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COUNTY OF OGEMAW
WEST BRANCH, MICHIGAN

AUDITORS' REPORT
YEAR ENDED SEPTEMBER 30, 2018

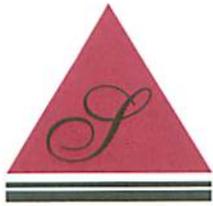
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February 15, 2019

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, 2018, 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, 2018, 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the County of Ogemaw has implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, as of September 30, 2018. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, required pension and other postemployment benefit (OPEB) 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 15, 2019, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County of Ogemaw's 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, 2018. 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 \$4,487,845.
- The County’s total net position increased by \$620,115 due to an increase in net position of governmental activities of \$486,413 and an increase in net position of business-type activities of \$133,702.
- The County’s governmental funds reported a combined ending fund balance of \$948,972 this year, an increase of \$381,793. The County General Fund 2018 fiscal year end *fund balance* is \$338,083.

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 \$14.7 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 2018 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 \$498,611 and, of that amount, \$448,222 is shown as net investment in capital assets. The Ogemaw County Road Commission displays net position totaling \$33,499,627, primarily attributable to County road infrastructure. The Ogemaw County Economic Development Corporation net position is \$16,418 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 increased by \$338,083. This increase is primarily the result of increased revenues of about \$400,000, of which \$121,000 related to federal grants, \$111,000 related to charges for services, \$67,000 related to state grants and revenue, \$47,000 related to property taxes and \$26,000 related to licenses and permits. Also, the General Fund did not have to transfer as much money out to cover other special revenue fund shortfalls. Transfers out decreased by about \$280,000, while transfers in also decreased by about \$300,000 mainly due to the decreased need to cover any fund deficit.

The Housing Commission Fund fund balance increased by \$7,498. This was not a significant change from the prior year increase of \$9,321.

The Other Governmental Funds fund balance increased by \$36,212. The funds experiencing significant changes in fund balance were the Veteran's Office, Register of Deeds Automation Fund, and the Commissary Fund. The Veteran's Office Fund saw an increase in fund balance of \$26,200 due to revenues exceeding expenditures. The Register of Deeds Automation Fund saw a decrease in fund balance of \$21,919 due to expenditures exceeding revenues. The Commissary Fund saw an increase in fund balance of \$9,983 due to revenues exceeding expenditures. Compared to the prior year, total other governmental fund expenditures were about \$32,000 less, revenues increased by about \$192,000, and transfers in decreased by about \$280,000.

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.
- 2017 DTRF – This fund accounts for the purchase of the 2017 delinquent taxes from other local taxing units and subsequent tax collections.
- 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.

The Ogemaw County Public Transit Fund net position decreased by \$98,556, compared to the decrease of \$171,942 in the prior year. The decrease in net position is the result of expenditures exceeding revenues again in the current year. The decrease was less in the current year as a result of an increase in capital contribution of about \$32,000, a gain on disposal of capital assets of about \$7,400, and other various changes.

The Tax Umbrella Fund net position increased by \$595. This increase compared to the prior year's decrease of \$237,562 was due primarily to the prior year having a transfer out to the General Fund of \$244,864 where there was no current year transfer.

The 2017 DTRF, 2016 DTRF, and 2015 DTRF net position increased by \$91,816, \$162,688, and \$81,018, respectively, as a result of receiving delinquent taxes during the current year.

The Other Enterprise Funds net position decreased by \$103,859, compared to the prior year decrease of \$86,926. This was primarily due to a decrease in the Tax Reversion Fund activity compared to the prior year of approximately \$111,000 offset by a decrease in the transfer out to General Fund in the current year of about \$57,000 to help cover fund deficits. The majority of the remainder of the change is a result of an increase in fund balance of about \$37,000 due to the 2014 DTRF, 2013 DTRF, 2012 DTRF, and 2011 DTRF being considered non-major in the current year.

Fiduciary Funds:

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

Notes to Financial Statements

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

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

Other Information

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

Government-Wide Financial Analysis

Summary of Net Position:

The following summarizes the net position of the County of Ogemaw at September 30, 2018 and 2017:

	Net Position Summary			
	Governmental Activities	Business-Type Activities	September 30, 2018	September 30, 2017
Current Assets	\$ 1,890,844	\$ 7,259,109	\$ 9,149,953	\$ 8,505,554
Other Noncurrent Assets	1,828,495	0	1,828,495	1,875,393
Capital Assets – net	<u>6,570,655</u>	<u>198,516</u>	<u>6,769,171</u>	<u>7,093,565</u>
Total Assets	<u>10,289,994</u>	<u>7,457,625</u>	<u>17,747,619</u>	<u>17,474,512</u>
Deferred Outflows of Resources	<u>1,195,105</u>	<u>36,431</u>	<u>1,231,536</u>	<u>1,923,061</u>
Current Liabilities	442,312	50,246	492,558	420,324
Long-Term Liabilities	<u>13,198,122</u>	<u>267,043</u>	<u>13,465,165</u>	<u>14,961,696</u>
Total Liabilities	<u>13,640,434</u>	<u>317,289</u>	<u>13,957,723</u>	<u>15,382,020</u>
Deferred Inflows of Resources	<u>490,274</u>	<u>43,313</u>	<u>533,587</u>	<u>147,823</u>
Net Position				
Net Investment in				
Capital Assets	1,511,670	198,516	1,710,186	1,848,881
Restricted	2,423,697	0	2,423,697	2,381,006
Unrestricted (Deficit) (Restated)	<u>(6,580,976)</u>	<u>6,934,938</u>	<u>353,962</u>	<u>(362,157)</u>
Total Net Position (Restated)	<u>\$ (2,645,609)</u>	<u>\$ 7,133,454</u>	<u>\$ 4,487,845</u>	<u>\$ 3,867,730</u>

Summary of Changes in Net Position:

Following is an analysis of the changes in net position for the periods ended September 30, 2018 and 2017:

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.

	Governmental Activities	Business-Type Activities	Year Ended September 30, 2018	Year Ended September 30, 2017
Program Revenues:				
Charges for Services	\$ 3,394,099	\$ 377,311	\$ 3,771,410	\$ 3,484,825
Operating Grants and Contributions	1,673,951	526,678	2,200,629	2,042,640
Capital Grants and Contributions	<u>50,004</u>	<u>43,451</u>	<u>93,455</u>	<u>11,472</u>
Total Program Revenues	<u>5,118,054</u>	<u>947,440</u>	<u>6,065,494</u>	<u>5,538,937</u>
General Revenues:				
Property Taxes	5,970,692	242,194	6,212,886	6,213,072
State Revenue Sharing	478,824	0	478,824	474,658
Payments to Component Units	0	0	0	(1,080)
Investment Earnings	4,772	286,749	291,521	281,768
Contributions from Local Units	16,609	0	16,609	0
Gain (Loss) on Disposal of Capital Assets	1,000	7,396	8,396	600
Other	150,347	1,401	151,748	158,747
Transfers	<u>186,000</u>	<u>(186,000)</u>	<u>0</u>	<u>0</u>
Total General Revenues and Transfers	<u>6,808,244</u>	<u>351,740</u>	<u>7,159,984</u>	<u>7,127,765</u>
Total Revenues and Transfers	<u>11,926,298</u>	<u>1,299,180</u>	<u>13,225,478</u>	<u>12,666,702</u>
Program Expenses:				
General Government:				
Legislative and Executive	84,247	0	84,247	126,845
Judicial	1,863,533	0	1,863,533	1,931,863
Financial and Tax Administration	1,006,362	0	1,006,362	1,111,143
Other General Government	1,481,362	0	1,481,362	1,797,225
Public Safety	4,686,541	0	4,686,541	5,154,755
Public Transit	0	996,358	996,358	1,013,984
Public Works	101,271	0	101,271	92,153
Health and Welfare	1,956,678	0	1,956,678	2,077,810
Community and Economic Development	69,243	0	69,243	95,281
Interest and Fees on Long-Term Debt	190,648	0	190,648	194,790
County Park	0	36,004	36,004	33,938
Tax Reversion	<u>0</u>	<u>133,116</u>	<u>133,116</u>	<u>107,027</u>
Total Expenses	<u>11,439,885</u>	<u>1,165,478</u>	<u>12,605,363</u>	<u>13,736,814</u>
Change in Net Position	486,413	133,702	620,115	(1,070,112)
Beginning Net Position (Restated)	<u>(3,132,022)</u>	<u>6,999,752</u>	<u>3,867,730</u>	<u>4,937,842</u>
Ending Net Position (Restated)	<u>\$ (2,645,609)</u>	<u>\$ 7,133,454</u>	<u>\$ 4,487,845</u>	<u>\$ 3,867,730</u>

Governmental Activities

The *Statement of Activities* illustrates, by department, the expense incurred and revenue received. Total governmental activities reveal revenues of \$5,118,054 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 \$11,439,885 for these same activities. The largest expenses were incurred by Other General Government offices (\$1,481,362), Circuit, District, and Probate Courts (\$1,863,533), Health and Welfare (\$1,956,678) and Public Safety (\$4,686,541).

Business-Type Activities

Ogemaw County's *Business-Type Activities* include the Ogemaw County Public Transit, Tax Umbrella, 2017 DTRF, 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 \$947,440 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 \$1,165,478, the largest of which were incurred by the Public Transit (\$996,358).

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 35 funds. These funds are maintained by the County Treasurer as separate units in the general ledger.

Budgetary Highlights

The year ending September 30, 2018 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 and ended the year with a fund balance of \$338,083. The General Fund actual revenue of \$9,907,913 versus final amended budgeted revenue of \$9,968,508 netted an unfavorable variance of \$60,595 due mainly to over budgeting for Property Taxes. The variance between the original and final budgeted revenue (increase of approximately \$500,000) was due primarily to increases in Property Taxes and Charges for Services budgets.

Actual expenditures of the General Fund were \$8,756,966 versus final amended budgeted expenditures of \$9,428,934 showing a favorable variance of \$671,968 due mainly to budgeting too much in the Judicial budgets, General Government budgets, Public Safety budgets, Health and Welfare budgets, and Capital Outlay budgets. The variance between the original and final budgeted expenditures (increase of approximately \$400,000) was due to an increase in budgeting in the Judicial budgets, Financial and Tax Administration budgets, and General Government 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 \$13,270,939 with an ending balance of \$13,365,914. Governmental Activities Total Capital Assets – Net of Depreciation was \$6,570,655. An expanded and detailed presentation may be seen in Note 6 of the audit, notes to financial statements.

During 2018, the County's governmental capital asset additions totaled \$94,975. The additions consisted of the purchase of a new 2018 Dodge Police Charger, a 12-passenger van, two dryers and an oven for the jail, and a palmprint livescan system. There were no disposals in the current year.

Capital Assets - Business Type Activities beginning balance was \$1,372,274 with an ending balance of \$1,392,667. Current year additions consisted of \$44,784 for a new call center system and new plow truck for public transit. Current year disposals consisted of two fully depreciated pickup trucks. Business-Type Activities Total Capital Assets – Net of Depreciation was \$198,516. 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 \$13,465,165. Such debt includes *Bonds Payable* and the related *Deferred Amounts for Issuance Premium* (Primary Government), *Net Pension Liability*, *Net OPEB Liability* (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, 2018, the County's Net Pension Liability amounted to \$6,997,751. This constitutes their unfunded pension benefit obligation as of the measurement date of the Municipal Employees' Retirement System Plan.

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

Net OPEB Liability

At September 30, 2018, the County's Net OPEB Liability amounted to \$558,656. This constitutes their unfunded OPEB benefit obligation as of the measurement date of the Ogemaw County Retiree Medical Plan.

Additional information on the County's Net OPEB 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, 2018

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and Cash Equivalents (Note 3)	\$ 637,833	\$ 1,194,166	\$ 1,831,999	\$ 1,804,143
Investments (Note 3)	0	3,508,678	3,508,678	741,443
Receivables:				
Property Taxes	1,371,819	0	1,371,819	0
Delinquent Taxes	0	1,600,210	1,600,210	0
Special Assessments	0	0	0	10,369
Accounts, Net	76,162	19,326	95,488	236,652
Interest Receivable	0	2,117	2,117	0
Mortgages Receivable	69,046	0	69,046	0
Due from Local Units	178,220	0	178,220	0
Due from State	401,647	35,715	437,362	848,175
Due from Other Units of Government	4,932	50,082	55,014	0
Internal Balances	(848,815)	848,815	0	0
Inventory	0	0	0	439,740
Noncurrent Assets:				
Long-Term Mortgages Receivable	1,828,495	0	1,828,495	0
Capital Assets Not Being Depreciated (Note 6)	255,553	0	255,553	23,697,707
Capital Assets, Net of Accumulated Depreciation (Note 6)	6,315,102	198,516	6,513,618	11,621,386
Total Assets	<u>10,289,994</u>	<u>7,457,625</u>	<u>17,747,619</u>	<u>39,399,615</u>
Deferred Outflows of Resources				
Deferred Amounts Related to Pensions (Note 12)	693,640	36,431	730,071	1,177,628
Deferred Charge on Refunding	501,465	0	501,465	0
Total Deferred Outflows of Resources	<u>1,195,105</u>	<u>36,431</u>	<u>1,231,536</u>	<u>1,177,628</u>
Liabilities				
Accounts Payable	179,837	11,461	191,298	733,855
Due to Local Units	79,866	4,492	84,358	0
Due to Other Units of Government	20,775	24,832	45,607	0
Advances Payable	0	0	0	148,970
Accrued Interest Payable	67,677	0	67,677	0
Accrued Liabilities	78,157	9,461	87,618	51,530
Unearned Revenue - State Grants	16,000	0	16,000	11,788
Long Term Liabilities: (Note 7)				
Due Within One Year	263,958	12,611	276,569	164,642
Due In More Than One Year	5,605,996	26,193	5,632,189	399,501
Net Pension Liability	6,769,512	228,239	6,997,751	4,430,471
Net OPEB Liability	558,656	0	558,656	444,013
Total Liabilities	<u>13,640,434</u>	<u>317,289</u>	<u>13,957,723</u>	<u>6,384,770</u>
Deferred Inflows of Resources				
Deferred Amounts Related to Pension (Note 12)	474,556	43,313	517,869	120,236
Deferred Amounts Related to OPEB (Note 13)	15,718	0	15,718	34,886
Total Deferred Inflows of Resources	<u>490,274</u>	<u>43,313</u>	<u>533,587</u>	<u>155,122</u>
Net Position				
Net Investment in Capital Assets	1,511,670	198,516	1,710,186	34,946,273
Restricted For:				
Public Safety	119,102	0	119,102	0
Health and Welfare	200,457	0	200,457	0
County Roads (Deficit)	0	0	0	(998,424)
Capital Projects	0	0	0	50,389
Community and Economic Development	1,931,582	0	1,931,582	16,418
Other State Mandated Programs	172,556	0	172,556	0
Unrestricted (Deficit)	<u>(6,580,976)</u>	<u>6,934,938</u>	<u>353,962</u>	<u>22,695</u>
Total Net Position	<u>\$ (2,645,609)</u>	<u>\$ 7,133,454</u>	<u>\$ 4,487,845</u>	<u>\$ 34,037,351</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, 2018

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</u>								
Governmental Activities:								
General Government:								
Legislative and Executive	\$ 84,247	\$ 0	\$ 0	\$ 0	\$ (84,247)	\$ 0	\$ (84,247)	
Judicial:								
Circuit Court	202,103	43,007	0	0	(159,096)	0	(159,096)	
District Court	708,090	968,705	49,755	0	310,370	0	310,370	
Probate Court	574,696	41,933	155,759	0	(377,004)	0	(377,004)	
Other Judicial	378,644	34,176	393,447	0	48,979	0	48,979	
Financial and Tax								
Administration	1,006,362	245,602	0	0	(760,760)	0	(760,760)	
Other General								
Government	1,481,362	457,823	42,760	0	(980,779)	0	(980,779)	
Public Safety:								
Sheriff	1,275,030	20,231	11,041	38,000	(1,205,758)	0	(1,205,758)	
Jail	2,167,778	706,306	1,633	0	(1,459,839)	0	(1,459,839)	
Building and Zoning	245,496	281,695	0	0	36,199	0	36,199	
Other Public Safety	998,237	482,989	368,676	12,004	(134,568)	0	(134,568)	
Public Works:								
Airport	57,077	0	0	0	(57,077)	0	(57,077)	
Other Public Works	44,194	0	87,842	0	43,648	0	43,648	
Health and Welfare:								
Probate Child Care	935,073	103,571	465,023	0	(366,479)	0	(366,479)	
Other Health and Welfare	1,021,605	0	0	0	(1,021,605)	0	(1,021,605)	
Community and Economic								
Development	69,243	8,061	98,015	0	36,833	0	36,833	
Interest and Fees on Long-								
Term Debt	<u>190,648</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(190,648)</u>	<u>0</u>	<u>(190,648)</u>	
Total Governmental								
Activities	<u>11,439,885</u>	<u>3,394,099</u>	<u>1,673,951</u>	<u>50,004</u>	<u>(6,321,831)</u>	<u>0</u>	<u>(6,321,831)</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, 2018

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		Total	
					Governmental Activities	Business-Type Activities		
<u>Primary Government (Continued):</u>								
Business-Type Activities:								
Delinquent Tax Revolving	\$ 0	\$ 95,109	\$ 0	\$ 0	\$ 0	\$ 95,109	\$ 95,109	
County Park	36,004	38,313	6,252	0	0	8,561	8,561	
Tax Reversion	133,116	165,227	0	0	0	32,111	32,111	
Public Transit	996,358	78,662	520,426	43,451	0	(353,819)	(353,819)	
Total Business-Type Activities	<u>1,165,478</u>	<u>377,311</u>	<u>526,678</u>	<u>43,451</u>	<u>0</u>	<u>(218,038)</u>	<u>(218,038)</u>	
Total Primary Government	<u>\$ 12,605,363</u>	<u>\$ 3,771,410</u>	<u>\$ 2,200,629</u>	<u>\$ 93,455</u>	<u>(6,321,831)</u>	<u>(218,038)</u>	<u>(6,539,869)</u>	
<u>Component Units</u>								
Drain Commission	\$ 18,754	\$ 0	\$ 0	\$ 0				\$ (18,754)
Road Commission	6,393,704	901,820	4,990,807	600,955				99,878
Economic Development	44,780	0	41,641	0				(3,139)
Land Bank Authority	0	0	0	0				0
Total Component Units	<u>\$ 6,457,238</u>	<u>\$ 901,820</u>	<u>\$ 5,032,448</u>	<u>\$ 600,955</u>				<u>77,985</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, 2018

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		Total	
					Governmental Activities	Business-Type Activities		
General Revenues:								
Property Taxes Levied For:								
General Operating					\$ 5,213,566	\$ 0	\$ 5,213,566	\$ 0
Payment in Lieu of Taxes					10,292	0	10,292	0
Veterans Services					136,106	0	136,106	0
Public Transit					0	242,194	242,194	0
Senior Services					610,728	0	610,728	0
State Revenue Sharing					478,824	0	478,824	0
Contributions from Local Units					16,609	0	16,609	0
Interest and Investment Earnings					4,772	286,749	291,521	26,707
Gain (Loss) on Disposal of Capital Assets					1,000	7,396	8,396	9,167
Other					150,347	1,401	151,748	8,688
Transfers					186,000	(186,000)	0	0
Total General Revenues and Transfers					<u>6,808,244</u>	<u>351,740</u>	<u>7,159,984</u>	<u>44,562</u>
Change in Net Position					486,413	133,702	620,115	122,547
Net Position - Beginning (Restated) (Note 17)					<u>(3,132,022)</u>	<u>6,999,752</u>	<u>3,867,730</u>	<u>33,914,804</u>
Net Position - Ending					<u>\$ (2,645,609)</u>	<u>\$ 7,133,454</u>	<u>\$ 4,487,845</u>	<u>\$ 34,037,351</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, 2018

	<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)	\$ 35,349	\$ 24,194	\$ 578,290	\$ 637,833
Receivables:				
Property Taxes	1,371,819	0	0	1,371,819
Accounts, Net	4,869	0	71,293	76,162
Mortgages Receivable	0	69,046	0	69,046
Due from Local Units	107,542	0	70,678	178,220
Due from State	216,637	15,145	169,865	401,647
Due from Other Units of Government	2,624	0	2,308	4,932
Due from Other Funds (Note 5)	602,713	0	122,744	725,457
Noncurrent Assets:				
Long-Term Mortgages Receivable	<u>0</u>	<u>1,828,495</u>	<u>0</u>	<u>1,828,495</u>
Total Assets	<u>\$ 2,341,553</u>	<u>\$ 1,936,880</u>	<u>\$ 1,015,178</u>	<u>\$ 5,293,611</u>
<u>Liabilities</u>				
Accounts Payable	\$ 73,016	\$ 4,806	\$ 102,015	\$ 179,837
Due to Other Funds (Note 5)	1,366,045	0	208,227	1,574,272
Due to Local Units	79,866	0	0	79,866
Due to Other Units of Government	16,158	492	4,125	20,775
Accrued Liabilities	61,784	0	16,373	78,157
Unearned Revenue	<u>0</u>	<u>0</u>	<u>16,000</u>	<u>16,000</u>
Total Liabilities	<u>1,596,869</u>	<u>5,298</u>	<u>346,740</u>	<u>1,948,907</u>
<u>Deferred Inflows of Resources</u>				
Unavailable Revenue - Property Taxes	339,815	0	0	339,815
Unavailable Revenue - Mortgages	0	1,897,541	0	1,897,541
Unavailable Revenue - Grants	66,786	15,145	64,441	146,372
Unavailable Revenue - Administrative Billing	<u>0</u>	<u>0</u>	<u>12,004</u>	<u>12,004</u>
Total Deferred Inflows of Resources	<u>406,601</u>	<u>1,912,686</u>	<u>76,445</u>	<u>2,395,732</u>
<u>Fund Equity</u>				
Fund Balances: (Note 18)				
Restricted	0	18,896	415,670	434,566
Committed	0	0	176,323	176,323
Unassigned	<u>338,083</u>	<u>0</u>	<u>0</u>	<u>338,083</u>
Total Fund Equity	<u>338,083</u>	<u>18,896</u>	<u>591,993</u>	<u>948,972</u>
Total Liabilities, Deferred Inflows of Resources and Fund Equity	<u>\$ 2,341,553</u>	<u>\$ 1,936,880</u>	<u>\$ 1,015,178</u>	<u>\$ 5,293,611</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, 2018

Total Governmental Fund Balances		\$	948,972
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		\$ 13,365,914	
Accumulated Depreciation		<u>(6,795,259)</u>	6,570,655
Other assets are not available to pay for current period expenditures and, therefore, are unavailable in the governmental funds:			
Real and Personal Property Taxes		339,815	
Mortgages Receivable		1,897,541	
Administrative Billing Receivable		12,004	
Grants Receivable		<u>146,372</u>	2,395,732
Accrued Interest on Long-Term Liabilities			(67,677)
Governmental funds report actual pension and OPEB expenditures for the fiscal year, whereas the governmental activities will recognize the net pension liability and net OPEB liability as of the measurement date. Pension and OPEB 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 and OPEB plan investment earnings will be deferred over time in the government-wide financial statements. These amounts consist of:			
Deficit Investment Return - Pension		(373,287)	
Change in Experience - Pension		(101,269)	
Employer Pension Contributions		693,640	
Change in Assumptions - OPEB		<u>(15,718)</u>	203,366
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)		(5,058,985)	
Net OPEB Liability		(558,656)	
Net Pension Liability		(6,769,512)	
Compensated Absences Payable		<u>(309,504)</u>	
Total Long-Term Liabilities			<u>(12,696,657)</u>
Total Net Position - Governmental Activities		\$	<u>(2,645,609)</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, 2018

	<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	\$ 5,945,385	\$ 0	\$ 103,558	\$ 6,048,943
Federal Grants and Revenue	244,282	99,561	201,117	544,960
State Grants and Revenue	611,393	0	687,446	1,298,839
State Shared Revenue	469,396	0	0	469,396
Local Grants	0	25,998	0	25,998
Contributions from Local Units	16,609	0	137,996	154,605
Licenses and Permits	295,295	0	0	295,295
Charges for Services	2,230,277	0	154,160	2,384,437
Fines and Forfeits	34,229	0	19,816	54,045
Interest and Rentals	30,846	34	0	30,880
Other Revenue	<u>30,201</u>	<u>12,300</u>	<u>513,824</u>	<u>556,325</u>
Total Revenue	<u>9,907,913</u>	<u>137,893</u>	<u>1,817,917</u>	<u>11,863,723</u>
<u>Expenditures</u>				
Current:				
General Government:				
Legislative and Executive	85,065	0	0	85,065
Judicial	1,527,832	0	356,540	1,884,372
Financial and Tax Administration	1,044,819	0	0	1,044,819
Other General Government	1,249,425	0	159,770	1,409,195
Public Safety	3,750,804	0	789,308	4,540,112
Public Works	97,196	0	0	97,196
Health and Welfare	948,497	0	1,012,431	1,960,928
Community and Economic Development	12,206	130,395	0	142,601
Capital Outlay	41,122	0	85,295	126,417
Debt Service:				
Principal	0	0	210,000	210,000
Interest and Fiscal Charges	<u>0</u>	<u>0</u>	<u>167,325</u>	<u>167,325</u>
Total Expenditures	<u>8,756,966</u>	<u>130,395</u>	<u>2,780,669</u>	<u>11,668,030</u>
Excess of Revenue Over (Under) Expenditures	<u>1,150,947</u>	<u>7,498</u>	<u>(962,752)</u>	<u>195,693</u>
<u>Other Financing Sources (Uses)</u>				
Sale of Capital Assets	100	0	0	100
Operating Transfers In (Note 10)	186,000	0	998,964	1,184,964
Operating Transfers Out (Note 10)	<u>(998,964)</u>	<u>0</u>	<u>0</u>	<u>(998,964)</u>
Total Other Financing Sources (Uses)	<u>(812,864)</u>	<u>0</u>	<u>998,964</u>	<u>186,100</u>
Net Change in Fund Balances	338,083	7,498	36,212	381,793
Fund Balances - Beginning of Year	<u>0</u>	<u>11,398</u>	<u>555,781</u>	<u>567,179</u>
Fund Balances - End of Year	<u>\$ 338,083</u>	<u>\$ 18,896</u>	<u>\$ 591,993</u>	<u>\$ 948,972</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, 2018

Total Net Change in Fund Balances - Governmental Funds	\$	381,793
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	\$ (88,275)	
Mortgages Receivable	(18,631)	
Local Unit User Fee Receivable	12,004	
Grants Receivable	<u>44,246</u>	
Net difference		(50,656)
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	94,975	
Current Year Depreciation Expense	<u>(357,695)</u>	
Net difference		(262,720)
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		210,000
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)
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 Liability and Related Deferred Inflows/Outflows of Resources	33,995	
Net Change in Accrued Interest	1,750	
Net Change in Net Pension Liability and Related Deferred Inflows/Outflows of Resources	171,813	
Net Change in Accrued Compensated Absences	<u>24,739</u>	
		<u>232,297</u>
Change in Net Position of Governmental Activities	\$	<u><u>486,413</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, 2018

	Enterprise Funds						Total
	Major Funds					Other Enterprise Funds	
	Ogemaw County Public Transit	Tax Umbrella	2017 DTRF	2016 DTRF	2015 DTRF		
<u>Assets</u>							
Current Assets							
Cash and Cash Equivalents (Note 3)	\$ 525,153	\$ 0	\$ 107,021	\$ 0	\$ 0	\$ 561,992	\$ 1,194,166
Investments (Note 3)	0	0	1,000,000	500,000	2,008,678	0	3,508,678
Receivables:							
Delinquent Taxes	0	4,258	1,222,720	268,614	46,712	57,906	1,600,210
Accounts, Net	998	0	0	9,203	0	9,125	19,326
Interest Receivable	63	0	1,110	209	735	0	2,117
Due from State (Note 4)	35,715	0	0	0	0	0	35,715
Due from Other Units of Government	920	442	0	0	0	48,720	50,082
Due from Other Funds (Note 5)	0	18,675,700	220,530	1,898,498	752,056	11,493,021	33,039,805
Total Current Assets	<u>562,849</u>	<u>18,680,400</u>	<u>2,551,381</u>	<u>2,676,524</u>	<u>2,808,181</u>	<u>12,170,764</u>	<u>39,450,099</u>
Noncurrent Assets:							
Capital Assets, Net of Accumulated Depreciation (Note 6)	<u>195,178</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,338</u>	<u>198,516</u>
Total Assets	<u>758,027</u>	<u>18,680,400</u>	<u>2,551,381</u>	<u>2,676,524</u>	<u>2,808,181</u>	<u>12,174,102</u>	<u>39,648,615</u>
<u>Deferred Outflows of Resources</u>							
Deferred Amounts Related to Pensions	<u>36,431</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>36,431</u>
<u>Liabilities</u>							
Current Liabilities:							
Accounts Payable	9,109	0	0	0	14	2,338	11,461
Due to Other Funds (Note 5)	18,000	14,750,921	2,459,104	2,425,841	2,464,298	10,072,826	32,190,990
Due to Local Units	0	0	461	0	1,890	2,141	4,492
Due to Other Units of Government	0	18,804	0	0	0	6,028	24,832
Accrued Liabilities	9,461	0	0	0	0	0	9,461
Current Portion of Long-Term Liabilities (Note 7)	<u>12,611</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>12,611</u>
Total Current Liabilities	<u>49,181</u>	<u>14,769,725</u>	<u>2,459,565</u>	<u>2,425,841</u>	<u>2,466,202</u>	<u>10,083,333</u>	<u>32,253,847</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, 2018

	Enterprise Funds						Total
	Major Funds					Other Enterprise Funds	
	Ogemaw County Public Transit	Tax Umbrella	2017 DTRF	2016 DTRF	2015 DTRF		
Long-Term Liabilities: (Note 7)							
Due in More Than One Year	\$ 26,193	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 26,193
Net Pension Liability	<u>228,239</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>228,239</u>
Total Long-Term Liabilities	<u>254,432</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>254,432</u>
 Total Liabilities	<u>303,613</u>	<u>14,769,725</u>	<u>2,459,565</u>	<u>2,425,841</u>	<u>2,466,202</u>	<u>10,083,333</u>	<u>32,508,279</u>
 <u>Deferred Inflows of Resources</u>							
Deferred Amounts Related to Pensions	<u>43,313</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>43,313</u>
 <u>Net Position</u>							
Net Investment in Capital Assets	195,178	0	0	0	0	3,338	198,516
Unrestricted	<u>252,354</u>	<u>3,910,675</u>	<u>91,816</u>	<u>250,683</u>	<u>341,979</u>	<u>2,087,431</u>	<u>6,934,938</u>
 Total Net Position	<u>\$ 447,532</u>	<u>\$ 3,910,675</u>	<u>\$ 91,816</u>	<u>\$ 250,683</u>	<u>\$ 341,979</u>	<u>\$ 2,090,769</u>	<u>\$ 7,133,454</u>

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

COUNTY OF OGEMAW
West Branch, Michigan

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended September 30, 2018

	Enterprise Funds						Total
	Major Funds					Other Enterprise Funds	
	Ogemaw County Public Transit	Tax Umbrella	2017 DTRF	2016 DTRF	2015 DTRF		
Operating Revenue							
Charges For Services	\$ 75,073	\$ 0	\$ 0	\$ 0	\$ 0	\$ 165,227	\$ 240,300
Tax Collection Fees	0	0	48,673	37,776	7,246	1,398	95,093
User Fees	0	0	0	0	0	38,225	38,225
Interest and Penalties on Taxes	0	595	42,033	118,555	60,891	16,139	238,213
Other Revenue	3,589	0	0	0	0	1,489	5,078
Total Operating Revenue	<u>78,662</u>	<u>595</u>	<u>90,706</u>	<u>156,331</u>	<u>68,137</u>	<u>222,478</u>	<u>616,909</u>
Operating Expenses							
Salaries and Wages	486,663	0	0	0	0	1,480	488,143
Payroll Taxes and Employee Benefits	204,408	0	0	0	0	154	204,562
Administrative Costs	31,105	0	0	0	0	0	31,105
Advertising	929	0	0	0	0	617	1,546
Building Maintenance	13,894	0	0	0	0	0	13,894
Communications	540	0	0	0	0	0	540
Contractual Services	3,225	0	0	0	0	119	3,344
Depreciation	105,332	0	0	0	0	1,126	106,458
Dues and Subscriptions	999	0	0	0	0	325	1,324
Equipment	2,202	0	0	0	0	0	2,202
Equipment Rental	873	0	0	0	0	0	873
Gasoline and Oil	79,864	0	0	0	0	254	80,118
Insurance and Bonds	26,794	0	0	0	0	2,249	29,043
Licenses and Permits	0	0	0	0	0	85	85
Office Supplies	481	0	0	0	0	0	481
Operating Supplies	447	0	0	0	0	11,413	11,860
Professional Fees and Services	6,248	0	0	0	0	105,249	111,497
Repair and Maintenance	17,152	0	0	0	0	3,862	21,014
Small Tools	1,843	0	0	0	0	0	1,843
Telephone	1,888	0	0	0	0	465	2,353
Travel and Training	889	0	0	0	0	196	1,085
Uniforms	1,466	0	0	0	0	0	1,466
Utilities	9,103	0	0	0	0	21,454	30,557
Other	13	0	0	0	0	20,072	20,085
Total Operating Expenses	<u>996,358</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>169,120</u>	<u>1,165,478</u>
Operating Income (Loss)	<u>(917,696)</u>	<u>595</u>	<u>90,706</u>	<u>156,331</u>	<u>68,137</u>	<u>53,358</u>	<u>(548,569)</u>

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

COUNTY OF OGEMAW
West Branch, Michigan

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended September 30, 2018

	Enterprise Funds						Total
	Major Funds					Other Enterprise Funds	
	Ogemaw County Public Transit	Tax Umbrella	2017 DTRF	2016 DTRF	2015 DTRF		
<u>Nonoperating Revenue (Expenses)</u>							
Property Taxes	\$ 242,194	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 242,194
State Grants and Revenue	353,085	0	0	0	0	0	353,085
Federal Grants and Revenue	167,341	0	0	0	0	0	167,341
Interest and Investment Earnings	5,673	0	1,110	6,357	12,881	22,531	48,552
Contributions	0	0	0	0	0	6,252	6,252
Gain (Loss) on Disposal of Capital Assets	7,396	0	0	0	0	0	7,396
Total Nonoperating Revenue (Expenses)	<u>775,689</u>	<u>0</u>	<u>1,110</u>	<u>6,357</u>	<u>12,881</u>	<u>28,783</u>	<u>824,820</u>
Income (Loss) Before Capital Contributions and Transfers	<u>(142,007)</u>	<u>595</u>	<u>91,816</u>	<u>162,688</u>	<u>81,018</u>	<u>82,141</u>	<u>276,251</u>
<u>Capital Contributions and Transfers</u>							
Capital Contributions - Federal	34,761	0	0	0	0	0	34,761
Capital Contributions - State	8,690	0	0	0	0	0	8,690
Operating Transfers Out (Note 10)	0	0	0	0	0	(186,000)	(186,000)
Total Capital Contributions and Transfers	<u>43,451</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(186,000)</u>	<u>(142,549)</u>
Change in Net Position	(98,556)	595	91,816	162,688	81,018	(103,859)	133,702
Net Position - Beginning of Year (Restated) (Note 17)	<u>546,088</u>	<u>3,910,080</u>	<u>0</u>	<u>87,995</u>	<u>260,961</u>	<u>2,194,628</u>	<u>6,999,752</u>
Net Position - End of Year	<u>\$ 447,532</u>	<u>\$ 3,910,675</u>	<u>\$ 91,816</u>	<u>\$ 250,683</u>	<u>\$ 341,979</u>	<u>\$ 2,090,769</u>	<u>\$ 7,133,454</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, 2018

	Enterprise Funds						Total
	Major Funds					Other Enterprise Funds	
	Ogemaw County Public Transit	Tax Umbrella	2017 DTRF	2016 DTRF	2015 DTRF		
<u>Cash Flows From Operating Activities</u>							
Receipts From Customers and Taxpayers	\$ 80,794	\$ 565	\$ 91,167	\$ 147,128	\$ 76,232	\$ 444,216	\$ 840,102
Payments to Suppliers for Goods and Services	(197,071)	0	0	0	14	(164,584)	(361,641)
Payments to Employees for Services	(693,406)	0	0	0	0	(1,634)	(695,040)
Delinquent Taxes Collected (Purchased)	0	407	(1,222,720)	949,005	184,025	35,265	(54,018)
Net Cash Provided (Used) by Operating Activities	<u>(809,683)</u>	<u>972</u>	<u>(1,131,553)</u>	<u>1,096,133</u>	<u>260,271</u>	<u>313,263</u>	<u>(270,597)</u>
<u>Cash Flows From Non-Capital Financing Activities</u>							
Federal/State Operating Grants	508,580	0	0	0	0	0	508,580
Property Taxes	242,194	0	0	0	0	0	242,194
Operating Subsidies and Transfers From (To) Other Funds/Component Units	247,782	(972)	2,238,574	(1,303,890)	34,207	(1,206,042)	9,659
Intergovernmental Contributions	0	0	0	0	0	6,252	6,252
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>998,556</u>	<u>(972)</u>	<u>2,238,574</u>	<u>(1,303,890)</u>	<u>34,207</u>	<u>(1,199,790)</u>	<u>766,685</u>
<u>Cash Flows From Capital and Related Financing Activities</u>							
Federal/State Capital Grants	39,701	0	0	0	0	0	39,701
Proceeds from Sale of Capital Assets	7,396	0	0	0	0	0	7,396
Acquisition and Construction of Capital Assets	(44,784)	0	0	0	0	0	(44,784)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>2,313</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,313</u>
<u>Cash Flows From Investing Activities</u>							
Interest Earned	6,728	0	0	6,829	14,200	23,681	51,438
Redemption (Purchase) of Investment Securities	0	0	(1,000,000)	200,928	(308,678)	1,416,723	308,973
Net Cash Provided (Used) by Investing Activities	<u>6,728</u>	<u>0</u>	<u>(1,000,000)</u>	<u>207,757</u>	<u>(294,478)</u>	<u>1,440,404</u>	<u>360,411</u>
Net Increase (Decrease) in Cash and Cash Equivalents	197,914	0	107,021	0	0	553,877	858,812
Cash and Cash Equivalents at Beginning of Year (Note 1)	<u>\$ 327,239</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 8,115</u>	<u>\$ 335,354</u>
Cash and Cash Equivalents at End of Year (Note 1)	<u>\$ 525,153</u>	<u>\$ 0</u>	<u>\$ 107,021</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 561,992</u>	<u>\$ 1,194,166</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, 2018

	Enterprise Funds						
	Major Funds					Other Enterprise Funds	Total
	Ogemaw County Public Transit	Tax Umbrella	2017 DTRF	2016 DTRF	2015 DTRF		
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</u>							
Operating Income (Loss)	\$ (917,696)	\$ 595	\$ 90,706	\$ 156,331	\$ 68,137	\$ 53,358	\$ (548,569)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:							
Depreciation Expense	105,332	0	0	0	0	1,126	106,458
Change in Assets and Liabilities:							
Receivables	2,132	407	(1,222,720)	939,802	192,806	254,811	167,238
Accounts and Other Payables	9,573	(30)	461	0	(672)	3,968	13,300
Net Pension Liability and Deferred Outflows and Inflows of Resources	(9,024)	0	0	0	0	0	(9,024)
Net Cash Provided (Used) by Operating Activities	<u>\$ (809,683)</u>	<u>\$ 972</u>	<u>\$ (1,131,553)</u>	<u>\$ 1,096,133</u>	<u>\$ 260,271</u>	<u>\$ 313,263</u>	<u>\$ (270,597)</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, 2018

	Primary Government					Total	Component Unit
	Trust and Agency Fund	Library Penal Fines	Ogemaw County Sheriff's Posse	Inmate Trust Fund	Public Employee Health Care Fund		Ogemaw County Road Commission Retiree Health Care Trust
<u>Assets</u>							
Cash and Cash							
Equivalents (Note 3)	\$1,405,136	\$ 87,208	\$ 8,148	\$ 27,741	\$ 0	\$ 1,528,233	\$ 0
Investments (Note 3)	0	0	0	0	0	0	26,793
Receivables:							
Accounts, Net	26,704	3,693	0	0	0	30,397	0
Due from Local Units	<u>76,109</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>76,109</u>	<u>0</u>
Total Assets	<u>\$1,507,949</u>	<u>\$ 90,901</u>	<u>\$ 8,148</u>	<u>\$ 27,741</u>	<u>\$ 0</u>	<u>\$ 1,634,739</u>	<u>\$ 26,793</u>
<u>Liabilities</u>							
Accounts Payable	\$ 2,513	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,513	\$ 0
Due to Local Units	15,266	0	0	24,751	0	40,017	0
Due to State	1,431,401	0	0	0	0	1,431,401	0
Due to Other Agencies and Individuals	57,300	90,901	8,148	2,990	0	159,339	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>\$1,507,949</u>	<u>\$ 90,901</u>	<u>\$ 8,148</u>	<u>\$ 27,741</u>	<u>0</u>	<u>1,634,739</u>	<u>0</u>
<u>Net Position</u>							
Net Position Held in Trust for Retiree Health					<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 26,793</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, 2018

	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	\$ 40,581
Investment Income		
Net increase in the fair value of investments	0	2,028
Total Additions	34,552	42,609
<u>Deductions</u>		
Benefit Payments	34,552	40,581
Administrative Expense	0	128
Total Deductions	34,552	40,709
Change in Net Position Held in Trust	0	1,900
Net Position Held in Trust for Retiree Health:		
Beginning of Year	0	24,893
End of Year	\$ 0	\$ 26,793

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

COUNTY OF OGE MAW
West Branch, Michigan

COMBINING STATEMENT OF NET POSITION
COMPONENT UNITS
September 30, 2018

	Ogemaw County Road Commission	Ogemaw County Drain Commission	Economic Development Corporation	Ogemaw County Land Bank Authority	Total
<u>Assets</u>					
Cash and Cash Equivalents (Note 3)	\$ 1,724,960	\$ 40,020	\$ 16,468	\$ 22,695	\$ 1,804,143
Investments (Note 3)	741,443	0	0	0	741,443
Receivables:					
Special Assessments	0	10,369	0	0	10,369
Accounts, Net	236,652	0	0	0	236,652
Due from State	848,175	0	0	0	848,175
Inventory	439,740	0	0	0	439,740
Noncurrent Assets:					
Capital Assets Not Being Depreciated (Note 6)	23,697,707	0	0	0	23,697,707
Capital Assets, Net of Accumulated Depreciation (Note 6)	11,163,228	458,158	0	0	11,621,386
Total Assets	<u>38,851,905</u>	<u>508,547</u>	<u>16,468</u>	<u>22,695</u>	<u>39,399,615</u>
<u>Deferred Outflows of Resources</u>					
Deferred Amounts Related to Pensions (Note 12)	<u>1,177,628</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,177,628</u>
<u>Liabilities</u>					
Current Liabilities					
Accounts Payable	733,805	0	50	0	733,855
Advances Payable	148,970	0	0	0	148,970
Accrued Liabilities	51,530	0	0	0	51,530
Unearned Revenue - State Grants	11,788	0	0	0	11,788
Long-Term Liabilities (Note 7)					
Due Within One Year	162,158	2,484	0	0	164,642
Due In More Than One Year	392,049	7,452	0	0	399,501
Net OPEB Liability	444,013	0	0	0	444,013
Net Pension Liability	4,430,471	0	0	0	4,430,471
Total Liabilities	<u>6,374,784</u>	<u>9,936</u>	<u>50</u>	<u>0</u>	<u>6,384,770</u>
<u>Deferred Inflows of Resources</u>					
Deferred Amounts Related to Pensions (Note 12)	120,236	0	0	0	120,236
Deferred Amounts Related to OPEB (Note 13)	34,886	0	0	0	34,886
Total Deferred Inflows of Resources	<u>155,122</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>155,122</u>
<u>Net Position</u>					
Net Investment in Capital Assets	34,498,051	448,222	0	0	34,946,273
Restricted For:					
County Roads (Deficit)	(998,424)	0	0	0	(998,424)
Capital Projects	0	50,389	0	0	50,389
Economic Development	0	0	16,418	0	16,418
Unrestricted	0	0	0	22,695	22,695
Total Net Position	<u>\$ 33,499,627</u>	<u>\$ 498,611</u>	<u>\$ 16,418</u>	<u>\$ 22,695</u>	<u>\$ 34,037,351</u>

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

COUNTY OF OGEMAW
West Branch, Michigan

COMBINING STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
COMPONENT UNITS
For the Year Ended September 30, 2018

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	\$ 18,754	\$ 0	\$ 0	\$ 0	\$ 0	\$ (18,754)	\$ 0	\$ 0	\$ (18,754)
Road Commission	6,393,704	901,820	4,990,807	600,955	99,878	0	0	0	99,878
Economic Development	44,780	0	41,641	0	0	0	(3,139)	0	(3,139)
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>\$ 6,457,238</u>	<u>\$ 901,820</u>	<u>\$ 5,032,448</u>	<u>\$ 600,955</u>	<u>99,878</u>	<u>(18,754)</u>	<u>(3,139)</u>	<u>0</u>	<u>77,985</u>
General Revenues:									
Interest and Investment Earnings					26,690	17	0	0	26,707
Gain (Loss) on Disposal of Capital Assets					9,167	0	0	0	9,167
Other					<u>8,688</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>8,688</u>
Total General Revenue					<u>44,545</u>	<u>17</u>	<u>0</u>	<u>0</u>	<u>44,562</u>
Change in Net Position					144,423	(18,737)	(3,139)	0	122,547
Net Position - Beginning (Restated) (Note 17)					<u>33,355,204</u>	<u>517,348</u>	<u>19,557</u>	<u>22,695</u>	<u>33,914,804</u>
Net Position - Ending					<u>\$ 33,499,627</u>	<u>\$ 498,611</u>	<u>\$ 16,418</u>	<u>\$ 22,695</u>	<u>\$ 34,037,351</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, 2018

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, 2018

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 2018 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, 2017, the most recent financial statements available, the Mental Health Board had total net position of \$2,399,344. 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 2018 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, 2018, the most recent financial statements available, the District Health Department No. 2 had total net position of \$284,566. 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, 2018

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 2018 contribution to the West Branch Community Airport was \$57,077. On dissolution of the West Branch Community Airport, the net position of the Airport will be shared by the municipalities equally. At September 30, 2017, the most recent financial statements available, the West Branch Community Airport had total net position of \$3,623,032. 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, 2018

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.

2017 DTRF - This fund accounts for the purchase of the 2017 delinquent taxes from other local taxing units and subsequent tax collections.

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.

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.

COUNTY OF OGEMAW
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Fund Accounting (Continued)

Fiduciary Funds

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

F. Measurement Focus

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

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

G. Basis of Accounting

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

COUNTY OF OGEMAW
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Basis of Accounting (Continued)

Revenues – Exchange and Non-exchange Transactions

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

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

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

Deferred Outflows/Inflows of Resources

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

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

Expenses/Expenditures

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

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

COUNTY OF OGEMAW
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

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, 2018 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. 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.

L. 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.

M. 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.

COUNTY OF OGEMAW
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Capital Assets (Continued)

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	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 (\$105,332 total depreciation less ineligible depreciation of \$103,859) 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.

N. 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, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. 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.

P. 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.

Q. Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Ogemaw County Retiree Medical Plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

COUNTY OF OGEMAW
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

COUNTY OF OGEMAW
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Fund Balances (Continued)

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.

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, 2018, 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.

COUNTY OF OGEMAW
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

W. Budgets and Budgetary Accounting (Continued)

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.

NOTE 2 - CHANGE IN ACCOUNTING PRINCIPLES

For 2018, the County has implemented Governmental Accounting Standards Board (GASB) Statement Number 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 for postemployment benefits other than pensions.

For 2020, the County will be required to implement GASB Statement No. 84, "Fiduciary Activities". GASB Statement No. 84 improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

COUNTY OF OGEMAW
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

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	\$ 637,833	\$ 1,194,166	\$ 1,528,233	\$ 3,360,232	\$ 1,804,143
Investments	<u>0</u>	<u>3,508,678</u>	<u>0</u>	<u>3,508,678</u>	<u>768,236</u>
Total	<u>\$ 637,833</u>	<u>\$ 4,702,844</u>	<u>\$ 1,528,233</u>	<u>\$ 6,868,910</u>	<u>\$ 2,572,379</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)	\$ 6,862,210	\$ 2,041,106
Investments in Securities, Municipal Investment Account Pooled Funds, Repurchase Agreement Securities and Similar Vehicles	0	531,123
Petty Cash and Cash on Hand	<u>6,700</u>	<u>150</u>
Total	<u>\$ 6,868,910</u>	<u>\$ 2,572,379</u>

As of September 30, 2018, the County had the following investments.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturities</u>
Component Units:		
Mutual Funds	\$ 26,793	Daily
Investment Pools	<u>504,330</u>	Daily
	<u>\$ 531,123</u>	

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.

COUNTY OF OGEMAW
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

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 Road Commission's mutual funds are rated between three and four stars by Morningstar with the Road Commission's MBIA Asset Management Group investment pools rated AAAM By Standard & Poors.

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, 2018, \$7,063,604 of the County's bank balance of \$7,869,850 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, 2018, \$0 of the Drain Commission's bank balance of \$40,021 was exposed to custodial credit risk, \$1,043,652 of the Road Commission's bank balance of \$2,035,040 was exposed to custodial credit risk, \$16,468 of the Economic Development Corporation's bank balance of \$16,468, 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.

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.

COUNTY OF OGEMAW
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

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.

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, 2018:

2012-146/P15 Office Improvements	\$	3,750
Federal Section 5311 Operating Assistance - FY16		2,430
Federal Section 5311 Operating Assistance - FY17		6,052
Federal Section 5311 Operating Assistance - FY18		47,531
State Act 51 Operating Assistance - FY15		(23,483)
State Act 51 Operating Assistance - FY16		(6,091)
State Act 51 Operating Assistance - FY17		37
State Act 51 Operating Assistance - FY18		<u>5,489</u>
Total	\$	<u><u>35,715</u></u>

COUNTY OF OGEMAW
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivables and payables as of September 30, 2018 were as follows:

Due to	Due from								
	General Fund	Non-major Governmental Funds	Ogemaw County Public Transit	2015 DTRF	2016 DTRF	2017 DTRF	Tax Umbrella Fund	Non-major Enterprise Funds	Total
General Fund	\$ 0	\$ 0	\$ 18,000	\$ 26,565	\$ 24,902	\$ 0	\$ 420,826	\$ 112,420	\$ 602,713
Non-major Governmental Funds	122,744	0	0	0	0	0	0	0	122,744
2015 DTRF	0	0	0	0	0	0	741,676	10,380	752,056
2016 DTRF	0	0	0	0	0	0	1,888,568	9,930	1,898,498
2017 DTRF	0	4,244	0	0	0	0	206,996	9,290	220,530
Tax Umbrella Fund	1,243,301	203,983	0	2,437,733	2,400,939	2,459,104	0	9,930,640	18,675,700
Non-major Enterprise Funds	0	0	0	0	0	0	11,492,855	166	11,493,021
	<u>\$ 1,366,045</u>	<u>\$ 208,227</u>	<u>\$ 18,000</u>	<u>\$ 2,464,298</u>	<u>\$ 2,425,841</u>	<u>\$ 2,459,104</u>	<u>\$ 14,750,921</u>	<u>\$ 10,072,826</u>	<u>\$ 33,765,262</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.

NOTE 6 - CAPITAL ASSETS

Capital asset activity of the primary government for the fiscal year ended September 30, 2018, was as follows:

	Balance 10/01/17	Additions	Deletions	Balance 09/30/18
<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	2,619,516	34,946	0	2,654,462
Vehicles and Boats	579,200	60,029	0	639,229
Infrastructure	149,229	0	0	149,229
Subtotal	<u>13,015,386</u>	<u>94,975</u>	<u>0</u>	<u>13,110,361</u>
Less Accumulated Depreciation for:				
Land Improvements	(36,627)	(5,017)	0	(41,644)
Buildings	(3,693,222)	(189,730)	0	(3,882,952)
Machinery and Equipment	(2,152,206)	(101,334)	0	(2,253,540)
Vehicles and Boats	(432,705)	(57,539)	0	(490,244)
Infrastructure	(122,804)	(4,075)	0	(126,879)
Subtotal	<u>(6,437,564)</u>	<u>(357,695)</u>	<u>0</u>	<u>(6,795,259)</u>
Capital Assets Being Depreciated	<u>6,577,822</u>	<u>(262,720)</u>	<u>0</u>	<u>6,315,102</u>
Governmental Activities Total				
Capital Assets - Net of Depreciation	<u>\$ 6,833,375</u>	<u>\$ (262,720)</u>	<u>\$ 0</u>	<u>\$ 6,570,655</u>

COUNTY OF OGEMAW
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

NOTE 6 - CAPITAL ASSETS (CONTINUED)

	Balance 10/01/17	Additions	Deletions	Balance 09/30/18
<u>Business-Type Activities</u>				
Capital Assets Being Depreciated:				
Buildings	\$ 490,167	\$ 0	\$ 0	\$ 490,167
Machinery and Equipment	140,910	5,077	0	145,987
Vehicles	741,197	39,707	(24,391)	756,513
Subtotal	1,372,274	44,784	(24,391)	1,392,667
Less Accumulated Depreciation for:				
Buildings	(465,292)	(3,852)	0	(469,144)
Machinery and Equipment	(120,586)	(6,105)	0	(126,691)
Vehicles	(526,206)	(96,501)	24,391	(598,316)
Subtotal	(1,112,084)	(106,458)	24,391	(1,194,151)
Business-Type Activities Total				
Capital Assets - Net of Depreciation	\$ 260,190	\$ (61,674)	\$ 0	\$ 198,516

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

Governmental Activities

General Government:

Judicial:

Other Judicial

\$ 4,599

Other General Government

97,903

Public Safety:

Sheriff

52,057

Jail

146,055

Building and Zoning

4,233

Other Public Safety

48,773

Public Works:

Other Public Works

4,075

Total Governmental Activities

\$ 357,695

Business-Type Activities

County Park

\$ 1,126

Public Transit

105,332

Total Business-Type Activities

\$ 106,458

COUNTY OF OGEMAW
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

NOTE 6 - CAPITAL ASSETS (CONTINUED)

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

	<u>Balance</u> <u>10/01/17</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>09/30/18</u>
<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	(7,300)	(730)	0	(8,030)
Infrastructure - Flowage Lake Dam	(228,375)	(10,500)	0	(238,875)
Infrastructure - Stylus Lake Dam	<u>(45,284)</u>	<u>(3,854)</u>	<u>0</u>	<u>(49,138)</u>
Subtotal	<u>(280,959)</u>	<u>(15,084)</u>	<u>0</u>	<u>(296,043)</u>
Governmental Activities Total				
Capital Assets - Net of Depreciation	<u>\$ 473,242</u>	<u>\$ (15,084)</u>	<u>\$ 0</u>	<u>\$ 458,158</u>

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

<u>Governmental Activities</u>	
Public Works	<u>\$ 15,084</u>

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

	<u>Balance</u> <u>10/01/17</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>09/30/18</u>
<u>Governmental Activities</u>				
Capital Assets Not Being Depreciated:				
Land and Improvements	<u>\$ 23,241,070</u>	<u>\$ 456,637</u>	<u>\$ 0</u>	<u>\$ 23,697,707</u>
Capital Assets Being Depreciated:				
Buildings	1,497,090	16,559	0	1,513,649
Equipment - Road	6,984,116	668,170	(140,406)	7,511,880
Equipment - Shop	180,961	7,100	(5,092)	182,969
Equipment - Office	165,704	1,759	0	167,463
Equipment - Engineer's	2,962	0	0	2,962
Equipment - Yard	282,383	4,828	0	287,211
Infrastructure - Bridges	2,364,092	0	0	2,364,092
Infrastructure - Roads	<u>21,692,001</u>	<u>352,981</u>	<u>(1,570,977)</u>	<u>20,474,005</u>
Subtotal	<u>33,169,309</u>	<u>1,051,397</u>	<u>(1,716,475)</u>	<u>32,504,231</u>

COUNTY OF OGEMAW
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

NOTE 6 - CAPITAL ASSETS (CONTINUED)

	Balance 10/01/2017	Additions	Deletions	Balance 09/30/2018
<u>Governmental Activities</u> (Continued)				
Less Accumulated Depreciation for:				
Buildings	\$ (939,532)	\$ (43,336)	\$ 0	\$ (982,868)
Equipment - Road	(5,858,433)	(500,538)	140,406	(6,218,565)
Equipment - Shop	(159,205)	(5,577)	4,668	(160,114)
Equipment - Office	(153,810)	(2,345)	0	(156,155)
Equipment - Engineer's	(2,285)	(72)	0	(2,357)
Equipment - Yard	(258,791)	(2,375)	0	(261,166)
Infrastructure - Bridges	(1,089,061)	(64,316)	0	(1,153,377)
Infrastructure - Roads	<u>(12,845,965)</u>	<u>(1,131,413)</u>	<u>1,570,977</u>	<u>(12,406,401)</u>
Subtotal	<u>(21,307,082)</u>	<u>(1,749,972)</u>	<u>1,716,051</u>	<u>(21,341,003)</u>
Capital Assets Being Depreciated	<u>11,862,227</u>	<u>(698,575)</u>	<u>(424)</u>	<u>11,163,228</u>
Governmental Activities Total				
Capital Assets - Net of Depreciation	<u>\$ 35,103,297</u>	<u>\$ (241,938)</u>	<u>\$ (424)</u>	<u>\$ 34,860,935</u>

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

County

Direct Equipment Expense	\$ 500,538
Indirect Equipment Expense	46,225
Administrative Expense	7,480
Infrastructure	<u>1,195,729</u>

Total Depreciation Expense \$ 1,749,972

NOTE 7 - LONG-TERM LIABILITIES

Primary Government:

A. Bonds Payable

	<u>Governmental</u>	<u>Business-Type</u>
\$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>\$ 5,545,000</u>	<u>\$ 0</u>

COUNTY OF OGEMAW
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

NOTE 7 - LONG-TERM LIABILITIES (CONTINUED)

Component Units:

B. Bonds Payable

	Governmental	Business-Type
<p>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.</p>	\$ 9,936	\$ 0
<p>Road Commission - \$236,509 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.</p>	73,828	0
<p>Total Bonds Payable</p>	\$ 83,764	\$ 0

C. Installment Purchase Agreements

	Governmental	Business-Type
<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>	\$ 138,650	\$ 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>	150,406	0
<p>Total Installment Purchase Agreements</p>	289,056	0
<p>Total Component Units</p>	\$ 372,820	\$ 0

COUNTY OF OGEMAW
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

NOTE 7 - LONG-TERM LIABILITIES (CONTINUED)

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, 2018, the accumulated vested vacation and sick leave benefits of the employees of various County departments and its component units were as follows:

<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	\$ 48,186	\$ 261,318	\$ 309,504
Business-Type Activities	<u>12,611</u>	<u>26,193</u>	<u>38,804</u>
	<u>\$ 60,797</u>	<u>\$ 287,511</u>	<u>\$ 348,308</u>
<u>Component Unit</u>			
Road Commission	<u>\$ 0</u>	<u>\$ 191,323</u>	<u>\$ 191,323</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, 2018:

<u>Governmental Activities</u>	<u>Balance 10/01/17</u>	<u>Issues or Additions</u>	<u>Payments or Expenditures</u>	<u>Balance 09/30/18</u>	<u>Due Within One Year</u>
<u>Primary Government:</u>					
Bonds Payable	\$ 5,755,000	\$ 0	\$ (210,000)	\$ 5,545,000	\$ 215,000
Deferred Amounts for Issuance Premium	<u>16,222</u>	<u>0</u>	<u>(772)</u>	<u>15,450</u>	<u>772</u>
Total Bonds Payable	5,771,222	0	(210,772)	5,560,450	215,772
Net Pension Liability	7,929,315	0	(1,159,803) *	6,769,512	0
Net OPEB Liability	608,369	0	(49,713) *	558,656	0
Compensated Absences	<u>334,243</u>	<u>0</u>	<u>(24,739) *</u>	<u>309,504</u>	<u>48,186</u>
Total Primary Government	<u>\$ 14,643,149</u>	<u>\$ 0</u>	<u>\$ (1,445,027)</u>	<u>\$ 13,198,122</u>	<u>\$ 263,958</u>
<u>Component Units:</u>					
Bonds Payable	\$ 86,248	\$ 0	\$ (2,484)	\$ 83,764	\$ 76,312
Installment Purchase Agreements	517,669	0	(228,613)	289,056	88,330
Net Pension Liability	4,205,009	225,462 *	0	4,430,471	0
Net OPEB Liability	479,695	0	(35,682) *	444,013	0
Compensated Absences	<u>168,138</u>	<u>23,185</u> *	<u>0</u>	<u>191,323</u>	<u>0</u>
Total Component Units	<u>\$ 5,456,759</u>	<u>\$ 248,647</u>	<u>\$ (266,779)</u>	<u>\$ 5,438,627</u>	<u>\$ 164,642</u>

COUNTY OF OGEMAW
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

NOTE 7 - LONG-TERM LIABILITIES (CONTINUED)

E. Changes in Long-Term Liabilities (Continued)

	<u>Balance</u> <u>10/01/17</u>	<u>Issues or</u> <u>Additions</u>	<u>Payments or</u> <u>Expenditures</u>	<u>Balance</u> <u>09/30/18</u>	<u>Due Within</u> <u>One Year</u>
<u>Business-Type Activities</u>					
Primary Government:					
Net Pension Liability	\$ 285,771	\$ 0	\$ (57,532) *	\$ 228,239	\$ 0
Compensated Absences	<u>32,776</u>	<u>6,028</u> *	<u>0</u>	<u>38,804</u>	<u>12,611</u>
Total Primary Government	<u>\$ 318,547</u>	<u>\$ 6,028</u>	<u>\$ (57,532)</u>	<u>\$ 267,043</u>	<u>\$ 12,611</u>

*Represents net of additions and retirements for the year.

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

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

The interest expenditures on long-term obligations for the year were \$177,412.

Compensated absences, net pension liability, and net OPEB liability 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 liability) as of September 30, 2018 are as follows:

Primary Government

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>	
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	230,000	144,363	0	0	374,363
2024 - 2028	1,270,000	613,363	0	0	1,883,363
2029 - 2033	1,465,000	411,462	0	0	1,876,462
2034 - 2038	<u>1,705,000</u>	<u>169,812</u>	<u>0</u>	<u>0</u>	<u>1,874,812</u>
Total	<u>\$ 5,545,000</u>	<u>\$ 1,962,800</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 7,507,800</u>

COUNTY OF OGEMAW
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

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>	
2019	\$ 76,312	\$ 3,177	\$ 0	\$ 0	\$ 79,489
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>\$ 83,764</u>	<u>\$ 3,773</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 87,537</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>	
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>18,761</u>	<u>94</u>	<u>0</u>	<u>0</u>	<u>18,855</u>
Total	<u>\$ 289,056</u>	<u>\$ 9,535</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 298,591</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, 2017 for winter taxes and July 1, 2018 for summer taxes. Taxes are levied on December 1, 2017 and July 1, 2018 and are payable by February 28, 2018 and September 15, 2018, respectively. The cities and townships within the County bill and collect the property taxes for the County.

County taxes levied December 1, 2017, are collected in and are intended to finance 2018 operations. The taxable value of real and personal property for the December 1, 2017 levy was \$834,597,601. The 2017 tax rate is currently 0.1250 mills for veterans, 0.0400 for soldiers and sailors relief, 0.7500 mills for seniors and 0.3000 mills for public transit.

County taxes levied July 1, 2018, are collected in and are intended to finance 2018 operations. The taxable value of real and personal property for the July 1, 2018 levy was \$851,309,592. The 2018 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, 2018. 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, 2018

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 \$545, plus per-page printing charges. Rental expense for the year ended September 30, 2018 was \$28,934.

Minimum future rental payments under noncancelable leases for years after September 30, 2018 are as follows:

2019	\$	6,541	
2020		6,146	
2021		5,105	
2022		2,852	
2023		<u>1,699</u>	
	\$	<u>22,343</u>	

NOTE 10 - OPERATING TRANSFERS

During the year ended September 30, 2018, the following transfers were made:

Transfer to	Transfer from		
	General Fund	Non-major Enterprise Funds	Total
General Fund	\$ 0	\$ 186,000	\$ 186,000
Non-major Governmental Funds	<u>998,964</u>	<u>0</u>	<u>998,964</u>
	<u>\$ 998,964</u>	<u>\$ 186,000</u>	<u>\$ 1,184,964</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 - EXCESS OF EXPENDITURES OVER APPROPRIATION IN BUDGETARY FUNDS

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

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

During the year ended September 30, 2018, the County incurred expenditures which were in excess of the amounts appropriated as follows:

Fund/Activity	Total Appropriations	Amount of Expenditures	Budget Variance
General Fund/Financial and Tax Administration	\$ 1,018,483	\$ 1,044,819	\$ 26,336

COUNTY OF OGEMAW
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

NOTE 12 - 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

01 - General: Closed to new hires

	<u>2017 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

02 - Sheriff: Closed to new hires

	<u>2017 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

COUNTY OF OGEMAW
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

NOTE 12 - RETIREMENT SYSTEM - MERS OPERATED (CONTINUED)

Defined Benefit Plan (Continued)

Primary Government (Continued)

Benefits Provided (Continued)

11 - Admin-Super: Closed to new hires	2017 Valuation
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

20 - Command Officers: Open Division	2017 Valuation
Benefit Multiplier:	2.50% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 years
Early Retirement (Unreduced):	20 and Out
Early Retirement (Reduced):	55/15
Final Average Compensation:	3 years
COLA for Future Retirees:	2.50% (Non-Compound)
Employee Contributions:	7.50%
Act 88:	No

Employees Covered by Benefit Terms

At the December 31, 2017 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	102
Inactive employees entitled to but not yet receiving benefits	13
Active employees	51
	166

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.

COUNTY OF OGEMAW
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

NOTE 12 - RETIREMENT SYSTEM - MERS OPERATED (CONTINUED)

Defined Benefit Plan (Continued)

Primary Government (Continued)

Employer contributions were as follows:

<u>Division</u>	<u>Contribution Range</u>
General: Closed	\$40,478 to \$55,489 per month
Sheriff: Closed	\$25,804 to \$32,361 per month
Admin-Super: Closed	\$8,098 to \$9,948 per month
Command Officers: Open	80.22% to 86.14% of annual payroll

Net Pension Liability

The employer's Net Pension Liability was measured as of December 31, 2017, 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, 2017 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 asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

COUNTY OF OGEMAW
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

NOTE 12 - RETIREMENT SYSTEM - MERS OPERATED (CONTINUED)

Defined Benefit Plan (Continued)

Primary Government (Continued)

Discount Rate

The discount rate used to measure the total pension liability is 8.00% for 2017. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

Calculating the Net Pension Liability			
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at 12/31/16	\$ 28,683,593	\$ 20,468,507	\$ 8,215,086
Changes for the Year			
Service Cost	331,939	0	331,939
Interest on Total Pension Liability	2,245,458	0	2,245,458
Changes in benefits	0	0	0
Difference between expected and actual experience	(211,558)	0	(211,558)
Changes in assumptions	0	0	0
Employer contributions	0	822,418	(822,418)
Employee contributions	0	113,029	(113,029)
Net investment income	0	2,690,340	(2,690,340)
Benefit payments, including employee refunds	(1,562,684)	(1,562,684)	0
Administrative expense	0	(42,615)	42,615
Other changes	(2)	0	(2)
Net changes	803,153	2,020,488	(1,217,335)
Balances as of 12/31/17	\$ 29,486,746	\$ 22,488,995	\$ 6,997,751

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	\$ 10,215,910	\$ 6,997,751	\$ 4,267,314

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, 2018

NOTE 12 - RETIREMENT SYSTEM - MERS OPERATED (CONTINUED)

Defined Benefit Plan (Continued)

Primary Government (Continued)

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

For the year ended September 30, 2018, the employer recognized pension expense of \$753,627. The employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 0	\$ 105,779
Excess Investment Returns	0	412,090
Contributions Subsequent to the Measurement Date*	<u>730,071</u>	<u>0</u>
Total	<u>\$ 730,071</u>	<u>\$ 517,869</u>

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the year ending September 30, 2019.

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

<u>Year Ended</u>	<u>Pension Expense</u>
2019	\$ 5,155
2020	39,444
2021	(346,538)
2022	(215,930)

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.

COUNTY OF OGEMAW
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

NOTE 12 - RETIREMENT SYSTEM - MERS OPERATED (CONTINUED)

Defined Benefit Plan (Continued)

Road Commission (Continued)

Benefits Provided

01 - Union: Closed Division

	2017 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

	2017 Valuation
Benefit Multiplier:	2.50% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 years
Early Retirement (Unreduced):	55/25
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	5 years
COLA for Future Retirees:	2.50% (Non-Compound)
Employee Contributions:	3% under \$4,200; 5% over \$4,200
Act 88:	No

HA - Union Non/Union: Open Division

	2017 Valuation
Benefit Multiplier:	Hybrid Plan - 1.50% Multiplier
Normal Retirement Age:	60
Vesting:	6 years
Early Retirement (Unreduced):	-
Early Retirement (Reduced):	-
Final Average Compensation:	3 years
Employee Contributions:	0%
Act 88:	No

Employees Covered by Benefit Terms

At the December 31, 2017 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	36
Inactive employees entitled to but not yet receiving benefits	1
Active employees	29
	66

COUNTY OF OGEMAW
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

NOTE 12 - RETIREMENT SYSTEM - MERS OPERATED (CONTINUED)

Defined Benefit Plan (Continued)

Road Commission (Continued)

Contributions

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

Employer contributions were as follows:

<u>Division</u>	<u>Contribution Range</u>
Union: Closed	\$12,687 to \$13,991 per month
NonUnion: Closed	\$12,924 to \$13,633 per month
HA - Union Non/Union: Open	6.50% to 6.99% of annual payroll

Net Pension Liability

The employer's Net Pension Liability was measured as of December 31, 2017, 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, 2017 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 and administrative expenses, including inflation

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

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

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

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

COUNTY OF OGEMAW
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

NOTE 12 - RETIREMENT SYSTEM - MERS OPERATED (CONTINUED)

Defined Benefit Plan (Continued)

Road Commission (Continued)

Actuarial Assumptions (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Target Allocation Gross Rate of Return</u>	<u>Long-Term Expected Gross Rate of Return</u>	<u>Inflation Assumption</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	55.5%	8.65%	4.80%	2.50%	3.41%
Global Fixed Income	18.5%	3.76%	0.70%	2.50%	0.24%
Real Assets	13.5%	9.72%	1.31%	2.50%	0.97%
Diversifying Strategies	12.5%	7.50%	0.94%	2.50%	0.63%
Total	<u>100.0%</u>		<u>7.75%</u>		<u>5.25%</u>

Discount Rate

The discount rate used to measure the total pension liability is 8.00% for 2017. 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>Increase (Decrease)</u>		
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a)-(b)</u>
Balances at 12/31/16	\$ 9,735,511	\$ 5,530,502	\$ 4,205,009
Changes for the Year			
Service Cost	111,298	0	111,298
Interest on Total Pension Liability	756,465	0	756,465
Changes in benefits	0	0	0
Difference between expected and actual experience	620,022	0	620,022
Changes in assumptions	0	0	0
Employer contributions	0	494,889	(494,889)
Employee contributions	0	50,276	(50,276)
Net investment income	0	728,697	(728,697)
Benefit payments, including employee refunds	(670,695)	(670,695)	0
Administrative expense	0	(11,539)	11,539
Other changes	0	0	0
Net changes	<u>817,090</u>	<u>591,628</u>	<u>225,462</u>
Balances as of 12/31/17	<u>\$ 10,552,601</u>	<u>\$ 6,122,130</u>	<u>\$ 4,430,471</u>

COUNTY OF OGEMAW
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

NOTE 12 - RETIREMENT SYSTEM - MERS OPERATED (CONTINUED)

Defined Benefit Plan (Continued)

Road Commission (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.

	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
County's net pension liability	\$ 5,578,962	\$ 4,430,471	\$ 3,455,261

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, 2018, the employer recognized pension expense of \$641,833. The employer reported deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Excess Investment Returns	\$ 0	\$ 120,236
Differences Between Expected and Actual Experience	362,847	0
Changes in Assumptions	114,059	0
Contributions Subsequent to the Measurement Date*	<u>700,722</u>	<u>0</u>
Total	<u>\$ 1,177,628</u>	<u>\$ 120,236</u>

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the year ending September 30, 2019.

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

<u>Year Ended</u>	<u>Pension Expense</u>
2019	\$ 249,761
2020	103,706
2021	61,551
2022	(58,348)

COUNTY OF OGEMAW
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

NOTE 12 - 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, 2018, the County contributed \$125,503 on behalf of eligible employees. Employee contributions amounted to \$125,503.

NOTE 13 - POSTEMPLOYMENT BENEFITS

Primary Government

Plan Description

The Ogemaw County Retiree Medical Plan is a single-employer defined benefit postemployment health care 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. The Plan does not issue a separate or stand-alone report.

COUNTY OF OGEMAW
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

NOTE 13 - POSTEMPLOYMENT BENEFITS (CONTINUED)

Primary Government (Continued)

Benefits Provided

Eligibility

- λ USWA - Any retiree who has applied for a MERS annuity and retired on or before October 1, 2009.
- λ POAM 2 - Closed group of retirees. No new retirees may join.
- λ POLC - Any retiree who has applied for a MERS annuity and was hired before December 4, 2012.
- Teamsters - Sheriff/Jail employees (including POAM 1) are eligible if hired on or before October 1, 2014. Court employees are not eligible.

Benefits

- λ USWA - \$100 for all Medicare and non-Medicare retirees with no CPI.
- λ POAM 2 - \$100 for all Medicare and non-Medicare retirees with no CPI.
- λ POLC - \$100 for all Medicare and non-Medicare retirees with no CPI.
- Teamsters (Sheriffs and POAM1) - \$100 for all Medicare and non-Medicare retirees with no CPI excepts that current POAM 1 retirees receive \$71.35 with CPI inflation. Employees hired after June 23, 2010 (ratification date of Union Agreement) are not entitled to the benefit.

Employees Covered by Benefit Terms

At the June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	29
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	<u>9</u>
	<u>38</u>

Contributions

The County Commissioners have the authority to establish and amend the contribution requirements of the County and employees to the Plan. The Board of Commissioners establishes rates based on an actuarially determined rate. For the year ended September 30, 2018, the County contributed \$34,552. Employees are not required to contribute to the plan.

Net OPEB Liability

The County's net OPEB liability was measured as of September 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an annual actuarial valuation as of that date.

COUNTY OF OGEMAW
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

NOTE 13 - POSTEMPLOYMENT BENEFITS (CONTINUED)

Primary Government (Continued)

Actuarial Assumptions

The total OPEB liability in the September 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate: 3.64% as of September 30, 2018 based on the expected return of assets expected to be available to pay plan benefits.

Mortality rates used were based on the RP-2014 mortality table (Employee, Disabled, and Healthy Annuitant, as appropriate) projected back to 2006 base year using Projection Scale MP-2014 (male and female as appropriate).

Projection: General projection using the Projection Scale MP-2017 (male and female as appropriate).

Employee turnover/withdrawal: MERS for all employees. Rates are shown in the table below.

<u>Year of Service</u>	<u>Rate</u>
0	19.60%
1	16.30%
2	13.30%
3	10.50%
4	8.60%
5	6.90%
10	4.60%
15	3.40%
20	2.60%
25	2.20%
30 and over	2.20%

Disablement: MERS disability rates for all employees. Rates are shown in the table below.

<u>Age</u>	<u>Percent Becoming Disabled Within One Year</u>
20	0.02%
25	0.02%
30	0.02%
35	0.05%
40	0.08%
45	0.20%
50	0.29%
55	0.38%
60	0.39%
65	0.39%

Retirement rates are based on the "replacement index" as follows: Age 75+, 100%.

COUNTY OF OGEMAW
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

NOTE 13 - POSTEMPLOYMENT BENEFITS (CONTINUED)

Primary Government (Continued)

Years of Service	Rate
5-9	5%
10-14	15%
15-19	20%
20-24	20%
25-29	20%
30-34	30%
35+	40%

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

CPI: 2.5% compounded annually.

Actual monthly 2018 medical costs per retiree:

Age	"POAM 1" Group	34th Circuit Court	All Other Groups
64	N/A	\$130.14	\$100
65	\$71.35	\$130.14	\$100

Salary increases: 3.5% compounded annually. For groups whose reimbursement benefits include a CPI increase, an annual increase of 2.5% is assumed.

Discount Rate

The discount rate used to measure the total OPEB liability is 3.64%. The projection of cash flows used to determine the discount rate assumed that County contributions will be made at the 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 OPEB payments for current active and inactive employees. 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.

Changes in Net OPEB Liability

Calculating the Net OPEB Liability			
	Total OPEB Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances at 9/30/17	\$ 608,369	\$ 0	\$ 608,369
Changes for the Year			
Service Cost	3,879	0	3,879
Interest on Total OPEB Liability	18,210	0	18,210
Changes in assumptions	(37,250)	0	(37,250)
Employer Contributions	0	34,552	(34,552)
Benefit payments, including employee refunds	(34,552)	(34,552)	0
Net Changes	(49,713)	0	(49,713)
Balances as of 9/30/18	\$ 558,656	\$ 0	\$ 558,656

COUNTY OF OGEMAW
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

NOTE 13 - POSTEMPLOYMENT BENEFITS (CONTINUED)

Primary Government (Continued)

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

The following presents the Net OPEB Liability of the County, as well as what the County's Net OPEB Liability would be using a discount rate that is 1-percentage-point lower (2.64%) or 1-percentage-point higher (4.64%) than the current discount rate.

	1% Decrease (2.64%)	Current Discount Rate (3.64%)	1% Increase (4.64%)
County's net OPEB liability (asset)	\$ 625,539	\$ 558,656	\$ 502,970

Sensitivity of the Net OPEB Liability to changes in the healthcare cost trend rates

The following presents the Net OPEB Liability of the County, as well as what the County'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	Current Trend Rate	1% Increase
County's net OPEB liability (asset)	\$ 549,666	\$ 558,656	\$ 569,028

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2018, the employer recognized OPEB expense of \$33,995. At September 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	\$ <u>0</u>	\$ <u>15,718</u>

Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended	OPEB Expense
2019	\$ 15,718

COUNTY OF OGEMAW
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

NOTE 13 - POSTEMPLOYMENT BENEFITS (CONTINUED)

Road Commission

Plan Description

The Ogemaw County Road Commission Retiree Medical Plan is a single-employer defined benefit postemployment health care plan administered by the Road Commission and can be amended at its discretion. Plan provisions and contribution requirements are established and may be amended by the Road Commission Board. The Plan is reported as an other employee benefit trust fund in the accompanying financial statements. The Plan does not issue a separate or stand-alone report.

Benefits Provided

The Plan 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.

Employees Covered by Benefit Terms

At September 30, 2018, the following employees were covered by the benefit terms:

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>

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 \$40,581.

Net OPEB Liability

The Road Commission's net OPEB liability was measured as of September 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an annual valuation as of that date.

Actuarial 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: 4.18% 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).

COUNTY OF OGEMAW
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

NOTE 13 - POSTEMPLOYMENT BENEFITS (CONTINUED)

Road Commission (Continued)

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

<u>Age</u>	<u>Rate</u>
25	9.68%
40	7.77%
55	1.57%

5. Retirement Rates: Age-based as follows:

<u>Age</u>	<u>Rate</u>
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.
8. 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, 2018.

<u>Asset Class</u>	<u>Index</u>	<u>Actual Allocation</u>	<u>Long-Term Expected Arithmetic Real Rate of Return</u>	<u>Long-Term Expected Geometric Real Rate of Return</u>
US Cash	BAML 3-Mon Tbill	5.83%	0.36%	0.31%
US Short Bonds	Barclays 1-3 Yr Gvt/Credit	6.44%	1.46%	1.41%
US Interim Bonds	Barclays IT Gvt/Credit	16.55%	1.77%	1.68%
US High Yield Bonds	BAML High Yield	5.04%	4.06%	3.54%
US Small & Mid Caps	Russell 2500	4.20%	5.38%	3.62%
Non-US Bonds	JPM GBI Global xUS	1.66%	0.11%	-0.43%
US Large Caps	S&P 500	51.55%	4.30%	3.13%
Foreign Developed Equity	MSCI EAFE NR	5.23%	5.52%	3.19%
Emerging Markets Equity	MSCI EM NR	3.50%	7.82%	4.59%

Long-Term Expected Rate of Return **5.75%**

9. Salary Adjustment Factors: Economic increase of 3.5% each year.
10. Health Care Cost Stipend Increase: Annual increase in stipend of 3.0%.

COUNTY OF OGEMAW
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

NOTE 13 - POSTEMPLOYMENT BENEFITS (CONTINUED)

Road Commission (Continued)

Discount Rate

The discount rate used to measure the total OPEB liability was 4.18 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.

Changes in Net OPEB Liability

Calculating the Net OPEB Liability			
	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances at 9/30/17	\$ 504,588	\$ 24,893	\$ 479,695
Changes for the Year			
Service Cost	8,817	0	8,817
Interest on Total OPEB Liability	17,956	0	17,956
Changes in assumptions	(19,974)	0	(19,974)
Employer Contributions	0	40,581	(40,581)
Net Investment Income	0	1,900	(1,900)
Benefit payments, including employee refunds	(40,581)	(40,581)	0
Net Changes	(33,782)	1,900	(35,682)
Balances as of 9/30/18	\$ 470,806	\$ 26,793	\$ 444,013

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 (3.18 percent) or 1-percentage-point higher (5.18 percent) than the current discount rate:

	1% Decrease (3.18%)	Discount Rate (4.18%)	1% Increase (5.18%)
Net OPEB liability (asset)	\$ 481,819	\$ 444,013	\$ 409,647

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)	\$ 401,420	\$ 444,013	\$ 492,603

COUNTY OF OGEMAW
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

NOTE 13 - POSTEMPLOYMENT BENEFITS (CONTINUED)

Road Commission (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2018, the employer recognized OPEB expense of \$18,499. At September 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Excess Investment Returns	\$ 0	\$ 1,337
Changes in Assumptions	0	33,549
Total	\$ 0	\$ 34,886

Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended	OPEB Expense
2019	\$ (6,843)
2020	(6,843)
2021	(6,842)
2022	(6,521)
2023	(5,593)
Thereafter*	(2,244)

* Note that additional future deferred inflows and outflows of resources may impact these numbers.

NOTE 14 - 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 15 - 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.

COUNTY OF OGEMAW
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

NOTE 16 - 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, 2018, 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.

The County has commitments in the amount of 408,287 outstanding at September 30, 2018.

On April 12, 2018 the Board of Commissioners approved to purchase BS&A Software for a total cost of \$96,755. Nothing was received or paid until after September 30, 2018.

On August 9, 2018 and August 23, 2018, the Board of Commissioners approved the purchase of 4 cutaway buses for Public Transit from Hoekstra Transportation for a total cost of \$311,532. None of the buses were received and nothing was paid prior to September 30, 2018.

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.

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, 2018, the audits of State Trunkline Contracts for 2018 has not been completed.

COUNTY OF OGEMAW
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

NOTE 17 - PRIOR PERIOD ADJUSTMENTS

Primary Government:

The following prior period adjustments were required to adjust the balances as of September 30, 2017:

Adjustment 1 - To adjust prior year revenue and due from state for prior year federal projects that were closed out during the current year. These projects are reimbursement based calculated from audited numbers and subject to availability of funds, making them estimates until the projects are finalized and closed out.

Adjustment 2 - Due to the implementation of GASB Statement No. 75 in the current year, a prior period adjustment was required in order to adjust the Net OPEB liability of the County as of September 30, 2017 to actual.

	Governmental Activities	Business- Type Activities	Ogemaw County Public Transit
Net Position/Fund Balance - Beginning	\$ (2,699,613)	\$ 7,011,418	\$ 557,754
Adjustment 1	0	(11,666)	(11,666)
Adjustment 2	(432,409)	0	0
Net Position/Fund Balance - Beginning (Restated)	\$ (3,132,022)	\$ 6,999,752	\$ 546,088

Ogemaw County Road Commission:

The following prior period adjustments were required to adjust the balances as of September 30, 2017:

Adjustment 3 - Due to the implementation of GASB Statement No. 75 in the current year, a prior period adjustment was required in order to adjust the net OPEB liability of the Commission as of September 30, 2017 to actual.

Adjustment 4 - Due to the State Road project not being complete at the end of the prior year and after completion, the final funding allocation between the different sources had changed. As a result, a prior period adjustment was required in order to adjust the Due to State and Bonds Payable of the Commission as of September 30, 2017 to actual.

	Governmental Activities	General Fund
Net Position/Fund Balance - Beginning	\$ 32,896,661	\$ 2,897,211
Adjustment 3	128,366	0
Adjustment 4	330,177	112,197
Net Position/Fund Balance - Beginning (Restated)	\$ 33,355,204	\$ 3,009,408

COUNTY OF OGEMAW
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

NOTE 18 - FUND BALANCES

Amounts for specific purposes by fund and fund balance classifications for the year ended September 30, 2018, are as follows:

<u>Classification/Fund</u>	<u>Purpose</u>	
Restricted:		
Friend of the Court	Child Support Establishment and Enforcement	\$ 20,786
Housing Commission Fund	Home Rehabilitation	18,896
Liquor Law Enforcement Fund	Liquor Law Enforcement	1,226
Veterans Office Fund	Veterans Relief	200,457
911 Service Fund	911 Training	4,185
Correction Training Fund	Training of Corrections Officers	36,872
Register of Deeds Automation	Register of Deeds Equipment	87,329
Concealed Weapons Licensing Fund	Concealed Weapons Licensing	31,168
ORV Fund	ORV Law Enforcement	2,075
Drug Forfeiture Fund	Prosecutor's Office Drug Enforcement	3,365
Law Enforcement Drug Forfeiture Fund	Sheriff Department Drug Enforcement	18,386
Community Corrections Fund	Community Corrections	<u>9,821</u>
Total Restricted		<u>434,566</u>
Committed:		
Marriage Counseling Fund	Marriage Counseling Activities	37,614
Commissary Fund	Law Enforcement and Correctional Activities	133,276
Streets and Address Committee Fund	Streets and Address Committee Activities	3,592
Capital Improvement Fund	Capital Projects	<u>1,841</u>
Total Committed		<u>176,323</u>
Unassigned:		
General Fund	County Operations	<u>338,083</u>
Total fund balances		<u>\$ 948,972</u>

COUNTY OF OGEMAW
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

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, 2018:

<u>Revenues</u>	
Charges for Services	\$ <u>288,835</u>
<u>Expenditures</u>	
Wages	134,810
Employee Benefits	90,156
Office Supplies	1,411
Repairs and Maintenance	8,664
Equipment	3,245
Dues and Subscriptions	435
Telephone	1,909
Travel	1,498
Contracted Service	1,913
Other	1,728
Overhead Costs	<u>37,304</u>
Total Expenditures	<u>283,073</u>
Net Income (Loss)	\$ <u>5,762</u>

NOTE 20 - SUBSEQUENT EVENTS

Subsequent to year end, on January 10, 2019, the County agreed to create a separate legal entity to be known as the "Ogemaw County Emergency Dispatch Authority" (OCEDA), which will be responsible for the dispatch of emergency police, fire and ambulance services throughout all geographical portions of Ogemaw County, Michigan.

NOTE 21 - PUBLIC TRANSIT ASSURANCES

Cost Allocation Plans

The Ogemaw County Public Transit has one cost allocation plan in use in the year ended September 30, 2018 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 96.

Audit costs are typically the only costs in which eligibility differs from the State R&E Manual and the Uniform Guidance. Since the audit costs included on page 96 did not include a Single Audit, conducted under the provisions of the Uniform Guidance, these costs are eligible in the current year for State Assistance and ineligible for Federal Assistance.

COUNTY OF OGEMAW
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

NOTE 21 - PUBLIC TRANSIT ASSURANCES (CONTINUED)

Explanation of Ineligible Expenses per the BPT R&E Manual (Continued)

The Nonurban Regular Service Revenue Report on page 95 shows Other Revenue of \$5,673. None of this amount is applicable to 40710 Sale of Maintenance Services and the associated expenses are 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.

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 \$53,756. The Transit paid \$62,780, therefore, \$9,024 (\$53,756 less the amount paid) is added back 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

SCHEDULE OF CHANGES IN EMPLOYER'S
NET PENSION LIABILITY AND RELATED RATIOS
For the Year Ended September 30, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability				
Service cost	\$ 331,939	\$ 333,442	\$ 333,410	\$ 356,817
Interest	2,245,458	2,251,213	2,073,677	1,994,791
Changes of benefit terms	0	0	0	0
Difference between expected and actual experience	(211,558)	(295,647)	(60,499)	0
Changes of assumptions	0	0	1,379,696	0
Benefit payments, including employee refunds	(1,562,684)	(1,520,098)	(1,439,456)	(1,327,999)
Other	<u>(2)</u>	<u>(60,653)</u>	<u>0</u>	<u>1</u>
Net Change in Total Pension Liability	803,153	708,257	2,286,828	1,023,610
Total Pension Liability - Beginning	<u>28,683,593</u>	<u>27,975,336</u>	<u>25,688,508</u>	<u>24,664,898</u>
Total Pension Liability - Ending	<u>\$ 29,486,746</u>	<u>\$ 28,683,593</u>	<u>\$ 27,975,336</u>	<u>\$ 25,688,508</u>
Plan Fiduciary Net Position				
Employer contributions	\$ 822,418	\$ 666,043	\$ 612,364	\$ 536,464
Employee contributions	113,029	115,921	120,865	133,658
Net investment income	2,690,340	2,149,759	(298,632)	1,232,098
Benefit payments, including employee refunds	(1,562,684)	(1,520,098)	(1,439,456)	(1,327,999)
Administrative expense	(42,615)	(42,465)	(43,757)	(45,180)
Other	<u>0</u>	<u>0</u>	<u>1</u>	<u>0</u>
Net Change in Plan Fiduciary Net Position	2,020,488	1,369,160	(1,048,615)	529,041
Plan Fiduciary Net Position - Beginning	<u>20,468,507</u>	<u>19,099,347</u>	<u>20,147,962</u>	<u>19,618,921</u>
Plan Fiduciary Net Position - Ending	<u>\$ 22,488,995</u>	<u>\$ 20,468,507</u>	<u>\$ 19,099,347</u>	<u>\$ 20,147,962</u>
Employer Net Pension Liability	<u>\$ 6,997,751</u>	<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	76%	71%	68%	78%
Covered Employee Payroll	\$ 2,172,507	\$ 2,179,119	\$ 2,211,482	\$ 2,364,946
Employer's Net Pension Liability as a Percentage of Covered Employee Payroll	322%	377%	401%	234%

COUNTY OF OGEMAW
West Branch, Michigan

SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS
For the Year Ended September 30, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contributions	\$ 822,418	\$ 666,043	\$ 612,364	\$ 536,464
Contributions in relation to the actuarially determined contribution	<u>822,418</u>	<u>666,043</u>	<u>651,018</u>	<u>536,464</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (38,654)</u>	<u>\$ 0</u>
Covered employee payroll	\$ 2,172,507	\$ 2,179,119	\$ 2,211,482	\$ 2,364,946
Contributions as a percentage of covered employee payroll	38%	31%	29%	23%

Notes to Schedule

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	21 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

SCHEDULE OF CHANGES IN EMPLOYER'S
NET OPEB LIABILITY AND RELATED RATIOS
For the Year Ended September 30, 2018

	2018
Total OPEB Liability	
Service cost	\$ 3,879
Interest	18,210
Changes of assumptions	(37,250)
Benefit payments, including employee refunds	(34,552)
Net Change in Total OPEB Liability	(49,713)
Total OPEB Liability - Beginning	608,369
Total OPEB Liability - Ending	\$ 558,656
Plan Fiduciary Net Position	
Employer contributions	\$ 34,552
Benefit payments, including employee refunds	(34,552)
Net Change in Plan Fiduciary Net Position	0
Plan Fiduciary Net Position - Beginning	0
Plan Fiduciary Net Position - Ending	\$ 0
County's Net OPEB Liability	\$ 558,656
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.00%
Covered Employee Payroll	N/A
County's Net OPEB Liability as a Percentage of Covered Employee Payroll	N/A

COUNTY OF OGEMAW
West Branch, Michigan

SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS
For the Year Ended September 30, 2018

	2018
Actuarially determined contributions	\$ 34,552
Contributions in relation to the actuarially determined contribution	34,552
Contribution deficiency (excess)	\$ 0
Covered employee payroll	N/A
Contributions as a percentage of covered employee payroll	N/A

Notes to Schedule

Actuarial cost method	Entry age
Discount rate	3.64%
Inflation	2.50%
Salary increases including inflation	3.50%
Retirement age	100% at age 75
Mortality	RP-2014 mortality table (Employee and Healthy Annuitant, as appropriate) projected back to 2006 base year using Projection Scale MP-2014 with generational projection using Projection Scale MP-2017 (male and female as appropriate)

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, 2018

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
<u>Revenue</u>				
Property Taxes	\$ 5,770,222	\$ 6,057,399	\$ 5,945,385	\$ (112,014)
Federal Grants and Revenue	191,669	206,613	244,282	37,669
State Grants and Revenue	605,090	614,158	611,393	(2,765)
State Shared Revenue	461,000	469,396	469,396	0
Contributions from Local Units	0	16,609	16,609	0
Licenses and Permits	263,000	297,600	295,295	(2,305)
Charges for Services	2,089,005	2,234,453	2,230,277	(4,176)
Fines and Forfeits	33,500	3,500	34,229	30,729
Interest and Rentals	24,000	26,300	30,846	4,546
Other Revenue	<u>30,180</u>	<u>42,480</u>	<u>30,201</u>	<u>(12,279)</u>
Total Revenue	<u>9,467,666</u>	<u>9,968,508</u>	<u>9,907,913</u>	<u>(60,595)</u>
<u>Expenditures</u>				
Current:				
General Government:				
Legislative and Executive	85,122	89,272	85,065	4,207
Judicial	1,564,914	1,624,178	1,527,832	96,346
Financial and Tax Administration	955,624	1,018,483	1,044,819	(26,336)
Other General Government	1,480,822	1,608,384	1,249,425	358,959
Public Safety	3,716,316	3,862,223	3,750,804	111,419
Public Works	102,077	102,077	97,196	4,881
Health and Welfare	1,007,354	1,007,354	948,497	58,857
Community and Economic Development	13,006	13,826	12,206	1,620
Capital Outlay	<u>99,350</u>	<u>103,137</u>	<u>41,122</u>	<u>62,015</u>
Total Expenditures	<u>9,024,585</u>	<u>9,428,934</u>	<u>8,756,966</u>	<u>671,968</u>
Excess of Revenue Over (Under) Expenditures	<u>443,081</u>	<u>539,574</u>	<u>1,150,947</u>	<u>611,373</u>
<u>Other Financing Sources (Uses)</u>				
Sale of Capital Assets	500	500	100	(400)
Operating Transfers In	625,280	490,636	186,000	(304,636)
Operating Transfers Out	<u>(1,048,061)</u>	<u>(1,009,910)</u>	<u>(998,964)</u>	<u>10,946</u>
Total Other Financing Sources (Uses)	<u>(422,281)</u>	<u>(518,774)</u>	<u>(812,864)</u>	<u>(294,090)</u>
Net Change in Fund Balances	20,800	20,800	338,083	317,283
Fund Balances - Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances - End of Year	<u>\$ 20,800</u>	<u>\$ 20,800</u>	<u>\$ 338,083</u>	<u>\$ 317,283</u>

COUNTY OF OGEMAW
West Branch, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
HOUSING COMMISSION FUND - SPECIAL REVENUE FUND
For the Year Ended September 30, 2018

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
<u>Revenue</u>				
Federal Grants and Revenue	\$ 107,000	\$ 137,000	\$ 99,561	\$ (37,439)
Local Grants	100,000	92,000	25,998	(66,002)
Interest and Rentals	5,500	5,500	34	(5,466)
Other Revenue	<u>250,000</u>	<u>250,000</u>	<u>12,300</u>	<u>(237,700)</u>
Total Revenue	462,500	484,500	137,893	(346,607)
<u>Expenditures</u>				
Current:				
Community and Economic Development	<u>439,000</u>	<u>484,000</u>	<u>130,395</u>	<u>353,605</u>
Excess of Revenue Over (Under) Expenditures	23,500	500	7,498	6,998
Fund Balances - Beginning of Year	<u>11,398</u>	<u>11,398</u>	<u>11,398</u>	<u>0</u>
Fund Balances - End of Year	<u>\$ 34,898</u>	<u>\$ 11,898</u>	<u>\$ 18,896</u>	<u>\$ 6,998</u>

OTHER INFORMATION

COUNTY OF OGEMAW
West Branch, Michigan

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
September 30, 2018

	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
<u>Assets</u>									
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 37,614	\$ 87,329	\$ 9,821	\$ 0	\$ 31,201	\$ 3,365	\$ 36,872
Receivables:									
Accounts, Net	0	110	0	0	0	65,343	0	0	0
Due from Local Units	0	369	0	0	0	39,838	0	0	0
Due from State	0	31,692	0	0	4,274	49,264	0	0	0
Due from Other Units of Government	2,308	0	0	0	0	0	0	0	0
Due from Other Funds	<u>0</u>	<u>41,130</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>\$ 2,308</u>	<u>\$ 73,301</u>	<u>\$ 37,614</u>	<u>\$ 87,329</u>	<u>\$ 14,095</u>	<u>\$ 154,445</u>	<u>\$ 31,201</u>	<u>\$ 3,365</u>	<u>\$ 36,872</u>
<u>Liabilities</u>									
Accounts Payable	\$ 65	\$ 295	\$ 0	\$ 0	\$ 4,274	\$ 540	\$ 33	\$ 0	\$ 0
Due to Other Funds	1,017	18,347	0	0	0	129,523	0	0	0
Due to Other Units of Government	0	0	0	0	0	0	0	0	0
Accrued Liabilities	0	4,013	0	0	0	8,193	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>
Total Liabilities	<u>1,082</u>	<u>22,655</u>	<u>0</u>	<u>0</u>	<u>4,274</u>	<u>138,256</u>	<u>33</u>	<u>0</u>	<u>0</u>
<u>Deferred Inflows of Resources</u>									
Unavailable Revenue - Grants	0	29,860	0	0	0	0	0	0	0
Unavailable Revenue - Administrative Billing	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>12,004</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Deferred Inflows of Resources	<u>0</u>	<u>29,860</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>12,004</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>Fund Equity</u>									
Fund Balances:									
Restricted	1,226	20,786	0	87,329	9,821	4,185	31,168	3,365	36,872
Committed	<u>0</u>	<u>0</u>	<u>37,614</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Fund Equity	<u>1,226</u>	<u>20,786</u>	<u>37,614</u>	<u>87,329</u>	<u>9,821</u>	<u>4,185</u>	<u>31,168</u>	<u>3,365</u>	<u>36,872</u>
Total Liabilities, Deferred Inflows of Resources and Fund Equity	<u>\$ 2,308</u>	<u>\$ 73,301</u>	<u>\$ 37,614</u>	<u>\$ 87,329</u>	<u>\$ 14,095</u>	<u>\$ 154,445</u>	<u>\$ 31,201</u>	<u>\$ 3,365</u>	<u>\$ 36,872</u>

COUNTY OF OGEMAW
West Branch, Michigan

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
September 30, 2018

	Special Revenue Funds						Debt Service Fund	Capital Project Fund	Total Other Governmental Funds
	Law Enforcement Drug Forfeiture	Street and Address Committee	Probate Child Care Fund	Veterans Office	ORV Fund	Commissary Fund	Jail Renovation Debt Service Fund	Capital Improvement Fund	
Assets									
Cash and Cash Equivalents	\$ 30,092	\$ 3,592	\$ 0	\$ 201,569	\$ 1,644	\$ 133,350	\$ 0	\$ 1,841	\$ 578,290
Receivables:									
Accounts, Net	0	0	0	0	431	5,409	0	0	71,293
Due from Local Units	0	0	2,079	0	0	28,392	0	0	70,678
Due from State	0	0	84,635	0	0	0	0	0	169,865
Due from Other Units of Government	0	0	0	0	0	0	0	0	2,308
Due from Other Funds	0	0	81,614	0	0	0	0	0	122,744
Total Assets	\$ 30,092	\$ 3,592	\$ 168,328	\$ 201,569	\$ 2,075	\$ 167,151	\$ 0	\$ 1,841	\$ 1,015,178
Liabilities									
Accounts Payable	\$ 11,706	\$ 0	\$ 75,495	\$ 0	\$ 0	\$ 9,607	\$ 0	\$ 0	\$ 102,015
Due to Other Funds	0	0	51,340	0	0	8,000	0	0	208,227
Due to Other Units of Government	0	0	4,125	0	0	0	0	0	4,125
Accrued Liabilities	0	0	2,787	1,112	0	268	0	0	16,373
Unearned Revenue	0	0	0	0	0	16,000	0	0	16,000
Total Liabilities	11,706	0	133,747	1,112	0	33,875	0	0	346,740
Deferred Inflows of Resources									
Unavailable Revenue - Grants	0	0	34,581	0	0	0	0	0	64,441
Unavailable Revenue - Administrative Billing	0	0	0	0	0	0	0	0	12,004
Total Deferred Inflows of Resources	0	0	34,581	0	0	0	0	0	76,445
Fund Equity									
Fund Balances:									
Restricted	18,386	0	0	200,457	2,075	0	0	0	415,670
Committed	0	3,592	0	0	0	133,276	0	1,841	176,323
Total Fund Equity	18,386	3,592	0	200,457	2,075	133,276	0	1,841	591,993
Total Liabilities, Deferred Inflows of Resources and Fund Equity	\$ 30,092	\$ 3,592	\$ 168,328	\$ 201,569	\$ 2,075	\$ 167,151	\$ 0	\$ 1,841	\$ 1,015,178

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, 2018

	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
Revenue									
Property Taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Federal Grants and Revenue	0	201,117	0	0	0	0	0	0	0
State Grants and Revenue	0	29,171	0	0	58,115	169,718	0	0	0
Contributions from Local Units	0	0	0	0	0	137,996	0	0	0
Charges for Services	3,618	30,304	3,395	32,240	0	0	14,086	0	11,610
Fines and Forfeits	0	0	0	0	0	0	0	0	0
Other Revenue	0	372	0	0	0	277,607	0	0	0
Total Revenue	<u>3,618</u>	<u>260,964</u>	<u>3,395</u>	<u>32,240</u>	<u>58,115</u>	<u>585,321</u>	<u>14,086</u>	<u>0</u>	<u>11,610</u>
Expenditures									
Current:									
General Government:									
Judicial	3,639	351,285	1,616	0	0	0	0	0	0
Other General Government	0	0	0	54,159	0	0	0	0	0
Public Safety	0	0	0	0	51,886	717,367	1,072	140	6,694
Health and Welfare	0	0	0	0	0	0	0	0	0
Capital Outlay	0	0	0	0	0	2,468	7,772	0	0
Debt Service:									
Principal	0	0	0	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0	0	0	0
Total Expenditures	<u>3,639</u>	<u>351,285</u>	<u>1,616</u>	<u>54,159</u>	<u>51,886</u>	<u>719,835</u>	<u>8,844</u>	<u>140</u>	<u>6,694</u>
Excess of Revenue Over (Under) Expenditures	(21)	(90,321)	1,779	(21,919)	6,229	(134,514)	5,242	(140)	4,916
Other Financing Sources (Uses)									
Operating Transfers In	0	81,880	0	0	0	138,699	0	0	0
Net Change in Fund Balances	(21)	(8,441)	1,779	(21,919)	6,229	4,185	5,242	(140)	4,916
Fund Balances - Beginning of Year	1,247	29,227	35,835	109,248	3,592	0	25,926	3,505	31,956
Fund Balances - End of Year	<u>\$ 1,226</u>	<u>\$ 20,786</u>	<u>\$ 37,614</u>	<u>\$ 87,329</u>	<u>\$ 9,821</u>	<u>\$ 4,185</u>	<u>\$ 31,168</u>	<u>\$ 3,365</u>	<u>\$ 36,872</u>

COUNTY OF OGE MAW
West Branch, Michigan

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
For the Year Ended September 30, 2018

	Special Revenue Funds						Debt Service Fund	Capital Project Fund	Total Other Governmental Funds
	Law Enforcement Drug Forfeiture	Street and Address Committee	Probate Child Care Fund	Veterans Office	ORV Fund	Commissary Fund	Jail Renovation Debt Service Fund	Capital Improvement Fund	
Revenue									
Property Taxes	\$ 0	\$ 0	\$ 0	\$ 103,558	\$ 0	\$ 0	\$ 0	\$ 0	\$ 103,558
Federal Grants and Revenue	0	0	0	0	0	0	0	0	201,117
State Grants and Revenue	0	0	430,442	0	0	0	0	0	687,446
Contributions from Local Units	0	0	0	0	0	0	0	0	137,996
Charges for Services	0	0	58,907	0	0	0	0	0	154,160
Fines and Forfeits	19,816	0	0	0	0	0	0	0	19,816
Other Revenue	0	0	44,664	0	532	190,649	0	0	513,824
Total Revenue	<u>19,816</u>	<u>0</u>	<u>534,013</u>	<u>103,558</u>	<u>532</u>	<u>190,649</u>	<u>0</u>	<u>0</u>	<u>1,817,917</u>
Expenditures									
Current:									
General Government:									
Judicial	0	0	0	0	0	0	0	0	356,540
Other General Government	0	0	0	0	0	105,611	0	0	159,770
Public Safety	12,149	0	0	0	0	0	0	0	789,308
Health and Welfare	0	0	935,073	77,358	0	0	0	0	1,012,431
Capital Outlay	0	0	0	0	0	75,055	0	0	85,295
Debt Service:									
Principal	0	0	0	0	0	0	210,000	0	210,000
Interest and Fiscal Charges	0	0	0	0	0	0	167,325	0	167,325
Total Expenditures	<u>12,149</u>	<u>0</u>	<u>935,073</u>	<u>77,358</u>	<u>0</u>	<u>180,666</u>	<u>377,325</u>	<u>0</u>	<u>2,780,669</u>
Excess of Revenue Over (Under) Expenditures	7,667	0	(401,060)	26,200	532	9,983	(377,325)	0	(962,752)
Other Financing Sources (Uses)									
Operating Transfers In	0	0	401,060	0	0	0	377,325	0	998,964
Net Change in Fund Balances	7,667	0	0	26,200	532	9,983	0	0	36,212
Fund Balances - Beginning of Year	10,719	3,592	0	174,257	1,543	123,293	0	1,841	555,781
Fund Balances - End of Year	<u>\$ 18,386</u>	<u>\$ 3,592</u>	<u>\$ 0</u>	<u>\$ 200,457</u>	<u>\$ 2,075</u>	<u>\$ 133,276</u>	<u>\$ 0</u>	<u>\$ 1,841</u>	<u>\$ 591,993</u>

COUNTY OF OGEMAW
West Branch, Michigan

COMBINING STATEMENT OF NET POSITION
OTHER ENTERPRISE FUNDS
September 30, 2018

	County	Tax Reversion Fund	2014 DTRF	2013 DTRF	2012 DTRF	2011 DTRF	Total
<u>Assets</u>							
Cash and Cash Equivalents	\$ 19,970	\$ 542,022	\$ 0	\$ 0	\$ 0	\$ 0	\$ 561,992
Receivables:							
Delinquent Taxes	0	0	26,237	18,078	9,615	3,976	57,906
Accounts, Net	4,975	4,150	0	0	0	0	9,125
Due from Other Units of Government	0	48,355	0	365	0	0	48,720
Due from Other Funds	0	0	2,815,050	2,749,469	2,901,350	3,027,152	11,493,021
Noncurrent Assets:							
Capital Assets, Net of Accumulated Depreciation	<u>3,338</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,338</u>
Total Assets	<u>28,283</u>	<u>594,527</u>	<u>2,841,287</u>	<u>2,767,912</u>	<u>2,910,965</u>	<u>3,031,128</u>	<u>12,174,102</u>
<u>Liabilities</u>							
Current Liabilities:							
Accounts Payable	799	850	689	0	0	0	2,338
Due to Other Funds	0	29,766	2,482,758	2,415,036	2,532,220	2,613,046	10,072,826
Due to Local Units	0	0	2,141	0	0	0	2,141
Due to Other Units of Government	<u>0</u>	<u>0</u>	<u>0</u>	<u>740</u>	<u>3,099</u>	<u>2,189</u>	<u>6,028</u>
Total Liabilities	<u>799</u>	<u>30,616</u>	<u>2,485,588</u>	<u>2,415,776</u>	<u>2,535,319</u>	<u>2,615,235</u>	<u>10,083,333</u>
<u>Net Position</u>							
Net Investment in Capital Assets	3,338	0	0	0	0	0	3,338
Unrestricted	<u>24,146</u>	<u>563,911</u>	<u>355,699</u>	<u>352,136</u>	<u>375,646</u>	<u>415,893</u>	<u>2,087,431</u>
Total Net Position	<u>\$ 27,484</u>	<u>\$ 563,911</u>	<u>\$ 355,699</u>	<u>\$ 352,136</u>	<u>\$ 375,646</u>	<u>\$ 415,893</u>	<u>\$ 2,090,769</u>

COUNTY OF OGEMAW
West Branch, Michigan

COMBINING STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
OTHER ENTERPRISE FUNDS
For the Year Ended September 30, 2018

	County	Tax Reversion Fund	2014 DTRF	2013 DTRF	2012 DTRF	2011 DTRF	Total
<u>Operating Revenue</u>							
Charges For Services	\$ 0	\$ 165,227	\$ 0	\$ 0	\$ 0	\$ 0	\$ 165,227
Tax Collection Fees	0	0	1,010	316	70	2	1,398
User Fees	38,225	0	0	0	0	0	38,225
Interest and Penalties on Taxes	0	0	10,408	4,667	995	69	16,139
Other Revenue	1,489	0	0	0	0	0	1,489
Total Operating Revenue	<u>39,714</u>	<u>165,227</u>	<u>11,418</u>	<u>4,983</u>	<u>1,065</u>	<u>71</u>	<u>222,478</u>
<u>Operating Expenses</u>							
Salaries and Wages	1,480	0	0	0	0	0	1,480
Payroll Taxes and Employee Benefits	154	0	0	0	0	0	154
Advertising	0	617	0	0	0	0	617
Contractual Services	119	0	0	0	0	0	119
Depreciation	1,126	0	0	0	0	0	1,126
Dues and Subscriptions	0	325	0	0	0	0	325
Gasoline and Oil	254	0	0	0	0	0	254
Insurance and Bonds	150	2,099	0	0	0	0	2,249
Licenses and Permits	85	0	0	0	0	0	85
Operating Supplies	9,824	1,589	0	0	0	0	11,413
Professional Fees and Services	0	105,249	0	0	0	0	105,249
Repair and Maintenance	962	2,900	0	0	0	0	3,862
Telephone	0	465	0	0	0	0	465
Travel and Training	196	0	0	0	0	0	196
Utilities	21,454	0	0	0	0	0	21,454
Other	200	19,872	0	0	0	0	20,072
Total Operating Expenses	<u>36,004</u>	<u>133,116</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>169,120</u>
Operating Income (Loss)	<u>3,710</u>	<u>32,111</u>	<u>11,418</u>	<u>4,983</u>	<u>1,065</u>	<u>71</u>	<u>53,358</u>
<u>Nonoperating Revenue (Expenses)</u>							
Interest and Investment Earnings	0	2,967	11,525	(7,033)	0	15,072	22,531
Contributions	6,252	0	0	0	0	0	6,252
Total Nonoperating Revenue (Expenses)	<u>6,252</u>	<u>2,967</u>	<u>11,525</u>	<u>(7,033)</u>	<u>0</u>	<u>15,072</u>	<u>28,783</u>
Income (Loss) Before Operating Transfers	9,962	35,078	22,943	(2,050)	1,065	15,143	82,141
Operating Transfers Out	<u>0</u>	<u>(186,000)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(186,000)</u>
Change in Net Position	9,962	(150,922)	22,943	(2,050)	1,065	15,143	(103,859)
Net Position - Beginning of Year	<u>17,522</u>	<u>714,833</u>	<u>332,756</u>	<u>354,186</u>	<u>374,581</u>	<u>400,750</u>	<u>2,194,628</u>
Net Position - End of Year	<u>\$ 27,484</u>	<u>\$ 563,911</u>	<u>\$ 355,699</u>	<u>\$ 352,136</u>	<u>\$ 375,646</u>	<u>\$ 415,893</u>	<u>\$ 2,090,769</u>

COUNTY OF OGEMAW
West Branch, Michigan

COMBINING STATEMENT OF CASH FLOWS
OTHER ENTERPRISE FUNDS
For the Year Ended September 30, 2018

	County Park	Tax Reversion Fund	2014 DTRF	2013 DTRF	2012 DTRF	2011 DTRF	Total
Cash Flows From Operating Activities							
Receipts from Customers and Taxpayers	\$ 40,244	\$ 384,038	\$ 13,411	\$ 5,265	\$ 1,155	\$ 103	\$ 444,216
Payments to Suppliers for Goods and Services	(33,007)	(132,266)	689	0	0	0	(164,584)
Payments to Employees for Services	(1,634)	0	0	0	0	0	(1,634)
Delinquent Taxes Collected	0	0	25,486	7,751	1,520	508	35,265
Net Cash Provided (Used) by Operating Activities	<u>5,603</u>	<u>251,772</u>	<u>39,586</u>	<u>13,016</u>	<u>2,675</u>	<u>611</u>	<u>313,263</u>
Cash Flows From Non-Capital Financing Activities							
Operating Subsidies and Transfers From (To) Other Funds/Component Units	0	287,248	(755,027)	(515,017)	(2,675)	(220,571)	(1,206,042)
Intergovernmental Contributions	6,252	0	0	0	0	0	6,252
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>6,252</u>	<u>287,248</u>	<u>(755,027)</u>	<u>(515,017)</u>	<u>(2,675)</u>	<u>(220,571)</u>	<u>(1,199,790)</u>
Cash Flows From Investing Activities							
Interest Earned	0	3,002	11,965	(7,033)	0	15,747	23,681
Redemption (Purchase) of Investment Securities	0	0	703,476	509,034	0	204,213	1,416,723
Net Cash Provided (Used) by Investing Activities	<u>0</u>	<u>3,002</u>	<u>715,441</u>	<u>502,001</u>	<u>0</u>	<u>219,960</u>	<u>1,440,404</u>
Net Increase (Decrease) in Cash and Cash Equivalents	11,855	542,022	0	0	0	0	553,877
Cash and Cash Equivalents at Beginning of Year	8,115	0	0	0	0	0	8,115
Cash and Cash Equivalents at End of Year	<u>\$ 19,970</u>	<u>\$ 542,022</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 561,992</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities							
Operating Income (Loss)	\$ 3,710	\$ 32,111	\$ 11,418	\$ 4,983	\$ 1,065	\$ 71	\$ 53,358
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:							
Depreciation Expense	1,126	0	0	0	0	0	1,126
Change in Assets and Liabilities:							
Receivables	530	218,811	25,599	7,843	1,520	508	254,811
Accounts and Other Payables	237	850	2,569	190	90	32	3,968
Net Cash Provided (Used) by Operating Activities	<u>\$ 5,603</u>	<u>\$ 251,772</u>	<u>\$ 39,586</u>	<u>\$ 13,016</u>	<u>\$ 2,675</u>	<u>\$ 611</u>	<u>\$ 313,263</u>

COUNTY OF OGEMAW
West Branch, Michigan

COMBINING BALANCE SHEET
 OGEMAW COUNTY DRAIN COMMISSION - COMPONENT UNIT
 GOVERNMENTAL FUNDS
September 30, 2018

	<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>Assets</u>							
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 6,623	\$ 10,288	\$ 15,269	\$ 7,840	\$ 40,020
Receivables:							
Special Assessments	<u>0</u>	<u>10,369</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>10,369</u>
Total Assets	<u>\$ 0</u>	<u>\$ 10,369</u>	<u>\$ 6,623</u>	<u>\$ 10,288</u>	<u>\$ 15,269</u>	<u>\$ 7,840</u>	<u>\$ 50,389</u>
Liabilities	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>Deferred Inflows of Resources</u>							
Unavailable Revenue - Special Assessments	0	10,369	0	0	0	0	10,369
<u>Fund Equity</u>							
Fund Balances:							
Restricted For:							
Capital Projects	<u>0</u>	<u>0</u>	<u>6,623</u>	<u>10,288</u>	<u>15,269</u>	<u>7,840</u>	<u>40,020</u>
Total Liabilities, Deferred Inflows of Resources and Fund Equity	<u>\$ 0</u>	<u>\$ 10,369</u>	<u>\$ 6,623</u>	<u>\$ 10,288</u>	<u>\$ 15,269</u>	<u>\$ 7,840</u>	<u>\$ 50,389</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, 2018

Total Governmental Fund Balances		\$	40,020
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>(296,043)</u>
			458,158
Other assets are not available to pay for current period expenditures and, therefore, are unavailable in the governmental funds:			
Special Assessments			10,369
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>(9,936)</u>
Total Net Position - Governmental Activities		\$	<u><u>498,611</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, 2018

	<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	\$ 0	\$ 0	\$ 3	\$ 6	\$ 8	\$ 0	\$ 17
Other Revenue	<u>18,559</u>	<u>2,807</u>	<u>0</u>	<u>1,567</u>	<u>0</u>	<u>0</u>	<u>22,933</u>
Total Revenue	<u>18,559</u>	<u>2,807</u>	<u>3</u>	<u>1,573</u>	<u>8</u>	<u>0</u>	<u>22,950</u>
<u>Expenditures</u>							
Current:							
Public Works	0	0	140	550	950	3,878	5,518
Debt Service:							
Principal	0	2,202	0	0	0	0	2,202
Interest and Fiscal Charges	<u>0</u>	<u>605</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>605</u>
Total Expenditures	<u>0</u>	<u>2,807</u>	<u>140</u>	<u>550</u>	<u>950</u>	<u>3,878</u>	<u>8,325</u>
Excess of Revenue Over (Under) Expenditures	18,559	0	(137)	1,023	(942)	(3,878)	14,625
Fund Balances (Deficit) - Beginning of Year	<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>
Fund Balances - End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 6,623</u>	<u>\$ 10,288</u>	<u>\$ 15,269</u>	<u>\$ 7,840</u>	<u>\$ 40,020</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, 2018

Total Net Change in Fund Balances - Governmental Funds	\$	14,625
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		(20,762)
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>(18,737)</u></u>

COUNTY OF OGEMAW
West Branch, Michigan

COMBINING BALANCE SHEET
 ECONOMIC DEVELOPMENT CORPORATION - COMPONENT UNIT
 GOVERNMENTAL FUNDS
September 30, 2018

	<u>Special Revenue Funds</u>		
	<u>EDC Fund</u>	<u>EDC Alliance Fund</u>	<u>Total Governmental Funds</u>
<u>Assets</u>			
Cash and Cash Equivalents	\$ <u>11,892</u>	\$ <u>4,576</u>	\$ <u>16,468</u>
<u>Liabilities</u>			
Accounts Payable	\$ 50	\$ 0	\$ 50
<u>Fund Equity</u>			
Fund Balances:			
Restricted For:			
Economic Development	<u>11,842</u>	<u>4,576</u>	<u>16,418</u>
Total Liabilities and Fund Equity	\$ <u>11,892</u>	\$ <u>4,576</u>	\$ <u>16,468</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, 2018

	Special Revenue Funds			Total Governmental Funds
	EDC Fund	EDC Alliance Fund		
<u>Revenue</u>				
Contributions from Local Units	\$ 18,446	\$ 0	\$	18,446
Other Revenue	<u>275</u>	<u>22,920</u>		<u>23,195</u>
Total Revenue	18,721	22,920		41,641
<u>Expenditures</u>				
Current:				
Community and Economic Development	<u>17,550</u>	<u>27,230</u>		<u>44,780</u>
Excess of Revenue Over (Under) Expenditures	1,171	(4,310)		(3,139)
Fund Balances - Beginning of Year	<u>10,671</u>	<u>8,886</u>		<u>19,557</u>
Fund Balances - End of Year	<u>\$ 11,842</u>	<u>\$ 4,576</u>	\$	<u>\$ 16,418</u>

COUNTY OF OGEMAW
West Branch, Michigan

OGEMAW COUNTY PUBLIC TRANSIT
NONURBAN REGULAR SERVICE REVENUE REPORT
For the Year Ended September 30, 2018

	<u>Ogemaw County Public Transit</u>
Farebox Revenue	
Passenger Fares	\$ 54,446
Contract Fares	20,627
NonTrans Revenues	
Advertising Revenue	3,589
Gain on Sale of Capital Assets	7,396
Other Revenue	5,673
Local Revenue	
Taxes Levied Directly for/by Transit Agency	242,194
State Formula and Contracts	
State Operating Assistance	353,085
State Capital Grants	8,690
Federal Contracts	
Section 5311 (Operating Funds Only)	166,816
Federal Capital Grants	34,761
RTAP	<u>525</u>
	<u>\$ 897,802</u>

COUNTY OF OGEMAW
West Branch, Michigan

OGEMAW COUNTY PUBLIC TRANSIT
NONURBAN REGULAR SERVICE EXPENSE REPORT
For the Year Ended September 30, 2018

	Operations	Maintenance	General Administration	Total
Labor				
Operator's Salaries & Wages	\$ 277,209	\$ 0	\$ 0	\$ 277,209
Other Salaries & Wages	1,600	42,393	37,753	81,746
Dispatchers' Salaries & Wages	127,708	0	0	127,708
Fringe Benefits				
Other Fringe Benefits	116,452	18,592	15,608	150,652
Pensions	42,585	9,459	1,712	53,756
Services				
Audit Cost	0	0	3,430	3,430
Other Services	0	1,843	39,965	41,808
Material and Supplies				
Fuel & Lubricants	79,864	0	0	79,864
Tires & Tubes	7,347	0	0	7,347
Other Materials & Supplies	3,668	24,146	481	28,295
Utilities				
Utilities	9,103	0	540	9,643
Insurance				
Liability Insurance	25,523	0	1,271	26,794
Misc Expenses				
Travel, Meetings, & Training	889	0	0	889
Association Dues & Subscriptions	0	0	999	999
Other Misc Expenses	13	0	873	886
Depreciation				
Depreciation	95,590	5,779	3,963	105,332
Total Expenses	787,551	102,212	106,595	996,358
Ineligible Expenses				
Ineligible Depreciation	94,117	5,779	3,963	103,859
Ineligible RTAP	525	0	0	525
Ineligible Percent of Assoc. Dues	0	0	227	227
Excess Pensions Costs Paid but Not Expensed	(7,148)	(1,588)	(288)	(9,024)
Total Ineligible Expenses	87,494	4,191	3,902	95,587
Total Eligible Expenses	\$ 700,057	\$ 98,021	\$ 102,693	\$ 900,771

COUNTY OF OGEMAW
West Branch, Michigan

OGEMAW COUNTY PUBLIC TRANSIT
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended September 30, 2018

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>525</u>	\$ <u>525</u>	\$ <u>525</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
Operating Assistance - Section 5311	20.509	17-0110/P1	<u>166,816</u>	<u>166,816</u>	<u>166,816</u>	<u>0</u>	<u>0</u>	<u>0</u>
Federal Transit Capital Grants								
Capital Grant	20.509	17-0110/P2	39,701	39,701	31,761	7,940	0	0
Capital Grant	20.509	12-0146/P15	<u>3,750</u>	<u>3,750</u>	<u>3,000</u>	<u>750</u>	<u>0</u>	<u>0</u>
<u>Michigan Department of Transportation</u>								
Non Urban Operating Assistance - Act 51 Current Year	N/A	N/A	<u>353,085</u>	<u>353,085</u>	<u>0</u>	<u>353,085</u>	<u>0</u>	<u>0</u>
Total Federal and State Grants			\$ <u><u>563,877</u></u>	\$ <u><u>563,877</u></u>	\$ <u><u>202,102</u></u>	\$ <u><u>361,775</u></u>	\$ <u><u>0</u></u>	\$ <u><u>0</u></u>

COUNTY OF OGEMAW
West Branch, Michigan

OGEMAW COUNTY PUBLIC TRANSIT
 OPERATING ASSISTANCE CALCULATION
For the Year Ended September 30, 2018

	<u>2007-0273/Z13 Federal Section 5311</u>	<u>State Operating Assistance</u>
Total Expenses	\$ <u>996,358</u>	\$ <u>996,358</u>
Less Ineligible Expenses		
Depreciation (Less Eligible)	103,859	103,859
Audit Cost	3,430	0
RTAP	525	525
Association Dues	227	227
Pension Costs Expensed but Not Paid	<u>(9,024)</u>	<u>(9,024)</u>
Total Ineligible Expenses	<u>99,017</u>	<u>95,587</u>
Net Eligible Expenses	\$ <u>897,341</u>	\$ <u>900,771</u>
Maximum Section 5311 Reimbursement 18.59%	\$ <u>166,816</u>	
State Operating Assistance		\$ <u>353,085</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 39.1981% 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, 2018

<u>Code</u>	<u>Description</u>	<u>Weekday</u>	<u>Saturday</u>	<u>Sunday</u>	<u>Total</u>
611	Vehicle Miles	273,828	19,298	0	293,126



Stephenson & Company, P.C.

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Cynthia R. Scott, CPA, CFE

February 15, 2019

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, 2018, 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 15, 2019.

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.

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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 2018 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.



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February 15, 2019

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 Sunday, September 30, 2018. 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 October 30, 2018. 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 December 14, 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 October 30, 2018, 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 October 30, 2018.

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 other Post-Employment Benefits by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 75, "Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions", in 2018. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the Statement of Net Position. 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 net OPEB liability 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 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 December 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 15, 2019.

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, the required pension and OPEB 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 statement, 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 Sunday, September 30, 2018, 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.

PROPER CLASSIFICATION OF REVENUES

During the audit, it was noted that several revenues, including grant revenues, did not always have proper supporting documentation readily available to the Treasurer's office to ensure proper recording and classification of the revenue. We recommend that all departments provide sufficient support for their revenues to the Treasurer's office, such as grant agreements, award letters or other correspondence from the payor.

CASH RECONCILIATIONS

Timely preparation of complete and accurate bank reconciliations is key to maintaining adequate control over both cash receipts and disbursements. During our audit, it was noted that proper bank reconciliations were not being conducted for certain fiduciary fund accounts. We recommend that management establish procedures to ensure that all cash accounts are reconciled on a monthly basis. In addition, we recommend that all reconciliations be reviewed by someone who is not involved in the reconciliation process. This review should be documented with initialing and dating of the reconciliation.

**APPENDIX II
MANAGEMENT COMMENTS**

STATUS OF PRIOR YEAR COMMENTS:

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

<u>Comment</u>	<u>Implemented/ Situation Corrected</u>	<u>Management Decision To Not Implement</u>	<u>Progress Made</u>	<u>Situation Still Exists</u>
Financial Statement Preparation Controls		X		
Board Approval of Significant Purchases	X			
Deficit Fund Balance	X			