

Gratiot County
Financial Statements
September 30, 2019



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Gratiot County
List of Elected and Appointed Officials
September 30, 2019

Board of Commissioners

| | |
|---------------|--------------|
| George Bailey | Commissioner |
| Jan Bunting | Commissioner |
| Chuck Murphy | Commissioner |
| Tim Lambrecht | Commissioner |
| Sam Smith | Commissioner |

Administration and Other Elected Officials

| | |
|-----------------|----------------------|
| Tracey Cordes | Administrator |
| Michelle Thomas | Treasurer |
| Angie Thompson | Clerk |
| Mary Merchant | Register of Deeds |
| Bernie Barnes | Drain Commissioner |
| Keith Kushion | Prosecuting Attorney |
| Michael Morris | Sheriff |



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Independent Auditors' Report

County Commissioners and Management
Gratiot County
Ithaca, 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 Gratiot County, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

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 did not audit the financial statements of the Gratiot County Road Commission, a component unit, which statements reflect total assets and net position constituting 45 percent and 41 percent of the total assets and total net position of the discretely presented component units at September 30, 2019, respectively, and total revenues constituting 68 percent of the total revenues of the discretely presented component units for the year then ended. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Gratiot County Road Commission, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, based on our audit and the report of other auditors, 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 Gratiot County, as of September 30, 2019, 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, Municipal Employees' Retirement System schedules and Other Post Employment Benefit Schedules, as identified in the table of contents, 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 and other auditors 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 Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Gratiot County's basic financial statements. The other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The other supplementary information, as identified in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The other supplementary 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 by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the other supplementary information, as identified in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2020 on our consideration of Gratiot County'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 Gratiot County's internal control over financial reporting or on compliance. That report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Gratiot County's internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Alma, Michigan
March 13, 2020

Gratiot County
Management's Discussion and Analysis
September 30, 2019

The following is a discussion and analysis of Gratiot County's ("the County") financial performance and position, providing an overview of the activities for the fiscal year ending September 30, 2019. This analysis should be read in conjunction with the *Independent Auditors' Report*, beginning on page 2-1 of this report, and with the County's financial statements, which follow this section. Certain limited financial information is presented with respect to the Gratiot County Road Commission in Management's Discussion and Analysis. The reader should refer to the Gratiot County Road Commission's separately issued financial statements for more detailed information.

Overview of the Financial Statements

The annual financial report of the County consists of the following components: *Independent Auditors' Report*, *Management's Discussion and Analysis*, the *Basic Financial Statements* (government-wide financial statements, fund financial statements, notes to the financial statements), *Required Supplementary Information* such as budget to actual comparisons for the General Fund and information related to the Municipal Employees' Retirement System of Michigan and Other Postemployment Benefits, and *Other Supplementary Information* including combining financial statements for all non-major governmental funds and proprietary funds.

Government-wide Financial Statements (Reporting the County as a Whole)

The set of government-wide financial statements are made up of the Statement of Net Position and the Statement of Activities, which report information about the County as a whole, and about its activities. Their purpose is to determine whether the County, in its entirety, is better or worse off as a result of this fiscal year's activities. These statements, which include all non-fiduciary assets, deferred outflows of resources and liabilities and deferred inflows of resources, are reported on the *accrual basis of accounting*, similar to a private business. This means revenues are accounted for when they are *earned* and expenses are accounted for when *incurred*, regardless of when the actual cash is received or disbursed.

The Statement of Net Position (page 4-1) presents all of the County's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, recording the net of these as "net position". Over time, increases or decreases in net position measure whether the County's financial position is improving or deteriorating.

The Statement of Activities (page 4-3) presents information showing how the County's net position changed during the fiscal year. All changes in net position are reported based on the period for which the underlying events giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenue and expenses are reported in this statement for some items that will only result in cash flows in future financial periods, such as uncollected taxes and earned but unused employee annual leave.

Both statements report the following activities:

- **Governmental Activities** - Most of the County's basic services are reported under this category. Taxes, charges for services and intergovernmental revenue primarily fund these services. Most of the County's general government departments, law enforcement, the courts, the Board of Commissioner operations, and other countywide elected official operations are reported under these activities. This also includes the special revenue funds such as the Commission on Aging and Friend of the Court Funds.
- **Business-type Activities** - These activities operate like private businesses. The County charges fees to recover the cost of the services provided. The Gratiot County Jail Commissary Fund and the Delinquent Tax Revolving Fund are examples of these activities.

Gratiot County
Management's Discussion and Analysis
September 30, 2019

- ***Discretely Presented Component Units*** - Discretely presented component units are legally separate organizations for which the Board of Commissioners appoints a majority of the organization's policy board and there is a degree of financial accountability to the County. Five organizations are included as component units: Road Commission, Central Dispatch Authority, Board of Public Works (no financial activity for the fiscal year), Drainage Districts and Brownfield Redevelopment Authority.

As stated previously, the government-wide statements report on an *accrual* basis of accounting. However, the governmental funds report on a *modified accrual* basis. Under modified accrual accounting, revenues are recognized when they are measurable and available to pay obligations of the fiscal period; expenditures are recognized when they are due to be paid from available resources.

Because of the different bases of accounting between the fund statements (described below) and the government-wide statements, pages 4-6 and 4-9 present reconciliations between the two statement types. The following summarizes examples of the impact of transitioning from modified accrual to full accrual accounting:

- Capital assets used in governmental activities (depreciation) are not reported on the fund financial statements of the governmental funds; however depreciation expense is reported on the government-wide statements.
- Capital outlay spending results in capital assets on the government-wide statements, but is reported as expenditures on the fund financial statements of the governmental funds.
- Internal service funds are reported as governmental activities on the government-wide statements, but are reported as proprietary funds on the fund financial statements.
- Long-term liabilities, such as reserves for sick and annual leave (compensated absences), etc. appear as liabilities on the government-wide statements; however they will not appear on the fund financial statements unless current resources are used to pay a specific obligation.
- Bond proceeds are reported as liabilities on the government-wide statements, but are recorded as other financing sources on the fund financial statements.

In addition, it should be noted that the government-wide financial statements include the net value of the County's general capital assets such as buildings, land, vehicles, computer equipment etc. These values are not included in the fund financial statements.

Fund Financial Statements (Reporting the County's Major Funds)

The fund financial statements, which begin on page 4-4, provide information on the County's significant (major) funds, and aggregated non-major funds. Traditional users of governmental financial statements will find the fund financial statements presentation more familiar.

A fund is a fiscal and accounting entity with a self-balancing set of accounts that the County uses to keep track of specific sources of funding and spending for a particular purpose. State law or policy requires some separate funds, such as the Commission on Aging Fund; other funds are required by bond or grant agreements, such as the Friend of the Court Fund. Funds are also utilized to track specific operations; these include the internal service funds (e.g., Fringe Benefit Fund) as well as enterprise funds such as the Jail Commissary and Delinquent Tax Revolving Funds.

The *basic financial statements* report major funds as defined by the Government Accounting Standards Board (GASB) in separate columns. Statement 34 defines a "major fund" as the General Fund, and any governmental or enterprise fund which has either total assets, total liabilities, total revenues or total expenditures/expenses that equal at least ten (10) percent of those categories for either the governmental funds or the enterprise funds *and* where the individual fund total also exceeds five (5) percent of those categories for governmental and enterprise funds combined. The major funds for Gratiot County include the General Fund and the Delinquent Tax Revolving Fund. All other funds are classified as non-major funds and are reported in aggregate by the applicable fund type. The County includes detailed information on its non-major funds in other supplementary sections of this report.

Gratiot County
Management's Discussion and Analysis
September 30, 2019

The County's funds are divided into three categories - governmental, proprietary, and fiduciary - and use different accounting approaches:

- **Governmental Funds** - Most of the County's basic services are reported in the governmental funds. The focus of these funds is how cash and other financial assets that can be readily converted to cash, flow in and out during the course of the fiscal year and how the balances left at year-end are available for spending on future services. Consequently, the governmental fund financial statements provide a detailed *short-term* view that helps determine whether there are more or fewer financial resources that may be expended in the near future to finance the County's programs. Governmental funds include the *General Fund*, as well as *Special Revenue Funds* (use of fund balance is restricted), *Capital Projects Funds* (used to report major capital acquisitions and construction), and *Debt Service Funds* (accounts for resources used to pay long-term debt principal and interest).
- **Proprietary Funds** - Services for which the County charges customers (whether outside the County structure or a County department) a fee are generally reported in proprietary funds. Proprietary funds use the same *accrual* basis of accounting used in the government-wide statements and by private business. There are two types of proprietary funds. *Enterprise funds* report activities that provide supplies and/or services to the general public. An example is the Soil Erosion Inspection Fund. *Internal Service funds* report activities that provide supplies or service to the County's other operations, such as the Fringe Benefit Fund. Internal Service funds are reported as governmental activities on the government-wide statements.
- **Fiduciary Funds** - The County acts as a trustee or fiduciary in certain instances. It is also responsible for other assets that, because of trust arrangements, can only be used for the trust beneficiaries. The County's fiduciary activities are reported in a separate Statements of Fiduciary Net Position on page 4-14. These funds, which include trust and agency funds and the OPEB Trust Fund, are reported using the accrual basis of accounting. The government-wide statements *exclude* the fiduciary fund activities and balances because these assets are not available to the County to fund its operations.

Notes to the Financial Statements

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the detail provided in the government-wide and fund financial statements. The Notes can be found beginning on page 4-19 of this report.

Required Supplementary Information

Following the Basic Financial Statements is additional Required Supplementary Information (RSI), which further explains and supports the information in the financial statements. RSI includes a budgetary comparison schedule for the General Fund, information related to the Municipal Employees' Retirement System of Michigan and Other Post-employment Benefits.

Other Supplementary Information

Other Supplementary Information includes combining financial statements for non-major governmental, enterprise, internal service, and component unit funds. These funds are added together, by fund type, and are presented in aggregate single columns in the appropriate basic financial statements.

**Gratiot County
Management's Discussion and Analysis
September 30, 2019**

Financial Analysis of the County as a Whole

The following condensed financial information is derived from the government-wide Statement of Net Position and reflects the County's financial position for the years ended September 30, 2019 and 2018.

| | Governmental Activities | | Business Type Activities | | Total Primary Government | |
|--|----------------------------|---------------------|--------------------------------|---------------------|--------------------------------|----------------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Current and other assets | \$ 11,407,405 | \$ 11,690,692 | \$ 7,095,866 | \$ 7,114,195 | \$ 18,503,271 | \$ 18,804,887 |
| Capital assets | 7,256,377 | 7,228,206 | - | - | 7,256,377 | 7,228,206 |
| Deferred outflows of resources | 1,910,416 | 78,174 | - | - | 1,910,416 | 78,174 |
| Total assets and deferred outflows of resources | 20,574,198 | 18,997,072 | 7,095,866 | 7,114,195 | 27,670,064 | 26,111,267 |
| Current liabilities | 973,536 | 2,103,342 | 12,185 | 23,384 | 985,721 | 2,126,726 |
| Long-term liabilities | 9,884,896 | 9,943,772 | - | - | 9,884,896 | 9,943,772 |
| Deferred inflows of resources | 1,603,685 | 1,220,100 | - | - | 1,603,685 | 1,220,100 |
| Total liabilities and deferred inflows of resources | 12,462,117 | 13,267,214 | 12,185 | 23,384 | 12,474,302 | 13,290,598 |
| Net Position | | | | | | |
| Net investment in capital assets | 6,686,362 | 6,539,650 | - | - | 6,686,362 | 6,539,650 |
| Restricted | 1,542,426 | 1,873,705 | - | - | 1,542,426 | 1,873,705 |
| Unrestricted (deficit) | (116,707) | (2,683,497) | 7,083,681 | 7,090,811 | 6,966,974 | 4,407,314 |
| Total net position | \$ 8,112,081 | \$ 5,729,858 | \$ 7,083,681 | \$ 7,090,811 | \$ 15,195,762 | \$ 12,820,669 |

Gratiot County
Management's Discussion and Analysis
September 30, 2019

The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the County's net position changed during the years ending September 30, 2019 and 2018.

| | Governmental Activities | | Business Type Activities | | Total Primary Government | |
|-------------------------------------|----------------------------|----------------------------|-----------------------------|----------------------------|-----------------------------|-----------------------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Revenues | | | | | | |
| Charges for Services | \$ 3,624,512 | \$ 3,495,984 | \$ 566,800 | \$ 612,581 | \$ 4,191,312 | \$ 4,108,565 |
| Grants & Contributions | 4,370,075 | 3,703,513 | - | - | 4,370,075 | 3,703,513 |
| General Revenues | | | | | | |
| Property Taxes | 11,406,327 | 10,833,025 | - | - | 11,406,327 | 10,833,025 |
| Investment Earnings | 82,675 | 50,973 | 93,588 | 45,122 | 176,263 | 96,095 |
| Miscellaneous | 17,922 | 13,079 | 55,606 | 44,442 | 73,528 | 57,521 |
| Total revenues | 19,501,511 | 18,096,574 | 715,994 | 702,145 | 20,217,505 | 18,798,719 |
| Expenses | | | | | | |
| General Government | 7,970,954 | 6,972,259 | - | - | 7,970,954 | 6,972,259 |
| Public Safety | 4,471,404 | 5,235,383 | - | - | 4,471,404 | 5,235,383 |
| Public Works | 19,887 | 15,206 | - | - | 19,887 | 15,206 |
| Health and Welfare | 3,294,744 | 3,516,843 | - | - | 3,294,744 | 3,516,843 |
| Community and economic development | 465,536 | 403,845 | - | - | 465,536 | 403,845 |
| Recreation & Cultural | 1,203,531 | 1,045,093 | - | - | 1,203,531 | 1,045,093 |
| Interest on long-term debt | 193,232 | 183,026 | - | - | 193,232 | 183,026 |
| Delinquent Tax | - | - | 82,584 | 8,558 | 82,584 | 8,558 |
| Tax fees and sales proceeds | - | - | - | 56,183 | - | 56,183 |
| Other | - | - | 140,540 | 99,176 | 140,540 | 99,176 |
| Total expenses | 17,619,288 | 17,371,655 | 223,124 | 163,917 | 17,842,412 | 17,535,572 |
| Excess revenue over expenses | 1,882,223 | 724,919 | 492,870 | 538,228 | 2,375,093 | 1,263,147 |
| Transfers | 500,000 | (931) | (500,000) | 931 | - | - |
| Change in net position | 2,382,223 | 723,988 | (7,130) | 539,159 | 2,375,093 | 1,263,147 |
| Net position - beginning (restated) | 5,729,858 | 5,005,870 | 7,090,811 | 6,551,652 | 12,820,669 | 11,557,522 |
| Net position - ending | <u>\$ 8,112,081</u> | <u>\$ 5,729,858</u> | <u>\$ 7,083,681</u> | <u>\$ 7,090,811</u> | <u>\$ 15,195,762</u> | <u>\$ 12,820,669</u> |

**Gratiot County
Management's Discussion and Analysis
September 30, 2019**

Governmental Activities Statement of Net Position:

The County's Governmental Activities (GA) net position increased \$2.4 million over the past fiscal year. This is due to increased debt and liability management by the County. During fiscal year 2019 the County established an Other Post Employment Benefit (OPEB) fund to offset future liabilities. The County's GA unrestricted net position is \$(116,707). This is the highest net position the County has had since accounting standards required reporting pension and OPEB liabilities on our financial statements in 2015.

Revenues:

Property tax collection revenues for fiscal year 2019 are up to \$11.4 million (from \$10.8 million). This is due to two factors, an increase of \$200,000 to the 2019 tax roll and an increase in the State's personal property tax refund during the year.

Federal and State grant and contribution revenues for fiscal year 2019 are up to \$4.4 million (from \$3.7 million). A new State program was instituted at Gratiot County in fiscal year 2019 – the Indigent Defense Program. This brought in nearly \$500,000 in additional State grant funding.

Charges for Services round off the last largest revenue source for the County's revenue sources and they remained relatively flat.

The County levied six property tax millages for the 2019 fiscal year, one being for general government operations at 5.5306 mills which is not assigned to any particular activity, the senior citizens millage at .6492 mills to finance the Commission on Aging, the road patrol millage at .4494 to finance the Road Patrol, the parks millage at .3493 mills to finance the Parks Department, the Economic Development and Agriculture millage at .4500 mills to finance economic development and agricultural promotion activities, and .4994 mills to finance libraries throughout the County.

Expenses:

General government expenses increased by \$1 million from 2018 to 2019. This resulted from a one-time payment of \$800,000 to lower the County's drain assessment debt and a one-time transfer out for a \$750,000 payment to the County's Other Post Employment Benefit fund. Removing the one-time payments from the governmental activities brings our operating expenses down to \$16 million, a decrease of \$1.4 million from the prior year. This decrease is primarily attributable to lower pension and OPEB costs (due to set aside trust fund balance to counter the liabilities) and lowering nonsalary expenditures throughout the County by establishing centralized procurement and contract services.

Business-Type Activities:

Net position in business-type activities flat at \$7.1 million despite contributing \$500,000 to the County's OPEB trust fund. The Delinquent Tax Revolving Fund, considered a major fund, continues to collect interest and penalties assessed on delinquent taxes. The costs associated with operating this fund remain minimal.

All of the net position in the business type activities is reported as unrestricted. However, it is important to note that although reported as unrestricted, many of these assets are anticipated to be assigned or committed through Board of Commissioners action to be spent on General Fund activities and self-funding of delinquent tax payments in future years.

**Gratiot County
Management's Discussion and Analysis
September 30, 2019**

Financial Analysis of the County's Funds

General Fund:

The General Fund is the chief operating fund of the County. Unless otherwise required by statute, contractual agreement or Board policy, all County revenues and expenditures are recorded in the General Fund. As of September 30, 2019, the General Fund reported a fund balance of \$6,411,518. The General Fund's fund balance decreased by \$1,091,599 due to one-time payments of \$800,000 to decrease County drain assessment debt and \$750,000 to establish an Other Post Employment Benefit (OPEB) trust fund. Of the total fund balance, \$5,705,991 is unassigned. The County maintains separate internal funds to account for the following activities: solid waste planning, public improvement, budget stabilization, secondary road patrol, social welfare, child welfare, juvenile child care, soldiers & sailors, and animal adoption coordinator. These internal funds are rolled up and included in General Fund presented in these financial statements because these funds receive a significant portion of funding from the General Fund and would not be able to operate independently without that funding.

General Fund Budgetary Highlights:

Gratiot County's budget is a dynamic document. Although adopted in September (prior to the start of the fiscal year), the budget requires frequent amendments during the course of the fiscal year to reflect changing operational demands.

The County's revenue collections were budgeted at \$14,035,289. Actual collections came in at \$13,432,301, or \$602,988 lower than budgeted. Actual was less than budgeted amounts for the following significant reason:

- During the current fiscal year, \$1.3 million in tax collections were collected 60 days or later, disqualifying the revenue from being recorded on fiscal year 2019's financial statements. This amount is up from \$777,523 in the prior year, explaining the unexpected uncollected revenue fluctuation.

The County's expenditure budget was \$15,104,405. Actual County expenditures for fiscal year 2019 were \$14,523,900, or \$580,505 lower than budgeted.

- The Sheriff's Public Safety budget came in \$205,729 under budget. This is primarily due staff turnover causing positions to remain open throughout various time periods during the year. As a result, expenditures did not meet the budget.
- Social and Child welfare costs came in \$353,403 under budget during the fiscal year. Detention center expenditures were well below budgeted amounts for the year.

Delinquent Tax Revolving Fund:

The Delinquent Tax Revolving Fund accounts for money advanced by the County to other local taxing units and various County funds to pay for their delinquent real property taxes. Beginning September 30, 2019, the Tax Sale Fund and Delinquent Tax Revolving Fund will be reported together in the financial statements under the Delinquent Tax Revolving Fund. As of September 30, 2019, this fund reported net position of \$6,950,972, a decrease of \$46,213 from the prior year. A \$500,000 transfer to the County's Other Post Employment Benefit trust fund was performed during the year. Operating expenses in this fund remain minimal, and revenues are generated from interest generated, penalties, interest charged and sale of delinquent properties. The County maintains this balance to limit the need to borrow funds when reconciling and paying out the local units, and various County funds during property tax settlement.

**Gratiot County
Management's Discussion and Analysis
September 30, 2019**

Capital Assets

At the end of fiscal year 2019 the County had invested in a broad range of capital assets as summarized in the following table. The business-type activities do not have capital assets.

| | Governmental Activities | |
|--------------------------------|--------------------------------|---------------------|
| | 2019 | 2018 |
| Land | \$ 703,075 | \$ 703,075 |
| Construction in progress | 67,124 | - |
| Land improvements | 967,589 | 967,589 |
| Buildings and improvements | 10,293,155 | 10,204,424 |
| Equipment and furniture | 1,184,242 | 1,572,543 |
| Vehicles | 890,517 | 821,825 |
| | 14,105,702 | 14,269,456 |
| Less: accumulated depreciation | (6,849,325) | (7,041,250) |
| Capital assets, net | \$ 7,256,377 | \$ 7,228,206 |

The County's capital assets' valuation remained flat for fiscal year 2019.

Long-Term Debt

As of September 30, 2019, the County had \$9,940,544 in long-term obligations outstanding for the primary government summarized in the following table (OPEB and pension amounts also include liability from the Central Dispatch Authority). The County continues to make scheduled payments on the general obligation bonds.

| | |
|--------------------------------|-------------|
| General obligation bonds | \$5,708,765 |
| Capital Lease Obligations | 139,915 |
| Compensated absences | 621,453 |
| Other post-employment benefits | 1,374,149 |
| Pension fund liability | 2,096,262 |

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total state equalized valuation. The current debt limitation for the County is significantly higher than the County's outstanding general obligation debt.

The County maintains an "AA" bond rating with Standard & Poor's for its general obligation debt.

A more detailed discussion of the County's long-term debt obligations is presented in footnote 9 to the financial statements (page 4-35).

**Gratiot County
Management's Discussion and Analysis
September 30, 2019**

Economic Factors and Next Fiscal Year's Budget

The County considered the following factors and honored certain philosophies in preparing the County's budget for the 2020 fiscal year.

- Sustainability. The current Board of Commissioners are largely comprised of individuals who favor a small government and minimal tax burdens on the citizens of Gratiot County. However, the Board also recognizes that costs of existing goods and services are ever rising, and that the workforce will likely seek wage increases. The Commissioners strike a realistic philosophical balance in their view by insisting that cost increases, such as wages and benefits, be demonstrably sustainable over time. Costs, therefore, are read side-by-side with realistically anticipated revenue in the short and long term.
- Continued management of unfunded other post-employment benefits (OPEB) liability. After establishing an OPEB trust fund in fiscal year 2019, the Board has again budgeted a lump sum transfer from the General Fund to the OPEB fund to continue funding this liability.
- Approach to tax revenue. The County is ever-optimistic about increases in tax revenue resulting from the wind turbines—through increases in the number of turbines, but also by virtue of success in our challenge to the tax tables used to determine tax rates. The County is currently participating in a lawsuit with multiple other municipalities regarding turbine depreciation schedule. The change in assumptions would have a negative impact on the tax roll going forward and potentially going back.
- Debt Management. During this time period where additional tax revenues are available resulting from wind turbines, the County is working to pay down debt and liabilities incurred to promote a healthy balance sheet.
- Other revenue. Gratiot County assumes continued state and federal grant awards that currently fund certain services. In addition, county citizens have consistently shown great support for the services that are sustained by millages, including the Sheriff's road patrol, parks and recreation, aging services, MSU extension, economic development and libraries.

Contacting the County

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If there are questions about this report, or a need for additional information, contact the Gratiot County Administrator at (989) 875-5282 or the Gratiot County Financial Administrator at (989) 875-5261.

Gratiot County
Statement of Net Position
September 30, 2019

| | Primary Government | | | Component Units |
|---|----------------------------|-----------------------------|-----------------------|-----------------------|
| | Governmental Activities | Business-type Activities | Total | |
| Assets | | | | |
| Cash and cash equivalents | \$ 7,594,569 | \$ 3,585,298 | \$ 11,179,867 | \$ 5,594,527 |
| Deposits with fiscal agent | - | - | - | 17,634 |
| Investments | 4,574 | 843,855 | 848,429 | 640,123 |
| Receivables | | | | |
| Taxes | 3,216,236 | 1,558,061 | 4,774,297 | - |
| Customers | 240,475 | 1,299 | 241,774 | 238,835 |
| Special assessments | - | - | - | 13,884,481 |
| Accrued interest and other | 5,930 | 394,516 | 400,446 | - |
| Due from other units of government | 606,156 | 12,730 | 618,886 | 900,062 |
| Internal balances | (699,482) | 699,482 | - | - |
| Inventories | 44,067 | - | 44,067 | 480,554 |
| Prepaid items | 394,880 | 625 | 395,505 | - |
| Net OPEB asset | - | - | - | 54,563 |
| Capital assets not being depreciated | 770,199 | - | 770,199 | 3,355,240 |
| Capital assets net of depreciation | <u>6,486,178</u> | <u>-</u> | <u>6,486,178</u> | <u>58,482,591</u> |
| Total assets | <u>18,663,782</u> | <u>7,095,866</u> | <u>25,759,648</u> | <u>83,648,610</u> |
| Deferred Outflows of Resources | | | | |
| Deferred amount relating to net pension liability | 1,909,315 | - | 1,909,315 | 2,497,242 |
| Deferred amount relating to total OPEB liability | <u>1,101</u> | <u>-</u> | <u>1,101</u> | <u>33</u> |
| Total deferred outflows of resources | <u>1,910,416</u> | <u>-</u> | <u>1,910,416</u> | <u>2,497,275</u> |

See Accompanying Notes to the Financial Statements

Gratiot County
Statement of Net Position
September 30, 2019

| | Primary Government | | | Component Units |
|---|----------------------------|-----------------------------|--------------------------|--------------------------|
| | Governmental Activities | Business-type Activities | Total | |
| Liabilities | | | | |
| Accounts payable | \$ 648,643 | \$ 11,607 | \$ 660,250 | \$ 994,896 |
| Accrued and other liabilities | 324,893 | 578 | 325,471 | 220,554 |
| Performance bond payable | - | - | - | 1,800 |
| Due to other units of government | - | - | - | 17,693 |
| Advances from other governmental unit | - | - | - | 227,829 |
| Noncurrent liabilities | | | | |
| Debt due within one year | 1,538,525 | - | 1,538,525 | 1,725,784 |
| Debt due in more than one year | 4,931,608 | - | 4,931,608 | 12,848,217 |
| Net pension liability | 2,089,015 | - | 2,089,015 | 7,854,286 |
| Net OPEB liability | 1,325,748 | - | 1,325,748 | 48,401 |
| Total liabilities | <u>10,858,432</u> | <u>12,185</u> | <u>10,870,617</u> | <u>23,939,460</u> |
| Deferred Inflows of Resources | | | | |
| Deferred amount relating to net pension liability | - | - | - | 141,413 |
| Deferred amount relating to net OPEB liability | 1,603,685 | - | 1,603,685 | 48,650 |
| Total deferred inflows of resources | <u>1,603,685</u> | <u>-</u> | <u>1,603,685</u> | <u>190,063</u> |
| Net Position | | | | |
| Net investment in capital assets | 6,686,362 | - | 6,686,362 | 47,657,635 |
| Restricted for | | | | |
| Special revenue funds | 1,542,426 | - | 1,542,426 | - |
| Central dispatch authority | - | - | - | 578,480 |
| Drainage districts | - | - | - | 17,675,132 |
| Brownfield redevelopment authority | - | - | - | 35,664 |
| Unrestricted (deficit) | <u>(116,707)</u> | <u>7,083,681</u> | <u>6,966,974</u> | <u>(3,930,549)</u> |
| Total net position | <u>\$ 8,112,081</u> | <u>\$ 7,083,681</u> | <u>\$ 15,195,762</u> | <u>\$ 62,016,362</u> |

See Accompanying Notes to the Financial Statements

Gratiot County
Statement of Activities
For the Year Ended September 30, 2019

| Functions/Programs | 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 | |
| Primary government | | | | | | | | |
| Governmental activities | | | | | | | | |
| General government | \$ 7,970,954 | \$ 2,259,409 | \$ 3,752,181 | \$ - | \$ (1,959,364) | \$ - | \$ (1,959,364) | \$ - |
| Public safety | 4,471,404 | 1,120,882 | 197,804 | 10,845 | (3,141,873) | - | (3,141,873) | - |
| Public works | 19,887 | - | - | - | (19,887) | - | (19,887) | - |
| Health and welfare | 3,294,744 | 161,056 | 377,170 | - | (2,756,518) | - | (2,756,518) | - |
| Community and economic development | 465,536 | 69,416 | 28,009 | - | (368,111) | - | (368,111) | - |
| Recreation and culture | 1,203,531 | 13,749 | 4,066 | - | (1,185,716) | - | (1,185,716) | - |
| Interest on long-term debt | 193,232 | - | - | - | (193,232) | - | (193,232) | - |
| Total governmental activities | <u>17,619,288</u> | <u>3,624,512</u> | <u>4,359,230</u> | <u>10,845</u> | <u>(9,624,701)</u> | <u>-</u> | <u>(9,624,701)</u> | <u>-</u> |
| Business-type activities | | | | | | | | |
| Delinquent tax revolving | 82,584 | 448,199 | - | - | - | 365,615 | 365,615 | - |
| Soil erosion inspection | 24,500 | 73,182 | - | - | - | 48,682 | 48,682 | - |
| Jail commissary | 116,040 | 45,419 | - | - | - | (70,621) | (70,621) | - |
| Total business-type activities | <u>223,124</u> | <u>566,800</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>343,676</u> | <u>343,676</u> | <u>-</u> |
| Total primary government | <u>\$ 17,842,412</u> | <u>\$ 4,191,312</u> | <u>\$ 4,359,230</u> | <u>\$ 10,845</u> | <u>(9,624,701)</u> | <u>343,676</u> | <u>(9,281,025)</u> | <u>-</u> |
| Component units | | | | | | | | |
| Drainage Districts | \$ 2,123,289 | \$ 3,754,953 | \$ - | \$ 1,096,969 | - | - | - | 2,728,633 |
| Central Dispatch Authority | 1,176,878 | 1,175,547 | 74,209 | - | - | - | - | 72,878 |
| Brownfield Redevelopment Authority | 35,691 | - | - | - | - | - | - | (35,691) |
| Road Commission | 11,244,650 | 1,698,552 | 7,602,474 | 3,462,867 | - | - | - | 1,519,243 |
| | <u>\$ 14,580,508</u> | <u>\$ 6,629,052</u> | <u>\$ 7,676,683</u> | <u>\$ 4,559,836</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>4,285,063</u> |
| General revenues | | | | | | | | |
| Property taxes | | | | | 11,406,327 | - | 11,406,327 | 35,261 |
| Unrestricted investment earnings | | | | | 82,675 | 93,588 | 176,263 | 39,508 |
| Gain on sale of capital assets | | | | | - | - | - | 5,648 |
| Miscellaneous | | | | | 17,922 | 55,606 | 73,528 | - |
| Transfers | | | | | 500,000 | (500,000) | - | - |
| Total general revenues and transfers | | | | | <u>12,006,924</u> | <u>(350,806)</u> | <u>11,656,118</u> | <u>80,417</u> |
| Change in net position | | | | | 2,382,223 | (7,130) | 2,375,093 | 4,365,480 |
| Net position - beginning of year | | | | | <u>5,729,858</u> | <u>7,090,811</u> | <u>12,820,669</u> | <u>57,650,882</u> |
| Net position - end of year | | | | | <u>\$ 8,112,081</u> | <u>\$ 7,083,681</u> | <u>\$ 15,195,762</u> | <u>\$ 62,016,362</u> |

See Accompanying Notes to the Financial Statements

**Gratiot County
Governmental Funds
Balance Sheet
September 30, 2019**

| | <u>General</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|------------------------------------|---------------------|--|---|
| Assets | | | |
| Cash and cash equivalents | \$ 5,253,228 | \$ 2,306,867 | \$ 7,560,095 |
| Investments | 4,574 | - | 4,574 |
| Receivables | | | |
| Taxes | 3,216,236 | - | 3,216,236 |
| Customers | 151,009 | 89,466 | 240,475 |
| Due from other units of government | 452,059 | 154,097 | 606,156 |
| Due from other funds | 150,841 | - | 150,841 |
| Prepaid items | 248,799 | 1,335 | 250,134 |
| | <u>9,476,746</u> | <u>2,551,765</u> | <u>12,028,511</u> |
| Total assets | <u>\$ 9,476,746</u> | <u>\$ 2,551,765</u> | <u>\$ 12,028,511</u> |
| Liabilities | | | |
| Accounts payable | \$ 431,781 | \$ 201,585 | \$ 633,366 |
| Accrued and other liabilities | 231,337 | 64,386 | 295,723 |
| Advances from other funds | 800,000 | - | 800,000 |
| | <u>1,463,118</u> | <u>265,971</u> | <u>1,729,089</u> |
| Total liabilities | <u>1,463,118</u> | <u>265,971</u> | <u>1,729,089</u> |

See Accompanying Notes to the Financial Statements

**Gratiot County
Governmental Funds
Balance Sheet
September 30, 2019**

| | <u>General</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|---------------------|--|---|
| Deferred Inflows of Resources | | | |
| Unavailable grant revenue and charges for services | \$ 281,758 | \$ 75,131 | \$ 356,889 |
| Unavailable property taxes | <u>1,320,352</u> | <u>-</u> | <u>1,320,352</u> |
| Total deferred inflows of resources | <u>1,602,110</u> | <u>75,131</u> | <u>1,677,241</u> |
| Fund Balances | | | |
| Non-spendable | | | |
| Prepaid items | 248,799 | 1,335 | 250,134 |
| Restricted | | | |
| Debt service | - | 5,709 | 5,709 |
| Special revenue funds | - | 2,203,619 | 2,203,619 |
| Committed | 163,620 | - | 163,620 |
| Assigned | 293,108 | - | 293,108 |
| Unassigned | <u>5,705,991</u> | <u>-</u> | <u>5,705,991</u> |
| Total fund balances | <u>6,411,518</u> | <u>2,210,663</u> | <u>8,622,181</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 9,476,746</u> | <u>\$ 2,551,765</u> | <u>\$ 12,028,511</u> |

Gratiot County
Governmental Funds
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
September 30, 2019

| | |
|---|---------------------|
| Total fund balances for governmental funds | \$ 8,622,181 |
| Total net position for governmental activities in the statement of net position is different because: | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | |
| Capital assets not being depreciated | 770,199 |
| Capital assets net of depreciation | 6,486,178 |
| Certain receivables are not available to pay for current period expenditures and, therefore are deferred in the funds. | 1,677,241 |
| Certain liabilities are not due and payable in the current period and are not reported in the funds. | |
| Accrued interest | (29,170) |
| Compensated absences | (621,453) |
| Deferred outflows of resources resulting from net pension liability | 1,909,315 |
| Deferred outflows of resources resulting from net OPEB liability | 1,101 |
| Deferred inflows of resources resulting from net OPEB liability | (1,603,685) |
| Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. | |
| Bonds payable | (5,848,680) |
| Net pension liability | (2,089,015) |
| Net OPEB liability | (1,325,748) |
| Internal service funds are included as part of governmental activities. | 163,617 |
| Net position of governmental activities | \$ 8,112,081 |

Gratiot County
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2019

| | <u>General</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|-------------------|--|---|
| Revenues | | | |
| Taxes | \$ 7,526,448 | \$ 3,337,050 | \$ 10,863,498 |
| Licenses and permits | 75,862 | 317,326 | 393,188 |
| Intergovernmental | | | |
| Federal/State | 2,591,757 | 1,497,690 | 4,089,447 |
| Local contributions | 100,733 | 94,824 | 195,557 |
| Charges for services | 2,250,232 | 399,791 | 2,650,023 |
| Fines and forfeitures | 88,329 | 4,500 | 92,829 |
| Interest income | 60,715 | 21,960 | 82,675 |
| Rental income | 8,325 | - | 8,325 |
| Other revenue | 378,912 | 76,902 | 455,814 |
| | <u>13,081,313</u> | <u>5,750,043</u> | <u>18,831,356</u> |
| Expenditures | | | |
| Current | | | |
| General government | 7,325,725 | 1,063,663 | 8,389,388 |
| Public safety | 3,856,880 | 812,808 | 4,669,688 |
| Public works | 14,435 | - | 14,435 |
| Health and Welfare | 1,672,809 | 1,561,236 | 3,234,045 |
| Community and economic development | 384 | 450,874 | 451,258 |
| Recreation and culture | - | 1,034,844 | 1,034,844 |
| Other functions | 73,604 | - | 73,604 |
| Capital outlay | 391,118 | 350,818 | 741,936 |
| Debt service | | | |
| Principal retirement | 8,519 | 911,429 | 919,948 |
| Interest and fiscal charges | 5,033 | 181,628 | 186,661 |
| | <u>13,348,507</u> | <u>6,367,300</u> | <u>19,715,807</u> |
| Deficiency of revenues over expenditures | <u>(267,194)</u> | <u>(617,257)</u> | <u>(884,451)</u> |

See Accompanying Notes to the Financial Statements

Gratiot County
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2019

| | <u>General</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---------------------------------------|---------------------|--|---|
| Other financing sources (uses) | | | |
| Transfers in | \$ 222,643 | \$ 1,387,944 | \$ 1,610,587 |
| Transfers out | (1,175,393) | (388,801) | (1,564,194) |
| Capital lease proceeds | <u>128,345</u> | <u>21,518</u> | <u>149,863</u> |
| Total other financing sources (uses) | <u>(824,405)</u> | <u>1,020,661</u> | <u>196,256</u> |
| Net change in fund balance | (1,091,599) | 403,404 | (688,195) |
| Fund balance - beginning of year | <u>7,503,117</u> | <u>1,807,259</u> | <u>9,310,376</u> |
| Fund balance - end of year | <u>\$ 6,411,518</u> | <u>\$ 2,210,663</u> | <u>\$ 8,622,181</u> |

See Accompanying Notes to the Financial Statements

Gratiot County
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2019

| | |
|---|---------------------|
| Net change in fund balances - Total governmental funds | \$ (688,195) |
| Total change in net position reported for governmental activities in the statement of activities is different because: | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. | |
| Depreciation expense | (407,090) |
| Capital outlay | 468,526 |
| Loss on disposal of capital assets | (33,265) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds. | |
| Grants | 127,326 |
| Property taxes | 542,829 |
| Expenses are recorded when incurred in the statement of activities | |
| Accrued interest | (16,758) |
| Compensated absences | 5,628 |
| The statement of net position reports the net pension liability and deferred outflows of resources and deferred inflows related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions. | |
| Net change in net pension liability | (2,626,755) |
| Net change in the deferred outflow of resources related to the net pension liability | 1,831,141 |
| Net change in the deferred inflow of resources related to the net pension liability | 865,410 |
| The statement of net position reports the net OPEB liability and deferred outflows of resources and deferred inflows related to the net OPEB liability and OPEB expense. However, the amount recorded on the governmental funds equals actual OPEB contributions. | |
| Net change in net OPEB liability | 2,816,817 |
| Net change in the deferred outflow of resources related to the net OPEB liability | 1,101 |
| Net change in the deferred inflow of resources related to the net OPEB liability | (1,248,995) |
| Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position | |
| Debt issued | (149,863) |
| Repayments of long-term debt | 919,948 |
| Amortization of premiums | 10,187 |
| Internal service funds are also included as governmental activities | (35,769) |
| Change in net position of governmental activities | \$ 2,382,223 |

See Accompanying Notes to the Financial Statements

Gratiot County
Proprietary Funds
Statement of Net Position
September 30, 2019

| | Business-type Activities | | | Internal Service Funds |
|------------------------------------|--------------------------------|---------------------------------|---------------------|---------------------------|
| | Delinquent Tax Revolving | Nonmajor Enterprise Funds | Total | |
| Assets | | | | |
| Current assets | | | | |
| Cash and cash equivalents | \$ 3,451,540 | \$ 133,758 | \$ 3,585,298 | \$ 34,474 |
| Investments | 843,855 | - | 843,855 | - |
| Receivables | | | | |
| Taxes | 1,558,061 | - | 1,558,061 | - |
| Customers | - | 1,299 | 1,299 | - |
| Accrued interest and other | 394,516 | - | 394,516 | 5,930 |
| Due from other units of government | 12,730 | - | 12,730 | - |
| Inventories | - | - | - | 44,067 |
| Prepaid items | - | 625 | 625 | 144,746 |
| | <u>6,260,702</u> | <u>135,682</u> | <u>6,396,384</u> | <u>229,217</u> |
| Total current assets | | | | |
| | 6,260,702 | 135,682 | 6,396,384 | 229,217 |
| Noncurrent assets | | | | |
| Advances to other funds | 800,000 | - | 800,000 | - |
| | <u>800,000</u> | <u>-</u> | <u>800,000</u> | <u>-</u> |
| Total assets | <u>7,060,702</u> | <u>135,682</u> | <u>7,196,384</u> | <u>229,217</u> |
| Liabilities | | | | |
| Current liabilities | | | | |
| Accounts payable | 9,212 | 2,395 | 11,607 | 15,277 |
| Accrued and other liabilities | - | 578 | 578 | - |
| Due to other funds | 100,518 | - | 100,518 | 50,323 |
| | <u>109,730</u> | <u>2,973</u> | <u>112,703</u> | <u>65,600</u> |
| Total current liabilities | | | | |
| | 109,730 | 2,973 | 112,703 | 65,600 |
| Net Position | | | | |
| Unrestricted | <u>\$ 6,950,972</u> | <u>\$ 132,709</u> | <u>\$ 7,083,681</u> | <u>\$ 163,617</u> |

See Accompanying Notes to the Financial Statements

Gratiot County
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended September 30, 2019

| | Business-type Activities | | | Internal Service Funds |
|---|--------------------------------|---------------------------------|--------------|---------------------------|
| | Delinquent Tax Revolving | Nonmajor Enterprise Funds | Total | |
| Operating revenue | | | | |
| Customer fees | \$ 405,510 | \$ 118,601 | \$ 524,111 | \$ - |
| Billings to other funds | - | - | - | 3,220,291 |
| Other revenue | 42,683 | 55,612 | 98,295 | 82,914 |
| Total operating revenue | 448,193 | 174,213 | 622,406 | 3,303,205 |
| Operating expenses | | | | |
| Personnel services | - | 16,015 | 16,015 | 3,723,859 |
| Supplies | 18,680 | 28,201 | 46,881 | - |
| Contractual services | 500 | 822 | 1,322 | - |
| Utilities | - | 432 | 432 | - |
| Repairs and maintenance | - | 6,980 | 6,980 | - |
| Other expenses | 63,404 | 88,090 | 151,494 | 71,258 |
| Total operating expenses | 82,584 | 140,540 | 223,124 | 3,795,117 |
| Operating income (loss) | 365,609 | 33,673 | 399,282 | (491,912) |
| Nonoperating revenue | | | | |
| Interest income | 88,178 | 5,410 | 93,588 | 2,536 |
| Income before transfers | 453,787 | 39,083 | 492,870 | (489,376) |
| Transfers in | - | - | - | 1,250,000 |
| Transfers out | (500,000) | - | (500,000) | (796,393) |
| Change in net position | (46,213) | 39,083 | (7,130) | (35,769) |
| Net position - beginning of year, as restated | 6,997,185 | 93,626 | 7,090,811 | 199,386 |
| Net position - end of year | \$ 6,950,972 | \$ 132,709 | \$ 7,083,681 | \$ 163,617 |

See Accompanying Notes to the Financial Statements

Gratiot County
Proprietary Funds
Statement of Cash Flows
For the Year Ended September 30, 2019

| | <u>Business-type Activities - Enterprise Funds</u> | | | |
|---|--|--|---------------------|-----------------------------------|
| | <u>Delinquent Tax Revolving</u> | <u>Nonmajor Enterprise Funds</u> | <u>Total</u> | <u>Internal Service Funds</u> |
| Cash flows from operating activities | | | | |
| Receipts from customers and employees | \$ 356,964 | \$ 174,018 | \$ 530,982 | \$ 25,242 |
| Receipts from interfund users | - | - | - | 3,318,042 |
| Payments from other funds | 101,436 | - | 101,436 | - |
| Payments to suppliers | - | (129,561) | (129,561) | (3,797,162) |
| Payments to employees | - | (16,015) | (16,015) | - |
| Net cash provided (used) by operating activities | <u>458,400</u> | <u>28,442</u> | <u>486,842</u> | <u>(453,878)</u> |
| Cash flows from noncapital financing activities | | | | |
| Transfer from other funds | - | - | - | 1,250,000 |
| Transfers to other funds | (500,000) | - | (500,000) | (796,393) |
| Advances to other funds | (800,000) | - | (800,000) | - |
| Net cash provided (used) by noncapital financing activities | <u>(1,300,000)</u> | <u>-</u> | <u>(1,300,000)</u> | <u>453,607</u> |
| Cash flows from investing activities | | | | |
| Sale of investments | 474,333 | - | 474,333 | - |
| Interest received | 88,178 | 5,410 | 93,588 | 2,536 |
| Net cash provided by investing activities | <u>562,511</u> | <u>5,410</u> | <u>567,921</u> | <u>2,536</u> |
| Net change in cash and cash equivalents | (279,089) | 33,852 | (245,237) | 2,265 |
| Cash and cash equivalents - beginning of year | <u>3,730,629</u> | <u>99,906</u> | <u>3,830,535</u> | <u>32,209</u> |
| Cash and cash equivalents - end of year | <u>\$ 3,451,540</u> | <u>\$ 133,758</u> | <u>\$ 3,585,298</u> | <u>\$ 34,474</u> |

See Accompanying Notes to the Financial Statements

Gratiot County
Proprietary Funds
Statement of Cash Flows
For the Year Ended September 30, 2019

| | Business-type Activities - Enterprise Funds | | | |
|--|---|---------------------------------|----------------|---------------------------|
| | Delinquent Tax Revolving | Nonmajor Enterprise Funds | Total | Internal Service Funds |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities | | | | |
| Operating income (loss) | \$ 365,609 | \$ 33,673 | \$ 399,282 | \$ (491,912) |
| Changes in assets and liabilities | | | | |
| Receivables (net) | 10,232 | (195) | 10,037 | 729 |
| Due from other units of government | (12,714) | - | (12,714) | - |
| Inventories | - | - | - | (6,828) |
| Prepaid items | - | - | - | (7,925) |
| Accounts payable | (6,163) | (5,020) | (11,183) | 12,708 |
| Accrued and other liabilities | - | (16) | (16) | - |
| Due to other funds | 101,436 | - | 101,436 | 39,350 |
| Net cash provided (used) by operating activities | \$ 458,400 | \$ 28,442 | \$ 486,842 | \$ (453,878) |

See Accompanying Notes to the Financial Statements

Gratiot County
Fiduciary Funds
Statement of Fiduciary Net Position
September 30, 2019

| | <u>Other Employee Benefit Trust Fund</u> | <u>Agency Funds</u> |
|---|--|-------------------------|
| Assets | | |
| Cash and cash equivalents | \$ - | \$ 2,397,681 |
| Investments | 1,248,416 | - |
| Receivables | | |
| Accrued interest and other | - | 2,500 |
| Total assets | <u>\$ 1,248,416</u> | <u>\$ 2,400,181</u> |
| Liabilities | | |
| Accrued and other liabilities | \$ - | \$ 342,810 |
| Due to other units of government | - | 2,057,371 |
| Total liabilities | <u>\$ -</u> | <u>\$ 2,400,181</u> |
| Net Position | | |
| Held in trust for other employee benefits | <u>\$ 1,248,416</u> | |

Gratiot County
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Year Ended September 30, 2019

| | <u>Other Employee Benefit Trust Fund</u> |
|----------------------------------|--|
| Additions | |
| Contributions | |
| Employer | \$ <u>1,406,177</u> |
| Investment earnings | |
| Net change in fair value | (1,418) |
| Less investment expense | <u>(166)</u> |
| Net investment loss | <u>(1,584)</u> |
| Total additions | 1,404,593 |
| Deductions | |
| Benefits | <u>156,177</u> |
| Change in net position | 1,248,416 |
| Net position - beginning of year | <u>-</u> |
| Net position - end of year | <u>\$ 1,248,416</u> |

See Accompanying Notes to the Financial Statements

Gratiot County
Component Unit Funds
Combining Statement of Net Position
September 30, 2019

| | Road Commission | Central Dispatch Authority | Drainage Districts | Brownfield Redevelopment Authority | Total |
|---|--------------------|----------------------------------|-----------------------|--|-------------------|
| Assets | | | | | |
| Current assets | | | | | |
| Cash and cash equivalents | \$ 866,060 | \$ 222,036 | \$ 4,503,992 | \$ 2,439 | \$ 5,594,527 |
| Deposits with fiscal agent | - | 17,634 | - | - | 17,634 |
| Investments | 640,123 | - | - | - | 640,123 |
| Receivables | | | | | |
| Customers | - | 238,835 | - | - | 238,835 |
| Special assessments, current | - | - | 2,215,751 | - | 2,215,751 |
| Due from other units of government | 843,828 | 20,643 | 2,366 | 33,225 | 900,062 |
| Inventories | 480,554 | - | - | - | 480,554 |
| Total current assets | 2,830,565 | 499,148 | 6,722,109 | 35,664 | 10,087,486 |
| Noncurrent assets | | | | | |
| Special assessments receivable, deferred | - | - | 11,668,730 | - | 11,668,730 |
| Net OPEB asset | 54,563 | - | - | - | 54,563 |
| Capital assets not being depreciated | 653,673 | - | 2,701,567 | - | 3,355,240 |
| Capital assets net of depreciation | 31,125,230 | 643,091 | 26,714,270 | - | 58,482,591 |
| Total noncurrent assets | 31,833,466 | 643,091 | 41,084,567 | - | 73,561,124 |
| Total assets | 34,664,031 | 1,142,239 | 47,806,676 | 35,664 | 83,648,610 |
| Deferred Outflows of Resources | | | | | |
| Deferred amount relating to net pension liability | 2,257,605 | 239,637 | - | - | 2,497,242 |
| Deferred amount relating to net OPEB liability | - | 33 | - | - | 33 |
| Total deferred outflows of resources | 2,257,605 | 239,670 | - | - | 2,497,275 |

See Accompanying Notes to the Financial Statements

Gratiot County
Component Unit Funds
Combining Statement of Net Position
September 30, 2019

| | Road Commission | Central Dispatch Authority | Drainage Districts | Brownfield Redevelopment Authority | Total |
|---|----------------------|----------------------------------|-----------------------|--|----------------------|
| Liabilities | | | | | |
| Current liabilities | | | | | |
| Accounts payable | \$ 411,600 | \$ 11,555 | \$ 571,741 | \$ - | \$ 994,896 |
| Accrued and other liabilities | 55,257 | 21,331 | 143,966 | - | 220,554 |
| Performance bond payable | 1,800 | - | - | - | 1,800 |
| Due to other units of government | 17,693 | - | - | - | 17,693 |
| Current portion of noncurrent liabilities | <u>128,916</u> | <u>61,187</u> | <u>1,535,681</u> | <u>-</u> | <u>1,725,784</u> |
| Total current liabilities | <u>615,266</u> | <u>94,073</u> | <u>2,251,388</u> | <u>-</u> | <u>2,960,727</u> |
| Noncurrent liabilities | | | | | |
| Advances from State | 227,829 | - | - | - | 227,829 |
| Net pension liability | 7,847,039 | 7,247 | - | - | 7,854,286 |
| Long-term debt net of current portion | 241,735 | 40,527 | 12,565,955 | - | 12,848,217 |
| Net OPEB liability | <u>-</u> | <u>48,401</u> | <u>-</u> | <u>-</u> | <u>48,401</u> |
| Total noncurrent liabilities | <u>8,316,603</u> | <u>96,175</u> | <u>12,565,955</u> | <u>-</u> | <u>20,978,733</u> |
| Total liabilities | <u>8,931,869</u> | <u>190,248</u> | <u>14,817,343</u> | <u>-</u> | <u>23,939,460</u> |
| Deferred Inflows of Resources | | | | | |
| Deferred amount relating to net pension liability | 141,413 | - | - | - | 141,413 |
| Deferred amount relating to net OPEB liability | <u>-</u> | <u>48,650</u> | <u>-</u> | <u>-</u> | <u>48,650</u> |
| Total deferred inflows of resources | <u>141,413</u> | <u>48,650</u> | <u>-</u> | <u>-</u> | <u>190,063</u> |
| Net Position | | | | | |
| Net investment in capital assets | 31,778,903 | 564,531 | 15,314,201 | - | 47,657,635 |
| Restricted | | | | | |
| Central dispatch authority | - | 578,480 | - | - | 578,480 |
| Drainage districts | - | - | 17,675,132 | - | 17,675,132 |
| Brownfield redevelopment authority | - | - | - | 35,664 | 35,664 |
| Unrestricted (deficit) | <u>(3,930,549)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(3,930,549)</u> |
| Total net position | <u>\$ 27,848,354</u> | <u>\$ 1,143,011</u> | <u>\$ 32,989,333</u> | <u>\$ 35,664</u> | <u>\$ 62,016,362</u> |

See Accompanying Notes to the Financial Statements

Gratiot County
Component Units Funds
Statement of Activities
For the Year Ended September 30, 2019

| Functions/Programs | Program Revenues | | | | Net (Expense) |
|------------------------------------|----------------------|---------------------|---------------------|----------------------|----------------------|
| <u>Expenses</u> | <u>Charges for</u> | <u>Operating</u> | <u>Capital</u> | <u>Revenues and</u> | <u>Changes in</u> |
| Component units | <u>Services</u> | <u>Grants and</u> | <u>Grants and</u> | <u>Contributions</u> | <u>Net Position</u> |
| Governmental activities | | | | | |
| Drainage Districts | \$ 2,123,289 | \$ 3,754,953 | \$ - | \$ 1,096,969 | \$ 2,728,633 |
| Central Dispatch Authority | 1,176,878 | 1,175,547 | 74,209 | - | 72,878 |
| Brownfield Redevelopment Authority | 35,691 | - | - | - | (35,691) |
| Road Commission | <u>11,244,650</u> | <u>1,698,552</u> | <u>7,602,474</u> | <u>3,462,867</u> | <u>1,519,243</u> |
| Total primary government | <u>\$ 14,580,508</u> | <u>\$ 6,629,052</u> | <u>\$ 7,676,683</u> | <u>\$ 4,559,836</u> | <u>4,285,063</u> |
| General revenues | | | | | |
| Property taxes | | | | | 35,261 |
| Unrestricted investment earnings | | | | | 39,508 |
| Gain on sale of capital assets | | | | | <u>5,648</u> |
| Total general revenues | | | | | <u>80,417</u> |
| Change in net position | | | | | 4,365,480 |
| Net position - beginning of year | | | | | <u>57,650,882</u> |
| Net position - end of year | | | | | <u>\$ 62,016,362</u> |

See Accompanying Notes to the Financial Statements

Gratiot County
Notes to the Financial Statements
September 30, 2019

Note 1 - Summary of Significant Accounting Policies

Reporting entity

The County of Gratiot, Michigan, was incorporated in 1855, and covers an area of approximately 580 square miles with the County seat located in the City of Ithaca. The County operates under an elected Board of Commissioners and provides services to its more than 40,000 residents in many areas including law enforcement, administration of justice, community enrichment and development, and human services.

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government (see discussion below for description).

Blended Component Units – A three (3) member Board appointed by the Gratiot County Board of Commissioners governs the Gratiot County Building Authority. Its sole purpose is to finance and construct the County's public buildings. It is reported in the Debt Service fund category. A separate report is not prepared for the Building Authority.

Discretely Presented Component Units – These component units are reported in a separate column to emphasize that, while legally separate, Gratiot County remains financially accountable for these entities, or the nature and significance of the relationship between these entities and Gratiot County is such that exclusion of these entities would render the financial statements misleading or incomplete.

The Gratiot County Road Commission is responsible for the maintenance and construction of the County road system. The Road Commission operations are financed primarily from the State distribution of gas and weight taxes, Federal financial assistance, and contributions from other local government units within the County. The Gratiot County Road Commission, which is established pursuant to the County Road Law (MCL 224.1), is governed by an elected three (3) member board of county road commissioners. The Road Commission is a separate legal entity from the County and they maintain a separate financial and accounting system. This component unit is audited individually and complete financial statements may be obtained from the Road Commission's administrative office.

Gratiot County Central Dispatch Authority – The County is a member of the Gratiot County Central Dispatch Authority. The Michigan State Police, the Villages of Ashley, Perrinton, and Breckenridge; and the Cities of Alma, St. Louis, and Ithaca are also members. The Authority is governed by a ten (10) member board. One (1) board member is appointed by each of the participating governmental units and three (3) board members are set by statute. The three (3) statutory representatives are appointed by the Sheriff, the Fire Chief, and the Michigan State Police. The Authority has responsibility for preparing the annual budget (which is approved by the County) and to carry out all activities of the Authority.

The Authority's intent is to support and operate central dispatch services primarily with funds generated from operations (i.e., telephone surcharge fees). Any required local contributions would be calculated based on a prorated scale, which takes into account the impact and use of the system for each participating unit. In November 2002, voters in Gratiot County approved a 911 surcharge to fully finance Central Dispatch Operations. For the year ended September 30, 2019, the County was not required to make a contribution to the Authority.

Gratiot County
Notes to the Financial Statements
September 30, 2019

The financial activities of the Gratiot County Central Dispatch Authority are reported in the County's audited financial statements as a discretely presented component unit due to the County being responsible for the receipt and disbursement of the Authority's funds.

The Gratiot County Board of Public Works (BPW) is a five (5) member Board comprised of the Drain Commissioner, a County Commissioner, a Road Commissioner, and two (2) members selected by the County Board of Commissioners (one (1) from City government and one (1) at large). The Board is under the general control of the County Board of Commissioners. The Board can acquire, improve, operate, and maintain water and sewage disposal systems for local units of government. Projects are initiated when the local unit requests the assistance of the BPW in organizing a project. Usually projects are financed by the sale of bonds upon final approval by the County Board of Commissioners as recommended by the BPW. The County must sell the bonds and pledge its full faith and security for payment of principal and interest. Special assessments are levied by the local units of government on benefited properties and are forwarded to the County for payment of principal and interest. There is currently no financial activity for the BPW.

The Drainage Districts in the County come under the jurisdiction of the Gratiot County Drain Commissioner. This includes planning, developing, and maintaining surface water drainage systems. A complete file of finance, construction, and maintenance is maintained for each of the drains. The Drain Commissioner has authority to spend up to \$2,500 per mile on drain maintenance and may borrow up to \$300,000 from any source to provide for maintenance of a drain without Board of Commissioner approval and without going through the Municipal Finance Division, State of Michigan. The Drain Commissioner has authority to levy special assessments on properties benefiting from maintenance. The Drainage Districts are financially accountable to the County because bond issuances greater than \$300,000 require County authorization and are backed by the full faith and credit of the County.

The financial activities of the Drainage Districts are reported in the County's audited financial statements as a discretely presented component unit due to the County backing the bonds issued for the Drainage Districts.

The Gratiot County Brownfield Redevelopment Authority is responsible for identifying improvement projects within the brownfield zones and monitoring projects through the completion phase. The Brownfield Redevelopment Authority operations are financed primarily from tax revenue. The Brownfield Redevelopment Authority is governed by a ten (10) member board whose members are appointed by the Gratiot County Board of Commissioners. The Brownfield Redevelopment Authority is a separate legal entity from the County.

Joint Ventures – The County participates in the following activities, which are considered to be joint ventures in relation to the County due to the formation of an organization by contractual agreement between two (2) or more participants that maintain joint control, financial interest, and financial responsibility.

Gratiot Community Airport Commission – The County is a member of the Gratiot Community Airport Commission, which is a joint venture between Gratiot County and the City of Alma. Each unit appoints three (3) of the six (6) members to the Commission. The Commission has responsibility for preparing the annual budget (which is approved by the County and the City) and to carry out all activities of the Commission. Each unit is responsible to fund 50% of the required local contribution to cover operational costs. The land and other property acquired during the term of the agreement are held by the County and City as tenants in common in such proportions as their contributions in the year of acquisition. For the year ended September 30, 2019, the County contributed \$26,000 to cover its share of operational cost. The County does not have an equity interest.

Gratiot County
Notes to the Financial Statements
September 30, 2019

The financial activities of the Gratiot Community Airport Commission (GCAC) are reported in the City of Alma's audited financial statements as a joint venture, due to the City being responsible for the receipt and disbursement of the Commission's funds. As of June 30, 2019, the GCAC had net position of \$2,046,650. A copy of the GCAC's audited financial statements can be obtained at City Hall.

Mid-Michigan District Health Department – The County is a member of the Mid-Michigan District Health Department, which is a joint venture between Gratiot, Clinton, and Montcalm counties. Each unit appoints two (2) of the six (6) members to the governing Board. The Department has responsibility for preparing the annual budget (which is approved by each County) and to carry out all activities of the Department.

Each unit is responsible to fund a percentage of the overall budget pursuant to a formula included in the interlocal agreement to cover operational costs. For the year ended September 30, 2019, the County contributed \$287,764 to cover its share of operational costs. The County does not have an equity interest.

The financial activities of the Mid-Michigan District Health Department are accounted for and reported separately from the participating units. Separate audited financial statements for their year ended September 30, 2019 are available at the Department's administrative offices. A copy of the Department's audited financial statements can be obtained at their administrative offices.

Jointly Governed Organizations – The County participates in the following activities which are considered to be jointly governed organizations in the relation to the County due to there being no ongoing financial interest or responsibility.

Central Area Partnership Consortium – Gratiot County, in conjunction with three (3) other Counties, has entered into an agreement that created the Central Area Partnership Consortium. This organization's

Board is composed of eight (8) members, of which two (2) are appointed by Gratiot County. The organization receives all of its funding from State and Federal grants and, as a result, the County has no financial responsibility other than potential liability related to inappropriate use of the funds.

Mid-South Substance Abuse Commission – Gratiot County, in conjunction with five (5) other Counties, has entered into an agreement that created the Mid-South Substance Abuse Commission. This organization's Board is composed of fifteen (15) members, of which one (1) is appointed by Gratiot County. The County's financial responsibility is to pass through 50% of the Convention and Tourism revenues received to the Commission. Also, if the Commission were to need additional operating funds, the County would be responsible to contribute a portion based on the percentage of Board membership (currently 7%). For the year ended September 30, 2019, the County passed through \$56,471 and was not required to make any additional appropriation.

Related Organizations – Greater Gratiot Development, Inc. – The purpose of the organization is to conduct an aggressive program for the economic growth and development of the Gratiot County area by assistance and encouragement for the maintenance and expansion of existing business and industry, the acquisition of new business and branch plants, the conduct of such other activities which will broaden the economic base to increase employment and business opportunities, and generally contribute to the advancement and growth of the area for the purpose of benefiting the community. Activities to create jobs and enhance the local tax base are its highest priority. A substantive part of these activities is offering help to new and existing small businesses in obtaining financing and making low interest loans to industrial oriented firms. An agricultural and economic development millage is in effect. A portion of these tax receipts are passed through to Greater Gratiot Development, Inc. For the year ended September 30, 2019, the County passed through \$413,967.

Gratiot County
Notes to the Financial Statements
September 30, 2019

Gratiot County Community Mental Health Services – The Gratiot County Community Mental Health Services (Board) operates under the provisions of PA 258 of 1974, as amended. This organization is an Authority in accordance with the Act and is a completely separate unit of government. Their audit can be obtained at their administrative offices. The Board provides funding for services in the area of mental illness, developmental disabilities, and other related mental health needs for the residents of the County of Gratiot. For the year ended September 30, 2019, the County's contribution to Mental Health Services was \$200,000.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are

excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Gratiot County
Notes to the Financial Statements
September 30, 2019

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

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

The government reports the following major proprietary funds:

The Delinquent Tax Revolving Fund accounts for money advanced by the County to other local taxing Units and various County funds to pay for their delinquent real property taxes. Revenues are generated by the collection of delinquent real property taxes, penalties, and interest.

Additionally, the government reports the following:

The nonmajor special revenue funds account for the proceeds of specific revenue sources requiring separate accounting because of legal or regulatory provisions or administrative requirements.

The nonmajor debt service funds account for the accumulation of resources for, and payment of governmental activities principal, interest and related costs.

The nonmajor capital projects funds account for capital outlay for certain projects for the County.

Internal Service Funds account for various internal activities that are provided to other departments or funds of the County on a cost reimbursement basis.

The nonmajor enterprise funds account for the operations of the Principal Residence Denial Interest Fund, Soil Erosion Inspection Fund, and Jail Commissary Fund.

The Other Employee Benefits Trust Fund accounts for the activities for the other postemployment benefit plan, and accumulates resources for benefit payments to qualified employees.

The Trust and Agency Fund, Wind Farm Planning Fund, and Library (Penal Fines) Fund account for other deposits collected on behalf of other units and individuals.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The

Gratiot County
Notes to the Financial Statements
September 30, 2019

principal operating revenues of the delinquent tax revolving and the internal service funds are charges to customers for sales and services. Operating expenses for the delinquent tax revolving and the internal service funds include personnel services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Assets, liabilities, and net position or equity

Deposits and investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value based on quoted market price. Certificates of deposit are stated at cost which approximates fair value. Restricted cash includes unspent bond proceeds.

Receivables and payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangement outstanding at the end of the fiscal year is referred to as “advances to/from other funds.” Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st and July 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

The 2019 taxable valuation of the government totaled \$1,339,200,069 on which ad valorem taxes consisted of 5.5306 mills for operating purposes. This resulted in \$7,337,379 for operating expenses, exclusive of any Michigan Tax Tribunal or Board of Review adjustments.

The 2018 taxable valuation of the government totaled \$1,294,342,019. Property taxes were levied for the following purposes, with tax revenues presented exclusive of any Michigan Tax Tribunal or Board of Review adjustments.

| | Mills | Revenue |
|--------------------------------------|--------|------------|
| Commission on Aging | 0.6492 | \$ 833,165 |
| Parks | 0.3493 | 448,282 |
| Road Patrol | 0.4494 | 576,748 |
| Agriculture and Economic Development | 0.4500 | 577,517 |
| Library | 0.4994 | 640,916 |

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, 2019. Subsequent collections of delinquent taxes receivable, plus interest thereon and investment earnings, are used to repay the funds distributed by the Delinquent Tax Revolving Fund. This activity is accounted for in the Delinquent Tax Revolving (Enterprise) Fund.

The County has evaluated tax abatements related to GASB Statement No. 77 and determined such tax abatements are not material to these financial statements.

Inventories and prepaid items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Inventories in the Road Commission (Component Unit) Fund are priced at cost as determined on the average cost method. Certain payments to vendors reflect costs applicable to future fiscal years. For such payments in governmental funds the County follows the consumption method, and they therefore are capitalized as prepaid items in both entity-wide and fund financial statements.

Capital assets – Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements.

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Capital assets are defined by the government as assets with an initial individual cost of more than \$10,000 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.

The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the government values these capital assets at the estimated fair value of the item at the date of its donation.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

| | |
|----------------------------|---------------|
| Land improvements | 5 to 40 years |
| Buildings and improvements | 5 to 50 years |
| Equipment and furniture | 5 to 20 years |
| Vehicles | 2 to 5 years |
| Drains | 40 years |

Capital assets – Road Commission – Component Unit – Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, and similar items) are reported in the government-wide financial statements. Capital assets are defined by the Gratiot County Road Commission as assets with an initial individual cost of more than \$1,500 and an estimated useful life of at least five years. Such assets are recorded at historical cost or the estimated historical cost at the date of purchase or construction. Donated capital assets are recorded at estimated fair market value at the date of donation. All Road Commission equipment is capitalized if there is a Schedule C rate for it, regardless of the cost.

Depreciation is computed on the sum-of-the-years'-digits method for road equipment and straight-line method for all other capital assets. The depreciation rates are designed to amortize the cost of the assets over their estimated useful lives as follows:

| | |
|--------------------------|----------------|
| Buildings | 30 to 50 years |
| Road equipment | 5 to 8 years |
| Shop equipment | 10 years |
| Engineering equipment | 5 to 10 years |
| Office equipment | 5 to 10 years |
| Infrastructure - roads | 8 to 30 years |
| Infrastructure - bridges | 12 to 50 years |

Deferred outflows of resources – A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period. The County reports deferred outflows of resources as a result of pension and OPEB investment earnings. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions and experience differences relating to the net pension and OPEB liabilities are deferred and amortized over the expected remaining service lives of the employees and retirees in the plan. The County also reports deferred outflows of resources for pension and OPEB contributions made after the measurement date. This amount will reduce net pension and OPEB liabilities in the following year.

Compensated absences – In accordance with the County personnel policies and/or contracts negotiated with the various employee groups of the County, individual employees have vested rights upon termination of employment to receive payment for unused paid time off under formulas and conditions specified in the respective personnel policies and/or contracts.

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Vested paid time off earned as of September 30, 2019, including related payroll taxes, is recorded in the government-wide financial statements as a noncurrent liability.

Long-term obligations – In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

Pensions – 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 Plan and additions to/deductions from Plan fiduciary net position have been determined on the same basis as they are reported by for the Plan. 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.

Other post-employment benefits (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 OPEB plan and

additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB plan. For this purpose, the OPEB plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are recorded 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.

Deferred inflows of resources – A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. For governmental funds this includes unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period. The County reports deferred inflows of resources as a result of pension and OPEB earnings. This amount is the result of a difference between what the plan expected to earn from plan investments and what is actually earned. This amount will be amortized over the next four years and is included in pension and OPEB expense. Changes in assumptions and experience differences relating to the net pension and OPEB liabilities are deferred and amortized over the expected remaining service lives of the employees and retirees in the plan.

Fund Equity – In the fund financial statements, governmental funds report fund balance in the following categories:

Non-spendable – amounts that are not available in a spendable form.

Restricted – amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.

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Committed – amounts constrained on use imposed by the County’s highest level of decision-making, its Board of Commissioners. A fund balance commitment may be established, modified, or rescinded by a resolution of the Board of Commissioners.

Assigned – amounts intended to be used for specific purposes, as determined by the Board of Commissioners, the finance committee, or the County Administrator. The Board of Commissioners has granted the finance committee and County Administrator the authority to assign funds. Residual amounts in governmental funds other than the general fund are automatically assigned by their nature.

Unassigned – all other resources; the remaining fund balances after non-spendable, restrictions, commitments and assignments.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the County’s policy is to consider restricted funds spent first.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the County’s policy is to consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

Stabilization

The County established an internal budget stabilization fund whose transactions have been included with the General Fund in the accompanying financial statements. The County Board of Commissioners has the authority to establish this fund, approve additional contributions to the fund and to determine when the funds may be spent. The internal budget stabilization fund had a fund balance of \$163,620 at September 30, 2019. This amount is included in the General Fund committed fund balance.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities, deferred inflows and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Adoption of New Accounting Standards

Statement No. 83, *Certain Asset Retirement Obligations* establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset.

Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* improves the information that is disclosed in notes to the financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities should be included when disclosing information related to debt. It requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. It will also require that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

Upcoming Accounting and Reporting Changes

Statement No. 84, *Fiduciary Activities* improves the guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be

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reported. The focus of the criteria includes the following: (1) is the government controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally will report fiduciary activities that are not held in a trust or similar arrangement that meets specific criteria. Statement No. 84 is effective for the fiscal year ending September 30, 2020.

Statement No. 87, *Leases* increases the usefulness of the financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee will be required to recognize a lease liability and an intangible right-to-use a lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about leasing activities. The requirements of this Statement are effective for the fiscal year ending September 30, 2021.

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. It requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reporting in a business-type activity or enterprise fund. Interest cost incurred before the end of a construction period should

be recognized as an expenditure for financial statements prepared using the current financial resources measurement. The requirements of this Statement are effective for the fiscal year ending September 30, 2021.

Statement No. 90, *Majority Equity Interests* improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain components. This statement is effective for the year ending September 30, 2020.

Statement No. 91, *Conduit Debt Obligations* provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This statement is effective for the year ending September 30, 2022.

The County is evaluating the impact that the above GASBs will have on its financial reporting.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary information

The government is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal year end.

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Prior to May 1, the County departments, in conjunction with the Administrator's office, submit to the Budget and Finance Committee a proposed operating budget for the fiscal year commencing the following October 1. Public hearings are obtained to obtain taxpayer comments and the budget is legally enacted through passage of an ordinance prior to September 30.

The budget document presents information by fund, activity, department, and line items. The legal level of budgetary control adopted by the governing body is the activity level. The Treasurer and Administrator are authorized to transfer budgeted amounts between line items within an activity; however, any revisions that alter the total expenditures of an activity must be approved by the Board of Commissioners.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent when goods are received or services rendered.

Excess of expenditures over appropriations

| Function | Final Budget | Amount of Expenditures | Budget Variances |
|----------------|--------------|------------------------|------------------|
| General Fund | | | |
| Capital outlay | \$ 381,533 | \$ 391,118 | \$ 9,585 |
| Debt service | - | 13,552 | 13,552 |
| Transfers out | 851,507 | 1,175,393 | 323,886 |

Note 3 - Deposits and Investments

The County maintains a cash management pool that is available for use by all funds. The County's pooled cash consists of a common checking account. Cash applicable to a particular fund is readily identifiable. The balances in the pooled cash accounts are available to meet current operating requirements.

The County's pooled cash is utilized by the General Fund, Special Revenue Funds, Capital Project Funds, Enterprise Funds, Internal Service Funds, Trust and Agency Funds, and Component Unit Funds. Each fund's portion of these pooled accounts is included in the cash and cash equivalents caption in the applicable balance sheet/statement of net position.

State statutes and the government's investment policy authorize the government to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States. United States government or federal agency obligations; repurchase agreements; bankers acceptance of United States Banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

At year end the government's deposits and investments were reported in the financial statements in the following categories:

| | Cash and Cash Equivalents | Investments | Total |
|--------------------------|---------------------------|---------------------|----------------------|
| Governmental activities | \$ 7,594,569 | \$ 4,574 | \$ 7,599,143 |
| Business-type activities | 3,585,298 | 843,855 | 4,429,153 |
| Total primary government | 11,179,867 | 848,429 | 12,028,296 |
| Fiduciary funds | 2,397,681 | 1,248,416 | 3,646,097 |
| Component units | 5,594,527 | 640,123 | 6,234,650 |
| Total | <u>\$ 19,172,075</u> | <u>\$ 2,736,968</u> | <u>\$ 21,909,043</u> |

Gratiot County
Notes to the Financial Statements
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The breakdown between deposits and investments is as follows:

| | Primary Government | Fiduciary Funds | Component Units | Total |
|---|-----------------------|---------------------|---------------------|----------------------|
| Bank deposits (checking, savings and certificates of deposit) | \$ 11,177,867 | \$ 2,397,681 | \$ 5,594,527 | \$ 19,170,075 |
| Investments | 848,429 | 1,248,416 | 640,123 | 2,736,968 |
| Petty cash and cash on hand | 2,000 | - | - | 2,000 |
| | <u>\$ 12,028,296</u> | <u>\$ 3,646,097</u> | <u>\$ 6,234,650</u> | <u>\$ 21,909,043</u> |

Custodial credit risk – deposits

In the case of deposits, this is the risk that in the event of bank failure, the government's deposits may not be returned to it. The government does not have a policy for custodial credit risk. As of year-end, \$14,742,104 of the \$19,439,277 bank balance was exposed to custodial credit risk because it was uninsured and uncollateralized. The County also has a repurchase agreement with the local bank. A repurchase agreement is an agreement in which the County transfers cash to the bank and the bank transfers securities to the County and promises to repay the cash plus interest in exchange for the same securities. As of year end, the County had a book balance of \$1,922,653 invested in repurchase agreements with a bank balance of \$1,922,653. The value of the underlying securities was \$2,018,957.

Custodial credit risk – investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the County 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 does not have a policy for custodial credit risk.

Interest rate risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. 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 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 cash requirements. As of year-end, the following securities were subject to interest rate risk:

| Investment | Fair Value | Weighted Average Maturity (Years) |
|----------------------------------|---------------------|--|
| Money market mutual fund MERS | \$ 1,488,552 | N/A |
| Short Term Income Fund | 749,754 | N/A |
| Capital Preservation Portfolio | 250,223 | N/A |
| Diversified Bond Portfolio | 248,439 | N/A |
| | <u>\$ 2,736,968</u> | |

Credit risk

Credit risk is the risk that the government will not be able to recover the value of its securities. The County follows state law, which limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The County has no investment policy that would further limit its investment choices for general County funds.

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Notes to the Financial Statements
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As of year-end, the following are credit quality ratings of the County's securities subject to credit risk:

| Investment | Fair Value | Rating | Rating Organization |
|--------------------------------|---------------------|--------|---------------------|
| Money market mutual fund | \$ 1,488,552 | AAA | S&P |
| MERS | | | |
| Short Term Income Fund | 749,754 | N/A | N/A |
| Capital Preservation Portfolio | 250,223 | N/A | N/A |
| Diversified Bond Portfolio | 248,439 | N/A | N/A |
| | <u>\$ 2,736,968</u> | | |

Concentration of credit risk

The County does not allow for an investment in any one issuer that is in excess of 60 percent of the government's total investments with the exception of U.S. Treasury securities and authorized investment pools.

Note 4 - Fair Value

The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The County has the following recurring fair value measurements as of September 30, 2019:

| Investments | Fair Value | Fair Value Measurements Using | | |
|--------------------------|---------------------|-------------------------------|---------------------|-------------------|
| | | Level 1 Inputs | Level 2 Inputs | Level 3 Inputs |
| Money market mutual fund | <u>\$ 1,488,552</u> | <u>\$ -</u> | <u>\$ 1,488,552</u> | <u>\$ -</u> |

The money market mutual fund is part of a local government investment pool (Michigan CLASS). The \$1,488,552 is valued using a pricing model utilizing observable fair value measures of fund/pool investments and other observable inputs to determine the fair value of the securities making up the investments/pool.

The interest in pooled investments of \$1,248,416 is measured at net asset value (NAV) and is invested in MERS Retiree Health Fund Vehicle's Short Term Income Fund, Capital Preservation Portfolio, and Diversified Bond Portfolio.

Note 5 - Receivables

The only receivables not expected to be collected within one year are as follows:

| Component unit | \$ | |
|---------------------|----------------------|-----------------|
| Special assessments | 321,672 | Drain Debt #007 |
| Special assessments | 456,441 | Drain Debt #133 |
| Special assessments | 2,277,104 | Drain Debt #181 |
| Special assessments | 1,346,714 | Drain Debt #383 |
| Special assessments | <u>7,266,799</u> | Regular Drain |
| | <u>\$ 11,668,730</u> | |

Gratiot County
Notes to the Financial Statements
September 30, 2019

Note 6 - Capital Assets

Capital assets activity of the primary government for the current year was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|------------------|------------------|---------------------|
| Governmental activities | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 703,075 | \$ - | \$ - | \$ 703,075 |
| Construction-in-progress | - | 67,124 | - | 67,124 |
| Total capital assets not being depreciated | 703,075 | 67,124 | - | 770,199 |
| Capital assets being depreciated | | | | |
| Land improvements | 967,589 | - | - | 967,589 |
| Buildings and improvements | 10,204,424 | 88,731 | - | 10,293,155 |
| Equipment and furniture | 1,572,543 | 136,699 | 525,000 | 1,184,242 |
| Vehicles | 821,825 | 175,972 | 107,280 | 890,517 |
| Total capital assets being depreciated | 13,566,381 | 401,402 | 632,280 | 13,335,503 |
| Less accumulated depreciation for | | | | |
| Land improvements | 203,951 | 33,656 | - | 237,607 |
| Buildings and improvements | 4,853,608 | 221,862 | - | 5,075,470 |
| Equipment and furniture | 1,357,330 | 64,998 | 495,735 | 926,593 |
| Vehicles | 626,361 | 86,574 | 103,280 | 609,655 |
| Total accumulated depreciation | 7,041,250 | 407,090 | 599,015 | 6,849,325 |
| Net capital assets being depreciated | 6,525,131 | (5,688) | 33,265 | 6,486,178 |
| Governmental activities capital assets, net | \$ 7,228,206 | \$ 61,436 | \$ 33,265 | \$ 7,256,377 |

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

| | |
|---------------------------------|-------------------|
| Governmental activities | |
| General government | \$ 139,519 |
| Public safety | 141,190 |
| Public works | 4,995 |
| Health and welfare | 35,756 |
| Recreation and culture | 85,630 |
| Total primary government | \$ 407,090 |

Capital assets activity of the component units for the current year was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|---------------------|---------------------|----------------------|
| Component Unit - Drainage Districts | | | | |
| Capital assets not being depreciated | | | | |
| Construction-in-progress | \$ 2,192,383 | \$ 3,280,022 | \$ 2,770,838 | \$ 2,701,567 |
| Capital assets being depreciated | | | | |
| Drains | 29,636,430 | 2,770,838 | - | 32,407,268 |
| Vehicles | 126,420 | - | 77,182 | 49,238 |
| Total capital assets being depreciated | 29,762,850 | 2,770,838 | 77,182 | 32,456,506 |
| Less accumulated depreciation for | | | | |
| Drains | 4,952,666 | 755,750 | - | 5,708,416 |
| Vehicles | 77,329 | 5,782 | 49,291 | 33,820 |
| Total accumulated depreciation | 5,029,995 | 761,532 | 49,291 | 5,742,236 |
| Net capital assets being depreciated | 24,732,855 | 2,009,306 | 27,891 | 26,714,270 |
| Component unit capital assets, net | \$ 26,925,238 | \$ 5,289,328 | \$ 2,798,729 | \$ 29,415,837 |
| Component Unit - Central Dispatch Authority | | | | |
| Capital assets being depreciated | | | | |
| Equipment and furniture | \$ 992,016 | \$ - | \$ - | \$ 992,016 |
| Less accumulated depreciation for | | | | |
| Equipment and furniture | 287,515 | 61,410 | - | 348,925 |
| Net capital assets being depreciated | 704,501 | (61,410) | - | 643,091 |
| Component unit capital assets, net | \$ 704,501 | \$ (61,410) | \$ - | \$ 643,091 |

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Notes to the Financial Statements
September 30, 2019

| Component Unit - Road Commission | Beginning Balance | Increases | Decreases | Ending Balance |
|---|----------------------|---------------------|------------------|----------------------|
| Capital assets not being depreciated | | | | |
| Land | \$ 116,903 | \$ - | \$ - | \$ 116,903 |
| Infrastructure - land/right-of-way | 3,086 | - | - | 3,086 |
| Infrastructure - land improvements | 533,684 | - | - | 533,684 |
| Total capital assets not being depreciated | 653,673 | - | - | 653,673 |
| Capital assets being depreciated | | | | |
| Land improvements | 59,959 | - | 29,054 | 30,905 |
| Buildings | 2,389,743 | - | - | 2,389,743 |
| Road equipment | 9,005,345 | 842,214 | 32,099 | 9,815,460 |
| Shop equipment | 167,970 | 4,928 | 10,877 | 162,021 |
| Office equipment | 297,317 | 10,155 | 259,908 | 47,564 |
| Engineer's equipment | 121,117 | 3,682 | 110,427 | 14,372 |
| Yard and storage | 16,573 | - | 16,573 | - |
| Infrastructure - bridges | 22,318,967 | 861,200 | - | 23,180,167 |
| Infrastructure - roads | 25,110,873 | 2,422,491 | 683,497 | 26,849,867 |
| Infrastructure - traffic signals | 4,558 | - | - | 4,558 |
| Total capital assets being depreciated | 59,492,422 | 4,144,670 | 1,142,435 | 62,494,657 |
| Less accumulated depreciation for | | | | |
| Land improvements | 51,662 | - | 29,054 | 22,608 |
| Buildings | 1,080,991 | 42,064 | - | 1,123,055 |
| Road equipment | 7,514,895 | 616,857 | 25,746 | 8,106,006 |
| Shop equipment | 163,411 | 3,133 | 10,877 | 155,667 |
| Office equipment | 292,886 | 5,199 | 259,908 | 38,177 |
| Engineer's equipment | 118,551 | 1,437 | 110,427 | 9,561 |
| Yard and storage | 23,444 | - | 16,573 | 6,871 |
| Infrastructure - bridges | 9,435,319 | 432,386 | - | 9,867,705 |
| Infrastructure - roads | 11,460,819 | 1,257,898 | 683,498 | 12,035,219 |
| Infrastructure - traffic signals | 4,558 | - | - | 4,558 |
| Total accumulated depreciation | 30,146,536 | 2,358,974 | 1,136,083 | 31,369,427 |
| Net capital assets being depreciated | 29,345,886 | 1,785,696 | 6,352 | 31,125,230 |
| Component unit capital assets, net | \$ 29,999,559 | \$ 1,785,696 | \$ 6,352 | \$ 31,778,903 |

| Component Unit - Total | Beginning Balance | Increases | Decreases | Ending Balance |
|---|----------------------|---------------------|---------------------|----------------------|
| Capital assets not being depreciated | | | | |
| Land | \$ 116,903 | \$ - | \$ - | \$ 116,903 |
| Infrastructure - land/right-of-way | 3,086 | - | - | 3,086 |
| Infrastructure - land improvements | 533,684 | - | - | 533,684 |
| Construction in progress | 2,192,383 | 3,280,022 | 2,770,838 | 2,701,567 |
| Total capital assets not being depreciated | 2,846,056 | 3,280,022 | 2,770,838 | 3,355,240 |
| Capital assets being depreciated | | | | |
| Land improvements | 59,959 | - | 29,054 | 30,905 |
| Buildings and improvements | 2,389,743 | - | - | 2,389,743 |
| Road equipment | 9,005,345 | 842,214 | 32,099 | 9,815,460 |
| Shop equipment | 167,970 | 4,928 | 10,877 | 162,021 |
| Office equipment | 297,317 | 10,155 | 259,908 | 47,564 |
| Engineer's equipment | 121,117 | 3,682 | 110,427 | 14,372 |
| Yard and storage | 16,573 | - | 16,573 | - |
| Infrastructure - bridges | 22,318,967 | 861,200 | - | 23,180,167 |
| Infrastructure - roads | 25,110,873 | 2,422,491 | 683,497 | 26,849,867 |
| Infrastructure - traffic signals | 4,558 | - | - | 4,558 |
| Equipment and furniture | 992,016 | - | - | 992,016 |
| Drains | 29,636,430 | 2,770,838 | - | 32,407,268 |
| Vehicles | 126,420 | - | 77,182 | 49,238 |
| Total capital assets being depreciated | 90,247,288 | 6,915,508 | 1,219,617 | 95,943,179 |
| Less accumulated depreciation for | | | | |
| Land improvements | 51,662 | - | 29,054 | 22,608 |
| Buildings and improvements | 1,080,991 | 42,064 | - | 1,123,055 |
| Road equipment | 7,514,895 | 616,857 | 25,746 | 8,106,006 |
| Shop equipment | 163,411 | 3,133 | 10,877 | 155,667 |
| Office equipment | 292,886 | 5,199 | 259,908 | 38,177 |
| Engineer's equipment | 118,551 | 1,437 | 110,427 | 9,561 |
| Yard and storage | 23,444 | - | 16,573 | 6,871 |
| Infrastructure - bridges | 9,435,319 | 432,386 | - | 9,867,705 |
| Infrastructure - roads | 11,460,819 | 1,257,898 | 683,498 | 12,035,219 |
| Infrastructure - traffic signals | 4,558 | - | - | 4,558 |
| Equipment and furniture | 287,515 | 61,410 | - | 348,925 |
| Drains | 4,952,666 | 755,750 | - | 5,708,416 |
| Vehicles | 77,329 | 5,782 | 49,291 | 33,820 |
| Total accumulated depreciation | 35,464,046 | 3,181,916 | 1,185,374 | 37,460,588 |
| Net capital assets being depreciated | 54,783,242 | 3,733,592 | 34,243 | 58,482,591 |
| Component unit capital assets, net | \$ 57,629,298 | \$ 7,013,614 | \$ 2,805,081 | \$ 61,837,831 |

Gratiot County
Notes to the Financial Statements
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Depreciation expense was charged to programs of the component units as follows:

Component units

| | |
|----------------------------|---------------------|
| Drainage Districts | \$ 761,532 |
| Central Dispatch Authority | 61,410 |
| Road Commission | <u>2,358,974</u> |
| Total component units | <u>\$ 3,181,916</u> |

Note 7 - Commitments

The County has active construction projects as of September 30, 2019. The projects included various drains and a jail roof. At year end, the County's commitments with contractors are as follows:

| Project | Total Contract | Spent to Date | Remaining Construction Commitment |
|-----------|---------------------|---------------------|-----------------------------------|
| Drains | \$ 1,657,716 | \$ 1,202,269 | \$ 455,447 |
| Jail roof | 106,100 | 45,935 | 60,165 |
| Total | <u>\$ 1,763,816</u> | <u>\$ 1,248,204</u> | <u>\$ 515,612</u> |

The County has entered into a five year contract with a vendor for mobile safety device licenses. The annual license fee charged is \$15,000. Future contract amounts to be paid are as follows:

| | |
|----------------------------------|------------------|
| <u>Year ending September 30,</u> | |
| 2020 | <u>\$ 15,000</u> |

Note 8 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

| Receivable Fund | Payable Fund | Amount |
|-----------------|-------------------------------|-------------------|
| General Fund | Internal Service Funds | \$ 50,323 |
| General Fund | Delinquent Tax Revolving Fund | 100,518 |
| | | <u>\$ 150,841</u> |

The outstanding balances between funds result mainly from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

Advances at year end are as follows:

| Receivable Fund | Payable Fund | Amount |
|-------------------------------|--------------|-------------------|
| Delinquent Tax Revolving Fund | General Fund | <u>\$ 800,000</u> |

The advance from the Delinquent Tax Revolving Fund to the General Fund was made for the purpose of paying down existing debt. Payments are made annually, with an interest rate of 3.00%. Future principal payments on this advance are as follows:

| Year ending September 30, | |
|------------------------------|-------------------|
| 2020 | \$ 200,000 |
| 2021 | 200,000 |
| 2022 | 200,000 |
| 2023 | 200,000 |
| | <u>\$ 800,000</u> |

Gratiot County
Notes to the Financial Statements
September 30, 2019

The details for interfund transfers are as follows:

| Funds Transferred From | Funds Transferred To | Amount |
|-------------------------------|-----------------------------|---------------------|
| General Fund | Nonmajor Governmental Funds | \$ 425,393 |
| General Fund | Internal Service Funds | 750,000 |
| Delinquent Tax Revolving Fund | Internal Service Funds | 500,000 |
| Internal Service Funds | Nonmajor Governmental Funds | 796,393 |
| Nonmajor Governmental Funds | General Fund | 222,643 |
| Nonmajor Governmental Funds | Nonmajor Governmental Funds | 166,158 |
| | | <u>\$ 2,860,587</u> |

Transfers are used to move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs. Funds other than the general fund also make transfers during the year to reimburse other funds for the cost of activities.

Note 9 - Leases

Capital lease

The County has a capital lease for copier machines. The future minimum lease payments are as follows:

| | <u>Year ending September 30,</u> | |
|---|----------------------------------|-------------------|
| | 2020 | \$ 38,169 |
| | 2021 | 38,169 |
| | 2022 | 38,169 |
| | 2023 | 38,169 |
| | 2024 | <u>22,266</u> |
| Total minimum lease payments | | 174,942 |
| Less amount representing interest | | <u>(33,717)</u> |
| Present value of minimum lease payments | | <u>\$ 141,225</u> |
| Reported in governmental activities | | \$ 139,915 |
| Reported in component units | | |
| Central dispatch authority | | <u>1,310</u> |
| Total | | <u>\$ 141,225</u> |
| Asset | | |
| Equipment and furniture | | \$ 11,806 |
| Less accumulated depreciation | | <u>(984)</u> |
| Total | | <u>\$ 10,822</u> |

\$139,460 of copier machines under this lease were individually under the County's capitalization threshold and were not included in capital assets.

Gratiot County
Notes to the Financial Statements
September 30, 2019

Note 10 - Long-Term Debt

The government issues bonds to provide for the acquisition and construction of major capital projects. General obligation bonds are direct obligations and pledge the full faith and credit of the government. The Gratiot County Board of Commissioners is party to a long-term lease agreement for the Courthouse addition from the Gratiot County Building Authority. The lease agreement stipulates that the annual rentals be paid by the County to the Building Authority in amounts sufficient to meet the annual principal and interest on bonds, which shall be pledged exclusively for that purpose. When all debt has been retired for the building, the rental will cease, title to the buildings will be transferred to the County, and any cash balances remaining with the Building Authority will be returned to the County. Long-term obligation activity is summarized as follows:

| | Amount of Issue | Maturity Date | Interest Rate Ranges | Principal Maturity Ranges | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|--------------------|------------------|----------------------------|---------------------------------|----------------------|-------------------|---------------------|---------------------|------------------------|
| Governmental activities | | | | | | | | | |
| Bonds and notes payable | | | | | | | | | |
| General obligation bonds | | | | | | | | | |
| Gratiot County Building Authority Bonds | | | | | | | | | |
| 2011 Building Authority Refunding (unsecured) | \$ 1,395,000 | 5/1/20 | 2.00 - 4.00% | \$190,000 | \$ 380,000 | \$ - | \$ 190,000 | \$ 190,000 | \$ 190,000 |
| County of Gratiot Capital Improvement Bonds | | | | | | | | | |
| 2005 Construction (unsecured) | 1,400,000 | 10/1/25 | 4.25 - 4.40% | \$25,000 - \$50,000 | 300,000 | - | 75,000 | 225,000 | 50,000 |
| 2017 General Obligation Bonds (unsecured) | 6,730,000 | 9/1/26 | 1.9 - 3.00% | \$655,000 - \$840,000 | 5,910,000 | - | 645,000 | 5,265,000 | 655,000 |
| Total bonds and notes payable | | | | | 6,590,000 | - | 910,000 | 5,680,000 | 895,000 |
| Deferred amounts | | | | | | | | | |
| For issuance premiums | | | | | 38,952 | - | 10,187 | 28,765 | - |
| Total | | | | | 6,628,952 | - | 920,187 | 5,708,765 | 895,000 |
| Capital lease - copiers | | | | | - | 149,863 | 9,948 | 139,915 | 25,556 |
| Compensated absences | | | | | 627,081 | 612,341 | 617,969 | 621,453 | 617,969 |
| Total governmental activities | | | | | <u>\$ 7,256,033</u> | <u>\$ 762,204</u> | <u>\$ 1,548,104</u> | <u>\$ 6,470,133</u> | <u>\$ 1,538,525</u> |

Gratiot County
Notes to the Financial Statements
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The County has irrevocably pledged its full faith and credit as collateral for the following drain notes. These projects are administered by the Gratiot County Drain Commission for local municipalities and local drainage districts. The drain notes were issued to finance the various construction projects in the noted Component Unit Capital Project Funds for the purpose of paying costs in connection with various drainage district projects and are payable out of assessments to be made against the benefited properties.

The Central Dispatch Authority has notes payable for a radio communication system and a 911 system upgrade.

Long-term obligation activity is summarized as follows:

| | Amount of Issue | Maturity Date | Interest Rate Ranges | Principal Maturity Ranges | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|--|--------------------|------------------|----------------------------|---------------------------------|----------------------|---------------------|---------------------|----------------------|------------------------|
| Component units | | | | | | | | | |
| Bonds and notes payable | | | | | | | | | |
| General obligation bonds | | | | | | | | | |
| No. 007 Drain Bond (unsecured) | \$ 1,695,000 | 6/1/22 | 2.25 - 2.60% | \$170,000 | \$ 680,000 | \$ - | \$ 170,000 | \$ 510,000 | \$ 170,000 |
| No. 133 Drain Bond (unsecured) | 1,125,000 | 6/1/28 | 1.65 - 2.65% | \$75,000 | 750,000 | - | 75,000 | 675,000 | 75,000 |
| No. 181 Drain Bond (unsecured) | 4,700,000 | 5/1/33 | 2.65 - 4.25% | \$235,000 | 3,525,000 | - | 235,000 | 3,290,000 | 235,000 |
| No. 383 Drain Bond (unsecured) | 1,885,000 | 5/1/36 | 1.30 - 3.15% | \$90,000 - \$95,000 | 1,695,000 | - | 95,000 | 1,600,000 | 90,000 |
| Total general obligation bonds | | | | | 6,650,000 | - | 575,000 | 6,075,000 | 570,000 |
| Notes from direct borrowings and direct placements | | | | | | | | | |
| Drain notes (unsecured) | Various | Various | Various | Various | 7,895,920 | 1,898,138 | 1,767,422 | 8,026,636 | 965,681 |
| Note payable | 572,554 | 5/1/2019 | 1.90% | \$145,124 | 145,124 | - | 145,124 | - | - |
| Note payable | 125,640 | 1/15/2021 | 4.36% | \$12,168 - \$39,449 | 125,640 | - | 48,390 | 77,250 | 37,801 |
| Total notes from direct borrowings and direct placements | | | | | 8,166,684 | 1,898,138 | 1,960,936 | 8,103,886 | 1,003,482 |
| Total bonds and notes payable | | | | | 14,816,684 | 1,898,138 | 2,535,936 | 14,178,886 | 1,573,482 |
| Capital lease - copier | | | | | - | 1,403 | 93 | 1,310 | 232 |
| Compensated absences - Central Dispatch | | | | | 42,901 | 13,397 | 33,144 | 23,154 | 23,154 |
| Compensated absences - Road Commission | | | | | 308,067 | 191,500 | 128,916 | 370,651 | 128,916 |
| Total component units | | | | | <u>\$ 15,167,652</u> | <u>\$ 2,104,438</u> | <u>\$ 2,698,089</u> | <u>\$ 14,574,001</u> | <u>\$ 1,725,784</u> |

Interest expense on long-term debt incurred during the year ended September 30, 2019, was \$461,548.

Gratiot County
Notes to the Financial Statements
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Long-term obligation activity for the drain bonds and notes in the previous schedule is detailed as follows:

| | Amount of Issue | Maturity Date | Interest Rate Ranges | Principal Maturity Ranges | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|-------------|--------------------|------------------|----------------------------|---------------------------------|----------------------|-----------|------------|-------------------|------------------------|
| Drain notes | | | | | | | | | |
| 015-0 | \$ 189,511 | 6/15/37 | 2.99% | \$8,977 | \$ 180,035 | \$ - | \$ 18,451 | \$ 161,584 | \$ 8,977 |
| 018-0 | 70,000 | 6/1/20 | 4.80% | \$7,000 | 14,000 | - | 7,000 | 7,000 | 7,000 |
| 020-0 | 199,571 | 6/15/24 | 2.49% | \$18,842 - \$20,789 | 125,578 | - | 26,560 | 99,018 | 18,842 |
| 031-0 | 98,582 | 6/1/30 | 3.50% | \$6,572 | 78,866 | - | 6,573 | 72,293 | 6,572 |
| 036-0 | 252,929 | 6/15/28 | 3.45% | \$15,722 | 168,619 | - | 27,122 | 141,497 | 15,722 |
| 049-0 | 538,218 | 6/1/25 | 2.19% | \$47,669 | 376,752 | - | 90,742 | 286,010 | 47,669 |
| 050-0 | 115,927 | 6/15/22 | 2.99% | \$11,593 | 46,370 | - | 11,592 | 34,778 | 11,593 |
| 059-0 | 69,687 | 6/15/29 | 3.04% | \$6,969 | - | 69,687 | - | 69,687 | 6,969 |
| 065-0 | 299,786 | 6/15/37 | 3.29% | \$14,989 | 284,797 | - | 27,401 | 257,396 | 14,989 |
| 079-0 | 379,396 | 6/15/37 | 3.60% | \$17,150 | 360,426 | - | 51,713 | 308,713 | 17,150 |
| 083-0 | 194,742 | 6/15/24 | 2.77% | \$32,457 | 194,742 | - | 32,457 | 162,285 | 32,457 |
| 086-0 | 528,700 | 6/15/39 | 3.94% | \$26,435 | - | 528,700 | - | 528,700 | 26,435 |
| 090-0 | 513,926 | 6/15/37 | 3.29% | \$25,696 | 488,230 | - | 67,655 | 420,575 | 25,696 |
| 096-1 | 691,430 | 6/15/20 | 1.79% | \$162,632 | 345,716 | - | 183,084 | 162,632 | 162,632 |
| 096-17 | 261,353 | 6/15/23 | 2.38% | \$65,338 | - | 261,353 | - | 261,353 | 65,338 |
| 100-0 | 356,307 | 6/15/24 | 2.77% | \$50,402 | 356,307 | - | 104,296 | 252,011 | 50,402 |
| 101-0 | 286,087 | 6/1/35 | 3.24% | \$10,201 | 243,174 | - | 79,958 | 163,216 | 10,201 |
| 101-1 | 246,290 | 6/15/38 | 3.50% | \$10,754 | 246,290 | - | 41,967 | 204,323 | 10,754 |
| 106-1 | 279,086 | 6/15/38 | 3.50% | \$9,432 | 279,086 | - | 99,878 | 179,208 | 9,432 |
| 111-0 | 215,768 | 6/15/21 | 1.74% | \$43,154 | 129,460 | - | 46,078 | 83,382 | 43,154 |
| 116-0 | 348,620 | 6/21/21 | 3.49% | \$39,211 - \$40,579 | 117,679 | - | 37,889 | 79,790 | 39,211 |
| 143-0 | 266,205 | 6/15/28 | 2.15% | \$24,201 | 242,005 | - | 25,411 | 216,594 | 24,201 |
| 151-0 | 226,800 | 6/1/35 | 3.24% | \$9,784 | 192,780 | - | 36,237 | 156,543 | 9,784 |
| 160-0 | 171,442 | 6/1/32 | 3.31% | \$11,429 | 160,013 | - | 11,430 | 148,583 | 11,429 |
| 163-0 | 286,975 | 6/15/19 | 1.22% | \$58,800 | 58,800 | - | 58,800 | - | - |
| 165-0 | 293,405 | 6/15/29 | 2.89% | \$17,657 - \$22,818 | 226,964 | - | 25,571 | 201,393 | 17,657 |
| 193-0 | 100,470 | 6/15/19 | 2.66% | \$12,559 | 25,117 | - | 12,558 | 12,559 | 12,559 |
| 194-0 | 121,385 | 6/15/35 | 3.63% | \$5,172 - \$8,288 | 107,969 | - | 13,319 | 94,650 | 5,172 |
| 201-0 | 198,428 | 6/15/29 | 2.89% | \$10,018 - \$12,946 | 153,494 | - | 39,232 | 114,262 | 10,018 |
| 202-0 | 560,000 | 6/15/37 | 2.75% | \$25,260 | 532,000 | - | 77,325 | 454,675 | 25,260 |

Gratiot County
Notes to the Financial Statements
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| | Amount of Issue | Maturity Date | Interest Rate Ranges | Principal Maturity Ranges | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|-------------------------|--------------------|------------------|----------------------------|---------------------------------|----------------------|---------------------|---------------------|---------------------|------------------------|
| Drain notes (continued) | | | | | | | | | |
| 209-0 | \$ 170,391 | 6/15/38 | 3.50% | \$7,737 | \$ 170,391 | \$ - | \$ 23,389 | \$ 147,002 | \$ 7,737 |
| 227-0 | 178,605 | 6/15/23 | 2.24% | \$15,463 | 89,302 | - | 27,449 | 61,853 | 15,463 |
| 237-0 | 24,554 | 6/15/23 | 2.63% | \$3,508 | 17,538 | - | 3,508 | 14,030 | 3,508 |
| 240-0 | 110,101 | 6/15/39 | 3.83% | \$5,505 | - | 110,101 | - | 110,101 | 5,505 |
| 251-0 | 175,000 | 6/15/34 | 4.04% | \$11,667 | - | 175,000 | - | 175,000 | 11,667 |
| 257-0 | 300,000 | 6/15/34 | 3.69% | \$9,665 - \$16,052 | 253,143 | - | 64,010 | 189,133 | 9,665 |
| 259-0 | 340,439 | 6/15/39 | 3.85% | \$17,022 | - | 340,439 | - | 340,439 | 17,022 |
| 285-0 | 122,588 | 6/15/39 | 3.85% | \$6,129 | - | 122,588 | - | 122,588 | 6,129 |
| 297-0 | 94,727 | 6/15/36 | 3.49% | \$4,632 | 85,255 | - | 6,509 | 78,746 | 4,632 |
| 335-0 | 225,543 | 6/15/24 | 2.54% | \$22,554 | 135,326 | - | 22,555 | 112,771 | 22,554 |
| 339-0 | 900,000 | 6/15/19 | 4.39% | \$90,000 | 90,000 | - | 90,000 | - | - |
| 370-0 | 148,068 | 6/15/29 | 2.72% | \$8,685-\$11,059 | 114,214 | - | 15,916 | 98,298 | 8,685 |
| 371-0 | 200,419 | 6/15/38 | 3.10% | \$10,021 | 200,419 | - | 38,428 | 161,991 | 10,021 |
| 518-0 | 235,200 | 6/1/32 | 2.45% | \$11,724 | 219,520 | - | 67,109 | 152,411 | 11,724 |
| 528-0 | 90,020 | 6/15/39 | 3.94% | \$4,501 | - | 90,020 | - | 90,020 | 4,501 |
| 530-0 | 113,745 | 6/15/23 | 2.73% | \$10,515 | 56,873 | - | 14,814 | 42,059 | 10,515 |
| 544-0 | 200,250 | 6/15/29 | 3.09% | \$20,025 | - | 200,250 | - | 200,250 | 20,025 |
| 562-0 | 104,965 | 6/15/34 | 3.69% | \$4,149 - \$6,889 | 88,570 | - | 7,397 | 81,173 | 4,149 |
| 566-0 | 132,054 | 6/15/22 | 2.98% | \$13,205 | 52,822 | - | 13,206 | 39,616 | 13,205 |
| 580-0 | 260,000 | 6/1/35 | 3.49% | \$11,576 | 216,125 | - | 30,909 | 185,216 | 11,576 |
| 585-0 | 244,882 | 6/15/19 | 1.29% | \$48,976 | 48,976 | - | 48,976 | - | - |
| 093-0 Cronk | 72,975 | 5/1/37 | 2.10% | \$7,298 | 65,677 | - | 7,298 | 58,379 | 7,298 |
| 541-0 County Line | 270,000 | 6/1/27 | 2.49% | \$12,825 | 256,500 | - | 25,650 | 230,850 | 12,825 |
| Total drain notes | | | | | <u>\$ 7,895,920</u> | <u>\$ 1,898,138</u> | <u>\$ 1,767,422</u> | <u>\$ 8,026,636</u> | <u>\$ 965,681</u> |

Gratiot County
Notes to the Financial Statements
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Annual debt service requirements to maturity for the above obligations are as follows:

| Year Ending September 30, | Governmental Activities | |
|------------------------------|-------------------------|-------------------|
| | Bonds | |
| | Principal | Interest |
| 2020 | \$ 895,000 | \$ 156,425 |
| 2021 | 715,000 | 134,254 |
| 2022 | 795,000 | 117,833 |
| 2023 | 790,000 | 98,725 |
| 2024 | 810,000 | 74,694 |
| 2025 - 2026 | 1,675,000 | 75,250 |
| | <u>\$ 5,680,000</u> | <u>\$ 657,181</u> |

| Year Ending September 30, | Component Unit | | | |
|------------------------------|---------------------|---------------------|---|---------------------|
| | Bonds | | Notes from Direct Borrowings and Direct Placements | |
| | Principal | Interest | Principal | Interest |
| 2020 | \$ 570,000 | \$ 175,815 | \$ 1,003,482 | \$ 269,995 |
| 2021 | 575,000 | 163,357 | 824,094 | 225,151 |
| 2022 | 575,000 | 149,918 | 705,611 | 200,718 |
| 2023 | 405,000 | 135,826 | 683,155 | 179,325 |
| 2024 | 405,000 | 125,843 | 590,737 | 160,006 |
| 2025 - 2029 | 1,945,000 | 465,653 | 2,107,120 | 567,131 |
| 2030 - 2034 | 1,410,000 | 169,993 | 1,467,703 | 268,639 |
| 2035 - 2039 | 190,000 | 8,977 | 721,984 | 58,151 |
| | <u>\$ 6,075,000</u> | <u>\$ 1,395,382</u> | <u>\$ 8,103,886</u> | <u>\$ 1,929,116</u> |

Compensated Absences - Primary Government

In accordance with County personnel policies and/or contracts negotiated with various employee groups of the County, individual employees have vested rights upon termination of employment to receive payment for unused paid time off under formulas and conditions specified in their respective personnel policies and/or contracts.

The dollar amount of these vested rights, including related payroll taxes, amounted to \$621,453 (governmental activities) and \$23,154 (component unit – Central Dispatch) at September 30, 2019.

For governmental activities, compensated absences are liquidated by various governmental funds and other postemployment benefits are liquidated by the fringe benefits internal service fund.

Compensated Absences - Road Commission

In accordance with County Road Commission personnel policies and/or contracts negotiated with various employee groups of the County Road Commission, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in their respective personnel policies and/or contracts. The dollar amount of these vested rights, including related payroll taxes, amounted to \$169,187 and \$201,464 for vacation and sick, respectively, at September 30, 2019.

Gratiot County
Notes to the Financial Statements
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Note 11 - Fund Balances

Fund balance for the general fund has been assigned for the following purposes:

| | |
|-----------------------------|-------------------|
| Animal adoption coordinator | \$ 20,795 |
| Child welfare | 33,499 |
| Circuit court counsel | 51,564 |
| Handicap activities | 4,546 |
| Juvenile child care | 23,865 |
| Liquor law enforcement | 34,756 |
| Private donations | 1,089 |
| Renaissance zone | 113,289 |
| Social welfare | 8,542 |
| Solid waste planning | 554 |
| Soldiers & sailors | 504 |
| Veterans activities | 105 |
| | <u>\$ 293,108</u> |

Fund balance for nonmajor governmental funds has been restricted for the following purposes:

| | |
|--------------------------------------|---------------------|
| Parks and recreation | \$ 470,664 |
| Geographic information system | 164,913 |
| Friend of the court | 7,617 |
| State criminal alien assistance | 11,560 |
| Economic and agriculture development | 34,855 |
| Building inspection | 275,055 |
| Register of deeds | 189,820 |
| Correction officers training fund | 74,713 |
| Drug law enforcement | 2,241 |
| Law enforcement | 1,348 |
| Law library | 37,410 |
| Commission on aging | 471,220 |
| Commission on aging donations | 112,968 |
| Recovery court | 37,193 |
| D.A.R.E program | 26 |
| Salvage inspective fee | 10,645 |
| D.H.S. state monies | 3,651 |
| Veterans memorial | 14,578 |
| Animal control | 3,205 |
| Marine safety | 5,475 |
| Michigan justice training | 3,724 |
| Library | 17,985 |
| Indigent defense | 138,366 |
| Concealed pistol licensing | 77,221 |
| CDBG | 37,166 |
| | <u>\$ 2,203,619</u> |

Gratiot County
Notes to the Financial Statements
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Note 12 - Risk Management

Primary Government and Component Units (Except Road Commission)

The County participates in a pool, the Michigan Counties' Workers' Compensation Fund, with other municipalities for worker's compensation losses. The pool is organized under Public Act 317 of 1969, as amended. The County has no liability for additional assessments based on the claims filed against the pool nor do they have any right to dividends.

The County is a voluntary member of the Michigan Municipal Risk Management Authority (Authority) which is organized under Public Act 138 of 1982, as amended as a governmental group self-insurance pool. Public Act 138 authorizes local units of government to exercise jointly any power, privilege, or authority which each might exercise separately. The Authority administers a risk management fund providing Gratiot County with loss protection for general and auto liability, and physical damage and property damage.

The administration of the Authority is directed by a nine (9) member Board of Directors composed of municipal representatives from the membership elected by the membership. The Board establishes the general policy of the Authority, creates and publishes rules to be followed by the Manager and Board, and is empowered with the authority to impose sanctions or terminate membership. The County, by resolution of the County Board of Commissioners, has designated a representative to the Authority to be responsible for the execution of all loss control measures, to ensure the payment of all annual and supplementary or other payment requirements, to ensure the filing of all required reports, and to act as liaison between the County and the Authority.

The Authority provides risk management, underwriting, reinsurance, and claim services with member contributions allocated to meet these obligations. The Authority administers a risk management fund

providing Gratiot County with loss protection for general and auto liability, and property damage.

The Authority has established a Retained Risk Program to pay losses incurred by members that exceed individual retention levels and are not covered under existing reinsurance agreements. Losses incurred within the established limits are general obligations of the Authority. In the event that losses are incurred in excess of the resources available, the Authority as a whole (i.e., all constituent municipalities) is liable for the excess. The Authority may authorize dividends to individual members in the event that the members and individual fund balance is determined to be sufficient to do so.

At September 30, 2019, the County had funds on deposit of \$211,931 with the Authority in the Member Retention Funds. The Authority's reported reserves at September 30, 2019, for reported claims related to the County were \$63,378.

Component Unit – Road Commission

The Road Commission is exposed to various risks of loss related to property, torts, errors, omissions, employee injuries, and medical benefits provided to employees. The Road Commission has purchased commercial insurance for medical benefit claims and participates in the Michigan County Road Commission Self-Insurance Pool for claims relating to general liability, excess liability, auto liability, trunkline liability, errors and omissions, physical damage (equipment, buildings and contents) and workers' compensation. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in the past three years.

County Road Commissions in the State of Michigan established and created a trust fund, known as the Michigan County Road Commission Self-Insurance Pool (Pool) pursuant to the provisions of Public Act 138 of 1982, as amended.

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The Pool is to provide for joint and cooperative action relative to members financial and administrative resources for the purpose of providing risk management services along with property and liability protection. Membership is restricted to road commissions and related road commission activities with the State. The Road Commission became a charter member in 1982.

The Michigan County Road Commission Self-Insurance Pool program operates as a common risk-sharing management program for road commissions in Michigan; member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts. If for any reason the Pool's resources available to pay losses are depleted, the payment of all unpaid losses of the member is the sole obligation of the member.

Note 13 - Employee Retirement and Benefit Systems

Michigan Municipal Employees' Retirement System

Plan description – The government participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers all employees of the government. The plan was established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917. All full-time and regular part-time County employees are covered by the retirement system with the exception of the Mental Health and Road Commission employees. The Road Commission employees are covered under a separate retirement plan. Effective September 30, 2000, the MERS became a closed pension system. New hires are not allowed to participate in the MERS defined benefit pension plan.

Benefits provided are as follows:

| | Division 01 General Closed Division | Division 02 Sheriff Union Closed Division |
|------------------------------|---|---|
| Benefit multiplier | 2.25% multiplier (80% max) | 2.25% multiplier (80% max) |
| Normal retirement age | 60 | 60 |
| Vesting | 10 years | 10 years |
| Early retirement (unreduced) | 55/25 | 50/25 |
| Early retirement (reduced) | 50/25, 55/15 | 55/15 |
| Final average compensation | 5 years | 5 years |
| COLA for future retirees | 2.50% (non-compound) | 2.50% (non-compound) |
| Employee contributions | 2.60% | 0.00% |
| Act 88 | No | No |

| | Division 10 EMS Closed Division | Division 11 Employees Association Closed Division |
|------------------------------|---|---|
| | 2.00% to Social Security Age (no max); | |
| Benefit multiplier | 1.70% after SS age (no max) | 2.25% multiplier (80% max) |
| Normal retirement age | 60 | 60 |
| Vesting | 8 years | 10 years |
| Early retirement (unreduced) | N/A | 55/25 |
| Early retirement (reduced) | 50/25, 55/15 | 50/25, 55/15 |
| Final average compensation | 5 years | 5 years |
| COLA for future retirees | 2.50% (non-compound) | 2.50% (non-compound) |
| Employee contributions | 0.00% | 2.60% |
| Act 88 | No | No |

Employees covered by benefit terms – At the December 31, 2018 valuation date, the following employees were covered by benefit terms:

| | |
|--|------------|
| Inactive employees or beneficiaries currently receiving benefits | 104 |
| Inactive employees entitled to but not yet receiving benefits | 13 |
| Active employees | 31 |
| | <u>148</u> |

Contributions – The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by

Gratiot County
Notes to the Financial Statements
September 30, 2019

MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees. Employer contributions range from \$15,840 to \$16,436 per month based on annual payroll.

Net pension liability – The employer’s net pension liability was measured as of December 31, 2018, 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, 2018 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement include: 1) Inflation 2.5%; 2) Salary increases 3.75% 3) Investment rate of return of 7.75%, net of investment expense, 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 2.5%.

Mortality rates used were based on a 50% male and 50% female blend of the following tables: the RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105%, the RP-2014 Employee Mortality Tables, and the RP-2014 Juvenile Mortality Tables. The mortality table used to project the mortality experience of disabled plan members is a 50% male and 50% female blend of the RP-2014 Disabled Retiree Mortality Tables.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study. There were no significant changes in assumptions in the latest actuarial valuation.

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 or arithmetic real rates of return for each major asset class are summarized in the following table:

| Asset class | Target Allocation | Long-term Expected Real Rate of Return |
|-------------------------|----------------------|--|
| Global equity | 55.5% | 3.41% |
| Global fixed income | 18.5% | 0.23% |
| Real assets | 13.5% | 0.97% |
| Diversifying strategies | 12.5% | 0.63% |

Discount rate – The discount rate used to measure the total pension liability is 8.00%. 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 plans 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.

Gratiot County
Notes to the Financial Statements
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Changes in Net Pension Liability

Total Pension Liability

| | |
|---|-----------------------------|
| Service cost | \$ 198,498 |
| Interest on the total pension liability | 2,391,206 |
| Experience differences | (747,823) |
| Benefit payments and refunds | (1,741,259) |
| Net change in total pension liability | <u>100,622</u> |
| Total pension liability - beginning | 30,661,467 |
| Total pension liability - ending (a) | <u><u>\$ 30,762,089</u></u> |

Plan Fiduciary Net Position

| | |
|---|-----------------------------|
| Employer contributions | \$ 197,232 |
| Employee contributions | 27,374 |
| Pension plan net investment loss | (1,193,044) |
| Benefit payments and refunds | (1,741,259) |
| Pension plan administrative expense | (60,138) |
| Net change in plan fiduciary net position | <u>(2,769,835)</u> |
| Plan fiduciary net position - beginning | 31,435,662 |
| Plan fiduciary net position - ending (b) | <u><u>\$ 28,665,827</u></u> |

Net pension liability (a-b) \$ 2,096,262

| | |
|--|--------------|
| Plan fiduciary net position as a percentage of total pension liability | 93.19% |
| Covered employee payroll | \$ 1,716,989 |
| Net pension liability as a percentage of covered employee payroll | 122.09% |

Sensitivity of the net pension liability to changes in the discount rate – The following presents the net pension liability or asset of the employer, calculated using the discount rate of 8.00%, as well as what the employer's net pension liability or asset would be using a discount rate that is 1% point lower (7.00%) or 1% higher (9.00%) than the current rate.

| | 1% Decrease | Current Discount Rate | 1% Increase |
|-------------------------------------|----------------------------|----------------------------|----------------------------|
| Total pension liability | \$ 34,015,323 | \$ 30,762,089 | \$ 27,989,612 |
| Fiduciary net position | 28,665,827 | 28,665,827 | 28,665,827 |
| Net pension liability (asset) | <u><u>\$ 5,349,496</u></u> | <u><u>\$ 2,096,262</u></u> | <u><u>\$ (676,215)</u></u> |
| Reported in governmental activities | | \$ 2,089,015 | |
| Reported in component units | | | |
| Central dispatch authority | | 7,247 | |
| Total net pension liability | | <u><u>\$ 2,096,262</u></u> | |

Gratiot County
Notes to the Financial Statements
September 30, 2019

Pension expense and deferred outflows of resources related to pensions – For the year ended September 30, 2019, the employer recognized pension expense of \$117,046. The employer reported deferred outflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Total Amount to Amortize |
|--|--------------------------------------|--------------------------------|
| Net difference between projected and actual earnings on plan investments | \$ 2,001,624 | \$ 2,001,624 |
| Contributions subsequent to the measurement date* | 147,328 | - |
| Total | \$ 2,148,952 | \$ 2,001,624 |
| Reported in governmental activities | \$ 1,909,315 | |
| Reported in component units | | |
| Central dispatch authority | 239,637 | |
| Total deferred outflows of resources | \$ 2,148,952 | |

*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 2020.

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

| Year Ending September 30, | | |
|------------------------------|----|-----------|
| 2020 | \$ | 625,998 |
| 2021 | | 253,019 |
| 2022 | | 393,642 |
| 2023 | | 728,965 |
| | \$ | 2,001,624 |

Road Commission Michigan Municipal Employees' Retirement System

Plan Description – The Road Commission 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 is a nonprofit organization that was granted independence from the State of Michigan pursuant to Public Act 220 of 1996, effective August 15, 1996. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS Web site at <http://www.mersofmich.com> or in writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917.

Benefits – The Road Commission's defined benefit pension plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. PA 427 of 1984, as amended, established and amends the benefit provisions of the participants in MERS. Benefit terms, within the guidelines established by MERS, are established and amended by the Board of County Road Commissioners, usually after negotiation of terms with applicable unions. Any changes to the plan, including cost of living adjustments, would have to be approved by the Board in this manner also.

Gratiot County
Notes to the Financial Statements
September 30, 2019

Benefits provided are as follows:

| | Division 01 General Open Division | Division 10 Salaried Open Division |
|------------------------------|---|--|
| Benefit multiplier | 2.50% multiplier (80% max) | 2.50% multiplier (80% max) |
| Normal retirement age | 60 | 60 |
| Vesting | 10 years | 10 years |
| Early retirement (unreduced) | 55/25 | 55/25 |
| Early retirement (reduced) | 50/25, 55/15 | 50/25, 55/15 |
| Final average compensation | 5 years | 5 years |
| COLA for future retirees | 2.50% (non-compound) | 2.50% (non-compound) |
| Employee contributions | 3.00% | 3.00% |
| Act 88 | Yes | Yes |

Employees covered by benefit terms – At the December 31, 2018 measurement date, the following employees were covered by benefit terms:

| | |
|--|-----------|
| Inactive employees or beneficiaries currently receiving benefits | 55 |
| Inactive employees entitled to but not yet receiving benefits | 1 |
| Active employees | <u>33</u> |
| | <u>89</u> |

Contributions – Const. 1963, art 9, § 24 requires that financial benefits arising on account of employee service rendered in each year be funded during that year. 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 costs of benefits earned by plan members during the year, with an additional amount to finance unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

For the year ending September 30, 2019, the active employee contribution rate was 3% of annual pay and the Road Commission's contribution rate of annual payroll was 36.5% for salaried employees and 34.66% for union employees.

Net pension liability – The net pension liability reported as of September 30, 2019, was determined using a measure of the total pension liability and the pension net position as of December 31, 2018. The December 31, 2018, total pension liability was determined by an actuarial valuation performed as of that date.

Actuarial assumptions – The total pension liability in the December 31, 2018 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement include: 1) Inflation 2.50%; 2) Salary increases 3.75% in the long-term; 3) Investment rate of return of 7.75 %, net of investment and administrative expense, including inflation.

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

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

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of the most recent actuarial experience study of 2009-2013.

Gratiot County
Notes to the Financial Statements
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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 or arithmetic real rates of return for each major asset class are summarized in the following table:

| Asset class | Target Allocation | Long-term Expected Real Rate of Return |
|-------------------------|----------------------|--|
| Global equity | 55.5% | 3.41% |
| Global fixed income | 18.5% | 0.23% |
| Real assets | 13.5% | 0.97% |
| Diversifying strategies | 12.5% | 0.63% |

Discount rate – The discount rate used to measure the total pension liability is 8.00%. 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 plans 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

Total Pension Liability

| | |
|---|-----------------------------|
| Service cost | \$ 222,531 |
| Interest on the total pension liability | 1,393,530 |
| Experience differences | 484,703 |
| Benefit payments and refunds | <u>(1,197,322)</u> |
| Net change in total pension liability | 903,442 |
| Total pension liability - beginning | <u>17,906,505</u> |
| Total pension liability - ending (a) | <u><u>\$ 18,809,947</u></u> |

Plan Fiduciary Net Position

| | |
|---|-----------------------------|
| Employer contributions | \$ 1,072,972 |
| Employee contributions | 53,995 |
| Pension plan net investment loss | (453,627) |
| Benefit payments and refunds | (1,197,322) |
| Pension plan administrative expense | <u>(22,333)</u> |
| Net change in plan fiduciary net position | (546,315) |
| Plan fiduciary net position - beginning | <u>11,509,223</u> |
| Plan fiduciary net position - ending (b) | <u><u>\$ 10,962,908</u></u> |

| | |
|-----------------------------|----------------------------|
| Net pension liability (a-b) | <u><u>\$ 7,847,039</u></u> |
|-----------------------------|----------------------------|

| | |
|--|--------------|
| Plan fiduciary net position as a percentage of total pension liability | 58.28% |
| Covered employee payroll | \$ 1,734,889 |
| Net pension liability as a percentage of covered employee payroll | 452.31% |

Gratiot County
Notes to the Financial Statements
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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% point lower (7.00 %) or 1% higher (9.00%) than the current rate.

| | 1% Decrease | Current Discount Rate | 1% Increase |
|--|---------------------|--------------------------|---------------------|
| Total pension liability | \$ 20,902,754 | \$ 18,809,947 | \$ 17,038,953 |
| Fiduciary net position | 10,962,908 | 10,962,908 | 10,962,908 |
| Net pension liability | <u>\$ 9,939,846</u> | <u>\$ 7,847,039</u> | <u>\$ 6,076,045</u> |
| Reported in component units | | \$ 7,854,286 | |
| Central dispatch authority net pension liability | | (7,247) | |
| Total road commission net pension liability | | <u>\$ 7,847,039</u> | |

Pension expense and deferred inflows and outflows of resources related to pensions – For the year ended September 30, 2019, the Road Commission recognized pension expense of \$(16,646). The Road Commission reported deferred inflows and outflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources | Total Amount to Amortize |
|--|--------------------------------------|-------------------------------------|--------------------------------|
| Differences in experience | \$ 400,466 | \$ 141,413 | \$ 259,053 |
| Excess investment returns | 837,006 | - | 837,006 |
| Contributions subsequent to the measurement date* | 1,020,133 | - | - |
| Total | <u>\$ 2,257,605</u> | <u>\$ 141,413</u> | <u>\$ 1,096,059</u> |
| Reported in component units | \$ 2,497,242 | \$ 141,413 | |
| Less: central dispatch authority | (239,637) | - | |
| Total road commission deferred outflows of resources | <u>\$ 2,257,605</u> | <u>\$ 141,413</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, 2020.

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

| Year Ending September 30, | |
|------------------------------|---------------------|
| 2020 | \$ 379,784 |
| 2021 | 153,849 |
| 2022 | 288,293 |
| 2023 | 274,133 |
| | <u>\$ 1,096,059</u> |

Note 14 - Employee Retirement System – Defined Contribution

Plan description – The County has also established a 401 Money Purchase Plan for all new hires effective October 1, 2000, which meets the criteria of GASB Statement 27 as a Defined Contribution Plan. The Plan is administered Michigan Municipal Employees’ Retirement System (MERS).

Funding policy – If covered employees do not contribute to the plan, the County will contribute 3% of their annual salary. The County will contribute 6% if the participant chooses to contribute 9% subject to limitations of sections 415 (c) and (e) of the Internal Revenue Code.

The County made contributions of \$174,900 for the year ending September 30, 2019.

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Notes to the Financial Statements
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Note 15 - Other Post-Employment Benefits

Plan description – The County’s defined benefit OPEB plan (the “plan”) provides OPEB for County employees (excluding the road commission) as follows:

| | |
|--------------------------------|---|
| Employees Association Members: | Hired prior to November 1, 2006 and age 60 with 10 years of service or age 55 with 25 years of service. |
| Other (per personnel policy): | Hired prior to October 1, 2005 and age 60 with 10 years of service or age 55 with 25 years of service. |
| Sherriff: | Hired prior to October 1, 2008, and age 55 with 10 years of service. |
| Dispatch: | Hired prior to August 8, 2005 and age 60 with 10 years of service or age 55 with 25 years of service. |
| TPOAM: | Hired prior to October 1, 2006 and age 60 with 10 years of service or age 55 with 25 years of service. |

The Plan is a single employer defined benefit OPEB plan administered by the County. The Plan was established under the authority of the County Commission and under agreements with unions representing various classes of employees.

Benefits provided – The Plan provides healthcare and life insurance benefits for retirees. The County will pay \$500 per year toward the cost of health insurance premiums and an additional \$200 per year for each year of credited service over ten (10) years, up to a maximum of \$2,500 for all employees. Upon reaching the age of 65, the County provided benefits are reduced to \$55.60 per month, plus ½ of the increase in premium cost over this amount. This reduction is due to

the retirees becoming eligible for Medicare coverage at that time. The plan also provides all retirees with \$5,000 of life insurance benefits

Employees covered by benefit terms – At September 30, 2019, the following employees were covered by the benefit terms:

| | |
|--|------------|
| Inactive employees or beneficiaries currently receiving benefits | 62 |
| Active employees | 43 |
| | <u>105</u> |

The Plan is closed to new entrants.

Investment policy – The Plans policy in regards to the allocation of invested assets is established and may be amended by the Employees Retirement System Board by a majority vote of its members. It is the policy of the Retirement System Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The Plans investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans.

Gratiot County
Notes to the Financial Statements
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The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense 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. Best-estimate of arithmetic real rates of return for each major class included in the target asset allocation as of September 30, 2019 are summarized below along with the adopted asset allocation policy:

| Asset Class | Target Allocation | Long-term Expected Real Rate of Return |
|--------------|-------------------|--|
| Fixed Income | 100.0% | 2.90% |

Rate of return – For the year ended September 30, 2019, the annual money-weighted rate of return on investments, net of investment expense, was -0.11%. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

Net OPEB liability – The County’s net OPEB liability of \$1,374,149 was measured as of September 30, 2019, and was determined by an actuarial valuation as of that date. The components of the net OPEB liability as of September 30, 2019 were as follows:

| | |
|-----------------------------|--------------|
| Total OPEB liability | \$ 2,622,565 |
| Plan fiduciary net position | 1,248,416 |
| Net OPEB liability | \$ 1,374,149 |

Actuarial assumptions and other inputs – The OPEB liability in the September 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods in the measurement, unless otherwise specified.

| | |
|--|---|
| Inflation | Implicit in expected payroll increases |
| Salary increases | 2.00% |
| Investment rate of return | 7.00% |
| Healthcare cost trend rates | Pre-65 - 8.5% in 2019 graded down 0.25% per year to 4.5% |
| | Medicare eligible - 7.0% in 2019 graded down 0.25% per year to 4.5% |
| Retirees' share of benefit-related costs | Premium costs in excess of employer covered amount |

Mortality rates were based on the MP-2018 General Public Employer 2010 Mortality Tables, as appropriate, with adjustments for mortality improvements based on Scale AA.

The actuarial assumptions used in the September 30, 2019 valuation were based on the results of the most recent actuarial experience.

Discount rate – The discount rate used to measure the total OPEB liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that County 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.

Gratiot County
Notes to the Financial Statements
September 30, 2019

Changes in the Net OPEB Liability

Total OPEB Liability

| | |
|--|----------------------------|
| Service cost | \$ 77,323 |
| Interest | 155,586 |
| Differences between expected and actual experience | (895,475) |
| Changes in assumptions | (833,785) |
| Benefit payments | <u>(156,177)</u> |
| Net change in total OPEB liability | (1,652,528) |
| Total OPEB liability - beginning | <u>4,275,093</u> |
| Total OPEB liability - ending (a) | <u><u>\$ 2,622,565</u></u> |

Plan Fiduciary Net Position

| | |
|---|----------------------------|
| Employer contributions | \$ 1,406,177 |
| Net investment loss | (1,418) |
| Benefit payments | (156,177) |
| Administrative expense | <u>(166)</u> |
| Net change in plan fiduciary net position | 1,248,416 |
| Plan fiduciary net position - beginning | - |
| Plan fiduciary net position - ending (b) | <u><u>\$ 1,248,416</u></u> |

Net OPEB liability (a-b) \$ 1,374,149

| | |
|-------------------------------------|----------------------------|
| Reported in governmental activities | \$ 1,325,748 |
| Reported in component units | |
| Central dispatch authority | 48,401 |
| Total OPEB liability | <u><u>\$ 1,374,149</u></u> |

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 if it were calculated using a discount rate that is 1-percentage-point lower (6.0 percent) or 1-percentage-point higher (8.0 percent) than the current discount rate:

| | 1% decrease | Current discount rate | 1% increase |
|--------------------|----------------------------|----------------------------|----------------------------|
| Net OPEB liability | <u><u>\$ 1,655,470</u></u> | <u><u>\$ 1,374,149</u></u> | <u><u>\$ 1,134,185</u></u> |

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 | Healthcare cost trend rate | 1% increase |
|--------------------|----------------------------|----------------------------------|----------------------------|
| Net OPEB liability | <u><u>\$ 2,218,516</u></u> | <u><u>\$ 1,374,149</u></u> | <u><u>\$ 1,561,822</u></u> |

Gratiot County
Notes to the Financial Statements
September 30, 2019

OPEB Income and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended September 30, 2019, the County recognized OPEB Income of \$209,603. At September 30, 2019, 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 | Total Amount to Amortize |
|---|--------------------------------------|-------------------------------------|--------------------------------|
| Differences in experience | \$ - | \$ (762,713) | \$ (762,713) |
| Differences in assumptions | - | (889,622) | (889,622) |
| Net difference between projected and actual earnings on plan investments | 1,134 | - | 1,134 |
| Total | <u>\$ 1,134</u> | <u>\$ (1,652,335)</u> | <u>\$ (1,651,201)</u> |
| Reported in governmental activities | \$ 1,101 | \$ (1,603,685) | |
| Reported in component units | | | |
| Central dispatch authority | 33 | (48,650) | |
| Total | <u>\$ 1,134</u> | <u>\$ (1,652,335)</u> | |

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

| Year Ending September 30, | |
|------------------------------|-----------------------|
| 2020 | \$ (442,678) |
| 2021 | (442,678) |
| 2022 | (432,938) |
| 2023 | (287,795) |
| 2024 | (33,665) |
| Thereafter | (11,447) |
| | <u>\$ (1,651,201)</u> |

Component Unit – Road Commission

Plan description – Gratiot County Road Commission Retiree Medical Plan is a single-employer Plan administered by the Road Commission and can be amended at its discretion. Gratiot County Road Commission provides post-employment health care benefits, in

accordance with the labor contract and personnel policy, to all employees who retire from the Road Commission. The Road Commission has terminated all future benefits as all employees hired after August 1, 2018 will only be offered post-employment health benefits through a MERS Health Care Savings Program (HCSP).

Benefits Provided – Effective August 1, 2018, all current employees hired prior to August 1, 2018, had a one-time option to obtain post-employment health benefits solely through a MERS Health Care Savings Program (HCSP) instead of receiving retirement health care benefits listed previously. All current employees chose to convert to the HCSP instead of continuing with the post-employment health insurance coverage. The following information is for the remaining retired employees still receiving the post-employment health insurance benefit.

Effective August 1, 2015, the Road Commission agrees to pay the first \$600 total per month of the hospitalization coverage premium for any member of the bargaining unit or salaried employee and their spouse as of the date of retirement and are eligible for full retirement benefits under the current MERS qualifications. In the event the person retiring is single, the Road Commission agrees to pay the single premium, up to \$600 per month, for the single coverage until said retired employee attains the age of 65 years or Medicare eligible. This benefit will end upon death of the retiree or the month they become Medicare eligible, whichever comes first.

For eligible employees who retired between March 1, 2006 and July 31, 2015, the Employer agrees to pay the first \$500 total per month of the hospitalization coverage premium for any Union member of the bargaining unit and their spouse as of the date of retirement, and \$400 total per month for any salaried employee and their spouse. In the event the person retiring is single the Employer agrees to pay the single premium, up to \$500 per month for Union employees and up to \$400 per month for salaried employees, for the single coverage until said retired employee attains the age of 65 years or Medicare eligible.

Gratiot County
Notes to the Financial Statements
September 30, 2019

This benefit will end on the first day of the month following the retiree's 65th birthday, or the first day of the month following their Medicare eligibility.

Any employee that retires on or after August 1, 2015, may choose to opt out of the Road Commission's retiree health care group(s) to purchase their insurance elsewhere. A Section 105 Account will be set up in the retiree's name and an amount of \$500 will be placed in the account monthly. This money can be used tax free for IRS (Section 213) medically approved charges. For eligible employees who retired between February 3, 2009 and July 31, 2015 and chose to opt out, the Road Commission agreed to pay \$400 per month for union employees and \$300 per month for salaried employees to a Section 105 account. This benefit will end upon death of the retiree, or the month they are Medicare eligible, whichever comes first. The retiree will have 90 days from that date to file their final claim, at which time any balance in the account will revert back to the Road Commission.

Employees covered by benefit terms – At September 30, 2019, the following employees were covered by the benefit terms:

| | |
|--|-----------------|
| Inactive employees or beneficiaries currently receiving benefits | <u><u>7</u></u> |
|--|-----------------|

The Plan is closed to new entrants.

Contributions - The Road Commission had no obligation to make contributions in advance of when the insurance premiums were due for payment (in other words, this was financed on a "pay-as-you go" basis). During the year, the Road Commission contributed \$46,500 for the benefit that was paid from the Road Commission's Operating Fund.

Net OPEB asset – The Road Commission's net OPEB asset was measured as of September 30, 2019, and the total OPEB asset used to calculate the net OPEB asset was determined using the alternative measurement method.

Actuarial assumptions and other inputs – No assumptions were used in determining the Net OPEB liability as the benefit paid is a predetermined amount until the employee reaches age 65 with approximately 65% of the benefit to be paid in the next two years and officially ending in fiscal year 2026.

Changes in the Net OPEB Liability

| | |
|---|-------------------------------|
| Total OPEB Liability | |
| Benefit payments | \$ (51,500) |
| Total OPEB liability - beginning | 140,200 |
| Total OPEB liability - ending (a) | <u><u>\$ 88,700</u></u> |
| Plan Fiduciary Net Position | |
| Net investment income | \$ 3,339 |
| Administrative expense | <u>(276)</u> |
| Net change in plan fiduciary net position | 3,063 |
| Plan fiduciary net position - beginning | 140,200 |
| Plan fiduciary net position - ending (b) | <u><u>\$ 143,263</u></u> |
| Net OPEB asset (a-b) | <u><u>\$ (54,563)</u></u> |

No sensitivity relating to a discount rate is disclosed as a discount rate was not utilized for the remaining Total OPEB Liability.

No sensitivity relating to the healthcare cost trend rates is disclosed due to costs being based on predetermined, capped contributions.

Gratiot County
Notes to the Financial Statements
September 30, 2019

Note 16 - Road Commission Federal Grants

The Michigan Department of Transportation (MDOT) requires that road commissions report all federal and state grants pertaining to their county. During the fiscal year ending September 30, 2019, the federal grants received and expended by the Road Commission totaled \$1,703,620 for contracted projects. The Road Commission expended federal money for negotiated projects totaling \$0. Contracted projects are defined as projects performed by private contractors paid for and administrated by MDOT. The contracted federal projects are not subject to single audit requirements by the road commissions, as they are included in MDOT's single audit.

Negotiated projects are defined as projects performed by Road Commission employees or private contractors paid for and administrated by the Road Commission which are subject to single audit requirements, if the amount expended is \$750,000 or more. A single audit was not performed during the fiscal year ending September 30, 2019.

Note 17 - Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

Note 18 - Net Position Restatement

For the fiscal year ending September 30, 2019, the County combined the financial reporting of activities of the Delinquent Tax Revolving Fund and the Tax Fees and Sales Proceeds Fund, both of which were reported as major funds in the prior year. The ending net position for each of the funds at the end of the prior year was \$6,054,612 and \$942,573, respectively. As a result of this combination, the activity of these funds are now reported as the Delinquent Tax Revolving Fund in the current fiscal year, and beginning net position was restated to \$6,997,185.

Gratiot County
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended September 30, 2019

| | Budgeted Amounts | | Actual | Actual |
|------------------------|-------------------|-------------------|-------------------|------------------|
| | Original | Final | | Over (Under) |
| | | | | Final Budget |
| Revenues | | | | |
| Taxes | \$ 8,011,923 | \$ 8,011,923 | \$ 7,526,448 | \$ (485,475) |
| Licenses and permits | 85,100 | 85,100 | 75,862 | (9,238) |
| Intergovernmental | 2,620,752 | 2,736,105 | 2,591,757 | (144,348) |
| Local contributions | 80,600 | 100,600 | 100,733 | 133 |
| Charges for services | 2,218,235 | 2,308,143 | 2,250,232 | (57,911) |
| Fines and forfeitures | 83,350 | 83,350 | 88,329 | 4,979 |
| Interest income | 27,160 | 52,660 | 60,715 | 8,055 |
| Rental income | 16,650 | 16,650 | 8,325 | (8,325) |
| Other | 410,215 | 418,615 | 378,912 | (39,703) |
| Transfer in | 222,143 | 222,143 | 222,643 | 500 |
| Capital lease proceeds | - | - | 128,345 | 128,345 |
| | <u>13,776,128</u> | <u>14,035,289</u> | <u>13,432,301</u> | <u>(602,988)</u> |
| Total revenues | | | | |

Gratiot County
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended September 30, 2019

| | Budgeted Amounts | | Actual | Actual Over (Under) |
|-----------------------------------|------------------|---------------|---------------|------------------------|
| | Original | Final | | Final Budget |
| Expenditures | | | | |
| General government | | | | |
| Board of commissioners | \$ 247,375 | \$ 219,375 | \$ 323,288 | \$ 103,913 |
| Circuit Court | 276,868 | 231,068 | 195,775 | (35,293) |
| District Court | 1,388,836 | 1,694,731 | 1,480,133 | (214,598) |
| Probate Court | 469,627 | 473,627 | 467,369 | (6,258) |
| Juvenile Court | 324,357 | 437,364 | 438,323 | 959 |
| County Administrator | 446,774 | 472,774 | 470,935 | (1,839) |
| Elections | 45,756 | 45,756 | 48,711 | 2,955 |
| Clerk | 347,702 | 365,702 | 343,081 | (22,621) |
| Equalization | 161,793 | 186,793 | 180,882 | (5,911) |
| Prosecuting Attorney | 737,271 | 737,271 | 724,141 | (13,130) |
| Register of Deeds | 172,771 | 172,771 | 174,881 | 2,110 |
| County survey and remonumentation | 40,000 | 52,500 | 52,310 | (190) |
| Treasurer | 217,789 | 212,789 | 202,538 | (10,251) |
| Cooperative Extension | 208,258 | 208,258 | 210,152 | 1,894 |
| Information management | 257,230 | 257,230 | 240,571 | (16,659) |
| Buildings and grounds | 242,313 | 242,313 | 234,543 | (7,770) |
| Gratiot community airport | 2,600 | 26,000 | 26,000 | - |
| Drain commissioner | 528,304 | 1,328,304 | 1,328,432 | 128 |
| Other | 175,250 | 178,650 | 183,660 | 5,010 |
| Total general government | 6,290,874 | 7,543,276 | 7,325,725 | (217,551) |

Gratiot County
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended September 30, 2019

| | Budgeted Amounts | | Actual | Actual Over (Under) |
|---|------------------|------------------|------------------|------------------------|
| | Original | Final | | Final Budget |
| Public safety | | | | |
| County Sheriff | \$ 1,881,422 | \$ 1,936,922 | \$ 1,828,518 | \$ (108,404) |
| Jail | 1,622,364 | 1,622,364 | 1,563,765 | (58,599) |
| Planning commission | 3,975 | 3,975 | 2,591 | (1,384) |
| Emergency services | 67,283 | 67,283 | 53,434 | (13,849) |
| Animal control | 202,505 | 202,505 | 187,544 | (14,961) |
| Secondary road patrol | 229,560 | 229,560 | 221,028 | (8,532) |
| | <u>4,007,109</u> | <u>4,062,609</u> | <u>3,856,880</u> | <u>(205,729)</u> |
| Total public safety | | | | |
| Public works | | | | |
| Solid waste planning | 50,000 | 50,000 | 14,435 | (35,565) |
| Health and welfare | | | | |
| Mid-Michigan District Health Department | 288,564 | 287,764 | 287,764 | - |
| Gratiot Community Mental Health | 200,000 | 200,000 | 200,000 | - |
| Contagious disease | 2,000 | 2,000 | 1,106 | (894) |
| Substance abuse appropriation | 49,456 | 56,472 | 56,471 | (1) |
| Medical examiner | 89,609 | 89,609 | 54,568 | (35,041) |
| Veterans burials | 3,600 | 6,100 | 5,412 | (688) |
| Veterans counselor | 78,778 | 137,895 | 109,994 | (27,901) |
| Social and child welfare | 1,246,897 | 1,310,897 | 957,494 | (353,403) |
| | <u>1,958,904</u> | <u>2,090,737</u> | <u>1,672,809</u> | <u>(417,928)</u> |
| Total health and welfare | | | | |

Gratiot County
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended September 30, 2019

| | Budgeted Amounts | | Actual | Actual Over (Under) Final Budget |
|--|---------------------|---------------------|---------------------|---|
| | Original | Final | | |
| Community and economic development | | | | |
| East-Central Michigan Planning | \$ 4,200 | \$ - | \$ - | \$ - |
| Zoning board | 1,543 | 1,543 | 384 | (1,159) |
| Total community and economic development | <u>5,743</u> | <u>1,543</u> | <u>384</u> | <u>(1,159)</u> |
| Other functions | | | | |
| Insurance and bonds | 104,000 | 123,200 | 73,604 | (49,596) |
| Capital outlay | 323,800 | 381,533 | 391,118 | 9,585 |
| Debt service | | | | |
| Principal retirement | - | - | 8,519 | 8,519 |
| Interest and fiscal charges | - | - | 5,033 | 5,033 |
| Total debt service | <u>-</u> | <u>-</u> | <u>13,552</u> | <u>13,552</u> |
| Transfers out | 1,051,807 | 851,507 | 1,175,393 | 323,886 |
| Total expenditures | <u>13,792,237</u> | <u>15,104,405</u> | <u>14,523,900</u> | <u>(580,505)</u> |
| Deficiency of revenues over expenditures | (16,109) | (1,069,116) | (1,091,599) | (22,483) |
| Fund balance - beginning of year | 7,503,117 | 7,503,117 | 7,503,117 | - |
| Fund balance - end of year | <u>\$ 7,487,008</u> | <u>\$ 6,434,001</u> | <u>\$ 6,411,518</u> | <u>\$ (22,483)</u> |

Gratiot County
Required Supplementary Information
Municipal Employees Retirement System of Michigan
Schedule of Changes in Net Pension Liability and Related Ratios
September 30, 2019

| Fiscal year ended September 30, | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| Total Pension Liability | | | | | |
| Service cost | \$ 198,498 | \$ 231,942 | \$ 252,353 | \$ 274,806 | \$ 284,299 |
| Interest on the total pension liability | 2,391,206 | 2,283,220 | 2,231,019 | 2,068,423 | 2,051,405 |
| Experience differences | (747,823) | 543,579 | (282,272) | (516,802) | - |
| Changes in actuarial assumptions | - | - | - | 1,548,598 | - |
| Other changes | - | - | (1) | 64,639 | - |
| Benefit payments and refunds | (1,741,259) | (1,643,108) | (1,433,659) | (1,358,308) | (1,324,073) |
| Net change in total pension liability | 100,622 | 1,415,633 | 767,440 | 2,081,356 | 1,011,631 |
| Total pension liability - beginning | 30,661,467 | 29,245,834 | 28,478,394 | 26,397,038 | 25,385,407 |
| Total pension liability - ending (a) | <u>\$ 30,762,089</u> | <u>\$ 30,661,467</u> | <u>\$ 29,245,834</u> | <u>\$ 28,478,394</u> | <u>\$ 26,397,038</u> |
| Plan Fiduciary Net Position | | | | | |
| Employer contributions | \$ 197,232 | \$ 7,057,805 | \$ 1,599,809 | \$ 2,314,271 | \$ 1,091,184 |
| Employee contributions | 27,374 | 31,635 | 38,378 | 39,944 | 43,769 |
| Pension plan net investment income (loss) | (1,193,044) | 3,681,406 | 2,301,867 | (287,639) | 1,160,163 |
| Benefit payments and refunds | (1,741,259) | (1,643,108) | (1,433,659) | (1,358,308) | (1,324,073) |
| Pension plan administrative expense | (60,138) | (57,800) | (45,367) | (42,728) | (42,666) |
| Net change in plan fiduciary net position | (2,769,835) | 9,069,938 | 2,461,028 | 665,540 | 928,377 |
| Plan fiduciary net position - beginning | 31,435,662 | 22,365,724 | 19,904,696 | 19,239,156 | 18,310,779 |
| Plan fiduciary net position - ending (b) | <u>\$ 28,665,827</u> | <u>\$ 31,435,662</u> | <u>\$ 22,365,724</u> | <u>\$ 19,904,696</u> | <u>\$ 19,239,156</u> |
| Net pension liability (asset) (a-b) | <u>\$ 2,096,262</u> | <u>\$ (774,195)</u> | <u>\$ 6,880,110</u> | <u>\$ 8,573,698</u> | <u>\$ 7,157,882</u> |
| Reported in governmental activities | \$ 2,089,015 | \$ (537,740) | \$ 6,442,221 | \$ 8,026,742 | \$ 6,666,851 |
| Reported in component units | | | | | |
| Central dispatch authority | 7,247 | (236,455) | 437,889 | 546,956 | 491,031 |
| Total net pension liability (asset) | <u>\$ 2,096,262</u> | <u>\$ (774,195)</u> | <u>\$ 6,880,110</u> | <u>\$ 8,573,698</u> | <u>\$ 7,157,882</u> |
| Plan fiduciary net position as a percentage of total pension liability (asset) | 93.19% | 102.52% | 76.47% | 69.89% | 72.88% |
| Covered payroll | \$ 1,716,989 | \$ 1,984,943 | \$ 2,171,090 | \$ 2,413,194 | \$ 2,498,100 |
| Net pension liability (asset) as a percentage of covered payroll | 122.09% | (39.00%) | 316.90% | 355.28% | 286.53% |

*GASB Statement No. 68 was implemented for the fiscal year ended September 30, 2015 and does not require retroactive implementation.
Data will be added as information is available until 10 years of such data is available.

Gratiot County
Required Supplementary Information
Municipal Employees Retirement System of Michigan
Schedule of Employer Contributions
September 30, 2019

| Actuarial Valuation Date | Annual Determined Contribution | Actual Contribution | Contribution Deficiency (Excess) | Covered Payroll | Actual Contribution as a % of Covered Payroll |
|--------------------------------|--------------------------------------|------------------------|--|--------------------|--|
| 12/31/2009 | \$ 639,348 | \$ 639,348 | \$ - | \$ 2,940,531 | 21.74% |
| 12/31/2010 | 741,231 | 741,231 | - | 2,758,544 | 26.87% |
| 12/31/2011 | 769,139 | 769,139 | - | 2,679,989 | 28.70% |
| 12/31/2012 | 838,476 | 838,476 | - | 2,532,911 | 33.10% |
| 12/31/2013 | 975,045 | 975,045 | - | 2,498,016 | 39.03% |
| 12/31/2014 | 1,091,184 | 1,091,184 | - | 2,498,100 | 43.68% |
| 12/31/2015 | 1,312,644 | 2,314,271 | (1,001,627) * | 2,413,194 | 95.90% |
| 12/31/2016 | 1,599,756 | 1,599,809 | (53) | 2,171,090 | 73.69% |
| 12/31/2017 | 428,458 | 7,057,805 | (6,629,347) ** | 1,984,943 | 355.57% |
| 12/31/2018 | 197,232 | 197,232 | - | 1,716,989 | 11.49% |

* The County Board of Commissioners approved contributing an additional \$1,000,000.

** The County Board of Commissioners approved contributing an additional \$6,600,000.

Notes: Actuarially determined contribution amounts are calculated as of December 31 each year, which is 9 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

| | |
|-------------------------------|---|
| Actuarial cost method | Individual entry-age |
| Amortization method | Level-dollar closed |
| Remaining amortization period | 1 |
| Asset valuation method | 5-year smoothed value of assets |
| Inflation | 2.50% |
| Salary increases | 3.75% |
| Investment rate of return | 7.75% |
| Retirement age | 60 |
| Mortality | RP-2014 Healthy Annuitant Mortality Tables - 50% male and 50% female blend RP-2014 Employee Mortality Tables - 50% male and 50% female blend RP-2014 Juvenile Mortality Tables - 50% male and 50% female blend RP-2014 Disabled Retiree Mortality Tables - 50% male and 50% female blend |

Gratiot County
Required Supplementary Information
Municipal Employees Retirement System of Michigan - Road Commission
Schedule of Changes in Net Pension Liability and Related Ratios
September 30, 2019

| Fiscal year ended September 30, | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| Total Pension Liability | | | | | |
| Service cost | \$ 222,531 | \$ 214,611 | \$ 209,344 | \$ 196,411 | \$ 191,844 |
| Interest on the total pension liability | 1,393,530 | 1,380,711 | 1,334,382 | 1,277,619 | 1,248,018 |
| Experience differences | 484,703 | (282,827) | 147,755 | 10,242 | - |
| Changes in actuarial assumptions | - | - | - | 807,628 | - |
| Benefit payments and refunds | <u>(1,197,322)</u> | <u>(1,115,140)</u> | <u>(1,114,841)</u> | <u>(1,094,940)</u> | <u>(1,071,751)</u> |
| Net change in total pension liability | 903,442 | 197,355 | 576,640 | 1,196,960 | 368,111 |
| Total pension liability - beginning | <u>17,906,505</u> | <u>17,709,150</u> | <u>17,132,510</u> | <u>15,935,550</u> | <u>15,567,439</u> |
| Total pension liability - ending (a) | <u>\$ 18,809,947</u> | <u>\$ 17,906,505</u> | <u>\$ 17,709,150</u> | <u>\$ 17,132,510</u> | <u>\$ 15,935,550</u> |
| Plan Fiduciary Net Position | | | | | |
| Employer contributions | \$ 1,072,972 | \$ 1,020,448 | \$ 827,571 | \$ 706,399 | \$ 631,582 |
| Employee contributions | 53,995 | 51,699 | 49,564 | 47,130 | 46,869 |
| Pension plan net investment income (loss) | (453,627) | 1,350,353 | 1,061,936 | (141,234) | 606,978 |
| Benefit payments and refunds | (1,197,322) | (1,115,140) | (1,114,841) | (1,094,940) | (1,071,751) |
| Pension plan administrative expense | <u>(22,333)</u> | <u>(21,346)</u> | <u>(20,979)</u> | <u>(21,385)</u> | <u>(22,235)</u> |
| Net change in plan fiduciary net position | (546,315) | 1,286,014 | 803,251 | (504,030) | 191,443 |
| Plan fiduciary net position - beginning | <u>11,509,223</u> | <u>10,223,209</u> | <u>9,419,958</u> | <u>9,923,988</u> | <u>9,732,545</u> |
| Plan fiduciary net position - ending (b) | <u>\$ 10,962,908</u> | <u>\$ 11,509,223</u> | <u>\$ 10,223,209</u> | <u>\$ 9,419,958</u> | <u>\$ 9,923,988</u> |
| Net pension liability (a-b) | <u>\$ 7,847,039</u> | <u>\$ 6,397,282</u> | <u>\$ 7,485,941</u> | <u>\$ 7,712,552</u> | <u>\$ 6,011,562</u> |
| Reported in component units | \$ 7,854,286 | \$ 6,397,282 | \$ 7,923,830 | \$ 8,259,508 | \$ 6,502,593 |
| Less: central dispatch authority | <u>(7,247)</u> | <u>-</u> | <u>(437,889)</u> | <u>(546,956)</u> | <u>(491,031)</u> |
| Total net pension liability | <u>\$ 7,847,039</u> | <u>\$ 6,397,282</u> | <u>\$ 7,485,941</u> | <u>\$ 7,712,552</u> | <u>\$ 6,011,562</u> |
| Plan fiduciary net position as a percentage of total pension liability | 58.28% | 64.27% | 57.73% | 54.98% | 62.28% |
| Covered payroll | \$ 1,734,889 | \$ 1,669,296 | \$ 1,631,452 | \$ 1,557,005 | \$ 1,520,870 |
| Net pension liability as a percentage of covered payroll | 452.31% | 383.23% | 458.85% | 495.35% | 395.27% |

*GASB Statement No. 68 was implemented for the fiscal year ended September 30, 2015 and does not require retroactive implementation.
Data will be added as information is available until 10 years of such data is available.

Gratiot County
Required Supplementary Information
Municipal Employees Retirement System of Michigan - Road Commission
Schedule of Employer Contributions
September 30, 2019

| Actuarial Valuation Date | Annual Determined Contribution | Actual Contribution | Contribution Deficiency (Excess) | Covered Payroll | Actual Contribution as a % of Covered Payroll |
|--------------------------------|--------------------------------------|------------------------|--|--------------------|--|
| 12/31/2009 | \$ 256,854 | \$ 256,854 | \$ - | \$ 1,539,242 | 16.69% |
| 12/31/2010 | 276,564 | 276,564 | - | 1,517,085 | 18.23% |
| 12/31/2011 | 325,265 | 325,265 | - | 1,437,485 | 22.63% |
| 12/31/2012 | 353,327 | 353,327 | - | 1,484,344 | 23.80% |
| 12/31/2013 | 422,246 | 422,246 | - | 1,514,216 | 27.89% |
| 12/31/2014 | 483,552 | 631,582 | (148,030) | 1,520,870 | 41.53% |
| 12/31/2015 | 510,031 | 706,399 | (196,368) | 1,557,005 | 45.37% |
| 12/31/2016 | 548,863 | 827,571 | (278,708) | 1,631,452 | 50.73% |
| 12/31/2017 | 646,655 | 1,037,855 | (391,200) | 1,669,296 | 62.17% |
| 12/31/2018 | 655,672 | 1,304,031 | (648,359) | 1,734,889 | 75.17% |

Notes: Actuarially determined contribution amounts are calculated as of December 31 each year, which is 9 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

| | |
|-------------------------------|---|
| Actuarial cost method | Entry age |
| Amortization method | Level-percentage of payroll, open |
| Remaining amortization period | 25 years |
| Asset valuation method | 5-year smoothed market |
| Inflation | 2.50% |
| Salary increases | 3.75% in the long-term |
| Investment rate of return | 7.75%, net of investment and administrative expense including inflation |
| Retirement age | Experience-based tables of rates that are specific to the type of eligibility condition |
| Mortality | RP-2014 Group Annuity Mortality Table of a 50% Male and 50% Female blend |

Gratiot County
Required Supplementary Information
Other Post-Employment Benefits
Schedule of Changes in Net OPEB Liability and Related Ratios
September 30, 2019

| Fiscal year ended September 30, | 2019 | 2018 | 2017 |
|---|---------------------|---------------------|---------------------|
| Total OPEB Liability | | | |
| Service cost | \$ 77,323 | \$ 84,344 | \$ 87,485 |
| Interest | 155,586 | 146,915 | 180,913 |
| Differences between expected and actual experience | (895,475) | (43,945) | (51,056) |
| Changes in assumptions | (833,785) | (149,240) | (229,711) |
| Benefit payments | (156,177) | (128,263) | (115,393) |
| Net change in total OPEB liability | (1,652,528) | (90,189) | (127,762) |
| Total OPEB liability - beginning | 4,275,093 | 4,365,282 | 4,493,044 |
| Total OPEB liability - ending | <u>\$ 2,622,565</u> | <u>\$ 4,275,093</u> | <u>\$ 4,365,282</u> |
| Plan Fiduciary Net Position | | | |
| Employer contributions | \$ 1,406,177 | \$ 128,263 | \$ 115,393 |
| Net investment income (loss) | (1,418) | - | - |
| Benefit payments and refunds | (156,177) | (128,263) | (115,393) |
| Administrative expense | (166) | - | - |
| Net change in plan fiduciary net position | 1,248,416 | - | - |
| Plan fiduciary net position - beginning | - | - | - |
| Plan fiduciary net position - ending (b) | <u>\$ 1,248,416</u> | <u>\$ -</u> | <u>\$ -</u> |
| Net OPEB liability (a-b) | <u>\$ 1,374,149</u> | <u>\$ 4,275,093</u> | <u>\$ 4,365,282</u> |
| Reported in governmental activities | \$ 1,325,748 | \$ 4,142,565 | \$ 4,229,958 |
| Reported in component units | | | |
| Central dispatch authority | 48,401 | 132,528 | 135,324 |
| Total net OPEB liability | <u>\$ 1,374,149</u> | <u>\$ 4,275,093</u> | <u>\$ 4,365,282</u> |
| Covered payroll | \$ 4,042,885 | \$ 2,232,385 | \$ 2,919,206 |
| Net OPEB liability as a percentage of covered payroll | 33.99% | 191.50% | 149.54% |

*GASB Statement No. 75 was implemented for the fiscal year ended September 30, 2017 and does not require retroactive implementation. Data will be added as information is available until 10 years of such data is available.

Gratiot County
Required Supplementary Information
Other Post-Employment Benefits
Schedule of Employer Contributions
September 30, 2019

| Fiscal Year End | Actuarially Determined Contribution | Actual Contribution | Contribution Deficiency (Excess) | Covered Payroll | Actual Contribution as a % of Covered Payroll |
|-----------------------|---|------------------------|--|--------------------|--|
| 9/30/2017 | \$ 651,410 | \$ 115,393 | \$ 536,017 | \$ 2,919,206 | 3.95% |
| 9/30/2018 | 677,401 | 128,263 | 549,138 | 2,232,385 | 5.75% |
| 9/30/2019 | 526,194 | 1,406,177 | (879,983) * | 4,042,885 | 34.78% |

* The County Board of Commissioners approved contributing an additional \$1,250,000.

Methods and assumptions used to determine contribution rates:

| | |
|-------------------------------|---|
| Actuarial cost method | Individual entry-age |
| Amortization method | Level dollar, closed |
| Remaining amortization period | 11 years |
| Asset valuation method | Market value |
| Inflation | Implicit in expected payroll increases |
| Salary increases | 2.00% |
| Discount rate | 7.00% |
| Retirement age | 55-60 |
| Health inflation rate | Pre-65 - 8.5% in 2019 graded down 0.25% per year to 4.5% |
| Mortality | General public employer 2010 mortality table with improvement scale MP-2018 |

*GASB Statement No. 75 was implemented for the fiscal year ended September 30, 2017 and does not require retroactive implementation. Data will be added as information is available until 10 years of such data is available.

Gratiot County
Required Supplementary Information
Other Post-Employment Benefits
Schedule of Investment Returns

| Fiscal Year Ended September 30, | Annual Return % * | |
|---------------------------------------|----------------------|----|
| 2017 | N/A | ** |
| 2018 | N/A | ** |
| 2019 | -0.11% | |

* Annual money-weighted rate of return, net of investment expenses

**An OPEB trust fund had not been established in these years, therefore there was no annual return.

GASB Statement No. 74 was implemented for the fiscal year ended September 30, 2017 and does not require retroactive implementation.

Data will be added as information is available until 10 years of such data is available.

Gratiot County
Required Supplementary Information
Other Post-Employment Benefits
Schedule of Changes in Net OPEB Liability and Related Ratios - Road Commission
September 30, 2019

| Fiscal year ended September 30, | 2019 | 2018 |
|---|--------------------|-------------------|
| Total OPEB Liability | | |
| Benefit payments | \$ (51,500) | \$ (49,500) |
| Special item - benefits foregone for Health Care Savings Plan | - | (1,359,053) |
| Net change in Total OPEB liability | (51,500) | (1,408,553) |
| Total OPEB liability - beginning | 140,200 | 1,548,753 |
| Total OPEB liability - ending | <u>\$ 88,700</u> | <u>\$ 140,200</u> |
| Plan Fiduciary Net Position | | |
| Employer contributions | \$ - | \$ 189,700 |
| Net investment income | 3,339 | - |
| Benefit payments and refunds | - | (49,500) |
| Administrative expense | (276) | - |
| Net change in plan fiduciary net position | 3,063 | 140,200 |
| Plan fiduciary net position - beginning | 140,200 | - |
| Plan fiduciary net position - ending (b) | <u>\$ 143,263</u> | <u>\$ 140,200</u> |
| Net OPEB asset (a-b) | <u>\$ (54,563)</u> | <u>\$ -</u> |
| Reported in component units | | |
| Central dispatch authority | \$ (6,162) | \$ 132,528 |
| Net OPEB asset | <u>\$ (48,401)</u> | <u>(132,528)</u> |
| | <u>\$ (54,563)</u> | <u>\$ -</u> |
| Plan fiduciary net position as a percentage of total OPEB liability | 161.51% | 100.00% |
| Covered payroll | \$ - | \$ - |
| Total OPEB liability as a percentage of covered payroll | 0% | 0% |

*GASB Statement No. 75 was implemented for the fiscal year ended September 30, 2018 and does not require retroactive implementation. Data will be added as information is available until 10 years of such data is available.

Gratiot County
Required Supplementary Information
Other Post-Employment Benefits
Schedule of Employer Contributions - Road Commission
September 30, 2019

| Fiscal Year End | Actuarially Determined Contribution | Actual Contribution | Contribution Deficiency (Excess) | Covered Payroll | Actual Contribution as a % of Covered Payroll |
|-----------------------|---|------------------------|--|--------------------|--|
| 9/30/2018 | \$ 49,500 | \$ 49,500 | \$ - | \$ - | 0% |
| 9/30/2019 | - | - | - | - | 0% |

Actuarial valuation information relative to the determination of contributions:

Alternative Measurement Method used as of September 30, 2019

Methods and assumptions used to determine contribution rates:

None / Plan Closed

*GASB Statement No. 75 was implemented for the fiscal year ended September 30, 2018 and does not require retroactive implementation.

Data will be added as information is available until 10 years of such data is available.

Gratiot County
Nonmajor Governmental Funds
Combining Balance Sheet
September 30, 2019

| | Special Revenue Funds | | | | | |
|--|-----------------------|-------------------------|-------------------------------------|------------------------|---------------------------------------|--|
| | Road Patrol | Parks and Recreation | Geographic Information System | Friend of the Court | State Criminal Alien Assistance | Economic and Agriculture Development |
| Assets | | | | | | |
| Cash and cash equivalents | \$ 9,435 | \$ 485,152 | \$ 176,163 | \$ - | \$ 9,476 | \$ 34,855 |
| Receivables | | | | | | |
| Customers | - | - | - | - | - | - |
| Due from other units of government | - | - | - | 82,437 | 2,084 | - |
| Prepaid items | - | - | - | - | - | - |
| Total assets | <u>\$ 9,435</u> | <u>\$ 485,152</u> | <u>\$ 176,163</u> | <u>\$ 82,437</u> | <u>\$ 11,560</u> | <u>\$ 34,855</u> |
| Liabilities | | | | | | |
| Accounts payable | \$ - | \$ 6,741 | \$ 11,250 | \$ 11,273 | \$ - | \$ - |
| Accrued and other liabilities | <u>9,435</u> | <u>7,747</u> | <u>-</u> | <u>14,973</u> | <u>-</u> | <u>-</u> |
| Total liabilities | <u>9,435</u> | <u>14,488</u> | <u>11,250</u> | <u>26,246</u> | <u>-</u> | <u>-</u> |
| Deferred Inflows of Resources | | | | | | |
| Unavailable grant revenue | <u>-</u> | <u>-</u> | <u>-</u> | <u>48,574</u> | <u>-</u> | <u>-</u> |
| Fund Balances | | | | | | |
| Non-spendable | | | | | | |
| Prepaid items | - | - | - | - | - | - |
| Restricted for | | | | | | |
| Debt service | - | - | - | - | - | - |
| Special revenue funds | <u>-</u> | <u>470,664</u> | <u>164,913</u> | <u>7,617</u> | <u>11,560</u> | <u>34,855</u> |
| Total fund balances | <u>-</u> | <u>470,664</u> | <u>164,913</u> | <u>7,617</u> | <u>11,560</u> | <u>34,855</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 9,435</u> | <u>\$ 485,152</u> | <u>\$ 176,163</u> | <u>\$ 82,437</u> | <u>\$ 11,560</u> | <u>\$ 34,855</u> |

Gratiot County
Nonmajor Governmental Funds
Combining Balance Sheet
September 30, 2019

| | Special Revenue Funds | | | | | |
|--|------------------------|----------------------|------------------------|---|-------------------------|--------------------|
| | Building Inspection | Register of Deeds | K-9 Unit Sheriff | Correction Officers Training Fund | Drug law Enforcement | Law Enforcement |
| Assets | | | | | | |
| Cash and cash equivalents | \$ 279,283 | \$ 191,292 | \$ - | \$ 74,553 | \$ 2,241 | \$ 1,348 |
| Receivables | | | | | | |
| Customers | - | 270 | - | 160 | - | - |
| Due from other units of government | - | - | - | - | - | - |
| Prepaid items | - | - | - | - | - | - |
| Total assets | <u>\$ 279,283</u> | <u>\$ 191,562</u> | <u>\$ -</u> | <u>\$ 74,713</u> | <u>\$ 2,241</u> | <u>\$ 1,348</u> |
| Liabilities | | | | | | |
| Accounts payable | \$ 348 | \$ 1,742 | \$ - | \$ - | \$ - | \$ - |
| Accrued and other liabilities | <u>3,880</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total liabilities | <u>4,228</u> | <u>1,742</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Deferred Inflows of Resources | | | | | | |
| Unavailable grant revenue | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund Balances | | | | | | |
| Non-spendable | | | | | | |
| Prepaid items | - | - | - | - | - | - |
| Restricted for | | | | | | |
| Debt service | - | - | - | - | - | - |
| Special revenue funds | <u>275,055</u> | <u>189,820</u> | <u>-</u> | <u>74,713</u> | <u>2,241</u> | <u>1,348</u> |
| Total fund balances | <u>275,055</u> | <u>189,820</u> | <u>-</u> | <u>74,713</u> | <u>2,241</u> | <u>1,348</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 279,283</u> | <u>\$ 191,562</u> | <u>\$ -</u> | <u>\$ 74,713</u> | <u>\$ 2,241</u> | <u>\$ 1,348</u> |

Gratiot County
Nonmajor Governmental Funds
Combining Balance Sheet
September 30, 2019

| | Special Revenue Funds | | | | | |
|--|-----------------------|------------------------|-------------------------------------|-------------------|--------------------|------------------------------|
| | Law Library | Commission on Aging | Commission on Aging Donations | Recovery Court | D.A.R.E Program | Salvage Inspection Fee |
| Assets | | | | | | |
| Cash and cash equivalents | \$ 37,410 | \$ 500,856 | \$ 112,493 | \$ 32,758 | \$ 26 | \$ 10,645 |
| Receivables | | | | | | |
| Customers | - | 79,210 | 475 | - | - | - |
| Due from other units of government | - | - | - | 65,482 | - | - |
| Prepaid items | - | 1,335 | - | - | - | - |
| Total assets | <u>\$ 37,410</u> | <u>\$ 581,401</u> | <u>\$ 112,968</u> | <u>\$ 98,240</u> | <u>\$ 26</u> | <u>\$ 10,645</u> |
| Liabilities | | | | | | |
| Accounts payable | \$ - | \$ 89,097 | \$ - | \$ 28,542 | \$ - | \$ - |
| Accrued and other liabilities | - | 19,749 | - | 5,948 | - | - |
| Total liabilities | <u>-</u> | <u>108,846</u> | <u>-</u> | <u>34,490</u> | <u>-</u> | <u>-</u> |
| Deferred Inflows of Resources | | | | | | |
| Unavailable grant revenue | - | - | - | 26,557 | - | - |
| Fund Balances | | | | | | |
| Non-spendable | | | | | | |
| Prepaid items | - | 1,335 | - | - | - | - |
| Restricted for | | | | | | |
| Debt service | - | - | - | - | - | - |
| Special revenue funds | 37,410 | 471,220 | 112,968 | 37,193 | 26 | 10,645 |
| Total fund balances | <u>37,410</u> | <u>472,555</u> | <u>112,968</u> | <u>37,193</u> | <u>26</u> | <u>10,645</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 37,410</u> | <u>\$ 581,401</u> | <u>\$ 112,968</u> | <u>\$ 98,240</u> | <u>\$ 26</u> | <u>\$ 10,645</u> |

Gratiot County
Nonmajor Governmental Funds
Combining Balance Sheet
September 30, 2019

| | Special Revenue Funds | | | | | |
|--|------------------------|----------------------|-------------------|------------------|---------------------------------|------------------|
| | D.H.S. State Monies | Veterans Memorial | Animal Control | Marine Safety | Michigan Justice Training | Library |
| Assets | | | | | | |
| Cash and cash equivalents | \$ 3,651 | \$ 14,578 | \$ 3,990 | \$ 3,796 | \$ 1,349 | \$ 17,985 |
| Receivables | | | | | | |
| Customers | - | - | - | - | - | - |
| Due from other units of government | - | - | - | 1,679 | 2,415 | - |
| Prepaid items | - | - | - | - | - | - |
| Total assets | <u>\$ 3,651</u> | <u>\$ 14,578</u> | <u>\$ 3,990</u> | <u>\$ 5,475</u> | <u>\$ 3,764</u> | <u>\$ 17,985</u> |
| Liabilities | | | | | | |
| Accounts payable | \$ - | \$ - | \$ 785 | \$ - | \$ 40 | \$ - |
| Accrued and other liabilities | - | - | - | - | - | - |
| Total liabilities | <u>-</u> | <u>-</u> | <u>785</u> | <u>-</u> | <u>40</u> | <u>-</u> |
| Deferred Inflows of Resources | | | | | | |
| Unavailable grant revenue | - | - | - | - | - | - |
| Fund Balances | | | | | | |
| Non-spendable | | | | | | |
| Prepaid items | - | - | - | - | - | - |
| Restricted for | | | | | | |
| Debt service | - | - | - | - | - | - |
| Special revenue funds | <u>3,651</u> | <u>14,578</u> | <u>3,205</u> | <u>5,475</u> | <u>3,724</u> | <u>17,985</u> |
| Total fund balances | <u>3,651</u> | <u>14,578</u> | <u>3,205</u> | <u>5,475</u> | <u>3,724</u> | <u>17,985</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 3,651</u> | <u>\$ 14,578</u> | <u>\$ 3,990</u> | <u>\$ 5,475</u> | <u>\$ 3,764</u> | <u>\$ 17,985</u> |

Gratiot County
Nonmajor Governmental Funds
Combining Balance Sheet
September 30, 2019

| | Special Revenue Funds | | |
|--|-----------------------|----------------------------------|------------------|
| | Indigent Defense | Concealed Pistol Licensing | CDBG |
| Assets | | | |
| Cash and cash equivalents | \$ 192,287 | \$ 77,149 | \$ 27,887 |
| Receivables | | | |
| Customers | - | 72 | 9,279 |
| Due from other units of government | - | - | - |
| Prepaid items | - | - | - |
| Total assets | <u>\$ 192,287</u> | <u>\$ 77,221</u> | <u>\$ 37,166</u> |
| Liabilities | | | |
| Accounts payable | \$ 51,267 | \$ - | \$ - |
| Accrued and other liabilities | <u>2,654</u> | <u>-</u> | <u>-</u> |
| Total liabilities | <u>53,921</u> | <u>-</u> | <u>-</u> |
| Deferred Inflows of Resources | | | |
| Unavailable grant revenue | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund Balances | | | |
| Non-spendable | | | |
| Prepaid items | - | - | - |
| Restricted for | | | |
| Debt service | - | - | - |
| Special revenue funds | <u>138,366</u> | <u>77,221</u> | <u>37,166</u> |
| Total fund balances | <u>138,366</u> | <u>77,221</u> | <u>37,166</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 192,287</u> | <u>\$ 77,221</u> | <u>\$ 37,166</u> |

Gratiot County
Nonmajor Governmental Funds
Combining Balance Sheet
September 30, 2019

| | Debt Service Funds | | | Total Nonmajor Governmental Funds |
|--|--------------------|-------------------------------|----------------------------|--|
| | 2005 G.O. Bonds | Building Authority Jail | Pension Obligation Bond | |
| Assets | | | | |
| Cash and cash equivalents | \$ 500 | \$ 5,709 | \$ - | \$ 2,306,867 |
| Receivables | | | | |
| Customers | - | - | - | 89,466 |
| Due from other units of government | - | - | - | 154,097 |
| Prepaid items | - | - | - | 1,335 |
| | <u>\$ 500</u> | <u>\$ 5,709</u> | <u>\$ -</u> | <u>\$ 2,551,765</u> |
| Liabilities | | | | |
| Accounts payable | \$ 500 | \$ - | \$ - | \$ 201,585 |
| Accrued and other liabilities | - | - | - | 64,386 |
| | <u>500</u> | <u>-</u> | <u>-</u> | <u>265,971</u> |
| Deferred Inflows of Resources | | | | |
| Unavailable grant revenue | - | - | - | 75,131 |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>75,131</u> |
| Fund Balances | | | | |
| Non-spendable | | | | |
| Prepaid items | - | - | - | 1,335 |
| Restricted for | | | | |
| Debt service | - | 5,709 | - | 5,709 |
| Special revenue funds | - | - | - | 2,203,619 |
| | <u>-</u> | <u>5,709</u> | <u>-</u> | <u>2,210,663</u> |
| Total fund balances | - | 5,709 | - | 2,210,663 |
| | <u>-</u> | <u>5,709</u> | <u>-</u> | <u>2,210,663</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 500</u> | <u>\$ 5,709</u> | <u>\$ -</u> | <u>\$ 2,551,765</u> |

Gratiot County
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2019

| | Special Revenue Funds | | | | | |
|--|-----------------------|-------------------------|-------------------------------------|------------------------|---------------------------------------|--|
| | Road Patrol | Parks and Recreation | Geographic Information System | Friend of the Court | State Criminal Alien Assistance | Economic and Agriculture Development |
| Revenues | | | | | | |
| Taxes | \$ 612,191 | \$ 487,701 | \$ - | \$ - | \$ - | \$ 629,105 |
| Licenses and permits | - | - | - | - | - | - |
| Intergovernmental | | | | | | |
| Federal/state | - | 2,972 | - | 495,323 | 2,084 | - |
| Local contributions | - | 1,094 | 28,009 | - | - | - |
| Charges for services | - | 13,749 | - | 42,313 | - | - |
| Fines and forfeitures | - | - | - | - | - | - |
| Interest income | 993 | 4,256 | 1,386 | - | 69 | 1,394 |
| Other revenue | - | - | 2,624 | - | - | - |
| Total revenues | <u>613,184</u> | <u>509,772</u> | <u>32,019</u> | <u>537,636</u> | <u>2,153</u> | <u>630,499</u> |
| Expenditures | | | | | | |
| Current | | | | | | |
| General government | - | - | 19,255 | 560,430 | - | - |
| Public safety | 619,038 | - | - | - | - | - |
| Health and welfare | - | - | - | - | - | - |
| Community and economic development | - | - | - | - | - | 418,624 |
| Recreation and culture | - | 332,260 | - | - | - | - |
| Capital outlay | 4,031 | 60,351 | - | 6,059 | - | - |
| Debt service | | | | | | |
| Principal retirement | - | - | - | 400 | - | - |
| Interest and fiscal charges | - | - | - | 234 | - | - |
| Total expenditures | <u>623,069</u> | <u>392,611</u> | <u>19,255</u> | <u>567,123</u> | <u>-</u> | <u>418,624</u> |
| Excess (deficiency) of revenues over expenditures | <u>(9,885)</u> | <u>117,161</u> | <u>12,764</u> | <u>(29,487)</u> | <u>2,153</u> | <u>211,875</u> |

Gratiot County
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2019

| | Special Revenue Funds | | | | | |
|---|-----------------------|-------------------------|-------------------------------------|------------------------|---------------------------------------|--|
| | Road Patrol | Parks and Recreation | Geographic Information System | Friend of the Court | State Criminal Alien Assistance | Economic and Agriculture Development |
| Other financing sources (uses) | | | | | | |
| Transfers in | \$ 6,389 | \$ - | \$ 500 | \$ 31,074 | \$ - | \$ - |
| Transfers out | - | (500) | - | - | - | (212,048) |
| Proceeds from capital lease | - | - | - | 6,030 | - | - |
| Total other financing sources (uses) | <u>6,389</u> | <u>(500)</u> | <u>500</u> | <u>37,104</u> | <u>-</u> | <u>(212,048)</u> |
| Net change in fund balance | (3,496) | 116,661 | 13,264 | 7,617 | 2,153 | (173) |
| Fund balance - beginning of year | <u>3,496</u> | <u>354,003</u> | <u>151,649</u> | <u>-</u> | <u>9,407</u> | <u>35,028</u> |
| Fund balance - end of year | <u>\$ -</u> | <u>\$ 470,664</u> | <u>\$ 164,913</u> | <u>\$ 7,617</u> | <u>\$ 11,560</u> | <u>\$ 34,855</u> |

Gratiot County
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2019

| | Special Revenue Funds | | | | | |
|--|------------------------|----------------------|------------------------|---|-------------------------|--------------------|
| | Building Inspection | Register of Deeds | K-9 Unit Sheriff | Correction Officers Training Fund | Drug law Enforcement | Law Enforcement |
| Revenues | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Licenses and permits | 317,326 | - | - | - | - | - |
| Intergovernmental | | | | | | |
| Federal/state | - | - | - | - | - | - |
| Local contributions | - | - | - | - | - | - |
| Charges for services | - | 38,645 | 85,753 | 9,200 | - | - |
| Fines and forfeitures | - | - | - | - | - | - |
| Interest income | 1,322 | 1,333 | 103 | 566 | 22 | 14 |
| Other revenue | - | - | - | - | - | - |
| Total revenues | <u>318,648</u> | <u>39,978</u> | <u>85,856</u> | <u>9,766</u> | <u>22</u> | <u>14</u> |
| Expenditures | | | | | | |
| Current | | | | | | |
| General government | - | 22,420 | - | - | - | - |
| Public safety | 173,053 | - | 11,346 | 250 | - | - |
| Health and welfare | - | - | - | - | - | - |
| Community and economic development | - | - | - | - | - | - |
| Recreation and culture | - | - | - | - | - | - |
| Capital outlay | 1,967 | - | 103,725 | - | - | - |
| Debt service | | | | | | |
| Principal retirement | 131 | - | - | - | - | - |
| Interest and fiscal charges | 76 | - | 126 | - | - | - |
| Total expenditures | <u>175,227</u> | <u>22,420</u> | <u>115,197</u> | <u>250</u> | <u>-</u> | <u>-</u> |
| Excess (deficiency) of revenues over expenditures | <u>143,421</u> | <u>17,558</u> | <u>(29,341)</u> | <u>9,516</u> | <u>22</u> | <u>14</u> |

Gratiot County
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2019

| | Special Revenue Funds | | | | | |
|---------------------------------------|------------------------|----------------------|------------------------|---|-------------------------|--------------------|
| | Building Inspection | Register of Deeds | K-9 Unit Sheriff | Correction Officers Training Fund | Drug law Enforcement | Law Enforcement |
| Other financing sources (uses) | | | | | | |
| Transfers in | \$ - | \$ - | \$ 31 | \$ - | \$ - | \$ - |
| Transfers out | - | - | - | - | - | - |
| Proceeds from capital lease | <u>1,967</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total other financing sources (uses) | <u>1,967</u> | <u>-</u> | <u>31</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balance | 145,388 | 17,558 | (29,310) | 9,516 | 22 | 14 |
| Fund balance - beginning of year | <u>129,667</u> | <u>172,262</u> | <u>29,310</u> | <u>65,197</u> | <u>2,219</u> | <u>1,334</u> |
| Fund balance - end of year | <u>\$ 275,055</u> | <u>\$ 189,820</u> | <u>\$ -</u> | <u>\$ 74,713</u> | <u>\$ 2,241</u> | <u>\$ 1,348</u> |

Gratiot County
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2019

| | Special Revenue Funds | | | | | |
|--|-----------------------|------------------------|-------------------------------------|-------------------|--------------------|------------------------------|
| | Law Library | Commission on Aging | Commission on Aging Donations | Recovery Court | D.A.R.E Program | Salvage Inspection Fee |
| Revenues | | | | | | |
| Taxes | \$ - | \$ 906,490 | \$ - | \$ - | \$ - | \$ - |
| Licenses and permits | - | - | - | - | - | - |
| Intergovernmental | | | | | | |
| Federal/state | - | 366,532 | - | 200,447 | - | - |
| Local contributions | - | 5,786 | - | - | - | - |
| Charges for services | - | 119,336 | 1,798 | 39,922 | - | - |
| Fines and forfeitures | 4,500 | - | - | - | - | - |
| Interest income | 250 | 6,468 | - | - | - | 78 |
| Other revenue | - | - | 4,852 | - | - | - |
| Total revenues | 4,750 | 1,404,612 | 6,650 | 240,369 | - | 78 |
| Expenditures | | | | | | |
| Current | | | | | | |
| General government | - | - | - | - | - | - |
| Public safety | - | - | - | - | - | - |
| Health and welfare | - | 1,274,672 | 4,814 | 281,545 | - | - |
| Community and economic development | - | - | - | - | - | - |
| Recreation and culture | - | - | - | - | - | - |
| Capital outlay | 8,752 | 110,951 | 54,526 | - | - | - |
| Debt service | | | | | | |
| Principal retirement | - | 898 | - | - | - | - |
| Interest and fiscal charges | - | 524 | - | - | - | - |
| Total expenditures | 8,752 | 1,387,045 | 59,340 | 281,545 | - | - |
| Excess (deficiency) of revenues over expenditures | (4,002) | 17,567 | (52,690) | (41,176) | - | 78 |

Gratiot County
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2019

| | Special Revenue Funds | | | | | |
|---------------------------------------|-----------------------|------------------------|-------------------------------------|-------------------|--------------------|------------------------------|
| | Law Library | Commission on Aging | Commission on Aging Donations | Recovery Court | D.A.R.E Program | Salvage Inspection Fee |
| Other financing sources (uses) | | | | | | |
| Transfers in | \$ - | \$ - | \$ 165,658 | \$ - | \$ - | \$ - |
| Transfers out | - | (165,658) | - | - | - | - |
| Proceeds from capital lease | - | 13,521 | - | - | - | - |
| Total other financing sources (uses) | - | (152,137) | 165,658 | - | - | - |
| Net change in fund balance | (4,002) | (134,570) | 112,968 | (41,176) | - | 78 |
| Fund balance - beginning of year | 41,412 | 607,125 | - | 78,369 | 26 | 10,567 |
| Fund balance - end of year | <u>\$ 37,410</u> | <u>\$ 472,555</u> | <u>\$ 112,968</u> | <u>\$ 37,193</u> | <u>\$ 26</u> | <u>\$ 10,645</u> |

Gratiot County
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2019

| | Special Revenue Funds | | | | | |
|--|------------------------|----------------------|-------------------|------------------|---------------------------------|----------------|
| | D.H.S. State Monies | Veterans Memorial | Animal Control | Marine Safety | Michigan Justice Training | Library |
| Revenues | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 701,563 |
| Licenses and permits | - | - | - | - | - | - |
| Intergovernmental | | | | | | |
| Federal/state | - | - | - | 3,405 | 4,552 | - |
| Local contributions | - | - | - | - | - | - |
| Charges for services | - | - | 7,724 | - | - | - |
| Fines and forfeitures | - | - | - | - | - | - |
| Interest income | 45 | 96 | 20 | - | - | 1,322 |
| Other revenue | - | - | 10 | - | - | - |
| Total revenues | <u>45</u> | <u>96</u> | <u>7,754</u> | <u>3,405</u> | <u>4,552</u> | <u>702,885</u> |
| Expenditures | | | | | | |
| Current | | | | | | |
| General government | - | - | - | - | - | - |
| Public safety | - | - | 6,748 | 1,545 | 828 | - |
| Health and welfare | - | 205 | - | - | - | - |
| Community and economic development | - | - | - | - | - | - |
| Recreation and culture | - | - | - | - | - | 702,584 |
| Capital outlay | - | - | - | 456 | - | - |
| Debt service | | | | | | |
| Principal retirement | - | - | - | - | - | - |
| Interest and fiscal charges | - | - | - | - | - | - |
| Total expenditures | <u>-</u> | <u>205</u> | <u>6,748</u> | <u>2,001</u> | <u>828</u> | <u>702,584</u> |
| Excess (deficiency) of revenues over expenditures | <u>45</u> | <u>(109)</u> | <u>1,006</u> | <u>1,404</u> | <u>3,724</u> | <u>301</u> |

Gratiot County
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2019

| | Special Revenue Funds | | | | | |
|---------------------------------------|------------------------|----------------------|-------------------|------------------|---------------------------------|------------------|
| | D.H.S. State Monies | Veterans Memorial | Animal Control | Marine Safety | Michigan Justice Training | Library |
| Other financing sources (uses) | | | | | | |
| Transfers in | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Transfers out | - | - | - | - | - | - |
| Proceeds from capital lease | - | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | - | - |
| Net change in fund balance | 45 | (109) | 1,006 | 1,404 | 3,724 | 301 |
| Fund balance - beginning of year | 3,606 | 14,687 | 2,199 | 4,071 | - | 17,684 |
| Fund balance - end of year | <u>\$ 3,651</u> | <u>\$ 14,578</u> | <u>\$ 3,205</u> | <u>\$ 5,475</u> | <u>\$ 3,724</u> | <u>\$ 17,985</u> |

Gratiot County
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2019

| | Special Revenue Funds | | |
|--|-----------------------|----------------------------------|---------------|
| | Indigent Defense | Concealed Pistol Licensing | CDBG |
| Revenues | | | |
| Taxes | \$ - | \$ - | \$ - |
| Licenses and permits | - | - | - |
| Intergovernmental | | | |
| Federal/state | 422,375 | - | - |
| Local contributions | - | - | - |
| Charges for services | 22,093 | 19,258 | - |
| Fines and forfeitures | - | - | - |
| Interest income | 1,397 | 768 | - |
| Other revenue | - | - | 69,416 |
| | <u>445,865</u> | <u>20,026</u> | <u>69,416</u> |
| Total revenues | | | |
| Expenditures | | | |
| Current | | | |
| General government | 461,558 | - | - |
| Public safety | - | - | - |
| Health and welfare | - | - | - |
| Community and economic development | - | - | 32,250 |
| Recreation and culture | - | - | - |
| Capital outlay | - | - | - |
| Debt service | | | |
| Principal retirement | - | - | - |
| Interest and fiscal charges | - | - | - |
| | <u>461,558</u> | <u>-</u> | <u>32,250</u> |
| Total expenditures | | | |
| Excess (deficiency) of revenues over expenditures | <u>(15,693)</u> | <u>20,026</u> | <u>37,166</u> |

Gratiot County
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2019

| | Special Revenue Funds | | |
|---------------------------------------|-----------------------|----------------------------------|------------------|
| | Indigent Defense | Concealed Pistol Licensing | CDBG |
| Other financing sources (uses) | | | |
| Transfers in | \$ 154,059 | \$ - | \$ - |
| Transfers out | - | (10,595) | - |
| Proceeds from capital lease | - | - | - |
| Total other financing sources (uses) | <u>154,059</u> | <u>(10,595)</u> | <u>-</u> |
| Net change in fund balance | 138,366 | 9,431 | 37,166 |
| Fund balance - beginning of year | <u>-</u> | <u>67,790</u> | <u>-</u> |
| Fund balance - end of year | <u>\$ 138,366</u> | <u>\$ 77,221</u> | <u>\$ 37,166</u> |

Gratiot County
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2019

| | Debt Service Funds | | | Total Nonmajor Governmental Funds |
|--|--------------------|------------------------------|----------------------------|--|
| | 2005 G.O. Bonds | Building Authority - Jail | Pension Obligation Bond | |
| Revenues | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ 3,337,050 |
| Licenses and permits | - | - | - | 317,326 |
| Intergovernmental | | | | |
| Federal/state | - | - | - | 1,497,690 |
| Local contributions | 59,935 | - | - | 94,824 |
| Charges for services | - | - | - | 399,791 |
| Fines and forfeitures | - | - | - | 4,500 |
| Interest income | - | 58 | - | 21,960 |
| Other revenue | - | - | - | 76,902 |
| | 59,935 | 58 | - | 5,750,043 |
| Total revenues | | | | |
| Expenditures | | | | |
| Current | | | | |
| General government | - | - | - | 1,063,663 |
| Public safety | - | - | - | 812,808 |
| Health and welfare | - | - | - | 1,561,236 |
| Community and economic development | - | - | - | 450,874 |
| Recreation and culture | - | - | - | 1,034,844 |
| Capital outlay | - | - | - | 350,818 |
| Debt service | | | | |
| Principal retirement | 75,000 | 190,000 | 645,000 | 911,429 |
| Interest and fiscal charges | 13,825 | 15,450 | 151,393 | 181,628 |
| | 88,825 | 205,450 | 796,393 | 6,367,300 |
| Total expenditures | | | | |
| Excess (deficiency) of revenues over expenditures | (28,890) | (205,392) | (796,393) | (617,257) |

Gratiot County
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2019

| | Debt Service Funds | | | Total Nonmajor Governmental Funds |
|---------------------------------------|--------------------|------------------------------|----------------------------|--|
| | 2005 G.O. Bonds | Building Authority - Jail | Pension Obligation Bond | |
| Other financing sources (uses) | | | | |
| Transfers in | \$ 28,640 | \$ 205,200 | \$ 796,393 | \$ 1,387,944 |
| Transfers out | - | - | - | (388,801) |
| Proceeds from capital lease | - | - | - | 21,518 |
| | 28,640 | 205,200 | 796,393 | 1,020,661 |
| Total other financing sources (uses) | | | | |
| Net change in fund balance | (250) | (192) | - | 403,404 |
| Fund balance - beginning of year | 250 | 5,901 | - | 1,807,259 |
| Fund balance - end of year | - | \$ 5,709 | \$ - | \$ 2,210,663 |

Gratiot County
Nonmajor Enterprise Funds
Combining Statement of Net Position
September 30, 2019

| | <u>Principal Residence Denial Interest</u> | <u>Soil Erosion Inspection</u> | <u>Jail Commissary</u> | <u>Total</u> |
|-------------------------------|--|--|----------------------------|-------------------|
| Assets | | | | |
| Current assets | | | | |
| Cash and cash equivalents | \$ 50,848 | \$ 81,790 | \$ 1,120 | \$ 133,758 |
| Receivables | | | | |
| Customers | - | - | 1,299 | 1,299 |
| Prepaid items | - | - | 625 | 625 |
| | <u>50,848</u> | <u>81,790</u> | <u>3,044</u> | <u>135,682</u> |
| Liabilities | | | | |
| Current liabilities | | | | |
| Accounts payable | - | 164 | 2,231 | 2,395 |
| Accrued and other liabilities | - | 578 | - | 578 |
| | <u>-</u> | <u>742</u> | <u>2,231</u> | <u>2,973</u> |
| Net Position | | | | |
| Unrestricted | <u>\$ 50,848</u> | <u>\$ 81,048</u> | <u>\$ 813</u> | <u>\$ 132,709</u> |

Gratiot County
Nonmajor Enterprise Funds
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended September 30, 2019

| | Principal Residence Denial Interest | Soil Erosion Inspection | Jail Commissary | Total |
|----------------------------------|---|-------------------------------|--------------------|-------------------|
| Operating revenue | | | | |
| Customer fees | \$ - | \$ 73,182 | \$ 45,419 | \$ 118,601 |
| Other revenue | - | - | 55,612 | 55,612 |
| Total operating revenue | <u>-</u> | <u>73,182</u> | <u>101,031</u> | <u>174,213</u> |
| Operating expenses | | | | |
| Personnel services | - | 16,015 | - | 16,015 |
| Supplies | - | 856 | 27,345 | 28,201 |
| Contractual services | - | 822 | - | 822 |
| Utilities | - | 432 | - | 432 |
| Repairs and maintenance | - | 83 | 6,897 | 6,980 |
| Other expenses | - | 6,292 | 81,798 | 88,090 |
| Total operating expenses | <u>-</u> | <u>24,500</u> | <u>116,040</u> | <u>140,540</u> |
| Operating income (loss) | - | 48,682 | (15,009) | 33,673 |
| Nonoperating revenue | | | | |
| Interest income | 4,907 | 369 | 134 | 5,410 |
| Change in net position | 4,907 | 49,051 | (14,875) | 39,083 |
| Net position - beginning of year | <u>45,941</u> | <u>31,997</u> | <u>15,688</u> | <u>93,626</u> |
| Net position - end of year | <u>\$ 50,848</u> | <u>\$ 81,048</u> | <u>\$ 813</u> | <u>\$ 132,709</u> |

Gratiot County
Nonmajor Enterprise Funds
Combining Statement of Cash Flows
For the Year Ended September 30, 2019

| | Principal Residence Denial Interest | Soil Erosion Inspection | Jail Commissary | Total |
|--|---|-------------------------------|--------------------|------------|
| Cash flows from operating activities | | | | |
| Receipts from customers | \$ - | \$ 73,182 | \$ 100,836 | \$ 174,018 |
| Payments to suppliers | - | (8,451) | (121,110) | (129,561) |
| Payments to employees | - | (16,015) | - | (16,015) |
| Net cash provided (used) by operating activities | - | 48,716 | (20,274) | 28,442 |
| Cash flows from investing activities | | | | |
| Interest received | 4,907 | 369 | 134 | 5,410 |
| Net change in cash and cash equivalents | 4,907 | 49,085 | (20,140) | 33,852 |
| Cash and cash equivalents - beginning of year | 45,941 | 32,705 | 21,260 | 99,906 |
| Cash and cash equivalents - end of year | \$ 50,848 | \$ 81,790 | \$ 1,120 | \$ 133,758 |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities | | | | |
| Operating income (loss) | \$ - | \$ 48,682 | \$ (15,009) | \$ 33,673 |
| Changes in assets and liabilities | | | | |
| Receivables (net) | - | - | (195) | (195) |
| Accounts payable | - | 50 | (5,070) | (5,020) |
| Accrued and other liabilities | - | (16) | - | (16) |
| Net cash provided (used) by operating activities | \$ - | \$ 48,716 | \$ (20,274) | \$ 28,442 |

Gratiot County
Internal Service Funds
Combining Statement of Net Position
September 30, 2019

| | <u>Fringe Benefits</u> | <u>Tile Fund</u> | <u>Flexible Spending</u> | <u>Total</u> |
|----------------------------|----------------------------|------------------|------------------------------|-------------------|
| Assets | | | | |
| Current assets | | | | |
| Cash and cash equivalents | \$ 125 | \$ 24,320 | \$ 10,029 | \$ 34,474 |
| Receivables | | | | |
| Accrued interest and other | 5,930 | - | - | 5,930 |
| Inventories | - | 44,067 | - | 44,067 |
| Prepaid items | 144,746 | - | - | 144,746 |
| | <u>150,801</u> | <u>68,387</u> | <u>10,029</u> | <u>229,217</u> |
| Liabilities | | | | |
| Current liabilities | | | | |
| Accounts payable | 2,273 | 13,004 | - | 15,277 |
| Due to other funds | 50,323 | - | - | 50,323 |
| | <u>52,596</u> | <u>13,004</u> | <u>-</u> | <u>65,600</u> |
| Net Position | | | | |
| Unrestricted | <u>\$ 98,205</u> | <u>\$ 55,383</u> | <u>\$ 10,029</u> | <u>\$ 163,617</u> |

Gratiot County
Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended September 30, 2019

| | <u>Fringe Benefits</u> | <u>Tile Fund</u> | <u>Flexible Spending</u> | <u>Total</u> |
|----------------------------------|----------------------------|------------------|------------------------------|-------------------|
| Operating revenue | | | | |
| Billings to other funds | \$ 3,220,291 | \$ - | \$ - | \$ 3,220,291 |
| Other revenue | <u>13,313</u> | <u>44,359</u> | <u>25,242</u> | <u>82,914</u> |
| Total operating revenue | <u>3,233,604</u> | <u>44,359</u> | <u>25,242</u> | <u>3,303,205</u> |
| Operating expenses | | | | |
| Personnel services | 3,723,859 | - | - | 3,723,859 |
| Other expenses | <u>-</u> | <u>47,454</u> | <u>23,804</u> | <u>71,258</u> |
| Total operating expenses | <u>3,723,859</u> | <u>47,454</u> | <u>23,804</u> | <u>3,795,117</u> |
| Operating income (loss) | (490,255) | (3,095) | 1,438 | (491,912) |
| Nonoperating revenue | | | | |
| Interest income | <u>2,346</u> | <u>130</u> | <u>60</u> | <u>2,536</u> |
| Income (loss) before transfers | (487,909) | (2,965) | 1,498 | (489,376) |
| Transfers in | 1,250,000 | - | - | 1,250,000 |
| Transfers out | <u>(796,393)</u> | <u>-</u> | <u>-</u> | <u>(796,393)</u> |
| Change in net position | (34,302) | (2,965) | 1,498 | (35,769) |
| Net position - beginning of year | <u>132,507</u> | <u>58,348</u> | <u>8,531</u> | <u>199,386</u> |
| Net position - end of year | <u>\$ 98,205</u> | <u>\$ 55,383</u> | <u>\$ 10,029</u> | <u>\$ 163,617</u> |

Gratiot County
Internal Service Funds
Combining Statement of Cash Flows
For the Year Ended September 30, 2019

| | Fringe Benefits | Tile Fund | Flexible Spending | Total |
|--|---------------------|------------------|----------------------|---------------------|
| Cash flows from operating activities | | | | |
| Receipts from employees | \$ - | \$ - | \$ 25,242 | \$ 25,242 |
| Receipts from interfund users | 3,273,683 | 44,359 | - | 3,318,042 |
| Payments to suppliers | <u>(3,729,511)</u> | <u>(43,847)</u> | <u>(23,804)</u> | <u>(3,797,162)</u> |
| Net cash provided (used) by operating activities | <u>(455,828)</u> | <u>512</u> | <u>1,438</u> | <u>(453,878)</u> |
| Cash flows from noncapital financing activities | | | | |
| Transfer from other funds | 1,250,000 | - | - | 1,250,000 |
| Transfers to other funds | <u>(796,393)</u> | <u>-</u> | <u>-</u> | <u>(796,393)</u> |
| Net cash provided by noncapital financing activities | <u>453,607</u> | <u>-</u> | <u>-</u> | <u>453,607</u> |
| Cash flows from investing activities | | | | |
| Interest received | <u>2,346</u> | <u>130</u> | <u>60</u> | <u>2,536</u> |
| Net change in cash and cash equivalents | 125 | 642 | 1,498 | 2,265 |
| Cash and cash equivalents - beginning of year | <u>-</u> | <u>23,678</u> | <u>8,531</u> | <u>32,209</u> |
| Cash and cash equivalents - end of year | <u>\$ 125</u> | <u>\$ 24,320</u> | <u>\$ 10,029</u> | <u>\$ 34,474</u> |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities | | | | |
| Operating income (loss) | \$ (490,255) | \$ (3,095) | \$ 1,438 | \$ (491,912) |
| Changes in assets and liabilities | | | | |
| Receivables (net) | 729 | - | - | 729 |
| Inventories | - | (6,828) | - | (6,828) |
| Prepaid items | (7,925) | - | - | (7,925) |
| Accounts payable | 2,273 | 10,435 | - | 12,708 |
| Due to other funds | <u>39,350</u> | <u>-</u> | <u>-</u> | <u>39,350</u> |
| Net cash provided (used) by operating activities | <u>\$ (455,828)</u> | <u>\$ 512</u> | <u>\$ 1,438</u> | <u>\$ (453,878)</u> |

**Gratiot County
Component Unit Funds
Road Commission
Balance Sheet
September 30, 2019**

| | <u>Road Commission</u> |
|-------------------------------------|----------------------------|
| Assets | |
| Cash and cash equivalents | \$ 866,060 |
| Investments | 640,123 |
| Due from other units of government | 843,828 |
| Inventories | <u>480,554</u> |
| Total assets | <u><u>\$ 2,830,565</u></u> |
| Liabilities | |
| Accounts payable | \$ 411,600 |
| Accrued and other liabilities | 55,257 |
| Performance bond payable | 1,800 |
| Advances from State | 227,829 |
| Due to other units of government | <u>17,693</u> |
| Total liabilities | <u>714,179</u> |
| Fund Balances | |
| Nonspendable | 480,554 |
| Restricted | |
| County Road Operations | <u>1,635,832</u> |
| Total fund balances | <u>2,116,386</u> |
| Total liabilities and fund balances | <u><u>\$ 2,830,565</u></u> |

Gratiot County
Component Unit Funds
Road Commission
Reconciliation of the Balance Sheet to the Statement of Net Position
September 30, 2019

| | |
|---|-----------------------------|
| Total fund balances for component unit funds - road commission | \$ 2,116,386 |
| Total net position for component units in the statement of net position is different because: | |
| Capital assets used in component units are not financial resources and therefore are not reported in the funds. | |
| Capital assets not being depreciated | 653,673 |
| Capital assets net of depreciation | 31,125,230 |
| Certain liabilities are not due and payable in the current period and are not reported in the funds. | |
| Compensated absences | (370,651) |
| Deferred outflows (inflows) of resources | |
| Deferred outflows of resources resulting from net pension liability | 2,257,605 |
| Deferred inflows of resources resulting from net pension liability | (141,413) |
| Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. | |
| Net pension liability | (7,847,039) |
| Net OPEB asset | 54,563 |
| Net position of component unit funds - road commission | <u><u>\$ 27,848,354</u></u> |

Gratiot County
Component Unit Funds
Road Commission
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2019

| | Road Commission |
|--|--------------------|
| Revenues | |
| Licenses and permits | \$ 94,180 |
| Intergovernmental | |
| Federal\state | 9,382,784 |
| Local contributions | 1,643,365 |
| Charges for services | 1,227,034 |
| Interest and rents | 39,192 |
| Other revenue | 377,338 |
| Total revenues | 12,763,893 |
| Expenditures | |
| Current | |
| Public works | 12,837,754 |
| Capital outlay | 194,865 |
| Total expenditures | 13,032,619 |
| Deficiency of revenues over expenditures | (268,726) |
| Other financing sources | |
| Sale of capital assets | 5,648 |
| Net change in fund balance | (263,078) |
| Fund balance - beginning of year | 2,379,464 |
| Fund balance - end of year | \$ 2,116,386 |

**Gratiot County
Component Unit Funds
Road Commission
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities
For the Year Ended September 30, 2019**

Net change in fund balances - component unit funds - road commission \$ (263,078)

Total change in net position reported for component unit funds in the statement of activities is different because:

Component unit funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

| | |
|----------------------------|-------------|
| Depreciation expense | (2,358,974) |
| Capital outlay | 4,144,670 |
| Disposal of capital assets | (6,352) |

Expenses are recorded when incurred in the statement of activities

| | |
|----------------------|----------|
| Compensated absences | (62,584) |
|----------------------|----------|

The statement of net position reports the net pension liability and deferred outflows of resources and deferred inflows related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions.

| | |
|--|-------------|
| Net change in net pension liability | (1,449,757) |
| Net change in the deferred inflow of resources related to the net pension liability | 199,781 |
| Net change in the deferred outflow of resources related to the net pension liability | 1,266,622 |

The statement of net position reports the net OPEB asset and deferred outflows of resources and deferred inflows related to the net OPEB asset and OPEB expense. However, the amount recorded on the governmental funds equals actual OPEB contributions.

| | |
|------------------------------|--------|
| Net change in net OPEB asset | 54,563 |
|------------------------------|--------|

Change in net position of component unit funds - road commission **\$ 1,524,891**

**Gratiot County
Component Unit Funds
Drainage Districts
Combining Balance Sheet
September 30, 2019**

| | Debt Service | | | | | Capital Projects | | | Total | |
|--|--------------------|-------------------|--------------------|---------------------|---------------------|------------------|----------------------|--------------------|------------------|-----------------------------------|
| | Drain Debt #007 | Drain Debt #96 | Drain Debt #133 | Drain Debt #181 | Drain Debt #383 | Drain Debt | Regular Drain | Revolving Drain | | Revolving Drain Maintenance |
| Assets | | | | | | | | | | |
| Cash and cash equivalents | \$ 119,018 | \$ - | \$ 213,498 | \$ 1,079,988 | \$ 254,711 | \$ - | \$ 2,621,375 | \$ 165,043 | \$ 50,359 | \$ 4,503,992 |
| Receivables | | | | | | | | | | |
| Special assessments, current | 160,836 | - | 57,055 | 175,162 | 84,170 | - | 1,738,528 | - | - | 2,215,751 |
| Due from other units of government | - | - | - | - | - | - | 2,366 | - | - | 2,366 |
| Total current assets | <u>279,854</u> | <u>-</u> | <u>270,553</u> | <u>1,255,150</u> | <u>338,881</u> | <u>-</u> | <u>4,362,269</u> | <u>165,043</u> | <u>50,359</u> | <u>6,722,109</u> |
| Noncurrent assets | | | | | | | | | | |
| Special assessments, deferred | <u>321,672</u> | <u>-</u> | <u>456,441</u> | <u>2,277,104</u> | <u>1,346,714</u> | <u>-</u> | <u>7,266,799</u> | <u>-</u> | <u>-</u> | <u>11,668,730</u> |
| Total assets | <u>\$ 601,526</u> | <u>\$ -</u> | <u>\$ 726,994</u> | <u>\$ 3,532,254</u> | <u>\$ 1,685,595</u> | <u>\$ -</u> | <u>\$ 11,629,068</u> | <u>\$ 165,043</u> | <u>\$ 50,359</u> | <u>\$ 18,390,839</u> |
| Liabilities | | | | | | | | | | |
| Accounts payable | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 520,484</u> | <u>\$ 50,826</u> | <u>\$ 431</u> | <u>\$ 571,741</u> |
| Deferred Inflows of Resources | | | | | | | | | | |
| Unavailable revenue | | | | | | | | | | |
| Special assessments | <u>482,508</u> | <u>-</u> | <u>513,496</u> | <u>2,452,266</u> | <u>1,430,884</u> | <u>-</u> | <u>9,005,327</u> | <u>-</u> | <u>-</u> | <u>13,884,481</u> |
| Fund Balances | | | | | | | | | | |
| Restricted | | | | | | | | | | |
| Debt service | 119,018 | - | 213,498 | 1,079,988 | 254,711 | - | - | - | - | 1,667,215 |
| Assigned - capital projects | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,103,257</u> | <u>114,217</u> | <u>49,928</u> | <u>2,267,402</u> |
| Total fund balances | <u>119,018</u> | <u>-</u> | <u>213,498</u> | <u>1,079,988</u> | <u>254,711</u> | <u>-</u> | <u>2,103,257</u> | <u>114,217</u> | <u>49,928</u> | <u>3,934,617</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 601,526</u> | <u>\$ -</u> | <u>\$ 726,994</u> | <u>\$ 3,532,254</u> | <u>\$ 1,685,595</u> | <u>\$ -</u> | <u>\$ 11,629,068</u> | <u>\$ 165,043</u> | <u>\$ 50,359</u> | <u>\$ 18,390,839</u> |

**Gratiot County
Component Unit Funds
Drainage Districts
Reconciliation of the Combining Balance Sheet to the Statement of Net Position
September 30, 2019**

| | |
|--|-----------------------------|
| Total fund balances for component unit funds - drainage district | \$ 3,934,617 |
| Total net position for component units in the statement of net position is different because: | |
| Capital assets used in component units are not financial resources and therefore are not reported in the funds. | |
| Capital assets not being depreciated | 2,701,567 |
| Capital assets net of depreciation | 26,714,270 |
| Certain receivables are not available to pay for current period expenditures and, therefore are deferred in the funds. | 13,884,481 |
| Certain liabilities are not due and payable in the current period and are not reported in the funds. | |
| Accrued interest | (143,966) |
| Bonds and loans payable | <u>(14,101,636)</u> |
| Net position of component unit funds - drainage district | <u><u>\$ 32,989,333</u></u> |

Gratiot County
Component Unit Funds
Drainage Districts
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2019

| | Debt Service | | | | | Capital Projects | | | Total | |
|---|--------------------|-------------------|--------------------|--------------------|--------------------|------------------|------------------|--------------------|---------------|-----------------------------------|
| | Drain Debt #007 | Drain Debt #96 | Drain Debt #133 | Drain Debt #181 | Drain Debt #383 | Drain Debt | Regular Drain | Revolving Drain | | Revolving Drain Maintenance |
| Revenues | | | | | | | | | | |
| Intergovernmental - state | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 36,041 | \$ - | \$ - | \$ 36,041 |
| Intergovernmental - local | - | - | - | - | - | - | 976,857 | - | - | 976,857 |
| Charges for services | 181,416 | - | 173,069 | 735,980 | 319,010 | - | 2,741,436 | - | - | 4,150,911 |
| Interest income | 1,497 | - | - | - | 2,189 | - | 31,594 | 766 | 190 | 36,236 |
| Other revenue | - | - | - | - | - | - | 84,071 | - | - | 84,071 |
| Total revenues | 182,913 | - | 173,069 | 735,980 | 321,199 | - | 3,869,999 | 766 | 190 | 5,284,116 |
| Expenditures | | | | | | | | | | |
| Current | | | | | | | | | | |
| Public works | - | - | - | - | - | - | 290,459 | 55,937 | 13,711 | 360,107 |
| Capital outlay | - | - | - | - | - | - | 3,452,816 | 365,689 | - | 3,818,505 |
| Debt service | | | | | | | | | | |
| Principal retirement | 170,000 | - | 75,000 | 235,000 | 95,000 | 1,767,422 | - | - | - | 2,342,422 |
| Interest and fiscal charges | 15,725 | - | 16,175 | 116,443 | 39,590 | 245,790 | - | - | - | 433,723 |
| Total expenditures | 185,725 | - | 91,175 | 351,443 | 134,590 | 2,013,212 | 3,743,275 | 421,626 | 13,711 | 6,954,757 |
| Excess (deficiency) of revenues over expenditures | (2,812) | - | 81,894 | 384,537 | 186,609 | (2,013,212) | 126,724 | (420,860) | (13,521) | (1,670,641) |
| Other financing sources (uses) | | | | | | | | | | |
| Transfers in | - | - | - | - | - | 2,013,212 | 1,527 | 437,445 | 36,844 | 2,489,028 |
| Transfers out | - | (25) | - | - | - | - | (2,472,963) | (16,040) | - | (2,489,028) |
| Bond and note proceeds | - | - | - | - | - | - | 1,898,138 | - | - | 1,898,138 |
| Total other financing sources (uses) | - | (25) | - | - | - | 2,013,212 | (573,298) | 421,405 | 36,844 | 1,898,138 |
| Net change in fund balance | (2,812) | (25) | 81,894 | 384,537 | 186,609 | - | (446,574) | 545 | 23,323 | 227,497 |
| Fund balance - beginning of year | 121,830 | 25 | 131,604 | 695,451 | 68,102 | - | 2,549,831 | 113,672 | 26,605 | 3,707,120 |
| Fund balance - end of year | \$ 119,018 | \$ - | \$ 213,498 | \$ 1,079,988 | \$ 254,711 | \$ - | \$ 2,103,257 | \$ 114,217 | \$ 49,928 | \$ 3,934,617 |

**Gratiot County
Component Unit Funds
Drainage Districts
Reconciliation of the Combining Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities
For the Year Ended September 30, 2019**

| | |
|---|----------------------------|
| Net change in fund balances - component unit funds - drainage district | \$ 227,497 |
| Total change in net position reported for component units in the statement of activities is different because: | |
| Component unit funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. | |
| Depreciation expense | (761,532) |
| Capital outlay | 3,280,022 |
| Loss on disposal of capital assets | (27,891) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds. | |
| Special assessments | (395,958) |
| Expenses are recorded when incurred in the statement of activities | |
| Accrued interest | (1,553) |
| Bond proceeds are reported as financing sources in the component unit funds and thus contribute to the change in fund balance. In the statement of net position however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the component unit funds but reduces the liability in the statement of net position | |
| Debt issued | (1,898,138) |
| Repayments of long-term debt | <u>2,342,422</u> |
| Change in net position of component unit funds - drainage district | <u>\$ 2,764,869</u> |

Gratiot County
Component Unit Funds
Central Dispatch Authority
Balance Sheet
September 30, 2019

Assets

| | |
|------------------------------------|------------------------------|
| Cash and cash equivalents | \$ 222,036 |
| Deposits with fiscal agent | 17,634 |
| Receivables | |
| Customers | 238,835 |
| Due from other units of government | <u>20,643</u> |
| Total assets | <u><u>\$ 499,148</u></u> |

Liabilities

| | |
|-------------------------------|---------------|
| Accounts payable | \$ 11,555 |
| Accrued and other liabilities | <u>18,950</u> |
| Total liabilities | 30,505 |

Fund Balances

| | |
|---|------------------------------|
| Restricted | |
| Central Dispatch Authority | <u>468,643</u> |
| Total liabilities and fund balances | <u><u>\$ 499,148</u></u> |

Gratiot County
Component Unit Funds
Central Dispatch Authority
Reconciliation of the Balance Sheet to the Statement of Net Position
September 30, 2019

| | |
|---|----------------------------|
| Total fund balances for component unit funds - central dispatch authority | \$ 468,643 |
| Total net position for component units in the statement of net position is different because: | |
| Capital assets used in component units are not financial resources and therefore are not reported in the funds. | |
| Capital assets net of depreciation | 643,091 |
| Certain liabilities are not due and payable in the current period and are not reported in the funds. | |
| Accrued interest | (2,381) |
| Compensated absences | (23,154) |
| Deferred outflows (inflows) of resources | |
| Deferred outflows of resources resulting from net pension liability | 239,637 |
| Deferred outflows of resources resulting from net other post-employment benefits (OPEB) liability | 33 |
| Deferred inflows of resources resulting from net OPEB liability | (48,650) |
| Long-term liabilities applicable to component unit activities are not due and payable in the current period and accordingly are not reported as fund liabilities. | |
| Note payable | (78,560) |
| Net pension liability | (7,247) |
| Net OPEB liability | (48,401) |
| Net position of component unit funds - central dispatch authority | <u><u>\$ 1,143,011</u></u> |

Gratiot County
Component Unit Funds
Central Dispatch Authority
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2019

Revenues

| | |
|----------------------|------------------|
| Other state grants | \$ 6,415 |
| Local contributions | 67,794 |
| Charges for services | 1,172,850 |
| Interest income | 3,183 |
| Other revenue | <u>4,636</u> |
| Total revenues | <u>1,254,878</u> |

Expenditures

| | |
|-----------------------------|--------------|
| Current | |
| Public safety | 1,103,316 |
| Capital outlay | 90,838 |
| Debt service | |
| Principal retirement | 181,439 |
| Interest and fiscal charges | <u>8,651</u> |

| | |
|--------------------|------------------|
| Total expenditures | <u>1,384,244</u> |
|--------------------|------------------|

| | |
|--|-----------|
| Deficiency of revenues over expenditures | (129,366) |
|--|-----------|

Other financing sources

| | |
|------------------------|--------------|
| Capital lease proceeds | <u>1,403</u> |
|------------------------|--------------|

| | |
|----------------------------|-----------|
| Net change in fund balance | (127,963) |
|----------------------------|-----------|

| | |
|----------------------------------|----------------|
| Fund balance - beginning of year | <u>596,606</u> |
|----------------------------------|----------------|

| | |
|----------------------------|--------------------------|
| Fund balance - end of year | <u><u>\$ 468,643</u></u> |
|----------------------------|--------------------------|

Gratiot County
Component Unit Funds
Central Dispatch Authority
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities
For the Year Ended September 30, 2019

Net change in fund balances - component unit funds - central dispatch authority \$ (127,963)

Total change in net position reported for component units in the statement of activities is different because:

Component unit funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense (61,410)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.

Other revenue (1,939)

Expenses are recorded when incurred in the statement of activities

Accrued interest (1,229)

Compensated absences 19,747

The statement of net position reports the net pension liability and deferred outflows of resources and deferred inflows related to the net pension liability and pension expense. However, the amount recorded on the component unit fund equals actual pension contributions.

Net change in net pension liability (243,702)

Net change in the deferred outflow of resources related to the net pension liability 169,887

Net change in the deferred inflow of resources related to the net pension liability 83,609

The statement of net position reports the net other post-employment benefits liability (OPEB) and deferred outflows of resources and deferred inflows related to the net OPEB liability and OPEB expense. However, the amount recorded on the governmental funds equals actual OPEB contributions.

Net change in net OPEB liability 84,127

Net change in the deferred outflow of resources related to the net OPEB liability 33

Net change in the deferred inflow of resources related to the net OPEB liability (37,303)

Note proceeds are reported as financing sources in the component unit fund and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the component unit fund but reduces the liability in the statement of net position.

Debt issued (1,403)

Repayments of long-term debt 193,607

Change in net position of component unit funds - central dispatch authority \$ 76,061

Gratiot County
Component Unit Funds
Brownfield Redevelopment Authority
Balance Sheet
September 30, 2019

Assets

| | |
|------------------------------------|---------------|
| Cash and cash equivalents | \$ 2,439 |
| Due from other units of government | <u>33,225</u> |

| | |
|--------------|-------------------------|
| Total assets | <u><u>\$ 35,664</u></u> |
|--------------|-------------------------|

Deferred Inflow of Resources

| | |
|----------------|-----------|
| Property taxes | \$ 30,792 |
|----------------|-----------|

Fund Balances

| | |
|--------------------------|--------------|
| Brownfield Redevelopment | <u>4,872</u> |
|--------------------------|--------------|

| | |
|--|-------------------------|
| Total deferred inflow of resources and fund balances | <u><u>\$ 35,664</u></u> |
|--|-------------------------|

**Gratiot County
Component Unit Funds
Brownfield Redevelopment Authority
Reconciliation of the Balance Sheet to the Statement of Net Position
September 30, 2019**

| | |
|--|-------------------------|
| Total fund balances for component unit funds - brownfield redevelopment authority | \$ 4,872 |
| Total net position for component units in the statement of net position is different because: | |
| Certain receivables are not available to pay for current period expenditures and, therefore are deferred in the funds. | <u>30,792</u> |
| Net position of component unit funds - brownfield redevelopment authority | <u><u>\$ 35,664</u></u> |

Gratiot County
Component Unit Funds
Brownfield Redevelopment Authority
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2019

Revenues

| | | |
|-----------------|----|-------|
| Taxes | \$ | 4,469 |
| Interest income | | 89 |
| | | 4,558 |
| Total revenues | | 4,558 |

Expenditures

| | | |
|------------------------------------|----|----------|
| Current | | |
| Community and economic development | | 35,691 |
| | | 35,691 |
| Net change in fund balance | | (31,133) |
| Fund balance - beginning of year | | 36,005 |
| Fund balance - end of year | \$ | 4,872 |

Gratiot County
Component Unit Funds
Brownfield Redevelopment Authority
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities
For the Year Ended September 30, 2019

Net change in fund balances - component unit funds - brownfield redevelopment authority \$ (31,133)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.

Property taxes 30,792

Change in net position of component unit funds - brownfield redevelopment authority \$ (341)