

County of Gladwin, Michigan

BASIC FINANCIAL STATEMENTS

December 31, 2019

COUNTY OF GLADWIN, MICHIGAN

BOARD OF COMMISSIONERS

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ANDERSON, TACKMAN & COMPANY, PLC
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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
County of Gladwin
Gladwin, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, of the County of Gladwin, Michigan, as of and for the year ending December 31, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Gladwin County Road Commission and Gladwin City-County Transit, which represent 93 percent, 93 percent, and 94 percent, respectively, of the assets, net position, and revenues of the discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Gladwin County Road Commission and Gladwin City-County Transit, is based solely on the reports 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 auditor's 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.

To the Board of Commissioners
County of Gladwin

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 the County of Gladwin, Michigan, as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, employee retirement benefit systems and budgetary comparison information on pages 4 through 11, pages 66 through 68, and pages 69 through 75 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Gladwin, Michigan's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

To the Board of Commissioners
Gladwin County

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2020, on our consideration of the County of Gladwin, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County of Gladwin, Michigan's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of Gladwin, Michigan's internal control over financial reporting and compliance.



Anderson, Tackman & Company, PLC
Certified Public Accountants
Kincheloe, Michigan

June 22, 2020

Management's Discussion and Analysis

As management of Gladwin County, Michigan (County), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the year then ended December 31, 2019. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the accompanying basic financial statements.

Financial Highlights

- The net position of the County was a deficit of \$7,903,055 as of December 31, 2019. The negative unrestricted net position resulted from the adoption of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*, and the effect of the OPEB liability on the County's net position.
- The County's total net position decreased by \$603,191 during 2019.
- As of the close of the current year, the County's governmental funds (this includes the general fund, special revenue, debt service, and capital projects funds) reported combined ending fund balances of \$5,602,057, an increase of \$242,187 in comparison with the prior year. Approximately 15.3% of this total amount, or \$858,080, is available for spending at the County's discretion (assigned or unassigned fund balance).
- At the end of the current year, the general fund had an unassigned fund balance of \$858,080 or 8.0% of total general fund expenditures.
- The County's total long-term debt, excluding delinquent tax notes, and vested employee benefits increase by \$1,335,750 due receiving lease proceeds for energy upgrades.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements are comprised of five components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements, 4) required supplementary information, and 5) other information. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business. The statement of net position presents information on all of the County's assets, liabilities, and deferred inflows/outflows, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The statement of activities presents information showing how the County's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g., uncollected special assessments and accrued interest expense).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the County include legislative, judicial, general government, public safety, public works, health and welfare, community and economic development, recreation and culture, and other functions. The business-type activities of the County include the various delinquent tax revolving and reversion funds.

The government-wide financial statements include not only the County itself (known as the primary government), but also a legally separate Road Commission, Department of Public Works, Drain Commission, Land Bank Authority, and City-County Transit for which the County is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself. The Gladwin County Building Authority, although legally separate, functions for all practical purposes as a department of the County, and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 12-13 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating the County's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains 31 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Emergency Medical Services Fund, E-911 Millage Fund, Wireless E-911 Fund, and Senior Citizens Program Fund, each of which is considered to be a major fund. Data from the other 26 governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The County adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison schedules for each of the major funds have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 14-15 of this report.

Proprietary funds. The County maintains one type of proprietary fund: enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its various delinquent tax revolving and revision fund operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Tax Revision and the 2019 Tax Revolving Fund, both of which are considered to be major funds. Data from the other proprietary funds are combined in separate single aggregated presentations in the proprietary fund financial statements. Individual fund data for each of these nonmajor enterprise funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 17-19 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 20 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23 - 65 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's defined benefit pension plan, its postemployment health benefits schedule of funding progress and employer contributions, and the major funds' budgetary comparison schedules. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the County’s financial position. As the following table demonstrates, the County’s net position was a deficit of \$7,903,055 as of December 31, 2019.

Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2018	2019	2018	2019	2018	2019
Current Assets	\$ 8,318,668	\$ 8,212,062	\$ 3,587,790	\$ 3,314,798	\$ 11,906,458	\$ 11,526,860
Capital Assets	828,754	2,008,392	-	-	828,754	2,008,392
Total Assets	9,147,422	10,220,454	3,587,790	3,314,798	12,735,212	13,535,252
Deferred Outflows of Resources	904,286	59,745	-	-	904,286	59,745
Current Liabilities	344,320	380,685	1,145,246	910,000	1,489,566	1,290,685
Noncurrent Liabilities	16,879,738	17,302,850	-	-	16,879,738	17,302,850
Total Liabilities	17,224,058	17,683,535	1,145,246	910,000	18,369,304	18,593,535
Deferred Inflows of Resources	2,543,058	2,904,517	-	-	2,543,058	2,904,517
Net Position						
Net Investment in						
Capital Assets	828,754	672,642	-	-	828,754	672,642
Restricted	4,620,245	4,644,328	-	-	4,620,245	4,644,328
Unrestricted	(15,164,407)	(15,624,823)	2,442,544	2,404,798	(12,721,863)	(13,220,025)
Total Net Position	\$ (9,715,408)	\$ (10,307,853)	\$ 2,442,544	\$ 2,404,798	\$ (7,272,864)	\$ (7,903,055)

The largest portion of the County’s net position, \$4,644,328, represents resources that are subject to external restrictions on how they may be spent. An additional portion of net position, \$672,642 reflects the County’s investment in capital assets (i.e., land, buildings and improvements, vehicles and boats, and equipment and furniture); less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The final net position, a deficit of \$(13,220,025) is considered unrestricted. Of this amount, \$(7,820,240) represents negative unrestricted net position created by the recording the net OPEB obligation as required by GASB 75.

As of December 31, 2019, the County is reporting a negative balance in net position for the government as a whole.

Gladwin County's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2018	2019	2018	2019	2018	2019
Program Revenues						
Charges for Services	\$ 2,704,358	\$ 2,467,942	\$ 651,544	\$ 678,942	\$ 3,355,902	\$ 3,146,884
Operating Grants and Contributions	1,187,542	1,158,759	-	-	1,187,542	1,158,759
General Revenues						
Taxes	6,408,353	6,635,291	-	-	6,408,353	6,635,291
State Revenue Sharing	520,220	524,973	-	-	520,220	524,973
Investment Earnings	38,201	40,498	5,097	5,492	43,298	45,990
Rent	85,241	88,459	-	-	85,241	88,459
Other Income	-	-	-	-	-	-
Total Revenues	10,943,915	10,915,922	656,641	684,434	11,600,556	11,600,356
Program Expenses						
Legislative	253,729	199,268	-	-	253,729	199,268
General Government	2,466,306	2,496,303	-	-	2,466,306	2,496,303
Judicial	1,640,598	1,588,792	-	-	1,640,598	1,588,792
Public Safety	4,855,506	4,848,622	-	-	4,855,506	4,848,622
Public Works	28,139	14,737	-	-	28,139	14,737
Health and Welfare	1,887,375	2,226,728	-	-	1,887,375	2,226,728
Community and Economic Development	125,267	104,461	-	-	125,267	104,461
Recreation and Culture	2,711	3,430	-	-	2,711	3,430
Other Expenses	646,745	524,826	-	-	646,745	524,826
Delinquent Tax	-	-	117,187	48,399	117,187	48,399
Tax Foreclosure	-	-	151,154	174,981	151,154	174,981
Total Expenses	11,906,376	12,007,167	268,341	223,380	12,174,717	12,230,547
Excess (Deficiency)	(962,461)	(1,091,245)	388,300	461,054	(574,161)	(630,191)
Transfers	278,878	498,800	(278,878)	(498,800)	-	-
Changes in Net Position	(683,583)	(592,445)	109,422	(37,746)	(574,161)	(630,191)
Net Position - Beginning (As Restated)	(9,031,825)	(9,715,408)	2,333,122	2,442,544	(6,698,703)	(7,272,864)
Net Position - Ending	\$ (9,715,408)	\$ (10,307,853)	\$ 2,442,544	\$ 2,404,798	\$ (7,272,864)	\$ (7,903,055)

The County's net position decreased by \$630,191 during the current year; a \$592,445 decrease for governmental activities and a \$37,746 decrease for business-type activities.

Governmental activities. Governmental activities decreased the County's net position by \$683,583. Key elements of this decrease are as follows:

- Revenues decrease compared to the prior year by \$27,993, or .26%.
- Expenses increased compared to the prior year by \$100,791 or .85%.
- Net transfers received from business-type activities increased compared to the prior year by \$219,922 or 78.9%. This was a result of transfers received from the various delinquent tax funds in the current year.
- Expense from Pension and OPEB obligation decreased net position by \$31,636 and \$301,125 respectively.

Business-type activities. Business-type activities increased the County's net position by \$109,422. Key elements of this increase are as follows:

- Revenues increase compared to the prior year by \$27,793, or 4.23%. The increase was a result of slightly higher collection fees, proceeds of land sales, interest on property taxes, and other various fees.
- Expenses decreased compared to the prior year by \$44,961 or 16.8%. The decrease was a result of lower board of review adjustments, fees, and charges.
- Net transfers to governmental activities increased by \$219,922, or 78.9%.

Financial Analysis of the County's Funds. As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unassigned fund balance may serve as a useful measurement of County's net resources available for spending at the end of the year.

As of December 31, 2019, the County's governmental funds reported combined ending fund balances of \$5,602,057, an increase of \$242,187 in comparison with the prior year. Approximately 85% of the ending fund balances is subject to the underlying limitations applicable to the particular special revenue, debt service, or capital projects fund and is not available for new spending because it has already been spent or has been restricted or assigned for various functions/activities. The remaining 15% of the total fund balance amount constitutes unassigned fund balance, which is available for spending at the County's discretion.

The General Fund is the chief operating fund of the County. At the end of the current year, the unassigned fund balance of the General Fund was \$858,080 while total fund balance amounted to \$911,804. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 8.0% of total General Fund expenditures, while total fund balance represents approximately that same amount.

The fund balance of the County's General Fund increased by \$252,052 during the current year. This increase resulted from the combination of a 0.81% decrease in revenue, an 9.5% increase in expenditures, and a 120% increase in the net transfers and lease proceeds in of the General Fund.

The Emergency Medical Services fund had a decrease in fund balance for the current year of \$248,062, for an ending total of \$1,828,085.

The E-911 Millage fund had a decrease in fund balance for the current year of \$27,036 for an ending total of \$669,840. This decrease was primarily the result of transfers out and expenditures in excess of property taxes collected.

The Wireless E-911 fund had an increase in fund balance for the current year of \$162,129 for an ending total of \$1,117,902. This increase was primarily the result of an increase of revenue over expenditures.

The Senior Citizens Program fund had an increase in fund balance for the current year of \$56,165 for an ending total of \$63,971. This increase was primarily the result of an increase of property taxes collected.

Proprietary funds. The County’s proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Tax Revision fund at the end of the year amounted to \$549,813, unrestricted net position of the Unallocated Tax Revolving fund at the end of the year amounted to \$766,567, and unrestricted net position of the 2019 Tax Revolving fund at the end of the year amounted to \$119,089. The combined unrestricted net position of the non-major enterprise funds was \$969,329 at the end of the year. The Tax Revision fund had a decrease in net position for the year of \$115,332. The Unallocated Tax Revolving fund had a decrease in net position for the year of \$292,458. The 2019 Tax Revolving fund had an increase in net position for the year of \$119,089. The combined increase in net position of the non-major enterprise funds was \$250,955 for the year. The increases in the enterprise funds were largely a result of decreased expenses and transfers out of the various funds.

General Fund Budgetary Highlights

Overall, during the year, General Fund revenues (revenue and other financing sources) were less than the budgetary estimates by \$284,542 or 3.3%. This was caused primarily by a negative variance with the budget of charges for services and reimbursements. Expenditures (expenditures and other financing uses) were less than budgetary estimates overall by \$831,819 or 8.4%. This was caused primarily by spending on capital outlay. This activity resulted in an increase in fund balance of \$252,052.

Capital Asset and Debt Administration

Capital assets. The County’s investment in capital assets for its governmental activities as of December 31, 2019, amounted to \$2,008,392 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, equipment and furniture, and vehicles and boats.

	Governmental Activities	
	2018	2019
Land	\$ 297,231	\$ 297,231
Construction in Progress	-	1,129,625
Buildings and Improvements	115,703	185,174
Equipment and Furniture	248,576	219,218
Vehicles and Boats	167,244	177,144
Capital Assets, Net	<u>\$ 828,754</u>	<u>\$ 2,008,392</u>

Additional information on the County’s capital assets can be found in Note 4 of this report.

Long-term debt. At the end of the current year, the primary government had total debt outstanding (not including vested employee benefits) of \$2,467,186.

	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
Governmental Activities:				
Qualified Tax-Exempt Obligation				
Installment Purchase Agreement	\$ -	\$ 1,335,750	\$ -	\$ 1,335,750
Vested Employee Benefits	193,714	27,722	-	221,436
Business-type Activities:				
GO Limited Tax Notes	1,090,000	-	1,090,000	-
GO Limited Tax Notes	-	2,300,000	1,390,000	910,000
Total Long-Term Debt for the Primary Government	<u>\$ 1,283,714</u>	<u>\$ 3,663,472</u>	<u>\$ 2,480,000</u>	<u>\$ 2,467,186</u>

A more detailed discussion of the County’s long-term debt obligations is presented in Note 6 to the financial statements.

Economic Factors and Next Year’s Budgets and Rates

The following factors were considered in preparing the County’s 2020 budget:

- Employee wages and fringes were calculated based on their respective policies and contracts. Individual Department Heads requested expenditures that were formally approved after Board consideration during public hearing.

Contacting the County’s Management

This financial report is designed to provide a general overview of the County’s finances to all those with an interest in the government’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Gladwin County Clerk’s Office, 401 West Cedar Avenue, Gladwin, Michigan 48624.

Basic Financial Statements

Statement of Net Position
December 31, 2019

	Primary Government		Totals	Component Units
	Governmental Activities	Business-type Activities		
ASSETS:				
Cash and Equivalents	\$ 5,230,154	\$ 1,879,759	\$ 7,109,913	\$ 4,149,465
Investments	265,815	-	265,815	1,829,777
Accounts Receivable	56,746	-	56,746	2,770,301
Special Assessments Receivable	-	-	-	344,781
Taxes Receivable	2,268,254	1,365,225	3,633,479	-
Due from Other Governmental Units	391,885	69,814	461,699	246,991
Inventories	-	-	-	477,053
Prepaid Items	-	-	-	159,504
Other Assets	-	-	-	50,000
Cash on Deposit with Agent	-	-	-	148,577
Capital Assets (Not Depreciated)	1,426,856	-	1,426,856	6,065,189
Capital Assets (Net of Accumulated Depreciation)	581,536	-	581,536	28,242,069
TOTAL ASSETS	10,221,246	3,314,798	13,536,044	44,483,707
DEFERRED OUTFLOWS OF RESOURCES:				
Pension Related Items	59,745	-	59,745	2,195,116
LIABILITIES:				
Accounts Payable	142,557	-	142,557	261,948
Accrued Payroll	104,707	-	104,707	-
Accrued Liabilities	1,082	-	1,082	67,006
Due to Other Governmental Units	-	-	-	170,987
Accrued Interest Payable	18,088	-	18,088	10,016
Performance Bonds Payable	-	-	-	3,000
Advance from Other Governmental Units	-	-	-	142,635
Vested Employee Benefits- Due within one year	-	-	-	55,921
Vested Employee Benefits - Due in more than one year	221,436	-	221,436	221,529
Note Payable - Due within one year	-	910,000	910,000	138,513
Note Payable - Due in more than one year	-	-	-	901,882
Installment Loan Payable - Due within one year	115,043	-	115,043	-
Installment Loan Payable - Due in more than one year	1,220,707	-	1,220,707	-
Bonds Payable - Due within one year	-	-	-	230,000
Bonds Payable - Due within one year	-	-	-	530,000
Net Pension Liability - Due in more than one year	8,040,462	-	8,040,462	6,610,110
OPEB Obligation - Due in more than one year	7,820,245	-	7,820,245	5,451,315
TOTAL LIABILITIES	17,684,327	910,000	18,594,327	14,794,862
DEFERRED INFLOWS OF RESOURCES:				
Pension Related Items	87,048	-	87,048	1,501,177
OPEB Related Items	515,297	-	515,297	-
Property Taxes Levied for Subsequent Period	2,302,172	-	2,302,172	1,830,331
TOTAL DEFERRED INFLOWS OF RESOURCES	2,904,517	-	2,904,517	3,331,508
NET POSITION:				
Net Investment in Capital Assets	672,642	-	672,642	32,606,863
Restricted for Debt Service	-	-	-	2
Restricted for Other Purposes	4,644,328	-	4,644,328	148,577
Unrestricted	(15,624,823)	2,404,798	(13,220,025)	(4,202,989)
TOTAL NET POSITION	\$ (10,307,853)	\$ 2,404,798	\$ (7,903,055)	\$ 28,552,453

Statement of Activities
For the Year Ended December 31, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary Government:								
Governmental Activities:								
Legislative	\$ 199,268	\$ -	\$ -	\$ -	\$ (199,268)	\$ -	\$ (199,268)	\$ -
General Government	2,496,303	910,100	96,285	-	(1,489,918)	-	(1,489,918)	-
Judicial	1,588,792	648,271	698,424	-	(242,097)	-	(242,097)	-
Public Safety	4,848,622	859,715	215,013	-	(3,773,894)	-	(3,773,894)	-
Public Works	14,737	903	2,361	-	(11,473)	-	(11,473)	-
Health and Welfare	2,226,728	8,031	106,459	-	(2,112,238)	-	(2,112,238)	-
Community and Economic Development	104,461	40,203	40,217	-	(24,041)	-	(24,041)	-
Recreation and Culture	3,430	719	-	-	(2,711)	-	(2,711)	-
Other Expenses	524,826	-	-	-	(524,826)	-	(524,826)	-
Total Governmental Activities	12,007,167	2,467,942	1,158,759	-	(8,380,466)	-	(8,380,466)	-
Business-type Activities:								
Delinquent Tax	48,399	418,358	-	-	-	369,959	369,959	-
Tax Revision	174,981	260,584	-	-	-	85,603	85,603	-
Total Business-type Activities	223,380	678,942	-	-	-	455,562	455,562	-
Total Primary Government	\$ 12,230,547	\$ 3,146,884	\$ 1,158,759	\$ -	(8,380,466)	455,562	(7,924,904)	-
Component Units:								
Road Commission	\$ 7,612,038	\$ 2,520,200	\$ 5,769,471	\$ 287,885				965,518
Department of Public Works	103,825	103,825	-	-				-
Drain Commission	506,944	(472,334)	-	-				(979,278)
Land Bank Authority	164,979	90,709	-	-				(74,270)
City-County Transit	1,926,913	200,158	992,409	434,140				(300,206)
Total Component Units	\$ 10,314,699	\$ 2,442,558	\$ 6,761,880	\$ 722,025				(388,236)
General Revenues and Transfers:								
Taxes					6,635,291	-	6,635,291	2,292,067
State Revenue Sharing					524,973	-	524,973	-
Investment Earnings (Loss)					40,498	5,492	45,990	32,890
Rent					88,459	-	88,459	-
Other Income					-	-	-	32,976
Transfers					498,800	(498,800)	-	-
Total General Revenues and Transfers					7,788,021	(493,308)	7,294,713	2,357,933
Change in Net Position					(592,445)	(37,746)	(630,191)	1,969,697
Net Position - Beginning					(9,715,408)	2,442,544	(7,272,864)	26,582,756
Net Position - Ending					\$ (10,307,853)	\$ 2,404,798	\$ (7,903,055)	\$ 28,552,453

County of Gladwin, Michigan

Balance Sheet Governmental Funds December 31, 2019

	General	Emergency Medical Services	E-911 Millage	Wireless E-911 Fund	Senior Citizens Program	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS:							
Cash and Equivalents	\$ 637,329	\$ 1,817,047	\$ 559,864	\$ 1,117,902	\$ 70,339	\$ 1,027,673	\$ 5,230,154
Investments	-	48,829	166,665	-	50,321	-	265,815
Accounts Receivable	-	-	-	-	-	56,746	56,746
Taxes Receivable	235,259	462,044	693,064	-	693,064	184,823	2,268,254
Due from Other Governmental Units	376,942	-	-	-	-	8,643	385,585
Due from Others	6,300	-	-	-	-	-	6,300
TOTAL ASSETS	\$ 1,255,830	\$ 2,327,920	\$ 1,419,593	\$ 1,117,902	\$ 813,724	\$ 1,277,885	\$ 8,212,854
LIABILITIES:							
Accounts Payable	\$ 131,807	\$ -	\$ -	\$ -	\$ -	\$ 10,750	\$ 142,557
Accrued Payroll	104,707	-	-	-	-	-	104,707
Accrued Liabilities	1,082	-	-	-	-	-	1,082
TOTAL LIABILITIES	237,596	-	-	-	-	10,750	248,346
DEFERRED INFLOWS OF RESOURCES:							
Property Taxes Levied for Subsequent Period	106,430	499,835	749,753	-	749,753	199,934	2,305,705
Other State Grants	-	-	-	-	-	56,746	56,746
TOTAL DEFERRED INFLOWS OF RESOURCES	106,430	499,835	749,753	-	749,753	256,680	2,362,451
FUND BALANCES:							
Nonspendable	6,300	-	-	-	-	-	6,300
Restricted	47,424	1,828,085	669,840	1,117,902	63,971	917,106	4,644,328
Committed	-	-	-	-	-	61,040	61,040
Assigned	-	-	-	-	-	32,309	32,309
Unassigned	858,080	-	-	-	-	-	858,080
TOTAL FUND BALANCES	911,804	1,828,085	669,840	1,117,902	63,971	1,010,455	5,602,057
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 1,255,830	\$ 2,327,920	\$ 1,419,593	\$ 1,117,902	\$ 813,724	\$ 1,277,885	
Reconciliation to amounts reported for governmental activities in the statement of net position:							
Capital Assets used by Governmental Activities							2,008,392
Unavailable Revenue from Inflows							60,279
Vested Employee Benefits							(221,436)
Installment Loan Payable - Due within one year							(115,043)
Installment Loan Payable - Due in more than one year							(1,220,707)
Accrued Interest Payable							(18,088)
Pension and OPEB Obligations							(16,403,307)
Net position of governmental activities							\$ (10,307,853)

**Statement of Revenues, Expenditures, and
Changes in Fund Balance - Governmental Funds
For the Year Ended December 31, 2019**

	General	Emergency Medical Services	E-911 Millage	Wireless E-911 Fund	Senior Citizens Program	Nonmajor Governmental Funds	Totals Governmental Funds
REVENUES:							
Taxes	\$ 4,739,798	\$ 495,744	\$ 745,063	\$ -	\$ 742,662	\$ 198,614	\$ 6,921,881
Licenses and Permits	438,136	-	-	-	-	-	438,136
Federal	130,003	-	-	-	-	64,223	194,226
State	1,168,312	-	-	166,790	-	121,854	1,456,956
Local	9,000	-	-	-	-	23,550	32,550
Charges for Services	1,300,079	-	-	-	-	298,564	1,598,643
Fines and Forfeits	23,971	-	-	-	-	-	23,971
Interest and Rents	94,315	10,288	4,705	12,088	572	6,989	128,957
Reimbursements	234,196	-	-	-	-	-	234,196
Other Revenue	153,575	-	-	-	-	32,780	186,355
TOTAL REVENUES	8,291,385	506,032	749,768	178,878	743,234	746,574	11,215,871
EXPENDITURES:							
Legislative	198,198	-	-	-	-	-	198,198
Judicial	1,519,937	-	-	-	-	2,388	1,522,325
General Government	2,260,744	-	-	-	-	36,280	2,297,024
Public Safety	4,488,190	-	2,556	16,749	-	137,740	4,645,235
Public Works	14,421	-	-	-	-	-	14,421
Health and Welfare	498,591	754,094	-	-	687,069	284,760	2,224,514
Community and Economic Development	-	-	-	-	-	104,461	104,461
Recreation and Culture	2,668	-	-	-	-	762	3,430
Other	499,759	-	-	-	-	-	499,759
Capital Outlay	1,298,867	-	-	-	-	-	1,298,867
TOTAL EXPENDITURES	10,781,375	754,094	2,556	16,749	687,069	566,391	12,808,234
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	(2,489,990)	(248,062)	747,212	162,129	56,165	180,183	(1,592,363)
OTHER FINANCING SOURCES (USES):							
Lease Proceeds	1,335,750	-	-	-	-	-	1,335,750
Transfers In	1,626,569	-	-	-	-	108,198	1,734,767
Transfers Out	(220,277)	-	(774,248)	-	-	(241,442)	(1,235,967)
TOTAL OTHER FINANCING SOURCES (USES)	2,742,042	-	(774,248)	-	-	(133,244)	1,834,550
NET CHANGE IN FUND BALANCES	252,052	(248,062)	(27,036)	162,129	56,165	46,939	242,187
FUND BALANCES BEGINNING OF YEAR	659,752	2,076,147	696,876	955,773	7,806	963,516	5,359,870
FUND BALANCES END OF YEAR	\$ 911,804	\$ 1,828,085	\$ 669,840	\$ 1,117,902	\$ 63,971	\$ 1,010,455	\$ 5,602,057

County of Gladwin, Michigan

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended December 31, 2019

Net changes in fund balances - total governmental funds	\$ 242,187
The change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay \$1,273,800 exceeded depreciation expense (\$94,162).	1,179,638
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred until the following year.	
Change in unavailable revenue	(299,949)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Issuance of debt is an other financing source in the governmental funds, but it is an increase in long-term liabilities in the statement of net position.	
Debt Proceeds	(1,335,750)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds:	
Pension	(31,636)
OPEB	(301,125)
Accrued Interest	(18,088)
Vested employee benefits	<u>(27,722)</u>
Change in net position of governmental activities	<u>\$ (592,445)</u>

**Statement of Net Position
Proprietary Funds
December 31, 2019**

Business-type Activities
Enterprise Funds

	Tax Revision	Unallocated Tax Revolving	2019 Tax Revolving	Nonmajor Enterprise	Totals
ASSETS:					
Cash and Equivalents	\$ 499,813	\$ 759,461	\$ 123,049	\$ 497,436	\$ 1,879,759
Taxes Receivable	-	5,473	1,156,040	203,712	1,365,225
Due from Other Funds	-	-	-	398,000	398,000
Due from Other Governments	50,000	1,633	-	18,181	69,814
TOTAL ASSETS	<u>\$ 549,813</u>	<u>\$ 766,567</u>	<u>\$ 1,279,089</u>	<u>\$ 1,117,329</u>	<u>\$ 3,712,798</u>
LIABILITIES:					
Due to Other Fund	\$ -	\$ -	\$ 250,000	\$ 148,000	\$ 398,000
Notes Payable	-	-	910,000	-	910,000
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>1,160,000</u>	<u>148,000</u>	<u>1,308,000</u>
NET POSITION:					
Unrestricted	549,813	766,567	119,089	969,329	2,404,798
TOTAL NET POSITION	<u>\$ 549,813</u>	<u>\$ 766,567</u>	<u>\$ 119,089</u>	<u>\$ 969,329</u>	<u>\$ 2,404,798</u>

**Statement of Revenues, Expenses and
Changes in Net Position - Proprietary Funds
For the Year Ended December 31, 2019**

	Business-type Activities Enterprise Funds				Totals
	Tax Revision	Unallocated Tax Revolving	2019 Tax Revolving	Nonmajor Enterprise	
OPERATING REVENUES:					
Interest and Penalties on Taxes	\$ -	\$ 1,203	\$ 83,417	\$ 212,458	\$ 297,078
Administrative Fees	-	-	73,844	47,436	121,280
Collection Fees	260,584	-	-	-	260,584
Total Operating Revenues	260,584	1,203	157,261	259,894	678,942
OPERATING EXPENSES:					
Other Supplies & Expenses	174,981	-	11,520	9,838	196,339
OPERATING INCOME (LOSS)	85,603	1,203	145,741	250,056	482,603
NON-OPERATING REVENUES (EXPENSES):					
Interest Income	3,565	639	389	899	5,492
Interest Expense	-	-	(27,041)	-	(27,041)
Total Non-operating Revenues (Expenses)	3,565	639	(26,652)	899	(21,549)
Income (Loss) Before Transfers	89,168	1,842	119,089	250,955	461,054
TRANSFERS:					
Transfers Out	(204,500)	(294,300)	-	-	(498,800)
Total Transfers	(204,500)	(294,300)	-	-	(498,800)
CHANGE IN NET POSITION	(115,332)	(292,458)	119,089	250,955	(37,746)
NET POSITION, BEGINNING OF YEAR	665,145	1,059,025	-	718,374	2,442,544
NET POSITION, END OF YEAR	\$ 549,813	\$ 766,567	\$ 119,089	\$ 969,329	\$ 2,404,798

Statement of Cash Flows
Proprietary Fund Types
For the Year Ended December 31, 2019

	Business-type Activities				Totals
	Enterprise Funds				
	Tax Revision	Unallocated Tax Revolving	2019 Tax Revolving	Nonmajor Funds	
Cash Flows From Operating Activities:					
Receipts from Customers or Users	\$ 260,584	\$ 18,196	\$ 2,042,811	\$ 1,381,666	\$ 3,703,257
Cash Payments to Vendors/Governments	(230,227)	-	(3,053,110)	(9,838)	(3,293,175)
Cash Paid to Other Funds	(50,000)	-	250,000	(250,000)	(50,000)
Net Cash Provided (Used) by Operating Activities	<u>(19,643)</u>	<u>18,196</u>	<u>(760,299)</u>	<u>1,121,828</u>	<u>360,082</u>
Cash Flows From Noncapital and Related Financing Activities:					
Transfers Out	(204,500)	(294,300)	-	-	(498,800)
Net Cash Provided (Used) by Noncapital and Related Financing Activities	<u>(204,500)</u>	<u>(294,300)</u>	<u>-</u>	<u>-</u>	<u>(498,800)</u>
Cash Flows from Capital and Related Financing Activities:					
Tax Note Proceeds	-	-	2,300,000	-	2,300,000
Principal Payments	-	-	(1,390,000)	(1,090,000)	(2,480,000)
Interest Payments	-	-	(27,041)	-	(27,041)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>-</u>	<u>-</u>	<u>882,959</u>	<u>(1,090,000)</u>	<u>(207,041)</u>
Cash Flows From Investing Activities:					
Interest Income	3,565	639	389	899	5,492
Net Cash Provided (Used) by Investing Activities	<u>3,565</u>	<u>639</u>	<u>389</u>	<u>899</u>	<u>5,492</u>
Net Increase (Decrease) in Cash and Equivalents	(220,578)	(275,465)	123,049	32,727	(340,267)
Cash and Equivalents - Beginning of the Year	720,391	1,034,926	-	464,709	2,220,026
Cash and Equivalents - End of the Year	<u>\$ 499,813</u>	<u>\$ 759,461</u>	<u>\$ 123,049</u>	<u>\$ 497,436</u>	<u>\$ 1,879,759</u>
Reconciliation of Operating Income (Loss) to					
Net Cash Provided (Used) by Operating Activities:					
Operating Income (Loss)	\$ 85,603	\$ 1,203	\$ 145,741	\$ 250,056	\$ 482,603
Change in Assets and Liabilities:					
(Increase) Decrease in Assets:					
Receivables	-	18,626	(1,156,040)	1,139,953	2,539
Due From Governmental Units	-	(1,633)	-	(18,181)	(19,814)
Due from Other Funds	(50,000)	-	-	(98,000)	(148,000)
Increase (Decrease) in Liability:					
Accountns Payable	(55,246)	-	-	-	(55,246)
Due to Other Funds	-	-	250,000	(152,000)	98,000
Net Cash Provided (Used) by Operating Activities	<u>\$ (19,643)</u>	<u>\$ 18,196</u>	<u>\$ (760,299)</u>	<u>\$ 1,121,828</u>	<u>\$ 360,082</u>

**Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2019**

	<u>Total</u>
ASSETS:	
Cash and Equivalents	\$ 186,751
Total Assets	<u>\$ 186,751</u>
LIABILITIES:	
Due to Governmental Units	\$ 3,195
Due to Individuals and Agencies	<u>183,556</u>
Total Liabilites	<u>\$ 186,751</u>

Combining Component Units

**Statement of Net Position
Combining Component Units
December 31, 2019**

	Road Commission	Department of Public Works	Drain Commission	Land Bank Authority	Gladwin City - County Transit FYE 9-30-19	Totals
ASSETS:						
Cash and Equivalents - Unrestricted	\$ 2,540,077	\$ 161,575	\$ 1,005,244	\$ 10,171	\$ 432,398	\$ 4,149,465
Investments	1,829,777	-	-	-	-	1,829,777
Accounts Receivable	2,765,515	-	-	-	4,786	2,770,301
Special Assessments Receivable	-	-	344,781	-	-	344,781
Due from Governmental Units	-	101,517	-	-	145,474	246,991
Inventories	444,081	-	-	-	32,972	477,053
Prepaid Items	112,088	-	-	-	47,416	159,504
Other Assets	-	-	-	50,000	-	50,000
Cash on Deposit with Agent	-	-	-	-	148,577	148,577
Capital Assets (Not Depreciated)	6,051,054	-	-	-	14,135	6,065,189
Capital Assets (Net of Accumulated Depreciation)	25,874,437	-	1,356,117	-	1,011,515	28,242,069
TOTAL ASSETS	39,617,029	263,092	2,706,142	60,171	1,837,273	44,483,707
DEFERRED OUTFLOWS OF RESOURCES:						
Pension & OPEB Related Items	2,069,246	-	-	-	125,870	2,195,116
LIABILITIES:						
Accounts Payable	217,126	-	11,125	-	33,697	261,948
Accrued Liabilities	41,154	-	-	-	25,852	67,006
Accrued Interest Payable	5,060	1,517	3,439	-	-	10,016
Performance Bonds payable	3,000	-	-	-	-	3,000
Advances from Governmental Units	142,635	-	-	-	-	142,635
Due to Other Governments	-	-	93,682	50,000	27,305	170,987
Net Other Post-Employment Benefit Obligations	5,176,962	-	-	-	274,353	5,451,315
Net Pension Liability - Due in more than one year	6,579,269	-	-	-	30,841	6,610,110
Vested Employee Benefits - Due within one year	18,485	-	-	-	37,436	55,921
Vested Employee Benefits - Due in more than one year	221,529	-	-	-	-	221,529
Notes Payable - Due within one year	38,513	-	100,000	-	-	138,513
Notes Payable - Due in more than one year	266,882	-	635,000	-	-	901,882
Bonds Payable - Due within one year	130,000	100,000	-	-	-	230,000
Bonds Payable - Due in more than one year	530,000	-	-	-	-	530,000
TOTAL LIABILITIES	13,370,615	101,517	843,246	50,000	429,484	14,794,862
DEFERRED INFLOWS OF RESOURCES:						
Taxes Levied for Subsequent Period	1,830,331	-	-	-	-	1,830,331
Pension & OPEB Related Items	1,394,382	-	-	-	106,795	1,501,177
TOTAL DEFERRED INFLOWS OF RESOURCES	3,224,713	-	-	-	106,795	3,331,508
NET POSITION:						
Net Investment in Capital Assets	30,960,096	-	621,117	-	1,025,650	32,606,863
Restricted for Debt	-	2	-	-	-	2
Restricted for Other Purposes	-	-	-	-	148,577	148,577
Unrestricted	(5,869,149)	161,573	1,241,779	10,171	252,637	(4,202,989)
TOTAL NET POSITION	\$ 25,090,947	\$ 161,575	\$ 1,862,896	\$ 10,171	\$ 1,426,864	\$ 28,552,453

**Statement of Activities
Combining Component Units
For the Year Ended December 31, 2019**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position					Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Road Commission	Department of Public Works	Drain Commission	Land Bank Authority	Gladwin City - County Transit FYE 9-30-19	
Road Commission:										
Public Works	\$ 7,612,038	\$ 2,520,200	\$ 5,769,471	\$ 287,885	\$ 965,518	\$ -	\$ -	\$ -	\$ -	\$ 965,518
Department of Public Works:										
Public Works	103,825	103,825	-	-	-	-	-	-	-	-
Drain Commission:										
Public Works	506,944	(472,334)	-	-	-	(979,278)	-	-	-	(979,278)
Land Bank Authority:										
Community & Economic Development	164,979	90,709	-	-	-	-	(74,270)	-	-	(74,270)
Gladwin City - County Transit:										
Transportation	1,926,913	200,158	992,409	434,140	-	-	-	-	(300,206)	(300,206)
Total Component Unit	\$ 10,314,699	\$ 2,442,558	\$ 6,761,880	\$ 722,025	965,518	-	(979,278)	(74,270)	(300,206)	(388,236)
General Revenues:										
Taxes					1,801,482	-	-	-	490,585	2,292,067
Investment Earnings					26,635	1	1,082	54	5,118	32,890
Other Income					10,673	-	-	3,744	18,559	32,976
Total General Revenues					1,838,790	1	1,082	3,798	514,262	2,357,933
Change in Net Position					2,804,308	1	(978,196)	(70,472)	214,056	1,969,697
Net Position - Beginning					22,286,639	161,574	2,841,092	80,643	1,212,808	26,582,756
Net Position - Ending					\$ 25,090,947	\$ 161,575	\$ 1,862,896	\$ 10,171	\$ 1,426,864	\$ 28,552,453

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**A. Description of government-wide 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. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

B. Reporting Entity

Gladwin County, Michigan (County) was organized in 1875, covers an area of 503 square miles divided into 15 townships and 2 cities, and has 25,692 residents (based on the 2010 census). The county seat is located in the City of Gladwin. The County operates under an elected Board of Commissioners (County Board) with five members and provides many services to its residents including law enforcement, administration of justice, community enrichment and development, and human services.

The financial statements of the County have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The County's significant accounting policies are described below.

As required by GAAP, the financial statements of the reporting entity include those of the County and its component units. The component units discussed below are included in the County's reporting entity because they are entities for which the County is considered to be financially accountable.

Blended component unit – The Building Authority has been included as part of the County financial statements since the County appoints the governing authority and the Building Authority provides its services entirely to the County. The Building Authority is reported as a debt service fund and does not issue separate financial statements.

Discretely presented component units – The component unit column in the government-wide financial statements includes the financial data of the County's other component units. These units are reported in a separate column to emphasize that they are legally separate from the County.

Road Commission – The Gladwin County Road Commission (Road Commission) is governed by an elected three member Board of County Road Commissioners. The Road Commission may not issue debt or levy a tax without the approval of the County Board. If approval is granted, Road Commission's taxes are levied under the taxing authority of the County, as approved by the County electors. The nature and significance of the relationship between the primary government and the Road Commission is such that exclusion would cause the reporting entity's financial statements to be misleading. A complete financial statement can be obtained from the Gladwin County Road Commission, 301 South State Street, Gladwin, Michigan 48624.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Gladwin City-County Transit – The Gladwin City-County Transit (Transit) is a countywide transportation system created by an interlocal agreement dated June 22, 1981, between the County and the City of Gladwin. Pursuant to the interlocal agreement, administrative control of the system was transferred to the Gladwin City Housing Commission (Housing Commission), with the County Treasurer acting as fiscal agent for the system. The Transit may not issue debt and the tax levy is subject to County Board approval. The transit taxes are levied under the taxing authority of the County, as approved by the County electors. The nature and significance of the relationship between the primary government and the Transit is such that exclusion would cause the reporting entity’s financial statements to be misleading. Due to the difference in the fiscal year-end of the Transit, the September 30, 2019 amounts have been included in the County audit. A complete financial statement can be obtained from the Gladwin City Housing Commission, 615 Weaver Ct, Gladwin, Michigan 48624.

Department of Public Works – Pursuant to Michigan Compiled Law 123.732, Gladwin County created the Department of Public Works. The Department of Public Works operates under the general control of the County Board and under the immediate control of a Board of Public Works, which includes the County Drain Commissioner. The Board of Public Works is considered an agency of the County. The Board of Public Works manages water supply and sanitary sewer system construction projects that are bonded by the County. Bonds issued are authorized by an ordinance or a resolution approved by the Board of Public Works and adopted by the County Board. The nature and significance of the relationship between the County and the Department of Public Works is such that exclusion would cause the reporting entity financial statements to be misleading or incomplete.

Drain Commission – Each of the drainage districts established pursuant to the Drain Code of 1956 are separate legal entities, with the power to contract, to sue and be sued, to hold, manage and dispose of real and personal property, etc. The Drain Commissioner is responsible for planning, developing, and maintaining surface water drainage systems within the County. The Drain Commissioner, on behalf of each drainage district, may issue debt or levy a tax as authorized by the State Drain Code without the approval of the County Board. The County employs all full-time employees and the elected officials of the Drain Commission. The Drain Commission deposits its receipts with the County Treasurer. The nature and significance of the relationship between the County and the Drain Commission is such that exclusion would cause the reporting entity financial statements to be misleading or incomplete.

Land Bank Authority – The Gladwin County Land Bank Authority (Land Bank) is a public body corporation organized pursuant to the Michigan Land Bank Fast Track Public Act 258 and an intergovernmental agreement entered into between the Michigan Land Bank Fast Track Authority and the County Treasurer. The Land Bank was created to acquire, hold, manage and develop tax-foreclosed properties, as well as other vacant and abandoned properties. The Land Bank was legally established on October 16, 2008, and began operations on that date. The Land Bank is comprised of seven members, as follows: the County Treasurer, one member of the County Board, and five persons appointed by the County Board to represent the interests of the City of Gladwin, the City of Beaverton, the townships in the County, and the members of the general public.

Joint Organizations

Central Michigan District Health Department – Gladwin, Clare, Arenac, Isabella, Osceola, and Roscommon counties participate jointly in the operation of the Central Michigan District Health Department (Health Department). All of the financial operations of the Health Department are recorded in the records of Isabella County.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Joint Organizations (continued)

The funding formula approved by the member counties is based pro-rata on each unit’s population and equalized valuation to the Health Department’s total population and valuation. Member counties’ percentages of the 2019 net operating budget were:

Gladwin	14%	Isabella	28%
Clare	17%	Osceola	13%
Arenac	10%	Roscommon	18%

The County’s appropriation to the Health Department for the year ended December 31, 2019 was \$188,314.

Central Michigan Community Mental Health Services Board – The Central Michigan Community Mental Health Services Board (Services Board) reorganized as a Community Mental Health Authority under Public Act 258 of 1974, as amended. The Services Board has representatives and provides services to Isabella, Mecosta, Osceola, Clare, Midland, and Gladwin counties. All participating counties provide annual appropriations; however, none of the participating counties are financially responsible for the Board.

The Services Board is legally separate from the County; however, it has not met the financial accountability criteria. For this reason, it is not considered a component unit of the County.

The County’s appropriation to the Services Board for the year ended December 31, 2019 was \$91,531.

Related Organization

Northern Michigan Substance Abuse Services, Inc. – The County, in conjunction with 31 other counties, has entered into an agreement which created Northern Michigan Substance Abuse Services, Inc. This organization’s board is composed of one member appointed by the board of commissioners from each of the participating counties.

C. Basis of Presentation – Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the County’s enterprise funds. 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.

As discussed earlier, the County has five discretely presented component units. While not all are considered to be a major component unit, they are nevertheless shown in separate columns in the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the County’s funds, including its fiduciary funds and blended component unit. Separate statements for each fund category— governmental, proprietary, and fiduciary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The County reports the following major governmental funds:

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

The *Emergency Medical Services Fund* accounts for funds raised by a special tax levy to maintain emergency medical services to County citizens.

The *E-911 Millage Fund* accounts for funds raised by a special tax levy to maintain E-911 services to County citizens.

The *Wireless E-911 Millage Fund* accounts for funds received to operate E-911 services for County citizens.

The *Senior Citizens Program Fund* accounts for funds raised by a special tax levy to maintain and expand services to older citizens of the County.

The County reports the following major proprietary funds:

The *Tax Revision Fund* accounts for the purchase and collection of delinquent taxes.

The *Unallocated Tax Revolving Fund* accounts for the purchase of delinquent taxes from other local taxing units and the subsequent collection of those taxes receivable.

The *2019 Tax Revolving Fund* accounts for the purchase of delinquent taxes from other local taxing units and the subsequent collection of those taxes receivable.

Additionally, the County reports the following fund types:

Agency funds are used to account for assets held for other governments in an agency capacity, including tax collections.

During the course of operations, the County has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

E. Use of Estimates

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles require management to make estimates and assumptions that affect the amounts of assets, deferred outflows, liabilities, and deferred inflows disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include, but are not limited to, the net OPEB obligation and the net pension obligation.

F. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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.

The 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 County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the County.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The proprietary and private-purpose trust funds are reported using the economic resources measurement focus and the accrual basis of accounting. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

G. Budgetary Accounting

1. Budgetary basis of accounting

The General Fund and special revenue funds operate under formal budgetary control. A general appropriation budget is prepared in accordance with Michigan Public Act 2 of 1968, as amended, and the budgetary document is submitted annually by the Finance Committee which recommends formal adoption by the County Board. Budgets presented in the financial statements are prepared on a modified accrual basis of accounting and encompass all amendments.

Budgetary control is exercised at the activity level. The Finance Committee is authorized to make budget transfers within these funds at the activity level.

The County Board is authorized to make and has made supplemental appropriation adjustments to the budget during the year as deemed necessary at the levels of budgetary control as noted above. These adjustments are reflected in the budget amounts in the financial statements. All encumbered appropriations lapse at the end of the year.

2. Excess of expenditures over appropriations

Public Act 2 of 1968, the Uniform Budgeting and Accounting Act, provides that a local unit shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the County’s actual expenditures were in excess of amounts appropriated as follows:

	<u>Total Appropriations</u>		<u>Amount of Expenditures</u>		<u>Budget Variance</u>
General Fund:					
Capital Outlay	\$ 369,485	\$	1,298,867	\$	(929,382)
Emergency Medical Services Fund:					
Health and Welfare	\$ 623,374	\$	754,094	\$	(130,720)
Senior Citizens Program:					
Health and Welfare	\$ 480,613	\$	687,069	\$	(206,456)

H - Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance

Cash and equivalents

For purposes of the statement of cash flows, the County considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Investments

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory and prepaid items

Inventory in the Road Commission component unit, consisting of various operating parts, supplies and road materials, is valued at cost, as determined on the average unit cost method. Inventory items are charged to road construction and maintenance, equipment repairs and operations as they are used. Inventory in the Gladwin City-County Transit component unit is valued at cost, on a first-in, first-out basis. Certain payments to vendors reflect cost applicable to future years and are recorded as prepaid expenses or expenditures in the government-wide and fund statements.

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed. In the Drain Commission component unit and the Road Commission component unit, infrastructure includes only those infrastructure assets acquired subsequent to January 1, 2004. Capital assets of the County are depreciated using the straight-line method over the following estimated useful lives:

Building and Improvements	10 to 50 years
Equipment and Furniture	3 to 10 years
Vehicles and Equipment	3 to 15 years
Road/Drain Infrastructure	5 to 50 years

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has one item that qualifies for reporting in this category. This is the deferred outflows related to the County’s multiple-employer net pension obligation totaling \$59,745.

In addition to liabilities, the statement of net position and governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The County has several types of items that qualify for reporting in this category. The governmental funds report unavailable revenues, which arise only under a modified accrual basis of accounting, from property taxes and accounts receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In addition, deferred inflows of resources are reported in the government-wide and governmental fund financial statements for property taxes levied during the year that were intended to finance future periods. Deferred inflows are reported regarding the County’s pension plan. The component units also report deferred inflows of resources for property taxes and special assessments levied for a subsequent period, as well as unavailable revenues for special assessments. The government has three item that qualifies for reporting in this category. They are the deferred inflows related to the County’s multiple-employer net pension obligation totaling \$87,048, deferred inflows related to the County’s OPEB obligation of \$515,297, and the taxes levied for a subsequent period of \$2,302,172 as of December 31, 2019.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)***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 the Michigan Municipal Employees Retirement System (MERS) and additions to/deductions from MERS fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized as expense when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Long-term obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business-type activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported inclusive of the applicable bond premium or net of the applicable bond discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. 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 are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Net position flow assumption

Sometimes the County will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the County's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund balance flow assumptions

Sometimes the County will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

The County's policy is to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund balance policies

Fund balance of governmental funds is reported in one of five possible categories based on the nature of any limitations requiring the use of resources for specific purposes.

Nonspendable – amounts which cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted – amounts constrained to specific purposes by their providers (such as creditors, grantors, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed – amounts which the County imposes upon itself through formal actions made by the County’s Board of Commissioners. A formal resolution of the County Board is required to establish, modify or rescind a fund balance commitment.

Assigned – amounts neither restricted nor committed for which the County has a stated intended use as established by the County Board of Commissions or an official to which the County Commissioners have delegated the authority to assign amounts for specific purposes.

Unassigned – amounts that are available for any purpose. The General Fund is the only fund that reports a positive unassigned fund balance amount. Unassigned balances also include negative balances in the governmental funds reporting resources restricted for specific programs.

I - Revenues and Expenditures/Expenses

Program revenues

Amounts reported as *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 (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property taxes

County general operating property taxes are levied annually on July 1 (the lien date) to fund operations for the current year. The property taxes are due in full within nine months (prior to March 1), at which time uncollected taxes became delinquent. The assessed value of real and personal property is established by the local units, accepted by the County and equalized under State statute at approximately 50% of the current estimated market value. In March 1994, Michigan voters approved Proposal A, which requires property taxes to be levied based on the taxable value of the underlying property. Annual increases in taxable value are limited to the lesser of 5% or the rate of inflation.

Taxable value reverts to 50% of true cash value when the property is sold. Taxable value is determined by using such factors as equalized, assessed and capped values, along with a value change multiplier.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The taxable value of real and personal property for the December 31, 2018 general operating levy was \$967.7 million and \$991.5 million as of July 1, 2019. The general operating tax rate for this levy was at the maximum rate of 4.4052 mills, as adjusted by the Headlee Amendment to the State of Michigan Constitution. The County also had voter approved taxes of 0.75 mils for senior citizen programs, 0.5 mils for EMS, 0.11 mils for MSUE, 0.2 mils for Animal Shelter, and 0.75 mils for 911 services on the December 1, 2018 voter-approved levy.

By agreement with various taxing authorities, the County purchases at face value the real property taxes returned delinquent each March 1 and records a corresponding delinquent taxes receivable. These receivables are pledged to a bank for payment of the notes payable; the subsequent collection of the receivables, interest and collection fees thereon, and investment earnings are used to extinguish the debt.

Vested Employee Benefits

County employees accumulate compensated leave time in varying amounts depending on length of service and other factors. All vacation pay and 50% of sick pay are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they matured, for example, as a result of employee resignations and retirements. This liability includes salary-related benefits, where applicable.

Proprietary funds operating and nonoperating revenues and expenses

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 enterprise funds are collection fees and interest earned on delinquent taxes. Operating expenses for enterprise funds include the fees and charges. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Interfund Transfers

During the course of normal operations, the County has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. The classification of amounts recorded as subsidies, advances, or equity contributions is determined by County management.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information – Annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles.

Budgets and Budgetary Control – The County follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Annually, after receiving input from the individual departments, the Board of Commissioners prepares a proposed operating budget for the fiscal period commencing January 1st and lapses on December 31st. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to January 1st, the budget is legally enacted through a resolution passed by the Board of Commissioners.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

- d. Budgetary control is exercised at the department or activity level of the General Fund and fund level for Special Revenue Funds. Any revisions that alter the total expenditures of any department or fund (i.e., budget amendments) require approval by the Board of Commissioners. Such amendments are made in accordance with the procedures prescribed under Public Act 621 of 1978.
- e. The budget and approved appropriations lapse at the end of the fiscal year.
- f. The County does not record encumbrances in the accounting records during the year as normal practice and, therefore, no outstanding encumbrances exist at year end.

Budgeted amounts are as originally adopted or amended by the Board of Commissioners during the year. Individual amendments were material in relation to the original appropriations which were amended. The modified accrual basis of accounting is used for budgetary purposes.

The General Fund revenue budget was adopted on the basis of activities or programs financed by the General Fund.

Michigan Public Act 621 of 1978 requires that budgets be adopted for Governmental Funds. U.S. generally accepted accounting principles require that the financial statements present budgetary comparisons for the Governmental Fund Types for which budgets were legally adopted. The original budget adopted for the General fund was modified throughout the year through various budget amendments.

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 or department level.

NOTE 3 - CASH, EQUIVALENTS AND INVESTMENTS

At year end, the County’s cash, equivalents and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Units</u>
Cash and Equivalents	\$ 5,230,154	\$ 1,879,759	\$ 7,109,913	\$ 186,751	\$ 4,149,465
Investments	<u>265,815</u>	<u>-</u>	<u>265,815</u>	<u>-</u>	<u>1,829,777</u>
Total	<u>\$ 5,495,969</u>	<u>\$ 1,879,759</u>	<u>\$ 7,375,728</u>	<u>\$ 186,571</u>	<u>\$ 5,979,242</u>
		<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Units</u>	
Bank Deposits (checking and savings accounts, money markets, & certificates of deposit)		\$ 7,373,083	\$ 186,751	\$ 5,979,242	
Petty Cash and Cash on Hand		<u>2,645</u>	<u>-</u>	<u>-</u>	
Total		<u>\$ 7,375,728</u>	<u>\$ 186,751</u>	<u>\$ 5,979,242</u>	

NOTE 3 - CASH, EQUIVALENTS AND INVESTMENTS (Continued)

	<u>Fair Value</u>	<u>Years to Maturity</u>			<u>S&P Ratings</u>
		<u>Less Than 1</u>	<u>1 – 5</u>	<u>6 – 10</u>	
Investments:					
MI CLASS**	\$ 265,815	\$ 265,815	\$ -	\$ -	AAAm
Total	\$ 265,815	\$ 265,815	\$ -	\$ -	

Credit risk. State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The County’s investments all meet State statutes.

Interest rate risk. The County has not adopted a policy that indicates how 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 limiting the weighted average maturity of its investment portfolio to less than a given period of time.

Custodial deposit credit risk. Custodial deposit credit risk is the risk that in the event of a bank failure, the County’s deposits may not be returned. State law does not require and the County does not have a policy for custodial deposit credit risk. As of year-end, \$7,851,655 of the County’s bank balance of \$9,352,163 was exposed to credit risk because it was uninsured and uncollateralized.

In accordance with the County’s investment policy and State law, all deposits are uncollateralized, held in the County’s name, and evidenced by a safekeeping receipt. Also, due to the dollar amounts of cash deposits and the limits of FDIC insurance, the County believes it impractical to insure all bank deposits. As a result, the County evaluates each financial institution and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Concentration of credit risk. Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer.

Custodial credit risk. The County has not adopted a policy that indicates how the County will minimize custodial credit risk, which 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 of collateral securities that are in possession of an outside party.

Custodial investment credit risk. For investment, 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 securities that are in the possession of an outside party. None of the County’s investments are in the name of the County. Credit quality ratings of public money funds were not available from the financial institutions or are unrated.

Fair value measurement. 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; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or equivalent) as a practical expedient are not classified in the fair value hierarchy below.

NOTE 3 - CASH, EQUIVALENTS AND INVESTMENTS (Continued)

**Michigan CLASS measures its investments at fair value in accordance with Paragraph 41 of Statement 79 and Paragraph 11 of Statement 31, and therefore a Participant's investment in MICHIGAN CLASS is not required to be categorized within the fair value hierarchy for purposes of Paragraph 81a(2) of Statement 72.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The County's assessment of the significance of particular inputs to these fair value measurements required judgment and considers factors specific to each asset or liability.

Statutory Authority:

An act (PA 152) to amend 1943 PA 20, entitled "An act relative to the investment of funds of public corporations of the state; and to validate certain investments," by amending section 1 (MCL 129.91), as amended by 2009 PA 21.

Except as provided in section 5, the governing body by resolution may authorize its investment officer to invest the funds of that public corporation in one or more of the following:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, or depository receipts of a financial institution, but only if the financial institution complies with subsection (2); certificates of deposit obtained through a financial institution as provided in subsection (5); or deposit accounts of a financial institution as provided in subsection (6).
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in subdivision (a).
- e. Bankers' acceptances of United States banks.
- f. Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, 15 USC 80a-1 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of any of the following:
 - (i) The purchase of securities on a when-issued or delayed delivery basis.
 - (ii) The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the value of the securities loaned.
 - (iii) The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes.
- h. Obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the urban cooperation act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, MCL 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

NOTE 4 - CAPITAL ASSETS

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

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Adjustments/ Disposals</u>	<u>Ending Balances</u>
Governmental Activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 297,231	-	-	\$ 297,231
Construction in Progress	-	\$ 1,129,625	-	\$ 1,129,625
Subtotal	<u>297,231</u>	<u>1,129,625</u>	<u>-</u>	<u>1,426,856</u>
<i>Capital assets being depreciated:</i>				
Buildings and Improvements	1,707,100	74,950	-	1,782,050
Equipment and Furniture	617,200	-	-	617,200
Vehicles and Boats	<u>765,887</u>	<u>69,225</u>	<u>-</u>	<u>835,112</u>
Subtotal	<u>3,090,187</u>	<u>144,175</u>	<u>-</u>	<u>3,234,362</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Improvements	(1,591,397)	(5,479)	-	(1,596,876)
Equipment and Furniture	(368,624)	(29,358)	-	(397,982)
Vehicles and Boats	<u>(598,643)</u>	<u>(59,325)</u>	<u>-</u>	<u>(657,968)</u>
Subtotal	<u>(2,558,664)</u>	<u>(94,162)</u>	<u>-</u>	<u>(2,652,826)</u>
Net Capital Assets Being Depreciated	<u>531,523</u>	<u>50,013</u>	<u>-</u>	<u>581,536</u>
Capital Assets, Net	<u>\$ 828,754</u>	<u>\$ 1,179,638</u>	<u>\$ -</u>	<u>\$ 2,008,392</u>

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

Governmental Activities:	
General Government	\$ 34,837
Public Safety	<u>59,325</u>
Total Depreciation – Governmental Activities	<u>\$ 94,162</u>

NOTE 4 - CAPITAL ASSETS (Continued)

A summary of changes in the Road Commission’s capital assets are as follows:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Disposals/ Adjustments</u>	<u>Ending Balances</u>
<i>Capital assets not being depreciated:</i>				
Land and Improvements	\$ 4,717,450	\$ 1,132,250	\$ -	\$ 5,849,700
Construction in Progress	<u>30,218</u>	<u>193,988</u>	<u>(22,852)</u>	<u>201,354</u>
Subtotal	<u>4,747,668</u>	<u>1,326,238</u>	<u>(22,852)</u>	<u>6,051,054</u>
<i>Capital Assets Being Depreciated</i>				
Buildings	3,727,910	60,674	(6,021)	3,782,563
Road Equipment	6,609,169	820,474	(35,982)	7,393,661
Shop Equipment	113,276	-	-	113,276
Yard Equipment	85,252	-	-	85,252
Office Equipment	104,075	-	-	104,075
Engineers’ Equipment	12,524	-	-	12,524
Infrastructure – Bridges	5,265,511	-	-	5,265,511
Infrastructure – Roads	<u>33,424,202</u>	<u>476,830</u>	<u>(107,277)</u>	<u>33,793,755</u>
Subtotal	<u>49,341,919</u>	<u>1,357,978</u>	<u>(149,280)</u>	<u>50,550,617</u>
<i>Less Accumulated Depreciation</i>				
Buildings	(1,630,070)	(110,595)	-	(1,740,665)
Road Equipment	(5,888,603)	(424,535)	12,155	(6,300,983)
Shop Equipment	(113,276)	-	-	(113,276)
Yard Equipment	(83,916)	(370)	-	(84,286)
Office Equipment	(99,039)	(1,785)	-	(100,824)
Engineers’ Equipment	(12,524)	-	-	(12,524)
Infrastructure – Bridges	(911,677)	(118,887)	-	(1,030,564)
Infrastructure – Roads	<u>(13,641,044)</u>	<u>(1,759,291)</u>	<u>107,277</u>	<u>(15,293,058)</u>
Subtotal	<u>(22,380,149)</u>	<u>(2,415,463)</u>	<u>119,432</u>	<u>(24,676,180)</u>
Net Capital Assets Being Depreciated	<u>26,961,770</u>	<u>(1,057,485)</u>	<u>(29,848)</u>	<u>25,874,437</u>
Capital Assets - Net	<u>\$ 31,709,438</u>	<u>\$ 268,753</u>	<u>\$ (52,700)</u>	<u>\$ 31,925,491</u>

Depletion/depreciation expense was charged to programs of the Gladwin County Road Commission as follows:

Total Depreciation Expense – Public Works \$ 2,415,463

NOTE 4 - CAPITAL ASSETS (Continued)

A summary of changes in the Drain Commission’s capital assets are as follows:

	<u>Beginning Balances</u>	<u>Addition</u>	<u>Disposals</u>	<u>Ending Balances</u>
<i>Capital assets being depreciated:</i>				
Infrastructure - Drains	\$ 1,614,421	\$ -	\$ -	\$ 1,614,421
<i>Less accumulated depreciation for:</i>				
Infrastructure - Drains	(226,016)	(32,288)	-	(258,304)
Capital Assets, Net	<u>\$ 1,388,405</u>	<u>\$ (32,288)</u>	<u>\$ -</u>	<u>\$ 1,356,117</u>

Depreciation expense was charged entirely to Public Works in the amount of \$32,288.

A summary of changes in the Gladwin City-County Transit capital assets are as follows:

	<u>Beginning Balances 10/01/18</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balances 09/30/19</u>
<i>Capital assets not being depreciated:</i>				
Land	\$ 14,135	\$ -	\$ -	\$ 14,135
<i>Capital assets being depreciated:</i>				
Building and Improvements	1,624,856	-	-	1,624,856
Land Improvements	12,600	-	-	12,600
Office Equipment	167,146	-	-	167,146
Bus Equipment	105,425	-	-	105,425
Buses and Other Vehicles	1,888,383	434,080	254,439	2,068,024
Maintenance Equipment	228,714	-	-	228,714
Subtotal	<u>4,027,124</u>	<u>434,080</u>	<u>254,439</u>	<u>4,206,765</u>
<i>Less accumulated depreciation for:</i>				
Building and Improvements	(1,125,424)	(57,075)	-	(1,182,499)
Land Improvements	(12,600)	-	-	(12,600)
Office Equipment	(159,307)	(2,914)	-	(162,221)
Bus Equipment	(71,811)	(4,586)	-	(76,397)
Buses and Other Vehicles	(1,727,840)	(151,934)	254,439	(1,625,335)
Maintenance Equipment	(126,454)	(9,744)	-	(136,198)
Subtotal	<u>(3,223,436)</u>	<u>(226,253)</u>	<u>254,439</u>	<u>(3,195,250)</u>
Net Capital Assets Being Depreciated	<u>803,688</u>	<u>207,827</u>	<u>-</u>	<u>1,011,515</u>
Capital Assets, Net	<u>\$ 817,823</u>	<u>\$ 207,827</u>	<u>\$ -</u>	<u>\$ 1,025,650</u>

Depreciation expense was charged entirely to Transportation in the amount of \$226,253.

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The County of Osceola, Michigan reports interfund balances between many of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of interfund balances presented in the statements of net position/balance sheet for governmental funds and proprietary funds. Interfund transactions resulting in interfund receivables and payables are as follows:

DUE FROM OTHER FUNDS	DUE TO OTHER FUNDS			
		2019 Tax Revolving	Nonmajor Enterprise	Totals
	Nonmajor Enterprise	\$ 250,000	148,000	398,000

All balances resulted 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) payment between funds are made.

TRANSFERS IN	TRANSFERS OUT						
		General	E-911 Millage	Nonmajor Governmental	Tax Revision	Unallocated Tax Revolving	Total
	General	\$ 112,079	\$ 774,248	\$ 241,442	\$ 204,500	\$ 294,300	\$ 1,626,569
Nonmajor Governmental	108,198	-	-	-	-	108,198	
Total	\$ 220,277	\$ 774,248	\$ 241,442	\$ 204,500	\$ 294,300	\$ 1,734,767	

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) moves receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 6 - LONG-TERM DEBT

Primary Government

General obligation and revenue bonds and notes are direct obligations and pledge the full faith and credit of the government. These bonds are generally issued as 5 to 20-year serial bonds with varying amounts of principal maturing each year. General obligation and revenue bonds and notes currently outstanding are as follows:

Long-term liability activity for the year ended December 31, 2019 was as follows:

	Interest Rate	Principal Matures	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:							
Installment Purchase Agreement	3.25%	2029	\$ -	\$ 1,335,750	\$ -	\$ 1,335,750	\$ 115,043
Vested Employee Benefits			<u>193,714</u>	<u>27,722</u>	<u>-</u>	<u>221,436</u>	<u>-</u>
Total Governmental Activities			<u>193,714</u>	<u>1,363,472</u>	<u>-</u>	<u>1,557,186</u>	<u>115,043</u>
Business-type Activities:							
General Obligation Limited Tax Notes	Variable	2019	1,090,000	-	1,090,000	-	-
General Obligation Limited Tax Notes	Variable	2020	<u>-</u>	<u>2,300,000</u>	<u>1,390,000</u>	<u>910,000</u>	<u>910,000</u>
Total Business-type Activities			<u>1,090,000</u>	<u>2,300,000</u>	<u>2,480,000</u>	<u>910,000</u>	<u>910,000</u>
Total Primary Long-Term Debt			<u>\$ 1,283,714</u>	<u>\$ 3,663,472</u>	<u>\$ 2,480,000</u>	<u>\$ 2,467,186</u>	<u>\$ 1,025,043</u>

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

Year End December 31	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2020	\$ 115,043	\$ 42,485	\$ 910,000	\$ -
2021	118,812	38,715	-	-
2022	122,705	34,823	-	-
2023	126,725	30,802	-	-
2024	130,877	26,650	-	-
2025-2029	<u>721,588</u>	<u>66,051</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,335,750</u>	<u>\$ 239,526</u>	<u>\$ 910,000</u>	<u>\$ -</u>

Component Units

The long-term debt and other long-term obligations of the County's component units, and the changes therein, are summarized as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Road Commission:					
Installment Purchase Agreements	\$ 348,890	\$ -	\$ 43,495	\$ 305,395	\$ 38,513
Bonds Payable	785,000	-	125,000	660,000	130,000
Vested Employee Benefits	<u>205,177</u>	<u>34,837</u>	<u>-</u>	<u>240,014</u>	<u>18,485</u>
Total Road Commission Long-term Debt	<u>\$ 1,339,067</u>	<u>\$ 34,837</u>	<u>\$ 168,495</u>	<u>\$ 1,205,409</u>	<u>\$ 186,998</u>

NOTE 6 - LONG-TERM DEBT (Continued)

Department of Public Works:

General Obligation Bonds	<u>\$ 195,000</u>	<u>\$ -</u>	<u>\$ 95,000</u>	<u>\$ 100,000</u>	<u>\$ 100,000</u>
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Drain Commission:

General Obligation Notes	<u>\$ 885,000</u>	<u>\$ -</u>	<u>\$ 150,000</u>	<u>\$ 735,000</u>	<u>\$ 100,000</u>
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Gladwin City-County Transit:

Vested Employee Benefits	<u>\$ 34,833</u>	<u>\$ 2,603</u>	<u>\$ -</u>	<u>\$ 37,436</u>	<u>\$ -</u>
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Annual debt service requirements to maturity for the above obligations are as follows:

Road Commission – Michigan Transportation Bonds are issued by the Road Commission to finance construction projects and are direct obligations, pledging the full faith and credit of the County and the Road Commission. The bonds are issued as 20-year serial bonds with varying amounts of principal maturing each year through 2024 and bear interest at a rate of 1.84%. The installment purchase agreements bear interest from 2.89% to 3.00%. Title to the equipment is transferred to the lessor at the end of the lease. Annual debt service requirements to maturity for the Michigan Transportation bonds and installment purchase agreements are as follows:

<u>Year End December 31</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 168,513	\$ 19,344
2021	212,503	14,520
2022	314,379	7,483
2023	130,000	3,772
2024	<u>140,000</u>	<u>1,288</u>
Total	<u>\$ 965,395</u>	<u>\$ 46,407</u>

Department of Public Works – General obligation bonds are issued by the County to finance construction projects managed and administered by the Department of Public Works. These bonds are direct obligations, pledging the full faith and credit of the County and the City of Gladwin. The bonds are issued as serial bonds with varying amounts of principal maturing each year through November 2020 and bearing interest at rates from 3.95% to 4.5%. Annual debt service requirements to maturity for the Department of Public Works general obligation bonds are as follows:

<u>Year End December 31</u>	<u>Principal</u>	<u>Interest</u>
2020	<u>\$ 100,000</u>	<u>\$ 4,550</u>

Drain Commission – General obligation drain improvement bonds and notes are issued by the County to finance certain drainage district construction projects. General obligation bonds have been issued for governmental activities. These bonds and notes are direct obligations, pledging the full faith and credit of the County and the respective drainage districts. The bonds are generally issued as 10 to 20-year serial bonds with varying amounts of principal maturing each year and bear interest rates varying from 4.14% to 6%. Annual debt service requirements to maturity for the Drain Commission general obligation bonds are as follows:

NOTE 6 - LONG-TERM DEBT (Continued)

<u>Year End December 31</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 100,000	\$ 38,514
2021	100,000	33,013
2022	100,000	27,513
2023	100,000	22,013
2024	100,000	16,388
2025-2027	<u>235,000</u>	<u>16,532</u>
Total	<u>\$ 735,000</u>	<u>\$ 153,973</u>

Advance Refunding

In October 2012, the Road Commission component unit issued Michigan Transportation Fund Bonds in the amount of \$1,285,000. Proceeds from this bond issue, along with a contribution from the Road Commission of \$10,818 were used to advance refund Michigan Transportation Fund Bonds issued in 2004. The refunded bonds mature as scheduled through February 2024. The balance of the defeased debt outstanding at December 31, 2019, was \$655,000. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of net position.

NOTE 7 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

PRIMARY GOVERNMENT

Plan Description. The employer’s defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The employer participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine-member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at www.mersofmich.com. The employees included in this plan are the Police and Administrative Office personnel.

Benefits Provided. The charts below summarize the County’s benefit provisions for its covered groups.

01 – Elctd & NonUnion: Closed to new hires, linked to Division 13	
	<u>2018 Valuation</u>
Benefit Multiplier:	2.25% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	55/20
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	3 years
Cola for Future Retirees:	2.50% (Non-Compound)
Cola for Current Retirees:	2.50% (Non-Compound)
Employee Contributions	5%
Act 88:	Yes (Adopted 12/14/1970)

NOTE 7 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

02 – Dispatchers: Closed to new hires, linked to Division 13	
	2018 Valuation
Benefit Multiplier:	2.50% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	55/20
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	3 years
Cola for Future Retirees:	2.50% (Non-Compound)
Cola for Current Retirees:	2.50% (Non-Compound)
Employee Contributions	5%
Act 88:	Yes (Adopted 12/14/1970)
10– UAW Unit 6 & 7: Closed to new hires, linked to Division 13	
	2018 Valuation
Benefit Multiplier:	2.25% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	55/20
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	3 years
Cola for Future Retirees:	2.50% (Non-Compound)
Cola for Current Retirees:	2.50% (Non-Compound)
Employee Contributions	5%
Act 88:	Yes (Adopted 12/14/1970)
11 – UAW Unit 3, 4, & 5: Open Division	
	2018 Valuation
Benefit Multiplier:	2.25% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	55/20
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	3 years
Cola for Future Retirees:	2.50% (Non-Compound)
Cola for Current Retirees:	2.50% (Non-Compound)
Employee Contributions	3.80%
Act 88:	Yes (Adopted 12/14/1970)

NOTE 7 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

12 – UAW #7: Closed to new hires, linked to Division 13	
	<u>2018 Valuation</u>
Benefit Multiplier:	2.25% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	55/20
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	3 years
Cola for Future Retirees:	2.50% (Non-Compound)
Employee Contributions	5%
Act 88:	Yes (Adopted 12/14/1970)
13 – New Hire div 01, 02, 10, 12, 20, 22: Open Division, linked to Division 01, 02, 10, 12, 20, 22	
	<u>2018 Valuation</u>
Benefit Multiplier:	1.50% Multiplier (no max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	55/20
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	3 years
Employee Contributions	5%
Act 88:	Yes (Adopted 12/14/1970)
20 – Sheriff COAM: Closed to new hires, linked to Division 13	
	<u>2018 Valuation</u>
Benefit Multiplier:	2.25% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	55/20
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	3 years
Cola for Future Retirees:	2.50% (Non-Compound)
Cola for Current Retirees:	2.50% (Non-Compound)
Employee Contributions	5%
Act 88:	Yes (Adopted 12/14/1970)

NOTE 7 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

21 – Cmd, Sher & Under: Open Division	
	2018 Valuation
Benefit Multiplier:	2.50% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	55/20
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	3 years
Cola for Future Retirees:	2.50% (Non-Compound)
Employee Contributions	5%
Act 88:	Yes (Adopted 12/14/1970)

22 – Sheriff’s Deputies POAM: Closed to new hires, linked to Division 13	
	2018 Valuation
Benefit Multiplier:	2.50% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	50/25
Early Retirement (Reduced):	55/15
Final Average Compensation:	3 years
Cola for Future Retirees:	2.50% (Non-Compound)
Employee Contributions	5%
Act 88:	Yes (Adopted 12/14/1970)

Employees Covered by Benefit Terms

At December 31, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	91
Inactive employees entitled to but not yet receiving benefits	33
Active employees	93
	217

Funding Policy

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

Employer contributions range from 2.84% to 41.91% based on annual payroll for open divisions. The County’s contributions to the plan for the year ended December 31, 2019 were \$757,546 which exceeded the County’s required contribution of \$719,652.

Employee contributions for the year ended December 31, 2019 were \$194,720.

NOTE 7 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Net Pension Liability

The employer’s net pension liability was measured as of December 31, 2019, 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, 2019 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

- Inflation: 2.5%
- Salary Increases: 3.75% in the long-term
- Investment rate of return: 7.75%, net of investment expense, including inflation.

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

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study of January 1, 2009 through December 31, 2013.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	55.5%	3.41%
Global Fixed Income	18.5%	0.23%
Real Assets	13.5%	0.97%
Diversifying Strategies	12.5%	0.63%

Discount Rate. The discount rate used to measure the total pension liability is 8.0%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 7 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Changes in the Net Pension Liability:

	Increases (Decreases)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2018	\$ 23,962,564	\$ 15,310,957	\$ 8,651,607
Service cost	418,496	-	418,496
Interest on total pension liability	1,878,699	-	1,878,699
Changes in benefits	-	-	-
Difference between expected and actual experience	188,417	-	188,417
Changes in assumptions	-	-	-
Employer contributions	-	757,546	(757,546)
Employee contributions	-	194,720	(194,720)
Net investment income	-	2,069,906	(2,069,906)
Benefit payments, including employee refunds	(1,376,145)	(1,376,145)	-
Administrative expense	-	(35,662)	35,662
Other charges	(110,246)	1	(110,247)
Net changes	999,221	1,610,366	(611,145)
Balances as of December 31, 2019	\$ 24,961,785	\$ 16,921,323	\$ 8,040,462

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

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Net Pension Liability	\$ 11,096,359	\$ 8,040,462	\$ 5,489,938

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

For the year ended December 31, 2019 the County recognized pension expense of \$789,182. The County reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in experience	\$ -	\$ 87,048
Differences in assumptions	-	-
Excess (deficit) investment returns	59,745	-
Total	\$ 59,745	\$ 87,048

NOTE 7 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

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 December 31, 2019.

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

<u>Year Ended December 31:</u>	
2020	\$ -
2021	12,733
2022	(212,719)
2023	<u>172,683</u>
Total	<u>\$ (27,303)</u>

COMPONENT UNIT – GLADWIN COUNTY ROAD COMMISSION

Plan Description

The Road Commission participates in the Municipal Employees Retirement System (MERS) of Michigan, an agent multiple employer statewide public employee pension plan established by the Michigan’s Legislature under Public Act 135 of 1945 and administered by a nine (9) member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing MERS website at www.mersofmich.com.

Summary of Significant Accounting Policies

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

Benefits Provided. The 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.

- *Commissioners* – Retirement benefits are calculated as 2.5% of the Commissioner’s final 3-year average salary times the Commissioner’s years of service. Normal retirement age is 60 years, with early retirement at 50 with 25 years of service (reduced) or 55 with 15 years of service (reduced). The vesting period is 6 years.
- *General employees hired before July 1, 2012* – Retirement benefits are calculated as 2.0% of the employee’s final 5-year average salary times the employee’s years of service. Normal retirement age is 60 years, with early retirement at 55 with 30 years of service (unreduced), 50 with 25 years of service (reduced) or 55 with 15 years of service (reduced). The vesting period is 10 years. Benefit terms also provide for annual cost-of-living adjustments to each employee’s retirement allowance subsequent to the employee’s retirement date of 2.5%.

NOTE 7 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

- *General employees hired after July 1, 2012 (“new hires”)* - Retirement benefits are calculated as 1.5% of the employee's final 5-year average salary times the employee's years of service. Normal retirement age is 60 years, with early retirement at 50 with 25 years of service (reduced) or 55 with 15 years of service (reduced). The vesting period is 10 years.

Employees are eligible for non-duty disability benefits after 10 years of service and for duty related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits may also be paid to a beneficiary. An employee who leaves service may withdraw his or her contributions, plus any accumulated interest.

Benefit terms, within the parameters established by MERS, are generally established and amended by authority of the Board of County Road Commissioners, generally after negotiations of these terms with the labor union.

Employees Covered by Benefit Terms

At December 31, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	40
Inactive employees entitled to but not yet receiving benefits	6
Active employees	28
	74

Contribution Requirements. Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, MERS retains an independent actuary to determine the annual contribution. 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 any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

For the year ended December 31, 2019, the Road Commission's actuarially determined contribution rate was 6.19% of annual covered payroll for Commissioners, 2.23% for general employees hired after July 1, 2012 and \$49,100 monthly for general employees hired before July 1, 2012. Commissioners and new hires are required to contribute 5% of their annual covered payroll to the plan. Employees hired before July 1, 2012 are required to contribute 3% (under \$4,200) and 5% (over \$4,200) of their annual covered payroll to the plan.

Net Pension Liability. The net pension liability reported at year-end was determined using a measure of the total pension liability and the pension net position as of December 31, 2018. The December 31, 2018 total pension liability was determined by an actuarial valuation performed as of that date.

Actuarial Assumptions. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.75%, (plus 0.0% to 11.0% for merit and longevity)
Investment rate of return	7.75%, net of investment expense and including inflation

NOTE 7 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Mortality rates were based on the RP-2014 Group Annuity Mortality Table of a 50% Male and 50% Female blend for non-disabled plan members and 50% Male and 50% Female blend of the RP-2014 Disabled Retiree Mortality Tables for disabled plan members. The actuarial assumptions used in the December 31, 2015 valuation were based on the results of the most recent actuarial experience study dated 2015 that covers the period January 1, 2009 through December 31, 2013.

The long-term expected rate of return on pension plan investments was determined using a model in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of 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%	5.02%
Global Fixed Income	18.5%	2.18%
Real Assets	13.5%	4.23%
Diversifying Strategies	12.5%	6.56%

Discount Rate. The discount rate used to measure the total pension liability is 8.0%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability:

	Increases (Decreases)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2018	\$ 16,723,410	\$ 9,688,143	\$ 7,035,267
Service cost	153,616	-	153,616
Interest on total pension liability	1,299,505	-	1,299,505
Change in benefits	(1,298,041)	-	(1,298,041)
Difference between expected and actual experience	160,161	-	160,161
Changes in assumptions	(4,151)	-	(4,151)
Employer contributions	-	1,047,313	(1,047,313)
Employee contributions	-	64,583	(64,583)
Net investment income (loss)	-	(382,480)	382,480
Benefit payments, including employee refunds	(1,112,806)	(1,112,806)	-
Administrative expense	-	(18,836)	18,836
Other Changes	(56,508)	-	(56,508)
Net changes	(858,224)	(402,226)	(455,998)
Balances as of December 31, 2019	\$ 15,865,186	\$ 9,285,917	\$ 6,579,269

NOTE 7 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

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

	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
Net Pension Liability	\$ 8,091,680	\$ 6,579,269	\$ 5,275,846

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

For the year ended December 31, 2019, the County recognized a negative pension expense of (\$1,586,176). At December 31, 2019, the Road Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Employer contributions to the plan subsequent to the measurement date	\$ 1,205,495	\$ -
Net difference between projected and actual earnings on pension plan investments	705,798	-
Differences in assumptions	-	2,767
Differences between expected and actual experience	<u>107,690</u>	<u>-</u>
Total	<u>\$ 2,018,983</u>	<u>\$ 2,767</u>

The Amount reported as deferred outflows resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended December 31:</u>	
2020	\$ 295,762
2021	142,172
2022	141,437
2023	<u>231,350</u>
Total	<u>\$ 810,721</u>

The amounts reported as deferred outflows of resources related to employer contributions to the plan made subsequent to the measurement date \$1,205,495 which will impact the net pension liability in fiscal year 2020, as opposed to being amortized to pension expense over a period of year.

NOTE 7 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

COMPONENT UNIT – GLADWIN CITY-COUNTY TRANSIT

Description of Plan and Plan Assets

The Gladwin City-County Transit is included with the Gladwin Housing Commission pension plan and is in an agent multiple-employer defined benefit pension plan with the Municipal Employees’ Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement and service retirement to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplies by the sum of 2.25% for employees times the final compensation (FAC). The most recent period of which actuarial data was available was for year ended December 31, 2018.

General Information about the Pension Plan

Plan Description. The employer’s defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The employer participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine-member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at www.mersofmich.com.

01 – HC: Open Division	
	<u>2018 Valuation</u>
Benefit Multiplier:	2.25% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	-
Early Retirement (Reduced):	50/25 55/15
Final Average Compensation:	3 years
COLA for Future Retirees	2.5% (non-compound)
Employee Contributions	6%
Act 88:	Yes (Adopted 8/1/2007)

At December 31, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	15
Inactive employees entitled to but not yet receiving benefits	8
Active employees	<u>16</u>
	39

Funding

Contributions - The Transit Authority 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.

Employer contributions were 13.93% based on annual payroll for open division.

NOTE 7 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Net Pension Liability

The Transit’s net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary increases	3.75% in the long-term
Investment rate of return	7.75% net of investment and administrative expense including inflation

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

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of the most recent actuarial experience study of 2009- 2013.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return as of December 31, 2016, the measurement date, for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	55.5%	3.41%
Global Fixed Income	18.5%	0.23%
Real Assets	13.5%	0.97%
Diversifying Strategies	12.5%	0.63%

Discount Rate. The discount rate used to measure the total pension liability is 8.00% for 2018. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 7 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Changes in the Net Pension Liability:

	Increases (Decreases)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2017	\$ 3,765,307	\$ 2,898,937	\$ 866,370
Service cost	71,457	-	71,457
Interest on total pension liability	292,183	-	292,183
Changes in benefits	-	-	-
Difference between expected and actual experience	105,031	-	105,031
Changes in assumptions	-	-	-
Employer contributions	-	137,730	(137,730)
Employee contributions	-	42,926	(42,926)
Net investment income	-	(109,476)	109,476
Benefit payments, including employee refunds	(297,504)	(297,504)	-
Administrative expense	-	(5,536)	5,536
Net changes	<u>171,167</u>	<u>(231,860)</u>	<u>403,027</u>
Balances as of December 31, 2018	<u>\$ 3,936,474</u>	<u>\$ 2,667,077</u>	<u>\$ 1,269,397</u>

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

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Net pension liability at 12/31/18	\$1,269,397	\$1,269,397	\$1,269,397
Change in Net Pension Liability (NPL)	\$357,486	\$-	\$(309,201)
Calculated NPL	\$1,626,883	\$1,269,397	\$960,196

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued MERS financial report.

NOTE 7 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

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

For the year ended, 2019, the Transit Authority recognized pension expense of \$41,988. At September 30, 2019, the Transit Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in experience	\$ 38,654	\$ (16,064)
Change in proportionate share	-	(90,731)
Excess (deficit) investment returns	63,345	-
Contributions subsequent to the measurement date	23,871	-
Total	\$ 125,870	\$ (106,795)

*The amount reported as deferred outflow of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the fiscal year ending September 30, 2020.

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

<u>Year Ended September 30:</u>	
2019	\$ (9,422)
2020	(14,608)
2021	(1,629)
2022	<u>20,863</u>
Total	\$ <u>(4,796)</u>

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS

PRIMARY GOVERNMENT

Plan Description – The County sponsors a single employer defined benefit retiree health care plan (Plan) to all employees provided proper application is made prior to retirement and the employee is a member of the Plan on the date of retirement. The County reimburses the amount of validated claims for medical, dental and hospitalization costs incurred by pre-Medicare retirees and their dependents based upon the employee’s number of years of service. Expenditures for postretirement healthcare benefits are recognized as retirees report claims. As of December 31, 2019, the County has not advance funded any portion of the liability. Therefore, financial statements for the plan are not prepared nor are they included in the financial statements of any other plan or the primary government.

Funding Policy – The County has no obligation to make contributions in advance of when the insurance premiums or benefits are due for payment; therefore, the Plan may be financed on a pay-as-you-go basis. For the year ended December 31, 2019, the County contributed \$168,098 to the plan for current premiums and no additional amount to prefund benefits.

Employees Covered by Benefit Terms

As of Actuarial date 1/1/18, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits payments	52
Inactive employees entitled to but not yet receiving benefits	44
Active employees	<u>88</u>
Total participants covered by OPEB Plan	<u>184</u>

The County’s OPEB Plan is closed to new entrants.

Total OPEB Liability and Net OPEB Liability

The County’s total OPEB liability of \$7,820,245 was measured as of December 31, 2018, and was determined by an actuarial valuation as of that date.

As of December 31, 2019, there was \$0 in assets in the County’s OPEB trust, as the county is set up as a pay as you go plan.

Actuarial assumptions and other inputs.

The total OPEB liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

Discount Rate	3.64%
Healthcare Cost Trend Rates	8.0% graded down 0.5% per year to an ultimate trend rate of 4.50%
Return on Plan Assets	N/A
Salary Increases	3.75%
Actuarial Cost Method	Entry Age Normal

Mortality rates were based on a blend of the RP – 2014 mortality tables Health Annuity Mortality, Employee Mortality, Juvenile Mortality, all of which were based on an experience study from 2000-2013, a 50% male 50% female blend.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.64%. The projection of cash flows used to determine the discount rate assumed future County contributions. Based on this assumptions, the retirement plan’s fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits.

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (Continued)

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balances at January 1, 2018	\$ 8,034,417	\$ -	\$ 8,034,417
Service cost	314,043	-	314,043
Interest	256,816	-	256,816
Difference between expected and actual experience	(81,878)	-	(81,878)
Change in Assumptions	(535,055)	-	(535,055)
Contributions - Employer	-	168,098	(168,098)
Benefit payments	(168,098)	(168,098)	-
Net changes	(214,172)	-	(214,172)
Balances as December 31, 2018	\$ 7,820,245	\$ -	\$ 7,820,245

Covered payroll was \$4,223,630.

Total OPEB Liability as a percentage of covered payroll was 185%.

Sensitivity of the total OPEB liability to changes in the discount rate.

The January 1, 2018 valuation was prepared using a discount rate of 3.64%. If the discount rate were 1% higher than what was used in this valuation, the net OPEB Liability would decrease \$1,109,588. If the discount rate were 1% lower than was used in this valuation, the net OPEB Liability would increase \$1,385,266. Other information was not available.

Sensitivity of the total OPEB liability to changes in the healthcare trend rate.

The January 1, 2018 valuation was prepared using a trend rate of 8.00%. If the trend rate were 1% higher than what was used in this valuation, the net OPEB Liability would increase \$1,527,668. If the trend rate were 1% lower than was used in this valuation, the net OPEB Liability would decrease \$1,198,115. Other information was not available.

For the year ended December 31, 2019, the County recognized an OPEB expense as follows:

Service Cost	\$ 314,043
Net recognition of deferred in/outflow	(101,636)
Interest on total OPEB liability	<u>256,816</u>
Net OPEB Expense	<u>\$ 469,223</u>

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (Continued)

At December 31, 2019, the reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in experience	\$ -	\$ 68,389
Differences in assumptions	-	446,908
Excess (deficit) investment returns	-	-
	<hr/>	<hr/>
Total	<u>\$ -</u>	<u>\$ 515,297</u>

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

<u>Year Ended December 31:</u>	
2020	\$ (101,636)
2021	(101,636)
2022	(101,636)
2023	(101,636)
2024	(101,636)
2025+	<hr/> (7,117)
Total	<u>\$ (515,297)</u>

COMPONENT UNIT – GLADWIN COUNTY ROAD COMMISSION

Plan Description – The Road Commission provides healthcare and prescription drug benefits to all full-time employees hired prior to August 19, 2009 upon retirement in accordance with labor contracts. Employees hired after August 19, 2009 who retire for any reason, will not be eligible for health insurance, dental insurance, vision insurance, life insurance, or the hearing aid rider. These employees will be required to contribute a minimum of one percent (1%) of their pay through payroll deduction to a Healthcare Savings Program (HSCP) through MERS. The Road Commission will also contribute a maximum amount equal to one percent (1%) of an employee's pay to an employee's HCSP.

At year-end, membership in the Plan was comprised of 18 active plan members, 29 retirees and beneficiaries and 0 inactive members. The Road Commission includes retirees and their spouses in its insured healthcare plan. Previous eligible employees who retired on or before October 31, 2005 are not required to contribute to their healthcare plan, in accordance with labor contracts. Previous eligible employees who retired after October 31, 2005 are required to contribute monthly to their healthcare plans in the same amounts as required for active employees, in accordance with labor contracts. The monthly contribution amounts for eligible retirees and active employees vary based on the single, two person, and family coverage, and will also vary each year based on the cost of healthcare.

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (Continued)

Effective July 1, 2012, the employer's contribution towards healthcare cannot exceed those amounts permitted by Public Act 152 (PA 152) of 2011; Publicly Funded Health Insurance Contribution Act, with maximum amounts revised July 1st of each year. Eligible retirees and active employees are required to contribute monthly towards healthcare costs that exceed employer amounts allowed under PA 152.

Funding Policy and Contributions – The contribution requirements of plan members and the Road Commission are established by labor contracts and may be amended by the Board of County Road Commissioners through labor negotiations. The Plan does not require member contributions from Road Commission employees. The required contribution is based on projected pay-as-you-go financing requirements, with optional additional amounts to prefund benefits as determined by the board of County Road Commissioners.

Annual OPEB Cost and Net OPEB Liability – The Road Commission’s annual other postemployment benefits (OPEB) cost (expense) is calculated based on the *actuarially determined contribution of the employer (ADC)*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 75. The ADC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of 6 years.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectation and new estimates are made about the future.

Participants Covered by the Benefit Terms – At the measurement date, the following participants were covered by the benefit terms:

Inactive plan members receiving or entitled to future benefits	29
Retirees and beneficiaries	17
Active participants	<u>18</u>
Total Participants	<u>64</u>

Contributions – Expenditures for postemployment healthcare benefits are recognized as the insurance premiums become due. During the year, the Road Commission paid current retiree premiums of \$262,592 and made advance funding contributions of \$100,000. The premiums for postemployment healthcare benefits and the advance funding payments were paid from and recorded as expenditures in the General Operating / Road Fund.

Net OPEB Liability – The net OPEB liability reported at year-end was determined using a measure of the total OPEB liability and the OPEB net position s of December 31, 2019. The December 31, 2019 total OPEB liability was determined by an actuarial valuation performed as of that date. Changes in the Road Commission’s proportionate share of the net OPEB liability during the year were as follows:

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (Continued)

	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
Balances at December 31, 2018	\$ 8,630,276	\$ 206,510	\$ 8,423,766
Service cost	177,245	-	177,245
Interest on total OPEB liability	260,315	-	260,315
Expected / actual experience differences	(12,486)	-	(12,486)
Changes in actuarial assumptions	(3,276,331)	-	(3,276,331)
Contributions - OPEB Trust	-	100,000	(100,000)
Contributions - Benefits Paid	-	262,592	(262,592)
Net investment income	-	33,398	(33,398)
Benefit payments	(262,592)	(262,592)	-
Administrative expense	-	(443)	443
Net changes	<u>(3,113,849)</u>	<u>132,955</u>	<u>(3,246,804)</u>
Balances as December 31, 2019	<u>\$ 5,516,427</u>	<u>\$ 339,465</u>	<u>\$ 5,176,962</u>

OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB – During the year the Road Commission recognized a negative OPEB expense of (\$334,606). At year-end, the Road Commission reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 20,128
Changes of assumptions	49,313	1,371,487
Net difference between projected and actual earnings on OPEB plan investments	<u>950</u>	<u>-</u>
Total	<u>\$ 50,263</u>	<u>\$ 1,391,615</u>

The net amounts reported as deferred outflows and deferred inflows of resources will be recognized as OPEB expense as follows:

Year Ended December 31:

2020	\$ (1,340,954)
2021	1,348
2022	1,350
2023	<u>(3,096)</u>
Total	<u>\$ (1,341,352)</u>

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (Continued)

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

The valuation of the total OPEB liability was determined using the following actuarial assumptions (a) 2.10% inflation, (b) projected salary increases of 3.5%, (c) investment rate of return of 7.35%, (d) 20-year Aa municipal bond rate of 3.26%, (e) mortality rates using the 2010 Public General Employees and Healthy Retires, Headcount weighted, MP-2018 improvement scale.

Discount Rate – The discount rate used to measure the total OPEB liability was 3.00%, the assets are not projected to be sufficient to make projected future payments of current plan members. For projected benefits that are covered by projected assets, the long-term expected rate used to discount the projected benefits. From the year that benefit payments were not projected to be covered by the projected assets (“the depletion date”), projected benefits were discounted at a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield. A single equivalent rate that yields the same present value of benefits is calculated.

Investment Rate of Return – The long-term rate of return on OPEB plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates by the target asset allocation percentages and by adding expected inflation. Best estimates of arithmetic real rates of return for each major class included in the retirement plan’s target asset allocation are summarized below. The sum of each target allocation times its long-term expected real rate is 5.25%. the long-term expected rate of return after including inflation is 7.35%.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	55.50%	6.15%
Global Fixed Income	18.50%	1.26%
Private Assets	26.00%	6.15%

Concentrations – The plan is 100% in the MERS Total Market Fund.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate – the following presents the Road Commission’s net OPEB liability (asset), calculated using the discount rate of 3.00% as well as what the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1% lower (2.00%) or one percent higher(4.00%) than the current rate:

	1% Decrease (2.00%)	Current Discount Rate (3.00%)	1% Increase (4.00%)
Net OPEB liability	\$5,772,361	\$5,176,962	\$4,676,173

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate – the following presents the Road Commission’s net OPEB liability (asset), calculated using the assumed cost trend rate, as well as what the net OPEB liability (asset) would be if it were calculated using a cost trend rate that is 1% lower or one percent higher than the current rate

	1% Decrease in Cost Trend Rate	Assumed Cost Trend Rate	1% Increase in Cost Trend Rate
Net OPEB liability	\$4,581,522	\$5,176,962	\$5,887,155

COMPONENT UNIT – GLADWIN CITY-COUNTY TRANSIT

Plan description – The Transit Authority’s defined benefit OPEB plan, provides postemployment healthcare benefits to certain retirees. The Transit Authority’s employees become eligible for post-employment healthcare benefits if they retire with 30 years of service at the Transit Authority. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the Transit Authority. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75. The plan is closed and all eligible employees are currently receiving benefits.

Benefits provided – The Transit Authority provides healthcare benefits for retirees and their spouses. The benefit terms provide for payment of 90 percent of health insurance premiums for non-Medicare-eligible retirees and 90 percent of supplemental health insurance premiums for Medicare-eligible retirees.

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

Inactive employees or beneficiaries currently receiving benefits payments	2
Inactive employees entitled to but not yet receiving benefits	-
Active employees	-
Total participants covered by OPEB Plan	2

Total OPEB Liability

The Transit Authority’s total OPEB liability of \$274,353 was measured as of September 30, 2019, and was determined by using the alternative measurement method as of that date.

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

Inflation	2.0 percent
Salary increases	5.4 percent, average, including inflation
Discount rate	2.66 percent
Healthcare cost trend rates	5.5 percent for 2019-2020, increasing 0.2 percent per year to an ultimate rate of 5.7 percent for 2021 and later years
Retirees' share of benefit-related	90 percent of projected health insurance premiums for costs retirees

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (Continued)

The discount rate was based on 2.66 percent based on the index rate for 20-year tax-exempt muni bonds with rating of AAA or higher.

Mortality rates were based on the National Vital Statistics Mortality Table for Males or Females, as appropriate.

The actuarial assumptions used in the September 30, 2019 valuation were based on the results of the alternative measurement method for the period of October 1, 2018 – September 30, 2019.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at June 30, 2018	\$ 239,040
Changes for the year:	
Changes in assumptions or other inputs	51,622
Benefit payments	<u>(16,309)</u>
Net change	<u>(35,313)</u>
Net OPEB Expense	<u>\$ 274,353</u>

Sensitivity of the total OPEB liability to changes in the discount rate – The following presents the total OPEB liability of the Transit Authority, as well as what the Transit Authority’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.66 percent) or 1-percentage-point higher (3.66 percent) than the current discount rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Net OPEB liability	\$290,680	\$274,353	\$259,398

Sensitivity of the total OPEB liability to changes in healthcare cost trend rates – The following presents the total OPEB liability of the Transit Authority’s, as well as what the Transit Authority’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (4.5 percent) or 1-percentage-point higher (6.5 percent) than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Net OPEB liability	\$252,424	\$274,353	\$298,560

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (Continued)

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

For the year ended September 30, 2019, the Transit Authority recognized a increase in OPEB expense of \$35,313. At September 30, 2019, the Transit Authority did not report any deferred outflows of resources or deferred inflows of resources related to OPEB due to using the alternative measurement method to calculate their OPEB liability, which allowed the measurement date to be the same as their fiscal year end. Since the Transit Authority has a closed plan, the remaining service life would be zero. Since the changes in assumptions are amortized over the remaining service life and the remaining service life is zero, there isn't any expense that needs to be amortized over future years.

The total OPEB expense recognized as calculated by the alternative measurement method is \$51,657. The entire amount of \$51,657 was expensed on the books and is reported in 50202 Other Post-Employment Benefits (OPEB). Below is a tracking schedule for OPEB payments actually paid that exceed the calculated OPEB expense:

Calculated expense		\$ 51,657
Less: eligible payments		
2018 paid that exceed expense	7,189	
2019 paid	16,344	
Total eligible payments	<u>23,533</u>	
Ineligible OPEB expense (carry over)		<u>\$ 28,124</u>

NOTE 9 - RISK MANAGEMENT

The County is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers compensation), as well as medical benefits provided to employees. The County manages risk through the purchase of commercial insurance.

Liability, Vehicle Physical Damage, and Property and Crime – The County is a member of the Michigan Municipal Liability and Property Pool, which is an association organized to purchase commercial insurance for protection against loss for Michigan cities, counties, townships and special service governments. The County is insured up to the following limits: Liability - \$5,000,000, vehicle physical damage - \$5,000,000 and property and crime - \$5,000,000, subject to deductibles of \$1,000 per vehicle and \$1,000 per occurrence of property and crime damage. The County is not subject to supplemental premium assessments by the association.

Workers' Compensation – The County purchases coverage through the Michigan Municipal Workers' Compensation Fund. The Fund is authorized by State law to provide its members with coverage required by the Workers' Disability Compensation Act. Claims are subject to a maximum limit of \$500,000 per occurrence.

NOTE 10 - CONTINGENT LIABILITIES

The County has been named as a defendant in various litigation involving lawsuits pending and notices of intent to file suit. Management and legal counsel of the County expect no material losses in excess of insurances should an unfavorable outcome prevail. No provision for any loss has been made in the accompanying financial statements.

Under the terms of various Federal and State grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such grants could lead to reimbursement to the grantor agencies. However, County management does not believe such disallowances, if any, will be material to the financial position of the County.

NOTE 11 - RESTRICTED NET POSITION

Restrictions of the net position shown in the government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the various net position restrictions as of December 31, 2019.

PRIMARY GOVERNMENT	
Governmental Activities	
Specific Fund Purposes	<u>\$ 4,644,328</u>
COMPONENT UNITS	
City/County Transit	
Restricted for Other Purposes	<u>\$ 148,577</u>
Board of Public Works	
Restricted for Debt Service	<u>\$ 2</u>

NOTE 12 - SUBSEQUENT EVENT:

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of local units of government. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. Therefore, the County expects this matter to negatively impact its operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.

In the case of *Michigan Department of Environmental Quality V Gladwin County Drain Commission and Gladwin County*, a Consent Judgment was entered on April 16, 2020. Pursuant to the Consent Judgment, civil fines of \$37,000 were imposed with Gladwin County being responsible for \$20,000 of those fines. The cost to repair the damages to the county drains will be assessed to the drainage district.

In January of 2020, the County issued \$4,000,000 in bonds to construct a road commission facility.

Required Supplementary Information

Required Supplementary Information
Employee Retirement and Benefit Systems
Schedule of Changes in the Employers' Net Pension Liability and Related Ratios
For the Year Ended December 31, 2019

Primary Government - Pension Plan Trust

	2015	2016	2017	2018	2019
Total pension liability					
Service cost	\$ 412,408	\$ 409,864	\$ 441,552	\$ 405,701	\$ 418,496
Interest	1,569,370	1,644,938	1,758,130	1,841,259	1,878,699
Difference between expected and actual experience	-	94,615	52,225	(451,432)	188,417
Changes of assumptions	-	1,161,028	-	-	-
Other	(7,401)	(133,513)	49,672	(7,994)	(110,246)
Benefit payments, including refund of member contributions	(1,017,989)	(1,096,266)	(1,213,335)	(1,275,726)	(1,376,145)
Net change in total pension liability	956,388	2,080,666	1,088,244	511,808	999,221
Total pension liability - beginning	19,325,458	20,281,846	22,362,512	23,450,756	23,962,564
Total pension liability - ending	<u>\$ 20,281,846</u>	<u>\$ 22,362,512</u>	<u>\$ 23,450,756</u>	<u>\$ 23,962,564</u>	<u>\$ 24,961,785</u>
Plan fiduciary net position					
Contributions - employer	\$ 609,169	\$ 577,523	\$ 679,332	\$ 749,545	\$ 757,546
Contributions - employee	164,714	174,133	177,721	188,272	194,720
Net investment income	(210,882)	1,540,528	1,945,469	(636,431)	2,069,906
Benefit payments, including refunds of member contributions	(1,017,989)	(1,096,266)	(1,213,335)	(1,275,726)	(1,376,145)
Other	-	-	2	(1)	1
Administrative expense	(30,827)	(30,395)	(30,808)	(31,593)	(35,662)
Net change in plan fiduciary net position	(485,815)	1,165,523	1,558,381	(1,005,934)	1,610,366
Plan fiduciary net position - beginning	14,078,802	13,592,987	14,758,510	16,316,891	15,310,957
Plan fiduciary net position - ending	<u>\$ 13,592,987</u>	<u>\$ 14,758,510</u>	<u>\$ 16,316,891</u>	<u>\$ 15,310,957</u>	<u>\$ 16,921,323</u>
Net pension liability - ending	<u>\$ 6,688,859</u>	<u>\$ 7,604,002</u>	<u>\$ 7,133,865</u>	<u>\$ 8,651,607</u>	<u>\$ 8,040,462</u>
Plan fiduciary net position as a percentage of the total pension liability	67.02%	66.00%	69.58%	63.90%	67.79%
Covered - employee payroll	\$ 3,387,358	\$ 3,382,771	\$ 3,710,408	\$ 3,612,563	\$ 3,815,748

County of Gladwin, Michigan

Required Supplementary Information Employee Retirement and Benefit Systems Schedule of Contributions For the Year Ended December 31, 2019

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Actuarially determined contribution	\$ 549,097	\$ 577,523	\$ 679,332	\$ 718,776	\$ 719,652
Contributions in relation to the actuarially determined contribution	<u>523,929</u>	<u>577,523</u>	<u>679,332</u>	<u>749,545</u>	<u>757,546</u>
Contribution deficiency (excess)	<u>\$ 25,168</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (30,769)</u>	<u>\$ (37,894)</u>
Covered - employee payroll	\$ 3,387,358	\$ 3,382,771	\$ 3,710,408	\$ 3,612,563	\$ 3,815,748
Contributions as a percentage of covered-employee payroll	15.47%	17.07%	18.31%	20.75%	19.85%

Notes to Schedule:

Valuation date: December 31, 2018

Actuarially determined contribution rates are calculated as of December 31st each year, which is twelve months prior to the beginning of the fiscal year in which contributions were reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Individual Entry Age Normal Cost
Amortization methods	Level percent of payroll
Remaining amortization period	19 years (closed)
Asset valuation method	Market-related value with 5-year smoothing
Inflation	2.75% per year
Salary increases	3.50% to 5.00% including inflation
Investment rate of return	7.75%
Retirement age	Experience-based table of rates that are specific to the type of eligibility
Mortality	RP 2014 Generation Mortality Tables, blue-collar adjustment, projected with scale BB.

Required Supplementary Information
Employee Retirement and Benefit Systems
Schedule of Changes in the OPEB Liability and Related Ratios
Year Ended December 31, 2019

	Measurement Date 12/31/2017	Measurement Date 12/31/2018
Total OPEB Liability - Beginning of Year	\$ 7,663,633	\$ 8,034,417
Service cost	298,846	314,043
Interest	246,236	256,816
Assumption changes and differences between actual and expected experience	-	(535,055)
Difference between actual and expected investment income	-	(81,878)
Benefit payments	(174,298)	(168,098)
OPEB Liability - End of Year	\$ 8,034,417	\$ 7,820,245
Plan fiduciary net position		
Contributions - employer	\$ 168,098	\$ 168,098
Benefit payments	(168,098)	(168,098)
Net change in plan fiduciary net position	-	-
Plan fiduciary net position - Beginning of Year	-	-
Plan fiduciary net position - End of Year	\$ -	\$ -
Net OPEB liability - End of Year	\$ 8,034,417	\$ 7,820,245
Plan fiduciary net position as a percentage of the total OPEB liability	0%	0%
Covered Payroll	\$ 3,298,735	\$ 4,223,630
Net OPEB liability as a percentage of covered payroll	243.56%	185.15%
Schedule of Employer Contributions		
Actuarially determined contribution	174,298	572,075
Actual Contribution	174,298	168,098
Contribution deficiency/(excess)	\$ -	\$ 403,977
Covered Payroll	\$ 3,298,735	\$ 4,223,630
ADC as a percentage of payroll	5.28%	13.54%

Key Assumptions:

Census Collection Date	January 1, 2018
Discount rate	3.64%
Year 1 per 65 inflation rates (Medical/RX)	8.00%
Year 2 inflation rate	7.50%
Ultimate inflation rate	4.50%
Year Ultimate inflation rate is reached	2026
Actuarial Cost Method	Entry age normal (percent of salary)

**Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 4,609,511	\$ 4,689,102	\$ 4,739,798	\$ 50,696
Licenses and Permits	414,850	456,282	438,136	(18,146)
Federal	166,856	166,856	130,003	(36,853)
State	1,227,809	1,238,533	1,168,312	(70,221)
Local	9,000	9,000	9,000	-
Charges for Services	1,363,380	1,434,542	1,300,079	(134,463)
Fines and Forfeits	61,300	61,300	23,971	(37,329)
Interest and Rents	89,100	89,994	94,315	4,321
Reimbursements	278,593	291,809	234,196	(57,613)
Other Revenue	130,828	138,509	153,575	15,066
TOTAL REVENUES	8,351,227	8,575,927	8,291,385	(284,542)
EXPENDITURES:				
Legislative				
Board of commissioners	207,695	200,871	198,198	2,673
Judicial				
Circuit court	384,400	366,042	364,822	1,220
District court	464,302	487,619	484,774	2,845
Friend of the court	280,725	287,190	286,793	397
Jury	350	350	318	32
Law Library	9,000	9,000	11,196	(2,196)
Probate court	352,810	371,310	370,963	347
Circuit court probation	1,050	1,072	1,071	1
Total Judicial	1,492,637	1,522,583	1,519,937	2,646
General Government				
Elections	3,900	7,977	7,948	29
Clerk	319,639	330,691	330,520	171
Equalization	178,541	183,302	182,915	387
GIS	10,925	4,625	4,550	75
Prosecuting attorney	418,788	417,908	417,150	758
Register of deeds	159,025	158,525	157,360	1,165
Treasurer	295,284	308,796	308,281	515
State survey & remonumentation	40,000	43,228	43,228	-
Cooperative extension	103,169	102,562	101,562	1,000
Computers	182,500	158,640	158,240	400
Building and grounds	347,987	329,488	327,945	1,543
Drain commission	53,631	52,078	51,553	525
Duplicator	59,000	59,947	59,943	4
Telephone contract	27,000	34,089	34,088	1
Mail department	40,000	46,559	46,045	514
Audit	29,500	29,500	29,416	84
Total General Government	2,268,889	2,267,915	2,260,744	7,171

**Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Public Safety				
Sheriff department	1,249,378	1,300,310	1,298,649	1,661
Traffic enforcement	97,451	92,770	86,546	6,224
Secondary road patrol	133,651	130,620	129,584	1,036
Marine	11,250	11,638	10,883	755
Courthouse security	110,169	105,125	77,798	27,327
Jail	1,453,913	1,463,769	1,457,654	6,115
Inmate meals	152,000	149,500	146,769	2,731
Construction code	200,630	221,411	220,716	695
Planning commission	12,235	12,235	5,027	7,208
Zoning department	68,355	69,470	69,262	208
911	774,248	797,192	790,434	6,758
Emergency management	54,069	53,069	43,309	9,760
Animal control	149,543	154,749	151,559	3,190
Total Public Safety	4,466,892	4,561,858	4,488,190	73,668
Public Works				
DPW	800	800	538	262
Drains at large	8,000	13,884	13,883	1
Total Public Works	8,800	14,684	14,421	263
Health and Welfare				
Public health	185,461	188,748	188,314	434
Contagious disease	500	500	350	150
Substance abuse	36,333	39,349	39,349	-
Mental health	91,531	91,531	91,531	-
Mental health guardianship	16,800	19,740	19,740	-
Veterans	82,495	88,946	79,761	9,185
Soldiers & sailors	-	-	5,338	(5,338)
Medical examiner	72,200	74,208	74,208	-
Total Health and Welfare	485,320	503,022	498,591	4,431
Recreation & Culture				
Parks	3,500	3,500	2,668	832
Other				
Insurance and bonds	278,657	276,191	271,318	4,873
Health insurance	181,947	174,447	173,441	1,006
Retirement	30,000	30,000	30,000	-
City/County airport	12,500	25,000	25,000	-
Total Other	503,104	505,638	499,759	5,879
Capital Outlay	114,030	369,485	1,298,867	(929,382)
Total Expenditures	9,550,867	9,949,556	10,781,375	(831,819)

**Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final	Amounts	
EXCESS OF REVENUES OVER (UNDER)				
EXPENDITURES BEFORE OTHER				
FINANCING SOURCES (USES)	(1,199,640)	(1,373,629)	(2,489,990)	(1,116,361)
OTHER FINANCING SOURCES (USES):				
Lease Proceeds	-	-	1,335,750	1,335,750
Transfers In	1,393,565	1,687,991	1,626,569	(61,422)
Transfers Out	(193,524)	(259,924)	(220,277)	39,647
Total Other Financing Sources (Uses)	1,200,041	1,428,067	2,742,042	1,313,975
NET CHANGE IN FUND BALANCES	\$ 401	\$ 54,438	252,052	\$ 197,614
FUND BALANCE BEGINNING OF YEAR			659,752	
FUND BALANCE END OF YEAR			\$ 911,804	

**Required Supplementary Information
Budgetary Comparison Schedule
Emergency Medical Services Fund
For the Year Ended December 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
REVENUES:				
Taxes	\$ 366,980	\$ 366,980	\$ 495,744	\$ 128,764
Interest and Rents	9,045	9,045	10,288	1,243
TOTAL REVENUES	<u>376,025</u>	<u>376,025</u>	<u>506,032</u>	<u>130,007</u>
EXPENDITURES:				
Health & Welfare	<u>623,374</u>	<u>623,374</u>	<u>754,094</u>	<u>(130,720)</u>
TOTAL EXPENDITURES	<u>623,374</u>	<u>623,374</u>	<u>754,094</u>	<u>(130,720)</u>
NET CHANGE IN FUND BALANCES	<u>\$ (247,349)</u>	<u>\$ (247,349)</u>	<u>(248,062)</u>	<u>\$ (713)</u>
FUND BALANCE BEGINNING OF YEAR			<u>2,076,147</u>	
FUND BALANCE END OF YEAR			<u>\$ 1,828,085</u>	

**Required Supplementary Information
Budgetary Comparison Schedule
E 911 Millage Fund
For the Year Ended December 31, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 710,417	\$ 710,417	\$ 745,063	\$ 34,646
Interest and Rents	2,800	2,800	4,705	1,905
TOTAL REVENUES	<u>713,217</u>	<u>713,217</u>	<u>749,768</u>	<u>36,551</u>
EXPENDITURES:				
Public Safety	<u>2,565</u>	<u>2,565</u>	<u>2,556</u>	<u>9</u>
TOTAL EXPENDITURES	<u>2,565</u>	<u>2,565</u>	<u>2,556</u>	<u>9</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	<u>710,652</u>	<u>710,652</u>	<u>747,212</u>	<u>36,560</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>(817,216)</u>	<u>(817,216)</u>	<u>(774,248)</u>	<u>42,968</u>
NET CHANGE IN FUND BALANCES	<u>\$ (106,564)</u>	<u>\$ (106,564)</u>	<u>(27,036)</u>	<u>\$ 79,528</u>
FUND BALANCE BEGINNING OF YEAR			<u>696,876</u>	
FUND BALANCE END OF YEAR			<u>\$ 669,840</u>	

**Required Supplementary Information
Budgetary Comparison Schedule
Wireless E 911 Fund
For the Year Ended December 31, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
State	\$ 134,600	\$ 134,600	\$ 166,790	\$ 32,190
Interest and Rents	3,700	3,700	12,088	8,388
TOTAL REVENUES	<u>138,300</u>	<u>138,300</u>	<u>178,878</u>	<u>40,578</u>
EXPENDITURES:				
Public Safety	22,800	22,800	16,749	6,051
TOTAL EXPENDITURES	<u>22,800</u>	<u>22,800</u>	<u>16,749</u>	<u>6,051</u>
NET CHANGE IN FUND BALANCES	<u>\$ 115,500</u>	<u>\$ 115,500</u>	162,129	<u>\$ 46,629</u>
FUND BALANCE BEGINNING OF YEAR			<u>955,773</u>	
FUND BALANCE END OF YEAR			<u>\$ 1,117,902</u>	

**Required Supplementary Information
Budgetary Comparison Schedule
Senior Citizens Program Fund
For the Year Ended December 31, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 473,605	\$ 473,605	\$ 742,662	\$ 269,057
Interest and Rents	-	-	572	572
TOTAL REVENUES	<u>473,605</u>	<u>473,605</u>	<u>743,234</u>	<u>269,629</u>
EXPENDITURES:				
Health & Welfare	480,613	480,613	687,069	(206,456)
TOTAL EXPENDITURES	<u>480,613</u>	<u>480,613</u>	<u>687,069</u>	<u>(206,456)</u>
NET CHANGE IN FUND BALANCES	<u>\$ (7,008)</u>	<u>\$ (7,008)</u>	56,165	<u>\$ 63,173</u>
FUND BALANCE BEGINNING OF YEAR			<u>7,806</u>	
FUND BALANCE END OF YEAR			<u>\$ 63,971</u>	

Other Information

**Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2019**

	Special Revenue Funds							
	Friend of the Court	Animal Shelter Millage	Gypsy Moth	Breault Road Tower	Economic Development Administration	Courthouse Preservation	Economic Development Revolving	
ASSETS:								
Cash and Equivalents	\$ 178,321	\$ 98,779	\$ 320	\$ 21,000	\$ 41,421	\$ 657	\$ 59,812	\$ 54,571
Accounts Receivable	-	-	-	-	-	-	56,746	-
Taxes Receivable	-	184,823	-	-	-	-	-	-
Due from Other Governmental Units	5,643	-	-	-	3,000	-	-	-
TOTAL ASSETS	\$ 183,964	\$ 283,602	\$ 320	\$ 21,000	\$ 44,421	\$ 657	\$ 116,558	\$ 54,571
LIABILITIES:								
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,000	\$ -
TOTAL LIABILITIES	-	-	-	-	-	-	3,000	-
DEFERRED INFLOWS OF RESOURCES:								
Property Taxes Levied for Subsequent Period	-	199,934	-	-	-	-	-	-
Other State Grants	-	-	-	-	-	-	56,746	-
TOTAL DEFERRED INFLOWS OF RESOURCES	-	199,934	-	-	-	-	56,746	-
FUND BALANCES:								
Restricted	183,964	83,668	320	21,000	44,421	657	56,812	54,571
Committed	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-
TOTAL FUND BALANCES	183,964	83,668	320	21,000	44,421	657	56,812	54,571
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 183,964	\$ 283,602	\$ 320	\$ 21,000	\$ 44,421	\$ 657	\$ 116,558	\$ 54,571

**Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2019**

	Special Revenue Funds							
	FEMA Flood Mapping	Marriage Counseling	Concealed Pistol	Corrections Officer Training	Drug Enforcement	County Library	CDBG	
ASSETS:								
Cash and Equivalents	\$ 1,301	\$ 34,114	\$ 25,599	\$ 29,685	\$ 4,703	\$ -	\$ 61,040	\$ 331,575
Accounts Receivable	-	-	-	-	-	-	-	-
Taxes Receivable	-	-	-	-	-	-	-	-
Due from Other Governmental Units	-	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 1,301	\$ 34,114	\$ 25,599	\$ 29,685	\$ 4,703	\$ -	\$ 61,040	\$ 331,575
LIABILITIES:								
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,103
TOTAL LIABILITIES	-	-	-	-	-	-	-	2,103
DEFERRED INFLOWS OF RESOURCES:								
Property Taxes Levied for Subsequent Period	-	-	-	-	-	-	-	-
Other State Grants	-	-	-	-	-	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	-	-	-	-	-	-
FUND BALANCES:								
Restricted	1,301	34,114	25,599	29,685	4,703	-	-	329,472
Committed	-	-	-	-	-	-	61,040	-
Assigned	-	-	-	-	-	-	-	-
TOTAL FUND BALANCES	1,301	34,114	25,599	29,685	4,703	-	61,040	329,472
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,301	\$ 34,114	\$ 25,599	\$ 29,685	\$ 4,703	\$ -	\$ 61,040	\$ 331,575

**Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2019**

	Special Revenue Funds							
	Commissary	Sheriff Training	Jail Telephone	Project Fresh	DHS - Child Care	Probate Court Child Care	Veterans Brouillard	
ASSETS:								
Cash and Equivalents	\$ 5,107	\$ 7,197	\$ 10,154	\$ 1,930	\$ 3,515	\$ 30,798	\$ 787	\$ 19,788
Accounts Receivable	-	-	-	-	-	-	-	-
Taxes Receivable	-	-	-	-	-	-	-	-
Due from Other Governmental Units	-	-	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 5,107</u>	<u>\$ 7,197</u>	<u>\$ 10,154</u>	<u>\$ 1,930</u>	<u>\$ 3,515</u>	<u>\$ 30,798</u>	<u>\$ 787</u>	<u>\$ 19,788</u>
LIABILITIES:								
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ 500	\$ 5,132	\$ -	\$ 15
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>500</u>	<u>5,132</u>	<u>-</u>	<u>15</u>
DEFERRED INFLOWS OF RESOURCES:								
Property Taxes Levied for Subsequent Period	-	-	-	-	-	-	-	-
Other State Grants	-	-	-	-	-	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES:								
Restricted	-	7,197	10,154	-	3,015	25,666	787	-
Committed	-	-	-	-	-	-	-	-
Assigned	5,107	-	-	1,930	-	-	-	19,773
TOTAL FUND BALANCES	<u>5,107</u>	<u>7,197</u>	<u>10,154</u>	<u>1,930</u>	<u>3,015</u>	<u>25,666</u>	<u>787</u>	<u>19,773</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 5,107</u>	<u>\$ 7,197</u>	<u>\$ 10,154</u>	<u>\$ 1,930</u>	<u>\$ 3,515</u>	<u>\$ 30,798</u>	<u>\$ 787</u>	<u>\$ 19,788</u>

	<u>Special Revenue Funds</u>		<u>Totals</u>
	<u>Disaster Contingency</u>	<u>Veterans Service Fund</u>	
ASSETS:			
Cash and Equivalents	\$ 3,501	\$ 1,998	1,027,673
Accounts Receivable	-	-	56,746
Taxes Receivable	-	-	184,823
Due from Other Governmental Units	-	-	8,643
TOTAL ASSETS	<u>\$ 3,501</u>	<u>\$ 1,998</u>	<u>1,277,885</u>
LIABILITIES:			
Accounts Payable	\$ -	-	\$ 10,750
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>10,750</u>
DEFERRED INFLOWS OF RESOURCES:			
Property Taxes Levied for Subsequent Period	-	-	199,934
Other State Grants	-	-	56,746
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>256,680</u>
FUND BALANCES:			
Restricted	-	-	917,106
Committed	-	-	61,040
Assigned	3,501	1,998	32,309
TOTAL FUND BALANCES	<u>3,501</u>	<u>1,998</u>	<u>1,010,455</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 3,501</u>	<u>\$ 1,998</u>	<u>\$ 1,277,885</u>

County of Gladwin, Michigan

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Nonmajor Governmental Funds For the Year Ended December 31, 2019

	Special Revenue Funds							
	Friend of the Court	Animal Shelter Millage	Gypsy Moth	Breault Road Tower	Economic Development Administration	Courthouse Preservation	Economic Development Revolving	Register of Deeds Technology
REVENUES:								
Taxes	\$ -	\$ 198,614	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal	47,556	-	-	-	16,667	-	-	-
State	13,034	-	-	-	-	-	-	-
Local	-	-	-	-	23,550	-	-	-
Charges for Services	6,040	16,556	-	-	-	-	16,319	37,120
Interest and Rents	-	69	13	5,500	285	-	-	58
Other Revenue	-	-	-	-	1,677	-	-	-
TOTAL REVENUES	66,630	215,239	13	5,500	42,179	-	16,319	37,178
EXPENDITURES:								
Judicial	-	-	-	-	-	-	-	-
General Government	-	-	-	-	-	-	-	36,280
Public Safety	-	4,261	-	-	-	-	-	-
Health and Welfare	-	-	30,458	-	-	-	-	-
Community and Economic Development	-	-	-	-	40,300	-	-	-
Recreation and Culture	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	-	4,261	30,458	-	40,300	-	-	36,280
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	66,630	210,978	(30,445)	5,500	1,879	-	16,319	898
OTHER FINANCING SOURCES (USES):								
Transfers In	-	-	-	-	5,000	-	-	-
Transfers Out	(68,000)	(158,442)	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(68,000)	(158,442)	-	-	5,000	-	-	-
NET CHANGE IN FUND BALANCES	(1,370)	52,536	(30,445)	5,500	6,879	-	16,319	898
FUND BALANCE BEGINNING OF YEAR	185,334	31,132	30,765	15,500	37,542	657	40,493	53,673
FUND BALANCE END OF YEAR	\$ 183,964	\$ 83,668	\$ 320	\$ 21,000	\$ 44,421	\$ 657	\$ 56,812	\$ 54,571

**Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance - Nonmajor Governmental Funds
For the Year Ended December 31, 2019**

	Special Revenue Funds							
	FEMA Flood Mapping	Marriage Counseling	Concealed Pistol	Corrections Officer Training	Drug Enforcement	County Library	CDBG	
REVENUES:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
Federal	-	-	-	-	-	-	-	-
State	-	-	-	-	-	-	-	-
Local	-	-	-	-	-	-	-	-
Charges for Services	-	2,355	14,103	3,579	1,745	-	35,476	127,320
Interest and Rents	-	-	-	-	-	-	84	980
Other Revenue	-	-	-	-	-	-	-	-
TOTAL REVENUES	-	2,355	14,103	3,579	1,745	-	35,560	128,300
EXPENDITURES:								
Judicial	-	2,388	-	-	-	-	-	-
General Government	-	-	-	-	-	-	-	-
Public Safety	-	-	7,769	5,197	3,132	-	-	78,549
Health and Welfare	-	-	-	-	-	-	-	-
Community and Economic Development	-	-	-	-	-	-	64,161	-
Recreation and Culture	-	-	-	-	-	762	-	-
TOTAL EXPENDITURES	-	2,388	7,769	5,197	3,132	762	64,161	78,549
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	-	(33)	6,334	(1,618)	(1,387)	(762)	(28,601)	49,751
OTHER FINANCING SOURCES (USES):								
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	(15,000)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(15,000)	-	-	-	-	-
NET CHANGE IN FUND BALANCES	-	(33)	(8,666)	(1,618)	(1,387)	(762)	(28,601)	49,751
FUND BALANCE BEGINNING OF YEAR	1,301	34,147	34,265	31,303	6,090	762	89,641	279,721
FUND BALANCE END OF YEAR	\$ 1,301	\$ 34,114	\$ 25,599	\$ 29,685	\$ 4,703	\$ -	\$ 61,040	\$ 329,472

**Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance - Nonmajor Governmental Funds
For the Year Ended December 31, 2019**

	Special Revenue Funds						
	Commissary	Sheriff Training	Jail Telephone	Project Fresh	DHS - Child Care	Probate Court - Child Care	Veterans Brouillard
REVENUES:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal	-	-	-	-	-	-	-
State	-	2,361	-	-	40,439	28,813	412
Local	-	-	-	-	-	-	-
Charges for Services	21,609	-	16,342	-	-	-	-
Interest and Rents	-	-	-	-	-	-	-
Other Revenue	-	-	-	-	6,583	20,800	3,720
TOTAL REVENUES	21,609	2,361	16,342	-	47,022	49,613	412
EXPENDITURES:							
Judicial	-	-	-	-	-	-	-
General Government	-	-	-	-	-	-	-
Public Safety	23,381	3,245	12,206	-	-	-	-
Health and Welfare	-	-	-	-	110,496	104,793	2,218
Community and Economic Development	-	-	-	-	-	-	-
Recreation and Culture	-	-	-	-	-	-	-
TOTAL EXPENDITURES	23,381	3,245	12,206	-	110,496	104,793	2,218
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	(1,772)	(884)	4,136	-	(63,474)	(55,180)	412
OTHER FINANCING SOURCES (USES):							
Transfers In	-	-	-	-	51,200	50,000	-
Transfers Out	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	51,200	50,000	-
NET CHANGE IN FUND BALANCES	(1,772)	(884)	4,136	-	(12,274)	(5,180)	412
FUND BALANCE BEGINNING OF YEAR	6,879	8,081	6,018	1,930	15,289	30,846	375
FUND BALANCE END OF YEAR	\$ 5,107	\$ 7,197	\$ 10,154	\$ 1,930	\$ 3,015	\$ 25,666	\$ 787

**Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance - Nonmajor Governmental Funds
For the Year Ended December 31, 2019**

	<u>Special Revenue Fund</u>		Totals
	<u>Disaster Contingency</u>	<u>Veterans Service Grant</u>	
REVENUES:			
Taxes	\$ -	\$ -	198,614
Federal	-	-	64,223
State	-	36,795	121,854
Local	-	-	23,550
Charges for Services	-	-	298,564
Interest and Rents	-	-	6,989
Other Revenue	-	-	32,780
TOTAL REVENUES	<u>-</u>	<u>36,795</u>	<u>746,574</u>
EXPENDITURES:			
Judicial	-	-	2,388
General Government	-	-	36,280
Public Safety	-	-	137,740
Health and Welfare	-	36,795	284,760
Community and Economic Development	-	-	104,461
Recreation and Culture	-	-	762
TOTAL EXPENDITURES	<u>-</u>	<u>36,795</u>	<u>566,391</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>180,183</u>
OTHER FINANCING SOURCES (USES):			
Transfers In	-	1,998	108,198
Transfers Out	-	-	(241,442)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>1,998</u>	<u>(133,244)</u>
NET CHANGE IN FUND BALANCES	-	1,998	46,939
FUND BALANCE BEGINNING OF YEAR	<u>3,501</u>	<u>-</u>	<u>963,516</u>
FUND BALANCE END OF YEAR	<u>\$ 3,501</u>	<u>\$ 1,998</u>	<u>\$ 1,010,455</u>

**Combining Statement of Net Position
Nonmajor Enterprise Funds
December 31, 2019**

	2017 Tax Revolving	2018 Tax Revolving	2015 Tax Revolving	2016 Tax Revolving	Totals
ASSETS:					
Cash and Equivalents	\$ 59,280	\$ 191,410	\$ 4,176	\$ 242,570	\$ 497,436
Taxes Receivable	6,238	192,849	4,570	55	203,712
Due from Other Funds	300,000	-	-	98,000	398,000
Due from Other Governmental Units	-	-	-	18,181	18,181
TOTAL ASSETS	<u>\$ 365,518</u>	<u>\$ 384,259</u>	<u>\$ 8,746</u>	<u>\$ 358,806</u>	<u>\$ 1,117,329</u>
LIABILITIES:					
Due to Other Funds	\$ -	\$ 148,000	\$ -	\$ -	\$ 148,000
TOTAL LIABILITIES	<u>-</u>	<u>148,000</u>	<u>-</u>	<u>-</u>	<u>148,000</u>
NET POSITION:					
Unrestricted	<u>365,518</u>	<u>236,259</u>	<u>8,746</u>	<u>358,806</u>	<u>969,329</u>
TOTAL NET POSITION	<u>365,518</u>	<u>236,259</u>	<u>8,746</u>	<u>358,806</u>	<u>969,329</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 365,518</u>	<u>\$ 384,259</u>	<u>\$ 8,746</u>	<u>\$ 358,806</u>	<u>\$ 1,117,329</u>

**Combining Statement of Revenues, Expenses and
Changes in Net Position - Nonmajor Enterprise Funds
For the Year Ended December 31, 2019**

	2017 Tax Revolving	2018 Tax Revolving	2015 Tax Revolving	2016 Tax Revolving	Totals
OPERATING REVENUES:					
Interest and Penalties on Taxes	\$ 64,861	\$ 144,874	\$ 1,340	\$ 1,383	\$ 212,458
Administrative Fees	7,863	34,827	252	4,494	47,436
Total Operating Revenues	<u>72,724</u>	<u>179,701</u>	<u>1,592</u>	<u>5,877</u>	<u>259,894</u>
OPERATING EXPENSES:					
Other Supplies & Expenses	(822)	10,829	-	(169)	9,838
Total Operating Expenses	<u>(822)</u>	<u>10,829</u>	<u>-</u>	<u>(169)</u>	<u>9,838</u>
OPERATING INCOME (LOSS)	<u>73,546</u>	<u>168,872</u>	<u>1,592</u>	<u>6,046</u>	<u>250,056</u>
NON-OPERATING REVENUES (EXPENSES):					
Interest Income	109	147	4	639	899
Total Non-Operating Revenues (Expenses)	<u>109</u>	<u>147</u>	<u>4</u>	<u>639</u>	<u>899</u>
NET POSITION, BEGINNING OF YEAR	<u>291,863</u>	<u>67,240</u>	<u>7,150</u>	<u>352,121</u>	<u>718,374</u>
NET POSITION, END OF YEAR	<u>\$ 365,518</u>	<u>\$ 236,259</u>	<u>\$ 8,746</u>	<u>\$ 358,806</u>	<u>\$ 969,329</u>

County of Gladwin, Michigan

Combining Statement of Cash Flows Nonmajor Enterprise Funds For the Year Ended December 31, 2019

	2017 Tax Revolving	2018 Tax Revolving	2015 Tax Revolving	2016 Tax Revolving	Totals
Cash Flows From Operating Activities:					
Cash Received from Customers	\$ 285,234	\$ 1,091,228	\$ 4,172	\$ 1,032	\$ 1,381,666
Cash Paid to Vendors	822	(10,829)	-	169	(9,838)
Cash Paid to Other Funds	(300,000)	148,000	-	(98,000)	(250,000)
Net Cash Provided (Used) by Operating Activities	<u>(13,944)</u>	<u>1,228,399</u>	<u>4,172</u>	<u>(96,799)</u>	<u>1,121,828</u>
Cash Flows From Capital and Related Financing Activities:					
Principal Payments	-	(1,090,000)	-	-	(1,090,000)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>-</u>	<u>(1,090,000)</u>	<u>-</u>	<u>-</u>	<u>(1,090,000)</u>
Cash Flows from Investing Activities:					
Interest on Deposits	109	147	4	639	899
Net Cash Provided (Used) by Investing Activities	<u>109</u>	<u>147</u>	<u>4</u>	<u>639</u>	<u>899</u>
Net Increase (Decrease) in Cash and Equivalents	(13,835)	138,546	4,176	(96,160)	32,727
Cash and Equivalents - Beginning of Year	73,115	52,864	-	338,730	464,709
Cash and Equivalents - End of Year	<u>\$ 59,280</u>	<u>\$ 191,410</u>	<u>\$ 4,176</u>	<u>\$ 242,570</u>	<u>\$ 497,436</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating Income (Loss)	\$ 73,546	\$ 168,872	\$ 1,592	\$ 6,046	\$ 250,056
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Change in Assets and Liabilities:					
(Increase) Decrease in Assets					
Receivables	212,510	911,527	2,580	13,336	1,139,953
Due From Other Funds	-	-	-	(98,000)	(98,000)
Due from Other Governmental Units	-	-	-	(18,181)	(18,181)
(Decrease) Increase in Liabilities					
Due to Other Funds	(300,000)	148,000	-	-	(152,000)
Net Cash Provided (Used) by Operating Activities	<u>\$ (13,944)</u>	<u>\$ 1,228,399</u>	<u>\$ 4,172</u>	<u>\$ (96,799)</u>	<u>\$ 1,121,828</u>

**Combining Statement of Net Position
Fiduciary Funds
December 31, 2019**

	Trust and Agency	Library Fund (Penal Fines)	Inmate Trust	Totals
ASSETS:				
Cash and Equivalents	\$ 180,205	\$ -	\$ 6,546	\$ 186,751
LIABILITIES:				
Due to Other Governmental Units	\$ 3,195	\$ -	\$ -	\$ 3,195
Due to Individuals and Agencies	177,010	-	6,546	183,556
TOTAL LIABILITIES	\$ 180,205	\$ -	\$ 6,546	\$ 186,751

County of Gladwin, Michigan

**Combining Balance Sheet
Component Unit - Drainage Districts
December 31, 2019**

	Debt Service		Capital Project Funds					Totals
	Drain	Revolving Drain	Storm Water Management	Chappel Dam Construction Fund	Lake Level	Chappel Dam Debt Retirement	Lake Improvement	
ASSETS:								
Cash and Equivalents	\$ 477,543	\$ 37,891	\$ 6,361	\$ -	\$ 80,052	\$ 113,529	\$ 289,868	\$ 1,005,244
Receivables								
Special Assessments	39,445	-	-	-	92,871	-	212,465	344,781
Due from Other Funds	47,155	48,270	-	55,500	-	-	-	150,925
TOTAL ASSETS	<u>\$ 564,143</u>	<u>\$ 86,161</u>	<u>\$ 6,361</u>	<u>\$ 55,500</u>	<u>\$ 172,923</u>	<u>\$ 113,529</u>	<u>\$ 502,333</u>	<u>\$ 1,500,950</u>
LIABILITIES:								
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,125	\$ 11,125
Due to Other Funds	95,425	-	-	-	40,500	-	15,000	150,925
Due to Other Governmental Units	30,463	6,300	-	-	55,698	-	1,221	93,682
TOTAL LIABILITIES	<u>125,888</u>	<u>6,300</u>	<u>-</u>	<u>-</u>	<u>96,198</u>	<u>-</u>	<u>27,346</u>	<u>255,732</u>
DEFERRED INFLOWS OF RESOURCES:								
Unavailable Revenue	39,445	-	-	-	92,871	-	212,465	344,781
FUND BALANCES:								
Restricted for Debt Service	-	-	-	-	-	113,529	-	113,529
Committed for Capital Improvements	398,810	79,861	6,361	55,500	(16,146)	-	262,522	786,908
TOTAL FUND BALANCES	<u>398,810</u>	<u>79,861</u>	<u>6,361</u>	<u>55,500</u>	<u>(16,146)</u>	<u>113,529</u>	<u>262,522</u>	<u>900,437</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 564,143</u>	<u>\$ 86,161</u>	<u>\$ 6,361</u>	<u>\$ 55,500</u>	<u>\$ 172,923</u>	<u>\$ 113,529</u>	<u>\$ 502,333</u>	<u>\$ 1,500,950</u>

County of Gladwin, Michigan

Reconciliation of the Combining Balance Sheet to the Statement of Net Position - Component Unit - Drainage Districts December 31, 2019

Total fund balances - governmental funds \$ 900,437

Amounts reported for the governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.

Capital assets, net 1,356,117

Long-term receivables are not available to pay for current period expenditures and therefore are not available in the funds. They consist of:

Special Assessments 344,781

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of the following:

Notes payable	(735,000)	
Accrued interest payable	(3,439)	
	<u> </u>	<u>(738,439)</u>

Net position of governmental activities \$ 1,862,896

County of Gladwin, Michigan

**Combining Statement of Revenues, Expenditures and
Changes in Fund Balance - Component Unit - Drainage Districts
For the Year Ended December 31, 2019**

	Debt Service		Capital Project Funds				Totals	
	Drain	Revolving Drain	Storm Water Management	Chappel Dam Construction Fund	Lake Level	Chappel Dam Debt Retirement		Lake Improvement
REVENUES								
Special Assessment	\$ 156,191	\$ -	\$ -	\$ -	\$ 49,947	\$ 109,795	\$ 402,565	\$ 718,498
Interest	445	43	7	-	85	181	321	1,082
Total Revenues	<u>156,636</u>	<u>43</u>	<u>7</u>	<u>-</u>	<u>50,032</u>	<u>109,976</u>	<u>402,886</u>	<u>719,580</u>
EXPENDITURES								
Public works	117,588	-	700	-	65,145	750	245,880	430,063
Debt Service	-	-	-	-	-	195,294	-	195,294
Total Expenditures	<u>117,588</u>	<u>-</u>	<u>700</u>	<u>-</u>	<u>65,145</u>	<u>196,044</u>	<u>245,880</u>	<u>625,357</u>
NET CHANGE IN FUND BALANCES	39,048	43	(693)	-	(15,113)	(86,068)	157,006	94,223
FUND BALANCE BEGINNING OF YEAR	<u>359,762</u>	<u>79,818</u>	<u>7,054</u>	<u>55,500</u>	<u>(1,033)</u>	<u>199,597</u>	<u>105,516</u>	<u>806,214</u>
FUND BALANCE END OF YEAR	<u>\$ 398,810</u>	<u>\$ 79,861</u>	<u>\$ 6,361</u>	<u>\$ 55,500</u>	<u>\$ (16,146)</u>	<u>\$ 113,529</u>	<u>\$ 262,522</u>	<u>\$ 900,437</u>

**Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balance of to the Statement of Activities
Component Unit - Drainage Districts
For the Year Ended December 31, 2019**

Net changes in fund balances - total governmental funds \$ 94,223

The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds reported 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	(32,288)	
Excess of depreciation expense		(32,288)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. In the current period, these amounts consist of:

Unavailable Revenue	(1,190,832)
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Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowing increase long-term liabilities in the statement of net position.

Change in accrued interest payable	701	
Note principal retirement	150,000	
		150,701

Changes in net position of governmental activities	\$ (978,196)
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County of Gladwin, Michigan

**Combining Balance Sheet
Component Unit - Board of Public Works
December 31, 2019**

	Public Works	Gladwin City 1996 Water/Sewage Debt	Totals
ASSETS:			
Cash and Equivalents	\$ 161,573	\$ 2	\$ 161,575
TOTAL ASSETS	<u>\$ 161,573</u>	<u>\$ 2</u>	<u>\$ 161,575</u>
FUND BALANCES:			
Restricted for:			
Debt Service	-	2	2
Capital Projects	161,573	-	161,573
TOTAL FUND BALANCES	<u>161,573</u>	<u>2</u>	<u>161,575</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 161,573</u>	<u>\$ 2</u>	<u>\$ 161,575</u>

**Reconciliation of the Combining Balance Sheet to the
Statement of Net Position - Component Unit - Board of Public Works
December 31, 2019**

Total fund balances - governmental funds	\$ 161,575
Amounts reported for the governmental activities in the statement of net position are different because:	
Long-term receivables are not available to pay for current period expenditures and therefore are not reported as assets in the funds.	
Deferred portion of leases receivable	101,517
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Direct obligations	(100,000)
Accrued interest payable	(1,517)
	<u>(101,517)</u>
Net position of governmental activities	<u><u>\$ 161,575</u></u>

County of Gladwin, Michigan

**Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance - Component Unit - Board of Public Works
For the Year Ended December 31, 2019**

	Public Works	Gladwin City 1996 Water/Sewage Debt	Totals
REVENUES:			
Intergovernmental	\$ -	\$ 103,825	\$ 103,825
Interest on Investments	-	1	1
Total Revenues	-	103,826	103,826
EXPENDITURES:			
Debt Service	-	103,825	103,825
Total Expenditures	-	103,825	103,825
NET CHANGE IN FUND BALANCES	-	1	1
FUND BALANCE BEGINNING OF YEAR	161,573	1	161,574
FUND BALANCE END OF YEAR	<u>\$ 161,573</u>	<u>\$ 2</u>	<u>\$ 161,575</u>

County of Gladwin, Michigan

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities Component Unit - Board of Public Works For the Year Ended December 31, 2019

Net changes in fund balances - total governmental funds	\$	1
The change in net position reported for governmental activities in the statement of activities is different because:		
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.		
Change in leases receivable		(96,424)
Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowing increase long-term liabilities in the statement of net position.		
Bond principal retirement		95,000
Some items reported in the statement of activities require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Change in accrued interest payable		<u>1,424</u>
Changes in net position of governmental activities	\$	<u><u>1</u></u>

Report on Compliance



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Commissioners
Gladwin County
Gladwin, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Gladwin, Michigan, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the County of Gladwin, Michigan's basic financial statements and have issued our report thereon dated June 22, 2020. Our report includes a reference to other auditors who audited the financial statements of the Gladwin County Road Commission and Gladwin City-County Transit, as described in our report on the County of Gladwin, Michigan's financial statements. This 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.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County of Gladwin, Michigan's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County of Gladwin, Michigan's internal control. Accordingly, we do not express an opinion on the effectiveness of the County of Gladwin, Michigan's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

To the Board of Commissioners
Gladwin County

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompany schedule of findings and responses that we consider to be a significant deficiency listed as 2019-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Gladwin, Michigan's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings and responses as item 2019-001.

County of Gladwin, Michigan's Response to Findings

The County of Gladwin, Michigan's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The County of Gladwin, Michigan's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Anderson, Tackman & Company, PLC
Certified Public Accountants
Kincheloe, Michigan

June 22, 2020

Significant Deficiencies – Noncompliance with State Statutes

Excess Expenditures Over Appropriations

Finding 2019-001

Condition: Our examination indicated instances of noncompliance with the provisions of Public Act 2 of 1968, the Uniform Budgeting and Accounting Act.

The County’s 2019 General Appropriations Act (budget) provided for expenditures of the following funds to be controlled to the activity level. During the fiscal year ended December 31, 2019, expenditures were incurred in excess of amounts appropriated in the amended budgets.

Criteria: The expenditures of funds in excess of appropriations are contrary to the provisions of Public Act 2 of 1968, the Uniform Budgeting and Accounting Act.

During the year ended December 31, 2019, the County incurred expenditures in certain budgetary funds, which were in excess of the amount appropriated as follows:

	<u>Total Appropriations</u>		<u>Amount of Expenditures</u>		<u>Budget Variance</u>
General Fund:					
Capital Outlay	\$ 369,485	\$	1,298,867	\$	(929,382)
Emergency Medical Services Fund:					
Health and Welfare	\$ 623,374	\$	754,094	\$	(130,720)
Senior Citizens Program:					
Health and Welfare	\$ 480,613	\$	687,069	\$	(206,456)

Effect: The County has not complied with State Statutes.

Cause: A budget was not adopted for the Emergency Medical Services or Senior Citizens Program funds prior to the beginning of the fiscal year.

Recommendation: The County should follow the State Law that requires County Governmental Funds have budgets for its funds approved before the fiscal year commences.

Management’s Response – Corrective Action Plan: Management does monitor budgets closely and perform budget amendments on a timely basis. We will work to implement budget amendments as soon as information becomes available to us; however, because the budgets lapse at year end amendments can only be made as information becomes available.

- Contact Person(s) Responsible for Correction:
 Sharron Smith, Chairman



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

To the Board of Commissioners
Gladwin County
Gladwin, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Gladwin, Michigan for the year ended December 31, 2019, and have issued our report thereon dated June 22, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in our engagement letter dated August 21, 2019 our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the County of Gladwin, Michigan. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Generally accepted accounting principles provide for certain required supplementary information (RSI) to supplement the basic financial statements. Our responsibility with respect to the management's discussion and analysis, schedule of funding progress, and budgetary comparison schedules, which supplement the basic financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI will not be audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we will not express an opinion or provide any assurance on the RSI.

We have been engaged to report on combining fund financial statements, which accompany the financial statements but are not RSI. Our responsibility for this other information, as described by professional standards, is to evaluate the presentation of the other information in relation to the financial statements as a whole and to report on whether the other information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our correspondence about planning matters dated August 21, 2019.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the County of Gladwin, Michigan are described in Note 1 to the financial statements. No new accounting pronouncement were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the depreciation expense is based on estimated lives. We evaluated the key factors and assumptions used to develop the estimate to determine that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the allowance for uncollectible accounts receivable is based on past experience and future expectations for collection of various account balances and has been determined to be zero.
- Management's estimate of the Annual Required Contribution for OPEB Obligations and net pension liability were based on various assumptions regarding life expectancies, inflation, premium increases, and investment rates.
- Management's estimate of the vested employee benefits is based on current hourly rates and policies regarding payment of sick and vacation banks.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreement with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 22, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Comments and Recommendations

Year End Accruals (Prior Year)

It was noted during our review of accounts receivable at year end that multiple accounts had stale prior year balances and unrecorded or unadjusted current year receivables. We recommend that accounts receivable be reviewed at year end to ensure that all amounts are accurately reported.

Status: Corrected

Budgets (Prior Year)

A budget was not adopted for the Emergency Medical Services or Senior Citizens Program funds prior to the beginning of the County's fiscal year. State law requires that County's Governmental funds follow the State's prescribed timetable in having budgets for its funds approved before the fiscal year commences.

Status: Corrected

Long Outstanding Checks (Prior Year)

It was noted in our review of bank reconciliations there are multiple checks that are over one-year delinquent. We recommend that the County follow the State of Michigan's Unclaimed Property Act (Act 29 of 1995) for all unclaimed property to ensure compliance with State statutes.

Status: No change

Bank Statements (Prior Year)

During our review of bank balances, it was noted that the general ledger does not have all cash accounts that are in the County's name reflected in its records. We recommend that all bank accounts that are in the name of the County name be recorded in the General Ledger.

Status: Corrected

It was also noted that during our review that one bank statement under the county control was not under the County Treasurer as required by statute. We recommend that all accounts be under the control of the County Treasurer as the Michigan Department of Treasury's Accounting Procedures Manual requires.

Status: No change

Single Approach for Reporting Leases

The Governmental Accounting Standards Board (GASB) issued guidance that establishes a single approach to accounting for and reporting leases by state and local governments. The single approach is based on the principle that leases are financing of the right to use an underlying asset.

GASB Statement No. 87, *Leases*, provides guidance for lease contracts for nonfinancial assets – including vehicles heavy equipment, and buildings – but excludes nonexchange transactions, including donated assets, and leases of intangible assets.

Under the new Statement, a lessee government is required to recognize (1) a lease liability and (2) an intangible asset representing the lessee's right to use the leased asset. A lessor government is required to recognize (1) a lease receivable and (2) a deferred inflow of resources. A lessor will continue to report the leased asset in its financial statements.

A lease also will report the following in its financial statements:

- Amortization expense for using the lease asset (similar to depreciation) over the shorter of the term of the lease or the useful life of the underlying asset.
- Interest expense on the lease liability.
- Note disclosures about the lease, including a general description of the leasing arrangement, the amount of the lease assets recognized, and a schedule of future lease payment to be made.

Limited exceptions to the single-approach guidance are provided for:

- Short-term leases, defined as lasting a maximum of 12 months at inception, including any options to extend.
- Financial purchases.
- Certain regulated leases, such as between municipal airports and air carriers.

The full text of Statement 87 is available on the GASB website, www.gasb.org.

Other Matters

We applied certain limited procedures to the management’s discussion and analysis and budgetary comparison schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquires of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquires, the basic financial statements, and our knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining fund financial statements, which accompany the financial statements but are not RSI. With respect to this other information, we made certain inquires of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the other information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Conclusion

This information is intended solely for the information and use of the Board of Commissioners, management, federal and state awarding agencies, pass-through entities and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.



Anderson Tackman & Company, PLC
Certified Public Accountants
Kincheloe, Michigan

June 22, 2020