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COUNTY OF OGEMAW
WEST BRANCH, MICHIGAN

AUDITORS' REPORT
YEAR ENDED SEPTEMBER 30, 2017

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AUDITORS' REPORT

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February 23, 2018

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, 2017, 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, 2017, 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, 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 and the Economic Development Corporation - component unit fund financial statements 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 and the Economic Development Corporation - component unit fund financial statements 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 23, 2018, 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.

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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, 2017. 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 \$4,311,805 .
- The County’s total net position decreased by \$1,058,446 due to a decrease in net position of governmental activities of \$931,299 and a decrease in net position of business-type activities of \$127,147 .
- The County’s governmental funds reported a combined ending fund balance of \$567,179 this year, an increase of \$101,883. The County General Fund 2017 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 \$14.6 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 2017 that will be received in the future are listed as *taxes receivable*.

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 \$517,348 and, of that amount, \$460,822 is shown as net investment in capital assets. The Ogemaw County Road Commission displays net position totaling \$32,896,661, primarily attributable to County road infrastructure. The Ogemaw County Economic Development Corporation net position is \$19,557 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 remained at \$0. This lack of change in fund balance is primarily due to continuing to transfer money out to cover other special revenue fund shortfalls. Transfers out increased by \$106,824, while transfers in increased by \$145,740 mainly due to the need for an increase transfer to cover any fund deficit.

The Housing Commission Fund fund balance increased by \$9,321. This was a large improvement from the prior year decrease of \$64,331. The biggest reason for the increase is a large decrease in current year revenues offset by an even larger decrease in current year expenditures related to the CDBG grant and associated projects no longer happening.

The Other Governmental Funds fund balance increased by \$92,562. 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 \$29,801 due to revenues exceeding expenditures. The Veterans Office Fund saw an increase in fund balance of \$26,899 due to revenues exceeding expenditures. The Commissary Fund saw an increase in fund balance of \$23,780 due to revenues exceeding expenditures. Compared to the prior year, expenditures were about \$74,000 more, revenues decreased by about \$18,000, and transfers in increased by about \$106,000.

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.
- 2016 DTRF – This fund accounts for the purchase of the 2016 delinquent taxes from other local taxing units and subsequent tax collections.
- 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 \$171,942, which was similar to the decrease of \$179,329 in the prior year. The decrease in net position is the result of expenditures exceeding revenues again in the current year.

The Tax Umbrella Fund net position decreased by \$237,562. This decrease is less than the prior year's decrease due primarily to the prior year having a transfer out to the General Fund of \$341,658 where the current year transfer decreased to \$244,864.

The 2016 DTRF, 2015 DTRF, 2014 DTRF, 2013 DTRF, 2012 DTRF, and 2011 DTRF net position increased by \$87,995, \$165,431, \$77,931, \$17,420, \$9,011, and \$11,495, respectively, as a result of receiving delinquent taxes during the current year.

The Other Enterprise Funds net position decreased by \$86,926, compared to the prior year increase of \$24,648. This was primarily due to an increase in the Tax Reversion Fund activity compared to the prior year of approximately \$116,000 offset by a transfer out to General Fund in the current year of about \$243,000 to help cover fund deficits.

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-leveled 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, 2017 and 2016:

	Net Position Summary			
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>September 30, 2017</u>	<u>September 30, 2016</u>
Current Assets	\$ 1,446,097	\$ 7,071,123	\$ 8,517,220	\$ 8,508,886
Other Noncurrent Assets	1,875,393	0	1,875,393	1,927,945
Capital Assets – net	<u>6,833,375</u>	<u>260,190</u>	<u>7,093,565</u>	<u>7,376,390</u>
Total Assets	<u>10,154,865</u>	<u>7,331,313</u>	<u>17,486,178</u>	<u>17,813,221</u>
Deferred Outflows of Resources	<u>1,874,827</u>	<u>48,234</u>	<u>1,923,061</u>	<u>3,499,965</u>
Current Liabilities	377,350	42,974	420,324	512,427
Long-Term Liabilities	<u>14,210,740</u>	<u>318,547</u>	<u>14,529,287</u>	<u>15,400,259</u>
Total Liabilities	<u>14,588,090</u>	<u>361,521</u>	<u>14,949,611</u>	<u>15,912,686</u>
Deferred Inflows of Resources	<u>141,215</u>	<u>6,608</u>	<u>147,823</u>	<u>30,249</u>
Net Position				
Net Investment in				
Capital Assets	1,588,691	260,190	1,848,881	1,951,007
Restricted	2,381,006	0	2,381,006	2,304,859
Unrestricted (Deficit)	<u>(6,669,310)</u>	<u>6,751,228</u>	<u>81,918</u>	<u>1,114,385</u>
Total Net Position	<u>\$ (2,699,613)</u>	<u>\$ 7,011,418</u>	<u>\$ 4,311,805</u>	<u>\$ 5,370,251</u>

Summary of Changes in Net Position:

Following is an analysis of the changes in net position for the periods ended September 30, 2017 and 2016:

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 Activities</u>	<u>Business-Type Activities</u>	<u>Year Ended September 30, 2017</u>	<u>Year Ended September 30, 2016</u>
Program Revenues:				
Charges for Services	\$ 3,025,926	\$ 458,899	\$ 3,484,825	\$ 3,489,285
Operating Grants and Contributions	1,548,929	505,377	2,054,306	2,597,317
Capital Grants and Contributions	<u>0</u>	<u>11,472</u>	<u>11,472</u>	<u>13,000</u>
Total Program Revenues	<u>4,574,855</u>	<u>975,748</u>	<u>5,550,603</u>	<u>6,099,602</u>
General Revenues:				
Property Taxes	5,967,393	245,679	6,213,072	5,976,874
State Revenue Sharing	474,658	0	474,658	469,850
Payments to Component Units	(1,080)	0	(1,080)	0
Investment Earnings	3,445	278,323	281,768	289,573
Contributions of Capital Assets	0	0	0	54,000
Gain (Loss) on Disposal of Capital Assets	600	0	600	6,250
Other	143,297	15,450	158,747	170,724
Transfers	487,398	(487,398)	0	0
Special Item – Payable Forgiveness	<u>0</u>	<u>0</u>	<u>0</u>	<u>18,706</u>
Total General Revenues, Transfers, and Special Item	<u>7,075,711</u>	<u>52,054</u>	<u>7,127,765</u>	<u>6,985,977</u>
Total Revenues, Transfers, and Special Item	<u>11,650,566</u>	<u>1,027,802</u>	<u>12,678,368</u>	<u>13,085,579</u>
Program Expenses:				
General Government:				
Legislative and Executive	126,845	0	126,845	130,930
Judicial	1,931,863	0	1,931,863	2,001,389
Financial and Tax Administration	1,111,143	0	1,111,143	1,139,647
Other General Government	1,797,225	0	1,797,225	1,895,745
Public Safety	5,154,755	0	5,154,755	5,368,668
Public Transit	0	1,013,984	1,013,984	1,044,996
Public Works	92,153	0	92,153	144,288
Health and Welfare	2,077,810	0	2,077,810	2,030,654
Community and Economic Development	95,281	0	95,281	426,082
Interest and Fees on Long-Term Debt	194,790	0	194,790	198,956
County Park	0	33,938	33,938	33,881
Tax Reversion	<u>0</u>	<u>107,027</u>	<u>107,027</u>	<u>112,705</u>
Total Expenses	<u>12,581,865</u>	<u>1,154,949</u>	<u>13,736,814</u>	<u>14,527,941</u>
Change in Net Position	(931,299)	(127,147)	(1,058,446)	(1,442,362)
Beginning Net Position	<u>(1,768,314)</u>	<u>7,138,565</u>	<u>5,370,251</u>	<u>6,812,613</u>
Ending Net Position	<u>\$ (2,699,613)</u>	<u>\$ 7,011,418</u>	<u>\$ 4,311,805</u>	<u>\$ 5,370,251</u>

Governmental Activities

The *Statement of Activities* illustrates, by department, the expense incurred and revenue received. Total governmental activities reveal revenues of \$4,574,855 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 \$12,581,865 for these same activities. The largest expenses were incurred by Other General Government offices (\$1,797,225), Circuit, District, and Probate Courts (\$1,931,863), Health and Welfare (\$2,077,810) and Public Safety (\$5,154,755).

Business-Type Activities

Ogemaw County's *Business-Type Activities* include the Ogemaw County Public Transit, Tax Umbrella, 2016 DTRF, 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 \$975,748 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 \$1,154,949, the largest of which were incurred by the Public Transit (\$1,013,984).

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.

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 *Proprietary Funds* under the appropriate statements, i.e., *Statement of Net Position, Statement of Cash Flows, etc.*

This year's County audit, following GASB 34 format, shows 36 funds. These funds are maintained by the County Treasurer as separate units in the general ledger.

Budgetary Highlights

The year ending September 30, 2017 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.

The County began the year with a \$0 General Fund fund balance, which is where the fund balance remained after continuing to support other special revenue funds of the County through operating transfers in the current year. The General Fund actual revenue of \$9,505,200 versus final amended budgeted revenue of \$9,622,140 netted an unfavorable variance of \$116,940 due mainly to over budgeting for State Grants. The variance between the original and final budgeted revenue (decrease of approximately \$64,000) was due primarily to a decrease in Charges for Services budgets.

Actual expenditures of the General Fund were \$8,713,195 versus final amended budgeted expenditures of \$9,083,881 showing a favorable variance of \$370,686 due mainly to budgeting too much in the Legislative and Executive budgets, General Government budgets, Public Safety budgets and Health and Welfare budgets. The variance between the original and final budgeted expenditures (increase of approximately \$90,000) was due to an increase in budgeting in the Financial and Tax Administration budgets, General Government budgets, and Health and Welfare budgets.

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 \$13,141,845 with an ending balance of \$13,270,939. Governmental Activities Total Capital Assets – Net of Depreciation was \$6,833,375. An expanded and detailed presentation may be seen in Note 6 of the audit, notes to financial statements.

During 2017, the County's governmental capital asset additions totaled \$146,644. The additions consisted of the purchase a new 2018 Ford Police Interceptor, a computer, a phone system, a washing machine, and video surveillance equipment. The only disposal for the year was a fully depreciated van.

Capital Assets - Business Type Activities beginning balance was \$1,360,802 with an ending balance of \$1,372,274. Current year additions consisted of \$11,472 for a new tire balancer. There were no disposals in the current year. Business-Type Activities Total Capital Assets – Net of Depreciation was \$260,190. 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 \$14,529,287. 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, 2017, the County's Net Pension Liability amounted to \$8,215,086. 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 13 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, 2017

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and Cash Equivalents (Note 3)	\$ 571,116	\$ 335,354	\$ 906,470	\$ 2,402,655
Investments (Note 3)	0	3,817,651	3,817,651	751,865
Receivables:				
Property Taxes	1,352,261	0	1,352,261	0
Delinquent Taxes	0	1,546,192	1,546,192	0
Special Assessments	0	0	0	31,131
Accounts, Net	196,747	240,490	437,237	73,602
Interest Receivable	0	5,003	5,003	0
Mortgages Receivable	40,779	0	40,779	0
Due from Local Units	49,217	0	49,217	0
Due from Component Units (Note 5)	37,165	0	37,165	0
Due from State	241,037	31,825	272,862	637,275
Due from Other Units of Government	2,249	50,134	52,383	0
Internal Balances	(1,044,474)	1,044,474	0	0
Inventory	0	0	0	504,953
Noncurrent Assets:				
Long-Term Mortgages Receivable	1,875,393	0	1,875,393	0
Capital Assets Not Being Depreciated (Note 6)	255,553	0	255,553	23,241,070
Capital Assets, Net of Accumulated Depreciation (Note 6)	<u>6,577,822</u>	<u>260,190</u>	<u>6,838,012</u>	<u>12,335,469</u>
Total Assets	<u>10,154,865</u>	<u>7,331,313</u>	<u>17,486,178</u>	<u>39,978,020</u>
Deferred Outflows of Resources				
Deferred Amounts Related to Pensions (Note 13)	1,348,289	48,234	1,396,523	794,867
Deferred Charge on Refunding	<u>526,538</u>	<u>0</u>	<u>526,538</u>	<u>0</u>
Total Deferred Outflows of Resources	<u>1,874,827</u>	<u>48,234</u>	<u>1,923,061</u>	<u>794,867</u>
Liabilities				
Accounts Payable	135,376	6,787	142,163	981,034
Due to Primary Government (Note 5)	0	0	0	37,165
Due to Local Units	29,623	2,837	32,460	0
Due to Other Units of Government	20,080	24,550	44,630	100,851
Advances Payable	0	0	0	135,876
Accrued Interest Payable	69,427	0	69,427	0
Accrued Liabilities	77,456	8,800	86,256	84,045
Unearned Revenue - State Grants	45,388	0	45,388	10,158
Long Term Liabilities: (Note 7)				
Due Within One Year	276,141	8,749	284,890	395,025
Due In More Than One Year	6,005,284	24,027	6,029,311	1,220,870
Net Pension Liability	<u>7,929,315</u>	<u>285,771</u>	<u>8,215,086</u>	<u>4,205,009</u>
Total Liabilities	<u>14,588,090</u>	<u>361,521</u>	<u>14,949,611</u>	<u>7,170,033</u>
Deferred Inflows of Resources				
Deferred Amounts Related to Pension (Note 13)	<u>141,215</u>	<u>6,608</u>	<u>147,823</u>	<u>146,593</u>
Net Position				
Net Investment in Capital Assets	1,588,691	260,190	1,848,881	34,758,129
Restricted For:				
Public Safety	78,488	0	78,488	0
Health and Welfare	174,257	0	174,257	0
County Roads (Deficit)	0	0	0	(1,400,646)
Debt Service	0	0	0	12,572
Capital Projects	0	0	0	43,954
Community and Economic Development	1,989,786	0	1,989,786	19,557
Other State Mandated Programs	138,475	0	138,475	0
Unrestricted (Deficit)	<u>(6,669,310)</u>	<u>6,751,228</u>	<u>81,918</u>	<u>22,695</u>
Total Net Position	<u>\$ (2,699,613)</u>	<u>\$ 7,011,418</u>	<u>\$ 4,311,805</u>	<u>\$ 33,456,261</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, 2017

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	\$ 126,845	\$ 0	\$ 0	\$ 0	\$ (126,845)	\$ 0	\$ (126,845)	
Judicial:								
Circuit Court	198,875	37,334	147	0	(161,394)	0	(161,394)	
District Court	753,817	779,548	49,739	0	75,470	0	75,470	
Probate Court	570,666	40,371	151,075	0	(379,220)	0	(379,220)	
Other Judicial	408,505	31,027	384,891	0	7,413	0	7,413	
Financial and Tax Administration	1,111,143	228,080	0	0	(883,063)	0	(883,063)	
Other General Government	1,797,225	563,954	40,754	0	(1,192,517)	0	(1,192,517)	
Public Safety:								
Sheriff	1,478,500	22,164	95,784	0	(1,360,552)	0	(1,360,552)	
Jail	2,013,382	686,897	1,905	0	(1,324,580)	0	(1,324,580)	
Building and Zoning	227,982	254,387	0	0	26,405	0	26,405	
Other Public Safety	1,434,891	336,811	286,763	0	(811,317)	0	(811,317)	
Public Works:								
Airport	56,150	0	0	0	(56,150)	0	(56,150)	
Other Public Works	36,003	0	58,552	0	22,549	0	22,549	
Health and Welfare:								
Probate Child Care	1,025,206	39,694	453,626	0	(531,886)	0	(531,886)	
Other Health and Welfare	1,052,604	0	0	0	(1,052,604)	0	(1,052,604)	
Community and Economic Development	95,281	5,659	25,693	0	(63,929)	0	(63,929)	
Interest and Fees on Long- Term Debt	194,790	0	0	0	(194,790)	0	(194,790)	
Total Governmental Activities	<u>12,581,865</u>	<u>3,025,926</u>	<u>1,548,929</u>	<u>0</u>	<u>(8,007,010)</u>	<u>0</u>	<u>(8,007,010)</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, 2017

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	
<u>Primary Government (Continued):</u>								
Business-Type Activities:								
Delinquent Tax Revolving	\$ 0	\$ 97,776	\$ 0	\$ 0	\$ 0	\$ 97,776	\$ 97,776	
County Park	33,938	29,971	5,639	0	0	1,672	1,672	
Tax Reversion	107,027	248,329	0	0	0	141,302	141,302	
Public Transit	1,013,984	82,823	499,738	11,472	0	(419,951)	(419,951)	
Total Business-Type Activities	<u>1,154,949</u>	<u>458,899</u>	<u>505,377</u>	<u>11,472</u>	<u>0</u>	<u>(179,201)</u>	<u>(179,201)</u>	
Total Primary Government	<u>\$ 13,736,814</u>	<u>\$ 3,484,825</u>	<u>\$ 2,054,306</u>	<u>\$ 11,472</u>	<u>(8,007,010)</u>	<u>(179,201)</u>	<u>(8,186,211)</u>	
<u>Component Units</u>								
Drain Commission	\$ 17,669	\$ 0	\$ 0	\$ 0				\$ (17,669)
Road Commission	6,029,388	1,036,660	4,291,584	1,182,049				480,905
Economic Development	33,149	0	17,359	0				(15,790)
Land Bank Authority	0	0	0	0				0
Total Component Units	<u>\$ 6,080,206</u>	<u>\$ 1,036,660</u>	<u>\$ 4,308,943</u>	<u>\$ 1,182,049</u>				<u>447,446</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, 2017

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	
General Revenues:								
Property Taxes Levied For:								
General Operating					\$ 5,238,422	\$ 0	\$ 5,238,422	\$ 0
Payment in Lieu of Taxes					3,226	0	3,226	0
Veterans Services					102,402	0	102,402	0
Public Transit					0	245,679	245,679	0
Senior Services					623,343	0	623,343	0
State Revenue Sharing					474,658	0	474,658	0
Payments from Primary Government					0	0	0	1,080
Payments to Component Units					(1,080)	0	(1,080)	0
Interest and Investment Earnings					3,445	278,323	281,768	10,497
Gain (Loss) on Disposal of Capital Assets					600	0	600	6,474
Other					143,297	15,450	158,747	37,881
Transfers					<u>487,398</u>	<u>(487,398)</u>	<u>0</u>	<u>0</u>
Total General Revenues and Transfers					<u>7,075,711</u>	<u>52,054</u>	<u>7,127,765</u>	<u>503,378</u>
Change in Net Position					(931,299)	(127,147)	(1,058,446)	950,824
Net Position - Beginning					<u>(1,768,314)</u>	<u>7,138,565</u>	<u>5,370,251</u>	<u>32,952,883</u>
Net Position - Ending					<u>\$ (2,699,613)</u>	<u>\$ 7,011,418</u>	<u>\$ 4,311,805</u>	<u>\$ 33,903,707</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, 2017

	<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	\$ 11,908	\$ 559,208	\$ 571,116
Receivables:				
Property Taxes	1,352,261	0	0	1,352,261
Accounts, Net	121,587	0	75,160	196,747
Mortgages Receivable	0	40,779	0	40,779
Due from Local Units	21,548	0	27,669	49,217
Due from Component Units (Note 5)	37,165	0	0	37,165
Due from State	131,880	0	109,157	241,037
Due from Other Units of Government	0	0	2,249	2,249
Due from Other Funds (Note 5)	817,048	0	93,614	910,662
Noncurrent Assets:				
Long-Term Mortgages Receivable	<u>0</u>	<u>1,875,393</u>	<u>0</u>	<u>1,875,393</u>
Total Assets	<u>\$ 2,481,489</u>	<u>\$ 1,928,080</u>	<u>\$ 867,057</u>	<u>\$ 5,276,626</u>
<u>Liabilities</u>				
Accounts Payable	\$ 83,080	\$ 468	\$ 51,828	\$ 135,376
Due to Other Funds (Note 5)	1,798,640	0	156,496	1,955,136
Due to Local Units	29,623	0	0	29,623
Due to Other Units of Government	10,751	42	9,287	20,080
Accrued Liabilities	62,567	0	14,889	77,456
Unearned Revenue	<u>0</u>	<u>0</u>	<u>45,388</u>	<u>45,388</u>
Total Liabilities	<u>1,984,661</u>	<u>510</u>	<u>277,888</u>	<u>2,263,059</u>
<u>Deferred Inflows of Resources</u>				
Unavailable Revenue - Property Taxes	428,090	0	0	428,090
Unavailable Revenue - Mortgages	0	1,916,172	0	1,916,172
Unavailable Revenue - Grants	<u>68,738</u>	<u>0</u>	<u>33,388</u>	<u>102,126</u>
Total Deferred Inflows of Resources	<u>496,828</u>	<u>1,916,172</u>	<u>33,388</u>	<u>2,446,388</u>
<u>Fund Equity</u>				
Fund Balances: (Note 18)				
Restricted	0	11,398	391,220	402,618
Committed	<u>0</u>	<u>0</u>	<u>164,561</u>	<u>164,561</u>
Total Fund Equity	<u>0</u>	<u>11,398</u>	<u>555,781</u>	<u>567,179</u>
Total Liabilities, Deferred Inflows of Resources and Fund Equity	<u>\$ 2,481,489</u>	<u>\$ 1,928,080</u>	<u>\$ 867,057</u>	<u>\$ 5,276,626</u>

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, 2017

Total Governmental Fund Balances		\$	567,179
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	\$	13,270,939	
Accumulated Depreciation		<u>(6,437,564)</u>	6,833,375
Other assets are not available to pay for current period expenditures and, therefore, are unavailable in the governmental funds:			
Real and Personal Property Taxes		428,090	
Mortgages Receivable		1,916,172	
Grants Receivable		<u>102,126</u>	2,446,388
Accrued Interest on Long-Term Liabilities			(69,427)
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		757,890	
Change in Experience		(141,215)	
Employer Pension Contributions		<u>590,399</u>	1,207,074
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)		(5,244,684)	
Net OPEB Obligation		(175,960)	
Net Pension Liability		(7,929,315)	
Compensated Absences Payable		<u>(334,243)</u>	
Total Long-Term Liabilities			<u>(13,684,202)</u>
Total Net Position - Governmental Activities		\$	<u><u>(2,699,613)</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, 2017

	<u>General Fund</u>	<u>Special Revenue Funds Housing Commission Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Revenue</u>				
Property Taxes	\$ 5,898,271	\$ 0	\$ 102,402	\$ 6,000,673
Federal Grants and Revenue	123,102	61,753	232,775	417,630
State Grants and Revenue	544,027	0	680,129	1,224,156
State Shared Revenue	464,748	0	0	464,748
Local Grants	0	25,693	0	25,693
Licenses and Permits	269,371	0	0	269,371
Charges for Services	2,118,781	0	91,649	2,210,430
Fines and Forfeits	29,853	0	6,759	36,612
Interest and Rentals	35,553	9	0	35,562
Other Revenue	21,494	0	512,314	533,808
Total Revenue	<u>9,505,200</u>	<u>87,455</u>	<u>1,626,028</u>	<u>11,218,683</u>
<u>Expenditures</u>				
Current:				
General Government:				
Legislative and Executive	117,224	0	0	117,224
Judicial	1,451,917	0	364,965	1,816,882
Financial and Tax Administration	959,521	0	0	959,521
Other General Government	1,373,415	0	104,345	1,477,760
Public Safety	3,649,788	0	796,175	4,445,963
Public Works	88,458	0	0	88,458
Health and Welfare	962,285	0	1,102,143	2,064,428
Community and Economic Development	8,946	78,134	0	87,080
Capital Outlay	101,641	0	68,636	170,277
Debt Service:				
Principal	0	0	205,000	205,000
Interest and Fiscal Charges	0	0	171,425	171,425
Total Expenditures	<u>8,713,195</u>	<u>78,134</u>	<u>2,812,689</u>	<u>11,604,018</u>
Excess of Revenue Over (Under) Expenditures	<u>792,005</u>	<u>9,321</u>	<u>(1,186,661)</u>	<u>(385,335)</u>
<u>Other Financing Sources (Uses)</u>				
Sale of Capital Assets	900	0	0	900
Operating Transfers In (Note 10)	487,398	0	1,279,223	1,766,621
Operating Transfers Out (Note 10)	(1,279,223)	0	0	(1,279,223)
Operating Transfers to Component Unit	(1,080)	0	0	(1,080)
Total Other Financing Sources (Uses)	<u>(792,005)</u>	<u>0</u>	<u>1,279,223</u>	<u>487,218</u>
Net Change in Fund Balances	0	9,321	92,562	101,883
Fund Balances - Beginning of Year	<u>0</u>	<u>2,077</u>	<u>463,219</u>	<u>465,296</u>
Fund Balances - End of Year	<u>\$ 0</u>	<u>\$ 11,398</u>	<u>\$ 555,781</u>	<u>\$ 567,179</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, 2017

Total Net Change in Fund Balances - Governmental Funds	\$	101,883
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	\$ (33,280)	
Mortgages Receivable	(62,216)	
Administrative Billing Receivable	(8,286)	
Grants Receivable	<u>37,333</u>	
Net difference		(66,449)
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	146,644	
Current Year Depreciation Expense	<u>(338,630)</u>	
Net difference		(191,986)
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		205,000
Governmental funds report the effect of discounts 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	(1,712,339)	
Actual Pension Contributions From the Beginning of the Fiscal Year through the Measurement Date	158,518	
Deferred Outflow for Pension Contributions Subsequent to Measurement Date	<u>590,399</u>	
Net difference		(963,422)
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	2,274	
Net Change in Accrued Interest	1,708	
Net Change in Accrued Compensated Absences	<u>3,994</u>	
		<u>7,976</u>
Change in Net Position of Governmental Activities	\$	<u><u>(931,299)</u></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, 2017

Enterprise Funds

Major Funds

	Major Funds								Other Enterprise Funds	Total
	Ogemaw County Public Transit	Tax Umbrella	2016 DTRF	2015 DTRF	2014 DTRF	2013 DTRF	2012 DTRF	2011 DTRF		
<u>Assets</u>										
Current Assets										
Cash and Cash Equivalents (Note 3)	\$ 327,239	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 8,115	\$ 335,354
Investments (Note 3)	0	0	700,928	1,700,000	703,476	509,034	0	204,213	0	3,817,651
Receivables:										
Delinquent Taxes	0	4,665	1,217,619	230,737	51,723	25,829	11,135	4,484	0	1,546,192
Accounts, Net	3,130	0	0	8,781	113	0	0	0	228,466	240,490
Interest Receivable	1,118	0	681	2,054	440	0	0	675	35	5,003
Due from State (Note 4)	31,825	0	0	0	0	0	0	0	0	31,825
Due from Other Units of Government	880	442	0	0	0	457	0	0	48,355	50,134
Due from Other Funds (Note 5)	<u>247,782</u>	<u>14,777,312</u>	<u>569,706</u>	<u>782,121</u>	<u>2,058,878</u>	<u>2,234,203</u>	<u>2,898,600</u>	<u>2,806,566</u>	<u>514,742</u>	<u>26,889,910</u>
Total Current Assets	<u>611,974</u>	<u>14,782,419</u>	<u>2,488,934</u>	<u>2,723,693</u>	<u>2,814,630</u>	<u>2,769,523</u>	<u>2,909,735</u>	<u>3,015,938</u>	<u>799,713</u>	<u>32,916,559</u>
Noncurrent Assets:										
Capital Assets, Net of Accumulated Depreciation (Note 6)	<u>255,726</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4,464</u>	<u>260,190</u>
Total Assets	<u>867,700</u>	<u>14,782,419</u>	<u>2,488,934</u>	<u>2,723,693</u>	<u>2,814,630</u>	<u>2,769,523</u>	<u>2,909,735</u>	<u>3,015,938</u>	<u>804,177</u>	<u>33,176,749</u>
<u>Deferred Outflows of Resources</u>										
Deferred Amounts Related to Pensions (Note 13)	<u>48,234</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>48,234</u>
<u>Liabilities</u>										
Current Liabilities:										
Accounts Payable	6,225	0	0	0	0	0	0	0	562	6,787
Due to Other Funds (Note 5)	18,000	10,853,505	2,400,939	2,460,156	2,481,613	2,414,787	2,532,145	2,613,031	71,260	25,845,436
Due to Local Units	0	0	0	2,576	261	0	0	0	0	2,837
Due to Other Units of Government	0	18,834	0	0	0	550	3,009	2,157	0	24,550
Accrued Liabilities	8,800	0	0	0	0	0	0	0	0	8,800
Current Portion of Long-Term Liabilities (Note 7)	<u>8,749</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>8,749</u>
Total Current Liabilities	<u>41,774</u>	<u>10,872,339</u>	<u>2,400,939</u>	<u>2,462,732</u>	<u>2,481,874</u>	<u>2,415,337</u>	<u>2,535,154</u>	<u>2,615,188</u>	<u>71,822</u>	<u>25,897,159</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, 2017

	Enterprise Funds									
	Major Funds								Other Enterprise Funds	Total
	Ogemaw County									
Public Transit	Tax Umbrella	2016 DTRF	2015 DTRF	2014 DTRF	2013 DTRF	2012 DTRF	2011 DTRF			
Long-Term Liabilities: (Note 7)										
Due in More Than One Year	\$ 24,027	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 24,027
Net Pension Liability	<u>285,771</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>285,771</u>
Total Long-Term Liabilities	<u>309,798</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>309,798</u>
 Total Liabilities	<u>351,572</u>	<u>10,872,339</u>	<u>2,400,939</u>	<u>2,462,732</u>	<u>2,481,874</u>	<u>2,415,337</u>	<u>2,535,154</u>	<u>2,615,188</u>	<u>71,822</u>	<u>26,206,957</u>
 <u>Deferred Inflows of Resources</u>										
Deferred Amounts Related to Pensions (Note 13)	<u>6,608</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>6,608</u>
 <u>Net Position</u>										
Net Investment in Capital Assets	255,726	0	0	0	0	0	0	0	4,464	260,190
Unrestricted	<u>302,028</u>	<u>3,910,080</u>	<u>87,995</u>	<u>260,961</u>	<u>332,756</u>	<u>354,186</u>	<u>374,581</u>	<u>400,750</u>	<u>727,891</u>	<u>6,751,228</u>
 Total Net Position	<u>\$ 557,754</u>	<u>\$ 3,910,080</u>	<u>\$ 87,995</u>	<u>\$ 260,961</u>	<u>\$ 332,756</u>	<u>\$ 354,186</u>	<u>\$ 374,581</u>	<u>\$ 400,750</u>	<u>\$ 732,355</u>	<u>\$ 7,011,418</u>

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

COUNTY OF OGE MAW
West Branch, Michigan

STATEMENT OF ACTIVITIES
PROPRIETARY FUNDS
For the Year Ended September 30, 2017

	Enterprise Funds									Total
	Major Funds								Other Enterprise Funds	
	Ogemaw County Public Transit	Tax Umbrella	2016 DTRF	2015 DTRF	2014 DTRF	2013 DTRF	2012 DTRF	2011 DTRF		
<u>Operating Revenue</u>										
Charges For Services	\$ 79,853	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 248,329	\$ 328,182
Tax Collection Fees	0	0	46,563	37,789	10,777	1,925	432	232	0	97,718
User Fees	0	0	0	0	0	0	0	0	29,971	29,971
Interest and Penalties on Taxes	0	1,094	39,823	125,588	61,130	10,114	6,228	2,469	0	246,446
Other Revenue	3,180	0	0	0	0	0	0	0	9,032	12,212
Total Operating Revenue	<u>83,033</u>	<u>1,094</u>	<u>86,386</u>	<u>163,377</u>	<u>71,907</u>	<u>12,039</u>	<u>6,660</u>	<u>2,701</u>	<u>287,332</u>	<u>714,529</u>
<u>Operating Expenses</u>										
Salaries and Wages	468,643	0	0	0	0	0	0	0	840	469,483
Payroll Taxes and Employee Benefits	251,208	0	0	0	0	0	0	0	82	251,290
Administrative Costs	56,346	0	0	0	0	0	0	0	0	56,346
Advertising	551	0	0	0	0	0	0	0	950	1,501
Building Maintenance	49	0	0	0	0	0	0	0	0	49
Communications	405	0	0	0	0	0	0	0	0	405
Contractual Services	3,175	0	0	0	0	0	0	0	90	3,265
Depreciation	101,185	0	0	0	0	0	0	0	1,126	102,311
Dues and Subscriptions	899	0	0	0	0	0	0	0	1,182	2,081
Equipment	94	0	0	0	0	0	0	0	0	94
Equipment Rental	668	0	0	0	0	0	0	0	0	668
Gasoline and Oil	65,600	0	0	0	0	0	0	0	120	65,720
Insurance and Bonds	19,434	0	0	0	0	0	0	0	3,251	22,685
Licenses and Permits	0	0	0	0	0	0	0	0	835	835
Office Supplies	955	0	0	0	0	0	0	0	0	955
Operating Supplies	1,142	0	0	0	0	0	0	0	8,340	9,482
Printing and Advertising	0	0	0	0	0	0	0	0	38	38
Professional Fees and Services	10,127	0	0	0	0	0	0	0	80,436	90,563
Repair and Maintenance	18,781	0	0	0	0	0	0	0	3,303	22,084
Small Tools	1,702	0	0	0	0	0	0	0	0	1,702
Telephone	1,862	0	0	0	0	0	0	0	462	2,324
Travel and Training	661	0	0	0	0	0	0	0	148	809
Uniforms	1,460	0	0	0	0	0	0	0	0	1,460
Utilities	8,209	0	0	0	0	0	0	0	19,682	27,891
Vehicle Leases	828	0	0	0	0	0	0	0	0	828
Other	0	0	0	0	0	0	0	0	20,080	20,080
Total Operating Expenses	<u>1,013,984</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>140,965</u>	<u>1,154,949</u>
Operating Income (Loss)	<u>(930,951)</u>	<u>1,094</u>	<u>86,386</u>	<u>163,377</u>	<u>71,907</u>	<u>12,039</u>	<u>6,660</u>	<u>2,701</u>	<u>146,367</u>	<u>(440,420)</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, 2017

	Enterprise Funds									Total
	Major Funds								Other Enterprise Funds	
	Ogemaw County Public Transit	Tax Umbrella	2016 DTRF	2015 DTRF	2014 DTRF	2013 DTRF	2012 DTRF	2011 DTRF		
<u>Nonoperating Revenue (Expenses)</u>										
Property Taxes	\$ 245,679	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 245,679
State Grants and Revenue	338,771	0	0	0	0	0	0	0	0	338,771
Federal Grants and Revenue	160,967	0	0	0	0	0	0	0	0	160,967
Interest and Investment Earnings	2,120	0	1,609	2,054	6,024	5,381	2,351	8,794	3,602	31,935
Contributions	0	0	0	0	0	0	0	0	5,639	5,639
Rental and Other Income	0	6,208	0	0	0	0	0	0	0	6,208
Total Nonoperating Revenue (Expenses)	<u>747,537</u>	<u>6,208</u>	<u>1,609</u>	<u>2,054</u>	<u>6,024</u>	<u>5,381</u>	<u>2,351</u>	<u>8,794</u>	<u>9,241</u>	<u>789,199</u>
Income (Loss) Before Capital Contributions and Transfers	<u>(183,414)</u>	<u>7,302</u>	<u>87,995</u>	<u>165,431</u>	<u>77,931</u>	<u>17,420</u>	<u>9,011</u>	<u>11,495</u>	<u>155,608</u>	<u>348,779</u>
<u>Capital Contributions and Transfers</u>										
Capital Contributions - Federal	9,178	0	0	0	0	0	0	0	0	9,178
Capital Contributions - State	2,294	0	0	0	0	0	0	0	0	2,294
Operating Transfers Out (Note 10)	0	(244,864)	0	0	0	0	0	0	(242,534)	(487,398)
Total Capital Contributions and Transfers	<u>11,472</u>	<u>(244,864)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(242,534)</u>	<u>(475,926)</u>
Change in Net Position	(171,942)	(237,562)	87,995	165,431	77,931	17,420	9,011	11,495	(86,926)	(127,147)
Net Position - Beginning of Year	<u>729,696</u>	<u>4,147,642</u>	<u>0</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>
Net Position - End of Year	<u>\$ 557,754</u>	<u>\$ 3,910,080</u>	<u>\$ 87,995</u>	<u>\$ 260,961</u>	<u>\$ 332,756</u>	<u>\$ 354,186</u>	<u>\$ 374,581</u>	<u>\$ 400,750</u>	<u>\$ 732,355</u>	<u>\$ 7,011,418</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, 2017

	Enterprise Funds										
	Major Funds									Other Enterprise Funds	Total
	Ogemaw County Public Transit	Tax Umbrella	2016 DTRF	2015 DTRF	2014 DTRF	2013 DTRF	2012 DTRF	2011 DTRF			
Cash Flows From Operating Activities											
Receipts From Customers and Taxpayers	\$ 83,395	\$ 905	\$ 86,386	\$ 157,172	\$ 63,232	\$ 12,934	\$ 6,580	\$ 2,651	\$ 65,311	\$ 478,566	
Payments to Suppliers for Goods and Services	(192,454)	0	0	0	0	0	0	0	(150,995)	(343,449)	
Payments to Employees for Services	(672,734)	0	0	0	0	0	0	0	(922)	(673,656)	
Delinquent Taxes Collected (Purchased)	0	(464)	(1,217,619)	945,301	167,045	20,940	8,918	4,275	0	(71,604)	
Net Cash Provided (Used) by Operating Activities	<u>(781,793)</u>	<u>441</u>	<u>(1,131,233)</u>	<u>1,102,473</u>	<u>230,277</u>	<u>33,874</u>	<u>15,498</u>	<u>6,926</u>	<u>(86,606)</u>	<u>(610,143)</u>	
Cash Flows From Non-Capital Financing Activities											
Federal/State Operating Grants	520,132	0	0	0	0	0	0	0	0	520,132	
Property Taxes	245,679	0	0	0	0	0	0	0	0	245,679	
Operating Subsidies and Transfers From (To) Other Funds/Component Units	33,412	(6,649)	1,831,233	597,527	(834,634)	(33,873)	(1,022,487)	(1,013,492)	(215,278)	(664,241)	
Rent and Other Income	0	6,208	0	0	0	0	0	0	0	6,208	
Intergovernmental Contributions	0	0	0	0	0	0	0	0	5,639	5,639	
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>799,223</u>	<u>(441)</u>	<u>1,831,233</u>	<u>597,527</u>	<u>(834,634)</u>	<u>(33,873)</u>	<u>(1,022,487)</u>	<u>(1,013,492)</u>	<u>(209,639)</u>	<u>113,417</u>	
Cash Flows From Capital and Related Financing Activities											
Federal/State Capital Grants	11,472	0	0	0	0	0	0	0	0	11,472	
Acquisition and Construction of Capital Assets	(11,472)	0	0	0	0	0	0	0	0	(11,472)	
Net Cash Provided (Used) by Capital and Related Financing Activities	<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>0</u>	
Cash Flows From Investing Activities											
Interest Earned	1,141	0	928	0	7,742	6,281	2,585	9,123	4,214	32,014	
Redemption (Purchase) of Investment Securities	308,668	0	(700,928)	(1,700,000)	596,615	(6,282)	1,004,404	997,443	300,000	799,920	
Net Cash Provided (Used) by Investing Activities	<u>309,809</u>	<u>0</u>	<u>(700,000)</u>	<u>(1,700,000)</u>	<u>604,357</u>	<u>(1)</u>	<u>1,006,989</u>	<u>1,006,566</u>	<u>304,214</u>	<u>831,934</u>	
Net Increase (Decrease) in Cash and Cash Equivalents	327,239	0	0	0	0	0	0	0	7,969	335,208	

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, 2017

	Enterprise Funds										
	Major Funds									Other Enterprise Funds	Total
	Ogemaw County Public Transit	Tax Umbrella	2016 DTRF	2015 DTRF	2014 DTRF	2013 DTRF	2012 DTRF	2011 DTRF			
Cash and Cash Equivalents at Beginning of Year (Note 1)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 146	\$ 146	
Cash and Cash Equivalents at End of Year (Note 1)	<u>\$ 327,239</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 8,115</u>	<u>\$ 335,354</u>	
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</u>											
Operating Income (Loss)	\$ (930,951)	\$ 1,094	\$ 86,386	\$ 163,377	\$ 71,907	\$ 12,039	\$ 6,660	\$ 2,701	\$ 146,367	\$ (440,420)	
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:											
Depreciation Expense	101,185	0	0	0	0	0	0	0	1,126	102,311	
Change in Assets and Liabilities:											
Receivables	362	(464)	(1,217,619)	936,520	169,785	21,285	8,918	4,275	(222,021)	(298,959)	
Accounts and Other Payables	2,531	(189)	0	2,576	(11,415)	550	(80)	(50)	(12,078)	(18,155)	
Net Pension Liability and Deferred Outflows and Inflows of Resources	<u>45,080</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>45,080</u>	
Net Cash Provided (Used) by Operating Activities	<u>\$ (781,793)</u>	<u>\$ 441</u>	<u>\$ (1,131,233)</u>	<u>\$ 1,102,473</u>	<u>\$ 230,277</u>	<u>\$ 33,874</u>	<u>\$ 15,498</u>	<u>\$ 6,926</u>	<u>\$ (86,606)</u>	<u>\$ (610,143)</u>	

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, 2017

	Primary Government						Component Unit
	Trust and Agency Fund	Library Penal Fines	Public Employee Health Care Fund	Inmate Trust Fund	Ogemaw County Sheriff's Posse	Total	Ogemaw County Road Commission Retiree Health Care Trust
<u>Assets</u>							
Cash and Cash							
Equivalents (Note 3)	\$1,168,866	\$ 50,177	\$ 0	\$ 27,098	\$ 10,889	\$ 1,257,030	\$ 0
Investments (Note 3)	0	0	0	0	0	0	24,893
Receivables:							
Accounts, Net	7,522	0	0	0	0	7,522	0
Due from Local Units	<u>45,077</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>45,077</u>	<u>0</u>
Total Assets	<u>\$1,221,465</u>	<u>\$ 50,177</u>	<u>\$ 0</u>	<u>\$ 27,098</u>	<u>\$ 10,889</u>	<u>\$ 1,309,629</u>	<u>\$ 24,893</u>
<u>Liabilities</u>							
Accounts Payable	\$ 11,792	\$ 0	\$ 0	\$ 0	\$ 0	\$ 11,792	\$ 0
Due to Local Units	2,698	0	0	24,028	0	26,726	0
Due to State	969,080	0	0	0	0	969,080	0
Due to Other Agencies and Individuals	236,426	50,177	0	3,070	10,889	300,562	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>
Total Liabilities	<u>\$1,221,465</u>	<u>\$ 50,177</u>	<u>\$ 0</u>	<u>\$ 27,098</u>	<u>\$ 10,889</u>	<u>\$ 1,309,629</u>	<u>0</u>
<u>Net Position</u>							
Net Position Held in Trust for Retiree Health							<u>\$ 24,893</u>

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, 2017

	Primary Government	Component Unit Ogemaw County Road Commission Retiree Health Care Trust
	Public Employee Health Care Fund	Trust
<u>Additions</u>		
Contributions		
Employer	\$ 34,552	\$ 33,585
Investment Income		
Net increase in the fair value of investments	0	2,985
Total Additions	34,552	36,570
<u>Deductions</u>		
Benefit Payments	34,552	33,585
Administrative Expense	0	115
Total Deductions	34,552	33,700
Change in Net Position Held in Trust	0	2,870
Net Position Held in Trust for Retiree Health:		
Beginning of Year	0	22,023
End of Year	\$ 0	\$ 24,893

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, 2017

	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)	\$ 2,297,843	\$ 62,560	\$ 19,557	\$ 22,695	\$ 2,402,655
Investments (Note 3)	751,865	0	0	0	751,865
Receivables:					
Special Assessments	0	31,131	0	0	31,131
Accounts, Net	73,602	0	0	0	73,602
Due from State	637,275	0	0	0	637,275
Inventory	504,953	0	0	0	504,953
Noncurrent Assets:					
Capital Assets Not Being Depreciated (Note 6)	23,241,070	0	0	0	23,241,070
Capital Assets, Net of Accumulated Depreciation (Note 6)	11,862,227	473,242	0	0	12,335,469
Total Assets	<u>39,368,835</u>	<u>566,933</u>	<u>19,557</u>	<u>22,695</u>	<u>39,978,020</u>
<u>Deferred Outflows of Resources</u>					
Deferred Amounts Related to Pensions (Note 13)	<u>794,867</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>794,867</u>
<u>Liabilities</u>					
Current Liabilities					
Accounts Payable	981,034	0	0	0	981,034
Due to Primary Government (Note 5)	0	37,165	0	0	37,165
Due to Other Units of Government	100,851	0	0	0	100,851
Advances Payable	135,876	0	0	0	135,876
Accrued Liabilities	84,045	0	0	0	84,045
Unearned Revenue - State Grants	10,158	0	0	0	10,158
Long-Term Liabilities (Note 7)					
Due Within One Year	392,541	2,484	0	0	395,025
Due In More Than One Year	1,210,934	9,936	0	0	1,220,870
Net Pension Liability	4,205,009	0	0	0	4,205,009
Total Liabilities	<u>7,120,448</u>	<u>49,585</u>	<u>0</u>	<u>0</u>	<u>7,170,033</u>
<u>Deferred Inflows of Resources</u>					
Deferred Amounts Related to Pensions (Note 13)	<u>146,593</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>146,593</u>
<u>Net Position</u>					
Net Investment in Capital Assets	34,297,307	460,822	0	0	34,758,129
Restricted For:					
County Roads (Deficit)	(1,400,646)	0	0	0	(1,400,646)
Debt Service	0	12,572	0	0	12,572
Capital Projects	0	43,954	0	0	43,954
Economic Development	0	0	19,557	0	19,557
Unrestricted	0	0	0	22,695	22,695
Total Net Position	<u>\$ 32,896,661</u>	<u>\$ 517,348</u>	<u>\$ 19,557</u>	<u>\$ 22,695</u>	<u>\$ 33,456,261</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, 2017

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	\$ 17,669	\$ 0	\$ 0	\$ 0	\$ 0	\$ (17,669)	\$ 0	\$ 0	\$ (17,669)
Road Commission	6,029,388	1,036,660	4,291,584	1,182,049	480,905	0	0	0	480,905
Economic Development	33,149	0	17,359	0	0	0	(15,790)	0	(15,790)
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>\$ 6,080,206</u>	<u>\$ 1,036,660</u>	<u>\$ 4,308,943</u>	<u>\$ 1,182,049</u>	<u>480,905</u>	<u>(17,669)</u>	<u>(15,790)</u>	<u>0</u>	<u>447,446</u>
General Revenues:									
Payments from Primary Government					0	1,080	0	0	1,080
Interest and Investment Earnings					10,489	8	0	0	10,497
Gain (Loss) on Disposal of Capital Assets					6,474	0	0	0	6,474
Other					<u>37,881</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>37,881</u>
Total General Revenue					<u>54,844</u>	<u>1,088</u>	<u>0</u>	<u>0</u>	<u>55,932</u>
Change in Net Position					535,749	(16,581)	(15,790)	0	503,378
Net Position - Beginning					<u>32,360,912</u>	<u>533,929</u>	<u>35,347</u>	<u>22,695</u>	<u>32,952,883</u>
Net Position - Ending					<u>\$ 32,896,661</u>	<u>\$ 517,348</u>	<u>\$ 19,557</u>	<u>\$ 22,695</u>	<u>\$ 33,456,261</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, 2017

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 five 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, 2017

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 2017 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, 2016, the most recent financial statements available, the Mental Health Board had total net position of \$2,235,794. 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 2017 contribution to the District Health Department No. 2 was \$129,588. The District Health Department No. 2 deposits their receipts with the Ogemaw County Treasurer through the common cash bank account. At September 30, 2017, the most recent financial statements available, the District Health Department No. 2 had total net position of \$(167,669). 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, 2017

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 \$56,150. On dissolution of the West Branch Community Airport, the net position of the Airport will be shared by the municipalities equally. At September 30, 2016, the most recent financial statements available, the West Branch Community Airport had total net position of \$3,478,269. 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, 2017

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.

2016 DTRF - This fund accounts for the purchase of the 2016 delinquent taxes from other local taxing units and subsequent tax collections.

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.

COUNTY OF OGEMAW
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Fund Accounting (Continued)

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 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.

COUNTY OF OGEMAW
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2017

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, 2017 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, 2017

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 \$1,473 (\$101,185 total depreciation less ineligible depreciation of \$99,712) 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, 2017

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, 2017

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, 2017

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, 2017, there were no extraordinary or special items.

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, 2017

NOTE 2 - CHANGE IN ACCOUNTING PRINCIPLES

For 2017, the County has implemented Governmental Accounting Standards Board (GASB) Statement Number 77, "Tax Abatement Disclosures". GASB Statement No. 77 requires governments to disclose certain information about tax abatement agreements made to foster economic development or otherwise benefit the government or its citizens.

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

For 2018, the County will be required to implement GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". GASB Statement No. 75 improves accounting and financial reporting by state and local governments by establishing standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures.

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:

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>	<u>Component Units</u>
Cash and Cash Equivalents	\$ 571,116	\$ 335,354	\$ 1,257,030	\$ 2,163,500	\$ 2,402,655
Investments	<u>0</u>	<u>3,817,651</u>	<u>0</u>	<u>3,817,651</u>	<u>776,758</u>
Total	<u>\$ 571,116</u>	<u>\$ 4,153,005</u>	<u>\$ 1,257,030</u>	<u>\$ 5,981,151</u>	<u>\$ 3,179,413</u>

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>	<u>Component Units</u>
Bank Deposits (Checking and Savings Accounts and Certificates of Deposit)	\$ 4,744,890	\$ 2,649,487
Investments in Securities, Municipal Investment Account Pooled Funds, Repurchase Agreement Securities and Similar Vehicles	1,229,561	529,776
Petty Cash and Cash on Hand	<u>6,700</u>	<u>150</u>
Total	<u>\$ 5,981,151</u>	<u>\$ 3,179,413</u>

COUNTY OF OGEMAW
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

As of September 30, 2017, the County had the following investments.

Investment Type	Fair Value	Weighted Average Maturities
Primary Government:		
Money Markets	\$ 1,217,651	Daily
Repurchase Agreements Securities	11,910	Daily
	\$ 1,229,561	
Component Units:		
Mutual Funds	\$ 24,893	Daily
Repurchase Agreement Securities	504,883	Daily
	\$ 529,776	

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 three and four stars by Morningstar with the repurchase agreement securities being unrated

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, 2017, \$6,750,522 of the County's bank balance of \$7,685,143 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, 2017, \$11,718 of the Drain Commission's bank balance of \$62,560 was exposed to custodial credit risk, \$1,559,566 of the Road Commission's bank balance of \$2,552,242 was exposed to custodial credit risk, \$19,557 of the Economic Development Corporation's bank balance of \$19,557, 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, 2017

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, 2017

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, 2017:

Federal Section 5311 Operating Assistance - FY12	\$	9,162
Federal Section 5311 Operating Assistance - FY13		2,504
Federal Section 5311 Operating Assistance - FY15		3,382
Federal Section 5311 Operating Assistance - FY16		2,430
Federal Section 5311 Operating Assistance - FY17		45,262
State Act 51 Operating Assistance - FY15		(24,861)
State Act 51 Operating Assistance - FY16		(6,091)
State Act 51 Operating Assistance - FY17		<u>37</u>
 Total	 \$	 <u><u>31,825</u></u>

NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivables and payables as of September 30, 2017 were as follows:

Due to	Due from													Total
	General Fund	Non-major Governmental Funds	Ogemaw County Public Transit	2011 DTRF	2012 DTRF	2013 DTRF	2014 DTRF	2015 DTRF	2016 DTRF	Tax Umbrella Fund	Non-major Enterprise Funds	Component Unit - Drain Commission		
General Fund	\$ 0	\$ 0	\$ 18,000	\$ 28,560	\$ 27,885	\$ 190,685	\$ 441,709	\$ 0	\$ 0	\$ 110,209	\$ 0	\$ 37,165	\$ 854,213	
Non-major Governmental Funds	93,614	0	0	0	0	0	0	0	0	0	0	0	93,614	
Ogemaw County Public Transit	247,782	0	0	0	0	0	0	0	0	0	0	0	247,782	
2011 DTRF	221,726	0	0	0	0	0	0	0	0	2,584,471	369	0	2,806,566	
2012 DTRF	384,294	0	0	0	0	0	0	0	0	2,504,260	10,046	0	2,898,600	
2013 DTRF	0	0	0	0	0	0	0	0	0	2,224,102	10,101	0	2,234,203	
2014 DTRF	0	0	0	0	0	0	0	0	0	2,039,904	18,974	0	2,058,878	
2015 DTRF	0	0	0	0	0	0	0	0	0	765,174	16,947	0	782,121	
2016 DTRF	0	0	0	0	0	0	0	0	0	554,883	14,823	0	569,706	
Tax Umbrella Fund	388,830	104,148	0	2,584,471	2,504,260	2,224,102	2,039,904	2,460,156	2,400,939	70,502	0	0	14,777,312	
Non-major Enterprise Funds	<u>462,394</u>	<u>52,348</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>0</u>	<u>514,742</u>	
	<u>\$ 1,798,640</u>	<u>\$ 156,496</u>	<u>\$ 18,000</u>	<u>\$ 2,613,031</u>	<u>\$ 2,532,145</u>	<u>\$ 2,414,787</u>	<u>\$ 2,481,613</u>	<u>\$ 2,460,156</u>	<u>\$ 2,400,939</u>	<u>\$ 10,853,505</u>	<u>\$ 71,260</u>	<u>\$ 37,165</u>	<u>\$ 27,837,737</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, 2017

NOTE 6 - CAPITAL ASSETS

Capital asset activity of the primary government for the fiscal year ended September 30, 2017, was as follows:

	Balance 10/01/16	Additions	Deletions	Balance 09/30/17
<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	2,502,797	116,719	0	2,619,516
Vehicles and Boats	566,825	29,925	(17,550)	579,200
Infrastructure	149,229	0	0	149,229
Subtotal	12,886,292	146,644	(17,550)	13,015,386
Less Accumulated Depreciation for:				
Land Improvements	(31,610)	(5,017)	0	(36,627)
Buildings	(3,503,492)	(189,730)	0	(3,693,222)
Machinery and Equipment	(2,066,418)	(85,788)	0	(2,152,206)
Vehicles and Boats	(396,235)	(54,020)	17,550	(432,705)
Infrastructure	(118,729)	(4,075)	0	(122,804)
Subtotal	(6,116,484)	(338,630)	17,550	(6,437,564)
Capital Assets Being Depreciated	6,769,808	(191,986)	0	6,577,822
Governmental Activities Total Capital Assets - Net of Depreciation	\$ 7,025,361	\$ (191,986)	\$ 0	\$ 6,833,375
	Balance 10/01/16	Additions	Deletions	Balance 09/30/17
<u>Business-Type Activities</u>				
Capital Assets Being Depreciated:				
Buildings	\$ 490,167	\$ 0	\$ 0	\$ 490,167
Machinery and Equipment	129,438	11,472	0	140,910
Vehicles	741,197	0	0	741,197
Subtotal	1,360,802	11,472	0	1,372,274
Less Accumulated Depreciation for:				
Buildings	(461,419)	(3,873)	0	(465,292)
Machinery and Equipment	(115,139)	(5,447)	0	(120,586)
Vehicles	(433,215)	(92,991)	0	(526,206)
Subtotal	(1,009,773)	(102,311)	0	(1,112,084)
Business-Type Activities Total Capital Assets - Net of Depreciation	\$ 351,029	\$ (90,839)	\$ 0	\$ 260,190

COUNTY OF OGEMAW
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

NOTE 6 - CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities

General Government:

Judicial:

 Other Judicial \$ 4,599

 Other General Government 93,916

Public Safety:

 Sheriff 52,076

 Jail 139,029

 Building and Zoning 4,233

 Other Public Safety 40,702

Public Works:

 Other Public Works 4,075

Total Governmental Activities \$ 338,630

Business-Type Activities

County Park \$ 1,126

Public Transit 101,185

Total Business-Type Activities \$ 102,311

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

	Balance 10/01/16	Additions	Deletions	Balance 09/30/17
<u>Governmental Activities</u>				
Capital Assets Being Depreciated:				
Infrastructure - Whitney Drain	\$ 36,504	\$ 0	\$ 0	\$ 36,504
Infrastructure - Flowage Lake Dam	525,000	0	0	525,000
Infrastructure - Stylus Lake Dam	<u>192,697</u>	<u>0</u>	<u>0</u>	<u>192,697</u>
Subtotal	<u>754,201</u>	<u>0</u>	<u>0</u>	<u>754,201</u>
Less Accumulated Depreciation for:				
Infrastructure - Whitney Drain	(6,570)	(730)	0	(7,300)
Infrastructure - Flowage Lake Dam	(217,875)	(10,500)	0	(228,375)
Infrastructure - Stylus Lake Dam	<u>(41,430)</u>	<u>(3,854)</u>	<u>0</u>	<u>(45,284)</u>
Subtotal	<u>(265,875)</u>	<u>(15,084)</u>	<u>0</u>	<u>(280,959)</u>
Governmental Activities Total				
Capital Assets - Net of Depreciation	<u>\$ 488,326</u>	<u>\$ (15,084)</u>	<u>\$ 0</u>	<u>\$ 473,242</u>

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

Governmental Activities

Public Works \$ 15,084

COUNTY OF OGEMAW
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

NOTE 6 - CAPITAL ASSETS (CONTINUED)

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

	<u>Balance 10/01/16</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 09/30/17</u>
<u>Governmental Activities</u>				
Capital Assets Not Being Depreciated:				
Land and Improvements	\$ <u>22,242,506</u>	\$ <u>998,564</u>	\$ <u>0</u>	\$ <u>23,241,070</u>
Capital Assets Being Depreciated:				
Buildings	1,487,205	9,885	0	1,497,090
Equipment - Road	6,555,042	636,718	(207,644)	6,984,116
Equipment - Shop	185,454	3,096	(7,589)	180,961
Equipment - Office	164,551	1,153	0	165,704
Equipment - Engineer's	2,243	719	0	2,962
Equipment - Yard	279,333	3,050	0	282,383
Infrastructure - Bridges	2,364,092	0	0	2,364,092
Infrastructure - Roads	<u>21,767,283</u>	<u>879,723</u>	<u>(955,005)</u>	<u>21,692,001</u>
Subtotal	<u>32,805,203</u>	<u>1,534,344</u>	<u>(1,170,238)</u>	<u>33,169,309</u>
Less Accumulated Depreciation for:				
Buildings	(895,438)	(44,094)	0	(939,532)
Equipment - Road	(5,586,304)	(479,773)	207,644	(5,858,433)
Equipment - Shop	(161,117)	(5,677)	7,589	(159,205)
Equipment - Office	(151,874)	(1,936)	0	(153,810)
Equipment - Engineer's	(2,243)	(42)	0	(2,285)
Equipment - Yard	(256,691)	(2,100)	0	(258,791)
Infrastructure - Bridges	(1,024,745)	(64,316)	0	(1,089,061)
Infrastructure - Roads	<u>(12,640,811)</u>	<u>(1,160,159)</u>	<u>955,005</u>	<u>(12,845,965)</u>
Subtotal	<u>(20,719,223)</u>	<u>(1,758,097)</u>	<u>1,170,238</u>	<u>(21,307,082)</u>
Capital Assets Being Depreciated	<u>12,085,980</u>	<u>(223,753)</u>	<u>0</u>	<u>11,862,227</u>
Governmental Activities Total				
Capital Assets - Net of Depreciation	\$ <u>34,328,486</u>	\$ <u>774,811</u>	\$ <u>0</u>	\$ <u>35,103,297</u>

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

<u>County</u>	
Direct Equipment Expense	\$ 479,773
Indirect Equipment Expense	46,808
Administrative Expense	7,041
Infrastructure	<u>1,224,475</u>
Total Depreciation Expense	\$ <u>1,758,097</u>

COUNTY OF OGEMAW
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

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>\$ 5,755,000</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>
\$ 12,420	\$ 0

Road Commission - \$454,489 State Infrastructure Bank (SIB) loan, dated September 30, 2016, due in annual installments through August 24, 2019, bearing interest 2.50%. This was for the reconstruction of State Road from Henderson Lake Road east to Schagel Road.

<u>291,808</u>	<u>0</u>
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Total Bonds Payable

<u>\$ 304,228</u>	<u>\$ 0</u>
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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>
\$ 65,882	\$ 0

COUNTY OF OGEMAW
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

NOTE 7 - LONG-TERM LIABILITIES (CONTINUED)

C. Installment Purchase Agreements (Continued)

	<u>Governmental</u>	<u>Business-Type</u>
<p>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.</p>	\$ 75,983	\$ 0
<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>	183,075	0
<p>Road Commission - On February 17, 2017, the Road Commission entered into an installment purchase agreement with Truck and Trailer Specialties of Boyne Falls, Inc. in the amount of \$216,962 for the purchase of new equipment for the two heavy-duty tandem axle trucks, 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 60 monthly installments of \$3,800.47 including interest at the rate of 1.95% on the unpaid balance.</p>	\$ <u>189,242</u>	\$ <u>0</u>
<p>Total Installment Purchase Agreements</p>	<u>514,182</u>	<u>0</u>
<p>Total Component Units</p>	\$ <u><u>818,410</u></u>	\$ <u><u>0</u></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, 2017, the accumulated vested vacation and sick leave benefits of the employees of various County departments and its component units were as follows:

COUNTY OF OGEMAW
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

NOTE 7 - LONG-TERM LIABILITIES (CONTINUED)

D. Compensated Absences Payable (Continued)

<u>Accrued Employee Benefits Payable</u>	<u>Current Liability</u>	<u>Long-Term Liability</u>	<u>Total Balance</u>
<u>Primary Government</u>			
Governmental Activities	\$ 65,369	\$ 268,874	\$ 334,243
Business-Type Activities	<u>8,749</u>	<u>24,027</u>	<u>32,776</u>
	<u>\$ 74,118</u>	<u>\$ 292,901</u>	<u>\$ 367,019</u>
<u>Component Unit</u>			
Road Commission	<u>\$ 0</u>	<u>\$ 168,138</u>	<u>\$ 168,138</u>

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

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, 2017:

	<u>Balance 10/01/16</u>	<u>Issues or Additions</u>	<u>Payments or Expenditures</u>	<u>Balance 09/30/17</u>	<u>Due Within One Year</u>
<u>Governmental Activities</u>					
Primary Government:					
Bonds Payable	\$ 5,960,000	\$ 0	\$ (205,000)	\$ 5,755,000	\$ 210,000
Deferred Amounts for Issuance Premium	<u>16,994</u>	<u>0</u>	<u>(772)</u>	<u>16,222</u>	<u>772</u>
Total Bonds Payable	5,976,994	0	(205,772)	5,771,222	210,772
Net Pension Liability	8,566,642	0	(637,327) *	7,929,315	0
Net OPEB Obligation	178,234	0	(2,274) *	175,960	0
Compensated Absences	<u>338,237</u>	<u>0</u>	<u>(3,994) *</u>	<u>334,243</u>	<u>65,369</u>
Total Primary Government	<u>\$ 15,060,107</u>	<u>\$ 0</u>	<u>\$ (849,367)</u>	<u>\$ 14,210,740</u>	<u>\$ 276,141</u>
Component Units:					
Bonds Payable	\$ 14,904	\$ 454,489	\$ (165,165)	\$ 304,228	\$ 170,046
Installment Purchase Agreements	507,308	216,962	(210,088)	514,182	224,979
Net Pension Liability	4,647,598	0	(442,589) *	4,205,009	0
Net OPEB Obligation	582,119	47,228 *	0	629,347	0
Compensated Absences	<u>222,376</u>	<u>0</u>	<u>(54,238) *</u>	<u>168,138</u>	<u>0</u>
Total Component Units	<u>\$ 5,974,305</u>	<u>\$ 718,679</u>	<u>\$ (872,080)</u>	<u>\$ 5,820,904</u>	<u>\$ 395,025</u>

COUNTY OF OGEMAW
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

NOTE 7 - LONG-TERM LIABILITIES (CONTINUED)

E. Changes in Long-Term Liabilities (Continued)

	<u>Balance</u> <u>10/01/16</u>	<u>Issues or</u> <u>Additions</u>	<u>Payments or</u> <u>Expenditures</u>	<u>Balance</u> <u>09/30/17</u>	<u>Due Within</u> <u>One Year</u>
<u>Business-Type Activities</u>					
Primary Government:					
Net Pension Liability	\$ 309,347	\$ 0	\$ (23,576) *	\$ 285,771	\$ 0
Compensated Absences	<u>30,805</u>	<u>1,971</u> *	<u>0</u>	<u>32,776</u>	<u>8,749</u>
Total Primary Government	<u>\$ 340,152</u>	<u>\$ 1,971</u>	<u>\$ (23,576)</u>	<u>\$ 318,547</u>	<u>\$ 8,749</u>

*Represents net of additions and retirements for the year.

See Note 13 for further detail of the Net Pension Liability.

See Note 14 for further detail of the Net OPEB Obligation.

The interest expenditures on long-term obligations for the year were \$200,046.

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

The annual aggregate maturities for all debt outstanding (excluding compensated absences, net pension liability and net OPEB obligations) as of September 30, 2017 are as follows:

Primary Government

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
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	225,000	149,425	0	0	374,425
2023 - 2027	1,230,000	650,263	0	0	1,880,263
2028 - 2032	1,425,000	454,212	0	0	1,879,212
2033 - 2037	1,650,000	222,663	0	0	1,872,663
2038	<u>365,000</u>	<u>11,862</u>	<u>0</u>	<u>0</u>	<u>376,862</u>
Total	<u>\$ 5,755,000</u>	<u>\$ 2,129,425</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 7,884,425</u>

COUNTY OF OGEMAW
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

NOTE 7 - LONG-TERM LIABILITIES (CONTINUED)

Component Units

Bonds Payable	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2018	\$ 170,046	\$ 10,700	\$ 0	\$ 0	\$ 180,746
2019	126,730	4,125	0	0	130,855
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>\$ 304,228</u>	<u>\$ 15,421</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 319,649</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>	
2018	\$ 224,979	\$ 9,423	\$ 0	\$ 0	\$ 234,402
2019	88,330	4,918	0	0	93,248
2020	90,084	3,165	0	0	93,249
2021	91,881	1,358	0	0	93,239
2022	<u>18,908</u>	<u>94</u>	<u>0</u>	<u>0</u>	<u>19,002</u>
Total	<u>\$ 514,182</u>	<u>\$ 18,958</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 533,140</u>

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, 2016 for winter taxes and July 1, 2017 for summer taxes. Taxes are levied on December 1, 2016 and July 1, 2017 and are payable by February 28, 2017 and September 15, 2017, respectively. The cities and townships within the County bill and collect the property taxes for the County.

County taxes levied December 1, 2016, are collected in and are intended to finance 2017 operations. The taxable value of real and personal property for the December 1, 2016 levy was \$827,095,054. The 2016 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, 2017, are collected in and are intended to finance 2017 operations. The taxable value of real and personal property for the July 1, 2017 levy was \$832,506,712. The 2017 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, 2017. 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.

COUNTY OF OGEMAW
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

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 \$574, plus per-page printing charges. Rental expense for the year ended September 30, 2017 was \$32,975.

Minimum future rental payments under noncancelable leases for years after September 30, 2017 are as follows:

2018	\$	6,889
2019		5,827
2020		3,630
2021		2,589
2022		<u>495</u>
	\$	<u><u>19,430</u></u>

NOTE 10 - OPERATING TRANSFERS

During the year ended September 30, 2017, the following transfers were made:

Transfer to	Transfer from			Total
	General Fund	Tax Umbrella Fund	Non-major Enterprise Funds	
General Fund	\$ 0	\$ 244,864	\$ 242,534	\$ 487,398
Non-major Governmental Funds	1,279,223	0	0	1,279,223
Component Unit - Drain Commission	<u>1,080</u>	<u>0</u>	<u>0</u>	<u>1,080</u>
	<u><u>\$ 1,280,303</u></u>	<u><u>\$ 244,864</u></u>	<u><u>\$ 242,534</u></u>	<u><u>\$ 1,767,701</u></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 \$18,559 existed at September 30, 2017 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.

COUNTY OF OGEMAW
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

NOTE 12 - EXCESS OF EXPENDITURES OVER APPROPRIATION IN BUDGETARY FUNDS (CONTINUED)

During the year ended September 30, 2017, 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/Financial and Tax Administration	\$ 948,085	\$ 959,521	\$ 11,436
General Fund/Capital Outlay	\$ 99,450	\$ 101,641	\$ 2,191
General Fund/Operating Transfers Out	\$ 1,187,969	\$ 1,279,223	\$ 91,254
General Fund/Operating Transfers to Component Units	\$ 0	\$ 1,080	\$ 1,080

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.

Benefits Provided

<u>01 - General: Closed to new hires</u>	<u>2016 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

COUNTY OF OGEMAW
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

NOTE 13 - RETIREMENT SYSTEM - MERS OPERATED (CONTINUED)

Defined Benefit Plan (Continued)

Primary Government (Continued)

Benefits Provided (Continued)

<u>02 - Sheriff: Closed to new hires</u>	
	<u>2016 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>2016 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

<u>20 - Command Officers: Open Division</u>	
	<u>2016 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

COUNTY OF OGEMAW
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

NOTE 13 - RETIREMENT SYSTEM - MERS OPERATED (CONTINUED)

Defined Benefit Plan (Continued)

Primary Government (Continued)

Employees Covered by Benefit Terms

At the December 31, 2016 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	101
Inactive employees entitled to but not yet receiving benefits	15
Active employees	<u>53</u>
	<u>169</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 \$7,398 to \$45,923 per month for closed divisions and from 80.22% 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, 2016, 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, 2016 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

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

COUNTY OF OGEMAW
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

NOTE 13 - RETIREMENT SYSTEM - MERS OPERATED (CONTINUED)

Defined Benefit Plan (Continued)

Primary Government (Continued)

Actuarial Assumptions (Continued)

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 8.00% for 2016. 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

	<u>Calculating the Net Pension Liability</u>		
	<u>Total Pension Liability (a)</u>	<u>Increase (Decrease) Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a)-(b)</u>
Balances at 12/31/15	\$ 27,975,336	\$ 19,099,347	\$ 8,875,989
Changes for the Year			
Service Cost	333,442	0	333,442
Interest on Total Pension Liability	2,251,213	0	2,251,213
Changes in benefits	0	0	0
Difference between expected and actual experience	(295,647)	0	(295,647)
Changes in assumptions	0	0	0
Employer contributions	0	666,043	(666,043)
Employee contributions	0	115,921	(115,921)
Net investment income	0	2,149,759	(2,149,759)
Benefit payments, including employee refunds	(1,520,098)	(1,520,098)	0
Administrative expense	0	(42,465)	42,465
Other changes	(60,653)	0	(60,653)
Net changes	<u>708,257</u>	<u>1,369,160</u>	<u>(660,903)</u>
Balances as of 12/31/16	<u>\$ 28,683,593</u>	<u>\$ 20,468,507</u>	<u>\$ 8,215,086</u>

COUNTY OF OGEMAW
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

NOTE 13 - RETIREMENT SYSTEM - MERS OPERATED (CONTINUED)

Defined Benefit Plan (Continued)

Primary Government (Continued)

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 8.00%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower (7.00%) or 1% higher (9.00%) than the current rate.

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
County's net pension liability	\$ 11,394,984	\$ 8,215,086	\$ 5,523,887

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.

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

For the year ended September 30, 2017, the employer recognized pension expense of \$1,792,462. The employer reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Deficit Investment Returns	\$ 778,498
Contributions Subsequent to the Measurement Date*	618,025
Total	\$ 1,396,523

*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	\$ (147,823)

Amounts reported as deferred outflows of resources related to deficit investment returns and deferred inflows of resources related to differences in experience will be recognized in pension expense as follows:

Year Ended	Pension Expense
2018	\$ 179,042
2019	326,865
2020	255,375
2021	(130,607)

COUNTY OF OGEMAW
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

NOTE 13 - RETIREMENT SYSTEM - MERS OPERATED (CONTINUED)

Defined Benefit Plan (Continued)

Road Commission

Following are the Road Commission Retirement System disclosures as presented in the Road Commission's audit.

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.

Benefits Provided

01 - Union: Closed Division

	2016 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

	2016 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

COUNTY OF OGEMAW
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

NOTE 13 - RETIREMENT SYSTEM - MERS OPERATED (CONTINUED)

Defined Benefit Plan (Continued)

Road Commission (Continued)

<u>HA - Union Non/Union: Open Division</u>	
	<u>2016 Valuation</u>
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, 2016 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	30
Inactive employees entitled to but not yet receiving benefits	2
Active employees	<u>30</u>
	<u><u>62</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 \$11,955 to \$13,991 per month for closed divisions and 6.99% - 7.05% of annual payroll for the open division.

Net Pension Liability

The employer's Net Pension Liability was measured as of December 31, 2016, 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, 2016 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%.

COUNTY OF OGEMAW
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

NOTE 13 - RETIREMENT SYSTEM - MERS OPERATED (CONTINUED)

Defined Benefit Plan (Continued)

Road Commission (Continued)

Actuarial Assumptions (Continued)

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 8.00% for 2016. 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, 2017

NOTE 13 - RETIREMENT SYSTEM - MERS OPERATED (CONTINUED)

Defined Benefit Plan (Continued)

Road Commission (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 12/31/15	\$ 9,618,320	\$ 4,970,722	\$ 4,647,598
Changes for the Year			
Service Cost	130,197	0	130,197
Interest on Total Pension Liability	753,262	0	753,262
Changes in benefits	0	0	0
Difference between expected and actual experience	(230,977)	0	(230,977)
Changes in assumptions	0	0	0
Employer contributions	0	475,951	(475,951)
Employee contributions	0	57,729	(57,729)
Net investment income	0	572,675	(572,675)
Benefit payments, including employee refunds	(535,290)	(535,290)	0
Administrative expense	0	(11,284)	11,284
Other changes	(1)	(1)	0
Net changes	117,191	559,780	(442,589)
Balances as of 12/31/16	\$ 9,735,511	\$ 5,530,502	\$ 4,205,009

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 8.00%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower (7.00%) or 1% higher (9.00%) than the current rate.

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
County's net pension liability	\$ 5,304,298	\$ 4,205,009	\$ 3,272,146

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, 2017

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, 2017, the employer recognized pension expense of \$592,977. The employer reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Deficit Investment Returns	\$ 196,626
Changes in Assumptions	228,118
Contributions Subsequent to the Measurement Date*	370,123
Total	\$ 794,867

*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, 2018.

	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ (146,593)

Amounts reported as deferred outflows of resources related to deficit investment returns and changes in assumptions and deferred inflows of resources related to differences in experience will be recognized in pension expense as follows:

Year Ended	Pension Expense
2018	\$ 153,105
2019	153,103
2020	7,048
2021	(35,105)

COUNTY OF OGEMAW
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

NOTE 13 - RETIREMENT SYSTEM - MERS OPERATED (CONTINUED)

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.

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, 2017, the County contributed \$115,937 on behalf of eligible employees. Employee contributions amounted to \$115,937.

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.

COUNTY OF OGEMAW
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

NOTE 14 - POSTEMPLOYMENT BENEFITS (CONTINUED)

Primary Government (Continued)

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 retirees meet the eligibility requirements for these benefits. During the year, expenditures of \$34,552 were recognized for the retiree health benefits for the County of Ogemaw.

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		5,347
Adjustment to annual required contribution		<u>(9,204)</u>
Annual OPEB cost		32,278
Contributions made		<u>(34,552)</u>
Increase (decrease) in net OPEB obligation		(2,274)
Net OPEB obligation, beginning of year		<u>178,234</u>
Net OPEB obligation, end of year	\$	<u><u>175,960</u></u>

COUNTY OF OGEMAW
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

NOTE 14 - POSTEMPLOYMENT BENEFITS (CONTINUED)

Primary Government (Continued)

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and net OPEB obligation for September 30, 2017 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, 2015	\$ 33,068	122.5 %	\$ 182,315
September 30, 2016	\$ 32,400	112.6 %	\$ 178,234
September 30, 2017	\$ 32,278	107.0 %	\$ 175,960

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

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.

COUNTY OF OGEMAW
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

NOTE 14 - POSTEMPLOYMENT BENEFITS (CONTINUED)

Primary Government (Continued)

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.
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

Plan Administration

The Ogemaw County Road Commission Retiree Medical Plan (OCRCRMP) is a single-employer defined benefit postemployment health care plan administered by the Road 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.

COUNTY OF OGEMAW
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

NOTE 14 - POSTEMPLOYMENT BENEFITS (CONTINUED)

Road Commission (Continued)

Plan Membership

At September 30, 2017, OCRCRMP membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	6
Inactive plan members entitled to but not yet receiving benefit payments	0
Active plan members	<u>26</u>
	<u>32</u>

Benefits Provided

OCRCRMP 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.

Contributions

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 up to the single-subscriber amount set forth in PA152, as amended yearly by the Treasury Department of the State of Michigan. 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, six retirees meet the eligibility requirements for these benefits. During the year, the Road Commission paid postemployment health care premiums of \$33,585.

Investments

Investment Policy

The Road Commission has not adopted an investment policy for its OCRCRMP.

Rate of Return

For the year ended September 30, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 13.03 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested

Net OPEB Liability of the Road Commission

The components of the net OPEB liability of the Road Commission at September 30, 2017, were as follows:

Total OPEB Liability	504,588
Plan fiduciary net position	<u>24,893</u>
Road Commission's net OPEB liability	<u>479,695</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>4.93%</u>

The total OPEB liability was determined by an actuarial valuation as of September 30, 2017.

COUNTY OF OGEMAW
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

NOTE 14 - POSTEMPLOYMENT BENEFITS (CONTINUED)

Road Commission (Continued)

Plan Actuarial Methods and Assumptions

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

1. Actuarial Cost Method: Entry age normal
2. Discount Rate: 3.64% based on the 20 year Bond Buyer's GO Index
3. Mortality Rates: Base Table – RP-2014 mortality table (Employee and Healthy Annuitant, as appropriate) projected back to 2006 base year using Projection Scale MP-2014 (male and female as appropriate). Projection – Generational projection using MP-2017 (male and female as appropriate).

4. Termination Rates: Sarason Table T-7 turnover Table by age.

Age	Rate
25	9.68%
40	7.77%
55	1.57%

5. Retirement Rates: Age-based as follows:

Age	Rate
55-59	20%
60	50%
61-64	20%
65+	100%

6. Percentage Married: Not applicable. Stipend only for retiree.
7. Participation Rate: 100% of future eligible retirees are assumed to receive the stipend from the Commission. The stipend payment is used to purchase insurance outside of the County's health care plan. Therefore, no implicit rate subsidy is valued.

COUNTY OF OGEMAW
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

NOTE 14 - POSTEMPLOYMENT BENEFITS (CONTINUED)

Road Commission (Continued)

The long-term expected rate of return on OPEB plan investments was determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are per Milliman's investment consulting practice as of September 30, 2017.

Asset Class	Index	Actual Allocation	Long-Term Expected Arithmetic Real Rate of Return	Long-Term Expected Geometric Real Rate of Return
US Cash	BAML 3-Mon Tbill	2.76%	0.36%	0.35%
US Short Bonds	Barclays 1-3 Yr Govt/Credit	4.68%	1.34%	1.29%
US Interim Bonds	Barclays IT Govt/Credit	13.05%	1.81%	1.72%
US High Yield Bonds	BAML High Yield	4.38%	5.01%	4.48%
Global Bonds	Citi WGBI	1.47%	0.63%	0.29%
Non-US Bonds	JPM GBI Global xUS	0.91%	0.51%	-0.04%
US Large Caps	S&P 500	64.77%	4.55%	3.37%
Foreign Developed Equity	MSCI EAFE NR	4.44%	5.76%	4.15%
Emerging Markets Equity	MSCI EM NR	3.54%	8.06%	4.84%
Long-Term Expected Rate of Return				5.75%

Discount Rate

The discount rate used to measure the total OPEB liability was 3.64 percent. The projection of cash flows used to determine the discount rate assumed that Road Commission contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate:

The following presents the net OPEB liability of the Road Commission, as well as what the Road Commission's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.64 percent) or 1-percentage-point higher (4.64 percent) than the current discount rate:

	1% Decrease (2.64%)	Discount Rate (3.64%)	1% Increase (4.64%)
Net OPEB liability (asset)	\$ 520,985	\$ 479,695	\$ 442,185

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates:

The following presents the net OPEB liability of the Road Commission, as well as what the Road Commission's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Net OPEB liability (asset)	\$ 437,617	\$ 479,695	\$ 527,620

COUNTY OF OGEMAW
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

NOTE 14 - POSTEMPLOYMENT BENEFITS (CONTINUED)

Road Commission (Continued)

Annual OPEB Cost and Net OPEB Obligation of the Road Commission

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		40,748
Adjustment to annual required contribution		(29,098)
Annual OPEB cost		80,813
Contributions made		(33,585)
Increase in net OPEB obligation		47,228
Net OPEB obligation, beginning of year		582,119
Net OPEB obligation, end of year	\$	629,347

The Road Commission's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and net OPEB obligation for September 30, 2017 is as follows:

Trend Information

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
September 30, 2015	\$ 74,563	43.9 %	\$ 534,618
September 30, 2016	\$ 77,488	38.7 %	\$ 582,119
September 30, 2017	\$ 80,813	41.6 %	\$ 629,347

The funded status of the plan as of the most recent actuarial valuation date in alignment with GASB Statement No. 45 is as follows:

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

COUNTY OF OGEMAW
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

NOTE 14 - POSTEMPLOYMENT BENEFITS (CONTINUED)

Road Commission (Continued)

Employer 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, 2017

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, 2017, 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, 2017

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, 2017, the audits of State Trunkline Contracts for 2017 has not been completed.

NOTE 18 - FUND BALANCES

Amounts for specific purposes by fund and fund balance classifications for the year ended September 30, 2017, are as follows:

<u>Classification/Fund</u>	<u>Purpose</u>	
Restricted:		
Friend of the Court	Child Support Establishment and Enforcement	\$ 29,227
Housing Commission Fund	Home Rehabilitation	11,398
Liquor Law Enforcement Fund	Liquor Law Enforcement	1,247
Veterans Office Fund	Veterans Relief	174,257
Correction Training Fund	Training of Corrections Officers	31,956
Register of Deeds Automation	Register of Deeds Equipment	109,248
Concealed Weapons Licensing Fund	Concealed Weapons Licensing	25,926
ORV Fund	ORV Law Enforcement	1,543
Drug Forfeiture Fund	Prosecutor's Office Drug Enforcement	3,505
Law Enforcement Drug Forfeiture Fund	Sheriff Department Drug Enforcement	10,719
Community Corrections Fund	Community Corrections	<u>3,592</u>
Total Restricted		<u>402,618</u>
Committed:		
Marriage Counseling Fund	Marriage Counseling Activities	35,835
Commissary Fund	Law Enforcement and Correctional Activities	123,293
Streets and Address Committee Fund	Streets and Address Committee Activities	3,592
Capital Improvement Fund	Capital Projects	<u>1,841</u>
Total Committed		<u>164,561</u>
Total fund balances		<u>\$ 567,179</u>

COUNTY OF OGEMAW
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

NOTE 19 - 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, 2017:

<u>Revenues</u>	
Charges for Services	\$ <u>262,782</u>
 <u>Expenditures</u>	
Wages	129,990
Employee Benefits	79,627
Office Supplies	1,643
Repairs and Maintenance	8,503
Equipment	3,178
Dues and Subscriptions	804
Telephone	2,029
Travel	1,464
Contracted Service	706
Other	2,211
Overhead Costs	<u>37,985</u>
Total Expenditures	<u>268,140</u>
Net Income (Loss)	<u>\$ (5,358)</u>

NOTE 20 - PUBLIC TRANSIT ASSURANCES

Cost Allocation Plans

The Ogemaw County Public Transit has one cost allocation plan in use in the year ended September 30, 2017 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 92.

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 92 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 91 shows Other Revenue of \$2,330. 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, 2017

NOTE 20 - 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 \$89,665. The Transit paid \$44,585, therefore, \$45,080 (\$89,665 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.

REQUIRED SUPPLEMENTARY INFORMATION

COUNTY OF OGEMAW
West Branch, Michigan

POSTEMPLOYMENT BENEFITS SCHEDULES OF FUNDING
 PROGRESS AND EMPLOYER CONTRIBUTIONS
For the Year Ended September 30, 2017

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

Schedule of Employer Contributions

<u>Fiscal Year Ended</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
9/30/15	\$ 33,068	122.5 %
9/30/16	\$ 32,400	112.6 %
9/30/17	\$ 32,278	107.0 %

COUNTY OF OGEMAW
West Branch, Michigan

SCHEDULE OF CHANGES IN EMPLOYER'S
NET PENSION LIABILITY AND RELATED RATIOS
For the Year Ended September 30, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability			
Service cost	\$ 333,442	\$ 333,410	\$ 356,817
Interest	2,251,213	2,073,677	1,994,791
Changes of benefit terms	0	0	0
Difference between expected and actual experience	(295,647)	(60,499)	0
Changes of assumptions	0	1,379,696	0
Benefit payments, including employee refunds	(1,520,098)	(1,439,456)	(1,327,999)
Other	<u>(60,653)</u>	<u>0</u>	<u>1</u>
Net Change in Total Pension Liability	708,257	2,286,828	1,023,610
Total Pension Liability - Beginning	<u>27,975,336</u>	<u>25,688,508</u>	<u>24,664,898</u>
Total Pension Liability - Ending	<u>\$ 28,683,593</u>	<u>\$ 27,975,336</u>	<u>\$ 25,688,508</u>
Plan Fiduciary Net Position			
Employer contributions	\$ 666,043	\$ 612,364	\$ 536,464
Employee contributions	115,921	120,865	133,658
Net investment income	2,149,759	(298,632)	1,232,098
Benefit payments, including employee refunds	(1,520,098)	(1,439,456)	(1,327,999)
Administrative expense	(42,465)	(43,757)	(45,180)
Other	<u>0</u>	<u>1</u>	<u>0</u>
Net Change in Plan Fiduciary Net Position	1,369,160	(1,048,615)	529,041
Plan Fiduciary Net Position - Beginning	<u>19,099,347</u>	<u>20,147,962</u>	<u>19,618,921</u>
Plan Fiduciary Net Position - Ending	<u>\$ 20,468,507</u>	<u>\$ 19,099,347</u>	<u>\$ 20,147,962</u>
Employer Net Pension Liability	<u>\$ 8,215,086</u>	<u>\$ 8,875,989</u>	<u>\$ 5,540,546</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71%	68%	78%
Covered Employee Payroll	\$ 2,179,119	\$ 2,211,482	\$ 2,364,946
Employer's Net Pension Liability as a Percentage of Covered Employee Payroll	377%	401%	234%

COUNTY OF OGEMAW
West Branch, Michigan

SCHEDULE OF EMPLOYER CONTRIBUTIONS
For the Year Ended September 30, 2017

	2017	2016	2015
Actuarially determined contributions	\$ 666,043	\$ 612,364	\$ 536,464
Contributions in relation to the actuarially determined contribution	666,043	651,018	536,464
Contribution deficiency (excess)	\$ 0	\$ (38,654)	\$ 0
Covered employee payroll	\$ 2,179,119	\$ 2,211,482	\$ 2,364,946
Contributions as a percentage of covered employee payroll	31%	29%	23%

Notes to Schedule

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	22 years
Asset valuation method	5 year smoothed
Inflation	2.5%
Salary increases	3.75%
Investment rate of return	7.75%
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, 2017

	Original Budget	Final Amended Budget	Actual	Variance - Favorable (Unfavorable)
<u>Revenue</u>				
Property Taxes	\$ 5,736,922	\$ 5,880,922	\$ 5,898,271	\$ 17,349
Federal Grants and Revenue	172,958	185,158	123,102	(62,056)
State Grants and Revenue	665,214	665,214	544,027	(121,187)
State Shared Revenue	480,000	460,000	464,748	4,748
Licenses and Permits	278,000	263,000	269,371	6,371
Charges for Services	2,235,131	2,070,846	2,118,781	47,935
Fines and Forfeits	33,500	33,500	29,853	(3,647)
Interest and Rentals	58,000	23,000	35,553	12,553
Other Revenue	26,500	40,500	21,494	(19,006)
Total Revenue	9,686,225	9,622,140	9,505,200	(116,940)
<u>Expenditures</u>				
Current:				
General Government:				
Legislative and Executive	134,026	132,106	117,224	14,882
Judicial	1,508,926	1,552,656	1,451,917	100,739
Financial and Tax Administration	920,670	948,085	959,521	(11,436)
Other General Government	1,447,518	1,475,905	1,373,415	102,490
Public Safety	3,771,902	3,736,369	3,649,788	86,581
Public Works	101,150	101,150	88,458	12,692
Health and Welfare	1,004,354	1,025,154	962,285	62,869
Community and Economic Development	13,006	13,006	8,946	4,060
Capital Outlay	92,725	99,450	101,641	(2,191)
Total Expenditures	8,994,277	9,083,881	8,713,195	370,686
Excess of Revenue Over (Under) Expenditures	691,948	538,259	792,005	253,746
<u>Other Financing Sources (Uses)</u>				
Sale of Capital Assets	500	500	900	400
Operating Transfers In	247,435	649,210	487,398	(161,812)
Operating Transfers Out	(924,572)	(1,187,969)	(1,279,223)	(91,254)
Operating Transfers to Component Unit	0	0	(1,080)	(1,080)
Total Other Financing Sources (Uses)	(676,637)	(538,259)	(792,005)	(253,746)
Net Change in Fund Balances	15,311	0	0	0
Fund Balances - Beginning of Year	0	0	0	0
Fund Balances - End of Year	\$ 15,311	\$ 0	\$ 0	\$ 0

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, 2017

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
<u>Revenue</u>				
Federal Grants and Revenue	\$ 402,000	\$ 352,000	\$ 61,753	\$ (290,247)
Local Grants	85,000	135,000	25,693	(109,307)
Interest and Rentals	5,500	5,500	9	(5,491)
Other Revenue	<u>100,000</u>	<u>100,000</u>	<u>0</u>	<u>(100,000)</u>
Total Revenue	592,500	592,500	87,455	(505,045)
<u>Expenditures</u>				
Current:				
Community and Economic Development	<u>531,500</u>	<u>580,500</u>	<u>78,134</u>	<u>502,366</u>
Excess of Revenue Over (Under) Expenditures	61,000	12,000	9,321	(2,679)
Fund Balances - Beginning of Year	<u>2,077</u>	<u>2,077</u>	<u>2,077</u>	<u>0</u>
Fund Balances - End of Year	<u>\$ 63,077</u>	<u>\$ 14,077</u>	<u>\$ 11,398</u>	<u>\$ (2,679)</u>

OTHER INFORMATION

COUNTY OF OGEMAW
West Branch, Michigan

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
September 30, 2017

	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	\$ 22,040	\$ 35,835	\$ 109,537	\$ 9,843	\$ 0	\$ 25,926	\$ 3,505	\$ 31,956	\$ 10,719
Receivables:										
Accounts, Net	0	479	0	0	0	65,973	0	0	0	0
Due from Local Units	0	0	0	0	0	0	0	0	0	0
Due from State	0	33,388	0	0	0	36,706	0	0	0	0
Due from Other Units of Government	2,249	0	0	0	0	0	0	0	0	0
Due from Other Funds	<u>0</u>	<u>12,000</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 Assets	<u>\$ 2,249</u>	<u>\$ 67,907</u>	<u>\$ 35,835</u>	<u>\$ 109,537</u>	<u>\$ 9,843</u>	<u>\$ 102,679</u>	<u>\$ 25,926</u>	<u>\$ 3,505</u>	<u>\$ 31,956</u>	<u>\$ 10,719</u>
<u>Liabilities</u>										
Accounts Payable	\$ 48	\$ 997	\$ 0	\$ 289	\$ 6,251	\$ 214	\$ 0	\$ 0	\$ 0	\$ 0
Due to Other Funds	954	0	0	0	0	95,194	0	0	0	0
Due to Other Units of Government	0	0	0	0	0	0	0	0	0	0
Accrued Liabilities	0	4,295	0	0	0	7,271	0	0	0	0
Unearned Revenue	<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>0</u>
Total Liabilities	<u>1,002</u>	<u>5,292</u>	<u>0</u>	<u>289</u>	<u>6,251</u>	<u>102,679</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>Deferred Inflows of Resources</u>										
Unavailable Revenue - Grants	<u>0</u>	<u>33,388</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>Fund Equity</u>										
Fund Balances:										
Restricted	1,247	29,227	0	109,248	3,592	0	25,926	3,505	31,956	10,719
Committed	<u>0</u>	<u>0</u>	<u>35,835</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Fund Equity	<u>1,247</u>	<u>29,227</u>	<u>35,835</u>	<u>109,248</u>	<u>3,592</u>	<u>0</u>	<u>25,926</u>	<u>3,505</u>	<u>31,956</u>	<u>10,719</u>
Total Liabilities, Deferred Inflows of Resources and Fund Equity	<u>\$ 2,249</u>	<u>\$ 67,907</u>	<u>\$ 35,835</u>	<u>\$ 109,537</u>	<u>\$ 9,843</u>	<u>\$ 102,679</u>	<u>\$ 25,926</u>	<u>\$ 3,505</u>	<u>\$ 31,956</u>	<u>\$ 10,719</u>

COUNTY OF OGEMAW
West Branch, Michigan

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
September 30, 2017

	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	\$ 0	\$ 175,681	\$ 1,543	\$ 127,190	\$ 0	\$ 1,841	\$ 559,208
Receivables:									
Accounts, Net	0	2,732	0	0	0	5,976	0	0	75,160
Due from Local Units	0	0	0	0	0	27,669	0	0	27,669
Due from State	0	39,063	0	0	0	0	0	0	109,157
Due from Other Units of Government	0	0	0	0	0	0	0	0	2,249
Due from Other Funds	<u>0</u>	<u>81,614</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>93,614</u>
Total Assets	<u>\$ 3,592</u>	<u>\$ 123,409</u>	<u>\$ 0</u>	<u>\$ 175,681</u>	<u>\$ 1,543</u>	<u>\$ 160,835</u>	<u>\$ 0</u>	<u>\$ 1,841</u>	<u>\$ 867,057</u>
<u>Liabilities</u>									
Accounts Payable	\$ 0	\$ 38,116	\$ 0	\$ 371	\$ 0	\$ 5,542	\$ 0	\$ 0	\$ 51,828
Due to Other Funds	0	52,348	0	0	0	8,000	0	0	156,496
Due to Other Units of Government	0	9,287	0	0	0	0	0	0	9,287
Accrued Liabilities	0	2,270	0	1,053	0	0	0	0	14,889
Unearned Revenue	<u>0</u>	<u>21,388</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>24,000</u>	<u>0</u>	<u>0</u>	<u>45,388</u>
Total Liabilities	<u>0</u>	<u>123,409</u>	<u>0</u>	<u>1,424</u>	<u>0</u>	<u>37,542</u>	<u>0</u>	<u>0</u>	<u>277,888</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>33,388</u>
<u>Fund Equity</u>									
Fund Balances:									
Restricted	0	0	0	174,257	1,543	0	0	0	391,220
Committed	<u>3,592</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>123,293</u>	<u>0</u>	<u>1,841</u>	<u>164,561</u>
Total Fund Equity	<u>3,592</u>	<u>0</u>	<u>0</u>	<u>174,257</u>	<u>1,543</u>	<u>123,293</u>	<u>0</u>	<u>1,841</u>	<u>555,781</u>
Total Liabilities, Deferred Inflows of Resources and Fund Equity	<u>\$ 3,592</u>	<u>\$ 123,409</u>	<u>\$ 0</u>	<u>\$ 175,681</u>	<u>\$ 1,543</u>	<u>\$ 160,835</u>	<u>\$ 0</u>	<u>\$ 1,841</u>	<u>\$ 867,057</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, 2017

	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	232,775	0	0	0	0	0	0	0	0
State Grants and Revenue	0	28,200	0	0	42,496	155,807	0	0	0	0
Charges for Services	3,759	27,527	3,880	32,990	0	0	11,474	0	12,019	0
Fines and Forfeits	0	0	0	0	0	0	0	0	0	6,759
Other Revenue	0	0	0	0	0	283,135	0	0	0	0
Total Revenue	<u>3,759</u>	<u>288,502</u>	<u>3,880</u>	<u>32,990</u>	<u>42,496</u>	<u>438,942</u>	<u>11,474</u>	<u>0</u>	<u>12,019</u>	<u>6,759</u>
<u>Expenditures</u>										
Current:										
General Government:										
Judicial	3,916	359,125	1,924	0	0	0	0	0	0	0
Other General Government	0	0	0	3,189	0	0	0	0	0	0
Public Safety	0	0	0	0	48,742	736,735	456	160	6,162	3,920
Health and Welfare	0	0	0	0	0	0	0	0	0	0
Capital Outlay	0	0	0	0	0	4,087	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>3,916</u>	<u>359,125</u>	<u>1,924</u>	<u>3,189</u>	<u>48,742</u>	<u>740,822</u>	<u>456</u>	<u>160</u>	<u>6,162</u>	<u>3,920</u>
Excess of Revenue Over (Under) Expenditures	(157)	(70,623)	1,956	29,801	(6,246)	(301,880)	11,018	(160)	5,857	2,839
<u>Other Financing Sources (Uses)</u>										
Operating Transfers In	0	79,630	0	0	0	301,821	0	0	0	0
Net Change in Fund Balances	(157)	9,007	1,956	29,801	(6,246)	(59)	11,018	(160)	5,857	2,839
Fund Balances - Beginning of Year	1,404	20,220	33,879	79,447	9,838	59	14,908	3,665	26,099	7,880
Fund Balances - End of Year	<u>\$ 1,247</u>	<u>\$ 29,227</u>	<u>\$ 35,835</u>	<u>\$ 109,248</u>	<u>\$ 3,592</u>	<u>\$ 0</u>	<u>\$ 25,926</u>	<u>\$ 3,505</u>	<u>\$ 31,956</u>	<u>\$ 10,719</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, 2017

	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
Revenue									
Property Taxes	\$ 0	\$ 0	\$ 0	\$ 102,402	\$ 0	\$ 0	\$ 0	\$ 0	\$ 102,402
Federal Grants and Revenue	0	0	0	0	0	0	0	0	232,775
State Grants and Revenue	0	453,626	0	0	0	0	0	0	680,129
Charges for Services	0	0	0	0	0	0	0	0	91,649
Fines and Forfeits	0	0	0	0	0	0	0	0	6,759
Other Revenue	0	39,694	0	0	0	189,485	0	0	512,314
Total Revenue	0	493,320	0	102,402	0	189,485	0	0	1,626,028
Expenditures									
Current:									
General Government:									
Judicial	0	0	0	0	0	0	0	0	364,965
Other General Government	0	0	0	0	0	101,156	0	0	104,345
Public Safety	0	0	0	0	0	0	0	0	796,175
Health and Welfare	0	1,025,206	1,434	75,503	0	0	0	0	1,102,143
Capital Outlay	0	0	0	0	0	64,549	0	0	68,636
Debt Service:									
Principal	0	0	0	0	0	0	205,000	0	205,000
Interest and Fiscal Charges	0	0	0	0	0	0	171,425	0	171,425
Total Expenditures	0	1,025,206	1,434	75,503	0	165,705	376,425	0	2,812,689
Excess of Revenue Over (Under) Expenditures	0	(531,886)	(1,434)	26,899	0	23,780	(376,425)	0	(1,186,661)
Other Financing Sources (Uses)									
Operating Transfers In	0	521,347	0	0	0	0	376,425	0	1,279,223
Net Change in Fund Balances	0	(10,539)	(1,434)	26,899	0	23,780	0	0	92,562
Fund Balances - Beginning of Year	3,592	10,539	1,434	147,358	1,543	99,513	0	1,841	463,219
Fund Balances - End of Year	\$ 3,592	\$ 0	\$ 0	\$ 174,257	\$ 1,543	\$ 123,293	\$ 0	\$ 1,841	\$ 555,781

COUNTY OF OGEMAW
West Branch, Michigan

COMBINING STATEMENT OF NET POSITION
 OTHER ENTERPRISE FUNDS
September 30, 2017

	County Park	Tax Reversion Fund	Total
<u>Assets</u>			
Cash and Cash Equivalents	\$ 8,115	\$ 0	\$ 8,115
Receivables:			
Accounts, Net	5,505	222,961	228,466
Interest Receivable	0	35	35
Due from Other Units of Government	0	48,355	48,355
Due from Other Funds	0	514,742	514,742
Noncurrent Assets:			
Capital Assets, Net of Accumulated Depreciation	4,464	0	4,464
Total Assets	18,084	786,093	804,177
<u>Liabilities</u>			
Current Liabilities:			
Accounts Payable	562	0	562
Due to Other Funds	0	71,260	71,260
Total Liabilities	562	71,260	71,822
<u>Net Position</u>			
Net Investment in Capital Assets	4,464	0	4,464
Unrestricted	13,058	714,833	727,891
Total Net Position	\$ 17,522	\$ 714,833	\$ 732,355

COUNTY OF OGEMAW
West Branch, Michigan

COMBINING STATEMENT OF ACTIVITIES
OTHER ENTERPRISE FUNDS
For the Year Ended September 30, 2017

	County Park	Tax Reversion Fund	Total
<u>Operating Revenue</u>			
Charges For Services	\$ 0	\$ 248,329	\$ 248,329
User Fees	29,971	0	29,971
Other Revenue	<u>8,438</u>	<u>594</u>	<u>9,032</u>
Total Operating Revenue	<u>38,409</u>	<u>248,923</u>	<u>287,332</u>
<u>Operating Expenses</u>			
Salaries and Wages	840	0	840
Payroll Taxes and Employee Benefits	82	0	82
Advertising	0	950	950
Contractual Services	0	90	90
Depreciation	1,126	0	1,126
Dues and Subscriptions	257	925	1,182
Gasoline and Oil	120	0	120
Insurance and Bonds	150	3,101	3,251
Licenses and Permits	835	0	835
Operating Supplies	7,832	508	8,340
Printing and Advertising	38	0	38
Professional Fees and Services	525	79,911	80,436
Repair and Maintenance	2,303	1,000	3,303
Telephone	0	462	462
Travel and Training	148	0	148
Utilities	19,682	0	19,682
Other	<u>0</u>	<u>20,080</u>	<u>20,080</u>
Total Operating Expenses	<u>33,938</u>	<u>107,027</u>	<u>140,965</u>
Operating Income (Loss)	<u>4,471</u>	<u>141,896</u>	<u>146,367</u>
<u>Nonoperating Revenue (Expenses)</u>			
Interest and Investment Earnings	0	3,602	3,602
Contributions	<u>5,639</u>	<u>0</u>	<u>5,639</u>
Total Nonoperating Revenue (Expenses)	<u>5,639</u>	<u>3,602</u>	<u>9,241</u>
Income (Loss) Before Operating Transfers	10,110	145,498	155,608
Operating Transfers Out	<u>0</u>	<u>(242,534)</u>	<u>(242,534)</u>
Change in Net Position	10,110	(97,036)	(86,926)
Net Position - Beginning of Year	<u>7,412</u>	<u>811,869</u>	<u>819,281</u>
Net Position - End of Year	<u>\$ 17,522</u>	<u>\$ 714,833</u>	<u>\$ 732,355</u>

COUNTY OF OGEMAW
West Branch, Michigan

COMBINING STATEMENT OF CASH FLOWS
OTHER ENTERPRISE FUNDS
For the Year Ended September 30, 2017

	<u>County Park</u>	<u>Tax Reversion Fund</u>	<u>Total</u>
<u>Cash Flows From Operating Activities</u>			
Receipts from Customers and Taxpayers	\$ 35,199	\$ 30,112	\$ 65,311
Payments to Suppliers for Goods and Services	(31,947)	(119,048)	(150,995)
Payments to Employees for Services	(922)	0	(922)
Net Cash Provided (Used) by Operating Activities	<u>2,330</u>	<u>(88,936)</u>	<u>(86,606)</u>
<u>Cash Flows From Non-Capital Financing Activities</u>			
Operating Subsidies and Transfers From (To) Other Funds/Component Units	0	(215,278)	(215,278)
Intergovernmental Contributions	<u>5,639</u>	<u>0</u>	<u>5,639</u>
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>5,639</u>	<u>(215,278)</u>	<u>(209,639)</u>
<u>Cash Flows From Investing Activities</u>			
Interest Earned	0	4,214	4,214
Redemption (Purchase) of Investment Securities	<u>0</u>	<u>300,000</u>	<u>300,000</u>
Net Cash Provided (Used) by Investing Activities	<u>0</u>	<u>304,214</u>	<u>304,214</u>
Net Increase (Decrease) in Cash and Cash Equivalents	7,969	0	7,969
Cash and Cash Equivalents at Beginning of Year	<u>146</u>	<u>0</u>	<u>146</u>
Cash and Cash Equivalents at End of Year	<u>\$ 8,115</u>	<u>\$ 0</u>	<u>\$ 8,115</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</u>			
Operating Income (Loss)	\$ 4,471	\$ 141,896	\$ 146,367
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	(3,210)	(218,811)	(222,021)
Accounts and Other Payables	<u>(57)</u>	<u>(12,021)</u>	<u>(12,078)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 2,330</u>	<u>\$ (88,936)</u>	<u>\$ (86,606)</u>

COUNTY OF OGEMAW
West Branch, Michigan

COMBINING BALANCE SHEET
OGEMAW COUNTY DRAIN COMMISSION - COMPONENT UNIT
GOVERNMENTAL FUNDS
September 30, 2017

	<u>Debt Retirement Funds</u>		<u>Capital Project Funds</u>				Total Governmental Funds
	<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	\$ 18,606	\$ 0	\$ 6,760	\$ 9,265	\$ 16,211	\$ 11,718	\$ 62,560
Receivables:							
Special Assessments	<u>18,560</u>	<u>12,571</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>31,131</u>
Total Assets	<u>\$ 37,166</u>	<u>\$ 12,571</u>	<u>\$ 6,760</u>	<u>\$ 9,265</u>	<u>\$ 16,211</u>	<u>\$ 11,718</u>	<u>\$ 93,691</u>
<u>Liabilities</u>							
Due to Primary Government (Note 5)	<u>\$ 37,165</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 37,165</u>
<u>Deferred Inflows of Resources</u>							
Unavailable Revenue - Special Assessments	<u>18,560</u>	<u>12,571</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>31,131</u>
<u>Fund Equity</u>							
Fund Balances:							
Restricted For:							
Debt Service	(18,559)	0	0	0	0	0	(18,559)
Capital Projects	<u>0</u>	<u>0</u>	<u>6,760</u>	<u>9,265</u>	<u>16,211</u>	<u>11,718</u>	<u>43,954</u>
Total Fund Equity	<u>(18,559)</u>	<u>0</u>	<u>6,760</u>	<u>9,265</u>	<u>16,211</u>	<u>11,718</u>	<u>25,395</u>
Total Liabilities, Deferred Inflows of Resources and Fund Equity	<u>\$ 37,166</u>	<u>\$ 12,571</u>	<u>\$ 6,760</u>	<u>\$ 9,265</u>	<u>\$ 16,211</u>	<u>\$ 11,718</u>	<u>\$ 93,691</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, 2017

Total Governmental Fund Balances		\$	25,395
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>(280,959)</u>
			473,242
Other assets are not available to pay for current period expenditures and, therefore, are unavailable in the governmental funds:			
Special Assessments			31,131
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>(12,420)</u>
Total Net Position - Governmental Activities		\$	<u><u>517,348</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, 2017

	<u>Debt Retirement Funds</u>		<u>Capital Project Funds</u>				<u>Total Governmental Funds</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>Revenue</u>							
Interest Income	\$ 2	\$ 0	\$ 2	\$ 1	\$ 3	\$ 0	\$ 8
Other Revenue	18,559	2,906	0	0	0	0	21,465
Total Revenue	<u>18,561</u>	<u>2,906</u>	<u>2</u>	<u>1</u>	<u>3</u>	<u>0</u>	<u>21,473</u>
<u>Expenditures</u>							
Current:							
Public Works	0	0	130	911	295	370	1,706
Debt Service:							
Principal	0	2,282	0	0	0	0	2,282
Interest and Fiscal Charges	0	624	0	0	0	0	624
Total Expenditures	<u>0</u>	<u>2,906</u>	<u>130</u>	<u>911</u>	<u>295</u>	<u>370</u>	<u>4,612</u>
Excess of Revenue Over (Under) Expenditures	<u>18,561</u>	<u>0</u>	<u>(128)</u>	<u>(910)</u>	<u>(292)</u>	<u>(370)</u>	<u>16,861</u>
<u>Other Financing Sources (Uses)</u>							
Operating Transfers In from Primary Government (Note 10)	<u>1,080</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,080</u>
Net Change in Fund Balances	19,641	0	(128)	(910)	(292)	(370)	17,941
Fund Balances - Beginning of Year	<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>
Fund Balances (Deficit) - End of Year	<u><u>\$(18,559)</u></u>	<u><u>\$0</u></u>	<u><u>\$6,760</u></u>	<u><u>\$9,265</u></u>	<u><u>\$16,211</u></u>	<u><u>\$11,718</u></u>	<u><u>\$25,395</u></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, 2017

Total Net Change in Fund Balances - Governmental Funds	\$	17,941
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:		
Special Assessments		(21,922)
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.		
Current Year Depreciation Expense		(15,084)
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		<u>2,484</u>
Change in Net Position of Governmental Activities	\$	<u><u>(16,581)</u></u>

COUNTY OF OGEMAW
West Branch, Michigan

COMBINING BALANCE SHEET
 ECONOMIC DEVELOPMENT CORPORATION - COMPONENT UNIT
 GOVERNMENTAL FUNDS
September 30, 2017

	<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>10,671</u>	\$ <u>8,886</u>	\$ <u>19,557</u>
Liabilities	\$ 0	\$ 0	\$ 0
<u>Fund Equity</u>			
Fund Balances:			
Restricted For:			
Economic Development	<u>10,671</u>	<u>8,886</u>	<u>19,557</u>
Total Liabilities and Fund Equity	\$ <u>10,671</u>	\$ <u>8,886</u>	\$ <u>19,557</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, 2017

	Special Revenue Funds			Total Governmental Funds
	EDC Fund	EDC Alliance Fund		
<u>Revenue</u>				
Contributions from Local Units	\$ 8,700	\$ 0	\$	8,700
Other Revenue	0	8,659		8,659
Total Revenue	8,700	8,659		17,359
 <u>Expenditures</u>				
Current:				
Community and Economic Development	547	32,602		33,149
Excess of Revenue Over (Under) Expenditures	8,153	(23,943)		(15,790)
Fund Balances - Beginning of Year	2,518	32,829		35,347
Fund Balances - End of Year	\$ 10,671	\$ 8,886	\$	19,557

COUNTY OF OGEMAW
West Branch, Michigan

OGEMAW COUNTY PUBLIC TRANSIT
NONURBAN REGULAR SERVICE REVENUE REPORT
For the Year Ended September 30, 2017

	<u>Ogemaw County Public Transit</u>
Farebox Revenue	
Passenger Fares	\$ 53,808
Contract Fares	26,045
NonTrans Revenues	
Advertising Revenue	2,970
Other Revenue	2,330
Local Revenue	
Taxes Levied Directly for/by Transit Agency	245,679
State Formula and Contracts	
State Operating Assistance	338,771
State Capital Grants	2,294
Federal Contracts	
Section 5311 (Operating Funds Only)	160,718
Federal Capital Grants	9,178
RTAP	<u>249</u>
	<u>\$ 842,042</u>

COUNTY OF OGEMAW
West Branch, Michigan

OGEMAW COUNTY PUBLIC TRANSIT
NONURBAN REGULAR SERVICE EXPENSE REPORT
For the Year Ended September 30, 2017

	<u>Operations</u>	<u>Maintenance</u>	<u>General Administration</u>	<u>Total</u>
Labor				
Operator's Salaries & Wages	\$ 254,276	\$ 0	\$ 0	\$ 254,276
Other Salaries & Wages	1,800	41,418	38,230	81,448
Dispatchers' Salaries & Wages	132,919	0	0	132,919
Fringe Benefits				
Other Fringe Benefits	132,150	17,508	11,885	161,543
Pensions	57,343	21,726	10,596	89,665
Services				
Audit Cost	0	0	6,355	6,355
Other Services	0	2,072	65,706	67,778
Material and Supplies				
Fuel & Lubricants	65,600	0	0	65,600
Tires & Tubes	7,439	0	0	7,439
Other Materials & Supplies	1,554	12,163	955	14,672
Utilities				
Utilities	8,209	0	405	8,614
Insurance				
Liability Insurance	17,748	0	1,686	19,434
Misc Expenses				
Travel, Meetings, & Training	499	0	162	661
Association Dues & Subscriptions	0	0	899	899
Other Misc Expenses	0	0	1,496	1,496
Depreciation				
Depreciation	<u>96,648</u>	<u>574</u>	<u>3,963</u>	<u>101,185</u>
Total Expenses	<u>776,185</u>	<u>95,461</u>	<u>142,338</u>	<u>1,013,984</u>
Ineligible Expenses				
Ineligible Depreciation	95,175	574	3,963	99,712
Ineligible Pension Costs Expensed but Not Paid	28,830	10,923	5,327	45,080
Ineligible RTAP	249	0	0	249
Ineligible Percent of Assoc. Dues	<u>0</u>	<u>0</u>	<u>200</u>	<u>200</u>
Total Ineligible Expenses	<u>124,254</u>	<u>11,497</u>	<u>9,490</u>	<u>145,241</u>
Total Eligible Expenses	<u>\$ 651,931</u>	<u>\$ 83,964</u>	<u>\$ 132,848</u>	<u>\$ 868,743</u>

COUNTY OF OGEMAW
West Branch, Michigan

OGEMAW COUNTY PUBLIC TRANSIT
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended September 30, 2017

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>249</u>	\$ <u>249</u>	\$ <u>249</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
Operating Assistance - Section 5311	20.509	17-0110/P1	<u>160,718</u>	<u>160,718</u>	<u>160,718</u>	<u>0</u>	<u>0</u>	<u>0</u>
Federal Transit Capital Grants Capital Grant	20.509	12-0146/P15	<u>15,300</u>	<u>11,472</u>	<u>9,178</u>	<u>2,294</u>	<u>0</u>	<u>3,828</u>
<u>Michigan Department of Transportation</u>								
Non Urban Operating Assistance - Act 51 Current Year	N/A	N/A	<u>338,771</u>	<u>338,771</u>	<u>0</u>	<u>338,771</u>	<u>0</u>	<u>0</u>
Total Federal and State Grants			\$ <u>515,038</u>	\$ <u>511,210</u>	\$ <u>170,145</u>	\$ <u>341,065</u>	\$ <u>0</u>	\$ <u>3,828</u>

COUNTY OF OGEMAW
West Branch, Michigan

OGEMAW COUNTY PUBLIC TRANSIT
 OPERATING ASSISTANCE CALCULATION
For the Year Ended September 30, 2017

	<u>2007-0273/Z13 Federal Section 5311</u>	<u>State Operating Assistance</u>
Total Expenses	\$ <u>1,013,984</u>	\$ <u>1,013,984</u>
Less Ineligible Expenses		
Depreciation (Less Eligible)	99,712	99,712
RTAP	249	249
Association Dues	200	200
Pension Costs Expensed but Not Paid	<u>45,080</u>	<u>45,080</u>
Total Ineligible Expenses	<u>145,241</u>	<u>145,241</u>
Net Eligible Expenses	<u>\$ 868,743</u>	<u>\$ 868,743</u>
Maximum Section 5311 Reimbursement 18.5%	<u>\$ 160,718</u>	
State Operating Assistance		<u>\$ 338,771</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 38.9955% 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, 2017

<u>Code</u>	<u>Description</u>	<u>Weekday</u>	<u>Saturday</u>	<u>Sunday</u>	<u>Total</u>
611	Vehicle Miles	269,839	20,036	0	289,875



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 23, 2018

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, 2017, 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 23, 2018.

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.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less than severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify one deficiency in internal control described below that we consider 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 of Ogemaw'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.

View of Responsible Officials

The County understands the risk of having the auditors prepare the financial statements and has determined to accept this risk as they feel the benefits outweigh the risk. However, to mitigate the risk, the 2017 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.

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 above. 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 23, 2018

Management and the Board
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, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, 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 27, 2017. 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 23, 2018. 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 and *Government Auditing Standards*

As stated in our engagement letter dated November 27, 2017, 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.

As part of our audit, we will consider the internal control of the County of Ogemaw. Such considerations are solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will also perform tests of the County of Ogemaw's 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.

Planned Scope and Timing of the Audit

We performed the audit as outlined in our engagement letter related to planning matters dated November 27, 2017.

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 tax abatements by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 77, "Tax Abatement Disclosures", in 2017. In the current year, no related disclosures were required for the County of Ogemaw. The application of existing policies was not changed during 2017. 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:

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.

APPENDIX I COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has determined that 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 14, 2018 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 23, 2018.

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.

Other Matters

We applied certain limited procedures to 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, and Economic Development Corporation – component unit fund financial statements, 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.

APPENDIX I
COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

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. Such information has 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 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, 2017, 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.

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 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.

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.

BOARD APPROVAL OF SIGNIFICANT PURCHASES

During the audit, we noted the purchase of a tire balancer being made without formal approval by the Board. Currently, the County's purchasing policy requires formal board approval of all purchases over \$1,500. We would like to note that the tire balancer was part of a grant, where the grant application was approved by the Board, but the actual tire balancer purchase was not. We recommend that Management communicate with the various Department Heads the current purchasing policy, along with any future amendments, so that the individuals responsible can ensure that the required approval can be discussed and voted on by the Board of Commissioners, prior to the purchase being made. One option to mitigate this issue could also be to approve the asset purchase at the same time the grant application is approved.

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, 2017 was a deficit of \$18,559. The Bulletin for Audits of Local Units of Governments does not permit the 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>Situation No Longer Applicable</u>	<u>Progress Made</u>	<u>Situation Still Exists</u>
Financial Statement Preparation Controls				X
Inventory Listing			X	
Housing Commission Project Costs		X		
Housing Commission Oversight		X		
Deficit Fund Balance			X	