

Otsego County,  
Michigan



Year Ended  
December 31,  
2018

Financial  
Statements



# OTSEGO COUNTY, MICHIGAN

## ELECTED OFFICERS

For the Year Ended December 31, 2018

### BOARD OF COMMISSIONERS

Ken Borton  
*Chairman*

Doug Johnson  
*Vice Chairman*

Robert Pallarito  
Paul Liss  
Julia Powers  
Diane Switalski

Paul Beachnau  
Bruce Brown  
Ken Glasser

### OTHER OFFICIALS

Rachel Frisch  
*Appointed County Administrator*

Diann Axford  
*Treasurer*

Susan DeFeyer  
*Clerk/Register of Deeds*

Matthew Nowicki  
*Sheriff*

Brendan Curran  
*Prosecuting Attorney*

# OTSEGO COUNTY, MICHIGAN

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**INDEPENDENT AUDITORS' REPORT**

July 1, 2019

Honorable Members of the  
Board of Commissioners  
Otsego County  
Gaylord, Michigan

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of *Otsego County, Michigan* (the "County"), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

*Management's Responsibility for the Financial Statements*

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

*Independent Auditors' Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Otsego County Road Commission, a discretely presented component unit, which represents 91 percent, 92 percent, and 70 percent, respectively, of the assets and deferred outflows, net position, and revenues of the aggregate discretely presented component units. We did not audit the financial statements of the Otsego County Commission on Aging, a discretely presented component unit, which represents 2 percent, 3 percent, and 11 percent, respectively, of the assets and deferred outflows, net position, and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Otsego County Road Commission and Otsego County Commission on Aging is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Otsego County Commission on Aging were not audited in accordance with *Government Auditing Standards*.

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.

### *Opinions*

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of *Otsego County, Michigan*, as of December 31, 2018, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and each major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### *Implementation of GASB Statement No. 75*

As described in Note 23, the County implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, in the current year. Accordingly, beginning net position of governmental activities and the Road Commission component unit was restated. Our opinion is not modified with respect to this matter.

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the schedules for the pension and other postemployment benefit plans listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining and individual fund financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 1, 2019 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

*Rehmann Loborn LLC*

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

# OTSEGO COUNTY, MICHIGAN

## Management's Discussion and Analysis

As management of Otsego County, Michigan (the "County"), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended December 31, 2018. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

### Financial Highlights

Key metrics and financial highlights of the County for the year ended December 31, 2018 are as follows:

Total net position	\$34,080,857
Unrestricted net position	7,153,017
Change in net position	236,763
Fund balances, governmental funds	14,452,858
Change in fund balances, governmental funds	(1,501,572)
Fund balance, General fund	5,251,273
(as percentage of General fund expenditures and transfers out)	65%
Unassigned fund balance, General fund	5,069,094
(as percentage of General fund expenditures and transfers out)	63%

### Overview of the Financial Statements

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

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the County's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the residual reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused sick and vacation leave).

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

# OTSEGO COUNTY, MICHIGAN

## Management's Discussion and Analysis

The government-wide financial statements include not only the County itself (known as the *primary government*), but also legally separate *component units* for which the County is financially accountable. These *component units* include the Otsego County Road Commission, Otsego County Ambulance Corporation, Otsego County Commission on Aging, and the Otsego County Sportsplex. Financial information for the discretely presented component units are reported separately from the financial information presented for the primary government itself. Separately issued reports can be obtained from the Otsego County Road Commission and Otsego County Commission on Aging component unit's offices.

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

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

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

The County maintains numerous individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and change in fund balances for the General fund, Housing Commission special revenue fund, M-Tec special revenue fund, Library Capital Project Bond fund, and Debt Service fund which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

**Proprietary funds.** Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the Delinquent Tax Revolving fund, the Bus System fund, and the Airport fund, which are considered to be major funds of the County as well as the aggregate of the nonmajor enterprise funds. The County maintains several types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its delinquent tax, tax foreclosure, bus system, global positioning system, university center metropolitan area network, airport special events, homestead audit, I-75 sign, and jail commissary operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for its building and grounds, administration services, and health care functions. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

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

# OTSEGO COUNTY, MICHIGAN

## Management's Discussion and Analysis

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

*Other information.* In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This is limited to this managements discussion and analysis and the schedules for the County pension and other postemployment benefits plans.

The *combining statements and individual fund financial statements* referred to earlier in connection with nonmajor funds are presented following the required supplementary information.

### Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by approximately \$34,081,000 at the close of the most recent fiscal year. A portion of the County's net position represents its investment in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure). The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

### Net Position

Net investment in capital assets is approximately 52% of total net position. An additional portion of the County's net position, approximately 27%, represents resources that are subject to external restrictions on how they may be used. Restricted net position has constraints placed on it by either: a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation. The unrestricted portion of the County's net position is 21%. This net position may be used to meet the government's ongoing obligations to citizens and creditors.

# OTSEGO COUNTY, MICHIGAN

## Management's Discussion and Analysis

After taking into consideration an increase of approximately \$362,000 related to the implementation of GASB No. 75, the County's total net position increased approximately 1.8%, or approximately \$599,000 to approximately \$34,080,000 for the year ended December 31, 2018.

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
<b>Assets</b>						
Current and other assets	\$ 21,996,842	\$ 23,309,551	\$ 9,248,169	\$ 9,278,750	\$ 31,245,011	\$ 32,588,301
Capital assets, net	12,742,238	10,644,933	6,573,459	6,941,708	19,315,697	17,586,641
<b>Total assets</b>	<b>34,739,080</b>	<b>33,954,484</b>	<b>15,821,628</b>	<b>16,220,458</b>	<b>50,560,708</b>	<b>50,174,942</b>
<b>Deferred outflows of resources</b>						
Deferred pension amounts	1,409,578	2,247,729	140,229	362,472	1,549,807	2,610,201
Deferred other postemployment benefit amounts	97,818	-	-	-	97,818	-
<b>Total deferred outflows</b>	<b>1,507,396</b>	<b>2,247,729</b>	<b>140,229</b>	<b>362,472</b>	<b>1,647,625</b>	<b>2,610,201</b>
<b>Liabilities</b>						
Long-term debt	2,966,308	3,586,425	25,545	-	2,991,853	3,586,425
Other liabilities	9,899,394	10,859,610	751,170	802,940	10,650,564	11,662,550
<b>Total liabilities</b>	<b>12,865,702</b>	<b>14,446,035</b>	<b>776,715</b>	<b>802,940</b>	<b>13,642,417</b>	<b>15,248,975</b>
<b>Deferred inflows of resources</b>						
Taxes levied for a subsequent period	3,847,499	3,676,796	-	-	3,847,499	3,676,796
Deferred pension amounts	432,710	179,383	204,850	197,975	637,560	377,358
<b>Total deferred inflows</b>	<b>4,280,209</b>	<b>3,856,179</b>	<b>204,850</b>	<b>197,975</b>	<b>4,485,059</b>	<b>4,054,154</b>
<b>Net position</b>						
Net investment in capital assets	11,194,681	7,936,598	6,573,459	6,941,708	17,768,140	14,878,306
Restricted for:						
Housing projects	1,639,001	2,477,770	-	-	1,639,001	2,477,770
Public safety	1,919,978	1,946,605	-	-	1,919,978	1,946,605
Recreation and culture	3,652,571	4,864,236	-	-	3,652,571	4,864,236
Other	1,948,150	691,479	-	-	1,948,150	691,479
Unrestricted (deficit)	(1,253,816)	(16,689)	8,406,833	8,640,307	7,153,017	8,623,618
<b>Total net position</b>	<b>\$ 19,100,565</b>	<b>\$ 17,899,999</b>	<b>\$ 14,980,292</b>	<b>\$ 15,582,015</b>	<b>\$ 34,080,857</b>	<b>\$ 33,482,014</b>

# OTSEGO COUNTY, MICHIGAN

## Management's Discussion and Analysis

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 2,166,057	\$ 2,176,080	\$ 1,666,509	\$ 1,864,859	\$ 3,832,566	\$ 4,040,939
Operating grants	2,650,211	3,774,437	804,969	1,341,465	3,455,180	5,115,902
Capital grants	69,299	64,830	373,081	-	442,380	64,830
General revenues:						
Property taxes	8,300,297	8,503,537	315,663	293,501	8,615,960	8,797,038
Interest and rentals	355,688	264,373	259,535	143,524	615,223	407,897
Other	1,775,590	2,335,034	284,388	202,457	2,059,978	2,537,491
<b>Total revenues</b>	<b>15,317,142</b>	<b>17,118,291</b>	<b>3,704,145</b>	<b>3,845,806</b>	<b>19,021,287</b>	<b>20,964,097</b>
<b>Expenses</b>						
Legislative	225,294	216,112	-	-	225,294	216,112
Judicial	1,890,595	1,801,679	-	-	1,890,595	1,801,679
General government	4,003,061	4,300,820	-	-	4,003,061	4,300,820
Public safety	4,412,678	3,877,185	-	-	4,412,678	3,877,185
Public works	167,639	374,310	-	-	167,639	374,310
Health and welfare	1,445,356	1,266,892	-	-	1,445,356	1,266,892
Community & economic development	409,862	1,375,521	-	-	409,862	1,375,521
Recreation and culture	2,026,823	1,243,739	-	-	2,026,823	1,243,739
Interest - unallocated	86,457	69,902	-	-	-	-
Delinquent tax revolving	-	-	199,345	177,981	199,345	177,981
Bus System	-	-	1,673,970	1,867,037	1,673,970	1,867,037
Airport	-	-	1,713,366	1,707,350	1,713,366	1,707,350
Other business-type activities	-	-	546,238	370,998	546,238	370,998
<b>Total expenses</b>	<b>14,667,765</b>	<b>14,526,160</b>	<b>4,132,919</b>	<b>4,123,366</b>	<b>18,714,227</b>	<b>18,579,624</b>
Change in net position, before contributions and transfers	649,377	2,592,131	(428,774)	(277,560)	307,060	2,384,473
Contribution to other governmental units	-	(153,900)	-	-	-	(153,900)
Transfers	189,109	407,286	(172,949)	(420,421)	16,160	(13,135)
<b>Change in net position</b>	<b>838,486</b>	<b>2,845,517</b>	<b>(601,723)</b>	<b>(697,981)</b>	<b>236,763</b>	<b>2,147,536</b>
<b>Net position:</b>						
Beginning of year	17,899,999	15,054,482	15,582,015	16,279,996	33,482,014	31,334,478
Restatement for implementation of GASB 75	362,080	-	-	-	362,080	-
<b>End of year</b>	<b>\$ 19,100,565</b>	<b>\$ 17,899,999</b>	<b>\$ 14,980,292</b>	<b>\$ 15,582,015</b>	<b>\$ 34,080,857</b>	<b>\$ 33,482,014</b>

# OTSEGO COUNTY, MICHIGAN

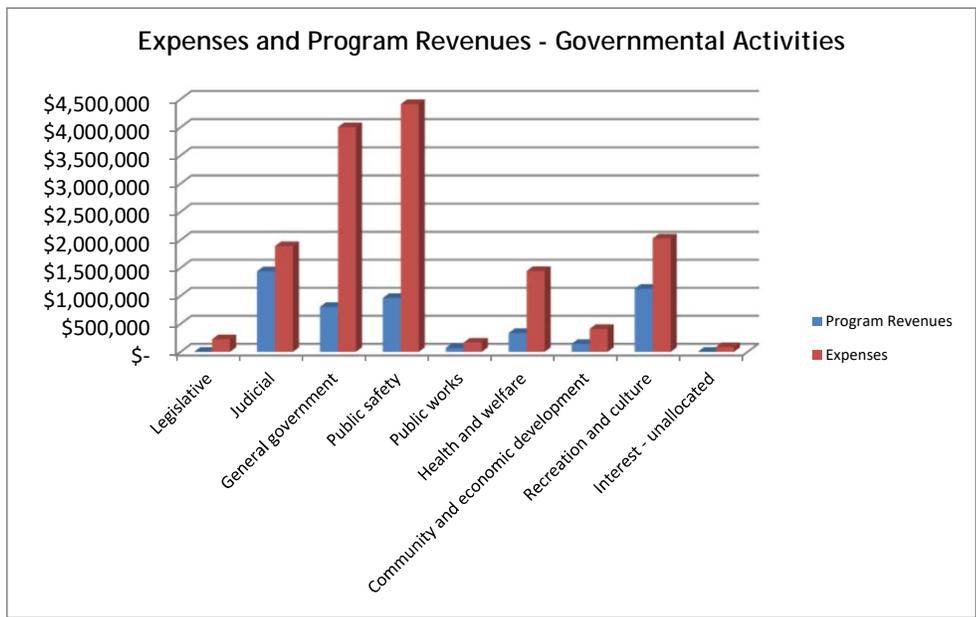
## Management's Discussion and Analysis

### Governmental activities

Governmental activities increased the County’s net position by approximately \$838,000 after consideration of the increase of approximately \$362,000 due to the implementation of GASB No. 75. Overall revenues decreased by approximately \$1,801,000. The most significant decrease in revenues was operating grants, which decreased by approximately \$1,124,000, primarily due to the County receiving approximately \$742,000 in donated capital additions in the previous year. The other significant decrease in revenues is in other revenues, primarily due to an increase in other revenues in the previous year for the transition of the University Center management agreement between the County and Kirtland Community College. The net decrease in governmental expenses from 2017 to 2018 was approximately \$142,000, primarily due to the reclassification of contributions to other governmental units to recreation and culture. General government expenses decreased approximately \$243,000 due to the completion of the Sportsplex tennis court project in 2017. Public safety expenses increased approximately \$535,000 primarily due to capital outlay, including equipment purchases, pension expense, employee wages and inmate healthcare costs. Recreation and culture expenses increased approximately \$783,000 primarily due to the library building expansion project, trail head expansion project and the reclassification of contributions to the DNR. The most significant governmental activity expense decrease was in the community and economic development due to the MTEC tax collection disbursements being recorded as a fiduciary activity rather than a governmental activity.

Governmental activities consist primarily of:

- Legislative - expenses related to support the Board of Commissioners and high-level administrative expenditures.
- Judicial - expenses related to the administration of circuit, district and probate/family courts and court probation units.
- General government - expenses related to support the departments of the County such as administration, human resources, treasury, information services, facilities management, finance, equalization, and prosecuting attorney.
- Public safety - expenses related to sheriff’s administration and road patrol and County corrections services.
- Public works - expenses related to drains and airport planning grant.
- Health and welfare - expenses related to public health services, child care, programs for seniors, housing assistance programs, and medical examiner fees.
- Community and economic development - planning and zoning department.
- Recreational and cultural activities - expenses related to the County library.



# OTSEGO COUNTY, MICHIGAN

## Management's Discussion and Analysis

### Business-type activities

The major business-type activities of the County include the following proprietary operations:

- Delinquent tax collection - this activity was established as a means of providing the local governments within the County's jurisdiction with 100% of the property tax distributions owed to them annually. The County then acts as the collection agency for the outstanding delinquent real property taxes.
- Bus system - the Otsego County Bus System is funded by Federal and State operating grants, a local special voted millage, and user fees. Expenses include the management, operations, and maintenance of the Bus System. The bus system's operating revenues decreased approximately \$180,000 in federal and state grants, due to a decrease in reimbursable operating expenditures including salaries and fringes, and capital contributions increased approximately \$373,000 due to federal and state capital assistance for the purchase of four transit busses.
- Airport - this activity accounts for the financial activity of the Gaylord Regional Airport. The main sources of revenue are fuel sales and an annual General Fund appropriation. Expenses include the management, operations, and maintenance of the airport. The airport's nonoperating revenues decreased approximately \$357,000 in federal and state grants due to the completion of the taxi lane project in 2017.

### Financial Analysis of the County's Funds

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

The fund balance of the General fund increased by approximately \$383,000 from the prior year. The increase is primarily due to actual judicial expenses being less than management's budgeted amounts. The Circuit Court saw the most significant reduction of expenses compared to budgeted, due to payroll and applicable fringes being less than anticipated. Unassigned fund balance of approximately \$5,069,000, is available for spending at the County's discretion.

The County's Housing Commission fund balance at December 31, 2018 was approximately \$113,000; a decrease of approximately \$37,000 from the prior year. The change in fund balance is attributable to a decrease in revenue by approximately \$158,000 due to a decrease in operating grants, which was offset by a decrease in expenditures of approximately \$122,000 due to a decrease in housing rehabilitation costs.

The County's M-TEC fund balance at December 31, 2018 remained at \$0 for the 2018 fiscal year. Revenues and expenditures decreased by approximately \$736,000 from the previous year due to the M-TEC tax levy being recorded in a trust and agency fund during the 2018 fiscal year.

The County's Library Capital Projects Bond fund balance at December 31, 2018 was approximately \$554,000 which decreased approximately \$992,000 from the prior year. The change in fund balance is primarily attributable to an increase in construction expenditures of approximately \$2,135,000, which was offset by an increase in transfers in of \$1,327,000.

The County's Debt Service fund balance at December 31, 2018 remained at \$0 for the 2018 fiscal year. Revenues and expenditures decreased approximately \$45,000 from the previous year as a result of a reduction in debt payments due.

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

# OTSEGO COUNTY, MICHIGAN

## Management's Discussion and Analysis

Unrestricted net position of the enterprise funds at year end amounted to approximately \$8,407,000. The enterprise funds had a decrease in net position for the year of approximately \$602,000. The net position in the Delinquent Tax Revolving fund decreased approximately \$239,000, primarily due to the transfer out of approximately \$352,000 from the Delinquent Tax Revolving Fund for various uses, which was primarily a distribution of the Library Bond tax millage.

### Budgetary Highlights

#### General fund

The revenue increased 1.4 percent from the original to the final budgeted amounts. The expenditures increased 3.3 percent from the original to the final amended budgets.

Overall during the year, General fund revenues were in line with the budgetary estimates and came in higher than anticipated by approximately \$48,000 or .6 percent. Overall expenditures were under budget by approximately \$499,000 or 6.3 percent as a result of the County not needing to fully use budgeted contingency and management's commitment to continually reviewing expenses.

### Capital Asset and Debt Administration

**Capital Assets.** The County considers a capital asset to be an asset whose cost exceeds \$5,000 and useful life is greater than two years. Included in the cost of a capital asset are items such as labor and freight and any other costs associated with bringing the asset into full operation. Assets are depreciated using the straight-line method over the course of their useful lives.

	Capital Assets (Net of Depreciation, where applicable)					
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 2,436,427	\$ 2,282,072	\$ 99,998	\$ 99,998	\$ 2,536,425	\$ 2,382,070
Construction in progress	2,771,224	522,956	-	-	2,771,224	522,956
Buildings	5,592,458	5,700,422	1,217,348	1,322,856	6,809,806	7,023,278
Furniture and fixtures	87,081	129,635	-	-	87,081	129,635
Equipment	1,658,028	1,752,442	111,655	92,329	1,769,683	1,844,771
Vehicles	178,856	237,245	337,545	102,807	516,401	340,052
Infrastructure	18,164	20,161	4,806,913	5,323,718	4,825,077	5,343,879
<b>Total capital assets, net</b>	<b>\$12,742,238</b>	<b>\$10,644,933</b>	<b>\$ 6,573,459</b>	<b>\$ 6,941,708</b>	<b>\$19,315,697</b>	<b>\$17,586,641</b>

Construction in progress for the 2018 fiscal year, in the amount of approximately \$2,771,000, includes \$2,248,000 in current year additions, consisting of the library building expansion project, trail head expansion project, and the Groen Nature Preserve project. The remaining \$786,000 in governmental activities additions consisted of land, building improvements, equipment and a vehicle. The \$439,000 in business-type activities additions consisted primarily of four transit busses.

# OTSEGO COUNTY, MICHIGAN

## Management's Discussion and Analysis

Long-term Debt. At the end of the current year, the County had total installment debt and compensated absences outstanding of approximately \$2,966,000.

	Long-term Debt					
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Installment debt	\$ 2,756,563	\$ 3,398,335	\$ -	\$ -	\$ 2,756,563	\$ 3,398,335
Premium on bond issuance	14,038	-	-	-	14,038	-
Compensated absences	195,707	170,542	-	-	195,707	170,542
<b>Total</b>	<b>\$ 2,966,308</b>	<b>\$ 3,568,877</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,966,308</b>	<b>\$ 3,568,877</b>

Additional information on the County's capital assets and long-term debt can be found in the notes to the financial statements.

The County is required to record the actuarially computed liability for pension. The total liability is approximately \$22,609,000. The estimated annual contribution required to fund that liability is approximately \$934,000. The net pension liability at the end of the fiscal year amounted to approximately \$7,385,000. This is a significant liability; however, due to additional contributions over the actuarially determined contribution made by the County, this liability is anticipated to decrease over time.

The County is required to record the total liability for other postemployment healthcare benefits (OPEB). The total OPEB liability is approximately \$1,931,000. If the County were required to fund that liability, the estimated annual contribution would be approximately \$156,000. This is a significant liability; however, due to changes in benefit levels for new employees, this liability is anticipated to decrease over time.

### Economic Factors and Next Year's Budget and Rates

The following factors were considered in preparing the County's 2019 budget:

- Property tax revenues are projected to increase approximately 2.5%.

Highlight of the 2019 budget is as follows:

- The cost of employee benefits continue to rise and will be monitored throughout the year.

### Requests for Information

This financial report is designed to provide a general overview of the County finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Ms. Rachel Frisch, Otsego County Administrator at 225 West Main Street, Gaylord, MI 49735.

## BASIC FINANCIAL STATEMENTS

## GOVERNMENT-WIDE FINANCIAL STATEMENTS

OTSEGO COUNTY, MICHIGAN

Statement of Net Position  
December 31, 2018

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and cash equivalents	\$ 9,182,516	\$ 2,054,542	\$ 11,237,058	\$ 2,175,674
Investments	5,475,774	5,576,803	11,052,577	2,279,669
Receivables, net	6,439,765	1,325,164	7,764,929	5,348,960
Prepaid items	119,487	3,025	122,512	-
Inventory	20,432	54,479	74,911	871,442
Internal balances	(39,156)	39,156	-	-
Advance to component unit	143,024	195,000	338,024	-
Lease receivable from component unit	655,000	-	655,000	-
Capital assets not being depreciated	5,207,651	99,998	5,307,649	11,666,767
Capital assets being depreciated, net	7,534,587	6,473,461	14,008,048	25,976,272
<b>Total assets</b>	<b>34,739,080</b>	<b>15,821,628</b>	<b>50,560,708</b>	<b>48,318,784</b>
<b>Deferred outflows of resources</b>				
Deferred pension amounts	1,409,578	140,229	1,549,807	789,530
Deferred other postemployment benefit amounts	97,818	-	97,818	-
<b>Total deferred outflows</b>	<b>1,507,396</b>	<b>140,229</b>	<b>1,647,625</b>	<b>789,530</b>
<b>Liabilities</b>				
Accounts payable and accrued liabilities	762,233	359,607	1,121,840	434,656
Advance from other government units	-	-	-	455,897
Advance from primary government	-	-	-	338,024
Unearned revenue	210,532	2,204	212,736	24,427
Long-term debt:				
Due within one year	668,334	-	668,334	67,818
Due in more than one year	2,297,974	25,545	2,323,519	1,199,411
Net pension liability, due in more than one year	6,995,928	389,359	7,385,287	5,644,296
Total other postemployment benefits liability, due in more than one year	1,930,701	-	1,930,701	5,678,335
<b>Total liabilities</b>	<b>12,865,702</b>	<b>776,715</b>	<b>13,642,417</b>	<b>13,842,864</b>
<b>Deferred inflows of resources</b>				
Taxes levied for a subsequent period	3,847,499	-	3,847,499	2,543,027
Deferred pension amounts	432,710	204,850	637,560	-
Other state grants	-	-	-	1,087,745
<b>Total deferred inflows</b>	<b>4,280,209</b>	<b>204,850</b>	<b>4,485,059</b>	<b>3,630,772</b>
<b>Net position</b>				
Net investment in capital assets	11,194,681	6,573,459	17,768,140	36,628,028
Restricted for:				
Housing projects	1,639,001	-	1,639,001	-
Public safety	1,919,978	-	1,919,978	-
Recreation and culture	3,652,571	-	3,652,571	-
Other (Note 21)	1,948,150	-	1,948,150	44,043
Unrestricted (deficit)	(1,253,816)	8,406,833	7,153,017	(5,037,393)
<b>Total net position</b>	<b>\$ 19,100,565</b>	<b>\$ 14,980,292</b>	<b>\$ 34,080,857</b>	<b>\$ 31,634,678</b>

The accompanying notes are an integral part of these financial statements.

OTSEGO COUNTY, MICHIGAN

Statement of Activities

For the Year Ended December 31, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary government</b>					
Governmental activities:					
Legislative	\$ 225,294	\$ -	\$ -	\$ -	\$ (225,294)
Judicial	1,890,595	562,024	877,216	-	(451,355)
General government	4,003,061	534,675	268,708	-	(3,199,678)
Public safety	4,412,678	809,161	155,042	-	(3,448,475)
Public works	167,639	-	-	69,299	(98,340)
Health and welfare	1,445,356	-	337,944	-	(1,107,412)
Community and economic development	409,862	32,945	110,644	-	(266,273)
Recreation and culture	2,026,823	227,252	900,657	-	(898,914)
Interest - unallocated	86,457	-	-	-	(86,457)
<b>Total governmental activities</b>	<b>14,667,765</b>	<b>2,166,057</b>	<b>2,650,211</b>	<b>69,299</b>	<b>(9,782,198)</b>
Business-type activities:					
Delinquent Tax Revolving	199,345	101,470	-	-	(97,875)
Bus System 9/30/2018	1,673,970	278,308	804,969	373,081	(217,612)
Airport	1,713,366	929,347	-	-	(784,019)
Other	546,238	357,384	-	-	(188,854)
<b>Total business-type activities</b>	<b>4,132,919</b>	<b>1,666,509</b>	<b>804,969</b>	<b>373,081</b>	<b>(1,288,360)</b>
<b>Total primary government</b>	<b>\$ 18,800,684</b>	<b>\$ 3,832,566</b>	<b>\$ 3,455,180</b>	<b>\$ 442,380</b>	<b>\$ (11,070,558)</b>
<b>Component units</b>					
Road Commission	\$ 8,896,471	\$ 2,264,312	\$ 4,704,167	\$ 3,638,474	\$ 1,710,482
Ambulance	2,682,331	1,611,988	-	-	(1,070,343)
Commission on Aging 9/30/2018	1,948,560	69,647	588,582	-	(1,290,331)
Sportsplex	855,274	461,085	-	10,000	(384,189)
<b>Total component units</b>	<b>\$ 14,382,636</b>	<b>\$ 4,407,032</b>	<b>\$ 5,292,749</b>	<b>\$ 3,648,474</b>	<b>\$ (1,034,381)</b>

Continued...

OTSEGO COUNTY, MICHIGAN

**Statement of Activities**  
For the Year Ended December 31, 2018

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Changes in net position				
Net expenses	\$ (9,782,198)	\$ (1,288,360)	\$ (11,070,558)	\$ (1,034,381)
General revenues:				
Property taxes	8,300,297	315,663	8,615,960	3,756,698
Interest and rentals	355,688	259,535	615,223	24,189
Other revenue	1,775,590	284,388	2,059,978	1,275,216
Gain on sale of capital assets	-	-	-	77,539
Transfers	189,109	(172,949)	16,160	-
Total general revenues and transfers	10,620,684	686,637	11,307,321	5,133,642
Change in net position	838,486	(601,723)	236,763	4,099,261
Net position, beginning of year, as restated	18,262,079	15,582,015	33,844,094	27,535,417
Net position, end of year	\$ 19,100,565	\$ 14,980,292	\$ 34,080,857	\$ 31,634,678

Concluded

The accompanying notes are an integral part of these financial statements.

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## FUND FINANCIAL STATEMENTS

OTSEGO COUNTY, MICHIGAN

**Balance Sheet**  
 Governmental Funds  
 December 31, 2018

	General Fund	Housing Commission Special Revenue Fund	M-TEC Special Revenue Fund
<b>Assets</b>			
Cash and cash equivalents	\$ 2,272,810	\$ 173,210	\$ -
Investments	2,664,852	-	-
Receivables:			
Accounts	93,261	-	-
Property taxes	240,249	-	811,209
Due from other governments	116,183	-	-
Loans	-	1,525,999	-
Due from other funds	124,209	-	-
Advances to other funds	-	-	-
Advances to component units	-	-	-
Lease receivable from component unit	-	-	-
Inventories	20,107	-	-
Other assets	12,072	-	-
<b>Total assets</b>	<b>\$ 5,543,743</b>	<b>\$ 1,699,209</b>	<b>\$ 811,209</b>
<b>Liabilities</b>			
Accounts payable	\$ 194,288	\$ 130	\$ -
Accrued liabilities	65,654	78	-
Due to other funds	9,622	60,000	-
Due to other governments	-	-	-
Unearned revenue	-	-	-
<b>Total liabilities</b>	<b>269,564</b>	<b>60,208</b>	<b>-</b>
<b>Deferred inflows of resources</b>			
Taxes levied for a subsequent period	-	-	811,209
Unavailable resources	22,906	1,525,999	-
<b>Total deferred inflows of resources</b>	<b>22,906</b>	<b>1,525,999</b>	<b>811,209</b>
<b>Fund balances</b>			
Nonspendable	32,179	-	-
Restricted	-	113,002	-
Committed	150,000	-	-
Unassigned	5,069,094	-	-
<b>Total fund balances</b>	<b>5,251,273</b>	<b>113,002</b>	<b>-</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 5,543,743</b>	<b>\$ 1,699,209</b>	<b>\$ 811,209</b>

The accompanying notes are an integral part of these basic financial statements.

Library Capital Projects Bond Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 669,183	\$ -	\$ 5,722,463	\$ 8,837,666
-	-	2,710,922	5,375,774
-	-	303,883	397,144
-	-	3,036,428	4,087,886
-	-	300,200	416,383
-	-	-	1,525,999
-	-	-	124,209
-	-	20,844	20,844
-	-	143,024	143,024
-	655,000	-	655,000
-	-	-	20,107
-	-	7,560	19,632
<u>\$ 669,183</u>	<u>\$ 655,000</u>	<u>\$ 12,245,324</u>	<u>\$ 21,623,668</u>
\$ 115,177	\$ -	\$ 320,972	\$ 630,567
-	-	18,938	84,670
-	-	114,587	184,209
-	-	9,428	9,428
-	-	210,532	210,532
<u>115,177</u>	<u>-</u>	<u>674,457</u>	<u>1,119,406</u>
-	-	3,036,290	3,847,499
-	655,000	-	2,203,905
-	655,000	3,036,290	6,051,404
-	-	7,560	39,739
554,006	-	6,295,612	6,962,620
-	-	2,248,661	2,398,661
-	-	(17,256)	5,051,838
<u>554,006</u>	<u>-</u>	<u>8,534,577</u>	<u>14,452,858</u>
<u>\$ 669,183</u>	<u>\$ 655,000</u>	<u>\$ 12,245,324</u>	<u>\$ 21,623,668</u>

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# OTSEGO COUNTY, MICHIGAN

## Reconciliation

Fund Balances of Governmental Funds  
to Net Position of Governmental Activities  
December 31, 2018

Fund balances - total governmental funds \$ 14,452,858

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

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

Capital assets not being depreciated	5,207,651
Capital assets being depreciated, net	7,534,587

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current expenditures. Those assets (i.e., receivables) are offset by deferred inflows of resources in the governmental funds and, therefore, are not included in fund balance.

Unavailable resources from mortgages	1,525,999
Unavailable resources from lease receivable	655,000
Unavailable resources from taxes	22,906

Internal service funds are used by management to charge the costs of certain equipment maintenance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.

526,640

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

Bonds and notes payable	(2,770,601)
Compensated absences	(195,707)
Accrued interest on long-term debt	(6,825)

Certain pension and OPEB-related amounts, such as the net pension liability, total OPEB liability, and related deferred amounts, are not due and payable in the current period or do not represent current financial resources, and therefore are not reported in the funds.

Net pension liability	(6,995,928)
Net other postemployment benefits liability	(1,930,701)
Deferred outflows related to the net pension liability	1,132,752
Deferred outflows related to the other postemployment benefits liability	97,818
Deferred inflows related to the net pension liability	(155,884)

Net position of governmental activities \$ 19,100,565

The accompanying notes are an integral part of these financial statements.

# OTSEGO COUNTY, MICHIGAN

## Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended December 31, 2018

	General Fund	Housing Commission Special Revenue Fund	M-TEC Special Revenue Fund
<b>Revenues</b>			
Taxes	\$ 5,161,173	\$ -	\$ 18,971
Licenses and permits	36,843	-	-
Federal sources	83,924	109,504	-
State sources	1,325,491	-	-
Local sources	35,109	1,140	-
Charges for services	1,052,150	-	-
Fines and forfeits	13,437	-	-
Interest and rentals	222,403	201	-
Other	451,015	10,645	5,555
<b>Total revenues</b>	<b>8,381,545</b>	<b>121,490</b>	<b>24,526</b>
<b>Expenditures</b>			
Current:			
Legislative	225,294	-	-
Judicial	1,381,030	-	-
General government	2,262,259	-	-
Public safety	2,347,218	-	-
Public works	-	-	-
Health and welfare	602,601	-	-
Community and economic development	95,496	158,723	24,526
Recreation and culture	-	-	-
Other	528,105	-	-
Debt service:			
Principal	10,741	-	-
Interest and fiscal charges	848	-	-
Capital outlay	-	-	-
<b>Total expenditures</b>	<b>7,453,592</b>	<b>158,723</b>	<b>24,526</b>
Revenues over (under) expenditures	927,953	(37,233)	-
Other financing sources (uses)			
Transfers in	93,284	256	-
Transfers out	(638,639)	-	-
<b>Total other financing sources (uses)</b>	<b>(545,355)</b>	<b>256</b>	<b>-</b>
Net change in fund balances	382,598	(36,977)	-
Fund balances, beginning of year	4,868,675	149,979	-
Fund balances, end of year	\$ 5,251,273	\$ 113,002	\$ -

The accompanying notes are an integral part of these financial statements.

Library Capital Projects Bond Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 13	\$ -	\$ 3,120,140	\$ 8,300,297
-	-	-	36,843
-	-	320,742	514,170
-	-	580,244	1,905,735
-	69,450	41,200	146,899
-	-	1,077,064	2,129,214
-	-	169,520	182,957
-	-	129,180	351,784
-	-	1,290,218	1,757,433
<u>13</u>	<u>69,450</u>	<u>6,728,308</u>	<u>15,325,332</u>
-	-	-	225,294
-	-	448,956	1,829,986
-	-	1,059,961	3,322,220
-	-	1,815,777	4,162,995
-	-	-	-
-	-	840,911	1,443,512
-	-	-	278,745
-	-	1,475,664	1,475,664
11,734	-	-	539,839
-	615,000	16,031	641,772
-	89,813	1,762	92,423
<u>2,373,066</u>	<u>-</u>	<u>631,017</u>	<u>3,004,083</u>
<u>2,384,800</u>	<u>704,813</u>	<u>6,290,079</u>	<u>17,016,533</u>
<u>(2,384,787)</u>	<u>(635,363)</u>	<u>438,229</u>	<u>(1,691,201)</u>
1,393,163	635,363	681,382	2,803,448
-	-	(1,975,180)	(2,613,819)
<u>1,393,163</u>	<u>635,363</u>	<u>(1,293,798)</u>	<u>189,629</u>
(991,624)	-	(855,569)	(1,501,572)
<u>1,545,630</u>	<u>-</u>	<u>9,390,146</u>	<u>15,954,430</u>
<u>\$ 554,006</u>	<u>\$ -</u>	<u>\$ 8,534,577</u>	<u>\$ 14,452,858</u>

# OTSEGO COUNTY, MICHIGAN

## Reconciliation

Net Change in Fund Balances of Governmental Funds  
to Change in Net Position of Governmental Activities  
For the Year Ended December 31, 2018

Net change in fund balances - total governmental funds \$ (1,501,572)

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

Governmental funds reported capital outlays as expenditures. However in the statement of activities the cost of those assets is capitalized and allocated over their useful lives and reported as depreciation expense.

Acquisition/construction of capital assets	3,033,859
Depreciation expense	(936,554)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year.

Net change in unavailable resources from mortgages	(111,792)
Net change in unavailable resources from lease receivable	(35,000)
Net change in unavailable resources from taxes	22,906

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal payments on long-term debt	641,772
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Amortization of issuance premium	3,510
Change in accrued interest payable on long-term debt	1,608
Change in the net pension liability and related deferred amounts	(291,061)
Change in the total other postemployment benefits liability and related deferred amounts	16,069
Change in compensated absences	(25,165)

An internal service fund is used by management to charge the costs of certain services to individual governmental funds. The net revenue (expense) attributable to those funds is reported with governmental activities.

Change in net position from internal service funds reported within the governmental activities	<u>19,906</u>
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Change in net position of governmental activities	<u>\$ 838,486</u>
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The accompanying notes are an integral part of these financial statements.

# OTSEGO COUNTY, MICHIGAN

## Statement of Revenues, Expenditures and Change in Fund Balance

Budget and Actual - General Fund

For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Taxes	\$ 5,182,712	\$ 5,182,712	\$ 5,161,173	\$ (21,539)
Licenses and permits	34,426	39,387	36,843	(2,544)
Federal sources	72,600	76,200	83,924	7,724
State sources	1,338,932	1,405,665	1,325,491	(80,174)
Local sources	28,500	36,000	35,109	(891)
Charges for services	954,980	980,697	1,052,150	71,453
Fines and forfeits	12,050	12,050	13,437	1,387
Interest and rentals	165,000	165,000	222,403	57,403
Other	430,055	435,336	451,015	15,679
<b>Total revenues</b>	<b>8,219,255</b>	<b>8,333,047</b>	<b>8,381,545</b>	<b>48,498</b>
<b>Expenditures</b>				
<b>Current:</b>				
<b>Legislative:</b>				
Board of Commissioners	233,177	233,008	225,294	(7,714)
<b>Judicial:</b>				
Circuit court	1,201,968	1,208,546	1,018,543	(190,003)
Lien fees	15,500	15,500	9,800	(5,700)
Drug court	143,786	144,286	123,308	(20,978)
RDSS transport	15,000	15,000	8,495	(6,505)
District court	34,912	34,912	7,372	(27,540)
Jury commission	44,725	44,725	36,848	(7,877)
Probate court	175,020	175,220	173,487	(1,733)
Probation/parole	1,500	1,500	1,184	(316)
Family counseling	4,000	4,000	1,993	(2,007)
<b>Total judicial</b>	<b>1,636,411</b>	<b>1,643,689</b>	<b>1,381,030</b>	<b>(262,659)</b>
<b>General government:</b>				
Administrative services	268,425	268,425	263,425	(5,000)
Buildings and grounds	290,000	290,000	290,000	-
Clerk and register of deeds	303,484	306,174	299,956	(6,218)
Audit services	12,508	12,508	12,507	(1)
IT department	97,212	97,212	85,110	(12,102)
Equalization	219,454	219,679	216,324	(3,355)
Treasurer	148,596	148,712	135,645	(13,067)
Cooperative extension	62,083	62,176	61,961	(215)
Elections	21,440	28,497	27,787	(710)
Prosecuting attorney	612,661	614,351	597,591	(16,760)
Register of deeds	63,888	64,063	58,598	(5,465)
Legal defense	35,000	71,300	67,154	(4,146)
Human resources	94,947	94,947	94,947	-
Surveyor	200	200	200	-
Soil conservation	4,000	4,000	4,000	-
Survey and remonumentation	47,055	47,055	47,054	(1)
<b>Total general government</b>	<b>2,280,953</b>	<b>2,329,299</b>	<b>2,262,259</b>	<b>(67,040)</b>

Continued...

# OTSEGO COUNTY, MICHIGAN

## Statement of Revenues, Expenditures and Change in Fund Balance

Budget and Actual - General Fund  
For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Public safety:				
Sheriff	\$ 986,413	\$ 986,251	\$ 976,433	\$ (9,818)
Civil division	57,236	57,236	41,018	(16,218)
School resource officer	-	25,815	20,805	(5,010)
SANE	20,000	20,000	20,000	-
Justice training	3,000	3,000	100	(2,900)
Marine safety	4,886	8,486	4,134	(4,352)
Motorcycle safety education	51,200	51,200	43,548	(7,652)
Snowmobile	8,686	8,686	522	(8,164)
Secondary road patrol	89,514	97,720	97,695	(25)
ORV	7,386	7,426	13,691	6,265
Jail	1,078,595	1,110,272	1,099,272	(11,000)
Emergency	30,000	30,000	30,000	-
Total public safety	2,336,916	2,406,092	2,347,218	(58,874)
Public works:				
Drains	6,000	6,000	-	(6,000)
Health and welfare:				
Communicable diseases	500	500	500	-
Medical examiner	108,600	143,601	138,913	(4,688)
District health	228,611	228,311	216,579	(11,732)
Mental health	94,003	94,003	94,003	-
Soldiers and sailors relief	5,000	6,650	5,620	(1,030)
Veteran's burial	6,150	6,150	5,720	(430)
Veteran's affairs	59,757	60,328	58,336	(1,992)
Substance abuse	82,439	83,422	82,930	(492)
Total health and welfare	585,060	622,965	602,601	(20,364)
Community and economic development:				
Planning and zoning	91,171	96,282	95,496	(786)
Other:				
Appropriations	23,338	23,338	23,338	-
Bonds and insurance	220,000	220,000	218,967	(1,033)
Retiree insurance	64,447	64,447	59,071	(5,376)
Additional pension contributions	54,300	204,469	204,469	-
Other	121,418	44,894	22,260	(22,634)
Total other	483,503	557,148	528,105	(29,043)
Capital outlay	36,500	48,100	-	(48,100)
Debt service:				
Principal payments	12,000	10,325	10,741	416
Interest and fiscal charges	-	-	848	848
Total debt service	12,000	10,325	11,589	1,264
Total expenditures	7,701,691	7,952,908	7,453,592	(499,316)
Revenues over expenditures	517,564	380,139	927,953	547,814

Continued...

OTSEGO COUNTY, MICHIGAN

**Statement of Revenues, Expenditures and Change in Fund Balance**  
 Budget and Actual - General Fund  
 For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Other financing sources (uses)				
Transfers in	\$ 65,484	\$ 93,349	\$ 93,284	\$ (65)
Transfers out	(588,048)	(638,639)	(638,639)	-
Total other financing sources (uses)	(522,564)	(545,290)	(545,355)	(65)
Net change in fund balance	(5,000)	(165,151)	382,598	547,749
Fund balance, beginning of year	4,868,675	4,868,675	4,868,675	-
Fund balance, end of year	<u>\$ 4,863,675</u>	<u>\$ 4,703,524</u>	<u>\$ 5,251,273</u>	<u>\$ 547,749</u>

Concluded

The accompanying notes are an integral part of these financial statements.

OTSEGO COUNTY, MICHIGAN

**Statement of Revenues, Expenditures and Change in Fund Balance**  
 Budget and Actual - Housing Commission Special Revenue Fund  
 For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Federal sources	\$ 65,000	\$ 65,000	\$ 109,504	\$ 44,504
Local sources	65,000	65,000	1,140	(63,860)
Interest and rentals	300	300	201	(99)
Other	136,950	136,950	10,645	(126,305)
<b>Total revenues</b>	<b>267,250</b>	<b>267,250</b>	<b>121,490</b>	<b>(145,760)</b>
<b>Expenditures</b>				
Current:				
Community and economic development	278,727	278,953	158,723	(120,230)
<b>Revenues over (under) expenditures</b>	<b>(11,477)</b>	<b>(11,703)</b>	<b>(37,233)</b>	<b>(25,530)</b>
<b>Other financing sources</b>				
Transfers in	-	226	256	30
<b>Net change in fund balance</b>	<b>(11,477)</b>	<b>(11,477)</b>	<b>(36,977)</b>	<b>(25,500)</b>
<b>Fund balance, beginning of year</b>	<b>149,979</b>	<b>149,979</b>	<b>149,979</b>	<b>-</b>
<b>Fund balance, end of year</b>	<b>\$ 138,502</b>	<b>\$ 138,502</b>	<b>\$ 113,002</b>	<b>\$ (25,500)</b>

The accompanying notes are an integral part of these financial statements.

OTSEGO COUNTY, MICHIGAN

**Statement of Revenues, Expenditures and Change in Fund Balance**  
 Budget and Actual - M-TEC Special Revenue Fund  
 For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Taxes	\$ -	\$ 21,269	\$ 18,971	\$ (2,298)
Other	-	5,555	5,555	-
<b>Total revenues</b>	-	26,824	24,526	(2,298)
<b>Expenditures</b>				
Current:				
Community and economic development	-	26,824	24,526	(2,298)
<b>Net change in fund balance</b>	-	-	-	-
<b>Fund balance, beginning of year</b>	-	-	-	-
<b>Fund balance, end of year</b>	\$ -	\$ -	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

OTSEGO COUNTY, MICHIGAN

Statement of Net Position

Proprietary Funds  
December 31, 2018

	Business-type Activities - Enterprise Funds		
	Delinquent Tax Revolving Fund	Bus System 9/30/2018	Airport
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 1,346,042	\$ 223,723	\$ 44,788
Investments	3,963,402	-	-
Receivables:			
Accounts	1,842	5,479	70,664
Taxes	1,023,419	1,630	-
Interest	143,330	-	-
Due from other governments	-	75,868	-
Due from other funds	60,000	-	-
Advances to component units	195,000	-	-
Inventories	-	-	54,479
Other assets	-	-	-
<b>Total current assets</b>	<b>6,733,035</b>	<b>306,700</b>	<b>169,931</b>
Noncurrent assets:			
Capital assets not being depreciated	-	99,998	-
Capital assets being depreciated, net	-	536,978	5,875,001
<b>Total noncurrent assets</b>	<b>-</b>	<b>636,976</b>	<b>5,875,001</b>
<b>Total assets</b>	<b>6,733,035</b>	<b>943,676</b>	<b>6,044,932</b>
Deferred outflows of resources			
Deferred pension amounts	-	140,229	-
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	16,892	46,136	15,109
Accrued liabilities	923	-	-
Due to other governments	-	223,518	-
Unearned revenue	-	1,630	-
<b>Total current liabilities</b>	<b>17,815</b>	<b>271,284</b>	<b>15,109</b>
Noncurrent liabilities:			
Advances from other funds	-	-	20,844
Long term debt:			
Accrued compensated absences - due in more than one year	-	25,545	-
Net pension liability	-	389,359	-
<b>Total noncurrent liabilities</b>	<b>-</b>	<b>414,904</b>	<b>20,844</b>
<b>Total liabilities</b>	<b>17,815</b>	<b>686,188</b>	<b>35,953</b>
Deferred inflows of resources			
Deferred pension amounts	-	204,850	-
<b>Net position</b>			
Investment in capital assets	-	636,976	5,875,001
Unrestricted (deficit)	6,715,220	(444,109)	133,978
<b>Total net position</b>	<b>\$ 6,715,220</b>	<b>\$ 192,867</b>	<b>\$ 6,008,979</b>

The accompanying notes are an integral part of these financial statements.



		Governmental Activities
Nonmajor Enterprise Funds	Total	Internal Service Funds
\$ 439,989	\$ 2,054,542	\$ 344,850
1,613,401	5,576,803	100,000
2,932	80,917	12,353
-	1,025,049	-
-	143,330	-
-	75,868	-
-	60,000	-
-	195,000	-
-	54,479	325
3,025	3,025	99,855
<u>2,059,347</u>	<u>9,269,013</u>	<u>557,383</u>
-	99,998	-
61,482	6,473,461	-
<u>61,482</u>	<u>6,573,459</u>	<u>-</u>
<u>2,120,829</u>	<u>15,842,472</u>	<u>557,383</u>
-	140,229	-
56,106	134,243	29,330
923	1,846	1,413
-	223,518	-
574	2,204	-
<u>57,603</u>	<u>361,811</u>	<u>30,743</u>
-	20,844	-
-	25,545	-
-	389,359	-
<u>-</u>	<u>435,748</u>	<u>-</u>
<u>57,603</u>	<u>797,559</u>	<u>30,743</u>
-	204,850	-
61,482	6,573,459	-
<u>2,001,744</u>	<u>8,406,833</u>	<u>526,640</u>
<u>\$ 2,063,226</u>	<u>\$ 14,980,292</u>	<u>\$ 526,640</u>

OTSEGO COUNTY, MICHIGAN

Statement of Revenues, Expenses and Changes in Fund Net Position

Proprietary Funds

For the Year Ended December 31, 2018

	Business-type Activities - Enterprise Funds		
	Delinquent Tax Revolving Fund	Bus System 9/30/2018	Airport
Operating revenues			
Local sources	\$ -	\$ -	\$ -
Charges for services	101,470	278,308	929,347
Interest and penalties	276,761	-	-
Other	-	-	6,299
<b>Total operating revenues</b>	<b>378,231</b>	<b>278,308</b>	<b>935,646</b>
Operating expenses			
Salaries and fringes	50,735	1,116,984	143,452
Contractual services	121,171	-	173,578
Materials and supplies	4,662	-	681,260
Equipment repair and maintenance	-	-	-
Utilities	-	-	-
Depreciation	-	200,712	594,221
Other	22,777	356,274	120,855
<b>Total operating expenses</b>	<b>199,345</b>	<b>1,673,970</b>	<b>1,713,366</b>
Operating income (loss)	178,886	(1,395,662)	(777,720)
Nonoperating revenues (expenses)			
Property taxes levied	-	315,663	-
Federal grants	-	258,567	-
State grants	-	546,402	-
Investment (losses) earnings	(65,942)	-	3,727
Other revenues	-	21,276	-
<b>Total nonoperating revenues</b>	<b>(65,942)</b>	<b>1,141,908</b>	<b>3,727</b>
Income (loss) before transfers	112,944	(253,754)	(773,993)
Other financing sources (uses)			
Transfers in	-	16,160	150,175
Transfers out	(352,100)	-	-
Capital contribution	-	373,081	-
<b>Total other financing sources (uses)</b>	<b>(352,100)</b>	<b>389,241</b>	<b>150,175</b>
Change in net position	(239,156)	135,487	(623,818)
Net position, beginning of year	6,954,376	57,380	6,632,797
Net position, end of year	\$ 6,715,220	\$ 192,867	\$ 6,008,979

The accompanying notes are an integral part of these financial statements.

		Governmental Activities
Nonmajor Enterprise Funds	Total	Internal Service Funds
\$ 15,000	\$ 15,000	\$ -
357,384	1,666,509	2,253,032
-	276,761	-
-	6,299	-
<u>372,384</u>	<u>1,964,569</u>	<u>2,253,032</u>
54,643	1,365,814	1,724,084
162,399	457,148	252,934
71,542	757,464	22,655
-	-	7,002
-	-	214,528
12,301	807,234	-
245,353	745,259	15,308
<u>546,238</u>	<u>4,132,919</u>	<u>2,236,511</u>
<u>(173,854)</u>	<u>(2,168,350)</u>	<u>16,521</u>
-	315,663	-
-	258,567	-
-	546,402	-
44,989	(17,226)	3,905
241,813	263,089	-
<u>286,802</u>	<u>1,366,495</u>	<u>3,905</u>
<u>112,948</u>	<u>(801,855)</u>	<u>20,426</u>
31,000	197,335	-
(18,184)	(370,284)	(520)
-	373,081	-
<u>12,816</u>	<u>200,132</u>	<u>(520)</u>
125,764	(601,723)	19,906
<u>1,937,462</u>	<u>15,582,015</u>	<u>506,734</u>
<u>\$ 2,063,226</u>	<u>\$ 14,980,292</u>	<u>\$ 526,640</u>

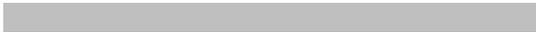
OTSEGO COUNTY, MICHIGAN

Statement of Cash Flows

Proprietary Funds

For the Year Ended December 31, 2018

	Business-type Activities - Enterprise Funds		
	Delinquent Tax Revolving Fund	Bus System 9/30/2018	Airport
Cash flows from operating activities			
Received from customers	\$ 526,059	\$ 296,070	\$ 885,489
Received from interfund services	-	-	-
Payments for goods and services	(144,302)	(357,326)	(981,400)
Payments to employees	(50,635)	(1,081,134)	(143,984)
Net cash provided by (used in) operating activities	331,122	(1,142,390)	(239,895)
Cash flows from noncapital financing activities			
Property tax	-	315,397	-
Federal grants	-	264,417	-
State grants	-	682,673	-
Other receipts	-	21,276	-
Repayment on advance from other funds	-	(20,000)	(11,275)
Transfers in	-	16,160	150,175
Transfers out	(352,100)	-	-
Net cash provided by (used in) noncapital financing activities	(352,100)	1,279,923	138,900
Cash flows from capital and related financing activities			
Purchase of capital assets	-	(403,158)	(35,827)
Federal capital grants	-	298,465	-
State capital grants	-	74,616	-
Net cash used in investing activities	-	(30,077)	(35,827)
Cash flows from investing activities			
Proceeds from sale of investments	966,224	-	-
Purchase of investments	-	-	-
Interest received on investments	(65,942)	-	3,727
Net cash provided by (used in) investing activities	900,282	-	3,727
Net change in cash and cash equivalents	879,304	107,456	(133,095)
Cash and cash equivalents, beginning of year	466,738	116,267	177,883
Cash and cash equivalents, end of year	\$ 1,346,042	\$ 223,723	\$ 44,788



Business-type Activities - Enterprise Funds		Governmental Activities
Nonmajor Enterprise Funds	Total	Internal Service Funds
\$ 378,239	\$ 2,085,857	\$ -
-	-	2,252,687
(438,400)	(1,921,428)	(1,626,478)
(54,550)	(1,330,303)	(547,292)
<u>(114,711)</u>	<u>(1,165,874)</u>	<u>78,917</u>
-	315,397	-
-	264,417	-
-	682,673	-
241,813	263,089	-
-	(31,275)	-
31,000	197,335	-
(18,184)	(370,284)	(520)
<u>254,629</u>	<u>1,321,352</u>	<u>(520)</u>
-	(438,985)	-
-	298,465	-
-	74,616	-
<u>-</u>	<u>(65,904)</u>	<u>-</u>
-	966,224	-
(406,235)	(406,235)	-
44,989	(17,226)	3,905
<u>(361,246)</u>	<u>542,763</u>	<u>3,905</u>
(221,328)	632,337	82,302
<u>661,317</u>	<u>1,422,205</u>	<u>162,548</u>
<u>\$ 439,989</u>	<u>\$ 2,054,542</u>	<u>\$ 244,850</u>

Continued...

OTSEGO COUNTY, MICHIGAN

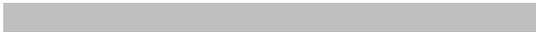
Statement of Cash Flows

Proprietary Funds

For the Year Ended December 31, 2018

	Business-type Activities - Enterprise Funds		
	Delinquent Tax Revolving Fund	Bus System 9/30/2018	Airport
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities			
Operating income (loss)	\$ 178,886	\$ (1,395,662)	\$ (777,720)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation expense	-	200,712	594,221
Change in operating assets and liabilities that provided (used) cash:			
Accounts receivable	(1,524)	17,762	(50,157)
Taxes receivable	83,230	-	-
Interest receivable	1,122	-	-
Due from other funds	20,000	-	-
Advances to other funds	45,000	-	-
Inventories	-	-	(8,540)
Other assets	-	-	13,205
Deferred pension outflows	-	222,243	-
Accounts payable	4,308	(5,844)	(10,372)
Due to other funds	-	-	-
Accrued liabilities	100	-	(532)
Unearned revenue	-	-	-
Deferred pension inflows	-	6,875	-
Net pension liability	-	(188,476)	-
Net cash provided by (used in) operating activities	<u>\$ 331,122</u>	<u>\$ (1,142,390)</u>	<u>\$ (239,895)</u>

The accompanying notes are an integral part of these financial statements.



Business-type Activities - Enterprise Funds		Governmental Activities
Nonmajor Enterprise Funds	Total	Internal Service Funds
\$ (173,854)	\$ (2,168,350)	\$ 16,521
12,301	807,234	-
5,281	(28,638)	(345)
-	83,230	-
-	1,122	-
-	20,000	-
-	45,000	-
-	(8,540)	-
3,241	16,446	51,260
-	222,243	-
37,653	25,745	11,724
-	-	-
93	(339)	(243)
574	574	-
-	6,875	-
-	(188,476)	-
<u>\$ (114,711)</u>	<u>\$ (1,165,874)</u>	<u>\$ 78,917</u>

Concluded

# OTSEGO COUNTY, MICHIGAN

## Statement of Fiduciary Assets and Liabilities

Fiduciary Funds  
December 31, 2018

	Agency Funds
<b>Assets</b>	
Cash and cash equivalents	<u>\$ 1,936,022</u>
<b>Liabilities</b>	
Undistributed tax collections	848,250
Bonds, restitutions, and payables to others	<u>1,087,772</u>
<b>Total liabilities</b>	<u>\$ 1,936,022</u>

The accompanying notes are an integral part of these financial statements.

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OTSEGO COUNTY, MICHIGAN

**Combining Statement of Net Position**  
Discretely Presented Component Units  
December 31, 2018

	Road Commission	Ambulance Corporation	Commission on Aging 9/30/2018
<b>Assets</b>			
Cash and cash equivalents	\$ 1,283,344	\$ 11,483	\$ 825,918
Investments	2,191,863	-	-
Receivables, net:			
Accounts	1,318,425	342,504	25,318
Taxes	2,339,661	977,213	-
Inventories	863,667	-	2,163
Capital assets not being depreciated	11,647,119	19,648	-
Capital assets being depreciated, net	24,403,746	1,572,526	-
<b>Total assets</b>	<b>44,047,825</b>	<b>2,923,374</b>	<b>853,399</b>
<b>Deferred outflows of resources</b>			
Pension and OPEB amounts	789,530	-	-
<b>Liabilities</b>			
Accounts payable	160,068	53,391	54,110
Accrued liabilities	114,586	5,284	-
Due to other governments	44,742	-	-
Advances from government units	455,897	-	-
Advances from primary government	-	338,024	-
Unearned revenue	-	-	-
Long-term debt:			
Due within one year	67,818	-	-
Due in more than one year	1,199,411	-	-
Net pension liability, due in more than one year	5,644,296	-	-
Net other postemployment benefits liability, due in more than one year	5,678,335	-	-
<b>Total liabilities</b>	<b>13,365,153</b>	<b>396,699</b>	<b>54,110</b>
<b>Deferred inflows of resources</b>			
Taxes levied for a subsequent period	1,251,916	977,213	-
Other state grants	1,087,745	-	-
<b>Total deferred inflows</b>	<b>2,339,661</b>	<b>977,213</b>	<b>-</b>
<b>Net position</b>			
Net investment in capital assets	35,035,854	1,592,174	-
Restricted	-	-	44,043
Unrestricted (deficit)	(5,903,313)	(42,712)	755,246
<b>Total net position</b>	<b>\$ 29,132,541</b>	<b>\$ 1,549,462</b>	<b>\$ 799,289</b>

The accompanying notes are an integral part of these financial statements.



OTSEGO COUNTY, MICHIGAN

**Combining Statement of Activities**  
 Discretely Presented Component Units  
 For the Year Ended December 31, 2018

	Road Commission	Ambulance Corporation	Commission on Aging 9/30/2018
<b>Expenses</b>			
Road Commission	\$ 8,896,471	\$ -	\$ -
Ambulance Corporation	-	2,682,331	-
Commission on Aging 9/30/2018	-	-	1,948,560
Sportsplex	-	-	-
<b>Total expenses</b>	<b>8,896,471</b>	<b>2,682,331</b>	<b>1,948,560</b>
<b>Program revenues</b>			
Charges for services	2,264,312	1,611,988	69,647
Operating grants and contributions	4,704,167	-	588,582
Capital grants and contributions	3,638,474	-	-
<b>Total program revenues</b>	<b>10,606,953</b>	<b>1,611,988</b>	<b>658,229</b>
<b>Net revenue (expense)</b>	<b>1,710,482</b>	<b>(1,070,343)</b>	<b>(1,290,331)</b>
<b>General revenues</b>			
Property taxes	1,229,639	959,210	1,262,757
Investment earnings	9,896	7,430	6,863
Gain on sale of capital assets	77,539	-	-
Other	1,056,096	6,703	91,410
<b>Total general revenues</b>	<b>2,373,170</b>	<b>973,343</b>	<b>1,361,030</b>
<b>Change in net position</b>	<b>4,083,652</b>	<b>(97,000)</b>	<b>70,699</b>
<b>Net position, beginning of year, as restated</b>	<b>25,048,889</b>	<b>1,646,462</b>	<b>728,590</b>
<b>Net position, end of year</b>	<b>\$ 29,132,541</b>	<b>\$ 1,549,462</b>	<b>\$ 799,289</b>

The accompanying notes are an integral part of these financial statements.



Sportsplex	Total
\$ -	\$ 8,896,471
-	2,682,331
-	1,948,560
<u>855,274</u>	<u>855,274</u>
<u>855,274</u>	<u>14,382,636</u>
461,085	4,407,032
-	5,292,749
<u>10,000</u>	<u>3,648,474</u>
<u>471,085</u>	<u>13,348,255</u>
<u>(384,189)</u>	<u>(1,034,381)</u>
305,092	3,756,698
-	24,189
-	77,539
<u>121,007</u>	<u>1,275,216</u>
<u>426,099</u>	<u>5,133,642</u>
41,910	4,099,261
<u>111,476</u>	<u>27,535,417</u>
<u>\$ 153,386</u>	<u>\$ 31,634,678</u>

## NOTES TO FINANCIAL STATEMENTS

# OTSEGO COUNTY, MICHIGAN

## Notes to Financial Statements

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Otsego County (the "County" or the "Government") was organized in 1840 and covers an area of approximately 527 square miles divided into nine Townships, one village, and one city. The County seat is located in the City of Gaylord. The County operates under an elected Board of Commissioners (nine members) with an appointed County Administrator who assists with day-to-day operations. The County provides services to its more than 24,000 residents in many areas including law enforcement, administration of justice, community enrichment, economic development, and human services.

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

#### Reporting Entity

As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the County is financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and as such, data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the government.

#### *Blended Component Unit*

Otsego County Building Authority (the "Building Authority") - The Building Authority is governed by a three member board appointed by the County Board of Commissioners. Although it is legally separate from the County, the Building Authority is reported as if it were part of the primary government because its sole purpose is to finance and construct the County's public buildings. The financial statements of the Otsego County Building Authority are reported in the County's Debt Service fund and Capital Projects fund as presented in this report.

#### *Discretely Presented Component Units*

Otsego County Road Commission (the "Road Commission") - The Road Commission which is established pursuant to the County Road Law (MCL 224.1) is governed by a three member Board of County Road Commissioners elected biannually to serve a six year term. The Road Commission is responsible for the maintenance and construction of the County road system. It may not issue debt without the County's approval and the tax levy is subject to the County Board of Commissioners' approval. If approval is granted, Road Commission taxes are levied under the taxing authority of the County, as approved by the County electors, and would be included as part of the County's total tax levy as well as reported in the County Road Fund.

# OTSEGO COUNTY, MICHIGAN

## Notes to Financial Statements

Otsego County Ambulance Corporation, Inc. (the "Ambulance Corporation") - The Ambulance Corporation, a nonprofit corporation which was established pursuant to the provisions of Public Act 327 of 1931, as amended, and Public Act 284 of 1972, has an agreement with Otsego County to provide ambulance service in and about Otsego County. A nine member board governs the Ambulance Corporation. The Ambulance Corporation may not issue debt without the County's approval and a tax levy is subject to the County Board of Commissioners' approval. If approval is granted, the Ambulance Corporation's taxes are levied under the taxing authority of the County, as approved by the County electors, and would be included as part of the County's total tax levy as well as in the Ambulance Corporation Fund. All assets are in the name of the County.

Otsego County Commission on Aging (the "Commission") - The Commission is legally separable and administered by an advisory Board of Directors (the "Board") with twelve members. The Commission may not issue debt and the tax levy is subject to the County Board of Commissioners' approval. The Commission's taxes are levied under the taxing authority of the County, as approved by the County electors, and is included as part of the County's total tax levy as well as reported in the Commission on Aging Fund.

Otsego County Sportsplex (the "Sportsplex") - The Sportsplex, a nonprofit corporation that was established pursuant to the provisions of Public Act 162 of 1982, has an agreement with Otsego County to operate and maintain a recreational and sports complex for Otsego County. The agreement was amended on December 15, 2015 and expires on December 15, 2020. The sports complex was constructed during 1995 and opened in early 1996. The Sportsplex is operated by a Board of Directors, which consist of between seven and fifteen members. Members recommended by the Sportsplex Board of Directors and forwarded to the County Board of Commissioners for review and approval. The Sportsplex may not issue debt without the County's approval and the tax levy is subject to the County Board of Commissioners' approval. The Sportsplex taxes are levied under the taxing authority of the County, as approved by the County electors and are included as part of the County's total tax levy recorded in the County's Sportsplex Fund. The County Board of Commissioners also approves the budget and fee changes. Although this is a nonprofit corporation, the activities fit the description of a governmental special revenue fund type and, accordingly, are reported as a component unit in this report.

### *Component Unit Financial Statements*

Complete financial statements of the following individual component units can be obtained from the County Clerk's Office at 225 West Main Street, Gaylord, MI 49735. Separate reports are not issued.

#### Administrative Offices

Otsego County Sportsplex  
1250 Gornick Avenue  
Gaylord, MI 49735

Otsego County Ambulance Corporation, Inc.  
100 McLouth, PO Box 642  
Gaylord, MI 49735

# OTSEGO COUNTY, MICHIGAN

## Notes to Financial Statements

Complete financial statements of the following individual component units can be obtained from their respective administrative offices as listed below. Separate reports are issued.

### Administrative Offices

Otsego County Road Commission  
Industrial Park, PO Box 537  
Gaylord, MI 49735

Otsego County Commission on Aging  
120 Grandview Boulevard  
Gaylord, MI 49735

### Joint Ventures

The County participates in the following activities, which are considered to be joint ventures in relation to the County due to the formation of an organization by contractual agreement between two or more participants that maintain joint control, financial interest, and fiscal responsibility.

Northwest Michigan Community Health Agency (the "Health Agency") - The Health Agency provides health service for residents of Otsego County. The Counties of Otsego, Antrim, Emmet, and Charlevoix jointly established the agency. The financial operations of the Health Agency are recorded in the financial statements of Charlevoix County. The funding formula, approved by the member Counties, is based on a pro rata amount based on each unit's population and equalized valuation to the member Counties total population and valuation. Financial information of the Health Agency as of September 30, 2018 (the most recent financial statements) is as follows:

Assets	\$ 7,990,487
Liabilities	3,864,491
Change in net position	(1,413,040)
Participant payments	
Total participant payments	1,029,088
Otsego County	216,579
Otsego County percent of total payments	21.05%

Michigan Technical Education Center - Kirtland Community College, a community college district established pursuant to the provisions of Public Act 331 of 1996, obtained funding through the Michigan Economic Development Corporation ("MEDC") to construct and equip Michigan Technical Education Center ("M-TEC"), an educational facility in Otsego County. On December 7, 1999, the electors of the County authorized a tax levy not to exceed .56 mills for a period of twenty years for the purpose of generating funds to operate the facility. The facility provides vocational, technical, job skills, or workforce development programs and services. Pursuant to the operating agreement, Kirtland established an advisory board (which includes representatives of the County) and is to report its preliminary, final, and amended M-TEC budgets to the County's board. Financial records for M-TEC are recorded and maintained by the Kirtland Community College and are audited separately.

M-TEC is used in conjunction with and occupied by the University Center established and operated by the University Center of Gaylord, a non-profit corporation.

North Country Community Mental Health Authority (the "CMH Authority") - The CMH Authority consists of the counties of Antrim, Charlevoix, Cheboygan, Emmet, Kalkaska, and Otsego. Financial records for the CMH Authority are recorded and maintained by the Authority and audited separately.

# OTSEGO COUNTY, MICHIGAN

## Notes to Financial Statements

The funding formula for the community mental health operations and services is in accordance with an agreement approved by each county. The current agreement provides that each county will pay at an agreed upon rate. The Otsego County 2018 local match, recorded in the General fund, was \$94,003. Otsego County University Center (the "Facility") - Effective January 1, 2017, management of the Facility transferred to Kirtland Community College (the "College"). The terms of the agreement between the County and the College are effective January 1, 2017, through December 31, 2020, which will automatically be extended unless otherwise modified. The Governance Advisory Board (the "GAB") serves as citizen input on the operations of the Facility under the College's management. Membership of the GAB consists of 16 to 20 members, of which, 2 are members from the Otsego County Board of Commissioners or the County Administrator and the remaining members represent a broad variety of interests in Otsego County to include but not be limited to banking and financial services, medical, manufacturing, independent business owners and education. Further information regarding the Facility's operation is presented in a separately issued College report.

### *Component Unit and Enterprise Funds with Different Fiscal Year Ends*

The financial information presented in this report is for the year ended December 31, 2018, except for the following component unit and enterprise fund:

Fund	Fund Presentation	Fiscal Year End
Commission on Aging	Component Unit	September 30, 2018
Bus System	Enterprise Fund	September 30, 2018

### *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*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain 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. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

# OTSEGO COUNTY, MICHIGAN

## Notes to Financial Statements

### *Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Agency funds, a type of fiduciary fund, are unlike all other types of funds, reporting only assets and liabilities. Therefore, agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. A 60-day availability period is used for revenue recognition for all governmental fund revenues, except for expenditure-driven grants, which must be collected within one year, and property taxes. Property taxes for the County, levied and payable within the current fiscal year, are fully recognized inasmuch as any uncollected taxes are settled with the Delinquent Tax Revolving fund not later than March 1 of the following fiscal year. While this schedule exceeds the normal availability period for property taxes of 60 days, management believes that fully recognizing property taxes in the year they are intended to finance better reflects the matching concept of generally accepted accounting principles. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, intergovernmental revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and as such have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The County reports the following major governmental funds:

The *General* fund is the government's primary operating fund. It accounts for all the financial resources of the general government, except those accounted for and reported in another fund.

The *Housing Commission* special revenue fund accounts for grant revenue and contributions restricted for the improvement of housing within the County.

The *M-TEC* special revenue fund accounts for activities of an educational facility providing workforce development programs.

The *Library Capital Project Bond* fund accounts for activities related to the bond funded library expansion project.

The *Debt Service* fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

# OTSEGO COUNTY, MICHIGAN

## Notes to Financial Statements

The County reports the following major proprietary funds:

The *Delinquent Tax Revolving* fund accounts for the purchase of and subsequent collection of delinquent taxes.

The *Bus System* fund accounts for the operation of the public transit system.

The *Airport* fund accounts for the financial activity of the Gaylord Regional Airport.

Additionally, the County reports the following fund types:

*Special revenue funds* are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

*Capital projects funds* are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Additionally, funds are used for significant repairs to and maintenance of capital assets.

*Enterprise funds* account for those operations that are financed and operated in a manner similar to private business or where the County has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

*Internal service funds* account for buildings and grounds, administrative services, and employee health benefits provided to other departments or agencies of the County on a cost reimbursement basis.

*Agency funds* are custodial in nature and do not present results of operations or have a measurement focus. These funds are used to account for assets that the government holds for others in an agency capacity (such as taxes collected for 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 payments in lieu of taxes and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Restricted net position are assets that are subject to restrictions beyond the government's control. The restrictions may be externally imposed or imposed by law. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

# OTSEGO COUNTY, MICHIGAN

## Notes to Financial Statements

### Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Equity

#### *Deposits and Investments*

The County's cash and cash equivalents are considered to be cash on hand, amounts in demand deposit accounts 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 is allocated to each fund based on the average cash balance.

State statutes authorize the County to invest in:

Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.

Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.

Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.

Bankers' acceptances of United States banks.

Obligations of the State of Michigan and its political subdivisions, that, at the time of purchase are rated as investment grade by at least one standard rating service.

Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.

External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

#### *Receivables and Payables*

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectible accounts, as applicable. 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.

The accounts receivable for the Ambulance Corporation component unit is presented net of allowance for doubtful accounts of \$420,000.

# OTSEGO COUNTY, MICHIGAN

## Notes to Financial Statements

### *Other Assets*

Inventories are valued at cost, using the consumption method. Inventories of governmental and enterprise funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

### *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Capital assets are stated at historical cost or estimated historical cost when actual cost information is not available. Donated capital assets are recorded at their estimated acquisition cost as of the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

	Years
Buildings	40
Bus operating facility	12-20
Shop equipment and furniture	3-10
Vehicles	3-7
Equipment	3-10
Infrastructure	20

The County reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its fair value. If it is determined that an impairment loss has occurred the asset is written down to its net realizable value and a current charge to income is recognized.

# OTSEGO COUNTY, MICHIGAN

## Notes to Financial Statements

### *Road Commission - Discretely Presented Component Unit*

Depreciation on Road Commission capital assets is computed on the sum-of-the-years'-digit method for road equipment and straight-line method for all other capital assets. The depreciation rate is designed to amortize the cost of the assets over the following estimated useful lives:

	Years
Buildings	30-50
Road equipment	5-8
Shop equipment	10
Engineering equipment	3-10
Office equipment	4-10
Infrastructure - roads	8-30
Infrastructure - bridges	12-50

### *Deferred Outflows of Resources*

In addition to assets, the statement of net position may report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflow of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County reports deferred outflows of resources related to its pension and OPEB plans.

### *Accrued Compensated Absences (Vacation and Sick Leave)*

It is the County's policy to permit employees to accumulate earned but unused sick pay for the library employees and vacation pay benefits for all of the employees with certain limitations which vary among employee classification. Vacation and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee retirements.

### *Long-term Obligations*

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, are deferred and amortized over the life of the bonds using the straight-line basis. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expense when incurred.

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

# OTSEGO COUNTY, MICHIGAN

## Notes to Financial Statements

### *Deferred Inflows of Resources*

In addition to liabilities, the statement of net position and governmental funds balance sheet may 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 governmental funds also report unavailable revenues, which arise only under a modified accrual basis of accounting that are reported as deferred inflows of resources. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In addition, deferred inflows of resources are reported in the government-wide and governmental fund financial statements for property taxes levied during the year and other state grants that were intended to finance future periods. The County also reports deferred inflows related to its pension plan.

### *Fund Balances*

Governmental funds report *nonspendable fund balances* for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. *Committed fund balance* is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Commissioners (the government's highest level of decision-making authority). A formal resolution of the Board of Commissioners is required to establish, modify, or rescind a fund balance commitment. The County reports *assigned fund balance* for amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. The Board of Commissioners has delegated the authority to assign fund balance to the County Administrator or his/her designee. Unassigned fund balance is the residual classification for the General fund and for deficit fund balances.

When the government incurs an expenditure for purposes for which various fund balance classifications can be used, it is the government's policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned fund balance.

### *Budget Stabilization Arrangement*

The Otsego County Board of Commissioners has established a Budget Stabilization arrangement for the following purposes: to preserve current levels of services provided by the County's general fund, to cover potential general fund deficits, to cover potential expenses arising due to a natural disaster, and to assist with the County's cash flow during the fiscal year, in accordance with Public Act 30 of 1978. The Board appropriates funds as available and as deemed necessary during the budget process. Unassigned fund balance of the General fund includes \$1,498,141 related to this stabilization arrangement.

# OTSEGO COUNTY, MICHIGAN

## Notes to Financial Statements

### *Interfund Transactions*

During the course of normal operations, the County has numerous transactions between funds and component units, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements. Internal service funds are used to record charges for services to all County departments and funds as transfers or operating revenue. All County funds record these payments to the internal service funds as transfers or operating expenditures/expenses.

### *Unearned Revenues*

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

### *Grants and other Intergovernmental Revenues*

Federal grants and assistance awards for all governmental type funds are recorded as federal sources in accordance with the terms of the representative grants.

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

### *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates. Significant estimates of the County include management's estimate of the useful lives of depreciable capital assets, management's estimate of the accrued compensated absences, management's estimate of the allowance for uncollectible receivable balances and the assumptions used in the actuarial valuations of the pension and other postemployment benefit plans. The County utilizes various investment instruments which are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

# OTSEGO COUNTY, MICHIGAN

## Notes to Financial Statements

### 2. BUDGETARY INFORMATION

Budgets presented in the financial statements were prepared on the same basis as the accounting basis used to reflect actual results. The General fund and special revenue funds are subject to legal budgetary accounting controls and all are budgeted annually. The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Each December, after receiving input from the individual departments, administration and the County Budget and Finance Committee prepare a proposed operating budget for the fiscal period commencing January 1st and lapses on December 31st. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to the first day of the following fiscal year, the budget is legally enacted through a resolution passed by the Board of Commissioners.
4. Budgetary control is exercised at the departmental level of the General fund and special revenue funds. Any revisions that alter the total expenditures of any department or fund (i.e., budget amendments) require approval by the Board of Commissioners. Such amendments are made in accordance with the procedures prescribed under Public Act 621 of 1978.
5. The budget and approved appropriations lapse at the end of the fiscal year.
6. 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 not 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 of departments financed by the General fund.

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

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing board is the departmental level.

# OTSEGO COUNTY, MICHIGAN

## Notes to Financial Statements

### 3. EXCESS OF EXPENDITURES OVER BUDGET

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. The approved budgets of the County were adopted on the departmental level basis for the General fund and all special revenue funds, which is the legal level of control. During the year ended December 31, 2018, the County incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	Total Appropriations	Amount of Expenditures	Budget Variance
General fund			
Public safety:			
ORV	\$ 7,426	\$ 13,691	\$ 6,265
Debt service:			
Principal payments	10,325	10,741	416
Interest and fiscal charges	-	848	848

### 4. DEFICIT FUND BALANCE

The Sportsplex Tennis Court Construction fund and the Trail Head Capital Project fund, nonmajor governmental funds, reported unassigned deficits of \$69 and \$17,187 at December 31, 2018, respectively.

### 5. DEPOSITS AND INVESTMENTS

Following is a reconciliation of deposit and investment balances as of December 31, 2018:

	Primary Government	Component Units	Totals
Statement of Net Position			
Cash and cash equivalents	\$ 11,237,058	\$ 2,175,674	\$ 13,412,732
Investments	11,052,577	2,279,669	13,332,246
Statement of Fiduciary Assets and Liabilities			
Cash and cash equivalents	1,936,022	-	1,936,022
Total	<u>\$ 24,225,657</u>	<u>\$ 4,455,343</u>	<u>\$ 28,681,000</u>
Deposits and investments			
Bank deposits:			
Checking and savings accounts			\$ 15,329,855
Pooled certificates of deposit:			
Due in one to five years			1,408,294
U.S. agencies			11,423,951
Other - Road Commission investments			500,000
Cash on hand			18,900
Total			<u>\$ 28,681,000</u>

# OTSEGO COUNTY, MICHIGAN

## Notes to Financial Statements

*Custodial Credit Risk - Deposits.* Custodial credit risk is the risk that, in the event of a bank failure, the County's deposits might 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, \$14,776,015 of the County's bank balance of \$16,463,038 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Credit Risk.* State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments in the accounting policies. The County has no investment policy that would further limit its investment choices. Listed below are the County's investments subject to credit risk. The credit ratings are established by Standard & Poor's.

Investments	Credit Rating	Fair Value
U.S. government agencies	AA+	\$ 11,423,951
Other - Road Commission investments	Not rated	<u>500,000</u>
<b>Total</b>		<u><u>\$ 11,923,951</u></u>

The University Center at Gaylord owns 100% equity in the University Center - Advertising. For purposes of the financial statements, it is classified as an investment.

*Interest Rate Risk.* Interest rate risk is the risk that the market rate of securities in the portfolio will fall due to changes in market interest rates. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the summary of significant accounting policies. The County does not have a formal investment policy that would further limit investment maturities. The investments subject to interest rate risk are as follows:

Investment Maturities (Fair Value)	
Investment Type	More than 10 years
U.S. government agencies	<u><u>\$ 11,423,951</u></u>

# OTSEGO COUNTY, MICHIGAN

## Notes to Financial Statements

### *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 assets. 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. The County had the following recurring fair value measurements as of year end:

Investment Type	Level 1	Level 2	Level 3	Total Fair Value
Fixed income:				
Debt securities:				
U.S. government bonds	\$ -	\$ 11,423,951	\$ -	\$ 11,423,951
Other - Road Commission investments	-	500,000	-	500,000
Total investments at fair value	<u>\$ -</u>	<u>\$ 11,923,951</u>	<u>\$ -</u>	<u>11,923,951</u>
Total				<u>\$ 11,923,951</u>

The following is a description of the valuation methodology used for assets recorded at fair value:

Equity and other securities are classified as Level 1 of the fair value hierarchy are valued based on quoted market prices in active markets.

Debt securities classified as Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Equity in a wholly owned subsidiary is classified as Level 3 of the fair value hierarchy based on unobservable inputs.

There have been no changes from the prior year in the methodologies used.

# OTSEGO COUNTY, MICHIGAN

## Notes to Financial Statements

### 6. RECEIVABLES

Receivables are comprised of the following at year-end:

	Governmental Activities	Business-type Activities	Component Units
Accounts	\$ 409,497	\$ 80,917	\$ 2,138,188
Less: Allowance for uncollectible accounts	-	-	(420,000)
Property taxes	4,087,886	1,025,049	3,630,772
Due from other governments	416,383	75,868	-
Loans	1,525,999	-	-
Interest	-	143,330	-
Totals	<u>\$ 6,439,765</u>	<u>\$ 1,325,164</u>	<u>\$ 5,348,960</u>

*Loans Receivable - Housing Commission Special Revenue Fund*

The amounts included as loans receivable represent long-term mortgage notes in the Housing Commission Special Revenue Fund, consisting of grants and loans made to individuals pursuant to community development block grants received from the State of Michigan. Certain homes are secured with mortgages and grants with liens to qualified applicants. The mortgage interest rates vary from 0% to 3.5% and the grants with liens are payable upon transfer of title. The receivable is offset with deferred inflows of resources. Revenue is recognized on a cash basis when collected. The loans were made for the purpose of repair, renovation, or rehabilitation of residential buildings. At December 31, 2018, the total amount of outstanding loans was \$1,525,999. The County estimates that all payments due in 2019, totaling approximately \$49,000, will be paid. However, as of this report's issuance date of July 1, 2019, \$104,600 of receivable loans were forgiven.

*Lease Receivable - Road Commission Discretely Presented Component Unit*

The amount recorded as the lease receivable from component unit represents amounts payable to the County primary government from the Road Commission a discretely presented component unit. The lease receivable relates to an agreement between the County and the Road Commission that requires the Road Commission to make payments sufficient to allow the County to pay the principal and interest on the Otsego County Building Authority Series 2011 bonds as they become due (Note 10).

# OTSEGO COUNTY, MICHIGAN

## Notes to Financial Statements

### 7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are comprised of the following:

	Governmental Activities	Business-type Activities	Component Units
Accounts payable	\$ 659,897	\$ 134,243	\$ 268,328
Accrued liabilities	86,083	1,846	121,586
Due to other governments	9,428	223,518	44,742
Accrued interest on long-term debt	6,825	-	-
Totals	<u>\$ 762,233</u>	<u>\$ 359,607</u>	<u>\$ 434,656</u>

### 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of December 31, 2018, was as follows:

Due to and from - primary government

	Due from Other Funds	Due to Other Funds
General fund	\$ 124,209	\$ 9,622
Housing Commission fund	-	60,000
Delinquent Tax Revolving fund	60,000	-
Nonmajor governmental funds		114,587
	<u>\$ 184,209</u>	<u>\$ 184,209</u>

These 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) payments between funds are made.

Interfund advances - primary government

	Advance to Other Funds	Advance From Other Funds
Nonmajor governmental funds	\$ 20,844	\$ -
Airport fund	-	20,844
	<u>\$ 20,844</u>	<u>\$ 20,844</u>

# OTSEGO COUNTY, MICHIGAN

## Notes to Financial Statements

Advances to and from - primary government and component unit

	Advance to Component Unit	Advance From Primary government
Nonmajor governmental funds	\$ 143,024	\$ -
Delinquent Tax Revolving fund	195,000	-
Ambulance fund	-	338,024
	<u>\$ 338,024</u>	<u>\$ 338,024</u>

The advances above were provided for/used to fund equipment purchases.

For the year ended December 31, 2018, interfund transfers consisted of the following:

	Transfers In	Transfers Out
General fund	\$ 93,284	\$ 638,639
Housing Commission fund	256	-
Library Capital Projects fund	1,393,163	-
Debt Service fund	635,363	-
Nonmajor governmental funds	681,382	1,975,180
Delinquent Tax Revolving fund	-	352,100
Bus System fund	16,160	-
Airport fund	150,175	-
Nonmajor enterprise funds	31,000	18,184
Internal service funds	-	520
Timing difference	-	16,160
	<u>\$ 3,000,783</u>	<u>\$ 3,000,783</u>

The timing difference above in the amount of \$16,160, is a result of the Bus System enterprise fund having a fiscal year-end that is different from the County's year-end.

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for 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.

# OTSEGO COUNTY, MICHIGAN

## Notes to Financial Statements

### 9. CAPITAL ASSETS

#### Primary government

Capital asset activity for the primary government for the year ended December 31, 2018, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
<b>Governmental activities</b>					
Capital assets, not being depreciated:					
Land	\$ 2,282,072	\$ 154,355	\$ -	\$ -	\$ 2,436,427
Construction in progress	522,956	2,451,385	-	(203,117)	2,771,224
Total capital assets not being depreciated, net	2,805,028	2,605,740	-	(203,117)	5,207,651
Capital assets, being depreciated:					
Buildings	16,706,964	284,557	-	203,117	17,194,638
Leasehold improvements	24,854	-	-	-	24,854
Furniture and fixtures	889,237	6,215	-	-	895,452
Equipment:					
Data handling	1,946,523	80,158	-	-	2,026,681
Other equipment	2,624,430	13,073	-	-	2,637,503
Vehicles	1,643,719	44,116	-	-	1,687,835
Infrastructure	37,130	-	-	-	37,130
	23,872,857	428,119	-	203,117	24,504,093
Less accumulated depreciation for:					
Buildings	(11,006,542)	(595,638)	-	-	(11,602,180)
Leasehold improvements	(24,854)	-	-	-	(24,854)
Furniture and fixtures	(759,602)	(48,769)	-	-	(808,371)
Equipment:					
Data handling	(1,712,141)	(71,532)	-	-	(1,783,673)
Other equipment	(1,106,370)	(116,113)	-	-	(1,222,483)
Vehicles	(1,406,474)	(102,505)	-	-	(1,508,979)
Infrastructure	(16,969)	(1,997)	-	-	(18,966)
	(16,032,952)	(936,554)	-	-	(16,969,506)
Total capital assets being depreciated, net	7,839,905	(508,435)	-	203,117	7,534,587
Governmental activities capital assets, net	\$ 10,644,933	\$ 2,097,305	\$ -	\$ -	\$ 12,742,238

# OTSEGO COUNTY, MICHIGAN

## Notes to Financial Statements

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
<b>Business-type Activities</b>					
Capital assets, not being depreciated:					
Land	\$ 99,998	\$ -	\$ -	\$ -	\$ 99,998
Capital assets, being depreciated:					
Buildings	2,641,858	-	-	-	2,641,858
Furniture and fixtures	6,000	-	-	-	6,000
Vehicles	1,691,045	396,425	-	-	2,087,470
Equipment	332,917	42,560	-	-	375,477
Infrastructure	12,779,602	-	-	-	12,779,602
	<u>17,451,422</u>	<u>438,985</u>	<u>-</u>	<u>-</u>	<u>17,890,407</u>
Less accumulated depreciation for:					
Buildings	(1,319,002)	(105,508)			(1,424,510)
Furniture and fixtures	(6,000)	-			(6,000)
Vehicles	(1,588,238)	(161,687)			(1,749,925)
Equipment	(240,588)	(23,234)			(263,822)
Infrastructure	(7,455,884)	(516,805)			(7,972,689)
	<u>(10,609,712)</u>	<u>(807,234)</u>	<u>-</u>	<u>-</u>	<u>(11,416,946)</u>
Total capital assets being depreciated, net	<u>6,841,710</u>	<u>(368,249)</u>	<u>-</u>	<u>-</u>	<u>6,473,461</u>
Business-type activities capital assets, net	<u>\$ 6,941,708</u>	<u>\$ (368,249)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,573,459</u>

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

<b>Depreciation of governmental activities by function</b>	
General government	\$ 392,020
Public safety	175,805
Recreation and culture	<u>368,729</u>
Total depreciation expense - governmental activities	<u>\$ 936,554</u>
<b>Depreciation of business-type activities by function</b>	
Bus System 9/30/2018	\$ 200,712
Airport	594,221
University Center Metropolitan Area Network	<u>12,301</u>
Total depreciation expense - business-type activities	<u>\$ 807,234</u>

# OTSEGO COUNTY, MICHIGAN

## Notes to Financial Statements

### Discretely presented component units

Capital assets activity for the discretely presented component units for the year ended December 31, 2018, was as follows:

	Beginning Balance	Additions	Disposals/ Adjustments	Ending Balance
<b>Component Unit - Road Commission</b>				
Capital assets, not being depreciated:				
Land and improvements	\$ 10,889,984	\$ 757,135	\$ -	\$ 11,647,119
Capital assets, being depreciated:				
Buildings	3,936,130	-	-	3,936,130
Road equipment	7,093,391	877,895	(314,606)	7,656,680
Shop equipment	108,683	-	(2,004)	106,679
Office equipment	50,262	-	(8,215)	42,047
Engineer's equipment	13,562	-	-	13,562
Yard and storage equipment	1,800	-	-	1,800
Traffic signals	49,557	-	-	49,557
Infrastructure - bridges	1,112,301	-	-	1,112,301
Infrastructure - roads	32,341,559	2,881,339	(1,273,773)	33,949,125
	<u>44,707,245</u>	<u>3,759,234</u>	<u>(1,598,598)</u>	<u>46,867,881</u>
Less accumulated depreciation for:				
Buildings	(1,891,067)	(87,241)	-	(1,978,308)
Road equipment	(5,781,546)	(556,341)	314,495	(6,023,392)
Shop equipment	(102,618)	(3,047)	2,004	(103,661)
Office equipment	(46,351)	(2,125)	8,215	(40,261)
Engineer's equipment	(13,562)	-	-	(13,562)
Yard and storage equipment	(1,800)	-	-	(1,800)
Traffic signals	(45,396)	(320)	-	(45,716)
Infrastructure - bridges	(305,109)	(28,840)	-	(333,949)
Infrastructure - roads	(13,561,268)	(1,635,991)	1,273,773	(13,923,486)
	<u>(21,748,717)</u>	<u>(2,313,905)</u>	<u>1,598,487</u>	<u>(22,464,135)</u>
Total capital assets being depreciated, net	<u>22,958,528</u>	<u>1,445,329</u>	<u>(111)</u>	<u>24,403,746</u>
Road Commission capital assets, net	<u>\$ 33,848,512</u>	<u>\$ 2,202,464</u>	<u>\$ (111)</u>	<u>\$ 36,050,865</u>

# OTSEGO COUNTY, MICHIGAN

## Notes to Financial Statements

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
<b>Component Unit - Otsego County Ambulance Corporation</b>					
Capital assets, not being depreciated:					
Construction in progress	\$ 5,000	\$ 19,648	\$ -	\$ (5,000)	\$ 19,648
Capital assets being depreciated:					
Buildings	1,600,544	-	-	-	1,600,544
Other equipment	665,745	26,700	-	-	692,445
Vehicles	2,226,411	39,489	-	5,000	2,270,900
	<u>4,492,700</u>	<u>66,189</u>	<u>-</u>	<u>5,000</u>	<u>4,563,889</u>
Less accumulated depreciation for:					
Buildings	(679,044)	(64,022)	-	-	(743,066)
Other equipment	(580,956)	(28,096)	-	-	(609,052)
Vehicles	(1,491,674)	(147,571)	-	-	(1,639,245)
	<u>(2,751,674)</u>	<u>(239,689)</u>	<u>-</u>	<u>-</u>	<u>(2,991,363)</u>
Total capital assets being depreciated, net	<u>1,741,026</u>	<u>(173,500)</u>	<u>-</u>	<u>-</u>	<u>1,572,526</u>
Otsego County Ambulance Corp capital assets, net	<u>\$ 1,746,026</u>	<u>\$ (153,852)</u>	<u>\$ -</u>	<u>\$ (5,000)</u>	<u>\$ 1,592,174</u>
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
<b>Component Unit - Otsego County Commission on Aging</b>					
Capital assets being depreciated:					
Leasehold improvements and equipment	\$ 140,189	\$ -	\$ -	\$ -	\$ 140,189
Less accumulated depreciation for:					
Leasehold improvements and equipment	(140,189)	-	-	-	(140,189)
Otsego County Commission on Aging capital assets, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

# OTSEGO COUNTY, MICHIGAN

## Notes to Financial Statements

### 10. LONG-TERM DEBT

*Changes in Long-term Debt.* Long-term liability activity for the year ended December 31, 2018, was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
Otsego County Building Authority Series 2017 Bonds, maturing serially through 2022 in annual amounts ranging from \$360,000 to \$395,000 and at interest rates ranging from 1.75% to 2.0%.	\$ 1,890,000	\$ -	\$ 360,000	\$ 1,530,000	\$ 370,000
Otsego County Building Authority Series 2010 Bonds, maturing serially through 2020 in annual amounts ranging from \$20,000 to \$240,000 and at interest rates ranging from 2.0% to 4.0%.	680,000	-	220,000	460,000	220,000
Otsego County Building Authority Series 2011 Bonds, issued on behalf of Otsego County Road Commission, maturing serially through 2033 in annual amounts ranging from \$35,000 to \$65,000 and at interest rates ranging from 3.25% to 5.0%.	690,000	-	35,000	655,000	40,000
Otsego County Brownfield Redevelopment Authority loan, maturing through 2024 with payments ranging from \$16,031 to \$17,529 and interest at 1.5%.	117,397	-	16,031	101,366	16,272

# OTSEGO COUNTY, MICHIGAN

## Notes to Financial Statements

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Equipment purchase agreement through fiscal year 2019 requiring monthly payments of \$952 including interest at .44% secured by the related equipment.	\$ 20,938	\$ -	\$ 10,741	\$ 10,197	\$ 10,198
Total bonds payable and installments payable	3,398,335	-	641,772	2,756,563	656,470
Premium on bond issuance	17,548	-	3,510	14,038	3,510
Accrued compensated absences	170,542	219,880	194,715	195,707	8,354
<b>Total governmental activities</b>	<b>\$ 3,586,425</b>	<b>\$ 219,880</b>	<b>\$ 839,997</b>	<b>\$ 2,966,308</b>	<b>\$ 668,334</b>

Annual debt service requirements to maturity for long-term debt included in governmental activities are as follows:

Year Ended December 31,	Bonds Payable		Installments Payable	
	Principal	Interest	Principal	Interest
2019	\$ 646,272	\$ 69,910	\$ 10,198	\$ 273
2020	676,516	52,591	-	-
2021	441,763	39,444	-	-
2022	457,015	29,732	-	-
2023	62,270	23,059	-	-
2024-2028	272,529	79,775	-	-
2029-2031	190,000	14,500	-	-
	<b>\$ 2,746,365</b>	<b>\$ 309,011</b>	<b>\$ 10,198</b>	<b>\$ 273</b>

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Business-type activities					
Accrued compensated absences	\$ 29,413	\$ 15,649	\$ 19,517	\$ 25,545	\$ -

# OTSEGO COUNTY, MICHIGAN

## Notes to Financial Statements

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
<b>Discretely Presented Component Units</b>					
<i>Road Commission</i>					
Lease payable to the County in amounts sufficient to allow the County to pay the principal and interest on the Otsego County Building Authority Series 2011 bonds as they become due, maturing serially through 2031 in annual amounts ranging from \$35,000 to \$65,000 and at interest rates from 3.25% to 5.0%.	\$ 690,000	\$ -	\$ 35,000	\$ 655,000	\$ 40,000
Installment payable secured by equipment, payable in annual installments of \$84,277 including interest of 1.59%, due 2018.	82,908	-	82,908	-	-
Installment payable secured by equipment, payable in monthly installments of \$1,748 including interest of 2.19%, due 2020.	201,456	-	16,770	184,686	17,110
Installment payable secured by equipment, payable in monthly installments of \$14,430 including interest of 2.14%, due 2020.	489,177	-	489,177	-	-
Installment payable secured by equipment, payable in annual installments of \$80,455 including interest of 1.59%, due 2018.	62,592	-	62,592	-	-
Installment payable secured by equipment, payable in monthly installments of \$113 including interest of 2.69%, due 2020.	92,390	1,276	-	93,666	-

# OTSEGO COUNTY, MICHIGAN

## Notes to Financial Statements

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Installment payable secured by equipment, payable in annual installments of \$116,358 including interest of 1.69%, due 2019.	\$ 226,947	\$ -	\$ 226,947	\$ -	\$ -
Installment payable secured by equipment, payable in annual installments of \$72,097 including interest of 1.69%, due 2019.	140,619	-	140,619	-	-
Installment payable secured by equipment, payable in annual installments of \$14,122 including interest of 4.18%, due 20223.	-	160,780	79,121	81,659	10,708
Total lease payable and installment debt	1,986,089	162,056	1,133,134	1,015,011	67,818
Accrued compensated absences (1)	299,759	-	47,541	252,218	-
Total road commission component unit	\$ 2,285,848	\$ 162,056	\$ 1,180,675	\$ 1,267,229	\$ 67,818

(1) Net decrease

Annual debt service requirements to maturity for Road Commission long-term debt are as follows:

Year Ended December 31,	Lease Payable		Installments Payable	
	Principal	Interest	Principal	Interest
2019	\$ 40,000	\$ 29,175	\$ 27,818	\$ 7,279
2020	40,000	27,775	272,398	4,160
2021	40,000	26,325	11,622	2,499
2022	45,000	24,562	12,108	2,014
2023	45,000	22,538	36,065	1,507
2024-2028	255,000	79,512	-	-
2029-2031	190,000	14,500	-	-
	\$ 655,000	\$ 224,387	\$ 360,011	\$ 17,459

# OTSEGO COUNTY, MICHIGAN

## Notes to Financial Statements

### 11. ACCRUED COMPENSATED ABSENCES

#### *Primary Government*

Substantially all County employees are entitled to certain vacation and sick pay benefits that accrue and vest under various parameters including individual labor contracts. Accrued benefits for all governmental fund types are reported as long-term debt.

#### *Vested Employee Benefits Payable - Bus System (Enterprise Fund)*

Vacation leave is accrued every pay period. Employees can accumulate a maximum of their base at any given time. Personal leave is earned at the beginning of the calendar year at a rate of 56 hours per full-time employee and 35 hours per part-time employee per year. Personal leave is paid out for up to 28 hours for full time employees and 17.5 hours for part-time employees. Compensated absences amounted to \$25,545 at December 31, 2018.

### 12. OPERATING LEASES

#### *Lease Commitments - Commission on Aging Discretely Presented Component Unit*

The Commission on Aging leases office and activity space from Alpine Alten Zimmer. The future rent payments will approximate \$28,000 per year, with a rent increase not to exceed 1% per year through December 31, 2029.

The Commission on Aging has entered into a sublease with Northwest Michigan Community Health Agency to rent the space commonly known as "Otsego Haus". The sublease terms require monthly payments of \$1,620, or \$19,440 annually, and is renewable on a month-to-month basis.

### 13. RISK MANAGEMENT

#### *Primary Government*

The County is exposed to risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The government manages its risk exposures and provides certain employee benefits through a combination of self-insurance programs, risk management pools and commercial insurance and excess coverage policies. The following is a summary of these self-insurance programs and risk management pool participation.

The County participates in the Michigan Municipal Risk Management Authority (MMRMA) for general and automobile liability, motor vehicle physical damage, and property damage coverages. The MMRMA was established in January 1980, pursuant to laws of the State of Michigan, which authorize local units of government to jointly exercise any power, privilege or authority which each might exercise separately. The purpose of the Authority is to provide cooperative and comprehensive risk financing and risk control services. The MMRMA provides risk management, underwriting, reinsurance and claim review and processing services for all member governments pursuant to its charter.

# OTSEGO COUNTY, MICHIGAN

## Notes to Financial Statements

The County makes annual contributions to MMRMA based on actuarial studies using historical data and insurance industry statistics. These contributions are paid from the General fund using premiums paid into it by other funds of the government. Such contributions that are received by MMRMA are allocated between its general and member retention funds. Economic resources in the MMRMA's General Fund are expended for reinsurance coverage, claim payments and certain general and administrative costs, whereas resources in the member retention funds are used for loss payments and defense costs up to the members' self-insurance retention limits along with certain other member-specific costs.

Accordingly, because contributions to the member retention fund are essentially recognized as revenue by MMRMA to the extent of expenditures, the government records an asset and a related liability, equal to the loss reserves estimated by MMRMA, for its portion of the unexpended member retention fund in the Michigan Municipal Risk Agency Fund. At December 31, 2018, the balance of the County's member retention was \$370,100.

Changes in the balances of claims liabilities are as follows:

	Fiscal Year Ended December	
	2018	2017
Estimated liability, beginning of year	\$ 12,160	\$ 17,430
Receipts	60,652	49,945
Estimated claims incurred	(44,888)	(37,850)
Claim payments	(10,736)	(17,365)
Estimated liability, end of year	<u>\$ 17,188</u>	<u>\$ 12,160</u>

Coverage	Self-Insured Retention
Liability	\$75,000
Vehicle Physical Damage	\$15,000 per vehicle
\$1,000 Member Deductible	\$30,000 per occurrence
Property and crime	
\$1,000 deductible per occurrence	10% of the next \$100,000
Employee Benefits	Commercial Insurance Provider

### Workers' Compensation

The County is a member of the Michigan Counties Workers' Compensation Fund. Full statutory coverage for workers' disability compensation and employers' liability is guaranteed by the fund for Michigan operations through authority granted by the State of Michigan under Chapter 6, Section 418.611, Paragraph (2) of the Workers' Disability Compensation Act of 1969, as amended.

At December 31, 2018 there were no claims that exceeded insurance coverage. The County had no significant reduction in insurance coverage from previous years.

## OTSEGO COUNTY, MICHIGAN

### Notes to Financial Statements

#### *Component Unit - 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 (\$2,000 for errors and omissions) for each insured event. The maximum limit of liability for each occurrence is \$10,500,000.

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.

The Road Commission from time to time is named as a defendant in accident claims and lawsuits requesting damages of various amounts, the majority of which do not state a specific maximum. Insurance coverage related to these claims and lawsuits, if any, is categorized under the general liability insurance program. It is the opinion of management and legal counsel that reasonable estimates of the Road Commission's current liability for these matters, if any, have been recorded.

There are nonaccident liability and condemnation lawsuits sometimes pending against the Road Commission claiming amounts for damages and relief without stated limitations. It is the opinion of management and legal counsel that reasonable estimates of the Road Commission's current liability for these matters, if any, have been recorded.

#### *Component Unit - Ambulance Corporation*

The Ambulance Corporation is exposed to risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Ambulance Corporation's general liability, property, and vehicle insurance is included in the County's plan. Additional vehicle insurance, health insurance, and workers' compensation is obtained through commercial insurance providers.

At December 31, 2018, there were no claims that exceeded insurance coverage. The Ambulance Corporation did not have any significant reduction in insurance coverage from previous years.

#### *Component Unit - Commission on Aging*

The Commission on Aging has insurance coverage provided by independent insurance companies for property, general liability, fire, workers' compensation and employee bond coverage. The Commission on Aging liability is normally limited to the deductible.

#### *Component Unit - Sportsplex*

The Sportsplex is exposed to risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Health insurance and workers' compensation is obtained through commercial insurance providers.

# OTSEGO COUNTY, MICHIGAN

## Notes to Financial Statements

At December 31, 2018, there were no claims that exceeded insurance coverage. The Sportsplex did not have any significant reduction in insurance coverage from previous years.

### 14. PROPERTY TAXES

The County levies property tax on each December 1st and July 1st on the taxable valuation of property (as defined by State statutes) located in the County of Otsego as of the preceding December 31st.

Although the County of Otsego 2017 ad valorem tax for the General fund is levied and collectible on December 1, 2017 and the 2018 ad valorem tax is levied and collectible on July 1, 2018 for the special revenue funds, it is the County of Otsego's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be paid from the delinquent tax revolving funds within one year.

The December 1, 2017 taxable valuation of the County of Otsego totaled \$1,231,607,518, on which ad valorem taxes were levied as follows:

Source	Millage Rate
Animal Control	0.3000
Commission on Aging	1.0000
Ambulance	0.7800
Bus System	0.2500
Parks and Recreation	0.2500
Road Projects	1.0000
Library	0.4000
Library Building	0.3750
Recycling	0.3500
Sportsplex	0.2500
Sportsplex Building	0.1875
M-TEC	0.6464
University Center	0.5569

The July 1, 2018 taxable valuation of the County of Otsego totaled \$1,258,713,819, on which ad valorem taxes levied consisted of 4.0502 mills for the General fund. This amount is recognized in the General fund.

# OTSEGO COUNTY, MICHIGAN

## Notes to Financial Statements

### 15. TAX ABATEMENTS

#### *Industrial Facilities Exemption*

Municipalities within the County's boundaries entered into property tax abatement agreements with local businesses under the Plant Rehabilitation and Industrial Development Districts Act, known as the Industrial Facilities Exemption (IFT) PA 198 of 1974, as amended. The purpose of the exemption is to provide a tax incentive to manufacturers to enable renovation and expansion of aging facilities, assist in the building of new facilities, and to promote the establishment of high-tech facilities. IFT on such properties have resulted in an abatement of property taxes which reduced the property taxes collected by Otsego County and its component units as follows:

Taxing Unit	Amount of Tax Abatement for the Year Ended December 31, 2018
City of Gaylord	\$ 11,345
Bagley Township	6,292
Corwith Township	1,670
Livingston Township	1,988

#### *Commercial Facilities Exemption*

Municipalities within the County's boundaries entered into property tax abatement agreements with local businesses under the Commercial Redevelopment Act, known as the Commercial Facilities Exemption (CFT) PA 255 of 1978, as amended. The purpose of the exemption is to provide a tax incentive to businesses to establish themselves in the designated commercial redevelopment district. CFT on such properties have resulted in an abatement of property taxes which reduced the property taxes collected by Otsego County and its component units as follows:

#### *City of Gaylord Tax Abatements*

For the year ended December 31, 2018, Otsego County property taxes were reduced by \$2,578 under this program.

# OTSEGO COUNTY, MICHIGAN

## Notes to Financial Statements

### *Brownfield Redevelopment Financing*

Municipalities within the County's boundaries entered into property tax abatement agreements with local businesses under the Brownfield Redevelopment Financing Act, PA 381 of 1996, as amended. The purpose of the exemption is to provide a tax incentive to businesses to establish themselves in a Brownfield Redevelopment Zone to promote the revitalization, redevelopment, and reuse of certain property that had been deemed obsolete due to blight, environmental matters, or being tax reverted. The cost to clean up the property to make it usable was initially paid for by the State of Michigan under the Brownfield provisions, creating a loan to be repaid over a 20-year period. Once the property sold, the owner's taxes were abated to be used toward loan repayment, which reduced the property taxes collected by Otsego County and its component units as follows:

### *City of Gaylord Tax Abatements*

For the year ended December 31, 2018, Otsego County property taxes were reduced by \$606 under this program.

## 16. CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

## 17. BENEFIT PLANS

### *Primary Government*

#### Defined Benefit Pension Plan

*Plan Description.* The County's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The County 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](http://www.mersofmich.com).

The service requirement for General Non-union, POAM, Teamsters Local #214 and 46th Circuit Court is computed using credited service at the time of termination of membership multiplied by the sum of 2.25% times the final average compensation (FAC-5), with a maximum benefit of 80% of FAC. The service requirement for Elected and Appointed Supervisors and the Sheriff-POLC Union is computed using credited service at the time of termination of membership multiplied by the sum of 2.5% of (FAC-5), with a maximum benefit of 80% of FAC. The most recent period for which actuarial data was available was for the fiscal year ended December 31, 2017.

# OTSEGO COUNTY, MICHIGAN

## Notes to Financial Statements

*Benefits Provided.* Pension benefits vary by division and are calculated as final average compensation (based on a 5 years and 3 years for defined benefit and hybrid divisions, respectively) and a multiplier ranging from 1.25% to 2.50%. Participants are fully vested in the plan after 8-10 years for defined benefit divisions and 6 years for hybrid divisions. Normal retirement age is 60 with early retirement at age 50 with 25 years of service or age 55 with 15 years of service. Member contributions range from 0% to 4% of covered wages as presented in the table below.

*Employees Covered by Benefit Terms.* At December 31, 2018, plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	106
Inactive employees entitled to but not yet receiving benefits	46
Active employees	106
 Total membership	 258

*Contributions.* The County is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employer contributions are expressed as a percentage of payroll for open divisions and as a fixed monthly amount for closed divisions as summarized in the following table:

Division Name	Division Name	Status	Employer Contribution Rate	Employee Contribution Rate
General Non Union	Defined Benefit	Closed	\$ 7,196	0%
Library Non Union	Defined Benefit	Open	12.16%	0%
General Local 214 Bus	Defined Benefit	Closed	\$ 5,957	0%
Police Officers Association of Michigan	Defined Benefit	Closed	\$ 2,851	0%
Elected Appointed Supervisors	Defined Benefit	Closed	\$ 21,263	0%
46th Trial Court	Defined Benefit	Closed	\$ 9,626	0%
General Local 214 Clerical	Defined Benefit	Closed	\$ 5,045	0%
87-A Judge/Friend of Court pre 9/1/14	Defined Benefit	Closed	\$ 2,000	0%
Sheriff Union	Defined Benefit	Closed	\$ 7,807	0%
Sheriff Union new hires after 6/1/10	Defined Benefit	Closed	\$ 1,414	4%
Library Director	Defined Benefit	Open	8.16%	0%
Elected Appointed Supervisors after 1/1/09	Hybrid	Open	7.10%	0%
General Non Union after 1/1/09	Hybrid	Open	7.46%	0%
Police Officers Association of Michigan hired after 1/1/11	Hybrid	Open	5.23%	0%
46th Trial Court hired after 6/1/11	Hybrid	Open	5.79%	0%
Clerical Local #214 after 1/1/12	Hybrid	Open	0.00%	0%
Teamsters Bus hired after 1/1/11	Hybrid	Open	7.24%	0%
All Full Time Police on/after 1/1/16	Hybrid	Open	6.03%	0%

# OTSEGO COUNTY, MICHIGAN

## Notes to Financial Statements

*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, 2017 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 explicit price inflation assumption is used in the valuation, the long-term annual rate of price inflation implicit in the 3.75% base wage inflation is 2.50%.

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

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study of 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	Expected Money-Weighted Rate
Global equity	57.50%	5.02%	2.89%
Global fixed income	20.00%	2.18%	0.44%
Real assets	12.50%	4.23%	0.53%
Diversifying strategies	10.00%	6.56%	0.64%
	<u>100.00%</u>		
Inflation			3.25%
Administrative expenses netted above			<u>0.25%</u>
Investment rate of return			<u>8.00%</u>

# OTSEGO COUNTY, MICHIGAN

## Notes to Financial Statements

*Discount Rate.* The discount rate used to measure the total pension liability as of December 31, 2017 was 8.0% (same as 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.

### *Change in Net Pension Liability*

The components of the change in the net pension liability are summarized as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at December 31, 2016	\$ 21,963,521	\$ 13,589,341	\$ 8,374,180
Changes for the year:			
Service cost	336,412	-	336,412
Interest	1,719,681	-	1,719,681
Changes in benefits	(91,145)	-	(91,145)
Differences between expected and actual experience	(48,394)	-	(48,394)
Employer contributions	-	1,096,794	(1,096,794)
Employee contributions	-	30,679	(30,679)
Net investment income	-	1,806,557	(1,806,557)
Benefit payments, including refunds of employee contributions	(1,271,380)	(1,271,380)	-
Administrative expense	-	(28,580)	28,580
Other changes	(54)	(57)	3
Net changes	<u>645,120</u>	<u>1,634,013</u>	<u>(988,893)</u>
Balances at December 31, 2017	<u>\$ 22,608,641</u>	<u>\$ 15,223,354</u>	<u>\$ 7,385,287</u>

*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 8.0%, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1% lower (7.0%) or 1% higher (9.0%) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
County's net pension liability	\$ 9,894,451	\$ 7,385,287	\$ 5,253,389

*Pension Plan Fiduciary Net Position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued Plan financial statements.

# OTSEGO COUNTY, MICHIGAN

## Notes to Financial Statements

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

For the year ended December 31, 2018, the County recognized pension expense of \$1,312,316. 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	Net Deferred Outflows (Inflows) of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 289,704	\$ (289,704)
Difference between expected and actual experience	181,051	347,856	(166,805)
Changes in assumptions	259,220	-	259,220
	<u>440,271</u>	<u>637,560</u>	<u>(197,289)</u>
Contributions subsequent to the measurement	1,109,536	-	1,109,536
<b>Total</b>	<u>\$ 1,549,807</u>	<u>\$ 637,560</u>	<u>\$ 912,247</u>

The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to the pension will be recognized in pension expense as follows:

Year Ended December 31,	Amount
2019	\$ 349,719
2020	(137,476)
2021	(264,270)
2022	<u>(145,262)</u>
<b>Total</b>	<u>\$ (197,289)</u>

*Payable to the Pension Plan.* At December 31, 2018, the County reported a payable of \$74,526 for the outstanding amount of contributions to the pension plan required for the year ended December 31, 2018.

For governmental activities, the net pension liability is generally liquidated by the General fund. For business-type activities, the net pension liability is liquidated by the Bus System fund.

# OTSEGO COUNTY, MICHIGAN

## Notes to Financial Statements

### *Road Commission - Component Unit*

*Description of Plan and Plan Assets.* The Road Commission participates 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 2.50% times the final compensation (FAC). The most recent period of which actuarial data was available was for year ended December 31, 2017.

Further information regarding the Road Commission's participation in the Plan is presented in a separately issued Road Commission report.

## 18. DEFERRED COMPENSATION PLAN

### *Primary Government*

Otsego County offers its employees a deferred compensation plan created in accordance with IRC Section 457. Effective January 1, 1997, the assets of the plan were held in a trust, custodial account or annuity contract described in IRC Section 457(g) for the exclusive benefit for the participants (employees) and their beneficiaries. The custodial account is held by the custodian for the exclusive benefit of the participants and beneficiaries of these Section 457 plans and the assets may not be diverted to any other use. The administrator (Nationwide Retirement Solutions) is an agent of the employer. The Administrator provides direction to the custodian, from time to time, regarding the investment of the funds held in the account, transfer of assets to or from the account and all other matters. GASB 32 does not require inclusion of the deferred compensation balances in a trust and agency fund.

### *Commission on Aging*

The Otsego County Commission on Aging offers its employees a deferred compensation plan created in accordance with IRC Section 457. The plan, available to all employees, permits them to defer a portion of their current earnings until the employee's termination, retirement, death, or unforeseeable emergency.

The Commission's liability to each participant is equal to the participant's deferred compensation adjusted by an amount equal to the investment performance in a related assets account. Investments are managed by a trustee, and investment decisions are made by individual employees. The Commission, through Otsego County, provides the duty of due care that would be required of an ordinary prudent investor.

### *Component Unit - Sportsplex*

The Otsego County Sportsplex offers its employees a Saving Incentive Match Plan for Employees (SIMPLE plan) Individual Retirement Account (IRA) in accordance with IRC Section 408(p). The plan, available to Sportsplex employees earning at least \$5,000 in annual compensation, permits them to defer a portion of their current salary until future years. The deferred compensation is not available to the employees until termination, retirement, death, or unforeseeable emergency. The employer matches employee contributions up to 3% of the employee's elected salary contribution.

# OTSEGO COUNTY, MICHIGAN

## Notes to Financial Statements

### 19. OTHER POSTEMPLOYMENT BENEFITS

*Plan Description.* Otsego County administers a single-employer defined benefit healthcare plan (the "Plan"). The plan provides healthcare benefits for eligible employees upon retirement, through the County's group health insurance plan, which covers both active and retired members. The benefits are provided under the collective bargaining agreement for union employees and by personnel policies for nonunion employees.

Management of the OPEB Plan is vested with the County Board of Commissioners.

*Plan Membership.* At December 31, 2017, OPEB Plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	19
Active plan members	10
	<hr/>
Total membership	29
	<hr/> <hr/>

*Benefits Provided.* The County Board of Commissioners has the authority to establish or amend benefit terms, to determine the types of benefits provided through the OPEB Plan, and to determine the classes of plan members covered. The OPEB Plan provides medical insurance and prescription drug coverage to qualified retirees and their beneficiaries.

*Contributions.* The Plan was established and is being funded under the authority of the Employer's governing body and under agreements with the unions representing various classes of employees. The Plan's funding policy is to pay expected plan benefits from general operating funds - pay-as-you-go. Active participants do not make contributions to pre-fund the Plan. There are no long-term contracts for contributions to the plan. The plan has no legally required reserves.

*Discount Rate.* The discount rate used to measure the total OPEB liability was 3.16%. Because the plan does not have a dedicated OPEB trust, there are not assets projected to be sufficient to make projected future benefit payments of current plan members. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits. The Plan is not funded through a trust, therefore, projected benefits were discounted at a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield. A single equivalent discount rate that yields the same present value of benefits is calculated. This discount rate is used to determine the Total OPEB Liability.

*Actuarial Assumptions.* The total OPEB liability was determined by an actuarial valuation as of December 31, 2017 using the following actuarial assumptions (which were determined by management utilizing the best information available), applied to all periods included in the measurement, unless otherwise specified:

Salary increases including inflation	2.00%
Investment rate of return	N/A; this is not prefunded
20-year Aa Municipal bond rate	3.16%
Mortality	As set forth in IRS Regulations for 2018 (1.430(h)(3)) for Non-annuitants, separately for males and females as well as annuitants and non-annuitants. Based on RP-2000Tables with Scale AA.

# OTSEGO COUNTY, MICHIGAN

## Notes to Financial Statements

Utilization	70% of eligible employees are assumed to elect coverage at retirement; Actual coverage used for non-active.
Healthcare inflation	Pre-65 - 8% in 2019 graded down 0.5% per year to 5.0% over 6 years. Medicare eligible - 5.0% per year.

### Changes in Total OPEB Liability of the County

	Total OPEB Liability
Balances at December 31, 2016	<u>\$ 1,848,952</u>
Changes for the year:	
Service cost	46,710
Interest	58,758
Changes in assumptions	48,727
Benefit payments, including refunds of employee contributions	<u>(72,446)</u>
Net changes	<u>81,749</u>
Balances at December 31, 2017	<u><u>\$ 1,930,701</u></u>

*Sensitivity of the Total OPEB Liability to Changes in the Discount Rate.* The following presents the total OPEB liability of the County, calculated using the discount rate of 3.16%, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.16%) or 1% higher (4.16%) than the current rate:

1% Decrease (2.16%)	Current Discount Rate (3.16%)	1% Increase (4.16%)
\$ 2,186,800	\$ 1,930,701	\$ 1,718,630

*Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates.* The following presents the total OPEB liability of the County, calculated using the healthcare cost trend rate of 8% grading down to 5% after 6 years, as well as what the County's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1% lower (7%) or 1% higher (9%) than the current rate:

1% Decrease (7%)	Current Healthcare Trend Rate (8%)	1% Increase (9%)
\$ 1,697,566	\$ 1,930,701	\$ 2,215,515

# OTSEGO COUNTY, MICHIGAN

## Notes to Financial Statements

### *OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB*

For the year ended December 31, 2018, the County recognized OPEB expense of \$162,740. The County reported deferred outflows/inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Changes in assumptions	\$ 26,857	\$ -	\$ 26,857
Contributions subsequent to the measurement date	70,961	-	70,961
<b>Total</b>	<b>\$ 97,818</b>	<b>\$ -</b>	<b>\$ 97,818</b>

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

Year Ended December 31, 2018	Amount
2019	\$ 21,870
2020	4,987
<b>Total</b>	<b>\$ 26,857</b>

*Payable to the OPEB Plan.* At December 31, 2018 the County had no amounts payable for contributions to the OPEB plan.

For governmental activities, the net OPEB liability is generally liquidated by the General fund.

### *Road Commission - Component Unit*

The Otsego County Road Commission provides hospitalization and medical coverage for eligible retirees and their spouses through the Road Commissions group health insurance plan, which covers both active and retired members.

Employees hired prior to December 31, 2008, and retire with 20 years of employment and age 55 years, or greater, will receive health insurance comparable to that provided to the current employees until age 65 years and supplemental health insurance for the employee and spouse for their lifetimes.

Further information regarding the Plan is presented in a separately issued Road Commission report.

# OTSEGO COUNTY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

### 20. FUND BALANCES - GOVERNMENTAL FUNDS

The County has adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Detailed information on fund balances of governmental funds is as follows:

	General Fund	Housing Commission Fund	M-TEC Fund	Library Capital Project Bond Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable for:						
Inventories	\$ 20,107	\$ -	\$ -	\$ -	\$ 7,560	\$ 27,667
Other assets	12,072	-	-	-	-	12,072
Total nonspendable	<u>32,179</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,560</u>	<u>39,739</u>
Restricted for:						
Housing projects	-	113,002	-	-	-	113,002
Public safety	-	-	-	-	1,919,978	1,919,978
Health and welfare	-	-	-	-	125,050	125,050
Recreation and culture	-	-	-	-	3,652,571	3,652,571
University center	-	-	-	-	147,544	147,544
Debt service	-	-	-	554,006	225,433	779,439
Recycling	-	-	-	-	100,654	100,654
Register of deeds	-	-	-	-	84,891	84,891
Law library	-	-	-	-	19,371	19,371
Bradford Lake Dam	-	-	-	-	20,120	20,120
Total restricted	<u>-</u>	<u>113,002</u>	<u>-</u>	<u>554,006</u>	<u>6,295,612</u>	<u>6,962,620</u>
Committed for:						
Pension contributions	150,000	-	-	-	-	150,000
Work camp	-	-	-	-	1,975	1,975
Friend of the court	-	-	-	-	338,269	338,269
Child care probate	-	-	-	-	21,001	21,001
Equipment	-	-	-	-	155,791	155,791
Public improvements	-	-	-	-	1,731,625	1,731,625
Total committed	<u>150,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,248,661</u>	<u>2,398,661</u>
Unassigned (deficit)	<u>5,069,094</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(17,256)</u>	<u>5,051,838</u>
Total fund balances, governmental funds	<u>\$ 5,251,273</u>	<u>\$ 113,002</u>	<u>\$ -</u>	<u>\$ 554,006</u>	<u>\$ 8,534,577</u>	<u>\$ 14,452,858</u>

# OTSEGO COUNTY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

### 21. NET INVESTMENT IN CAPITAL ASSETS AND RESTRICTED NET POSITION

The composition of net investment in capital assets as of December 31, 2018, was as follows:

	Governmental Activities	Business-type Activities	Component Units
Capital assets:			
Capital assets not being depreciated	\$ 5,207,651	\$ 99,998	\$ 11,666,767
Capital assets being depreciated, net	7,534,587	6,473,461	25,976,272
	<u>12,742,238</u>	<u>6,573,459</u>	<u>37,643,039</u>
Less related debt:			
Total installment debt	2,756,563	-	1,015,011
Less: noncapital related debt	(655,000)	-	-
Less: unexpended bond proceeds	(554,006)	-	-
	<u>1,547,557</u>	<u>-</u>	<u>1,015,011</u>
Net investment in capital assets	<u>\$ 11,194,681</u>	<u>\$ 6,573,459</u>	<u>\$ 36,628,028</u>

The composition of restricted net position as of December 31, 2018, was as follows:

	Governmental Activities	Business-type Activities	Component Units
Net position restricted for:			
General government	\$ 22,906	\$ -	\$ -
Health and welfare	125,050	-	-
University center	147,544	-	-
Debt service	1,427,614	-	-
Recycling	100,654	-	-
Register of deeds	84,891	-	-
Law library	19,371	-	-
Bradford Lake Dam	20,120	-	-
Commission on Aging	-	-	44,043
	<u>-</u>	<u>-</u>	<u>44,043</u>
Total restricted net position	<u>\$ 1,948,150</u>	<u>\$ -</u>	<u>\$ 44,043</u>

### 22. SUBSEQUENT EVENTS / COMMITMENTS

#### Library Expansion Project

The voters of Otsego County passed a 0.375 millage in November, 2016 for 6 years, to repay bonds which were issued to fund a Library Expansion Project, which will increase the square footage of the existing Otsego County Library from 9,300 to 24,000 square feet.

Funded by Library savings	\$ 750,000
Funded with bonds (to be repaid using the new millage)	<u>2,250,000</u>
Total estimated cost of the expansion project	<u>\$ 3,000,000</u>

The expansion is anticipated to be completed in the summer 2019. Cost incurred through December 31, 2018 are approximately \$2,771,000. The estimated costs to complete the project are \$229,000.

# OTSEGO COUNTY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

### Gaylord Gateway Trailhead

Due to a planned 12 mile extension of the North Central State Trail, a downtown Gaylord trailhead is needed to provide better access by trail users to downtown businesses and facilities, as well as providing a relief station. The facility would include typical benches, picnic tables, and a pavilion with restrooms.

Iron Belle Trail Grant for engineering	\$ 80,000
Michigan Natural Resources Trust Fund Grant	300,000
Michigan Department of Natural Resources Recreational Trails Program	320,000
Other	<u>220,000</u>
<b>Total estimated cost of the Trailhead Project</b>	<b><u>\$ 920,000</u></b>

The trailhead project is estimated to be completed in the summer of 2019. Cost incurred through December 31, 2018 are approximately \$63,000. The estimated costs to complete the project are \$857,000.

### Groen Preserve Projects

The County is a recipient of funding through the Groen Foundation (the Foundation). The County and the Foundation agreed to reconstruct the entrance to the Groen Preserve and renovate an existing structure to use as a Ranger Station in the Preserve.

Entrance project	\$ 375,000
Ranger station project	<u>65,000</u>
<b>Total estimated cost of the Groen Preserve Projects</b>	<b><u>\$ 440,000</u></b>

The Groen preserve project is estimated to be completed in 2019. Cost incurred through December 31, 2018 are approximately \$15,000. The estimated costs to complete the project are \$425,000.

### Road Commission

During April 2019, the Board executed a property settlement in the amount of \$80,000.

After fiscal year end, the Road Commission executed equipment purchases amounting to approximately \$288,000.

## 23. RESTATEMENTS

The City adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Other Postemployment Benefits*, in the current year. As a result of this change, beginning net position of governmental activities was decreased by \$362,000. The Road Commission, a discretely presented component unit, beginning net position was increased by \$2,498,727.



## REQUIRED SUPPLEMENTARY INFORMATION

# OTSEGO COUNTY, MICHIGAN

## Required Supplementary Information

### MERS Agent Multiple-Employer Defined Benefit Pension Plan

#### Schedule of Changes in the County's Net Pension Liability and Related Ratios

	Year Ended December 31			
	2018	2017	2016	2015
<b>Total pension liability</b>				
Service cost	\$ 336,412	\$ 349,718	\$ 348,000	\$ 338,932
Interest	1,719,681	1,696,843	1,543,901	1,479,439
Changes in benefits	(91,145)	(10,695)	-	-
Differences between expected and actual experience	(48,394)	(503,144)	724,207	-
Changes in assumptions	-	-	1,036,885	-
Benefit payments, including refunds of employee contributions	(1,271,380)	(1,209,751)	(1,104,777)	(978,368)
Other changes	(54)	-	-	-
<b>Net change in total pension liability</b>	<b>645,120</b>	<b>322,971</b>	<b>2,548,216</b>	<b>840,003</b>
Total pension liability, beginning of year	21,963,521	21,640,550	19,092,334	18,252,331
Total pension liability, end of year	22,608,641	21,963,521	21,640,550	19,092,334
<b>Plan fiduciary net position</b>				
Employer contributions	1,096,794	865,641	693,476	640,433
Employee contributions	30,679	7,937	5,905	3,630
Net investment (loss) income	1,806,557	1,422,497	(195,083)	800,044
Benefit payments, including refunds of employee contributions	(1,271,380)	(1,209,751)	(1,104,777)	(978,368)
Administrative expense	(28,580)	(28,053)	(28,591)	(29,357)
Other changes	(57)	-	-	-
<b>Net change in plan fiduciary net position</b>	<b>1,634,013</b>	<b>1,058,271</b>	<b>(629,070)</b>	<b>436,382</b>
Plan fiduciary net position, beginning of year	13,589,341	12,531,070	13,160,140	12,723,758
Plan fiduciary net position, end of year	15,223,354	13,589,341	12,531,070	13,160,140
<b>County's net pension liability</b>	<b>\$ 7,385,287</b>	<b>\$ 8,374,180</b>	<b>\$ 9,109,480</b>	<b>\$ 5,932,194</b>
Plan fiduciary net position as a percentage of total pension liability	67.3%	61.9%	57.9%	68.9%
Covered payroll	\$ 4,575,021	\$ 4,547,735	\$ 4,390,047	\$ 4,188,926
County's net pension liability as a percentage of covered payroll	161.4%	184.1%	207.5%	141.6%

#### Notes:

The amounts presented for each fiscal year were determined as of December 31 of the preceding year.

GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

# OTSEGO COUNTY, MICHIGAN

## Required Supplementary Information

### MERS Agent Multiple-Employer Defined Benefit Pension Plan

#### Schedule of the Net Pension Liability

Fiscal Year Ended December 31,	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as Percentage of Total Pension Liability	Covered Payroll	Net Pension Liability as Percentage of Covered Payroll
2015	\$ 19,092,334	\$ 13,160,140	\$ 5,932,194	68.9%	\$ 4,188,926	141.62%
2016	21,640,550	12,531,070	9,109,480	57.9%	4,390,047	207.50%
2017	21,963,521	13,589,341	8,374,180	61.9%	4,547,735	184.14%
2018	22,608,641	15,223,354	7,385,287	67.3%	4,575,021	161.43%

The amounts presented for each fiscal year were determined as of December 31 of the preceding year.

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

*Changes in assumptions.* In 2016, amounts reported as changes in assumptions resulted primarily from adjustments to the mortality table to reflect longer lifetimes, decreases in the assumed rate of return and changes in asset smoothing.

# OTSEGO COUNTY, MICHIGAN

## Required Supplementary Information

### MERS Agent Multiple-Employer Defined Benefit Pension Plan

#### Schedule of Contributions

Fiscal Year Ending December 31,	Actuarially Determined Contribution <sup>(2)</sup>	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll <sup>(1)</sup>	Contributions as Percentage of Covered Payroll
2009	\$ 633,642	\$ 633,642	\$ -	\$ 4,426,638	14.31%
2010	716,885	716,885	-	4,385,025	16.35%
2011	565,476	565,476	-	4,400,424	12.85%
2012	705,702	705,702	-	4,014,917	17.58%
2013	727,962	727,962	-	4,080,889	17.84%
2014	640,433	640,433	-	4,188,926	15.29%
2015	693,477	693,477	-	4,390,047	15.80%
2016	715,641	865,641	(150,000)	4,547,735	19.03%
2017	856,396	1,106,396	(250,000)	4,575,021	24.18%
2018	934,199	1,184,199	(250,000)	4,401,566	26.90%

(1) Valuation payroll as of the previous year ended December 31.

(2) The actuarially determined contribution was calculated based on projected covered payroll. Employer contributions were made in full based on actual covered payroll. Accordingly, the actuarially-determined contribution has been expressed above as a percentage of actual payroll.

#### Notes to Schedule of Contributions

Valuation Date Actuarially determined contribution rates are calculated as of December 31, that is 12 months prior to the beginning of the fiscal year in which contributions are reported.

#### Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry-age normal
Amortization method	Level percent of payroll, open
Remaining amortization period	24 years
Asset valuation method	Open; 10 year smoothed
Inflation	2.50%
Salary increases	3.75% in the long-term
Investment rate of return	7.75%, net of investment and administrative expense including inflation
Retirement age	Age-based table of rates that are specific to the type of eligibility condition. The Normal Retirement rates were first used for the December 31, 2015 actuarial valuations. The Early Retirement rates were first used for the December 31, 2015 actuarial valuations.
Mortality	2014 Group Annuity Mortality Table of a 50% Male and 50% Female blend. The mortality tables were first used for the December 31, 2015 actuarial valuations.

# OTSEGO COUNTY, MICHIGAN

## Required Supplementary Information Single-Employer Other Postemployment Benefits Plan

### Schedule of Changes in the County's Total OPEB Liability and Related Ratios

	Year Ended December 31, 2018
Total OPEB liability	
Service cost	\$ 46,710
Interest	58,758
Changes in assumptions	48,727
Benefit payments, including refunds of employee contributions	<u>(72,446)</u>
Net change in total OPEB liability	81,749
Total OPEB liability, beginning of year	<u>1,848,952</u>
Total OPEB liability, end of year	<u>\$ 1,930,701</u>
Covered-employee payroll	\$ 4,401,566
County's total OPEB liability as a percentage of covered-employee payroll	43.9%

Note: GASB 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

# OTSEGO COUNTY, MICHIGAN

## Required Supplementary Information Single-Employer Other Postemployment Benefits Plan

### Schedule of Contributions

Fiscal Year Ending December 31,	Actuarially Determined Contribution <sup>(2)</sup>	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll <sup>(1)</sup>	Contributions as Percentage of Covered Payroll
2018	\$ 155,520	\$ 70,961	\$ 84,559	\$ 4,401,566	1.61%

(1) Valuation payroll as of the previous year ended December 31.

(2) The actuarially determined contribution was calculated based on projected covered payroll. Employer contributions were made in full based on actual covered payroll. Accordingly, the actuarially-determined contribution has been expressed above as a percentage of actual payroll.

*Changes in assumptions.* In 2018, amounts reported as changes in assumptions resulted primarily from adjustments to the mortality table to reflect longer lifetimes, healthcare inflation updates, and lowered utilization percentages.

**COMBINING AND INDIVIDUAL  
FUND FINANCIAL STATEMENTS**

OTSEGO COUNTY, MICHIGAN

**Combining Balance Sheet**  
 Nonmajor Governmental Funds  
 December 31, 2018

	Special Revenue	Capital Projects	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 2,450,501	\$ 3,271,962	\$ 5,722,463
Investments	1,860,901	850,021	2,710,922
Receivables:			
Accounts	198,370	105,513	303,883
Property taxes	2,328,861	707,567	3,036,428
Due from other governments	214,734	85,466	300,200
Advances to other funds		20,844	20,844
Advances to component units	-	143,024	143,024
Other assets	7,560	-	7,560
<b>Total assets</b>	<b>\$ 7,060,927</b>	<b>\$ 5,184,397</b>	<b>\$ 12,245,324</b>
<b>Liabilities</b>			
Accounts payable	\$ 279,323	\$ 41,649	\$ 320,972
Accrued liabilities	18,938	-	18,938
Due to other funds	4,545	110,042	114,587
Due to other governments	9,428	-	9,428
Unearned revenue	210,394	138	210,532
<b>Total liabilities</b>	<b>522,628</b>	<b>151,829</b>	<b>674,457</b>
<b>Deferred inflows of resources</b>			
Taxes levied for a subsequent period	2,328,861	707,429	3,036,290
<b>Fund balances</b>			
Nonspendable	7,560	-	7,560
Restricted	3,684,842	2,610,770	6,295,612
Committed	517,036	1,731,625	2,248,661
Unassigned (deficit)	-	(17,256)	(17,256)
<b>Total fund balances</b>	<b>4,209,438</b>	<b>4,325,139</b>	<b>8,534,577</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 7,060,927</b>	<b>\$ 5,184,397</b>	<b>\$ 12,245,324</b>

# OTSEGO COUNTY, MICHIGAN

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended December 31, 2018

	Special Revenue	Capital Projects	Total
<b>Revenues</b>			
Taxes	\$ 2,425,242	\$ 694,898	\$ 3,120,140
Federal sources	320,742	-	320,742
State sources	404,544	175,700	580,244
Local sources	-	41,200	41,200
Charges for services	1,037,836	39,228	1,077,064
Fines and forfeits	169,520	-	169,520
Interest and rentals	54,663	74,517	129,180
Other	997,911	292,307	1,290,218
<b>Total revenues</b>	<b>5,410,458</b>	<b>1,317,850</b>	<b>6,728,308</b>
<b>Expenditures</b>			
<b>Current:</b>			
Judicial	448,956	-	448,956
General government	1,059,961	-	1,059,961
Public safety	1,815,777	-	1,815,777
Public works	-	-	-
Health and welfare	840,911	-	840,911
Recreation and culture	1,475,664	-	1,475,664
<b>Debt service:</b>			
Principal	16,031	-	16,031
Interest and fiscal charges	1,762	-	1,762
<b>Capital outlay:</b>			
Public safety	-	167,639	167,639
Recreation and culture	-	147,549	147,549
Other	-	95,166	95,166
Contribution to other governmental units	-	220,663	220,663
<b>Total expenditures</b>	<b>5,659,062</b>	<b>631,017</b>	<b>6,290,079</b>
<b>Revenues (under) over expenditures</b>	<b>(248,604)</b>	<b>686,833</b>	<b>438,229</b>
<b>Other financing sources (uses)</b>			
Transfers in	561,382	120,000	681,382
Transfers out	(286,992)	(1,688,188)	(1,975,180)
<b>Total other financing sources (uses)</b>	<b>274,390</b>	<b>(1,568,188)</b>	<b>(1,293,798)</b>
<b>Net change in fund balances</b>	<b>25,786</b>	<b>(881,355)</b>	<b>(855,569)</b>
<b>Fund balances, beginning of year</b>	<b>4,183,652</b>	<b>5,206,494</b>	<b>9,390,146</b>
<b>Fund balances, end of year</b>	<b>\$ 4,209,438</b>	<b>\$ 4,325,139</b>	<b>\$ 8,534,577</b>

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OTSEGO COUNTY, MICHIGAN

**Combining Balance Sheet**  
 Nonmajor Special Revenue Funds  
 December 31, 2018

	Work Camp	Parks and Recreation	Groen Nature Preserve	University Center
<b>Assets</b>				
Cash and cash equivalents	\$ 25	\$ 3,744	\$ 165,284	\$ 272,544
Investments	-	303,200	-	-
Receivables:				
Accounts	-	11,620	-	-
Property taxes	-	313,585	-	698,889
Due from other governments	7,645	-	-	-
Other assets	-	-	-	-
<b>Total assets</b>	<b>\$ 7,670</b>	<b>\$ 632,149</b>	<b>\$ 165,284</b>	<b>\$ 971,433</b>
<b>Liabilities</b>				
Accounts payable	\$ 434	\$ 4,428	\$ 1,709	\$ 125,000
Accrued liabilities	716	3,141	259	-
Due to other governments	-	-	-	-
Due to other funds	4,545	-	-	-
Unearned revenue	-	70,304	140,090	-
<b>Total liabilities</b>	<b>5,695</b>	<b>77,873</b>	<b>142,058</b>	<b>125,000</b>
<b>Deferred inflows of resources</b>				
Taxes levied for a subsequent period	-	313,585	-	698,889
<b>Fund balances</b>				
Nonspendable	-	-	-	-
Restricted	-	240,691	23,226	147,544
Committed	1,975	-	-	-
<b>Total fund balances</b>	<b>1,975</b>	<b>240,691</b>	<b>23,226</b>	<b>147,544</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 7,670</b>	<b>\$ 632,149</b>	<b>\$ 165,284</b>	<b>\$ 971,433</b>

Friend of the Court	Animal Control	Animal Control Forfeited Funds	Recycling	Gypsy Moth Control
\$ 218,758	\$ 65,036	\$ 8,188	\$ 19,903	\$ 114,584
-	345,997	-	120,000	-
-	-	-	153	-
-	376,469	-	438,014	-
133,658	797	-	-	-
5,856	-	-	-	-
<u>\$ 358,272</u>	<u>\$ 788,299</u>	<u>\$ 8,188</u>	<u>\$ 578,070</u>	<u>\$ 114,584</u>
\$ 8,167	\$ 10,571	\$ -	\$ 39,402	\$ -
5,980	3,379	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>14,147</u>	<u>13,950</u>	<u>-</u>	<u>39,402</u>	<u>-</u>
-	376,469	-	438,014	-
5,856	-	-	-	-
-	397,880	8,188	100,654	114,584
338,269	-	-	-	-
<u>344,125</u>	<u>397,880</u>	<u>8,188</u>	<u>100,654</u>	<u>114,584</u>
<u>\$ 358,272</u>	<u>\$ 788,299</u>	<u>\$ 8,188</u>	<u>\$ 578,070</u>	<u>\$ 114,584</u>

Continued...

OTSEGO COUNTY, MICHIGAN

**Combining Balance Sheet**  
 Nonmajor Special Revenue Funds  
 December 31, 2018

	Brownfield Redevelopment Authority	Building Department	Register of Deeds Automation	Library
<b>Assets</b>				
Cash and cash equivalents	\$ 225,433	\$ 483,644	\$ 86,820	\$ 199,176
Investments	-	493,862	-	592,842
Receivables:				
Accounts	-	319	55	3,188
Property taxes	-	-	-	501,904
Due from other governments	-	-	-	-
Other assets	-	-	-	-
<b>Total assets</b>	<b>\$ 225,433</b>	<b>\$ 977,825</b>	<b>\$ 86,875</b>	<b>\$ 1,297,110</b>
<b>Liabilities</b>				
Accounts payable	\$ -	\$ 11,310	\$ 1,984	\$ 17,322
Accrued liabilities	-	3,186	-	-
Due to other governments	-	-	-	-
Due to other funds	-	-	-	-
Unearned revenue	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>14,496</b>	<b>1,984</b>	<b>17,322</b>
<b>Deferred inflows of resources</b>				
Taxes levied for a subsequent period	-	-	-	501,904
<b>Fund balances</b>				
Nonspendable	-	-	-	-
Restricted	225,433	963,329	84,891	777,884
Committed	-	-	-	-
<b>Total fund balances</b>	<b>225,433</b>	<b>963,329</b>	<b>84,891</b>	<b>777,884</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 225,433</b>	<b>\$ 977,825</b>	<b>\$ 86,875</b>	<b>\$ 1,297,110</b>

Emergency 911 Funds	Concealed Pistol Licensing	Local Officers Training	Law Library	Department of Human Services
\$ 329,815	\$ 34,414	\$ 28,802	\$ 20,157	\$ 5,751
-	-	-	-	5,000
120,916	124	-	-	-
-	-	-	-	-
44,164	-	-	-	-
-	-	-	-	-
<u>\$ 494,895</u>	<u>\$ 34,538</u>	<u>\$ 28,802</u>	<u>\$ 20,157</u>	<u>\$ 10,751</u>
\$ 7,654	\$ -	\$ -	\$ 786	\$ 285
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>7,654</u>	<u>-</u>	<u>-</u>	<u>786</u>	<u>285</u>
-	-	-	-	-
-	-	-	-	-
487,241	34,538	28,802	19,371	10,466
-	-	-	-	-
<u>487,241</u>	<u>34,538</u>	<u>28,802</u>	<u>19,371</u>	<u>10,466</u>
<u>\$ 494,895</u>	<u>\$ 34,538</u>	<u>\$ 28,802</u>	<u>\$ 20,157</u>	<u>\$ 10,751</u>

Continued...

OTSEGO COUNTY, MICHIGAN

**Combining Balance Sheet**  
 Nonmajor Special Revenue Funds  
 December 31, 2018

	Child Care Probate	Equipment Revolving	Bradford Lake Dam	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 52,324	\$ 95,979	\$ 20,120	\$ 2,450,501
Investments	-	-	-	1,860,901
Receivables:				
Accounts	121	61,874	-	198,370
Property taxes	-	-	-	2,328,861
Due from other governments	28,470	-	-	214,734
Other assets	1,704	-	-	7,560
<b>Total assets</b>	<b>\$ 82,619</b>	<b>\$ 157,853</b>	<b>\$ 20,120</b>	<b>\$ 7,060,927</b>
<b>Liabilities</b>				
Accounts payable	\$ 48,209	\$ 2,062	\$ -	\$ 279,323
Accrued liabilities	2,277	-	-	18,938
Due to other governments	9,428	-	-	9,428
Due to other funds	-	-	-	4,545
Unearned revenue	-	-	-	210,394
<b>Total liabilities</b>	<b>59,914</b>	<b>2,062</b>	<b>-</b>	<b>522,628</b>
<b>Deferred inflows of resources</b>				
Taxes levied for a subsequent period	-	-	-	2,328,861
<b>Fund balances</b>				
Nonspendable	1,704	-	-	7,560
Restricted	-	-	20,120	3,684,842
Committed	21,001	155,791	-	517,036
<b>Total fund balances</b>	<b>22,705</b>	<b>155,791</b>	<b>20,120</b>	<b>4,209,438</b>
<b>Total liabilities, inflows of resources, and fund balances</b>	<b>\$ 82,619</b>	<b>\$ 157,853</b>	<b>\$ 20,120</b>	<b>\$ 7,060,927</b>

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OTSEGO COUNTY, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Special Revenue Funds  
For the Year Ended December 31, 2018

	Work Camp	Parks and Recreation	Groen Nature Preserve	University Center
<b>Revenues</b>				
Taxes	\$ -	\$ 311,102	\$ -	\$ 695,920
Federal sources	-	-	-	-
State sources	-	-	-	-
Charges for services	52,738	227,252	-	-
Fines and forfeits	-	-	-	-
Interest and rentals	-	11,475	-	60
Other revenue	76	22,676	196,192	4,785
<b>Total revenues</b>	<b>52,814</b>	<b>572,505</b>	<b>196,192</b>	<b>700,765</b>
<b>Expenditures</b>				
Judicial	-	-	-	-
General government	-	-	-	588,957
Public safety	137,989	-	-	-
Public works	-	-	-	-
Health and welfare	-	-	-	-
Recreation and culture	-	598,925	203,057	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Capital outlay	-	-	-	-
<b>Total expenditures</b>	<b>137,989</b>	<b>598,925</b>	<b>203,057</b>	<b>588,957</b>
Revenues (under) over expenditures	(85,175)	(26,420)	(6,865)	111,808
<b>Other financing sources (uses)</b>				
Transfers in	70,175	350	-	-
Transfers out	-	-	-	(243,550)
<b>Total other financing sources (uses)</b>	<b>70,175</b>	<b>350</b>	<b>-</b>	<b>(243,550)</b>
<b>Net change in fund balances</b>	<b>(15,000)</b>	<b>(26,070)</b>	<b>(6,865)</b>	<b>(131,742)</b>
Fund balances, beginning of year	16,975	266,761	30,091	279,286
Fund balances, end of year	\$ 1,975	\$ 240,691	\$ 23,226	\$ 147,544

Friend of the Court	Animal Control	Animal Control Forfeited Funds	Recycling	Gypsy Moth Control
\$ -	\$ 375,795	\$ -	\$ 313,095	\$ -
315,242	-	-	-	-
39,160	-	-	-	-
33,204	46,852	-	-	-
-	685	-	-	-
-	10,843	15	2,839	195
-	14,852	-	2,148	-
<u>387,606</u>	<u>449,027</u>	<u>15</u>	<u>318,082</u>	<u>195</u>
448,956	-	-	-	-
-	-	-	363,571	-
-	438,923	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>448,956</u>	<u>438,923</u>	<u>-</u>	<u>363,571</u>	<u>-</u>
(61,350)	10,104	15	(45,489)	195
93,453	550	-	-	-
-	-	-	-	-
<u>93,453</u>	<u>550</u>	<u>-</u>	<u>-</u>	<u>-</u>
32,103	10,654	15	(45,489)	195
<u>312,022</u>	<u>387,226</u>	<u>8,173</u>	<u>146,143</u>	<u>114,389</u>
<u>\$ 344,125</u>	<u>\$ 397,880</u>	<u>\$ 8,188</u>	<u>\$ 100,654</u>	<u>\$ 114,584</u>

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OTSEGO COUNTY, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Special Revenue Funds  
For the Year Ended December 31, 2018

	Brownfield Redevelopment Authority	Building Department	Register of Deeds Automation	Library
<b>Revenues</b>				
Taxes	\$ 228,362	\$ -	\$ -	\$ 500,968
Federal sources	-	-	-	5,500
State sources	-	-	-	27,440
Charges for services	-	488,161	39,135	-
Fines and forfeits	-	-	-	168,835
Interest and rentals	-	9,686	-	17,869
Other revenue	-	-	-	106,544
<b>Total revenues</b>	<b>228,362</b>	<b>497,847</b>	<b>39,135</b>	<b>827,156</b>
<b>Expenditures</b>				
Judicial	-	-	-	-
General government	-	-	43,040	-
Public safety	-	457,737	-	-
Public works	-	-	-	-
Health and welfare	-	-	-	-
Recreation and culture	-	-	-	672,380
Debt service:				
Principal	16,031	-	-	-
Interest and fiscal charges	1,762	-	-	-
Capital outlay	-	-	-	-
<b>Total expenditures</b>	<b>17,793</b>	<b>457,737</b>	<b>43,040</b>	<b>672,380</b>
Revenues under (over) expenditures	210,569	40,110	(3,905)	154,776
<b>Other financing sources (uses)</b>				
Transfers in	-	-	-	-
Transfers out	-	(10,000)	(11,142)	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(10,000)</b>	<b>(11,142)</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>210,569</b>	<b>30,110</b>	<b>(15,047)</b>	<b>154,776</b>
Fund balances, beginning of year	14,864	933,219	99,938	623,108
<b>Fund balances, end of year</b>	<b>\$ 225,433</b>	<b>\$ 963,329</b>	<b>\$ 84,891</b>	<b>\$ 777,884</b>

Emergency 911 Funds	Concealed Pistol Licensing	Local Officers Training	Law Library	Department of Human Services
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
127,533	13,885	9,076	-	-
-	-	-	-	-
1,266	6	4	-	18
584,252	-	-	3,500	-
<u>713,051</u>	<u>13,891</u>	<u>9,080</u>	<u>3,500</u>	<u>18</u>
-	-	-	-	-
-	-	-	-	-
776,797	1,977	2,354	-	-
-	-	-	-	-
-	-	-	-	6,719
-	-	-	1,302	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>776,797</u>	<u>1,977</u>	<u>2,354</u>	<u>1,302</u>	<u>6,719</u>
<u>(63,746)</u>	<u>11,914</u>	<u>6,726</u>	<u>2,198</u>	<u>(6,701)</u>
-	-	-	-	9,120
<u>(22,300)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(22,300)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,120</u>
(86,046)	11,914	6,726	2,198	2,419
573,287	22,624	22,076	17,173	8,047
<u>\$ 487,241</u>	<u>\$ 34,538</u>	<u>\$ 28,802</u>	<u>\$ 19,371</u>	<u>\$ 10,466</u>

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OTSEGO COUNTY, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Special Revenue Funds  
For the Year Ended December 31, 2018

	Child Care Probate	Equipment Revolving	Bradford Lake Dam	Total
<b>Revenues</b>				
Taxes	\$ -	\$ -	\$ -	\$ 2,425,242
Federal sources	-	-	-	320,742
State sources	337,944	-	-	404,544
Charges for services	-	-	-	1,037,836
Fines and forfeits	-	-	-	169,520
Interest and rentals	-	339	48	54,663
Other revenue	62,886	-	-	997,911
<b>Total revenues</b>	<b>400,830</b>	<b>339</b>	<b>48</b>	<b>5,410,458</b>
<b>Expenditures</b>				
Judicial	-	-	-	448,956
General government	-	64,393	-	1,059,961
Public safety	-	-	-	1,815,777
Public works	-	-	-	-
Health and welfare	834,192	-	-	840,911
Recreation and culture	-	-	-	1,475,664
Debt service:				
Principal	-	-	-	16,031
Interest and fiscal charges	-	-	-	1,762
Capital outlay	-	-	-	-
<b>Total expenditures</b>	<b>834,192</b>	<b>64,393</b>	<b>-</b>	<b>5,659,062</b>
Revenues (under) over expenditures	(433,362)	(64,054)	48	(248,604)
<b>Other financing sources (uses)</b>				
Transfers in	235,270	152,464	-	561,382
Transfers out	-	-	-	(286,992)
<b>Total other financing sources (uses)</b>	<b>235,270</b>	<b>152,464</b>	<b>-</b>	<b>274,390</b>
<b>Net change in fund balances</b>	<b>(198,092)</b>	<b>88,410</b>	<b>48</b>	<b>25,786</b>
Fund balances, beginning of year	220,797	67,381	20,072	4,183,652
<b>Fund balances, end of year</b>	<b>\$ 22,705</b>	<b>\$ 155,791</b>	<b>\$ 20,120</b>	<b>\$ 4,209,438</b>

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OTSEGO COUNTY, MICHIGAN

**Combining Balance Sheet**  
 Nonmajor Capital Projects Funds  
 December 31, 2018

	EMS Building Capital Project	Library Building	Library Construction Millage	Court Restoration Building
<b>Assets</b>				
Cash and cash equivalents	\$ 3,787	\$ 19,446	\$ 17,207	\$ 61,238
Investments	-	-	-	-
Receivables:				
Accounts	-	-	-	-
Property taxes	138	-	472,719	-
Due from other governments	-	-	-	-
Advances to other funds	-	-	-	-
Advances to component units	-	-	-	-
<b>Total assets</b>	<u>\$ 3,925</u>	<u>\$ 19,446</u>	<u>\$ 489,926</u>	<u>\$ 61,238</u>
<b>Liabilities</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Unearned revenue	138	-	-	-
<b>Total liabilities</b>	<u>138</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Deferred inflows of resources</b>				
Taxes levied for a subsequent period	-	-	472,719	-
<b>Fund balances</b>				
Restricted	-	-	-	-
Committed	3,787	19,446	17,207	61,238
Unassigned (deficit)	-	-	-	-
<b>Total fund balances</b>	<u>3,787</u>	<u>19,446</u>	<u>17,207</u>	<u>61,238</u>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<u>\$ 3,925</u>	<u>\$ 19,446</u>	<u>\$ 489,926</u>	<u>\$ 61,238</u>

Airport Construction	Groen Capital Projects II	Groen Nature Preserve Capital Projects	Sportsplex Building Maintenance	University Center Capital Projects	Sportsplex Tennis Court Construction	Iron Belle Trail Capital Project
\$ 169,140	\$ 15,741	\$ 219	\$ 110,400	\$ 560,747	\$ -	\$ 318,811
-	-	-	350,000	259,745	-	-
-	-	-	-	-	10,000	-
-	-	-	234,710	-	-	-
-	-	-	-	-	85,466	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 169,140</u>	<u>\$ 15,741</u>	<u>\$ 219</u>	<u>\$ 695,110</u>	<u>\$ 820,492</u>	<u>\$ 95,466</u>	<u>\$ 318,811</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,295
-	-	-	84	-	95,535	-
-	-	-	-	-	-	-
-	-	-	84	-	95,535	14,295
-	-	-	234,710	-	-	-
-	-	-	460,316	-	-	304,516
169,140	15,741	219	-	820,492	-	-
-	-	-	-	-	(69)	-
<u>169,140</u>	<u>15,741</u>	<u>219</u>	<u>460,316</u>	<u>820,492</u>	<u>(69)</u>	<u>304,516</u>
<u>\$ 169,140</u>	<u>\$ 15,741</u>	<u>\$ 219</u>	<u>\$ 695,110</u>	<u>\$ 820,492</u>	<u>\$ 95,466</u>	<u>\$ 318,811</u>

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OTSEGO COUNTY, MICHIGAN

**Combining Balance Sheet**  
 Nonmajor Capital Projects Funds  
 December 31, 2018

	Capital Projects	Public Improvements Capital Project	Trail Head Capital Project	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 648,945	\$ 1,346,281	\$ -	\$ 3,271,962
Investments	-	240,276	-	850,021
Receivables:				
Accounts	-	95,513	-	105,513
Property taxes	-	-	-	707,567
Due from other governments	-	-	-	85,466
Advances to other funds	-	20,844	-	20,844
Advances to component units	-	143,024	-	143,024
<b>Total assets</b>	<b>\$ 648,945</b>	<b>\$ 1,845,938</b>	<b>\$ -</b>	<b>\$ 5,184,397</b>
<b>Liabilities</b>				
Accounts payable	\$ 24,590	\$ -	\$ 2,764	\$ 41,649
Due to other funds	-	-	14,423	110,042
Unearned revenue	-	-	-	138
<b>Total liabilities</b>	<b>24,590</b>	<b>-</b>	<b>17,187</b>	<b>151,829</b>
<b>Deferred inflows of resources</b>				
Taxes levied for a subsequent period	-	-	-	707,429
<b>Fund balances</b>				
Restricted	-	1,845,938	-	2,610,770
Committed	624,355	-	-	1,731,625
Unassigned (deficit)	-	-	(17,187)	(17,256)
<b>Total fund balances</b>	<b>624,355</b>	<b>1,845,938</b>	<b>(17,187)</b>	<b>4,325,139</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 648,945</b>	<b>\$ 1,845,938</b>	<b>\$ -</b>	<b>\$ 5,184,397</b>

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# OTSEGO COUNTY, MICHIGAN

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Capital Projects Funds

For the Year Ended December 31, 2018

	EMS Building Capital Project	Library Building	Library Construction Millage	Court Restoration Building
<b>Revenues</b>				
Property taxes	\$ 1,246	\$ -	\$ 460,873	\$ -
State grants	-	-	-	-
Local sources	-	-	-	-
Charges for services	-	-	-	39,228
Interest and rentals	5	12,380	18,360	-
Other revenue	-	-	-	-
<b>Total revenues</b>	<b>1,251</b>	<b>12,380</b>	<b>479,233</b>	<b>39,228</b>
<b>Expenditures</b>				
Capital outlay:				
Public works	-	-	-	-
Recreation and culture	-	-	-	42,959
Other	-	-	-	-
Contribution to other governmental units	-	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>42,959</b>
<b>Revenues over (under) expenditures</b>	<b>1,251</b>	<b>12,380</b>	<b>479,233</b>	<b>(3,731)</b>
<b>Other financing sources (uses)</b>				
Transfers in	-	-	-	-
Transfers out	-	(787,500)	(900,688)	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(787,500)</b>	<b>(900,688)</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>1,251</b>	<b>(775,120)</b>	<b>(421,455)</b>	<b>(3,731)</b>
<b>Fund balances, beginning of year</b>	<b>2,536</b>	<b>794,566</b>	<b>438,662</b>	<b>64,969</b>
<b>Fund balances, end of year</b>	<b>\$ 3,787</b>	<b>\$ 19,446</b>	<b>\$ 17,207</b>	<b>\$ 61,238</b>

Airport Construction	Groen Capital Projects II	Groen Nature Preserve Capital Projects	Sportsplex Building Maintenance	University Center Capital Projects	Sportsplex Tennis Court Construction	Iron Belle Trail Capital Project
\$ -	\$ -	\$ -	\$ 231,074	\$ 1,705	\$ -	\$ -
-	-	-	-	-	175,700	-
-	-	-	-	-	41,200	-
-	-	-	-	-	-	-
-	314	3	10,885	9,371	-	442
-	2,400	-	-	-	65,715	206,000
-	2,714	3	241,959	11,076	282,615	206,442
-	-	-	-	-	-	-
-	15,593	-	38,257	-	-	-
4,833	-	-	-	-	90,333	-
-	-	-	-	-	-	220,663
4,833	15,593	-	38,257	-	90,333	220,663
(4,833)	(12,879)	3	203,702	11,076	192,282	(14,221)
20,000	-	-	-	-	-	-
-	-	-	-	-	-	-
20,000	-	-	-	-	-	-
15,167	(12,879)	3	203,702	11,076	192,282	(14,221)
153,973	28,620	216	256,614	809,416	(192,351)	318,737
\$ 169,140	\$ 15,741	\$ 219	\$ 460,316	\$ 820,492	\$ (69)	\$ 304,516

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OTSEGO COUNTY, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Capital Projects Funds

For the Year Ended December 31, 2018

	Capital Projects	Public Improvements Capital Project	Trail Head Capital Project	Total
<b>Revenues</b>				
Property taxes	\$ -	\$ -	\$ -	\$ 694,898
State grants	-	-	-	175,700
Local sources	-	-	-	41,200
Charges for services	-	-	-	39,228
Interest and rentals	114	22,643	-	74,517
Other revenue	18,192	-	-	292,307
<b>Total revenues</b>	<b>18,306</b>	<b>22,643</b>	<b>-</b>	<b>1,317,850</b>
<b>Expenditures</b>				
Capital outlay:				
Public works	167,639	-	-	167,639
Recreation and culture	-	-	50,740	147,549
Other	-	-	-	95,166
Contribution to other governmental units	-	-	-	220,663
<b>Total expenditures</b>	<b>167,639</b>	<b>-</b>	<b>50,740</b>	<b>631,017</b>
<b>Revenues over (under) expenditures</b>	<b>(149,333)</b>	<b>22,643</b>	<b>(50,740)</b>	<b>686,833</b>
<b>Other financing sources (uses)</b>				
Transfers in	100,000	-	-	120,000
Transfers out	(33,553)	-	33,553	(1,688,188)
<b>Total other financing sources (uses)</b>	<b>66,447</b>	<b>-</b>	<b>33,553</b>	<b>(1,568,188)</b>
<b>Net change in fund balances</b>	<b>(82,886)</b>	<b>22,643</b>	<b>(17,187)</b>	<b>(881,355)</b>
<b>Fund balances, beginning of year</b>	<b>707,241</b>	<b>1,823,295</b>	<b>-</b>	<b>5,206,494</b>
<b>Fund balances, end of year</b>	<b>\$ 624,355</b>	<b>\$ 1,845,938</b>	<b>\$ (17,187)</b>	<b>\$ 4,325,139</b>

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# OTSEGO COUNTY, MICHIGAN

## Combining Statement of Net Position Nonmajor Enterprise Funds December 31, 2018

	Tax Foreclosure	Global Positioning System	University Center Metropolitan Area Network
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 157,319	\$ 79,567	\$ 143,447
Investments	1,613,401	-	-
Accounts receivable	204	-	1,728
Other assets	-	-	-
Total current assets	<u>1,770,924</u>	<u>79,567</u>	<u>145,175</u>
Noncurrent assets:			
Capital assets being depreciated, net	-	-	61,482
Total assets	<u>1,770,924</u>	<u>79,567</u>	<u>206,657</u>
<b>Liabilities (all current)</b>			
Accounts payable	8,602	15,860	21,319
Accrued liabilities	923	-	-
Unearned revenue	-	-	-
Total liabilities	<u>9,525</u>	<u>15,860</u>	<u>21,319</u>
<b>Net position</b>			
Investment in capital assets	-	-	61,482
Unrestricted	<u>1,761,399</u>	<u>63,707</u>	<u>123,856</u>
Total net position	<u>\$ 1,761,399</u>	<u>\$ 63,707</u>	<u>\$ 185,338</u>



Airport Special Events	Advertising I-75 Sign	Jail Commissary	Homestead Audit	Total
\$ 25,868	\$ 2,991	\$ 18,509	\$ 12,288	\$ 439,989
-	-	-	-	1,613,401
1,000	-	-	-	2,932
3,025	-	-	-	3,025
<u>29,893</u>	<u>2,991</u>	<u>18,509</u>	<u>12,288</u>	<u>2,059,347</u>
-	-	-	-	61,482
<u>29,893</u>	<u>2,991</u>	<u>18,509</u>	<u>12,288</u>	<u>2,120,829</u>
-	-	10,325	-	56,106
-	-	-	-	923
<u>574</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>574</u>
<u>574</u>	<u>-</u>	<u>10,325</u>	<u>-</u>	<u>57,603</u>
-	-	-	-	61,482
<u>29,319</u>	<u>2,991</u>	<u>8,184</u>	<u>12,288</u>	<u>2,001,744</u>
<u>\$ 29,319</u>	<u>\$ 2,991</u>	<u>\$ 8,184</u>	<u>\$ 12,288</u>	<u>\$ 2,063,226</u>

# OTSEGO COUNTY, MICHIGAN

## Combining Statement of Revenues, Expenses and Changes in Fund Net Position Nonmajor Enterprise Funds For the Year Ended December 31, 2018

	Tax Foreclosure	Global Positioning System	University Center Metropolitan Area Network
Operating revenues			
Charges for services	\$ 136,005	\$ 14,389	\$ 81,403
Local sources	-	15,000	-
<b>Total operating revenues</b>	<b>136,005</b>	<b>29,389</b>	<b>81,403</b>
Operating expenses			
Salaries and fringes	54,643	-	-
Contractual services	-	43,600	-
Materials and supplies	2,300	22,118	-
Depreciation	-	-	12,301
Other	55,024	-	119,468
<b>Total operating expenses</b>	<b>111,967</b>	<b>65,718</b>	<b>131,769</b>
Operating income (loss)	24,038	(36,329)	(50,366)
Nonoperating revenues			
Investment earnings	43,901	-	-
Other	147,551	-	-
<b>Total nonoperating revenues</b>	<b>191,452</b>	<b>-</b>	<b>-</b>
Income (loss) before transfers	215,490	(36,329)	(50,366)
Transfers			
Transfers in	-	31,000	-
Transfers out	(18,184)	-	-
<b>Total transfers</b>	<b>(18,184)</b>	<b>31,000</b>	<b>-</b>
Change in net position	197,306	(5,329)	(50,366)
Net position, beginning of year	1,564,093	69,036	235,704
<b>Net position, end of year</b>	<b>\$ 1,761,399</b>	<b>\$ 63,707</b>	<b>\$ 185,338</b>

Airport Special Events	Advertising I-75 Sign	Jail Commissary	Homestead Audit	Total
\$ 94,850	\$ -	\$ 30,680	\$ 57	\$ 357,384
-	-	-	-	15,000
<u>94,850</u>	<u>-</u>	<u>30,680</u>	<u>57</u>	<u>372,384</u>
-	-	-	-	54,643
118,799	-	-	-	162,399
21,370	-	25,754	-	71,542
-	-	-	-	12,301
<u>68,981</u>	<u>159</u>	<u>-</u>	<u>1,721</u>	<u>245,353</u>
<u>209,150</u>	<u>159</u>	<u>25,754</u>	<u>1,721</u>	<u>546,238</u>
<u>(114,300)</u>	<u>(159)</u>	<u>4,926</u>	<u>(1,664)</u>	<u>(173,854)</u>
-	-	-	1,088	44,989
<u>94,262</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>241,813</u>
<u>94,262</u>	<u>-</u>	<u>-</u>	<u>1,088</u>	<u>286,802</u>
<u>(20,038)</u>	<u>(159)</u>	<u>4,926</u>	<u>(576)</u>	<u>112,948</u>
-	-	-	-	31,000
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(18,184)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,816</u>
<u>(20,038)</u>	<u>(159)</u>	<u>4,926</u>	<u>(576)</u>	<u>125,764</u>
<u>49,357</u>	<u>3,150</u>	<u>3,258</u>	<u>12,864</u>	<u>1,937,462</u>
<u>\$ 29,319</u>	<u>\$ 2,991</u>	<u>\$ 8,184</u>	<u>\$ 12,288</u>	<u>\$ 2,063,226</u>

OTSEGO COUNTY, MICHIGAN

**Combining Statement of Cash Flows**  
 Nonmajor Enterprise Funds  
 For the Year Ended December 31, 2018

	Tax Foreclosure	Global Positioning System	University Center Metropolitan Area Network
<b>Cash flows from operating activities</b>			
Receipts from customers	\$ 135,801	\$ 29,389	\$ 86,868
Payments to suppliers	(50,145)	(51,058)	(107,087)
Payments to employees	(54,550)	-	-
<b>Net cash provided by (used in) operating activities</b>	<b>31,106</b>	<b>(21,669)</b>	<b>(20,219)</b>
<b>Cash flows from noncapital financing activities</b>			
Other receipts	147,551	-	-
Transfers in	-	31,000	-
Transfers out	(18,184)	-	-
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>129,367</b>	<b>31,000</b>	<b>-</b>
<b>Cash flows from investing activities</b>			
Purchase of investments	(406,235)	-	-
Interest received on investments	43,901	-	-
<b>Net cash (used in) provided by investing activities</b>	<b>(362,334)</b>	<b>-</b>	<b>-</b>
<b>Net change in cash and cash equivalents</b>	<b>(201,861)</b>	<b>9,331</b>	<b>(20,219)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>359,180</b>	<b>70,236</b>	<b>163,666</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 157,319</b>	<b>\$ 79,567</b>	<b>\$ 143,447</b>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>			
Operating income (loss)	\$ 24,038	\$ (36,329)	\$ (50,366)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation expense	-	-	12,301
Change in operating assets and liabilities that provided (used) cash:			
Accounts receivable	(204)	-	5,465
Other assets	-	-	-
Accounts payable	7,179	14,660	12,381
Accrued liabilities	93	-	-
Unearned revenue	-	-	-
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 31,106</b>	<b>\$ (21,669)</b>	<b>\$ (20,219)</b>

Airport Special Events	Advertising I-75 Sign	Jail Commissary	Homestead Audit	Total
\$ 95,444	\$ -	\$ 30,680	\$ 57	\$ 378,239
(208,550)	(159)	(19,285)	(2,116)	(438,400)
-	-	-	-	(54,550)
<u>(113,106)</u>	<u>(159)</u>	<u>11,395</u>	<u>(2,059)</u>	<u>(114,711)</u>
94,262	-	-	-	241,813
-	-	-	-	31,000
-	-	-	-	(18,184)
<u>94,262</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>254,629</u>
-	-	-	-	(406,235)
-	-	-	1,088	44,989
-	-	-	1,088	(361,246)
(18,844)	(159)	11,395	(971)	(221,328)
<u>44,712</u>	<u>3,150</u>	<u>7,114</u>	<u>13,259</u>	<u>661,317</u>
<u>\$ 25,868</u>	<u>\$ 2,991</u>	<u>\$ 18,509</u>	<u>\$ 12,288</u>	<u>\$ 439,989</u>
\$ (114,300)	\$ (159)	\$ 4,926	\$ (1,664)	\$ (173,854)
-	-	-	-	12,301
20	-	-	-	5,281
3,241	-	-	-	3,241
(2,641)	-	6,469	(395)	37,653
-	-	-	-	93
<u>574</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>574</u>
<u>\$ (113,106)</u>	<u>\$ (159)</u>	<u>\$ 11,395</u>	<u>\$ (2,059)</u>	<u>\$ (114,711)</u>

OTSEGO COUNTY, MICHIGAN

Combining Statement of Net Position  
Internal Service Funds  
December 31, 2018

	Building and Grounds	Administrative Services	Health Care	Total
<b>Assets (all current)</b>				
Cash and cash equivalents	\$ 95,444	\$ 100,393	\$ 149,013	\$ 344,850
Investments	-	-	100,000	100,000
Accounts receivable	4,979	38	7,336	12,353
Inventories	-	325	-	325
Other assets	-	-	99,855	99,855
<b>Total assets</b>	<b>100,423</b>	<b>100,756</b>	<b>356,204</b>	<b>557,383</b>
<b>Liabilities (all current)</b>				
Accounts payable	28,289	958	83	29,330
Accrued liabilities	-	1,413	-	1,413
<b>Total liabilities</b>	<b>28,289</b>	<b>2,371</b>	<b>83</b>	<b>30,743</b>
<b>Net position</b>				
Unrestricted	72,134	98,385	356,121	526,640
<b>Total net position</b>	<b>\$ 72,134</b>	<b>\$ 98,385</b>	<b>\$ 356,121</b>	<b>\$ 526,640</b>

OTSEGO COUNTY, MICHIGAN

Combining Statement of Revenues, Expenses and Changes in Fund Net Position  
 Internal Service Funds  
 For the Year Ended December 31, 2018

	Building and Grounds	Administrative Services	Health Care	Total
Operating revenues				
Charges for services	\$ 456,955	\$ 603,948	\$ 1,192,129	\$ 2,253,032
Operating expenses				
Salaries and fringes	15	547,034	1,177,035	1,724,084
Contractual services	252,934	-	-	252,934
Materials and supplies	15,288	7,367	-	22,655
Equipment repair and maintenance	5,915	1,087	-	7,002
Utilities	213,763	765	-	214,528
Other	4,504	10,804	-	15,308
Total operating expenses	492,419	567,057	1,177,035	2,236,511
Operating (loss) income	(35,464)	36,891	15,094	16,521
Nonoperating revenues				
Investment earnings	-	-	3,905	3,905
(Loss) income before transfers	(35,464)	36,891	18,999	20,426
Transfers				
Transfers out	-	(520)	-	(520)
Change in net position	(35,464)	36,371	18,999	19,906
Net position, beginning of year	107,598	62,014	337,122	506,734
Net position, end of year	\$ 72,134	\$ 98,385	\$ 356,121	\$ 526,640

# OTSEGO COUNTY, MICHIGAN

## Combining Statement of Cash Flows Internal Service Funds For the Year Ended December 31, 2018

	Building and Grounds	Administrative Services	Health Care	Total
<b>Cash flows from operating activities</b>				
Internal activity - receipts from other funds	\$ 456,762	\$ 603,948	\$ 1,191,977	\$ 2,252,687
Payments to suppliers	(417,937)	(21,651)	(1,186,890)	(1,626,478)
Payments to employees for services and benefits	(15)	(547,277)	-	(547,292)
<b>Net cash provided by operating activities</b>	<b>38,810</b>	<b>35,020</b>	<b>5,087</b>	<b>78,917</b>
<b>Cash flows used by noncapital financing activities</b>				
Transfers out	-	(520)	-	(520)
<b>Cash flows provided by investing activities</b>				
Sale of investments	-	-	100,000	100,000
Interest received on investments	-	-	3,905	3,905
<b>Net change in cash and cash equivalents</b>	<b>38,810</b>	<b>34,500</b>	<b>108,992</b>	<b>182,302</b>
Cash and cash equivalents, beginning of year	56,634	65,893	40,021	162,548
<b>Cash and cash equivalents, end of year</b>	<b>\$ 95,444</b>	<b>\$ 100,393</b>	<b>\$ 149,013</b>	<b>\$ 344,850</b>
<b>Reconciliation of operating (loss) income to net cash provided by (used in) operating activities</b>				
Operating (loss) income	\$ (35,464)	\$ 36,891	\$ 15,094	\$ 16,521
Adjustments to reconcile operating (loss) income to net cash provided by (used in) operating activities:				
Change in operating assets and liabilities that (used) provided cash:				
Accounts receivable	(193)	-	(152)	(345)
Prepays	59,426	-	(8,166)	51,260
Accounts payable	15,041	(1,628)	(1,689)	11,724
Accrued liabilities	-	(243)	-	(243)
<b>Net cash provided by operating activities</b>	<b>\$ 38,810</b>	<b>\$ 35,020</b>	<b>\$ 5,087</b>	<b>\$ 78,917</b>

OTSEGO COUNTY, MICHIGAN

**Combining Statement of Fiduciary Assets and Liabilities**  
 Fiduciary Funds  
 December 31, 2018

	General Agency	Payroll Imprest	Library Penal Fines	Michigan Municipal Risk Management Authority	Total
<b>Assets</b>					
Cash and cash equivalents	\$ 1,204,844	\$ 274,701	\$ 86,377	\$ 370,100	\$ 1,936,022
<b>Liabilities</b>					
Undistributed tax collections	\$ 848,250	\$ -	\$ -	\$ -	\$ 848,250
Bonds, restitutions, and payables to others	356,594	274,701	86,377	370,100	1,087,772
<b>Total liabilities</b>	\$ 1,204,844	\$ 274,701	\$ 86,377	\$ 370,100	\$ 1,936,022

## INTERNAL CONTROL AND COMPLIANCE

**Independent Auditors' 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***

July 1, 2019

Honorable Members of the  
Board of Commissioners  
Otsego County  
Gaylord, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of *Otsego County, Michigan* (the "County"), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated July 1, 2019. Our report includes a reference to other auditors who audited the financial statements of Otsego County Road Commission and Otsego County Commission on Aging discretely presented component units, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Otsego County Commission on Aging were not audited in accordance with *Government Auditing Standards*.

#### **Internal Control Over Financial Reporting**

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

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 have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings, as item 2018-001 that we consider to be a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### Otsego County's Response to Finding

The County's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The County'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 results of that testing, and not to provide an opinion on the effectiveness of the County'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.



# OTSEGO COUNTY, MICHIGAN

## Schedule of Findings and Responses For the Year Ended December 31, 2018

### 2018-001 - Material Audit Adjustments (Repeat)

**Finding Type.** Material Weakness in Internal Control over Financial Reporting.

**Criteria.** Management is responsible for maintaining its accounting records in accordance with generally accepted accounting principles (GAAP).

**Condition.** During our audit, we identified and proposed material adjustments (which were approved and posted by management) to adjust the County's general ledger to the appropriate balances. These adjustments affected a variety of accounts, of the primary government, which included taxes receivable, capital assets, accrued expenses, long-term debt, and pension and OPEB liabilities and the related expenses.

**Cause.** This condition was caused by turnover in personnel and the County failing to reconcile several accounts and make necessary adjustments to those accounts.

**Effect.** As a result of this condition, the County's accounting records were initially misstated by amounts material to the financial statements.

**Recommendation.** The adjustments noted above have been reviewed by management, posted to the County's records, and are reported correctly in the audited financial statements. However, we recommend that the County strive to strengthen its financial reporting processes by enhancing its review and reconciliation procedures.

**View of Responsible Officials.** Management agrees with the adjustments proposed by its auditors, and they have been posted in the County's records. The County will improve procedures to ensure the account balances are reviewed and reconciled on a regular basis.



## OTSEGO COUNTY, MICHIGAN

### Summary Schedule of Prior Audit Findings

For the Year Ended December 31, 2018

2017-001 - Material Audit Adjustments - Management is responsible for maintaining its accounting records in accordance with generally accepted accounting principles (GAAP).

During our audit, we identified and proposed material adjustments (which were approved and posted by management) to adjust the County's general ledger to the appropriate balances. These adjustments affected a variety of accounts of the primary government and component units which included, due from other governments, taxes receivable, capital assets and long-term debt.

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