



COUNTY OF OTSEGO  
MICHIGAN

225 West Main Street  
Gaylord, Michigan 49735

BUDGET AND FINANCE COMMITTEE

REQUEST FOR PROPOSALS (RFP 2021-12)

FOR

PROFESSIONAL SERVICES CONTRACT FOR  
COST ACCOUNTING/FISCAL SERVICES SUPPORT



TABLE OF CONTENTS

I. INTRODUCTION

- A. General Information
- B. Term of Engagement
- C. Subcontracting

II. NATURE OF SERVICES REQUIRED

- A. County-Wide Central Services Indirect Cost Allocation Plan

III. LAWS, RULES, AND REGULATIONS

IV. FIELDWORK / COORDINATION

V. COUNTY REPRESENTATION

VI. FINAL APPROVAL

VII. DESCRIPTION OF GOVERNMENT

- A. Background Information
- B. Fund Structure
- C. Budgetary Basis of Accounting
- D. Magnitude of Finance Operations
- E. Computer Systems

VIII. TIME REQUIREMENTS

- A. Proposal Calendar
- B. Notification and Contract Dates

IX. PROPOSAL REQUIREMENTS

- A. General Requirements
  - 1. Inquiries
  - 2. Submission of Proposals

B. Technical Proposal

1. General Requirements
2. Firm Qualifications and Experience
3. Staff Qualifications and Experience
4. Prior Engagements with the County of Otsego
5. Similar Engagements with Other Government Entities
6. Report Format

C. Sealed Dollar Cost Bid

1. Total All-Inclusive Maximum Price
2. Rates by Partner, Specialist, Supervisory and Staff Level Times Hours Anticipated for Each
3. Out-of-pocket Expenses in the Total All-inclusive Maximum Price
4. Rates for Additional Professional Services
5. Manner of Payment

X. EVALUATION PROCEDURES

- A. Budget and Finance Committee
- B. Review of Proposals
- C. Evaluation Criteria

1. Technical Qualifications
2. Price

- D. Final Selection
- E. Right to Reject Proposals

APPENDICES

- A. Copy of 2019 Audit Report, including Findings and Recommendations
- B. Proposer Guarantees
- C. Proposer Warranties

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COUNTY OF OTSEGO  
REQUEST FOR PROPOSALS

I. INTRODUCTION

A. General Information

The COUNTY OF OTSEGO is accepting proposals from qualified firms to provide professional services in the area of cost accounting and support for fiscal services operation focusing on the following area:

1. Preparation of the **Central Services Indirect Cost Allocation Plan** for the fiscal years 2020, 2021, and 2022, that will be used to facilitate indirect cost recoveries in the fiscal years 2022, 2023 and 2024.

There is no expressed or implied obligation for the COUNTY OF OTSEGO to reimburse responding firms for any expenses incurred in preparing proposals in response to this request.

Any inquiries concerning the request for proposals prior to or after the proposal conference should be addressed to Mel Maier, Finance Director.

To be considered, six (6) copies of a proposal must be received by Mel Maier, Finance Director, at 225 West Main Street by 12 noon on June 4, 2021. Proposals will be opened at 12:10 pm in Room 212, 225 West Main Street. The COUNTY OF OTSEGO reserves the right to reject any or all proposals submitted.

Proposals will be evaluated by the Budget and Finance Committee.

During the evaluation process, the COUNTY OF OTSEGO reserves the right, where it may serve the COUNTY OF OTSEGO's best interest, to request additional information or clarifications from proposers, or to allow corrections of errors or omissions. At the discretion of the COUNTY OF OTSEGO, firms submitting proposals may be requested to make oral presentations as part of the evaluation process.

The COUNTY OF OTSEGO reserves the right to retain all proposals submitted and to use any ideas in a proposal regardless of whether that proposal is selected. Submission of a proposal indicates acceptance by the firm of the conditions contained in this request for proposals, unless clearly and specifically noted in the proposal submitted and confirmed in the contract

between the COUNTY OF OTSEGO and the firm selected.

It is anticipated the selection of a firm will be completed by June 22, 2021. Following the notification of the selected firm, it is expected a contract will be executed between both parties no later than June 22, 2021.

B. Term of Engagement

A three-year contract is contemplated, subject to the annual review and recommendation of the Budget and Finance Committee, the satisfactory negotiation of terms (including a price acceptable to both the COUNTY OF OTSEGO and the selected firm), the concurrence of the Board of Commissioners, and the annual availability of an appropriation.

C. Subcontracting

Firms submitting proposals are encouraged to consider subcontracting portions of the engagement to small audit firms or audit firms owned and controlled by socially and economically disadvantaged individuals. If this is to be done, that fact, and the name of the proposed subcontracting firms, must be clearly identified in the proposal. Following the award of the contract, no additional subcontracting will be allowed without the express prior written consent of the COUNTY OF OTSEGO.

## II. NATURE OF SERVICES REQUIRED

The COUNTY OF OTSEGO will require the successful firm to perform the following services:

A. County-Wide Central Services Indirect Cost Allocation Plan

1. To prepare the FY 2020, FY 2021 and FY 2022 County-Wide Central Services Indirect Cost Allocation Plan in accordance with Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance); the OMB Compliance Supplement.
2. To submit the completed plans to the COUNTY OF OTSEGO no later than eleven (11) months after the completion of the fiscal year by which costs are calculated (e.g. the FY 2021 plan must be submitted by November 30, 2022).

3. To deliver the completed cost allocation plan to the State of Michigan, Michigan Department of Health and Human Services (DHHS) Office of Child Support, Financial Management Section, and participate in the negotiations when required. The negotiations must be successfully conducted on the County's behalf before any compensation is due to the successful firm. "Successfully conducted" is defined as receiving written acknowledgement from the State of Michigan, approving the use of the indirect cost plan.
4. To provide validation of submission of the completed cost allocation plan to the State of Michigan, Michigan Department of Health and Human Services (DHHS) Office of Child Support, Financial Management Section.
5. To explain the calculation methods and assumptions used in the indirect cost allocation to County Administration. This explanation may be presented in writing or as part of a verbal presentation.
6. To provide recommendations on methods to enhance indirect cost revenues.

### III. LAWS, RULES, AND REGULATIONS

The successful firm shall comply with all Federal, State and local rules and regulations pertaining to the preparation of a County-Wide Central Services Indirect Cost Allocation Plan. Such rules and regulations shall be considered part of this RFP's requirements.

### IV. FIELD WORK / COORDINATION

The COUNTY OF OTSEGO expects the successful firm to do all fieldwork in association with the scope of work described above, with the understanding that COUNTY OF OTSEGO employees will make financial and other pertinent records available for use in preparing and completing the work assigned.

The successful firm will work in conjunction with the Director of Finance in completing this engagement. During fieldwork at the COUNTY OF OTSEGO, the firm will be provided with a work area to conduct said services as necessary.

### V. COUNTY REPRESENTATION

The COUNTY OF OTSEGO'S representative shall be allowed to view, inspect or observe the successful firm's work in progress. The COUNTY OF OTSEGO'S representative for this project will be the Director of Finance, who will coordinate with the various departments for the completion of this project. Approvals, questions,

demands, etc. from the successful firm shall be forwarded to these individuals. No other representative shall bind the COUNTY OF OTSEGO to additional cost or make changes to the Scope of Work.

## VI. FINAL APPROVAL

The Director of Finance will exercise final approval of the rates proposed in the County-Wide Central Services Indirect Cost Allocation Plan before the Plan is submitted to the cognizant agency.

## VII. DESCRIPTION OF THE GOVERNMENT

### A. Background Information

The COUNTY OF OTSEGO serves an area of approximately 527 square miles with a population of approximately 25,000. The COUNTY OF OTSEGO's fiscal year begins on January 1<sup>st</sup> and ends on December 31<sup>st</sup>.

The COUNTY OF OTSEGO provides the following services to its citizens:

- General Government
- Public Safety
- Recreation and Culture
- Economic Development
- Transit
- Services to the Elderly
- Veterans
- Housing

The COUNTY OF OTSEGO has a total payroll of approximately \$5,000,000, covering 152 employees.

The COUNTY OF OTSEGO is organized into several different departments and agencies. The accounting and financial reporting functions of the COUNTY OF OTSEGO are centralized, with the exception of the Otsego County Library.

### B. Fund Structure

The COUNTY OF OTSEGO uses the following fund types and account groups in its financial reporting:

<u>Fund Type</u>	<u>Number of Individual Funds</u>	<u>Number With Legally Adopted Annual Budgets</u>
General fund	4	4
Special revenue funds	23	23
Debt service funds	1	1
Capital projects funds	9	9
Enterprise funds	9	9
Internal service funds	4	4
Pension (and other employee benefits) trust funds	1	0
Agency funds	4	0
Discreetly presented component units	4	4
Blended component units	1	1

C. Budgetary Basis of Accounting

The COUNTY OF OTSEGO prepares its budgets on a basis consistent with generally accepted accounting principles.

D. Magnitude of Finance Operations

The finance department is headed by Mel Maier and consists of two (2) employees. The County Administrator serves as the Chief Financial Officer. The principal functions performed and the individuals assigned to each are as follows:

<u>Function</u>	<u>Name and Title</u>
Payroll and Accounts Payable	Denise Landrie, Accounting Clerk
Finance Director	Mel Maier, Finance Director
Administrator	Rachel Frisch, County Administrator

E. Computer Systems

The COUNTY OF OTSEGO uses BSA Software for its general ledger, accounts payable, and payroll functions.

## VIII. TIME REQUIREMENTS

A. Proposal Calendar

The following is a list of key dates up to and including the date proposals are due to be submitted:



Request for proposal issued	May 20, 2021
Due date for proposals	June 4, 2021
Proposals evaluated by Budget&Finance Cmt	June 16, 2021

B. Notification and Contract Dates

Firm selected by Board of Commissioners	June 22, 2021
Selected firm notified	June 22, 2021
Contract date	June 22, 2021

IX. PROPOSAL REQUIREMENTS

A. General Requirements

1. Inquiries

Inquiries concerning the request for proposals and the subject of the request for proposals must be made to:

Mel Maier  
 Otsego County Finance Director  
 225 West Main  
 Gaylord, MI 49735  
 (989) 731-7527

CONTACT WITH PERSONNEL OF THE COUNTY OF OTSEGO OTHER THAN THE FINANCE DIRECTOR REGARDING THIS REQUEST FOR PROPOSALS MAY BE GROUNDS FOR ELIMINATION FROM THE SELECTION PROCESS.

2. Submission of Proposals

The following material is required to be received by June 4, 2021 at noon for a proposing firm to be considered:

a. Six (6) copies of a Technical Proposal to include the following:

i. Title Page

Title page showing the request for proposals subject; the firm's name; the name, address and telephone number of the contact person; and the date of the proposal.

ii. Table of Contentsiii. Transmittal Letter

A signed letter of transmittal briefly stating the proposer's understanding of the work to be done, the commitment to perform the work within the time period, a statement why the firm believes itself to be best qualified to perform the engagement and a statement that the proposal is a firm and irrevocable offer for a one-month period.

iv. Detailed Proposal

The detailed proposal shall include all items set forth in Section IX B of this request for proposals.

v. Executed copies of Proposer Guarantees and Proposer Warranties, attached to this request for proposal (Appendix B and Appendix C)

- b. The proposer shall submit six (6) copies of a dollar cost bid in a separate sealed envelope marked as follows:

SEALED DOLLAR COST BID  
PROPOSAL  
FOR  
COUNTY OF OTSEGO  
FOR  
COST ACCOUNTING/FISCAL SERVICES SUPPORT

- c. Proposers should send the completed proposal to the following address:

Mel Maier  
Otsego County Finance Director  
225 West Main Street  
Gaylord, MI 49735

## B. Technical Proposal

## 1. General Requirements

The purpose of the Technical Proposal is to demonstrate the qualifications, competence and capacity of the firms seeking to undertake this engagement with the COUNTY OF OTSEGO in conformity with the requirements of this request for proposals. As such, the substance of proposals will carry more weight than their form or manner of presentation. The Technical Proposal should demonstrate the qualifications of the firm and of the particular staff to be assigned to this engagement. It should also specify an engagement approach that will meet the request for proposals requirements.

**THERE SHOULD BE NO DOLLAR UNITS OR TOTAL COSTS INCLUDED IN THE TECHNICAL PROPOSAL DOCUMENT.**

The Technical Proposal should address all the points outlined in the request for proposals (excluding any cost information which should only be included in the sealed dollar cost bid). The Proposal should be prepared simply and economically, providing a straightforward, concise description of the proposer's capabilities to satisfy the requirements of the request for proposals. While additional data may be presented, the following subjects, items Nos. 2 through 6, must be included. They represent the criteria against which the proposal will be evaluated.

## 2. Firm Qualifications and Experience

The proposer should state the size of the firm, the size of the firm's staff, the location of the office from which the work on this engagement is to be performed and the number and nature of the professional staff to be employed in this engagement on a full-time basis and the number and nature of the staff to be so employed on a part-time basis.

If the proposer is a joint venture or consortium, the qualifications of each firm comprising the joint venture or consortium should be separately identified and the firm that is to serve as the principal should be noted, if applicable.

The firm is also required to submit a copy of the report on its most recent external quality control review, with a statement whether that quality control review included a review of specific government

engagements.

### 3. Staff Qualifications and Experience

Identify the staff members, including managers, other supervisors and specialists, who would be assigned to the engagement. Provide information on the experience of each person, including information on relevant continuing professional education for the past three (3) years and membership in professional organizations relevant to the performance of this engagement.

Provide as much information as possible regarding the number, qualifications, experience and training, including relevant continuing professional education, of the specific staff to be assigned to this engagement. Indicate how the quality of staff over the term of the agreement will be assured.

The proposer should identify the extent to which staff to be assigned to the engagement reflect the COUNTY OF OTSEGO's commitment to Affirmative Action.

Managers, other supervisory staff and specialists may be changed if those personnel leave the firm, are promoted or are assigned to another office. These personnel may also be changed for other reasons with the express prior written permission of the COUNTY OF OTSEGO. However, in either case, the COUNTY OF OTSEGO retains the right to approve or reject replacements.

Consultants and firm specialists mentioned in response to this request for proposal can only be changed with the express prior written permission of the COUNTY OF OTSEGO, which retains the right to approve or reject replacements.

Other personnel may be changed at the discretion of the proposer provided that replacements have substantially the same or better qualifications or experience.

### 4. Prior Engagements with the COUNTY OF OTSEGO

List separately all engagements within the last five years, for the COUNTY OF OTSEGO by type of engagement. Indicate the scope of work, date, staff, the location of the firm's office from which the engagement was performed, and the name and telephone number of

the principal contact.

5. Similar Engagements with Other Government Entities

For the firm's office that will be assigned responsibility for the engagement, list the most significant engagements (maximum of 5) performed in the last five years that are similar to the engagement described in this request for proposal. Indicate the scope of work, date, staff, and the name and telephone number of the principal client contact.

6. Report Format

The proposal should include sample formats for required reports.

NO DOLLARS SHOULD BE INCLUDED IN THE TECHNICAL PROPOSAL

C. Sealed Dollar Cost Bid

1. Total All-Inclusive Maximum Price

The sealed dollar cost bid should contain all pricing information relative to performing the engagement as described in this request for proposal. The total all-inclusive maximum price to be bid is to contain all direct and indirect costs including all out-of-pocket expenses.

The COUNTY OF OTSEGO will not be responsible for expenses incurred in preparing and submitting the technical proposal or the sealed dollar cost bid. Such costs should not be included in the proposal.

The first page of the sealed dollar cost bid should include the following information:

- a. Name of Firm
- b. Certification that the person signing the proposal is entitled to represent the firm, empowered to submit the bid, and authorized to sign a contract with the COUNTY OF OTSEGO.
- c. A Total All-Inclusive Maximum Price for the three-year engagement, listing each of the three years separately and a

total for all three years.

2. Out-of-pocket Expenses Included in the Total All-inclusive Maximum Price

All out-of-pocket expenses for travel, meals, lodging, etc, must be factored into the total all-inclusive maximum price and will not be billed separately to the COUNTY OF OTSEGO.

3. Manner of Payment

Progress payments will be made on the basis of hours of work completed during the course of the engagement. Ten percent (10%) will be withheld from the final billing pending delivery of the final reports.

X. EVALUATION PROCEDURES

A. Budget and Finance Committee

Proposals submitted will be evaluated by the COUNTY OF OTSEGO'S seven (7)-member Budget and Finance Committee.

B. Review of Proposals

The Committee will use a point formula during the review process to score proposals. Each member of the Committee will first score each technical proposal by each of the criteria described in Section X C below. The full Committee will then convene to review and discuss these evaluations and to combine the individual scores to arrive at a composite technical score for each firm. At this point, firms with an unacceptably low technical score will be eliminated from further consideration.

After the composite technical score for each firm has been established, the sealed dollar cost bid will be opened and additional points will be added to the technical score based on the price bid. The maximum score for price will be assigned to the firm offering the lowest total all-inclusive maximum price. Appropriate fractional scores will be assigned to other proposers.

The COUNTY OF OTSEGO reserves the right to retain all proposals submitted and use any idea in a proposal regardless of whether that proposal is selected.

C. Evaluation Criteria

The following represent the principal selection criteria which will be considered during the evaluation process.

1. Technical Quality-Expertise and Experience: (Maximum Points - 35)
  - a. The firm's past experience and performance on comparable engagements – a higher score will be assigned to firms that provide services to other counties in Michigan
  - b. The quality of the firm's professional personnel to be assigned to the engagement and the quality of the firm's management support personnel to be available for technical consultation
  - c. The availability of professional staff throughout the year for assistance with and discussion of technical issues.
2. Price: (Maximum Points -15)

COST WILL NOT BE THE PRIMARY FACTOR IN THE SELECTION OF A FIRM

D. Final Selection

The COUNTY OF OTSEGO Board of Commissioners will select a firm based upon the recommendation of the Budget and Finance Committee.

It is anticipated that a firm will be selected on June 22, 2021. Following notification of the firm selected, it is expected a contract will be executed immediately.

E. Right to Reject Proposals

Submission of a proposal indicates acceptance by the firm of the conditions contained in this request for proposal unless clearly and specifically noted in the proposal submitted and confirmed in the contract between the COUNTY OF OTSEGO and the firm selected.

The COUNTY OF OTSEGO reserves the right without prejudice to reject any or all proposals.

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APPENDICES

- A. Copy of 2019 Audited Financial Statements
- B. Proposer Guarantees
- C. Proposer Warranties





**County of Otsego, Michigan**

**BASIC FINANCIAL STATEMENTS**

**December 31, 2019**

**OTSEGO COUNTY, MICHIGAN**

ORGANIZATION

**MEMBERS OF THE COUNTY COMMISSION**

CHAIR PERSON	KEN BORTON
VICE CHAIR PERSON	DOUGLAS C. JOHNSON
COMMISSIONER	JULIE POWERS
COMMISSIONER	HENRY MASON
COMMISSIONER	PAUL L LISS
COMMISSIONER	DUANE SWITALSKI
COMMISSIONER	ROB PALLARITO
COMMISSIONER	KENNETH R GLASSER
COMMISSIONER	BRUCE BROWN

**APPOINTED/ELECTED OFFICIALS**

COUNTY ADMINISTRATOR	RACHEL FRISCH
FINANCE DIRECTOR	MEL MAIER
COUNTY TREASURER	DIANN M AXFORD
COUNTY CLERK	SUSAN I DEFEYTER

**TABLE OF CONTENTS**

	<b><u>Page</u></b>
<b>INDEPENDENT AUDITOR’S REPORT .....</b>	<b>1</b>
<b>MANAGEMENT’S DISCUSSION AND ANALYSIS .....</b>	<b>4</b>
<b>BASIC FINANCIAL STATEMENTS:</b>	
Government-Wide Financial Statements:	
Statement of Net Position .....	10
Statement of Activities .....	11
Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	12
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds .....	13
Reconciliation of Governmental Funds:	
Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities.....	14
Proprietary Funds:	
Statement of Net Position .....	15
Statement of Revenues, Expenses, and Changes in Net Position .....	16
Statement of Cash Flows .....	17
Fiduciary Funds:	
Statement of Fiduciary Net Position .....	18
<b>COMPONENT UNIT FINANCIAL STATEMENTS:</b>	
Statement of Net Position .....	19
Statement of Activities .....	20
<b>NOTES TO FINANCIAL STATEMENTS .....</b>	<b>21</b>

**TABLE OF CONTENTS (Continued)**

**REQUIRED SUPPLEMENTARY INFORMATION:**

Employee Retirement and Benefit Systems:	
Schedule of Changes in Pension Liability .....	66
Schedule of Employer Contributions .....	67
Schedule of Changes in OPEB Liability and Related Rations .....	68
Budgetary Comparison Schedules – Major Funds:	
General Fund.....	69
Housing Commission .....	71
Public Improvement.....	72
Park & Recreation.....	73

**OTHER INFORMATION:**

Combining Balance Sheet – General Funds .....	74
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – General Funds.....	75
Combining Balance Sheet – Nonmajor Governmental Funds .....	76
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Governmental Funds .....	81
Combining Statement of Net Position – Internal Service Funds.....	86
Combining Statement of Revenues, Expenses, and Changes in Net Position – Internal Service Funds .....	87
Combining Statement of Cash Flows – Internal Service Funds.....	88
Combining Statement of Net Position – Nonmajor Enterprise Funds .....	89
Combining Statement of Revenues, Expenses, and Changes in Net Position – Nonmajor Enterprise Funds .....	90
Combining Statement of Cash Flows – Nonmajor Enterprise Funds .....	91

**REPORTS ON COMPLIANCE:**

Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	92
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**ANDERSON, TACKMAN & COMPANY, PLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**KINROSS OFFICE**

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

PHILLIP J. WOLF, CPA  
LESLIE BOHN, CPA  
TORI KRUISE, CPA

**MEMBER AICPA**  
**DIVISION FOR CPA FIRMS**

**MEMBER MACPA**

**OFFICES IN**  
**MICHIGAN & WISCONSIN**

**INDEPENDENT AUDITOR'S REPORT**

Members of the Board of Commissioners  
County of Otsego, Michigan  
225 W. Main St.  
Gaylord, MI 49735

***Report on the Financial Statements***

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

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Otsego Commission on Aging, which represents 2 percent, 2 percent, and 12 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. We also did not audit the financial statements of the Otsego County Bus System, which represents 11 percent, 3 percent, and 37 percent, respectively, of the assets, net position, and revenues of the business-type activities. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Otsego Commission on Aging and the County Bus System are based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the County Commission on Aging were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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 report and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Otsego, Michigan, as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, employee retirement and benefits systems and budgetary comparison schedules on pages 4 through 9, pages 66 through 68, and pages 69 through 73 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

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

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

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2020 on our consideration of the County of Otsego, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County of Otsego, Michigan's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of Otsego, Michigan's internal control over financial reporting and compliance.



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

June 30, 2020

## **Management's Discussion and Analysis**

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As managers of the County of Otsego, Michigan, 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, 2019. 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

- Net position for the County was reported at \$34,136,357 for 2018 and was \$36,129,723 for 2019, an increase of 5.8%. For 2019, net position for our business-type activities was \$14,715,969 or 40.7% of total net position, while net position in our governmental activities was \$21,413,754 or 59.3% of total net position.
- At December 31, 2019, Otsego County's governmental funds report a combined fund balance of \$14,943,485 compared to \$14,508,358 in 2018.
- At December 31, 2019, the fund balance for the general fund was \$5,791,133 with \$44,091 nonspendable for prepaid and inventory items.

### Overview of the Financial Statements

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

**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 and inflows of resources and liabilities, with the difference between them 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.

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include Legislative, Judicial, General Government, Public Safety, Public Works, Health and Welfare, and Culture and Recreation. The business-type activities of the County include the Otsego County Bus System, Delinquent Tax Revolving, and Airport.

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. Component Units include the Otsego County Road Commission, Otsego/Leelanau District Health Department, Otsego Transportation Authority, and Otsego Economic Development Corporation. Financial information for component units are reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 10-11 of this report.

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

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the 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 fund balance sheet and the governmental fund statement on revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains many individual funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General, Housing Commission, Public Improvement Capital Project, and Park & Recreation, each of 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.

The governmental fund financial statements can be found on pages 12-14 of this report.

**Proprietary funds.** Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Services for which the County charges customers a fee are generally reported in proprietary funds. The Otsego County Bus System, Delinquent Tax Revolving, Tax Foreclosure and Airport are reported as major proprietary funds.

The proprietary fund financial statements can be found on pages 15-17 of this report.

**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.

The fiduciary fund financial statements can be found on page 18 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to fully understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-65 of this report.

**Required Supplementary Information.** Required supplementary information related to the County’s pension and OPEB can be found on pages 66-68 and budgetary comparison information related to the County’s major governmental funds can be found on pages 69-73 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain other information. This includes the combining major and nonmajor fund financial statements. Combining major and nonmajor fund financial statements can be found on pages 74-91 of this report.

**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 Otsego County, net position exceeded liabilities by \$36,129,723 at the close of the most recent fiscal year.

**Otsego County  
Net Position**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current Assets	\$ 20,634,182	\$ 21,996,842	\$ 9,730,422	\$ 9,248,169	\$ 30,364,604	\$ 31,245,011
Capital Assets	13,895,652	12,742,238	6,288,362	6,573,459	20,184,014	19,315,697
<b>Total Assets</b>	<b>34,529,834</b>	<b>34,739,080</b>	<b>16,018,784</b>	<b>15,821,628</b>	<b>50,548,618</b>	<b>50,560,708</b>
Deferred Outflows of Resources	1,925,948	1,507,396	216,690	140,229	2,142,638	1,647,625
Current Liabilities	1,612,330	1,119,406	759,319	361,811	2,371,649	1,481,217
Noncurrent Liabilities	10,588,166	11,746,296	648,838	414,904	11,237,004	12,161,200
<b>Total Liabilities</b>	<b>12,200,496</b>	<b>12,865,702</b>	<b>1,408,157</b>	<b>776,715</b>	<b>13,608,653</b>	<b>13,642,417</b>
Deferred Inflows of Resources	2,841,532	4,280,209	111,348	204,850	2,952,880	4,485,059
Net Position						
Net Investment in						
Capital Assets	12,485,124	11,194,681	6,288,362	6,573,459	18,773,486	17,768,140
Restricted	4,959,069	9,159,700	-	-	4,959,069	9,159,700
Unrestricted	3,969,561	(1,253,816)	8,427,607	8,406,833	12,397,168	7,153,017
<b>Total Net Position</b>	<b>\$ 21,413,754</b>	<b>\$ 19,100,565</b>	<b>\$ 14,715,969</b>	<b>\$ 14,980,292</b>	<b>\$ 36,129,723</b>	<b>\$ 34,080,857</b>

A large portion of the County’s net position reflects its investment in capital assets (e.g., land, buildings, equipment and construction in progress); less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay the debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

In addition to the net position invested in capital assets, certain other restrictions on use of net position apply due primarily to legal guidelines. The restricted net position total was \$4,959,069. The remaining balance of unrestricted net position of \$12,397,168 may be used to meet the government’s ongoing obligations to citizens and creditors.

**Otsego County  
Changes in Net Position**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Program Revenues						
Charges for Services	\$ 4,052,788	\$ 2,166,057	\$ 1,821,615	\$ 1,666,509	\$ 5,874,403	\$ 3,832,566
Operating Grants and Contributions	2,500,752	2,650,211	749,122	804,969	3,249,874	3,455,180
Capital Grants and Contributions	-	69,299	433,510	373,081	433,510	442,380
General Revenues						
Property Taxes	8,671,663	8,300,297	316,488	315,663	8,988,151	8,615,960
State Revenue Sharing	505,934	-	-	-	505,934	-
Investment Earnings	365,247	355,688	444,969	259,535	810,216	615,223
Other Revenue	140,930	1,775,590	236,823	284,388	377,753	2,059,978
<b>Total Revenues</b>	<b>16,237,314</b>	<b>15,317,142</b>	<b>4,002,527</b>	<b>3,704,145</b>	<b>20,239,841</b>	<b>19,021,287</b>
Program Expenses						
Legislative	214,752	225,294	-	-	214,752	225,294
Judicial	2,753,529	1,890,595	-	-	2,753,529	1,890,595
General Government	2,504,971	4,003,061	-	-	2,504,971	4,003,061
Public Safety	4,754,551	4,412,678	-	-	4,754,551	4,412,678
Public Works	342,058	167,639	-	-	342,058	167,639
Health and Welfare	1,229,255	1,445,356	-	-	1,229,255	1,445,356
Community and Economic Development	232,533	409,862	-	-	232,533	409,862
Recreation and Culture	1,996,987	2,026,823	-	-	1,996,987	2,026,823
Interest Expense - Unallocated	56,450	86,457	-	-	56,450	86,457
Other Expenses	386,339	-	-	-	386,339	-
Delinquent Tax Collection	-	-	201,547	199,345	201,547	199,345
Bus System	-	-	1,474,473	1,673,970	1,474,473	1,673,970
Airport	-	-	1,683,312	1,713,366	1,683,312	1,713,366
Other Expenses	-	-	415,718	546,238	415,718	546,238
<b>Total Expenses</b>	<b>14,471,425</b>	<b>14,667,765</b>	<b>3,775,050</b>	<b>4,132,919</b>	<b>18,246,475</b>	<b>18,800,684</b>
Excess (Deficiency)						
Before Transfers	1,765,889	649,377	227,477	(428,774)	1,993,366	220,603
Transfers	491,800	189,109	(491,800)	(172,949)	-	16,160
<b>Changes in Net Position</b>	<b>2,257,689</b>	<b>838,486</b>	<b>(264,323)</b>	<b>(601,723)</b>	<b>1,993,366</b>	<b>220,603</b>
Net Position - Beginning (As Restated See Note 16)	19,156,065	18,262,079	14,980,292	15,582,015	34,136,357	33,844,094
<b>Net Position - Ending</b>	<b>\$ 21,413,754</b>	<b>\$ 19,100,565</b>	<b>\$ 14,715,969</b>	<b>\$ 14,980,292</b>	<b>\$ 36,129,723</b>	<b>\$ 34,064,697</b>

**Financial Analysis of the Government Funds**

As noted earlier, Otsego 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 accessing 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 County’s general fund is the chief operating fund of the County. The County’s ending fund balance for the general fund was \$5,791,133.

**General Fund Budgetary Highlights**

The General Fund realized \$91,366 less in revenues than anticipated for the fiscal year. The General Fund operations also expended \$513,149 less than appropriated. Operating Transfers In were higher than budgeted and resulted in a net budget variance of \$40,510.

All of the General Fund services departments expended less than the budgeted amount for departmental operations in 2019. Elected Officials and Department Heads continue to exhibit diligence across the board of keeping within budget parameters or identifying problems before they occur.

Over the course of the year the County Board amended the General Fund budget to reflect adjustments in revenues and expenditures that developed in the year.

**Capital Assets and Debt Administration**

**Capital Assets:**

At December 31, 2019 the County had \$18,592,137 invested in a range of assets. This includes a net decrease of \$723,560 from last year as depreciation and deletions exceed additions.

**Otsego County  
Capital Assets  
(net of depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 2,801,732	\$ 2,436,427	\$ 99,998	\$ 99,998	\$ 2,901,730	\$ 2,536,425
Construction in Progress	3,462,609	2,771,224	-	-	3,462,609	2,771,224
Buildings	5,763,792	5,592,458	1,111,845	1,217,348	6,875,637	6,809,806
Furniture & Fixtures	41,965	87,081	-	-	41,965	87,081
Equipment	1,487,499	1,658,028	104,378	111,655	1,591,877	1,769,683
Vehicles	321,888	178,856	682,033	337,545	1,003,921	516,401
Infrastructure	16,167	18,164	4,290,108	4,806,913	4,306,275	4,825,077
<b>Total</b>	<b>\$ 13,895,652</b>	<b>\$ 12,742,238</b>	<b>\$ 6,288,362</b>	<b>\$ 6,573,459</b>	<b>\$ 20,184,014</b>	<b>\$ 19,315,697</b>

Additional information on the County’s capital assets can be found in Note 4 on pages 34-37 of this report.

**Debt Administration**

At the end of fiscal year 2019, the County had outstanding bond debt in the amount of \$1,400,000. This was due to decreasing its bond debt in the amount of \$1,356,563. All bonds are backed by the County’s full faith and credit of the government. The remainder of the County’s debt is comprised of notes payable, vested employee benefits, and net pension liabilities.

**Debt Administration**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Installment and Bond Debt	1,400,000	2,756,563	-	-	1,400,000	2,756,563
Premium on Bond Issuance	10,528	14,038	-	-	10,528	14,038
Compensated Absences	214,197	195,707	-	-	214,197	195,707
<b>Total</b>	<b>\$ 1,624,725</b>	<b>\$ 2,966,308</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,624,725</b>	<b>\$ 2,966,308</b>

Additional information on the County’s long-term debt can be found in Note 7 on pages 39-41 of this report.

**Economic Factors and Next Year’s Budgets and Rates**

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

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

Highlight of the 2020 budget is as follows:

- The cost of employee benefits continues 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’s 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: Otsego County, 225 W Main, Gaylord, Michigan, 49735.

## **Basic Financial Statements**

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Statement of Net Position  
December 31, 2019

	Primary Government		Totals	Component Units
	Governmental Activities	Business-type Activities		
<b>ASSETS:</b>				
Cash and Equivalents	\$ 8,552,274	\$ 2,511,792	\$ 11,064,066	\$ 5,779,866
Investments	6,036,563	5,766,589	11,803,152	180,994
Receivables:				
Taxes	3,109,756	958,770	4,068,526	2,449,077
Accounts	376,100	78,753	454,853	1,734,142
Interest	-	145,326	145,326	-
Loans	1,460,047	-	1,460,047	-
Due from Governmental Units	760,763	93,001	853,764	-
Internal Loans	9,111	(9,111)	-	-
Inventories	18,880	28,465	47,345	721,785
Prepaid Items	123,693	1,837	125,530	313,738
Advance to Component Unit	186,995	155,000	341,995	-
Capital Assets Not Depreciated	6,264,341	99,998	6,364,339	12,458,773
Capital Assets (Net of Accumulated Depreciation)	7,631,311	6,188,364	13,819,675	26,062,818
<b>TOTAL ASSETS</b>	<b>34,529,834</b>	<b>16,018,784</b>	<b>50,548,618</b>	<b>49,701,193</b>
<b>DEFERRED OUTFLOWS OF RECOURSES:</b>				
Pension & OPEB Related Items	1,925,948	\$ 216,690	2,142,638	89,923
<b>LIABILITIES:</b>				
Accounts Payable	726,251	751,946	1,478,197	249,054
Accrued Liabilities	102,683	7,373	110,056	173,858
Advance from Government Units	-	-	-	558,419
Due to Governmental Units	37,395	-	37,395	237,771
Unearned Revenue	114,866	-	114,866	31,232
Interest Payable	7,625	-	7,625	-
Advance from Primary Government	-	-	-	341,995
Vested Employee Benefits - Due in more than one year	214,197	-	214,197	254,330
Bonds Payable - Due within one year	623,510	-	623,510	-
Bonds Payable - Due in more than one year	787,018	-	787,018	-
Net OPEB Liability - Due in more than one year	1,220,934	-	1,220,934	4,532,928
Net Pension Liability - Due in more than one year	8,366,017	648,838	9,014,855	4,394,395
Note Payable - Due within one year	-	-	-	270,497
Note Payable - Due in more than one year	-	-	-	132,312
<b>TOTAL LIABILITIES</b>	<b>12,200,496</b>	<b>1,408,157</b>	<b>13,608,653</b>	<b>11,176,791</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Pension & OPEB Related Items	69,818	111,348	181,166	170,039
Taxes Levied for a Subsequent Period	2,771,714	-	2,771,714	2,449,077
<b>TOTAL DEFERRED OUTFLOWS</b>	<b>2,841,532</b>	<b>111,348</b>	<b>2,952,880</b>	<b>2,619,116</b>
<b>NET POSITION:</b>				
Net Investment in Capital Assets	12,485,124	6,288,362	18,773,486	36,586,021
Restricted	4,959,569	-	4,959,569	2,555,904
Unrestricted	3,969,061	8,427,607	12,396,668	(3,146,716)
<b>TOTAL NET POSITION</b>	<b>\$ 21,413,754</b>	<b>\$ 14,715,969</b>	<b>\$ 36,129,723</b>	<b>\$ 35,995,209</b>



# County of Otsego, Michigan

## Statement of Activities For the Year Ended December 31, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Totals	
<b>Primary Government:</b>								
<b>Governmental Activities:</b>								
Legislative	\$ 214,752	\$ -	\$ -	\$ -	\$ (214,752)	\$ -	\$ (214,752)	\$ -
Judicial	2,753,529	595,665	1,256,690	-	(901,174)	-	(901,174)	-
General Government	2,504,971	527,468	209,623	-	(1,767,880)	-	(1,767,880)	-
Public Safety	4,754,551	1,606,821	119,009	-	(3,028,721)	-	(3,028,721)	-
Public Works	342,058	3,125	1,310	-	(337,623)	-	(337,623)	-
Health and Welfare	1,229,255	162,946	264,360	-	(801,949)	-	(801,949)	-
Community/Economic Development	232,533	94,697	-	-	(137,836)	-	(137,836)	-
Recreation and Culture	1,996,987	1,062,066	649,760	-	(285,161)	-	(285,161)	-
Other	386,339	-	-	-	(386,339)	-	(386,339)	-
Interest - Unallocated	56,450	-	-	-	(56,450)	-	(56,450)	-
Total Governmental Activities	<u>14,471,425</u>	<u>4,052,788</u>	<u>2,500,752</u>	<u>-</u>	<u>(7,917,885)</u>	<u>-</u>	<u>(7,917,885)</u>	<u>-</u>
<b>Business-type Activities:</b>								
Delinquent Tax Collection	201,547	362,335	-	-	-	160,788	160,788	-
Tax Foreclosure	108,341	127,837	18,732	-	-	38,228	38,228	-
Airport	1,683,312	868,887	-	-	-	(814,425)	(814,425)	-
Public Transit	1,474,473	248,788	730,390	433,510	-	(61,785)	(61,785)	-
Non-Major Enterprise Funds	307,377	213,768	-	-	-	(93,609)	(93,609)	-
Total Business-type Activities	<u>3,775,050</u>	<u>1,821,615</u>	<u>749,122</u>	<u>433,510</u>	<u>-</u>	<u>(770,803)</u>	<u>(770,803)</u>	<u>-</u>
Total Primary Government	<u>\$ 18,246,475</u>	<u>\$ 5,874,403</u>	<u>\$ 3,249,874</u>	<u>\$ 433,510</u>	<u>(7,917,885)</u>	<u>(770,803)</u>	<u>(8,688,688)</u>	<u>-</u>
<b>Component Units:</b>								
Road Commission	\$ 7,564,725	\$ 2,815,913	\$ 4,982,829	\$ 2,994,478				3,228,495
Ambulance	2,518,390	1,471,165	70,754	-				(976,471)
Commission on Aging 9/30/2019	2,066,848	121,192	490,920	-				(1,454,736)
Sportsplex	845,284	555,382	-	-				(289,902)
Total Component Units	<u>12,995,247</u>	<u>4,963,652</u>	<u>5,544,503</u>	<u>2,994,478</u>				<u>507,386</u>
Total	<u>\$ 31,241,722</u>	<u>\$ 10,838,055</u>	<u>\$ 8,794,377</u>	<u>\$ 3,427,988</u>				
<b>General Revenues and Transfers:</b>								
Taxes					8,671,663	316,488	8,988,151	3,677,258
State Revenue Sharing					505,934	-	505,934	
Investment Earnings					365,247	444,969	810,216	20,852
Transfers					491,800	(491,800)	-	-
Other					140,930	236,823	377,753	181,488
Total General Revenues and Transfers					<u>10,175,574</u>	<u>506,480</u>	<u>10,682,054</u>	<u>3,879,598</u>
Changes in Net Position					2,257,689	(264,323)	1,993,366	4,386,984
Net Position - Beginning (As Restated See Note 16)					19,156,065	14,980,292	34,136,357	31,608,225
<b>Net Position - Ending</b>					<u>\$ 21,413,754</u>	<u>\$ 14,715,969</u>	<u>\$ 36,129,723</u>	<u>\$ 35,995,209</u>

See accompanying notes to financial statements.

# County of Otsego, Michigan

## Balance Sheet Governmental Funds December 31, 2019

	General	Housing Commission	Public Improvement Capital Project Fund	Park & Recreation	Nonmajor Governmental	Total Governmental Funds
<b>ASSETS:</b>						
Cash and Equivalents - Unrestricted	\$ 2,638,091	\$ 109,110	\$ 1,052,277	\$ 149,616	\$ 4,327,967	\$ 8,277,061
Investments - Unrestricted	2,659,273	-	536,714	273,200	2,429,482	5,898,669
Receivables:						
Taxes	338,042	-	-	324,855	2,446,859	3,109,756
Accounts	60,767	296	61,075	1,778	242,851	366,767
Loans	-	1,460,047	-	-	-	1,460,047
Due from Other Funds	4,000	-	-	-	500	4,500
Advance to Other Funds	-	-	9,111	-	-	9,111
Due from Governmental Units	323,519	-	-	-	437,244	760,763
Inventories	18,555	-	-	-	-	18,555
Prepaid Items	25,536	-	-	-	19,589	45,125
Long-Term Advances to Other Funds - Component Units	-	-	186,995	-	-	186,995
<b>TOTAL ASSETS</b>	<b>\$ 6,067,783</b>	<b>\$ 1,569,453</b>	<b>\$ 1,846,172</b>	<b>\$ 749,449</b>	<b>\$ 9,904,492</b>	<b>\$ 20,137,349</b>
<b>LIABILITIES:</b>						
Due to Other Funds	\$ -	\$ 4,500	\$ -	\$ -	\$ -	\$ 4,500
Accounts Payable	172,122	312	-	62,815	470,061	705,310
Due to Other Governmental Units	-	-	-	-	37,395	37,395
Accrued Liabilities	74,296	81	-	3,333	22,322	100,032
Unearned Revenue	30,732	-	-	84,134	-	114,866
<b>TOTAL LIABILITIES</b>	<b>277,150</b>	<b>4,893</b>	<b>-</b>	<b>150,282</b>	<b>529,778</b>	<b>962,103</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>						
Unavailable Resources	-	1,460,047	-	-	-	1,460,047
Taxes Levied for a Subsequent Period	-	-	-	324,855	2,446,859	2,771,714
<b>TOTAL DEFERRED INFLOW OF RESOURCES</b>	<b>-</b>	<b>1,460,047</b>	<b>-</b>	<b>324,855</b>	<b>2,446,859</b>	<b>4,231,761</b>
<b>FUND BALANCES:</b>						
Nonspendable	44,091	-	-	-	19,589	63,680
Restricted	-	104,513	-	274,312	4,580,744	4,959,569
Committed	-	-	1,846,172	-	2,327,522	4,173,694
Assigned	1,533,077	-	-	-	-	1,533,077
Unassigned	4,213,465	-	-	-	-	4,213,465
<b>TOTAL FUND BALANCES</b>	<b>5,790,633</b>	<b>104,513</b>	<b>1,846,172</b>	<b>274,312</b>	<b>6,927,855</b>	<b>14,943,485</b>
<b>TOTAL LIABILITIES, INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 6,067,783</b>	<b>\$ 1,569,453</b>	<b>\$ 1,846,172</b>	<b>\$ 749,449</b>	<b>\$ 9,904,492</b>	

**Reconciliation to amounts reported for governmental activities in the statement of net position:**

Capital Assets used by Governmental Activities	13,895,652
Long-term Debt Payable for Governmental Activities	(1,410,528)
Accrued Interest Payable	(7,625)
Vested Employee Benefits	(214,197)
Pension Liability and Deferred Items	(6,515,872)
OPEB Liability and Deferred Items	(1,214,949)
Deferred Revenue Recognized as Current Revenue	1,460,047
Internal Service Funds	477,741
<b>Net position of governmental activities</b>	<b>\$ 21,413,754</b>

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

	General	Housing Commission	Public Improvement Capital Project Fund	Park & Recreation	Nonmajor Governmental	Total Governmental Funds
<b>REVENUES:</b>						
Taxes	\$ 5,484,784	\$ -	\$ -	\$ 317,173	\$ 2,869,706	\$ 8,671,663
Licenses and Permits	48,719	-	-	-	-	48,719
Federal Sources	98,706	23,403	-	15,000	466,235	603,344
State Sources	1,429,464	-	-	-	1,024,134	2,453,598
Local Sources	22,418	1,246	-	-	669,938	693,602
Charges for Services	1,039,856	-	-	214,925	1,049,398	2,304,179
Fines and Forfeits	13,628	-	-	-	160,838	174,466
Interest and Rentals	272,591	193	234	9,521	80,242	362,781
Other Revenue	331,717	92,012	-	26,718	1,215,907	1,666,354
<b>TOTAL REVENUES</b>	<b>8,741,883</b>	<b>116,854</b>	<b>234</b>	<b>583,337</b>	<b>7,536,398</b>	<b>16,978,706</b>
<b>EXPENDITURES:</b>						
Legislative	214,752	-	-	-	-	214,752
Judicial	2,001,001	-	-	-	778,327	2,779,328
General Government	1,639,041	-	-	-	484,816	2,123,857
Public Safety	2,561,035	-	-	-	2,057,140	4,618,175
Public Works	8,780	-	-	-	333,278	342,058
Health and Welfare	609,024	-	-	-	624,468	1,233,492
Community/Economic Development	112,642	124,833	-	-	-	237,475
Recreation and Culture	-	-	-	493,405	1,126,720	1,620,125
Other Expenditures	386,339	-	-	-	-	386,339
Capital Outlay	-	-	-	56,311	2,007,744	2,064,055
Debt Service	8,925	-	-	-	1,406,798	1,415,723
<b>TOTAL EXPENDITURES</b>	<b>7,541,539</b>	<b>124,833</b>	<b>-</b>	<b>549,716</b>	<b>8,819,291</b>	<b>17,035,379</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)</b>	<b>1,200,344</b>	<b>(7,979)</b>	<b>234</b>	<b>33,621</b>	<b>(1,282,893)</b>	<b>(56,673)</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers In	159,135	98,538	-	-	1,998,256	2,255,929
Transfers Out	(912,706)	(99,048)	-	-	(752,375)	(1,764,129)
Total Other Financing Sources (Uses)	(753,571)	(510)	-	-	1,245,881	491,800
<b>NET CHANGE IN FUND BALANCE</b>	<b>446,773</b>	<b>(8,489)</b>	<b>234</b>	<b>33,621</b>	<b>(37,012)</b>	<b>435,127</b>
FUND BALANCES BEGINNING OF YEAR (As Restated See Note 16)	5,343,860	113,002	1,845,938	240,691	6,964,867	14,508,358
<b>FUND BALANCES END OF YEAR</b>	<b>\$ 5,790,633</b>	<b>\$ 104,513</b>	<b>\$ 1,846,172</b>	<b>\$ 274,312</b>	<b>\$ 6,927,855</b>	<b>\$ 14,943,485</b>

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

Net changes in fund balances - total governmental funds \$ 435,127

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

Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation and loss on disposal, (\$910,641) was exceeded by capital outlay, \$2,064,055. 1,153,414

Repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.

Principal repayments:  
Bonds Payable 1,360,073

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred until the following year.

Change in unavailable revenue (743,858)

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

Vested employee benefits (18,490)  
Accrued Interest Payable (800)  
OPEB Liabilities & Related Deferred Items 617,934  
Pension Liability & related Deferred Items (496,812)

Internal service fund activity (48,899)

Changes in net position of governmental activities \$ 2,257,689

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

	Business-type Activities - Enterprise Funds					Governmental	
	Major					Activities	
	Delinquent Tax Fund	Tax Foreclosure Fund	Airport	Bus System 9/30/2019	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
<b>ASSETS:</b>							
Current Assets:							
Cash and Equivalents	\$ 1,362,055	\$ 257,529	\$ 22,124	\$ 595,000	\$ 275,084	\$ 2,511,792	\$ 275,213
Investments	4,173,236	1,593,353	-	-	-	5,766,589	137,894
Taxes Receivable	956,925	-	-	1,845	-	958,770	-
Interest Receivable	145,326	-	-	-	-	145,326	-
Accounts Receivable	2,681	11,305	47,006	3,573	14,188	78,753	9,333
Due from Governmental Units	-	-	-	93,001	-	93,001	-
Advances to Component Units	155,000	-	-	-	-	155,000	-
Prepaid Items	-	-	-	-	1,837	1,837	78,568
Inventory	-	-	28,465	-	-	28,465	325
<b>Total Current Assets</b>	<b>6,795,223</b>	<b>1,862,187</b>	<b>97,595</b>	<b>693,419</b>	<b>291,109</b>	<b>9,739,533</b>	<b>501,333</b>
Noncurrent Assets:							
Capital Assets (Not Depreciated)	-	-	-	99,998	-	99,998	-
Capital Assets (Net of Accumulated Depreciation)	-	-	5,281,780	857,403	49,181	6,188,364	-
<b>Total Noncurrent Assets</b>	<b>-</b>	<b>-</b>	<b>5,281,780</b>	<b>957,401</b>	<b>49,181</b>	<b>6,288,362</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>6,795,223</b>	<b>1,862,187</b>	<b>5,379,375</b>	<b>1,650,820</b>	<b>340,290</b>	<b>16,027,895</b>	<b>501,333</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>							
Pension Related Items	-	-	-	216,690	-	216,690	-
<b>LIABILITIES:</b>							
Current Liabilities:							
Accounts Payable	18,698	13,473	67,877	645,882	6,016	751,946	20,941
Accrued Liabilities	1,591	1,592	4,190	-	-	7,373	2,651
Advance from Other Funds	-	-	9,111	-	-	9,111	-
<b>Total Current Liabilities</b>	<b>20,289</b>	<b>15,065</b>	<b>81,178</b>	<b>645,882</b>	<b>6,016</b>	<b>768,430</b>	<b>23,592</b>
Noncurrent Liabilities:							
Net Pension Liability	-	-	-	648,838	-	648,838	-
<b>TOTAL LIABILITIES</b>	<b>20,289</b>	<b>15,065</b>	<b>81,178</b>	<b>1,294,720</b>	<b>6,016</b>	<b>1,417,268</b>	<b>23,592</b>
<b>Deferred Inflow of Resources</b>							
Pension Related Items	-	-	-	111,348	-	111,348	-
<b>NET POSITION:</b>							
Net Investment in Capital Assets	-	-	5,281,780	957,401	49,181	6,288,362	-
Unrestricted	6,774,934	1,847,122	16,417	(495,959)	285,093	8,427,607	477,741
<b>TOTAL NET POSITION</b>	<b>\$ 6,774,934</b>	<b>\$ 1,847,122</b>	<b>\$ 5,298,197</b>	<b>\$ 461,442</b>	<b>\$ 334,274</b>	<b>\$ 14,715,969</b>	<b>\$ 477,741</b>

See accompanying notes to financial statements.

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

	Business-type Activities - Enterprise Funds					Governmental	
	Major					Activities	
	Delinquent Tax Fund	Tax Foreclosure Fund	Airport	Bus System 9/30/2019	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
OPERATING REVENUES:							
State Sources	\$ -	\$ 18,732	\$ -	\$ -	\$ -	\$ 18,732	\$ -
Local Sources	-	-	-	-	-	-	-
Charges for Services	97,562	127,837	868,887	248,788	213,768	1,556,842	2,214,096
Interest on Delinquent Taxes	264,773	-	-	-	-	264,773	-
Other Revenues	-	-	10,834	-	-	10,834	-
<b>TOTAL REVENUES</b>	<b>362,335</b>	<b>146,569</b>	<b>879,721</b>	<b>248,788</b>	<b>213,768</b>	<b>1,851,181</b>	<b>2,214,096</b>
OPERATING EXPENSES:							
Salaries, Wages, and Fringe Benefits	64,201	64,578	151,476	1,063,406	-	1,343,661	1,760,167
Contractual Services	98,991	-	178,313	-	192,631	469,935	273,082
Materials and Supplies	6,832	3,348	617,316	-	41,068	668,564	12,993
Equipment Repair and Maintenance	5,039	-	-	-	-	5,039	14,638
Utilities	-	-	-	-	-	-	188,117
Depreciation	-	-	593,221	113,085	12,301	718,607	-
Other Expenses	26,484	40,415	142,986	297,982	61,377	569,244	16,464
<b>TOTAL EXPENSES</b>	<b>201,547</b>	<b>108,341</b>	<b>1,683,312</b>	<b>1,474,473</b>	<b>307,377</b>	<b>3,775,050</b>	<b>2,265,461</b>
<b>OPERATING INCOME (LOSS)</b>	<b>160,788</b>	<b>38,228</b>	<b>(803,591)</b>	<b>(1,225,685)</b>	<b>(93,609)</b>	<b>(1,923,869)</b>	<b>(51,365)</b>
NON-OPERATING REVENUES (EXPENSES):							
State Grants	-	-	-	505,681	-	505,681	-
Federal Grants	-	-	-	224,709	-	224,709	-
Interest Earned on Investments	392,722	47,512	2,809	-	1,926	444,969	2,466
Property Taxes Levied	-	-	-	316,488	-	316,488	-
Other	3,679	106,308	-	13,872	102,130	225,989	-
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>396,401</b>	<b>153,820</b>	<b>2,809</b>	<b>1,060,750</b>	<b>104,056</b>	<b>1,717,836</b>	<b>2,466</b>
<b>INCOME (LOSS) BEFORE INTERFUND TRANSFERS</b>	<b>557,189</b>	<b>192,048</b>	<b>(800,782)</b>	<b>(164,935)</b>	<b>10,447</b>	<b>(206,033)</b>	<b>(48,899)</b>
INTERFUND TRANSFERS:							
Capital Contributions	-	-	-	433,510	-	433,510	-
Transfers In	-	-	90,000	-	22,000	112,000	-
Transfers Out	(497,475)	(106,325)	-	-	-	(603,800)	-
<b>CHANGES IN NET POSITION</b>	<b>59,714</b>	<b>85,723</b>	<b>(710,782)</b>	<b>268,575</b>	<b>32,447</b>	<b>(264,323)</b>	<b>(48,899)</b>
<b>NET POSITION, BEGINNING OF YEAR</b>	<b>6,715,220</b>	<b>1,761,399</b>	<b>6,008,979</b>	<b>192,867</b>	<b>301,827</b>	<b>14,980,292</b>	<b>526,640</b>
<b>NET POSITION, END OF YEAR</b>	<b>\$ 6,774,934</b>	<b>\$ 1,847,122</b>	<b>\$ 5,298,197</b>	<b>\$ 461,442</b>	<b>\$ 334,274</b>	<b>\$ 14,715,969</b>	<b>\$ 477,741</b>

**Statement of Cash Flows  
Proprietary Funds  
For the Year Ended December 31, 2019**

	Business-type Activities - Enterprise Funds					Governmental	
	Major					Activities	
	Delinquent Tax Fund	Tax Foreclosure Fund	Airport	Bus System 9/30/2019	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>							
Receipts from Customers	\$ 96,724	\$ 135,468	\$ 903,379	\$ 250,694	\$ 205,333	\$ 1,591,598	\$ 2,238,783
Interest on Delinquent Taxes	262,777	-	-	-	-	262,777	-
Net Delinquent Taxes Collected (Purchased)	66,494	-	-	-	-	66,494	-
Payments to Suppliers	(35,541)	(38,892)	(871,566)	(297,982)	(338,975)	(1,582,956)	(1,671,042)
Payments to Employees for Services and Benefits	(63,533)	(63,909)	(147,286)	(540,055)	-	(814,783)	(601,950)
Net Cash Provided (Used) by Operating Activities	326,921	32,667	(115,473)	(587,343)	(133,642)	(476,870)	(34,209)
<b>CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:</b>							
State Grants	-	-	-	420,899	-	420,899	-
Federal Grants	-	-	-	207,576	-	207,576	-
Property Tax	-	-	-	316,273	-	316,273	-
Other	3,679	106,308	-	10,821	102,130	222,938	-
Transfers In	-	-	90,000	-	22,000	112,000	-
Transfers Out	(497,475)	(106,325)	-	-	-	(603,800)	-
Net Cash Provided (Used) by Noncapital and Related Financing Activities	(493,796)	(17)	90,000	955,569	124,130	675,886	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>							
Proceeds from Sale of Capital Assets	-	-	-	3,051	-	3,051	-
Acquisition of Capital Assets	-	-	-	(433,510)	-	(433,510)	-
Federal Capital Grant	-	-	-	96,932	-	96,932	-
State Capital Grant	-	-	-	336,578	-	336,578	-
Net Cash Provided (Used) by Capital and Related Financing Activities	-	-	-	3,051	-	3,051	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>							
Interest Earnings	392,722	47,512	2,809	-	1,926	444,969	2,466
Net Cash Provided (Used) by Investing Activities	392,722	47,512	2,809	-	1,926	444,969	2,466
Net Increase (Decrease) in Cash and Equivalents	225,847	80,162	(22,664)	371,277	(7,586)	647,036	(31,743)
Balances - Beginning of the Year	5,309,444	1,770,720	44,788	223,723	282,670	7,631,345	444,850
Balances - End of the Year	\$ 5,535,291	\$ 1,850,882	\$ 22,124	\$ 595,000	\$ 275,084	\$ 8,278,381	\$ 413,107
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>							
Operating Income (Loss)	\$ 160,788	\$ 38,228	\$ (803,591)	\$ (1,225,685)	\$ (93,609)	\$ (1,923,869)	\$ (51,365)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:							
Depreciation Expense	-	-	593,221	113,085	12,301	718,607	-
Change in Assets and Liabilities:							
Taxes Receivable	66,494	-	-	-	-	66,494	-
Interest Receivable	(1,996)	-	-	-	-	(1,996)	-
Accounts Receivable	(838)	(11,101)	23,658	1,906	(11,460)	2,165	3,020
Interfund Advances, Payables, & Receivables	99,999	-	(11,733)	-	-	88,266	-
Prepaid Items	-	-	-	-	(1,837)	(1,837)	21,287
Inventory	-	-	26,014	-	-	26,014	-
Other Assets	-	-	-	-	3,025	3,025	-
Accounts Payable	1,806	4,871	52,768	433,835	(42,062)	451,218	(8,389)
Accrued Liabilities	668	669	4,190	-	-	5,527	1,238
Change in Pension Liability and Deferred Amounts	-	-	-	89,516	-	89,516	-
Net Cash Provided (Used) by Operating Activities	\$ 326,921	\$ 32,667	\$ (115,473)	\$ (587,343)	\$ (133,642)	\$ (476,870)	\$ (34,209)

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

	<u>Agency Funds</u>
<b>ASSETS:</b>	
Cash and Equivalents	<u>\$ 2,227,582</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 2,227,582</u></u>
<b>LIABILITIES:</b>	
Undistributed Tax Collections	\$ 960,601
Bonds, Restitutions and Payables to Others	<u>1,266,981</u>
<b>TOTAL LIABILITIES</b>	<u><u>\$ 2,227,582</u></u>



# **Component Units**

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# County of Otsego, Michigan

## Statement of Net Position Component Units December 31, 2019

	Road Commission	Ambulance Corporation	Commission on Aging 9/30/2019	Sportsplex	Totals
<b>ASSETS:</b>					
Cash and Equivalents	\$ 4,942,746	\$ (12,463)	\$ 827,933	\$ 21,650	\$ 5,779,866
Investments	-	17,000	-	163,994	180,994
Receivables:					
Taxes	1,111,517	1,012,400	-	325,160	2,449,077
Accounts (Net of Allowance)	1,274,104	405,845	23,549	30,644	1,734,142
Inventories	712,049	-	2,515	7,221	721,785
Prepaid Items	313,738	-	-	-	313,738
Capital Assets (Not Depreciated)	12,458,773	-	-	-	12,458,773
Capital Assets (Net of Accumulated Depreciation)	24,530,057	1,532,761	-	-	26,062,818
<b>TOTAL ASSETS</b>	<b>45,342,984</b>	<b>2,955,543</b>	<b>853,997</b>	<b>548,669</b>	<b>49,701,193</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Pension Related Items	89,923	-	-	-	89,923
<b>LIABILITIES:</b>					
Accounts Payable	208,930	22,633	15,431	2,060	249,054
Accrued Liabilities	122,464	5,313	44,121	1,960	173,858
Due to Governmental Units	237,771	-	-	-	237,771
Advance from Governmental Units	558,419	-	-	-	558,419
Unearned Revenues	-	-	-	31,232	31,232
Installment Notes Payable - Due within one year	270,497	-	-	-	270,497
Installment Notes Payable - Due in more than one year	132,312	-	-	-	132,312
Advance from Primary Government	-	341,995	-	-	341,995
Net Pension Liabilities- Due in more than one year	4,394,395	-	-	-	4,394,395
(OPEB) Liabilities - Due in more than one year	4,532,928	-	-	-	4,532,928
Vested Employee Benefits - Due in more than one year	254,330	-	-	-	254,330
<b>TOTAL LIABILITIES</b>	<b>10,712,046</b>	<b>369,941</b>	<b>59,552</b>	<b>35,252</b>	<b>11,176,791</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>					
Pension & OPEB Related Items	170,039	-	-	-	170,039
Taxes Levied for a Subsequent Period	1,111,517	1,012,400	-	325,160	2,449,077
<b>Total Deferred Inflows of Resources</b>	<b>1,281,556</b>	<b>1,012,400</b>	<b>-</b>	<b>325,160</b>	<b>2,619,116</b>
<b>NET POSITION:</b>					
Net Investment in Capital Assets	36,586,021	-	-	-	36,586,021
Restricted for Ambulance and Emergency Services	-	1,573,202	-	-	1,573,202
Restricted for Sportsplex	-	-	-	188,257	188,257
Restricted for Commission on Aging	-	-	794,445	-	794,445
Unrestricted	(3,146,716)	-	-	-	(3,146,716)
<b>TOTAL NET POSITION</b>	<b>\$ 33,439,305</b>	<b>\$ 1,573,202</b>	<b>\$ 794,445</b>	<b>\$ 188,257</b>	<b>\$ 35,995,209</b>

# County of Otsego, Michigan

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position				
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Road Commission	Ambulance Corporation	Commission on Aging 9/30/2019	Sportsplex	Total
<b>Road Commission:</b>									
Public Works	\$ 7,564,725	\$ 2,815,913	\$ 4,982,829	\$ 2,994,478	\$ 3,228,495	\$ -	\$ -	\$ -	\$ 3,228,495
<b>Ambulance Corporation:</b>									
Health and Welfare	2,518,390	1,471,165	70,754	-	-	(976,471)	-	-	(976,471)
<b>Commission on Aging 9/30/2019:</b>									
Health and Welfare	2,066,848	121,192	490,920	-	-	-	(1,454,736)	-	(1,454,736)
<b>Sportsplex:</b>									
Recreation and Culture	845,284	555,382	-	-	-	-	-	(289,902)	(289,902)
<b>Total Component Units</b>	<u>\$ 12,995,247</u>	<u>\$ 4,963,652</u>	<u>\$ 5,544,503</u>	<u>\$ 2,994,478</u>	<u>3,228,495</u>	<u>(976,471)</u>	<u>(1,454,736)</u>	<u>(289,902)</u>	<u>507,386</u>
<b>General Revenues:</b>									
Property Tax					1,104,720	989,128	1,266,209	317,201	3,677,258
Investment Earnings					-	4,102	11,409	5,341	20,852
Other					-	6,981	172,274	2,233	181,488
<b>Total General Revenues</b>					<u>1,104,720</u>	<u>1,000,211</u>	<u>1,449,892</u>	<u>324,775</u>	<u>3,879,598</u>
Changes in Net Position					4,333,215	23,740	(4,844)	34,873	4,386,984
Net Position - Beginning					29,106,090	1,549,462	799,289	153,384	31,608,225
<b>Net Position - Ending</b>					<u>\$ 33,439,305</u>	<u>\$ 1,573,202</u>	<u>\$ 794,445</u>	<u>\$ 188,257</u>	<u>\$ 35,995,209</u>

## **Notes to Financial Statements**

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**NOTE 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.

**A – 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 Units**

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 Funds as presented in this report.

**Discretely Presented Component Units**

The component unit's column in the government-wide financial statements include the financial data of the other component units of the County. The following is a summary of the 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 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.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 charges. 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.

Complete financial statements of the individual component units can be obtained from their respective administrative offices as listed below or from the County Clerk's Office at 225 West Main Street, Gaylord, MI 49735.

Administrative Offices

Otsego County Sportsplex  
1250 Gornick Avenue  
Gaylord, MI 49735

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

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

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

**Joint Ventures**

Health Department of Northwest Michigan - The Health Department of Norwest Michigan (formerly known as the Northwest Michigan Community Health Agency) (the Department) is a Michigan municipal body, crated under Act 368 of the Public Acts of 1978. The Department is a component unit of the County of Charlevoix, Michigan which is funded through agreements with the State of Michigan, local appropriations and charges for services rendered.

Otsego County's appropriation to the Health Agency recorded in the General fund in 2019 was \$233,412.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Joint Ventures (Continued)**

Financial information as of September 30, 2019 (the most recent audited financial statements) is as follows:

Assets	\$	7,309,507
Deferred outflows of resources		337,230
Liabilities		4,149,648
Deferred inflows of resources		374,550
Net position		3,122,539
Change in net position		(1,188,781)
<b>Participant payments</b>		
Total participant payments		1,059,229
County of Otsego		233,412
County of Otsego percentage of total		22%

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 .6464 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.

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 2019 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 will consist of 16 to 20 members, of which, 2 will be members from the Otsego County Board of Commissioners or the County Administrator and the remaining members shall represent a broad variety of interests in Otsego County to include but not limited to those 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.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Component Unit and Enterprise Fund with Different Fiscal Year Ends**

The financial information presented in this report is for the year ended December 31, 2019, except for the following component unit and enterprise fund:

Fund	Fund Presentation	Fiscal Year End
Commission on Aging	Component Unit	September 30, 2019
Bus System	Enterprise Fund	September 30, 2019

**B – Government-Wide and Fund Financial Statements**

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. 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.



**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

Under the term of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

The 2019 taxable valuation of the County of Otsego totaled \$1,296,529,445, on which ad valorem taxes levied consisted of 4.0502 mills for General Operations, 0.3000 mills for Animal Control Operations, 1.0000 mills for Commission on Aging, 0.7800 mills for EMS Operations, 0.6000 mills for Transportation authority, 0.2500 mills for Park and Recreation Operations, 1.0000 mills for County Roads, 0.4000 & 0.3750 mills for the Library Operations and Construction, 0.2500 mills for County Recycling Operations, 0.2500 mills for Sportsplex Operations, 0.6464 mills for M-Tec Operations, and 0.5569 mills for UN Center of Gaylord Operations. These amounts are recognized in the respective General, Special Revenue, Debt Service, Component Units and Enterprise Fund financial statements as tax revenue, with the exception of the M-tech and UN Center of Gaylord levies as these are run through the agency funds.

The County reports the following major governmental funds:

**General Fund**

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

**The Housing Commission Fund**

This fund accounts for grant revenue and contributions restricted for the improvement of housing within the County.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**The Park & Recreation Fund**

This fund accounts for grant revenue, taxes, charges for service, and contributions restricted for the maintenance and operations of parks and recreational activities within the County.

**The Public Improvement Fund**

This fund accounts for and reports financial resources that are committed to expenditure and internal lending for the purposes of capital improvements.

The county report the following major proprietary funds:

**The Delinquent Tax Revolving Fund**

This fund accounts for the purchase of and subsequent collection of delinquent taxes.

**The Tax Foreclosure Fund**

This fund accounts for the activities and proceeds of the activities related to the sales of home foreclosed on within the county related to unpaid taxes.

**The Bus System Fund**

This fund accounts for the operation of the public transit system.

**The Airport Fund**

This fund accounts for the financial activity of the Gaylord Regional Airport.

Additionally, the County reports the following fund types:

**Special Revenue Funds**

The special revenue funds account for revenue sources that are legally restricted to expenditures for specific purposes (not including major capital projects).

**Capital Project Fund**

The capital project fund is used to account for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

**Enterprise Funds**

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

**Internal Service Funds**

These funds account for operations that provide building and ground services, administration, and health insurance to other departments of the County on a cost-reimbursement basis

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Agency Funds**

Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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

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

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

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

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

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

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1<sup>st</sup> and July 1<sup>st</sup> on the taxable valuation of property as of the preceding December 31<sup>st</sup>. Taxes are considered delinquent on March 1<sup>st</sup> 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 \$454,000.

Inventories and Prepaid Items – All inventories, including the cost of supplies, are expensed 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.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Capital Assets – Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Buildings	40 years
Bus Operating Facility	12 - 20 years
Shop Equipment & Furniture	3 - 10 years
Vehicles	3 - 7 years
Equipment	3 - 10 years
Infrastructure	20 years

Vested Employee Benefits Payable – County General Employees - 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 are 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.

Deferred Outflows of Resources – In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has pension and OPEB items that qualify for reporting in this category.

Deferred Inflows of Resources – In addition to liabilities, the statement of net position and governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has pension and OPEB items and taxes levied for a subsequent period that qualify for reporting in this category.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Pensions and OPEB – For purposes of measuring the net pension liability, OPEB obligation, deferred outflows of resources and deferred inflows of resources, and expense information about the fiduciary net position of the Plans and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported. 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.

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

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The County has classified Prepaid Items as being Nonspendable as these items are not expected to be converted to cash within the next year. The County has \$63,680 in Nonspendable fund balance.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The County has restricted \$4,959,069 for fund and/or debt specific purposes.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the County. These amounts cannot be used for any other purpose unless the County removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The County has committed \$4,173,694 for special fund purposes.
- Assigned: This classification includes amounts that are constrained by the County's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the County through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.
- Unassigned: This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

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

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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.

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 \$1,503,077 related to this stabilization arrangement.

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

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

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

- a. Each December, after receiving input from the individual departments, 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.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to January 1, the budget is legally enacted through a resolution passed by the Board of Commissioners.
- d. Budgetary control is exercised at the departmental level of the General Fund 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.

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

- e. The budget and approved appropriations lapse at the end of the fiscal year.
- f. The County does not record encumbrances in the accounting records during the year as normal practice and, therefore, no outstanding encumbrances exist at year end.

Budgeted amounts are as originally adopted or amended by the Board of Commissioners during the year. Individual amendments were 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 financed by the General Fund.

Michigan Public Act 621 of 1978 (the Budgeting Act) 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 body is the department level.

**NOTE 3 - DEPOSITS AND INVESTMENTS**

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Units</u>
Cash Equivalents - Unrestricted	\$ 14,558,837	\$ 8,278,381	\$ 22,837,218	\$ 2,227,582	\$ 5,960,860
Total	<u>\$ 14,558,837</u>	<u>\$ 8,278,381</u>	<u>\$ 22,837,218</u>	<u>\$ 2,227,582</u>	<u>\$ 5,960,860</u>

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Units</u>
Bank Deposits (checking and savings accounts, and money markets)	\$ 11,021,486	\$ 2,227,582	\$ 5,777,474
Investments	11,803,152	-	180,994
Petty Cash and Cash on Hand	<u>12,580</u>	<u>-</u>	<u>2,392</u>
Total	<u>\$ 22,837,218</u>	<u>\$ 2,227,582</u>	<u>\$ 5,960,860</u>

**NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)**

	Fair Value	Maturities in Years			
		Less Than 1	1 – 5	6 – 10	More Than 10
Investments:					
CD's	\$ 1,439,013	\$ 1,255,640	\$ 183,373	\$ -	\$ -
Governmental					
Fixed Income	9,853,372	-	-	-	9,853,372
Commercial Paper	510,767	510,767	-	-	-
Total Investments	\$ 11,803,152	\$ 1,766,407	\$ 183,373	\$ -	\$ 9,853,372

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

*Credit risk.* State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The County has no investment policy that would further limit its investment choices. The County had investments in the following funds at December 31, 2019:

Fund Name	Ticker/CUSIP	S&P Rating
Governmental Fixed Income	multiple	AAA+
Commercial Paper	MUFG BK LTD	A1
CD's	N/A	N/A

*Custodial credit risk.* Investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or securities that are in the possession of an outside party.

*Custodial deposit credit risk.* Custodial deposit credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned. State law does not require and the County does not have a policy for deposit custodial credit risk. As of year-end, \$10,675,837 of the County's bank balance of \$12,258,100 was exposed to credit risk because it was uninsured and uncollateralized. Money market accounts are not rated investments and are not subject to custodial credit risk.

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

are measured at fair value using the net asset value per share (or equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the measurements required judgement and considers factors specific to each asset or liability.



**NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)**

The County has the following fair value measurements as of December 31, 2019:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Governmental Fixed Income	\$ 9,853,372	\$ -	\$ 9,853,372	\$ -
Commercial Paper	510,767	-	510,767	-
CD's*	<u>1,439,013</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 11,803,152</u>	<u>\$ -</u>	<u>\$ 10,364,139</u>	<u>\$ -</u>

\*CD's are exempt from classification in the fair value hierarchy.

Statutory Authority:

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

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

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

**NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)**

j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

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

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

**NOTE 4 - CAPITAL ASSETS**

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

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Adjustments/ Deductions</u>	<u>Ending Balances</u>
<b>Governmental Activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 2,436,427	\$ 302,315	\$ 62,990	\$ 2,801,732
Construction in Progress	<u>2,771,224</u>	<u>769,704</u>	<u>(78,319)</u>	<u>3,462,609</u>
Subtotal	<u>5,207,651</u>	<u>1,072,019</u>	<u>(15,329)</u>	<u>6,264,341</u>
<i>Capital assets being depreciated:</i>				
Buildings	17,194,638	740,042	15,329	17,950,009
Leasehold Improvements	24,854	-	-	24,854
Furniture & Fixtures	895,452	-	-	895,452
Equipment:				
Data Handling	2,026,681	-	-	2,026,681
Other Equipment	2,637,503	-	-	2,637,503
Vehicles	1,687,835	251,994	-	1,939,829
Infrastructure	<u>37,130</u>	<u>-</u>	<u>-</u>	<u>37,130</u>
Subtotal	<u>24,504,093</u>	<u>992,036</u>	<u>15,329</u>	<u>25,511,458</u>
<i>Less accumulated depreciation for:</i>				
Buildings	(11,602,180)	(584,037)	-	(12,186,217)
Leasehold improvements	(24,854)	-	-	(24,854)
Furniture & Fixtures	(808,371)	(45,116)	-	(853,487)
Equipment:				
Data Handling	(1,783,673)	(59,842)	-	(1,843,515)
Other Equipment	(1,222,483)	(110,687)	-	(1,333,170)
Vehicles	(1,508,979)	(108,962)	-	(1,617,941)
Infrastructure	<u>(18,966)</u>	<u>(1,997)</u>	<u>-</u>	<u>(20,963)</u>
Subtotal	<u>(16,969,506)</u>	<u>(910,641)</u>	<u>-</u>	<u>(17,880,147)</u>
Net Capital Assets Being Depreciated	<u>7,534,587</u>	<u>81,395</u>	<u>15,329</u>	<u>7,631,311</u>
Capital Assets – Net	<u>\$ 12,742,238</u>	<u>\$ 1,153,414</u>	<u>\$ -</u>	<u>\$ 13,895,652</u>

**NOTE 4 - CAPITAL ASSETS (Continued)**

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

Governmental Activities:		
General Government		\$ 354,758
Public Safety		181,729
Recreation and Culture		<u>374,154</u>
Total Governmental Activities		<u>\$ 910,641</u>

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Adjustments/ Deductions</u>	<u>Ending Balances</u>
<b>Business-type Activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 99,998	\$ -	\$ -	\$ 99,998
<i>Capital assets being depreciated:</i>				
Buildings	2,641,858	-	-	2,641,858
Furniture & Fixtures	6,000	-	-	6,000
Vehicles	2,087,470	416,760	(67,275)	2,436,955
Equipment	375,477	16,750	-	392,227
Infrastructure	<u>12,779,602</u>	<u>-</u>	<u>-</u>	<u>12,779,602</u>
Subtotal	<u>17,890,407</u>	<u>433,510</u>	<u>(67,275)</u>	<u>18,256,642</u>
<i>Less accumulated depreciation for:</i>				
Buildings	(1,424,510)	(105,503)	-	(1,530,013)
Furniture & Fixtures	(6,000)	-	-	(6,000)
Vehicles	(1,749,925)	(72,272)	67,275	(1,754,922)
Equipment	(263,822)	(24,027)	-	(287,849)
Infrastructure	<u>(7,972,689)</u>	<u>(516,805)</u>	<u>-</u>	<u>(8,489,494)</u>
Subtotal	<u>(11,416,946)</u>	<u>(718,607)</u>	<u>67,275</u>	<u>(12,068,278)</u>
Net Capital Assets Being Depreciated	<u>6,473,461</u>	<u>(285,097)</u>	<u>-</u>	<u>6,188,364</u>
Capital Assets – Net	<u>\$ 6,573,459</u>	<u>\$ (285,097)</u>	<u>\$ -</u>	<u>\$ 6,288,362</u>

Depreciation expense was charged to the business-type activities as follows:

Business-type Activities:		
Bus System 9/30/2019		\$ 113,085
Airport		593,221
University Center Metropolitan Area Network		<u>12,301</u>
Total Business-Type Activities		<u>\$ 718,607</u>

NOTE 4 - CAPITAL ASSETS (Continued)

**OTSEGO COUNTY AMBULANCE CORPORATION**

Capital asset activity of the Otsego County Ambulance Corporation for the current year was as follows:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Adjustments/ Deductions</u>	<u>Ending Balances</u>
<i>Capital Assets Not Being Depreciated:</i>				
Construction in Progress	\$ 19,648	\$ -	\$ (19,648)	\$ -
<i>Capital Assets Being Depreciated:</i>				
Buildings	1,600,544	-	-	1,600,544
Other Equipment	692,445	6,300	-	698,745
Vehicles	<u>2,270,900</u>	<u>176,833</u>	<u>19,648</u>	<u>2,467,381</u>
Subtotal	<u>4,563,889</u>	<u>183,133</u>	<u>19,648</u>	<u>4,766,670</u>
<i>Less Accumulated Depreciation:</i>				
Buildings	(743,066)	(64,022)	-	(807,088)
Other Equipment	(609,052)	(26,593)	-	(635,645)
Vehicles	<u>(1,639,245)</u>	<u>(151,931)</u>	<u>-</u>	<u>(1,791,176)</u>
Subtotal	<u>(2,991,363)</u>	<u>(242,546)</u>	<u>-</u>	<u>(3,233,909)</u>
Net Capital Assets Being Depreciated	<u>1,572,526</u>	<u>(59,413)</u>	<u>19,648</u>	<u>1,532,761</u>
Total Net Capital Assets	<u>\$ 1,592,174</u>	<u>\$ (59,413)</u>	<u>\$ -</u>	<u>\$ 1,532,761</u>

**OTSEGO COUNTY ROAD COMMISSION**

Capital asset activity of the Otsego County Road Commission for the current year was as follows:

	<u>Beginning Balances 01/01/19</u>	<u>Additions</u>	<u>Adjustments/ Deductions</u>	<u>Ending Balances 12/31/19</u>
<i>Capital Assets Not Being Depreciated</i>				
Land	\$ 125,501	\$ -	\$ -	\$ 125,501
Land Improvements – Infrastructure	<u>11,521,618</u>	<u>811,654</u>	<u>-</u>	<u>12,333,272</u>
Subtotal	<u>11,647,119</u>	<u>811,654</u>	<u>-</u>	<u>12,458,773</u>
<i>Capital Assets Being Depreciated</i>				
Buildings	3,936,130	-	-	3,936,130
Road Equipment	7,656,680	427,678	20,000	8,064,358
Shop Equipment	106,679	-	-	106,679
Office Equipment	42,047	9,127	4,328	46,846
Engineers' 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	<u>33,949,125</u>	<u>2,182,824</u>	<u>184,252</u>	<u>35,947,697</u>
Subtotal	<u>46,867,881</u>	<u>2,619,629</u>	<u>208,580</u>	<u>49,278,930</u>

NOTE 4 - CAPITAL ASSETS (Continued)

	<b>Beginning Balances 01/01/19</b>	<b>Additions</b>	<b>Adjustments/ Deductions</b>	<b>Ending Balances 12/31/19</b>
<i>Less Accumulated Depreciation</i>				
Buildings	1,978,308	87,242	-	2,065,550
Road Equipment	6,023,392	657,907	19,582	6,661,717
Shop Equipment	103,661	2,006	-	105,667
Office Equipment	40,261	2,018	4,328	37,951
Engineers' Equipment	13,562	-	-	13,562
Yard and Storage Equipment	1,800	-	-	1,800
Traffic Signals	45,716	320	-	46,036
Infrastructure – Bridges	333,949	26,699	-	360,648
Infrastructure – Roads	13,923,486	1,716,708	184,252	15,455,942
Subtotal	<u>22,464,135</u>	<u>2,492,900</u>	<u>208,162</u>	<u>24,748,873</u>
Net Capital Assets Being Depreciated	<u>24,403,746</u>	<u>126,729</u>	<u>(418)</u>	<u>24,530,057</u>
Capital Assets - Net	<u>\$ 36,050,865</u>	<u>\$ 938,383</u>	<u>\$ (418)</u>	<u>\$ 36,988,830</u>

**OTSEGO COUNTY COMMISSION ON AGING**

Capital asset activity of the Otsego County Commission on Aging for the current year was as follows:

	<b>Beginning Balances</b>	<b>Additions</b>	<b>Adjustments/ Deductions</b>	<b>Ending Balances</b>
<i>Capital assets being depreciated:</i>				
Leasehold Improvements & Equipment	\$ 140,189	\$ -	\$ -	\$ 140,189
<i>Less accumulated depreciation</i>	<u>(140,189)</u>	<u>-</u>	<u>-</u>	<u>(140,189)</u>
Net Capital Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 5 - RECEIVABLES

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Component Units</b>
Accounts	\$ 376,100	\$ 78,753	\$ 2,188,142
Less: Allowance for uncollectible accounts	-	-	(454,000)
Property taxes	3,109,047	958,770	2,449,077
Due from other governments	760,763	-	-
Loans	1,460,047	-	-
Interest	-	145,326	-
<b>Totals</b>	<u>\$ 5,705,957</u>	<u>\$ 1,182,849</u>	<u>\$ 4,183,219</u>

**NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, & TRANSFERS**

The composition of interfund balances as of December 31, 2019, was as follows:

Due to and from primary government funds

	<b>Due from Other Funds</b>	<b>Due to Other Funds</b>
Housing Commission	\$ -	\$ 4,500
General	4,000	-
Nonmajor Governmental	500	
	<u>\$ 4,500</u>	<u>\$ 4,500</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

	<b>Advance to Other Funds</b>	<b>Advance From Other Funds</b>
Public Improvement Capital Project	\$ 9,111	\$ -
Airport	-	9,111
	<u>\$ 9,111</u>	<u>\$ 9,111</u>

Advances to and from component units

	<b>Advance to Component Unit</b>	<b>Advance From Primary government</b>
Public Improvement Capital Project Fund	\$ 186,995	\$ -
Delinquent Tax Revolving Fund	155,000	-
Ambulance	-	341,995
	<u>\$ 341,995</u>	<u>\$ 341,995</u>

**NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, & TRANSFERS (Continued)**

For the year ended December 31, 2019, interfund transfers consisted of the following:

	Transfers In	Transfers Out
General Fund	\$ 159,135	\$ 912,706
Housing Commission	98,538	99,048
Nonmajor Governmental Funds	1,998,256	752,375
Delinquent Tax Fund	-	497,475
Tax Foreclosure	-	106,325
Airport	90,000	-
Nonmajor Enterprise Funds	22,000	-
	<u>\$ 2,367,929</u>	<u>\$ 2,367,929</u>

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.

**NOTE 7 - LONG-TERM DEBT**

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

Governmental Activities:	Interest Rate	Principal Matures	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Otsego County Building Authority Series 2017 Bonds, maturing serially in annual installments ranging from \$360,000 to \$395,000.	1.75-2.0%	2022	\$ 1,530,000	\$ -	\$ (370,000)	\$ 1,160,000	\$ 380,000
Otsego County Building Authority Series 2010 Bonds, maturing serially in annual installments ranging from \$20,000 to \$240,000.	2.0-4.0%	2020	460,000	-	(220,000)	240,000	240,000
Otsego County Building Authority Series 2011 Bonds, issued on behalf of Otsego County Road Commission maturing serially in annual installments ranging from \$35,000 to \$65,000.	3.25-5.0%	2031	655,000	-	(655,000)	-	-

NOTE 7 - LONG-TERM DEBT (Continued)

	<u>Interest Rate</u>	<u>Principal Matures</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Otsego County Brownfield Redevelopment Authority loan, maturing in semiannual installments ranging from \$47,472 to \$48,148.	1.5%	2024	101,366	-	(101,366)	-	-
Equipment purchase agreement monthly installments of \$952 including interest of .44%, secured by related equipment.	0.44%	2019	10,197	-	(10,197)	-	-
Total Installment Debt			2,756,563	-	(1,356,563)	1,400,000	620,000
Premium on Bond Issuance			14,038	-	(3,510)	10,528	3,510
Accrued Compensated Absences			195,707	18,490	-	214,197	-
Total Governmental Activities Debt			<u>\$ 2,966,308</u>	<u>\$ 18,490</u>	<u>\$ (1,360,073)</u>	<u>\$ 1,624,725</u>	<u>\$ 623,510</u>

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

<u>Year End December 31</u>	<u>Bonds Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2020	\$ 620,000	\$ 27,050
2021	780,000	23,500
Total	<u>\$ 1,400,000</u>	<u>\$ 50,550</u>

Vested Employee Benefits – Governmental Activities

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.

**OTSEGO COUNTY ROAD COMMISSION**

The long-term debt of the Road Commission is summarized as follows:

	<u>Balance 01/01/19</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/19</u>	<u>Due Within One Year</u>
Otsego County Building Authority Bonds Payable – 2011 Series, payable general obligation, serial maturity, 3.25% to 5.00% interest, due June 2031.	\$ 655,000	\$ -	\$ 655,000	\$ -	\$ -



**NOTE 7 - LONG-TERM DEBT (Continued)**

	<u>Balance</u> <u>01/01/19</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/19</u>	<u>Within</u> <u>One Year</u>
Installment payable secured by equipment, payable in monthly installments of \$1,748 including interest of 2.19%, due 2020.	184,686	-	17,141	167,545	167,545
Installment payable secured by equipment, payable in monthly installments of \$113 including interest of 2.69%, due 2020.	93,666	1,177	130	94,713	94,713
Installment payable secured by equipment, payable in annual installments of \$14,122 including interest of 4.18%, due 2023.	<u>81,659</u>	<u>67,150</u>	<u>8,258</u>	<u>140,551</u>	<u>8,239</u>
Subtotal	1,015,011	68,327	680,529	402,809	<u>\$ 270,497</u>
Vested Employee Benefits (1)	<u>252,218</u>	<u>2,112</u>	<u>-</u>	<u>254,330</u>	
<b>TOTAL LONG-TERM DEBT</b>	<u>\$ 1,267,229</u>	<u>\$ 70,439</u>	<u>\$ 680,529</u>	<u>\$ 657,139</u>	

(1) Net increase.

<u>Year End December 31</u>	<u>Installments Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2020	\$ 270,497	\$ 7,817
2021	8,588	5,534
2022	8,952	5,170
2023	<u>114,772</u>	<u>4,790</u>
Total	<u>\$ 402,809</u>	<u>\$ 23,311</u>

**NOTE 8 - 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.

**NOTE 8 - RISK MANAGEMENT (Continued)**

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.

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, 2019, the balance of the County's member retention was \$383,437.

Changes in the balances of claims liabilities are as follows:

	Fiscal Year Ended December 31,	
	2019	2018
Estimated liability, beginning of year	\$ 17,188	\$ 12,160
Receipts	61,019	60,652
Estimated claims incurred	(44,501)	(44,888)
Claim payments	(3,180)	(10,736)
<b>Estimated liability, end of year</b>	<b>\$ 30,526</b>	<b>\$ 17,188</b>

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

**NOTE 8 - RISK MANAGEMENT (Continued)**

**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, 2019 there were no claims that exceeded insurance coverage. The County had no significant reduction in insurance coverage from previous years.

**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 non-accident 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, 2019, there were no claims that exceeded insurance coverage. The Ambulance Corporation did not have any significant reduction in insurance coverage from previous years.

**NOTE 8 - RISK MANAGEMENT (Continued)**

**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.

At December 31, 2019, there were no claims that exceeded insurance coverage. The Sportsplex did not have any significant reduction in insurance coverage from previous years.

**NOTE 9 - 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:

*City of Gaylord Tax Abatements:* For the year ended December 31, 2019, Otsego County property taxes were reduced by \$11,317 under this program.

*Bagley Township Tax Abatements:* For the year ended December 31, 2019, Otsego County property taxes were reduced by \$6,393 under this program.

*Corwith Township Tax Abatements:* For the year ended December 31, 2019, Otsego County property taxes were reduced by \$1,722 under this program.

*Livingston Township Tax Abatements:* For the year ended December 31, 2019, Otsego County property taxes were reduced by \$1,207 under this program.

***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, 2019, Otsego County property taxes were reduced by \$3,234 under this program.

**NOTE 9 - TAX ABATEMENTS (Continued)**

***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, 2019, Otsego County property taxes were reduced by \$595 under this program.

**NOTE 10 - 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.

**NOTE 11 - 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.

**NOTE 12 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS**

***PRIMARY GOVERNMENT***

General Information about the Pension Plan

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

NOTE 12 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

**01 – GnrI Non Union: Closed to new hires, linked to Division HB**

	<u>2018 Valuation</u>
<b>Benefit Multiplier:</b>	2.25% Multiplier (80% max)
<b>Normal Retirement Age:</b>	60
<b>Vesting:</b>	10 Years
<b>Early Retirement (Unreduced):</b>	-
<b>Early Retirement (Reduced):</b>	50/25 55/15
<b>Final Average Compensation:</b>	5 years
<b>Employee Contributions</b>	2.00%
<b>Act 88:</b>	No

**07 – Library NonUnion: Open Division**

	<u>2018 Valuation</u>
<b>Benefit Multiplier:</b>	2.00% Multiplier (no max)
<b>Normal Retirement Age:</b>	60
<b>Vesting:</b>	10 Years
<b>Early Retirement (Unreduced):</b>	-
<b>Early Retirement (Reduced):</b>	50/25 55/15
<b>Final Average Compensation:</b>	5 years
<b>Employee Contributions</b>	0.00%
<b>Act 88:</b>	No

**10 – GnrI Local 214 Bus: Closed to new hires, lined to Division HF**

	<u>2018 Valuation</u>
<b>Benefit Multiplier:</b>	2.25% Multiplier (80% max)
<b>Normal Retirement Age:</b>	60
<b>Vesting:</b>	10 Years
<b>Early Retirement (Unreduced):</b>	-
<b>Early Retirement (Reduced):</b>	50/25 55/15
<b>Final Average Compensation:</b>	5 years
<b>Employee Contributions</b>	1.00%
<b>Act 88:</b>	No

**11 – POAM: Closed to new hires, linked to Division HC**

	<u>2018 Valuation</u>
<b>Benefit Multiplier:</b>	2.25% Multiplier (80% max)
<b>Normal Retirement Age:</b>	60
<b>Vesting:</b>	10 Years
<b>Early Retirement (Unreduced):</b>	-
<b>Early Retirement (Reduced):</b>	50/25 55/15
<b>Final Average Compensation:</b>	5 years
<b>Employee Contributions</b>	2.00%
<b>Act 88:</b>	No

NOTE 12 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

<b>13 – Elected/Appt Spvs: Closed to new hires, linked to Division HA</b>	
	<b>2018 Valuation</b>
<b>Benefit Multiplier:</b>	2.50% Multiplier (80% max)
<b>Normal Retirement Age:</b>	60
<b>Vesting:</b>	8 Years
<b>Early Retirement (Unreduced):</b>	55/30
<b>Early Retirement (Reduced):</b>	50/25
	55/15
<b>Final Average Compensation:</b>	5 years
<b>Employee Contributions</b>	2.00%
<b>Act 88:</b>	No
<b>14 – 46<sup>th</sup> Trial Court: Closed to new hires, linked to Division HD</b>	
	<b>2018 Valuation</b>
<b>Benefit Multiplier:</b>	2.25% Multiplier (80% max)
<b>Normal Retirement Age:</b>	60
<b>Vesting:</b>	10 Years
<b>Early Retirement (Unreduced):</b>	-
<b>Early Retirement (Reduced):</b>	50/25
	55/15
<b>Final Average Compensation:</b>	5 years
<b>Employee Contributions</b>	2.00%
<b>Act 88:</b>	No
<b>16 – GnrL Local 214 Clerical: Closed to new hires, linked to Division HE</b>	
	<b>2018 Valuation</b>
<b>Benefit Multiplier:</b>	2.25% Multiplier (80% max)
<b>Normal Retirement Age:</b>	60
<b>Vesting:</b>	10 Years
<b>Early Retirement (Unreduced):</b>	55/30
<b>Early Retirement (Reduced):</b>	50/25
	55/15
<b>Final Average Compensation:</b>	5 years
<b>Employee Contributions</b>	2.00%
<b>Act 88:</b>	No
<b>17 – 87-A Judge/FOC pre 9/1/14: Closed to new hires, Linked to Division HD</b>	
	<b>2018 Valuation</b>
<b>Benefit Multiplier:</b>	2.50% Multiplier (80% max)
<b>Normal Retirement Age:</b>	60
<b>Vesting:</b>	8 Years
<b>Early Retirement (Unreduced):</b>	55/30
<b>Early Retirement (Reduced):</b>	50/25
	55/15
<b>Final Average Compensation:</b>	5 years
<b>Employee Contributions</b>	0.00%

NOTE 12 - Act 88: No  
EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

<b>20 – Sheriff Union: Closed to new hires, linked to Division HG</b>	
	<u><b>2018 Valuation</b></u>
<b>Benefit Multiplier:</b>	2.50% Multiplier (80% max)
<b>Normal Retirement Age:</b>	60
<b>Vesting:</b>	10 Years
<b>Early Retirement (Unreduced):</b>	55/15
<b>Early Retirement (Reduced):</b>	50/25
<b>Final Average Compensation:</b>	5 years
<b>Employee Contributions</b>	0.00%
<b>Act 88:</b>	No
<b>21 – Sheriff Un New Hires after 6/1/10: Closed to new hires, Linked to Division HG</b>	
	<u><b>2018 Valuation</b></u>
<b>Benefit Multiplier:</b>	2.50% Multiplier (80% max)
<b>Normal Retirement Age:</b>	60
<b>Vesting:</b>	10 Years
<b>Early Retirement (Unreduced):</b>	55/15
<b>Early Retirement (Reduced):</b>	50/25
<b>Final Average Compensation:</b>	5 years
<b>Employee Contributions</b>	4.00%
<b>Act 88:</b>	No
<b>70 – Library Director: Open Division</b>	
	<u><b>2018 Valuation</b></u>
<b>Benefit Multiplier:</b>	2.50% Multiplier (80% max)
<b>Normal Retirement Age:</b>	60
<b>Vesting:</b>	8 Years
<b>Early Retirement (Unreduced):</b>	55/30
<b>Early Retirement (Reduced):</b>	50/25
	55/15
<b>Final Average Compensation:</b>	5 years
<b>Employee Contributions</b>	0.00%
<b>Act 88:</b>	No
<b>HA – Elected Apptd Spvs af 1/1/09: Open Division, linked to Division 13</b>	
	<u><b>2018 Valuation</b></u>
<b>Benefit Multiplier:</b>	1.25% Multiplier (no max)
<b>Normal Retirement Age:</b>	60
<b>Vesting:</b>	6 Years
<b>Early Retirement (Unreduced):</b>	-
<b>Early Retirement (Reduced):</b>	-
<b>Final Average Compensation:</b>	3 years
<b>Employee Contributions</b>	0.00%
<b>Act 88:</b>	No



**HB – General Non Union after 1/1/09: Open Division, linked to Division 01**

	<u>2018 Valuation</u>
<b>Benefit Multiplier:</b>	1.25% Multiplier (no max)
<b>Normal Retirement Age:</b>	60
<b>Vesting:</b>	6 Years
<b>Early Retirement (Unreduced):</b>	-
<b>Early Retirement (Reduced):</b>	-
<b>Final Average Compensation:</b>	3 years
<b>Employee Contributions</b>	0.00%
<b>Act 88:</b>	No

**HC – POAM hired after 1/1/11: Open Division, linked to Division 11**

	<u>2018 Valuation</u>
<b>Benefit Multiplier:</b>	1.25% Multiplier (no max)
<b>Normal Retirement Age:</b>	60
<b>Vesting:</b>	6 Years
<b>Early Retirement (Unreduced):</b>	-
<b>Early Retirement (Reduced):</b>	-
<b>Final Average Compensation:</b>	3 years
<b>Employee Contributions</b>	0.00%
<b>Act 88:</b>	No

**HD – 46<sup>th</sup> Trial Ct hired af 6/1/11: Open Division, link to Divisions 14, 17**

	<u>2018 Valuation</u>
<b>Benefit Multiplier:</b>	1.25% Multiplier (no max)
<b>Normal Retirement Age:</b>	60
<b>Vesting:</b>	6 Years
<b>Early Retirement (Unreduced):</b>	-
<b>Early Retirement (Reduced):</b>	-
<b>Final Average Compensation:</b>	3 years
<b>Employee Contributions</b>	0.00%
<b>Act 88:</b>	No

**HE – Clerical Loc#214 af 1/1/2012: Open Division, linked to Division 16**

	<u>2018 Valuation</u>
<b>Benefit Multiplier:</b>	1.25% Multiplier (no max)
<b>Normal Retirement Age:</b>	60
<b>Vesting:</b>	6 Years
<b>Early Retirement (Unreduced):</b>	-
<b>Early Retirement (Reduced):</b>	-
<b>Final Average Compensation:</b>	3 years
<b>Employee Contributions</b>	0.00%
<b>Act 88:</b>	No

<b>HF – Tmstrs Bus hired af 1/1/2011: Open Division, linked to Division 10</b>	
	<u>2018 Valuation</u>
<b>Benefit Multiplier:</b>	1.25% Multiplier (no max)
<b>Normal Retirement Age:</b>	60
<b>Vesting:</b>	6 Years
<b>Early Retirement (Unreduced):</b>	-
<b>Early Retirement (Reduced):</b>	-
<b>Final Average Compensation:</b>	3 years
<b>Employee Contributions</b>	0.00%
<b>Act 88:</b>	No

<b>HG – All FT POLC on/aftr 1/1/16: Open Division, linked to Divisions 20, 21</b>	
	<u>2018 Valuation</u>
<b>Benefit Multiplier:</b>	1.50% Multiplier (no max)
<b>Normal Retirement Age:</b>	60
<b>Vesting:</b>	6 Years
<b>Early Retirement (Unreduced):</b>	55/25
<b>Early Retirement (Reduced):</b>	-
<b>Final Average Compensation:</b>	3 years
<b>Employee Contributions</b>	0.00%
<b>Act 88:</b>	No

Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefits	111
Inactive employees entitled to but not yet receiving benefits	56
Active employees	<u>109</u>
	276

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the County’s competitive bargaining unit and personnel policy, which require employees to contribute to the plan. The County is required to contribute on a monthly basis at an actuarially determined rate for each division follows:

01	\$	7,455	21	\$	1,068
07	\$	1,481	70	\$	298
10	\$	4,629	HA	\$	1,809
11	\$	2,213	HB	\$	2,564
13	\$	21,436	HC	\$	1,257
14	\$	9,197	HD	\$	1,993
16	\$	3,377	HE	\$	694
17	\$	2,039	HF	\$	1,167
20	\$	9,565	HG	\$	339

**NOTE 12 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)**

Net Pension Liability

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

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

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

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

The actuarial assumptions used in 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
Global Equity	55.5%	3.41%
Global Fixed Income	18.5%	0.23%
Real Assets	13.5%	0.97%
Diversifying Strategies	12.5%	0.63%

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

NOTE 12 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Changes in the Net Pension Liability:

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
<b>Balances at December 31, 2017</b>	\$ 22,608,641	\$ 15,223,354	\$ 7,385,287
Service cost	370,158	-	370,158
Interest on total pension liability	1,767,809	-	1,767,809
Changes in benefits	391	-	391
Difference between expected and actual experience	11,745	-	11,745
Changes in assumptions	-	-	-
Employer contributions	-	1,128,063	(1,128,063)
Employee contributions	-	46,517	(46,517)
Net investment income	-	(598,116)	598,116
Benefit payments, including employee refunds	(1,392,250)	(1,392,250)	-
Other	14,309	(12,290)	26,599
Administrative expense	-	(29,330)	29,330
<b>Net changes</b>	<u>772,162</u>	<u>(857,406)</u>	<u>1,629,568</u>
<b>Balances as of December 31, 2018</b>	<u>\$ 23,380,803</u>	<u>\$ 14,365,948</u>	<u>\$ 9,014,855</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 8.00%, as well as what the County’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

	<b>1% Decrease (7.00%)</b>	<b>Current Discount Rate (8.00%)</b>	<b>1% Increase (9.00%)</b>
County’s net pension liability	\$11,563,085	\$9,014,855	\$6,845,078

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

**NOTE 12 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)**

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

For the year ended December 31, 2019, the County recognized pension expense of \$1,636,642. At December 31, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ -	\$ 181,166
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	1,087,847	-
Contributions subsequent to the measurement date	1,048,806	-
<b>Total</b>	<b>\$ 2,136,653</b>	<b>\$ 181,166</b>

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

Year Ended September 30:

2020	\$	226,682
2021		99,889
2022		218,891
2023		361,219

***OTSEGO COUNTY ROAD COMMISSION***

Description of Plan and Plan Assets

The Road Commission is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement and service retirement to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied 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, 2018.

**NOTE 12 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)**

General Information about the Pension Plan

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

<b>01 – General: Closed Division</b>	
	<b>2018 Valuation</b>
<b>Benefit Multiplier:</b>	2.50% Multiplier (80% max)
<b>Normal Retirement Age:</b>	60
<b>Vesting:</b>	10 Years
<b>Early Retirement (Unreduced):</b>	55/25
<b>Early Retirement (Reduced):</b>	50/25
	55/15
<b>Final Average Compensation:</b>	5 years
<b>Employee Contributions:</b>	4.0%
<b>Act 88:</b>	Yes (Adopted 11/23/1970)
<b>02 – General: Open Division</b>	
	<b>2018 Valuation</b>
<b>Benefit Multiplier:</b>	2.00% Multiplier (no max)
<b>Normal Retirement Age:</b>	60
<b>Vesting:</b>	10 Years
<b>Early Retirement (Unreduced):</b>	-
<b>Early Retirement (Reduced):</b>	50/25
	55/15
<b>Final Average Compensation:</b>	5 years
<b>Employee Contributions:</b>	4.0%
<b>Act 88:</b>	Yes (Adopted 11/23/1970)
<b>NonUnion: Open Division</b>	
	<b>2018 Valuation</b>
<b>Benefit Multiplier:</b>	2.50% Multiplier (no max)
<b>Normal Retirement Age:</b>	60
<b>Vesting:</b>	10 Years
<b>Early Retirement (Unreduced):</b>	55/25
<b>Early Retirement (Reduced):</b>	50/25
	55/15
<b>Final Average Compensation:</b>	5 years
<b>Employee Contributions:</b>	4.0%
<b>Act 88:</b>	Yes (Adopted 11/23/1970)

**NOTE 12 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)**

Employees Covered by Benefit Terms

At December 31, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	50
Inactive employees entitled to but not yet receiving benefits	9
Active employees	<u>31</u> 90

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Road Commission’s competitive bargaining unit and personnel policy, which require employees to contribute to the plan. The Road Commission is required to contribute at an actuarially determined blended rate for 2019 of 33.65% of nonunion payroll and 27.20% of general employees.

Net Pension Liability

The Road Commission’s net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

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

Inflation	2.50 %
Salary increases	3.75 %
Investment rate of return	7.75 %, net of interest and administrative expense including inflation

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	55.5%	3.42%
Global Fixed Income	18.5%	0.23%
Real Assets	13.5%	0.97%
Diversifying Strategies	12.5%	0.63%

**NOTE 12 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)**

*Discount Rate.* The discount rate used to measure the total pension liability is 8.00% for 2019. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Changes in the Net Pension Liability:**

	Increases (Decreases)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
<b>Balances at December 31, 2018</b>	\$ 12,807,573	\$ 7,163,277	\$ 5,644,296
Service cost	181,390	-	181,390
Interest on total pension liability	997,328	-	997,328
Changes in benefits	-	-	-
Difference between expected and actual experience	(187,144)	-	(187,144)
Changes in assumptions	-	-	-
Employer contributions	-	1,135,488	(1,135,488)
Employee contributions	-	87,733	(87,733)
Net investment income	-	1,016,274	(1,016,274)
Benefit payments, including employee refunds	(863,330)	(863,330)	-
Administrative expense	-	(17,601)	17,601
Other changes	(19,581)	-	(19,581)
<b>Net changes</b>	<b>108,663</b>	<b>1,358,564</b>	<b>(1,249,901)</b>
<b>Balances as of December 31, 2019</b>	<b>\$ 12,916,236</b>	<b>\$ 8,521,841</b>	<b>\$ 4,394,395</b>

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

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Road Commission’s net pension liability	\$5,727,163	\$4,394,395	\$3,253,505

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



**NOTE 12 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)**

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

For the year ended December 31, 2019, the Road Commission recognized pension expense of \$684,239. At December 31, 2019, the Road Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 89,923	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	136,964
<b>Total</b>	<b>\$ 89,923</b>	<b>\$ 136,964</b>

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

Year Ended December 31:	
2020	\$ 62,945
2021	(115,030)
2022	90,948
2023	(85,904)

**NOTE 13 - DEFERRED COMPENSATION PLANS**

**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.

**NOTE 13 - DEFERRED COMPENSATION PLANS (Continued)**

*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.

**NOTE 14 - OTHER POST EMPLOYMENT BENEFITS PLAN**

*Primary Government*

*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. At December 31, 2017, the date of the last plan valuation, the County's healthcare plan covered 29 members of which 10 were active plan members and 19 were retirees receiving benefits.

*Funding policy.* Contribution requirements also are negotiated between the County and employees. The County contributes 80% of the cost of current-year premiums for eligible retired plan members. For fiscal year 2019, the County contributed \$71,219 to the plan.

*Employees Covered by Benefit Terms*

As of December 31, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	18
Inactive employees entitled to but not yet receiving benefits	-
Active employees	<u>2</u>
 Total participants covered by OPEB Plan	 <u>20</u>

*Total OPEB Liability and Trust Assets* - The County's total OPEB liability of \$1,220,934 was measured as of December 31, 2019, and was determined by an actuarial valuation as of that date.

**NOTE 14 - OTHER POST EMPLOYMENT BENEFITS PLAN (Continued)**

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

*Actuarial assumptions and other inputs* - The total OPEB liability was determined by an actuarial valuation as of December 31, 2019 and the following actuarial assumptions, applies to all periods included in the measurement:

Inflation	Included in investment rate
Salary Increases	2.0%
Investment rate of return	NA
20-year Aa Municipal bond rate	3.26%
Mortality	Public General and Police, Headcount-weighted 2010 Employee and Healthy Retiree with MP-2018 Mortality Improvement Scale

*Discount Rate* - The discount rate used to measure the total OPEB liability was 3.26%. 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. From the year that benefit payments are not projected to be covered by the projects assets (“the depletion date”), projected benefits were discounted at a discount rate that reflects 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. The discount rate used as of December 31, 2018 was 3.16%.

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
<b>Balances at December 31, 2018</b>	\$ 1,930,701	\$ -	\$ 1,930,701
Service cost	48,184	-	48,184
Interest	60,282	-	60,282
Change in plan term	(510,178)	-	(510,178)
Difference between expected and actual experience	(313,823)	-	(313,823)
Assumptions	76,987	-	76,987
Employer contributions	-	71,219	(71,219)
Net investment income	-	-	-
Benefit Payments	(71,219)	(71,219)	-
Administrative expense	-	-	-
<b>Net changes</b>	<u>(709,767)</u>	<u>-</u>	<u>(709,767)</u>
<b>Balances as of December 31, 2019</b>	<u>\$ 1,220,934</u>	<u>\$ -</u>	<u>\$ 1,220,934</u>

**NOTE 14 - OTHER POST EMPLOYMENT BENEFITS PLAN (Continued)**

*Net OPEB Liability – Discount and Trend Rate Sensitivities* – The following presents the net OPEB Liability (NOL) of the Road Commission, calculated using trend and discount rates 1% higher and lower than base assumptions:

	<u>1% Decrease</u>	<u>Discount Current Rate</u>	<u>1% Increase</u>
Net OPEB Liability	\$1,345,873	\$1,220,934	\$1,115,804

  

	<u>1% Decrease</u>	<u>Trend Current Rate</u>	<u>1% Increase</u>
Net OPEB Liability	\$1,115,052	\$1,220,934	\$1,343,942

*OPEB Expense* - Components of County’s OPEB Expense for the fiscal year ending December 31, 2019 are as follows:

	<u>12/31/2019</u>
Service Cost	\$ 48,184
Interest on Total OPEB Liability	60,282
Experience (Gains)/Losses	(313,823)
Changes of Assumptions	98,358
Changes in Plan Terms	(510,178)
Other Changes in Fiduciary Net Position	<u>-</u>
Total OPEB Expense	<u>\$ (617,177)</u>

Deferred Outflows and Inflows of Resources Related to OPEB Plan

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Experience (Gains)/Losses	\$ -	\$ -
Changes in Assumptions	5,985	-
Investment Earnings (Gains)/Losses	<u>-</u>	<u>-</u>
	<u>\$ 5,985</u>	<u>\$ -</u>

**NOTE 14 - OTHER POST EMPLOYMENT BENEFITS PLAN (Continued)**

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

Year Ended September 30:		
2020	\$	5,985
2021		-
2022		-
2023		-
2024		-

***OTSEGO COUNTY ROAD COMMISSION***

The Otsego County Road Commission provides hospitalization and medical coverage for eligible retirees and their spouses through the Road Commission’s group health insurance plan, which covers both active and retired members. The following are the Governmental Accounting Standards Board Statement 74 and 75 required disclosures which have been implemented prospectively by the Road Commission.

- 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.

The plan does not issue a separate stand-alone financial statement.

*Funding Policy* - Contribution requirements also are negotiated between the Commission and employees. The Commission contributes 100% of the cost for eligible plan members. For fiscal year 2019, the Commission contributed \$769,649 to the plan.

*Employees Covered by Benefit Terms*

As of December 31, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	37
Inactive employees entitled to but not yet receiving benefits	-
Active employees	<u>16</u>
Total participants covered by OPEB Plan	<u><u>53</u></u>

*Total OPEB Liability and Trust Assets* - The Road Commission’s total OPEB liability of \$5,650,645 was measured as of December 31, 2018, and was determined by an actuarial valuation as of that date.

As of December 31, 2019, there was \$1,117,717 in assets in the Road Commission’s OPEB trust.

**NOTE 14 - OTHER POST EMPLOYMENT BENEFITS PLAN (Continued)**

*Actuarial assumptions and other inputs* - The total OPEB liability was determined by an actuarial valuation as of December 31, 2019 and the following actuarial assumptions, applies to all periods included in the measurement:

Inflation	Included in investment rate of return
Salary Increases	3.50%
Investment rate of return	7.00%
Mortality	2010 Public General Employees and Healthy Retirees, with MP-2019 mortality improvement.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Global Equity	63.2%	8.00%
Global Fixed Income	30.5%	5.50%
Real Assets	3.1%	6.20%
Diversifying Strategies	2.1%	2.75%
Cash	1.1%	0.50%

The sum of each target allocation times its long-term expected rate is 7.0%.

*Discount Rate* - The discount rate used to measure the total OPEB liability was 4.47%. The projection of cash flows used to determine the discount rate assumed that Employer contributions of \$400,000 will be made until 40% funded. Based on those assumptions, the retirement plan’s fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits. From the year that benefit payments were not projected to be covered by the projected assets (the “depletion date”), projected benefits were discounted at a discount rate reflecting the 20-year AA/Aa tax-exempt bond yield. A single equivalent discount rate that yields the same present value of benefits is calculated. This discount rate of 3.40% is used to determine the Total OPEB Liability.

NOTE 14 - OTHER POST EMPLOYMENT BENEFITS PLAN (Continued)

	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
<b>Balances at December 31, 2018</b>	\$ 6,168,545	\$ 490,210	\$ 5,678,335
Change in assumptions	(402,224)	-	(402,224)
Service cost	87,279	-	87,279
Interest	208,114	-	208,114
Experience (Gains)/Losses	(141,420)	-	(141,420)
Contributions to OPEB Trust	-	500,000	(500,000)
Contributions paid from operations	-	269,649	(269,649)
Net investment income	-	128,666	(128,666)
Benefit payments	(269,649)	(269,649)	-
Administrative expense	-	(1,159)	1,159
<b>Net changes</b>	<u>(517,900)</u>	<u>627,507</u>	<u>(1,145,407)</u>
<b>Balances as December 31, 2019</b>	<u>\$ 5,650,645</u>	<u>\$ 1,117,717</u>	<u>\$ 4,532,928</u>

*Net OPEB Liability – Discount and Trend Rate Sensitivities* – The following presents the net OPEB Liability (NOL) of the Road Commission, calculated using trend and discount rates 1% higher and lower than base assumptions:

Discount

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 6,133,329	\$ 5,650,645	\$ 5,231,789
Plan Fiduciary Net Position	<u>1,117,717</u>	<u>1,117,717</u>	<u>1,117,717</u>
Net OPEB Liability	<u>\$ 5,015,612</u>	<u>\$ 4,532,928</u>	<u>\$ 4,114,072</u>

Trend

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 5,174,679	\$ 5,650,645	\$ 6,193,840
Plan Fiduciary Net Position	<u>1,117,717</u>	<u>1,117,717</u>	<u>1,117,717</u>
Net OPEB Liability	<u>\$ 4,056,962</u>	<u>\$ 4,532,928</u>	<u>\$ 5,076,123</u>

**NOTE 14 - OTHER POST EMPLOYMENT BENEFITS PLAN (Continued)**

*OPEB Expense* – Components of Road Commission’s OPEB Expense for the fiscal year ending December 31, 2019 are as follows:

Changes in Assumptions	\$ (402,224)
Service Cost	87,279
Interest on Total OPEB Liability	208,114
Experience Losses	(141,420)
Projected Earnings on OPEB Plan Investments	(51,774)
Investment Earnings (Gains)/Losses	(5,898)
Administrative Expenses	<u>1,159</u>
 Total OPEB Expense	 <u>\$ (304,764)</u>

*Deferred Outflows and Inflows of Resources Related to OPEB Plan*

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Experience (Gains)/Losses	\$ -	\$ -
Changes of Assumptions	-	-
Investment Earnings (Gains)/Losses	<u>-</u>	<u>33,075</u>
 Total	 <u>\$ -</u>	 <u>\$ 33,075</u>

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

<u>Year Ended December 31:</u>	
2020	\$ (5,898)
2021	(5,898)
2022	(5,899)
2023	(15,380)

**NOTE 15 - SUBSEQUENT EVENT**

The County has evaluated its December 31, 2019, financial statements for subsequent events through the date the financial statements were issued. As a result of the spread of the COVID19 coronavirus, economic uncertainties have arisen which are likely to negatively impact on charges for service as many of the services have been reduced or halted as a result of the pandemic. This factor may result in a reduction in fund balance and net position in the future periods. Other financial impacts could occur though such potential impacts are unknown at this time.



NOTE 16- RESTATEMENT

	<u>Governmental Net Position</u>	<u>General Fund</u>
Beginning net position as previously stated at January 1, 2019	\$ 19,100,565	\$ 3,735,381
To remove expense recorded in the general fund that should Have been recorded in the MI Indigent Defense Fund	-	10,205
Restatement of Fund Balance – change in accounting taxes receivable to book back to revenue to prior year	<u>55,500</u>	<u>55,500</u>
Beginning net position as restated at January 1, 2019	<u>\$ 19,156,056</u>	<u>\$ 3,801,086</u>

	<u>Michigan Indigent Defense Fund</u>
Beginning net position as previously stated at January 1, 2019	\$ -
*To remove the combining of the MI Indigent Defense fund With the general fund and create a new special revenue fund	(26,882)
To remove expense recorded in the general fund that should Have been recorded in the MI Indigent Defense Fund	<u>(10,205)</u>
Beginning net position as restated at January 1, 2019	<u>\$ (37,087)</u>

\*This item will only affect the one fund as this fund was removed from the combined total in the current year and does not affect any non-combined fund totals

## **Required Supplementary Information**

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**Required Supplementary Information**  
**Employee Retirement and Benefit Systems**  
**Schedule of Changes in Pension Liability**  
**Year Ended December 31, 2019**

	For MERS Years Ending 12/31				
	2018	2017	2016	2015	2014
<b>Total pension liability</b>					
Service cost	\$ 370,158	\$ 336,412	\$ 349,718	\$ 348,000	\$ 338,932
Interest	1,767,809	1,719,681	1,696,843	1,543,901	1,479,439
Changes in benefits	391	(91,145)	(10,695)	-	-
Difference between expected and actual experience	11,745	(48,394)	(503,144)	724,207	-
Changes in assumptions	-	-	-	1,036,885	-
Benefit payments, including refund of member contributions	(1,392,250)	(1,271,380)	(1,209,751)	(1,104,777)	(978,368)
Other changes	14,309	(54)	-	-	-
<b>Net change in total pension liability</b>	772,162	645,120	322,971	2,548,216	840,003
<b>Total pension liability - beginning</b>	22,608,641	21,963,521	21,640,550	19,092,334	18,252,331
<b>Total pension liability - ending</b>	<u>\$ 23,380,803</u>	<u>\$ 22,608,641</u>	<u>\$ 21,963,521</u>	<u>\$ 21,640,550</u>	<u>\$ 19,092,334</u>
<b>Plan fiduciary net position</b>					
Contributions - employer	\$ 1,128,063	\$ 1,096,794	\$ 865,641	\$ 693,476	\$ 640,433
Contributions - employee	46,517	30,679	7,937	5,905	3,630
Net investment income	(598,116)	1,806,557	1,422,497	(195,083)	800,044
Benefit payments, including refunds of member contributions	(1,392,250)	(1,271,380)	(1,209,751)	(1,104,777)	(978,368)
Administrative expense	(29,330)	(28,580)	(28,053)	(28,591)	(29,357)
Other changes	(12,290)	(57)	-	-	-
<b>Net change in plan fiduciary net position</b>	(857,406)	1,634,013	1,058,271	(629,070)	436,382
<b>Plan fiduciary net position - beginning</b>	15,223,354	13,589,341	12,531,070	13,160,140	12,723,758
<b>Plan fiduciary net position - ending</b>	<u>\$ 14,365,948</u>	<u>\$ 15,223,354</u>	<u>\$ 13,589,341</u>	<u>\$ 12,531,070</u>	<u>\$ 13,160,140</u>
<b>County's net pension liability - ending</b>	<u>\$ 9,014,855</u>	<u>\$ 7,385,287</u>	<u>\$ 8,374,180</u>	<u>\$ 9,109,480</u>	<u>\$ 5,932,194</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	61.4%	67.3%	61.9%	57.9%	68.9%
<b>Covered - employee payroll</b>	\$ 4,741,881	\$ 4,575,021	\$ 4,547,735	\$ 4,390,047	\$ 4,188,926
<b>County's net pension liability as a percentage of covered-employee payroll</b>	190.1%	161.4%	184.1%	207.5%	141.6%

Note: Amounts presented on financial statements are determined as of December 31st of the preceding year.

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

	For MERS Years Ending 12/31									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	\$ 878,063	\$ 934,199	\$ 856,396	\$ 715,641	\$ 693,477	\$ 640,433	\$ 727,962	\$ 705,702	\$ 565,476	\$ 716,885
Contributions in relation to the actuarially determined contribution	<u>(1,128,063)</u>	<u>(1,184,199)</u>	<u>(1,106,396)</u>	<u>(865,641)</u>	<u>(693,477)</u>	<u>(640,433)</u>	<u>(727,962)</u>	<u>(705,702)</u>	<u>(565,476)</u>	<u>(716,885)</u>
Contribution deficiency (excess)	<u>\$ (250,000)</u>	<u>\$ (250,000)</u>	<u>\$ (250,000)</u>	<u>\$ (150,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered - employee payroll	\$ 4,741,881	\$ 4,401,566	\$ 4,575,021	\$ 4,547,735	\$ 4,390,047	\$ 4,188,926	\$ 4,080,889	\$ 4,014,917	\$ 4,400,424	\$ 4,385,025
Contributions as a percentage of covered-employee payroll	24%	27%	24%	19%	16%	15%	18%	18%	13%	16%

**Notes to Schedule:**

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

Methods and assumptions used to determine contribution rates

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closec
Remaining amortization period	24 years
Asset valuation method	10-years smoothed market
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	60 years
Mortality	Assumptions were based on the RP-2014 Group Annuity Mortality Table - Blended 50% Male / 50% Female

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

	2019	2018
<b>Total OPEB Liability - Beginning of Year</b>	\$ 1,930,701	\$ 1,848,952
Service cost	48,184	46,710
Interest	60,282	58,758
Change in Plan Term	(510,178)	-
Assumption changes and differences between actual and expected experience	(236,836)	48,727
Benefit payments	(71,219)	(72,446)
<b>OPEB Liability - End of Year</b>	<b>1,220,934</b>	<b>1,930,701</b>
<b>Plan fiduciary net position</b>		
Contributions - employer	71,219	72,446
Net investment income	-	-
Benefits payments, including refunds of member contributions	(71,219)	(72,446)
Administrative expense	-	-
<b>Net change in plan fiduciary net position</b>	<b>-</b>	<b>-</b>
<b>Plan fiduciary net position - Beginning of Year</b>	<b>-</b>	<b>-</b>
<b>Plan fiduciary net position - End of Year</b>	<b>-</b>	<b>-</b>
<b>Net OPEB liability - End of Year</b>	<b>\$ 1,220,934</b>	<b>\$ 1,930,701</b>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	42.9%	42.9%
<b>Covered Payroll</b>	\$ 1,259,742	\$ 4,401,556
<b>Net OPEB liability as a percentage of covered payroll</b>	33.1%	33.1%
<b>Schedule of Employer Contributions</b>		
Actuarially determined employer contribution	155,657	155,520
Employer contribution	(71,219)	(72,446)
Contribution deficiency/(excess)	<b>84,438</b>	<b>83,074</b>
<b>Covered Payroll</b>	<b>\$ 4,401,556</b>	<b>\$ 4,401,556</b>
<b>Contribution as percentage of covered payroll</b>	<b>11.2%</b>	<b>11.2%</b>

**Notes to Schedule:**

Actuarially determined contribution rates are calculated as of December 31, 2019

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Discount rate	3.26%
Salary increases	2.0%, average
Investment rate of return	NA (pay-as-you-go plan)
Healthcare cost trend rate	8.25% in 2020 graded down .25% per year to 4.5%
Mortality rate	2010 Public General and Police, headcount-weighted 2010 Employee and Healthy Retirees, with MP-2018 Mortality improvement scale

# County of Otsego, Michigan

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes and Penalties	\$ 5,492,797	\$ 5,503,486	\$ 5,484,784	\$ (18,702)
Licenses and Permits	37,518	48,685	48,719	34
Federal Sources	80,000	86,381	98,706	12,325
State Sources	1,390,007	1,459,757	1,429,464	(30,293)
Local Contributions	25,000	25,928	22,418	(3,510)
Charges for Services	988,745	1,096,429	1,039,856	(56,573)
Fines and Forfeits	12,050	12,050	13,628	1,578
Interest and Rentals	164,005	269,790	272,591	2,801
Other Revenues	295,625	330,743	331,717	974
<b>TOTAL REVENUES</b>	<b>8,485,747</b>	<b>8,833,249</b>	<b>8,741,883</b>	<b>(91,366)</b>
<b>EXPENDITURES:</b>				
Legislative:				
Board of Commissioners	221,091	216,275	214,752	1,523
Judicial:				
Circuit Court	1,279,180	1,145,052	898,866	246,186
Lien Fees	15,000	15,000	9,937	5,063
Drug Court	147,920	153,620	127,388	26,232
RDSS Transport	15,000	15,000	5,725	9,275
District Court	7,912	7,912	3,075	4,837
Jury Commission	44,725	69,717	63,437	6,280
Probate Court	194,000	194,000	188,242	5,758
Probation/Parole	1,500	1,500	1,238	262
Prosecuting Attorney	715,819	718,506	702,125	16,381
Family Counseling	4,000	4,000	968	3,032
<b>Total Judicial</b>	<b>2,425,056</b>	<b>2,324,307</b>	<b>2,001,001</b>	<b>323,306</b>
General Government:				
Administrative Services	246,001	246,001	246,001	-
Building and Grounds	325,000	325,000	325,000	-
Clerk and Register of Deeds	299,030	312,491	310,672	1,819
Audit Services	13,297	13,297	12,772	525
IT Department	115,650	115,650	106,340	9,310
Equalization	223,991	227,732	225,594	2,138
Treasurer	152,176	152,176	146,503	5,673
Cooperative Extension	63,784	63,784	62,627	1,157
Elections	15,740	26,740	17,692	9,048
Legal Defense	40,000	51,152	49,284	1,868
Human Resources	88,667	88,667	88,667	-
Surveyor	200	200	200	-
Soil Conservation	4,000	4,000	4,000	-
Survey and Remonumentation	55,000	55,000	43,689	11,311
<b>Total General Government</b>	<b>1,642,536</b>	<b>1,681,890</b>	<b>1,639,041</b>	<b>42,849</b>
Public Safety:				
Sheriff	1,038,107	1,104,127	1,097,335	6,792
Civil Division	88,091	61,711	59,973	1,738
SANE	20,000	20,000	20,000	-
Justice Training	3,000	3,000	-	3,000
Marine Safety	8,296	11,230	10,797	433
Motorcycle Safety Education	66,000	66,000	41,822	24,178
Snowmobile	8,271	8,271	4,835	3,436
Secondary Road Patrol	101,063	103,357	96,346	7,011
ORV	7,371	8,871	8,727	144
School Resource Officer	82,644	82,644	56,832	25,812
Jail	1,069,102	1,135,832	1,134,368	1,464
Emergency Services	30,000	30,000	30,000	-
<b>Total Public Safety</b>	<b>2,521,945</b>	<b>2,635,043</b>	<b>2,561,035</b>	<b>74,008</b>

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Public Works:				
Drains	6,000	8,780	8,780	-
Health And Welfare:				
Communicable Diseases	500	500	500	-
Medical Examiner	121,600	125,950	77,655	48,295
District Health	233,412	233,412	233,412	-
Mental Health	94,003	94,003	94,003	-
Soldiers and Sailors Relief	5,000	10,000	5,415	4,585
Veterans' Burial	4,650	4,650	4,602	48
Veterans' Affairs	96,645	125,991	107,015	18,976
Substance Abuse	88,712	88,712	86,422	2,290
Total Health and Welfare	644,522	683,218	609,024	74,194
Community and Economic Development:				
Planning and Zoning	85,767	112,700	112,642	58
Debt Service:				
Equipment	8,925	8,925	8,925	-
Other Expenditures:				
Appropriations	23,338	23,338	23,338	-
Bonds and Insurance	220,000	221,856	221,856	-
Retiree Insurance	57,407	57,407	54,710	2,697
Additional Pension Contribution	55,426	55,426	55,426	-
Other	31,675	31,675	31,009	666
Total Other Expenditures	387,846	389,702	386,339	3,363
<b>TOTAL EXPENDITURES</b>	<b>7,943,688</b>	<b>8,060,840</b>	<b>7,541,539</b>	<b>519,301</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)</b>	<b>542,059</b>	<b>772,409</b>	<b>1,200,344</b>	<b>427,935</b>
OTHER FINANCING SOURCES (USES):				
Transfers In	118,625	118,625	159,135	40,510
Transfers Out	(611,984)	(912,206)	(912,706)	(500)
Total Other Financing Sources (Uses)	(493,359)	(793,581)	(753,571)	40,010
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ 48,700</b>	<b>\$ (21,172)</b>	<b>446,773</b>	<b>\$ 467,945</b>
<b>FUND BALANCES BEGINNING OF YEAR (As Restated See Note 16)</b>			<b>5,343,860</b>	
<b>FUND BALANCES END OF YEAR</b>			<b>\$ 5,790,633</b>	

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Federal Sources	\$ -	\$ 170,000	\$ 23,403	\$ (146,597)
Local Sources	-	30,505	1,246	(29,259)
Interest and Rentals	-	250	193	(57)
Other Revenues	-	181,460	92,012	(89,448)
<b>TOTAL REVENUES</b>	<b>-</b>	<b>382,215</b>	<b>116,854</b>	<b>(265,361)</b>
EXPENDITURES:				
Community and Economic Development	-	290,979	124,833	166,146
<b>TOTAL EXPENDITURES</b>	<b>-</b>	<b>290,979</b>	<b>124,833</b>	<b>166,146</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>91,236</b>	<b>(7,979)</b>	<b>(99,215)</b>
OTHER FINANCING SOURCES (USES):				
Transfers In	-	114,696	98,538	(16,158)
Transfers Out	-	(209,055)	(99,048)	110,007
Total Other Financing Sources (Uses)				
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ -</b>	<b>\$ (3,123)</b>	<b>(8,489)</b>	<b>\$ (5,366)</b>
<b>FUND BALANCES BEGINNING OF YEAR</b>			<b>113,002</b>	
<b>FUND BALANCES END OF YEAR</b>			<b>\$ 104,513</b>	



**Required Supplementary Information  
Budgetary Comparison Schedule  
Public Improvement  
For the Year Ended December 31, 2019**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES:				
Interest and Rentals	\$ -	\$ -	\$ 234	\$ 234
TOTAL REVENUES	-	-	234	234
NET CHANGE IN FUND BALANCES	\$ -	\$ -	234	\$ 234
FUND BALANCES BEGINNING OF YEAR			1,845,938	
FUND BALANCES END OF YEAR			\$ 1,846,172	

**Required Supplementary Information  
Budgetary Comparison Schedule  
Park and Recreation  
For the Year Ended December 31, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 312,656	\$ 312,656	\$ 317,173	\$ 4,517
Federal Sources	-	15,000	15,000	-
Charges for Services	201,300	201,300	214,925	13,625
Interest and Rentals	656	9,673	9,521	(152)
Other Revenues	15,800	16,300	26,718	10,418
<b>TOTAL REVENUES</b>	<u>530,412</u>	<u>554,929</u>	<u>583,337</u>	<u>28,408</u>
<b>EXPENDITURES:</b>				
Recreation & Culture	480,412	509,188	493,405	15,783
Capital Outlay	50,000	56,311	56,311	-
<b>TOTAL EXPENDITURES</b>	<u>530,412</u>	<u>565,499</u>	<u>549,716</u>	<u>15,783</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>\$ -</u>	<u>\$ (10,570)</u>	33,621	<u>\$ 44,191</u>
<b>FUND BALANCES BEGINNING OF YEAR</b>			<u>240,691</u>	
<b>FUND BALANCES END OF YEAR</b>			<u>\$ 240,691</u>	

## **Other Information**

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# County of Otsego, Michigan

## Combining Balance Sheet General Fund December 31, 2019

	General	Budget Stabilization	Legal Defense	Soldiers and Sailors Relief	Totals
<b>ASSETS:</b>					
Cash and Equivalents	\$ 2,196,517	\$ 398,409	\$ 33,405	\$ 9,760	\$ 2,638,091
Investments	1,554,605	1,104,668	-	-	2,659,273
Receivables:					
Taxes	338,042	-	-	-	338,042
Accounts	60,767	-	-	-	60,767
Due from Other Funds	4,000	-	-	-	4,000
Due from Other Governmental Units	323,519	-	-	-	323,519
Inventories	18,555	-	-	-	18,555
Prepaid Expense	25,536	-	-	-	25,536
<b>TOTAL ASSETS</b>	<b>\$ 4,521,541</b>	<b>\$ 1,503,077</b>	<b>\$ 33,405</b>	<b>\$ 9,760</b>	<b>\$ 6,067,783</b>
<b>LIABILITIES:</b>					
Accounts Payable	\$ 158,957	\$ -	\$ 13,165	\$ -	\$ 172,122
Accrued Liabilities	74,296	-	-	-	74,296
Unearned Revenue	30,732	-	-	-	30,732
<b>TOTAL LIABILITIES</b>	<b>263,985</b>	<b>-</b>	<b>13,165</b>	<b>-</b>	<b>277,150</b>
<b>FUND BALANCES:</b>					
Nonspendable	44,091	-	-	-	44,091
Assigned	-	1,503,077	20,240	9,760	1,533,077
Unassigned	4,213,465	-	-	-	4,213,465
<b>TOTAL FUND BALANCES</b>	<b>4,257,556</b>	<b>1,503,077</b>	<b>20,240</b>	<b>9,760</b>	<b>5,790,633</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 4,521,541</b>	<b>\$ 1,503,077</b>	<b>\$ 33,405</b>	<b>\$ 9,760</b>	<b>\$ 6,067,783</b>

# County of Otsego, Michigan

## Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - General Fund For the Year Ended December 31, 2019

	General	Budget Stabilization	Legal Defense	Soldiers and Sailors Relief	Totals
<b>REVENUES:</b>					
Taxes and Penalties	\$ 5,484,784	\$ -	\$ -	\$ -	\$ 5,484,784
Licenses and Permits	48,719	-	-	-	48,719
Federal Sources	98,706	-	-	-	98,706
State Sources	1,429,464	-	-	-	1,429,464
Local Sources	22,418	-	-	-	22,418
Charges for Services	1,039,856	-	-	-	1,039,856
Interest and Rentals	267,589	4,936	66	-	272,591
Fines and Forfeitures	13,628	-	-	-	13,628
Other Revenue	331,717	-	-	-	331,717
<b>TOTAL REVENUES</b>	<b>8,736,881</b>	<b>4,936</b>	<b>66</b>	<b>-</b>	<b>8,741,883</b>
<b>EXPENDITURES:</b>					
Legislative	214,752	-	-	-	214,752
Judicial	2,001,001	-	-	-	2,001,001
General Government	1,589,757	-	49,284	-	1,639,041
Public Safety	2,561,035	-	-	-	2,561,035
Public Works	8,780	-	-	-	8,780
Health and Welfare	603,609	-	-	5,415	609,024
Community/Economic Development	112,642	-	-	-	112,642
Debt Service	8,925	-	-	-	8,925
Other Expenditures	386,339	-	-	-	386,339
<b>TOTAL EXPENDITURES</b>	<b>7,486,840</b>	<b>-</b>	<b>49,284</b>	<b>5,415</b>	<b>7,541,539</b>
<b>EXCESS OF REVENUES OVER (UNDER)</b>					
<b>EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)</b>	<b>1,250,041</b>	<b>4,936</b>	<b>(49,218)</b>	<b>(5,415)</b>	<b>1,200,344</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers In	119,135	-	40,000	-	159,135
Transfers Out	(912,706)	-	-	-	(912,706)
Total Other Financing Sources (Uses)	(793,571)	-	40,000	-	(753,571)
<b>NET CHANGE IN FUND BALANCES</b>	<b>456,470</b>	<b>4,936</b>	<b>(9,218)</b>	<b>(5,415)</b>	<b>446,773</b>
<b>FUND BALANCES BEGINNING OF YEAR (As Restated See Note 16)</b>	<b>3,801,086</b>	<b>1,498,141</b>	<b>29,458</b>	<b>15,175</b>	<b>5,343,860</b>
<b>FUND BALANCES END OF YEAR</b>	<b>\$ 4,257,556</b>	<b>\$ 1,503,077</b>	<b>\$ 20,240</b>	<b>\$ 9,760</b>	<b>\$ 5,790,633</b>

See note 16 for explanation of the General Fund's fund balance restatement as the combined beginning balance is restated related to the reclassification of the Michigan Indigent Defense fund as a Special Revenue fund and not bended into the General fund.

	Special Revenue Funds							
	Work Camp	Groen Nature Preserve	University Center	Friend of the Court	Animal Control	Animal Control Forfeited Funds	Recycling	Gypsy Moth Control
<b>ASSETS:</b>								
Cash and Equivalents	\$ 8,412	\$ 63,365	\$ 159,927	\$ 308,760	\$ 66,668	\$ 8,201	\$ 157,577	\$ 114,832
Investments	-	-	-	-	324,001	-	120,000	-
Taxes Receivable	-	-	723,977	-	389,985	-	324,541	-
Accounts Receivable	-	1,884	-	-	-	-	-	-
Due from Other Funds	-	-	-	-	-	-	-	-
Due from Other Governmental Units	14,585	-	-	101,849	8,067	-	-	-
Prepaid Items	-	-	-	6,190	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 22,997</b>	<b>\$ 65,249</b>	<b>\$ 883,904</b>	<b>\$ 416,799</b>	<b>\$ 788,721</b>	<b>\$ 8,201</b>	<b>\$ 602,118</b>	<b>\$ 114,832</b>
<b>LIABILITIES:</b>								
Accounts Payable	\$ 5,047	\$ 7,450	\$ -	\$ 10,681	\$ 14,584	\$ -	\$ 19,461	\$ -
Due to Other Governmental Units	-	-	-	-	-	-	-	-
Accrued Liabilities	840	319	-	8,061	4,735	-	-	-
<b>TOTAL LIABILITIES</b>	<b>5,887</b>	<b>7,769</b>	<b>-</b>	<b>18,742</b>	<b>19,319</b>	<b>-</b>	<b>19,461</b>	<b>-</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Taxes Levied for a Subsequent Period	-	-	723,977	-	389,985	-	324,541	-
<b>FUND BALANCES:</b>								
Nonspendable	-	-	-	6,190	-	-	-	-
Restricted	-	57,480	159,927	-	379,417	8,201	258,116	114,832
Committed	17,110	-	-	391,867	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>17,110</b>	<b>57,480</b>	<b>159,927</b>	<b>398,057</b>	<b>379,417</b>	<b>8,201</b>	<b>258,116</b>	<b>114,832</b>
<b>TOTAL LIABILITIES, INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 22,997</b>	<b>\$ 65,249</b>	<b>\$ 883,904</b>	<b>\$ 416,799</b>	<b>\$ 788,721</b>	<b>\$ 8,201</b>	<b>\$ 602,118</b>	<b>\$ 114,832</b>

	Special Revenue Funds							
	Brownfield Redevelopment Authority	Building Department	Register of Deeds Automation Fund	Library	Emergency 911 Funds	Concealed Pistol Licensing	Local Officers Training	Law Library
<b>ASSETS:</b>								
Cash and Equivalents	\$ 238,920	\$ 415,649	\$ 106,123	\$ 82,152	\$ 315,925	\$ 47,375	\$ 31,248	\$ 21,553
Investments	-	548,597	-	663,734	-	-	-	-
Taxes Receivable	-	-	-	519,925	-	-	-	-
Accounts Receivable	-	4,095	-	-	187,804	98	-	-
Due from Other Funds	-	-	-	-	-	-	-	-
Due from Other Governmental Units	-	-	-	-	-	540	-	-
Prepaid Items	-	-	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 238,920</b>	<b>\$ 968,341</b>	<b>\$ 106,123</b>	<b>\$ 1,265,811</b>	<b>\$ 503,729</b>	<b>\$ 48,013</b>	<b>\$ 31,248</b>	<b>\$ 21,553</b>
<b>LIABILITIES:</b>								
Accounts Payable	\$ -	\$ 4,650	\$ 1,340	\$ 25,471	\$ 261,052	\$ -	\$ -	\$ 538
Due to Other Governmental Units	-	-	-	-	-	-	-	-
Accrued Liabilities	-	3,584	-	(228)	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>8,234</b>	<b>1,340</b>	<b>25,243</b>	<b>261,052</b>	<b>-</b>	<b>-</b>	<b>538</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Taxes Levied for a Subsequent Period	-	-	-	519,925	-	-	-	-
<b>FUND BALANCES:</b>								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	238,920	960,107	104,783	720,643	242,677	48,013	31,248	21,015
Committed	-	-	-	-	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>238,920</b>	<b>960,107</b>	<b>104,783</b>	<b>720,643</b>	<b>242,677</b>	<b>48,013</b>	<b>31,248</b>	<b>21,015</b>
<b>TOTAL LIABILITIES, INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 238,920</b>	<b>\$ 968,341</b>	<b>\$ 106,123</b>	<b>\$ 1,265,811</b>	<b>\$ 503,729</b>	<b>\$ 48,013</b>	<b>\$ 31,248</b>	<b>\$ 21,553</b>

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

	Special Revenue Funds						Debt Service Fund	Capital Project Fund
	Department of Human Services	Child Care Probate	Iron Belle Trail Maintenance	Michigan Indigent Defense	Equipment Revolving	Bradford Lake Dam	Debt Service	EMS Building Capital Project Fund
<b>ASSETS:</b>								
Cash and Equivalents	\$ 9,270	\$ 50,467	\$ 2,500	\$ 15,109	\$ 76,631	\$ 20,273	\$ -	\$ 3,830
Investments	5,000	-	-	-	-	-	-	-
Taxes Receivable	-	-	-	-	-	-	-	113
Accounts Receivable	-	-	-	-	-	-	-	-
Due from Other Funds	-	-	-	500	-	-	-	-
Due from Other Governmental Units	-	12,203	-	-	-	-	-	-
Prepaid Items	-	2,038	-	11,361	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 14,270</b>	<b>\$ 64,708</b>	<b>\$ 2,500</b>	<b>\$ 26,970</b>	<b>\$ 76,631</b>	<b>\$ 20,273</b>	<b>\$ -</b>	<b>\$ 3,943</b>
<b>LIABILITIES:</b>								
Accounts Payable	\$ 198	\$ 10,563	\$ -	\$ 15,518	\$ 1,758	\$ -	\$ -	\$ -
Due to Other Governmental Units	-	37,395	-	-	-	-	-	-
Accrued Liabilities	-	2,511	2,500	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>198</b>	<b>50,469</b>	<b>2,500</b>	<b>15,518</b>	<b>1,758</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Taxes Levied for a Subsequent Period	-	-	-	-	-	-	-	113
<b>FUND BALANCES:</b>								
Nonspendable	-	2,038	-	11,361	-	-	-	-
Restricted	14,072	-	-	91	-	20,273	-	-
Committed	-	12,201	-	-	74,873	-	-	3,830
<b>TOTAL FUND BALANCES</b>	<b>14,072</b>	<b>14,239</b>	<b>-</b>	<b>11,452</b>	<b>74,873</b>	<b>20,273</b>	<b>-</b>	<b>3,830</b>
<b>TOTAL LIABILITIES, INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 14,270</b>	<b>\$ 64,708</b>	<b>\$ 2,500</b>	<b>\$ 26,970</b>	<b>\$ 76,631</b>	<b>\$ 20,273</b>	<b>\$ -</b>	<b>\$ 3,943</b>



Capital Project Funds

	Library Building	Court Restoration Building	Court Restoration Building	Airport Construction	Green Capital Projects II	Green Nature Preserve Capital Projects	Sportsplex Building Maintenance	University Center Capital Projects Fund
<b>ASSETS:</b>								
Cash and Equivalents	\$ 19,617	\$ 6,592	\$ 102,547	\$ 191,108	\$ 15,857	\$ 225	\$ 85,122	\$ 609,840
Investments	-	-	-	-	-	-	551,386	216,764
Taxes Receivable	-	487,523	-	-	-	-	795	-
Accounts Receivable	-	-	-	-	48,970	-	-	-
Due from Other Funds	-	-	-	-	-	-	-	-
Due from Other Governmental Units	-	-	-	-	-	-	-	-
Prepaid Items	-	-	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 19,617</b>	<b>\$ 494,115</b>	<b>\$ 102,547</b>	<b>\$ 191,108</b>	<b>\$ 64,827</b>	<b>\$ 225</b>	<b>\$ 637,303</b>	<b>\$ 826,604</b>
<b>LIABILITIES:</b>								
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ 48,970	\$ -	\$ -	\$ -
Due to Other Governmental Units	-	-	-	-	-	-	-	-
Accrued Liabilities	-	-	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>48,970</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Taxes Levied for a Subsequent Period	-	487,523	-	-	-	-	795	-
<b>FUND BALANCES:</b>								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	636,508	-
Committed	19,617	6,592	102,547	191,108	15,857	225	-	826,604
<b>TOTAL FUND BALANCES</b>	<b>19,617</b>	<b>6,592</b>	<b>102,547</b>	<b>191,108</b>	<b>15,857</b>	<b>225</b>	<b>636,508</b>	<b>826,604</b>
<b>TOTAL LIABILITIES, INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 19,617</b>	<b>\$ 494,115</b>	<b>\$ 102,547</b>	<b>\$ 191,108</b>	<b>\$ 64,827</b>	<b>\$ 225</b>	<b>\$ 637,303</b>	<b>\$ 826,604</b>

	Capital Project Funds						
	Library Capital Projects Bond Fund	Sportsplex Tennis Court Construction	Iron Belle Trail Capital Project	Trail Head Capital Project	Capital Projects	Facilities Planning Fund	Total
<b>ASSETS:</b>							
Cash and Equivalents	\$ 13,529	\$ -	\$ 231,391	\$ 33,553	\$ 659,819	\$ 34,000	\$ 4,327,967
Investments	-	-	-	-	-	-	2,429,482
Taxes Receivable	-	-	-	-	-	-	2,446,859
Accounts Receivable	-	-	-	-	-	-	242,851
Due from Other Funds	-	-	-	-	-	-	500
Due from Other Governmental Units	-	-	300,000	-	-	-	437,244
Prepaid Items	-	-	-	-	-	-	19,589
<b>TOTAL ASSETS</b>	<b>\$ 13,529</b>	<b>\$ -</b>	<b>\$ 531,391</b>	<b>\$ 33,553</b>	<b>\$ 659,819</b>	<b>\$ 34,000</b>	<b>\$ 9,904,492</b>
<b>LIABILITIES:</b>							
Accounts Payable	\$ 13,463	\$ -	\$ 523	\$ -	\$ 10,254	\$ 18,540	\$ 470,061
Due to Other Governmental Units	-	-	-	-	-	-	37,395
Accrued Liabilities	-	-	-	-	-	-	22,322
<b>TOTAL LIABILITIES</b>	<b>13,463</b>	<b>-</b>	<b>523</b>	<b>-</b>	<b>10,254</b>	<b>18,540</b>	<b>529,778</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Taxes Levied for a Subsequent Period	-	-	-	-	-	-	2,446,859
<b>FUND BALANCES:</b>							
Nonspendable	-	-	-	-	-	-	19,589
Restricted	-	-	530,868	33,553	-	-	4,580,744
Committed	66	-	-	-	649,565	15,460	2,327,522
<b>TOTAL FUND BALANCES</b>	<b>66</b>	<b>-</b>	<b>530,868</b>	<b>33,553</b>	<b>649,565</b>	<b>15,460</b>	<b>6,927,855</b>
<b>TOTAL LIABILITIES, INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 13,529</b>	<b>\$ -</b>	<b>\$ 531,391</b>	<b>\$ 33,553</b>	<b>\$ 659,819</b>	<b>\$ 34,000</b>	<b>\$ 9,904,492</b>

# County of Otsego, Michigan

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

	Special Revenue Funds							
	Work Camp	Groen Nature Preserve	University Center	Friend of the Court	Animal Control	Animal Control Forfeited Funds	Recycling	Gypsy Moth Control
<b>REVENUES:</b>								
Taxes and Penalties	\$ -	\$ -	\$ 706,469	\$ -	\$ 380,683	\$ -	\$ 442,727	\$ -
Federal Sources	-	-	-	364,245	-	-	-	-
State Sources	-	-	-	41,563	-	-	-	-
Local Sources	-	-	-	-	-	-	-	-
Charges for Services	99,486	-	-	33,917	43,914	-	-	-
Fines and Forfeits	-	-	-	-	340	-	-	-
Interest and Rentals	-	-	1	-	11,435	13	3,710	248
Other Revenues	1,349	235,366	4,984	-	23,982	-	3,125	-
<b>TOTAL REVENUES</b>	<b>100,835</b>	<b>235,366</b>	<b>711,454</b>	<b>439,725</b>	<b>460,354</b>	<b>13</b>	<b>449,562</b>	<b>248</b>
<b>EXPENDITURES:</b>								
Judicial	-	-	-	496,142	-	-	-	-
General Government	-	-	466,398	-	-	-	-	-
Public Safety	151,856	-	-	-	438,888	-	-	-
Public Works	-	-	-	-	-	-	292,100	-
Health And Welfare	-	-	-	-	-	-	-	-
Recreation and Culture	-	201,112	-	-	-	-	-	-
Capital Outlay	-	-	-	-	39,929	-	-	-
Debt Service	-	-	-	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>151,856</b>	<b>201,112</b>	<b>466,398</b>	<b>496,142</b>	<b>478,817</b>	<b>-</b>	<b>292,100</b>	<b>-</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)</b>	<b>(51,021)</b>	<b>34,254</b>	<b>245,056</b>	<b>(56,417)</b>	<b>(18,463)</b>	<b>13</b>	<b>157,462</b>	<b>248</b>
<b>OTHER FINANCING SOURCES (USES):</b>								
Transfers In	66,156	-	-	110,349	-	-	-	-
Transfers Out	-	-	(232,673)	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>66,156</b>	<b>-</b>	<b>(232,673)</b>	<b>110,349</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>15,135</b>	<b>34,254</b>	<b>12,383</b>	<b>53,932</b>	<b>(18,463)</b>	<b>13</b>	<b>157,462</b>	<b>248</b>
<b>FUND BALANCES BEGINNING OF YEAR (As Restated See Note 16)</b>	<b>1,975</b>	<b>23,226</b>	<b>147,544</b>	<b>344,125</b>	<b>397,880</b>	<b>8,188</b>	<b>100,654</b>	<b>114,584</b>
<b>FUND BALANCES END OF YEAR</b>	<b>\$ 17,110</b>	<b>\$ 57,480</b>	<b>\$ 159,927</b>	<b>\$ 398,057</b>	<b>\$ 379,417</b>	<b>\$ 8,201</b>	<b>\$ 258,116</b>	<b>\$ 114,832</b>

# County of Otsego, Michigan

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

	Special Revenue Funds							
	Brownfield Redevelopment Authority	Building Department	Register of Deeds Automation Fund	Library	Emergency 911 Funds	Concealed Pistol Licensing	Local Officers Training	Law Library
REVENUES:								
Taxes and Penalties	\$ 116,372	\$ -	\$ -	\$ 512,927	\$ -	\$ -	\$ -	\$ -
Federal Sources	-	-	-	21,991	-	-	-	-
State Sources	-	-	-	33,828	-	-	-	-
Local Sources	-	-	-	-	-	-	-	-
Charges for Services	-	502,149	38,310	1,335	273,610	11,172	4,196	-
Fines and Forfeits	-	-	-	160,498	-	-	-	-
Interest and Rentals	-	12,993	-	18,816	507	-	-	-
Other Revenues	-	1,778	-	35,694	453,510	2,916	-	3,499
<b>TOTAL REVENUES</b>	<b>116,372</b>	<b>516,920</b>	<b>38,310</b>	<b>785,089</b>	<b>727,627</b>	<b>14,088</b>	<b>4,196</b>	<b>3,499</b>
EXPENDITURES:								
Judicial	-	-	-	-	-	-	-	1,855
General Government	-	-	18,418	-	-	-	-	-
Public Safety	-	514,142	-	-	949,891	613	1,750	-
Public Works	-	-	-	-	-	-	-	-
Health And Welfare	-	-	-	-	-	-	-	-
Recreation and Culture	-	-	-	842,330	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Debt Service	102,885	-	-	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>102,885</b>	<b>514,142</b>	<b>18,418</b>	<b>842,330</b>	<b>949,891</b>	<b>613</b>	<b>1,750</b>	<b>1,855</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)</b>	<b>13,487</b>	<b>2,778</b>	<b>19,892</b>	<b>(57,241)</b>	<b>(222,264)</b>	<b>13,475</b>	<b>2,446</b>	<b>1,644</b>
OTHER FINANCING SOURCES (USES):								
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	(6,000)	-	-	(22,300)	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>(6,000)</b>	<b>-</b>	<b>-</b>	<b>(22,300)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>13,487</b>	<b>(3,222)</b>	<b>19,892</b>	<b>(57,241)</b>	<b>(244,564)</b>	<b>13,475</b>	<b>2,446</b>	<b>1,644</b>
<b>FUND BALANCES BEGINNING OF YEAR (As Restated See Note 16)</b>	<b>225,433</b>	<b>963,329</b>	<b>84,891</b>	<b>777,884</b>	<b>487,241</b>	<b>34,538</b>	<b>28,802</b>	<b>19,371</b>
<b>FUND BALANCES END OF YEAR</b>	<b>\$ 238,920</b>	<b>\$ 960,107</b>	<b>\$ 104,783</b>	<b>\$ 720,643</b>	<b>\$ 242,677</b>	<b>\$ 48,013</b>	<b>\$ 31,248</b>	<b>\$ 21,015</b>

# County of Otsego, Michigan

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

	Special Revenue Funds						Debt Service Fund	Capital Project Fund
	Department of Human Services	Child Care Probate	Iron Belle Trail Maintenance	Michigan Indigent Defense	Equipment Revolving	Bradford Lake Dam	Debt Service	EMS Building Capital Project Fund
REVENUES:								
Taxes and Penalties	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 37
Federal Sources	-	-	-	-	-	-	-	-
State Sources	-	252,842	-	194,591	-	-	-	-
Local Sources	-	-	-	-	-	-	669,938	-
Charges for Services	-	-	-	-	-	-	-	-
Fines and Forfeits	-	-	-	-	-	-	-	-
Interest and Rentals	112	-	-	168	2,211	153	-	6
Other Revenues	-	62,174	-	-	-	-	-	-
<b>TOTAL REVENUES</b>	<b>112</b>	<b>315,016</b>	<b>-</b>	<b>194,759</b>	<b>2,211</b>	<b>153</b>	<b>669,938</b>	<b>43</b>
EXPENDITURES:								
Judicial	-	-	-	257,442	22,888	-	-	-
General Government	-	-	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-	-	-
Public Works	-	-	-	-	-	-	-	-
Health And Welfare	5,986	618,482	-	-	-	-	-	-
Recreation and Culture	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	203,716	-	-	-
Debt Service	-	-	-	-	-	-	1,303,913	-
<b>TOTAL EXPENDITURES</b>	<b>5,986</b>	<b>618,482</b>	<b>-</b>	<b>257,442</b>	<b>226,604</b>	<b>-</b>	<b>1,303,913</b>	<b>-</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)</b>	<b>(5,874)</b>	<b>(303,466)</b>	<b>-</b>	<b>(62,683)</b>	<b>(224,393)</b>	<b>153</b>	<b>(633,975)</b>	<b>43</b>
OTHER FINANCING SOURCES (USES):								
Transfers In	9,480	295,000	-	111,222	143,475	-	633,975	-
Transfers Out	-	-	-	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>9,480</b>	<b>295,000</b>	<b>-</b>	<b>111,222</b>	<b>143,475</b>	<b>-</b>	<b>633,975</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>3,606</b>	<b>(8,466)</b>	<b>-</b>	<b>48,539</b>	<b>(80,918)</b>	<b>153</b>	<b>-</b>	<b>43</b>
<b>FUND BALANCES BEGINNING OF YEAR (As Restated See Note 16)</b>	<b>10,466</b>	<b>22,705</b>	<b>-</b>	<b>(37,087)</b>	<b>155,791</b>	<b>20,120</b>	<b>-</b>	<b>3,787</b>
<b>FUND BALANCES END OF YEAR</b>	<b>\$ 14,072</b>	<b>\$ 14,239</b>	<b>\$ -</b>	<b>\$ 11,452</b>	<b>\$ 74,873</b>	<b>\$ 20,273</b>	<b>\$ -</b>	<b>\$ 3,830</b>

# County of Otsego, Michigan

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

	Capital Project Funds							
	Library Building	Library Construction Millage	Court Restoration Building	Airport Construction	Geron Capital Projects II	Groen Nature Preserve Capital Projects	Sportsplex Building Maintenance	University Center Capital Projects Fund
REVENUES:								
Taxes and Penalties	\$ -	\$ 470,499	\$ -	\$ -	\$ -	\$ -	\$ 239,536	\$ 456
Federal Sources	-	-	-	-	-	-	-	-
State Sources	-	-	-	1,310	-	-	-	-
Local Sources	-	-	-	-	-	-	-	-
Charges for Services	-	-	41,309	-	-	-	-	-
Fines and Forfeits	-	-	-	-	-	-	-	-
Interest and Rentals	171	4,816	-	-	511	6	16,168	7,733
Other Revenues	-	3,296	-	-	384,234	-	-	-
<b>TOTAL REVENUES</b>	<b>171</b>	<b>478,611</b>	<b>41,309</b>	<b>1,310</b>	<b>384,745</b>	<b>6</b>	<b>255,704</b>	<b>8,189</b>
EXPENDITURES:								
Judicial	-	-	-	-	-	-	-	-
General Government	-	-	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-	-	-
Public Works	-	-	-	20,992	-	-	-	-
Health And Welfare	-	-	-	-	-	-	-	-
Recreation and Culture	-	-	-	-	-	-	79,512	-
Capital Outlay	-	-	-	8,350	384,629	-	-	-
Debt Service	-	-	-	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>29,342</b>	<b>384,629</b>	<b>-</b>	<b>79,512</b>	<b>-</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)</b>	<b>171</b>	<b>478,611</b>	<b>41,309</b>	<b>(28,032)</b>	<b>116</b>	<b>6</b>	<b>176,192</b>	<b>8,189</b>
OTHER FINANCING SOURCES (USES):								
Transfers In	-	-	-	50,000	-	-	-	-
Transfers Out	-	(489,226)	-	-	-	-	-	(2,077)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>(489,226)</b>	<b>-</b>	<b>50,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,077)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>171</b>	<b>(10,615)</b>	<b>41,309</b>	<b>21,968</b>	<b>116</b>	<b>6</b>	<b>176,192</b>	<b>6,112</b>
<b>FUND BALANCES BEGINNING OF YEAR (As Restated See Note 16)</b>	<b>19,446</b>	<b>17,207</b>	<b>61,238</b>	<b>169,140</b>	<b>15,741</b>	<b>219</b>	<b>460,316</b>	<b>820,492</b>
<b>FUND BALANCES END OF YEAR</b>	<b>\$ 19,617</b>	<b>\$ 6,592</b>	<b>\$ 102,547</b>	<b>\$ 191,108</b>	<b>\$ 15,857</b>	<b>\$ 225</b>	<b>\$ 636,508</b>	<b>\$ 826,604</b>

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

	Capital Project Funds						
	Library Capital Projects Bond Fund	Sportsplex Tennis Court Construction	Iron Belle Trail Capital Project	Trail Head Capital Projects	Capital Projects	Facilities Planning Fund	Total
<b>REVENUES:</b>							
Taxes and Penalties	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,869,706
Federal Sources	-	-	-	78,941	1,058	-	466,235
State Sources	-	-	500,000	-	-	-	1,024,134
Local Sources	-	-	-	-	-	-	669,938
Charges for Services	-	-	-	-	-	-	1,049,398
Fines and Forfeits	-	-	-	-	-	-	160,838
Interest and Rentals	-	-	465	-	(1)	-	80,242
Other Revenues	-	-	-	-	-	-	1,215,907
<b>TOTAL REVENUES</b>	<b>-</b>	<b>-</b>	<b>500,465</b>	<b>78,941</b>	<b>1,057</b>	<b>-</b>	<b>7,536,398</b>
<b>EXPENDITURES:</b>							
Judicial	-	-	-	-	-	-	778,327
General Government	-	-	-	-	-	-	484,816
Public Safety	-	-	-	-	-	-	2,057,140
Public Works	-	-	-	-	1,646	18,540	333,278
Health And Welfare	-	-	-	-	-	-	624,468
Recreation and Culture	3,736	30	-	-	-	-	1,126,720
Capital Outlay	769,704	-	274,113	28,201	299,102	-	2,007,744
Debt Service	-	-	-	-	-	-	1,406,798
<b>TOTAL EXPENDITURES</b>	<b>773,440</b>	<b>30</b>	<b>274,113</b>	<b>28,201</b>	<b>300,748</b>	<b>18,540</b>	<b>8,819,291</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)</b>	<b>(773,440)</b>	<b>(30)</b>	<b>226,352</b>	<b>50,740</b>	<b>(299,691)</b>	<b>(18,540)</b>	<b>(1,282,893)</b>
<b>OTHER FINANCING SOURCES (USES):</b>							
Transfers In	219,500	99	-	-	325,000	34,000	1,998,256
Transfers Out	-	-	-	-	(99)	-	(752,375)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>219,500</b>	<b>99</b>	<b>-</b>	<b>-</b>	<b>324,901</b>	<b>34,000</b>	<b>1,245,881</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(553,940)</b>	<b>69</b>	<b>226,352</b>	<b>50,740</b>	<b>25,210</b>	<b>15,460</b>	<b>(37,012)</b>
<b>FUND BALANCES BEGINNING OF YEAR (As Restated See Note 16)</b>	<b>554,006</b>	<b>(69)</b>	<b>304,516</b>	<b>(17,187)</b>	<b>624,355</b>	<b>-</b>	<b>6,964,867</b>
<b>FUND BALANCES END OF YEAR</b>	<b>\$ 66</b>	<b>\$ -</b>	<b>\$ 530,868</b>	<b>\$ 33,553</b>	<b>\$ 649,565</b>	<b>\$ 15,460</b>	<b>\$ 6,927,855</b>

**Combining Statement of Net Position  
Internal Service Funds  
December 31, 2019**

	Building and Grounds	Administrative Services	Health Care	Total
<b>ASSETS:</b>				
Cash and Equivalents	\$ 54,872	\$ 140,146	\$ 80,195	\$ 275,213
Investments	-	-	137,894	137,894
Accounts Receivable	4,501	3,259	1,573	9,333
Prepaid Items	-	380	78,188	78,568
Inventory	-	325	-	325
<b>TOTAL ASSETS</b>	<b><u>\$ 59,373</u></b>	<b><u>\$ 144,110</u></b>	<b><u>\$ 297,850</u></b>	<b><u>\$ 501,333</u></b>
<b>LIABILITIES:</b>				
Accounts Payable	\$ 14,122	\$ 5,432	\$ 1,387	\$ 20,941
Accrued Liabilities	-	2,651	-	2,651
<b>TOTAL LIABILITIES</b>	<b><u>14,122</u></b>	<b><u>8,083</u></b>	<b><u>1,387</u></b>	<b><u>23,592</u></b>
<b>NET POSITION:</b>				
Unrestricted	<u>45,251</u>	<u>136,027</u>	<u>296,463</u>	<u>477,741</u>
<b>TOTAL NET POSITION</b>	<b><u>45,251</u></b>	<b><u>136,027</u></b>	<b><u>296,463</u></b>	<b><u>477,741</u></b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b><u>\$ 59,373</u></b>	<b><u>\$ 144,110</u></b>	<b><u>\$ 297,850</u></b>	<b><u>\$ 501,333</u></b>



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

	Building and Grounds	Administrative Services	Health Care	Total
<b>OPERATING REVENUES:</b>				
Charges for Services	\$ 482,601	\$ 635,488	\$ 1,096,007	\$ 2,214,096
<b>TOTAL OPERATING REVENUES</b>	<b>482,601</b>	<b>635,488</b>	<b>1,096,007</b>	<b>2,214,096</b>
<b>OPERATING EXPENSES:</b>				
Salaries, Wages, and Fringe Benefits	26,352	576,836	1,156,979	1,760,167
Contractual Services	271,375	1,707	-	273,082
Materials and Supplies	6,061	5,780	1,152	12,993
Equipment Repair and Maintenance	12,969	1,669	-	14,638
Utilities	188,117	-	-	188,117
Other	4,610	11,854	-	16,464
<b>TOTAL OPERATING EXPENSES</b>	<b>509,484</b>	<b>597,846</b>	<b>1,158,131</b>	<b>2,265,461</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(26,883)</b>	<b>37,642</b>	<b>(62,124)</b>	<b>(51,365)</b>
<b>Non Operating Revenues (Expenses):</b>				
Interest Earnings	-	-	2,466	2,466
Changes in Net Position	(26,883)	37,642	(59,658)	(48,899)
Net Position Beginning of Year	72,134	98,385	356,121	526,640
<b>Net Position End of Year</b>	<b>\$ 45,251</b>	<b>\$ 136,027</b>	<b>\$ 296,463</b>	<b>\$ 477,741</b>

**Combining Statement of Cash Flows  
Internal Service Funds  
For the Year Ended December 31, 2019**

	Building and Grounds	Administrative Services	Health Care	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Receipts from Customers	\$ 483,079	\$ 632,267	\$ 1,123,437	\$ 2,238,783
Payments to Suppliers	(497,299)	(16,916)	(1,156,827)	(1,671,042)
Payments to Employees for Services and Benefits	(26,352)	(575,598)	-	(601,950)
Net Cash Provided (Used) by Operating Activities	(40,572)	39,753	(33,390)	(34,209)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest Earnings	-	-	2,466	2,466
Net Cash Provided (Used) by Investing Activities	-	-	2,466	2,466
Net Increase (Decrease) in Cash and Equivalents	(40,572)	39,753	(30,924)	(31,743)
Balances - Beginning of the Year	95,444	100,393	249,013	444,850
Balances - End of the Year	\$ 54,872	\$ 140,146	\$ 218,089	\$ 413,107
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>				
Operating Income (Loss)	\$ (26,883)	\$ 37,642	\$ (62,124)	\$ (51,365)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Change in Assets and Liabilities:				
Accounts Receivable	478	(3,221)	5,763	3,020
Prepaid Expense	-	(380)	21,667	21,287
Accounts Payable	(14,167)	4,474	1,304	(8,389)
Accrued Liabilities	-	1,238	-	1,238
Net Cash Provided (Used) by Operating Activities	\$ (40,572)	\$ 39,753	\$ (33,390)	\$ (34,209)

# County of Otsego, Michigan

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

	Global Positioning System Fund	University Center Metropolitan Area Network	Airport Special Events	Advertising I-75 Sign Fund	Jail Commissary	Homestead Audit	Total
<b>ASSETS:</b>							
Current Assets							
Cash and Equivalents	\$ 76,557	\$ 122,760	\$ 59,116	\$ 2,639	\$ 1,461	\$ 12,551	\$ 275,084
Accounts Receivable	8,363	2,825	3,000	-	-	-	14,188
Prepaid Expense	-	1,837	-	-	-	-	1,837
Total Current Assets	<u>84,920</u>	<u>127,422</u>	<u>62,116</u>	<u>2,639</u>	<u>1,461</u>	<u>12,551</u>	<u>291,109</u>
Noncurrent Assets							
Capital Assets (Net of Accumulated Depreciation)	-	49,181	-	-	-	-	49,181
<b>TOTAL ASSETS</b>	<u>\$ 84,920</u>	<u>\$ 176,603</u>	<u>\$ 62,116</u>	<u>\$ 2,639</u>	<u>\$ 1,461</u>	<u>\$ 12,551</u>	<u>\$ 340,290</u>
<b>LIABILITIES:</b>							
Accounts Payable	\$ 4,000	\$ 509	\$ 574	\$ -	\$ 933	\$ -	\$ 6,016
<b>TOTAL LIABILITIES</b>	<u>4,000</u>	<u>509</u>	<u>574</u>	<u>-</u>	<u>933</u>	<u>-</u>	<u>6,016</u>
<b>NET POSITION:</b>							
Net Investment in Capital Assets	-	49,181	-	-	-	-	49,181
Unrestricted	80,920	126,913	61,542	2,639	528	12,551	285,093
<b>TOTAL NET POSITION</b>	<u>\$ 80,920</u>	<u>\$ 176,094</u>	<u>\$ 61,542</u>	<u>\$ 2,639</u>	<u>\$ 528</u>	<u>\$ 12,551</u>	<u>\$ 334,274</u>

# County of Otsego, Michigan

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

	Global Positioning System Fund	University Center Metropolitan Area Network	Airport Special Events	Advertising I-75 Sign Fund	Jail Commissary	Homestead Audit	Total
OPERATING REVENUES:							
Charges for Services	\$ 25,845	\$ 86,235	\$ 87,857	\$ -	\$ 13,831	\$ -	\$ 213,768
TOTAL OPERATING REVENUES	25,845	86,235	87,857	-	13,831	-	213,768
OPERATING EXPENSES:							
Contractual Services	25,822	71,841	94,616	352	-	-	192,631
Materials and Supplies	4,810	-	14,771	-	21,487	-	41,068
Depreciation	-	12,301	-	-	-	-	12,301
Other Expenses	-	11,337	48,377	-	-	1,663	61,377
TOTAL OPERATING EXPENSES	30,632	95,479	157,764	352	21,487	1,663	307,377
OPERATING INCOME (LOSS)	(4,787)	(9,244)	(69,907)	(352)	(7,656)	(1,663)	(93,609)
NON OPERATING REVENUES (EXPENSES):							
Other	-	-	102,130	-	-	-	102,130
Interest Earnings	-	-	-	-	-	1,926	1,926
INCOME (LOSS) BEFORE TRANSFERS	(4,787)	(9,244)	32,223	(352)	(7,656)	263	10,447
Transfers In	22,000	-	-	-	-	-	22,000
Changes in Net Position	17,213	(9,244)	32,223	(352)	(7,656)	263	32,447
NET POSITION BEGINNING OF YEAR	63,707	185,338	29,319	2,991	8,184	12,288	301,827
NET POSITION END OF YEAR	\$ 80,920	\$ 176,094	\$ 61,542	\$ 2,639	\$ 528	\$ 12,551	\$ 334,274

# County of Otsego, Michigan

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

	Global Positioning System Fund	University Center Metropolitan Area Network	Airport Special Events	Advertising I-75 Sign Fund	Jail Commissary	Homestead Audit	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>							
Receipts from Customers	\$ 17,482	\$ 85,138	\$ 88,882	\$ -	\$ 13,831	\$ -	\$ 205,333
Payments to Suppliers	<u>(42,492)</u>	<u>(105,825)</u>	<u>(157,764)</u>	<u>(352)</u>	<u>(30,879)</u>	<u>(1,663)</u>	<u>(338,975)</u>
Net Cash Provided (Used) by Operating Activities	<u>(25,010)</u>	<u>(20,687)</u>	<u>(68,882)</u>	<u>(352)</u>	<u>(17,048)</u>	<u>(1,663)</u>	<u>(133,642)</u>
<b>CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:</b>							
Other	-	-	102,130	-	-	-	102,130
Transfers In	<u>22,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,000</u>
Net Cash Provided (Used) by Noncapital and Related Financing Activities	<u>22,000</u>	<u>-</u>	<u>102,130</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>124,130</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>							
Interest Earnings	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,926</u>	<u>1,926</u>
Net Cash Provided (Used) by Investing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,926</u>	<u>1,926</u>
Net Increase (Decrease) in Cash and Equivalents	(3,010)	(20,687)	33,248	(352)	(17,048)	263	(7,586)
Balances - Beginning of the Year	<u>79,567</u>	<u>143,447</u>	<u>25,868</u>	<u>2,991</u>	<u>18,509</u>	<u>12,288</u>	<u>282,670</u>
Balances - End of the Year	<u>\$ 76,557</u>	<u>\$ 122,760</u>	<u>\$ 59,116</u>	<u>\$ 2,639</u>	<u>\$ 1,461</u>	<u>\$ 12,551</u>	<u>\$ 275,084</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>							
Operating Income (Loss)	\$ (4,787)	\$ (9,244)	\$ (69,907)	\$ (352)	\$ (7,656)	\$ (1,663)	\$ (93,609)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:							
Depreciation Expense	-	12,301	-	-	-	-	12,301
Change in Assets and Liabilities:							
Accounts Receivable	(8,363)	(1,097)	(2,000)	-	-	-	(11,460)
Prepaid Expenses	-	(1,837)	-	-	-	-	(1,837)
Other Assets	-	-	3,025	-	-	-	3,025
Accounts Payable	<u>(11,860)</u>	<u>(20,810)</u>	<u>-</u>	<u>-</u>	<u>(9,392)</u>	<u>-</u>	<u>(42,062)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (25,010)</u>	<u>\$ (20,687)</u>	<u>\$ (68,882)</u>	<u>\$ (352)</u>	<u>\$ (17,048)</u>	<u>\$ (1,663)</u>	<u>\$ (133,642)</u>

## **Report on Compliance**

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**ANDERSON, TACKMAN & COMPANY, PLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**KINROSS OFFICE**

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

PHILLIP J. WOLF, CPA  
LESLIE BOHN, CPA  
TORI KRUISE, CPA

**MEMBER AICPA**  
**DIVISION FOR CPA FIRMS**

**MEMBER MACPA**

**OFFICES IN**  
**MICHIGAN & WISCONSIN**

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

Members of the Board of Commissioners  
County of Otsego, Michigan  
225 W. Main St.  
Gaylord, MI 49735

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Otsego, Michigan as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the County of Otsego, Michigan's basic financial statements and have issued our report thereon dated June 30, 2020. Our report includes a reference to other auditors who audited the financial statements of the Otsego County Commission on Aging, a discretely presented component unit, and the County Bus System, a business-type activity, as described in our report on the County of Otsego, Michigan's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the 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 of Otsego, Michigan's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County of Otsego, Michigan's internal control. Accordingly, we do not express an opinion on the effectiveness of the County of Otsego, Michigan's internal control.

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

Members of the Board of Commissioners  
County of Otsego, Michigan

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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



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

June 30, 2020





**ANDERSON, TACKMAN & COMPANY, PLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**KINROSS OFFICE**

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**MEMBER MACPA**

**OFFICES IN**  
**MICHIGAN & WISCONSIN**

**COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE**

Members of the Board of Commissioners  
County of Otsego, Michigan  
225 W. Main St.  
Gaylord, MI 49735

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Otsego, Michigan for the year ended December 31, 2019, and have issued our report thereon dated June 30, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

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

As stated in our engagement letter dated April 3, 2020, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

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

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

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

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

### **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our letter about planning matters dated on April 3, 2020.

### **Significant Audit Findings**

#### ***Qualitative Aspects of Accounting Practices***

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

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

- Management's estimate of the depreciation expense is based on estimated lives. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the vested employee benefits is based on current hourly rates and policies regarding payment of sick and vacation banks.
- Management's estimate of the allowance for uncollectible accounts receivable is based on past experience and future expectations for collection of various account balances and has been determined to be \$454,000.
- Management's estimate of the Annual Required Contribution and liabilities actuarial for OPEB Obligations and net pension liability was based on various assumptions regarding life expectancies, inflation, premium increases, and investment rates.

The financial statement disclosures are neutral, consistent and clear.

#### ***Difficulties Encountered in Performing the Audit***

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

### ***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

### ***Disagreement with Management***

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

### ***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated June 30, 2020.

### ***Management Consultations with Other Independent Accountants***

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

### ***Other Audit Findings or Issues***

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

### ***Comments and Recommendations***

#### **Cash Recording**

It was noted in our review of the county component unit cash balances that in one occurrence cash was recorded into the ledger as received, but they had not yet been distributed out of the agency fund per county practice until the following calendar year resulting in an over statement of year end cash balances. We recommend that cash only be recorded as received after distributions have been received, to ensure that the county does not overstate cash balances.

#### **Cash Reconciliations**

In our review of cash balances, we noted that there were a few immaterial cash balances held at component unit balances that appeared to be stale accounts or lacked support. We recommend that the county perform a review of the cash held at component unit balances and adjust the accounts based on their findings.

## **Outstanding Checks**

We noted in our review of cash reconciliations that a few long outstanding checks were on the county books in relation to cash accounts held by the library and the Sportsplex. We recommend that the county review the Michigan Unclaimed Property Manual and follow its guidance to escheat or absorb these checks to clear them from the outstanding item listing.

## **Taxes Receivable**

It was noted in our review of the general operations tax receivable, that the county is currently only recording the amount related to the next year's tax settlement as a receivable at year end. Not the total amount of the tax levy left to be collected as the county revenue recognition policy requires. We recommend that the county begin recording the total amount of taxes left to be collected as of December 31, as revenue and receivable as of December 31 to ensure that the revenue is recorded in the year of the levy to be in compliance with county policy.

## **Cash receipts**

It was noted in our review of cash that in one occurrence when a transfer was made from the pooled cash account to component unit bank account the transfer was noted recorded by the component unit 2020 as the transfer was for payroll to be paid in 2020. This caused a large unreconciled difference in cash balance as of 12/31/2019. We recommend that cash deposits and transfers be recorded into the ledger when they are received regardless of the timing of the related transaction to ensure accurate cash reconciliations.

## **Single Approach for Reporting Leases**

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

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

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

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

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

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

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

The full text of Statement 87 is available on the GASB website, [www.gasb.org](http://www.gasb.org).

### **GASB 83 – Certain Asset Retirement Obligations**

*Effective 06/15/20 (your FY 2020)*

This statement addresses accounting and financial reporting for certain asset retirement obligations—legally enforceable liabilities associated with the retirement of a tangible capital assets.

### **GASB 84 – Fiduciary Activities**

*Effective 12/15/2020 (your FY 2020)*

This standard establishes new criteria for determining how to report fiduciary activities in governmental financial statements. The focus is on whether the government is controlling the assets, and who the beneficiaries are. Under this revised standard, certain activities previously reported in agency funds may be reclassified in future periods. Due to the number of specific factors to consider, management should assess the degree to which this standard may impact the County.

### **Other Matters**

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

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

### **Conclusion**

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

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



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

June 30, 2020

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APPENDIX B

PROPOSER GUARANTEES

- I. The proposer certifies it can and will provide and make available, as a minimum, all services set forth in this proposal.

Signature of Official:

Name (typed):

Title:

Firm:

Date:

APPENDIX C

PROPOSER WARRANTIES

- A. Proposer warrants that it is willing and able to comply with State of Michigan laws and licensing requirements.
- B. Proposer warrants that it is willing and able to obtain an errors and omissions insurance policy providing a minimum of \$1,000,000 coverage for the willful or negligent acts, or omissions of any officers, employees or agents thereof.
- C. Proposer warrants that it will not delegate or subcontract its responsibilities under an agreement without the prior written permission of the COUNTY OF OTSEGO.
- D. Proposer warrants that all information provided by it in connection with this proposal is true and accurate.

Signature of Official:

Name (typed):

Title:

Firm:

Date: