

County of Alcona, Michigan

BASIC FINANCIAL STATEMENTS

December 31, 2017

COUNTY OF ALCONA, MICHIGAN

COUNTY BOARD OF COMMISSIONERS

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Clerk

Karen V. Healy
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Sheriff

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ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Honorable Chairman and Members
of the Board of Commissioners
County of Alcona, Michigan
Harrisville, Michigan 48740

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 unit, each major fund, and the aggregate remaining fund information of the County of Alcona, Michigan, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Honorable Chairman and Members
of the Board of Commissioners
County of Alcona, Michigan

Opinions

In our opinion, 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 unit, each major fund, and the aggregate remaining fund information of the County of Alcona, Michigan, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, employee's retirement and benefit systems and budgetary comparison schedules on pages 4 through 10, pages 45 through 46 and pages 47 through 52 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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 Alcona, Michigan's basic financial statements. The combining major and nonmajor fund financial statements are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The combining major and 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 major and nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Honorable Chairman and Members
of the Board of Commissioners
County of Alcona, Michigan

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2018 on our consideration of the County of Alcona, 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 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 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 Alcona, Michigan's internal control over financial reporting and compliance.



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

May 16, 2018

Management's Discussion and Analysis

Our discussion and analysis of the County of Alcona's financial performance provides an overview of the County's financial activities for the calendar year ended December 31, 2017. This discussion and analysis is designed to: a) assist the reader in focusing on significant financial issues; b) provide an overview of the County's financial activity; c) identify changes in the County's financial position (its ability to address the next and subsequent year challenges); d) identify any material deviations from the approved budget; and e) identify any issues or concerns.

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the County, as a whole, and present a longer-term view of the County's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide financial statements by providing information about the County's most significant funds. The remaining statements provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of the government.

Overview of the Financial Statements

This annual report consists of five parts: management's discussion and analysis (this section), the basic financial statements, notes to financial statements, required supplementary information, and other information.

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the County's overall financial status. These statements report information about the County, as a whole, using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the government's assets, outflows, liabilities and inflows. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid. The Statement of Net Position and the Statement of Activities provide information about the activities of the County and present a longer-term view of the County's finances. The two government-wide statements report the County's net position and how they have changed. In the Statement of Net Position and the Statement of Activities, we divide the County into three kinds of activities:
 - Governmental Activities – Most of the County's basic services are reported here, including legislative, judicial, general government, public safety, public works, health and welfare, community/economic development and recreation and culture. Property taxes, state and federal grants and charges for services finance most of these activities.
 - Business-Type Activities – The County charges a fee to customers to help it cover all or most of the cost of certain services it provides. The County's delinquent tax revolving funds, fair board and jail commissary funds are reported here.
 - Component Unit – The County includes one separate legal entity in its report: the County Road Commission. Although legally separate, this "component unit" is important because the County is financially accountable for it.

- The remaining statements are fund financial statements and provide detailed information about the most significant funds, not the County as a whole. Some funds are required to be established by state law and by bond covenants. However, the County establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that focus on individual funds; reporting the operations in more detail than the government-wide statements. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. The County's three kinds of operating funds, governmental, proprietary, and fiduciary use different accounting principles.
 - *Governmental Funds* – Most of the County's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and the governmental funds in reconciliations following the fund statements.
 - *Proprietary Funds* – When the County charges customers for the services it provides, these are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and Statement of Activities. In fact, the County's enterprise funds are the same as business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.
 - *Fiduciary Funds* – The County is the fiduciary agent acting in various capacities for others. All of the County's fiduciary activities are reported in a separate Statement of Net Position for Fiduciary Funds. We exclude these activities from the County's other financial statements because the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The County as a Whole

The County’s net position for the governmental activities decreased \$854,633 from a year ago primarily due to increases in the pension liability. The County’s net position for business-type activities increased \$75,122 from a year ago mainly due to an increase in the amount of charges for services and interest on delinquent taxes. In a condensed format, the table below shows a comparison of the net position as of the current year to prior year.

**County of Alcona
Net Position**

	Governmental Activities		Business-type Activities		Total	
	2016	2017	2016	2017	2016	2017
Current Assets	\$ 6,408,820	\$ 5,878,758	\$ 5,206,810	\$ 5,276,964	\$ 11,615,630	\$ 11,155,722
Capital Assets	2,139,045	2,084,812	-	-	2,139,045	2,084,812
Total Assets	8,547,865	7,963,570	5,206,810	5,276,964	13,754,675	13,240,534
Deferred Outflows of Resources:						
Pension Investment Experience and Contributions	784,723	259,480	-	-	784,723	259,480
Current Liabilities	134,888	211,183	11,090	6,122	145,978	217,305
Noncurrent Liabilities	5,923,846	5,268,318	-	-	5,923,846	5,268,318
Total Liabilities	6,058,734	5,479,501	11,090	6,122	6,069,824	5,485,623
Deferred Inflows of Resources:						
Pension Changes	47,971	357,884	-	-	47,971	357,884
Taxes Levied for a Subsequent Period	1,567,826	1,582,241	-	-	1,567,826	1,582,241
Total Deferred Inflows of Resources	1,615,797	1,940,125	-	-	1,615,797	1,940,125
Net Position:						
Net Investment in Capital Assets	2,139,045	2,084,812	-	-	2,139,045	2,084,812
Restricted	834,961	502,659	-	-	834,961	502,659
Unrestricted	(1,315,949)	(1,784,047)	5,195,720	5,270,842	3,879,771	3,486,795
Total Net Position	\$ 1,658,057	\$ 803,424	\$ 5,195,720	\$ 5,270,842	\$ 6,853,777	\$ 6,074,266

A portion of the County’s net position in the amount of \$2,084,812 reflects its investments in capital assets (i.e., land, buildings and improvements, vehicles, equipment and furniture and fixtures); less any related debt used to acquire those assets that is still outstanding. The County uses capital assets to provide services to citizens; consequently; these assets are not available for future spending. Although the County’s investments 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.

An additional portion of the County’s net position, \$502,659, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$3,486,795 represents “unrestricted net position” that may be used to meet the County’s ongoing obligations to citizens and creditors.

At the end of the current calendar year, the County is able to report positive balances in all three categories (net investment in capital assets, restricted and unrestricted) of net position, both for the government, as a whole, as well as for its business-type activities as explained above.

**County of Alcona
Changes in Net Position**

The following table shows the changes of the net position for the years ended December 31, 2017 and 2016:

	Governmental Activities		Business-type Activities		Total	
	2016	2017	2016	2017	2016	2017
Program Revenues						
Charges for Services	\$ 2,076,966	\$ 2,282,235	\$ 373,850	\$ 312,080	\$ 2,450,816	\$ 2,594,315
Operating Grants and Contributions	778,464	937,864	-	-	778,464	937,864
General Revenues						
Taxes	4,782,988	4,725,998	-	-	4,782,988	4,725,998
Local Sources and Other	-	-	3,147	3,979	3,147	3,979
State Revenue Sharing	-	206,048	-	-	-	206,048
Interest and Rentals	30,950	25,776	26,674	21,357	57,624	47,133
Total Revenues	7,669,368	8,177,921	403,671	337,416	8,073,039	8,515,337
Program Expenses						
Legislative	157,185	175,102	-	-	157,185	175,102
Judicial	889,109	911,321	-	-	889,109	911,321
General Government	1,444,969	1,508,535	-	-	1,444,969	1,508,535
Public Safety	2,916,970	3,142,468	-	-	2,916,970	3,142,468
Public Works	420	-	-	-	420	-
Health and Welfare	2,047,788	2,313,093	-	-	2,047,788	2,313,093
Community/Economic Development	81,550	55,503	-	-	81,550	55,503
Recreation and Culture	645,760	176,978	-	-	645,760	176,978
Other	635,364	829,960	-	-	635,364	829,960
Delinquent Tax Revolving Fund	-	-	71,481	30,468	71,481	30,468
Delinquent Tax Property Sales Fund	-	-	63,745	70,619	63,745	70,619
Other Nonmajor	-	-	50,002	47,783	50,002	47,783
Total Expenses	8,819,115	9,112,960	185,228	148,870	9,004,343	9,261,830
Excess (Deficiency) Before Transfers	(1,149,747)	(935,039)	218,443	188,546	(931,304)	(746,493)
Transfers	10,000	113,424	(10,000)	(113,424)	-	-
Changes in Net Position	(1,139,747)	(821,615)	208,443	75,122	(931,304)	(746,493)
Net Position - Beginning	2,797,804	1,658,057	4,987,277	5,195,720	7,785,081	6,853,777
Prior Period Adjustment	-	(33,018)	-	-	-	(33,018)
Net Position - Ending	\$ 1,658,057	\$ 803,424	\$ 5,195,720	\$ 5,270,842	\$ 6,853,777	\$ 6,074,266

Governmental Activities

As the County completed calendar year 2017, the governmental funds reported combined fund balances of \$3,007,726 a decrease of \$620,772. The net changes are summarized below:

	Funds		Amount Difference	Percentage Difference
	2017	2016		
Revenues:				
Taxes	\$ 4,725,998	\$ 4,782,988	\$ (56,990)	-1.2%
Licenses and Permits	2,598	3,204	(606)	-18.9%
Federal Sources	311,338	186,017	125,321	67.4%
State Sources	822,520	592,447	230,073	38.8%
Local Sources	10,054	-	10,054	100.0%
Charges for Services	1,519,848	1,333,669	186,179	14.0%
Interest and Rentals	25,776	30,950	(5,174)	-16.7%
Fines and Forfeitures	81,977	78,466	3,511	4.5%
Other Revenue	677,812	651,108	26,704	4.1%
Total Revenues	8,177,921	7,658,849	519,072	6.8%
Expenditures:				
Legislative	175,102	157,185	17,917	11.4%
Judicial	885,850	881,650	4,200	0.5%
General Government	1,408,966	1,380,862	28,104	2.0%
Public Safety	2,915,082	2,885,505	29,577	1.0%
Public Works	12,595	420	12,175	2898.8%
Health and Welfare	2,249,733	1,980,536	269,197	13.6%
Recreation and Culture	572,123	598,897	(26,774)	-4.5%
Community/Economic Development	55,503	81,550	(26,047)	-31.9%
Capital Outlay	221,991	12,978	209,013	1610.5%
Other Expenditures	382,154	231,369	150,785	65.2%
Total Expenditures	8,879,099	8,210,952	668,147	8.1%
Excess of Revenues Over (Under) Expenditures	(701,178)	(552,103)	(149,075)	27.0%
Other Financing Sources (Uses):				
Transfers In	341,166	350,771	(9,605)	-2.7%
Transfers (Out)	(227,742)	(340,771)	113,029	33.2%
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	(587,754)	(542,103)	(45,651)	8.4%
Beginning Fund Balance	3,628,498	4,170,601	(542,103)	-13.0%
Prior Period Adjustment	(33,018)	-	(33,018)	100.0%
Ending Fund Balance	\$ 3,007,726	\$ 3,628,498	\$ (620,772)	-17.1%

The County's Funds

The fund financial statements provide detailed information about the most significant funds, not the County as a whole. The County Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities such as special property tax millage. The County's major funds for 2017 include the General, County Library, Ambulance, Commission on Aging, Housing Commission Administration, Delinquent Tax Revolving, and Delinquent Tax Property Sales Funds.

The General Fund is the chief operating fund of the County. Unless otherwise required by statute, contractual agreement, or board policy, all County revenues and expenditures are recorded in the General Fund.

The most significant services paid by the County's governmental funds are general government, public safety, and judicial, which incurred expenses of \$1,408,966, \$2,915,082 and \$885,850, respectively, during 2017.

The County's total governmental revenues have an increase from the prior year of \$519,072 or 6.8%. The increase is mainly due to an increase in state sources and charges for services received.

Expenditures increased by \$668,147, mainly due to a increase in health and welfare and a general overall increase in all expenditures.

Business-type Activities

	Business-type Activities		Amount Difference	Percentage Difference
	2017	2016		
Operating Revenues:				
Charges for Services	\$ 312,080	\$ 373,850	\$ (61,770)	-16.5%
Other Revenue	3,979	3,147	832	26.4%
Total Operating Revenues	316,059	376,997	(60,938)	-16.2%
Operating Expenses:				
Other Supplies and Expenses	148,870	185,228	(36,358)	-19.6%
Total Operating Expenses	148,870	185,228	(36,358)	-19.6%
Operating Income (Loss)	167,189	191,769	(24,580)	-12.8%
Nonoperating Revenues (Expenses):				
Interest on Deposits	21,357	26,674	(5,317)	-19.9%
Income (Loss) Before Transfers	188,546	218,443	(29,897)	-13.7%
Operating Transfers In (Out)	(113,424)	(10,000)	(103,424)	100.0%
Changes in Net Position	75,122	208,443	(133,321)	-64.0%
Net Position, Beginning	5,195,720	4,987,277	208,443	4.2%
Net Position, Ending	\$ 5,270,842	\$ 5,195,720	\$ 75,122	1.4%

The County's business-type activities consist of the Jail Commissary Fund operating on the sales of amenities to inmates, the Fair Board Fund, the Delinquent Tax Property Sales Fund which operates on charges for services revenue, and the Delinquent Tax Revolving Fund which represents collection of delinquent taxes from various years. Net position increased by \$75,122 as a result of maintaining a consistent revenue stream from fees and interest.

General Fund Budgetary Highlights

Over the course of the year, the County board amended the budget to take into account events during the year. The County's General Fund revenue budget was not increased during calendar year 2017. Actual General Fund revenue and other financing sources totaled \$4,605,835, which was \$36,565 lower than the final amended budget. The largest variances were related to Taxes and Other Revenue.

The County's General Fund expenditure budget was increased by \$54,595 (1.1% over the original budget) during calendar year 2017. Actual General Fund expenditures totaled \$4,807,681 which was \$103,140 under the final amended budget. The largest variance was related to the general government.

Capital Asset and Debt Administration

At the end of 2017, the County had \$2,084,812 invested in a broad range of capital assets, including land, land improvements, buildings and improvements, office equipment, furniture and fixtures and vehicles. Major additions to capital assets this year included equipment, furniture and fixtures, and vehicles. These additions totaled \$221,991 which was financed by Federal and County funds.

Debt is classified as long-term if it matures in a period greater than one year. At the end of the current calendar year, the County has total debt outstanding of \$5,268,318 in its governmental activities, which includes vested employee benefits of \$556,923, post-closure landfill liability of \$27,801, and net pension liability of \$4,683,594.

Economic Factors and Next Year's Budgets and Rates

Again, as the County prepared the 2018 budget, reduced revenue continued to be of concern. Many elements were considered to maximize the available dollars. In our 2018 Budget, our Board of Commissioners provided for a pay raise for non-union and union employees. The County was able to cut costs by making a change to the employee's healthcare benefits and was able to reduce the cost for liability insurance. The County will continue to seek grant funds to help fund activities and purchase equipment.

Our local economy, like most others, is down, and payment of taxes is at a slightly reduced level. Yet, our staff continues to strive toward cost reductions where possible.

Contacting the County's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Alcona County Board of Commissioners at 106 Fifth Street, P.O. Box 308, Harrisville, Michigan 48740.

Separately issued component unit financial statements for the Alcona County Road Commission can be obtained from the administrative offices at 301 North Lake Street, P.O. Box 40, Lincoln, Michigan 48742.

Basic Financial Statements

Statement of Net Position
December 31, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Totals	Road Commission
ASSETS:				
Cash and Equivalents	\$ 2,253,635	\$ 2,462,395	\$ 4,716,030	\$ 3,972,490
Investments	464,951	2,280,533	2,745,484	174,019
Receivables:				
Accounts	63,977	-	63,977	-
Taxes	1,811,930	534,036	2,345,966	-
Loans	1,077,608	-	1,077,608	-
Due from Governmental Units	206,657	-	206,657	745,674
Inventory	-	-	-	287,791
Capital Assets (Not Depreciated)	175,500	-	175,500	7,988,102
Capital Assets (Net of Accumulated Depreciation)	1,909,312	-	1,909,312	14,531,333
TOTAL ASSETS	7,963,570	5,276,964	13,240,534	27,699,409
DEFERRED OUTFLOWS OF RESOURCES:				
Pension Related Items (Note 7)	259,480	-	259,480	-
LIABILITIES:				
Accounts Payable	151,638	1,391	153,029	47,398
Accrued Liabilities	59,545	-	59,545	21,522
Deposits Payable	-	4,731	4,731	-
Due to Government	-	-	-	326,988
Advances	-	-	-	248,585
Installment Purchase Agreements Payable - Due within one year	-	-	-	608,284
Installment Purchase Agreements Payable - Due in more than one year	-	-	-	-
Post-Closure Landfill Costs - Due in more than one year	27,801	-	27,801	-
Net Pension Liability - Due in more than one year	4,683,594	-	4,683,594	-
Vested Employee Benefits - Due in more than one year	556,923	-	556,923	211,964
TOTAL LIABILITIES	5,479,501	6,122	5,485,623	1,464,741
DEFERRED INFLOWS OF RESOURCES:				
Other State Grants	-	-	-	61,914
Pension Related Items (Note 7)	357,884	-	357,884	-
Taxes Levied for Subsequent Period	1,582,241	-	1,582,241	-
TOTAL DEFERRED INFLOWS OF RESOURCES	1,940,125	-	1,940,125	61,914
NET POSITION:				
Net Investment in Capital Assets	2,084,812	-	2,084,812	21,911,151
Restricted for Special Purposes	502,659	-	502,659	-
Restricted for County Road	-	-	-	4,261,603
Unrestricted	(1,784,047)	5,270,842	3,486,795	-
TOTAL NET POSITION	\$ 803,424	\$ 5,270,842	\$ 6,074,266	\$ 26,172,754

Statement of Activities
For the Year Ended December 31, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Totals	
Primary Government:								
Governmental Activities:								
Legislative	\$ 175,102	\$ -	\$ -	\$ -	\$ (175,102)	\$ -	\$ (175,102)	\$ -
Judicial	911,321	268,485	328,089	-	(314,747)	-	(314,747)	-
General Government	1,508,535	323,760	115,775	-	(1,069,000)	-	(1,069,000)	-
Public Safety	3,142,468	739,715	241,943	-	(2,160,810)	-	(2,160,810)	-
Health and Welfare	2,313,093	755,990	196,992	-	(1,360,111)	-	(1,360,111)	-
Community/Economic Development	55,503	87,795	8,037	-	40,329	-	40,329	-
Recreation and Culture	624,784	106,490	47,028	-	(471,266)	-	(471,266)	-
Other	382,154	-	-	-	(382,154)	-	(382,154)	-
Total Governmental Activities	9,112,960	2,282,235	937,864	-	(5,892,861)	-	(5,892,861)	-
Business-type activities:								
Delinquent Tax Revolving Fund	30,468	193,698	-	-	-	163,230	163,230	-
Delinquent Tax Property Sales Fund	70,619	68,519	-	-	-	(2,100)	(2,100)	-
Other Nonmajor	47,783	49,863	-	-	-	2,080	2,080	-
Total Business-type Activities	148,870	312,080	-	-	-	163,210	163,210	-
Total Primary Government	9,261,830	2,594,315	937,864	-	(5,892,861)	163,210	(5,729,651)	-
Component Unit:								
Road Commission	4,805,887	454,633	4,225,091	1,183,790				1,057,627
Total	<u>\$ 14,067,717</u>	<u>\$ 3,048,948</u>	<u>\$ 5,162,955</u>	<u>\$ 1,183,790</u>				
General Revenues and Transfers:								
Taxes Real Property					4,725,998	-	4,725,998	-
State Revenue Sharing					206,048	-	206,048	-
Local Sources and Other					-	3,979	3,979	90,823
Transfers					113,424	(113,424)	-	-
Interest and Rentals					25,776	21,357	47,133	10,462
Total General Revenues and Transfers					5,071,246	(88,088)	4,983,158	101,285
Changes in Net Position					(821,615)	75,122	(746,493)	1,158,912
Net Position - Beginning					1,658,057	5,195,720	6,853,777	25,013,842
Prior Period Adjustment					(33,018)	-	(33,018)	-
Restated Beginning Fund Balance (Note 11)					1,625,039	5,195,720	6,820,759	25,013,842
Net Position - Ending					<u>\$ 803,424</u>	<u>\$ 5,270,842</u>	<u>\$ 6,074,266</u>	<u>\$ 26,172,754</u>

See accompanying notes to financial statements.

County of Alcona, Michigan

Balance Sheet Governmental Funds December 31, 2017

	General	County Library	Ambulance	Commission on Aging	Housing Commission Administration	Nonmajor Governmental	Total
ASSETS:							
Cash and Equivalents	\$ 996,221	\$ 50,338	\$ 112,598	\$ 4,924	\$ 137,886	\$ 951,668	\$ 2,253,635
Investments	4,229	51,389	290,363	-	-	118,970	464,951
Receivables:							
Accounts - net	-	-	63,977	-	-	-	63,977
Taxes	229,689	369,714	739,481	369,597	-	103,449	1,811,930
Loans	-	-	-	-	1,077,608	-	1,077,608
Due from Other Funds	4,360	-	-	-	-	-	4,360
Due from Governmental Units	53,063	-	-	-	-	153,594	206,657
TOTAL ASSETS	\$ 1,287,562	\$ 471,441	\$ 1,206,419	\$ 374,521	\$ 1,215,494	\$ 1,327,681	\$ 5,883,118
LIABILITIES:							
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,360	\$ 4,360
Accounts Payable	40,388	1,540	45,548	-	-	64,162	151,638
Accrued Liabilities	26,766	1,565	22,277	-	-	8,937	59,545
TOTAL LIABILITIES	67,154	3,105	67,825	-	-	77,459	215,543
DEFERRED INFLOWS OF RESOURCES:							
Loan Sources	-	-	-	-	1,077,608	-	1,077,608
Taxes Levied for a Subsequent Period	-	369,714	739,481	369,597	-	103,449	1,582,241
TOTAL DEFERRED INFLOWS OF RESOURCES	-	369,714	739,481	369,597	1,077,608	103,449	2,659,849
FUND BALANCES:							
Nonspendable	-	-	-	-	1,077,608	-	1,077,608
Restricted	-	98,622	399,113	4,924	-	-	502,659
Committed	92,502	-	-	-	-	-	92,502
Assigned	13,332	-	-	-	-	1,146,773	1,160,105
Unassigned	1,114,574	-	-	-	(939,722)	-	174,852
TOTAL FUND BALANCES	1,220,408	98,622	399,113	4,924	137,886	1,146,773	3,007,726
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,287,562	\$ 471,441	\$ 1,206,419	\$ 374,521	\$ 1,215,494	\$ 1,327,681	
Reconciliation to amounts reported for governmental activities in the statement of net position:							
Capital assets used by governmental activities							2,084,812
Unearned revenues for housing loans							1,077,608
Post-closure landfill costs and leases payable for governmental activities							(27,801)
Net pension liability and related deferred outflows							(4,781,998)
Vested employee benefits							(556,923)
Net position of governmental activities							\$ 803,424

**Statement of Revenues, Expenditures, and
Changes in Fund Balance - Governmental Funds
For the Year Ended December 31, 2017**

	General	County Library	Ambulance	Commission on Aging	Housing Commission Administration	Nonmajor Governmental	Total
REVENUES:							
Taxes	\$ 3,168,903	\$ 375,753	\$ 733,825	\$ 343,037	\$ -	\$ 104,480	\$ 4,725,998
Licenses and Permits	2,598	-	-	-	-	-	2,598
Federal Sources	88,764	-	-	-	-	222,574	311,338
State Sources	502,765	13,585	-	-	-	306,170	822,520
Local Sources	-	-	-	-	-	10,054	10,054
Charges for Services	491,073	6,522	708,505	-	4,570	309,178	1,519,848
Interest and Rentals	17,908	1,119	2,118	332	471	3,828	25,776
Fines and Forfeitures	11,358	66,151	-	-	-	4,468	81,977
Other Revenue	113,929	33,228	21,822	-	-	508,833	677,812
TOTAL REVENUES	4,397,298	496,358	1,466,270	343,369	5,041	1,469,585	8,177,921
EXPENDITURES:							
Legislative	175,102	-	-	-	-	-	175,102
Judicial	726,359	-	-	-	-	159,491	885,850
General Government	1,245,134	-	-	-	-	163,832	1,408,966
Public Safety	2,168,636	-	-	-	-	746,446	2,915,082
Public Works	12,595	-	-	-	-	-	12,595
Health and Welfare	45,729	-	1,546,313	339,105	299	318,287	2,249,733
Recreation and Culture	3,589	502,504	-	-	-	66,030	572,123
Community/Economic Development	-	-	-	-	-	55,503	55,503
Capital Outlay	48,383	54,698	118,910	-	-	-	221,991
Other Expenditures	382,154	-	-	-	-	-	382,154
TOTAL EXPENDITURES	4,807,681	557,202	1,665,223	339,105	299	1,509,589	8,879,099
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(410,383)	(60,844)	(198,953)	4,264	4,742	(40,004)	(701,178)
OTHER FINANCING SOURCES (USES):							
Operating Transfers In	208,537	-	-	-	-	132,629	341,166
Operating Transfers Out	(151,139)	-	-	-	-	(76,603)	(227,742)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(352,985)	(60,844)	(198,953)	4,264	4,742	16,022	(587,754)
FUND BALANCES, JANUARY 1	1,606,411	159,466	598,066	660	133,144	1,130,751	3,628,498
Prior Period Adjustment	(33,018)	-	-	-	-	-	(33,018)
Beginning Fund Balance Restated (Note 11)	1,573,393	159,466	598,066	660	133,144	1,130,751	3,595,480
FUND BALANCES, DECEMBER 31	\$ 1,220,408	\$ 98,622	\$ 399,113	\$ 4,924	\$ 137,886	\$ 1,146,773	\$ 3,007,726

**Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balance of Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2017**

Net changes in fund balances - total governmental funds \$ (587,754)

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 the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

This is the amount by which depreciation expense exceeded capital outlay in the current period.

(54,233)

Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the following net changes:

Expenses Relate to Post Landfill Closure Liabilities	12,595
Pension Items	(155,045)
Vested Employee Benefits	<u>(37,178)</u>
Changes in net position of governmental activities	<u>\$ (821,615)</u>

**Statement of Net Position
Proprietary Funds
December 31, 2017**

	Business-Type Activities Enterprise Funds			
	Delinquent Tax Revolving	Delinquent Tax Property Sales	Nonmajor Enterprise	Totals
ASSETS:				
Cash and Equivalents	\$ 2,136,533	\$ 292,945	\$ 32,917	\$ 2,462,395
Investments	1,079,119	1,201,414	-	2,280,533
Taxes Receivable	534,036	-	-	534,036
 TOTAL ASSETS	 \$ 3,749,688	 \$ 1,494,359	 \$ 32,917	 \$ 5,276,964
 LIABILITIES:				
Accounts Payable	\$ 88	\$ 481	\$ 822	\$ 1,391
Deposits Payable	-	-	4,731	4,731
 TOTAL LIABILITIES	 88	 481	 5,553	 6,122
 NET POSITION:				
Unrestricted	3,749,600	1,493,878	27,364	5,270,842
 TOTAL NET POSITION	 \$ 3,749,600	 \$ 1,493,878	 \$ 27,364	 \$ 5,270,842

**Statement of Revenues, Expenses, and
Changes in Net Position - Proprietary Funds
For the Year Ended December 31, 2017**

	Business-Type Activities			Totals
	Enterprise Funds			
	Delinquent Tax Revolving	Delinquent Tax Property Sales	Nonmajor Enterprise	
OPERATING REVENUES:				
Charges for Services	\$ 193,698	\$ 68,519	\$ 49,863	\$ 312,080
Other Revenue	204	1,067	2,708	3,979
Total Operating Revenues	<u>193,902</u>	<u>69,586</u>	<u>52,571</u>	<u>316,059</u>
OPERATING EXPENSES:				
Other Supplies and Expenses	<u>30,468</u>	<u>70,619</u>	<u>47,783</u>	<u>148,870</u>
Total Operating Expenses	<u>30,468</u>	<u>70,619</u>	<u>47,783</u>	<u>148,870</u>
OPERATING INCOME (LOSS)	<u>163,434</u>	<u>(1,033)</u>	<u>4,788</u>	<u>167,189</u>
NON-OPERATING REVENUES (EXPENSES):				
Interest on Deposits	<u>13,442</u>	<u>7,816</u>	<u>99</u>	<u>21,357</u>
Operating Transfers	(65,000)	(48,424)	-	(113,424)
CHANGES IN NET POSITION	<u>111,876</u>	<u>(41,641)</u>	<u>4,887</u>	<u>75,122</u>
NET POSITION, JANUARY 1	<u>3,637,724</u>	<u>1,535,519</u>	<u>22,477</u>	<u>5,195,720</u>
NET POSITION, DECEMBER 31	<u>\$ 3,749,600</u>	<u>\$ 1,493,878</u>	<u>\$ 27,364</u>	<u>\$ 5,270,842</u>

**Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2017**

	Business-Type Activities			Totals
	Enterprise Funds			
	Delinquent Tax Revolving	Delinquent Tax Property Sales	Nonmajor Enterprise	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from Customers	\$ 254,502	\$ 69,586	\$ 52,571	\$ 376,659
Payments to Suppliers	(31,476)	(76,528)	(45,834)	(153,838)
Net Cash Provided (Used) by Operating Activities	<u>223,026</u>	<u>(6,942)</u>	<u>6,737</u>	<u>222,821</u>
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES:				
Transfers Out	(65,000)	(48,424)	-	(113,424)
Net Cash Provided (Used) by Non-Capital and Related Financing Activities	<u>(65,000)</u>	<u>(48,424)</u>	<u>-</u>	<u>(113,424)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Sale or (Purchase) of Investments	(154,871)	(6,722)	-	(161,593)
Interest on Deposits	13,442	7,816	99	21,357
Net Cash Provided (Used) by Investing Activities	<u>(141,429)</u>	<u>1,094</u>	<u>99</u>	<u>(140,236)</u>
Net Increase (Decrease) in Cash and Equivalents	16,597	(54,272)	6,836	(30,839)
Cash and Equivalents - Beginning of the Year	<u>2,119,936</u>	<u>347,217</u>	<u>26,081</u>	<u>2,493,234</u>
Cash and Equivalents - End of the Year	<u>\$ 2,136,533</u>	<u>\$ 292,945</u>	<u>\$ 32,917</u>	<u>\$ 2,462,395</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ 163,434	\$ (1,033)	\$ 4,788	\$ 167,189
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Change in Assets and Liabilities:				
(Increase) Decrease in Assets:				
Taxes Receivable	60,600	-	-	60,600
Increase (Decrease) in Liabilities:				
Accounts Payable	(1,008)	(5,909)	822	(6,095)
Deposits Payable	-	-	1,127	1,127
Net Cash Provided (Used) by Operating Activities	<u>\$ 223,026</u>	<u>\$ (6,942)</u>	<u>\$ 6,737</u>	<u>\$ 222,821</u>

**Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2017**

	<u>Agency Funds</u>
ASSETS:	
Cash and Equivalents	\$ 775,383
LIABILITIES:	
Due to Governmental Units	\$ 96
Bonds and Restitutions Payable	5,606
Undistributed Tax Collections	<u>769,681</u>
TOTAL LIABILITIES	<u>\$ 775,383</u>

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the County of Alcona, Michigan, conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. The following is a summary of the significant accounting policies used by the County:

A – Reporting Entity

The County was organized on May 8, 1869 and covers an area of 679 square miles divided into 11 townships, 1 city and 1 village. The County is governed by an elected five-member board of commissioners and provides services to its more than 10,942 residents in many areas including law enforcement, administration of justice, community enrichment and development, and human services.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board Statement 61, criteria was established for various governmental organizations to be included in the reporting entity’s financial statements based on legal separation, financial accountability, and fiscal dependency.

Discretely Presented Component Units

The component unit’s column in the government-wide financial statements includes the financial data of the Alcona County Road Commission and Alcona County Department of Public Works. The following is a summary of those component units:

Alcona County Road Commission:

The Alcona County Road Commission, which is established pursuant to the County Road Law, Michigan Compiled Law (MCL) 224.1, is governed by an elected three-member Board of County Road Commissioners. The Road Commission may not issue debt or levy property taxes without the County Board of Commissioner’s approval. The Road Commission’s property taxes are levied under the taxing authority of the County, as approved by the county electors, are included as part of the County’s total tax levy and are reported in the County Road Fund. The Road Commission deposits receipts with the County. The Road Commission also has investments through the County.

Alcona County Department of Public Works

Pursuant to Michigan Compiled Law (MCL) 123.732 (Public Act 185 of 1957), the County of Alcona entered into a contract with the City of Harrisville, Michigan, through its Board of Public Works, to finance a portion of the costs for sewage collection and treatment facilities. The Department of Public Works is under the general control of the County Board of Commissioners and under the immediate control of a Board of Public Works. The Board of Public Works is comprised of the three (3) same members of the Alcona County Road Commission. The Department of Public Works is considered an agency of the County. The Board manages water supply and sanitary sewer system construction projects that are bonded by the County of Alcona. Bonds issued are authorized by an ordinance or a resolution approved by the Board of Public Works and adopted by the Alcona County Board of Commissioners. At the end of 2017, the Department had no outstanding debt and no financial activity to report.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Completed audited or unaudited financial statements of the individual component units can be obtained from their respective administrative offices or from the County Clerk’s office at the courthouse.

Administrative Offices

Alcona County Clerk
106 Fifth Street
Harrisville, Michigan 48740

Alcona County Department of Public Works
106 Fifth Street
Harrisville, Michigan 48740

Alcona County Road Commission
301 North Lake Street
Lincoln, Michigan 48742

Joint Operations – District Health Department

The Counties of Ogemaw, Oscoda, Iosco and Alcona participate jointly in the operation of the District Health Department. The Board is appointed and operates autonomously to provide various health services to residents in these Counties. The financial operations of the District Health Department are recorded in the records of the Ogemaw County Health Fund.

The funding formula by the member Counties is based pro rata on each unit’s population and equalized valuation to the District’s total population and valuation. Alcona County’s appropriation to the District Health Department for 2017 was \$94,595.

Complete financial statements for the District’s Health Department can be obtained from the administrative offices at 630 Progress Street, West Branch, Michigan 48661.

Related Organizations – Alcona County Commission on Aging

Alcona County Commission on Aging is a nonprofit corporation. The Commission on Aging is a legally separate organization established for providing and promoting services to the aged and disabled. The voters approved a special millage to fund the Commission on Aging.

The Commission on Aging consists of the entire geographic area of the Alcona County. It is governed by 9 voting board members and 4 other representatives that bring the total to 13 board members. Members serve for up to two consecutive 3 year terms and are elected by a majority of the presiding board. Upon dissolution, all assets shall be distributed for one or more exempt purposes.

Alcona County levies a tax to provide services to older persons. Revenues from the tax are accounted for in a special revenue fund. An agreement to provide services to older persons was entered into with the Alcona County Commission on Aging.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**B – Government-Wide and Fund Financial Statements**

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect expenses are charged based upon a countywide cost allocation plan, which allocates costs based on the number of full time equivalents, number of transactions, and the other pertinent information. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue. When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as needed.

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

C – Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is 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 revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Grant revenues are considered to be available when all eligibility requirements imposed by the grantor have been met. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Taxes Receivable

The County of Alcona property tax is levied on each July 1st for general operating millage and December 1st for all other special voted millages based on the taxable valuation of the property located in the County of Alcona as of the preceding December 31st.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Although the County of Alcona 2017 ad valorem tax is levied and collectible on December 1st, for the special voted millages, it is the County's policy to recognize revenue from the current tax levy in the subsequent year when the proceeds of this levy are budgeted and made available for the financing of County operations. The 2016 taxable valuation of the County of Alcona totaled \$742,912,153, on which ad valorem taxes levied consisted of .5000 mills for senior citizens programs, .5000 mills for County Library, 1.0000 mills for County Ambulance Service, and .1400 mills for MSU Extension were approved.

The July 1, 2017 taxable valuation of the County of Alcona totaled \$735,967,064 on which ad valorem taxes levied consisted of 4.1782 mills for County operating purposes.

All other revenue items are considered to be available only when cash is received by the government.

The County reports the following major governmental funds:

General Fund

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

County Library Fund

This fund accounts for monies set aside to operate the community library.

Ambulance Fund

This fund accounts for the collection of a separate tax millage and user fees that are used to fund the operations of ambulance services.

Commission on Aging Fund

This fund accounts for the millage and activities of the Commission.

Housing Commission Administration Fund

This fund accounts for the operations of the Commission.

The County reports the following major enterprise funds:

Delinquent Tax Revolving Fund

This fund accounts for the purchase of delinquent taxes from other local taxing units.

Delinquent Tax Property Sales Fund

This fund accounts for the sales and costs related to the delinquent tax reversion process.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Additionally, the County reports the following fund types:

Special Revenue Funds

These funds are used to account for specific revenues derived primarily from sources (other than major capital projects) and related expenditures which are assigned for specific purposes by administrative action or law.

Capital Project Fund

The Building Preservation Fund accounts for the fees collected and are used for the preservation of the court house.

Enterprise Funds

These funds account for the County's business-type operations that provide services to residents of the County for a fee.

Agency Funds

These funds are used to account for assets held on behalf of outside parties, including other governments.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's tax collection function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for tax collections. Operating expenses for proprietary funds include administrative expenses. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

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

Cash, Equivalents and Investments – Cash and equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income from all funds and is allocated to each fund based on average cash balance. Deposits are recorded at cost.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

An allowance for uncollectible accounts receivables has been determined to be \$71,090.

Inventories– Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets – Capital assets, which include land and improvements, buildings and improvements, equipment, fixtures and furniture, vehicles and infrastructure assets (e.g., roads, bridges, curbs and gutters, streets, sidewalks, drainage systems, lighting systems and similar items) 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 (\$1,000 for the road commission) and an estimated useful life in excess of two years. 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.

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

Buildings and Improvements	30 to 50 years
Land Improvements	3 to 20 years
Equipment	4 to 20 years
Fixtures and Furniture	15 to 20 years
Vehicles	3 to 5 years
Infrastructure – Roads	8 to 30 years
Infrastructure – Bridges	12 to 50 years

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 Pension Plan and additions to/deductions from the 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.

Deferred Outflows of Resources – In addition to assets, the statement of net 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 County has pension items that qualify for reporting in this category.

Deferred Inflows of Resources – 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(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has pension items, property taxes and other state grants that qualify for reporting in this category.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Classification – The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The County has \$1,077,608 classified as being Nonspendable.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The County restricted \$399,113 for ambulance, \$98,622 for Library and \$4,924 for grant and other special purposes.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the County. These amounts cannot be used for any other purpose unless the County removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The County has a committed fund balance in the amount of \$92,502 for vested employee benefits.
- Assigned: This classification includes amounts that are constrained by the County's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the County through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds as well as \$13,332 in the General Funds and \$1,146,773 in the Nonmajor Governmental Funds.
- Unassigned: This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The County would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

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 activities, business-type activities, or proprietary fund type statement of net position.

Vested Employee Benefits – The County's employment policies provide vacation benefits to be earned in varying amounts depending on the employee's years of service. Vacation benefits earned are credited to each employee on a bi-weekly basis. The County has established a formal policy regarding a maximum authorized accumulation of vacation hours per individual union agreement.

The County's employment policies provide for sick leave benefits to be earned in varying amounts depending on the employee's hours worked and union agreements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unearned Revenues – Unearned revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not.

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.

Use of Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities, and inflows and disclosure of contingent assets and liabilities at the date of the reporting period. Actual results could differ from those estimates.

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. Each December, after receiving input from the individual departments, the Board of Commissioners prepares a proposed operating budget for the fiscal period commencing January 1 and lapses on December 31. 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 1, the budget is legally enacted through a resolution passed by the Board of Commissioners.
- d. Budgetary control is exercised at the departmental level of the General Fund. 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.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

Michigan Public Act 2 of 1968 (the Budgeting Act) requires that budgets be adopted for General and Special Revenue 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, function, department and line items. The legal level of budgetary control adopted by the governing body is the department or activity level.

NOTE 3 - CASH, EQUIVALENTS AND INVESTMENTS

At year end, the County’s cash and equivalents 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 Unit</u>
Cash and Equivalents	\$ 2,253,635	\$ 2,462,395	\$ 4,716,030	\$ 775,383	\$ 3,972,490
Investment	<u>464,951</u>	<u>2,280,533</u>	<u>2,745,484</u>	<u>-</u>	<u>174,019</u>
Total	<u>\$ 2,718,586</u>	<u>\$ 4,742,928</u>	<u>\$ 7,461,514</u>	<u>\$ 775,383</u>	<u>\$ 4,146,509</u>

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Unit</u>
Investments	\$ 2,745,484	\$ -	\$ 174,019
Bank Deposits (checking and savings accounts)	4,714,030	775,383	3,972,240
Petty Cash and Cash on Hand	<u>2,000</u>	<u>-</u>	<u>250</u>
Total	<u>\$ 7,461,514</u>	<u>\$ 775,383</u>	<u>\$ 4,146,509</u>

	<u>Fair Value</u>	<u>Maturity in Years</u>			<u>Rating</u>
		<u>Less Than 1</u>	<u>1 – 5</u>	<u>6 – 10</u>	
Investments:					
MBIA-Class	\$ 276,354	\$ 276,354	\$ -	\$ -	AAA
Certificates of Deposit	1,334,064	1,084,241	249,823	-	Not Available
Money Market	<u>1,309,085</u>	<u>1,309,085</u>	<u>-</u>	<u>-</u>	Not Available
Total Investments	<u>\$ 2,919,503</u>	<u>\$ 2,669,680</u>	<u>\$ 249,823</u>	<u>\$ -</u>	

Interest rate risk. The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

NOTE 3 - CASH, EQUIVALENTS AND INVESTMENTS (Continued)

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 has no investment policy that would further limit its investment choices.

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 deposit custodial credit risk. As of year end, \$4,993,209 of the County’s bank balance of \$5,603,484 was exposed to credit risk because it was uninsured and uncollateralized.

Custodial investment credit risk. Custodial investment 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 an outside party.

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.

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 measurements required judgement and considers factors specific to each asset or liability.

The County has the following fair value measurements as of December 31, 2017:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Municipal Bonds	\$ 276,354	\$ -	\$ 276,354	\$ -

Statutory Authority:

Public Act 152, 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).

NOTE 3 - CASH, EQUIVALENTS AND INVESTMENTS (Continued)

- 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.

The County’s deposits and investment policy are in accordance with statutory authority.

These deposits are in various financial institutions in varying amounts. All accounts are in the name of the County and specific funds. They are recorded in County records at cost. Interest is recorded when the deposits mature or is credited to the applicable account.

NOTE 4 - CAPITAL ASSETS

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 175,500	\$ -	\$ -	\$ 175,500
<i>Capital assets being depreciated:</i>				
Land Improvements	220,316	-	-	220,316
Buildings and Improvements	3,875,230	54,698	-	3,929,928
Equipment	2,260,998	21,400	-	2,282,398
Furniture and Fixtures	122,848	-	-	122,848
Vehicles	<u>664,995</u>	<u>145,893</u>	<u>(22,088)</u>	<u>788,800</u>
Subtotal	<u>7,144,387</u>	<u>221,991</u>	<u>(22,088)</u>	<u>7,344,290</u>

NOTE 4 - CAPITAL ASSETS (Continued)

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities: (Continued)				
<i>Less accumulated depreciation for:</i>				
Land Improvements	(108,091)	(11,016)	-	(119,107)
Buildings and Improvements	(2,851,959)	(82,674)	-	(2,934,633)
Equipment	(1,726,124)	(110,304)	-	(1,836,428)
Furniture and Fixtures	(78,684)	(6,803)	-	(85,487)
Vehicles	(415,984)	(65,427)	22,088	(459,323)
Subtotal	<u>(5,180,842)</u>	<u>(276,224)</u>	<u>22,088</u>	<u>(5,434,978)</u>
Net Capital Assets Being Depreciated	<u>1,963,545</u>	<u>(54,233)</u>	<u>-</u>	<u>1,909,312</u>
Capital Assets – Net	<u>\$ 2,139,045</u>	<u>\$ (54,233)</u>	<u>\$ -</u>	<u>\$ 2,084,812</u>

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

Governmental Activities:		
Judicial		\$ 7,459
General Government		13,826
Public Safety		153,535
Recreation and Culture		47,947
Health and Welfare		<u>53,457</u>
Total Governmental Activities		<u>\$ 276,224</u>

The following is a summary of changes in capital assets for the Alcona County Road Commission:

	Beginning Balances	Additions	Adjustments/ Deductions	Ending Balances
<i>Capital Assets Not Being Depreciated</i>				
Land	\$ 91,689	\$ -	\$ -	\$ 91,689
Land Improvements - Infrastructure	<u>7,896,413</u>	<u>-</u>	<u>-</u>	<u>7,896,413</u>
Subtotal	<u>7,988,102</u>	<u>-</u>	<u>-</u>	<u>7,988,102</u>
<i>Capital Assets Being Depreciated</i>				
Land Improvements	65,691	-	-	65,691
Buildings	2,229,448	5,191	-	2,234,639
Road Equipment	5,335,529	671,428	(21,275)	5,985,682
Shop Equipment	115,017	8,216	(7,067)	116,166
Office Equipment	50,381	-	-	50,381
Engineers' Equipment	5,399	-	-	5,399
Depletable	95,995	-	-	95,995
Infrastructure - Bridge	6,533,413	478	-	6,533,891
Infrastructure – Roads	<u>11,460,165</u>	<u>1,608,393</u>	<u>(214,340)</u>	<u>12,854,218</u>
Subtotal	<u>25,891,038</u>	<u>2,293,706</u>	<u>(242,682)</u>	<u>27,942,062</u>

NOTE 4 - CAPITAL ASSETS (Continued)

	Beginning Balances	Additions	Adjustments/ Deductions	Ending Balances
<i>Less Accumulated Depreciation</i>				
Land Improvements	65,691	-	-	65,691
Buildings	450,334	59,913	-	510,247
Road Equipment	3,840,145	686,411	(27,635)	4,498,921
Shop Equipment	22,500	12,001	(707)	33,794
Office Equipment	34,673	2,453	(1)	37,125
Engineers' Equipment	5,399	-	-	5,399
Depletable	95,995	-	-	95,995
Infrastructure - Bridges	4,278,012	69,599	-	4,347,611
Infrastructure – Roads	<u>3,013,583</u>	<u>1,016,703</u>	<u>(214,340)</u>	<u>3,815,946</u>
Subtotal	<u>11,806,332</u>	<u>1,847,080</u>	<u>(242,683)</u>	<u>13,410,729</u>
Net Capital Assets Being Depreciated	<u>14,084,706</u>	<u>446,626</u>	<u>1</u>	<u>14,531,333</u>
Total Net Capital Assets	<u>\$ 22,072,808</u>	<u>\$ 446,626</u>	<u>\$ 1</u>	<u>\$ 22,519,435</u>

Depreciation expense is charged to operations of the Alcona County Road Commission as Public Works in the amount of \$1,847,080.

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The County of Alcona, 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	
		General	
DUE TO OTHER FUNDS	Nonmajor Governmental	\$	<u>4,360</u>
	Total	\$	<u>4,360</u>

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.

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)

	TRANSFERS IN			
	General	Nonmajor Governmental	Total	
TRANSFERS OUT	General	\$ 18,510	\$ 132,629	\$ 151,139
	Nonmajor Government	76,603	-	76,603
	Delinquent Tax Revolving	65,000	-	65,000
	Delinquent Tax Property Sales	48,424	-	48,424
	Total	<u>\$ 208,537</u>	<u>\$ 132,629</u>	<u>\$ 341,166</u>

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

Long-term debt obligation activity is summarized as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities:					
Postclosure Landfill, estimated landfill costs until year 2018 (See Note 10 for more details)	\$ 40,396	\$ -	\$ 12,595	\$ 27,801	\$ 27,801
Vested Employee Benefits Payable (1)	519,745	37,178	-	556,923	-
Total Long-Term Debt	<u>\$ 560,142</u>	<u>\$ 37,178</u>	<u>\$ 12,595</u>	<u>\$ 584,724</u>	<u>\$ 27,801</u>

(1) Net increase.

NOTE 6 - LONG-TERM DEBT (Continued)

Alcona County Road Commission

The follow is a summary of pertinent information concerning the County Road Commission’s long-term debt.

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Installment payable to Finance Company, 2.19% interest rate, payable in monthly installments of \$1,209, secured by equipment.	\$ 98,089	\$ -	\$ 12,479	\$ 85,610	\$ 85,610
Installment payable to Finance Company, 2.19% interest rate, payable in monthly installments of \$1,696, secured by equipment.	161,429	-	16,987	144,442	144,442
Installment payable to Finance Company, 2.19% interest rate, payable in monthly installments of \$1,510, secured by equipment.	202,927	-	13,811	189,116	189,116
Installment payable to Finance Company, 2.19% interest rate, payable in monthly installments of \$1,510, secured by equipment.	202,927	-	13,811	189,116	189,116
Vested Employee Benefits (1)	<u>209,522</u>	<u>2,442</u>	<u>-</u>	<u>211,964</u>	<u>-</u>
TOTAL	<u>\$ 874,894</u>	<u>\$ 2,442</u>	<u>\$ 57,088</u>	<u>\$ 820,248</u>	<u>\$ 608,284</u>

Annual debt service requirements for the installments are as follows:

	<u>Principal</u>	<u>Interest</u>
2018	<u>608,284</u>	<u>12,065</u>
Total	<u>\$ 608,284</u>	<u>\$ 12,065</u>

The employee policies regarding the accumulation and payment of vested employee benefits are as follows:

Vacation – Maximum carry-forward is 10 days each year. Unused vacation pay will be paid at current rates at date of employment separation. \$28,292 was accrued at year end and recorded as a liability.

Sick Leave – A maximum of 114 days can be accumulated. Unused sick leave will be paid at current rates at date of separation to 75% upon retirement, 50% upon death, and 25% upon separation with 10 years seniority. \$181,230 was accrued at year end.

(1) The change in vested employee benefits is shown as a net increase.

NOTE 7 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

Primary Government

Description of Plan and Plan Assets

The County 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% and 2.5% for employees times the final compensation (FAC). The most recent period of which actuarial data was available was for year ended December 31, 2016.

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 – Local 214/Crthse: Open Division	
	2016 Valuation
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:	5 years
Employee Contributions	0%
Act 88:	Yes (Adopted 7/27/1981)
02 – Sheriff/Union: Closed to new hires	
	2016 Valuation
Benefit Multiplier:	2.50% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	55/15
Early Retirement (Reduced):	50/25
Final Average Compensation:	5 years
Employee Contributions	0%
Act 88:	Yes (Adopted 7/27/1981)

NOTE 7 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

11 – Gen. Non-Union: Open Division

	<u>2016 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:	5 years
Employee Contributions	0%
Act 88:	Yes (Adopted 7/27/1981)

12 – Senior Elec. Off: Open Division

	<u>2016 Valuation</u>
Benefit Multiplier:	2.50% 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:	2.50% (Non-compound)
Employee Contributions	0%
Act 88:	Yes (Adopted 7/27/1981)

13 – Snr. Teamsters: Open Division

	<u>2016 Valuation</u>
Benefit Multiplier:	2.50% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	-
Early Retirement (Reduced):	50/25 55/15
Final Average Compensation:	5 years
Employee Contributions	3%
Act 88:	Yes (Adopted 7/27/1981)

NOTE 7 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

14 – Non Elected: Open Division	
	<u>2016 Valuation</u>
Benefit Multiplier:	2.50% 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:	2.50% (Non-Compound)
Employee Contributions	3%
Act 88:	Yes (Adopted 7/27/1981)
20 – Sheriff/Sheriff: Open Division	
	<u>2016 Valuation</u>
Benefit Multiplier:	2.50% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	55/15
Early Retirement (Reduced):	50/25
Final Average Compensation:	3 years
COLA for Future Retirees:	2.50% (Non-Compound)
Employee Contributions	0%
Act 88:	Yes (Adopted 7/27/1981)
21 – COAM: Open Division	
	<u>2016 Valuation</u>
Benefit Multiplier:	2.50% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	50/25 50/15
Early Retirement (Reduced):	-
Final Average Compensation:	5 years
Employee Contributions	0%
Act 88:	Yes (Adopted 7/27/1981)

Employees Covered by Benefit Terms

At December 31, 2016, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	59
Inactive employees entitled to but not yet receiving benefits	10
Active employees	<u>45</u>
	114

NOTE 7 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Funding Policy

The County is required to contribute at an actuarially determined rate. County employees are not required to make contributions to the pension plan, except for the Senior Teamsters and Non-Elected groups, who are required to contribute 3% of their annual covered payroll. The County’s pension contributions were 5.64%, \$12,839, 17.16%, 18.34%, 173.08%, 33.76%, 57.58% and 32.34% of the covered payroll at December 31, 2017 for the Local 214/Courthouse, Sheriff/Union, General Non-Union, Senior Elected Officers, Senior Teamsters, Non-Elected, Sheriff, and COAM, respectively.

Net Pension Liability

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

Actuarial Assumptions. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.75% in the long-term
Investment rate of return	7.75%, net of investment and administrative expense including inflation

Although no specific price inflation assumptions are needed for the valuation, the 4.5% long-term wage inflation assumption would be consistent with a price inflation of 3% - 4%.

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 from 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 for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	57.5%	5.02%
Global Fixed Income	20.0%	2.18%
Real Assets	12.5%	4.23%
Diversifying Strategies	10.0%	6.56%

NOTE 7 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Discount Rate. The discount rate used to measure the total pension liability is 8.00% for 2016. 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 the Net Pension Liability:

	Increases (Decreases)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2016	\$ 14,478,914	\$ 9,115,209	\$ 5,363,705
Service cost	201,993	-	201,993
Interest on total pension liability	1,135,576	-	1,135,576
Changes in benefits	-	-	-
Difference between expected and actual experience	(162,520)	-	(162,520)
Changes in assumptions	-	-	-
Employer contributions	-	608,566	(608,566)
Employee contributions	-	9,799	(9,799)
Net investment income	-	1,201,991	(1,201,991)
Benefit payments, including employee refunds	(770,418)	(770,418)	-
Administrative expense	-	(19,022)	19,022
Other changes	(53,827)	(1)	(53,826)
Net changes	350,804	1,030,915	(680,111)
Balances as of December 31, 2017	\$ 14,829,718	\$ 10,146,124	\$ 4,683,594

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the County, calculated using the discount rate of 8.00%, as well as what the County’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%)
County’s net pension liability	\$6,235,284	\$4,683,594	\$3,357,700

NOTE 7 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

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

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

For the year ended December 31, 2017, the County recognized pension expense of \$763,610. At December 31, 2016, the County 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
Difference between expected and actual experience	\$ -	\$ 132,333
Changes in assumptions	259,480	-
Net difference between projected and actual earnings on pension plan investments	-	225,551
Total	\$ 259,480	\$ 357,884

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 December 31:</u>	
2018	\$ 192,967
2019	(42,477)
2020	(153,020)
2021	(95,874)

Annual Pension Cost

For the year ended December 31, 2017, the County’s annual pension cost of \$618,365 for MERS was equal to its required and actual contributions. The required contribution rate was determined using the entry age actuarial cost method. The actuarial assumptions included: a) a rate of return on the investment of present and future assets of 8.0%; b) projected salary increases of 4.5% per year compounded annually, attributable to inflation; and c) an additional projected salary increase of 4.5% per year, depending on age, attributable to seniority merit. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment to reflect market value.

NOTE 7 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)Defined Contribution Plan

Effective January 1, 2001, the County established a defined contribution pension plan for employees hired on and after the date for the Operating Engineers Local 547 (ambulance personnel) of Alcona County. The plan is with the MERS Uniform Defined Contribution program, which is administered by the ICMA Retirement corporation Governmental Money Purchase Plan and Trust, as amended by and as authorized by Section 19A of the Municipal Employees' Retirement System of Michigan Plan Document.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the account of benefits the individual is to receive. The authority under which the defined contribution plan is established or amended is by agreement with the union and County and specified in the adoption agreement subject to the provisions of MERS Plan Document Section 19A(2).

Contributions made by the County are vested at an incremental rate of 20% for each year until five full years, at which time it will be 100% vested. The County is required to contribute an amount equal to 6% of the employee's gross earnings. Employees have the option to contribute 4% of their gross earnings. The County made contributions in 2017 totaling \$88,327 and \$57,313 by the employer and employee, respectively. There are currently 41 employees included in the plan.

Alcona County Road Commission

The Alcona County Road Commission contributes to the Alcona County Road Commission Retirement Plan, which is a defined contribution pension plan, fully funded through Great Western Financial. The Board of Road Commissioners is the trustee of the plan and therefore the activity of the plan is presented as a pension trust fund.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participant's benefits that may be allocated to such participant's account. Contributions made by the Road Commission are vested at 100% immediately. The Road Commission is required to contribute an amount equal to 7% of the employee's gross earnings. Employees are not required to make contributions. The Road Commission made contributions in 2017 totaling \$74,653 based on employee wages of \$1,170,629. There are currently 25 employees included in the plan.

The Alcona County Road Commission Retirement Plan held no securities in or loans to parties related to the plan. The financial information for the pension plan was available through the Great West Financial annual statement as of December 31, 2017 for presentation in the basic financial statements.

NOTE 8 - DEFERRED COMPENSATION PLAN

Alcona County Road Commission

The Alcona County Road Commission offers all its employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plans were held in trust, (custodial account or annuity contract) as described in IRC Section 457 (g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodian thereof for the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The administrators are agents of the employer (Alcona County Road Commission) for the purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement No. 32, plan balances and activities are not reflected in the Alcona County Road Commission’s financial statements.

NOTE 9- POST EMPLOYMENT BENEFITS

Alcona County Road Commission

One payment was submitted on behalf of one retiree for \$1,000. Effective July 1, 2009, the Road Commission remits payments for retired employees at age 62, 63, or 64 up to \$1,500 per year for hospital, medical, and life insurance purposes until the retiree reaches age 65 in accordance with Article 19, section 4 of the Labor Agreement negotiated with Teamsters Local 214.

NOTE 10 - MUNICIPAL SOLID WASTE LANDFILL POSTCLOSURE CARE COSTS

The County operated a landfill, the Alcona County Landfill (“Landfill”), which was “capped” on October 31, 1988, under Public Act No. 641 of 1978. The post-closure is presently governed by the State of Michigan Department of Environmental Quality (“DEQ”).

The Landfill is no longer accepting solid waste. Under regulations set forth by the DEQ, the County is required to perform annual ground water monitoring at the Landfill for a period of 30 years subsequent to its closure. In accordance with Governmental Accounting Standards Board Statement No. 18, “Municipal Solid Waste Landfill Closure and Post-Closure Care Costs,” management of the County has estimated the future post-closure costs expected to be incurred associated with the monitoring and the maintenance of the Landfill.

Past costs have been financed through the proceeds of a land contract on the sale of a landfill transfer station neighboring the Landfill, which was sold several years ago. Future costs will be the responsibility of the County. Management anticipates that future monitoring costs will consist of only the costs associated with the ground water testing. Any liability related to any other costs, which may possibly be incurred, cannot be estimated at this time and is not included in management’s estimated liability. The estimated liability for expected post-closure costs as of December 31, 2017 is \$27,801.

NOTE 11 - RESTATEMENT

	<u>Governmental Activities</u>
Beginning Fund Balance Reported 12/31/16	\$ 1,606,411
Restatement of beginning fund balance: discovery of unrecorded disbursement from prior period.	<u>(33,018)</u>
Net Position as Restated, 12/31/2016	<u>\$ 1,573,393</u>

NOTE 12 - RISK MANAGEMENT

Primary Government

The County is exposed to various risks of loss related to property loss, torts, errors and omissions; employee injuries, as well as medical benefits provided to employees. The County’s insurance carrier estimates that the potential claims against the County, not covered by insurance resulting from such litigation, would not materially affect the financial statements of the County.

The County is self-insured for comprehensive liability, motor vehicle physical damage and comprehensive, property and crime coverage through the Michigan Township Participating Plan. All other types of risk of loss are covered through commercial insurance.

All liability claims up to \$5,000 per claim are paid from the net contribution account of the County held by the Authority. The Authority is responsible for any claims in excess of the above amounts up to a maximum limit of \$5,000,000.

The Plan may make additional assessments to its member participants based upon the results of insurance pool operations.

Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

Alcona County Road Commission

The Road Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Road Commission was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The Road Commission joined together with other Road Commissions and created a public entity risk pool currently operating as a common risk management and insurance program. The Road Commission pays an annual premium to the pool for its general insurance coverage. The agreement provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$1,000 for each insured event. The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The Road Commission is unable to provide an estimate of the amounts of additional assessments.

NOTE 13 - CONTINGENT LIABILITIES

Grants

The County has received significant grants from state and federal agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the County. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the County at December 31, 2017.

Required Supplementary Information

**Required Supplementary Information
Employee Retirement and Benefit Systems
Schedule of Changes in Pension Liability
For the Year Ended December 31, 2017**

	For MERS Years Ending 12/31		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability			
Service cost	\$ 201,993	\$ 197,323	\$ 187,805
Interest	1,135,576	1,072,604	1,033,537
Differences in expected & actual experience	(162,520)	(71,956)	-
Changes in Assumptions	-	778,442	-
Other changes	(53,827)	(33,993)	(44,118)
Benefit payments, including refund of member contributions	<u>(770,418)</u>	<u>(732,204)</u>	<u>(684,739)</u>
Net change in total pension liability	350,804	1,210,216	492,485
Total pension liability - beginning	<u>14,478,914</u>	<u>13,268,698</u>	<u>12,776,213</u>
Total pension liability - ending	<u><u>\$ 14,829,718</u></u>	<u><u>\$ 14,478,914</u></u>	<u><u>\$ 13,268,698</u></u>
Plan fiduciary net position			
Contributions - employer	\$ 608,566	\$ 522,085	\$ 771,334
Contributions - employee	9,799	9,496	8,485
Net investment income	1,201,991	947,658	(124,547)
Benefit payments, including refunds of member contributions	(770,418)	(732,204)	(684,739)
Other Changes	(1)	-	-
Administrative expense	<u>(19,022)</u>	<u>(18,706)</u>	<u>(18,374)</u>
Net change in plan fiduciary net position	1,030,915	728,329	(47,841)
Plan fiduciary net position - beginning	<u>9,115,209</u>	<u>8,386,880</u>	<u>8,434,721</u>
Plan fiduciary net position - ending	<u><u>\$ 10,146,124</u></u>	<u><u>\$ 9,115,209</u></u>	<u><u>\$ 8,386,880</u></u>
County's net pension liability - ending	<u><u>\$ 4,683,594</u></u>	<u><u>\$ 5,363,705</u></u>	<u><u>\$ 4,881,818</u></u>
Plan fiduciary net position as a percentage of the total pension liability	68%	63%	63%
Covered - employee payroll	\$ 1,739,655	\$ 1,763,240	\$ 1,729,871
County's net pension liability as a percentage of covered-employee payroll	269%	304%	282%

**Required Supplementary Information
Employee Retirement Benefit Systems
Schedule of Employer Contributions
For the Year Ended December 31, 2017**

	For MERS Years Ending 12/31		
	2017	2016	2015
Actuarially determined contribution	\$ 608,566	\$ 522,085	\$ 771,334
Contributions in relation to the actuarially determined contribution	(608,566)	(522,085)	(771,334)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered - employee payroll	\$ 1,739,655	\$ 1,763,240	\$ 1,729,871
Contributions as a percentage of covered-employee payroll	35%	30%	45%

Notes to Schedule:

Actuarially determined contribution rates are calculated as of December 31st, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	22 years
Asset valuation method	5-years smoothed market
Inflation	2.50%
Salary increases	3.75%, in the long term
Investment rate of return	7.75% net of investing expenses, including inflation
Retirement age	In the 2015 actuarial valuation, expected retirement ages of general employees were adjusted to more closely reflect actual experience
Mortality	Assumptions were based on the 1994 Group Annuity Mortality Table - Blended 50% Male / 50% Female

**Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 3,237,117	\$ 3,237,117	\$ 3,168,903	\$ (68,214)
Licenses and Permits	3,900	3,900	2,598	(1,302)
Federal Sources	111,400	111,400	88,764	(22,636)
State Sources	459,616	459,616	502,765	43,149
Charges for Services	430,605	430,605	491,073	60,468
Interest and Rentals	13,001	13,001	17,908	4,907
Fines and Forfeitures	3,600	3,600	11,358	7,758
Other Revenue	174,329	174,329	113,929	(60,400)
TOTAL REVENUES	4,433,568	4,433,568	4,397,298	(36,270)
EXPENDITURES:				
Legislative:				
Board of Commissioners	183,731	183,731	175,102	8,629
Judicial:				
Trial Court	747,918	752,418	725,221	27,197
Jury Board	1,270	1,270	1,138	132
Total Judicial	749,188	753,688	726,359	27,329
General Government:				
Elections	6,670	6,670	4,137	2,533
County Clerk	236,474	244,874	242,293	2,581
Equalization	187,800	179,400	173,445	5,955
Data Processing	165,682	194,682	171,168	23,514
Prosecuting Attorney	208,458	208,458	195,673	12,785
Register of Deeds	130,231	130,231	125,439	4,792
Treasurer	183,056	183,056	165,954	17,102
Buildings and Grounds	172,258	172,258	167,025	5,233
Total General Government	1,290,629	1,319,629	1,245,134	74,495
Public Safety:				
Sheriff	1,204,905	1,204,905	1,278,336	(73,431)
Secondary Road Patrol	57,244	59,244	57,758	1,486
ORV Services	6,780	7,340	7,336	4
Marine	13,680	13,680	12,349	1,331
Corrections/Jail	777,772	777,772	749,266	28,506
Emergency Services	88,989	74,489	55,234	19,255
Animal Shelter/Dog Warden	8,400	8,400	8,357	43
Total Public Safety	2,157,770	2,145,830	2,168,636	(22,806)

Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Public Works:				
DPW Landfill	1,001	12,611	12,595	16
Health and Welfare:				
Medical Examiner	13,000	20,300	20,300	-
Veterans Affairs	26,440	26,440	25,429	1,011
Total Health and Welfare	39,440	46,740	45,729	1,011
Recreation and Culture:				
Alcona Recreation Area	7,500	7,500	3,589	3,911
Capital Outlay	48,483	48,483	48,383	100
Other Expenditures:				
Employee Cost and Fringe	107,800	107,800	97,358	10,442
Insurance and Bonds	74,500	76,825	76,825	-
Appropriations	196,184	207,984	207,971	13
Total Other Expenditures	378,484	392,609	382,154	10,455
TOTAL EXPENDITURES	4,856,226	4,910,821	4,807,681	103,140
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(422,658)	(477,253)	(410,383)	66,870
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	197,222	208,832	208,537	(295)
Operating Transfers Out	(200,804)	(157,819)	(151,139)	6,680
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ (426,240)	\$ (426,240)	(352,985)	\$ 73,255
FUND BALANCE, JANUARY 1			1,606,411	
Prior Period Adjustment			(33,018)	
Beginning Fund Balance Restated (Note 11)			1,573,393	
FUND BALANCE, DECEMBER 31			\$ 1,220,408	

**Required Supplementary Information
Budgetary Comparison Schedule
County Library
For the Year Ended December 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES:				
Taxes	\$ 372,730	\$ 372,730	\$ 375,753	\$ 3,023
State Sources	12,900	12,900	13,585	685
Charges for Services	4,200	4,200	6,522	2,322
Interest and Rentals	750	750	1,119	369
Fines and Forfeitures	61,450	61,450	66,151	4,701
Other Revenue	12,500	37,500	33,228	(4,272)
	<u>464,530</u>	<u>489,530</u>	<u>496,358</u>	<u>6,828</u>
TOTAL REVENUES				
EXPENDITURES:				
Recreation and Culture	501,073	514,832	502,504	12,328
Capital Outlay	43,457	54,698	54,698	-
	<u>544,530</u>	<u>569,530</u>	<u>557,202</u>	<u>12,328</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (80,000)</u>	<u>\$ (80,000)</u>	(60,844)	<u>\$ 19,156</u>
FUND BALANCE, JANUARY 1			<u>159,466</u>	
FUND BALANCE, DECEMBER 31			<u>\$ 98,622</u>	

**Required Supplementary Information
Budgetary Comparison Schedule
Ambulance
For the Year Ended December 31, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 743,090	\$ 743,090	\$ 733,825	\$ (9,265)
Charges for Services	640,800	640,800	708,505	67,705
Other	10,100	25,023	21,822	(3,201)
Interest and Rentals	2,300	2,300	2,118	(182)
TOTAL REVENUES	<u>1,396,290</u>	<u>1,411,213</u>	<u>1,466,270</u>	<u>55,057</u>
EXPENDITURES:				
Health and Welfare	1,396,290	1,552,303	1,546,313	5,990
Capital Outlay	-	118,910	118,910	-
TOTAL EXPENDITURES	<u>1,396,290</u>	<u>1,671,213</u>	<u>1,665,223</u>	<u>5,990</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ (260,000)</u>	(198,953)	<u>\$ 61,047</u>
FUND BALANCE, JANUARY 1			<u>598,066</u>	
FUND BALANCE, DECEMBER 31			<u>\$ 399,113</u>	

**Required Supplementary Information
Budgetary Comparison Schedule
Commission on Aging
For the Year Ended December 31, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 368,253	\$ 368,253	\$ 343,037	\$ (25,216)
Interest and Rentals	250	250	332	82
 TOTAL REVENUES	368,503	368,503	343,369	(25,134)
 EXPENDITURES:				
Health and Welfare	368,503	368,503	339,105	29,398
 TOTAL EXPENDITURES	368,503	368,503	339,105	29,398
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ -	\$ -	4,264	\$ 4,264
 FUND BALANCE, JANUARY 1			660	
 FUND BALANCE, DECEMBER 31			\$ 4,924	

**Required Supplementary Information
Budgetary Comparison Schedule
Housing Commission Administration
For the Year Ended December 31, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Charges for Services	\$ 36,000	\$ 36,000	\$ 4,570	\$ (31,430)
Interest and Rentals	300	300	471	171
 TOTAL REVENUES	 36,300	 36,300	 5,041	 (31,259)
 EXPENDITURES:				
Health and Welfare	36,300	36,300	299	36,001
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	 \$ -	 \$ -	 4,742	 \$ 4,742
 FUND BALANCE, JANUARY 1			133,144	
 FUND BALANCE, DECEMBER 31			 \$ 137,886	

Other Information

	General	Alcona Recreation Area	DPW Landfill	Sick and Vacation	Totals
ASSETS:					
Cash and Equivalents	\$ 890,302	\$ 12,539	\$ 878	\$ 92,502	\$ 996,221
Investments	4,229	-	-	-	4,229
Taxes Receivable	229,689	-	-	-	229,689
Due from Other Funds	4,360	-	-	-	4,360
Due from Governmental Units	53,063	-	-	-	53,063
TOTAL ASSETS	\$ 1,181,643	\$ 12,539	\$ 878	\$ 92,502	\$ 1,287,562
LIABILITIES:					
Accounts Payable	\$ 40,303	\$ -	\$ 85	\$ -	\$ 40,388
Accrued Liabilities	26,766	-	-	-	26,766
TOTAL LIABILITIES	67,069	-	85	-	67,154
FUND BALANCES:					
Committed	-	-	-	92,502	92,502
Assigned	-	12,539	793	-	13,332
Unassigned	1,114,574	-	-	-	1,114,574
TOTAL FUND BALANCES	1,114,574	12,539	793	92,502	1,220,408
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,181,643	\$ 12,539	\$ 878	\$ 92,502	\$ 1,287,562

**Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance - General Funds
For the Year Ended December 31, 2017**

	General	Alcona Recreation Area	DPW Landfill	Sick and Vacation	Totals
REVENUES:					
Taxes	\$ 3,168,903	\$ -	\$ -	\$ -	\$ 3,168,903
Licenses and Permits	2,598	-	-	-	2,598
Federal Sources	88,764	-	-	-	88,764
State Sources	502,765	-	-	-	502,765
Charges for Services	491,073	-	-	-	491,073
Interest and Rentals	17,908	-	-	-	17,908
Fines and Forfeitures	11,358	-	-	-	11,358
Other Revenue	113,929	-	-	-	113,929
TOTAL REVENUES	4,397,298	-	-	-	4,397,298
EXPENDITURES:					
Legislative	175,102	-	-	-	175,102
Judicial	726,359	-	-	-	726,359
General Government	1,245,134	-	-	-	1,245,134
Public Safety	2,168,636	-	-	-	2,168,636
Public Works	-	-	12,595	-	12,595
Health and Welfare	45,729	-	-	-	45,729
Recreation and Culture	-	3,589	-	-	3,589
Capital Outlay	48,383	-	-	-	48,383
Other Expenditures	382,154	-	-	-	382,154
TOTAL EXPENDITURES	4,791,497	3,589	12,595	-	4,807,681
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(394,199)	(3,589)	(12,595)	-	(410,383)
OTHER FINANCING SOURCES (USES):					
Operating Transfers In	190,027	5,500	12,610	400	208,537
Operating Transfers Out	(151,139)	-	-	-	(151,139)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(355,311)	1,911	15	400	(352,985)
FUND BALANCES, JANUARY 1	1,502,903	10,628	778	92,102	1,606,411
Prior Period Adjustment (Note 11)	(33,018)	-	-	-	(33,018)
Beginning Fund Balance Restated	1,469,885	10,628	778	92,102	1,573,393
FUND BALANCES, DECEMBER 31	\$ 1,114,574	\$ 12,539	\$ 793	\$ 92,502	\$ 1,220,408

**Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2017**

	Special Revenue Funds							
	Park	Friend of the Court	Discretionary	MSU Extension	Building Inspection	Register of Deeds Automation	Emergency 911	Local Correction Officers Training
ASSETS:								
Cash and Equivalents	\$ 58,770	\$ 54,888	\$ 18,261	\$ 89,985	\$ 206,881	\$ 11,060	\$ 18,034	\$ 10,942
Investments	6,639	-	-	-	-	9,995	102,336	-
Taxes Receivable	-	-	-	103,449	-	-	-	-
Due from Governmental Units	-	19,238	-	-	-	-	77,116	-
TOTAL ASSETS	\$ 65,409	\$ 74,126	\$ 18,261	\$ 193,434	\$ 206,881	\$ 21,055	\$ 197,486	\$ 10,942
LIABILITIES:								
Accounts Payable	3,353	1,560	-	168	2,431	-	844	-
Due to Other Funds	-	-	-	-	-	-	-	-
Accrued Liabilities	-	1,318	-	374	642	-	6,042	-
TOTAL LIABILITIES	3,353	2,878	-	542	3,073	-	6,886	-
DEFERRED INFLOWS OF RESOURCES:								
Taxes Levied for Subsequent Period	-	-	-	103,449	-	-	-	-
FUND BALANCES:								
Restricted	-	-	-	-	-	-	-	-
Assigned	62,056	71,248	18,261	89,443	203,808	21,055	190,600	10,942
TOTAL FUND BALANCES	62,056	71,248	18,261	89,443	203,808	21,055	190,600	10,942
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 65,409	\$ 74,126	\$ 18,261	\$ 193,434	\$ 206,881	\$ 21,055	\$ 197,486	\$ 10,942

	Special Revenue Funds							
	Drug Forfeiture	Library Memorial	Law Library	Reiker Memorial	Housing Commission Projects	Harbortown Marketplace	Economic Development Commission	Law Enforcement
ASSETS:								
Cash and Equivalents	\$ 2,494	\$ 6,958	\$ 6,255	\$ 1,550	\$ 75,563	\$ 30,372	\$ 11,806	\$ 2,076
Investments	-	-	-	-	-	-	-	-
Taxes Receivable	-	-	-	-	-	-	-	-
Due from Governmental Units	-	-	-	-	9,923	2,520	-	-
TOTAL ASSETS	\$ 2,494	\$ 6,958	\$ 6,255	\$ 1,550	\$ 85,486	\$ 32,892	\$ 11,806	\$ 2,076
LIABILITIES:								
Accounts Payable	-	-	-	-	-	1,601	5	115
Due to Other Funds	-	-	-	-	-	-	-	-
Accrued Liabilities	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	-	-	-	-	-	1,601	5	115
DEFERRED INFLOWS OF RESOURCES:								
Taxes Levied for Subsequent Period	-	-	-	-	-	-	-	-
FUND BALANCES:								
Restricted	-	-	-	-	-	-	-	-
Assigned	2,494	6,958	6,255	1,550	85,486	31,291	11,801	1,961
TOTAL FUND BALANCES	2,494	6,958	6,255	1,550	85,486	31,291	11,801	1,961
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 2,494	\$ 6,958	\$ 6,255	\$ 1,550	\$ 85,486	\$ 32,892	\$ 11,806	\$ 2,076

	Special Revenue Funds							
	Law Enforcement #2	Homeland Security	Michigan Justice Training	H.U.N.T.	Social Welfare	Probate Child Care	Veterans Trust	Sheriff Pay Phone
ASSETS:								
Cash and Equivalents	\$ 34,435	\$ -	\$ 3,954	\$ -	\$ 8,874	\$ 116,517	\$ 1,991	\$ 7,173
Investments	-	-	-	-	-	-	-	-
Taxes Receivable	-	-	-	-	-	-	-	-
Due from Governmental Units	-	-	-	-	-	11,910	-	-
TOTAL ASSETS	\$ 34,435	\$ -	\$ 3,954	\$ -	\$ 8,874	\$ 128,427	\$ 1,991	\$ 7,173
LIABILITIES:								
Accounts Payable	451	-	-	-	-	22,328	-	-
Due to Other Funds	-	-	-	-	-	-	-	-
Accrued Liabilities	-	-	-	-	-	153	-	-
TOTAL LIABILITIES	451	-	-	-	-	22,481	-	-
DEFERRED INFLOWS OF RESOURCES:								
Taxes Levied for Subsequent Period	-	-	-	-	-	-	-	-
FUND BALANCES:								
Restricted	-	-	-	-	-	-	-	-
Assigned	33,984	-	3,954	-	8,874	105,946	1,991	7,173
TOTAL FUND BALANCES	33,984	-	3,954	-	8,874	105,946	1,991	7,173
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 34,435	\$ -	\$ 3,954	\$ -	\$ 8,874	\$ 128,427	\$ 1,991	\$ 7,173

**Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2017**

	Speical Revenue Funds							Capital Project Fund	Totals
	Family Counseling	Public Guardian	Remonumentation	Concealed Weapons	Drug/Sobriety Court	Revenue Sharing Reserve	Cedar Lake	Building Preservation Fund	
ASSETS:									
Cash and Equivalents	\$ 5,060	\$ 19,704	\$ -	\$ 17,296	\$ 93,308	\$ -	\$ 19,913	\$ 17,548	\$ 951,668
Investments	-	-	-	-	-	-	-	-	118,970
Taxes Receivable	-	-	-	-	-	-	-	-	103,449
Due from Governmental Units	-	-	24,308	-	8,579	-	-	-	153,594
TOTAL ASSETS	\$ 5,060	\$ 19,704	\$ 24,308	\$ 17,296	\$ 101,887	\$ -	\$ 19,913	\$ 17,548	\$ 1,327,681
LIABILITIES:									
Accounts Payable	-	-	7	72	11,645	-	19,582	-	64,162
Due to Other Funds	-	-	4,360	-	-	-	-	-	4,360
Accrued Liabilities	-	67	-	-	341	-	-	-	8,937
TOTAL LIABILITIES	-	67	4,367	72	11,986	-	19,582	-	77,459
DEFERRED INFLOWS OF RESOURCES:									
Taxes Levied for Subsequent Period	-	-	-	-	-	-	-	-	103,449
FUND BALANCES:									
Restricted	-	-	-	-	-	-	-	-	-
Assigned	5,060	19,637	19,941	17,224	89,901	-	331	17,548	1,146,773
TOTAL FUND BALANCES	5,060	19,637	19,941	17,224	89,901	-	331	17,548	1,146,773
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 5,060	\$ 19,704	\$ 24,308	\$ 17,296	\$ 101,887	\$ -	\$ 19,913	\$ 17,548	\$ 1,327,681

**Combining Statement of Revenues, Expenditures,
and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2017**

	Special Revenue Funds							
	Park	Friend of the Court	Discretionary	MSU Extension	Building Inspection	Register of Deeds Automation	Emergency 911	Local Correction Officers Training
REVENUES:								
Taxes	\$ -	\$ -	\$ -	\$ 104,480	\$ -	\$ -	\$ -	\$ -
Federal Sources	-	119,597	-	-	-	-	-	-
State Sources	33,443	-	-	689	-	-	138,678	-
Local Sources	-	-	10,054	-	-	-	-	-
Charges for Services	-	10,197	-	-	195,445	20,720	14,158	2,877
Interest and Rentals	254	178	71	411	649	122	1,316	49
Fines and Forfeitures	-	-	-	-	-	-	-	-
Other Revenue	-	1,668	-	-	15	-	411,929	-
TOTAL REVENUES	33,697	131,640	10,125	105,580	196,109	20,842	566,081	2,926
EXPENDITURES:								
Judicial	-	128,463	-	-	-	-	-	-
General Government	-	-	10,412	91,473	-	21,464	-	-
Public Safety	-	-	-	-	153,301	-	551,519	11,096
Health and Welfare	-	-	-	-	-	-	-	-
Recreation and Culture	27,712	-	-	-	-	-	-	-
Community/Economic Development	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	27,712	128,463	10,412	91,473	153,301	21,464	551,519	11,096
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	5,985	3,177	(287)	14,107	42,808	(622)	14,562	(8,170)
OTHER FINANCING SOURCES (USES):								
Operating Transfers In	-	16,629	-	-	-	-	-	-
Operating Transfers Out	-	-	-	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	5,985	19,806	(287)	14,107	42,808	(622)	14,562	(8,170)
FUND BALANCES, JANUARY 1	56,071	51,442	18,548	75,336	161,000	21,677	176,038	19,112
FUND BALANCES, DECEMBER 31	\$ 62,056	\$ 71,248	\$ 18,261	\$ 89,443	\$ 203,808	\$ 21,055	\$ 190,600	\$ 10,942

**Combining Statement of Revenues, Expenditures,
and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2017**

	Special Revenue Funds							
	Drug Forfeiture	Library Memorial	Law Library	Reiker Memorial	Housing Commission Projects	Harbortown Marketplace	Economic Development Commission	Law Enforcement
REVENUES:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Sources	-	-	-	-	8,037	-	-	-
State Sources	-	-	-	-	-	-	-	-
Local Sources	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Interest and Rentals	-	23	-	-	-	102	-	11
Fines and Forfeitures	1,968	-	2,500	-	-	-	-	-
Other Revenue	-	301	-	288	67,907	19,888	-	-
TOTAL REVENUES	1,968	324	2,500	288	75,944	19,990	-	11
EXPENDITURES:								
Judicial	-	-	-	-	-	-	-	-
General Government	-	-	-	-	-	-	-	-
Public Safety	2,013	-	-	-	-	-	-	2,233
Health and Welfare	-	-	-	-	-	-	-	-
Recreation and Culture	-	-	-	251	-	-	-	-
Community/Economic Development	-	-	-	-	36,534	18,869	100	-
TOTAL EXPENDITURES	2,013	-	-	251	36,534	18,869	100	2,233
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(45)	324	2,500	37	39,410	1,121	(100)	(2,222)
OTHER FINANCING SOURCES (USES):								
Operating Transfers In	-	-	-	-	-	-	500	-
Operating Transfers Out	-	-	-	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(45)	324	2,500	37	39,410	1,121	400	(2,222)
FUND BALANCES, JANUARY 1	2,539	6,634	3,755	1,513	46,076	30,170	11,401	4,183
FUND BALANCES, DECEMBER 31	<u>\$ 2,494</u>	<u>\$ 6,958</u>	<u>\$ 6,255</u>	<u>\$ 1,550</u>	<u>\$ 85,486</u>	<u>\$ 31,291</u>	<u>\$ 11,801</u>	<u>\$ 1,961</u>

**Combining Statement of Revenues, Expenditures,
and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2017**

	Special Revenue Funds							
	Law Enforcement #2	Homeland Security	Michigan Justice Training	H.U.N.T.	Social Welfare	Probate Child Care	Veterans Trust	Sheriff Pay Phone
REVENUES:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Sources	-	-	-	-	-	-	-	-
State Sources	-	-	2,345	-	-	90,140	362	-
Local Sources	-	-	-	-	-	-	-	-
Charges for Services	7,033	-	-	-	-	6,795	-	-
Interest and Rentals	129	-	12	-	39	-	-	28
Fines and Forfeitures	-	-	-	-	-	-	-	-
Other Revenue	-	-	-	-	663	50	-	6,124
TOTAL REVENUES	7,162	-	2,357	-	702	96,985	362	6,152
EXPENDITURES:								
Judicial	-	-	-	-	-	-	-	-
General Government	-	-	-	-	-	-	-	-
Public Safety	14,270	245	1,616	1	-	-	-	7,435
Health and Welfare	-	-	-	-	4,885	192,361	-	-
Recreation and Culture	-	-	-	-	-	-	-	-
Community/Economic Development	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	14,270	245	1,616	1	4,885	192,361	-	7,435
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(7,108)	(245)	741	(1)	(4,183)	(95,376)	362	(1,283)
OTHER FINANCING SOURCES (USES):								
Operating Transfers In	-	-	-	-	-	80,000	-	-
Operating Transfers Out	-	-	-	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(7,108)	(245)	741	(1)	(4,183)	(15,376)	362	(1,283)
FUND BALANCES, JANUARY 1	41,092	245	3,213	1	13,057	121,322	1,629	8,456
FUND BALANCES, DECEMBER 31	<u>\$ 33,984</u>	<u>\$ -</u>	<u>\$ 3,954</u>	<u>\$ -</u>	<u>\$ 8,874</u>	<u>\$ 105,946</u>	<u>\$ 1,991</u>	<u>\$ 7,173</u>

**Combining Statement of Revenues, Expenditures,
and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2017**

	Special Revenue Funds							Capital Project Fund	Totals
	Family Counseling	Public Guardian	Remonumentation	Concealed Weapons	Drug/Sobriety Court	Revenue Sharing Reserve	Cedar Lake	Building Preservation Fund	
REVENUES:									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 104,480
Federal Sources	-	-	-	-	94,940	-	-	-	222,574
State Sources	-	-	40,513	-	-	-	-	-	306,170
Local Sources	-	-	-	-	-	-	-	-	10,054
Charges for Services	1,275	21,479	-	8,616	10,704	-	-	9,879	309,178
Interest and Rentals	17	-	-	-	338	79	-	-	3,828
Fines and Forfeitures	-	-	-	-	-	-	-	-	4,468
Other Revenue	-	-	-	-	-	-	-	-	508,833
TOTAL REVENUES	1,292	21,479	40,513	8,616	105,982	79	-	9,879	1,469,585
EXPENDITURES:									
Judicial	750	26,901	-	-	-	-	-	3,377	159,491
General Government	-	-	40,483	-	-	-	-	-	163,832
Public Safety	-	-	-	2,717	-	-	-	-	746,446
Health and Welfare	-	-	-	-	121,041	-	-	-	318,287
Recreation and Culture	-	-	-	-	-	-	38,067	-	66,030
Community/Economic Development	-	-	-	-	-	-	-	-	55,503
TOTAL EXPENDITURES	750	26,901	40,483	2,717	121,041	-	38,067	3,377	1,509,589
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	542	(5,422)	30	5,899	(15,059)	79	(38,067)	6,502	(40,004)
OTHER FINANCING SOURCES (USES):									
Operating Transfers In	-	8,000	-	-	-	-	27,500	-	132,629
Operating Transfers Out	-	-	-	-	-	(76,603)	-	-	(76,603)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	542	2,578	30	5,899	(15,059)	(76,524)	(10,567)	6,502	16,022
FUND BALANCES, JANUARY 1	4,518	17,059	19,911	11,325	104,960	76,524	10,898	11,046	1,130,751
FUND BALANCES, DECEMBER 31	\$ 5,060	\$ 19,637	\$ 19,941	\$ 17,224	\$ 89,901	\$ -	\$ 331	\$ 17,548	\$ 1,146,773

**Combining Statement of Net Position
Nonmajor Enterprise Funds
December 31, 2017**

	<u>Fair Board</u>	<u>Jail Commissary</u>	<u>Totals</u>
ASSETS:			
Cash and Equivalents	\$ 26,782	\$ 6,135	\$ 32,917
TOTAL ASSETS	<u>\$ 26,782</u>	<u>\$ 6,135</u>	<u>\$ 32,917</u>
LIABILITIES:			
Deposits Payable	\$ -	\$ 4,731	\$ 4,731
Accounts Payable	71	751	822
TOTAL LIABILITIES	<u>71</u>	<u>5,482</u>	<u>5,553</u>
NET POSITION:			
Unrestricted	<u>26,711</u>	<u>653</u>	<u>27,364</u>
TOTAL NET POSITION	<u>26,711</u>	<u>653</u>	<u>27,364</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 26,782</u>	<u>\$ 6,135</u>	<u>\$ 32,917</u>

**Combining Statement of Revenues, Expenses, and
Changes in Net Position - Nonmajor Enterprise Funds
For the Year Ended December 31, 2017**

	<u>Fair Board</u>	<u>Jail Commissary</u>	<u>Totals</u>
OPERATING REVENUES:			
Charges for Services	\$ 46,721	\$ 3,142	\$ 49,863
Other Revenue	2,708	-	2,708
TOTAL OPERATING REVENUES	<u>49,429</u>	<u>3,142</u>	<u>52,571</u>
OPERATING EXPENSES:			
Other Supplies and Expenses	<u>44,794</u>	<u>2,989</u>	<u>47,783</u>
Total Operating Expenses	<u>44,794</u>	<u>2,989</u>	<u>47,783</u>
OPERATING INCOME (LOSS)	<u>4,635</u>	<u>153</u>	<u>4,788</u>
NON-OPERATING REVENUES (EXPENSES):			
Interest on Deposits	<u>99</u>	<u>-</u>	<u>99</u>
CHANGES IN NET POSITION	4,734	153	4,887
NET POSITION, JANUARY 1	<u>21,977</u>	<u>500</u>	<u>22,477</u>
NET POSITION, DECEMBER 31	<u><u>\$ 26,711</u></u>	<u><u>\$ 653</u></u>	<u><u>\$ 27,364</u></u>

**Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended December 31, 2017**

	Fair Board	Jail Commissary	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from Customers	\$ 49,429	\$ 3,142	\$ 52,571
Payments to Suppliers	(44,723)	(1,111)	(45,834)
Net Cash Provided (Used) by Operating Activities	4,706	2,031	6,737
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest on Deposits	99	-	99
Net Cash Provided (Used) by Investing Activities	99	-	99
Net Increase (Decrease) in Cash and Equivalents	4,805	2,031	6,836
Cash and Equivalents - Beginning of the Year	21,977	4,104	26,081
Cash and Equivalents - End of the Year	\$ 26,782	\$ 6,135	\$ 32,917
Reconciliation of Operating Income (Loss) to			
Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ 4,635	\$ 153	\$ 4,788
Adjustments to Reconcile Operating Income (Loss) to			
Net Cash Provided (Used) by Operating Activities:			
Increase(Decrease) in Liabilities:			
Accounts Payable	71	751	822
Deposits Payable	-	1,127	1,127
Net Cash Provided (Used) by Operating Activities	\$ 4,706	\$ 2,031	\$ 6,737

Report on Compliance



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMA, CPA, PRINCIPAL
AMBER N. MACK, CPA, PRINCIPAL

PHILLIP J. WOLF, CPA

**MEMBER AICPA
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***

Honorable Chairman and Members
of the Board of Commissioners
County of Alcona, Michigan
Harrisville, Michigan 48740

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 unit, each major fund, and the aggregate remaining fund information of the County of Alcona, Michigan as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County of Alcona's basic financial statements and have issued our report thereon dated May 16, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County of Alcona, 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 Alcona, Michigan's internal control. Accordingly, we do not express an opinion on the effectiveness of the County of Alcona, 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.

Honorable Chairman and Members
of the Board of Commissioners
County of Alcona, Michigan

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 accompanying schedule of findings and responses that we consider to be a significant deficiency listed as 2017-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Alcona, Michigan's financial statements are free of 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

County of Alcona, Michigan's Response to Findings

The County of Alcona, Michigan's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The County of Alcona, 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

May 16, 2018

Internal Control Over Financial Reporting

Significant Deficiencies

Preparation of the Financial Statements in Accordance with Generally Accepted Accounting Principles

Finding 2017-001

Condition: As part of the audit process, the County, like many other governments, has historically relied on the independent auditors to assist in the preparation of the government-wide and fund financial statements, as well as the related notes to the financial statements, as part of its external financial reporting process. It is more cost effective to outsource the preparation of the annual financial statements to the independent auditors than to incur the time and expense of having the employees and/or management obtain the necessary training and expertise required to perform this task internally. The county requires the assistance of the independent auditors to prepare its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

Criteria: Governmental entities are required to issue financial statements that are prepared in accordance with GAAP. Statement on Auditing Standards No. 115 (SAS 115), *Communicating Internal Control Related Matters Identified in an Audit*, emphasizes that responsibility for the financial statements rests with the County’s management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal accounting records), and (2) reporting government-wide and fund financial statements, including the related note disclosures (i.e., external financial reporting).

Effect: The County relies, in part, on the independent auditors for assistance with the preparation of annual financial statements and related notes to the financial statements in accordance with GAAP. This reliance makes the independent auditors effectively part of the County’s internal controls. By definition, independent auditors cannot be part of the County’s internal controls.

Cause: Change in application of auditing standards.

Recommendation: The County should consider providing applicable employees with training that would allow them to attain the qualification required to fully understand the GAAP financial statements preparation process. Should the County choose not to address this issue, management and the Board of Commissioners should realize that an increased risk is present.

This recommendation is not intended to imply that the County’s contractual arrangement with the independent auditors, which includes preparation of the financial statements, is improper or should be changed. SAS 115 does not require that management actually prepare the financial statements, but it requires the independent auditors to comment when the applicable internal controls are not in place.

Management’s Response – Corrective Action Plan: The County continues to recognize the importance of training to and full development of the financial statements, yet, based on size of County and available dollars and staff, it is with regret that we feel unable to alter the path we are on at this time.

We appreciate the auditor’s recognition of this issue, and will as in the past, be mindful of this recommendation.

- *Contact Person(s) Responsible for Correction:*
Cheryl Franks, Treasurer



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Honorable Chairman and Members
of the Board of Commissioners
County of Alcona, Michigan
P.O. Box 308
Harrisville, Michigan 48740

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Alcona, Michigan, as of and for the year ended December 31, 2017, and have issued our report thereon dated May 16, 2018. 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 February 7, 2018, 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 Alcona, Michigan. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the County of Alcona, Michigan's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

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 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 letter about planning matters dated February 7, 2018.

Significant Accounting Policies

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 Alcona, Michigan are described in Note 1 to the financial statements. No new accounting policies 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 vested employee benefits is based on current hourly rates and policies regarding payment of sick and vacation banks.
- 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 \$71,090.
- Management's estimate of the Annual Required Contribution for the net pension liability were based on various assumptions regarding life expectancies, inflation, premium increases, and investment rates.

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 trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreement with Management

For purposes of this letter, professional standards define a disagreement with management as 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 May 16, 2018.

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 as to determine 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

Personal Property Taxes (Prior Year)

Currently, the County is not recording the amount of outstanding delinquent personal property taxes that are due to the County in the general ledger. It is recommended the County record the amount of outstanding delinquent personal property taxes in the general ledger of each fund that has a tax levy. The County should maintain subsidiary ledgers which show the amount of delinquent personal property taxes owed by each taxing unit by individual tax year.

Response: A subsidiary ledger will be created which shows the amount of delinquent personal property taxes owed by each taxing unit by individual tax year.

Status: No change.

Long Outstanding Checks (Prior Year)

In our testing of cash, we noted that several outstanding checks were from as long ago as 2011. It is our recommendation as a best practice to “clean-up” this listing and utilize escheatment laws for the determination of how long to keep checks as outstanding reconciling items.

Response: Reviewing the Unclaimed property manual as well as updates to county finance policy & procedures to be compliant with recommended best practices.

Status: No change.

Timesheet Approval (Prior Year)

During our testing of payroll, we noted that one individual both approved their timesheet as the employee and approver/supervisor. In order to have effective controls, it is necessary for a separate individual to be the approver of such timesheet.

Status: Corrected.

Insurance Reimbursements (Prior Year)

In our review of the general ledger, we noted an instance of insurance reimbursements being recorded in the Trust and Agency Fund (Fund 701). For situations where a department has received such reimbursements it is a best practice to record this within that applicable department as a refund/reimbursement.

Status: Corrected.

Post Year-End Check Dating (Prior Year)

We noted instances of checks issued subsequent to year end that were dated as of the year end date. It is our recommendation to utilize payables to record expenditures into the proper period and to date the actual check the same date the check is being issued which would in turn be offset by the decrease to the payable established.

Status: Corrected.

Housing Loan Receivable (Prior Year)

In reviewing the Housing Loan receivable account it was noted that this account is not reflecting the yearly activity. We would recommend that this account be reconciled at year end to accurately reflect the activity for the year.

Response: Treasurers office and housing department to do monthly adjustments to receivables to more accurately reflect the activity for the year.

Status: No Change.

Cash Reconciliation

It was noted during our review of cash accounts that cash reconciliations were not being completed on a timely basis. We recommend that the county complete all cash account reconciliations within 30 day of month end as the State of Michigan Audit Procedure Report requires.

Response: During the financial software conversion and training phase the county experienced issues and delays which have been addressed. Future reconciliations will be compliant to SOM Audit Procedures.

Accounts Payable Balances

In our review of accounts payable balances, we noted that the amounts recorded in on the general ledger did not agree with the amounts that were recorded in the accounts payable module. We recommend that the county review of all general ledger balances that do not agree with accounts payable module and that adjustments be made to which ever module that is found to be inaccurate.

Response: During the financial software conversion and training phase the county experienced issues and delays which have been addressed. A monthly review between general ledger and the AP module will be implemented for consistency.

Tax disbursements

It was noted during our review of cash disbursements that two payments from the 2016 tax settlement which occurred in April 2017 were not paid until 2018. We recommend that these payments be made in a timelier manner to all taxing units.

Response: Distributions are to be reviewed by Deputy Treasurer to insure timely payouts.

Trust Balances

During our review of the Inmate Trust balance and the District Court Bond balances it was noted that the amounts recorded on the supporting listing from the Sheriff's office and office of the District Court respectively did not agree with the outstanding balance recorded in the general ledger. We recommend that these balances be adjusted the actual amounts outstanding on at least a yearly basis.

Response: Trust balances have been reconciled to the bank statement. Through the audit we were made aware of the recommendation to balance to department records, which will be implemented.

Fund Balance Adjustments

It was noted during the year that the county was making adjustments to the fund balance accounts and moving them into revenue accounts to show the use of fund balance. We recommend that these types of entries only be made at a budgetary level to should the expected use of fund balance, but that they not be entered into the general ledger as these are not truly revenues and there should be not entries made to fund balance accounts of the county outside of year end entries and prior period adjustments.

Response: No fund balance transfers will be done during the year per GASB guidelines and auditor recommendation. Amount will be included on the budget.

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 donates 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

We would like to express our appreciation, as well as that of our staff, for the excellent cooperation we received while performing the audit. If we can be of assistance in implementing the above recommendations, please contact us.

This report is intended solely for the information and use of the Board of Commissioners, management, federal 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

May 16, 2018