

Gratiot County
Financial Statements
September 30, 2017



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Gratiot County
List of Elected and Appointed Officials
September 30, 2017

Board of Commissioners

George Bailey	Commissioner
Jan Bunting	Commissioner
Russell Bongard	Commissioner
Tim Lambrecht	Commissioner
Sam Smith	Commissioner

Administration and Other Elected Officials

Tracey Cordes	Administrator
Michelle Thomas	Treasurer
Angie Thompson	Clerk
Mary Merchant	Register of Deeds
Bernie Barnes	Drain Commissioner
Keith Kushion	Prosecuting Attorney
Doug Wright	Sheriff



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Independent Auditors' Report

County Commissioners and Management
Gratiot County
Ithaca, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Gratiot County, as of and for the year ended September 30, 2017, 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 42 percent and 47 percent of the total assets and total net position of the discretely presented component units at September 30, 2017, respectively, and total revenues constituting 60 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, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of New Accounting Standards

As described in Note 1 to the financial statements, during the year ended September 30, 2017, Gratiot County, excluding the Gratiot County Road Commission, adopted GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are not modified with respect to this matter.

Prior Period Adjustment

As discussed in Note 17 to the financial statements, the 2016 financial statements have been restated to correct an error. Our opinion is not modified with respect to this matter.

Other Matters:

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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 14, 2018 on our consideration of Gratiot County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Gratiot County's internal control over financial reporting or on compliance. That report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Gratiot County's internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Alma, Michigan
March 14, 2018

Gratiot County
Management's Discussion and Analysis
September 30, 2017

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, 2017. 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 Pension Bond Proceeds Fund and information related to the Municipal Employees' Retirement System of Michigan and Other Postemployment Benefits, and *Other Supplementary Information* including combining financial statements for all non-major governmental funds and proprietary funds.

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

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

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

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

Both statements report the following activities:

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

Gratiot County
Management's Discussion and Analysis
September 30, 2017

- ***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 non-major funds. Traditional users of governmental financial statements will find the fund financial statements presentation more familiar.

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

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

Gratiot County
Management's Discussion and Analysis
September 30, 2017

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, 2017**

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, 2017 and 2016.

	Governmental Activities		Business Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 9,994,619	\$ 8,357,333	\$ 6,571,280	\$ 6,153,522	\$ 16,565,899	\$ 14,510,855
Capital assets	7,439,583	7,754,543	-	-	7,439,583	7,754,543
Deferred outflows of resources	7,273,735	3,488,963	-	-	7,273,735	3,488,963
Total assets and deferred outflows of resources	24,707,937	19,600,839	6,571,280	6,153,522	31,279,217	25,754,361
Current liabilities	1,378,115	809,631	19,628	16,276	1,397,743	825,907
Long-term liabilities	18,124,691	11,869,502	-	-	18,124,691	11,869,502
Deferred inflows of resources	239,442	248,194	-	-	239,442	248,194
Total liabilities and deferred inflows of resources	19,742,248	12,927,327	19,628	16,276	19,761,876	12,943,603
Net Position						
Net investment in capital assets	6,426,746	6,492,722	-	-	6,426,746	6,492,722
Restricted	998,325	928,239	-	-	998,325	928,239
Unrestricted (deficit)	(2,459,382)	(747,449)	6,551,652	6,137,246	4,092,270	5,389,797
Total net position	\$ 4,965,689	\$ 6,673,512	\$ 6,551,652	\$ 6,137,246	\$ 11,517,341	\$ 12,810,758

Gratiot County
Management's Discussion and Analysis
September 30, 2017

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, 2017 and 2016.

	Governmental Activities		Business Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Revenues						
Charges for Services	\$ 3,276,914	\$ 3,499,735	\$ 552,806	\$ 431,510	\$ 3,829,720	\$ 3,931,245
Grants & Contributions	3,788,436	3,885,870	-	-	3,788,436	3,885,870
General Revenues						
Property Taxes	10,869,279	10,215,700	-	-	10,869,279	10,215,700
Investment Earnings	14,547	3,944	14,401	12,499	28,948	16,443
Miscellaneous	14,728	30,441	48,055	72,387	62,783	102,828
Total revenues	17,963,904	17,635,690	615,262	516,396	18,579,166	18,152,086
Expenses						
General Government	7,151,559	7,203,197	-	-	7,151,559	7,203,197
Public Safety	5,531,521	5,124,843	-	-	5,531,521	5,124,843
Public Works	13,847	32,592	-	-	13,847	32,592
Health and Welfare	3,372,608	3,520,679	-	-	3,372,608	3,520,679
Community and economic development	422,505	469,906	-	-	422,505	469,906
Recreation & Cultural	1,055,660	1,214,533	-	-	1,055,660	1,214,533
Interest on long-term debt	253,128	46,729	-	-	253,128	46,729
Delinquent Tax	-	-	9,720	8,416	9,720	8,416
Other	-	-	191,136	164,330	191,136	164,330
Total expenses	17,800,827	17,612,479	200,856	172,746	18,001,683	17,785,225
Excess revenue over expenses	163,077	23,211	414,406	343,650	577,483	366,861
Transfers	-	1,075,993	-	(1,075,993)	-	-
Change in net position	163,077	1,099,204	414,406	(732,343)	577,483	366,861
Net position - beginning (restated)	4,802,612	5,574,308	6,137,246	6,869,589	10,939,858	12,443,897
Net position - ending	\$ 4,965,689	\$ 6,673,512	\$ 6,551,652	\$ 6,137,246	\$ 11,517,341	\$ 12,810,758

**Gratiot County
Management's Discussion and Analysis
September 30, 2017**

Governmental Activities:

The County restated net position for fiscal year 2017 from \$6,673,512 to \$4,802,612. This restatement is primarily a result of implementing GASB 75 a year ahead of the required implementation date. See Footnote 1, page 4-26, for adoption of new accounting standards. GASB 75 requires the County to present its OPEB liabilities or assets as part of its net position. Previous statements only presented the asset or liability created by any excess or deficiency in the current year payments related to the actual required contributions and interest, in addition to footnote disclosure. The details of the governmental activity net position restatement can be read in footnote 17. Page 4-51.

After the restatement, the result of fiscal year 2017 governmental activity was an increase of \$163,077 in net position to \$4,965,689. Of the total governmental activities' net position, \$6,426,746 is invested in capital assets less related debt, \$998,325 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 \$2,459,382. The deficit increased due to the addition of the net OPEB liability being added to the County's financial statements.

Revenues:

The three largest revenue categories as a percent of total revenues were property taxes at 60.51% (increase of 2.58% from the prior year), grants and contributions at 21.09% (decrease of 0.94% from the prior year), and charges for services at 18.24% (decrease of 1.6% from the prior year). The County levied six property tax millages for the 2017 fiscal year, one being for general government operations at 5.5306 mills which is not assigned to any particular activity, the senior citizens millage at .6492 mills to finance the Commission on Aging, the road patrol millage at .4494 to finance the Road Patrol, the parks millage at .3493 mills to finance the Parks Department, the Economic Development and Agriculture millage at .4500 mills to finance economic development and agricultural promotion activities, and .4494 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 \$7.1 million of the \$17.8 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 \$5.5 million. It includes the Sheriff, Animal Control, Emergency Services, and Jail operations. Health and Welfare is the third largest area, expending over \$3.4 million, and includes the Medical Examiner, District Health, Mental Health, Veterans Affairs and Substance Abuse. Total governmental activities expenses increased approximately \$0.2 million, but still remained less than total revenues.

Business-type Activities:

Net position in business-type activities increased by \$414,406 during fiscal year 2017. The Delinquent Tax Revolving Fund, considered a major fund, continues to collect interest and penalties assessed on delinquent taxes. The costs associated with operating this fund remain minimal.

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

**Gratiot County
Management's Discussion and Analysis
September 30, 2017**

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, 2017, the General Fund reported a fund balance of \$6,138,281. The General Fund's fund balance increased by \$567,836 due to current year savings and a prior period adjustment. Of the total fund balance, \$5,511,773 is unassigned. The County maintains separate internal funds to account for the following activities: solid waste planning, public improvement, budget stabilization, secondary road patrol, social welfare, child welfare, juvenile child care, soldiers & sailors, and animal adoption coordinator. These internal funds are rolled up and included in General Fund presented in these financial statements because these funds receive a significant portion of funding from the General Fund and would not be able to operate independently without that funding.

General Fund Budgetary Highlights:

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

The County's revenue collections were \$756,781 lower than what was budgeted. Actual was less than budgeted amounts for the following significant reasons:

- The County collected \$303,098 less in intergovernmental revenues than budgeted, which would include Federal and State grants.
- Charges for services collections were \$349,613 lower than budgeted. This is primarily a result of less fines and fees applied through the various court systems.

The County's expenditure budget was decreased by \$209,152 during fiscal year 2017. The budget decrease during the fiscal year related to less transfers being required to operate other funds. Actual County expenditures for fiscal year 2017 were \$471,265 below the amended budget for the following significant reasons:

- The actual amount spent on social and child welfare was \$179,060 less than what was budgeted. These services are contracted out. The full amount of the contract is budgeted, and the County required less services than agreed to.
- The actual amount spent on capital outlay was \$122,983 less than what was budgeted. Capital improvements to the County's infrastructure were delayed until administration could review and prioritize projects that are necessary for the County.
- The actual amount spent on solid waste planning was \$40,945 less than what was budgeted. The County budgets funds to contract site testing for the Gratiot County landfill each year. During fiscal year 2017, DEQ paid for this testing. It is uncertain if DEQ will continue this.
- The actual amount spent on property insurance was \$26,584 less than what was budgeted.
- Due to Departments monitoring their budgets closely, the remainder of the County savings were a result of savings recognized throughout every day activities.

**Gratiot County
Management's Discussion and Analysis
September 30, 2017**

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, 2017, this fund reported net position of \$5,760,868, an increase of \$271,308 from the prior year. Operating expenses in this fund remain minimal, and revenues are generated from penalties and interest charged on delinquent property taxes. The County maintains this balance to limit the need to borrow funds when reconciling and paying out the local units, and various County funds during property tax settlement.

Pension Bond Proceeds Fund:

The Pension Bond Proceeds Fund was created in fiscal year 2017 to receipt and disburse the proceeds of the general obligation bond issued in March of 2017 for the County's pension obligation. Actual revenues and expenditures for the year totaled \$6,769,881. The County did not budget these transactions resulting in actual revenues and expenditures for this fund exceeding budgeted amounts by the full \$6,769,881.

Capital Assets

At the end of fiscal year 2017 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	
	2017	2016
Land	\$ 703,075	\$ 703,075
Land improvements	933,527	913,021
Buildings and improvements	10,204,424	10,107,937
Equipment and furniture	1,543,490	1,531,268
Vehicles	859,478	888,141
	14,243,994	14,143,442
Less: accumulated depreciation	(6,804,411)	(6,388,899)
Capital assets, net	\$ 7,439,583	\$ 7,754,543

The County's capital assets' valuation decreased during fiscal year 2017 due to depreciation exceeding additions. The most significant addition was a pole barn constructed for a County park for approximately \$93,000.

Long-Term Debt

As of September 30, 2017, the County had \$18,909,691 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 has been extinguished since the last actuary report performed for these financial statements. In March of 2017, the County issued a general obligation bond in the amount of \$6,730,000, reflected

Gratiot County
Management's Discussion and Analysis
September 30, 2017

in the total below. These proceeds were immediately deposited with the County's pension trust fund holder, MERS. This deposit is not reflected in the actuary's calculation of the net pension liability. The County's actuary performed their latest report on December 31, 2016. Additional detail can be seen in footnote 12 of the financial statements.

General obligation bonds	\$7,499,414
Compensated absences	738,098
Other post-employment benefits	4,229,958
Net pension liability	6,442,221

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

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

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

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 2018 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 other post-employment benefits liability. The County is exploring options to transition from a 'pay as you go' method to establishing and contributing to a trust fund to eliminate this liability.
- Approach to tax revenue. The County is ever-optimistic about increases in tax revenue resulting from the wind turbines—through increases in the number of turbines, but also by virtue of success in our challenge to the tax tables used to determine tax rates. However, the County is careful not to reflect that optimism in its budget decisions. 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.

Contacting the County

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

Gratiot County
Statement of Net Position
September 30, 2017

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 5,714,991	\$ 4,264,223	\$ 9,979,214	\$ 4,835,817
Investments	-	553,921	553,921	-
Receivables				
Taxes	3,042,286	1,486,594	4,528,880	-
Customers	275,252	2,774	278,026	261,851
Special assessments	-	-	-	14,798,562
Accrued interest and other	-	353,772	353,772	-
Due from other units of government	431,427	716	432,143	1,041,964
Internal balances	91,345	(91,345)	-	-
Inventories	30,246	-	30,246	651,502
Prepaid items	409,072	625	409,697	59,443
Capital assets not being depreciated	703,075	-	703,075	2,523,884
Capital assets net of depreciation	<u>6,736,508</u>	<u>-</u>	<u>6,736,508</u>	<u>52,473,369</u>
 Total assets	 17,434,202	 6,571,280	 24,005,482	 76,646,392
Deferred Outflows of Resources				
Deferred amount relating to net pension liability	<u>7,273,735</u>	<u>-</u>	<u>7,273,735</u>	<u>2,117,123</u>
 Total assets and deferred outflows of resources	 <u>24,707,937</u>	 <u>6,571,280</u>	 <u>31,279,217</u>	 <u>78,763,515</u>

See Accompanying Notes to the Financial Statements

Gratiot County
Statement of Net Position
September 30, 2017

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Liabilities				
Accounts payable	\$ 272,417	\$ 16,671	\$ 289,088	\$ 426,064
Accrued and other liabilities	320,698	478	321,176	203,197
Performance bond payable	-	-	-	900
Due to other units of government	-	2,105	2,105	3,198
Advances from other governmental unit	-	-	-	182,755
Noncurrent liabilities				
Debt due within one year	785,000	-	785,000	1,839,135
Debt due in more than one year	7,452,512	-	7,452,512	12,769,074
Other post-employment benefits payable	4,229,958	-	4,229,958	146,430
Net pension liability	6,442,221	-	6,442,221	7,923,830
 Total liabilities	 19,502,806	 19,628	 19,522,434	 23,494,583
Deferred Inflows of Resources				
Deferred amount relating to other post-employment benefits payable	239,442	-	239,442	7,660
 Total liabilities and deferred inflows of resources	 19,742,248	 19,628	 19,761,876	 23,502,243
Net Position				
Net investment in capital assets	6,426,746	-	6,426,746	40,767,488
Restricted for				
Special revenue funds	998,325	-	998,325	-
Central dispatch authority	-	-	-	416,159
Drainage districts	-	-	-	17,700,227
Brownfield redevelopment authority	-	-	-	35,847
Unrestricted (deficit)	(2,459,382)	6,551,652	4,092,270	(3,658,449)
 Total net position	 \$ 4,965,689	 \$ 6,551,652	 \$ 11,517,341	 \$ 55,261,272

See Accompanying Notes to the Financial Statements

Gratiot County
Statement of Activities
For the Year Ended September 30, 2017

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		Total	
					Governmental Activities	Business-type Activities		
Primary government								
Governmental activities								
General government	\$ 7,151,559	\$ 2,230,921	\$ 3,185,233	\$ -	\$ (1,735,405)	\$ -	\$ (1,735,405)	\$ -
Public safety	5,531,521	893,938	152,059	21,735	(4,463,789)	-	(4,463,789)	-
Public works	13,847	-	-	-	(13,847)	-	(13,847)	-
Health and welfare	3,372,608	141,553	397,663	1,579	(2,831,813)	-	(2,831,813)	-
Community and economic development	422,505	-	27,857	-	(394,648)	-	(394,648)	-
Recreation and culture	1,055,660	10,502	2,310	-	(1,042,848)	-	(1,042,848)	-
Interest on long-term debt	253,128	-	-	-	(253,128)	-	(253,128)	-
Total governmental activities	<u>17,800,827</u>	<u>3,276,914</u>	<u>3,765,122</u>	<u>23,314</u>	<u>(10,735,477)</u>	<u>-</u>	<u>(10,735,477)</u>	<u>-</u>
Business-type activities								
Delinquent tax revolving	9,720	273,216	-	-	-	263,496	263,496	-
Tax fees and sale proceeds	64,202	211,724	-	-	-	147,522	147,522	-
Principle residence denial interest	3,095	-	-	-	-	(3,095)	(3,095)	-
Soil erosion inspection	23,550	27,800	-	-	-	4,250	4,250	-
Jail commissary	100,289	40,066	-	-	-	(60,223)	(60,223)	-
Total business-type activities	<u>200,856</u>	<u>552,806</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>351,950</u>	<u>351,950</u>	<u>-</u>
Total primary government	<u>\$ 18,001,683</u>	<u>\$ 3,829,720</u>	<u>\$ 3,765,122</u>	<u>\$ 23,314</u>	<u>(10,735,477)</u>	<u>351,950</u>	<u>(10,383,527)</u>	<u>-</u>
Component units								
Drainage Districts	\$ 2,087,653	\$ 3,854,914	\$ -	\$ 546,387	-	-	-	2,313,648
Central Dispatch Authority	726,231	1,180,489	-	-	-	-	-	454,258
Brownfield Redevelopment Authority	84,832	-	-	-	-	-	-	(84,832)
Road Commission	9,206,812	955,434	5,708,154	1,916,863	-	-	-	(626,361)
	<u>\$ 12,105,528</u>	<u>\$ 5,990,837</u>	<u>\$ 5,708,154</u>	<u>\$ 2,463,250</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,056,713</u>
General revenues								
Property taxes					10,869,279	-	10,869,279	72,374
Unrestricted investment earnings					14,547	14,401	28,948	19,436
Gain on sale of capital assets					2,412	-	2,412	-
Miscellaneous					12,316	48,055	60,371	-
Total general revenues					<u>10,898,554</u>	<u>62,456</u>	<u>10,961,010</u>	<u>91,810</u>
Change in net position					<u>163,077</u>	<u>414,406</u>	<u>577,483</u>	<u>2,148,523</u>
Net position - beginning of year					6,673,512	6,137,246	12,810,758	53,252,033
Prior period adjustment					(1,870,900)	-	(1,870,900)	(139,284)
Net position - beginning of year (restated)					<u>4,802,612</u>	<u>6,137,246</u>	<u>10,939,858</u>	<u>53,112,749</u>
Net position - end of year					<u>\$ 4,965,689</u>	<u>\$ 6,551,652</u>	<u>\$ 11,517,341</u>	<u>\$ 55,261,272</u>

See Accompanying Notes to the Financial Statements

**Gratiot County
Governmental Funds
Balance Sheet
September 30, 2017**

	General	Special Revenue Fund Pension Bond Proceeds	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 4,322,105	\$ -	\$ 1,345,510	\$ 5,667,615
Receivables				
Taxes	3,042,286	-	-	3,042,286
Customers	187,920	-	87,332	275,252
Due from other units of government	306,519	-	124,908	431,427
Due from other funds	94,682	-	788	95,470
Prepaid items	192,139	-	85,093	277,232
	<u>8,145,651</u>	<u>-</u>	<u>1,643,631</u>	<u>9,789,282</u>
Total assets	<u>\$ 8,145,651</u>	<u>\$ -</u>	<u>\$ 1,643,631</u>	<u>\$ 9,789,282</u>
Liabilities				
Accounts payable	\$ 215,787	\$ -	\$ 56,630	\$ 272,417
Accrued and other liabilities	234,708	-	61,640	296,348
Due to other funds	-	-	2,874	2,874
	<u>450,495</u>	<u>-</u>	<u>121,144</u>	<u>571,639</u>
Total liabilities	<u>450,495</u>	<u>-</u>	<u>121,144</u>	<u>571,639</u>

See Accompanying Notes to the Financial Statements

**Gratiot County
Governmental Funds
Balance Sheet
September 30, 2017**

	General	Special Revenue Fund Pension Bond Proceeds	Nonmajor Governmental Funds	Total Governmental Funds
Deferred Inflows of Resources				
Unavailable grant revenue and charges for services	\$ 311,564	\$ -	\$ 58,026	\$ 369,590
Unavailable property taxes	1,245,311	-	-	1,245,311
 Total deferred inflows of resources	 1,556,875	 -	 58,026	 1,614,901
Fund Balances				
Non-spendable				
Prepaid items	192,139	-	85,093	277,232
Restricted				
Debt service	-	-	6,262	6,262
Special revenue funds	-	-	1,373,106	1,373,106
Committed	177,878	-	-	177,878
Assigned	256,491	-	-	256,491
Unassigned	5,511,773	-	-	5,511,773
 Total fund balances	 6,138,281	 -	 1,464,461	 7,602,742
 Total liabilities, deferred inflows of resources and fund balances	 \$ 8,145,651	 \$ -	 \$ 1,643,631	 \$ 9,789,282

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, 2017

Total fund balances for governmental funds	\$ 7,602,742
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	6,736,508
Certain receivables are not available to pay for current period expenditures and, therefore are deferred in the funds.	1,614,901
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(24,350)
Compensated absences	(738,098)
Deferred outflows of resources resulting from net pension liability	7,273,735
Deferred inflows of resources resulting from other post-employment benefits liability	(239,442)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	
Bonds payable	(7,499,414)
Net pension liability	(6,442,221)
Other post-employment benefits liability	(4,229,958)
Internal service funds are included as part of governmental activities.	208,211
Net position of governmental activities	\$ 4,965,689

Gratiot County
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2017

	General	Special Revenue Fund Pension Bond Proceeds	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 7,211,672	\$ -	\$ 3,178,508	\$ 10,390,180
Licenses and permits	80,346	-	134,126	214,472
Intergovernmental		-		
Federal/State	2,376,486	-	1,093,743	3,470,229
Local contributions	59,669	-	156,796	216,465
Charges for services	2,085,422	-	382,183	2,467,605
Fines and forfeitures	90,304	-	4,500	94,804
Interest income	10,347	-	4,200	14,547
Rental income	30,647	-	-	30,647
Other revenue	429,770	-	5,924	435,694
Total revenues	<u>12,374,663</u>	<u>-</u>	<u>4,959,980</u>	<u>17,334,643</u>
Expenditures				
Current				
General government	6,170,741	2,594,720	607,689	9,373,150
Public safety	3,871,334	3,378,969	800,534	8,050,837
Public works	9,055	-	-	9,055
Health and Welfare	1,868,730	643,708	1,486,306	3,998,744
Community and economic development	4,230	11,933	427,088	443,251
Recreation and culture	-	-	974,640	974,640
Other functions	166,461	-	-	166,461
Capital outlay	100,317	-	232,751	333,068
Debt service				
Principal retirement	-	-	524,705	524,705
Interest and fiscal charges	-	-	130,499	130,499
Bond issuance costs	-	127,812	-	127,812
Total expenditures	<u>12,190,868</u>	<u>6,757,142</u>	<u>5,184,212</u>	<u>24,132,222</u>
Excess (deficiency) of revenues over expenditures	<u>183,795</u>	<u>(6,757,142)</u>	<u>(224,232)</u>	<u>(6,797,579)</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, 2017

	General	Special Revenue Fund Pension Bond Proceeds	Nonmajor Governmental Funds	Total Governmental Funds
Other financing sources (uses)				
Transfers in	\$ 381,275	\$ -	\$ 704,209	\$ 1,085,484
Transfers out	(330,335)	(12,739)	(202,636)	(545,710)
Bond proceeds	-	6,730,000	-	6,730,000
Premium on bond issuance	-	39,881	-	39,881
Sale of fixed assets	2,000	-	251	2,251
Total other financing sources (uses)	<u>52,940</u>	<u>6,757,142</u>	<u>501,824</u>	<u>7,311,906</u>
Net change in fund balance	<u>236,735</u>	<u>-</u>	<u>277,592</u>	<u>514,327</u>
Fund balance - beginning of year	5,570,445	-	1,186,869	6,757,314
Prior period adjustment	331,101	-	-	331,101
Fund balance - beginning of year (restated)	<u>5,901,546</u>	<u>-</u>	<u>1,186,869</u>	<u>7,088,415</u>
Fund balance - end of year	<u>\$ 6,138,281</u>	<u>\$ -</u>	<u>\$ 1,464,461</u>	<u>\$ 7,602,742</u>

See Accompanying Notes to the Financial Statements

Gratiot County
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2017

Net change in fund balances - Total governmental funds	\$		514,327
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			(498,485)
Capital outlay			183,525
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.			
Grants			147,911
Property taxes			479,099
Expenses are recorded when incurred in the statement of activities			
Accrued interest			(2,400)
Compensated absences			(64,213)
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			1,584,521
Net change in the deferred outflow of resources related to the net pension liability			3,784,772
Net change in the deferred inflow of resources related to the net pension liability			248,194
The statement of net position reports the other post-employment benefits liability (OPEB) and deferred outflows of resources and deferred inflows related to the OPEB liability and OPEB expense. However, the amount recorded on the governmental funds equals actual OPEB contributions.			
Net change in OPEB liability			123,802
Net change in the deferred inflow of resources related to the OPEB liability			(239,442)
Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position			
Debt issued			(6,769,881)
Repayments of long-term debt			524,705
Amortization of premiums			7,583
Internal service funds are also included as governmental activities			139,059
Change in net position of governmental activities	\$		163,077

See Accompanying Notes to the Financial Statements

Gratiot County
Proprietary Funds
Statement of Net Position
September 30, 2017

	<u>Business-type Activities</u>			<u>Internal Service Funds</u>
	<u>Delinquent Tax Revolving</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total</u>	
Assets				
Current assets				
Cash and cash equivalents	\$ 3,473,513	\$ 790,710	\$ 4,264,223	\$ 47,376
Investments	553,921	-	553,921	-
Receivables				
Taxes	1,485,020	1,574	1,486,594	-
Customers	-	2,774	2,774	-
Accrued interest and other	353,772	-	353,772	-
Due from other units of government	716	-	716	-
Inventories	-	-	-	30,246
Prepaid items	-	625	625	131,840
	<u>5,866,942</u>	<u>795,683</u>	<u>6,662,625</u>	<u>209,462</u>
Liabilities				
Current liabilities				
Accounts payable	12,480	4,191	16,671	-
Accrued and other liabilities	-	478	478	-
Due to other funds	91,115	230	91,345	1,251
Due to fiduciary funds	374	-	374	-
Due to other units of government	2,105	-	2,105	-
	<u>106,074</u>	<u>4,899</u>	<u>110,973</u>	<u>1,251</u>
Net Position				
Unrestricted	<u>\$ 5,760,868</u>	<u>\$ 790,784</u>	<u>\$ 6,551,652</u>	<u>\$ 208,211</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, 2017

	Business-type Activities			
	Delinquent Tax Revolving	Nonmajor Enterprise Funds	Total	Internal Service Funds
Operating revenue				
Customer fees	\$ 273,132	\$ 189,141	\$ 462,273	\$ -
Billings to other funds	-	-	-	3,532,437
Other revenue	-	138,588	138,588	81,626
Total operating revenue	<u>273,132</u>	<u>327,729</u>	<u>600,861</u>	<u>3,614,063</u>
Operating expenses				
Personnel services	-	11,932	11,932	2,894,971
Supplies	9,720	41,153	50,873	-
Contractual services	-	75	75	-
Utilities	-	111	111	-
Repairs and maintenance	-	7,565	7,565	-
Other expenses	-	130,300	130,300	40,806
Total operating expenses	<u>9,720</u>	<u>191,136</u>	<u>200,856</u>	<u>2,935,777</u>
Operating income	263,412	136,593	400,005	678,286
Nonoperating revenue				
Interest income	7,896	6,505	14,401	547
Income before transfers	271,308	143,098	414,406	678,833
Transfers out	-	-	-	(539,774)
Change in net position	271,308	143,098	414,406	139,059
Net position - beginning of year	5,489,560	647,686	6,137,246	69,152
Net position - end of year	<u>\$ 5,760,868</u>	<u>\$ 790,784</u>	<u>\$ 6,551,652</u>	<u>\$ 208,211</u>

See Accompanying Notes to the Financial Statements

Gratiot County
Proprietary Funds
Statement of Cash Flows
For the Year Ended September 30, 2017

	<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	\$ 204,690	\$ 325,987	\$ 530,677	\$ 25,393
Receipts from interfund users	-	-	-	3,516,667
Receipts from other funds	2,913	220	3,133	-
Payments to suppliers	-	(175,395)	(175,395)	(2,966,519)
Payments to employees	-	(11,932)	(11,932)	-
Net cash provided by operating activities	<u>207,603</u>	<u>138,880</u>	<u>346,483</u>	<u>575,541</u>
Cash flows from noncapital financing activities				
Transfers to other funds	-	-	-	(539,774)
Cash flows from investing activities				
Purchase of investments	(251,269)	-	(251,269)	-
Interest received	7,896	6,505	14,401	547
Net cash provided (used) by investing activities	<u>(243,373)</u>	<u>6,505</u>	<u>(236,868)</u>	<u>547</u>
Net change in cash and cash equivalents	(35,770)	145,385	109,615	36,314
Cash and cash equivalents - beginning of year	<u>3,509,283</u>	<u>645,325</u>	<u>4,154,608</u>	<u>11,062</u>
Cash and cash equivalents - end of year	<u>\$ 3,473,513</u>	<u>\$ 790,710</u>	<u>\$ 4,264,223</u>	<u>\$ 47,376</u>

See Accompanying Notes to the Financial Statements

Gratiot County
Proprietary Funds
Statement of Cash Flows
For the Year Ended September 30, 2017

	<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>
Reconciliation of operating income to net cash provided by operating activities				
Operating income	\$ 263,412	\$ 136,593	\$ 400,005	\$ 678,286
Changes in assets and liabilities				
Receivables (net)	(70,684)	(1,742)	(72,426)	14,841
Due from other units of government	12,605	-	12,605	-
Inventories	-	-	-	(10,689)
Prepaid items	-	(216)	(216)	(17,778)
Accounts payable	(2,748)	3,679	931	(2,275)
Accrued and other liabilities	-	346	346	-
Due to other funds	2,539	220	2,759	(86,844)
Due to fiduciary funds	374	-	374	-
Due to other units of government	2,105	-	2,105	-
Net cash provided by operating activities	<u>\$ 207,603</u>	<u>\$ 138,880</u>	<u>\$ 346,483</u>	<u>\$ 575,541</u>

See Accompanying Notes to the Financial Statements

Gratiot County
Fiduciary Funds
Statement of Fiduciary Assets and Liabilities
September 30, 2017

	Trust and Agency	Library Fund (Penal Fines)	Total Agency Funds
Assets			
Cash and cash equivalents	\$ 1,688,896	\$ 76,303	\$ 1,765,199
Receivables			
Fines	-	125	125
Accrued interest and other	2,500	-	2,500
Due from other funds	374	-	374
 Total assets	 \$ 1,691,770	 \$ 76,428	 \$ 1,768,198
Liabilities			
Accrued and other liabilities	\$ 164,320	\$ -	\$ 164,320
Due to other units of government	1,527,450	76,428	1,603,878
 Total liabilities	 \$ 1,691,770	 \$ 76,428	 \$ 1,768,198

See Accompanying Notes to the Financial Statements

Gratiot County
Component Unit Funds
Combining Statement of Net Position
September 30, 2017

	<u>Road Commission</u>	<u>Central Dispatch Authority</u>	<u>Drainage Districts</u>	<u>Brownfield Redevelopment Authority</u>	<u>Total</u>
Assets					
Current assets					
Cash and cash equivalents	\$ 1,304,046	\$ 304,160	\$ 3,222,937	\$ 4,674	\$ 4,835,817
Receivables					
Customers	-	261,851	-	-	261,851
Special assessments, current	-	-	2,288,266	-	2,288,266
Due from other units of government	960,412	-	50,379	31,173	1,041,964
Inventories	651,502	-	-	-	651,502
Prepaid items	-	57,343	2,100	-	59,443
	<u>2,915,960</u>	<u>623,354</u>	<u>5,563,682</u>	<u>35,847</u>	<u>9,138,843</u>
Total current assets					
Noncurrent assets					
Special assessments receivable, deferred	-	-	12,510,296	-	12,510,296
Capital assets not being depreciated	653,673	636,171	1,234,040	-	2,523,884
Capital assets net of depreciation	<u>28,743,466</u>	<u>38,667</u>	<u>23,691,236</u>	<u>-</u>	<u>52,473,369</u>
	<u>29,397,139</u>	<u>674,838</u>	<u>37,435,572</u>	<u>-</u>	<u>67,507,549</u>
Total noncurrent assets					
Total assets					
	32,313,099	1,298,192	42,999,254	35,847	76,646,392
Deferred Outflows of Resources					
Deferred amount relating to net pension liability	<u>1,674,986</u>	<u>442,137</u>	<u>-</u>	<u>-</u>	<u>2,117,123</u>
Total assets and deferred outflows of resources					
	<u>33,988,085</u>	<u>1,740,329</u>	<u>42,999,254</u>	<u>35,847</u>	<u>78,763,515</u>

See Accompanying Notes to the Financial Statements

Gratiot County
Component Unit Funds
Combining Statement of Net Position
September 30, 2017

	<u>Road Commission</u>	<u>Central Dispatch Authority</u>	<u>Drainage Districts</u>	<u>Brownfield Redevelopment Authority</u>	<u>Total</u>
Liabilities					
Current liabilities					
Accounts payable	\$ 177,962	\$ 7,821	\$ 240,281	\$ -	\$ 426,064
Accrued and other liabilities	44,106	25,621	133,470	-	203,197
Performance bond payable	900	-	-	-	900
Due to other units of government	3,198	-	-	-	3,198
Current portion of noncurrent liabilities	<u>-</u>	<u>143,292</u>	<u>1,695,843</u>	<u>-</u>	<u>1,839,135</u>
Total current liabilities	<u>226,166</u>	<u>176,734</u>	<u>2,069,594</u>	<u>-</u>	<u>2,472,494</u>
Noncurrent liabilities					
Advances from State	182,755	-	-	-	182,755
Net pension liability	7,485,941	437,889	-	-	7,923,830
Long-term debt net of current portion	343,427	180,141	12,245,506	-	12,769,074
Other post-employment benefits payable	<u>11,106</u>	<u>135,324</u>	<u>-</u>	<u>-</u>	<u>146,430</u>
Total noncurrent liabilities	<u>8,023,229</u>	<u>753,354</u>	<u>12,245,506</u>	<u>-</u>	<u>21,022,089</u>
Total liabilities	8,249,395	930,088	14,315,100	-	23,494,583
Deferred Inflows of Resources					
Deferred amount relating to other post-employment benefits payable	<u>-</u>	<u>7,660</u>	<u>-</u>	<u>-</u>	<u>7,660</u>
Total liabilities and deferred inflows of resources	<u>8,249,395</u>	<u>937,748</u>	<u>14,315,100</u>	<u>-</u>	<u>23,502,243</u>
Net Position					
Net investment in capital assets	29,397,139	386,422	10,983,927	-	40,767,488
Restricted					
Central dispatch authority	-	416,159	-	-	416,159
Drainage districts	-	-	17,700,227	-	17,700,227
Brownfield redevelopment authority	-	-	-	35,847	35,847
Unrestricted (deficit)	<u>(3,658,449)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,658,449)</u>
Total net position	<u>\$ 25,738,690</u>	<u>\$ 802,581</u>	<u>\$ 28,684,154</u>	<u>\$ 35,847</u>	<u>\$ 55,261,272</u>

See Accompanying Notes to the Financial Statements

Gratiot County
Component Units Funds
Statement of Activities
For the Year Ended September 30, 2017

Functions/Programs	Program Revenues			Net (Expense)	
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Revenues and Changes in Net Position</u>	
Component units					
Governmental activities					
Drainage Districts	\$ 2,087,653	\$ 3,854,914	\$ -	\$ 546,387	\$ 2,313,648
Central Dispatch Authority	726,231	1,180,489	-	-	454,258
Brownfield Redevelopment Authority	84,832	-	-	-	(84,832)
Road Commission	<u>9,206,812</u>	<u>955,434</u>	<u>5,708,154</u>	<u>1,916,863</u>	<u>(626,361)</u>
Total primary government	<u>\$ 12,105,528</u>	<u>\$ 5,990,837</u>	<u>\$ 5,708,154</u>	<u>\$ 2,463,250</u>	<u>2,056,713</u>
General revenues					
Property taxes					72,374
Unrestricted investment earnings					<u>19,436</u>
Total general revenues					<u>91,810</u>
Change in net position					<u>2,148,523</u>
Net position - beginning of year					53,252,033
Prior period adjustment					<u>(139,284)</u>
Net position - beginning of year (restated)					<u>53,112,749</u>
Net position - end of year					<u>\$ 55,261,272</u>

See Accompanying Notes to the Financial Statements

Gratiot County
Notes to the Financial Statements
September 30, 2017

Note 1 - Summary of Significant Accounting Policies

Reporting entity

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

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

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

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

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

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

The Authority's intent is to support and operate central dispatch services primarily with funds generated from operations (i.e., telephone surcharge fees). Any required local contributions would be calculated based on a prorated scale, which takes into account the impact and use of the system for each participating unit. In November 2002, voters in Gratiot County approved a 911 surcharge to fully finance Central Dispatch Operations. For the year ended September 30, 2017, the County was not required to make a contribution to the Authority.

Gratiot County
Notes to the Financial Statements
September 30, 2017

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, 2017, the County contributed \$26,000 to cover its share of operational cost. The County does not have an equity interest.

Gratiot County
Notes to the Financial Statements
September 30, 2017

The financial activities of the Gratiot Community Airport Commission (GCAC) are reported in the City of Alma's audited financial statements as a joint venture, due to the City being responsible for the receipt and disbursement of the Commission's funds. As of June 30, 2017, the GCAC had net position of \$2,223,356. 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, 2017, the County contributed \$297,814 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, 2017 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, 2017, 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, 2017, the County passed through \$42,620 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

Gratiot County
Notes to the Financial Statements
September 30, 2017

opportunities, and generally contribute to the advancement and growth of the area for the purpose of benefiting the community. Activities to create jobs and enhance the local tax base are its highest priority. A substantive part of these activities is offering help to new and existing small businesses in obtaining financing and making low interest loans to industrial oriented firms. An agricultural and economic development millage is in effect. A portion of these tax receipts are passed through to Greater Gratiot Development, Inc. For the year ended September 30, 2017, the County passed through \$402,366.

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, 2017, the County's contribution to Mental Health Services was \$200,000.

Government-wide and fund financial statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with

a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting, and financial statement presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Gratiot County
Notes to the Financial Statements
September 30, 2017

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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 Pension Bond Proceeds Fund is used to record proceeds from the sale of bonds and the payment to MERS to pay down the pension liability.

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 various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Gratiot County
Notes to the Financial Statements
September 30, 2017

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The 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 2017 taxable valuation of the government totaled \$1,277,886,546 on which ad valorem taxes consisted of 5.5306 mills for operating purposes. This resulted in \$7,067,479 for operating expenses, exclusive of any Michigan Tax Tribunal or Board of Review adjustments.

The 2016 taxable valuation of the government totaled \$1,280,498,263. Property taxes were levied for the following purposes, with tax revenues presented exclusive of any Michigan Tax Tribunal or Board of Review adjustments.

	Mills	Revenue
Commission on Aging	0.6492	\$ 831,299
Parks	0.3493	447,278
Road Patrol	0.4494	575,456
Agriculture and Economic Development	0.4500	576,224
Library	0.4494	639,481

By resolution of the Board of Commissioners and agreement with various taxing authorities, the County purchased at face value the real property taxes receivable returned delinquent on March 1, 2017. Subsequent collections of delinquent taxes receivable, plus interest thereon and investment earnings, are used to repay the funds distributed by the Delinquent Tax Revolving Fund. This activity is accounted for in the Delinquent Tax Revolving (Enterprise) Fund.

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

Gratiot County
Notes to the Financial Statements
September 30, 2017

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.

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 investment earnings. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension 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.

Gratiot County
Notes to the Financial Statements
September 30, 2017

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, 2017, including related payroll taxes, is recorded in the government-wide financial statements as a noncurrent liability.

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

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

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of Plan and additions to/deductions from Plan fiduciary net position have been determined on the same basis as they are reported by for the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when

due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other post-employment benefits (OPEB) – For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, have been determined on the same basis as they are reported by the Employer.

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. The County reports deferred inflows of resources as a result of experience and assumption differences related to the other post-employment benefits liability. These are deferred and amortized over the expected remaining service lives of the employees and retirees in the plan.

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

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

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

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

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

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

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

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

Stabilization

The County established an internal budget stabilization fund whose transactions have been included with the General Fund in the accompanying financial statements. The County Board of Commissioners has the authority to establish this fund, approve additional contributions to the fund and to determine when the funds may be spent. The internal budget stabilization fund had a fund balance of \$177,878 at September 30, 2017. This amount is included in the General Fund committed fund balance.

Use of Estimates

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

Adoption of New Accounting Standards

Statement No. 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. The County implemented Statement No. 75 for the County’s OPEB plan, but not for the road commission’s OPEB plan. The road commission will implement Statement No. 75 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 September 30, 2017.

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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 September 30, 2017.

Upcoming Accounting and Reporting Changes

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 September 30, 2018.

Statement No. 83, *Certain Asset Retirement Obligations* establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. Statement No. 83 is effective for the fiscal year ending September 30, 2019.

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

Statement No. 85, *Omnibus 2017* addresses practice issues that were identified during implementation and application of certain GASB Statements. This statement covers issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits), which is effective for the fiscal year ending September 30, 2018.

Statement No. 86, *Certain Debt Extinguishment Issues* is to improve consistency in accounting and financial reporting for in-substance defeasance of debt. The statement provides uniform guidance for derecognizing debt that is defeased in substance, regardless of how cash and other monetary assets placed in an irremovable trust for the purpose of extinguishing that debt were acquired. The effective date is for the fiscal year ending September 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			
Transfers out	\$ 328,630	\$ 330,335	\$ 1,705
Pension Bond Proceeds Fund			
General government	-	2,594,720	2,594,720
Public safety	-	3,378,969	3,378,969
Health and welfare	-	643,708	643,708
Community and economic development	-	11,933	11,933
Debt service	-	127,812	127,812
Transfers out	-	12,739	12,739

Note 3 - Deposits and Investments

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

The County's pooled cash is utilized by the General Fund, Special Revenue Funds, Capital Project Funds, Enterprise Funds, Internal Service Funds, Trust and Agency Funds, and Component Unit Funds. Each fund's portion of these pooled accounts is included in the cash

and cash equivalents caption in the applicable balance sheet/statement of net position.

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

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

	Cash and Cash Equivalents	Investments	Total
Governmental activities	\$ 5,714,991	\$ -	\$ 5,714,991
Business-type activities	4,264,223	553,921	4,818,144
Total primary government	9,979,214	553,921	10,533,135
Fiduciary funds	1,765,199	-	1,765,199
Component units	4,835,817	-	4,835,817
Total	<u>\$ 16,580,230</u>	<u>\$ 553,921</u>	<u>\$ 17,134,151</u>

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The breakdown between deposits and investments is as follows:

	Primary Government	Fiduciary Funds	Component Unit	Total
Bank deposits (checking, savings and certificates of deposit)	\$ 9,977,214	\$ 1,765,199	\$ 4,835,817	\$ 16,578,230
Investments	553,921	-	-	553,921
Petty cash and cash on hand	2,000	-	-	2,000
	<u>\$ 10,533,135</u>	<u>\$ 1,765,199</u>	<u>\$ 4,835,817</u>	<u>\$ 17,134,151</u>

Custodial credit risk – deposits

In the case of deposits, this is the risk that in the event of bank failure, the government's deposits may not be returned to it. The government does not have a policy for custodial credit risk. As of year-end, \$12,325,392 of the \$17,486,281 bank balance was exposed to custodial credit risk because it was uninsured and uncollateralized. The County also has a repurchase agreement with the local bank. A repurchase agreement is an agreement in which the County transfers cash to the bank and the bank transfers securities to the County and promises to repay the cash plus interest in exchange for the same securities. As of year end, the County had a book balance of \$2,821,154 invested in repurchase agreements with a bank balance of \$3,225,868. The value of the underlying securities was \$3,358,590.

Custodial credit risk – investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County does not have a policy for custodial credit risk.

The balance of investment securities that were uninsured and unregistered held by the counterparty or by its trust department is as follows:

Investment Type	Carrying Value	How Held
Corporate bonds	<u>\$ 248,316</u>	Counterparty trust dept.

Interest rate risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The County will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operating funds primarily in shorter-term securities, liquid asset funds, money market, mutual funds, or similar investment pools and limiting the average maturity in accordance with the County's cash requirements. As of year-end, the following securities were subject to interest rate risk:

Investment	Fair Value	Weighted Average Maturity (Years)
Money market mutual fund	\$ 305,605	< 1 year
Corporate bonds	248,316	< 1 year
	<u>\$ 553,921</u>	

Credit risk

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

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

Investment	Fair Value	Rating	Rating Organization
Money market mutual fund	\$ 305,605	AAA	S&P
Corporate bonds	248,316	A1	S&P
	<u>\$ 553,921</u>		

Concentration of credit risk

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

Note 4 - Fair Value

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

The County has the following recurring fair value measurements as of September 30, 2017:

Investments	Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Money market mutual fund	\$ 305,605	\$ -	\$ 305,605	\$ -
Corporate bonds	248,316	-	248,316	-
	<u>\$ 553,921</u>	<u>\$ -</u>	<u>\$ 553,921</u>	<u>\$ -</u>

The money market mutual fund is part of a local government investment pool (Michigan CLASS). The \$305,605 are valued using a pricing model utilizing observable fair value measures of fund/pool investments and other observable inputs to determine the fair value of the securities making up the investments/pool.

The corporate bonds of \$248,316 were determined based on other observable inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

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	\$ 646,545	Drain Debt #007
Special assessments	672,578	Drain Debt #133
Special assessments	3,084,752	Drain Debt #181
Special assessments	1,692,071	Drain Debt #383
Special assessments	6,414,350	Regular Drain
	<u>\$ 12,510,296</u>	

Gratiot County
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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	913,021	20,506	-	933,527
Buildings and improvements	10,107,937	96,487	-	10,204,424
Equipment and furniture	1,531,268	12,222	-	1,543,490
Vehicles	888,141	54,310	82,973	859,478
Total capital assets being depreciated	13,440,367	183,525	82,973	13,540,919
Less accumulated depreciation for				
Land improvements	139,335	31,953	-	171,288
Buildings and improvements	4,411,788	220,329	-	4,632,117
Equipment and furniture	1,219,833	68,780	-	1,288,613
Vehicles	617,943	177,423	82,973	712,393
Total accumulated depreciation	6,388,899	498,485	82,973	6,804,411
Net capital assets being depreciated	7,051,468	(314,960)	-	6,736,508
Governmental activities capital assets, net	\$ 7,754,543	\$ (314,960)	\$ -	\$ 7,439,583

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

Governmental activities	
General government	\$ 123,410
Public safety	254,935
Public works	4,995
Health and welfare	37,153
Recreation and culture	77,992
Total primary government	<u>\$ 498,485</u>

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

	Beginning Balance	Increases	Decreases	Ending Balance
Component Unit - Drainage Districts				
Capital assets not being depreciated				
Construction-in-progress	\$ 6,860,923	\$ 1,970,473	\$ 7,597,356	\$ 1,234,040
Capital assets being depreciated				
Drains	20,302,550	7,597,355	-	27,899,905
Vehicles	48,273	28,909	-	77,182
Total capital assets being depreciated	20,350,823	7,626,264	-	27,977,087
Less accumulated depreciation for				
Drains	3,712,678	529,493	-	4,242,171
Vehicles	31,929	11,751	-	43,680
Total accumulated depreciation	3,744,607	541,244	-	4,285,851
Net capital assets being depreciated	16,606,216	7,085,020	-	23,691,236
Component unit capital assets, net	\$ 23,467,139	\$ 9,055,493	\$ 7,597,356	\$ 24,925,276
Component Unit - Central Dispatch Authority				
Capital assets not being depreciated				
Construction in progress	\$ 636,171	\$ -	\$ -	\$ 636,171
Capital assets being depreciated				
Equipment and furniture	247,839	-	-	247,839
Less accumulated depreciation for				
Equipment and furniture	195,578	13,594	-	209,172
Net capital assets being depreciated	52,261	(13,594)	-	38,667
Component unit capital assets, net	\$ 688,432	\$ (13,594)	\$ -	\$ 674,838

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	Beginning Balance	Increases	Decreases	Ending Balance
Component Unit - Road Commission				
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	8,040,963	574,080	16,261	8,598,782
Shop equipment	162,595	4,575	-	167,170
Office equipment	290,092	5,321	-	295,413
Engineer's equipment	119,440	1,677	-	121,117
Yard and storage	16,573	-	-	16,573
Infrastructure - bridges	22,279,139	38,877	-	22,318,016
Infrastructure - roads	22,826,879	702,854	265,754	23,263,979
Infrastructure - traffic signals	4,558	-	-	4,558
Total capital assets being depreciated	56,189,941	1,327,384	282,015	57,235,310
Less accumulated depreciation for				
Land improvements	51,662	-	-	51,662
Buildings and improvements	996,862	42,064	-	1,038,926
Road equipment	6,680,335	499,035	16,261	7,163,109
Shop equipment	157,980	2,791	-	160,771
Office equipment	284,878	5,811	-	290,689
Engineer's equipment	116,413	1,069	-	117,482
Yard and storage	23,444	-	-	23,444
Infrastructure - bridges	8,565,787	435,977	-	9,001,764
Infrastructure - roads	9,734,936	1,170,257	265,754	10,639,439
Infrastructure - traffic signals	4,558	-	-	4,558
Total accumulated depreciation	26,616,855	2,157,004	282,015	28,491,844
Net capital assets being depreciated	29,573,086	(829,620)	-	28,743,466
Component unit capital assets, net	\$ 30,226,759	\$ (829,620)	\$ -	\$ 29,397,139

	Beginning Balance	Increases	Decreases	Ending Balance
Component Unit - Total				
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	7,497,094	1,970,473	7,597,356	1,870,211
Total capital assets not being depreciated	8,150,767	1,970,473	7,597,356	2,523,884
Capital assets being depreciated				
Land improvements	59,959	-	-	59,959
Buildings and improvements	2,389,743	-	-	2,389,743
Road equipment	8,040,963	574,080	16,261	8,598,782
Shop equipment	162,595	4,575	-	167,170
Office equipment	290,092	5,321	-	295,413
Engineer's equipment	119,440	1,677	-	121,117
Yard and storage	16,573	-	-	16,573
Infrastructure - bridges	22,279,139	38,877	-	22,318,016
Infrastructure - roads	22,826,879	702,854	265,754	23,263,979
Infrastructure - traffic signals	4,558	-	-	4,558
Equipment and furniture	247,839	-	-	247,839
Drains	20,302,550	7,597,355	-	27,899,905
Vehicles	48,273	28,909	-	77,182
Total capital assets being depreciated	76,788,603	8,953,648	282,015	85,460,236
Less accumulated depreciation for				
Land improvements	51,662	-	-	51,662
Buildings and improvements	996,862	42,064	-	1,038,926
Road equipment	6,680,335	499,035	16,261	7,163,109
Shop equipment	157,980	2,791	-	160,771
Office equipment	284,878	5,811	-	290,689
Engineer's equipment	116,413	1,069	-	117,482
Yard and storage	23,444	-	-	23,444
Infrastructure - bridges	8,565,787	435,977	-	9,001,764
Infrastructure - roads	9,734,936	1,170,257	265,754	10,639,439
Infrastructure - traffic signals	4,558	-	-	4,558
Equipment and furniture	195,578	13,594	-	209,172
Drains	3,712,678	529,493	-	4,242,171
Vehicles	31,929	11,751	-	43,680
Total accumulated depreciation	30,557,040	2,711,842	282,015	32,986,867
Net capital assets being depreciated	46,231,563	6,241,806	-	52,473,369
Component unit capital assets, net	\$ 54,382,330	\$ 8,212,279	\$ 7,597,356	\$ 54,997,253

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

Component units

Drainage Districts	\$ 541,244
Central Dispatch Authority	13,594
Road Commission	2,157,004
Total component units	<u>\$ 2,711,842</u>

Note 7 - Commitments

The County has active construction projects as of September 30, 2017. 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>\$ 258,295</u>	<u>\$ 139,490</u>	<u>\$ 118,805</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,	
2018	\$ 15,000
2019	15,000
	<u>\$ 30,000</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	\$ 1,251
General Fund	Delinquent Tax Revolving Fund	90,557
General Fund	Nonmajor Governmental Funds	2,874
Nonmajor Governmental Funds	Nonmajor Enterprise Funds	230
Nonmajor Governmental Funds	Delinquent Tax Revolving Fund	558
Fiduciary Funds	Delinquent Tax Revolving Fund	374
		<u>\$ 95,844</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	\$ 330,335
Pension Bond Proceeds Fund	Nonmajor Governmental Funds	12,739
Internal Service Funds	General Fund	188,139
Internal Service Funds	Nonmajor Governmental Funds	351,635
Nonmajor Governmental Funds	General Fund	193,136
Nonmajor Governmental Funds	Nonmajor Governmental Funds	9,500
		<u>\$ 1,085,484</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.

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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%	\$170,000 - \$190,000	\$ 695,000	\$ -	\$ 145,000	\$ 550,000	\$ 170,000
County of Gratiot Capital Improvement Bonds									
2005 Construction (unsecured)	1,400,000	10/1/25	4.00 - 4.40%	\$25,000 - \$75,000	525,000	-	75,000	450,000	75,000
2006 Site Improvements (unsecured)	205,000	10/1/16	4.34%	N/A	24,705	-	24,705	-	-
2017 General Obligation Bonds (unsecured)	6,730,000	9/1/26	1.00 - 3.00%	\$280,000 - \$840,000	-	6,730,000	280,000	6,450,000	540,000
Deferred amounts									
For issuance premiums					17,116	39,881	7,583	49,414	-
Total bonds payable					1,261,821	6,769,881	532,288	7,499,414	785,000
Compensated absences									
					673,885	673,198	608,985	738,098	-
Total governmental activities	\$ 1,935,706				\$ 1,935,706	\$ 7,443,079	\$ 1,141,273	\$ 8,237,512	\$ 785,000

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

The Central Dispatch Authority has a note payable for a radio communication system.

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	3.70%	\$180,000	\$ 360,000	\$ -	\$ 180,000	\$ 180,000	\$ 180,000
No. 007 Drain Bond (unsecured)	1,695,000	6/1/22	1.90 - 2.60%	\$170,000	1,020,000	-	170,000	850,000	170,000
No. 133 Drain Bond (unsecured)	1,125,000	6/1/28	1.15 - 2.65%	\$75,000	900,000	-	75,000	825,000	75,000
No. 181 Drain Bond (unsecured)	4,700,000	5/1/33	2.50 - 4.25%	\$235,000	3,995,000	-	235,000	3,760,000	235,000
No. 383 Drain Bond (unsecured)	1,885,000	5/1/36	1.30 - 3.15%	\$90,000 - \$95,000	1,885,000	-	95,000	1,790,000	95,000
Drain bonds and notes (unsecured)	Various	Various	Various	Various	5,946,781	1,489,475	899,907	6,536,349	940,843
Note payable	572,554	5/1/2019	1.90%	\$143,292 - \$146,006	429,927	-	141,511	288,416	143,292
Total bonds and notes payable					14,536,708	1,489,475	1,796,418	14,229,765	1,839,135
Compensated absences - Central Dispatch					43,757	31,409	40,149	35,017	-
Compensated absences - Road Commission					308,617	34,810	-	343,427	-
Total component units					<u>\$ 14,889,082</u>	<u>\$ 1,555,694</u>	<u>\$ 1,836,567</u>	<u>\$ 14,608,209</u>	<u>\$ 1,839,135</u>

Interest expense on long-term debt incurred during the year ended September 30, 2017, was \$431,856.

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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									
015-0	\$ 70,000	6/1/20	2.99%	\$9,476	\$ -	\$ 189,511	\$ -	\$ 189,511	\$ 9,476
018-0	70,000	6/1/20	4.80%	\$7,000	28,000	-	7,000	21,000	7,000
020-0	199,571	6/15/24	2.49%	\$19,186-\$22,237	163,484	-	18,720	144,764	19,186
031-0	98,582	6/1/30	3.50%	\$6,572	92,010	-	6,572	85,438	6,572
036-0	252,929	6/15/28	3.45%	\$16,862	202,343	-	16,862	185,481	16,862
049-0	538,218	6/1/25	2.19%	\$53,822	484,396	-	53,822	430,574	53,822
050-0	115,927	6/15/22	2.99%	\$11,593	69,555	-	11,592	57,963	11,593
065-0	299,786	6/15/37	3.29%	\$14,989	299,786	-	-	299,786	14,989
079-0	379,396	6/15/37	3.60%	\$18,970	-	379,396	-	379,396	18,970
090-0	513,926	6/15/37	3.29%	\$25,696	-	513,926	-	513,926	25,696
096-1	691,430	6/15/20	1.79%	\$172,857	691,430	-	172,857	518,573	172,857
101-0	286,087	6/1/35	3.24%	\$14,304	271,783	-	14,305	257,478	14,304
111-0	215,768	6/15/21	1.74%	\$43,154	215,768	-	43,154	172,614	43,154
113-0	140,542	6/15/17	1.87%	N/A	28,108	-	28,108	-	-
115-0	145,539	6/15/18	1.36%	\$72,769	145,539	-	72,770	72,769	72,769
116-0	348,620	6/21/21	3.49%	\$36,611 - \$40,579	189,666	-	35,376	154,290	36,611
143-0	266,205	6/15/28	2.15%	\$24,201	266,205	-	-	266,205	24,201
151-0	226,800	6/1/35	3.24%	\$11,340	215,460	-	11,340	204,120	11,340
160-0	171,442	6/1/32	3.31%	\$11,429	-	171,442	-	171,442	11,429
163-0	286,975	6/15/19	1.22%	\$58,088-\$58,800	174,272	-	57,384	116,888	58,088
165-0	293,405	6/15/29	2.89%	\$17,321-\$23,696	261,119	-	16,834	244,285	17,321
193-0	100,470	6/15/19	2.66%	\$12,559	50,234	-	12,558	37,676	12,559
194-0	121,385	6/15/35	3.63%	\$4,524 - \$8,215	116,857	-	4,364	112,493	4,524
201-0	198,428	6/15/29	2.89%	\$11,714-\$16,025	176,593	-	11,385	165,208	11,714
227-0	178,605	6/15/23	2.24%	\$17,861	125,022	-	17,859	107,163	17,861
229-0	546,672	6/15/17	4.40%	N/A	54,561	-	54,561	-	-
237-0	24,554	6/15/23	2.63%	\$3,508	24,554	-	3,508	21,046	3,508
257-0	300,000	6/15/34	3.69%	\$11,467 - \$20,475	275,669	-	11,059	264,610	11,467
297-0	94,727	6/15/36	3.49%	\$3,736	94,727	-	4,736	89,991	3,736
335-0	225,543	6/15/24	2.54%	\$22,554	180,435	-	22,555	157,880	22,554
339-0	900,000	6/15/19	4.39%	\$90,000	270,000	-	90,000	180,000	90,000
370-0	148,068	6/15/29	2.72%	\$8,807-\$11,852	131,595	-	8,574	123,021	8,807
518-0	235,200	6/1/32	2.45%	\$15,680	-	235,200	-	235,200	15,680
530-0	113,745	6/15/23	2.73%	\$11,374	79,622	-	11,375	68,247	11,374
562-0	104,964	6/15/34	3.69%	\$4,012 - \$7,164	96,450	-	3,868	92,582	4,012
566-0	132,054	6/15/22	2.98%	\$13,205	79,233	-	13,206	66,027	13,205
580-0	260,000	6/1/35	3.49%	\$14,625	245,375	-	14,625	230,750	14,625
585-0	244,882	6/15/19	1.29%	\$48,977	146,930	-	48,978	97,952	48,977
Total drain bonds and notes					\$ 5,946,781	\$ 1,489,475	\$ 899,907	\$ 6,536,349	\$ 940,843

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
2018	\$ 785,000	\$ 195,724
2019	910,000	180,511
2020	920,000	159,082
2021	715,000	136,379
2022	795,000	119,958
2023 - 2026	3,325,000	252,994
	<u>\$ 7,450,000</u>	<u>\$ 1,044,648</u>

Year Ending September 30,	Component Unit	
	Principal	Interest
2018	\$ 1,839,135	\$ 430,513
2019	1,593,482	353,358
2020	1,249,257	316,219
2021	1,065,655	286,444
2022	984,432	259,226
2023 - 2027	3,601,593	961,359
2028 - 2032	2,728,370	473,527
2033 - 2037	1,167,841	87,259
	<u>\$ 14,229,765</u>	<u>\$ 3,167,905</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 \$738,098 (governmental activities) and \$35,017 (component unit – Central Dispatch) at September 30, 2017 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 \$155,292 and \$188,135 for vacation and sick, respectively, at September 30, 2017. This amount, \$343,427 has been reported as a noncurrent liability.

Gratiot County
Notes to the Financial Statements
September 30, 2017

Note 10 - Fund Balances

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

Animal adoption coordinator	\$ 9,156
Child welfare	1
Circuit court counsel	41,000
Handicap activities	910
Liquor law enforcement	61,020
Private donations	1,089
Public improvement	20,763
Renaissance zone	113,289
Secondary road patrol	82
Social welfare	2,915
Solid waste planning	4,953
Soldiers & sailors	1,208
Veterans activities	105
	<u>\$ 256,491</u>

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

Road patrol	\$ 367
Parks and recreation	261,475
Geographic information system	125,643
Friend of the court	1
State criminal alien assistance	9,356
Economic and agriculture development	45,901
Building inspection	36,411
Register of deeds	150,271
K-9 unit sheriff	10,139
Correction officers training fund	56,436
Drug law enforcement	2,062
Law enforcement	1,326
Law library	40,267
Commission on aging	460,294
Recovery court	82,386
D.A.R.E program	20
Salvage inspective fee	9,862
D.H.S. state monies	3,577
Veteran trust	1,372
Veterans memorial	14,616
Animal control	1,411
Marine safety	4,317
Library	11,871
Concealed pistol licensing	43,725
	<u>\$ 1,373,106</u>

Gratiot County
Notes to the Financial Statements
September 30, 2017

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, 2017, the County had funds on deposit of \$136,601 with the Authority in the Member Retention Funds. The Authority's reported reserves at September 30, 2017, for reported claims related to the County were \$78,271.

Component Unit – Road Commission

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

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

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

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

Note 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

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

Inactive employees or beneficiaries currently receiving benefits	98
Inactive employees entitled to but not yet receiving benefits	15
Active employees	<u>42</u>
	<u><u>155</u></u>

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 per month based on annual payroll.

Net pension liability – The employer’s net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

Actuarial assumptions – The total pension liability in the December 31, 2016 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement 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. There were no significant changes in assumptions in the latest actuarial valuation.

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

Asset class	Target allocation	Long-term expected real rate of return
Global equity	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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Changes in Net Pension Liability

Total Pension Liability

Service cost	\$ 252,353
Interest on the total pension liability	2,231,019
Experience differences	(282,272)
Other changes	(1)
Benefit payments and refunds	(1,433,659)
Net change in total pension liability	<u>767,440</u>
Total pension liability - beginning	28,478,394
Total pension liability - ending (a)	<u><u>\$ 29,245,834</u></u>

Plan Fiduciary Net Position

Employer contributions	\$ 1,599,809
Employee contributions	38,378
Pension plan net investment income	2,301,867
Benefit payments and refunds	(1,433,659)
Pension plan administrative expense	(45,367)
Net change in plan fiduciary net position	<u>2,461,028</u>
Plan fiduciary net position - beginning	19,904,696
Plan fiduciary net position - ending (b)	<u><u>\$ 22,365,724</u></u>

Net pension liability (a-b) \$ 6,880,110

Plan fiduciary net position as a percentage of total pension liability	76.47%
Covered employee payroll	\$ 2,171,090
Net pension liability as a percentage of covered employee payroll	316.90%

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	\$ 32,472,155	\$ 29,245,834	\$ 26,501,395
Fiduciary net position	<u>22,365,724</u>	<u>22,365,724</u>	<u>22,365,724</u>
Net pension liability	<u><u>\$ 10,106,431</u></u>	<u><u>\$ 6,880,110</u></u>	<u><u>\$ 4,135,671</u></u>

Reported in governmental activities	\$ 6,442,221
Reported in component units	
Central dispatch authority	437,889
Total net pension liability	<u><u>\$ 6,880,110</u></u>

Pension expense and deferred outflows of resources related to pensions – For the year ended September 30, 2017, the employer recognized pension expense of \$1,425,782. The employer reported deferred outflows of resources related to pensions from the following sources:

	Deferred outflows of resources	Total Amount to Amortize
Excess investment returns	\$ 692,805	\$ 692,805
Contributions subsequent to the measurement date*	7,023,067	-
Total	<u><u>\$ 7,715,872</u></u>	<u><u>\$ 692,805</u></u>

Reported in governmental activities	\$ 7,273,735
Reported in component units	
Central dispatch authority	442,137
Total deferred outflows of resources	<u><u>\$ 7,715,872</u></u>

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*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 2018.

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

Year ending September 30,	
2018	\$ 300,538
2019	300,538
2020	232,354
2021	(140,625)
	\$ 692,805

Road Commission Michigan Municipal Employees' Retirement System

Plan Description – The Road Commission participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. MERS is a nonprofit organization that was granted independence from the State of Michigan pursuant to Public Act 220 of 1996, effective August 15, 1996. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS Web site at <http://www.mersofmich.com> or in writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917.

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

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, 2016 measurement date, the following employees were covered by benefit terms:

Inactive employees or beneficiaries currently receiving benefits	55
Inactive employees entitled to but not yet receiving benefits	1
Active employees	33
	89

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

Gratiot County
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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, 2017, the active employee contribution rate was 3% of annual pay and the Road Commission's contribution rate of annual payroll was 34.35% for salaried employees and 32.75% for union employees.

Net pension liability – The net pension liability reported as of September 30, 2017, was determined using a measure of the total pension liability and the pension net position as of December 31, 2016. The December 31, 2016, total pension liability was determined by an actuarial valuation performed as of that date.

Actuarial assumptions – The total pension liability in the December 31, 2016 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement include: 1) Inflation 2.50%; 2) Salary increases 3.75% in the long-term; 3) Investment rate of return of 7.75 %, net of investment and administrative expense, including inflation.

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

Mortality rates were based on the RP- 2014 Healthy Annuitant Mortality Tables of a 50% Male and 50% Female blend.

The actuarial assumptions used in the December 31, 2016 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.

Gratiot County
Notes to the Financial Statements
September 30, 2017

Changes in Net Pension Liability

Total Pension Liability

Service cost	\$ 209,344
Interest on the total pension liability	1,334,382
Experience differences	147,755
Benefit payments and refunds	<u>(1,114,841)</u>
Net change in total pension liability	576,640
Total pension liability - beginning	<u>17,132,510</u>
Total pension liability - ending (a)	<u><u>\$ 17,709,150</u></u>

Plan Fiduciary Net Position

Employer contributions	\$ 827,571
Employee contributions	49,564
Pension plan net investment income	1,061,936
Benefit payments and refunds	(1,114,841)
Pension plan administrative expense	<u>(20,979)</u>
Net change in plan fiduciary net position	803,251
Plan fiduciary net position - beginning	<u>9,419,958</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 10,223,209</u></u>

Net pension liability (a-b) \$ 7,485,941

Plan fiduciary net position as a percentage of total pension liability	57.73%
Covered employee payroll	\$ 1,631,452
Net pension liability as a percentage of covered employee payroll	458.85%

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	\$ 19,676,945	\$ 17,709,150	\$ 16,044,538
Fiduciary net position	10,223,209	10,223,209	10,223,209
Net pension liability	<u><u>\$ 9,453,736</u></u>	<u><u>\$ 7,485,941</u></u>	<u><u>\$ 5,821,329</u></u>

Reported in component units	\$ 7,923,830
Less: central dispatch authority	<u>(437,889)</u>
Total road commission net pension liability	<u><u>\$ 7,485,941</u></u>

Pension expense and deferred outflows of resources related to pensions – For the year ended September 30, 2017, the Road Commission recognized pension expense of \$210,493. The Road Commission reported deferred outflows of resources related to pensions from the following sources:

	Deferred outflows of resources	Total Amount to Amortize
Differences in experience	\$ 115,937	\$ 115,937
Differences in assumptions	403,814	403,814
Excess investment returns	383,566	383,566
Contributions subsequent to the measurement date*	771,669	-
Total	<u><u>\$ 1,674,986</u></u>	<u><u>\$ 903,317</u></u>

Reported in component units	\$ 2,117,123
Less: central dispatch authority	<u>(442,137)</u>
Total road commission deferred outflows of resources	<u><u>\$ 1,674,986</u></u>

Gratiot County
Notes to the Financial Statements
September 30, 2017

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending September 30, 2018.

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

Year ending September 30,	
2018	\$ 402,428
2019	402,428
2020	162,198
2021	(63,737)
	\$ 903,317

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 \$246,869 for the year ending September 30, 2017.

Note 14 - Other Post-Employment Benefits

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

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

The Plan is a single employer defined benefit OPEB plan administered by the County. The Plan was established under the authority of the County Commission and under agreements with unions representing various classes of employees. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

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

Gratiot County
Notes to the Financial Statements
September 30, 2017

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

Employees covered by benefit terms – At September 30, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	75
Active employees	53
	<u>128</u>

The Plan is closed to new entrants.

Total OPEB liability – The County’s total OPEB liability of \$4,365,282 was measured as of September 30, 2017, and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs – The total OPEB liability in the September 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods in the measurement, unless otherwise specified.

Inflation	Implicit in expected payroll increases
Salary increases	2.00%
Discount rate	3.35%
Healthcare cost trend rates	Pre-65 - 8.0% in 2018 graded down 0.5% per year to 5% over 6 years Medicare eligible - 5.0% per year
Retirees' share of benefit-related costs	Premium costs in excess of employer covered amount

The discount rate was based on a 20-year AA/Aa tax-exempt municipal bond yield.

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

Changes in the Total OPEB Liability

Total OPEB Liability	
Service cost	\$ 87,485
Interest	180,913
Differences between expected and actual experience	(51,056)
Changes in assumptions	(229,711)
Benefit payments	(115,393)
Net change in total OPEB liability	<u>(127,762)</u>
Total OPEB liability - beginning	4,493,044
Total OPEB liability - ending	<u>\$ 4,365,282</u>
Reported in governmental activities	\$ 4,229,958
Reported in component units	
Central dispatch authority	135,324
Total OPEB liability	<u>\$ 4,365,282</u>

Sensitivity of the total OPEB liability to changes in the discount rate – The following presents the total OPEB liability of the County, as well as what the County’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.35 percent) or 1-percentage-point higher (4.35 percent) than the current discount rate:

	1% decrease	Current discount rate	1% increase
Total OPEB liability	<u>\$ 4,946,224</u>	<u>\$ 4,365,282</u>	<u>\$ 3,879,143</u>

Gratiot County
Notes to the Financial Statements
September 30, 2017

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates – The following presents the total OPEB liability of the County, as well as what the County’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% decrease	Current healthcare cost trend rate	1% increase
Total OPEB liability	\$ 4,002,090	\$ 4,365,282	\$ 4,824,082

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended September 30, 2017, the County recognized OPEB expense of \$119,340. At September 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred inflows of resources	Total Amount to Amortize
Differences in experience	\$ (44,934)	\$ (44,934)
Differences in assumptions	(202,168)	(202,168)
Total	\$ (247,102)	\$ (247,102)
Reported in governmental activities	\$ (239,442)	
Reported in component units		
Central dispatch authority	(7,660)	
Total	\$ (247,102)	

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

Year ending September 30,	
2018	\$ (33,665)
2019	(33,665)
2020	(33,665)
2021	(33,665)
2022	(33,665)
Thereafter	(78,777)
	\$ (247,102)

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.

Funding Policy – Effective August 1, 2015, the Road Commission agrees to pay the first \$600 total per month of the hospitalization coverage premium for any member of the bargaining unit or salaried employee and their spouse as of the date of retirement, and are eligible for full retirement benefits under the current MERS qualifications, until said retired employee attains or would have attained the age of 65 years or Medicare eligible. In the event the person retiring is single, the Employer agrees to pay the single premium, up to \$600 per month, for the single coverage until said retired employee attains the age of 65 years or Medicare eligible. For

Gratiot County
Notes to the Financial Statements
September 30, 2017

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

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

Expenditures for postemployment healthcare benefits are recognized when the retiree healthcare costs are paid. Retiree healthcare costs paid by the Road Commission for fiscal year ending September 30, 2017, totaled \$48,475. The expenditures are recognized on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The Road Commission's annual other postemployment benefit (OPEB) cost

(expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

Funding Status and Funding Progress – For the year ended September 30, 2017, 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 100 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	\$ 51,625
Interest on the prior year's net OPEB obligation	415
Annual OPEB cost	52,040
Amounts contributed	
Payments of current premiums	(48,475)
Change in net OPEB liability	3,565
Net OPEB liability - beginning of year	7,541
Net OPEB liability - end of year	\$ 11,106

Gratiot County
Notes to the Financial Statements
September 30, 2017

The annual OPEB cost, the percentage contributed to the plan, and the net OPEB obligation for the fiscal year ended September 30, 2017 and the preceding year, are as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/2015	\$ 52,233	93.04%	\$ 3,633
9/30/2016	51,908	92.47%	7,541
9/30/2017	52,040	93.15%	11,106

Under certain circumstances, a single employer that operates a plan may apply a simplified measurement method in lieu of obtaining an actuarial valuation. The alternative measurement method (alternative calculation) requires the same broad measurement steps as would be necessary in the actuarial process, but allows an organization to utilize a set of predetermined assumptions that simplify the calculations necessary to determine the OPEB liability.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Road Commission expects to prepare an alternative measurement method actuarial valuation every year.

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
9/30/2015	\$ -	\$ 1,566,986	\$ 1,566,986	0.0%	\$ 1,536,822	102.0%
9/30/2017	-	1,548,753	1,548,753	0.0%	1,683,708	92.0%

The Schedule of Funding Progress immediately following the notes to the financial statements and presents trend information about whether

the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Methods and Assumptions – 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 benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following actuarial assumptions were used in the development of the Road Commission’s retiree healthcare cost projections using the alternative measurement method:

Actuarial Cost Method: Alternate Method as provided under GASB Statement No. 45 for plans with fewer than 100 employees
 Interest Discount Rate: 5.5% compounded annually

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 ending September 30, 2017, the federal grants received and expended by the Road Commission totaled \$401,777 for contracted projects. The Road Commission expended federal money for negotiated projects totaling \$274,750. Contracted projects are defined as projects performed by private contractors paid for and administrated by MDOT. The contracted federal projects are not subject to single audit requirements by the road commissions, as they are included in MDOT’s single audit.

Negotiated projects are defined as projects performed by Road Commission employees or private contractors paid for and administrated by the Road Commission which are subject to single

Gratiot County
Notes to the Financial Statements
September 30, 2017

audit requirements, if the amount expended is \$750,000 or more. A single audit was not performed during the fiscal year ending September 30, 2017

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 and Net Position Restatement

The County determined that retention funds held on deposit with MMRMA were required to be recorded in the County's financial statements, not solely disclosed in the footnotes.

The County determined that funds received annually in the fall from the Local Community Stabilization Authority should be considered revenue in line with revenue recorded for the July 1 tax levy.

The County implemented GASB Statement No. 75 which removes the net OPEB liability and adds the total OPEB liability to the financial statements.

The effect of the adjustments discussed above is as follows:

	General Fund	Governmental Activities	Component Units
Fund balance / net position beginning of year	\$ 5,570,445	\$ 6,673,512	\$ 53,252,033
Prior period adjustment			
Add: MMRMA retention funds	110,032	110,032	-
Add: LCSA payment	221,069	221,069	-
Add: Net OPEB liability	-	2,151,759	-
Less: Total OPEB liability	-	(4,353,760)	(139,284)
	<u>331,101</u>	<u>(1,870,900)</u>	<u>(139,284)</u>
Fund balance / net position beginning of year (restated)	<u>\$ 5,901,546</u>	<u>\$ 4,802,612</u>	<u>\$ 53,112,749</u>

Note 18 - Subsequent Events

Subsequent to September 30, 2017, the Drain District, a component unit, issued a note for \$200,419 with an interest rate of 3.10%. The maturity date is June 15, 2038.

Subsequent to September 30, 2017, the Drain District, a component unit, issued a note for \$560,000 with an interest rate of 2.75%. The maturity date is June 15, 2037.

Subsequent to September 30, 2017, the Drain District, a component unit, issued a note for \$246,290 with an interest rate of 3.50%. The maturity date is June 15, 2038.

Subsequent to September 30, 2017, the Drain District, a component unit, issued a note for \$279,086 with an interest rate of 3.50%. The maturity date is June 15, 2038.

Gratiot County
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended September 30, 2017

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under)
				Final Budget
Revenues				
Taxes	\$ 6,922,340	\$ 7,145,913	\$ 7,211,672	\$ 65,759
Licenses and permits	93,200	93,300	80,346	(12,954)
Intergovernmental	2,630,424	2,679,584	2,376,486	(303,098)
Local contributions	126,750	126,750	59,669	(67,081)
Charges for services	2,288,970	2,435,035	2,085,422	(349,613)
Fines and forfeitures	96,200	96,750	90,304	(6,446)
Interest income	2,060	9,034	10,347	1,313
Rental income	20,451	20,451	30,647	10,196
Other	496,050	511,105	429,770	(81,335)
Transfer in	525,175	394,797	381,275	(13,522)
Sale of fixed assets	-	2,000	2,000	-
	<u>13,201,620</u>	<u>13,514,719</u>	<u>12,757,938</u>	<u>(756,781)</u>
Total revenues				

Gratiot County
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended September 30, 2017

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
Expenditures				
General government				
Board of commissioners	\$ 276,790	\$ 290,983	\$ 290,856	\$ (127)
Circuit Court	256,845	292,662	290,388	(2,274)
District Court	1,397,514	1,400,683	1,383,859	(16,824)
Probate Court	460,299	446,807	445,833	(974)
Juvenile Court	254,467	259,659	255,425	(4,234)
County Administrator	419,160	407,501	413,875	6,374
Elections	69,502	71,508	70,984	(524)
Clerk	356,202	360,545	354,043	(6,502)
Equalization	146,904	141,603	138,097	(3,506)
Prosecuting Attorney	714,458	721,872	720,206	(1,666)
Register of Deeds	186,198	166,445	165,685	(760)
County survey and remonumentation	59,875	39,949	39,798	(151)
Treasurer	192,587	204,406	203,345	(1,061)
Cooperative Extension	198,088	190,619	189,227	(1,392)
Information management	215,155	252,636	257,457	4,821
Buildings and grounds	297,210	260,559	257,587	(2,972)
Gratiot community airport	26,000	26,000	26,000	-
Drain commissioner	510,012	514,831	483,965	(30,866)
Other	179,850	188,815	184,111	(4,704)
	<u>6,217,116</u>	<u>6,238,083</u>	<u>6,170,741</u>	<u>(67,342)</u>
Total general government				

Gratiot County
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended September 30, 2017

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
Public safety				
County Sheriff	\$ 1,681,684	\$ 1,797,306	\$ 1,789,715	\$ (7,591)
Jail	1,714,179	1,622,117	1,610,854	(11,263)
Planning commission	4,884	1,840	1,683	(157)
Emergency services	37,762	50,287	47,749	(2,538)
Animal control	190,636	198,577	192,604	(5,973)
Secondary road patrol	252,511	230,437	228,729	(1,708)
	<u>3,881,656</u>	<u>3,900,564</u>	<u>3,871,334</u>	<u>(29,230)</u>
Total public safety				
Public works				
Solid waste planning	<u>50,000</u>	<u>50,000</u>	<u>9,055</u>	<u>(40,945)</u>
Health and welfare				
Mid-Michigan District Health Department	301,000	301,000	297,814	(3,186)
Gratiot Community Mental Health	200,000	200,000	200,000	-
Contagious disease	2,000	300	258	(42)
Substance abuse appropriation	47,177	47,177	42,620	(4,557)
Medical examiner	89,609	90,976	95,838	4,862
Veterans burials	3,700	2,000	1,500	(500)
Veterans counselor	71,097	53,772	50,724	(3,048)
Social and child welfare	1,315,350	1,359,036	1,179,976	(179,060)
	<u>2,029,933</u>	<u>2,054,261</u>	<u>1,868,730</u>	<u>(185,531)</u>
Total health and welfare				

Gratiot County
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended September 30, 2017

	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	42	42	-	(42)
Zoning board	1,543	343	30	(313)
Total community and economic development	<u>5,785</u>	<u>4,585</u>	<u>4,230</u>	<u>(355)</u>
Other functions				
Insurance and bonds	<u>183,000</u>	<u>193,045</u>	<u>166,461</u>	<u>(26,584)</u>
Capital outlay	<u>220,600</u>	<u>223,300</u>	<u>100,317</u>	<u>(122,983)</u>
Debt service				
Interest and fiscal charges	<u>2,300</u>	<u>-</u>	<u>-</u>	<u>-</u>
Transfers out	<u>611,230</u>	<u>328,630</u>	<u>330,335</u>	<u>1,705</u>
Total expenditures	<u>13,201,620</u>	<u>12,992,468</u>	<u>12,521,203</u>	<u>(471,265)</u>
Excess of revenues over expenditures	<u>-</u>	<u>522,251</u>	<u>236,735</u>	<u>(285,516)</u>
Fund balance - beginning of year	5,570,445	5,570,445	5,570,445	-
Prior period adjustment	-	-	331,101	331,101
Fund balance - beginning of year (restated)	<u>5,570,445</u>	<u>5,570,445</u>	<u>5,901,546</u>	<u>331,101</u>
Fund balance - end of year	<u>\$ 5,570,445</u>	<u>\$ 6,092,696</u>	<u>\$ 6,138,281</u>	<u>\$ 45,585</u>

Gratiot County
Required Supplemental Information
Budgetary Comparison Schedule
Pension Bond Proceeds Fund
For the Year Ended September 30, 2017

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under)
				Final Budget
Revenues				
Bond proceeds	\$ -	\$ -	\$ 6,730,000	\$ 6,730,000
Premium on bond issuance	-	-	39,881	39,881
Total revenues	-	-	6,769,881	6,769,881
Expenditures				
Current				
General government	-	-	2,594,720	2,594,720
Public safety	-	-	3,378,969	3,378,969
Health and welfare	-	-	643,708	643,708
Community and economic development	-	-	11,933	11,933
Debt service				
Bond issuance costs	-	-	127,812	127,812
Transfers out	-	-	12,739	12,739
Total expenditures	-	-	6,769,881	6,769,881
Excess of revenues over expenditures	-	-	-	-
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	\$ -	\$ -	\$ -	\$ -

Gratiot County
Required Supplementary Information
Municipal Employees Retirement System of Michigan
Schedule of Changes in Net Pension Liability and Related Ratios
September 30, 2017

Fiscal year ended September 30,	2017	2016	2015
Total Pension Liability			
Service cost	\$ 252,353	\$ 274,806	\$ 284,299
Interest on the total pension liability	2,231,019	2,068,423	2,051,405
Experience differences	(282,272)	(516,802)	-
Changes in actuarial assumptions	-	1,548,598	-
Other changes	(1)	64,639	-
Benefit payments and refunds	(1,433,659)	(1,358,308)	(1,324,073)
Net change in total pension liability	767,440	2,081,356	1,011,631
Total pension liability - beginning	28,478,394	26,397,038	25,385,407
Total pension liability - ending (a)	<u>\$ 29,245,834</u>	<u>\$ 28,478,394</u>	<u>\$ 26,397,038</u>
Plan Fiduciary Net Position			
Employer contributions	\$ 1,599,809	\$ 2,314,271	\$ 1,091,184
Employee contributions	38,378	39,944	43,769
Pension plan net investment income (loss)	2,301,867	(287,639)	1,160,163
Benefit payments and refunds	(1,433,659)	(1,358,308)	(1,324,073)
Pension plan administrative expense	(45,367)	(42,728)	(42,666)
Net change in plan fiduciary net position	2,461,028	665,540	928,377
Plan fiduciary net position - beginning	19,904,696	19,239,156	18,310,779
Plan fiduciary net position - ending (b)	<u>\$ 22,365,724</u>	<u>\$ 19,904,696</u>	<u>\$ 19,239,156</u>
Net pension liability (a-b)	<u>\$ 6,880,110</u>	<u>\$ 8,573,698</u>	<u>\$ 7,157,882</u>
Reported in governmental activities	\$ 6,442,221	\$ 8,026,742	\$ 6,666,851
Reported in component units			
Central dispatch authority	437,889	546,956	491,031
Total net pension liability	<u>\$ 6,880,110</u>	<u>\$ 8,573,698</u>	<u>\$ 7,157,882</u>
Plan fiduciary net position as a percentage of total pension liability	76.47%	69.89%	72.88%
Covered employee payroll	\$ 2,171,090	\$ 2,413,194	\$ 2,498,100
Net pension liability as a percentage of covered employee payroll	316.90%	355.28%	286.53%

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

Gratiot County
Required Supplementary Information
Municipal Employees Retirement System of Michigan
Schedule of Employers' Net Pension Liability
September 30, 2017

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%
2017	29,245,834	22,365,724	6,880,110	76.47%	2,171,090	316.90%

*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, 2017

Actuarial Valuation Date	Annual Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
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%
12/31/2016	1,599,756	1,599,809	(53)	2,171,090	73.69%

* 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	3
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, 2017

Fiscal year ended September 30,	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability			
Service cost	\$ 209,344	\$ 196,411	\$ 191,844
Interest on the total pension liability	1,334,382	1,277,619	1,248,018
Experience differences	147,755	10,242	-
Changes in actuarial assumptions	-	807,628	-
Benefit payments and refunds	<u>(1,114,841)</u>	<u>(1,094,940)</u>	<u>(1,071,751)</u>
Net change in total pension liability	576,640	1,196,960	368,111
Total pension liability - beginning	<u>17,132,510</u>	<u>15,935,550</u>	<u>15,567,439</u>
Total pension liability - ending (a)	<u>\$ 17,709,150</u>	<u>\$ 17,132,510</u>	<u>\$ 15,935,550</u>
Plan Fiduciary Net Position			
Employer contributions	\$ 827,571	\$ 706,399	\$ 631,582
Employee contributions	49,564	47,130	46,869
Pension plan net investment income (loss)	1,061,936	(141,234)	606,978
Benefit payments and refunds	(1,114,841)	(1,094,940)	(1,071,751)
Pension plan administrative expense	<u>(20,979)</u>	<u>(21,385)</u>	<u>(22,235)</u>
Net change in plan fiduciary net position	803,251	(504,030)	191,443
Plan fiduciary net position - beginning	<u>9,419,958</u>	<u>9,923,988</u>	<u>9,732,545</u>
Plan fiduciary net position - ending (b)	<u>\$ 10,223,209</u>	<u>\$ 9,419,958</u>	<u>\$ 9,923,988</u>
Net pension liability (a-b)	<u>\$ 7,485,941</u>	<u>\$ 7,712,552</u>	<u>\$ 6,011,562</u>
Reported in component units	\$ 7,923,830	\$ 8,259,508	\$ 6,502,593
Less: central dispatch authority	<u>(437,889)</u>	<u>(546,956)</u>	<u>(491,031)</u>
Total net pension liability	<u>\$ 7,485,941</u>	<u>\$ 7,712,552</u>	<u>\$ 6,011,562</u>
Plan fiduciary net position as a percentage of total pension liability	57.73%	54.98%	62.28%
Covered employee payroll	\$ 1,631,452	\$ 1,557,005	\$ 1,520,870
Net pension liability as a percentage of covered employee payroll	458.85%	495.35%	395.27%

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

Gratiot County
Required Supplementary Information
Municipal Employees Retirement System of Michigan - Road Commission
Schedule of Employers' Net Pension Liability
September 30, 2017

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%
2017	17,709,150	10,223,209	7,485,941	57.73%	1,631,452	458.85%

*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, 2017

Actuarial Valuation Date	Annual Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
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%
12/31/2016	548,863	827,571	(278,708)	1,631,452	50.73%

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level-percentage of payroll, open
Remaining amortization period	24 years
Asset valuation method	5-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	RP-2014 Group Annuity Mortality Table of a 50% Male and 50% Female blend

Gratiot County
Required Supplementary Information
Other Post-Employment Benefits
Schedule of Changes in Total OPEB Liability and Related Ratios
September 30, 2017

Fiscal year ended September 30,	<u>2017</u>
Total OPEB Liability	
Service cost	\$ 87,485
Interest	180,913
Differences between expected and actual experience	(51,056)
Changes in assumptions	(229,711)
Benefit payments	<u>(115,393)</u>
Net change in total OPEB liability	(127,762)
Total OPEB liability - beginning	<u>4,493,044</u>
Total OPEB liability - ending	<u><u>\$ 4,365,282</u></u>
Reported in governmental activities	\$ 4,229,958
Reported in component units	
Central dispatch authority	<u>135,324</u>
Total net pension liability	<u><u>\$ 4,365,282</u></u>
Covered employee payroll	\$ 2,919,206
Net OPEB liability as a percentage of covered employee payroll	149.54%

Notes to the Schedule:

Changes of benefit terms - There were no changes of benefit terms for 2017.

Changes of assumptions - Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period.

2016 - 4.00% (used to calculate beginning balances for implementation of GASB Statement No. 75)

2017 - 3.35%

*GASB Statement No. 75 was implemented for the fiscal year ended September 30, 2017 and does not require retroactive implementation.

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

Gratiot County
Required Supplementary Information
Other Postemployment Benefits - Road Commission
September 30, 2017

Annual required contribution	\$ 51,625
Interest on the prior year's net OPEB obligation	<u>415</u>
Annual OPEB cost	52,040
Amounts contributed:	
Payments of current premiums	<u>(48,475)</u>
Change in net OPEB liability	3,565
Net OPEB liability, beginning of year	<u>7,541</u>
Net OPEB liability, end of year	<u><u>\$ 11,106</u></u>

Schedule of Employer Contributions

Fiscal Year Ending	Annual OPEB Costs	Percentage OPEB Costs Contributed	Net OPEB Asset (Obligation)
9/30/2015	\$ 52,233	93.0%	\$ (3,633)
9/30/2016	51,908	92.5%	(7,541)
9/30/2017	52,040	93.2%	(11,106)

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
9/30/2015	\$ -	\$ 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, 2017

	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	\$ 11,540	\$ 273,500	\$ 125,643	\$ 18,136	\$ 9,356	\$ 45,516	\$ 39,224
Receivables							
Customers	34	193	-	-	-	-	-
Due from other units of government	-	-	-	56,529	-	34	-
Due from other funds	56	43	-	-	-	351	-
Prepaid items	-	-	-	-	-	-	-
Total assets	<u>\$ 11,630</u>	<u>\$ 273,736</u>	<u>\$ 125,643</u>	<u>\$ 74,665</u>	<u>\$ 9,356</u>	<u>\$ 45,901</u>	<u>\$ 39,224</u>
Liabilities							
Accounts payable	\$ 400	\$ 6,617	\$ -	\$ 2,738	\$ -	\$ -	\$ 566
Accrued and other liabilities	10,863	5,644	-	15,477	-	-	2,247
Due to other funds	-	-	-	-	-	-	-
Total liabilities	<u>11,263</u>	<u>12,261</u>	<u>-</u>	<u>18,215</u>	<u>-</u>	<u>-</u>	<u>2,813</u>
Deferred Inflows of Resources							
Unavailable grant revenue	-	-	-	56,449	-	-	-
Fund Balances							
Non-spendable							
Prepaid items	-	-	-	-	-	-	-
Restricted for							
Debt service	-	-	-	-	-	-	-
Special revenue funds	367	261,475	125,643	1	9,356	45,901	36,411
Total fund balances	<u>367</u>	<u>261,475</u>	<u>125,643</u>	<u>1</u>	<u>9,356</u>	<u>45,901</u>	<u>36,411</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 11,630</u>	<u>\$ 273,736</u>	<u>\$ 125,643</u>	<u>\$ 74,665</u>	<u>\$ 9,356</u>	<u>\$ 45,901</u>	<u>\$ 39,224</u>

Gratiot County
Nonmajor Governmental Funds
Combining Balance Sheet
September 30, 2017

	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	\$ 155,490	\$ 13,357	\$ 56,302	\$ 2,062	\$ 1,326	\$ 40,267	\$ 424,774
Receivables							
Customers	605	-	134	-	-	-	86,074
Due from other units of government	-	-	-	-	-	-	-
Due from other funds	230	-	-	-	-	-	80
Prepaid items	-	-	-	-	-	-	100
Total assets	<u>\$ 156,325</u>	<u>\$ 13,357</u>	<u>\$ 56,436</u>	<u>\$ 2,062</u>	<u>\$ 1,326</u>	<u>\$ 40,267</u>	<u>\$ 511,028</u>
Liabilities							
Accounts payable	\$ 6,054	\$ 3,218	\$ -	\$ -	\$ -	\$ -	\$ 28,262
Accrued and other liabilities	-	-	-	-	-	-	22,372
Due to other funds	-	-	-	-	-	-	-
Total liabilities	<u>6,054</u>	<u>3,218</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,634</u>
Deferred Inflows of Resources							
Unavailable grant revenue	-	-	-	-	-	-	-
Fund Balances							
Non-spendable							
Prepaid items	-	-	-	-	-	-	100
Restricted for							
Debt service	-	-	-	-	-	-	-
Special revenue funds	<u>150,271</u>	<u>10,139</u>	<u>56,436</u>	<u>2,062</u>	<u>1,326</u>	<u>40,267</u>	<u>460,294</u>
Total fund balances	<u>150,271</u>	<u>10,139</u>	<u>56,436</u>	<u>2,062</u>	<u>1,326</u>	<u>40,267</u>	<u>460,394</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 156,325</u>	<u>\$ 13,357</u>	<u>\$ 56,436</u>	<u>\$ 2,062</u>	<u>\$ 1,326</u>	<u>\$ 40,267</u>	<u>\$ 511,028</u>

Gratiot County
Nonmajor Governmental Funds
Combining Balance Sheet
September 30, 2017

	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	\$ 32,172	\$ -	\$ 20	\$ 9,862	\$ 3,577	\$ 1,372	\$ 14,616
Receivables							
Customers	-	-	-	-	-	-	-
Due from other units of government	63,894	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-	-
Total assets	<u>\$ 96,066</u>	<u>\$ -</u>	<u>\$ 20</u>	<u>\$ 9,862</u>	<u>\$ 3,577</u>	<u>\$ 1,372</u>	<u>\$ 14,616</u>
Liabilities							
Accounts payable	\$ 8,643	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued and other liabilities	5,037	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-
Total liabilities	<u>13,680</u>	<u>-</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	<u>82,386</u>	<u>-</u>	<u>20</u>	<u>9,862</u>	<u>3,577</u>	<u>1,372</u>	<u>14,616</u>
Total fund balances	<u>82,386</u>	<u>-</u>	<u>20</u>	<u>9,862</u>	<u>3,577</u>	<u>1,372</u>	<u>14,616</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 96,066</u>	<u>\$ -</u>	<u>\$ 20</u>	<u>\$ 9,862</u>	<u>\$ 3,577</u>	<u>\$ 1,372</u>	<u>\$ 14,616</u>

Gratiot County
Nonmajor Governmental Funds
Combining Balance Sheet
September 30, 2017

	Special Revenue Funds						
	Homeless Veterans Fund	Animal Control	Marine Safety	Michigan Justice Training	Library	MSHDA	Concealed Pistol Licensing
Assets							
Cash and cash equivalents	\$ -	\$ 1,543	\$ 4,317	\$ -	\$ 11,805	\$ -	\$ 43,471
Receivables							
Customers	-	-	-	-	38	-	254
Due from other units of government	-	-	1,577	2,874	-	-	-
Due from other funds	-	-	-	-	28	-	-
Prepaid items	-	487	-	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ 2,030</u>	<u>\$ 5,894</u>	<u>\$ 2,874</u>	<u>\$ 11,871</u>	<u>\$ -</u>	<u>\$ 43,725</u>
Liabilities							
Accounts payable	\$ -	\$ 132	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued and other liabilities	-	-	-	-	-	-	-
Due to other funds	-	-	-	2,874	-	-	-
Total liabilities	<u>-</u>	<u>132</u>	<u>-</u>	<u>2,874</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources							
Unavailable grant revenue	-	-	1,577	-	-	-	-
Fund Balances							
Non-spendable							
Prepaid items	-	487	-	-	-	-	-
Restricted for							
Debt service	-	-	-	-	-	-	-
Special revenue funds	-	1,411	4,317	-	11,871	-	43,725
Total fund balances	<u>-</u>	<u>1,898</u>	<u>4,317</u>	<u>-</u>	<u>11,871</u>	<u>-</u>	<u>43,725</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ -</u>	<u>\$ 2,030</u>	<u>\$ 5,894</u>	<u>\$ 2,874</u>	<u>\$ 11,871</u>	<u>\$ -</u>	<u>\$ 43,725</u>

Gratiot County
Nonmajor Governmental Funds
Combining Balance Sheet
September 30, 2017

	Debt Service Funds			Total Nonmajor Governmental Funds
	2005 G.O. Bonds	Building Authority Jail	Pension Obligation Bond	
Assets				
Cash and cash equivalents	\$ 150	\$ 6,112	\$ -	\$ 1,345,510
Receivables				
Customers	-	-	-	87,332
Due from other units of government	-	-	-	124,908
Due from other funds	-	-	-	788
Prepaid items	84,506	-	-	85,093
	<u>84,506</u>	<u>-</u>	<u>-</u>	<u>85,093</u>
Total assets	<u>\$ 84,656</u>	<u>\$ 6,112</u>	<u>\$ -</u>	<u>\$ 1,643,631</u>
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ 56,630
Accrued and other liabilities	-	-	-	61,640
Due to other funds	-	-	-	2,874
	<u>-</u>	<u>-</u>	<u>-</u>	<u>121,144</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>121,144</u>
Deferred Inflows of Resources				
Unavailable grant revenue	-	-	-	58,026
	<u>-</u>	<u>-</u>	<u>-</u>	<u>58,026</u>
Fund Balances				
Non-spendable				
Prepaid items	84,506	-	-	85,093
Restricted for				
Debt service	150	6,112	-	6,262
Special revenue funds	-	-	-	1,373,106
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,373,106</u>
Total fund balances	<u>84,656</u>	<u>6,112</u>	<u>-</u>	<u>1,464,461</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 84,656</u>	<u>\$ 6,112</u>	<u>\$ -</u>	<u>\$ 1,643,631</u>

Gratiot County
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2017

	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	\$ 598,503	\$ 465,295	\$ -	\$ -	\$ -	\$ 604,212	\$ -
Licenses and permits	-	-	-	-	-	-	134,126
Intergovernmental							
Federal/state	-	2,000	-	457,396	954	-	-
Local contributions	-	310	27,857	-	-	-	-
Charges for services	-	10,502	-	49,145	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-
Interest income	319	589	247	17	18	565	62
Other revenue	-	236	738	100	-	-	-
Total revenues	<u>598,822</u>	<u>478,932</u>	<u>28,842</u>	<u>506,658</u>	<u>972</u>	<u>604,777</u>	<u>134,188</u>
Expenditures							
Current							
General government	-	-	8,179	565,177	-	-	-
Public safety	601,712	-	-	-	-	-	151,763
Health and welfare	-	-	-	-	-	-	-
Community and economic development	-	-	-	-	-	402,366	-
Recreation and culture	-	334,526	-	-	-	-	-
Capital outlay	6,018	141,876	-	2,207	-	-	-
Debt service							
Principal retirement	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-
Total expenditures	<u>607,730</u>	<u>476,402</u>	<u>8,179</u>	<u>567,384</u>	<u>-</u>	<u>402,366</u>	<u>151,763</u>
Excess (deficiency) of revenues over expenditures	<u>(8,908)</u>	<u>2,530</u>	<u>20,663</u>	<u>(60,726)</u>	<u>972</u>	<u>202,411</u>	<u>(17,575)</u>

Gratiot County
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2017

	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	\$ 9,000	\$ -	\$ 500	\$ 74,819	\$ -	\$ -	\$ -
Transfers out	-	(500)	-	-	-	(201,918)	-
Sale of fixed assets	-	251	-	-	-	-	-
Total other financing sources (uses)	<u>9,000</u>	<u>(249)</u>	<u>500</u>	<u>74,819</u>	<u>-</u>	<u>(201,918)</u>	<u>-</u>
Net change in fund balance	92	2,281	21,163	14,093	972	493	(17,575)
Fund balance - beginning 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>
Fund balance - end of year (deficit)	<u>\$ 367</u>	<u>\$ 261,475</u>	<u>\$ 125,643</u>	<u>\$ 1</u>	<u>\$ 9,356</u>	<u>\$ 45,901</u>	<u>\$ 36,411</u>

Gratiot County
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2017

	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 864,642
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental							
Federal/state	-	-	-	-	-	-	384,100
Local contributions	-	-	-	-	-	-	6,270
Charges for services	36,245	108,042	8,761	-	-	-	109,616
Fines and forfeitures	-	-	-	-	-	4,500	-
Interest income	288	116	114	5	4	72	1,228
Other revenue	-	-	-	-	-	-	-
Total revenues	<u>36,533</u>	<u>108,158</u>	<u>8,875</u>	<u>5</u>	<u>4</u>	<u>4,572</u>	<u>1,365,856</u>
Expenditures							
Current							
General government	31,804	-	-	-	-	-	-
Public safety	-	24,202	6,782	-	-	-	-
Health and welfare	-	-	-	-	-	-	1,229,921
Community and economic development	-	-	-	-	-	-	-
Recreation and culture	-	-	-	-	-	-	-
Capital outlay	-	78,879	-	-	-	-	3,771
Debt service							
Principal retirement	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-
Total expenditures	<u>31,804</u>	<u>103,081</u>	<u>6,782</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,233,692</u>
Excess (deficiency) of revenues over expenditures	<u>4,729</u>	<u>5,077</u>	<u>2,093</u>	<u>5</u>	<u>4</u>	<u>4,572</u>	<u>132,164</u>

Gratiot County
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2017

	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	-	-	-	-	-	-	-
Sale of fixed assets	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Net change in fund balance	4,729	5,077	2,093	5	4	4,572	132,164
Fund balance - beginning 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>
Fund balance - end of year (deficit)	<u>\$ 150,271</u>	<u>\$ 10,139</u>	<u>\$ 56,436</u>	<u>\$ 2,062</u>	<u>\$ 1,326</u>	<u>\$ 40,267</u>	<u>\$ 460,394</u>

Gratiot County
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2017

	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	233,946	-	-	-	-	1,332	-
Local contributions	-	-	-	-	-	-	-
Charges for services	31,937	-	-	5,000	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-
Interest income	17	7	1	17	10	4	24
Other revenue	570	-	-	-	-	-	840
Total revenues	<u>266,470</u>	<u>7</u>	<u>1</u>	<u>5,017</u>	<u>10</u>	<u>1,336</u>	<u>864</u>
Expenditures							
Current							
General government	-	-	-	2,470	-	-	-
Public safety	-	-	681	-	-	-	-
Health and welfare	254,278	-	-	-	-	1,410	-
Community and economic development	-	17,432	-	-	-	-	-
Recreation and culture	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Debt service							
Principal retirement	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-
Total expenditures	<u>254,278</u>	<u>17,432</u>	<u>681</u>	<u>2,470</u>	<u>-</u>	<u>1,410</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>12,192</u>	<u>(17,425)</u>	<u>(680)</u>	<u>2,547</u>	<u>10</u>	<u>(74)</u>	<u>864</u>

Gratiot County
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2017

	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	-	(2)	-	-	-	-	-
Sale of fixed assets	-	-	-	-	-	-	-
Total other financing sources (uses)	-	(2)	-	-	-	-	-
Net change in fund balance	12,192	(17,427)	(680)	2,547	10	(74)	864
Fund balance - beginning 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>
Fund balance - end of year (deficit)	<u>\$ 82,386</u>	<u>\$ -</u>	<u>\$ 20</u>	<u>\$ 9,862</u>	<u>\$ 3,577</u>	<u>\$ 1,372</u>	<u>\$ 14,616</u>

Gratiot County
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2017

	Special Revenue Funds						
	Homeless Veterans Fund	Animal Control	Marine Safety	Michigan Justice Training	Library	MSHDA	Concealed Pistol Licensing
Revenues							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 645,856	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental							
Federal/state	-	-	1,464	5,411	-	7,140	-
Local contributions	-	-	-	-	-	-	-
Charges for services	-	3,819	-	-	-	-	19,116
Fines and forfeitures	-	-	-	-	-	-	-
Interest income	2	2	-	-	310	-	101
Other revenue	-	1,026	2,414	-	-	-	-
Total revenues	<u>2</u>	<u>4,847</u>	<u>3,878</u>	<u>5,411</u>	<u>646,166</u>	<u>7,140</u>	<u>19,217</u>
Expenditures							
Current							
General government	-	-	-	-	-	-	-
Public safety	-	4,076	1,518	9,800	-	-	-
Health and welfare	697	-	-	-	-	-	-
Community and economic development	-	-	-	-	-	7,290	-
Recreation and culture	-	-	-	-	640,114	-	-
Capital outlay	-	-	-	-	-	-	-
Debt service							
Principal retirement	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-
Total expenditures	<u>697</u>	<u>4,076</u>	<u>1,518</u>	<u>9,800</u>	<u>640,114</u>	<u>7,290</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(695)</u>	<u>771</u>	<u>2,360</u>	<u>(4,389)</u>	<u>6,052</u>	<u>(150)</u>	<u>19,217</u>

Gratiot County
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2017

	Special Revenue Funds						
	Homeless Veterans Fund	Animal Control	Marine Safety	Michigan Justice Training	Library	MSHDA	Concealed Pistol Licensing
Other financing sources (uses)							
Transfers in	\$ -	\$ -	\$ -	\$ 2,664	\$ -	\$ -	\$ -
Transfers out	-	-	-	-	-	(216)	-
Sale of fixed assets	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	2,664	-	(216)	-
Net change in fund balance	(695)	771	2,360	(1,725)	6,052	(366)	19,217
Fund balance - beginning of year (deficit)	695	1,127	1,957	1,725	5,819	366	24,508
Fund balance - end of year (deficit)	<u>\$ -</u>	<u>\$ 1,898</u>	<u>\$ 4,317</u>	<u>\$ -</u>	<u>\$ 11,871</u>	<u>\$ -</u>	<u>\$ 43,725</u>

Gratiot County
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2017

	Debt Service Funds			Total Nonmajor Governmental Funds
	2005 G.O. Bonds	Building Authority - Jail	Pension Obligation Bond	
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ 3,178,508
Licenses and permits	-	-	-	134,126
Intergovernmental				
Federal/state	-	-	-	1,093,743
Local contributions	122,359	-	-	156,796
Charges for services	-	-	-	382,183
Fines and forfeitures	-	-	-	4,500
Interest income	-	61	-	4,200
Other revenue	-	-	-	5,924
	<u>122,359</u>	<u>61</u>	<u>-</u>	<u>4,959,980</u>
Expenditures				
Current				
General government	-	59	-	607,689
Public safety	-	-	-	800,534
Health and welfare	-	-	-	1,486,306
Community and economic development	-	-	-	427,088
Recreation and culture	-	-	-	974,640
Capital outlay	-	-	-	232,751
Debt service				
Principal retirement	99,705	145,000	280,000	524,705
Interest and fiscal charges	21,350	24,775	84,374	130,499
	<u>121,055</u>	<u>169,834</u>	<u>364,374</u>	<u>5,184,212</u>
Excess (deficiency) of revenues over expenditures	<u>1,304</u>	<u>(169,773)</u>	<u>(364,374)</u>	<u>(224,232)</u>

Gratiot County
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2017

	Debt Service Funds			Total Nonmajor Governmental Funds
	2005 G.O. Bonds	Building Authority - Jail	Pension Obligation Bond	
Other financing sources (uses)				
Transfers in	\$ 83,202	\$ 169,650	\$ 364,374	\$ 704,209
Transfers out	-	-	-	(202,636)
Sale of fixed assets	-	-	-	251
	83,202	169,650	364,374	501,824
Total other financing sources (uses)				
Net change in fund balance	84,506	(123)	-	277,592
Fund balance - beginning of year (deficit)	150	6,235	-	1,186,869
Fund balance - end of year (deficit)	\$ 84,656	\$ 6,112	\$ -	\$ 1,464,461

Gratiot County
Nonmajor Enterprise Funds
Combining Statement of Net Position
September 30, 2017

	<u>Tax Fees and Sale Proceeds</u>	<u>Principal Residence Denial Interest</u>	<u>Soil Erosion Inspection</u>	<u>Jail Commissary</u>	<u>Total</u>
Assets					
Current assets					
Cash and cash equivalents	\$ 732,297	\$ 36,152	\$ 7,176	\$ 15,085	\$ 790,710
Receivables					
Taxes	1,574	-	-	-	1,574
Customers	-	-	-	2,774	2,774
Prepaid items	-	-	-	625	625
	<u>733,871</u>	<u>36,152</u>	<u>7,176</u>	<u>18,484</u>	<u>795,683</u>
Total assets					
Liabilities					
Current liabilities					
Accounts payable	80	-	64	4,047	4,191
Accrued and other liabilities	-	-	478	-	478
Due to other funds	230	-	-	-	230
	<u>310</u>	<u>-</u>	<u>542</u>	<u>4,047</u>	<u>4,899</u>
Total liabilities					
Net Position					
Unrestricted	<u>\$ 733,561</u>	<u>\$ 36,152</u>	<u>\$ 6,634</u>	<u>\$ 14,437</u>	<u>\$ 790,784</u>

Gratiot County
Nonmajor Enterprise Funds
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended September 30, 2017

	Tax Fees and Sale Proceeds	Principal Residence Denial Interest	Soil Erosion Inspection	Jail Commissary	Total
Operating revenue					
Customer fees	\$ 121,275	\$ -	\$ 27,800	\$ 40,066	\$ 189,141
Other revenue	90,449	-	-	48,139	138,588
Total operating revenue	<u>211,724</u>	<u>-</u>	<u>27,800</u>	<u>88,205</u>	<u>327,729</u>
Operating expenses					
Personnel services	-	1,601	10,331	-	11,932
Supplies	12,924	-	118	28,111	41,153
Contractual services	75	-	-	-	75
Utilities	-	-	111	-	111
Repairs and maintenance	-	-	206	7,359	7,565
Other expenses	51,203	1,494	12,784	64,819	130,300
Total operating expenses	<u>64,202</u>	<u>3,095</u>	<u>23,550</u>	<u>100,289</u>	<u>191,136</u>
Operating income (loss)	147,522	(3,095)	4,250	(12,084)	136,593
Nonoperating revenue					
Interest income	1,256	5,157	28	64	6,505
Change in net position	148,778	2,062	4,278	(12,020)	143,098
Net position - beginning of year	<u>584,783</u>	<u>34,090</u>	<u>2,356</u>	<u>26,457</u>	<u>647,686</u>
Net position - end of year	<u>\$ 733,561</u>	<u>\$ 36,152</u>	<u>\$ 6,634</u>	<u>\$ 14,437</u>	<u>\$ 790,784</u>

Gratiot County
Nonmajor Enterprise Funds
Combining Statement of Cash Flows
For the Year Ended September 30, 2017

	Tax Fees and Sale Proceeds	Principal Residence Denial Interest	Soil Erosion Inspection	Jail Commissary	Total
Cash flows from operating activities					
Receipts from customers	\$ 211,554	\$ -	\$ 27,800	\$ 86,633	\$ 325,987
Receipts from other funds	220	-	-	-	220
Payments to suppliers	(64,283)	(1,494)	(12,779)	(96,839)	(175,395)
Payments to employees	-	(1,601)	(10,331)	-	(11,932)
Net cash provided (used) by operating activities	147,491	(3,095)	4,690	(10,206)	138,880
Cash flows from investing activities					
Interest received	1,256	5,157	28	64	6,505
Net change in cash and cash equivalents	148,747	2,062	4,718	(10,142)	145,385
Cash and cash equivalents - beginning of year	583,550	34,090	2,458	25,227	645,325
Cash and cash equivalents - end of year	\$ 732,297	\$ 36,152	\$ 7,176	\$ 15,085	\$ 790,710
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	\$ 147,522	\$ (3,095)	\$ 4,250	\$ (12,084)	\$ 136,593
Changes in assets and liabilities					
Receivables (net)	(170)	-	-	(1,572)	(1,742)
Prepaid items	-	-	-	(216)	(216)
Accounts payable	(81)	-	94	3,666	3,679
Accrued and other liabilities	-	-	346	-	346
Due to other funds	220	-	-	-	220
Net cash provided (used) by operating activities	\$ 147,491	\$ (3,095)	\$ 4,690	\$ (10,206)	\$ 138,880

Gratiot County
Internal Service Funds
Combining Statement of Net Position
September 30, 2017

	Fringe Benefits	Tile Fund	Flexible Spending	Total
Assets				
Current assets				
Cash and cash equivalents	\$ 22,727	\$ 18,698	\$ 5,951	\$ 47,376
Inventories	-	30,246	-	30,246
Prepaid items	131,840	-	-	131,840
Total assets	154,567	48,944	5,951	209,462
Liabilities				
Current liabilities				
Due to other funds	-	-	1,251	1,251
Net Position				
Unrestricted	\$ 154,567	\$ 48,944	\$ 4,700	\$ 208,211

Gratiot County
Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended September 30, 2017

	<u>Fringe Benefits</u>	<u>Tile Fund</u>	<u>Flexible Spending</u>	<u>Total</u>
Operating revenue				
Billings to other funds	\$ 3,532,437	\$ -	\$ -	\$ 3,532,437
Other revenue	<u>14,302</u>	<u>41,931</u>	<u>25,393</u>	<u>81,626</u>
Total operating revenue	<u>3,546,739</u>	<u>41,931</u>	<u>25,393</u>	<u>3,614,063</u>
Operating expenses				
Personnel services	2,894,971	-	-	2,894,971
Other expenses	<u>-</u>	<u>15,672</u>	<u>25,134</u>	<u>40,806</u>
Total operating expenses	<u>2,894,971</u>	<u>15,672</u>	<u>25,134</u>	<u>2,935,777</u>
Operating income	651,768	26,259	259	678,286
Nonoperating revenue				
Interest income	<u>514</u>	<u>14</u>	<u>19</u>	<u>547</u>
Income before transfers	652,282	26,273	278	678,833
Transfers out	<u>(539,774)</u>	<u>-</u>	<u>-</u>	<u>(539,774)</u>
Change in net position	112,508	26,273	278	139,059
Net position - beginning of year	<u>42,059</u>	<u>22,671</u>	<u>4,422</u>	<u>69,152</u>
Net position - end of year	<u>\$ 154,567</u>	<u>\$ 48,944</u>	<u>\$ 4,700</u>	<u>\$ 208,211</u>

Gratiot County
Internal Service Funds
Combining Statement of Cash Flows
For the Year Ended September 30, 2017

	Fringe Benefits	Tile Fund	Flexible Spending	Total
Cash flows from operating activities				
Receipts from employees	\$ -	\$ -	\$ 25,393	\$ 25,393
Receipts from interfund users	3,474,736	41,931	-	3,516,667
Payments to suppliers	<u>(2,912,749)</u>	<u>(28,636)</u>	<u>(25,134)</u>	<u>(2,966,519)</u>
Net cash provided by operating activities	561,987	13,295	259	575,541
Cash flows from noncapital financing activities				
Transfers to other funds	(539,774)	-	-	(539,774)
Cash flows from investing activities				
Interest received	<u>514</u>	<u>14</u>	<u>19</u>	<u>547</u>
Net change in cash and cash equivalents	22,727	13,309	278	36,314
Cash and cash equivalents - beginning of year	<u>-</u>	<u>5,389</u>	<u>5,673</u>	<u>11,062</u>
Cash and cash equivalents - end of year	<u>\$ 22,727</u>	<u>\$ 18,698</u>	<u>\$ 5,951</u>	<u>\$ 47,376</u>
Reconciliation of operating income to net cash provided by operating activities				
Operating income	\$ 651,768	\$ 26,259	\$ 259	\$ 678,286
Changes in assets and liabilities				
Receivables (net)	14,841	-	-	14,841
Inventories	-	(10,689)	-	(10,689)
Prepaid items	(17,778)	-	-	(17,778)
Accounts payable	-	(2,275)	-	(2,275)
Due to other funds	<u>(86,844)</u>	<u>-</u>	<u>-</u>	<u>(86,844)</u>
Net cash provided by operating activities	<u>\$ 561,987</u>	<u>\$ 13,295</u>	<u>\$ 259</u>	<u>\$ 575,541</u>

**Gratiot County
Component Unit Funds
Road Commission
Balance Sheet
September 30, 2017**

	<u>Road Commission</u>
Assets	
Cash and cash equivalents	\$ 1,304,046
Due from other units of government	960,412
Inventories	<u>651,502</u>
Total assets	<u><u>\$ 2,915,960</u></u>
Liabilities	
Accounts payable	\$ 177,962
Accrued and other liabilities	44,106
Performance bond payable	900
Advances from State	182,755
Due to other units of government	<u>3,198</u>
Total liabilities	<u>408,921</u>
Fund Balances	
Nonspendable	651,502
Restricted	
County Road Operations	<u>1,855,537</u>
Total fund balances	<u>2,507,039</u>
Total liabilities and fund balances	<u><u>\$ 2,915,960</u></u>

**Gratiot County
Component Unit Funds
Road Commission
Reconciliation of the Balance Sheet to the Statement of Net Position
September 30, 2017**

Total fund balances for component unit funds - road commission	\$ 2,507,039
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	28,743,466
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Compensated absences	(343,427)
Net other post employment obligation	(11,106)
Deferred outflows of resources resulting from net pension liability	1,674,986
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>(7,485,941)</u>
Net position of component unit funds - road commission	<u><u>\$ 25,738,690</u></u>

Gratiot County
Component Unit Funds
Road Commission
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2017

	Road Commission
Revenues	
Licenses and permits	\$ 70,178
Intergovernmental	
Federal\state	6,349,237
Local contributions	1,275,781
Charges for services	826,774
Interest and rents	6,429
Other revenue	58,482
Total revenues	8,586,881
Expenditures	
Current	
Public works	8,084,510
Capital outlay	43,814
Total expenditures	8,128,324
Excess of revenues over expenditures	458,557
Fund balance - beginning of year	2,048,482
Fund balance - end of year	\$ 2,507,039

**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, 2017**

Net change in fund balances - component unit funds - road commission \$ 458,557

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	(2,157,004)
Capital outlay	1,327,384

Expenses are recorded when incurred in the statement of activities

Compensated absences	(34,810)
Net other post employment obligation	(3,565)

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	226,611
Net change in the deferred outflow of resources related to the net pension liability	<u>(437,104)</u>

Change in net position of component unit funds - road commission \$ (619,931)

**Gratiot County
Component Unit Funds
Drainage Districts
Combining Balance Sheet
September 30, 2017**

	Debt Service					Capital Projects		
	Drain Debt #007	Drain Debt #96	Drain Debt #133	Drain Debt #181	Drain Debt #383	Drain Debt	Drain #133	Drain #181
Assets								
Cash and cash equivalents	\$ 121,959	\$ 56,936	\$ 126,740	\$ 669,252	\$ 43,431	\$ -	\$ -	\$ -
Receivables								
Special assessments, current	161,636	168,297	67,258	205,650	94,004	-	-	-
Due from other units of government	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-	-	-
Total current assets	<u>283,595</u>	<u>225,233</u>	<u>193,998</u>	<u>874,902</u>	<u>137,435</u>	<u>-</u>	<u>-</u>	<u>-</u>
Noncurrent assets								
Special assessments, deferred	<u>646,545</u>	<u>-</u>	<u>672,578</u>	<u>3,084,752</u>	<u>1,692,071</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 930,140</u>	<u>\$ 225,233</u>	<u>\$ 866,576</u>	<u>\$ 3,959,654</u>	<u>\$ 1,829,506</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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>808,181</u>	<u>168,297</u>	<u>739,836</u>	<u>3,290,402</u>	<u>1,786,075</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances								
Nonspendable	-	-	-	-	-	-	-	-
Restricted								
Debt service	121,959	56,936	126,740	669,252	43,431	-	-	-
Assigned - capital projects	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>121,959</u>	<u>56,936</u>	<u>126,740</u>	<u>669,252</u>	<u>43,431</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 930,140</u>	<u>\$ 225,233</u>	<u>\$ 866,576</u>	<u>\$ 3,959,654</u>	<u>\$ 1,829,506</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Gratiot County
Component Unit Funds
Drainage Districts
Combining Balance Sheet
September 30, 2017**

	Capital Projects				Total
	Drain #383	Regular Drain	Revolving Drain	Revolving Drain Maintenance	
Assets					
Cash and cash equivalents	\$ -	\$ 2,085,924	\$ 95,964	\$ 22,731	\$ 3,222,937
Receivables					
Special assessments, current	-	1,591,421	-	-	2,288,266
Due from other units of government	-	50,379	-	-	50,379
Due from other funds	-	-	290,976	-	290,976
Prepaid items	-	-	-	2,100	2,100
Total current assets	-	3,727,724	386,940	24,831	5,854,658
Noncurrent assets					
Special assessments, deferred	-	6,414,350	-	-	12,510,296
Total assets	\$ -	\$ 10,142,074	\$ 386,940	\$ 24,831	\$ 18,364,954
Liabilities					
Accounts payable	\$ -	\$ 233,183	\$ 6,488	\$ 610	\$ 240,281
Due to other funds	-	290,976	-	-	290,976
Total liabilities	-	524,159	6,488	610	531,257
Deferred Inflows of Resources					
Unavailable revenue					
Special assessments	-	8,005,771	-	-	14,798,562
Fund Balances					
Nonspendable	-	-	-	2,100	2,100
Restricted					
Debt service	-	-	-	-	1,018,318
Assigned - capital projects	-	1,612,144	380,452	22,121	2,014,717
Total fund balances	-	1,612,144	380,452	24,221	3,035,135
Total liabilities, deferred inflows of resources and fund balances	\$ -	\$ 10,142,074	\$ 386,940	\$ 24,831	\$ 18,364,954

**Gratiot County
Component Unit Funds
Drainage Districts
Reconciliation of the Combining Balance Sheet to the Statement of Net Position
September 30, 2017**

Total fund balances for component unit funds - drainage district	\$ 3,035,135
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	1,234,040
Capital assets net of depreciation	23,691,236
Certain receivables are not available to pay for current period expenditures and, therefore are deferred in the funds.	14,798,562
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(133,470)
Bonds and loans payable	<u>(13,941,349)</u>
Net position of component unit funds - drainage district	<u><u>\$ 28,684,154</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, 2017

	Debt Service						Capital Projects	
	Drain Debt #007	Drain Debt #96	Drain Debt #133	Drain Debt #181	Drain Debt #383	Drain Debt	Drain #133	Drain #181
Revenues								
Intergovernmental - state	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental - local	-	-	-	-	-	-	-	-
Charges for services	191,532	183,846	92,714	396,030	140,582	-	-	-
Interest income	674	379	434	2,923	129	31	-	-
Other revenue	-	-	-	-	-	-	-	-
Total revenues	<u>192,206</u>	<u>184,225</u>	<u>93,148</u>	<u>398,953</u>	<u>140,711</u>	<u>31</u>	<u>-</u>	<u>-</u>
Expenditures								
Current								
Public works	31	30	29	29	40	-	-	1,200
Capital outlay	-	-	-	-	-	-	-	47,517
Debt service								
Principal retirement	170,000	180,000	75,000	235,000	95,000	899,907	-	-
Interest and fiscal charges	21,675	13,140	18,013	128,075	44,280	153,029	-	-
Total expenditures	<u>191,706</u>	<u>193,170</u>	<u>93,042</u>	<u>363,104</u>	<u>139,320</u>	<u>1,052,936</u>	<u>-</u>	<u>48,717</u>
Excess (deficiency) of revenues over expenditures	<u>500</u>	<u>(8,945)</u>	<u>106</u>	<u>35,849</u>	<u>1,391</u>	<u>(1,052,905)</u>	<u>-</u>	<u>(48,717)</u>
Other financing sources (uses)								
Transfers in	-	-	-	-	-	1,053,039	-	-
Transfers out	-	-	-	-	-	(134)	(66,096)	(573,847)
Bond and note proceeds	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,052,905</u>	<u>(66,096)</u>	<u>(573,847)</u>
Net change in fund balance	<u>500</u>	<u>(8,945)</u>	<u>106</u>	<u>35,849</u>	<u>1,391</u>	<u>-</u>	<u>(66,096)</u>	<u>(622,564)</u>
Fund balance - beginning 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>66,096</u>	<u>622,564</u>
Fund balance - end of year	<u>\$ 121,959</u>	<u>\$ 56,936</u>	<u>\$ 126,740</u>	<u>\$ 669,252</u>	<u>\$ 43,431</u>	<u>\$ -</u>	<u>\$ -</u>	<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, 2017

	Capital Projects				Total
	Drain #383	Regular Drain	Revolving Drain	Revolving Drain Maintenance	
Revenues					
Other state grants	\$ -	\$ 50,379	\$ -	\$ -	\$ 50,379
Intergovernmental - local	-	494,908	-	-	494,908
Charges for services	-	1,803,382	-	-	2,808,086
Interest income	50	7,169	166	68	12,023
Other revenue	-	1,100	-	-	1,100
Total revenues	<u>50</u>	<u>2,356,938</u>	<u>166</u>	<u>68</u>	<u>3,366,496</u>
Expenditures					
Current					
Public works	-	434,581	65,146	83,318	584,404
Capital outlay	191,461	2,060,921	266,625	11,509	2,578,033
Debt service					
Principal retirement	-	-	-	-	1,654,907
Interest and fiscal charges	-	-	-	-	378,212
Total expenditures	<u>191,461</u>	<u>2,495,502</u>	<u>331,771</u>	<u>94,827</u>	<u>5,195,556</u>
Excess (deficiency) of revenues over expenditures	<u>(191,411)</u>	<u>(138,564)</u>	<u>(331,605)</u>	<u>(94,759)</u>	<u>(1,829,060)</u>
Other financing sources (uses)					
Transfers in	-	1,088,895	508,559	77,667	2,728,160
Transfers out	(288,482)	(1,614,812)	(184,789)	-	(2,728,160)
Bond and note proceeds	-	1,489,475	-	-	1,489,475
Total other financing sources (uses)	<u>(288,482)</u>	<u>963,558</u>	<u>323,770</u>	<u>77,667</u>	<u>1,489,475</u>
Net change in fund balance	<u>(479,893)</u>	<u>824,994</u>	<u>(7,835)</u>	<u>(17,092)</u>	<u>(339,585)</u>
Fund balance - beginning of year	<u>479,893</u>	<u>787,150</u>	<u>388,287</u>	<u>41,313</u>	<u>3,374,720</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ 1,612,144</u>	<u>\$ 380,452</u>	<u>\$ 24,221</u>	<u>\$ 3,035,135</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, 2017**

Net change in fund balances - component unit funds - drainage district \$ (339,585)

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	(541,244)
Capital outlay	1,999,381

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

Special assessments	1,046,828
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Expenses are recorded when incurred in the statement of activities

Accrued interest	(5,142)
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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	(1,489,475)
Repayments of long-term debt	1,654,907

Change in net position of component unit funds - drainage district \$ 2,325,670

Gratiot County
Component Unit Funds
Central Dispatch Authority
Balance Sheet
September 30, 2017

Assets

Cash and cash equivalents	\$ 304,160
Receivables	
Customers	261,851
Prepaid items	<u>57,343</u>
 Total assets	 <u><u>\$ 623,354</u></u>

Liabilities

Accounts payable	\$ 7,821
Accrued and other liabilities	<u>23,339</u>
 Total liabilities	 <u>31,160</u>

Fund Balances

Nonspendable items	
Prepaid items	57,343
Restricted	
Central Dispatch Authority	<u>534,851</u>
 Total fund balances	 <u>592,194</u>
 Total liabilities and fund balances	 <u><u>\$ 623,354</u></u>

**Gratiot County
Component Unit Funds
Central Dispatch Authority
Reconciliation of the Balance Sheet to the Statement of Net Position
September 30, 2017**

Total fund balances for component unit funds - central dispatch authority	\$ 592,194
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	38,667
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(2,282)
Compensated absences	(35,017)
Deferred outflows of resources resulting from net pension liability	442,137
Deferred inflows of resources resulting from other post-employment benefits liability	(7,660)
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	(288,416)
Net pension liability	(437,889)
Other post-employment benefits liability	(135,324)
<u>Other post-employment benefits liability</u>	<u>(135,324)</u>
Net position of component unit funds - central dispatch authority	<u><u>\$ 802,581</u></u>

Gratiot County
Component Unit Funds
Central Dispatch Authority
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2017

Revenues

Other state grants	\$ 10,060
Charges for services	1,170,429
Interest income	966
	1,181,455
Total revenues	1,181,455

Expenditures

Current	
Public safety	971,791
Capital outlay	118,641
Debt service	
Principal retirement	141,511
Interest and fiscal charges	8,144
	1,240,087
Total expenditures	1,240,087
Net change in fund balance	(58,632)
Fund balance - beginning of year	650,826
Fund balance - end of year	\$ 592,194

**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, 2017**

Net change in fund balances - component unit funds - central dispatch authority \$ (58,632)

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 (13,594)

Expenses are recorded when incurred in the statement of activities

Accrued interest 1,109

Compensated absences 8,740

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 109,067

Net change in the deferred outflow of resources related to the net pension liability 260,516

Net change in the deferred inflow of resources related to the net pension liability 10,207

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

Net change in OPEB liability 3,960

Net change in the deferred inflow of resources related to the OPEB liability (7,660)

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.

Repayments of long-term debt 141,511

Change in net position of component unit funds - central dispatch authority \$ 455,224

**Gratiot County
Component Unit Funds
Brownfield Redevelopment Authority
Balance Sheet
September 30, 2017**

Assets

Cash and cash equivalents	\$ 4,674
Due from other units of government	<u>31,173</u>
 Total assets	 <u><u>\$ 35,847</u></u>

Fund Balances

Restricted	
Brownfield Redevelopment	<u><u>\$ 35,847</u></u>

Gratiot County
Component Unit Funds
Brownfield Redevelopment Authority
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2017

Revenues

Taxes	\$ 72,374
Interest income	<u>18</u>
Total revenues	72,392

Expenditures

Current	
Community and economic development	<u>84,832</u>
Net change in fund balance	(12,440)
Fund balance - beginning of year	<u>48,287</u>
Fund balance - end of year	<u><u>\$ 35,847</u></u>