

Gratiot County
Financial Statements
September 30, 2016

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Gratiot County
List of Elected and Appointed Officials
September 30, 2016

Board of Commissioners

George Bailey	Chairperson
Jan Bunting	Vice Chairperson
John Renneberg	Commissioner
Tim Lambrecht	Commissioner
Sam Smith	Commissioner

Administration and Other Elected Officials

Jeff Huff	Administrator
Michelle Thomas	Treasurer
Carol Vernon	Clerk
Mary Merchant	Register of Deeds
Brian Denman	Drain Commissioner
Keith Kushion	Prosecuting Attorney
Doug Wright	Sheriff



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Independent Auditors' Report

County Commissioners and Management
Gratiot County

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, 2016, 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 44 percent and 49 percent of the total assets and total net position of the discretely presented component units at September 30, 2016, respectively, and total revenues constituting 58 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, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters:

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, Municipal Employees' Retirement System schedules and other postemployment benefit information, 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 17, 2017 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report 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, MI
March 17, 2017

Gratiot County
Management's Discussion and Analysis
September 30, 2016

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, 2016. 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 nonmajor 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 assist in answering the question, is the County, in its entirety, better or worse off as a result of this fiscal year's activities? These statements, which include all nonfiduciary assets and liabilities, 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 these statements 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, 2016

- ***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 basis 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 nonmajor 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 services 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

Gratiot County
Management's Discussion and Analysis
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General Fund and the Delinquent Tax Revolving Fund. All other funds are classified as nonmajor funds and are reported in aggregate by the applicable fund type. The County includes detailed information on its nonmajor funds in other supplementary sections of this report.

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 Assets and Liabilities on page 4-14. These funds, which include trust and agency funds and the Library (Penal Fines) 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 4-18 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 nonmajor 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, 2016**

Financial Analysis of the County as a Whole

The following condensed financial information was derived from the government-wide Statement of Net Position and reflects the County's financial position for the years ended September 30, 2016 and 2015.

	Governmental Activities		Business Type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 8,357,333	\$ 8,065,186	\$ 6,153,522	\$ 6,888,193	\$ 14,510,855	\$ 14,953,379
Capital assets	7,754,543	8,052,426	-	-	7,754,543	8,052,426
Deferred outflows of resources	3,488,963	1,172,485	-	-	3,488,963	1,172,485
Total assets and deferred outflows of resources	19,600,839	17,290,097	6,153,522	6,888,193	25,754,361	23,005,805
Current liabilities	809,631	934,081	16,276	18,604	825,907	952,685
Long-term liabilities	11,869,502	10,781,708	-	-	11,869,502	10,781,708
Deferred inflows of resources	248,194	-	-	-	248,194	-
Total liabilities and deferred inflows of resources	12,927,327	11,715,789	16,276	18,604	12,943,603	11,734,393
Net Position						
Net investment in capital assets	6,492,722	6,537,646	-	-	6,492,722	6,537,646
Restricted	928,239	1,377,377	-	-	928,239	1,377,377
Unrestricted (deficit)	(747,449)	(2,340,715)	6,137,246	6,869,589	5,389,797	4,528,874
Total net position	\$ 6,673,512	\$ 5,574,308	\$ 6,137,246	\$ 6,869,589	\$ 12,810,758	\$ 12,443,897

Gratiot County
Management's Discussion and Analysis
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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, 2016 and 2015.

	Governmental Activities		Business Type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Revenues						
Charges for Services	\$ 3,499,735	\$ 3,678,723	\$ 431,510	\$ 460,823	\$ 3,931,245	\$ 4,139,546
Grants & Contributions	3,885,870	3,494,162	-	-	3,885,870	3,494,162
General Revenues						
Property Taxes	10,215,700	10,246,544	-	-	10,215,700	10,246,544
Investment Earnings	3,944	4,072	12,499	9,846	16,443	13,918
Miscellaneous	30,441	8,365	72,387	57,707	102,828	66,072
Total revenues	17,635,690	17,431,866	516,396	528,376	18,152,086	17,960,242
Expenses						
General Government	7,203,196	6,433,244	-	-	7,203,196	6,433,244
Public Safety	5,124,843	4,811,867	-	-	5,124,843	4,811,867
Public Works	32,592	46,920	-	-	32,592	46,920
Health and Welfare	3,520,679	3,205,653	-	-	3,520,679	3,205,653
Community and economic development	469,906	459,681	-	-	469,906	459,681
Recreation & Cultural	1,214,533	1,085,195	-	-	1,214,533	1,085,195
Interest on long-term debt	46,729	57,011	-	-	46,729	57,011
Delinquent Tax	-	-	8,416	7,478	8,416	7,478
Other	-	-	164,330	206,002	164,330	206,002
Total expenses	17,612,479	16,099,571	172,746	213,480	17,785,225	16,313,051
Excess revenue over expenditures	23,211	1,332,295	343,650	314,896	366,861	1,647,191
Transfers	1,075,993	-	(1,075,993)	-	-	-
Change in net position	1,099,204	1,332,295	(732,343)	314,896	366,861	1,647,191
Net position - beginning	5,574,308	4,242,013	6,869,589	6,554,693	12,443,897	10,796,706
Net position - ending	\$ 6,673,512	\$ 5,574,308	\$ 6,137,246	\$ 6,869,589	\$ 12,810,758	\$ 12,443,897

**Gratiot County
Management's Discussion and Analysis
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Governmental Activities:

The result of fiscal year 2016 governmental activity was an increase of \$1,099,204 in net position to \$6,673,512. Of the total governmental activities' net position, \$6,492,722 is invested in capital assets less related debt, \$928,239 is reported as restricted, meaning these assets are legally committed for a specific purpose through statute, or by another authority outside the County government. Unrestricted net position, having no legal commitment, is in a deficit of \$747,449. The deficit continues to be the result of recording the net pension liability within the County's financial statements.

Revenues:

The three largest revenue categories as a percent of total revenues were property taxes at 57.93% (decrease of 0.85% from the prior year), grants and contributions at 22.03% (increase of 1.99% from the prior year), and charges for services at 19.84% (decrease of 1.26% from the prior year). The County levied six property tax millages for the 2016 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 .6500 mills to finance the Commission on Aging, the road patrol millage at .4500 to finance the Road Patrol, the parks millage at .3498 mills to finance the Parks Department, the Economic Development and Agriculture millage at .4500 mills to finance economic development and agricultural promotion activities, and .5000 mills to finance libraries throughout the County. Charges for services, which reimburse the County for specific activities, are the third largest source of governmental activity revenue. Examples include District Court fees and services, Clerk's Office filing fees, Register of Deeds filing fees, and inmate telephone charges. Total governmental activities revenues remained relatively flat between fiscal years.

Expenses:

General government is the largest governmental activity, expending over \$7 million of the \$17.6 million total and includes offices such as District Court, Juvenile Court, Prosecuting Attorney, Board of Commissioners, Treasurer, Clerk, Register of Deeds, Elections and MSU Extension. Public Safety is the second largest governmental activity, expending over \$5.1 million. It includes the Sheriff, Animal Control, Emergency Services, and Jail operations. Health and Welfare is the third largest area, expending over \$3.5 million, and includes the Medical Examiner, District Health, Mental Health, Veterans Affairs and Substance Abuse. Total governmental activities expenses increased approximately \$1.5 million, but still remained less than total revenues.

Business-type Activities:

Net position in business-type activities decreased by \$732,343 during fiscal year 2016. 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. During the current fiscal year, the Board of Commissioners approved spending \$1,000,000 out of the Delinquent Tax Revolving Fund to buy down a portion of the County's unfunded net pension liability.

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
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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, 2016, the General Fund reported a fund balance of \$5,570,445. The General Fund's fund balance increased by \$484,293. Of the total fund balance, \$4,935,988 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 can frequently be amended during the course of the fiscal year to reflect changing operational demands.

The County's amended revenue budget was increased by \$222,920 during fiscal year 2016 to account for additional charges for services and transfers in. Actual General Fund revenue and other financing sources totaled \$13,117,542, which was \$40,892 less than the final amended budget. Actual was less than budgeted amounts for the following significant reasons:

- The County budgeted \$506,671 for other revenues, but actually recognized \$562,612. Other revenues vary from year to year depending on circumstances often outside of the County's control.
- Tax revenue exceeded budgeted amounts by \$115,685 as a result of a conservative budget.
- Transfers in exceeded budgeted amounts by \$75,992 as a result of a transfer from an enterprise fund for a capital outlay project not being budgeted.
- The above reasons were offset by the fact that intergovernmental revenue was less than budgeted by \$275,220, the result of not spending the full amount of grant awards during the current fiscal year. This also reflects on the expenditure side as actual expenditures were less than budget.

The County's expenditure budget was increased by \$212,020 during fiscal year 2016.

Actual County expenditures for fiscal year 2016 were \$492,436 below the amended budget. Actual expenditures were less than budgeted amounts for the following significant reasons:

- The actual amount spent on district court was \$108,039 less than budgeted due to a variety of factors.
- The actual amount spent on juvenile child care was \$112,803 less than budgeted.
- The actual amount spent on social and child welfare was \$194,140 less than budgeted.
- Departments also monitored their budgets closely, and the majority stayed within the budgeted expenditure amounts.

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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. As of September 30, 2016, this fund reported net position of \$5,489,560, a decrease of \$734,889 from the prior year. Operating expenses in this fund remain minimal, and revenues are generated from penalties and interest charged on delinquent property taxes. As previously mentioned, during the current fiscal year, the Board of Commissioners approved using \$1,000,000 out of this fund to buy down a portion of the County's unfunded net pension liability. The County maintains a high net position balance in order to limit the need to borrow funds when reconciling and paying out the local units, and various County funds during property tax settlement.

Capital Assets

At the end of fiscal year 2016 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	
	2016	2015
Land	\$ 703,075	\$ 703,075
Land improvements	913,021	889,106
Buildings and improvements	10,107,937	10,021,783
Equipment and furniture	1,531,268	1,545,729
Vehicles	888,141	830,605
	<u>14,143,442</u>	<u>13,990,298</u>
Less: accumulated depreciation	<u>(6,388,899)</u>	<u>(5,937,872)</u>
Capital assets, net	<u>\$ 7,754,543</u>	<u>\$ 8,052,426</u>

The County added \$290,380 to capital assets during fiscal year 2016, and recorded depreciation expense of \$557,726. The most significant additions were improvements to the newly relocated drain office of approximately \$99,908 and vehicles of approximately \$180,000.

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Long-Term Debt

As of September 30, 2016, the County had \$12,114,207 in long-term obligations outstanding for the primary government summarized in the following table. The County continues to make scheduled payments on the general obligation bonds. The other post-employment benefits obligation continues to increase as the County has elected the “pay as you go” method and has not established a separate trust to fund this obligation. The net pension liability also continues to increase as reflected in the latest actuarial report.

General obligation bonds	\$1,261,821
Compensated absences	673,885
Other post-employment benefits	2,151,759
Net pension liability	8,026,742

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 Note 9 to the financial statements.

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 2017 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.
- Management of unfunded pension liability. The Commissioners opted to issue bonds in calendar year 2017 to pay down the majority of the County's unfunded pension liability. While the County still has debt service obligations, those payments over a ten year period are more consistent and predictable from year-to-year. The County can better predict and budget for this obligation.
- 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. However, the County is careful not to reflect that optimism in its budget decisions. Our Board is not comprised of gamblers, willing to add expenses in the hope of winning hands in the future. Gratiot County is careful, cautious and realistic and thus, for the purpose of budgeting, assumes flat revenue going forward.
- 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 others.

**Gratiot County
Management's Discussion and Analysis
September 30, 2016**

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 Treasurer's Office at (989) 875-5220 or Gratiot County Administration at (989) 875-5261.

Gratiot County
Statement of Net Position
September 30, 2016

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 4,803,344	\$ 4,154,608	\$ 8,957,952	\$ 3,444,524
Investments	-	302,652	302,652	299,463
Receivables				
Taxes	2,182,964	1,441,458	3,624,422	-
Customers	500,787	1,294	502,081	262,242
Special assessments	-	-	-	13,751,734
Accrued interest and other	16,586	327,992	344,578	-
Due from other units of government	484,822	13,321	498,143	1,149,841
Internal balances	88,212	(88,212)	-	-
Inventories	19,557	-	19,557	534,324
Prepaid items	261,061	409	261,470	30,602
Restricted assets				
Cash and cash equivalents	-	-	-	1,153,503
Capital assets not being depreciated	703,075	-	703,075	8,150,767
Capital assets net of depreciation	7,051,468	-	7,051,468	46,231,563
Total assets	16,111,876	6,153,522	22,265,398	75,008,563
Deferred Outflows of Resources				
Deferred amount relating to net pension liability	3,488,963	-	3,488,963	2,293,711
Total assets and deferred outflows of resources	19,600,839	6,153,522	25,754,361	77,302,274

See Accompanying Notes to the Financial Statements

Gratiot County
Statement of Net Position
September 30, 2016

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Liabilities				
Accounts payable	\$ 300,307	\$ 15,770	\$ 316,077	\$ 495,171
Accrued and other liabilities	264,619	132	264,751	191,749
Performance bond payable	-	-	-	100
Due to fiduciary funds	-	374	374	-
Due to other units of government	-	-	-	12,697
Advances from other governmental unit	-	-	-	184,186
Noncurrent liabilities				
Debt due within one year	244,705	-	244,705	1,795,535
Debt due in more than one year	1,691,001	-	1,691,001	13,093,547
Other post-employment benefits payable	2,151,759	-	2,151,759	7,541
Net pension liability	<u>8,026,742</u>	<u>-</u>	<u>8,026,742</u>	<u>8,259,508</u>
 Total liabilities	 12,679,133	 16,276	 12,695,409	 24,040,034
Deferred Inflows of Resources				
Deferred amount relating to net pension liability	<u>248,194</u>	<u>-</u>	<u>248,194</u>	<u>10,207</u>
 Total liabilities and deferred inflows of resources	 <u>12,927,327</u>	 <u>16,276</u>	 <u>12,943,603</u>	 <u>24,050,241</u>
Net Position				
Net investment in capital assets	6,492,722	-	6,492,722	40,999,125
Restricted for				
Special revenue funds	928,239	-	928,239	-
Drainage districts	-	-	-	15,844,623
Brownfield redevelopment authority	-	-	-	48,287
Unrestricted (deficit)	<u>(747,449)</u>	<u>6,137,246</u>	<u>5,389,797</u>	<u>(3,640,002)</u>
 Total net position	 <u>\$ 6,673,512</u>	 <u>\$ 6,137,246</u>	 <u>\$ 12,810,758</u>	 <u>\$ 53,252,033</u>

See Accompanying Notes to the Financial Statements

Gratiot County
Statement of Activities
For the Year Ended September 30, 2016

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	\$ 7,203,196	\$ 2,447,836	\$ 3,164,936	\$ 60,809	\$ (1,529,615)	\$ -	\$ (1,529,615)	\$ -
Public safety	5,124,843	877,507	163,004	11,790	(4,072,542)	-	(4,072,542)	-
Public works	32,592	-	-	-	(32,592)	-	(32,592)	-
Health and welfare	3,520,679	132,589	440,182	6,389	(2,941,519)	-	(2,941,519)	-
Community and economic development	469,906	31,650	27,985	-	(410,271)	-	(410,271)	-
Recreation and culture	1,214,533	10,153	975	9,800	(1,193,605)	-	(1,193,605)	-
Interest on long-term debt	46,729	-	-	-	(46,729)	-	(46,729)	-
Total governmental activities	<u>17,612,479</u>	<u>3,499,735</u>	<u>3,797,082</u>	<u>88,788</u>	<u>(10,226,874)</u>	<u>-</u>	<u>(10,226,874)</u>	<u>-</u>
Business-type activities								
Delinquent tax revolving	8,416	263,959	-	-	-	255,543	255,543	-
Tax fees and sale proceeds	55,306	116,501	-	-	-	61,195	61,195	-
Principle residence denial interest	2,463	-	-	-	-	(2,463)	(2,463)	-
Soil erosion inspection	17,329	13,229	-	-	-	(4,100)	(4,100)	-
Jail commissary	89,232	37,821	-	-	-	(51,411)	(51,411)	-
Total business-type activities	<u>172,746</u>	<u>431,510</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>258,764</u>	<u>258,764</u>	<u>-</u>
Total primary government	<u>\$ 17,785,225</u>	<u>\$ 3,931,245</u>	<u>\$ 3,797,082</u>	<u>\$ 88,788</u>	<u>(10,226,874)</u>	<u>258,764</u>	<u>(9,968,110)</u>	<u>-</u>
Component units								
Drainage Districts	\$ 1,678,373	\$ 2,419,621	\$ -	\$ 2,698,760	-	-	-	3,440,008
Central Dispatch Authority	963,333	1,192,852	-	-	-	-	-	229,519
Brownfield Redevelopment Authority	158,704	-	-	-	-	-	-	(158,704)
Road Commission	9,173,392	1,114,160	5,241,257	2,488,989	-	-	-	(328,986)
	<u>\$ 11,973,802</u>	<u>\$ 4,726,633</u>	<u>\$ 5,241,257</u>	<u>\$ 5,187,749</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,181,837</u>
General revenues								
Property taxes					10,215,700	-	10,215,700	73,269
Unrestricted investment earnings					3,944	12,499	16,443	4,466
Gain on sale of capital assets					8,482	-	8,482	7,441
Miscellaneous					21,959	72,387	94,346	-
Transfers					1,075,993	(1,075,993)	-	-
Total general revenues					<u>11,326,078</u>	<u>(991,107)</u>	<u>10,334,971</u>	<u>85,176</u>
Change in net position					1,099,204	(732,343)	366,861	3,267,013
Net position - beginning of year					5,574,308	6,869,589	12,443,897	49,985,020
Net position - end of year					<u>\$ 6,673,512</u>	<u>\$ 6,137,246</u>	<u>\$ 12,810,758</u>	<u>\$ 53,252,033</u>

See Accompanying Notes to the Financial Statements

**Gratiot County
Governmental Funds
Balance Sheet
September 30, 2016**

	General	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 3,617,088	\$ 1,175,194	\$ 4,792,282
Receivables			
Taxes	2,182,964	-	2,182,964
Customers	426,458	74,329	500,787
Accrued interest and other	-	1,745	1,745
Due from other units of government	356,017	128,805	484,822
Due from other funds	319,466	127	319,593
Prepaid items	34,923	112,076	146,999
Total assets	\$ 6,936,916	\$ 1,492,276	\$ 8,429,192
Liabilities			
Accounts payable	\$ 227,893	\$ 70,139	\$ 298,032
Accrued and other liabilities	184,385	58,284	242,669
Due to other funds	-	143,286	143,286
Total liabilities	412,278	271,709	683,987

See Accompanying Notes to the Financial Statements

**Gratiot County
Governmental Funds
Balance Sheet
September 30, 2016**

	General	Nonmajor Governmental Funds	Total Governmental Funds
Deferred Inflows of Resources			
Unavailable grant revenue and charges for services	\$ 187,981	\$ 33,698	\$ 221,679
Unavailable property taxes	766,212	-	766,212
Total deferred inflows of resources	954,193	33,698	987,891
Fund Balances			
Non-spendable			
Prepaid items	34,923	112,076	146,999
Restricted			
Debt service	-	6,235	6,235
Special revenue funds	-	1,194,111	1,194,111
Committed	327,584	-	327,584
Assigned	271,950	-	271,950
Unassigned (deficit)	4,935,988	(125,553)	4,810,435
Total fund balances	5,570,445	1,186,869	6,757,314
Total liabilities, deferred inflows of resources and fund balances	\$ 6,936,916	\$ 1,492,276	\$ 8,429,192

See Accompanying Notes to the Financial Statements

**Gratiot County
Governmental Funds
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
September 30, 2016**

Total fund balances for governmental funds	\$ 6,757,314
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	703,075
Capital assets net of depreciation	7,051,468
Certain receivables are not available to pay for current period expenditures and, therefore are deferred in the funds.	987,891
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(21,950)
Compensated absences	(673,885)
Net other post employment obligation	(2,151,759)
Deferred outflows of resources resulting from net pension liability	3,488,963
Deferred inflows of resources resulting from net pension liability	(248,194)
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	(1,261,821)
Net pension liability	(8,026,742)
Internal service funds are included as part of governmental activities.	69,152
Net position of governmental activities	\$ 6,673,512

Gratiot County
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2016

	General	Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
Taxes	\$ 7,236,238	\$ 3,105,596	\$ 10,341,834
Licenses and permits	81,788	118,822	200,610
Intergovernmental			
Federal/State	2,486,955	1,248,952	3,735,907
Local contributions	422,640	116,952	539,592
Charges for services	1,849,071	347,679	2,196,750
Fines and forfeitures	92,090	4,500	96,590
Interest income	2,429	1,515	3,944
Rental income	20,432	-	20,432
Other revenue	562,612	33,220	595,832
	<u>12,754,255</u>	<u>4,977,236</u>	<u>17,731,491</u>
Total revenues			
Expenditures			
Current			
General government	6,168,287	662,103	6,830,390
Public safety	3,841,137	884,617	4,725,754
Public works	28,151	-	28,151
Health and Welfare	1,768,248	1,502,746	3,270,994
Community and economic development	5,354	434,264	439,618
Recreation and culture	-	971,403	971,403
Other functions	188,734	-	188,734
Capital outlay	314,186	180,850	495,036
Debt service			
Principal retirement	-	248,679	248,679
Interest and fiscal charges	-	54,923	54,923
	<u>12,314,097</u>	<u>4,939,585</u>	<u>17,253,682</u>
Total expenditures			
Excess of revenues over expenditures	<u>440,158</u>	<u>37,651</u>	<u>477,809</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, 2016

	General	Nonmajor Governmental Funds	Total Governmental Funds
Other financing sources (uses)			
Transfers in	\$ 358,537	\$ 319,652	\$ 678,189
Transfers out	(319,152)	(248,044)	(567,196)
Sale of fixed assets	4,750	3,000	7,750
Total other financing sources (uses)	44,135	74,608	118,743
Net change in fund balance	484,293	112,259	596,552
Fund balance - beginning of year (restated)	5,086,152	1,074,610	6,160,762
Fund balance - end of year	\$ 5,570,445	\$ 1,186,869	\$ 6,757,314

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, 2016

Net change in fund balances - Total governmental funds	\$ 596,552
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	(557,726)
Capital outlay	290,380
Loss on disposal of capital assets	(30,537)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
Grants	22,583
Property taxes	(126,134)
Expenses are recorded when incurred in the statement of activities	
Accrued interest	3,914
Compensated absences	107,076
Net other post employment obligation	(83,964)
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	(1,359,891)
Net change in the deferred outflow of resources related to the net pension liability	2,316,478
Net change in the deferred inflow of resources related to the net pension liability	(248,194)
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	
Repayments of long-term debt	248,679
Amortization of premiums	4,280
Internal service funds are also included as governmental activities	(84,292)
Change in net position of governmental activities	\$ 1,099,204

See Accompanying Notes to the Financial Statements

Gratiot County
Proprietary Funds
Statement of Net Position
September 30, 2016

	Business-type Activities			Internal Service Funds
	Delinquent Tax Revolving	Nonmajor Enterprise Funds	Total	
Assets				
Current assets				
Cash and cash equivalents	\$ 3,509,283	\$ 645,325	\$ 4,154,608	\$ 11,062
Investments	302,652	-	302,652	-
Receivables				
Taxes	1,440,116	1,342	1,441,458	-
Customers	-	1,294	1,294	-
Accrued interest and other	327,992	-	327,992	14,841
Due from other units of government	13,321	-	13,321	-
Inventories	-	-	-	19,557
Prepaid items	-	409	409	114,062
	<u>5,593,364</u>	<u>648,370</u>	<u>6,241,734</u>	<u>159,522</u>
Total assets				
Liabilities				
Current liabilities				
Accounts payable	15,228	542	15,770	2,275
Accrued and other liabilities	-	132	132	-
Due to other funds	88,202	10	88,212	88,095
Due to fiduciary funds	374	-	374	-
	<u>103,804</u>	<u>684</u>	<u>104,488</u>	<u>90,370</u>
Total liabilities				
Net Position				
Unrestricted	<u>\$ 5,489,560</u>	<u>\$ 647,686</u>	<u>\$ 6,137,246</u>	<u>\$ 69,152</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, 2016

	Business-type Activities			
	Delinquent Tax Revolving	Nonmajor Enterprise Funds	Total	Internal Service Funds
Operating revenue				
Customer fees	\$ 263,959	\$ 162,430	\$ 426,389	\$ -
Billings to other funds	-	-	-	3,534,277
Other revenue	2,704	74,804	77,508	49,456
	<u>266,663</u>	<u>237,234</u>	<u>503,897</u>	<u>3,583,733</u>
Operating expenses				
Personnel services	-	9,897	9,897	4,559,779
Supplies	8,416	41,016	49,432	-
Repairs and maintenance	-	2,991	2,991	-
Other expenses	-	110,426	110,426	73,264
	<u>8,416</u>	<u>164,330</u>	<u>172,746</u>	<u>4,633,043</u>
Total operating expenses				
Operating income (loss)	258,247	72,904	331,151	(1,049,310)
Nonoperating revenue				
Interest income	6,864	5,635	12,499	18
	<u>6,864</u>	<u>5,635</u>	<u>12,499</u>	<u>18</u>
Income (loss) before transfers	265,111	78,539	343,650	(1,049,292)
Transfers in	-	-	-	1,000,000
Transfers out	(1,000,000)	(75,993)	(1,075,993)	(35,000)
	<u>(1,000,000)</u>	<u>(75,993)</u>	<u>(1,075,993)</u>	<u>(35,000)</u>
Change in net position	(734,889)	2,546	(732,343)	(84,292)
Net position - beginning of year	6,224,449	645,140	6,869,589	153,444
	<u>6,224,449</u>	<u>645,140</u>	<u>6,869,589</u>	<u>153,444</u>
Net position - end of year	\$ 5,489,560	\$ 647,686	\$ 6,137,246	\$ 69,152
	<u>\$ 5,489,560</u>	<u>\$ 647,686</u>	<u>\$ 6,137,246</u>	<u>\$ 69,152</u>

See Accompanying Notes to the Financial Statements

Gratiot County
Proprietary Funds
Statement of Cash Flows
For the Year Ended September 30, 2016

	<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	\$ 322,529	\$ 238,811	\$ 561,340	\$ 16,105
Receipts from interfund users	-	-	-	3,732,748
Receipts from other funds	-	10	10	-
Payments to other funds	(27,963)	(193)	(28,156)	-
Payments to suppliers	-	(149,701)	(149,701)	(4,836,331)
Payments to employees	-	(9,897)	(9,897)	-
	<u>294,566</u>	<u>79,030</u>	<u>373,596</u>	<u>(1,087,478)</u>
Net cash provided (used) by operating activities				
Cash flows from noncapital financing activities				
Transfer from other funds	-	-	-	1,000,000
Transfers to other funds	(1,000,000)	(75,993)	(1,075,993)	(35,000)
	<u>(1,000,000)</u>	<u>(75,993)</u>	<u>(1,075,993)</u>	<u>965,000</u>
Net cash provided (used) by noncapital financing activities				
Cash flows from investing activities				
Sale of investments	499,407	-	499,407	-
Interest received	6,864	5,635	12,499	18
	<u>506,271</u>	<u>5,635</u>	<u>511,906</u>	<u>18</u>
Net cash provided by investing activities				
Net change in cash and cash equivalents	(199,163)	8,672	(190,491)	(122,460)
Cash and cash equivalents - beginning of year	3,708,446	636,653	4,345,099	133,522
Cash and cash equivalents - end of year	<u>\$ 3,509,283</u>	<u>\$ 645,325</u>	<u>\$ 4,154,608</u>	<u>\$ 11,062</u>

See Accompanying Notes to the Financial Statements

Gratiot County
Proprietary Funds
Statement of Cash Flows
For the Year Ended September 30, 2016

	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)	\$ 258,247	\$ 72,904	\$ 331,151	\$ (1,049,310)
Changes in assets and liabilities				
Receivables (net)	70,057	1,577	71,634	78,276
Due from other units of government	(6,891)	-	(6,891)	-
Inventories	-	-	-	20,938
Prepaid items	-	6,695	6,695	(114,062)
Accounts payable	10,512	(1,398)	9,114	2,275
Accrued and other liabilities	-	(565)	(565)	(112,439)
Due to other funds	(26,531)	(183)	(26,714)	86,844
Due to fiduciary funds	(1,432)	-	(1,432)	-
Due to other units of government	(9,396)	-	(9,396)	-
	<u>\$ 294,566</u>	<u>\$ 79,030</u>	<u>\$ 373,596</u>	<u>\$ (1,087,478)</u>
Net cash provided (used) by operating activities	<u>\$ 294,566</u>	<u>\$ 79,030</u>	<u>\$ 373,596</u>	<u>\$ (1,087,478)</u>

See Accompanying Notes to the Financial Statements

Gratiot County
Fiduciary Funds
Statement of Fiduciary Assets and Liabilities
September 30, 2016

	Trust and Agency	Library Fund (Penal Fines)	Total Agency Funds
Assets			
Cash and cash equivalents	\$ 2,807,517	\$ 94,885	\$ 2,902,402
Receivables			
Accrued interest and other	2,500	-	2,500
Due from other funds	374	-	374
Total assets	<u>\$ 2,810,391</u>	<u>\$ 94,885</u>	<u>\$ 2,905,276</u>
Liabilities			
Accrued and other liabilities	\$ 245,373	\$ -	\$ 245,373
Due to other units of government	2,565,018	94,885	2,659,903
Total liabilities	<u>\$ 2,810,391</u>	<u>\$ 94,885</u>	<u>\$ 2,905,276</u>

See Accompanying Notes to the Financial Statements

Gratiot County
Component Unit Funds
Combining Statement of Net Position
September 30, 2016

	Road Commission	Central Dispatch Authority	Drainage Districts	Brownfield Redevelopment Authority	Total
Assets					
Current assets					
Cash and cash equivalents	\$ 651,602	\$ 380,019	\$ 2,364,616	\$ 48,287	\$ 3,444,524
Investments	299,463	-	-		299,463
Receivables					
Customers	-	262,242	-	-	262,242
Special assessments, current	-	-	2,208,027	-	2,208,027
Due from other units of government	1,144,031	-	5,810	-	1,149,841
Inventories	534,324	-	-	-	534,324
Prepaid items	-	30,602	-	-	30,602
	<u>2,629,420</u>	<u>672,863</u>	<u>4,578,453</u>	<u>48,287</u>	<u>7,929,023</u>
Total current assets					
Noncurrent assets					
Restricted assets					
Cash and cash equivalents	-	-	1,153,503		1,153,503
Special assessments receivable, deferred	-	-	11,543,707	-	11,543,707
Capital assets not being depreciated	653,673	636,171	6,860,923	-	8,150,767
Capital assets net of depreciation	29,573,086	52,261	16,606,216	-	46,231,563
	<u>30,226,759</u>	<u>688,432</u>	<u>36,164,349</u>	<u>-</u>	<u>67,079,540</u>
Total noncurrent assets					
	<u>32,856,179</u>	<u>1,361,295</u>	<u>40,742,802</u>	<u>48,287</u>	<u>75,008,563</u>
Total assets					
	<u>2,112,090</u>	<u>181,621</u>	<u>-</u>	<u>-</u>	<u>2,293,711</u>
Deferred amount relating to net pension liability					
	<u>34,968,269</u>	<u>1,542,916</u>	<u>40,742,802</u>	<u>48,287</u>	<u>77,302,274</u>
Total assets and deferred outflows of resources					

See Accompanying Notes to the Financial Statements

Gratiot County
Component Unit Funds
Combining Statement of Net Position
September 30, 2016

	Road Commission	Central Dispatch Authority	Drainage Districts	Brownfield Redevelopment Authority	Total
Liabilities					
Current liabilities					
Accounts payable	\$ 341,402	\$ 4,560	\$ 149,209	\$ -	\$ 495,171
Accrued and other liabilities	42,553	20,868	128,328	-	191,749
Performance bond payable	100	-	-	-	100
Due to other units of government	12,697	-	-	-	12,697
Current portion of noncurrent liabilities	-	140,629	1,654,906	-	1,795,535
Total current liabilities	396,752	166,057	1,932,443	-	2,495,252
Noncurrent liabilities					
Advances from State	184,186	-	-	-	184,186
Net pension liability	7,712,552	546,956	-	-	8,259,508
Long-term debt net of current portion	308,617	333,055	12,451,875	-	13,093,547
Other post-employment benefits payable	7,541	-	-	-	7,541
Total noncurrent liabilities	8,212,896	880,011	12,451,875	-	21,544,782
Total liabilities	8,609,648	1,046,068	14,384,318	-	24,040,034
Deferred Inflows of Resources					
Deferred amount relating to net pension liability	-	10,207	-	-	10,207
Total liabilities and deferred inflows of resources	8,609,648	1,056,275	14,384,318	-	24,050,241
Net Position					
Net investment in capital assets	30,226,759	258,505	10,513,861	-	40,999,125
Restricted					
Drainage districts	-	-	15,844,623	-	15,844,623
Brownfield redevelopment authority	-	-	-	48,287	48,287
Unrestricted (deficit)	(3,868,138)	228,136	-	-	(3,640,002)
Total net position	\$ 26,358,621	\$ 486,641	\$ 26,358,484	\$ 48,287	\$ 53,252,033

See Accompanying Notes to the Financial Statements

Gratiot County
Component Units Funds
Statement of Activities
For the Year Ended September 30, 2016

Functions/Programs	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expense) Revenues and Changes in Net Position
Component units	Charges for Services	Operating Grants and Contributions	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenues and Changes in Net Position
Governmental activities					
Drainage Districts	\$ 1,678,373	\$ 2,419,621	\$ -	\$ 2,698,760	\$ 3,440,008
Central Dispatch Authority	963,333	1,192,852	-	-	229,519
Brownfield Redevelopment Authority	158,704	-	-	-	(158,704)
Road Commission	9,173,392	1,114,160	5,241,257	2,488,989	(328,986)
Total primary government	\$ 11,973,802	\$ 4,726,633	\$ 5,241,257	\$ 5,187,749	3,181,837
General revenues					
Property taxes					73,269
Unrestricted investment earnings					4,466
Gain on sale of capital assets					7,441
Total general revenues					85,176
Change in net position					3,267,013
Net position - beginning of year					49,985,020
Net position - end of year					\$ 53,252,033

See Accompanying Notes to the Financial Statements

Gratiot County
Notes to the Financial Statements
September 30, 2016

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, which is a joint venture between Gratiot County, the Michigan State Police, the Villages of Ashley, Perrinton, and Breckenridge; and the Cities of Alma, St. Louis, and Ithaca. 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, 2016, the County was not required to make a contribution to the Authority.

Gratiot County
Notes to the Financial Statements
September 30, 2016

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, 2016, the County contributed \$26,000 to cover its share of operational cost. The County does not have an equity interest.

The financial activities of the Gratiot Community Airport Commission (GCAC) are reported in the City of Alma's audited financial statements

Gratiot County
Notes to the Financial Statements
September 30, 2016

as a joint venture, due to the City being responsible for the receipt and disbursement of the Commission's funds. As of June 30, 2016, the GCAC had net position of \$2,273,913. 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, 2016, the County contributed \$298,802 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, 2016 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.

East Michigan Council of Governments – Gratiot County, in conjunction with thirteen (13) other Counties, has entered into an agreement which created the East Central Michigan Planning & Development Regional Commission. This organization's Board is composed of 48 members, of which two (2) are appointed by Gratiot

County. The County's financial responsibility is to contribute a pro rata share of "local match" funds based on the proportion of State equalized valuation. For the year ended September 30, 2016, the County contributed \$4,200.

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, 2016, the County passed through \$52,425 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.

Gratiot County
Notes to the Financial Statements
September 30, 2016

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, 2016, the County passed through \$380,785.

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, 2016, 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 changes in net position) 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

Gratiot County
Notes to the Financial Statements
September 30, 2016

well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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 Tax Fees and Sale Proceeds Fund, Principal Residence Denial Interest Fund, Soil Erosion Inspection Fund, and Jail Commissary Fund.

Trust and Agency Fund and Library Fund (Penal Fines) Fund accounts 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 other charges between the government's water and sewer function 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.

Gratiot County
Notes to the Financial Statements
September 30, 2016

The 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 2016 taxable valuation of the government totaled \$1,279,710,196 on which ad valorem taxes consisted of 5.5306 mills for operating purposes. This resulted in \$7,077,565 for operating expenses, exclusive of any Michigan Tax Tribunal or Board of Review adjustments.

The 2015 taxable valuation of the government totaled \$1,277,829,630. 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	0.6500	\$ 830,589
Parks	0.3498	446,985
Road Patrol	0.4500	575,023
Agriculture and Economic Development	0.4500	575,023
Library	0.5000	638,915

By resolution of the Board of Commissioners and agreement with various taxing authorities, the County purchased at face value the real property taxes receivable returned delinquent on March 1, 2016. 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.

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. 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.

Gratiot County
Notes to the Financial Statements
September 30, 2016

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	20 to 40 years
Buildings and improvements	5 to 50 years
Equipment and furniture	3 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 Gratiot County Road Commission as assets with an initial individual cost of more than \$1,500 and an estimated useful life in excess of five years. Such assets are recorded at historical costs or estimated historical cost of purchase or construction. Donated capital assets are recorded at estimated fair market value at the date of donation.

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 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 expense. The County also reported deferred outflows of resources for pension contributions made after the measurement date. This amount will reduce net pension liability 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.

Vested paid time off earned as of September 30, 2016, including related payroll taxes, is recorded in the government-wide financial statements as a noncurrent liability.

Gratiot County
Notes to the Financial Statements
September 30, 2016

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 the Municipal Employees Retirement System (MERS) of Michigan and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they are reported to MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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 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 expense. Changes in assumptions relating to the net pension liability 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.

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.

Gratiot County
Notes to the Financial Statements
September 30, 2016

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 \$327,584 at September 30, 2016. This amount is included in the General Fund committed fund balance.

Adoption of New Accounting Standards

The Governmental Accounting Standards Board ("The GASB") has issued Statement No. 72 *Fair Value Measurements and Applications*. Statement 72 addresses accounting and financial reporting issues related to fair value measurements. Fair value is defined as an exit price (what a government would get to sell the asset), and fair value measurements primarily apply to investments. The statement enhances fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. This statement requires additional disclosures about fair value measurements, the level of fair value hierarchy, and valuation techniques. Statement 72 is effective for the year ending September 30, 2016, although earlier application is allowed.

Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the

framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. Statement 76 is effective for the year ending June 30, 2016.

Statement No. 79, *Certain External Investment Pools and Pool Participants*, establishes criteria that, if met, permit external investment pools to elect to measure all of their investments at amortized cost for financial reporting purposes. Also, it establishes additional disclosure requirements for qualifying external investment pools that make that election and for governments that participate in such external investment pools. Statement 79 is effective for the year ending June 30, 2016.

Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73* addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. Statement 82 is effective for the year ending June 30, 2016.

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Upcoming Accounting and Reporting Changes

Statement No. 74 Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans addresses the other postemployment benefits plans (OPEB) – defined benefit and defined contribution – administered through trusts. This Statement will improve the financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are administered through trusts. This information will enhance the transparency by providing information about measures of net OPEB liabilities and explanations of how and why those liabilities changed from year to year. Statement No. 74 is effective for the fiscal year ending September 30, 2017.

Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined OPEB plans, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee services. It also requires additional note disclosures and required supplementary information. Statement No. 75 is effective for the fiscal year ending September 30, 2018.

Statement No. 77, *Tax Abatement Disclosures* requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The requirements of this Statement are effective for the fiscal year ending June 30, 2017.

Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14* amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The requirements of this Statement are effective for the fiscal year ending June 30, 2017.

Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Statement No. 81 is effective for the fiscal year ending June 30, 2018.

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.

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.

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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	\$ 215,004	\$ 314,186	\$ 99,182

Government-Wide Deficits

The County has an unrestricted net position deficit for Government-Wide activities in the amount of \$747,449 and Component Units in the amount of \$3,640,002 as of September 30, 2016.

Fund Deficits

A deficit fund balance exists in the Friend of the Court Fund. The fund was required to record unavailable revenue in accordance with the revenue recognition policy. The deficit will be eliminated when those funds are received by the County.

Note 3 - Deposits and Investments

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

	Cash and Cash Equivalents	Investments	Restricted Cash and Cash Equivalents	Total
Governmental activities	\$ 4,803,344	\$ -	\$ -	\$ 4,803,344
Business-type activities	4,154,608	302,652	-	4,457,260
Total primary government	8,957,952	302,652	-	9,260,604
Fiduciary funds	2,902,402	-	-	2,902,402
Component units	3,444,524	299,463	1,153,503	4,897,490
Total	<u>\$ 15,304,878</u>	<u>\$ 602,115</u>	<u>\$ 1,153,503</u>	<u>\$ 17,060,496</u>

The breakdown between deposits and investments is as follows:

	Primary Government	Fiduciary Funds	Component Unit	Total
Bank deposits (checking and savings accounts, money markets and certificates of deposit)	\$ 8,955,952	\$ 2,902,402	\$ 4,598,027	\$ 16,456,381
Investments in securities, mutual funds and similar vehicles	302,652	-	299,463	602,115
Petty cash and cash on hand	2,000	-	-	2,000
	<u>\$ 9,260,604</u>	<u>\$ 2,902,402</u>	<u>\$ 4,897,490</u>	<u>\$ 17,060,496</u>

Gratiot County
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As of year end, the government had the following investments:

Investment	Fair Value	Maturities	Standards and Poor Rating
MBIA - Michigan Class	\$ 302,652	N/A	AAAm
Morgan Stanley - money market funds	2,475	N/A	N/A
Morgan Stanley - commercial paper	296,988	9 months	A1
	<u>\$ 602,115</u>		

Interest rate risk – 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.

Credit risk – 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.

Concentration of credit risk – The government 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.

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, \$12,506,576 of the \$16,119,539 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 balance of \$3,914,459 invested in repurchase agreements.

Custodial credit risk – investments – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The following investment securities were uninsured and unregistered and held in the following manner:

Investment Type	Carrying Value	How Held
MBIA - Michigan Class	\$ 302,652	By counterparty in the County's name
Morgan Stanley - money market funds	2,475	By counterparty in the County's name
Morgan Stanley - commercial paper	296,988	By counterparty in the County's name
	<u>\$ 602,115</u>	

Gratiot County
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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 June 30, 2016:

- The MBIA Class Investment is categorized as a money market mutual fund. The \$302,652 fiscal year end balance is valued using quoted market prices (Level 1 inputs).
- The Morgan Stanley investment categorized as a money market mutual fund with a \$2,475 fiscal year end balance is valued using quoted market prices and other observable inputs (Level 2 inputs).
- The Morgan Stanley investment categorized as commercial paper with a \$296,988 fiscal year end balance is valued using broker quotes that utilize observable market inputs (Level 2 inputs).

Note 5 - Receivables

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

Component unit	Due After One Year	Fund
Special assessments	\$ 809,056	Drain Debt #007
Special assessments	169,239	Drain Debt #96
Special assessments	740,422	Drain Debt #133
Special assessments	3,323,887	Drain Debt #181
Special assessments	1,790,825	Drain Debt #383
Special assessments	4,710,278	Regular Drain
	<u>\$ 11,543,707</u>	

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
Capital assets being depreciated				
Land improvements	889,106	23,915	-	913,021
Buildings and improvements	10,021,783	86,154	-	10,107,937
Equipment and furniture	1,545,729	-	14,461	1,531,268
Vehicles	830,605	180,311	122,775	888,141
Total capital assets being depreciated	<u>13,287,223</u>	<u>290,380</u>	<u>137,236</u>	<u>13,440,367</u>
Less accumulated depreciation for				
Land improvements	112,280	27,055	-	139,335
Buildings and improvements	4,194,009	217,779	-	4,411,788
Equipment and furniture	1,151,861	82,433	14,461	1,219,833
Vehicles	479,722	230,459	92,238	617,943
Total accumulated depreciation	<u>5,937,872</u>	<u>557,726</u>	<u>106,699</u>	<u>6,388,899</u>
Net capital assets being depreciated	<u>7,349,351</u>	<u>(267,346)</u>	<u>30,537</u>	<u>7,051,468</u>
Governmental activities capital assets, net	<u>\$ 8,052,426</u>	<u>\$ (267,346)</u>	<u>\$ 30,537</u>	<u>\$ 7,754,543</u>

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

Governmental activities

General government	\$ 131,276
Public safety	297,782
Public works	2,298
Health and welfare	42,501
Recreation and culture	83,869
Total primary government	<u>\$ 557,726</u>

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

Component Unit - Central

Dispatch Authority

Capital assets not being depreciated
Construction in progress

Capital assets being depreciated
Equipment and furniture

Less accumulated depreciation for
Equipment and furniture

Net capital assets being depreciated

Component unit capital assets, net

Beginning Balance	Increases	Decreases	Ending Balance
\$ -	\$ 636,171	\$ -	\$ 636,171
247,839	-	-	247,839
170,794	24,784	-	195,578
77,045	(24,784)	-	52,261
<u>\$ 77,045</u>	<u>\$ 611,387</u>	<u>\$ -</u>	<u>\$ 688,432</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Component Unit - Drainage Districts				
Capital assets not being depreciated				
Construction-in-progress	\$ 5,710,367	\$ 3,025,981	\$ 1,875,425	\$ 6,860,923
Capital assets being depreciated				
Drains	17,874,424	2,428,126	-	20,302,550
Vehicles	48,273	-	-	48,273
Total capital assets being depreciated	17,922,697	2,428,126	-	20,350,823
Less accumulated depreciation for				
Drains	3,265,817	446,861	-	3,712,678
Vehicles	16,175	15,754	-	31,929
Total accumulated depreciation	3,281,992	462,615	-	3,744,607
Net capital assets being depreciated	14,640,705	1,965,511	-	16,606,216
Component unit capital assets, net	<u>\$ 20,351,072</u>	<u>\$ 4,991,492</u>	<u>\$ 1,875,425</u>	<u>\$ 23,467,139</u>

Gratiot County
Notes to the Financial Statements
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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	-	-	59,959
Buildings and improvements	2,389,743	-	-	2,389,743
Road equipment	7,196,850	968,009	123,896	8,040,963
Shop equipment	160,118	2,477	-	162,595
Office equipment	290,092	-	-	290,092
Engineer's equipment	119,440	-	-	119,440
Yard and storage	16,573	-	-	16,573
Infrastructure - bridges	21,871,234	407,905	-	22,279,139
Infrastructure - roads	22,194,811	1,002,876	370,808	22,826,879
Infrastructure - traffic signals	4,558	-	-	4,558
Total capital assets being depreciated	54,303,378	2,381,267	494,704	56,189,941
Less accumulated depreciation for				
Land improvements	51,653	9	-	51,662
Buildings and improvements	954,798	42,064	-	996,862
Road equipment	6,244,286	556,836	120,787	6,680,335
Shop equipment	155,647	2,333	-	157,980
Office equipment	282,438	2,440	-	284,878
Engineer's equipment	116,413	-	-	116,413
Yard and storage	16,573	6,871	-	23,444
Infrastructure - bridges	8,137,202	428,585	-	8,565,787
Infrastructure - roads	8,985,884	1,119,860	370,808	9,734,936
Infrastructure - traffic signals	4,558	-	-	4,558
Total accumulated depreciation	24,949,452	2,158,998	491,595	26,616,855
Net capital assets being depreciated	29,353,926	222,269	3,109	29,573,086
Component unit capital assets, net	\$ 30,007,599	\$ 222,269	\$ 3,109	\$ 30,226,759

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	5,710,367	3,662,152	1,875,425	7,497,094
Total capital assets not being depreciated	6,364,040	3,662,152	1,875,425	8,150,767
Capital assets being depreciated				
Land improvements	59,959	-	-	59,959
Buildings and improvements	2,389,743	-	-	2,389,743
Road equipment	7,196,850	968,009	123,896	8,040,963
Shop equipment	160,118	2,477	-	162,595
Office equipment	290,092	-	-	290,092
Engineer's equipment	119,440	-	-	119,440
Yard and storage	16,573	-	-	16,573
Infrastructure - bridges	21,871,234	407,905	-	22,279,139
Infrastructure - roads	22,194,811	1,002,876	370,808	22,826,879
Infrastructure - traffic signals	4,558	-	-	4,558
Equipment and furniture	247,839	-	-	247,839
Drains	17,874,424	2,428,126	-	20,302,550
Vehicles	48,273	-	-	48,273
Total capital assets being depreciated	72,473,914	4,809,393	494,704	76,788,603
Less accumulated depreciation for				
Land improvements	51,653	9	-	51,662
Buildings and improvements	954,798	42,064	-	996,862
Road equipment	6,244,286	556,836	120,787	6,680,335
Shop equipment	155,647	2,333	-	157,980
Office equipment	282,438	2,440	-	284,878
Engineer's equipment	116,413	-	-	116,413
Yard and storage	16,573	6,871	-	23,444
Infrastructure - bridges	8,137,202	428,585	-	8,565,787
Infrastructure - roads	8,985,884	1,119,860	370,808	9,734,936
Infrastructure - traffic signals	4,558	-	-	4,558
Equipment and furniture	170,794	24,784	-	195,578
Drains	3,265,817	446,861	-	3,712,678
Vehicles	16,175	15,754	-	31,929
Total accumulated depreciation	28,402,238	2,646,397	491,595	30,557,040
Net capital assets being depreciated	44,071,676	2,162,996	3,109	46,231,563
Component unit capital assets, net	\$ 50,435,716	\$ 5,825,148	\$ 1,878,534	\$ 54,382,330

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Depreciation expense was charged to programs of the component units as follows:

Component units

Drainage Districts	\$ 462,615
Central Dispatch Authority	24,784
Road Commission	2,158,998
Total component units	<u>\$ 2,646,397</u>

Note 7 - Commitments

The County has active construction projects as of September 30, 2016. The projects included various drains. At year end, the County's commitments with contractors are as follows:

Project	Total Contract	Spent to Date	Remaining Construction Commitment
Drains	<u>\$ 1,008,704</u>	<u>\$ 492,423</u>	<u>\$ 516,281</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:

Year ending September 30,	
2017	\$ 15,000
2018	15,000
2019	15,000
	<u>\$ 45,000</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	\$ 88,095
General Fund	Delinquent Tax Revolving Fund	88,085
General Fund	Nonmajor Governmental Funds	143,286
Nonmajor Governmental Funds	Nonmajor Enterprise Funds	10
Nonmajor Governmental Funds	Delinquent Tax Revolving Fund	117
Fiduciary Funds	Delinquent Tax Revolving Fund	374
		<u>\$ 319,967</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.

The details for interfund transfers are as follows:

Funds Transferred From	Funds Transferred To	Amount
General Fund	Nonmajor Governmental Funds	\$ 319,152
Internal Service Funds	General Fund	35,000
Nonmajor Enterprise Funds	General Fund	75,993
Nonmajor Governmental Funds	General Fund	247,544
Nonmajor Governmental Funds	Nonmajor Governmental Funds	500
Delinquent Tax Revolving Fund	Internal Service Funds	1,000,000
		<u>\$ 1,678,189</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.

Gratiot County
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Note 9 - 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									
General obligation bonds									
Gratiot County Building Authority Bonds									
2011 Building Authority Refunding (unsecured)	\$ 1,395,000	5/1/20	2.00 - 4.00%	\$145,000 - \$190,000	\$ 845,000	\$ -	\$ 150,000	\$ 695,000	\$ 145,000
County of Gratiot Capital Improvement Bonds									
2005 Construction (unsecured)	1,400,000	10/1/25	4.00 - 4.40%	\$25,000 - \$75,000	600,000	-	75,000	525,000	75,000
2006 Site Improvements (unsecured)	205,000	10/1/16	4.34%	\$24,705	48,384	-	23,679	24,705	24,705
Deferred amounts									
For issuance premiums					21,396	-	4,280	17,116	-
Total bonds payable					1,514,780	-	252,959	1,261,821	244,705
Compensated absences					780,961	434,244	541,320	673,885	-
Total governmental activities					<u>\$ 2,295,741</u>	<u>\$ 434,244</u>	<u>\$ 794,279</u>	<u>\$ 1,935,706</u>	<u>\$ 244,705</u>

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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.

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									
General obligation bonds									
No. 96 Drain Bond (unsecured)	\$ 1,800,000	6/1/18	3.45 - 3.70%	\$180,000	\$ 540,000	\$ -	\$ 180,000	\$ 360,000	\$ 180,000
No. 007 Drain Bond (unsecured)	1,695,000	6/1/22	1.15 - 2.60%	\$170,000	1,190,000	-	170,000	1,020,000	170,000
No. 133 Drain Bond (unsecured)	1,125,000	6/1/28	1.15 - 2.65%	\$75,000	975,000	-	75,000	900,000	75,000
No. 181 Drain Bond (unsecured)	4,700,000	5/1/33	2.40 - 4.25%	\$235,000	4,230,000	-	235,000	3,995,000	235,000
No. 383 Drain Bond (unsecured)	1,885,000	5/1/36	1.30 - 3.15%	\$90,000 - \$95,000	-	1,885,000	-	1,885,000	95,000
Drain bonds and notes (unsecured)	Various	Various	Various	Various	4,910,625	1,738,009	701,853	5,946,781	899,906
Note payable	572,554	5/1/2019	1.90%	\$140,629 - \$146,006	-	572,554	142,627	429,927	140,629
Total bonds and notes payable					11,845,625	4,195,563	1,504,480	14,536,708	1,795,535
Compensated absences - Central Dispatch					-	66,023	22,266	43,757	-
Compensated absences - Road Commission					290,953	17,664	-	308,617	-
Total component units					\$ 12,136,578	\$ 4,279,250	\$ 1,526,746	\$ 14,889,082	\$ 1,795,535

Interest expense on long-term debt incurred during the year ended September 30, 2016, was \$404,005.

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 bonds and notes									
018-0	\$ 70,000	6/1/20	4.80%	\$7,000	\$ 35,000	\$ -	\$ 7,000	\$ 28,000	\$ 7,000
020-0	199,571	6/15/24	2.49%	\$18,720 - \$22,237	181,749	-	18,265	163,484	18,720
031-0	98,582	6/1/30	3.50%	\$6,572	98,582	-	6,572	92,010	6,572
036-0	252,929	6/15/28	3.45%	\$16,862	219,205	-	16,862	202,343	16,862
049-0	538,218	6/1/25	2.19%	\$53,822	538,218	-	53,822	484,396	53,822
050-0	115,927	6/15/22	2.99%	\$11,593	81,148	-	11,593	69,555	11,593
065-0	299,786	6/15/37	3.29%	\$14,989	-	299,786	-	299,786	-
096-1	691,430	6/15/20	1.79%	\$172,857	-	691,430	-	691,430	172,857
101-0	286,087	6/1/35	3.24%	\$14,304	286,087	-	14,304	271,783	14,304
111-0	215,768	6/15/21	1.74%	\$43,154	-	215,768	-	215,768	43,154
112-0	228,523	6/15/16	3.36%	N/A	28,531	-	28,531	-	-
113-0	140,542	6/15/17	1.87%	\$28,108	56,217	-	28,109	28,108	28,108
115-0	145,539	6/15/18	1.36%	\$72,770	-	145,539	-	145,539	72,770
116-0	348,620	6/21/21	3.49%	\$35,376 - \$40,579	223,849	-	34,183	189,666	35,376
143-0	266,205	6/15/28	2.15%	\$24,201	-	266,205	-	266,205	-
151-0	226,800	6/1/35	3.24%	\$11,340	226,800	-	11,340	215,460	11,340
163-0	286,975	6/15/19	1.22%	\$57,384 - \$58,800	230,960	-	56,688	174,272	57,384
165-0	293,405	6/15/29	2.89%	\$16,834 - \$23,696	277,480	-	16,361	261,119	16,834
193-0	100,470	6/15/19	2.66%	\$12,559	62,793	-	12,559	50,234	12,559
194-0	121,385	6/15/35	3.63%	\$4,364 - \$8,215	121,385	-	4,528	116,857	4,364
201-0	198,428	6/15/29	2.89%	\$11,385 - \$16,025	187,658	-	11,065	176,593	11,385
227-0	178,605	6/15/23	2.24%	\$17,861	142,883	-	17,861	125,022	17,861
229-0	546,672	6/15/17	4.40%	\$54,561	109,228	-	54,667	54,561	54,561
237-0	24,554	6/15/23	2.63%	\$3,508	-	24,554	-	24,554	3,508
257-0	300,000	6/15/34	3.69%	\$11,059 - \$20,475	286,334	-	10,665	275,669	11,059
297-0	94,727	6/15/36	3.49%	\$4,736	-	94,727	-	94,727	4,736
335-0	225,543	6/15/24	2.54%	\$22,554	202,989	-	22,554	180,435	22,554
339-0	900,000	6/15/19	4.39%	\$90,000	360,000	-	90,000	270,000	90,000
370-0	148,068	6/15/29	2.72%	\$8,574 - \$11,852	139,942	-	8,347	131,595	8,574
424-0	31,416	6/15/16	4.39%	N/A	3,921	-	3,921	-	-
508-0	27,000	6/15/16	4.69%	N/A	3,644	-	3,644	-	-
530-0	113,745	6/15/23	2.73%	\$11,374	90,996	-	11,374	79,622	11,374
562-0	104,964	6/15/34	3.69%	\$3,869 - \$7,164	100,182	-	3,732	96,450	3,869
566-0	132,054	6/15/22	2.98%	\$13,205	92,438	-	13,205	79,233	13,205
580-0	260,000	6/1/35	3.49%	\$14,625	260,000	-	14,625	245,375	14,625
585-0	244,882	6/15/19	1.29%	\$48,976	195,906	-	48,976	146,930	48,976
283-1	1,590,000	6/1/16	5.00%	N/A	66,500	-	66,500	-	-
Total drain bonds and notes					\$ 4,910,625	\$ 1,738,009	\$ 701,853	\$ 5,946,781	\$ 899,906

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

Year Ending September 30,	Governmental Activities	
	Principal	Interest
2017	\$ 244,705	\$ 45,698
2018	245,000	37,812
2019	265,000	29,619
2020	265,000	18,832
2021	50,000	8,575
2022 - 2026	175,000	15,694
	<u>\$ 1,244,705</u>	<u>\$ 156,230</u>

Year Ending September 30,	Component Unit	
	Principal	Interest
2017	\$ 1,795,535	\$ 386,261
2018	1,758,884	360,344
2019	1,513,113	308,097
2020	1,168,006	273,697
2021	984,404	246,496
2022 - 2026	3,512,470	906,918
2027 - 2031	2,487,932	470,968
2032 - 2036	1,295,767	106,288
2037	20,597	493
	<u>\$ 14,536,708</u>	<u>\$ 3,059,562</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 \$673,885 at September 30, 2016 and has been reported as a noncurrent liability.

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 \$136,745 and \$171,872 for vacation and sick, respectively, at September 30, 2016. This amount, \$308,617 has been reported as a noncurrent liability.

Gratiot County
Notes to the Financial Statements
September 30, 2016

Note 10 - Fund Balances

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

Animal adoption coordinator	\$ 9,555
Child welfare	35,801
Circuit court counsel	33,622
Handicap activities	910
Juvenile child care	2,069
Liquor law enforcement	50,640
Private donations	1,059
Public improvement	16,183
Renaissance zone	113,289
Secondary road patrol	85
Social welfare	8,530
Soldiers & sailors	102
Veterans activities	105
	<u>\$ 271,950</u>

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

Parks and recreation	\$ 259,194
Geographic information system	104,480
State criminal alien assistance	8,384
Economic and agriculture development	45,408
Building inspection	53,986
Register of deeds	145,542
K-9 unit sheriff	5,062
Correction officers training fund	54,343
Drug law enforcement	2,057
Law enforcement	1,322
Law library	35,695
Commission on aging	328,230
Recovery court	70,194
C.D.B.G.	17,427
D.A.R.E program	700
Salvage inspective fee	7,315
D.H.S. state monies	3,567
Veteran trust	1,446
Veterans memorial	13,752
Homeless veterans fund	695
Animal control	1,127
Marine safety	1,957
Michigan justice training	1,535
Library	5,819
Concealed pistol licensing	24,508
MSHDA	366
	<u>\$ 1,194,111</u>

Gratiot County
Notes to the Financial Statements
September 30, 2016

Note 11 - 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, 2016, the County had funds on deposit of \$110,032 with the Authority in the Member Retention Funds. The Authority's reported reserves at September 30, 2016, for reported claims related to the County were \$91,360.

Component Unit – Road Commission

The Road Commission is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The Road Commission has purchased commercial insurance for medical benefits' 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 any of 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. 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

Gratiot County
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September 30, 2016

to road commissions and related road commission activities with the State. The Gratiot County Road Commission became a charter member in 1982.

The Michigan County Road Commission Self-Insurance Pool program operates 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 for the member is the sole obligation of the member.

Note 12 - 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	55/25
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 04 Med Care Dfrd Closed Division	Division 10 EMS Closed Division
Benefit multiplier	Svc x (1.20% times FAC < \$4,200, plus 1.70% times FAC > \$4,200)	2.00% to Social Security Age (no max); 1.70% after SS age (no max)
Normal retirement age	60	60
Vesting	10 years	8 years
Early retirement (unreduced)	N/A	N/A
Early retirement (reduced)	50/25, 55/15	50/25, 55/15
Final average compensation	5 years	5 years
COLA for future retirees	N/A	2.50% (non-compound)
Employee contributions	3% under \$4,200, 5% over \$4,200	0.00%
Act 88	No	No
		Division 11 Employees Association Closed Division
Benefit multiplier		2.25% multiplier (80% max)
Normal retirement age		60
Vesting		10 years
Early retirement (unreduced)		55/25
Early retirement (reduced)		50/25, 55/15
Final average compensation		5 years
COLA for future retirees		2.50% (non-compound)
Employee contributions		2.60%
Act 88		No

Gratiot County
Notes to the Financial Statements
September 30, 2016

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

Inactive employees or beneficiaries currently receiving benefits	94
Inactive employees entitled to but not yet receiving benefits	15
Active employees	50
	159

Contributions – The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by 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 \$0 to \$68,488 based on annual payroll for open divisions.

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

Actuarial assumptions – The total pension liability in the December 31, 2015 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement include: 1) Inflation 2.5%; 2) Salary increases 3.75% 3) Investment rate of return of 7.75%, net of investment expense, including inflation.

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. The most significant changes in assumptions of the latest actuarial valuation were the change to the aforementioned mortality tables in the previous paragraph and a reduction in the discount rate of 0.25%.

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	57.5%	5.02%
Global fixed income	20.0%	2.18%
Real assets	12.5%	4.23%
Diversifying strategies	10.0%	6.56%

Discount rate – The discount rate used to measure the total pension liability is 8.00%. 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
September 30, 2016

Changes in Net Pension Liability

	<u>2016</u>
Total Pension Liability	
Service cost	\$ 274,806
Interest on the total pension liability	2,068,423
Experience differences	(516,802)
Changes in actuarial assumptions	1,548,598
Other changes	64,639
Benefit payments and refunds	<u>(1,358,308)</u>
Net change in total pension liability	2,081,356
Total pension liability - beginning	<u>26,397,038</u>
Total pension liability - ending (a)	<u><u>\$ 28,478,394</u></u>
Plan Fiduciary Net Position	
Employer contributions	\$ 2,314,271
Employee contributions	39,944
Pension plan net investment loss	(287,639)
Benefit payments and refunds	(1,358,308)
Pension plan administrative expense	<u>(42,728)</u>
Net change in plan fiduciary net position	665,540
Plan fiduciary net position - beginning	<u>19,239,156</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 19,904,696</u></u>
Net pension liability (a-b)	<u><u>\$ 8,573,698</u></u>
Plan fiduciary net position as a percentage of total pension liability	69.89%
Covered employee payroll	2,413,194

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.

	<u>1% decrease</u>	<u>Current discount rate</u>	<u>1% increase</u>
Total pension liability	\$ 31,675,252	\$ 28,478,394	\$ 25,761,284
Fiduciary net position	<u>19,904,696</u>	<u>19,904,696</u>	<u>19,904,696</u>
Net pension liability	<u><u>\$ 11,770,556</u></u>	<u><u>\$ 8,573,698</u></u>	<u><u>\$ 5,856,588</u></u>
Reported in governmental activities		\$ 8,026,742	
Reported in component units			
Central dispatch authority		546,956	
Total net pension liability		<u><u>\$ 8,573,698</u></u>	

Pension expense and deferred outflows of resources related to pensions – For the year ended September 30, 2016, the employer recognized pension expense of \$1,790,453. The employer reported deferred outflows of resources related to pensions from the following sources:

	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Differences in experience	\$ -	\$ (258,401)
Differences in assumptions	774,299	-
Excess investment returns	1,696,468	-
Contributions subsequent to the measurement date*	1,199,817	-
Total	<u><u>\$ 3,670,584</u></u>	<u><u>\$ (258,401)</u></u>
Reported in governmental activities	\$ 3,488,963	\$ (248,194)
Reported in component units		
Central dispatch authority	181,621	(10,207)
Total deferred outflows of resources	<u><u>\$ 3,670,584</u></u>	<u><u>\$ (258,401)</u></u>

Gratiot County
Notes to the Financial Statements
September 30, 2016

*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 2017.

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

Year ending September 30,	
2017	\$ 957,061
2018	441,163
2019	441,163
2020	372,979
	\$ 2,212,366

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 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, 2015 measurement date, the following employees were covered by benefit terms:

Inactive employees or beneficiaries currently receiving benefits	57
Inactive employees entitled to but not yet receiving benefits	1
Active employees	33
	91

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, 2016, the active employee contribution rate was 3% of annual pay and the Road Commission's contribution rate of annual payroll was 33.91% for salaried employees and 31.85% for union employees.

Gratiot County
Notes to the Financial Statements
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Net pension liability – The net pension liability reported as of September 30, 2016, was determined using a measure of the total pension liability and the pension net position as of December 31, 2015. The December 31, 2015, total pension liability was determined by an actuarial valuation performed as of that date.

Actuarial assumptions – The total pension liability in the December 31, 2015 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement 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 50 percent male - 50 percent female blend of the RP- 2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105 percent, RP-2014 Employee Mortality Tables, and RP-2014 Juvenile Mortality Tables. For disabled plan members, rates were based on a blend of the 50 percent male - 50 percent RP-2014 Disabled Retiree Mortality Tables.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of the most recent actuarial experience study of 2009-2013.

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

The target allocation and best estimates 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	57.5%	5.02%
Global fixed income	20.0%	2.18%
Real assets	12.5%	4.23%
Diversifying strategies	10.0%	6.56%

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

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Notes to the Financial Statements
September 30, 2016

Changes in Net Pension Liability

Total Pension Liability	
Service cost	\$ 196,411
Interest on the total pension liability	1,277,619
Experience differences	10,242
Changes in actuarial assumptions	807,628
Benefit payments and refunds	<u>(1,094,940)</u>
Net change in total pension liability	1,196,960
Total pension liability - beginning	<u>15,935,550</u>
Total pension liability - ending (a)	<u><u>\$ 17,132,510</u></u>

Plan Fiduciary Net Position

Employer contributions	\$ 706,399
Employee contributions	47,130
Pension plan net investment loss	(141,234)
Benefit payments and refunds	(1,094,940)
Pension plan administrative expense	<u>(21,385)</u>
Net change in plan fiduciary net position	(504,030)
Plan fiduciary net position - beginning	<u>9,923,988</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 9,419,958</u></u>
Net pension liability (a-b)	<u><u>\$ 7,712,552</u></u>
Plan fiduciary net position as a percentage of total pension liability	54.98%
Covered employee payroll	1,557,005
Net pension liability as a percentage of covered employee payroll	495.35%

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	\$ 19,027,833	\$ 17,132,510	\$ 15,529,507
Fiduciary net position	9,419,958	9,419,958	9,419,958
Net pension liability	<u><u>\$ 9,607,875</u></u>	<u><u>\$ 7,712,552</u></u>	<u><u>\$ 6,109,549</u></u>
Reported in component units		\$ 8,259,508	
Less: central dispatch authority		(546,956)	
Total road commission net pension liability		<u><u>\$ 7,712,552</u></u>	

Pension expense and deferred outflows of resources related to pensions – For the year ended September 30, 2016, the Road Commission recognized pension expense of \$244,425. The Road Commission reported deferred outflows of resources related to pensions from the following sources:

	Deferred outflows of resources
Differences in experience	\$ 7,682
Differences in assumptions	605,721
Excess investment returns	863,275
Contributions subsequent to the measurement date*	<u>635,412</u>
Total	<u><u>\$ 2,112,090</u></u>
Reported in component units	\$ 2,293,711
Less: central dispatch authority	(181,621)
Total road commission deferred outflows of resources	<u><u>\$ 2,112,090</u></u>

Gratiot County
Notes to the Financial Statements
September 30, 2016

*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 2017.

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

<u>Year ending</u> <u>September 30,</u>	
2017	\$ 429,227
2018	429,227
2019	429,227
2020	<u>188,997</u>
	<u>\$ 1,476,678</u>

Note 13 - 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 \$226,994 for the year ending September 30, 2016.

Note 14 - Other Post-Employment Benefits

Plan description – The County provides retiree healthcare benefits to eligible employees through the Gratiot County Retiree Medical Benefits Plan. This is a single employer defined benefit plan administered by the County. The plan does not cover employees of the Road Commission.

Benefits are provided to the following employees:

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.

Currently, the plan has 204 members, including 138 employees in active service, and 68 retired employees and beneficiaries currently receiving benefits.

Funding Policy – 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.

Gratiot County
Notes to the Financial Statements
September 30, 2016

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 County has no obligation to make contributions in advance of when the insurance premiums are due for payment. The County recognizes the expenses in the funds on a “pay-as-you-go” basis. The costs of administering the plan are borne by the County’s general fund.

Funding Progress – For the year ended September 30, 2016, the County has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of September 30, 2014. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities not to exceed 24 years. This valuations computed contribution and actual funding are summarized as follows:

Annual required contribution	\$ 313,756
Interest on the prior year's net OPEB obligation	84,507
Less adjustment to the annual required contribution	<u>(140,572)</u>
Annual OPEB cost	257,691
Amounts contributed:	
Payments of current premiums	<u>(173,727)</u>
Change in net OPEB liability	83,964
Net OPEB liability, beginning of year	<u>2,067,795</u>
Net OPEB liability, end of year	<u><u>\$ 2,151,759</u></u>

The County’s annual OBEP cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation of the current year are as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/2014	\$ 251,480	55.4%	\$ 1,973,569
9/30/2015	260,841	63.9%	2,067,795
9/30/2016	257,691	67.4%	2,151,759

Funded Status – The funded status of the plan as of the date of the latest actuarial valuation, was as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
10/1/2007	\$ -	\$ 3,980,009	\$ 3,980,009	0.0%	N/A	-
9/30/2011	-	3,626,928	3,626,928	0.0%	\$ 5,249,143	69.1%
9/30/2014	-	3,388,578	3,388,578	0.0%	N/A	-

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Gratiot County
Notes to the Financial Statements
September 30, 2016

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

In the September 30, 2014 actuarial valuation, the projected unit credit (level dollar) actuarial cost method was used. The actuarial assumptions include: (a) discount rate of 4%; (b) mortality rate using IRC 1.430(h) annuitant and non-annuitant (sex distinct); (c) turnover rates ranging from 0.75% to 5% based on age categories; (d) retirement rates ranging from 15% to 100% based on age categories; (e) actual employees will elect coverage at retirement consistent with current coverage percentages; (f) 75% of active employees are assumed to have a covered spouse at retirement with males being two years older than females; (g) established monthly medical premium rates; and (h) medical inflation rate from 5% to 9%. The unfunded actuarial accrued liability is being amortized as a level dollar over 24 years.

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. Currently, the Gratiot County Road Commission offers a Health Care Medical Reimbursement Plan to all union and salaried employees under Section 105 of the Internal Revenue Code in addition to agreed post-employment health care benefits through the Road Commission group

insurance plan in accordance with respective bargaining agreements and personnel policy.

For the year ended September 30, 2016, the Road Commission has estimated the cost of providing retiree healthcare benefits through using the alternative measurement method permitted by GASB Statement No. 45 for employers in plans fewer than one hundred total plan members. The alternative measurement method computes an annual required contribution.

The computed annual required contribution and actual funding are summarized as follows:

Annual required contribution	\$ 51,708
Interest on the prior year's net OPEB obligation	200
Annual OPEB cost	<u>51,908</u>
Amounts contributed	
Payments of current premiums	<u>(48,000)</u>
Change in net OPEB liability	3,908
Net OPEB liability - beginning of year	3,633
Net OPEB liability - end of year	<u><u>\$ 7,541</u></u>

Additional information regarding OPEB for the Road Commission may be obtained from the Road Commission's separately audited financial statements.

Note 15 - 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 ended September 30, 2016, the Federal grants received and expended by the Road Commission was \$674,141 for contracted projects. The Road Commission expended Federal money for negotiated projects totaling \$209,932. Contracted projects are defined as projects performed by private contractors paid

Gratiot County
Notes to the Financial Statements
September 30, 2016

for and administered 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 administered by the Road Commission. Due to these facts, all of these funds have been excluded from the County's Single Audit, which is presented under separate cover.

Note 16 - 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 17 - Fund Balance Restatement

The County is required to maintain special revenue funds when certain criteria are met. One of the criteria for reporting a special revenue fund is that the fund must substantially be supported by external revenue sources. Transfers from other County funds do not meet this requirement. Therefore, from time to time, some funds may no longer be self-supporting, and be required to be reported within the General Fund. The activities of the Mental Health and Community Corrections Fund have been consolidated with the General Fund.

The effect of the adjustments discussed above is as follows:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Fund balance - beginning of year	\$ 5,097,513	\$ 1,063,249	\$ 6,160,762
Prior period adjustment			
Funds recorded within the General Fund			
Mental Health	(75,281)	75,281	-
Community Corrections	63,920	(63,920)	-
	<u>(11,361)</u>	<u>11,361</u>	<u>-</u>
Fund balance - beginning of year (restated)	<u>\$ 5,086,152</u>	<u>\$ 1,074,610</u>	<u>\$ 6,160,762</u>

Note 18 - Subsequent Events

Subsequent to September 30, 2016, the Drain District, a component unit, issued a note for \$513,926 with an interest rate of 3.29%. The maturity date is June 15, 2037.

Subsequent to September 30, 2016, the Drain District, a component unit, issued a note for \$189,511 with an interest rate of 2.99%. The maturity date is June 15, 2037.

Subsequent to September 30, 2016, the County issued General Obligation Limited Tax Pension Obligation Bonds in the amount of \$6,730,000 at an interest rate of 1 – 3% which mature on September 1, 2026.

Gratiot County
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended September 30, 2016

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
Revenues				
Taxes				
Current and delinquent property taxes	\$ 4,993,786	\$ 4,993,786	\$ 4,964,094	\$ (29,692)
Personal property taxes	2,024,495	2,024,495	2,168,206	143,711
Payments in lieu of taxes	30,000	30,000	41,571	11,571
Mobile home park taxes	3,000	3,000	4,369	1,369
Industrial facility tax	54,262	54,262	41,835	(12,427)
Interest and penalty	15,010	15,010	16,163	1,153
Total taxes	<u>7,120,553</u>	<u>7,120,553</u>	<u>7,236,238</u>	<u>115,685</u>
Licenses and permits				
Dog licenses	93,500	93,500	74,124	(19,376)
Other licenses and permits	8,300	8,300	7,664	(636)
Total licenses and permits	<u>101,800</u>	<u>101,800</u>	<u>81,788</u>	<u>(20,012)</u>
Intergovernmental				
Federal/State	2,694,630	2,713,550	2,486,955	(226,595)
Local	471,265	471,265	422,640	(48,625)
Total intergovernmental	<u>3,165,895</u>	<u>3,184,815</u>	<u>2,909,595</u>	<u>(275,220)</u>
Charges for services	<u>1,734,836</u>	<u>1,840,836</u>	<u>1,849,071</u>	<u>8,235</u>

Gratiot County
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended September 30, 2016

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
Fines and forfeitures				
Bond forfeitures	\$ 1,000	\$ 1,000	\$ -	\$ (1,000)
District Court	81,500	81,500	69,593	(11,907)
Prosecuting Attorney	18,000	18,000	22,497	4,497
Total fines and forfeitures	100,500	100,500	92,090	(8,410)
Interest income	1,482	1,482	2,429	947
Rental income	19,132	19,132	20,432	1,300
Other				
Reimbursements - indirect costs	340,754	340,754	338,354	(2,400)
Reimbursements - other	300	300	732	432
Other	165,617	165,617	223,526	57,909
Total other	506,671	506,671	562,612	55,941
Transfer in	184,545	282,545	358,537	75,992
Sale of fixed assets	100	100	4,750	4,650
Total revenues	12,935,514	13,158,434	13,117,542	(40,892)

Gratiot County
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended September 30, 2016

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
Expenditures				
General government				
Board of commissioners	\$ 257,240	\$ 291,941	\$ 289,888	\$ (2,053)
Circuit Court	243,774	271,024	266,940	(4,084)
District Court	1,298,216	1,436,921	1,328,882	(108,039)
Probate Court	483,191	497,691	491,850	(5,841)
Juvenile Court	304,336	317,336	318,560	1,224
County Administrator	361,734	408,248	404,934	(3,314)
Elections	77,863	77,863	43,072	(34,791)
Clerk	340,296	345,982	317,801	(28,181)
Equalization	140,591	162,691	162,591	(100)
Prosecuting Attorney	675,195	697,995	694,075	(3,920)
Register of Deeds	199,027	206,427	200,516	(5,911)
County survey and remonumentation	62,583	62,583	49,075	(13,508)
Treasurer	193,354	197,354	195,012	(2,342)
Cooperative Extension	184,635	187,635	189,634	1,999
Information management	208,045	217,045	216,799	(246)
Buildings and grounds	295,544	300,544	293,035	(7,509)
Gratiot community airport	26,000	26,000	26,000	-
Drain commissioner	493,629	526,232	497,257	(28,975)
Other	173,500	187,100	182,366	(4,734)
	6,018,753	6,418,612	6,168,287	(250,325)
Total general government				

Gratiot County
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended September 30, 2016

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
Public safety				
County Sheriff	\$ 1,624,282	\$ 1,681,182	\$ 1,671,570	\$ (9,612)
Liquor law enforcement	2,000	2,000	-	(2,000)
Jail	1,645,665	1,722,065	1,721,686	(379)
Planning commission	5,822	5,822	1,742	(4,080)
Emergency services	47,776	64,596	47,099	(17,497)
Animal control	184,441	187,441	177,313	(10,128)
Secondary road patrol	226,970	226,970	221,727	(5,243)
	<u>3,736,956</u>	<u>3,890,076</u>	<u>3,841,137</u>	<u>(48,939)</u>
Total public safety				
Public works				
Solid waste planning	50,000	50,000	28,151	(21,849)
Health and welfare				
Mid-Michigan District Health Department	285,700	300,502	298,802	(1,700)
Gratiot Community Mental Health	200,000	200,000	200,000	-
Contagious disease	3,600	3,600	840	(2,760)
Substance abuse appropriation	36,200	52,500	52,425	(75)
Medical examiner	88,706	88,706	81,305	(7,401)
Veterans burials	4,000	4,000	3,765	(235)
Veterans counselor	69,108	69,108	58,104	(11,004)
Social and child welfare	1,311,000	1,313,500	1,073,007	(240,493)
	<u>1,998,314</u>	<u>2,031,916</u>	<u>1,768,248</u>	<u>(263,668)</u>
Total health and welfare				

Gratiot County
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended September 30, 2016

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Community and economic development				
East-Central Michigan Planning	\$ 4,200	\$ 4,200	\$ 4,200	\$ -
Plat board	542	542	-	(542)
Zoning board	2,114	2,114	1,154	(960)
	6,856	6,856	5,354	(1,502)
Other functions				
Insurance and bonds	182,000	190,500	188,734	(1,766)
Capital outlay	215,004	215,004	314,186	99,182
Debt service				
Interest and fiscal charges	10,002	10,002	-	(10,002)
Transfers out	717,629	334,568	319,152	(15,416)
Total expenditures	12,935,514	13,147,534	12,633,249	(492,436)
Excess of revenues over expenditures	-	10,900	484,293	451,544
Fund balance - beginning of year (restated)	5,086,152	5,086,152	5,086,152	-
Fund balance - end of year	\$ 5,086,152	\$ 5,097,052	\$ 5,570,445	\$ 451,544

Gratiot County
Required Supplementary Information
Municipal Employees Retirement System of Michigan
Schedule of Changes in Net Pension Liability and Related Ratios
September 30, 2016

Fiscal year ended September 30,	2016	2015
Total Pension Liability		
Service cost	\$ 274,806	\$ 284,299
Interest on the total pension liability	2,068,423	2,051,405
Experience differences	(516,802)	-
Changes in actuarial assumptions	1,548,598	-
Other changes	64,639	-
Benefit payments and refunds	(1,358,308)	(1,324,073)
Net change in total pension liability	2,081,356	1,011,631
Total pension liability - beginning	26,397,038	25,385,407
Total pension liability - ending (a)	\$ 28,478,394	\$ 26,397,038
Plan Fiduciary Net Position		
Employer contributions	\$ 2,314,271	\$ 1,091,184
Employee contributions	39,944	43,769
Pension plan net investment income (loss)	(287,639)	1,160,163
Benefit payments and refunds	(1,358,308)	(1,324,073)
Pension plan administrative expense	(42,728)	(42,666)
Net change in plan fiduciary net position	665,540	928,377
Plan fiduciary net position - beginning	19,239,156	18,310,779
Plan fiduciary net position - ending (b)	\$ 19,904,696	\$ 19,239,156
Net pension liability (a-b)	\$ 8,573,698	\$ 7,157,882
Reported in governmental activities	\$ 8,026,742	\$ 6,666,851
Reported in component units		
Central dispatch authority	546,956	491,031
Total net pension liability	\$ 8,573,698	\$ 7,157,882
Plan fiduciary net position as a percentage of total pension liability	69.89%	72.88%
Covered employee payroll	2,413,194	2,498,100
Net pension liability as a percentage of covered employee payroll	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 Employers' Net Pension Liability
September 30, 2016

Fiscal year ending September 30,	Total pension liability	Plan net position	Net pension liability	Plan net position as a % of total pension liability	Covered payroll	Net pension liability as a % of covered payroll
2015	\$ 26,397,038	\$ 19,239,156	\$ 7,157,882	72.88%	\$ 2,498,100	286.53%
2016	28,478,394	19,904,696	8,573,698	69.89%	2,413,194	355.28%

*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, 2016

Actuarial Valuation Date	Annual Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
12/31/2006	\$ 664,393	\$ 664,393	\$ -	\$ 3,144,483	21.13%
12/31/2007	687,750	687,750	-	2,983,115	23.05%
12/31/2008	635,261	635,261	-	2,935,693	21.64%
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%

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

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	4
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, 2016

Fiscal year ended September 30,	<u>2016</u>	<u>2015</u>
Total Pension Liability		
Service cost	\$ 196,411	\$ 191,844
Interest on the total pension liability	1,277,619	1,248,018
Experience differences	10,242	-
Changes in actuarial assumptions	807,628	-
Benefit payments and refunds	<u>(1,094,940)</u>	<u>(1,071,751)</u>
Net change in total pension liability	1,196,960	368,111
Total pension liability - beginning	<u>15,935,550</u>	<u>15,567,439</u>
Total pension liability - ending (a)	<u>\$ 17,132,510</u>	<u>\$ 15,935,550</u>
Plan Fiduciary Net Position		
Employer contributions	\$ 706,399	\$ 631,582
Employee contributions	47,130	46,869
Pension plan net investment income (loss)	(141,234)	606,978
Benefit payments and refunds	(1,094,940)	(1,071,751)
Pension plan administrative expense	<u>(21,385)</u>	<u>(22,235)</u>
Net change in plan fiduciary net position	(504,030)	191,443
Plan fiduciary net position - beginning	<u>9,923,988</u>	<u>9,732,545</u>
Plan fiduciary net position - ending (b)	<u>\$ 9,419,958</u>	<u>\$ 9,923,988</u>
Net pension liability (a-b)	<u>\$ 7,712,552</u>	<u>\$ 6,011,562</u>
Reported in component units	\$ 8,259,508	\$ 6,502,593
Less: central dispatch authority	(546,956)	(491,031)
Total net pension liability	<u>\$ 7,712,552</u>	<u>\$ 6,011,562</u>
Plan fiduciary net position as a percentage of total pension liability	54.98%	62.28%
Covered employee payroll	1,557,005	1,520,870
Net pension liability as a percentage of covered employee payroll	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 Employers' Net Pension Liability
September 30, 2016

Fiscal year ending September 30,	Total pension liability	Plan net position	Net pension liability	Plan net position as a % of total pension liability	Covered payroll	Net pension liability as a % of covered payroll
2015	\$ 15,935,550	\$ 9,923,988	\$ 6,011,562	62.28%	\$ 1,520,870	395.27%
2016	17,132,510	9,419,958	7,712,552	54.98%	1,557,005	495.35%

*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, 2016

Actuarial Valuation Date	Annual Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
12/31/2007	\$ 234,762	\$ 234,762	\$ -	\$ 1,616,186	14.53%
12/31/2008	265,936	265,936	-	1,819,942	14.61%
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%

Notes: Actuarially determined contribution amounts are calculated as of December 31 each year, which is 18 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	10-year smoothed value of assets
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	50% Female/50% Male based on RP-2014 Group Annuity Mortality Table

Gratiot County
Required Supplementary Information
Other Postemployment Benefits
September 30, 2016

Annual required contribution	\$ 313,756
Interest on the prior year's net OPEB obligation	84,507
Less adjustment to the annual required contribution	<u>(140,572)</u>
Annual OPEB cost	257,691
Amounts contributed:	
Payments of current premiums	<u>(173,727)</u>
Change in net OPEB liability	83,964
Net OPEB liability, beginning of year	<u>2,067,795</u>
Net OPEB liability, end of year	<u><u>\$ 2,151,759</u></u>

Schedule of Employer Contributions
(Excludes Road Commission)

Fiscal Year Ending	Annual OPEB Costs	Percentage OPEB Costs Contributed	Net OPEB Obligation
9/30/2014	\$ 251,480	55.4%	\$ 1,973,569
9/30/2015	260,841	63.9%	2,067,795
9/30/2016	257,691	67.4%	2,151,759

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
10/1/2007	\$ -	\$ 3,980,009	\$ 3,980,009	0.0%	N/A	-
9/30/2011	-	3,626,928	3,626,928	0.0%	\$ 5,249,143	69.1%
9/30/2014	-	3,388,578	3,388,578	0.0%	N/A	-

Gratiot County
Required Supplementary Information
Other Postemployment Benefits - Road Commission
September 30, 2016

Annual required contribution	\$ 51,708
Interest on the prior year's net OPEB obligation	<u>200</u>
Annual OPEB cost	51,908
Amounts contributed:	
Payments of current premiums	<u>(48,000)</u>
Change in net OPEB liability	3,908
Net OPEB liability, beginning of year	<u>3,633</u>
Net OPEB liability, end of year	<u><u>\$ 7,541</u></u>

Schedule of Employer Contributions

Fiscal Year Ending	Annual OPEB Costs	Percentage OPEB Costs Contributed	Net OPEB Asset (Obligation)
9/30/2014	\$ 44,767	100.0%	\$ -
9/30/2015	52,233	93.0%	(3,633)
9/30/2016	51,908	92.5%	(7,541)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
9/30/2014	\$ -	\$ 1,343,001	\$ 1,343,001	0.0%	\$ 1,554,739	86.4%
9/30/2015	-	1,566,986	1,566,986	0.0%	1,536,822	102.0%
9/30/2016	-	1,551,236	1,551,236	0.0%	1,705,063	91.0%

Gratiot County
Nonmajor Governmental Funds
Combining Balance Sheet
September 30, 2016

	Special Revenue Funds						
	Road Patrol	Parks and Recreation	Geographic Information System	Friend of the Court	State Criminal Alien Assistance	Economic and Agriculture Development	Building Inspection
Assets							
Cash and cash equivalents	\$ 19,876	\$ 270,353	\$ 104,480	\$ -	\$ 8,384	\$ 44,890	\$ 50,209
Receivables							
Customers	491	382	-	-	-	-	7,309
Accrued interest and other	-	-	-	-	-	-	-
Due from other units of government	-	-	-	62,112	-	491	-
Due from other funds	28	22	-	-	-	27	-
Prepaid items	275	-	-	362	-	-	-
Total assets	<u>\$ 20,670</u>	<u>\$ 270,757</u>	<u>\$ 104,480</u>	<u>\$ 62,474</u>	<u>\$ 8,384</u>	<u>\$ 45,408</u>	<u>\$ 57,518</u>
Liabilities							
Accounts payable	\$ 10,170	\$ 5,663	\$ -	\$ 268	\$ -	\$ -	\$ 164
Accrued and other liabilities	10,225	5,900	-	14,097	-	-	3,368
Due to other funds	-	-	-	30,552	-	-	-
Total liabilities	<u>20,395</u>	<u>11,563</u>	<u>-</u>	<u>44,917</u>	<u>-</u>	<u>-</u>	<u>3,532</u>
Deferred Inflows of Resources							
Unavailable grant revenue	-	-	-	31,649	-	-	-
Fund Balances							
Non-spendable							
Prepaid items	275	-	-	362	-	-	-
Restricted for							
Debt service	-	-	-	-	-	-	-
Special revenue funds	-	259,194	104,480	-	8,384	45,408	53,986
Unassigned (deficit)	-	-	-	(14,454)	-	-	-
Total fund balances (deficit)	<u>275</u>	<u>259,194</u>	<u>104,480</u>	<u>(14,092)</u>	<u>8,384</u>	<u>45,408</u>	<u>53,986</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 20,670</u>	<u>\$ 270,757</u>	<u>\$ 104,480</u>	<u>\$ 62,474</u>	<u>\$ 8,384</u>	<u>\$ 45,408</u>	<u>\$ 57,518</u>

Gratiot County
Nonmajor Governmental Funds
Combining Balance Sheet
September 30, 2016

	Special Revenue Funds						
	Register of Deeds	K-9 Unit Sheriff	Correction Officers Training Fund	Drug law Enforcement	Law Enforcement	Law Library	Commission on Aging
Assets							
Cash and cash equivalents	\$ 146,096	\$ 5,062	\$ 54,999	\$ 2,057	\$ 1,322	\$ 35,695	\$ 321,771
Receivables							
Customers	-	-	170	-	-	-	65,523
Accrued interest and other	1,745	-	-	-	-	-	-
Due from other units of government	-	-	-	-	-	-	-
Due from other funds	10	-	-	-	-	-	40
Prepaid items	-	-	-	-	-	-	-
Total assets	<u>\$ 147,851</u>	<u>\$ 5,062</u>	<u>\$ 55,169</u>	<u>\$ 2,057</u>	<u>\$ 1,322</u>	<u>\$ 35,695</u>	<u>\$ 387,334</u>
Liabilities							
Accounts payable	\$ 2,309	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 39,865
Accrued and other liabilities	-	-	826	-	-	-	18,654
Due to other funds	-	-	-	-	-	-	-
Total liabilities	<u>2,309</u>	<u>-</u>	<u>826</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>58,519</u>
Deferred Inflows of Resources							
Unavailable grant revenue	-	-	-	-	-	-	585
Fund Balances							
Non-spendable							
Prepaid items	-	-	-	-	-	-	-
Restricted for							
Debt service	-	-	-	-	-	-	-
Special revenue funds	145,542	5,062	54,343	2,057	1,322	35,695	328,230
Unassigned (deficit)	-	-	-	-	-	-	-
Total fund balances (deficit)	<u>145,542</u>	<u>5,062</u>	<u>54,343</u>	<u>2,057</u>	<u>1,322</u>	<u>35,695</u>	<u>328,230</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 147,851</u>	<u>\$ 5,062</u>	<u>\$ 55,169</u>	<u>\$ 2,057</u>	<u>\$ 1,322</u>	<u>\$ 35,695</u>	<u>\$ 387,334</u>

Gratiot County
Nonmajor Governmental Funds
Combining Balance Sheet
September 30, 2016

	Special Revenue Funds						
	Recovery Court	C.D.B.G.	D.A.R.E Program	Salvage Inspection Fee	D.H.S. State Monies	Veteran Trust	Veterans Memorial
Assets							
Cash and cash equivalents	\$ 25,671	\$ 17,957	\$ 700	\$ 7,135	\$ 492	\$ 1,446	\$ 13,752
Receivables							
Customers	-	-	-	180	-	-	-
Accrued interest and other	-	-	-	-	-	-	-
Due from other units of government	58,493	-	-	-	3,075	-	-
Due from other funds	-	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-	-
Total assets	<u>\$ 84,164</u>	<u>\$ 17,957</u>	<u>\$ 700</u>	<u>\$ 7,315</u>	<u>\$ 3,567</u>	<u>\$ 1,446</u>	<u>\$ 13,752</u>
Liabilities							
Accounts payable	\$ 9,286	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued and other liabilities	4,684	530	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-
Total liabilities	<u>13,970</u>	<u>530</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources							
Unavailable grant revenue	-	-	-	-	-	-	-
Fund Balances							
Non-spendable							
Prepaid items	-	-	-	-	-	-	-
Restricted for							
Debt service	-	-	-	-	-	-	-
Special revenue funds	70,194	17,427	700	7,315	3,567	1,446	13,752
Unassigned (deficit)	-	-	-	-	-	-	-
Total fund balances (deficit)	<u>70,194</u>	<u>17,427</u>	<u>700</u>	<u>7,315</u>	<u>3,567</u>	<u>1,446</u>	<u>13,752</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 84,164</u>	<u>\$ 17,957</u>	<u>\$ 700</u>	<u>\$ 7,315</u>	<u>\$ 3,567</u>	<u>\$ 1,446</u>	<u>\$ 13,752</u>

Gratiot County
Nonmajor Governmental Funds
Combining Balance Sheet
September 30, 2016

	Special Revenue Funds						
	Homeless Veterans Fund	Animal Control	Marine Safety	Michigan Justice Training	Library	MSHDA	Concealed Pistol Licensing
Assets							
Cash and cash equivalents	\$ 695	\$ 1,127	\$ 4,371	\$ -	\$ 5,545	\$ 366	\$ 24,508
Receivables							
Customers	-	-	-	-	274	-	-
Accrued interest and other	-	-	-	-	-	-	-
Due from other units of government	-	-	1,464	3,170	-	-	-
Due from other funds	-	-	-	-	-	-	-
Prepaid items	-	-	-	190	-	-	-
Total assets	<u>\$ 695</u>	<u>\$ 1,127</u>	<u>\$ 5,835</u>	<u>\$ 3,360</u>	<u>\$ 5,819</u>	<u>\$ 366</u>	<u>\$ 24,508</u>
Liabilities							
Accounts payable	\$ -	\$ -	\$ 2,414	\$ -	\$ -	\$ -	\$ -
Accrued and other liabilities	-	-	-	-	-	-	-
Due to other funds	-	-	-	1,635	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>2,414</u>	<u>1,635</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources							
Unavailable grant revenue	-	-	1,464	-	-	-	-
Fund Balances							
Non-spendable							
Prepaid items	-	-	-	190	-	-	-
Restricted for							
Debt service	-	-	-	-	-	-	-
Special revenue funds	695	1,127	1,957	1,535	5,819	366	24,508
Unassigned (deficit)	-	-	-	-	-	-	-
Total fund balances (deficit)	<u>695</u>	<u>1,127</u>	<u>1,957</u>	<u>1,725</u>	<u>5,819</u>	<u>366</u>	<u>24,508</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 695</u>	<u>\$ 1,127</u>	<u>\$ 5,835</u>	<u>\$ 3,360</u>	<u>\$ 5,819</u>	<u>\$ 366</u>	<u>\$ 24,508</u>

Gratiot County
Nonmajor Governmental Funds
Combining Balance Sheet
September 30, 2016

	Debt Service Funds		Total Nonmajor Governmental Funds
	2005 G.O. Bonds	Building Authority Jail	
Assets			
Cash and cash equivalents	\$ -	\$ 6,235	\$ 1,175,194
Receivables			
Customers	-	-	74,329
Accrued interest and other	-	-	1,745
Due from other units of government	-	-	128,805
Due from other funds	-	-	127
Prepaid items	<u>111,249</u>	<u>-</u>	<u>112,076</u>
Total assets	<u>\$ 111,249</u>	<u>\$ 6,235</u>	<u>\$ 1,492,276</u>
Liabilities			
Accounts payable	\$ -	\$ -	\$ 70,139
Accrued and other liabilities	-	-	58,284
Due to other funds	<u>111,099</u>	<u>-</u>	<u>143,286</u>
Total liabilities	<u>111,099</u>	<u>-</u>	<u>271,709</u>
Deferred Inflows of Resources			
Unavailable grant revenue	<u>-</u>	<u>-</u>	<u>33,698</u>
Fund Balances			
Non-spendable			
Prepaid items	111,249	-	112,076
Restricted for			
Debt service	-	6,235	6,235
Special revenue funds	-	-	1,194,111
Unassigned (deficit)	<u>(111,099)</u>	<u>-</u>	<u>(125,553)</u>
Total fund balances (deficit)	<u>150</u>	<u>6,235</u>	<u>1,186,869</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 111,249</u>	<u>\$ 6,235</u>	<u>\$ 1,492,276</u>

Gratiot County
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2016

	Special Revenue Funds						
	Road Patrol	Parks and Recreation	Geographic Information System	Friend of the Court	State Criminal Alien Assistance	Economic and Agriculture Development	Building Inspection
Revenues							
Taxes	\$ 581,122	\$ 451,606	\$ -	\$ -	\$ -	\$ 581,982	\$ -
Licenses and permits	-	-	-	-	-	-	118,822
Intergovernmental							
Federal/state	-	-	-	549,793	-	-	-
Local contributions	-	10,775	27,985	-	-	-	-
Charges for services	-	10,153	-	55,111	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-
Interest income	646	180	46	-	4	80	32
Other revenue	-	-	575	15	-	-	-
Total revenues	<u>581,768</u>	<u>472,714</u>	<u>28,606</u>	<u>604,919</u>	<u>4</u>	<u>582,062</u>	<u>118,854</u>
Expenditures							
Current							
General government	-	-	11,460	620,429	-	-	-
Public safety	694,974	-	-	-	-	-	156,342
Health and welfare	-	-	-	-	-	-	-
Community and economic development	-	-	-	-	-	380,785	-
Recreation and culture	-	322,705	-	-	-	-	-
Capital outlay	5,229	112,425	-	11,045	-	-	-
Debt service							
Principal retirement	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-
Total expenditures	<u>700,203</u>	<u>435,130</u>	<u>11,460</u>	<u>631,474</u>	<u>-</u>	<u>380,785</u>	<u>156,342</u>
Excess (deficiency) of revenues over expenditures	<u>(118,435)</u>	<u>37,584</u>	<u>17,146</u>	<u>(26,555)</u>	<u>4</u>	<u>201,277</u>	<u>(37,488)</u>

Gratiot County
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2016

	Special Revenue Funds						
	Road Patrol	Parks and Recreation	Geographic Information System	Friend of the Court	State Criminal Alien Assistance	Economic and Agriculture Development	Building Inspection
Other financing sources (uses)							
Transfers in	\$ 4,422	\$ -	\$ 500	\$ 78,918	\$ -	\$ -	\$ -
Transfers out	-	(500)	-	-	-	(192,544)	-
Sale of fixed assets	-	3,000	-	-	-	-	-
Total other financing sources (uses)	<u>4,422</u>	<u>2,500</u>	<u>500</u>	<u>78,918</u>	<u>-</u>	<u>(192,544)</u>	<u>-</u>
Net change in fund balance	(114,013)	40,084	17,646	52,363	4	8,733	(37,488)
Fund balance - beginning of year (deficit) (restated)	<u>114,288</u>	<u>219,110</u>	<u>86,834</u>	<u>(66,455)</u>	<u>8,380</u>	<u>36,675</u>	<u>91,474</u>
Fund balance - end of year (deficit)	<u>\$ 275</u>	<u>\$ 259,194</u>	<u>\$ 104,480</u>	<u>\$ (14,092)</u>	<u>\$ 8,384</u>	<u>\$ 45,408</u>	<u>\$ 53,986</u>

Gratiot County
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2016

	Special Revenue Funds						
	Register of Deeds	K-9 Unit Sheriff	Correction Officers Training Fund	Drug law Enforcement	Law Enforcement	Law Library	Commission on Aging
Revenues							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 839,442
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental							
Federal/state	-	-	-	-	-	-	424,215
Local contributions	-	-	-	-	-	-	10,777
Charges for services	36,830	73,230	9,641	-	-	-	112,086
Fines and forfeitures	-	-	-	-	-	4,500	-
Interest income	73	15	23	1	-	15	264
Other revenue	-	-	-	-	-	-	-
Total revenues	<u>36,903</u>	<u>73,245</u>	<u>9,664</u>	<u>1</u>	<u>-</u>	<u>4,515</u>	<u>1,386,784</u>
Expenditures							
Current							
General government	29,589	-	-	-	-	-	-
Public safety	-	6,695	5,495	-	-	-	-
Health and welfare	-	-	-	-	-	-	1,272,147
Community and economic development	-	-	-	-	-	-	-
Recreation and culture	-	-	-	-	-	-	-
Capital outlay	-	48,674	-	-	-	523	2,954
Debt service							
Principal retirement	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-
Total expenditures	<u>29,589</u>	<u>55,369</u>	<u>5,495</u>	<u>-</u>	<u>-</u>	<u>523</u>	<u>1,275,101</u>
Excess (deficiency) of revenues over expenditures	<u>7,314</u>	<u>17,876</u>	<u>4,169</u>	<u>1</u>	<u>-</u>	<u>3,992</u>	<u>111,683</u>

Gratiot County
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2016

	Special Revenue Funds						
	Register of Deeds	K-9 Unit Sheriff	Correction Officers Training Fund	Drug law Enforcement	Law Enforcement	Law Library	Commission on Aging
Other financing sources (uses)							
Transfers in	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers out	-	(50,000)	-	-	-	-	-
Sale of fixed assets	-	-	-	-	-	-	-
Total other financing sources (uses)	-	(50,000)	-	-	-	-	-
Net change in fund balance	7,314	(32,124)	4,169	1	-	3,992	111,683
Fund balance - beginning of year (deficit) (restated)	138,228	37,186	50,174	2,056	1,322	31,703	216,547
Fund balance - end of year (deficit)	<u>\$ 145,542</u>	<u>\$ 5,062</u>	<u>\$ 54,343</u>	<u>\$ 2,057</u>	<u>\$ 1,322</u>	<u>\$ 35,695</u>	<u>\$ 328,230</u>

Gratiot County
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2016

	Special Revenue Funds						
	Recovery Court	C.D.B.G.	D.A.R.E Program	Salvage Inspection Fee	D.H.S. State Monies	Veteran Trust	Veterans Memorial
Revenues							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental							
Federal/state	258,926	-	-	-	-	3,498	-
Local contributions	-	-	-	-	-	-	-
Charges for services	21,373	-	-	4,260	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-
Interest income	3	16	-	4	1	-	7
Other revenue	-	31,650	-	-	-	-	-
	<u>280,302</u>	<u>31,666</u>	<u>-</u>	<u>4,264</u>	<u>1</u>	<u>3,498</u>	<u>7</u>
Total revenues							
Expenditures							
Current							
General government	-	-	-	625	-	-	-
Public safety	-	-	241	-	-	-	-
Health and welfare	227,301	-	-	-	435	2,863	-
Community and economic development	-	49,514	-	-	-	-	-
Recreation and culture	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Debt service							
Principal retirement	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-
	<u>227,301</u>	<u>49,514</u>	<u>241</u>	<u>625</u>	<u>435</u>	<u>2,863</u>	<u>-</u>
Total expenditures							
Excess (deficiency) of revenues over expenditures	<u>53,001</u>	<u>(17,848)</u>	<u>(241)</u>	<u>3,639</u>	<u>(434)</u>	<u>635</u>	<u>7</u>

Gratiot County
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2016

	Special Revenue Funds						
	Recovery Court	C.D.B.G.	D.A.R.E Program	Salvage Inspection Fee	D.H.S. State Monies	Veteran Trust	Veterans Memorial
Other financing sources (uses)							
Transfers in	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers out	-	-	-	(5,000)	-	-	-
Sale of fixed assets	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	(5,000)	-	-	-
Net change in fund balance	53,001	(17,848)	(241)	(1,361)	(434)	635	7
Fund balance - beginning of year (deficit) (restated)	17,193	35,275	941	8,676	4,001	811	13,745
Fund balance - end of year (deficit)	<u>\$ 70,194</u>	<u>\$ 17,427</u>	<u>\$ 700</u>	<u>\$ 7,315</u>	<u>\$ 3,567</u>	<u>\$ 1,446</u>	<u>\$ 13,752</u>

Gratiot County
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2016

	Special Revenue Funds						
	Homeless Veterans Fund	Animal Control	Marine Safety	Michigan Justice Training	Library	MSHDA	Concealed Pistol Licensing
Revenues							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 651,444	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental							
Federal/state	-	-	1,900	6,289	-	4,331	-
Local contributions	-	-	-	-	-	-	-
Charges for services	-	4,183	-	-	-	-	20,812
Fines and forfeitures	-	-	-	-	-	-	-
Interest income	-	-	2	-	94	-	4
Other revenue	-	980	-	-	-	-	-
	<u>-</u>	<u>5,163</u>	<u>1,902</u>	<u>6,289</u>	<u>651,538</u>	<u>4,331</u>	<u>20,816</u>
Total revenues	-	5,163	1,902	6,289	651,538	4,331	20,816
Expenditures							
Current							
General government	-	-	-	-	-	-	-
Public safety	-	6,851	4,556	9,440	-	-	-
Health and welfare	-	-	-	-	-	-	-
Community and economic development	-	-	-	-	-	3,965	-
Recreation and culture	-	-	-	-	648,698	-	-
Capital outlay	-	-	-	-	-	-	-
Debt service							
Principal retirement	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-
	<u>-</u>	<u>6,851</u>	<u>4,556</u>	<u>9,440</u>	<u>648,698</u>	<u>3,965</u>	<u>-</u>
Total expenditures	-	6,851	4,556	9,440	648,698	3,965	-
Excess (deficiency) of revenues over expenditures	-	(1,688)	(2,654)	(3,151)	2,840	366	20,816

Gratiot County
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2016

	Special Revenue Funds						
	Homeless Veterans Fund	Animal Control	Marine Safety	Michigan Justice Training	Library	MSHDA	Concealed Pistol Licensing
Other financing sources (uses)							
Transfers in	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers out	-	-	-	-	-	-	-
Sale of fixed assets	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Net change in fund balance	-	(1,688)	(2,654)	(3,151)	2,840	366	20,816
Fund balance - beginning of year (deficit) (restated)	695	2,815	4,611	4,876	2,979	-	3,692
Fund balance - end of year (deficit)	<u>\$ 695</u>	<u>\$ 1,127</u>	<u>\$ 1,957</u>	<u>\$ 1,725</u>	<u>\$ 5,819</u>	<u>\$ 366</u>	<u>\$ 24,508</u>

Gratiot County
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2016

	Debt Service Funds		Total Nonmajor Governmental Funds
	2005 G.O. Bonds	Building Authority - Jail	
Revenues			
Taxes	\$ -	\$ -	\$ 3,105,596
Licenses and permits	-	-	118,822
Intergovernmental			
Federal/state	-	-	1,248,952
Local contributions	67,415	-	116,952
Charges for services	-	-	347,679
Fines and forfeitures	-	-	4,500
Interest income	-	5	1,515
Other revenue	-	-	33,220
	<u>67,415</u>	<u>5</u>	<u>4,977,236</u>
Total revenues			
Expenditures			
Current			
General government	-	-	662,103
Public safety	23	-	884,617
Health and welfare	-	-	1,502,746
Community and economic development	-	-	434,264
Recreation and culture	-	-	971,403
Capital outlay	-	-	180,850
Debt service			
Principal retirement	98,679	150,000	248,679
Interest and fiscal charges	25,398	29,525	54,923
	<u>124,100</u>	<u>179,525</u>	<u>4,939,585</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	<u>(56,685)</u>	<u>(179,520)</u>	<u>37,651</u>

Gratiot County
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2016

	Debt Service Funds		Total Nonmajor Governmental Funds
	2005 G.O. Bonds	Building Authority - Jail	
Other financing sources (uses)			
Transfers in	\$ 56,662	\$ 179,150	\$ 319,652
Transfers out	-	-	(248,044)
Sale of fixed assets	-	-	3,000
	<u>56,662</u>	<u>179,150</u>	<u>74,608</u>
Total other financing sources (uses)			
Net change in fund balance	(23)	(370)	112,259
Fund balance - beginning of year (deficit) (restated)	<u>173</u>	<u>6,605</u>	<u>1,074,610</u>
Fund balance - end of year (deficit)	<u>\$ 150</u>	<u>\$ 6,235</u>	<u>\$ 1,186,869</u>

Gratiot County
Nonmajor Enterprise Funds
Combining Statement of Net Position
September 30, 2016

	Tax Fees and Sale Proceeds	Principal Residence Denial Interest	Soil Erosion Inspection	Jail Commissary	Total
Assets					
Current assets					
Cash and cash equivalents	\$ 583,550	\$ 34,090	\$ 2,458	\$ 25,227	\$ 645,325
Receivables					
Taxes	1,342	-	-	-	1,342
Customers	62	-	30	1,202	1,294
Prepaid items	-	-	-	409	409
	<u>584,954</u>	<u>34,090</u>	<u>2,488</u>	<u>26,838</u>	<u>648,370</u>
Total assets					
Liabilities					
Current liabilities					
Accounts payable	161	-	-	381	542
Accrued and other liabilities	-	-	132	-	132
Due to other funds	10	-	-	-	10
	<u>171</u>	<u>-</u>	<u>132</u>	<u>381</u>	<u>684</u>
Total liabilities					
Net Position					
Unrestricted	<u>\$ 584,783</u>	<u>\$ 34,090</u>	<u>\$ 2,356</u>	<u>\$ 26,457</u>	<u>\$ 647,686</u>

Gratiot County
Nonmajor Enterprise Funds
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended September 30, 2016

	Tax Fees and Sale Proceeds	Principal Residence Denial Interest	Soil Erosion Inspection	Jail Commissary	Total
Operating revenue					
Customer fees	\$ 111,380	\$ -	\$ 13,229	\$ 37,821	\$ 162,430
Other revenue	<u>5,121</u>	<u>-</u>	<u>-</u>	<u>69,683</u>	<u>74,804</u>
Total operating revenue	<u>116,501</u>	<u>-</u>	<u>13,229</u>	<u>107,504</u>	<u>237,234</u>
Operating expenses					
Personnel services	-	694	9,203	-	9,897
Supplies	13,926	-	79	27,011	41,016
Repairs and maintenance	-	-	-	2,991	2,991
Other expenses	<u>41,380</u>	<u>1,769</u>	<u>8,047</u>	<u>59,230</u>	<u>110,426</u>
Total operating expenses	<u>55,306</u>	<u>2,463</u>	<u>17,329</u>	<u>89,232</u>	<u>164,330</u>
Operating income (loss)	61,195	(2,463)	(4,100)	18,272	72,904
Nonoperating revenue					
Interest income	<u>396</u>	<u>5,231</u>	<u>1</u>	<u>7</u>	<u>5,635</u>
Income (loss) before transfers	61,591	2,768	(4,099)	18,279	78,539
Transfers out	<u>(75,993)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(75,993)</u>
Change in net position	(14,402)	2,768	(4,099)	18,279	2,546
Net position - beginning of year	<u>599,185</u>	<u>31,322</u>	<u>6,455</u>	<u>8,178</u>	<u>645,140</u>
Net position - end of year	<u>\$ 584,783</u>	<u>\$ 34,090</u>	<u>\$ 2,356</u>	<u>\$ 26,457</u>	<u>\$ 647,686</u>

Gratiot County
Nonmajor Enterprise Funds
Combining Statement of Cash Flows
For the Year Ended September 30, 2016

	Tax Fees and Sale Proceeds	Principal Residence Denial Interest	Soil Erosion Inspection	Jail Commissary	Total
Cash flows from operating activities					
Receipts from customers	\$ 116,152	\$ -	\$ 13,150	\$ 109,509	\$ 238,811
Receipts from other funds	10	-	-	-	10
Payments to other funds	-	-	-	(193)	(193)
Payments to suppliers	(55,145)	(1,769)	(8,691)	(84,096)	(149,701)
Payments to employees	-	(694)	(9,203)	-	(9,897)
Net cash provided (used) by operating activities	61,017	(2,463)	(4,744)	25,220	79,030
Cash flows from noncapital financing activities					
Transfers to other funds	(75,993)	-	-	-	(75,993)
Cash flows from investing activities					
Interest received	396	5,231	1	7	5,635
Net change in cash and cash equivalents	(14,580)	2,768	(4,743)	25,227	8,672
Cash and cash equivalents - beginning of year	598,130	31,322	7,201	-	636,653
Cash and cash equivalents - end of year	<u>\$ 583,550</u>	<u>\$ 34,090</u>	<u>\$ 2,458</u>	<u>\$ 25,227</u>	<u>\$ 645,325</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	\$ 61,195	\$ (2,463)	\$ (4,100)	\$ 18,272	\$ 72,904
Changes in assets and liabilities					
Receivables (net)	(349)	-	(79)	2,005	1,577
Prepaid items	-	-	-	6,695	6,695
Accounts payable	161	-	-	(1,559)	(1,398)
Accrued and other liabilities	-	-	(565)	-	(565)
Due to other funds	10	-	-	(193)	(183)
Net cash provided (used) by operating activities	<u>\$ 61,017</u>	<u>\$ (2,463)</u>	<u>\$ (4,744)</u>	<u>\$ 25,220</u>	<u>\$ 79,030</u>

Gratiot County
Internal Service Funds
Combining Statement of Net Position
September 30, 2016

	Fringe Benefits	Tile Fund	Flexible Spending	Total
Assets				
Current assets				
Cash and cash equivalents	\$ -	\$ 5,389	\$ 5,673	\$ 11,062
Receivables				
Accrued interest and other	14,841	-	-	14,841
Inventories	-	19,557	-	19,557
Prepaid items	114,062	-	-	114,062
 Total assets	 128,903	 24,946	 5,673	 159,522
Liabilities				
Current liabilities				
Accounts payable	-	2,275	-	2,275
Due to other funds	86,844	-	1,251	88,095
 Total liabilities	 86,844	 2,275	 1,251	 90,370
Net Position				
Unrestricted	\$ 42,059	\$ 22,671	\$ 4,422	\$ 69,152

Gratiot County
Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended September 30, 2016

	<u>Fringe Benefits</u>	<u>Tile Fund</u>	<u>Flexible Spending</u>	<u>Total</u>
Operating revenue				
Billings to other funds	\$ 3,534,277	\$ -	\$ -	\$ 3,534,277
Other revenue	<u>180</u>	<u>33,171</u>	<u>16,105</u>	<u>49,456</u>
Total operating revenue	<u>3,534,457</u>	<u>33,171</u>	<u>16,105</u>	<u>3,583,733</u>
Operating expenses				
Personnel services	4,559,779	-	-	4,559,779
Other expenses	<u>-</u>	<u>56,984</u>	<u>16,280</u>	<u>73,264</u>
Total operating expenses	<u>4,559,779</u>	<u>56,984</u>	<u>16,280</u>	<u>4,633,043</u>
Operating loss	(1,025,322)	(23,813)	(175)	(1,049,310)
Nonoperating revenue				
Interest income	<u>13</u>	<u>2</u>	<u>3</u>	<u>18</u>
Loss before transfers	(1,025,309)	(23,811)	(172)	(1,049,292)
Transfers in	1,000,000	-	-	1,000,000
Transfers out	<u>(35,000)</u>	<u>-</u>	<u>-</u>	<u>(35,000)</u>
Change in net position	(60,309)	(23,811)	(172)	(84,292)
Net position - beginning of year	<u>102,368</u>	<u>46,482</u>	<u>4,594</u>	<u>153,444</u>
Net position - end of year	<u>\$ 42,059</u>	<u>\$ 22,671</u>	<u>\$ 4,422</u>	<u>\$ 69,152</u>

Gratiot County
Internal Service Funds
Combining Statement of Cash Flows
For the Year Ended September 30, 2016

	Fringe Benefits	Tile Fund	Flexible Spending	Total
Cash flows from operating activities				
Receipts from employees	\$ -	\$ -	\$ 16,105	\$ 16,105
Receipts from interfund users	3,699,577	33,171	-	3,732,748
Payments to suppliers	<u>(4,786,280)</u>	<u>(33,771)</u>	<u>(16,280)</u>	<u>(4,836,331)</u>
Net cash used by operating activities	<u>(1,086,703)</u>	<u>(600)</u>	<u>(175)</u>	<u>(1,087,478)</u>
Cash flows from noncapital financing activities				
Transfer from other funds	1,000,000	-	-	1,000,000
Transfers to other funds	<u>(35,000)</u>	<u>-</u>	<u>-</u>	<u>(35,000)</u>
Net cash provided by noncapital financing activities	<u>965,000</u>	<u>-</u>	<u>-</u>	<u>965,000</u>
Cash flows from investing activities				
Interest received	<u>13</u>	<u>2</u>	<u>3</u>	<u>18</u>
Net change in cash and cash equivalents	(121,690)	(598)	(172)	(122,460)
Cash and cash equivalents - beginning of year	<u>121,690</u>	<u>5,987</u>	<u>5,845</u>	<u>133,522</u>
Cash and cash equivalents - end of year	<u>\$ -</u>	<u>\$ 5,389</u>	<u>\$ 5,673</u>	<u>\$ 11,062</u>
Reconciliation of operating loss to net cash used by operating activities				
Operating loss	\$ (1,025,322)	\$ (23,813)	\$ (175)	\$ (1,049,310)
Changes in assets and liabilities				
Receivables (net)	78,276	-	-	78,276
Inventories	-	20,938	-	20,938
Prepaid items	(114,062)	-	-	(114,062)
Accounts payable	-	2,275	-	2,275
Accrued and other liabilities	(112,439)	-	-	(112,439)
Due to other funds	<u>86,844</u>	<u>-</u>	<u>-</u>	<u>86,844</u>
Net cash used by operating activities	<u>\$ (1,086,703)</u>	<u>\$ (600)</u>	<u>\$ (175)</u>	<u>\$ (1,087,478)</u>

**Gratiot County
Component Unit Funds
Road Commission
Balance Sheet
September 30, 2016**

	<u>Road Commission</u>
Assets	
Cash and cash equivalents	\$ 651,602
Investments	299,463
Due from other units of government	1,144,031
Inventories	<u>534,324</u>
Total assets	<u><u>\$ 2,629,420</u></u>
Liabilities	
Accounts payable	\$ 341,402
Accrued and other liabilities	42,553
Performance bond payable	100
Advances from State	184,186
Due to other units of government	<u>12,697</u>
Total liabilities	<u>580,938</u>
Fund Balances	
Nonspendable	534,324
Restricted	
County Road Operations	<u>1,514,158</u>
Total fund balances	<u>2,048,482</u>
Total liabilities and fund balances	<u><u>\$ 2,629,420</u></u>

**Gratiot County
Component Unit Funds
Road Commission
Reconciliation of the Balance Sheet to the Statement of Net Position
September 30, 2016**

Total fund balances for component unit funds - road commission	\$ 2,048,482
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	29,573,086
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Compensated absences	(308,617)
Net other post employment obligation	(7,541)
Deferred outflows of resources resulting from net pension liability	2,112,090
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	<u>(7,712,552)</u>
Net position of component unit funds - road commission	<u><u>\$ 26,358,621</u></u>

Gratiot County
Component Unit Funds
Road Commission
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2016

	Road Commission
Revenues	
Licenses and permits	\$ 58,147
Intergovernmental	
Federal\state	6,265,181
Local contributions	1,465,065
Charges for services	1,020,721
Interest and rents	3,144
Other revenue	42,733
	8,854,991
Expenditures	
Current	
Public works	8,760,802
Capital outlay	365,753
	9,126,555
Excess of revenues over expenditures	(271,564)
Fund balance - beginning of year	2,320,046
	\$ 2,048,482
	2,048,482

**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, 2016**

Net change in fund balances - component unit funds - road commission \$ (271,564)

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	(2,158,998)
Capital outlay	2,381,267
Disposal of capital assets	(3,109)

Expenses are recorded when incurred in the statement of activities

Compensated absences	(17,664)
Net other post employment obligation	(3,908)

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	1,700,990
Net change in the deferred outflow of resources related to the net pension liability	<u>(1,456,565)</u>

Change in net position of component unit funds - road commission \$ 170,449

**Gratiot County
Component Unit Funds
Drainage Districts
Combining Balance Sheet
September 30, 2016**

	Debt Service					Capital Projects		
	Drain Debt #007	Drain Debt #96	Drain Debt #133	Drain Debt #181	Drain Debt #383	Drain Debt	Drain #007	Drain #133
Assets								
Cash and cash equivalents	\$ 121,459	\$ 65,881	\$ 126,634	\$ 633,403	\$ 42,040	\$ -	\$ -	\$ 66,096
Receivables								
Special assessments, current	161,811	169,243	67,311	207,743	94,254	-	-	-
Due from other units of government	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-
Restricted assets								
Cash and cash equivalents	-	-	-	-	-	-	-	-
Total current assets	<u>283,270</u>	<u>235,124</u>	<u>193,945</u>	<u>841,146</u>	<u>136,294</u>	<u>-</u>	<u>-</u>	<u>66,096</u>
Noncurrent assets								
Special assessments, deferred	<u>809,056</u>	<u>169,239</u>	<u>740,422</u>	<u>3,323,887</u>	<u>1,790,825</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 1,092,326</u>	<u>\$ 404,363</u>	<u>\$ 934,367</u>	<u>\$ 4,165,033</u>	<u>\$ 1,927,119</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 66,096</u>
Liabilities								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources								
Unavailable revenue								
Special assessments	<u>970,867</u>	<u>338,482</u>	<u>807,733</u>	<u>3,531,630</u>	<u>1,885,079</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances								
Restricted								
Debt service	121,459	65,881	126,634	633,403	42,040	-	-	-
Unspent bond proceeds	-	-	-	-	-	-	-	-
Assigned - capital projects	-	-	-	-	-	-	-	66,096
Total fund balances	<u>121,459</u>	<u>65,881</u>	<u>126,634</u>	<u>633,403</u>	<u>42,040</u>	<u>-</u>	<u>-</u>	<u>66,096</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,092,326</u>	<u>\$ 404,363</u>	<u>\$ 934,367</u>	<u>\$ 4,165,033</u>	<u>\$ 1,927,119</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 66,096</u>

**Gratiot County
Component Unit Funds
Drainage Districts
Combining Balance Sheet
September 30, 2016**

	Capital Projects					Total
	Drain #181	Drain #383	Regular Drain	Revolving Drain	Revolving Drain Maintenance	
Assets						
Cash and cash equivalents	\$ -	\$ -	\$ 1,151,392	\$ 115,632	\$ 42,079	\$ 2,364,616
Receivables						
Special assessments, current	-	-	1,507,665	-	-	2,208,027
Due from other units of government	-	-	5,810	-	-	5,810
Due from other funds	-	-	-	290,976	-	290,976
Restricted assets						
Cash and cash equivalents	<u>672,643</u>	<u>480,860</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,153,503</u>
Total current assets	672,643	480,860	2,664,867	406,608	42,079	6,022,932
Noncurrent assets						
Special assessments, deferred	<u>-</u>	<u>-</u>	<u>4,710,278</u>	<u>-</u>	<u>-</u>	<u>11,543,707</u>
Total assets	<u>\$ 672,643</u>	<u>\$ 480,860</u>	<u>\$ 7,375,145</u>	<u>\$ 406,608</u>	<u>\$ 42,079</u>	<u>\$ 17,566,639</u>
Liabilities						
Accounts payable	\$ 50,079	\$ 967	\$ 79,076	\$ 18,321	\$ 766	\$ 149,209
Due to other funds	<u>-</u>	<u>-</u>	<u>290,976</u>	<u>-</u>	<u>-</u>	<u>290,976</u>
Total liabilities	<u>50,079</u>	<u>967</u>	<u>370,052</u>	<u>18,321</u>	<u>766</u>	<u>440,185</u>
Deferred Inflows of Resources						
Unavailable revenue						
Special assessments	<u>-</u>	<u>-</u>	<u>6,217,943</u>	<u>-</u>	<u>-</u>	<u>13,751,734</u>
Fund Balances						
Restricted						
Debt service	-	-	-	-	-	989,417
Unspent bond proceeds	622,564	479,893	-	-	-	1,102,457
Assigned - capital projects	<u>-</u>	<u>-</u>	<u>787,150</u>	<u>388,287</u>	<u>41,313</u>	<u>1,282,846</u>
Total fund balances	<u>622,564</u>	<u>479,893</u>	<u>787,150</u>	<u>388,287</u>	<u>41,313</u>	<u>3,374,720</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 672,643</u>	<u>\$ 480,860</u>	<u>\$ 7,375,145</u>	<u>\$ 406,608</u>	<u>\$ 42,079</u>	<u>\$ 17,566,639</u>

**Gratiot County
Component Unit Funds
Drainage Districts
Reconciliation of the Combining Balance Sheet to the Statement of Net Position
September 30, 2016**

Total fund balances for component unit funds - drainage district	\$ 3,374,720
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	6,860,923
Capital assets net of depreciation	16,606,216
Certain receivables are not available to pay for current period expenditures and, therefore are deferred in the funds.	13,751,734
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(128,328)
Bonds and loans payable	<u>(14,106,781)</u>
Net position of component unit funds - drainage district	<u><u>\$ 26,358,484</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, 2016

	Debt Service					Capital Projects		
	Drain Debt #007	Drain Debt #96	Drain Debt #133	Drain Debt #181	Drain Debt #383	Drain Debt	Drain #007	Drain #133
Revenues								
Intergovernmental - local	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	196,547	194,395	104,450	418,647	-	-	-	-
Interest income	71	46	-	395	10	-	-	-
Other revenue	-	-	-	-	-	-	260	-
Total revenues	<u>196,618</u>	<u>194,441</u>	<u>104,450</u>	<u>419,042</u>	<u>10</u>	<u>-</u>	<u>260</u>	<u>-</u>
Expenditures								
Current								
Public works	-	874	-	594	30	-	-	36,960
Capital outlay	-	-	-	-	-	-	-	22,651
Debt service								
Principal retirement	170,000	180,000	75,000	235,000	-	701,853	-	-
Interest and fiscal charges	<u>23,970</u>	<u>19,350</u>	<u>18,725</u>	<u>133,715</u>	<u>-</u>	<u>148,052</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>193,970</u>	<u>200,224</u>	<u>93,725</u>	<u>369,309</u>	<u>30</u>	<u>849,905</u>	<u>-</u>	<u>59,611</u>
Excess (deficiency) of revenues over expenditures	<u>2,648</u>	<u>(5,783)</u>	<u>10,725</u>	<u>49,733</u>	<u>(20)</u>	<u>(849,905)</u>	<u>260</u>	<u>(59,611)</u>
Other financing sources (uses)								
Transfers in	-	-	-	-	-	849,966	-	-
Transfers out	-	-	-	-	-	(61)	(822)	-
Bond and note proceeds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>42,060</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>42,060</u>	<u>849,905</u>	<u>(822)</u>	<u>-</u>
Net change in fund balance	2,648	(5,783)	10,725	49,733	42,040	-	(562)	(59,611)
Fund balance - beginning of year	<u>118,811</u>	<u>71,664</u>	<u>115,909</u>	<u>583,670</u>	<u>-</u>	<u>-</u>	<u>562</u>	<u>125,707</u>
Fund balance - end of year	<u>\$ 121,459</u>	<u>\$ 65,881</u>	<u>\$ 126,634</u>	<u>\$ 633,403</u>	<u>\$ 42,040</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 66,096</u>

Gratiot County
Component Unit Funds
Drainage Districts
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2016

	Capital Projects					Total
	Drain #181	Drain #383	Regular Drain	Revolving Drain	Revolving Drain Maintenance	
Revenues						
Intergovernmental - local	\$ -	\$ -	\$ 952,153	\$ -	\$ 2,500	\$ 954,653
Charges for services	-	-	1,505,582	-	-	2,419,621
Interest income	-	235	392	14	4	1,167
Other revenue	-	-	17,081	-	-	17,341
Total revenues	<u>-</u>	<u>235</u>	<u>2,475,208</u>	<u>14</u>	<u>2,504</u>	<u>3,392,782</u>
Expenditures						
Current						
Public works	83	39,649	308,889	106,851	51,593	545,523
Capital outlay	245,140	1,323,633	1,836,853	471,483	-	3,899,760
Debt service						
Principal retirement	-	-	-	-	-	1,361,853
Interest and fiscal charges	-	-	-	-	-	343,812
Total expenditures	<u>245,223</u>	<u>1,363,282</u>	<u>2,145,742</u>	<u>578,334</u>	<u>51,593</u>	<u>6,150,948</u>
Excess (deficiency) of revenues over expenditures	<u>(245,223)</u>	<u>(1,363,047)</u>	<u>329,466</u>	<u>(578,320)</u>	<u>(49,089)</u>	<u>(2,758,166)</u>
Other financing sources (uses)						
Transfers in	-	-	10,409	618,702	69,943	1,549,020
Transfers out	-	-	(1,532,228)	(14,216)	(1,693)	(1,549,020)
Bond and note proceeds	-	1,842,940	1,738,009	-	-	3,623,009
Total other financing sources (uses)	<u>-</u>	<u>1,842,940</u>	<u>216,190</u>	<u>604,486</u>	<u>68,250</u>	<u>3,623,009</u>
Net change in fund balance	(245,223)	479,893	545,656	26,166	19,161	864,843
Fund balance - beginning of year	867,787	-	241,494	362,121	22,152	2,509,877
Fund balance - end of year	<u>\$ 622,564</u>	<u>\$ 479,893</u>	<u>\$ 787,150</u>	<u>\$ 388,287</u>	<u>\$ 41,313</u>	<u>\$ 3,374,720</u>

**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, 2016**

Net change in fund balances - component unit funds - drainage district \$ 864,843

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	(462,615)
Capital outlay	3,578,682

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

Special assessments	1,726,766
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Expenses are recorded when incurred in the statement of activities

Accrued interest	(5,345)
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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	(3,623,009)
Repayments of long-term debt	<u>1,361,853</u>

Change in net position of component unit funds - drainage district **\$ 3,441,175**

Gratiot County
Component Unit Funds
Central Dispatch Authority
Balance Sheet
September 30, 2016

Assets

Cash and cash equivalents	\$ 380,019
Receivables	
Customers	262,242
Prepaid items	<u>30,602</u>
 Total assets	 <u><u>\$ 672,863</u></u>

Liabilities

Accounts payable	\$ 4,560
Accrued and other liabilities	<u>17,477</u>
 Total liabilities	 <u>22,037</u>

Fund Balances

Nonspendable items	
Prepaid items	30,602
Restricted	
Central Dispatch Authority	<u>620,224</u>
 Total fund balances	 <u>650,826</u>
 Total liabilities and fund balances	 <u><u>\$ 672,863</u></u>

**Gratiot County
Component Unit Funds
Central Dispatch Authority
Reconciliation of the Balance Sheet to the Statement of Net Position
September 30, 2016**

Total fund balances for component unit funds - central dispatch authority	\$ 650,826
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	636,171
Capital assets net of depreciation	52,261
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(3,391)
Compensated absences	(43,757)
Deferred outflows of resources resulting from net pension liability	181,621
Deferred inflows of resources resulting from net pension liability	(10,207)
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	(429,927)
Net pension liability	<u>(546,956)</u>
Net position of component unit funds - central dispatch authority	<u>\$ 486,641</u>

Gratiot County
Component Unit Funds
Central Dispatch Authority
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2016

Revenues

Other state grants	\$ 10,125
Charges for services	1,182,727
Interest income	138
	1,192,990
Total revenues	1,192,990

Expenditures

Current	
Public safety	844,092
Capital outlay	706,467
Debt service	
Principal retirement	142,627
Interest and fiscal charges	6,145
	1,699,331
Total expenditures	1,699,331

Excess of revenues over expenditures (506,341)

Other financing sources (uses)

Bond/note proceeds	572,554
	572,554
Net change in fund balance	66,213
Fund balance - beginning of year	584,613
	584,613
Fund balance - end of year	\$ 650,826

**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, 2016**

Net change in fund balances - component unit funds - central dispatch authority \$ 66,213

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	(24,784)
Capital outlay	636,171

Expenses are recorded when incurred in the statement of activities

Accrued interest	(3,391)
Compensated absences	(43,757)

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	(55,925)
Net change in the deferred outflow of resources related to the net pension liability	95,264
Net change in the deferred inflow of resources related to the net pension liability	(10,207)

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	(572,554)
Repayments of long-term debt	142,627

Change in net position of component unit funds - central dispatch authority \$ 229,657

Gratiot County
Component Unit Funds
Brownfield Redevelopment Authority
Balance Sheet
September 30, 2016

Assets

Cash and cash equivalents \$ 48,287

Fund Balances

Restricted \$ 48,287
 Brownfield Redevelopment

Gratiot County
Component Unit Funds
Brownfield Redevelopment Authority
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2016

Revenues

Taxes	\$ 73,269
Interest income	<u>17</u>
Total revenues	73,286

Expenditures

Current	
Community and economic development	<u>158,704</u>
Net change in fund balance	(85,418)
Fund balance - beginning of year	<u>133,705</u>
Fund balance - end of year	<u><u>\$ 48,287</u></u>