Federal Grants and Revenue	212,654	368,100	194,165	774,919
State Grants and Revenue	573,253	0	782,858	1,356,111
State Shared Revenue	460,257	0	0	460,257
Local Grants	0	158,661	0	158,661
Licenses and Permits	315,905	0	0	315,905
Charges for Services	2,231,295	0	88,792	2,320,087
Fines and Forfeits	31,873	0	1,543	33,416
Interest and Rentals	23,884	4,521	0	28,405
Other Revenue	49,162	23	476,449	525,634
Total Revenue	<u>9,509,566</u>	<u>531,305</u>	<u>1,643,636</u>	<u>11,684,507</u>
<u>Expenditures</u>				
Current:				
General Government:				
Legislative and Executive	121,083	0	0	121,083
Judicial	1,512,474	0	347,157	1,859,631
Financial and Tax Administration	946,392	0	0	946,392
Other General Government	1,509,425	0	94,624	1,604,049
Public Safety	3,708,513	0	813,519	4,522,032
Public Works	140,482	0	0	140,482
Health and Welfare	953,336	0	1,064,510	2,017,846
Community and Economic Development	12,794	595,636	0	608,430
Capital Outlay	58,788	0	43,452	102,240
Debt Service:				
Principal	0	0	200,000	200,000
Interest and Fiscal Charges	0	0	175,550	175,550
Total Expenditures	<u>8,963,287</u>	<u>595,636</u>	<u>2,738,812</u>	<u>12,297,735</u>
Excess of Revenue Over (Under) Expenditures	<u>546,279</u>	<u>(64,331)</u>	<u>(1,095,176)</u>	<u>(613,228)</u>
<u>Other Financing Sources (Uses)</u>				
Sale of Capital Assets	1,050	0	0	1,050
Operating Transfers In (Note 10)	341,658	0	1,173,479	1,515,137
Operating Transfers Out (Note 10)	<u>(1,173,479)</u>	<u>0</u>	<u>0</u>	<u>(1,173,479)</u>
Total Other Financing Sources (Uses)	<u>(830,771)</u>	<u>0</u>	<u>1,173,479</u>	<u>342,708</u>
<u>Special Item (Note 1)</u>				
Probate Court Payable Forgiveness	<u>0</u>	<u>0</u>	<u>18,706</u>	<u>18,706</u>
Net Change in Fund Balances	(284,492)	(64,331)	97,009	(251,814)
Fund Balances - Beginning of Year	<u>284,492</u>	<u>66,408</u>	<u>366,210</u>	<u>717,110</u>
Fund Balances - End of Year	<u>\$ 0</u>	<u>\$ 2,077</u>	<u>\$ 463,219</u>	<u>\$ 465,296</u>

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

COUNTY OF OGEMAW  
West Branch, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
For the Year Ended September 30, 2016

Total Net Change in Fund Balances - Governmental Funds	\$	(251,814)
Amounts reported for governmental activities in the statement of activities are different because:		
Receivables not currently available are reported as revenue when collected or when currently available in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements:		
Real and Personal Property Taxes	\$	26,476
Mortgages Receivable		82,653
Administrative Billing Receivable		582
Grants Receivable		41,291
Net difference		151,002
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital Outlay		110,622
Current Year Depreciation Expense		(331,713)
Net difference		(221,091)
Principal repayments on long-term debt are reported as expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. The amount of repayments reported as expenditures in the governmental funds consist of:		
Bonds Payable		200,000
Governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of long-term liabilities is as follows:		
Amortization of Bond Costs/Premiums		(24,301)
Governmental funds report County pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned, net of employee contributions, is reported as pension expense. The following amounts represent the current year net changes:		
Current Year Pension Expense		(1,746,052)
Actual Pension Contributions From the Beginning of the Fiscal Year through the Measurement Date		145,115
Deferred Outflow for Pension Contributions Subsequent to Measurement Date		480,904
Net difference		(1,120,033)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:		
Net Change in Net OPEB Obligation		4,081
Net Change in Accrued Interest		1,667
Net Change in Accrued Compensated Absences		(63,535)
Net difference		(57,787)
Change in Net Position of Governmental Activities	\$	(1,324,024)

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

COUNTY OF OGEMAW  
West Branch, Michigan

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
September 30, 2016

	Enterprise Funds								Total
	Major Funds							Other Enterprise Funds	
	Ogemaw County Public Transit	Tax Umbrella	2015 DTRF	2014 DTRF	2013 DTRF	2012 DTRF	2011 DTRF		
<u>Assets</u>									
Current Assets									
Cash and Cash Equivalents (Note 3)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 146	\$ 146
Investments (Note 3)	308,668	0	0	1,300,091	502,752	1,004,404	1,201,656	300,000	4,617,571
Receivables:									
Delinquent Taxes	0	4,201	1,176,038	218,768	46,769	20,053	8,759	0	1,474,588
Accounts, Net	3,492	0	0	2,853	250	0	0	6,445	13,040
Interest Receivable	139	0	0	2,158	900	234	1,004	647	5,082
Due from State (Note 4)	52,317	0	0	0	0	0	0	0	52,317
Due from Other Units of Government	782	442	0	0	552	0	0	48,355	50,131
Due from Other Funds (Note 5)	<u>281,194</u>	<u>12,376,373</u>	<u>1,357,225</u>	<u>1,220,314</u>	<u>2,200,330</u>	<u>1,876,113</u>	<u>1,793,074</u>	<u>539,758</u>	<u>21,644,381</u>
Total Current Assets	646,592	12,381,016	2,533,263	2,744,184	2,751,553	2,900,804	3,004,493	895,351	27,857,256
Noncurrent Assets:									
Capital Assets, Net of Accumulated Depreciation (Note 6)	<u>345,439</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,590</u>	<u>351,029</u>
Total Assets	<u>992,031</u>	<u>12,381,016</u>	<u>2,533,263</u>	<u>2,744,184</u>	<u>2,751,553</u>	<u>2,900,804</u>	<u>3,004,493</u>	<u>900,941</u>	<u>28,208,285</u>
<u>Deferred Outflows of Resources</u>									
Deferred Amounts Related to Pensions (Note 13)	<u>111,444</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>111,444</u>
<u>Liabilities</u>									
Current Liabilities:									
Accounts Payable	5,631	0	0	0	0	0	0	12,640	18,271
Due to Other Funds (Note 5)	18,000	8,214,351	2,437,733	2,477,683	2,414,787	2,532,145	2,613,031	69,020	20,776,750
Due to Local Units	0	0	0	11,676	0	0	0	0	11,676
Due to Other Units of Government	100	19,023	0	0	0	3,089	2,207	0	24,419
Accrued Liabilities	8,734	0	0	0	0	0	0	0	8,734
Current Portion of Long-Term Liabilities (Note 7)	<u>8,890</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>8,890</u>
Total Current Liabilities	<u>41,355</u>	<u>8,233,374</u>	<u>2,437,733</u>	<u>2,489,359</u>	<u>2,414,787</u>	<u>2,535,234</u>	<u>2,615,238</u>	<u>81,660</u>	<u>20,848,740</u>

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

COUNTY OF OGEMAW  
West Branch, Michigan

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
September 30, 2016

Enterprise Funds

Major Funds

	Ogemaw County Public Transit	Tax Umbrella	2015 DTRF	2014 DTRF	2013 DTRF	2012 DTRF	2011 DTRF	Other Enterprise Funds	Total
Long-Term Liabilities: (Note 7)									
Due in More Than One Year	\$ 21,915	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 21,915
Net Pension Liability	<u>309,347</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>309,347</u>
Total Long-Term Liabilities	<u>331,262</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>331,262</u>
Total Liabilities	<u>372,617</u>	<u>8,233,374</u>	<u>2,437,733</u>	<u>2,489,359</u>	<u>2,414,787</u>	<u>2,535,234</u>	<u>2,615,238</u>	<u>81,660</u>	<u>21,180,002</u>
<u>Deferred Inflows of Resources</u>									
Deferred Amounts Related to Pensions (Note 13)	<u>1,162</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,162</u>
<u>Net Position</u>									
Net Investment in Capital Assets	345,439	0	0	0	0	0	0	5,590	351,029
Unrestricted	<u>384,257</u>	<u>4,147,642</u>	<u>95,530</u>	<u>254,825</u>	<u>336,766</u>	<u>365,570</u>	<u>389,255</u>	<u>813,691</u>	<u>6,787,536</u>
Total Net Position	<u>\$ 729,696</u>	<u>\$ 4,147,642</u>	<u>\$ 95,530</u>	<u>\$ 254,825</u>	<u>\$ 336,766</u>	<u>\$ 365,570</u>	<u>\$ 389,255</u>	<u>\$ 819,281</u>	<u>\$ 7,138,565</u>

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

COUNTY OF OGEMAW  
West Branch, Michigan

STATEMENT OF ACTIVITIES  
PROPRIETARY FUNDS  
For the Year Ended September 30, 2016

	Enterprise Funds							Other Enterprise Funds	Total
	Major Funds								
	Ogemaw County Public Transit	Tax Umbrella	2015 DTRF	2014 DTRF	2013 DTRF	2012 DTRF	2011 DTRF		
<u>Operating Revenue</u>									
Charges For Services	\$ 86,552	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 136,106	\$ 222,658
Tax Collection Fees	0	0	49,306	34,836	8,753	1,323	716	0	94,934
User Fees	0	0	0	0	0	0	0	22,943	22,943
Interest and Penalties on Taxes	0	2,782	46,224	120,036	73,735	14,578	10,403	0	267,758
Other Revenue	4,455	0	0	0	0	0	0	4,835	9,290
Total Operating Revenue	<u>91,007</u>	<u>2,782</u>	<u>95,530</u>	<u>154,872</u>	<u>82,488</u>	<u>15,901</u>	<u>11,119</u>	<u>163,884</u>	<u>617,583</u>
<u>Operating Expenses</u>									
Salaries and Wages	470,873	0	0	0	0	0	0	939	471,812
Payroll Taxes and Employee Benefits	239,709	0	0	0	0	0	0	90	239,799
Administrative Costs	56,480	0	0	0	0	0	0	0	56,480
Advertising	1,950	0	0	0	0	0	0	293	2,243
Building Maintenance	6,819	0	0	0	0	0	0	0	6,819
Communications	585	0	0	0	0	0	0	0	585
Contractual Services	3,125	0	0	0	0	0	0	1,280	4,405
Depreciation	128,020	0	0	0	0	0	0	1,126	129,146
Dues and Subscriptions	862	0	0	0	0	0	0	150	1,012
Equipment	6,289	0	0	0	0	0	0	0	6,289
Gasoline and Oil	64,519	0	0	0	0	0	0	162	64,681
Insurance and Bonds	20,530	0	0	0	0	0	0	0	20,530
Office Supplies	2,312	0	0	0	0	0	0	0	2,312
Operating Supplies	1,001	0	0	0	0	0	0	10,726	11,727
Printing and Advertising	0	0	0	0	0	0	0	50	50
Professional Fees and Services	12,400	0	0	0	0	0	0	86,535	98,935
Repair and Maintenance	15,179	0	0	0	0	0	0	4,868	20,047
Small Tools	1,284	0	0	0	0	0	0	0	1,284
Telephone	1,465	0	0	0	0	0	0	332	1,797
Travel and Training	493	0	0	0	0	0	0	250	743
Uniforms	1,429	0	0	0	0	0	0	0	1,429
Utilities	8,554	0	0	0	0	0	0	17,221	25,775
Vehicle Leases	1,118	0	0	0	0	0	0	0	1,118
Other	0	0	0	0	0	0	0	22,564	22,564
Total Operating Expenses	<u>1,044,996</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>146,586</u>	<u>1,191,582</u>
Operating Income (Loss)	<u>(953,989)</u>	<u>2,782</u>	<u>95,530</u>	<u>154,872</u>	<u>82,488</u>	<u>15,901</u>	<u>11,119</u>	<u>17,298</u>	<u>(573,999)</u>

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

COUNTY OF OGEMAW  
West Branch, Michigan

STATEMENT OF ACTIVITIES  
PROPRIETARY FUNDS  
For the Year Ended September 30, 2016

	Enterprise Funds								Total
	Major Funds						Other Enterprise Funds		
	Ogemaw County Public Transit	Tax Umbrella	2015 DTRF	2014 DTRF	2013 DTRF	2012 DTRF		2011 DTRF	
<u>Nonoperating Revenue (Expenses)</u>									
Property Taxes	\$ 239,286	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 239,286
State Grants and Revenue	312,237	0	0	0	0	0	0	0	312,237
Federal Grants and Revenue	162,223	0	0	0	0	0	0	0	162,223
Interest and Investment Earnings	914	542	0	3,195	4,688	2,213	4,671	647	16,870
Contributions	0	0	0	0	0	0	0	6,703	6,703
Gain (Loss) on Disposal of Capital Assets	6,000	0	0	0	0	0	0	0	6,000
Total Nonoperating Revenue (Expenses)	<u>720,660</u>	<u>542</u>	<u>0</u>	<u>3,195</u>	<u>4,688</u>	<u>2,213</u>	<u>4,671</u>	<u>7,350</u>	<u>743,319</u>
Income (Loss) Before Capital Contributions and Transfers	<u>(233,329)</u>	<u>3,324</u>	<u>95,530</u>	<u>158,067</u>	<u>87,176</u>	<u>18,114</u>	<u>15,790</u>	<u>24,648</u>	<u>169,320</u>
<u>Capital Contributions and Transfers</u>									
Capital Contributions - Local	54,000	0	0	0	0	0	0	0	54,000
Operating Transfers Out (Note 10)	<u>0</u>	<u>(341,658)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(341,658)</u>
Total Capital Contributions and Transfers	<u>54,000</u>	<u>(341,658)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(287,658)</u>
Change in Net Position	(179,329)	(338,334)	95,530	158,067	87,176	18,114	15,790	24,648	(118,338)
Net Position - Beginning of Year (Restated) (Note 18)	<u>909,025</u>	<u>4,485,976</u>	<u>0</u>	<u>96,758</u>	<u>249,590</u>	<u>347,456</u>	<u>373,465</u>	<u>794,633</u>	<u>7,256,903</u>
Net Position - End of Year	<u>\$ 729,696</u>	<u>\$ 4,147,642</u>	<u>\$ 95,530</u>	<u>\$ 254,825</u>	<u>\$ 336,766</u>	<u>\$ 365,570</u>	<u>\$ 389,255</u>	<u>\$ 819,281</u>	<u>\$ 7,138,565</u>

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

COUNTY OF OGEMAW  
West Branch, Michigan

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Year Ended September 30, 2016

	Enterprise Funds								Total
	Major Funds							Other Enterprise Funds	
	Ogemaw County Public Transit	Tax Umbrella	2015 DTRF	2014 DTRF	2013 DTRF	2012 DTRF	2011 DTRF		
<b>Cash Flows From Operating Activities</b>									
Receipts From Customers and Taxpayers	\$ 90,235	\$ 3,124	\$ 95,530	\$ 163,434	\$ 83,983	\$ 17,904	\$ 11,309	\$ 176,599	\$ 642,118
Payments to Suppliers for Goods and Services	(207,620)	0	0	0	0	0	0	(133,594)	(341,214)
Payments to Employees for Services	(669,095)	0	0	0	0	0	0	(1,029)	(670,124)
Delinquent Taxes Collected (Purchased)	0	3,301	(1,176,038)	958,990	217,479	33,020	18,527	0	55,279
Net Cash Provided (Used) by Operating Activities	<u>(786,480)</u>	<u>6,425</u>	<u>(1,080,508)</u>	<u>1,122,424</u>	<u>301,462</u>	<u>50,924</u>	<u>29,836</u>	<u>41,976</u>	<u>(313,941)</u>
<b>Cash Flows From Non-Capital Financing Activities</b>									
Federal/State Operating Grants	544,695	0	0	0	0	0	0	0	544,695
Property Taxes	239,286	0	0	0	0	0	0	0	239,286
Operating Subsidies and Transfers From (To) Other Funds/Component Units	(281,194)	(360,827)	1,080,508	(122,425)	(1,303,151)	(551,907)	(32,504)	247,802	(1,323,698)
Intergovernmental Contributions	0	0	0	0	0	0	0	6,703	6,703
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>502,787</u>	<u>(360,827)</u>	<u>1,080,508</u>	<u>(122,425)</u>	<u>(1,303,151)</u>	<u>(551,907)</u>	<u>(32,504)</u>	<u>254,505</u>	<u>(533,014)</u>
<b>Cash Flows From Capital and Related Financing Activities</b>									
Federal/State Capital Grants	8,517	0	0	0	0	0	0	0	8,517
Proceeds from Sale of Capital Assets	6,000	0	0	0	0	0	0	0	6,000
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>14,517</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>14,517</u>
<b>Cash Flows From Investing Activities</b>									
Interest Earned	775	554	0	1,037	3,794	2,788	3,764	0	12,712
Redemption (Purchase) of Investment Securities	(774)	353,848	0	(1,001,036)	997,895	498,195	(1,096)	(300,000)	547,032
Net Cash Provided (Used) by Investing Activities	<u>1</u>	<u>354,402</u>	<u>0</u>	<u>(999,999)</u>	<u>1,001,689</u>	<u>500,983</u>	<u>2,668</u>	<u>(300,000)</u>	<u>559,744</u>
Net Decrease in Cash and Cash Equivalents	(269,175)	0	0	0	0	0	0	(3,519)	(272,694)
Cash and Cash Equivalents at Beginning of Year (Note 1)	269,175	0	0	0	0	0	0	3,665	272,840
Cash and Cash Equivalents at End of Year (Note 1)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 146</u>	<u>\$ 146</u>

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

COUNTY OF OGEMAW  
West Branch, Michigan

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Year Ended September 30, 2016

	Enterprise Funds								
	Major Funds							Other Enterprise Funds	Total
	Ogemaw County Public Transit	Tax Umbrella	2015 DTRF	2014 DTRF	2013 DTRF	2012 DTRF	2011 DTRF		
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</u>									
Operating Income (Loss)	\$ (953,989)	\$ 2,782	\$ 95,530	\$ 154,872	\$ 82,488	\$ 15,901	\$ 11,119	\$ 17,298	\$ (573,999)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:									
Depreciation Expense	128,020	0	0	0	0	0	0	1,126	129,146
Change in Assets and Liabilities:									
Receivables	(772)	3,494	(1,176,038)	956,137	219,802	33,020	18,527	12,715	66,885
Accounts and Other Payables	(4,466)	149	0	11,415	(828)	2,003	190	10,837	19,300
Net Pension Liability and Deferred Outflows and Inflows of Resources	<u>44,727</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>44,727</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (786,480)</u>	<u>\$ 6,425</u>	<u>\$ (1,080,508)</u>	<u>\$ 1,122,424</u>	<u>\$ 301,462</u>	<u>\$ 50,924</u>	<u>\$ 29,836</u>	<u>\$ 41,976</u>	<u>\$ (313,941)</u>

Supplemental Disclosures:

The County recorded noncash activity of \$54,000 in contributions from other units of government, under the Public Transit Fund, for the donation of three 2009 Ford Cutaway Vans.

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

COUNTY OF OGEMAW  
West Branch, Michigan

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
September 30, 2016

	Primary Government					Total	Component Unit
	Trust and Agency Fund	Library Penal Fines	Public Employee Health Care Fund	Inmate Trust Fund	Ogemaw County Sheriff's Posse		Ogemaw County Road Commission Retiree Health Care Trust
<u>Assets</u>							
Cash and Cash							
Equivalents (Note 3)	\$ 1,950,405	\$ 84,769	\$ 0	\$ 30,605	\$ 7,818	\$ 2,073,597	\$ 0
Investments (Note 3)	0	0	0	0	0	0	22,023
Receivables:							
Accounts, Net	23,196	0	0	0	0	23,196	0
Due from Local Units	<u>22,384</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>22,384</u>	<u>0</u>
<b>Total Assets</b>	<b><u>\$ 1,995,985</u></b>	<b><u>\$ 84,769</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 30,605</u></b>	<b><u>\$ 7,818</u></b>	<b><u>\$ 2,119,177</u></b>	<b><u>\$ 22,023</u></b>
<u>Liabilities</u>							
Accounts Payable	\$ 3,715	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,715	\$ 0
Due to Local Units	66,816	0	0	24,845	0	91,661	0
Due to State	1,715,873	0	0	0	0	1,715,873	0
Due to Other Agencies and Individuals	208,112	84,769	0	5,760	7,818	306,459	0
Undistributed Tax Collections	<u>1,469</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,469</u>	<u>0</u>
<b>Total Liabilities</b>	<b><u>\$ 1,995,985</u></b>	<b><u>\$ 84,769</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 30,605</u></b>	<b><u>\$ 7,818</u></b>	<b><u>\$ 2,119,177</u></b>	<b><u>\$ 0</u></b>
<u>Net Position</u>							
Net Position Held in Trust for Retiree Health							<b><u>\$ 22,023</u></b>

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

COUNTY OF OGEMAW  
West Branch, Michigan

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
For the Year Ended September 30, 2016

	Primary Government	Component Unit Ogemaw County Road Commission Retiree Health Care Trust
	Public Employee Health Care Fund	Trust
<u>Additions</u>		
Contributions		
Employer	\$ 36,481	\$ 29,987
Investment Income		
Net increase in the fair value of investments	0	2,211
Total Additions	36,481	32,198
<u>Deductions</u>		
Benefit Payments	36,481	29,987
Administrative Expense	0	103
Total Deductions	36,481	30,090
Change in Net Position Held in Trust	0	2,108
Net Position Held in Trust for Retiree Health:		
Beginning of Year	0	19,915
End of Year	\$ 0	\$ 22,023

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

COUNTY OF OGEMAW  
West Branch, Michigan

COMBINING STATEMENT OF NET POSITION  
COMPONENT UNITS  
September 30, 2016

	Ogemaw County Road Commission	Ogemaw County Drain Commission	Economic Development Corporation	Ogemaw County Land Bank Authority	Total
<u>Assets</u>					
Cash and Cash Equivalents (Note 3)	\$ 1,311,867	\$ 45,699	\$ 35,347	\$ 22,695	\$ 1,415,608
Investments (Note 3)	749,224	0	0	0	749,224
Receivables:					
Special Assessments	0	53,053	0	0	53,053
Accounts, Net	13,390	0	0	0	13,390
Due from State	642,365	0	0	0	642,365
Prepaid Items	226,630	0	0	0	226,630
Inventory	535,640	0	0	0	535,640
Noncurrent Assets:					
Capital Assets Not Being Depreciated (Note 6)	22,242,506	0	0	0	22,242,506
Capital Assets, Net of Accumulated Depreciation (Note 6)	12,085,980	488,326	0	0	12,574,306
Total Assets	<u>37,807,602</u>	<u>587,078</u>	<u>35,347</u>	<u>22,695</u>	<u>38,452,722</u>
<u>Deferred Outflows of Resources</u>					
Deferred Amounts Related to Pensions (Note 13)	<u>1,190,221</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,190,221</u>
<u>Liabilities</u>					
Current Liabilities					
Accounts Payable	442,195	0	0	0	442,195
Due to Primary Government (Note 5)	0	38,245	0	0	38,245
Due to Other Units of Government	19,023	0	0	0	19,023
Advances Payable	141,889	0	0	0	141,889
Accrued Liabilities	68,520	0	0	0	68,520
Unearned Revenue - State Grants	5,883	0	0	0	5,883
Long-Term Liabilities (Note 7)					
Due Within One Year	197,840	2,484	0	0	200,324
Due In More Than One Year	1,113,963	12,420	0	0	1,126,383
Net Pension Liability	4,647,598	0	0	0	4,647,598
Total Liabilities	<u>6,636,911</u>	<u>53,149</u>	<u>0</u>	<u>0</u>	<u>6,690,060</u>
<u>Net Position</u>					
Net Investment in Capital Assets	33,821,178	473,422	0	0	34,294,600
Restricted For:					
County Roads (Deficit)	(1,460,266)	0	0	0	(1,460,266)
Debt Service	0	14,853	0	0	14,853
Capital Projects	0	45,654	0	0	45,654
Economic Development	0	0	35,347	0	35,347
Unrestricted	0	0	0	22,695	22,695
Total Net Position	<u>\$ 32,360,912</u>	<u>\$ 533,929</u>	<u>\$ 35,347</u>	<u>\$ 22,695</u>	<u>\$ 32,952,883</u>

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

COUNTY OF OGEMAW  
West Branch, Michigan

COMBINING STATEMENT OF ACTIVITIES  
COMPONENT UNITS  
For the Year Ended September 30, 2016

Function/Program	Program Revenues				Net (Expense) Revenue and Changes in Net Position				Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Component Units				
					Ogemaw County Road Commission	Ogemaw County Drain Commission	Economic Development Corporation	Ogemaw County Land Bank Authority	
Governmental Activities:									
Drain Commission	\$ 118,049	\$ 1,316	\$ 0	\$ 0	\$ 0	\$ (116,733)	\$ 0	\$ 0	\$ (116,733)
Road Commission	5,984,986	836,130	3,856,990	1,264,193	(27,673)	0	0	0	(27,673)
Economic Development	21,847	0	23,000	0	0	0	1,153	0	1,153
Business-Type Activities:									
Land Bank Authority	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Component Units	<u>\$ 6,124,882</u>	<u>\$ 837,446</u>	<u>\$ 3,879,990</u>	<u>\$ 1,264,193</u>	<u>(27,673)</u>	<u>(116,733)</u>	<u>1,153</u>	<u>0</u>	<u>(143,253)</u>
General Revenue:									
Contributions from Local Units					0	3,500	0	0	3,500
Interest and Investment Earnings					11,035	25	0	0	11,060
Gain (Loss) on Disposal of Capital Assets					115,789	0	0	0	115,789
Other					27,436	0	0	0	27,436
Total General Revenue					<u>154,260</u>	<u>3,525</u>	<u>0</u>	<u>0</u>	<u>157,785</u>
Change in Net Position					126,587	(113,208)	1,153	0	14,532
Net Position - Beginning					<u>32,234,325</u>	<u>647,137</u>	<u>34,194</u>	<u>22,695</u>	<u>32,938,351</u>
Net Position - Ending					<u>\$ 32,360,912</u>	<u>\$ 533,929</u>	<u>\$ 35,347</u>	<u>\$ 22,695</u>	<u>\$ 32,952,883</u>

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

COUNTY OF OGEMAW  
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended September 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the County of Ogemaw (County) conform to accounting principles generally accepted in the United States of America (GAAP) applicable to governments. The following is a summary of the significant accounting policies:

A. Description of County Operations and Fund Types

The County of Ogemaw, (the County), was organized in 1875 and covers an area of 624 square miles divided into 14 townships, 1 village and 2 cities. The County seat is located in the City of West Branch. The County operates under a seven member elected Board of Commissioners and provides services to its more than 21,000 residents in many areas including law enforcement, administration of justice, community enrichment and development, and human services.

B. Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements of the County are not misleading. The primary government of the County consists of all funds, departments, boards, and agencies that are not legally separate from the County.

Component units are legally separate organizations for which the County is financially accountable. The primary government is financially accountable for an organization if the County appoints a voting majority of the organization's governing board and (1) the County is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

In addition, the County is also financially accountable if an organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointed by a higher level of government, or (3) a jointly appointed board.

1. Discretely Presented Component Units

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

a. Governmental Activity and Fund Type Component Units

**The Ogemaw County Drain Commission** - The Ogemaw County Drain Commission is the Agency through which the County carries on the activities related to construction and maintenance of County drains. The Drain Commission is fiscally dependent on Ogemaw County. Public Act 40 (The Drain Code) of 1956 established each drainage district as a separate legal entity with the power to contract, to sue and be sued, and to hold, manage and dispose of real and personal property. The Drain Commission may issue debt and levy special assessments without the prior approval of the County Board of Commissioners. The full faith and credit of the County may be given for debt of the drainage districts. The Drain Commission deposits its receipts with the County Treasurer. The financial statements of the Drain Commission are presented as part of Other Supplementary Information and are not audited separately.

**The Ogemaw County Road Commission** - The governing body of this component unit is elected by the residents of the County of Ogemaw. The Road Commission was established to control the expenditures of Michigan Transportation Fund money distributed to the County which is earmarked by law for street and highway construction and repair purposes. Complete financial statements for the Ogemaw County Road Commission can be obtained from the Ogemaw County Road Commission's administrative office located at 1250 South M-33, West Branch, Michigan 48661.

COUNTY OF OGEMAW  
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended September 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Reporting Entity (Continued)

**The Ogemaw County Economic Development Corporation** - The governing body of this component unit is appointed by the County Board of Commissioners. The EDC was established in 1977, under Public Act 338 of 1974, as amended. The EDC is governed by a 14 member board appointed by the County Board of Commissioners. The EDC's purpose is to support, enhance and sustain economic development in Ogemaw County. The financial statements of the EDC are presented as part of Other Supplementary Information and are not audited separately.

b. Business-Type Activity and Proprietary Fund Type Component Unit

**The Ogemaw County Land Bank Authority** - The Ogemaw County Land Bank Authority is a public corporation organized pursuant to the Michigan Land Bank Fast Track Public Act 258 and an intergovernmental agreement entered into between the Michigan Land Bank Fast Track Authority and the Treasurer of the County of Ogemaw. The Authority was legally established February 14, 2008. The Authority Board is comprised of nine members, as follows: Treasurer of Ogemaw County, at least one supervisor of a township located in Ogemaw County, six members that are residents of Ogemaw County and a representative from the City of West Branch or City of Rose City. All members, except the County Treasurer are appointed by the Ogemaw County Board. The Land Bank Authority was created to acquire, hold, manage, develop and dispose of vacant, abandoned and tax-foreclosed properties. The financial statements of the Authority, a Business-Type Activity, are presented as part of the Combining Component Unit Financial Statements and are not audited separately.

C. Joint Ventures

The County has entered into three joint ventures with governmental entities as follows:

AuSable Valley Community Mental Health Services Board

Ogemaw County, along with Iosco and Oscoda Counties, contributes to the AuSable Valley Community Mental Health Services Board. This Board operates autonomously under an appointed board (12 members) and provides services to residents in these counties under a full management contract with the Michigan Department of Mental Health. Ogemaw County's 2016 contribution to the AuSable Valley Community Mental Health Services Board was \$56,944. On dissolution of the Mental Health Services Board, the net position of the Board will be shared by each county in proportion to each county's total economic contribution since the existence of the Board. The Mental Health Board deposits their receipts with the Iosco County Treasurer, is part of Iosco County's common bank account and has investments through the County. At September 30, 2015, the most recent financial statements available, the Mental Health Board had total net position of \$2,074,454. Complete financial statements for the AuSable Valley Community Mental Health Services Board can be obtained from the Mental Health Services Board's administrative offices at 1199 Harris, Tawas City, Michigan 48763.

District Health Department No. 2

Ogemaw County, along with Alcona, Iosco and Oscoda Counties, contributes to the District Health Department No. 2. This Board operates autonomously under an appointed board and provides various health services to residents of the above aforementioned counties. The funding formula is based prorata on each unit's population and equalized valuation to the District's total population and valuations. Ogemaw County's 2016 contribution to the District Health Department No. 2 was \$128,995. The District Health Department No. 2 deposits their receipts with the Ogemaw County Treasurer through the common cash bank account. At September 30, 2016, the most recent financial statements available, the District Health Department No. 2 had total net position of \$(376,473). Complete financial statements for the District Health Department No. 2 can be obtained from the District's administrative offices at 630 Progress Street, West Branch, Michigan 48661.

COUNTY OF OGEMAW  
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended September 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Joint Ventures (Continued)

West Branch Community Airport

Ogemaw County, along with the City of West Branch, contributes to the West Branch Community Airport. The board operates autonomously under an appointed board and was established in 1965 to construct, maintain, and operate the Airport. Ogemaw County's 2016 contribution to the West Branch Community Airport was \$55,729. On dissolution of the West Branch Community Airport, the net position of the Airport will be shared by the municipalities equally. At September 30, 2015, the most recent financial statements available, the West Branch Community Airport had total net position of \$3,421,897. Complete financial statements for the West Branch Community Airport can be obtained from the Airport Board's administrative offices at 1519 W. Airport Road, West Branch, Michigan 48661.

D. Basis of Presentation

The County's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**Government-Wide Financial Statements**

The statement of net position and the statement of activities display information about the County as a whole. These statements include the financial activities of the primary government and its component units, except for fiduciary funds. For the most part, the effect of interfund activity has been removed from the statements. The statements distinguish between those activities of the County that are governmental and those that are considered business-type activities. Governmental activities are normally supported by taxes and intergovernmental revenues while business-type activities rely to a significant extent on fees and charges for support.

The statement of net position presents the financial condition of the governmental and business-type activities of the County at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the County's governmental and business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the County, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the County.

**Fund Financial Statements**

During the year, the County segregates transactions related to certain County functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the County at this more detailed level. The focus of governmental and proprietary fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type, and are excluded from the government-wide financial statements.

COUNTY OF OGEMAW  
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended September 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Fund Accounting

The County uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain County functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

**Governmental Funds**

Governmental funds are those through which most governmental functions of the County are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the County's major governmental funds:

General Fund - This fund accounts for all financial resources, except those required to be accounted for in another fund. Revenues are derived primarily from property taxes and state and federal distributions, grants and other intergovernmental revenue.

Housing Commission Fund - This fund accounts for federal, state and local funding used to obtain financing and construct or rehabilitate low income housing for qualified Ogemaw County residents.

The other governmental funds of the County account for grants and other resources whose use is restricted for a particular purpose; the accumulation of resources for, and the payment of debt; and the acquisition or construction of major capital facilities.

**Proprietary Funds**

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows.

The County's enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the County's major enterprise funds:

Public Transit - This fund accounts for all activity related to providing Transportation services to the residents of the County.

Tax Umbrella - This fund accounts for 2010 and prior delinquent property tax collection activity.

2015 DTRF - This fund accounts for the purchase of the 2015 delinquent taxes from other local taxing units and subsequent tax collections.

2014 DTRF - This fund accounts for the purchase of the 2014 delinquent taxes from other local taxing units and subsequent tax collections.

2013 DTRF - This fund accounts for the purchase of the 2013 delinquent taxes from other local taxing units and subsequent tax collections.

2012 DTRF - This fund accounts for the purchase of the 2012 delinquent taxes from other local taxing units and subsequent tax collections.

COUNTY OF OGEMAW  
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended September 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Fund Accounting (Continued)

2011 DTRF - This fund accounts for the purchase of the 2011 delinquent taxes from other local taxing units and subsequent tax collections.

The other enterprise funds of the County account for the sale of property that was forfeited by property owners to pay delinquent property taxes; delinquent property tax collections; the accumulation of resources for, and the payment of debt; and for fees collected for park services by the County.

**Fiduciary Funds**

Fiduciary fund reporting focuses on net position and changes in net position. The County's fiduciary funds consist of agency funds which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are used to account for amounts held for others in an agency capacity, primarily property tax collections, state-levied shared revenues, and fines and forfeitures. The County's fiduciary funds also consist of trust funds which accumulate resources for postemployment benefit payments for the County's retired employees.

F. Measurement Focus

**Government-Wide Financial Statements**

The government-wide financial statements are prepared using a flow of economic resources measurement focus.

All assets and all liabilities associated with the operation of the County are included on the statement of net position.

**Fund Financial Statements**

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenue, expenditures, and changes in fund balances reflects the sources (i.e., revenues and other financial sources) and uses (i.e., expenditures and other financial uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

Like the government-wide financial statements, the enterprise funds are accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of changes in revenue, expenses, and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows reflects how the County finances and meets the cash flow needs of its enterprise activities.

G. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide, proprietary and fiduciary funds financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows of resources, and in the presentation of expenses versus expenditures.

COUNTY OF OGEMAW  
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended September 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Basis of Accounting (Continued)

**Revenues – Exchange and Non-exchange Transactions**

Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the County, available means expected to be received within 60 days of the fiscal year-end.

Nonexchange transactions, in which the County receives value without directly giving equal value in return, include property taxes, sales taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied. Revenue from sales taxes is recognized in the period in which the sales are made. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the County must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the County on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before they can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: sales taxes, charges for services, fines and forfeitures, state-levied locally shared taxes (including sales tax), grants, interest and rent.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

**Expenses/Expenditures**

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

COUNTY OF OGEMAW  
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended September 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Cash and Cash Equivalents

For presentation on the financial statements, investments in cash management pools and investments with an original maturity of three months or less at the time they are purchased by the County are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

Investments are reported at fair value, except for repurchase agreements and certificates of deposit which are reported at cost which approximates fair value. Fair value is based on quoted market prices. Mutual funds are reported at current share price.

I. Receivables

Receivables generally consist of accounts (fees), sales taxes, shared revenues, property taxes, mortgages receivable, special assessments, intergovernmental grants, and interest. All receivables are net of estimated uncollectible accounts. Receivables are recognized to the extent the amounts are determined material and substantiated, not only by supporting documentation but also by a reasonable systematic method of determining their existence, completeness, valuation, and collectability.

Using this criteria, the County has elected to not record child support arrearages in the agency funds. These amounts, while potentially significant, are not considered measurable, and because collections are significantly in arrears, the County is unable to determine a reasonable value.

The allowance for doubtful accounts at September 30, 2016 was \$0 for the primary government and the component units.

J. Interfund Receivables and Payables

On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "due from/to other funds". Interfund balances within governmental activities and within business-type activities are eliminated on the government-wide statement of net position. Balances due from/to component units are reported on the government-wide statement of net position.

K. Prepaid Items

The Road Commission has made certain payments to vendors that reflect costs applicable to future fiscal years and are recorded as prepaid items in the government-wide financial statements.

L. Inventory

Inventory is presented at cost on a first-in, first-out method of accounting and is expensed when used. Inventory consists of expendable supplies held for consumption.

Road Commission inventories are charged to road construction, maintenance, equipment repairs, and operations as used. No other County inventories have been recognized in the financial statements as they are not material and have been expensed when purchased.

M. Long-Term Mortgages Receivable

Long-term mortgages receivable represent amounts due from individuals for housing loans and grants received, and are reported at their gross value.

COUNTY OF OGEMAW  
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended September 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements. Capital assets used by the enterprise funds are reported in both the business-type activities column of the government-wide statement of net position and in the respective funds.

Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs relating to maintenance and repairs are charged to expense, whereas those for renewals and betterments, when significant in amount, are capitalized.

The County's infrastructure consists of roads, bridges, dams and water and sewer lines. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of enterprise fund capital assets is also capitalized.

Capital assets are depreciated using the straight-line method over the useful lives. Useful lives for Transit assets are as defined in the Local Public Transit Revenue and Expense Manual and/or as approved by the Bureau of Passenger Transportation. The useful lives for the Primary Government and all Component Units are as follows:

<u>Descriptions</u>	<u>Estimated Lives</u>
Land Improvements	15 years
Buildings	15 - 50 years
Machinery and Equipment	3 - 25 years
Road Equipment	5 - 8 years
Shop Equipment	10 years
Office Equipment	3 - 10 years
Engineering Equipment	10 years
Yard Equipment	10 - 30 years
Vehicles and Boats	5 years
Infrastructure	20 - 50 years
Infrastructure - Bridges	12 - 50 years
Infrastructure - Roads	8 - 30 years

For the Ogemaw County Public Transit, the eligible depreciation of \$1,880 (\$128,020 total depreciation less ineligible depreciation of \$126,140) includes only the depreciation of assets purchased with local funds and where the useful life of the asset purchased has been approved by the Bureau of Passenger Transportation.

O. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from the enterprise funds are reported on the enterprise fund statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported as a liability in the fund financial statements at the time they are incurred, to the extent that they will be paid from current, expendable, financial resources. However, bonds and other long-term obligations, compensated absences, claims and judgments, contractually required pension contributions and special termination benefits that are paid from governmental funds are recognized as liabilities in the fund financial statements only to the extent that they are due for payment during the current year.

COUNTY OF OGEMAW  
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended September 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Compensated Absences

The County reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Sick leave benefits are accrued as a liability using the vesting method. An accrual for earned sick leave is made based on accumulated sick leave and the employee wage rates at year end taking into consideration limits specified in the County's termination policy. The County records a liability for sick leave earned at varying rates depending on County policy. The County records a liability for accumulated unused vacation time when earned for all employees with more than six months of service.

The entire compensated absences liability is reported on the government-wide financial statements. On the governmental fund financial statements, the current portion of unpaid compensated absences is recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts, if any, are recorded in the account "Accrued Compensated Absences Payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported in the governmental fund financial statements. For enterprise funds, the entire amount of compensated absences is reported as a fund liability.

Q. Net Pension Liability

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

R. Net Position

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The County reports three categories of net position as follows:

Net investment in capital assets - consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.

Restricted net position - net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws or buyers of the County's bonds. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets. The restricted net position shown in the Statement of Net Position is the same as the restricted fund balances detailed in Note 18, plus the Unavailable Revenue - Mortgages balance, shown on the Housing Commission Fund's Balance Sheet.

Unrestricted net position - consists of all other net position that does not meet the definition of the above two components and is available for general use by the County.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, management applies restricted net position first, unless a determination is made to use unrestricted net position. The County's policy concerning which to apply first varies with the intended use and legal requirements. Management typically makes this decision on a transactional basis at the incurrence of the expenditure.

COUNTY OF OGEMAW  
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended September 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Fund Balances

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form—pre-paid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the County Board of Commissioners—the County’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the County Board of Commissioners removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance. This classification reflects the amounts constrained by the County’s “intent” to be used for specific purposes, but are neither restricted nor committed. The County Board of Commissioners has authorized the Budget & Finance Committee to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed. If any portion of existing fund balance will be used to eliminate a projected deficit in the budget for the subsequent year, this amount would also be categorized as Assigned fund balance.

Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the County’s policy to use externally restricted resources first, then unrestricted resources—committed, assigned, and unassigned—in order as needed.

T. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the County, these revenues are charges for services for camping at the County Park, fares collected for public transit, tax collections and title collection fees. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the fund. Revenues and expenses not meeting these definitions are reported as nonoperating.

U. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/ expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/ expenses to the funds that initially paid for them are not presented on the financial statements.

COUNTY OF OGEMAW  
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended September 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

V. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board and that are either unusual in nature or infrequent in occurrence. During the fiscal year ended September 30, 2016, there was one special item. The Probate Court had a payable from fiscal year 2008 to Eagle Village, Inc. for child care. As a result of this payable being beyond the statute of limitations, collection is not likely, which resulted in \$18,706 of revenue from the forgiveness of the payable in the Probate Child Care Fund and on the Statement of Activities.

W. Budgets and Budgetary Accounting

The County of Ogemaw normally follows these procedures in establishing the budgetary data reflected in the financial statements.

1. Prior to September 1, the departments submit to the Board of Commissioners a proposed departmental operating budget for the fiscal year commencing the following October 1. This operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at the governmental center to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted through passage of an ordinance.
4. All budget appropriations lapse at year-end. Budgetary amounts reported herein are as originally adopted, and as amended by the Board of Commissioners throughout the operating year.

The County adopts budgets for the General Fund and Special Revenue Funds.

The budgets of the County are prepared on the same basis of accounting as the financial statement presentation. The budgets were adopted at the activity level.

The legal level of control is at the activity level for the General Fund, and at fund expenditure totals for the Special Revenue Funds.

The County Clerk is authorized to transfer budgeted amounts between accounts within the same department. Revisions that alter the total expenditures of any fund or total department expenditures must be approved by the County Board of Commissioners. The financial statements include budgetary amounts as amended.

X. Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Y. Reclassifications

Certain prior year amounts have been reclassified to conform with the current year presentation.

COUNTY OF OGEMAW  
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended September 30, 2016

NOTE 2 - CHANGE IN ACCOUNTING PRINCIPLES

For 2016, the County has implemented Governmental Accounting Standards Board (GASB) Statement Number 72, "Fair Value Measurement and Application" and Number 79, "Certain External Investment Pools and Pool Participants".

GASB Statement No. 72 provides guidance for determining a fair value measurement for financial reporting purposes. GASB Statement No. 79 provides guidance for determining whether certain investment pools can continue to be accounted for using amortized cost.

The adoption of these standards did not have a significant impact on the amounts reported in these financial statements.

NOTE 3 - DEPOSITS AND INVESTMENTS

At year-end, the County's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Business- Type Activities	Fiduciary Funds	Total Primary Government	Component Units
Cash and Cash Equivalents	\$ 366,929	\$ 146	\$ 2,073,597	\$ 2,440,672	\$ 1,415,608
Investments	101,184	4,617,571	0	4,718,755	771,247
Total	\$ 468,113	\$ 4,617,717	\$ 2,073,597	\$ 7,159,427	\$ 2,186,855

The breakdown between deposits and investments is as follows:

	Primary Government	Component Units
Bank Deposits (Checking and Savings Accounts and Certificates of Deposit)	\$ 6,147,970	\$ 1,661,040
Investments in Securities, Municipal Investment Account Pooled Funds, Repurchase Agreement Securities and Similar Vehicles	1,004,757	525,665
Petty Cash and Cash on Hand	6,700	150
Total	\$ 7,159,427	\$ 2,186,855

COUNTY OF OGEMAW  
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended September 30, 2016

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

As of September 30, 2016, the County had the following investments.

Investment Type	Fair Value	Weighted Average Maturities
Primary Government:		
Money Markets	\$ 1,004,499	Daily
Repurchase Agreements Securities	258	Daily
	\$ 1,004,757	
Component Units:		
Mutual Funds	\$ 22,023	Daily
Repurchase Agreement Securities	503,642	Daily
	\$ 525,665	

Interest Rate Risk

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

Credit Risk

State law authorizes investments in accordance with Act 196, PA 1997 and in investment pools as authorized by the Surplus Funds Investment Pool Act, Act No. 367 of the Public Acts of 1982, being sections 129.111 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a local government unit in Michigan. The County's repurchase sweep accounts at Mercantile Bank are unrated and the money market accounts with Morgan Stanley are rated A1 by S&P and Moody's. The Road Commission's mutual funds are rated between two and four stars by Morningstar except for CLS Domestic Equity N, which is not rated, as are the repurchase agreement securities.

Custodial Credit Risk - Deposits - Primary Government

In the case of deposits, this is the risk that in the event of a bank failure, the County's deposits may not be returned to it. As of September 30, 2016, \$7,560,903 of the County's bank balance of \$8,355,290 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk - Deposits - Component Units

In the case of deposits, this is the risk that in the event of a bank failure, the component unit's deposits may not be returned to it. As of September 30, 2016, \$12,088 of the Drain Commission's bank balance of \$45,699 was exposed to custodial credit risk, \$571,961 of the Road Commission's bank balance of \$1,560,459 was exposed to custodial credit risk, \$35,347 of the Economic Development Corporation's bank balance of \$35,347, and \$22,695 of the Land Bank Authority's bank balance of \$22,695 was exposed to custodial credit risk because they were uninsured and uncollateralized.

COUNTY OF OGEMAW  
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended September 30, 2016

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk - Primary Government

The County will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the County's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. The County's investment policy requires that no more than 60% of the total investment portfolio, with the exception of U. S. Treasury Securities, can be invested in a single security type or with a single financial institution.

Concentration of Credit Risk - Component Units

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

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the County and its Component Units will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The County and its Component Units will minimize custodial credit risk, by; limiting investments to the types of securities approved in the County's investment policy which is in accordance with State law, and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the County and its Component Units will do business.

Foreign Currency Risk

The County and its Component Units are not authorized to invest in investments which have this type of risk.

Investments

The County Board and its Component Units have adopted an investment policy in accordance with Act 196, PA 1997 which authorizes them to deposit and invest in the following:

- λ Accounts of federally insured banks, credit unions and savings and loan associations
- λ Bonds and other direct obligations of the United States or an agency or instrumentality of the United States
- λ United States government or federal agency obligation repurchase agreements
- λ Banker's acceptances of United States banks
- Commercial paper rated within the two highest classifications by not less than two standard rating services which mature not more than 270 days after the date of purchase
- Mutual funds registered under the Investment Company Act of 1940, Title I of Chapter 686, 54 Stat. 789 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation

Michigan law requires that public funds may not be deposited in financial institutions that do not maintain an office in Michigan. The County's and its Component Units' deposits and investments are in accordance with statutory authority.

COUNTY OF OGEMAW  
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended September 30, 2016

**NOTE 4 - OGEMAW COUNTY PUBLIC TRANSIT STATE AND FEDERAL GRANTS RECEIVABLE (PAYABLE)**

The following is a summary of the state and federal grants receivable (payable) for the Ogemaw County Public Transit as of September 30, 2016:

Federal Section 5311 Operating Assistance - FY12	\$	9,162
Federal Section 5311 Operating Assistance - FY13		2,504
Federal Section 5311 Operating Assistance - FY14		11,364
Federal Section 5311 Operating Assistance - FY15		3,382
Federal Section 5311 Operating Assistance - FY16		46,604
State Act 51 Operating Assistance - FY15		(24,861)
State Act 51 Operating Assistance - FY16		<u>4,162</u>
 Total		 <u><u>\$ 52,317</u></u>

**NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES**

The amounts of interfund receivables and payables as of September 30, 2016 were as follows:

Due to	Due from											
	General Fund	Non-major Governmental Funds	Ogemaw County Public Transit	2011 DTRF	2012 DTRF	2013 DTRF	2014 DTRF	2015 DTRF	Tax Umbrella Fund	Non-major Enterprise Funds	Component Unit - Drain Commission	Total
General Fund	\$ 0	\$ 0	\$ 18,000	\$ 28,560	\$ 27,885	\$ 27,466	\$ 23,095	\$ 0	\$ 420,825	\$ 0	\$ 38,245	\$ 584,076
Non-major Governmental Funds	81,614	99,520	0	0	0	0	0	0	0	0	0	181,134
Ogemaw County Public Transit	281,194	0	0	0	0	0	0	0	0	0	0	281,194
2011 DTRF	584,510	0	0	0	0	0	0	0	1,208,564	0	0	1,793,074
2012 DTRF	0	0	0	0	0	0	0	0	1,875,002	1,111	0	1,876,113
2013 DTRF	0	0	0	0	0	0	0	0	2,177,263	23,067	0	2,200,330
2014 DTRF	0	0	0	0	0	0	0	0	1,196,137	24,177	0	1,220,314
2015 DTRF	0	0	0	0	0	0	0	0	1,336,560	20,665	0	1,357,225
Tax Umbrella Fund	0	8,000	0	2,584,471	2,504,260	2,387,321	2,454,588	2,437,733	0	0	0	12,376,373
Non-major Enterprise Funds	<u>418,332</u>	<u>121,426</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>539,758</u>
	<u>\$1,365,650</u>	<u>\$ 228,946</u>	<u>\$ 18,000</u>	<u>\$2,613,031</u>	<u>\$2,532,145</u>	<u>\$2,414,787</u>	<u>\$2,477,683</u>	<u>\$2,437,733</u>	<u>\$8,214,351</u>	<u>\$ 69,020</u>	<u>\$ 38,245</u>	<u>\$ 22,409,591</u>

These balances result from the time lag between the dates that interfund goods and services are provided, transactions are recorded in the accounting system, and payments between funds are made.

COUNTY OF OGEMAW  
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended September 30, 2016

NOTE 6 - CAPITAL ASSETS

Capital asset activity of the primary government for the fiscal year ended September 30, 2016, was as follows:

	Balance 10/01/15	Additions	Deletions	Balance 09/30/16
<u>Governmental Activities</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 255,553	\$ 0	\$ 0	\$ 255,553
Capital Assets Being Depreciated:				
Land Improvements	75,262	0	0	75,262
Buildings	9,592,179	0	0	9,592,179
Machinery and Equipment	2,451,471	51,326	0	2,502,797
Vehicles and Boats	548,257	59,296	(40,728)	566,825
Infrastructure	149,229	0	0	149,229
Subtotal	12,816,398	110,622	(40,728)	12,886,292
Less Accumulated Depreciation for:				
Land Improvements	(26,593)	(5,017)	0	(31,610)
Buildings	(3,313,762)	(189,730)	0	(3,503,492)
Machinery and Equipment	(1,981,431)	(84,987)	0	(2,066,418)
Vehicles and Boats	(389,059)	(47,904)	40,728	(396,235)
Infrastructure	(114,654)	(4,075)	0	(118,729)
Subtotal	(5,825,499)	(331,713)	40,728	(6,116,484)
Capital Assets Being Depreciated	6,990,899	(221,091)	0	6,769,808
Governmental Activities Total				
Capital Assets - Net of Depreciation	\$ 7,246,452	\$ (221,091)	\$ 0	\$ 7,025,361
	Balance 10/01/15	Additions	Deletions	Balance 09/30/16
<u>Business-Type Activities</u>				
Capital Assets Being Depreciated:				
Buildings	\$ 490,167	\$ 0	\$ 0	\$ 490,167
Machinery and Equipment	129,438	0	0	129,438
Vehicles	814,075	54,000	(126,878)	741,197
Subtotal	1,433,680	54,000	(126,878)	1,360,802
Less Accumulated Depreciation for:				
Buildings	(447,980)	(13,439)	0	(461,419)
Machinery and Equipment	(109,883)	(5,256)	0	(115,139)
Vehicles	(449,642)	(110,451)	126,878	(433,215)
Subtotal	(1,007,505)	(129,146)	126,878	(1,009,773)
Business-Type Activities Total				
Capital Assets - Net of Depreciation	\$ 426,175	\$ (75,146)	\$ 0	\$ 351,029



COUNTY OF OGEMAW  
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended September 30, 2016

NOTE 6 - CAPITAL ASSETS (CONTINUED)

Capital asset activity of the Road Commission for the current year is as follows:

	<u>Balance</u> <u>10/01/15</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>09/30/16</u>
<u>Governmental Activities</u>				
Capital Assets Not Being Depreciated:				
Land and Improvements	\$ <u>21,259,654</u>	\$ <u>982,852</u>	\$ <u>0</u>	\$ <u>22,242,506</u>
Capital Assets Being Depreciated:				
Buildings	1,463,602	23,603	0	1,487,205
Equipment - Road	6,217,681	561,684	(224,323)	6,555,042
Equipment - Shop	178,163	7,291	0	185,454
Equipment - Office	156,480	8,071	0	164,551
Equipment - Engineer's	2,243	0	0	2,243
Equipment - Yard	279,333	0	0	279,333
Infrastructure - Bridges	2,361,649	2,443	0	2,364,092
Infrastructure - Roads	<u>21,695,533</u>	<u>880,062</u>	<u>(808,312)</u>	<u>21,767,283</u>
Subtotal	<u>32,354,684</u>	<u>1,483,154</u>	<u>(1,032,635)</u>	<u>32,805,203</u>
Less Accumulated Depreciation for:				
Buildings	(847,200)	(48,238)	0	(895,438)
Equipment - Road	(5,334,012)	(472,404)	220,112	(5,586,304)
Equipment - Shop	(155,664)	(5,453)	0	(161,117)
Equipment - Office	(149,729)	(2,145)	0	(151,874)
Equipment - Engineer's	(2,243)	0	0	(2,243)
Equipment - Yard	(254,262)	(2,429)	0	(256,691)
Infrastructure - Bridges	(960,429)	(64,316)	0	(1,024,745)
Infrastructure - Roads	<u>(12,296,159)</u>	<u>(1,152,964)</u>	<u>808,312</u>	<u>(12,640,811)</u>
Subtotal	<u>(19,999,698)</u>	<u>(1,747,949)</u>	<u>1,028,424</u>	<u>(20,719,223)</u>
Capital Assets Being Depreciated	<u>12,354,986</u>	<u>(264,795)</u>	<u>(4,211)</u>	<u>12,085,980</u>
Governmental Activities Total				
Capital Assets - Net of Depreciation	\$ <u>33,614,640</u>	\$ <u>718,057</u>	\$ <u>(4,211)</u>	\$ <u>34,328,486</u>

Depreciation expense was charged to programs of the Road Commission as follows:

<u>County</u>	
Direct Equipment Expense	\$ 472,404
Indirect Equipment Expense	51,056
Administrative Expense	7,209
Infrastructure	<u>1,217,280</u>
Total Depreciation Expense	\$ <u>1,747,949</u>

COUNTY OF OGEMAW  
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended September 30, 2016

NOTE 7 - LONG-TERM LIABILITIES

Primary Government:

A. Bonds Payable

\$6,390,000 Series 2012 Limited Tax General Obligation Refunding Bonds, dated December 27, 2012 for the purpose of advance refunding the \$6,000,000 2008 Limited Tax General Obligation Bonds. The bonds bear interest at the rates of 2.00% to 3.25% and are due in annual installments through May 1, 2038. The original bonds were issued for the purpose of constructing a new jail. Payments are made from the Jail Renovation Debt Service Fund.

<u>Governmental</u>	<u>Business-Type</u>
\$ <u>5,960,000</u>	\$ <u>0</u>

Component Units:

B. Bonds Payable

Drain Commission - \$1,690,000 Whitney Intercounty Drain Bonds, dated October 1, 2007, due in annual installments through June 1, 2022, bearing interest at the rate of 4%. Said bonds were issued for the purpose of constructing a drain in Ogemaw, Iosco and Arenac Counties. Ogemaw County's portion of said bonds is 2.16% or \$36,504. Payments are made from the Whitney Drain Fund.

<u>Governmental</u>	<u>Business-Type</u>
\$ <u>14,904</u>	\$ <u>0</u>

C. Installment Purchase Agreements

Road Commission - On May 14, 2013, the Road Commission entered into an installment purchase agreement with Truck and Trailer Specialties of Boyne Falls, Inc. in the amount of \$317,933 for the purchase of three tandem axle dump trucks and one radius dump truck, which was subsequently assigned to Mercantile Bank immediately following the purchase. The equipment has been recorded as a capital asset at its purchase price. This note is repayable in 5 annual installments of \$67,338 including interest at the rate of 2.15% on the unpaid balance.

<u>Governmental</u>	<u>Business-Type</u>
\$ 130,366	\$ 0

Road Commission - On January 16, 2013, the Road Commission entered into an installment purchase agreement with Grand Traverse Diesel Service, Inc. in the amount of \$363,939 for the purchase of four heavy-duty tandem trucks, which were subsequently assigned to Mercantile Bank immediately following the purchase. The equipment has been recorded as a capital asset at its purchase price. This note is repayable in 5 annual installments of \$77,618 including interest at the rate of 2.15% on the unpaid balance.

150,312	0
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COUNTY OF OGEMAW  
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended September 30, 2016

NOTE 7 - LONG-TERM LIABILITIES (CONTINUED)

C. Installment Purchase Agreements (Continued)

	<u>Governmental</u>	<u>Business-Type</u>
<p>Road Commission - On September 19, 2016, the Road Commission entered into an installment purchase agreement with Grand Traverse Diesel Service, Inc. in the amount of \$226,630 for the purchase of two heavy-duty tandem axle trucks, which was subsequently assigned to Mercantile Bank immediately following the purchase. The equipment will be recorded as a capital asset at its purchase price once the purchase is complete. This note is repayable in 60 monthly installments of \$3,970.13 including interest at the rate of 1.95% on the unpaid balance.</p>	\$ <u>226,630</u>	\$ <u>0</u>
Total Installment Purchase Agreements	507,308	<u>0</u>
Total Component Units	\$ <u>522,212</u>	\$ <u>0</u>

D. Compensated Absences Payable

The County has an accrued liability for accumulated vested vacation and sick leave benefits of its employees. As of September 30, 2016, the accumulated vested vacation and sick leave benefits of the employees of various County departments and its component units were as follows:

	<u>Current Liability</u>	<u>Long-Term Liability</u>	<u>Total Balance</u>
<u>Accrued Employee Benefits Payable</u>			
<u>Primary Government</u>			
Governmental Activities	\$ 50,341	\$ 287,896	\$ 338,237
Business-Type Activities	<u>8,890</u>	<u>21,915</u>	<u>30,805</u>
	<u>\$ 59,231</u>	<u>\$ 309,811</u>	<u>\$ 369,042</u>
<u>Component Unit</u>			
Road Commission	<u>\$ 15,464</u>	<u>\$ 206,912</u>	<u>\$ 222,376</u>

The employment policies for accumulation of vacation and sick leave benefits vary based on union membership and employee group.

COUNTY OF OGEMAW  
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended September 30, 2016

NOTE 7 - LONG-TERM LIABILITIES (CONTINUED)

E. Changes in Long-Term Liabilities

The following is a summary of long-term debt transactions of the County for the year ended September 30, 2016:

	<u>Balance</u> <u>10/01/15</u>	<u>Issues or</u> <u>Additions</u>	<u>Payments or</u> <u>Expenditures</u>	<u>Balance</u> <u>09/30/16</u>	<u>Due Within</u> <u>One Year</u>
<u>Governmental Activities</u>					
Primary Government:					
Bonds Payable	\$ 6,160,000	\$ 0	\$ (200,000)	\$ 5,960,000	\$ 205,000
Deferred Amounts for Issuance Premium	<u>17,766</u>	<u>0</u>	<u>(772)</u>	<u>16,994</u>	<u>772</u>
Total Bonds Payable	6,177,766	0	(200,772)	5,976,994	205,772
Net Pension Liability	5,362,141	3,204,501 *	0	8,566,642	0
Net OPEB Obligation	182,315	0	(4,081) *	178,234	0
Compensated Absences	<u>274,702</u>	<u>63,535</u> *	<u>0</u>	<u>338,237</u>	<u>50,341</u>
Total Primary Government	<u>\$11,996,924</u>	<u>\$ 3,268,036</u>	<u>\$ (204,853)</u>	<u>\$ 15,060,107</u>	<u>\$ 256,113</u>
Component Units:					
Bonds Payable	\$ 67,388	\$ 0	\$ (52,484)	\$ 14,904	\$ 2,484
Notes Payable	21,924	0	(21,924)	0	0
Installment Purchase Agreements	416,554	226,630	(135,876)	507,308	182,376
Net Pension Liability	3,674,096	973,502 *	0	4,647,598	0
Net OPEB Obligation	534,618	47,501 *	0	582,119	0
Compensated Absences	<u>232,211</u>	<u>0</u>	<u>(9,835)</u> *	<u>222,376</u>	<u>15,464</u>
Total Component Units	<u>\$ 4,946,791</u>	<u>\$ 1,247,633</u>	<u>\$ (220,119)</u>	<u>\$ 5,974,305</u>	<u>\$ 200,324</u>
<u>Business-Type Activities</u>					
Primary Government:					
Net Pension Liability	\$ 178,405	\$ 130,942 *	\$ 0	\$ 309,347	\$ 0
Compensated Absences	<u>19,535</u>	<u>11,270</u> *	<u>0</u>	<u>30,805</u>	<u>8,890</u>
Total Primary Government	<u>\$ 197,940</u>	<u>\$ 142,212</u>	<u>\$ 0</u>	<u>\$ 340,152</u>	<u>\$ 8,890</u>

\*Represents net of additions and retirements for the year.

See Note 12 for further detail of the Net Pension Liability.

See Note 13 for further detail of the Net OPEB Obligation.

The interest expenditures on long-term obligations for the year were \$180,248.

Compensated absences and net OPEB obligations for the governmental funds are generally liquidated by the General Fund and various Special Revenue Funds.

COUNTY OF OGEMAW  
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended September 30, 2016

NOTE 7 - LONG-TERM LIABILITIES (CONTINUED)

The annual aggregate maturities for all debt outstanding (excluding compensated absences, net pension liability and net OPEB obligations) as of September 30, 2016 are as follows:

Primary Government

<b>Bonds Payable</b>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2017	\$ 205,000	\$ 170,725	\$ 0	\$ 0	\$ 375,725
2018	210,000	166,625	0	0	376,625
2019	215,000	162,425	0	0	377,425
2020	215,000	158,125	0	0	373,125
2021	220,000	153,825	0	0	373,825
2022 - 2026	1,195,000	684,425	0	0	1,879,425
2027 - 2031	1,385,000	495,763	0	0	1,880,763
2032 - 2036	1,600,000	273,137	0	0	1,873,137
2037 - 2038	<u>715,000</u>	<u>35,100</u>	<u>0</u>	<u>0</u>	<u>750,100</u>
Total	<u>\$ 5,960,000</u>	<u>\$ 2,300,150</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 8,260,150</u>

Component Units

<b>Bonds Payable</b>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2017	\$ 2,484	\$ 596	\$ 0	\$ 0	\$ 3,080
2018	2,484	497	0	0	2,981
2019	2,484	397	0	0	2,881
2020	2,484	298	0	0	2,782
2021	2,484	199	0	0	2,683
2022	<u>2,484</u>	<u>99</u>	<u>0</u>	<u>0</u>	<u>2,583</u>
Total	<u>\$ 14,904</u>	<u>\$ 2,086</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 16,990</u>

**Installment Purchase Agreements**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2017	\$ 182,376	\$ 10,221	\$ 0	\$ 0	\$ 192,597
2018	186,281	6,316	0	0	192,597
2019	45,311	2,331	0	0	47,642
2020	46,211	1,431	0	0	47,642
2021	<u>47,129</u>	<u>505</u>	<u>0</u>	<u>0</u>	<u>47,634</u>
Total	<u>\$ 507,308</u>	<u>\$ 20,804</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 528,112</u>

COUNTY OF OGEMAW  
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended September 30, 2016

NOTE 8 - PROPERTY TAXES

Property taxes include amounts levied against all real property and tangible personal property located in the County. Property taxes become an enforceable lien on property as of December 1, 2015 for winter taxes and July 1, 2016 for summer taxes. Taxes are levied on December 1, 2015 and July 1, 2016 and are payable by February 28, 2016 and September 15, 2016, respectively. The cities and townships within the County bill and collect the property taxes for the County.

County taxes levied December 1, 2015, are collected in and are intended to finance 2016 operations. The taxable value of real and personal property for the December 1, 2015 levy was \$815,569,768. The 2015 tax rate is currently 0.1250 mills for veterans, 0.7500 mills for seniors and 0.3000 mills for public transit.

County taxes levied July 1, 2016, are collected in and are intended to finance 2016 operations. The taxable value of real and personal property for the July 1, 2016 levy was \$827,095,054. The 2016 tax rate is currently 6.1035 mills for operations.

By resolution of the Board of Commissioners and agreement with various taxing authorities, the County purchased at face value the real property taxes receivable returned delinquent on March 1, 2016. County funds were used to liquidate the amounts due the General Fund and various other funds and governmental agencies for purchase of the receivables. Subsequent collections on delinquent taxes receivable, plus interest and collection fees thereon and investment earnings, are used to replenish County funds. This activity is recorded in the Delinquent Tax Revolving Funds, which are Enterprise Funds.

NOTE 9 - OPERATING LEASE

The County leases several copiers and a postage meter with Xerox Corporation and Pitney Bowes under a standard leasing agreement. Monthly payments are \$832, plus per-page printing charges. Rental expense for the year ended September 30, 2016 was \$38,626.

Minimum future rental payments under noncancelable leases for years after September 30, 2016 are as follows:

2017	\$	7,610
2018		4,728
2019		3,666
2020		1,468
2021		<u>428</u>
	\$	<u><u>17,900</u></u>

COUNTY OF OGEMAW  
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended September 30, 2016

**NOTE 10 - OPERATING TRANSFERS**

During the year ended September 30, 2016, the following transfers were made:

<u>Transfer to</u>	<u>Transfer from</u>			
	<u>General Fund</u>	<u>Tax Umbrella Fund</u>	<u>Component Unit - Drain Commission</u>	<u>Total</u>
General Fund	\$ 0	\$ 341,658	\$ 0	\$ 341,658
Non-major Governmental Funds	1,173,479	0	0	1,173,479
Component Unit - Drain Commission	<u>0</u>	<u>0</u>	<u>22,974</u>	<u>22,974</u>
	<u>\$ 1,173,479</u>	<u>\$ 341,658</u>	<u>\$ 22,974</u>	<u>\$ 1,538,111</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**NOTE 11 - NET ASSET AND FUND BALANCE DEFICITS**

A deficit unreserved fund balance of \$38,200 existed at September 30, 2016 in the Flowage Lake Dam Bond.

**NOTE 12 - EXCESS OF EXPENDITURES OVER APPROPRIATION IN BUDGETARY FUNDS**

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the County's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the County for these budgetary funds were adopted at the activity level.

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

<u>Fund/Activity</u>	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
General Fund/Public Works	\$ 107,729	\$ 140,482	\$ 32,753

**NOTE 13 - RETIREMENT SYSTEM - MERS OPERATED**

**Defined Benefit Plan**

**Primary Government**

Plan Description

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

COUNTY OF OGEMAW  
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended September 30, 2016

NOTE 13 - RETIREMENT SYSTEM - MERS OPERATED (CONTINUED)

**Defined Benefit Plan (Continued)**

**Primary Government (Continued)**

Benefits Provided

<u>01 - General: Closed to new hires</u>	
	<u>2015 Valuation</u>
Benefit Multiplier:	2.50% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 years
Early Retirement (Unreduced):	50/25
	55/15
Early Retirement (Reduced):	0
Final Average Compensation:	3 years
COLA for Future Retirees:	2.50% (Non-Compound)
Employee Contributions:	5.50%
DC Plan for New Hires:	10/1/2006
Act 88:	No
<u>02 - Sheriff: Closed to new hires</u>	
	<u>2015 Valuation</u>
Benefit Multiplier:	2.50% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 years
Early Retirement (Unreduced):	50/25
	55/15
Early Retirement (Reduced):	0
Final Average Compensation:	3 years
COLA for Future Retirees:	2.50% (Non-Compound)
Employee Contributions:	5.50%
DC Plan for New Hires:	10/1/2007
Act 88:	No
<u>11 - Admin-Super: Closed to new hires</u>	
	<u>2015 Valuation</u>
Benefit Multiplier:	2.50% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 years
Early Retirement (Unreduced):	50/25
	55/15
Early Retirement (Reduced):	0
Final Average Compensation:	3 years
COLA for Future Retirees:	2.50% (Non-Compound)
Employee Contributions:	0%
DC Plan for New Hires:	10/1/2007
Act 88:	No

COUNTY OF OGEMAW  
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended September 30, 2016

NOTE 13 - RETIREMENT SYSTEM - MERS OPERATED (CONTINUED)

**Defined Benefit Plan (Continued)**

**Primary Government (Continued)**

Benefits Provided (Continued)

<u>20 - Command Officers: Open Division</u>	<u>2015 Valuation</u>
Benefit Multiplier:	2.50% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 years
Early Retirement (Unreduced):	20 and Out
Early Retirement (Reduced):	55/15
Final Average Compensation:	3 years
COLA for Future Retirees:	2.50% (Non-Compound)
Employee Contributions:	7.50%
Act 88:	No

Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefits	103
Inactive employees entitled to but not yet receiving benefits	15
Active employees	<u>56</u>
	<u><u>174</u></u>

Contributions

The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

Employer contributions range from \$6,478 to \$38,565 per month for closed divisions and from 72.63% to 89.15% of annual payroll for the open division.

Net Pension Liability

The employer's Net Pension Liability was measured as of December 31, 2015, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of that date.

Actuarial Assumptions

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

Inflation: 2.5%

Salary increases: 3.75% in the long-term, plus a percentage based on an age-related scale to reflect merit, longevity, and promotional pay increases.

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

COUNTY OF OGEMAW  
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended September 30, 2016

NOTE 13 - RETIREMENT SYSTEM - MERS OPERATED (CONTINUED)

**Defined Benefit Plan (Continued)**

**Primary Government (Continued)**

Actuarial Assumptions (Continued)

Although no specific price inflation assumptions are needed for the valuation, the 3.75% long-term wage inflation assumption would be consistent with a price inflation of 3%-4%.

Mortality rates used were based on the RP-2014 Group Annuity Mortality Table of a 50% Male and 50% Female blend.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study of 2009-2013.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	57.5%	5.02%
Global Fixed Income	20.0%	2.18%
Real Assets	12.5%	4.23%
Diversifying Strategies	10.0%	6.56%

Discount Rate

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

COUNTY OF OGEMAW  
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended September 30, 2016

NOTE 13 - RETIREMENT SYSTEM - MERS OPERATED (CONTINUED)

**Defined Benefit Plan (Continued)**

**Primary Government (Continued)**

Changes in Net Pension Liability

Calculating the Net Pension Liability			
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at 12/31/14	\$ 25,688,508	\$ 20,147,962	\$ 5,540,546
Changes for the Year			
Service Cost	333,410	0	333,410
Interest on Total Pension Liability	2,073,677	0	2,073,677
Changes in benefits	0	0	0
Difference between expected and actual experience	(60,499)	0	(60,499)
Changes in assumptions	1,379,696	0	1,379,696
Employer contributions	0	612,364	(612,364)
Employee contributions	0	120,865	(120,865)
Net investment income	0	(298,632)	298,632
Benefit payments, including employee refunds	(1,439,456)	(1,439,456)	0
Administrative expense	0	(43,757)	43,757
Other changes	0	1	(1)
Net changes	2,286,828	(1,048,615)	3,335,443
Balances as of 12/31/15	\$ 27,975,336	\$ 19,099,347	\$ 8,875,989

Sensitivity of the Net Pension Liability to changes in the discount rate

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

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
County's net pension liability	\$ 12,031,141	\$ 8,875,989	\$ 6,212,756

Note: The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because for GASB purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expenses.

COUNTY OF OGEMAW  
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended September 30, 2016

NOTE 13 - RETIREMENT SYSTEM - MERS OPERATED (CONTINUED)

**Defined Benefit Plan (Continued)**

**Primary Government (Continued)**

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

For the year ended September 30, 2016, the employer recognized pension expense of \$1,815,778. The employer reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Changes in Assumptions	\$ 689,848
Deficit Investment Returns	1,758,398
Contributions Subsequent to the Measurement Date*	500,108
Total	\$ 2,948,354

\*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the year ending September 30, 2017.

	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ (30,249)

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

Year Ended	Pension Expense
2017	\$ 1,117,071
2018	457,472
2019	457,472
2020	385,982

**Road Commission**

Following are the Road Commission Retirement System disclosures as presented in the Road Commission's audit and its report dated February 1, 2017.

Plan Description

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

COUNTY OF OGEMAW  
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NOTES TO FINANCIAL STATEMENTS  
For the Year Ended September 30, 2016

NOTE 13 - RETIREMENT SYSTEM - MERS OPERATED (CONTINUED)

**Defined Benefit Plan (Continued)**

**Road Commission (Continued)**

Benefits Provided

01 - Union: Closed Division

	2015 Valuation
Benefit Multiplier:	2.50% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 years
Early Retirement (Unreduced):	55/25
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	5 years
Employee Contributions:	3% under \$4,200; 5% over \$4,200
Act 88:	No

10 - NonUnion: Closed Division

	2015 Valuation
Benefit Multiplier:	2.50% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 years
Early Retirement (Unreduced):	55/25
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	5 years
COLA for Future Retirees:	2.50% (Non-Compound)
Employee Contributions:	3% under \$4,200; 5% over \$4,200
Act 88:	No

HA - Union Non/Union: Open Division

	2015 Valuation
Benefit Multiplier:	Hybrid Plan - 1.50% Multiplier
Normal Retirement Age:	60
Vesting:	6 years
Early Retirement (Unreduced):	-
Early Retirement (Reduced):	-
Final Average Compensation:	3 years
Employee Contributions:	0%
Act 88:	No

Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefits	29
Inactive employees entitled to but not yet receiving benefits	1
Active employees	30
	60

COUNTY OF OGEMAW  
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended September 30, 2016

NOTE 13 - RETIREMENT SYSTEM - MERS OPERATED (CONTINUED)

**Defined Benefit Plan (Continued)**

**Road Commission (Continued)**

Contributions

The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

Employer contributions range from \$11,824 to \$13,409 per month for closed divisions and 7.05% - 8.03% of annual payroll for the open division.

Net Pension Liability

The employer's Net Pension Liability was measured as of December 31, 2015, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of that date.

Actuarial Assumptions

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

Inflation: 2.5%

Salary increases: 3.75% in the long-term plus a percentage based on an age-related scale to reflect merit, longevity, and promotional pay increases.

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

Although no specific price inflation assumptions are needed for the valuation, the 2.5% long-term wage inflation assumption would be consistent with a price inflation of 3%-4%.

Mortality rates used were based on the RP-2014 Group Annuity Mortality Table of a 50% Male and 50% Female blend.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study of 2009-2013.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	57.5%	5.02%
Global Fixed Income	20.0%	2.18%
Real Assets	12.5%	4.23%
Diversifying Strategies	10.0%	6.56%

COUNTY OF OGEMAW  
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended September 30, 2016

NOTE 13 - RETIREMENT SYSTEM - MERS OPERATED (CONTINUED)

**Defined Benefit Plan (Continued)**

**Road Commission (Continued)**

Discount Rate

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

Changes in Net Pension Liability

Calculating the Net Pension Liability			
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at 12/31/14	\$ 8,805,987	\$ 5,131,891	\$ 3,674,096
Changes for the Year			
Service Cost	132,527	0	132,527
Interest on Total Pension Liability	709,710	0	709,710
Changes in benefits	0	0	0
Difference between expected and actual experience	53,280	0	53,280
Changes in assumptions	456,236	0	456,236
Employer contributions	0	412,836	(412,836)
Employee contributions	0	55,257	(55,257)
Net investment income	0	(78,589)	78,589
Benefit payments, including employee refunds	(539,421)	(539,421)	0
Administrative expense	0	(11,252)	11,252
Other changes	1	0	1
Net changes	812,333	(161,169)	973,502
Balances as of 12/31/15	\$ 9,618,320	\$ 4,970,722	\$ 4,647,598

Sensitivity of the Net Pension Liability to changes in the discount rate

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

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
County's net pension liability	\$ 5,734,594	\$ 4,647,598	\$ 3,724,450

Note: The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because for GASB purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expenses.

COUNTY OF OGEMAW  
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended September 30, 2016

NOTE 13 - RETIREMENT SYSTEM - MERS OPERATED (CONTINUED)

**Defined Benefit Plan (Continued)**

**Road Commission (Continued)**

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

For the year ended September 30, 2016, the employer recognized pension expense of \$623,286. The employer reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Deficit Investment Returns	\$ 455,629
Differences Between Expected and Actual Experience	39,960
Changes in Assumptions	342,177
Contributions Subsequent to the Measurement Date*	352,455
Total	\$ 1,190,221

\*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the year ending September 30, 2017.

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

Year Ended	Pension Expense
2017	\$ 245,956
2018	245,956
2019	245,954
2020	99,900

**Defined Contribution Plan**

**Primary Government**

Plan Description

The County's defined contribution pension plan provides retirement benefits to plan members and beneficiaries. The plan covers employees hired on or after October 1, 2006 for new employees that would have formerly been eligible as part of the General Members of the defined benefit plan and employees hired on or after October 1, 2007 for new employees that would have formerly been eligible as part of the Sheriff and Admin-Super Members of the defined benefit plan. The plan is affiliated with the Municipal Employees Retirement System (MERS) of Michigan, an agent multiple-employer, state-wide, public employee pension created under Public Act 135 of 1945, and now operated under Public Act 220 of 1996, and the MERS Plan Document as revised. The plan services are provided by an Alliance Agreement of May 1997 by MERS, exclusively through the ICMA Retirement Corporation as the plan administrator. Any municipality within the State may elect to become a participating member of MERS or elect to terminate participation by a majority vote of the municipality's governing body. Changes in benefit coverage are available to bargaining units after approval by a majority of the municipality's governing body. The MERS of Michigan issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing MERS of Michigan, 1134 Municipal Way, Lansing, Michigan, 48917 or by calling 1-800-767-6377.

COUNTY OF OGEMAW  
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended September 30, 2016

NOTE 13 - RETIREMENT SYSTEM - MERS OPERATED (CONTINUED)

Funding Policy

The County is required to match employee contributions up to 7% of each eligible employee's earnings for the plan year, subject to the limitations of sections 415(c) and (e) of the Internal Revenue Code. Employees are not required to contribute. However, when an employee is hired they can elect to contribute up to 7% of eligible earnings.

Vesting

Employees become vested in the plan at the rate of 25% per year after two years of service with 100% vesting after six years of service.

Plan Contributions

During the year ended September 30, 2016, the County contributed \$119,717 on behalf of eligible employees. Employee contributions amounted to \$119,717.

NOTE 14 - POSTEMPLOYMENT BENEFITS

**Primary Government**

Plan Description

The Ogemaw County Retiree Medical Plan is a single-employer defined benefit postemployment healthcare plan administered by the County.

The Public Employee Health Care Fund financial statements are prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Plan provisions and contribution requirements are established and may be amended by the County Board.

Funding Policy

Ogemaw County provides postemployment health care benefits to any retiree who has applied for a MERS annuity. Benefits vary based on union contract. These benefits are as follows:

- λ USWA: \$100 per month for all Medicare and non-Medicare retirees with no adjustment for CPI.
- λ POAM 2: \$100 per month for all Medicare and non-Medicare retirees with no adjustment for CPI.
- λ POAM 1: \$130.66 per month for retirees age 50 or older and \$65.33 for retirees 65 or older. Each subsequent year an increase will be granted based on that year's CPI.
- λ POLC: \$100 per month for all Medicare and non-Medicare retirees with no adjustment for CPI.
- λ Teamsters: \$100 per month for all Medicare and non-Medicare retirees with no adjustment for CPI.

Expenditures are expensed as incurred in the individual funds. Benefits are not advance funded. Currently thirty-one retirees meet the eligibility requirements for these benefits. During the year, expenditures of \$36,481 were recognized for the retiree health benefits for the County of Ogemaw.

COUNTY OF OGEMAW  
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended September 30, 2016

NOTE 14 - POSTEMPLOYMENT BENEFITS (CONTINUED)

**Primary Government (Continued)**

Funding Progress

The County's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation:

Annual required contribution	\$	36,135
Interest on net OPEB obligation		5,469
Adjustment to annual required contribution		<u>(9,204)</u>
Annual OPEB cost		32,400
Contributions made		<u>(36,481)</u>
Increase (decrease) in net OPEB obligation		(4,081)
Net OPEB obligation, beginning of year		<u>182,315</u>
Net OPEB obligation, end of year	\$	<u><u>178,234</u></u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and net OPEB obligation for September 30, 2016 is as follows:

Trend Information

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
September 30, 2014	\$ 40,541	92.2 %	\$ 189,739
September 30, 2015	\$ 33,068	122.5 %	\$ 182,315
September 30, 2016	\$ 32,400	112.6 %	\$ 178,234

The funded status of the plan as of the most recent actuarial valuation date is as follows:

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a) / c)</u>
09/30/11	\$ 0	\$ 628,341	\$ 628,341	0 %	N/A	N/A
09/30/14	\$ 0	\$ 652,502	\$ 652,502	0 %	N/A	N/A

COUNTY OF OGEMAW  
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended September 30, 2016

NOTE 14 - POSTEMPLOYMENT BENEFITS (CONTINUED)

**Primary Government (Continued)**

Actuarial Methods and Assumptions

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

The accompanying schedule of employer contributions presents trend information about the amounts contributed to the plan by employers in comparison to the ARC, an amount that is actuarially determined in accordance with the parameters of GASB Statement 43. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

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

The following actuarial assumptions were used in the development of Ogemaw County's retiree health cost projections. Where consistent with the terms of the plan, actuarial assumptions have utilized the proposed assumption for the Municipal Employees' Retirement Plan of Michigan (MERS) as provided in the September 30, 2014 Actuarial Valuation Reports.

1. Actuarial Cost Method: Unit Credit Method
2. Interest Discount Rate: 3.00% compounded annually.
3. Mortality:  
  
Base Table: RP2014 mortality table (Employee, Disabled, and Healthy Annuitant, as appropriate) projected back to 2006 base year using Projection Scale MP2014 (male and female as appropriate).  
  
Projection: Generational projection using the two-dimensional Scale BB (male and female as appropriate).
4. Employee Turnover/Withdrawal: MERS for all employees.
5. Disablement: MERS disability rates for all employees.
6. Retirement: Retirement rates were developed for all employees. These rates are deemed reasonable for the current plan population.

COUNTY OF OGEMAW  
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended September 30, 2016

NOTE 14 - POSTEMPLOYMENT BENEFITS (CONTINUED)

**Primary Government (Continued)**

7. Percentage of Retirees Participating in Retiree Medical Coverage:

Future Retirees: 100% of current employees are expected to participate in Ogemaw County's retiree health insurance plan.

Current Retirees: Actual retiree population

8. CPI: 2.5% Annually

9. Estimates were developed of monthly 2015 medical costs per retiree by age. Medical costs for employees under the POAM 1 group are \$69.05 per month for age 65 and older. All other groups are \$100 per month.

**Road Commission**

Plan Description

The Ogemaw County Road Commission Retiree Medical Plan is a single-employer defined benefit postemployment health care plan administered by the Commission and can be amended at its discretion.

The Retiree Health Care Trust financial statements are prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value, which is determined by the market value of the securities as determined by the value they were last traded at on a registered stock exchange. Plan provisions and contribution requirements are established and may be amended by the Road Commission Board.

Funding Policy

The Road Commission provides postemployment health care benefits, in accordance with a Road Commission resolution, to all union and administrative employees who retire between the ages of 55 and 65 with at least 25 years of service.

Prior to age 65, union and administrative employees are entitled to single-subscription premium health insurance, unless the retiree has available equivalent health care coverage from another source, at no cost to the retiree. The Road Commission pays the full cost of a single-subscription premium. Retirees receiving health care coverage are eligible for double or family coverage if desired by making the additional premium payments in excess of the single-subscriber amounts. Expenditures are expensed as incurred in the individual funds. Benefits are not advance funded. Currently five retirees meet the eligibility requirements for these benefits. During the year, the Road Commission paid postemployment health care premiums of \$29,987.

COUNTY OF OGEMAW  
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended September 30, 2016

NOTE 14 - POSTEMPLOYMENT BENEFITS (CONTINUED)

**Road Commission (Continued)**

Funding Progress

The Road Commission's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Road Commission's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Road Commission's net OPEB obligation:

Annual required contribution	\$	69,163
Interest on the prior year's net OPEB obligation		37,423
Adjustment to annual required contribution		<u>(29,098)</u>
Annual OPEB cost		77,488
Contributions made		<u>(29,987)</u>
Increase in net OPEB obligation		47,501
Net OPEB obligation, beginning of year		<u>534,618</u>
Net OPEB obligation, end of year	\$	<u><u>582,119</u></u>

The Road Commission's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and net OPEB obligation for September 30, 2016 is as follows:

Trend Information

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
September 30, 2014	\$ 71,728	43.6 %	\$ 492,819
September 30, 2015	\$ 74,563	43.9 %	\$ 534,618
September 30, 2016	\$ 77,488	38.7 %	\$ 582,119

The funded status of the plan as of the most recent actuarial valuation date is as follows:

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a) / c)</u>
9/30/14	\$ 21,052	\$ 719,652	\$ 698,600	3 %	N/A	N/A

COUNTY OF OGEMAW  
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended September 30, 2016

NOTE 14 - POSTEMPLOYMENT BENEFITS (CONTINUED)

**Road Commission (Continued)**

Actuarial Methods and Assumptions

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

The accompanying schedule of employer contributions presents trend information about the amounts contributed to the plan by employers in comparison to the ARC, an amount that is actuarially determined in accordance with the parameters of GASB Statement 43. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

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

The following actuarial assumptions were used in the development of the Ogemaw County Road Commission's retiree health cost projections.

1. Actuarial Cost Method: Alternate Method as provided under GASB 45 for plans with fewer than 100 employees
2. Interest Discount Rate: 7.0% compounded annually
3. Mortality Prior to Retirement: None
4. Turnover Prior to Retirement: Based on GASB 43 Table 1 – Probability of Remaining Employed until Assumed Retirement Age, by Age - Default Values
5. Expected Future Working Life: Age Assumed Retirement Age
6. Salary Scale: 2.0%
7. Post Retirement Interest Rate: 7.0%
8. Post Retirement Mortality: Based on life expectancy of age 75 for males and 80 for females
9. Health Care Inflation Rate: NIH National Health Expenditure Projections, 2005-2020

COUNTY OF OGEMAW  
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended September 30, 2016

NOTE 15 - DEFERRED COMPENSATION PLAN

The County and the Road Commission, a component unit, offer to their employees deferred compensation plans created in accordance with the Internal Revenue Code (IRC), Section 457. The assets of the plans are held in trust, in a custodial account as described in IRC Section 457 (g) for the exclusive benefit of the participants and their beneficiaries. The custodian thereof, for the exclusive benefit of the participants, holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The administrators are agents of the County for the purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account, and all other matters. In accordance with the provisions of GASB Statement No. 32, plan balances and activities are not reflected in the County's financial statements.

NOTE 16 - RISK MANAGEMENT

The County is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The County has purchased commercial insurance for risks of loss. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

NOTE 17 - CONTINGENCIES AND COMMITMENTS

The County participates in a number of federally assisted grant programs which are subject to program compliance audits. The audits of these programs for and including the year ended September 30, 2016, have been conducted and have been reported in this audit report. However, the compliance audit reports have not yet been accepted by the grantors. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time; although the County expects such amounts, if any, to be immaterial.

The County is currently a defendant in multiple lawsuits. The outcome of these lawsuits is not presently determinable. In the opinion of the County's attorneys, it is too premature to determine whether or not the resolution of these matters will have a material adverse effect on the financial condition of the County.

**Road Commission**

Partial Self-Insurance - General Liability

The Road Commission is a member of the Michigan County Road Commission Self-Insurance Pool. As a member of the Pool, the Road Commission is partially self-insured for general and auto liability, public official's errors and omissions, umbrella liability, and state trunkline auto liability. Under most circumstances, the municipality's maximum coverage per occurrence is limited as follows:

<u>Type of Risk</u>	<u>Coverage</u>	<u>Deductible</u>
Auto liability	\$ 10,500,000 each occurrence	\$ 1,000
Public officials errors and omissions	\$ 10,000,000 each occurrence	\$ 0
Umbrella liability	\$ 10,500,000 each occurrence	\$ 1,000
State trunkline auto liability	Bodily Injury \$250,000/\$500,000 each person/each accident	\$ 0
	Property Damage \$1,000,000 each accident	\$ 0

Settled claims for insurance have not exceeded the amount of insurance coverage in any of the past three years.

COUNTY OF OGEMAW  
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended September 30, 2016

NOTE 17 - CONTINGENCIES AND COMMITMENTS (CONTINUED)

State Trunkline Contracts

The financial transactions of the Road Commission are subject to audit by the State of Michigan Department of Transportation, pursuant to the terms of its State Trunkline Contract. Audit adjustments could either increase or decrease the revenue receivable from the State.

As of September 30, 2016, the audits of State Trunkline Contracts for 2016 has not been completed.

NOTE 18 - PRIOR PERIOD ADJUSTMENTS

The September 30, 2015 Net Position amounts have been restated for the following adjustment:

Adjustment 1 - To increase prior year revenue and due from state for prior year state and federal projects that were closed out during the current year.

**Primary Government:**

	Business-Type Activities	Ogemaw County Public Transit
Net Position/Fund Balance - Beginning	\$ 7,243,316	\$ 895,438
Adjustment 1	13,587	13,587
Net Position/Fund Balance - Beginning (Restated)	\$ 7,256,903	\$ 909,025

COUNTY OF OGEMAW  
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended September 30, 2016

NOTE 19 - FUND BALANCES

Amounts for specific purposes by fund and fund balance classifications for the year ended September 30, 2016, are as follows:

<u>Classification/Fund</u>	<u>Purpose</u>	
Restricted:		
Friend of the Court	Child Support Establishment and Enforcement	\$ 20,220
Housing Commission Fund	Home Rehabilitation	2,077
Liquor Law Enforcement Fund	Liquor Law Enforcement	1,404
Veterans Relief Fund	Veterans Relief	1,434
Veterans Office Fund	Veterans Relief	147,358
911 Service Fund	911 Training	59
Correction Training Fund	Training of Corrections Officers	26,099
Register of Deeds Automation	Register of Deeds Equipment	79,447
Concealed Weapons Licensing Fund	Concealed Weapons Licensing	14,908
ORV Fund	ORV Law Enforcement	1,543
Probate Child Care Fund	Probate Child Care	10,539
Drug Forfeiture Fund	Prosecutor's Office Drug Enforcement	3,665
Law Enforcement Drug Forfeiture Fund	Sheriff Department Drug Enforcement	7,880
Community Corrections Fund	Community Corrections	<u>9,838</u>
Total Restricted		<u>326,471</u>
Committed:		
Marriage Counseling Fund	Marriage Counseling Activities	33,879
Commissary Fund	Law Enforcement and Correctional Activities	99,513
Streets and Address Committee Fund	Streets and Address Committee Activities	3,592
Capital Improvement Fund	Capital Projects	<u>1,841</u>
Total Committed		<u>138,825</u>
Total fund balances		<u>\$ 465,296</u>

COUNTY OF OGEMAW  
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended September 30, 2016

NOTE 20 - BUILDING AND ZONING ACTIVITY

The following is a comparison of revenues to expenditures for the Building and Zoning Department for the year ended September 30, 2016:

<u>Revenues</u>	
Charges for Services	\$ <u>306,884</u>
 <u>Expenditures</u>	
Wages	130,075
Employee Benefits	71,540
Office Supplies	3,012
Repairs and Maintenance	3,975
Equipment	21,066
Dues and Subscriptions	905
Telephone	1,640
Travel	1,227
Contracted Service	3,255
Other	1,987
Overhead Costs	<u>38,106</u>
Total Expenditures	<u>276,788</u>
Net Income (Loss)	<u>\$ 30,096</u>

NOTE 21 - PUBLIC TRANSIT ASSURANCES

Cost Allocation Plans

The Ogemaw County Public Transit has one cost allocation plan in use in the year ended September 30, 2016 where the methodology has been approved by the Office of Passenger Transportation (OPT). This cost allocation plan was for central service costs and was adhered to in the preparation of these statements.

Explanation of Ineligible Expenses per the BPT R&E Manual

Ineligible expenses are classified appropriately according to the definition in the Local Public Transit Revenue and Expense Manual (R&E Manual).

Ogemaw County Public Transit utilizes the services of a third party to attract advertisers and negotiate terms. Subsequently, the Transit receives proceeds from the advertising. As a result, Ogemaw County Public Transit did not incur any expenses associated with #40615 advertising revenue and, therefore no expenses are subtracted out as ineligible on the Nonurban Regular Service Expense Report on page 95.

Audit costs are typically the only costs in which eligibility differs from the State R&E Manual and the Uniform Guidance. However, because the audit costs included on page 95 include a Single Audit, conducted under the provisions of the Uniform Guidance, these costs are eligible in the current year for both Federal and State Assistance.

The Nonurban Regular Service Revenue Report on page 94 shows Other Revenue of \$914. None of this amount is applicable to 40710 Sale of Maintenance Services and the associated expenses and subtracted out as ineligible. None of the Other Revenue is applicable to the other 406/407 codes. There are no expenses included in Other Revenue that are associated with Auxiliary Transportation Revenue or Non-transportation, and therefore, no expenses need to be subtracted out as ineligible. No expenses were incurred as a result of the nature of the reimbursement and interest income.

COUNTY OF OGEMAW  
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended September 30, 2016

NOTE 21 - PUBLIC TRANSIT ASSURANCES (CONTINUED)

Depreciation

Depreciation Expense included as eligible only includes assets purchased with local funds where the useful life of the asset has been approved by the OPT.

Capital Grants

Capital grant funds used to pay operating expenses are required to be treated as ineligible for calculating state and federal operating assistance. During the current year, the Transit did not have any of these type of grants that were used to pay for operating expenses.

Retirement Benefits

Ogemaw County has a Defined Benefit Plan and a Defined Contribution Plan in which Transit employees can participate. Pension costs incurred for the plans were calculated pursuant to the MERS GASB 68 Implementation Guide. The total pension expense recognized as calculated in Step 6 of the guide and expensed on the books is \$79,052. The Transit paid \$34,325, therefore, \$44,727 (\$79,052 less the amount paid) is subtracted out under 58020 Ineligible DB Pension. Although the County has an Other Post-Employment Benefit (OPEB) retirement plan, the Transit does not participate in it. Therefore, no OPEB costs were expensed on the Transit's books.

Nonfinancial Data

The methodology used for compiling mileage on the Nonurban Regular Service Nonfinancial Report is an adequate and reliable method for recording vehicle mileage.

NOTE 22 - UPCOMING CHANGES IN ACCOUNTING STANDARDS/REGULATIONS

The following pronouncements of the Governmental Accounting Standards Board (GASB) have been released recently and may be applicable to the County in the near future. We encourage management to review the following information and determine which standard(s) may be applicable to the County. For the complete text of these and other GASB standards, visit [www.gasb.org](http://www.gasb.org) and click on the "Standards & Guidance" tab. If you have questions regarding the applicability, timing, or implementation approach for any of these standards, please contact your audit team.

**GASB 74 - Postemployment Benefit Plans Other than Pension Plans**

*Effective 06/15/2017 (your FY 2017)*

This standard requires the calculation of a net other postemployment benefit (OPEB) liability based on an actuarial valuation of retiree healthcare and similar benefits administered by an OPEB trust. It mirrors the new accounting and financial reporting requirements of GASB 67 for pension plans.

**GASB 77 - Tax Abatement Disclosures**

*Effective 12/15/2016 (your FY 2017)*

This standard requires governments to disclose certain information about tax abatement agreements made to foster economic development or otherwise benefit the government or its citizens. Required disclosures include a brief description of the arrangement, the gross dollar amount of taxes abated in the current period, and any additional commitments made by the government as part of the agreement.

REQUIRED SUPPLEMENTARY INFORMATION

COUNTY OF OGEMAW  
West Branch, Michigan

POSTEMPLOYMENT BENEFITS SCHEDULES OF FUNDING  
PROGRESS AND EMPLOYER CONTRIBUTIONS  
For the Year Ended September 30, 2016

**Primary Government**

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
09/30/11	\$ 0	\$ 628,341	\$ 628,341	0 %	N/A	N/A
09/30/14	\$ 0	\$ 652,502	\$ 652,502	0 %	N/A	N/A

Schedule of Employer Contributions

Fiscal Year Ended	Annual Required Contribution	Percentage Contributed
9/30/14	\$ 40,541	92.2 %
9/30/15	\$ 33,068	122.5 %
9/30/16	\$ 32,400	112.6 %

**Road Commission**

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
9/30/14	\$ 21,052	\$ 719,652	\$ 698,600	3 %	N/A	N/A

Schedule of Employer Contributions

Fiscal Year Ended	Annual Required Contribution	Percentage Contributed
9/30/14	\$ 71,728	43.6 %
9/30/15	\$ 74,563	43.9 %
9/30/16	\$ 77,488	38.7 %

COUNTY OF OGEMAW  
West Branch, Michigan

SCHEDULE OF CHANGES IN EMPLOYER'S  
NET PENSION LIABILITY AND RELATED RATIOS  
For the Year Ended September 30, 2016

	2016	2015
Total Pension Liability		
Service cost	\$ 333,410	\$ 356,817
Interest	2,073,677	1,994,791
Changes of benefit terms	0	0
Difference between expected and actual experience	(60,499)	0
Changes of assumptions	1,379,696	0
Benefit payments, including employee refunds	(1,439,456)	(1,327,999)
Other	0	1
Net Change in Total Pension Liability	2,286,828	1,023,610
Total Pension Liability - Beginning	25,688,508	24,664,898
Total Pension Liability - Ending	\$ 27,975,336	\$ 25,688,508
Plan Fiduciary Net Position		
Employer contributions	\$ 612,364	\$ 536,464
Employee contributions	120,865	133,658
Net investment income	(298,632)	1,232,098
Benefit payments, including employee refunds	(1,439,456)	(1,327,999)
Administrative expense	(43,757)	(45,180)
Other	1	0
Net Change in Plan Fiduciary Net Position	(1,048,615)	529,041
Plan Fiduciary Net Position - Beginning	20,147,962	19,618,921
Plan Fiduciary Net Position - Ending	\$ 19,099,347	\$ 20,147,962
Employer Net Pension Liability	\$ 8,875,989	\$ 5,540,546
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68%	78%
Covered Employee Payroll	\$ 2,211,482	\$ 2,364,946
Employer's Net Pension Liability as a Percentage of Covered Employee Payroll	401%	234%

COUNTY OF OGEMAW  
West Branch, Michigan

SCHEDULE OF EMPLOYER CONTRIBUTIONS  
For the Year Ended September 30, 2016

	2016	2015
Actuarially determined contributions	\$ 612,364	\$ 536,464
Contributions in relation to the actuarially determined contribution	651,018	536,464
Contribution deficiency (excess)	\$ (38,654)	\$ 0
Covered employee payroll	\$ 2,211,482	\$ 2,364,946
Contributions as a percentage of covered employee payroll	29%	23%

**Notes to Schedule**

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	23 years
Asset valuation method	5 year smoothed
Inflation	2.5%
Salary increases	3.75%
Investment rate of return	8.25%
Retirement age	60; 50 with 25 years of service or 55 with 15 years of service, unreduced, for closed plans. 60; 20 years of service and out, unreduced, or 55 with 15 years of service, reduced, for open plans.
Mortality	50% Female/50% Male - RP-2014 Group Annuity Mortality Table

COUNTY OF OGEMAW  
West Branch, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
GENERAL FUND  
For the Year Ended September 30, 2016

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
<u>Revenue</u>				
Property Taxes	\$ 5,418,251	\$ 5,652,820	\$ 5,611,283	\$ (41,537)
Federal Grants and Revenue	178,158	164,921	212,654	47,733
State Grants and Revenue	686,964	686,964	573,253	(113,711)
State Shared Revenue	460,041	460,041	460,257	216
Licenses and Permits	278,000	303,000	315,905	12,905
Charges for Services	2,169,690	2,248,811	2,231,295	(17,516)
Fines and Forfeits	33,500	33,500	31,873	(1,627)
Interest and Rentals	58,000	58,000	23,884	(34,116)
Other Revenue	21,500	369,723	49,162	(320,561)
Total Revenue	<u>9,304,104</u>	<u>9,977,780</u>	<u>9,509,566</u>	<u>(468,214)</u>
<u>Expenditures</u>				
Current:				
General Government:				
Legislative and Executive	144,706	134,054	121,083	12,971
Judicial	1,498,112	1,584,975	1,512,474	72,501
Financial and Tax Administration	905,063	966,408	946,392	20,016
Other General Government	1,561,990	1,655,069	1,509,425	145,644
Public Safety	3,552,725	3,805,457	3,708,513	96,944
Public Works	91,217	107,729	140,482	(32,753)
Health and Welfare	783,183	999,094	953,336	45,758
Community and Economic Development	13,804	16,154	12,794	3,360
Capital Outlay	67,250	420,504	58,788	361,716
Total Expenditures	<u>8,618,050</u>	<u>9,689,444</u>	<u>8,963,287</u>	<u>726,157</u>
Excess of Revenue Over (Under) Expenditures	<u>686,054</u>	<u>288,336</u>	<u>546,279</u>	<u>257,943</u>
<u>Other Financing Sources (Uses)</u>				
Sale of Capital Assets	500	500	1,050	550
Operating Transfers In	291,000	886,941	341,658	(545,283)
Operating Transfers Out	(1,074,849)	(1,316,354)	(1,173,479)	142,875
Total Other Financing Sources (Uses)	<u>(783,349)</u>	<u>(428,913)</u>	<u>(830,771)</u>	<u>(401,858)</u>
Net Change in Fund Balances	(97,295)	(140,577)	(284,492)	(143,915)
Fund Balances - Beginning of Year	<u>284,492</u>	<u>284,492</u>	<u>284,492</u>	<u>0</u>
Fund Balances - End of Year	<u>\$ 187,197</u>	<u>\$ 143,915</u>	<u>\$ 0</u>	<u>\$ (143,915)</u>

COUNTY OF OGEMAW  
West Branch, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
HOUSING COMMISSION FUND - SPECIAL REVENUE FUND  
For the Year Ended September 30, 2016

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
<u>Revenue</u>				
Federal Grants and Revenue	\$ 377,000	\$ 438,836	\$ 368,100	\$ (70,736)
Local Grants	85,000	253,067	158,661	(94,406)
Interest and Rentals	5,500	5,500	4,521	(979)
Other Revenue	<u>0</u>	<u>0</u>	<u>23</u>	<u>23</u>
Total Revenue	467,500	697,403	531,305	(166,098)
<u>Expenditures</u>				
Current:				
Community and Economic Development	<u>471,450</u>	<u>694,067</u>	<u>595,636</u>	<u>98,431</u>
Excess of Revenue Over (Under) Expenditures	(3,950)	3,336	(64,331)	(67,667)
Fund Balances - Beginning of Year	<u>66,408</u>	<u>66,408</u>	<u>66,408</u>	<u>0</u>
Fund Balances - End of Year	<u>\$ 62,458</u>	<u>\$ 69,744</u>	<u>\$ 2,077</u>	<u>\$ (67,667)</u>

OTHER INFORMATION

COUNTY OF OGEMAW  
West Branch, Michigan

COMBINING BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS  
September 30, 2016

	Special Revenue Funds									
	Liquor Law Enforcement Fund	Friend of the Court	Marriage Counseling Fund	Register of Deeds Automation Fund	Community Corrections Fund	911 Service Fund	Concealed Weapons Licensing	Drug Forfeiture Fund	Correction Training Fund	Law Enforcement Drug Forfeiture
<u>Assets</u>										
Cash and Cash Equivalents	\$ 0	\$ 23,805	\$ 33,879	\$ 79,447	\$ 1,815	\$ 0	\$ 14,908	\$ 3,665	\$ 26,099	\$ 10,959
Receivables:										
Accounts, Net	0	110	0	0	0	66,289	0	0	0	0
Due from Local Units	0	0	0	0	0	0	0	0	0	0
Due from State	0	36,803	0	0	10,943	36,014	0	0	0	0
Due from Other Units of Government	2,212	0	0	0	0	0	0	0	0	0
Due from Other Funds	0	0	0	0	0	0	0	0	0	0
<b>Total Assets</b>	<b>\$ 2,212</b>	<b>\$ 60,718</b>	<b>\$ 33,879</b>	<b>\$ 79,447</b>	<b>\$ 12,758</b>	<b>\$ 102,303</b>	<b>\$ 14,908</b>	<b>\$ 3,665</b>	<b>\$ 26,099</b>	<b>\$ 10,959</b>
<u>Liabilities</u>										
Accounts Payable	\$ 0	\$ 168	\$ 0	\$ 0	\$ 2,920	\$ 137	\$ 0	\$ 0	\$ 0	\$ 3,079
Due to Other Funds	757	0	0	0	0	92,821	0	0	0	0
Due to Other Units of Government	0	0	0	0	0	0	0	0	0	0
Accrued Liabilities	51	3,527	0	0	0	9,286	0	0	0	0
Unearned Revenue	0	0	0	0	0	0	0	0	0	0
Total Liabilities	808	3,695	0	0	2,920	102,244	0	0	0	3,079
<u>Deferred Inflows of Resources</u>										
Unavailable Revenue - Grants	0	36,803	0	0	0	0	0	0	0	0
<u>Fund Equity</u>										
Fund Balances:										
Restricted	1,404	20,220	0	79,447	9,838	59	14,908	3,665	26,099	7,880
Committed	0	0	33,879	0	0	0	0	0	0	0
Total Fund Equity	1,404	20,220	33,879	79,447	9,838	59	14,908	3,665	26,099	7,880
<b>Total Liabilities, Deferred Inflows of Resources and Fund Equity</b>	<b>\$ 2,212</b>	<b>\$ 60,718</b>	<b>\$ 33,879</b>	<b>\$ 79,447</b>	<b>\$ 12,758</b>	<b>\$ 102,303</b>	<b>\$ 14,908</b>	<b>\$ 3,665</b>	<b>\$ 26,099</b>	<b>\$ 10,959</b>

COUNTY OF OGEMAW  
West Branch, Michigan

COMBINING BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS  
September 30, 2016

	Special Revenue Funds						Debt Service Fund	Capital Project Fund	Total Other Governmental Funds
	Street and Address Committee	Probate Child Care Fund	Veterans Relief Fund	Veterans Office	ORV Fund	Commissary Fund	Jail Renovation Debt Service Fund	Capital Improvement Fund	
<u>Assets</u>									
Cash and Cash Equivalents	\$ 3,592	\$ 0	\$ 1,434	\$ 49,078	\$ 1,543	\$ 114,639	\$ 0	\$ 1,841	\$ 366,704
Receivables:									
Accounts, Net	0	3,119	0	0	0	883	0	0	70,401
Due from Local Units	0	0	0	0	0	28,486	0	0	28,486
Due from State	0	99,015	0	0	0	0	0	0	182,775
Due from Other Units of Government	0	0	0	0	0	0	0	0	2,212
Due from Other Funds	<u>0</u>	<u>81,614</u>	<u>0</u>	<u>99,520</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>181,134</u>
<b>Total Assets</b>	<u>\$ 3,592</u>	<u>\$ 183,748</u>	<u>\$ 1,434</u>	<u>\$ 148,598</u>	<u>\$ 1,543</u>	<u>\$ 144,008</u>	<u>\$ 0</u>	<u>\$ 1,841</u>	<u>\$ 831,712</u>
<u>Liabilities</u>									
Accounts Payable	\$ 0	\$ 24,213	\$ 0	\$ 160	\$ 0	\$ 4,495	\$ 0	\$ 0	\$ 35,172
Due to Other Funds	0	127,368	0	0	0	8,000	0	0	228,946
Due to Other Units of Government	0	19,494	0	0	0	0	0	0	19,494
Accrued Liabilities	0	2,134	0	1,080	0	0	0	0	16,078
Unearned Revenue	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>32,000</u>	<u>0</u>	<u>0</u>	<u>32,000</u>
Total Liabilities	<u>0</u>	<u>173,209</u>	<u>0</u>	<u>1,240</u>	<u>0</u>	<u>44,495</u>	<u>0</u>	<u>0</u>	<u>331,690</u>
<u>Deferred Inflows of Resources</u>									
Unavailable Revenue - Grants	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>36,803</u>
<u>Fund Equity</u>									
Fund Balances:									
Restricted	0	10,539	1,434	147,358	1,543	0	0	0	324,394
Committed	<u>3,592</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>99,513</u>	<u>0</u>	<u>1,841</u>	<u>138,825</u>
Total Fund Equity	<u>3,592</u>	<u>10,539</u>	<u>1,434</u>	<u>147,358</u>	<u>1,543</u>	<u>99,513</u>	<u>0</u>	<u>1,841</u>	<u>463,219</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Equity</b>	<u>\$ 3,592</u>	<u>\$ 183,748</u>	<u>\$ 1,434</u>	<u>\$ 148,598</u>	<u>\$ 1,543</u>	<u>\$ 144,008</u>	<u>\$ 0</u>	<u>\$ 1,841</u>	<u>\$ 831,712</u>

COUNTY OF OGEMAW  
West Branch, Michigan

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES  
OTHER GOVERNMENTAL FUNDS  
For the Year Ended September 30, 2016

	Special Revenue Funds									
	Liquor Law Enforcement Fund	Friend of the Court	Marriage Counseling Fund	Register of Deeds Automation Fund	Community Corrections Fund	911 Service Fund	Concealed Weapons Licensing	Drug Forfeiture Fund	Correction Training Fund	Law Enforcement Drug Forfeiture
<u>Revenue</u>										
Property Taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Federal Grants and Revenue	0	194,165	0	0	0	0	0	0	0	0
State Grants and Revenue	0	40,601	0	0	52,394	153,683	0	0	0	0
Charges for Services	5,413	29,758	3,681	24,705	0	0	12,310	0	12,925	0
Fines and Forfeits	0	0	0	0	0	0	0	0	0	1,543
Other Revenue	0	0	0	0	0	286,365	0	0	0	0
Total Revenue	<u>5,413</u>	<u>264,524</u>	<u>3,681</u>	<u>24,705</u>	<u>52,394</u>	<u>440,048</u>	<u>12,310</u>	<u>0</u>	<u>12,925</u>	<u>1,543</u>
<u>Expenditures</u>										
Current:										
General Government:										
Judicial	4,009	341,498	1,650	0	0	0	0	0	0	0
Other General Government	0	0	0	1,043	0	0	0	0	0	0
Public Safety	0	0	0	0	54,306	741,803	470	474	11,134	5,332
Health and Welfare	0	0	0	0	0	0	0	0	0	0
Capital Outlay	0	0	0	0	0	4,702	0	0	0	0
Debt Service:										
Principal	0	0	0	0	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0	0	0	0	0
Total Expenditures	<u>4,009</u>	<u>341,498</u>	<u>1,650</u>	<u>1,043</u>	<u>54,306</u>	<u>746,505</u>	<u>470</u>	<u>474</u>	<u>11,134</u>	<u>5,332</u>
Excess of Revenue Over (Under) Expenditures	1,404	(76,974)	2,031	23,662	(1,912)	(306,457)	11,840	(474)	1,791	(3,789)
<u>Other Financing Sources (Uses)</u>										
Operating Transfers In	0	84,033	0	0	0	306,516	0	0	0	0
<u>Special Item (Note 1)</u>										
Probate Court Payable Forgiveness	0	0	0	0	0	0	0	0	0	0
Net Change in Fund Balances	1,404	7,059	2,031	23,662	(1,912)	59	11,840	(474)	1,791	(3,789)
Fund Balances - Beginning of Year	0	13,161	31,848	55,785	11,750	0	3,068	4,139	24,308	11,669
Fund Balances - End of Year	<u>\$ 1,404</u>	<u>\$ 20,220</u>	<u>\$ 33,879</u>	<u>\$ 79,447</u>	<u>\$ 9,838</u>	<u>\$ 59</u>	<u>\$ 14,908</u>	<u>\$ 3,665</u>	<u>\$ 26,099</u>	<u>\$ 7,880</u>

COUNTY OF OGEMAW  
West Branch, Michigan

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES  
OTHER GOVERNMENTAL FUNDS  
For the Year Ended September 30, 2016

	Special Revenue Funds					Debt Service Fund	Capital Project Fund	Total Other Governmental Funds	
	Street and Address Committee	Probate Child Care Fund	Veterans Relief Fund	Veterans Office	ORV Fund	Commissary Fund	Jail Renovation Debt Service Fund		Capital Improvement Fund
<u>Revenue</u>									
Property Taxes	\$ 0	\$ 0	\$ 0	\$ 99,829	\$ 0	\$ 0	\$ 0	\$ 0	\$ 99,829
Federal Grants and Revenue	0	0	0	0	0	0	0	0	194,165
State Grants and Revenue	0	536,180	0	0	0	0	0	0	782,858
Charges for Services	0	0	0	0	0	0	0	0	88,792
Fines and Forfeits	0	0	0	0	0	0	0	0	1,543
Other Revenue	0	36,523	0	0	0	153,561	0	0	476,449
Total Revenue	0	572,703	0	99,829	0	153,561	0	0	1,643,636
<u>Expenditures</u>									
Current:									
General Government:									
Judicial	0	0	0	0	0	0	0	0	347,157
Other General Government	0	0	0	0	0	93,581	0	0	94,624
Public Safety	0	0	0	0	0	0	0	0	813,519
Health and Welfare	0	988,250	0	76,260	0	0	0	0	1,064,510
Capital Outlay	0	0	0	0	0	38,750	0	0	43,452
Debt Service:									
Principal	0	0	0	0	0	0	200,000	0	200,000
Interest and Fiscal Charges	0	0	0	0	0	0	175,550	0	175,550
Total Expenditures	0	988,250	0	76,260	0	132,331	375,550	0	2,738,812
Excess of Revenue Over (Under) Expenditures	0	(415,547)	0	23,569	0	21,230	(375,550)	0	(1,095,176)
<u>Other Financing Sources (Uses)</u>									
Operating Transfers In	0	407,380	0	0	0	0	375,550	0	1,173,479
<u>Special Item (Note 1)</u>									
Probate Court Payable Forgiveness	0	18,706	0	0	0	0	0	0	18,706
Net Change in Fund Balances	0	10,539	0	23,569	0	21,230	0	0	97,009
Fund Balances - Beginning of Year	3,592	0	1,434	123,789	1,543	78,283	0	1,841	366,210
Fund Balances - End of Year	\$ 3,592	\$ 10,539	\$ 1,434	\$ 147,358	\$ 1,543	\$ 99,513	\$ 0	\$ 1,841	\$ 463,219

COUNTY OF OGEMAW  
West Branch, Michigan

COMBINING STATEMENT OF NET POSITION  
OTHER ENTERPRISE FUNDS  
September 30, 2016

	County Park	Tax Reversion Fund	Total
<u>Assets</u>			
Cash and Cash Equivalents	\$ 146	\$ 0	\$ 146
Investments	0	300,000	300,000
Receivables:			
Accounts, Net	2,295	4,150	6,445
Interest Receivable	0	647	647
Due from Other Units of Government	0	48,355	48,355
Due from Other Funds	0	539,758	539,758
Noncurrent Assets:			
Capital Assets, Net of Accumulated Depreciation	5,590	0	5,590
Total Assets	8,031	892,910	900,941
<u>Liabilities</u>			
Current Liabilities:			
Accounts Payable	619	12,021	12,640
Due to Other Funds	0	69,020	69,020
Total Liabilities	619	81,041	81,660
<u>Net Position</u>			
Net Investment in Capital Assets	5,590	0	5,590
Unrestricted	1,822	811,869	813,691
Total Net Position	\$ 7,412	\$ 811,869	\$ 819,281

COUNTY OF OGEMAW  
West Branch, Michigan

COMBINING STATEMENT OF ACTIVITIES  
OTHER ENTERPRISE FUNDS  
For the Year Ended September 30, 2016

	County Park	Tax Reversion Fund	Total
<u>Operating Revenue</u>			
Charges For Services	\$ 0	\$ 136,106	\$ 136,106
User Fees	22,943	0	22,943
Other Revenue	<u>0</u>	<u>4,835</u>	<u>4,835</u>
Total Operating Revenue	<u>22,943</u>	<u>140,941</u>	<u>163,884</u>
<u>Operating Expenses</u>			
Salaries and Wages	939	0	939
Payroll Taxes and Employee Benefits	90	0	90
Advertising	0	293	293
Contractual Services	1,280	0	1,280
Depreciation	1,126	0	1,126
Dues and Subscriptions	0	150	150
Gasoline and Oil	162	0	162
Operating Supplies	8,850	1,876	10,726
Printing and Advertising	50	0	50
Professional Fees and Services	351	86,184	86,535
Repair and Maintenance	3,511	1,357	4,868
Telephone	0	332	332
Travel and Training	220	30	250
Utilities	17,221	0	17,221
Other	<u>81</u>	<u>22,483</u>	<u>22,564</u>
Total Operating Expenses	<u>33,881</u>	<u>112,705</u>	<u>146,586</u>
Operating Income (Loss)	<u>(10,938)</u>	<u>28,236</u>	<u>17,298</u>
<u>Nonoperating Revenue (Expenses)</u>			
Interest and Investment Earnings	0	647	647
Contributions	<u>6,703</u>	<u>0</u>	<u>6,703</u>
Total Nonoperating Revenue (Expenses)	<u>6,703</u>	<u>647</u>	<u>7,350</u>
Change in Net Position	(4,235)	28,883	24,648
Net Position - Beginning of Year	<u>11,647</u>	<u>782,986</u>	<u>794,633</u>
Net Position - End of Year	<u>\$ 7,412</u>	<u>\$ 811,869</u>	<u>\$ 819,281</u>

COUNTY OF OGEMAW  
West Branch, Michigan

COMBINING STATEMENT OF CASH FLOWS  
OTHER ENTERPRISE FUNDS  
For the Year Ended September 30, 2016

	<u>County Park</u>	<u>Tax Reversion Fund</u>	<u>Total</u>
<u>Cash Flows From Operating Activities</u>			
Receipts from Customers and Taxpayers	\$ 23,658	\$ 152,941	\$ 176,599
Payments to Suppliers for Goods and Services	(32,851)	(100,743)	(133,594)
Payments to Employees for Services	<u>(1,029)</u>	<u>0</u>	<u>(1,029)</u>
Net Cash Provided (Used) by Operating Activities	<u>(10,222)</u>	<u>52,198</u>	<u>41,976</u>
<u>Cash Flows From Non-Capital Financing Activities</u>			
Operating Subsidies and Transfers From (To) Other Funds/Component Units	0	247,802	247,802
Intergovernmental Contributions	<u>6,703</u>	<u>0</u>	<u>6,703</u>
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>6,703</u>	<u>247,802</u>	<u>254,505</u>
<u>Cash Flows From Investing Activities</u>			
Redemption (Purchase) of Investment Securities	<u>0</u>	<u>(300,000)</u>	<u>(300,000)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(3,519)	0	(3,519)
Cash and Cash Equivalents at Beginning of Year	<u>3,665</u>	<u>0</u>	<u>3,665</u>
Cash and Cash Equivalents at End of Year	<u>\$ 146</u>	<u>\$ 0</u>	<u>\$ 146</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</u>			
Operating Income (Loss)	\$ (10,938)	\$ 28,236	\$ 17,298
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	1,126	0	1,126
Change in Assets and Liabilities:			
Receivables	715	12,000	12,715
Accounts and Other Payables	<u>(1,125)</u>	<u>11,962</u>	<u>10,837</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (10,222)</u>	<u>\$ 52,198</u>	<u>\$ 41,976</u>

COUNTY OF OGEMAW  
West Branch, Michigan

COMBINING BALANCE SHEET  
OGEMAW COUNTY DRAIN COMMISSION - COMPONENT UNIT  
GOVERNMENTAL FUNDS  
September 30, 2016

	<u>Debt Retirement Funds</u>			<u>Capital Project Funds</u>				<u>Total Governmental Funds</u>
	<u>Stylus Lake Debt Service Fund</u>	<u>Flowage Lake Dam Bond</u>	<u>Whitney Drain</u>	<u>AuSable Lake Assessment</u>	<u>Stylus Lake Assessment</u>	<u>Tee Lake Assessment</u>	<u>Flowage Lake Dam Fund</u>	
<u>Assets</u>								
Cash and Cash Equivalents	\$ 0	\$ 45	\$ 0	\$ 6,888	\$ 10,175	\$ 16,503	\$ 12,088	\$ 45,699
Receivables:								
Special Assessments	0	38,200	14,853	0	0	0	0	53,053
Total Assets	<u>\$ 0</u>	<u>\$ 38,245</u>	<u>\$ 14,853</u>	<u>\$ 6,888</u>	<u>\$ 10,175</u>	<u>\$ 16,503</u>	<u>\$ 12,088</u>	<u>\$ 98,752</u>
<u>Liabilities</u>								
Due to Other Funds (Note 5)	\$ 0	\$ 38,245	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 38,245
<u>Deferred Inflows of Resources</u>								
Unavailable Revenue - Special Assessments	0	38,200	14,853	0	0	0	0	53,053
<u>Fund Equity</u>								
Fund Balances:								
Restricted For:								
Debt Service	0	(38,200)	0	0	0	0	0	(38,200)
Capital Projects	0	0	0	6,888	10,175	16,503	12,088	45,654
Total Fund Equity	0	(38,200)	0	6,888	10,175	16,503	12,088	7,454
Total Liabilities, Deferred Inflows of Resources and Fund Equity	<u>\$ 0</u>	<u>\$ 38,245</u>	<u>\$ 14,853</u>	<u>\$ 6,888</u>	<u>\$ 10,175</u>	<u>\$ 16,503</u>	<u>\$ 12,088</u>	<u>\$ 98,752</u>

COUNTY OF OGEMAW  
West Branch, Michigan

OGEMAW COUNTY DRAIN COMMISSION - COMPONENT UNIT  
RECONCILIATION OF THE GOVERNMENTAL FUND  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
September 30, 2016

Total Governmental Fund Balances		\$	7,454
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. Capital assets at year end consist of:			
Capital Assets Cost		\$	754,201
Accumulated Depreciation			<u>(265,875)</u>
			488,326
Other assets are not available to pay for current period expenditures and, therefore, are unavailable in the governmental funds:			
Special Assessments			53,053
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year end consist of:			
Bonds Payable			<u>(14,904)</u>
Total Net Position - Governmental Activities		\$	<u><u>533,929</u></u>

COUNTY OF OGEMAW  
West Branch, Michigan

COMBINING STATEMENT OF  
REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES -  
OGEMAW COUNTY DRAIN COMMISSION - COMPONENT UNIT - GOVERNMENTAL FUNDS  
For the Year Ended September 30, 2016

	Debt Retirement Funds			Capital Project Funds				Total Governmental Funds
	Stylus Lake Debt Service Fund	Flowage Lake Dam Bond	Whitney Drain	AuSable Lake Assessment	Stylus Lake Assessment	Tee Lake Assessment	Flowage Lake Dam Fund	
<u>Revenue</u>								
Contributions from Local Units	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,500	\$ 3,500
Interest Income	0	0	0	1	20	4	0	25
Other Revenue	0	14,380	3,017	0	17,840	0	0	35,237
Total Revenue	<u>0</u>	<u>14,380</u>	<u>3,017</u>	<u>1</u>	<u>17,860</u>	<u>4</u>	<u>3,500</u>	<u>38,762</u>
<u>Expenditures</u>								
Current:								
Public Works	0	0	0	80	97,647	405	250	98,382
Debt Service:								
Principal	21,924	50,000	2,369	0	0	0	0	74,293
Interest and Fiscal Charges	1,050	3,000	648	0	0	0	0	4,698
Total Expenditures	<u>22,974</u>	<u>53,000</u>	<u>3,017</u>	<u>80</u>	<u>97,647</u>	<u>405</u>	<u>250</u>	<u>177,373</u>
Excess of Revenue Over (Under) Expenditures	<u>(22,974)</u>	<u>(38,620)</u>	<u>0</u>	<u>(79)</u>	<u>(79,787)</u>	<u>(401)</u>	<u>3,250</u>	<u>(138,611)</u>
<u>Other Financing Sources (Uses)</u>								
Operating Transfers In (Note 10)	22,974	0	0	0	0	0	0	22,974
Operating Transfers Out (Note 10)	0	0	0	0	(22,974)	0	0	(22,974)
Total Other Financing Sources (Uses)	<u>22,974</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(22,974)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	0	(38,620)	0	(79)	(102,761)	(401)	3,250	(138,611)
Fund Balances - Beginning of Year	0	420	0	6,967	112,936	16,904	8,838	146,065
Fund Balances (Deficit) - End of Year	\$ <u>0</u>	\$ <u>(38,200)</u>	\$ <u>0</u>	\$ <u>6,888</u>	\$ <u>10,175</u>	\$ <u>16,503</u>	\$ <u>12,088</u>	\$ <u>7,454</u>

COUNTY OF OGEMAW  
West Branch, Michigan

OGEMAW COUNTY DRAIN COMMISSION - COMPONENT UNIT  
 RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES  
 AND CHANGES IN FUND BALANCES OF  
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
For the Year Ended September 30, 2016

Total Net Change in Fund Balances - Governmental Funds	\$	(138,611)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Receivables not currently available are reported as revenue when collected or when currently available in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements:</p>		
Special Assessments		(33,921)
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.</p>		
Current Year Depreciation Expense		(15,084)
<p>Principal repayments on long-term debt are reported as expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. The amount of repayments reported as expenditures in the governmental funds consist of:</p>		
Bonds Payable	\$ 52,484	
Notes Payable	<u>21,924</u>	
		<u>74,408</u>
Change in Net Position of Governmental Activities	\$	<u><u>(113,208)</u></u>

COUNTY OF OGEMAW  
West Branch, Michigan

COMBINING BALANCE SHEET  
 ECONOMIC DEVELOPMENT CORPORATION - COMPONENT UNIT  
 GOVERNMENTAL FUNDS  
September 30, 2016

	<u>Special Revenue Funds</u>		Total
	<u>EDC Fund</u>	<u>EDC Alliance Fund</u>	<u>Governmental Funds</u>
<u>Assets</u>			
Cash and Cash Equivalents	\$ <u>2,518</u>	\$ <u>32,829</u>	\$ <u>35,347</u>
<u>Liabilities</u>	\$ 0	\$ 0	\$ 0
<u>Fund Equity</u>			
Fund Balances:			
Restricted For:			
Economic Development	<u>2,518</u>	<u>32,829</u>	<u>35,347</u>
Total Liabilities and Fund Equity	\$ <u>2,518</u>	\$ <u>32,829</u>	\$ <u>35,347</u>

COUNTY OF OGEMAW  
West Branch, Michigan

COMBINING STATEMENT OF  
 REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES -  
 ECONOMIC DEVELOPMENT CORPORATION - COMPONENT UNIT - GOVERNMENTAL FUNDS  
For the Year Ended September 30, 2016

	<u>Special Revenue Funds</u>		<u>Total Governmental Funds</u>
	<u>EDC Fund</u>	<u>EDC Alliance Fund</u>	
<u>Revenue</u>			
Contributions from Local Units	\$ 12,200	\$ 0	\$ 12,200
Other Revenue	<u>0</u>	<u>10,800</u>	<u>10,800</u>
Total Revenue	12,200	10,800	23,000
 <u>Expenditures</u>			
Current:			
Community and Economic Development	<u>20,677</u>	<u>1,170</u>	<u>21,847</u>
Excess of Revenue Over (Under) Expenditures	(8,477)	9,630	1,153
Fund Balances - Beginning of Year	<u>10,995</u>	<u>23,199</u>	<u>34,194</u>
Fund Balances - End of Year	<u>\$ 2,518</u>	<u>\$ 32,829</u>	<u>\$ 35,347</u>

COUNTY OF OGEMAW  
West Branch, Michigan

SCHEDULE OF INDEBTEDNESS  
September 30, 2016

\$6,390,000 LIMITED TAX BUILDING AND SITE JAIL REFUNDING BONDS

Fiscal Year	November 1 Interest	May 1 Principal	May 1 Interest	Total
2017	\$ 85,363	\$ 205,000	\$ 85,362	\$ 375,725
2018	83,313	210,000	83,312	376,625
2019	81,213	215,000	81,212	377,425
2020	79,063	215,000	79,062	373,125
2021	76,913	220,000	76,912	373,825
2022	74,713	225,000	74,712	374,425
2023	72,182	230,000	72,181	374,363
2024	68,731	240,000	68,731	377,462
2025	65,132	245,000	65,131	375,263
2026	61,456	255,000	61,456	377,912
2027	57,632	260,000	57,631	375,263
2028	53,732	270,000	53,731	377,463
2029	49,682	275,000	49,681	374,363
2030	45,556	285,000	45,556	376,112
2031	41,281	295,000	41,281	377,562
2032	36,856	300,000	36,856	373,712
2033	32,356	310,000	32,356	374,712
2034	27,706	320,000	27,706	375,412
2035	22,506	330,000	22,506	375,012
2036	17,144	340,000	17,144	374,288
2037	11,619	350,000	11,619	373,238
2038	5,932	365,000	5,931	376,863
	<u>\$ 1,150,081</u>	<u>\$ 5,960,000</u>	<u>\$ 1,150,069</u>	<u>\$ 8,260,150</u>

DRAIN COMMISSION - \$1,690,000 WHITNEY INTERCOUNTY DRAIN BONDS, OGEMAW  
COUNTY'S PORTION \$36,504

Fiscal Year	June 1 Interest	June 1 Principal	December 1 Interest	Total
2017	\$ 298	\$ 2,484	\$ 298	\$ 3,080
2018	249	2,484	248	2,981
2019	198	2,484	199	2,881
2020	149	2,484	149	2,782
2021	100	2,484	99	2,683
2022	49	2,484	50	2,583
	<u>\$ 1,043</u>	<u>\$ 14,904</u>	<u>\$ 1,043</u>	<u>\$ 16,990</u>

COUNTY OF OGEMAW  
West Branch, Michigan

SCHEDULE OF INDEBTEDNESS  
September 30, 2016

ROAD COMMISSION - \$681,872 INSTALLMENT PURCHASE AGREEMENTS PAYABLE

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 138,821	\$ 6,135	\$ 144,956
2018	<u>141,857</u>	<u>3,099</u>	<u>144,956</u>
	<u>\$ 280,678</u>	<u>\$ 9,234</u>	<u>\$ 289,912</u>

ROAD COMMISSION - \$226,630 INSTALLMENT PURCHASE AGREEMENT PAYABLE

<u>Fiscal Year</u>	<u>Principle</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 43,555	\$ 4,086	\$ 47,641
2018	44,424	3,217	47,641
2019	45,311	2,331	47,642
2020	46,211	1,431	47,642
2021	<u>47,129</u>	<u>505</u>	<u>47,634</u>
	<u>\$ 226,630</u>	<u>\$ 11,570</u>	<u>\$ 238,200</u>

COUNTY OF OGEMAW  
West Branch, Michigan

OGEMAW COUNTY PUBLIC TRANSIT  
NONURBAN REGULAR SERVICE REVENUE REPORT  
For the Year Ended September 30, 2016

	<u>Ogemaw County Public Transit</u>
Farebox Revenue	
Passenger Fares	\$ 54,606
Contract Fares	31,946
NonTrans Revenues	
Advertising Revenue	4,455
Gain on Sale of Capital Assets	6,000
Other Revenue	914
Local Revenue	
Taxes Levied Directly for/by Transit Agency	239,286
Local Capital Contributions	54,000
State Formula and Contracts	
State Operating Assistance	312,237
Federal Contracts	
Section 5311 (Operating Funds Only)	161,550
RTAP	<u>673</u>
	<u>\$ 865,667</u>

COUNTY OF OGEMAW  
West Branch, Michigan

OGEMAW COUNTY PUBLIC TRANSIT  
NONURBAN REGULAR SERVICE EXPENSE REPORT  
For the Year Ended September 30, 2016

	Operations	Maintenance	General Administration	Total
Labor				
Operator's Salaries & Wages	\$ 263,789	\$ 0	\$ 0	\$ 263,789
Other Salaries & Wages	1,500	47,335	34,872	83,707
Dispatchers' Salaries & Wages	123,377	0	0	123,377
Fringe Benefits				
Other Fringe Benefits	115,428	25,223	20,006	160,657
Pensions	55,723	17,155	6,174	79,052
Services				
Audit Cost	0	0	9,215	9,215
Other Services	0	1,434	66,205	67,639
Material and Supplies				
Fuel & Lubricants	64,519	0	0	64,519
Tires & Tubes	6,278	0	0	6,278
Other Materials & Supplies	7,643	16,571	2,312	26,526
Utilities				
Utilities	8,554	0	585	9,139
Insurance				
Liability Insurance	18,560	0	1,970	20,530
Misc Expenses				
Travel, Meetings, & Training	493	0	0	493
Association Dues & Subscriptions	0	0	862	862
Other Misc Expenses	75	0	1,118	1,193
Depreciation				
Depreciation	123,674	383	3,963	128,020
Total Expenses	789,613	108,101	147,282	1,044,996
Ineligible Expenses				
Ineligible Depreciation	122,177	0	3,963	126,140
Ineligible Pension Costs Expensed but Not Paid	31,528	9,706	3,493	44,727
Ineligible RTAP	673	0	0	673
Ineligible Percent of Assoc. Dues	0	0	213	213
Total Ineligible Expenses	154,378	9,706	7,669	171,753
Total Eligible Expenses	\$ 635,235	\$ 98,395	\$ 139,613	\$ 873,243

COUNTY OF OGEMAW  
West Branch, Michigan

OGEMAW COUNTY PUBLIC TRANSIT  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
For the Year Ended September 30, 2016

Federal and State Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant Number	Program Award Amount	Current Year Expenditures			Prior Year Expenditures	Award Amount Remaining
				Total	Federal	State		
<u>U.S. Department of Transportation</u>								
Passed Through Michigan Department of Transportation								
Rural Transit Assistance Program (RTAP)		N/A	\$ <u>673</u>	\$ <u>673</u>	\$ <u>673</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
Operating Assistance - Section 5311	20.509	12-0146/P14	<u>161,550</u>	<u>161,550</u>	<u>161,550</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>Michigan Department of Transportation</u>								
Non Urban Operating Assistance - Act 51 Current Year	N/A	N/A	<u>312,237</u>	<u>312,237</u>	<u>0</u>	<u>312,237</u>	<u>0</u>	<u>0</u>
Total Federal and State Grants			\$ <u><u>474,460</u></u>	\$ <u><u>474,460</u></u>	\$ <u><u>162,223</u></u>	\$ <u><u>312,237</u></u>	\$ <u><u>0</u></u>	\$ <u><u>0</u></u>

COUNTY OF OGEMAW  
West Branch, Michigan

OGEMAW COUNTY PUBLIC TRANSIT  
 OPERATING ASSISTANCE CALCULATION  
For the Year Ended September 30, 2016

	<u>2007-0273/Z13 Federal Section 5311</u>	<u>State Operating Assistance</u>
Total Expenses	\$ <u>1,044,996</u>	\$ <u>1,044,996</u>
Less Ineligible Expenses		
Depreciation (Less Eligible)	126,140	126,140
RTAP	673	673
Association Dues	213	213
Pension Costs Expensed but Not Paid	<u>44,727</u>	<u>44,727</u>
Total Ineligible Expenses	<u>171,753</u>	<u>171,753</u>
Net Eligible Expenses	<u>\$ 873,243</u>	<u>\$ 873,243</u>
Maximum Section 5311 Reimbursement 18.5%	<u>\$ 161,550</u>	
State Operating Assistance		<u>\$ 312,237</u>

Federal Section 5311 expenses are only those expenses incurred in providing service to nonurbanized areas. The State Operating Assistance is to be computed at 35.7560% of the current eligible expenses.

COUNTY OF OGEMAW  
West Branch, Michigan

OGEMAW COUNTY PUBLIC TRANSIT  
NONURBAN REGULAR SERVICE NONFINANCIAL REPORT  
For the Year Ended September 30, 2016

<u>Code</u>	<u>Description</u>	<u>Weekday</u>	<u>Saturday</u>	<u>Sunday</u>	<u>Total</u>
611	Vehicle Miles	280,542	21,040	0	301,582



*Stephenson & Company, P.C.*

Certified Public Accountants & Consultants

Alan J. Stephenson, CPA  
Donald W. Brannan, CPA  
Kyle E. Troyer, CPA  
Robert J. Morand, CPA

COUNTY OF OGEMAW  
WEST BRANCH, MICHIGAN

SINGLE AUDIT REPORTS  
YEAR ENDED SEPTEMBER 30, 2016

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February 28, 2017

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

Board of Commissioners  
County of Ogemaw  
West Branch, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the County of Ogemaw as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the County of Ogemaw's basic financial statements and have issued our report thereon dated February 28, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the County of Ogemaw's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County of Ogemaw's internal control. Accordingly, we do not express an opinion on the effectiveness of the County of Ogemaw's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness. 2016-001.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency. 2016-002.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the County of Ogemaw's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**The County of Ogemaw's Response to Findings**

The County of Ogemaw's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The County of Ogemaw's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Stephenson & Company, P.C.



*Stephenson & Company, P.C.*

Certified Public Accountants & Consultants

Alan J. Stephenson, CPA  
Donald W. Brannan, CPA  
Kyle E. Troyer, CPA  
Robert J. Morand, CPA

February 28, 2017

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Commissioners  
County of Ogemaw  
West Branch, Michigan

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

We have audited the County of Ogemaw's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County of Ogemaw's major federal programs for the year ended September 30, 2016. The County of Ogemaw's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the County of Ogemaw's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of *Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 Ogemaw's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion, the County of Ogemaw complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2016.

*Report on Internal Control Over Compliance*

Management of the County of Ogemaw is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County of Ogemaw's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County of Ogemaw's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

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 Ogemaw as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the County of Ogemaw's basic financial statements. We issued our report thereon dated February 28, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by the Uniform Guidance, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Stephenson & Company, P.C.*

COUNTY OF OGEMAW  
West Branch, Michigan

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
For the Year Ended September 30, 2016

Findings - Financial Statements Audit

2015-001

Financial Statement Preparation

The County of Ogemaw's personnel prepare financial information throughout the year to assess the operations and the financial condition of the County. However, prior to the closing of the year end, various entries material to the financial statements were proposed by our firm. Also, the County relies on our firm to assist in reporting the annual financial report in accordance with Generally Accepted Accounting Principles.

This situation still exists and is still considered to be a Material Weakness in the current year. See the current year finding 2016-001.

2015-002

Inventory Listing

The County currently does not maintain a complete listing of information technology inventory.

This situation still exists and is considered to be a Significant Deficiency in the current year. See the current year finding 2016-002.

2015-003

Segregation of Duties

The County has not been tracking the weapons from the armory on a regular basis, and there are no controls in place to ensure that all the revenue being received from individuals coming into the jail, for drug testing, physically makes it to the bank.

These situations have been corrected in the current year.

Findings and Questioned Costs - Major Federal Award Programs Audit

2015-004

Community Development Block Grant Program - Housing Commission Records and Cash Management

The County paid contracted vendors prior to the start of the projects drawing expenses before being incurred and drawing amounts that were not specific to vendor invoices, which was not in agreement with their MSDHA approved procedural guidelines.

The situation has been corrected in the current year.

COUNTY OF OGEMAW  
West Branch, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended September 30, 2016

Summary of Auditors' Results

1. The auditors' report expresses unmodified opinions on the financial statements of the County of Ogemaw.
2. One material weakness and one significant deficiency in internal control relating to the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the County of Ogemaw, which are required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No material weaknesses relating to the audit of internal control over major federal award programs are reported in the Independent Auditors' Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.
5. The auditors' report on compliance for the major federal award programs for the County of Ogemaw expresses an unmodified opinion.
6. No audit findings relative to the major federal award programs for the County of Ogemaw are reported in this schedule.
7. The programs tested as major programs included: Community Development Block Grant, CFDA #14.228, and Formula Grants for Other Than Urbanized Areas, CFDA #20.509
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. The County of Ogemaw does not qualify as a low-risk auditee.

Findings - Financial Statement Audit

2016-001

Financial Statement Preparation

**Condition and Criteria:** Accounting principles require personnel of Ogemaw County to have the knowledge to review and determine that the financial report is a complete presentation in accordance with Generally Accepted Accounting Principles. Ogemaw County's personnel prepare financial information throughout the year to assess the operations and the financial condition of the County. However, prior to the closing of the year end, multiple journal entries, material to the financial statements, were proposed by their Independent Audit Firm. Also, the County relies on their Independent Audit Firm to assist in reporting the annual financial report in accordance with Generally Accepted Accounting Principles (GAAP).

**Effect:** As a result, the County is considered to have a material weakness, since reporting errors or omissions could occur in the preparation of the annual financial report that would be departures from GAAP and the County would not be in a position to detect the errors or omissions.

COUNTY OF OGEMAW  
West Branch, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended September 30, 2016

Findings - Financial Statement Audit (Continued)

2016-001                    Financial Statement Preparation (Continued)

**Cause:** The County relies on their Independent Audit Firm to assist in reporting the annual financial report in accordance with GAAP as well as propose material journal entries to the financial statements.

**Context:** Ogemaw County has individuals on staff to review the financial report to ensure it is accurate, and that the financial information reflects the recording of the proposed entries. However, the individuals do not review and determine that the financial report is a complete presentation in accordance with GAAP.

**Auditors' Recommendation:** We recommend that Management and those charged with governance evaluate and document their decision on the cost and benefits of whether to contract for this service with their independent audit firm.

**Views of Responsible Officials and Planned Corrective Actions:** The County understands the risk of having the auditors prepare the financial statements and has determined to accept this risk as they feel the benefit outweighs the risk itself. However, to mitigate this risk, the 2016 PPC Governmental Disclosure Checklist is received and reviewed by the County Treasurer and Clerk as part of reviewing and approving their financial statements to assist in ensuring that all required disclosures are properly included in the financial statements.

2016-002                    Inventory Listing

**Condition and Criteria:** Proper internal control mandates that safeguarding controls over inventory be established. Currently, there is not a complete inventory listing of information technology items.

**Effect:** County property could be misappropriated or used for non-county purposes.

**Cause:** The Technology Director states that he has not had the time available to contribute to such a large project.

**Context:** The County currently does not maintain a complete listing of information technology inventory.

**Auditors' Recommendation:** We recommend that management create a complete subsidiary ledger of all County information technology items purchased in the last twelve months, which would then be maintained and updated moving forward. In order for this process to be conducted effectively, it will be important for management to identify an individual with the responsibility of keeping the inventory listing up to date. This would mean that any purchases and / or disposals would then need to be funneled through this individual to sign off on, indicating that the activity was in fact properly accounted for on the inventory listing.

COUNTY OF OGEMAW  
West Branch, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended September 30, 2016

Findings - Financial Statement Audit (Continued)

2016-002                    Inventory Listing (Continued)

**Views of Responsible Officials and Planned Corrective Actions:** The Technology Director will begin establishing an information technology inventory listing immediately, and will then begin performing periodic spot checks to ensure that all items included on the County's inventory listing are still in the County's physical possession. Any discrepancies will be investigated timely.

Findings and Questioned Costs - Major Federal Award Programs Audit

There were no findings or questioned costs related to the major federal award program audit for the year ended September 30, 2016.

COUNTY OF OGEMAW  
West Branch, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended September 30, 2016

Federal Grantor or Pass Through Grantor Program Title/Grantor's Number	Federal CFDA Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at 10/1/15	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue at 9/30/16	Current Year Cash Transferred to Subrecipients
<u>U.S. Department of Agriculture</u>								
Rural Housing Preservation Grant:								
Housing Preservation Grant Program Income	10.433	N/A	\$ 0	\$ 0	\$ 58,679	\$ 58,679	\$ 0	\$ 0
Schools and Roads Grants to States:								
2015	10.665	30,496	30,496	610	0	610	0	610
2016		28,156	0	0	28,156	28,156	0	28,156
		<u>58,652</u>	<u>30,496</u>	<u>610</u>	<u>28,156</u>	<u>28,766</u>	<u>0</u>	<u>28,766</u>
Community Facilities Grant:								
Police Vehicles Grant - 2015	10.766	9,750	9,750	9,750	0	9,750	0	0
Police Vehicles Grant - 2016		13,000	0	0	13,000	0	13,000	0
		<u>22,750</u>	<u>9,750</u>	<u>9,750</u>	<u>13,000</u>	<u>9,750</u>	<u>13,000</u>	<u>0</u>
Total U.S. Department of Agriculture		<u>81,402</u>	<u>40,246</u>	<u>10,360</u>	<u>99,835</u>	<u>97,195</u>	<u>13,000</u>	<u>28,766</u>
<u>U.S. Department of Housing and Urban Development</u>								
Passed through Michigan State Housing Development Authority:								
CDBG Homeowner Rehab:								
MSC-2013-0324-H0A	14.228	487,800	225,286	15,467	262,514	277,981	0	0
Community Development Block Grant Program Income		N/A	0	0	46,907	46,907	0	0
		<u>487,800</u>	<u>225,286</u>	<u>15,467</u>	<u>309,421</u>	<u>324,888</u>	<u>0</u>	<u>0</u>
<u>U.S. Department of Interior</u>								
Passed through the Michigan State Housing Development Authority:								
Payments in Lieu of Taxes on Federal Land - Title III - 2015	15.226	5,121	5,121	402	0	402	0	0
Bankhead-Jones Farm Tenant Act - Title III		7,174	0	0	7,174	7,174	0	0
		<u>12,295</u>	<u>5,121</u>	<u>402</u>	<u>7,174</u>	<u>7,576</u>	<u>0</u>	<u>0</u>

The accompanying notes are an integral part of this schedule.

COUNTY OF OGEMAW  
West Branch, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended September 30, 2016

Federal Grantor or Pass Through Grantor Program Title/Grantor's Number	Federal CFDA Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at 10/1/15	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue at 9/30/16	Current Year Cash Transferred to Subrecipients
<u>U.S. Department of Transportation</u>								
Passed through Michigan Department of Transportation: Formula Grants for Other Than Urbanized Areas:								
Operating Assistance - Section 5311 12-0146 115357	20.509	\$ 115,976	\$ 115,976	\$ 9,162	\$ 0	\$ 0	\$ 9,162	\$ 0
Operating Assistance - Section 5311 12-0146 118396		113,352	111,137	15,929	0	13,425	2,504	0
Operating Assistance - Section 5311 12-0146 122492		130,844	130,844	11,364	0	0	11,364	0
Operating Assistance - Section 5311 12-0146 125942		154,329	154,329	46,006	0	42,624	3,382	0
Operating Assistance - Section 5311 12-0146 129053		161,550	0	0	161,550	114,946	46,604	0
Capital Grant 12-0146/P13		6,815	6,814	6,814	0	6,814	0	0
Rural Transit Assistance Program (RTAP)		673	0	0	673	673	0	0
		<u>683,539</u>	<u>519,100</u>	<u>89,275</u>	<u>162,223</u>	<u>178,482</u>	<u>73,016</u>	<u>0</u>
<u>U.S. Department of Health and Human Services</u>								
Passed through Michigan Department of Human Services: Child Support Enforcement:								
Prosecuting Attorney CS-PA13-65002	93.563	211,812	128,431	3,866	45,389	41,297	7,958	0
Friend of the Court Title IV D CS/FOC-13-65001		1,002,759	694,012	23,439	242,446	220,139	45,746	0
Performance Incentive Payments		30,890	0	0	30,890	30,890	0	0
		<u>1,245,461</u>	<u>822,443</u>	<u>27,305</u>	<u>318,725</u>	<u>292,326</u>	<u>53,704</u>	<u>0</u>
<u>U.S. Department of Homeland Security</u>								
Passed through Michigan Department of Natural Resources:								
Boating Safety Financial Assistance - 2015	97.012	4,300	4,300	4,300	0	4,300	0	0
Boating Safety Financial Assistance - 2016		8,200	0	0	3,764	0	3,764	0
		<u>12,500</u>	<u>4,300</u>	<u>4,300</u>	<u>3,764</u>	<u>4,300</u>	<u>3,764</u>	<u>0</u>
Passed through Michigan State Police:								
EMPG Supplemental Distribution - 2014	97.042	764	0	0	764	764	0	0
Emergency Management Performance Grant - 2016		8,271	0	0	8,271	8,271	0	0
		<u>9,035</u>	<u>0</u>	<u>0</u>	<u>9,035</u>	<u>9,035</u>	<u>0</u>	<u>0</u>

The accompanying notes are an integral part of this schedule.

COUNTY OF OGEMAW  
West Branch, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended September 30, 2016

Federal Grantor or Pass Through Grantor Program Title/Grantor's Number	Federal CFDA Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at 10/1/15	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue at 9/30/16	Current Year Cash Transferred to Subrecipients
<u>U.S. Department of Homeland Security - Continued</u>								
Passed through Michigan State Police:								
Pre-Disaster Mitigation Program PL-05-MI-2014-001	97.047	\$ 42,535	\$ 0	\$ 0	\$ 31,164	\$ 0	\$ 31,164	\$ 0
Passed through Iosco County:								
Homeland Security Grant EMW-2013-SS-00049	97.067	22,763	0	0	22,763	22,763	0	0
Total U.S. Department of Homeland Security		<u>86,833</u>	<u>4,300</u>	<u>4,300</u>	<u>66,726</u>	<u>36,098</u>	<u>34,928</u>	<u>0</u>
Total Federal Awards		<u>\$ 2,597,330</u>	<u>\$ 1,616,496</u>	<u>\$ 147,109</u>	<u>\$ 964,104</u>	<u>\$ 936,565</u>	<u>\$ 174,648</u>	<u>\$ 28,766</u>

The accompanying notes are an integral part of this schedule.

COUNTY OF OGEMAW  
West Branch, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended September 30, 2016

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the County of Ogemaw under programs of the federal government for the year ended September 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County of Ogemaw, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the County of Ogemaw .

Note 2 - Summary of Significant Accounting Policies

- A. The Schedule of Expenditures of Federal Awards is a summary of the cash activity of the County's federal awards and does not present transactions that would be included in financial statements of the County presented on the accrual basis of accounting, as contemplated by accounting principles generally accepted in the United States of America.
- B. The County of Ogemaw did not elect to use a flat de minimus rate of 10% of modified total direct costs for their indirect cost rate.

Note 3 - Reconciliation to Financial Statements:

Federal revenue presented in the financial statements:

Governmental Funds	\$ 774,919
Proprietary Funds	162,223
Component Units	526,105
	1,463,247

Accounts receivable for the year ended September 30, 2015 received more than 60 days after year-end and to be recognized as federal revenue in fiscal year September 30, 2016 financial statements:

Friend of the Court Grant	(15,336)
Prosecuting Attorney Grant	(3,866)
Boating Safety Financial Program	(4,300)

Accounts receivable for the year ended September 30, 2016 received more than 60 days after year-end and to be recognized as federal revenue in fiscal year September 30, 2017 financial statements:

Friend of the Court Grant	45,746
Prosecuting Attorney Grant	4,718

Federal revenues not falling under scope for this single audit:

MDOT Grant Revenue - Ogemaw County Road Commission	(526,105)
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Federal revenue on the Schedule of Expenditures of Federal Awards	\$ 964,104
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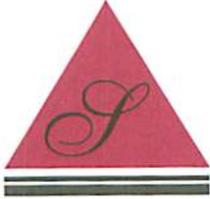
Michigan Department of Transportation (MDOT) requires that road commissions report all Federal and State grants pertaining to their county. During the year ended September 30, 2016, the Federal aid received and expended by the Road Commission was \$526,105 for contracted projects and \$0 for negotiated projects. Contracted projects are defined as projects performed by private contractors paid for and administrated by MDOT (they are included in MDOT's single audit). Negotiated projects are projects where the road commission administers the grant and either performs the work or contracts it out. The Road Commission would be subject to single audit requirements if they expended \$750,000 or more for negotiated projects. As a result, the Road Commission's federal revenues are not shown in the Schedule of Expenditures of Federal Awards.

County of Ogemaw  
West Branch, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
PROVIDED TO SUBRECIPIENTS  
For the Year Ended September 30, 2016

<u>Federal Program Title/Subrecipient</u>	<u>Project Number</u>	<u>Federal CFDA Number</u>	<u>Approved Grant Award Amount</u>	<u>Due to Subrecipient October 1, 2015</u>	<u>Current Year Transfer to Subrecipient</u>	<u>Current Year Subrecipient Federal Expenditures</u>	<u>Due to Subrecipient September 30, 2016</u>
Schools & Roads - Grants to States	N/A	10.665	N/A				
2015-2016							
West Branch Rose City Schools				\$ 458	\$ 21,575	\$ 21,117	\$ 0
Rose Township				64	3,020	2,956	0
Goodar Township				<u>88</u>	<u>4,171</u>	<u>4,083</u>	<u>0</u>
Total Federal Awards Provided to Subrecipients				<u>\$ 610</u>	<u>\$ 28,766</u>	<u>\$ 28,156</u>	<u>\$ 0</u>

The accompanying notes are an integral part of this schedule.



*Stephenson & Company, P.C.*

Certified Public Accountants & Consultants

Alan J. Stephenson, CPA  
Donald W. Brannan, CPA  
Kyle E. Troyer, CPA  
Robert J. Morand, CPA

February 28, 2017

Management and the Board of Commissioners  
County of Ogemaw  
West Branch, 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 Ogemaw for the year ended September 30, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, 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 November 2, 2016. Professional standards also require that we communicate to you the following information related to our audit. The appendices to this letter set forth those communications as follows:

I Communication with Those Charged with Governance

II Management Comments

We discussed these matters with various personnel of the County during the audit and met with management on February 28, 2017. We would also be pleased to meet with you to discuss these matters at your convenience.

These communications are intended solely for the information and use of management, the Board of Commissioners, others within the County and the Michigan Department of Treasury and are not intended to be, and should not be, used by anyone other than those specified parties.

Very truly yours,

*Stephenson & Company, P.C.*

## **APPENDIX I COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE**

### **Our Responsibilities under U.S. Generally Accepted Auditing Standards, Government Auditing Standards, and the Uniform Guidance**

As stated in our engagement letter dated November 2, 2016, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we will consider the County of Ogemaw's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We will also consider internal control over compliance with 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 the Uniform Guidance.

As part of obtaining reasonable assurance about whether the County of Ogemaw's financial statements are free of material misstatement, we will perform tests of its compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with those provisions is not an objective of our audit. Also in accordance with the Uniform Guidance, we will examine, on a test basis, evidence about the County of Ogemaw's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement applicable to each of its major federal programs for the purpose of expressing an opinion on the County of Ogemaw's compliance with those requirements. While our audit will provide a reasonable basis for our opinion, it will not provide a legal determination on the County of Ogemaw's compliance with those requirements.

### **Planned Scope and Timing of the Audit**

We performed the audit as outlined in our engagement letter related to planning matters dated November 2, 2016.

### **Significant Audit Findings**

#### **Qualitative Aspects of Accounting Practices**

- Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the County of Ogemaw are described in Note 1 to the financial statements. As described in Note 2 to the financial statements, the County of Ogemaw] changed accounting policies related to investments by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 79, "Certain External Investment Pools and Pool Participants" and Fair Value Measurement by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 72, "Fair Value Measurement and Application" in 2016. The application of existing policies was not changed during 2016. We noted no transactions entered into by the government unit 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 County of Ogemaw's financial statements were:

## **APPENDIX I COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE**

Management's estimates related to the net pension liability and the annual required contribution for post-employment benefits are based on pension obligations and actuarial reports. We evaluated the key factors and assumptions used to develop the net pension liability and annual required contribution for post-employment benefits in determining that they are reasonable in relation to the financial statements taken as a whole.

- The financial statement disclosures are neutral, consistent, and clear.

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

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

### **Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The adjustments identified during the audit have been communicated to management. A summary of audit differences, both adjusted and unadjusted was provided to and accepted by management on February 28, 2017. Management has determined the effects of the unadjusted audit differences are immaterial, both individually and in the aggregate, to the financial statements as a whole, and material misstatements provided to management on February 28, 2017 were corrected by management.

### **Disagreements with Management**

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

### **Management Representations**

We have requested certain representations from management that are included in the management representation letter dated February 28, 2017.

### **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 Ogemaw'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 Ogemaw's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**APPENDIX I  
COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE**

**Other Matters**

We applied certain limited procedures to the management's discussion and analysis, postemployment benefit schedules of funding progress and employer contributions, the required pension schedules, and budgetary comparison information, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining Nonmajor fund financial statements, Ogemaw County Drain Commission – component unit fund financial statements, Economic Development Corporation – component unit fund financial statements, and schedule of indebtedness, which accompany the financial statements but are not RSI. With respect to this supplementary information, 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.

We were not engaged to report on the Ogemaw County Public Transit – Nonurban Regular Service Revenue Report, Ogemaw County Public Transit – Nonurban Regular Service Expense Report, Ogemaw County Public Transit – Schedule of Expenditures of Federal and State Awards, Ogemaw County Public Transit – Operating Assistance Calculation, and Ogemaw County Public Transit – Nonurban Regular Service Nonfinancial Report, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this information and we do not express an opinion or provide any assurance on it.

## **APPENDIX II MANAGEMENT COMMENTS**

In planning and performing our audit of 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 Ogemaw as of and for the year ended September 30, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the County of Ogemaw's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County of Ogemaw's internal control. Accordingly, we do not express an opinion on the effectiveness of the County of Ogemaw's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified one deficiency in internal control that we consider to be a material weakness and one other deficiency that we consider to be a significant deficiency.

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

### **FINANCIAL STATEMENT PREPARATION CONTROLS**

In conjunction with our audit, we have been contracted to prepare the financial statements and related disclosures based on the information provided to us by Management. We would like to stress that this service is allowable under AICPA ethics guidelines and may be the most efficient and effective method for preparation of the County's financial statements. However, if at any point in the audit we as auditors are part of the County's control system for producing reliable financial statements, auditing standards indicate that the County has a control deficiency. If Management is not able to prepare financial statements, including disclosures, and the auditors are contracted to prepare these statements, this is considered a control deficiency. We recommend that Management and those charged with governance evaluate and document their decision on the costs and benefits of whether to contract for this service with our firm.

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. We consider the following deficiency in internal control to be a significant deficiency:

### **INVENTORY LISTING**

During the previous several audits, we noted that there was not a complete inventory listing of information technology (IT) items. We recommended that management conduct an internal inventory count in order to establish a subsidiary ledger of the County's IT. This ledger would then assist the County in maintaining control over individual inventory items, and provide a means whereby information pertinent to the assets could be kept up to date. As of the completion of the current year audit, this listing had still not been established. In order to reduce the work load that this project holds, we would like to recommend that instead of creating a complete subsidiary ledger of all County IT inventory items, that only a listing of all items purchased in the last 12 months be established and then maintained moving forward.

Once this listing is established, a physical count of the listed property should be then periodically taken, with any differences being investigated timely. In order for this process to be conducted effectively, it will be important for management to identify an individual with the responsibility of keeping the inventory listing up to date. This would mean that any new purchases and / or disposals would then need to be funneled through this individual to sign off on, indicating that the activity was in fact properly accounted for on the inventory listing.

## **APPENDIX II MANAGEMENT COMMENTS**

During our audit, we also became aware of the following deficiencies in internal control other than significant deficiencies or material weaknesses, and other matters that are opportunities for strengthening internal controls and operating efficiency.

### **HOUSING COMMISSION PROJECT COSTS**

During our single audit testing, we found a grant draw where the Housing Commission overdrew the Community Development Block Grant (CDBG) by \$8,025. At the start of a project, the Housing Director determines the various funding sources available to cover the project. In this specific situation, a portion of the planned project was subsequently cancelled. Rather than utilizing the planned funding source dollars towards other project costs, the Housing Director reduced the loan balance and continued to draw all planned funding source dollars at their original planned amounts. This resulted in the County receiving more grant revenues than actual project expenditures. We recommend that the County develop procedures to ensure that the County does not draw more funds than actual project expenditures for future grants.

### **HOUSING COMMISSION OVERSIGHT**

During our single audit testing, we found two areas at the Housing Commission for which the oversight controls were considered inadequate. The first area relates to the controls in place over the CDBG financial status reports (FSRs). During our testing, we discovered there is currently no secondary review or verification of the FSR to ensure that the information being provided to the Michigan State Housing Development Authority (MSHDA) is accurate. We recommend that the Housing Director and the County determine the best method for implementing a secondary review of these reports.

The second area relates to the payment of project expenses to the various vendors utilized by the Housing Commission. During our testing, we noted that the County does in fact have strong controls in place over the CDBG expenditure documentation requirements, prior to payment. However, our testing also revealed multiple instances of the documentation not being fully completed or completed at all. By not following the controls already in place on a consistent basis, the County runs the risk of paying contracted vendors and/or drawing funds for reimbursement prior to actually incurring the expenditure, which is not allowed. We recommend that the Housing Director and the County work together to determine the best method for ensuring consistent completion of these reports.

### **DEFICIT FUND BALANCE**

We would like to bring to the Board's attention that the Flowage Lake Dam Bond ending Fund Balance at September 30, 2016 was a deficit of \$38,200. The Bulletin for Audits of Local Units of Governments does not permit for Governments to have deficit fund balances; however, we would like to note that this deficit is the result of modified accrual accounting, and that once the special assessments are received (that are currently showing as "Unavailable Revenue" due to not being received within 60 days of year end), the deficit will correct itself. Therefore, no additional action by the Board is required in dealing with this deficit.

**APPENDIX II  
MANAGEMENT COMMENTS**

**STATUS OF PRIOR YEAR COMMENTS:**

We have reviewed the status of comments and recommendations made in the prior year. The status of prior year comments is as follows:

<u>Comment</u>	<u>Implemented/ Situation Corrected</u>	<u>Management Decision To Not Implement</u>	<u>Progress Made</u>	<u>Situation Still Exists</u>
Financial Statement Preparation Controls		X		
Inventory Listing				X
Segregation of Duties - Weapons Inventory	X			
Segregation of Duties - Drug Testing Revenue		X		
Housing Commission Cash Management			X	
Housing Commission Oversight			X	
Notary Independence	X			
Board Approval of Significant Purchases	X			