

Gratiot County
Financial Statements
September 30, 2018



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Gratiot County
List of Elected and Appointed Officials
September 30, 2018

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, 2018, 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 41 percent and 46 percent of the total assets and total net position of the discretely presented component units at September 30, 2018, respectively, and total revenues constituting 62 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, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of New Accounting Standards

As described in Note 1 to the financial statements, during the year ended September 30, 2018, the Gratiot County Road Commission, a discretely presented component unit, 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 2017 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 Post Employment Benefit Schedules, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

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

The other supplementary information, as identified in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the other supplementary information, as identified in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2019 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, 2019

Gratiot County
Management's Discussion and Analysis
September 30, 2018

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, 2018. This analysis should be read in conjunction with the *Independent Auditors' Report*, beginning on page 2-1 of this report, and with the County's financial statements, which follow this section. Certain limited financial information is presented with respect to the Gratiot County Road Commission in Management's Discussion and Analysis. The reader should refer to the Gratiot County Road Commission's separately issued financial statements for more detailed information.

Overview of the Financial Statements

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

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

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

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

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

Both statements report the following activities:

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

Gratiot County
Management's Discussion and Analysis
September 30, 2018

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

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

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

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

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

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

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

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

The *basic financial statements* report major funds as defined by the Government Accounting Standards Board (GASB) in separate columns. Statement 34 defines a "major fund" as the General Fund, and any governmental or enterprise fund which has either total assets, total liabilities, total revenues or total expenditures/expenses that equal at least ten (10) percent of those categories for either the governmental funds or the enterprise funds *and* where the individual fund total also exceeds five (5) percent of those categories for governmental and enterprise funds combined. The major funds for Gratiot County include the General Fund, 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, 2018

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

**Gratiot County
Management's Discussion and Analysis
September 30, 2018**

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, 2018 and 2017.

	Governmental Activities		Type Activities		Primary Government	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 11,690,692	\$ 9,994,619	\$ 7,114,195	\$ 6,571,280	\$ 18,804,887	\$ 16,565,899
Capital assets	7,228,206	7,439,583	-	-	7,228,206	7,439,583
Deferred outflows of resources	78,174	7,273,735	-	-	78,174	7,273,735
Total assets and deferred outflows of resources	18,997,072	24,707,937	7,114,195	6,571,280	26,111,267	31,279,217
Current liabilities	2,103,342	1,378,115	23,384	19,628	2,126,726	1,397,743
Long-term liabilities	9,943,772	18,124,691	-	-	9,943,772	18,124,691
Deferred inflows of resources	1,220,100	239,442	-	-	1,220,100	239,442
Total liabilities and deferred inflows of resources	13,267,214	19,742,248	23,384	19,628	13,290,598	19,761,876
Net Position						
Net investment in capital assets	6,539,650	6,426,746	-	-	6,539,650	6,426,746
Restricted	1,873,705	998,325	-	-	1,873,705	998,325
Unrestricted (deficit)	(2,683,497)	(2,459,382)	7,090,811	6,551,652	4,407,314	4,092,270
Total net position	\$ 5,729,858	\$ 4,965,689	\$ 7,090,811	\$ 6,551,652	\$ 12,820,669	\$ 11,517,341

**Gratiot County
Management's Discussion and Analysis
September 30, 2018**

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, 2018 and 2017.

	Governmental Activities		Business Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Revenues						
Charges for Services	\$ 3,495,984	\$ 3,276,914	\$ 612,581	\$ 552,806	\$ 4,108,565	\$ 3,829,720
Grants & Contributions	3,703,513	3,788,436	-	-	3,703,513	3,788,436
General Revenues						
Property Taxes	10,833,025	10,869,279	-	-	10,833,025	10,869,279
Investment Earnings	50,973	14,547	45,122	14,401	96,095	28,948
Miscellaneous	13,079	14,728	44,442	48,055	57,521	62,783
Total revenues	18,096,574	17,963,904	702,145	615,262	18,798,719	18,579,166
Expenses						
General Government	6,972,259	7,151,559	-	-	6,972,259	7,151,559
Public Safety	5,235,383	5,531,521	-	-	5,235,383	5,531,521
Public Works	15,206	13,847	-	-	15,206	13,847
Health and Welfare	3,516,843	3,372,608	-	-	3,516,843	3,372,608
Community and economic development	403,845	422,505	-	-	403,845	422,505
Recreation & Cultural	1,045,093	1,055,660	-	-	1,045,093	1,055,660
Interest on long-term debt	183,026	253,127	-	-	183,026	253,127
Delinquent Tax	-	-	8,558	9,720	8,558	9,720
Tax fees and sales proceeds	-	-	56,183	64,202	56,183	64,202
Other	-	-	99,176	126,934	99,176	126,934
Total expenses	17,371,655	17,800,827	163,917	200,856	17,535,572	18,001,683
Excess revenue over expenses	724,919	163,077	538,228	414,406	1,263,147	577,483
Transfers	(931)	-	931	-	-	-
Change in net position	723,988	163,077	539,159	414,406	1,263,147	577,483
Net position - beginning (restated)	5,005,870	4,802,612	6,551,652	6,137,246	11,557,522	10,939,858
Net position - ending	<u>\$ 5,729,858</u>	<u>\$ 4,965,689</u>	<u>\$ 7,090,811</u>	<u>\$ 6,551,652</u>	<u>\$ 12,820,669</u>	<u>\$ 11,517,341</u>

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

The County restated its beginning net position for fiscal year 2018 from \$4,965,689 to \$5,005,870. This restatement is a result of the County's efforts to ensure that their capital asset inventory was up to date in the fiscal year 2018 and properly maintained going forward. Assets were identified by the County that had not previously been disclosed in the financial statements. The details of the governmental activity net position restatement can be read in footnote 18, page 4-53.

After the restatement, the result of fiscal year 2018 governmental activity was an increase of \$723,715 in net position to \$5,729,585. Of the total governmental activities' net position, \$6,539,650 is invested in capital assets less related debt, \$1,873,705 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 \$2,683,497. The net position unrestricted deficit is attributed to the monies owed for the bond issued to fund the County's pension fund and the unfunded other post-employment benefits payable.

Revenues:

Tax collection revenues for fiscal year 2018 are up to \$11.3 million (from \$10.4 million). This is due to two factors, a higher percentage of County residents were able to make their tax payments on time compared to last fiscal year and additional tax revenue from the wind turbines.

Federal and State grant revenues for fiscal year 2018 are up to \$3.7 million (from \$3.5 million). The County qualified for a new State grant in fiscal year 2018 through our Specialty Courts making up the majority of this increase.

Charges for Services round off the last largest revenue source for the County's revenue sources. During fiscal year 2018 service fees increased to \$2.6 million (from \$2.5 million) largely due to increased deed searches from wind turbine companies searching for potential turbine locations and due to District Court collection increases.

The aforementioned revenue sources make up 94% of the \$18.7 million in Governmental Activities revenue intake for the fiscal year.

The County levied six property tax millages for the 2018 fiscal year, one being for general government operations at 5.5306 mills which is not assigned to any particular activity, the senior citizens millage at .6492 mills to finance the Commission on Aging, the road patrol millage at .4494 to finance the Road Patrol, the parks millage at .3493 mills to finance the Parks Department, the Economic Development and Agriculture millage at .4500 mills to finance economic development and agricultural promotion activities, and .4994 mills to finance libraries throughout the County.

Expenses:

General government is the largest governmental activity, expending over \$6.7 million of the \$17.6 million total and includes offices such as District Court, Juvenile Court, Prosecuting Attorney, Board of Commissioners, Treasurer, Clerk, Register of Deeds, Elections and MSU Extension. Public Safety is the second largest governmental activity, expending over \$4.5 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 \$0.3 million, but still remained less than total revenues.

**Gratiot County
Management's Discussion and Analysis
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Business-type Activities:

Net position in business-type activities increased by \$539,159 during fiscal year 2018, to \$7.1 million. 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.

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, 2018, the General Fund reported a fund balance of \$7,503,117. The General Fund's fund balance increased by \$1,364,836 due to current year expenditure reductions, better utilization of available Federal and State grants, and increased wind turbine revenue. Of the total fund balance, \$6,802,220 is unassigned. The County maintains separate internal funds to account for the following activities: solid waste planning, public improvement, budget stabilization, secondary road patrol, social welfare, child welfare, juvenile child care, soldiers & sailors, and animal adoption coordinator. These internal funds are rolled up and included in General Fund presented in these financial statements because these funds receive a significant portion of funding from the General Fund and would not be able to operate independently without that funding.

General Fund Budgetary Highlights:

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

The County's revenue collections were budgeted at \$13,312,663. Actual collections came in at \$13,796,125, or \$483,462 higher than budgeted. Actual was more than budgeted amounts for the following significant reason:

- A higher percentage of Gratiot County residents paid their summer taxes on time compared to previous years. When a summer tax bill is paid greater than 60 days late, by accounting rules the revenue is recorded in the subsequent fiscal year. Uncollected taxes in fiscal year 2017 totaled \$1,245,311. During fiscal year 2018 uncollected taxes totaled \$777,523, explaining the unexpected collections.

The County's expenditure budget was \$13,086,244. Actual County expenditures for fiscal year 2018 were \$12,431,289, or \$654,955 lower than budgeted.

- The Capital Outlay fund came in under budget \$129,403. Building repairs were not as extensive as originally estimated.
- The County Sheriff's Department came in under budget \$101,018. This is largely related to salary and fringes being down due to repeated turnover in staff.
- The District Court came in under budget \$77,650. During the fiscal year the Court discontinued contracting drug testers at Gratiot County. Savings was recognized because of this.

**Gratiot County
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- Social and Child Welfare fund came in under budget by \$72,298. This is a result of continued reorganization by the Court Administrator by maximizing State grant funding.
- The County Jail Department came in under budget \$46,361. This is largely due to salary lapses in full staffing as turnover occurred.
- The remainder of the savings were spread out amongst all the Departments. Continued efforts to rework contracts, maximize State and Federal programs, and centralizing functions has resulted in the General Fund expending less than what was budgeted.

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, 2018, this fund reported net position of \$6,054,612, an increase of \$293,744 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.

Capital Assets

At the end of fiscal year 2018 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	
	2018	2017
Land	\$ 703,075	\$ 703,075
Land improvements	967,589	933,527
Buildings and improvements	10,204,424	10,204,424
Equipment and furniture	1,572,543	1,543,490
Vehicles	821,825	899,348
	<u>14,269,456</u>	<u>14,283,864</u>
Less: accumulated depreciation	<u>(7,041,250)</u>	<u>(6,804,100)</u>
Capital assets, net	<u>\$ 7,228,206</u>	<u>\$ 7,479,764</u>

The County's capital assets' valuation decreased during fiscal year 2018 due to depreciation exceeding additions.

**Gratiot County
Management's Discussion and Analysis
September 30, 2018**

Long-Term Debt

As of September 30, 2018, the County had \$11,398,598 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.

General obligation bonds	\$6,628,952
Compensated absences	627,081
Other post-employment benefits	4,142,565

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 2019 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. In the 2018-19 budget, the Board approved \$1.25 million to place in the future trust fund.
- 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.
- Debt Management. During this time period where additional tax revenues are available resulting from wind turbines, the County is working to pay down debt and liabilities incurred to promote a healthy balance sheet.
- Other revenue. Gratiot County assumes continued state and federal grant awards that currently fund certain services. In addition, county citizens have consistently shown great support for the services that are sustained by millages, including the Sheriff's road patrol, parks and recreation, aging services, MSU extension, economic development and libraries.

**Gratiot County
Management's Discussion and Analysis
September 30, 2018**

Contacting the County

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

Gratiot County
Statement of Net Position
September 30, 2018

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 7,634,364	\$ 3,577,542	\$ 11,211,906	\$ 4,424,247
Deposits with fiscal agent	-	-	-	17,634
Investments	-	1,571,181	1,571,181	408,768
Receivables				
Taxes	2,223,752	1,579,049	3,802,801	-
Customers	302,532	1,104	303,636	284,816
Special assessments	-	-	-	14,280,439
Accrued interest and other	6,659	383,760	390,419	-
Due from other units of government	567,563	16	567,579	1,784,307
Internal balances	(918)	918	-	-
Inventories	37,239	-	37,239	551,566
Prepaid items	381,761	625	382,386	-
Net pension asset	537,740	-	537,740	236,455
Capital assets not being depreciated	703,075	-	703,075	2,846,056
Capital assets net of depreciation	6,525,131	-	6,525,131	54,783,242
Total assets	18,918,898	7,114,195	26,033,093	79,617,530
Deferred Outflows of Resources				
Deferred amount relating to net pension liability or asset	78,174	-	78,174	1,060,733
Total assets and deferred outflows of resources	18,997,072	7,114,195	26,111,267	80,678,263

See Accompanying Notes to the Financial Statements

Gratiot County
Statement of Net Position
September 30, 2018

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Liabilities				
Accounts payable	\$ 350,414	\$ 22,790	\$ 373,204	\$ 395,927
Accrued and other liabilities	298,102	594	298,696	210,317
Performance bond payable	-	-	-	900
Due to other units of government	-	-	-	63,413
Advances from other governmental unit	-	-	-	223,212
Noncurrent liabilities				
Debt due within one year	1,454,826	-	1,454,826	2,007,111
Debt due in more than one year	5,801,207	-	5,801,207	13,160,541
Net pension liability	-	-	-	6,397,282
Total OPEB liability	<u>4,142,565</u>	<u>-</u>	<u>4,142,565</u>	<u>132,528</u>
Total liabilities	12,047,114	23,384	12,070,498	22,591,231
Deferred Inflows of Resources				
Deferred amount relating to net pension liability or asset	865,410	-	865,410	424,803
Deferred amount relating to total OPEB liability	<u>354,690</u>	<u>-</u>	<u>354,690</u>	<u>11,347</u>
Total liabilities and deferred inflows of resources	<u>13,267,214</u>	<u>23,384</u>	<u>13,290,598</u>	<u>23,027,381</u>
Net Position				
Net investment in capital assets	6,539,650	-	6,539,650	42,812,614
Restricted for				
Special revenue funds	1,873,705	-	1,873,705	-
Central dispatch authority	-	-	-	633,213
Drainage districts	-	-	-	17,845,146
Brownfield redevelopment authority	-	-	-	36,005
Unrestricted (deficit)	<u>(2,683,497)</u>	<u>7,090,811</u>	<u>4,407,314</u>	<u>(3,676,096)</u>
Total net position	<u>\$ 5,729,858</u>	<u>\$ 7,090,811</u>	<u>\$ 12,820,669</u>	<u>\$ 57,650,882</u>

See Accompanying Notes to the Financial Statements

Gratiot County
Statement of Activities
For the Year Ended September 30, 2018

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities								
General government	\$ 6,972,259	\$ 2,318,516	\$ 3,106,223	\$ -	\$ (1,547,520)	\$ -	\$ (1,547,520)	\$ -
Public safety	5,235,383	1,025,541	129,110	20,163	(4,060,569)	-	(4,060,569)	-
Public works	15,206	-	-	-	(15,206)	-	(15,206)	-
Health and welfare	3,516,843	142,233	417,341	2,440	(2,954,829)	-	(2,954,829)	-
Community and economic development	403,845	-	27,911	-	(375,934)	-	(375,934)	-
Recreation and culture	1,045,093	9,694	325	-	(1,035,074)	-	(1,035,074)	-
Interest on long-term debt	183,026	-	-	-	(183,026)	-	(183,026)	-
Total governmental activities	<u>17,371,655</u>	<u>3,495,984</u>	<u>3,680,910</u>	<u>22,603</u>	<u>(10,172,158)</u>	<u>-</u>	<u>(10,172,158)</u>	<u>-</u>
Business-type activities								
Delinquent tax revolving	8,558	269,869	-	-	-	261,311	261,311	-
Tax fees and sale proceeds	56,183	261,767	-	-	-	205,584	205,584	-
Principle residence denial interest	125	-	-	-	-	(125)	(125)	-
Soil erosion inspection	18,685	42,879	-	-	-	24,194	24,194	-
Jail commissary	80,366	38,066	-	-	-	(42,300)	(42,300)	-
Total business-type activities	<u>163,917</u>	<u>612,581</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>448,664</u>	<u>448,664</u>	<u>-</u>
Total primary government	<u>\$ 17,535,572</u>	<u>\$ 4,108,565</u>	<u>\$ 3,680,910</u>	<u>\$ 22,603</u>	<u>(10,172,158)</u>	<u>448,664</u>	<u>(9,723,494)</u>	<u>-</u>
Component units								
Drainage Districts	\$ 2,031,229	\$ 2,480,418	\$ -	\$ 1,137,918	-	-	-	1,587,107
Central Dispatch Authority	898,218	1,188,917	5,085	-	-	-	-	295,784
Brownfield Redevelopment Authority	35,247	-	-	-	-	-	-	(35,247)
Road Commission	9,666,218	1,091,538	6,689,412	2,562,492	-	-	-	677,224
Total component units	<u>\$ 12,630,912</u>	<u>\$ 4,760,873</u>	<u>\$ 6,694,497</u>	<u>\$ 3,700,410</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,524,868</u>
General revenues								
Property taxes					10,833,025	-	10,833,025	35,335
Unrestricted investment earnings					50,973	45,122	96,095	51,416
Gain on sale of capital assets					3,550	1,025	4,575	60,137
Miscellaneous					9,529	43,417	52,946	-
Special items					-	-	-	1,359,053
Transfers					(931)	931	-	-
Total general revenues					<u>10,896,146</u>	<u>90,495</u>	<u>10,986,641</u>	<u>1,505,941</u>
Change in net position					<u>723,988</u>	<u>539,159</u>	<u>1,263,147</u>	<u>4,030,809</u>
Net position - beginning of year					4,965,689	6,551,652	11,517,341	55,261,272
Prior period adjustment					40,181	-	40,181	(1,641,199)
Net position - beginning of year (restated)					<u>5,005,870</u>	<u>6,551,652</u>	<u>11,557,522</u>	<u>53,620,073</u>
Net position - end of year					<u>\$ 5,729,858</u>	<u>\$ 7,090,811</u>	<u>\$ 12,820,669</u>	<u>\$ 57,650,882</u>

See Accompanying Notes to the Financial Statements

**Gratiot County
Governmental Funds
Balance Sheet
September 30, 2018**

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 5,852,004	\$ 1,750,151	\$ 7,602,155
Receivables			
Taxes	2,223,752	-	2,223,752
Customers	178,849	123,683	302,532
Due from other units of government	412,243	155,320	567,563
Due from other funds	11,950	-	11,950
Prepaid items	244,939	1	244,940
	<u>8,923,737</u>	<u>2,029,155</u>	<u>10,952,892</u>
Total assets	<u>\$ 8,923,737</u>	<u>\$ 2,029,155</u>	<u>\$ 10,952,892</u>
Liabilities			
Accounts payable	\$ 263,515	\$ 84,330	\$ 347,845
Accrued and other liabilities	222,616	63,074	285,690
Due to other funds	-	1,895	1,895
	<u>486,131</u>	<u>149,299</u>	<u>635,430</u>
Total liabilities	<u>486,131</u>	<u>149,299</u>	<u>635,430</u>

See Accompanying Notes to the Financial Statements

**Gratiot County
Governmental Funds
Balance Sheet
September 30, 2018**

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Deferred Inflows of Resources			
Unavailable grant revenue and charges for services	\$ 156,966	\$ 72,597	\$ 229,563
Unavailable property taxes	<u>777,523</u>	<u>-</u>	<u>777,523</u>
Total deferred inflows of resources	<u>934,489</u>	<u>72,597</u>	<u>1,007,086</u>
Fund Balances			
Non-spendable			
Prepaid items	244,939	1	244,940
Restricted			
Debt service	-	6,151	6,151
Special revenue funds	-	1,801,107	1,801,107
Committed			
Assigned	178,879	-	178,879
Unassigned	<u>277,079</u>	<u>-</u>	<u>277,079</u>
	<u>6,802,220</u>	<u>-</u>	<u>6,802,220</u>
Total fund balances	<u>7,503,117</u>	<u>1,807,259</u>	<u>9,310,376</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 8,923,737</u>	<u>\$ 2,029,155</u>	<u>\$ 10,952,892</u>

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, 2018**

Total fund balances for governmental funds	\$ 9,310,376
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	6,525,131
Certain receivables are not available to pay for current period expenditures and, therefore are deferred in the funds.	1,007,086
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(12,412)
Compensated absences	(627,081)
Deferred outflows of resources resulting from net pension liability	78,174
Deferred inflows of resources resulting from net pension liability	(865,410)
Deferred inflows of resources resulting from total OPEB liability	(354,690)
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	(6,628,952)
Net pension asset	537,740
Total OPEB liability	(4,142,565)
Internal service funds are included as part of governmental activities.	199,386
Net position of governmental activities	\$ 5,729,858

Gratiot County
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2018

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Taxes	\$ 8,057,275	\$ 3,243,538	\$ 11,300,813
Licenses and permits	78,432	240,231	318,663
Intergovernmental			
Federal/State	2,600,376	1,139,415	3,739,791
Local contributions	58,361	97,977	156,338
Charges for services	2,207,204	377,581	2,584,785
Fines and forfeitures	91,820	4,642	96,462
Interest income	38,163	12,810	50,973
Rental income	8,325	-	8,325
Other revenue	439,447	5,292	444,739
	<u>13,579,403</u>	<u>5,121,486</u>	<u>18,700,889</u>
Expenditures			
Current			
General government	6,133,181	571,931	6,705,112
Public safety	3,792,415	785,996	4,578,411
Public works	10,508	-	10,508
Health and Welfare	1,873,235	1,582,096	3,455,331
Community and economic development	4,201	411,378	415,579
Recreation and culture	-	970,884	970,884
Other functions	121,218	-	121,218
Capital outlay	110,399	148,618	259,017
Debt service			
Principal retirement	-	860,000	860,000
Interest and fiscal charges	106	205,320	205,426
	<u>12,045,263</u>	<u>5,536,223</u>	<u>17,581,486</u>
Excess (deficiency) of revenues over expenditures	<u>1,534,140</u>	<u>(414,737)</u>	<u>1,119,403</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, 2018

	General	Nonmajor Governmental Funds	Total Governmental Funds
Other financing sources (uses)			
Transfers in	\$ 216,722	\$ 971,257	\$ 1,187,979
Transfers out	(386,026)	(217,222)	(603,248)
Sale of fixed assets	-	3,500	3,500
	(169,304)	757,535	588,231
Total other financing sources (uses)			
Net change in fund balance	1,364,836	342,798	1,707,634
Fund balance - beginning of year	6,138,281	1,464,461	7,602,742
Fund balance - end of year	\$ 7,503,117	\$ 1,807,259	\$ 9,310,376

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, 2018

Net change in fund balances - Total governmental funds	\$ 1,707,634
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	(445,067)
Capital outlay	198,509
Loss on disposal of capital assets	(5,000)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
Grants	(140,027)
Property taxes	(467,788)
Expenses are recorded when incurred in the statement of activities	
Accrued interest	11,938
Compensated absences	111,017
The statement of net position reports the net pension asset and deferred outflows of resources and deferred inflows related to the net pension asset and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions.	
Net change in net pension asset	6,979,961
Net change in the deferred outflow of resources related to the net pension asset	(7,195,561)
Net change in the deferred inflow of resources related to the net pension asset	(865,410)
The statement of net position reports the total OPEB liability 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	87,393
Net change in the deferred inflow of resources related to the OPEB liability	(115,248)
Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position	
Repayments of long-term debt	860,000
Amortization of premiums	10,462
Internal service funds are also included as governmental activities	(8,825)
Change in net position of governmental activities	\$ 723,988

See Accompanying Notes to the Financial Statements

**Gratiot County
Proprietary Funds
Statement of Net Position
September 30, 2018**

	Business-type Activities				Internal Service Funds
	Delinquent Tax Revolving	Tax Fees and Sale Proceeds	Nonmajor Enterprise Funds	Total	
Assets					
Current assets					
Cash and cash equivalents	\$ 2,532,774	\$ 944,862	\$ 99,906	\$ 3,577,542	\$ 32,209
Investments	1,571,181	-	-	1,571,181	-
Receivables					
Taxes	1,576,655	2,394	-	1,579,049	-
Customers	-	-	1,104	1,104	-
Accrued interest and other	383,760	-	-	383,760	6,659
Due from other units of government	16	-	-	16	-
Due from other funds	918	-	-	918	-
Inventories	-	-	-	-	37,239
Prepaid items	-	-	625	625	136,821
	<u>6,065,304</u>	<u>947,256</u>	<u>101,635</u>	<u>7,114,195</u>	<u>212,928</u>
Total assets					
Liabilities					
Current liabilities					
Accounts payable	10,692	4,683	7,415	22,790	2,569
Accrued and other liabilities	-	-	594	594	-
Due to other funds	-	-	-	-	10,973
	<u>10,692</u>	<u>4,683</u>	<u>8,009</u>	<u>23,384</u>	<u>13,542</u>
Total liabilities					
Net Position					
Unrestricted	<u>\$ 6,054,612</u>	<u>\$ 942,573</u>	<u>\$ 93,626</u>	<u>\$ 7,090,811</u>	<u>\$ 199,386</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, 2018

	Business-type Activities				
	Delinquent Tax Revolving	Tax Fees and Sale Proceeds	Nonmajor Enterprise Funds	Total	Internal Service Funds
Operating revenue					
Customer fees	\$ 269,869	\$ 106,824	\$ 80,945	\$ 457,638	\$ -
Billings to other funds	-	-	-	-	3,294,092
Other revenue	-	154,943	43,417	198,360	100,453
Total operating revenue	<u>269,869</u>	<u>261,767</u>	<u>124,362</u>	<u>655,998</u>	<u>3,394,545</u>
Operating expenses					
Personnel services	-	-	11,969	11,969	2,767,489
Supplies	8,558	12,724	20,260	41,542	-
Contractual services	-	248	-	248	-
Utilities	-	-	432	432	-
Repairs and maintenance	-	-	2,590	2,590	-
Other expenses	-	43,211	63,925	107,136	52,351
Total operating expenses	<u>8,558</u>	<u>56,183</u>	<u>99,176</u>	<u>163,917</u>	<u>2,819,840</u>
Operating income	<u>261,311</u>	<u>205,584</u>	<u>25,186</u>	<u>492,081</u>	<u>574,705</u>
Nonoperating revenue					
Interest income	33,186	3,428	8,508	45,122	2,132
Gain on sale of assets	-	-	1,025	1,025	-
Total nonoperating revenues	<u>33,186</u>	<u>3,428</u>	<u>9,533</u>	<u>46,147</u>	<u>2,132</u>
Income before transfers	294,497	209,012	34,719	538,228	576,837
Transfers in	931	-	1,684	2,615	113,189
Transfers out	(1,684)	-	-	(1,684)	(698,851)
Change in net position	293,744	209,012	36,403	539,159	(8,825)
Net position - beginning of year	<u>5,760,868</u>	<u>733,561</u>	<u>57,223</u>	<u>6,551,652</u>	<u>208,211</u>
Net position - end of year	<u>\$ 6,054,612</u>	<u>\$ 942,573</u>	<u>\$ 93,626</u>	<u>\$ 7,090,811</u>	<u>\$ 199,386</u>

See Accompanying Notes to the Financial Statements

Gratiot County
Proprietary Funds
Statement of Cash Flows
For the Year Ended September 30, 2018

	<u>Business-type Activities - Enterprise Funds</u>				
	<u>Delinquent Tax Revolving</u>	<u>Tax Fees and Sale Proceeds</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total</u>	<u>Internal Service Funds</u>
Cash flows from operating activities					
Receipts from customers and employees	\$ 136,495	\$ 209,467	\$ 126,032	\$ 471,994	\$ 17,951
Receipts from interfund users	-	-	-	-	3,380,908
Payments to other funds	(92,407)	(330)	-	(92,737)	(1,251)
Payments to suppliers	-	-	(83,787)	(83,787)	(2,829,245)
Payments to employees	-	-	(11,969)	(11,969)	-
Net cash provided by operating activities	<u>44,088</u>	<u>209,137</u>	<u>30,276</u>	<u>283,501</u>	<u>568,363</u>
Cash flows from noncapital financing activities					
Transfer from other funds	931	-	1,684	2,615	113,189
Transfers to other funds	(1,684)	-	-	(1,684)	(698,851)
Net cash provided (used) by noncapital financing activities	<u>(753)</u>	<u>-</u>	<u>1,684</u>	<u>931</u>	<u>(585,662)</u>
Cash flows from investing activities					
Purchase of investments	(1,017,260)	-	-	(1,017,260)	-
Interest received	33,186	3,428	8,508	45,122	2,132
Net cash provided (used) by investing activities	<u>(984,074)</u>	<u>3,428</u>	<u>8,508</u>	<u>(972,138)</u>	<u>2,132</u>
Net change in cash and cash equivalents	(940,739)	212,565	41,493	(686,681)	(15,167)
Cash and cash equivalents - beginning of year	<u>3,473,513</u>	<u>732,297</u>	<u>58,413</u>	<u>4,264,223</u>	<u>47,376</u>
Cash and cash equivalents - end of year	<u>\$ 2,532,774</u>	<u>\$ 944,862</u>	<u>\$ 99,906</u>	<u>\$ 3,577,542</u>	<u>\$ 32,209</u>

See Accompanying Notes to the Financial Statements

Gratiot County
Proprietary Funds
Statement of Cash Flows
For the Year Ended September 30, 2018

	Business-type Activities - Enterprise Funds				
	Delinquent Tax Revolving	Tax Fees and Sale Proceeds	Nonmajor Enterprise Funds	Total	Internal Service Funds
Reconciliation of operating income to net cash provided by operating activities					
Operating income	\$ 261,311	\$ 205,584	\$ 25,186	\$ 492,081	\$ 574,705
Changes in assets and liabilities					
Receivables (net)	(121,623)	(720)	1,670	(120,673)	(6,659)
Due from other units of government	700	-	-	700	-
Due from other funds	(91,475)	-	-	(91,475)	-
Inventories	-	-	-	-	(6,993)
Prepaid items	-	-	-	-	(4,981)
Accounts payable	(1,788)	4,603	3,304	6,119	2,569
Accrued and other liabilities	-	-	116	116	-
Due to other funds	(932)	(330)	-	(1,262)	9,722
Due to other units of government	(2,105)	-	-	(2,105)	-
	<u>\$ 44,088</u>	<u>\$ 209,137</u>	<u>\$ 30,276</u>	<u>\$ 283,501</u>	<u>\$ 568,363</u>
Net cash provided by operating activities	<u>\$ 44,088</u>	<u>\$ 209,137</u>	<u>\$ 30,276</u>	<u>\$ 283,501</u>	<u>\$ 568,363</u>

See Accompanying Notes to the Financial Statements

Gratiot County
Fiduciary Funds
Statement of Fiduciary Assets and Liabilities
September 30, 2018

	Trust and Agency	Library Fund (Penal Fines)	Total Agency Funds
Assets			
Cash and cash equivalents	\$ 2,280,335	\$ 96,658	\$ 2,376,993
Receivables			
Accrued interest and other	1,796	-	1,796
Total assets	\$ 2,282,131	\$ 96,658	\$ 2,378,789
Liabilities			
Accrued and other liabilities	\$ 271,973	\$ -	\$ 271,973
Due to other units of government	2,010,158	96,658	2,106,816
Total liabilities	\$ 2,282,131	\$ 96,658	\$ 2,378,789

See Accompanying Notes to the Financial Statements

Gratiot County
Component Unit Funds
Combining Statement of Net Position
September 30, 2018

	Road Commission	Central Dispatch Authority	Drainage Districts	Brownfield Redevelopment Authority	Total
Assets					
Current assets					
Cash and cash equivalents	\$ 484,192	\$ 326,808	\$ 3,608,651	\$ 4,596	\$ 4,424,247
Deposits with fiscal agent	-	17,634	-	-	17,634
Investments	408,768	-	-	-	408,768
Receivables					
Customers	-	284,816	-	-	284,816
Special assessments, current	-	-	2,089,521	-	2,089,521
Due from other units of government	1,521,814	-	231,084	31,409	1,784,307
Inventories	551,566	-	-	-	551,566
	<u>2,966,340</u>	<u>629,258</u>	<u>5,929,256</u>	<u>36,005</u>	<u>9,560,859</u>
Total current assets					
Noncurrent assets					
Special assessments receivable, deferred	-	-	12,190,918	-	12,190,918
Net pension asset	-	236,455	-	-	236,455
Capital assets not being depreciated	653,673	-	2,192,383	-	2,846,056
Capital assets net of depreciation	29,345,886	704,501	24,732,855	-	54,783,242
	<u>29,999,559</u>	<u>940,956</u>	<u>39,116,156</u>	<u>-</u>	<u>70,056,671</u>
Total noncurrent assets					
Total assets					
	32,965,899	1,570,214	45,045,412	36,005	79,617,530
Deferred Outflows of Resources					
Deferred amount relating to net pension liability or asset	990,983	69,750	-	-	1,060,733
	<u>33,956,882</u>	<u>1,639,964</u>	<u>45,045,412</u>	<u>36,005</u>	<u>80,678,263</u>
Total assets and deferred outflows of resources					

See Accompanying Notes to the Financial Statements

Gratiot County
Component Unit Funds
Combining Statement of Net Position
September 30, 2018

	Road Commission	Central Dispatch Authority	Drainage Districts	Brownfield Redevelopment Authority	Total
Liabilities					
Current liabilities					
Accounts payable	\$ 252,045	\$ 11,267	\$ 132,615	\$ -	\$ 395,927
Accrued and other liabilities	47,306	20,598	142,413	-	210,317
Performance bond payable	900	-	-	-	900
Due to other units of government	63,413	-	-	-	63,413
Current portion of noncurrent liabilities	164,345	208,960	1,633,806	-	2,007,111
Total current liabilities	528,009	240,825	1,908,834	-	2,677,668
Noncurrent liabilities					
Advances from State	223,212	-	-	-	223,212
Net pension liability	6,397,282	-	-	-	6,397,282
Long-term debt net of current portion	143,722	104,705	12,912,114	-	13,160,541
Total OPEB liability	-	132,528	-	-	132,528
Total noncurrent liabilities	6,764,216	237,233	12,912,114	-	19,913,563
Total liabilities	7,292,225	478,058	14,820,948	-	22,591,231
Deferred Inflows of Resources					
Deferred amount relating to net pension liability or asset	341,194	83,609	-	-	424,803
Deferred amount relating to total OPEB liability	-	11,347	-	-	11,347
Total liabilities and deferred inflows of resources	7,633,419	573,014	14,820,948	-	23,027,381
Net Position					
Net investment in capital assets	29,999,559	433,737	12,379,318	-	42,812,614
Restricted					
Central dispatch authority	-	633,213	-	-	633,213
Drainage districts	-	-	17,845,146	-	17,845,146
Brownfield redevelopment authority	-	-	-	36,005	36,005
Unrestricted (deficit)	(3,676,096)	-	-	-	(3,676,096)
Total net position	\$ 26,323,463	\$ 1,066,950	\$ 30,224,464	\$ 36,005	\$ 57,650,882

See Accompanying Notes to the Financial Statements

Gratiot County
Component Units Funds
Statement of Activities
For the Year Ended September 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense)
Component units	Charges for	Operating	Capital	Net (Expense)	
Governmental activities	Services	Grants and	Grants and	Revenues and	
		Contributions	Contributions	Changes in	
				Net Position	
Drainage Districts	\$ 2,031,229	\$ 2,480,418	\$ -	\$ 1,137,918	\$ 1,587,107
Central Dispatch Authority	898,218	1,188,917	5,085	-	295,784
Brownfield Redevelopment Authority	35,247	-	-	-	(35,247)
Road Commission	<u>9,666,218</u>	<u>1,091,538</u>	<u>6,689,412</u>	<u>2,562,492</u>	<u>677,224</u>
Total primary government	<u>\$ 12,630,912</u>	<u>\$ 4,760,873</u>	<u>\$ 6,694,497</u>	<u>\$ 3,700,410</u>	<u>2,524,868</u>
General revenues					
Property taxes					35,335
Unrestricted investment earnings					51,416
Gain on sale of capital assets					60,137
Special item - reduction in OPEB liability					<u>1,359,053</u>
Total general revenues					<u>1,505,941</u>
Change in net position					<u>4,030,809</u>
Net position - beginning of year					55,261,272
Prior period adjustment					<u>(1,641,199)</u>
Net position - beginning of year (restated)					<u>53,620,073</u>
Net position - end of year					<u>\$ 57,650,882</u>

See Accompanying Notes to the Financial Statements

Gratiot County
Notes to the Financial Statements
September 30, 2018

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, 2018, the County was not required to make a contribution to the Authority.

Gratiot County
Notes to the Financial Statements
September 30, 2018

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, 2018, 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, 2018

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, 2018, the GCAC had net position of \$2,145,756. 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, 2018, the County contributed \$295,540 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, 2018 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, 2018, 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, 2018, the County passed through \$38,979 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, 2018

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, 2018, the County passed through \$411,378.

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, 2018, 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, 2018

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 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.

The Tax Fees and Sale Proceeds Fund accounts for proceeds received from tax lien sales of seized property with unpaid property taxes.

Additionally, the government reports the following:

The nonmajor special revenue funds account for the proceeds of specific revenue sources requiring separate accounting because

of legal or regulatory provisions or administrative requirements.

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

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

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

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

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.

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.

Gratiot County
Notes to the Financial Statements
September 30, 2018

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 2018 taxable valuation of the government totaled \$1,294,342,019 on which ad valorem taxes consisted of 5.5306 mills for operating purposes. This resulted in \$7,097,820 for operating expenses, exclusive of any Michigan Tax Tribunal or Board of Review adjustments.

The 2017 taxable valuation of the government totaled \$1,285,090,344. 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	\$ 829,604
Parks	0.3493	446,366
Road Patrol	0.4494	574,282
Agriculture and Economic Development	0.4500	575,049
Library	0.4994	638,177

By resolution of the Board of Commissioners and agreement with various taxing authorities, the County purchased at face value the real property taxes receivable returned delinquent on March 1, 2018. Subsequent collections of delinquent taxes receivable, plus interest thereon and investment earnings, are used to repay the funds distributed by the Delinquent Tax Revolving Fund. This activity is accounted for in the Delinquent Tax Revolving (Enterprise) Fund.

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

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

Gratiot County
Notes to the Financial Statements
September 30, 2018

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

Capital assets – Road Commission – Component Unit – Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, and similar items) are reported in the government-wide financial statements. Capital assets are defined by 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 and OPEB investment earnings. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions and experience differences relating to the net pension and OPEB liabilities are deferred and amortized over the expected remaining service lives of the employees and retirees in the plan. The County also reports deferred outflows of resources for pension and OPEB contributions made after the measurement date. This amount will reduce net pension and OPEB liabilities in the following year.

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

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Vested paid time off earned as of September 30, 2018, including related payroll taxes, is recorded in the government-wide financial statements as a noncurrent liability.

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

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

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

Other post-employment benefits (OPEB) – For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB plan and

additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB plan. For this purpose, the OPEB plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are recorded at fair value, except for money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

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

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

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

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

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

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

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

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

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

Stabilization

The County established an internal budget stabilization fund whose transactions have been included with the General Fund in the accompanying financial statements. The County Board of Commissioners has the authority to establish this fund, approve additional contributions to the fund and to determine when the funds may be spent. The internal budget stabilization fund had a fund balance of \$178,879 at September 30, 2018. 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 for the fiscal year ending September 30, 2017, and the Gratiot County Road Commission implemented Statement No. 75 for the fiscal year ending September 30, 2018.

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).

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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.

Upcoming Accounting and Reporting Changes

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. 87, *Leases* increases the usefulness of the financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee will be required to recognize a lease liability and an intangible

right-to-use a lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about leasing activities. The requirements of this Statement are effective for the fiscal year ending September 30, 2021.

Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* improves the information that is disclosed in notes to the financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities should be included when disclosing information related to debt. It requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. It will also require that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for the fiscal year ending September 30, 2019.

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

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using the current financial resources measurement. The requirements of this Statement are effective for the fiscal year ending September 30, 2021.

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.

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.

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.

Gratiot County
Notes to the Financial Statements
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At year end the government's deposits and investments were reported in the financial statements in the following categories:

	Cash and Cash Equivalents	Investments	Total
Governmental activities	\$ 7,634,364	\$ -	\$ 7,634,364
Business-type activities	3,577,542	1,571,181	5,148,723
Total primary government	11,211,906	1,571,181	12,783,087
Fiduciary funds	2,376,993	-	2,376,993
Component units	4,424,247	408,768	4,833,015
Total	<u>\$ 18,013,146</u>	<u>\$ 1,979,949</u>	<u>\$ 19,993,095</u>

The breakdown between deposits and investments is as follows:

	Primary Government	Fiduciary Funds	Component Unit	Total
Bank deposits (checking, savings and certificates of deposit)	\$ 11,209,906	\$ 2,376,993	\$ 4,424,247	\$ 18,011,146
Investments	1,571,181	-	408,768	1,979,949
Petty cash and cash on hand	2,000	-	-	2,000
	<u>\$ 12,783,087</u>	<u>\$ 2,376,993</u>	<u>\$ 4,833,015</u>	<u>\$ 19,993,095</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, \$13,944,373 of the \$18,620,926 bank balance was exposed to custodial credit risk because it was uninsured and uncollateralized. The County also has a repurchase agreement with the local bank. A repurchase agreement is an agreement in which the County transfers cash to the bank and the bank transfers securities to the County and

promises to repay the cash plus interest in exchange for the same securities. As of year end, the County had a book balance of \$1,726,493 invested in repurchase agreements with a bank balance of \$2,565,439. The value of the underlying securities was \$2,553,687.

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>\$ 252,993</u>	Counterparty trust dept.

Gratiot County
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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	\$ 1,726,956	< 1 year
Corporate bonds	<u>252,993</u>	< 1 year
	<u>\$ 1,979,949</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.

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

Investment	Fair Value	Rating	Rating Organization
Money market mutual fund	\$ 1,726,956	AAA	S&P
Corporate bonds	<u>252,993</u>	A1	S&P
	<u>\$ 1,979,949</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, 2018:

Investments	Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Money market mutual fund	\$ 1,726,956	\$ -	\$ 1,726,956	\$ -
Corporate bonds	<u>252,993</u>	-	<u>252,993</u>	-
	<u>\$ 1,979,949</u>	<u>\$ -</u>	<u>\$ 1,979,949</u>	<u>\$ -</u>

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The money market mutual fund is part of a local government investment pool (Michigan CLASS). The \$1,726,956 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 \$252,993 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		
Special assessments	\$ 483,527	Drain Debt #007
Special assessments	599,465	Drain Debt #133
Special assessments	2,847,039	Drain Debt #181
Special assessments	1,596,807	Drain Debt #383
Special assessments	6,664,080	Regular Drain
	<u>\$ 12,190,918</u>	

Note 6 - Capital Assets

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

	Restated Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 703,075	\$ -	\$ -	\$ 703,075
Capital assets being depreciated				
Land improvements	933,527	34,062	-	967,589
Buildings and improvements	10,204,424	-	-	10,204,424
Equipment and furniture	1,543,490	29,053	-	1,572,543
Vehicles	899,348	135,394	212,917	821,825
Total capital assets being depreciated	<u>13,580,789</u>	<u>198,509</u>	<u>212,917</u>	<u>13,566,381</u>
Less accumulated depreciation for				
Land improvements	171,288	32,663	-	203,951
Buildings and improvements	4,632,117	221,491	-	4,853,608
Equipment and furniture	1,288,613	68,717	-	1,357,330
Vehicles	712,082	122,196	207,917	626,361
Total accumulated depreciation	<u>6,804,100</u>	<u>445,067</u>	<u>207,917</u>	<u>7,041,250</u>
Net capital assets being depreciated	<u>6,776,689</u>	<u>(246,558)</u>	<u>5,000</u>	<u>6,525,131</u>
Governmental activities capital assets, net	<u>\$ 7,479,764</u>	<u>\$ (246,558)</u>	<u>\$ 5,000</u>	<u>\$ 7,228,206</u>

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

Governmental activities	
General government	\$ 125,561
Public safety	198,092
Public works	4,995
Health and welfare	35,756
Recreation and culture	80,663
Total primary government	<u>\$ 445,067</u>

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

	Restated Beginning Balance	Increases	Decreases	Ending Balance
Component Unit - Drainage Districts				
Capital assets not being depreciated				
Construction-in-progress	\$ 1,469,790	\$ 2,459,118	\$ 1,736,525	\$ 2,192,383
Capital assets being depreciated				
Drains	27,899,905	1,736,525	-	29,636,430
Vehicles	126,420	-	-	126,420
Total capital assets being depreciated	<u>28,026,325</u>	<u>1,736,525</u>	<u>-</u>	<u>29,762,850</u>
Less accumulated depreciation for				
Drains	4,242,171	710,495	-	4,952,666
Vehicles	56,111	21,218	-	77,329
Total accumulated depreciation	<u>4,298,282</u>	<u>731,713</u>	<u>-</u>	<u>5,029,995</u>
Net capital assets being depreciated	<u>23,728,043</u>	<u>1,004,812</u>	<u>-</u>	<u>24,732,855</u>
Component unit capital assets, net	<u>\$ 25,197,833</u>	<u>\$ 3,463,930</u>	<u>\$ 1,736,525</u>	<u>\$ 26,925,238</u>
	Restated Beginning Balance	Increases	Decreases	Ending Balance
Component Unit - Central Dispatch Authority				
Capital assets being depreciated				
Equipment and furniture	\$ 884,010	\$ 108,006	\$ -	\$ 992,016
Less accumulated depreciation for Equipment and furniture	<u>242,306</u>	<u>45,209</u>	<u>-</u>	<u>287,515</u>
Net capital assets being depreciated	<u>641,704</u>	<u>62,797</u>	<u>-</u>	<u>704,501</u>
Component unit capital assets, net	<u>\$ 641,704</u>	<u>\$ 62,797</u>	<u>\$ -</u>	<u>\$ 704,501</u>

	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	<u>653,673</u>	<u>-</u>	<u>-</u>	<u>653,673</u>
Capital assets being depreciated				
Land improvements	59,959	-	-	59,959
Buildings and improvements	2,389,743	-	-	2,389,743
Road equipment	8,598,782	817,517	410,954	9,005,345
Shop equipment	167,170	800	-	167,970
Office equipment	295,413	1,904	-	297,317
Engineer's equipment	121,117	-	-	121,117
Yard and storage	16,573	-	-	16,573
Infrastructure - bridges	22,318,016	951	-	22,318,967
Infrastructure - roads	23,263,979	2,201,442	354,548	25,110,873
Infrastructure - traffic signals	4,558	-	-	4,558
Total capital assets being depreciated	<u>57,235,310</u>	<u>3,022,614</u>	<u>765,502</u>	<u>59,492,422</u>
Less accumulated depreciation for				
Land improvements	51,662	-	-	51,662
Buildings and improvements	1,038,926	42,065	-	1,080,991
Road equipment	7,163,109	762,740	410,954	7,514,895
Shop equipment	160,771	2,640	-	163,411
Office equipment	290,689	2,197	-	292,886
Engineer's equipment	117,482	1,069	-	118,551
Yard and storage	23,444	-	-	23,444
Infrastructure - bridges	9,001,764	433,555	-	9,435,319
Infrastructure - roads	10,639,439	1,175,928	354,548	11,460,819
Infrastructure - traffic signals	4,558	-	-	4,558
Total accumulated depreciation	<u>28,491,844</u>	<u>2,420,194</u>	<u>765,502</u>	<u>30,146,536</u>
Net capital assets being depreciated	<u>28,743,466</u>	<u>602,420</u>	<u>-</u>	<u>29,345,886</u>
Component unit capital assets, net	<u>\$ 29,397,139</u>	<u>\$ 602,420</u>	<u>\$ -</u>	<u>\$ 29,999,559</u>

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	Restated 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	1,469,790	2,459,118	1,736,525	2,192,383
Total capital assets not being depreciated	2,123,463	2,459,118	1,736,525	2,846,056
Capital assets being depreciated				
Land improvements	59,959	-	-	59,959
Buildings and improvements	2,389,743	-	-	2,389,743
Road equipment	8,598,782	817,517	410,954	9,005,345
Shop equipment	167,170	800	-	167,970
Office equipment	295,413	1,904	-	297,317
Engineer's equipment	121,117	-	-	121,117
Yard and storage	16,573	-	-	16,573
Infrastructure - bridges	22,318,016	951	-	22,318,967
Infrastructure - roads	23,263,979	2,201,442	354,548	25,110,873
Infrastructure - traffic signals	4,558	-	-	4,558
Equipment and furniture	884,010	108,006	-	992,016
Drains	27,899,905	1,736,525	-	29,636,430
Vehicles	126,420	-	-	126,420
Total capital assets being depreciated	86,145,645	4,867,145	765,502	90,247,288
Less accumulated depreciation for				
Land improvements	51,662	-	-	51,662
Buildings and improvements	1,038,926	42,065	-	1,080,991
Road equipment	7,163,109	762,740	410,954	7,514,895
Shop equipment	160,771	2,640	-	163,411
Office equipment	290,689	2,197	-	292,886
Engineer's equipment	117,482	1,069	-	118,551
Yard and storage	23,444	-	-	23,444
Infrastructure - bridges	9,001,764	433,555	-	9,435,319
Infrastructure - roads	10,639,439	1,175,928	354,548	11,460,819
Infrastructure - traffic signals	4,558	-	-	4,558
Equipment and furniture	242,306	45,209	-	287,515
Drains	4,242,171	710,495	-	4,952,666
Vehicles	56,111	21,218	-	77,329
Total accumulated depreciation	33,032,432	3,197,116	765,502	35,464,046
Net capital assets being depreciated	53,113,213	1,670,029	-	54,783,242
Component unit capital assets, net	\$ 55,236,676	\$ 4,129,147	\$ 1,736,525	\$ 57,629,298

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

Component units	
Drainage Districts	\$ 731,713
Central Dispatch Authority	45,209
Road Commission	2,420,194
Total component units	<u><u>\$ 3,197,116</u></u>

Note 7 - Commitments

The County has active construction projects as of September 30, 2018. 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>\$ 735,231</u>	<u>\$ 564,002</u>	<u>\$ 171,229</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,	
2019	<u><u>\$ 15,000</u></u>

Gratiot County
Notes to the Financial Statements
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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	\$ 10,055
General Fund	Nonmajor Governmental Funds	1,895
Delinquent Tax Revolving Fund	Internal Service Funds	918
		<u>\$ 12,868</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	\$ 271,906
General Fund	Internal Service Funds	113,189
General Fund	Delinquent Tax Revolving Fund	931
Delinquent Tax Revolving Fund	Nonmajor Enterprise Funds	1,684
Internal Service Funds	Nonmajor Governmental Funds	698,851
Nonmajor Governmental Funds	General Fund	216,722
Nonmajor Governmental Funds	Nonmajor Governmental Funds	500
		<u>\$ 1,303,783</u>

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

Gratiot County
Notes to the Financial Statements
September 30, 2018

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%	\$190,000	\$ 550,000	\$ -	\$ 170,000	\$ 380,000	\$ 190,000
County of Gratiot Capital Improvement Bonds									
2005 Construction (unsecured)	1,400,000	10/1/25	4.25 - 4.40%	\$25,000 - \$75,000	450,000	-	150,000	300,000	-
2017 General Obligation Bonds (unsecured)	6,730,000	9/1/26	1.65 - 3.00%	\$645,000 - \$840,000	6,450,000	-	540,000	5,910,000	645,000
Deferred amounts									
For issuance premiums					49,414	-	10,462	38,952	-
Total bonds payable					7,499,414	-	870,462	6,628,952	835,000
Compensated absences					738,098	508,809	619,826	627,081	619,826
Total governmental activities					<u>\$ 8,237,512</u>	<u>\$ 508,809</u>	<u>\$ 1,490,288</u>	<u>\$ 7,256,033</u>	<u>\$ 1,454,826</u>

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

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

Long-term obligation activity is summarized as follows:

	Amount of Issue	Maturity Date	Interest Rate Ranges	Principal Maturity Ranges	Restated 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	\$ 180,000	\$ -	\$ 180,000	\$ -	\$ -
No. 007 Drain Bond (unsecured)	1,695,000	6/1/22	2.05 - 2.60%	\$170,000	850,000	-	170,000	680,000	170,000
No. 133 Drain Bond (unsecured)	1,125,000	6/1/28	1.45 - 2.65%	\$75,000	825,000	-	75,000	750,000	75,000
No. 181 Drain Bond (unsecured)	4,700,000	5/1/33	2.50 - 4.25%	\$235,000	3,760,000	-	235,000	3,525,000	235,000
No. 383 Drain Bond (unsecured)	1,885,000	5/1/36	1.30 - 3.15%	\$90,000 - \$95,000	1,790,000	-	95,000	1,695,000	95,000
Drain bonds and notes (unsecured)	Various	Various	Various	Various	6,879,324	2,007,235	990,639	7,895,920	1,058,806
Note payable	572,554	5/1/2019	1.90%	\$145,124	288,416	-	143,292	145,124	145,124
Note payable	125,640	1/15/2021	4.36%	\$12,168 - \$39,449	-	125,640	-	125,640	12,168
Total bonds and notes payable					14,572,740	2,132,875	1,888,931	14,816,684	1,791,098
Compensated absences - Central Dispatch					35,017	59,552	51,668	42,901	51,668
Compensated absences - Road Commission					343,427	140,906	176,266	308,067	164,345
Total component units					<u>\$ 14,951,184</u>	<u>\$ 2,333,333</u>	<u>\$ 2,116,865</u>	<u>\$ 15,167,652</u>	<u>\$ 2,007,111</u>

Interest expense on long-term debt incurred during the year ended September 30, 2018, was \$490,014.

Gratiot County
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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	Restated Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Drain bonds and notes									
015-0	\$ 189,511	6/15/37	2.99%	\$9,476	\$ 189,511	\$ -	\$ 9,476	\$ 180,035	\$ 9,476
018-0	70,000	6/1/20	4.80%	\$7,000	21,000	-	7,000	14,000	7,000
020-0	199,571	6/15/24	2.49%	\$19,186 - \$22,237	144,764	-	19,186	125,578	19,664
031-0	98,582	6/1/30	3.50%	\$6,572	85,438	-	6,572	78,866	6,572
036-0	252,929	6/15/28	3.45%	\$16,862	185,481	-	16,862	168,619	16,862
049-0	538,218	6/1/25	2.19%	\$53,822	430,574	-	53,822	376,752	53,822
050-0	115,927	6/15/22	2.99%	\$11,593	57,963	-	11,593	46,370	11,593
065-0	299,786	6/15/37	3.29%	\$14,989	299,786	-	14,989	284,797	14,989
079-0	379,396	6/15/37	3.60%	\$18,970	379,396	-	18,970	360,426	18,970
083-0	194,742	6/15/24	2.77%	\$32,457	-	194,742	-	194,742	32,457
090-0	513,926	6/15/37	3.29%	\$25,696	513,926	-	25,696	488,230	25,696
096-1	691,430	6/15/20	1.79%	\$172,857	518,573	-	172,857	345,716	172,857
100-0	356,307	6/15/24	2.77%	\$59,384	-	356,307	-	356,307	59,384
101-0	286,087	6/1/35	3.24%	\$14,304	257,478	-	14,304	243,174	14,304
101-0	246,290	6/15/38	3.50%	\$12,315	-	246,290	-	246,290	12,315
106-1	279,086	6/15/38	3.50%	\$13,954	-	279,086	-	279,086	13,954
111-0	215,768	6/15/21	1.74%	\$43,154	172,614	-	43,154	129,460	43,154
115-0	145,539	6/15/18	1.36%	\$72,769	72,769	-	72,769	-	-
116-0	348,620	6/21/21	3.49%	\$37,889 - \$40,579	154,290	-	36,611	117,679	37,889
143-0	266,205	6/15/28	2.15%	\$24,201	266,205	-	24,200	242,005	24,201
151-0	226,800	6/1/35	3.24%	\$11,340	204,120	-	11,340	192,780	11,340
160-0	171,442	6/1/32	3.31%	\$11,429	171,442	-	11,429	160,013	11,429
163-0	286,975	6/15/19	1.22%	\$58,800	116,888	-	58,088	58,800	58,800
165-0	293,405	6/15/29	2.89%	\$17,821 - \$23,696	244,285	-	17,321	226,964	17,821
193-0	100,470	6/15/19	2.66%	\$12,559	37,676	-	12,559	25,117	12,559
194-0	121,385	6/15/35	3.63%	\$4,691 - \$8,215	112,493	-	4,524	107,969	4,691
201-0	198,428	6/15/29	2.89%	\$12,052 - \$16,025	165,208	-	11,714	153,494	12,052
202-0	560,000	6/15/37	2.75%	\$28,000	-	560,000	28,000	532,000	28,000

Gratiot County
Notes to the Financial Statements
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	Amount of Issue	Maturity Date	Interest Rate Ranges	Principal Maturity Ranges	Restated Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Drain bonds and notes (continued)									
209-0	\$ 170,391	6/15/38	3.50%	\$8,520	\$ -	\$ 170,391	\$ -	\$ 170,391	\$ 8,520
227-0	178,605	6/15/23	2.24%	\$17,861	107,163	-	17,861	89,302	17,861
237-0	24,554	6/15/23	2.63%	\$3,508	21,046	-	3,508	17,538	3,508
257-0	300,000	6/15/34	3.69%	\$11,890 - \$20,475	264,610	-	11,467	253,143	11,890
297-0	94,727	6/15/36	3.49%	\$3,736	89,991	-	4,736	85,255	4,736
335-0	225,543	6/15/24	2.54%	\$22,554	157,880	-	22,554	135,326	22,554
339-0	900,000	6/15/19	4.39%	\$90,000	180,000	-	90,000	90,000	90,000
370-0	148,068	6/15/29	2.72%	\$9,047 - \$11,852	123,021	-	8,807	114,214	9,047
371-0	200,419	6/15/38	3.10%	\$10,021	-	200,419	-	200,419	10,021
518-0	235,200	6/1/32	2.45%	\$15,680	235,200	-	15,680	219,520	15,680
530-0	113,745	6/15/23	2.73%	\$11,374	68,247	-	11,374	56,873	11,374
562-0	104,965	6/15/34	3.69%	\$4,160 - \$7,164	92,582	-	4,012	88,570	4,160
566-0	132,054	6/15/22	2.98%	\$13,205	66,027	-	13,205	52,822	13,205
580-0	260,000	6/1/35	3.49%	\$14,625	230,750	-	14,625	216,125	14,625
585-0	244,882	6/15/19	1.29%	\$48,977	97,952	-	48,976	48,976	48,976
093-0 Cronk	72,975	5/1/37	2.10%	\$7,298	72,975	-	7,298	65,677	7,298
541-0 County Line	270,000	6/1/27	2.49%	\$13,500	270,000	-	13,500	256,500	13,500
Total drain bonds and notes					<u>\$ 6,879,324</u>	<u>\$ 2,007,235</u>	<u>\$ 990,639</u>	<u>\$ 7,895,920</u>	<u>\$ 1,058,806</u>

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
2019	\$ 835,000	\$ 172,505
2020	920,000	159,082
2021	715,000	136,379
2022	795,000	119,958
2023	815,000	100,325
2024 - 2027	2,510,000	152,669
	<u>\$ 6,590,000</u>	<u>\$ 840,918</u>

Year Ending September 30,	Component Unit	
	Principal	Interest
2019	\$ 1,791,098	\$ 436,898
2020	1,470,927	384,060
2021	1,288,904	347,684
2022	1,209,330	313,487
2023	977,669	280,527
2024 - 2028	4,031,673	1,030,976
2029 - 2033	2,965,800	480,874
2034 - 2037	1,081,283	80,900
	<u>\$ 14,816,684</u>	<u>\$ 3,355,406</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 \$627,081 (governmental activities) and \$42,901 (component unit – Central Dispatch) at September 30, 2018.

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 \$137,539 and \$170,528 for vacation and sick, respectively, at September 30, 2018.

Gratiot County
Notes to the Financial Statements
September 30, 2018

Note 10 - Fund Balances

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

Animal adoption coordinator	\$ 14,081
Child welfare	9,847
Circuit court counsel	46,276
Handicap activities	910
Liquor law enforcement	70,930
Private donations	1,089
Public improvement	11,292
Renaissance zone	113,289
Social welfare	8,345
Soldiers & sailors	915
Veterans activities	105
	<u>\$ 277,079</u>

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

Road patrol	\$ 3,496
Parks and recreation	354,002
Geographic information system	151,649
State criminal alien assistance	9,407
Economic and agriculture development	35,028
Building inspection	129,667
Register of deeds	172,262
K-9 unit sheriff	29,310
Correction officers training fund	65,197
Drug law enforcement	2,219
Law enforcement	1,334
Law library	41,412
Commission on aging	607,125
Recovery court	78,369
D.A.R.E program	26
Salvage inspective fee	10,567
D.H.S. state monies	3,606
Veterans memorial	14,687
Animal control	2,199
Marine safety	4,071
Library	17,684
Concealed pistol licensing	67,790
	<u>\$ 1,801,107</u>

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.

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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, 2018, the County had funds on deposit of \$124,517 with the Authority in the Member Retention Funds. The Authority's reported reserves at September 30, 2018, for reported claims related to the County were \$110,884.

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.

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

Gratiot County
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September 30, 2018

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

Inactive employees or beneficiaries currently receiving benefits	104
Inactive employees entitled to but not yet receiving benefits	13
Active employees	<u>37</u>
	<u><u>154</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 \$25,138 per month based on annual payroll.

Net pension liability – The employer’s net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

Actuarial assumptions – The total pension liability in the December 31, 2017 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement 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:

<u>Asset class</u>	Target allocation	Long-term expected real rate of return
Global equity	55.5%	8.65%
Global fixed income	18.5%	3.76%
Real assets	13.5%	9.72%
Diversifying strategies	12.5%	7.50%

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, 2018

Changes in Net Pension Asset

Total Pension Liability

Service cost	\$ 231,942
Interest on the total pension liability	2,283,220
Experience differences	543,579
Benefit payments and refunds	<u>(1,643,108)</u>
Net change in total pension liability	1,415,633
Total pension liability - beginning	<u>29,245,834</u>
Total pension liability - ending (a)	<u><u>\$ 30,661,467</u></u>

Plan Fiduciary Net Position

Employer contributions	\$ 7,057,805
Employee contributions	31,635
Pension plan net investment income	3,681,406
Benefit payments and refunds	(1,643,108)
Pension plan administrative expense	<u>(57,800)</u>
Net change in plan fiduciary net position	9,069,938
Plan fiduciary net position - beginning	<u>22,365,724</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 31,435,662</u></u>

Net pension asset (a-b) \$ (774,195)

Plan fiduciary net position as a percentage of total pension liability	102.52%
Covered employee payroll	\$ 1,984,943
Net pension asset as a percentage of covered employee payroll	-39.00%

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

	1% decrease	Current discount rate	1% increase
Total pension liability	\$ 33,984,355	\$ 30,661,467	\$ 27,833,516
Fiduciary net position	<u>31,435,662</u>	<u>31,435,662</u>	<u>31,435,662</u>
Net pension liability (asset)	<u><u>\$ 2,548,693</u></u>	<u><u>\$ (774,195)</u></u>	<u><u>\$ (3,602,146)</u></u>
Reported in governmental activities		\$ (537,740)	
Reported in component units			
Central dispatch authority		<u>(236,455)</u>	
Total net pension asset		<u><u>\$ (774,195)</u></u>	

Gratiot County
Notes to the Financial Statements
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Pension expense and deferred outflows of resources related to pensions – For the year ended September 30, 2018, the employer recognized pension expense of \$1,045,324. The employer reported deferred outflows of resources related to pensions from the following sources:

	Deferred outflows of resources	Deferred inflows of resources	Total amount to amortize
Net difference between projected and actual earnings on plan investments	\$ -	\$ 949,019	\$ 949,019
Contributions subsequent to the measurement date*	147,924	-	-
Total	\$ 147,924	\$ 949,019	\$ 949,019
Reported in governmental activities	\$ 78,174	\$ 865,410	
Reported in component units			
Central dispatch authority	69,750	83,609	
Total deferred outflows of resources	\$ 147,924	\$ 949,019	

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as an increase in the net pension asset for the year ending 2019.

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

Year ending September 30,	
2019	\$ 34,783
2020	102,967
2021	475,946
2022	335,323
	\$ 949,019

Road Commission Michigan Municipal Employees' Retirement System

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

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

Gratiot County
Notes to the Financial Statements
September 30, 2018

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, 2017 measurement date, the following employees were covered by benefit terms:

Inactive employees or beneficiaries currently receiving benefits	53
Inactive employees entitled to but not yet receiving benefits	1
Active employees	<u>34</u>
	<u><u>88</u></u>

Contributions – Const. 1963, art 9, § 24 requires that financial benefits arising on account of employee service rendered in each year be funded during that year. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

For the year ending September 30, 2018, 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 36.92% for union employees.

Net pension liability – The net pension liability reported as of September 30, 2018, was determined using a measure of the total pension liability and the pension net position as of December 31, 2017. The December 31, 2017, total pension liability was determined by an actuarial valuation performed as of that date.

Actuarial assumptions – The total pension liability in the December 31, 2017 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement 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, 2017 valuation were based on the results of the most recent actuarial experience study of 2009-2013.

Gratiot County
Notes to the Financial Statements
September 30, 2018

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

Asset class	Target allocation	Long-term expected real rate of return
Global equity	55.5%	8.65%
Global fixed income	18.5%	3.76%
Real assets	13.5%	9.72%
Diversifying strategies	12.5%	7.50%

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

Changes in Net Pension Liability

Total Pension Liability

Service cost	\$ 214,611
Interest on the total pension liability	1,380,711
Experience differences	(282,827)
Benefit payments and refunds	<u>(1,115,140)</u>
Net change in total pension liability	197,355
Total pension liability - beginning	<u>17,709,150</u>
Total pension liability - ending (a)	<u><u>\$ 17,906,505</u></u>

Plan Fiduciary Net Position

Employer contributions	\$ 1,020,448
Employee contributions	51,699
Pension plan net investment income	1,350,353
Benefit payments and refunds	(1,115,140)
Pension plan administrative expense	<u>(21,346)</u>
Net change in plan fiduciary net position	1,286,014
Plan fiduciary net position - beginning	<u>10,223,209</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 11,509,223</u></u>

Net pension liability (a-b)	<u><u>\$ 6,397,282</u></u>
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Plan fiduciary net position as a percentage of total pension liability	64.27%
Covered employee payroll	\$ 1,669,296
Net pension liability as a percentage of covered employee payroll	383.23%

Gratiot County
Notes to the Financial Statements
September 30, 2018

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	\$ 19,903,758	\$ 17,906,505	\$ 16,217,449
Fiduciary net position	11,509,223	11,509,223	11,509,223
Net pension liability	<u>\$ 8,394,535</u>	<u>\$ 6,397,282</u>	<u>\$ 4,708,226</u>
Reported in component units		\$ 6,160,827	
Central dispatch authority net pension asset		236,455	
Total road commission net pension liability		<u>\$ 6,397,282</u>	

Pension expense and deferred outflows of resources related to pensions – For the year ended September 30, 2018, the Road Commission recognized pension expense of \$(63,462). The Road Commission reported deferred outflows of resources related to pensions from the following sources:

	Deferred outflows of resources	Deferred inflows of resources	Total amount to amortize
Differences in experience	\$ -	\$ 135,682	\$ (135,682)
Differences in assumptions	201,907	-	201,907
Excess investment returns	-	205,512	(205,512)
Contributions subsequent to the measurement date*	789,076	-	-
Total	<u>\$ 990,983</u>	<u>\$ 341,194</u>	<u>\$ (139,287)</u>
Reported in component units	\$ 1,060,733	\$ 424,803	
Less: central dispatch authority	<u>(69,750)</u>	<u>(83,609)</u>	
Total road commission deferred outflows of resources	<u>\$ 990,983</u>	<u>\$ 341,194</u>	

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

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

Year ending September 30,	
2019	\$ 224,708
2020	(15,523)
2021	(241,458)
2022	(107,014)
	<u>\$ (139,287)</u>

Note 13 - Employee Retirement System – Defined Contribution

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

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

The County made contributions of \$266,456 for the year ending September 30, 2018.

Gratiot County
Notes to the Financial Statements
September 30, 2018

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 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, 2018, 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 \$4,275,093 was measured as of September 30, 2018, and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs – The total OPEB liability in the September 30, 2018 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	3.64%
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.

Gratiot County
Notes to the Financial Statements
September 30, 2018

Changes in the Total OPEB Liability

Total OPEB Liability	
Service cost	\$ 84,344
Interest	146,915
Differences between expected and actual experience	(43,945)
Changes in assumptions	(149,240)
Benefit payments	<u>(128,263)</u>
Net change in total OPEB liability	(90,189)
Total OPEB liability - beginning	4,365,282
Total OPEB liability - ending	<u>\$ 4,275,093</u>
Reported in governmental activities	\$ 4,142,565
Reported in component units	
Central dispatch authority	132,528
Total OPEB liability	<u>\$ 4,275,093</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>\$ 3,908,751</u>	<u>\$ 4,275,093</u>	<u>\$ 4,736,633</u>

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	Healthcare cost trend rate	1% increase
Total OPEB liability	<u>\$ 4,823,649</u>	<u>\$ 4,275,093</u>	<u>\$ 3,814,143</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended September 30, 2018, the County recognized OPEB expense of \$157,009. At September 30, 2018, 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	\$ (73,525)	\$ (73,525)
Differences in assumptions	(292,512)	(292,512)
Total	<u>\$ (366,037)</u>	<u>\$ (366,037)</u>
Reported in governmental activities	\$ (354,690)	
Reported in component units		
Central dispatch authority	(11,347)	
Total	<u>\$ (366,037)</u>	

Gratiot County
Notes to the Financial Statements
September 30, 2018

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

Year ending September 30,	
2019	\$ (74,250)
2020	(74,250)
2021	(74,250)
2022	(64,510)
2023	(33,665)
Thereafter	(45,112)
	\$ (366,037)

Component Unit – Road Commission

Plan description – Gratiot County Road Commission Retiree Medical Plan is a single-employer Plan administered by the Road Commission and can be amended at its discretion. Gratiot County Road Commission provides post-employment health care benefits, in accordance with the labor contract and personnel policy, to all employees who retire from the Road Commission. The Road Commission has terminated all future benefits as all employees hired after August 1, 2018 will only be offered post-employment health benefits through a MERS Health Care Savings Program (HCSP).

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

Effective August 1, 2015, the Road Commission agrees to pay the first \$600 total per month of the hospitalization coverage premium for any member of the bargaining unit or salaried employee and their

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

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

Gratiot County
Notes to the Financial Statements
September 30, 2018

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

Inactive employees or beneficiaries currently receiving benefits	10
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The Plan is closed to new entrants.

Total OPEB liability – The Road Commission’s total OPEB liability of \$140,200 was measured as of September 30, 2018, and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs – No assumptions were used in determining the Net OPEB liability as the benefit paid is a predetermined amount until the employee reaches age 65 with approximately 75% of the benefit to be paid in the next three years and officially ending in fiscal year 2026.

Changes in the Net OPEB Liability

Total OPEB Liability	
Benefit payments	\$ (49,500)
*Special item - benefits foregone for Health Care Savings Plan	(1,359,053)
Net change in net OPEB liability	(1,408,553)
Total OPEB liability - beginning	1,548,753
Total OPEB liability - ending (a)	\$ 140,200

Plan Fiduciary Net Position

Employer contributions	\$ 189,700
Benefit payments	(49,500)
Net change in plan fiduciary net position	140,200
Plan fiduciary net position - beginning	-
Plan fiduciary net position - ending (b)	\$ 140,200
 Net OPEB liability (a-b)	 \$ -

* Special Item - All current employees hired prior to August 1, 2018, had a one-time option to obtain post-employment health benefits solely through a MERS Health Care Savings Program (HCSP) instead of receiving retirement health care benefits. All current employees chose to convert to the HCSP instead of the post-employment health insurance coverage reducing the liability \$1,359,053.

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

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

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, 2018, the

Gratiot County
Notes to the Financial Statements
September 30, 2018

federal grants received and expended by the Road Commission totaled \$253,705 for contracted projects. The Road Commission expended federal money for negotiated projects totaling \$121,153. Contracted projects are defined as projects performed by private contractors paid for and administrated by MDOT. The contracted federal projects are not subject to single audit requirements by the road commissions, as they are included in MDOT's single audit.

Negotiated projects are defined as projects performed by Road Commission employees or private contractors paid for and administrated by the Road Commission which are subject to single audit requirements, if the amount expended is \$750,000 or more. A single audit was not performed during the fiscal year ending September 30, 2018.

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 certain identified expenditures from prior fiscal years should have been capitalized and depreciated. In addition, two loans from prior years had not been identified and included as a liability.

The Road Commission implemented GASB Statement No. 75 which adds the net OPEB liability to the financial statements.

The effect of the adjustments discussed above is as follows:

	Governmental Activities	Component Units
Fund balance / net position beginning of year	\$ 4,965,689	\$ 55,261,272
Prior period adjustment		
Add: Capital assets	40,181	239,423
Less: Unrecorded loans	-	(342,975)
Less: Net OPEB liability	-	(1,537,647)
	40,181	(1,641,199)
Fund balance / net position beginning of year (restated)	\$ 5,005,870	\$ 53,620,073

Note 18 - Subsequent Events

Subsequent to September 30, 2018, the Drain District, a component unit, issued a note for \$175,000 with an interest rate of 4.04%. The maturity date is June 15, 2034.

Subsequent to September 30, 2018, the Drain District, a component unit, issued a note for \$340,439 with an interest rate of 3.85%. The maturity date is June 15, 2039.

Subsequent to September 30, 2018, the Drain District, a component unit, issued a note for \$122,588 with an interest rate of 3.85%. The maturity date is June 15, 2039.

Effective November 20, 2018, the County obtained a promissory note from the County's Delinquent Tax Fund in the amount of \$800,000. The interest rate of the note is 3%, with a maturity date of October 15, 2022.

Gratiot County
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended September 30, 2018

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
Revenues				
Taxes	\$ 7,489,099	\$ 7,489,099	\$ 8,057,275	\$ 568,176
Licenses and permits	91,200	84,700	78,432	(6,268)
Intergovernmental	2,684,585	2,687,735	2,600,376	(87,359)
Local contributions	60,600	60,600	58,361	(2,239)
Charges for services	2,055,407	2,064,519	2,207,204	142,685
Fines and forfeitures	83,200	78,450	91,820	13,370
Interest income	10,735	11,168	38,163	26,995
Rental income	20,451	20,451	8,325	(12,126)
Other	423,425	423,742	439,447	15,705
Transfer in	382,425	392,199	216,722	(175,477)
Total revenues	<u>13,301,127</u>	<u>13,312,663</u>	<u>13,796,125</u>	<u>483,462</u>

Gratiot County
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended September 30, 2018

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under)
				Final
				Budget
Expenditures				
General government				
Board of commissioners	\$ 272,225	\$ 266,741	\$ 234,557	\$ (32,184)
Circuit Court	277,040	271,552	261,597	(9,955)
District Court	1,461,401	1,438,759	1,361,109	(77,650)
Probate Court	448,890	454,942	457,501	2,559
Juvenile Court	369,266	372,811	372,197	(614)
County Administrator	501,369	455,732	460,477	4,745
Elections	31,800	34,790	28,069	(6,721)
Clerk	339,395	341,618	335,878	(5,740)
Equalization	151,110	151,482	150,180	(1,302)
Prosecuting Attorney	706,595	715,542	710,494	(5,048)
Register of Deeds	167,345	170,408	168,572	(1,836)
County survey and remonumentation	39,222	39,572	40,187	615
Treasurer	207,224	206,679	206,786	107
Cooperative Extension	199,055	210,373	198,658	(11,715)
Information management	265,741	250,048	236,139	(13,909)
Buildings and grounds	221,366	239,198	234,967	(4,231)
Gratiot community airport	26,000	26,000	26,000	-
Drain commissioner	482,121	485,489	482,963	(2,526)
Other	177,750	177,734	166,850	(10,884)
	<u>6,344,915</u>	<u>6,309,470</u>	<u>6,133,181</u>	<u>(176,289)</u>
Total general government				

Gratiot County
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended September 30, 2018

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under)
				Final Budget
Public safety				
County Sheriff	\$ 1,910,760	\$ 1,828,145	\$ 1,727,127	\$ (101,018)
Liquor law enforcement	-	500	445	(55)
Jail	1,573,078	1,597,029	1,550,668	(46,361)
Planning commission	4,325	4,325	3,775	(550)
Emergency services	93,832	92,832	83,445	(9,387)
Animal control	186,718	203,290	204,138	848
Secondary road patrol	227,644	227,643	222,817	(4,826)
	<u>3,996,357</u>	<u>3,953,764</u>	<u>3,792,415</u>	<u>(161,349)</u>
Total public safety				
Public works				
Solid waste planning	60,000	60,000	10,508	(49,492)
Health and welfare				
Mid-Michigan District Health Department	300,800	300,800	295,540	(5,260)
Gratiot Community Mental Health	200,000	200,000	200,000	-
Contagious disease	2,000	2,000	1,003	(997)
Substance abuse appropriation	46,977	46,977	38,979	(7,998)
Medical examiner	89,609	106,109	121,109	15,000
Veterans burials	3,700	3,700	3,450	(250)
Veterans counselor	75,322	82,290	80,290	(2,000)
Social and child welfare	1,211,229	1,205,162	1,132,864	(72,298)
	<u>1,929,637</u>	<u>1,947,038</u>	<u>1,873,235</u>	<u>(73,803)</u>
Total health and welfare				

Gratiot County
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended September 30, 2018

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Community and economic development				
East-Central Michigan Planning	\$ 4,200	\$ 4,200	\$ 4,200	\$ -
Zoning board	1,543	307	1	(306)
Total community and economic development	<u>5,743</u>	<u>4,507</u>	<u>4,201</u>	<u>(306)</u>
Other functions				
Insurance and bonds	<u>118,544</u>	<u>118,544</u>	<u>121,218</u>	<u>2,674</u>
Capital outlay	<u>242,000</u>	<u>239,802</u>	<u>110,399</u>	<u>(129,403)</u>
Debt service				
Interest and fiscal charges	<u>-</u>	<u>126</u>	<u>106</u>	<u>(20)</u>
Transfers out	<u>340,093</u>	<u>452,993</u>	<u>386,026</u>	<u>(66,967)</u>
Total expenditures	<u>13,037,289</u>	<u>13,086,244</u>	<u>12,431,289</u>	<u>(654,955)</u>
Excess of revenues over expenditures	263,838	226,419	1,364,836	1,138,417
Fund balance - beginning of year	<u>6,138,281</u>	<u>6,138,281</u>	<u>6,138,281</u>	<u>-</u>
Fund balance - end of year	<u>\$ 6,402,119</u>	<u>\$ 6,364,700</u>	<u>\$ 7,503,117</u>	<u>\$ 1,138,417</u>

Gratiot County
Required Supplementary Information
Municipal Employees Retirement System of Michigan
Schedule of Changes in Net Pension Liability and Related Ratios
September 30, 2018

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

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

Gratiot County
Required Supplementary Information
Municipal Employees Retirement System of Michigan
Schedule of Employer Contributions
September 30, 2018

Actuarial Valuation Date	Annual Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
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%
12/31/2017	428,458	7,057,805	(6,629,347) **	1,984,943	355.57%

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

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

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Individual entry-age
Amortization method	Level-dollar closed
Remaining amortization period	2
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, 2018

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

*GASB Statement No. 68 was implemented for the fiscal year ended September 30, 2015 and does not require retroactive implementation.

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

Gratiot County
Required Supplementary Information
Municipal Employees Retirement System of Michigan - Road Commission
Schedule of Employer Contributions
September 30, 2018

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%
12/31/2017	646,655	1,037,855	(391,200)	1,669,296	62.17%

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level-percentage of payroll, open
Remaining amortization period	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, 2018

Fiscal year ended September 30,	2018	2017
Total OPEB Liability		
Service cost	\$ 84,344	\$ 87,485
Interest	146,915	180,913
Differences between expected and actual experience	(43,945)	(51,056)
Changes in assumptions	(149,240)	(229,711)
Benefit payments	(128,263)	(115,393)
Net change in total OPEB liability	(90,189)	(127,762)
Total OPEB liability - beginning	4,365,282	4,493,044
Total OPEB liability - ending	\$ 4,275,093	\$ 4,365,282
Reported in governmental activities	\$ 4,142,565	\$ 4,229,958
Reported in component units		
Central dispatch authority	132,528	135,324
Total OPEB liability	\$ 4,275,093	\$ 4,365,282
Covered employee payroll	\$ 2,232,385	\$ 2,919,206
Total OPEB liability as a percentage of covered employee payroll	191.50%	149.54%

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

Gratiot County
Required Supplementary Information
Other Post-Employment Benefits
Schedule of Employer Contributions
September 30, 2018

Fiscal Year End	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
9/30/2017	\$ 677,401	\$ 115,393	\$ 562,008	\$ 2,919,206	3.95%
9/30/2018	651,410	128,263	523,147	2,232,385	5.75%

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Individual entry-age
Amortization method	Level percent of payroll, closed
Remaining amortization period	20 years
Asset valuation method	Market value
Inflation	Implicit in expected payroll increases
Salary increases	2.00%
Discount rate	3.64%
Retirement age	55-60
Health inflation rate	Pre-65 - 8.0% in 2018 graded down 0.5% per year to 5.0% over 6 years
Mortality	RP-2000 Healthy Annuitant Mortality Tables - 50% male and 50% female blend

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

Gratiot County
Required Supplementary Information
Other Post-Employment Benefits
Schedule of Changes in Net OPEB Liability and Related Ratios - Road Commission
September 30, 2018

	2018
Fiscal year ended September 30,	
Total OPEB Liability	
Benefit payments	\$ (49,500)
Special item - benefits foregone for Health Care Savings Plan	(1,359,053)
	(1,408,553)
Net change in Total OPEB liability	(1,408,553)
Total OPEB liability - beginning	1,548,753
Total OPEB liability - ending	\$ 140,200
Plan Fiduciary Net Position	
Employer contributions	\$ 189,700
Benefit payments and refunds	(49,500)
	140,200
Net change in plan fiduciary net position	140,200
Plan fiduciary net position - beginning	-
Plan fiduciary net position - ending (b)	\$ 140,200
Net OPEB liability (a-b)	\$ -
Reported in component units	\$ 132,528
Central dispatch authority	(132,528)
Net OPEB liability	\$ -
Plan fiduciary net position as a percentage of total OPEB liability	100.00%
Covered employee payroll	\$ -
Total OPEB liability as a percentage of covered employee payroll	0%

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

Gratiot County
Required Supplementary Information
Other Post-Employment Benefits
Schedule of Employer Contributions - Road Commission
September 30, 2018

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

Actuarial valuation information relative to the determination of contributions:

Alternative Measurement Method used as of September 30, 2018

Methods and assumptions used to determine contribution rates:

None / Plan Closed

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

Gratiot County
Nonmajor Governmental Funds
Combining Balance Sheet
September 30, 2018

	Special Revenue Funds					
	Road Patrol	Parks and Recreation	Geographic Information System	Friend of the Court	State Criminal Alien Assistance	Economic and Agriculture Development
Assets						
Cash and cash equivalents	\$ 24,835	\$ 368,816	\$ 151,649	\$ 12,366	\$ 9,407	\$ 34,980
Receivables						
Customers	48	37	-	-	-	-
Due from other units of government	-	-	-	74,345	-	48
Prepaid items	-	1	-	-	-	-
Total assets	<u>\$ 24,883</u>	<u>\$ 368,854</u>	<u>\$ 151,649</u>	<u>\$ 86,711</u>	<u>\$ 9,407</u>	<u>\$ 35,028</u>
Liabilities						
Accounts payable	\$ 8,054	\$ 9,108	\$ -	\$ 1,404	\$ -	\$ -
Accrued and other liabilities	13,333	5,743	-	14,436	-	-
Due to other funds	-	-	-	-	-	-
Total liabilities	<u>21,387</u>	<u>14,851</u>	<u>-</u>	<u>15,840</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources						
Unavailable grant revenue	-	-	-	70,871	-	-
Fund Balances						
Non-spendable						
Prepaid items	-	1	-	-	-	-
Restricted for						
Debt service	-	-	-	-	-	-
Special revenue funds	3,496	354,002	151,649	-	9,407	35,028
Total fund balances	<u>3,496</u>	<u>354,003</u>	<u>151,649</u>	<u>-</u>	<u>9,407</u>	<u>35,028</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 24,883</u>	<u>\$ 368,854</u>	<u>\$ 151,649</u>	<u>\$ 86,711</u>	<u>\$ 9,407</u>	<u>\$ 35,028</u>

Gratiot County
Nonmajor Governmental Funds
Combining Balance Sheet
September 30, 2018

	Special Revenue Funds					
	Building Inspection	Register of Deeds	K-9 Unit Sheriff	Correction Officers Training Fund	Drug law Enforcement	Law Enforcement
Assets						
Cash and cash equivalents	\$ 132,833	\$ 172,775	\$ 26,762	\$ 64,985	\$ 2,219	\$ 1,334
Receivables						
Customers	785	935	6,090	220	-	-
Due from other units of government	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-
Total assets	<u>\$ 133,618</u>	<u>\$ 173,710</u>	<u>\$ 32,852</u>	<u>\$ 65,205</u>	<u>\$ 2,219</u>	<u>\$ 1,334</u>
Liabilities						
Accounts payable	\$ 266	\$ 1,448	\$ 3,542	\$ -	\$ -	\$ -
Accrued and other liabilities	3,685	-	-	8	-	-
Due to other funds	-	-	-	-	-	-
Total liabilities	<u>3,951</u>	<u>1,448</u>	<u>3,542</u>	<u>8</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	129,667	172,262	29,310	65,197	2,219	1,334
Total fund balances	<u>129,667</u>	<u>172,262</u>	<u>29,310</u>	<u>65,197</u>	<u>2,219</u>	<u>1,334</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 133,618</u>	<u>\$ 173,710</u>	<u>\$ 32,852</u>	<u>\$ 65,205</u>	<u>\$ 2,219</u>	<u>\$ 1,334</u>

Gratiot County
Nonmajor Governmental Funds
Combining Balance Sheet
September 30, 2018

	Special Revenue Funds					
	Law Library	Commission on Aging	Recovery Court	D.A.R.E Program	Salvage Inspection Fee	D.H.S. State Monies
Assets						
Cash and cash equivalents	\$ 41,412	\$ 551,624	\$ 27,517	\$ 26	\$ 10,567	\$ 3,606
Receivables						
Customers	-	115,424	-	-	-	-
Due from other units of government	-	-	76,506	-	-	-
Prepaid items	-	-	-	-	-	-
Total assets	<u>\$ 41,412</u>	<u>\$ 667,048</u>	<u>\$ 104,023</u>	<u>\$ 26</u>	<u>\$ 10,567</u>	<u>\$ 3,606</u>
Liabilities						
Accounts payable	\$ -	\$ 39,542	\$ 20,166	\$ -	\$ -	\$ -
Accrued and other liabilities	-	20,381	5,488	-	-	-
Due to other funds	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>59,923</u>	<u>25,654</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	41,412	607,125	78,369	26	10,567	3,606
Total fund balances	<u>41,412</u>	<u>607,125</u>	<u>78,369</u>	<u>26</u>	<u>10,567</u>	<u>3,606</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 41,412</u>	<u>\$ 667,048</u>	<u>\$ 104,023</u>	<u>\$ 26</u>	<u>\$ 10,567</u>	<u>\$ 3,606</u>

Gratiot County
Nonmajor Governmental Funds
Combining Balance Sheet
September 30, 2018

	Special Revenue Funds					
	Veteran Trust	Veterans Memorial	Animal Control	Marine Safety	Michigan Justice Training	Library
Assets						
Cash and cash equivalents	\$ -	\$ 14,687	\$ 2,199	\$ 4,071	\$ -	\$ 17,638
Receivables						
Customers	-	-	-	-	-	46
Due from other units of government	-	-	-	1,726	2,695	-
Prepaid items	-	-	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ 14,687</u>	<u>\$ 2,199</u>	<u>\$ 5,797</u>	<u>\$ 2,695</u>	<u>\$ 17,684</u>
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 800	\$ -
Accrued and other liabilities	-	-	-	-	-	-
Due to other funds	-	-	-	-	1,895	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,695</u>	<u>-</u>
Deferred Inflows of Resources						
Unavailable grant revenue	-	-	-	1,726	-	-
Fund Balances						
Non-spendable						
Prepaid items	-	-	-	-	-	-
Restricted for						
Debt service	-	-	-	-	-	-
Special revenue funds	-	14,687	2,199	4,071	-	17,684
Total fund balances	<u>-</u>	<u>14,687</u>	<u>2,199</u>	<u>4,071</u>	<u>-</u>	<u>17,684</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ -</u>	<u>\$ 14,687</u>	<u>\$ 2,199</u>	<u>\$ 5,797</u>	<u>\$ 2,695</u>	<u>\$ 17,684</u>

Gratiot County
Nonmajor Governmental Funds
Combining Balance Sheet
September 30, 2018

	Special Revenue Funds		Debt Service Funds		Total Nonmajor Governmental Funds
	Concealed Pistol Licensing	2005 G.O. Bonds	Building Authority Jail	Pension Obligation Bond	
Assets					
Cash and cash equivalents	\$ 67,692	\$ 250	\$ 5,901	\$ -	\$ 1,750,151
Receivables					
Customers	98	-	-	-	123,683
Due from other units of government	-	-	-	-	155,320
Prepaid items	-	-	-	-	1
Total assets	<u>\$ 67,790</u>	<u>\$ 250</u>	<u>\$ 5,901</u>	<u>\$ -</u>	<u>\$ 2,029,155</u>
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 84,330
Accrued and other liabilities	-	-	-	-	63,074
Due to other funds	-	-	-	-	1,895
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>149,299</u>
Deferred Inflows of Resources					
Unavailable grant revenue	-	-	-	-	72,597
Fund Balances					
Non-spendable					
Prepaid items	-	-	-	-	1
Restricted for					
Debt service	-	250	5,901	-	6,151
Special revenue funds	67,790	-	-	-	1,801,107
Total fund balances	<u>67,790</u>	<u>250</u>	<u>5,901</u>	<u>-</u>	<u>1,807,259</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 67,790</u>	<u>\$ 250</u>	<u>\$ 5,901</u>	<u>\$ -</u>	<u>\$ 2,029,155</u>

Gratiot County
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2018

	Special Revenue Funds					
	Road Patrol	Parks and Recreation	Geographic Information System	Friend of the Court	State Criminal Alien Assistance	Economic and Agriculture Development
Revenues						
Taxes	\$ 614,929	\$ 477,934	\$ -	\$ -	\$ -	\$ 616,100
Licenses and permits	-	-	-	-	-	-
Intergovernmental						
Federal/state	-	-	-	451,433	-	-
Local contributions	-	325	27,911	-	-	-
Charges for services	-	9,694	-	43,738	-	-
Fines and forfeitures	-	-	-	-	-	-
Interest income	949	2,453	785	-	51	1,127
Other revenue	-	-	3,294	-	-	-
	<u>615,878</u>	<u>490,406</u>	<u>31,990</u>	<u>495,171</u>	<u>51</u>	<u>617,227</u>
Total revenues						
Expenditures						
Current						
General government	-	-	6,484	541,722	-	-
Public safety	612,749	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Community and economic development	-	-	-	-	-	411,378
Recreation and culture	-	329,856	-	-	-	-
Capital outlay	-	71,022	-	1,406	-	-
Debt service						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
	<u>612,749</u>	<u>400,878</u>	<u>6,484</u>	<u>543,128</u>	<u>-</u>	<u>411,378</u>
Total expenditures						
Excess (deficiency) of revenues over expenditures	<u>3,129</u>	<u>89,528</u>	<u>25,506</u>	<u>(47,957)</u>	<u>51</u>	<u>205,849</u>

Gratiot County
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2018

	Special Revenue Funds					
	Road Patrol	Parks and Recreation	Geographic Information System	Friend of the Court	State Criminal Alien Assistance	Economic and Agriculture Development
Other financing sources (uses)						
Transfers in	\$ -	\$ -	\$ 500	\$ 47,956	\$ -	\$ -
Transfers out	-	(500)	-	-	-	(216,722)
Sale of fixed assets	-	3,500	-	-	-	-
Total other financing sources (uses)	-	3,000	500	47,956	-	(216,722)
Net change in fund balance	3,129	92,528	26,006	(1)	51	(10,873)
Fund balance - beginning of year	367	261,475	125,643	1	9,356	45,901
Fund balance - end of year	<u>\$ 3,496</u>	<u>\$ 354,003</u>	<u>\$ 151,649</u>	<u>\$ -</u>	<u>\$ 9,407</u>	<u>\$ 35,028</u>

Gratiot County
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2018

	Special Revenue Funds					
	Building Inspection	Register of Deeds	K-9 Unit Sheriff	Correction Officers Training Fund	Drug law Enforcement	Law Enforcement
Revenues						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	240,231	-	-	-	-	-
Intergovernmental						
Federal/state	-	-	-	-	-	-
Local contributions	-	-	-	-	-	-
Charges for services	-	44,214	98,920	8,436	-	-
Fines and forfeitures	-	-	-	-	142	-
Interest income	493	852	3	334	15	8
Other revenue	-	-	-	-	-	-
Total revenues	<u>240,724</u>	<u>45,066</u>	<u>98,923</u>	<u>8,770</u>	<u>157</u>	<u>8</u>
Expenditures						
Current						
General government	-	23,075	-	-	-	-
Public safety	147,468	-	7,836	9	-	-
Health and welfare	-	-	-	-	-	-
Community and economic development	-	-	-	-	-	-
Recreation and culture	-	-	-	-	-	-
Capital outlay	-	-	71,916	-	-	-
Debt service						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	<u>147,468</u>	<u>23,075</u>	<u>79,752</u>	<u>9</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>93,256</u>	<u>21,991</u>	<u>19,171</u>	<u>8,761</u>	<u>157</u>	<u>8</u>

Gratiot County
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2018

	Special Revenue Funds					
	Building Inspection	Register of Deeds	K-9 Unit Sheriff	Correction Officers Training Fund	Drug law Enforcement	Law Enforcement
Other financing sources (uses)						
Transfers in	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers out	-	-	-	-	-	-
Sale of fixed assets	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Net change in fund balance	93,256	21,991	19,171	8,761	157	8
Fund balance - beginning of year	36,411	150,271	10,139	56,436	2,062	1,326
Fund balance - end of year	<u>\$ 129,667</u>	<u>\$ 172,262</u>	<u>\$ 29,310</u>	<u>\$ 65,197</u>	<u>\$ 2,219</u>	<u>\$ 1,334</u>

Gratiot County
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2018

	Special Revenue Funds					
	Law Library	Commission on Aging	Recovery Court	D.A.R.E Program	Salvage Inspection Fee	D.H.S. State Monies
Revenues						
Taxes	\$ -	\$ 888,790	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental						
Federal/state	-	412,144	269,150	-	-	-
Local contributions	-	7,637	-	6	-	-
Charges for services	-	103,909	38,324	-	1,300	-
Fines and forfeitures	4,500	-	-	-	-	-
Interest income	219	3,879	-	-	55	29
Other revenue	-	-	303	-	-	-
Total revenues	4,719	1,416,359	307,777	6	1,355	29
Expenditures						
Current						
General government	-	-	-	-	650	-
Public safety	-	-	-	-	-	-
Health and welfare	-	1,268,928	311,794	-	-	-
Community and economic development	-	-	-	-	-	-
Recreation and culture	-	-	-	-	-	-
Capital outlay	3,574	700	-	-	-	-
Debt service						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	3,574	1,269,628	311,794	-	650	-
Excess (deficiency) of revenues over expenditures	1,145	146,731	(4,017)	6	705	29

Gratiot County
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2018

	Special Revenue Funds					
	Law Library	Commission on Aging	Recovery Court	D.A.R.E Program	Salvage Inspection Fee	D.H.S. State Monies
Other financing sources (uses)						
Transfers in	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers out	-	-	-	-	-	-
Sale of fixed assets	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Net change in fund balance	1,145	146,731	(4,017)	6	705	29
Fund balance - beginning of year	40,267	460,394	82,386	20	9,862	3,577
Fund balance - end of year	<u>\$ 41,412</u>	<u>\$ 607,125</u>	<u>\$ 78,369</u>	<u>\$ 26</u>	<u>\$ 10,567</u>	<u>\$ 3,606</u>

Gratiot County
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2018

	Special Revenue Funds					
	Veteran Trust	Veterans Memorial	Animal Control	Marine Safety	Michigan Justice Training	Library
Revenues						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 645,785
Licenses and permits	-	-	-	-	-	-
Intergovernmental						
Federal/state	-	-	-	1,578	5,110	-
Local contributions	-	-	-	-	-	-
Charges for services	-	-	5,166	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Interest income	2	71	13	-	-	1,056
Other revenue	-	-	1,695	-	-	-
	<u>2</u>	<u>71</u>	<u>6,874</u>	<u>1,578</u>	<u>5,110</u>	<u>646,841</u>
Expenditures						
Current						
General government	-	-	-	-	-	-
Public safety	-	-	6,573	1,824	9,345	-
Health and welfare	1,374	-	-	-	-	-
Community and economic development	-	-	-	-	-	-
Recreation and culture	-	-	-	-	-	641,028
Capital outlay	-	-	-	-	-	-
Debt service						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
	<u>1,374</u>	<u>-</u>	<u>6,573</u>	<u>1,824</u>	<u>9,345</u>	<u>641,028</u>
Excess (deficiency) of revenues over expenditures	<u>(1,372)</u>	<u>71</u>	<u>301</u>	<u>(246)</u>	<u>(4,235)</u>	<u>5,813</u>

Gratiot County
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2018

	Special Revenue Funds					
	Veteran Trust	Veterans Memorial	Animal Control	Marine Safety	Michigan Justice Training	Library
Other financing sources (uses)						
Transfers in	\$ -	\$ -	\$ -	\$ -	\$ 4,235	\$ -
Transfers out	-	-	-	-	-	-
Sale of fixed assets	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	4,235	-
Net change in fund balance	(1,372)	71	301	(246)	-	5,813
Fund balance - beginning of year	1,372	14,616	1,898	4,317	-	11,871
Fund balance - end of year	<u>\$ -</u>	<u>\$ 14,687</u>	<u>\$ 2,199</u>	<u>\$ 4,071</u>	<u>\$ -</u>	<u>\$ 17,684</u>

Gratiot County
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2018

	Special Revenue Funds		Debt Service Funds		Total Nonmajor Governmental Funds
	Concealed Pistol Licensing	2005 G.O. Bonds	Building Authority - Jail	Pension Obligation Bond	
Revenues					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 3,243,538
Licenses and permits	-	-	-	-	240,231
Intergovernmental					
Federal/state	-	-	-	-	1,139,415
Local contributions	-	62,098	-	-	97,977
Charges for services	23,880	-	-	-	377,581
Fines and forfeitures	-	-	-	-	4,642
Interest income	377	-	39	-	12,810
Other revenue	-	-	-	-	5,292
Total revenues	<u>24,257</u>	<u>62,098</u>	<u>39</u>	<u>-</u>	<u>5,121,486</u>
Expenditures					
Current					
General government	-	-	-	-	571,931
Public safety	192	-	-	-	785,996
Health and welfare	-	-	-	-	1,582,096
Community and economic development	-	-	-	-	411,378
Recreation and culture	-	-	-	-	970,884
Capital outlay	-	-	-	-	148,618
Debt service					
Principal retirement	-	150,000	170,000	540,000	860,000
Interest and fiscal charges	-	25,919	20,550	158,851	205,320
Total expenditures	<u>192</u>	<u>175,919</u>	<u>190,550</u>	<u>698,851</u>	<u>5,536,223</u>
Excess (deficiency) of revenues over expenditures	<u>24,065</u>	<u>(113,821)</u>	<u>(190,511)</u>	<u>(698,851)</u>	<u>(414,737)</u>

Gratiot County
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2018

	Special Revenue Funds		Debt Service Funds		Total Nonmajor Governmental Funds
	Concealed Pistol Licensing	2005 G.O. Bonds	Building Authority - Jail	Pension Obligation Bond	
Other financing sources (uses)					
Transfers in	\$ -	\$ 29,415	\$ 190,300	\$ 698,851	\$ 971,257
Transfers out	-	-	-	-	(217,222)
Sale of fixed assets	-	-	-	-	3,500
Total other financing sources (uses)	-	29,415	190,300	698,851	757,535
Net change in fund balance	24,065	(84,406)	(211)	-	342,798
Fund balance - beginning of year	43,725	84,656	6,112	-	1,464,461
Fund balance - end of year	\$ 67,790	\$ 250	\$ 5,901	\$ -	\$ 1,807,259

Gratiot County
Nonmajor Enterprise Funds
Combining Statement of Net Position
September 30, 2018

	<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	\$ 45,941	\$ 32,705	\$ 21,260	\$ 99,906
Receivables				
Customers	-	-	1,104	1,104
Prepaid items	-	-	625	625
	<u>45,941</u>	<u>32,705</u>	<u>22,989</u>	<u>101,635</u>
Total assets				
Liabilities				
Current liabilities				
Accounts payable	-	114	7,301	7,415
Accrued and other liabilities	-	594	-	594
	<u>-</u>	<u>708</u>	<u>7,301</u>	<u>8,009</u>
Total liabilities				
Net Position				
Unrestricted	<u>\$ 45,941</u>	<u>\$ 31,997</u>	<u>\$ 15,688</u>	<u>\$ 93,626</u>

Gratiot County
Nonmajor Enterprise Funds
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended September 30, 2018

	Principal Residence Denial Interest	Soil Erosion Inspection	Jail Commissary	Total
Operating revenue				
Customer fees	\$ -	\$ 42,879	\$ 38,066	\$ 80,945
Other revenue	-	-	43,417	43,417
	<u>-</u>	<u>42,879</u>	<u>81,483</u>	<u>124,362</u>
Total operating revenue				
Operating expenses				
Personnel services	-	11,969	-	11,969
Supplies	-	291	19,969	20,260
Utilities	-	432	-	432
Repairs and maintenance	-	90	2,500	2,590
Other expenses	125	5,903	57,897	63,925
	<u>125</u>	<u>18,685</u>	<u>80,366</u>	<u>99,176</u>
Total operating expenses				
Operating income (loss)	(125)	24,194	1,117	25,186
Nonoperating revenue				
Interest income	8,230	144	134	8,508
Gain on sale of fixed assets	-	1,025	-	1,025
	<u>8,230</u>	<u>1,169</u>	<u>134</u>	<u>9,533</u>
Total nonoperating revenue				
Income before transfers	8,105	25,363	1,251	34,719
Transfers in	1,684	-	-	1,684
	<u>9,789</u>	<u>25,363</u>	<u>1,251</u>	<u>36,403</u>
Change in net position				
Net position - beginning of year	36,152	6,634	14,437	57,223
	<u>36,152</u>	<u>6,634</u>	<u>14,437</u>	<u>57,223</u>
Net position - end of year	\$ 45,941	\$ 31,997	\$ 15,688	\$ 93,626
	<u>\$ 45,941</u>	<u>\$ 31,997</u>	<u>\$ 15,688</u>	<u>\$ 93,626</u>

Gratiot County
Nonmajor Enterprise Funds
Combining Statement of Cash Flows
For the Year Ended September 30, 2018

	Principal Residence Denial Interest	Soil Erosion Inspection	Jail Commissary	Total
Cash flows from operating activities				
Receipts from customers	\$ -	\$ 42,879	\$ 83,153	\$ 126,032
Payments to suppliers	(125)	(6,550)	(77,112)	(83,787)
Payments to employees	-	(11,969)	-	(11,969)
Net cash provided (used) by operating activities	(125)	24,360	6,041	30,276
Cash flows from noncapital financing activities				
Transfer from other funds	1,684	-	-	1,684
Cash flows from capital and related financing activities				
Proceeds from sale of capital assets	-	1,025	-	1,025
Cash flows from investing activities				
Interest received	8,230	144	134	8,508
Net change in cash and cash equivalents	9,789	25,529	6,175	41,493
Cash and cash equivalents - beginning of year	36,152	7,176	15,085	58,413
Cash and cash equivalents - end of year	<u>\$ 45,941</u>	<u>\$ 32,705</u>	<u>\$ 21,260</u>	<u>\$ 99,906</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ (125)	\$ 24,194	\$ 1,117	\$ 25,186
Changes in assets and liabilities				
Receivables (net)	-	-	1,670	1,670
Accounts payable	-	50	3,254	3,304
Accrued and other liabilities	-	116	-	116
Net cash provided (used) by operating activities	<u>\$ (125)</u>	<u>\$ 24,360</u>	<u>\$ 6,041</u>	<u>\$ 30,276</u>

Gratiot County
Internal Service Funds
Combining Statement of Net Position
September 30, 2018

	Fringe Benefits	Tile Fund	Flexible Spending	Total
Assets				
Current assets				
Cash and cash equivalents	\$ -	\$ 23,678	\$ 8,531	\$ 32,209
Receivables				
Accrued interest and other	6,659	-	-	6,659
Inventories	-	37,239	-	37,239
Prepaid items	136,821	-	-	136,821
	<u>143,480</u>	<u>60,917</u>	<u>8,531</u>	<u>212,928</u>
Liabilities				
Current liabilities				
Accounts payable	-	2,569	-	2,569
Due to other funds	10,973	-	-	10,973
	<u>10,973</u>	<u>2,569</u>	<u>-</u>	<u>13,542</u>
Net Position				
Unrestricted	<u>\$ 132,507</u>	<u>\$ 58,348</u>	<u>\$ 8,531</u>	<u>\$ 199,386</u>

Gratiot County
Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended September 30, 2018

	<u>Fringe Benefits</u>	<u>Tile Fund</u>	<u>Flexible Spending</u>	<u>Total</u>
Operating revenue				
Billings to other funds	\$ 3,294,092	\$ -	\$ -	\$ 3,294,092
Other revenue	<u>36,220</u>	<u>46,282</u>	<u>17,951</u>	<u>100,453</u>
Total operating revenue	<u>3,330,312</u>	<u>46,282</u>	<u>17,951</u>	<u>3,394,545</u>
Operating expenses				
Personnel services	2,767,489	-	-	2,767,489
Other expenses	<u>-</u>	<u>36,941</u>	<u>15,410</u>	<u>52,351</u>
Total operating expenses	<u>2,767,489</u>	<u>36,941</u>	<u>15,410</u>	<u>2,819,840</u>
Operating income	562,823	9,341	2,541	574,705
Nonoperating revenue				
Interest income	<u>2,030</u>	<u>63</u>	<u>39</u>	<u>2,132</u>
Income before transfers	564,853	9,404	2,580	576,837
Transfers in	111,938	-	1,251	113,189
Transfers out	<u>(698,851)</u>	<u>-</u>	<u>-</u>	<u>(698,851)</u>
Change in net position	(22,060)	9,404	3,831	(8,825)
Net position - beginning of year	<u>154,567</u>	<u>48,944</u>	<u>4,700</u>	<u>208,211</u>
Net position - end of year	<u>\$ 132,507</u>	<u>\$ 58,348</u>	<u>\$ 8,531</u>	<u>\$ 199,386</u>

Gratiot County
Internal Service Funds
Combining Statement of Cash Flows
For the Year Ended September 30, 2018

	Fringe Benefits	Tile Fund	Flexible Spending	Total
Cash flows from operating activities				
Receipts from employees	\$ -	\$ -	\$ 17,951	\$ 17,951
Receipts from interfund users	3,334,626	46,282	-	3,380,908
Payments to other funds	-	-	(1,251)	(1,251)
Payments to suppliers	<u>(2,772,470)</u>	<u>(41,365)</u>	<u>(15,410)</u>	<u>(2,829,245)</u>
Net cash provided by operating activities	<u>562,156</u>	<u>4,917</u>	<u>1,290</u>	<u>568,363</u>
Cash flows from noncapital financing activities				
Transfer from other funds	111,938	-	1,251	113,189
Transfers to other funds	<u>(698,851)</u>	<u>-</u>	<u>-</u>	<u>(698,851)</u>
Net cash provided (used) by noncapital financing activities	<u>(586,913)</u>	<u>-</u>	<u>1,251</u>	<u>(585,662)</u>
Cash flows from investing activities				
Interest received	<u>2,030</u>	<u>63</u>	<u>39</u>	<u>2,132</u>
Net change in cash and cash equivalents	(22,727)	4,980	2,580	(15,167)
Cash and cash equivalents - beginning of year	<u>22,727</u>	<u>18,698</u>	<u>5,951</u>	<u>47,376</u>
Cash and cash equivalents - end of year	<u>\$ -</u>	<u>\$ 23,678</u>	<u>\$ 8,531</u>	<u>\$ 32,209</u>
Reconciliation of operating income to net cash provided by operating activities				
Operating income	\$ 562,823	\$ 9,341	\$ 2,541	\$ 574,705
Changes in assets and liabilities				
Receivables (net)	(6,659)	-	-	(6,659)
Inventories	-	(6,993)	-	(6,993)
Prepaid items	(4,981)	-	-	(4,981)
Accounts payable	-	2,569	-	2,569
Due to other funds	<u>10,973</u>	<u>-</u>	<u>(1,251)</u>	<u>9,722</u>
Net cash provided by operating activities	<u>\$ 562,156</u>	<u>\$ 4,917</u>	<u>\$ 1,290</u>	<u>\$ 568,363</u>

**Gratiot County
Component Unit Funds
Road Commission
Balance Sheet
September 30, 2018**

	<u>Road Commission</u>
Assets	
Cash and cash equivalents	\$ 484,192
Investments	408,768
Due from other units of government	1,521,814
Inventories	<u>551,566</u>
Total assets	<u><u>\$ 2,966,340</u></u>
Liabilities	
Accounts payable	\$ 252,045
Accrued and other liabilities	47,306
Performance bond payable	900
Advances from State	223,212
Due to other units of government	<u>63,413</u>
Total liabilities	<u>586,876</u>
Fund Balances	
Nonspendable	551,566
Restricted	
County Road Operations	<u>1,827,898</u>
Total fund balances	<u>2,379,464</u>
Total liabilities and fund balances	<u><u>\$ 2,966,340</u></u>

Gratiot County
Component Unit Funds
Road Commission
Reconciliation of the Balance Sheet to the Statement of Net Position
September 30, 2018

Total fund balances for component unit funds - road commission	\$ 2,379,464
Total net position for component units in the statement of net position is different because:	
Capital assets used in component units are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	653,673
Capital assets net of depreciation	29,345,886
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Compensated absences	(308,067)
Deferred outflows (inflows) of resources	
Deferred outflows of resources resulting from net pension liability	990,983
Deferred inflows of resources resulting from net pension liability	(341,194)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	
Net pension liability	<u>(6,397,282)</u>
Net position of component unit funds - road commission	<u><u>\$ 26,323,463</u></u>

Gratiot County
Component Unit Funds
Road Commission
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2018

	Road Commission
Revenues	
Licenses and permits	\$ 68,180
Intergovernmental	
Federal\state	7,865,102
Local contributions	1,386,802
Charges for services	981,991
Interest and rents	26,006
Other revenue	41,367
	10,369,448
Expenditures	
Current	
Public works	10,538,721
Capital outlay	18,439
	10,557,160
Deficiency of revenues over expenditures	(187,712)
Other financing sources	
Sale of capital assets	60,137
	(127,575)
Net change in fund balance	(127,575)
Fund balance - beginning of year	2,507,039
	2,379,464
Fund balance - end of year	\$ 2,379,464

**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, 2018**

Net change in fund balances - component unit funds - road commission \$ (127,575)

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	(2,420,194)
Capital outlay	3,022,614

Expenses are recorded when incurred in the statement of activities

Compensated absences	35,360
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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	1,088,659
Net change in the deferred inflow of resources related to the net pension liability	(341,194)
Net change in the deferred outflow of resources related to the net pension liability	(684,003)

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

Net change in net OPEB liability	1,548,753
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Change in net position of component unit funds - road commission **\$ 2,122,420**

**Gratiot County
Component Unit Funds
Drainage Districts
Combining Balance Sheet
September 30, 2018**

	Debt Service					Capital Projects			Total	
	Drain Debt #007	Drain Debt #96	Drain Debt #133	Drain Debt #181	Drain Debt #383	Drain Debt	Regular Drain	Revolving Drain		Revolving Drain Maintenance
Assets										
Cash and cash equivalents	\$ 121,830	\$ 25	\$ 131,604	\$ 695,451	\$ 68,102	\$ -	\$ 2,431,814	\$ 132,580	\$ 27,245	\$ 3,608,651
Receivables										
Special assessments, current	161,176	-	66,607	205,503	93,930	-	1,562,305	-	-	2,089,521
Due from other units of government	-	-	-	-	-	-	231,084	-	-	231,084
Total current assets	283,006	25	198,211	900,954	162,032	-	4,225,203	132,580	27,245	5,929,256
Noncurrent assets										
Special assessments, deferred	483,527	-	599,465	2,847,039	1,596,807	-	6,664,080	-	-	12,190,918
Total assets	\$ 766,533	\$ 25	\$ 797,676	\$ 3,747,993	\$ 1,758,839	\$ -	\$ 10,889,283	\$ 132,580	\$ 27,245	\$ 18,120,174
Liabilities										
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 113,067	\$ 18,908	\$ 640	\$ 132,615
Deferred Inflows of Resources										
Unavailable revenue										
Special assessments	644,703	-	666,072	3,052,542	1,690,737	-	8,226,385	-	-	14,280,439
Fund Balances										
Restricted										
Debt service	121,830	25	131,604	695,451	68,102	-	-	-	-	1,017,012
Assigned - capital projects	-	-	-	-	-	-	2,549,831	113,672	26,605	2,690,108
Total fund balances	121,830	25	131,604	695,451	68,102	-	2,549,831	113,672	26,605	3,707,120
Total liabilities, deferred inflows of resources and fund balances	\$ 766,533	\$ 25	\$ 797,676	\$ 3,747,993	\$ 1,758,839	\$ -	\$ 10,889,283	\$ 132,580	\$ 27,245	\$ 18,120,174

**Gratiot County
Component Unit Funds
Drainage Districts
Reconciliation of the Combining Balance Sheet to the Statement of Net Position
September 30, 2018**

Total fund balances for component unit funds - drainage district	\$ 3,707,120
Total net position for component units in the statement of net position is different because:	
Capital assets used in component units are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	2,192,383
Capital assets net of depreciation	24,732,855
Certain receivables are not available to pay for current period expenditures and, therefore are deferred in the funds.	14,280,439
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(142,413)
Bonds and loans payable	<u>(14,545,920)</u>
Net position of component unit funds - drainage district	<u><u>\$ 30,224,464</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, 2018

	Debt Service					Capital Projects				Total
	Drain Debt #007	Drain Debt #96	Drain Debt #133	Drain Debt #181	Drain Debt #383	Drain Debt	Regular Drain	Revolving Drain	Revolving Drain Maintenance	
Revenues										
Intergovernmental - state	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,542	\$ -	\$ -	\$ 23,542
Intergovernmental - local	-	-	-	-	-	-	1,109,852	-	575	1,110,427
Charges for services	187,466	175,029	96,356	380,988	160,019	-	1,998,683	-	-	2,998,541
Interest income	1,360	707	658	2,529	477	-	17,056	689	145	23,621
Other revenue	-	-	-	-	-	-	3,949	-	-	3,949
Total revenues	<u>188,826</u>	<u>175,736</u>	<u>97,014</u>	<u>383,517</u>	<u>160,496</u>	<u>-</u>	<u>3,153,082</u>	<u>689</u>	<u>720</u>	<u>4,160,080</u>
Expenditures										
Current										
Public works	-	-	-	-	-	-	442,881	63,732	23,150	529,763
Capital outlay	-	-	-	-	-	-	2,224,867	550,666	-	2,775,533
Debt service										
Principal retirement	170,000	180,000	75,000	235,000	95,000	990,639	-	-	-	1,745,639
Interest and fiscal charges	18,955	6,660	17,150	122,318	40,825	238,487	-	-	-	444,395
Total expenditures	<u>188,955</u>	<u>186,660</u>	<u>92,150</u>	<u>357,318</u>	<u>135,825</u>	<u>1,229,126</u>	<u>2,667,748</u>	<u>614,398</u>	<u>23,150</u>	<u>5,495,330</u>
Excess (deficiency) of revenues over expenditures	<u>(129)</u>	<u>(10,924)</u>	<u>4,864</u>	<u>26,199</u>	<u>24,671</u>	<u>(1,229,126)</u>	<u>485,334</u>	<u>(613,709)</u>	<u>(22,430)</u>	<u>(1,335,250)</u>
Other financing sources (uses)										
Transfers in	-	-	-	-	-	1,229,126	360,070	664,488	25,287	2,278,971
Transfers out	-	(45,987)	-	-	-	-	(1,914,952)	(317,559)	(473)	(2,278,971)
Bond and note proceeds	-	-	-	-	-	-	2,007,235	-	-	2,007,235
Total other financing sources (uses)	<u>-</u>	<u>(45,987)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,229,126</u>	<u>452,353</u>	<u>346,929</u>	<u>24,814</u>	<u>2,007,235</u>
Net change in fund balance	(129)	(56,911)	4,864	26,199	24,671	-	937,687	(266,780)	2,384	671,985
Fund balance - beginning of year	121,959	56,936	126,740	669,252	43,431	-	1,612,144	380,452	24,221	3,035,135
Fund balance - end of year	<u>\$ 121,830</u>	<u>\$ 25</u>	<u>\$ 131,604</u>	<u>\$ 695,451</u>	<u>\$ 68,102</u>	<u>\$ -</u>	<u>\$ 2,549,831</u>	<u>\$ 113,672</u>	<u>\$ 26,605</u>	<u>\$ 3,707,120</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, 2018**

Net change in fund balances - component unit funds - drainage district \$ 671,985

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	(731,713)
Capital outlay	2,459,118

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

Special assessments	(518,123)
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Expenses are recorded when incurred in the statement of activities

Accrued interest	(8,943)
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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	(2,007,235)
Repayments of long-term debt	<u>1,745,639</u>

Change in net position of component unit funds - drainage district \$ 1,610,728

**Gratiot County
Component Unit Funds
Central Dispatch Authority
Balance Sheet
September 30, 2018**

Assets

Cash and cash equivalents	\$ 326,808
Deposits with fiscal agent	17,634
Receivables	
Customers	<u>284,816</u>
 Total assets	 <u><u>\$ 629,258</u></u>

Liabilities

Accounts payable	\$ 11,267
Accrued and other liabilities	<u>19,446</u>
 Total liabilities	 <u>30,713</u>

Deferred Inflows of Resources

Unavailable charges for services	<u>1,939</u>
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Fund Balances

Restricted	
Central Dispatch Authority	<u>596,606</u>
 Total liabilities and fund balances	 <u><u>\$ 629,258</u></u>

**Gratiot County
Component Unit Funds
Central Dispatch Authority
Reconciliation of the Balance Sheet to the Statement of Net Position
September 30, 2018**

Total fund balances for component unit funds - central dispatch authority	\$ 596,606
Total net position for component units in the statement of net position is different because:	
Capital assets used in component units are not financial resources and therefore are not reported in the funds.	
Capital assets net of depreciation	704,501
Certain receivables are not available to pay for current period expenditures and, therefore are deferred in the funds.	
	1,939
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(1,152)
Compensated absences	(42,901)
Deferred outflows (inflows) of resources	
Deferred outflows of resources resulting from net pension asset	69,750
Deferred inflows of resources resulting from net pension asset	(83,609)
Deferred inflows of resources resulting from total OPEB liability	(11,347)
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	(270,764)
Net pension asset	236,455
Total OPEB liability	<u>(132,528)</u>
Net position of component unit funds - central dispatch authority	<u><u>\$ 1,066,950</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, 2018

Revenues

Other state grants	\$ 5,085
Charges for services	1,186,963
Interest income	1,719
Other revenue	<u>15</u>
Total revenues	<u>1,193,782</u>

Expenditures

Current	
Public safety	984,362
Capital outlay	181,876
Debt service	
Principal retirement	143,292
Interest and fiscal charges	<u>5,480</u>
Total expenditures	<u>1,315,010</u>

Deficiency of revenues over expenditures	(121,228)
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Other financing sources

Note proceeds	<u>125,640</u>
Net change in fund balance	4,412
Fund balance - beginning of year	<u>592,194</u>
Fund balance - end of year	<u><u>\$ 596,606</u></u>

Gratiot County
Component Unit Funds
Central Dispatch Authority
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities
For the Year Ended September 30, 2018

Net change in fund balances - component unit funds - central dispatch authority	\$	4,412
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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		(45,209)
Capital outlay		108,006

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

Other revenue		1,939
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Expenses are recorded when incurred in the statement of activities

Accrued interest		1,130
Compensated absences		(7,884)

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

Net change in net pension asset		674,344
Net change in the deferred outflow of resources related to the net pension asset		(372,387)
Net change in the deferred inflow of resources related to the net pension asset		(83,609)

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

Net change in total OPEB liability		2,796
Net change in the deferred inflow of resources related to the total OPEB liability		(3,687)

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

Debt issued		(125,640)
Repayments of long-term debt		143,292

Change in net position of component unit funds - central dispatch authority	\$	297,503
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Gratiot County
Component Unit Funds
Brownfield Redevelopment Authority
Balance Sheet
September 30, 2018

Assets

Cash and cash equivalents	\$ 4,596
Due from other units of government	<u>31,409</u>
 Total assets	 <u><u>\$ 36,005</u></u>

Fund Balances

Restricted	
Brownfield Redevelopment	<u><u>\$ 36,005</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, 2018

Revenues

Taxes	\$ 35,335
Interest income	70
	35,405
Total revenues	35,405

Expenditures

Current	
Community and economic development	35,247
	158
Net change in fund balance	158
Fund balance - beginning of year	35,847
Fund balance - end of year	\$ 36,005