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IOSCO COUNTY  
TAWAS CITY, MICHIGAN

AUDITORS' REPORT  
YEAR ENDED DECEMBER 31, 2019

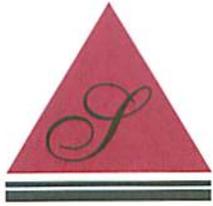
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July 29, 2020

## Independent Auditors' Report

Board of Commissioners  
Iosco County  
Tawas City, Michigan

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Iosco County, Tawas City, Michigan, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the index. We did not audit the financial statements of the Medical Care Facility Fund, which is both a major fund and 71 percent, 70 percent, and 93 percent, respectively, of the assets, net position, and revenues of the business-type activities.

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

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

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Medical Care Facility Fund, which is both a major fund and represents 71 percent, 70 percent, and 93 percent, respectively, of the assets, net position, and revenues of the business-type activities. We also did not audit the financial statements of the Iosco County Road Commission, which represents 91 percent, 93 percent, and 96 percent respectively, of the assets, net position, and revenue of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Medical Care Facility and the Iosco County Road Commission 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Medical Care Facility Fund were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinions**

In our opinion, based on our audit and the reports 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 Iosco County, Tawas City, 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, postemployment benefits schedules, required pension schedules, and budgetary comparison information 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 the 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 Iosco County's basic financial statements. The combining nonmajor fund financial statements and Iosco County Drain Commission Component Unit fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements and Iosco County Drain Commission Component Unit 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 and Iosco County Drain Commission Component Unit fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2020, included in the Single Audit Report issued under a separate cover, on our consideration of Iosco County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Iosco County'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 Iosco County's internal control over financial reporting and compliance.

*Stephenson & Company, P.C.*

# Iosco County Board of Commissioners

COURT HOUSE  
Tawas City, Michigan 48763

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of the County of Iosco's (the County) financial performance provides an overview of the County's financial activities for the fiscal year ended December 31, 2019. The intent of this discussion and analysis is to look at the County's financial performance as a whole.

### Financial Highlights

The assets and deferred outflows of resources of the County's Primary Government exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$24,977,472 (net position). This is a decrease of \$281,705 from 2018. Of the total net position in 2019, \$6,984,133 is unrestricted net position available to meet the government's ongoing obligations to citizens.

As of the close of the 2019 fiscal year, the County's governmental funds (this includes the general fund, special revenue, debt service, and capital project funds) reported ending fund balances of \$5,951,113, a decrease of \$825,607 in comparison to 2018. The County's General Fund fund balance for 2019 decreased by \$407,438 to a year-end balance of \$1,022,426 or 12% of actual General Fund expenditures. The decrease in the General Fund can be mainly attributed to increased health insurance expenditures of approximately \$400,000. Substantial operating transfers out of \$848,564 further contributed to the General Fund fund balance decrease, the most significant of which were to the Child Care Fund and the Indigent Defense Fund. Operating transfers in of \$705,229 partially offset the previously mentioned decreases.

The Ambulance Service Fund fund balance decreased by \$380,322. This decrease was primarily the result of increased payroll related costs of approximately \$214,000 that were largely attributable to health insurance costs, which was only partially offset by an increase in charges for services revenue of \$95,447.

The MSHDA Fund fund balance decreased by \$35,580 due to expenditures exceeding current year collections, new loan issuances, and operating transfers in.

The EDC Grant Revolving Loan Fund fund balance decreased by \$263,290 due to expenditures related to new loans in the current year exceeding loan principal and interest repayments received in the current year.

The E-911 Fund fund balance decreased by \$88,392. Property tax revenue was recognized for the first time, totaling \$772,285, which was primarily expended on increased capital outlay costs of \$550,381. Because of the new tax levy, the County decreased its billing of Charges for Services (surcharge) revenue which resulted in a decrease of \$245,949. Additionally, installment purchase proceeds of \$141,012 were recognized in the current year, with a related cost of \$51,286 in debt service.

The Other Governmental Funds fund balances increased by \$349,415. The most significant items affecting fund balance were two funds, the Parks and Recreation Fund and the Veterans Trust Fund, recognizing revenue from a new tax levy for the first time this year, totaling \$351,808 and leading to a combined increase in fund balance in the two funds of \$260,891.

The Delinquent Tax Revolving Fund net position decreased by \$177,839. Operations were similar compared to the prior year, except for operating transfers out to the General Fund totaling \$505,229, with no similar transfers in the prior year.

The Other Enterprise Funds fund balances increased by \$7,353 as a result of commissary revenues exceeding expenses in the current year and is comparable to the prior year increase.

### **Overview of the Financial Statements**

The financial statements are organized so the reader can understand the County as a financial whole or as an entire operating entity. The statements also provide a detailed look at specific financial conditions. The County's basic financial statements are comprised of three components: The government-wide financial statements, fund financial statements, and notes to financial statements. The report also contains other supplementary information in addition to the basic financial statements.

### **Government-wide Financial Statements**

The *statement of net position* and the *statement of activities* display information about the County as a whole. These statements include the financial activities of the primary government except for fiduciary funds. For the most part, the effect of interfund activity has been removed from the statements. The statements distinguish between those activities of the County that are governmental in nature and those that are considered business-type activities. Governmental activities are normally supported by taxes and intergovernmental revenues while business-type activities rely to a significant extent on fees and charges for services.

The statement of net position presents the financial condition of the governmental and business-type activities of the County at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the County's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function.

Program revenues include charges paid by the recipient for the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the County with certain limited exceptions. The comparisons of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the County.

With this report, capital assets are listed for the County of Iosco. These assets are comprised of land, buildings and improvements, equipment and vehicles owned by the County. These assets total over \$23 million. The County Treasurer performed a department-by-department inventory and evaluation of assets and categorized a depreciation schedule for assets not fully depreciated.

Property taxes levied in 2019 for 2020 operations that will be received in the future are listed as *taxes receivable* and as *deferred inflows of resources*.

### **Fund Financial Statements**

The County uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: *Governmental*, *Proprietary* and *Fiduciary*.

#### ***Governmental Funds:***

Governmental funds are those through which most governmental functions of the County are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used.

Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the County's major governmental funds:

- General Fund – This fund accounts for all financial resources, except those required to be accounted for in another fund. Revenues are derived primarily from property taxes, state and federal distributions, grants and other intergovernmental revenue.
- Ambulance Service Fund – This fund accounts for the collection of a separate tax millage that is used to fund the operations of ambulance services.
- EDC Grant Revolving Loan Fund – This fund accounts for the operations of a service for providing low interest loans to assist professional, commercial and industrial entities in rehabilitation and expansion of existing businesses and the construction of new businesses within the County.
- MSHDA Fund – This fund accounts for the operations of services for providing affordable low interest loans to fund home mortgages and home improvements to residents within the County.
- E-911 Fund – This fund accounts for the collection of cellular service surcharges and a separate tax millage that are used to fund the operations of countywide enhanced 911 emergency telephone and central dispatch services.

***Proprietary Funds:***

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows.

The County's enterprise funds may be used to account for any activity for which a fee is charged to external users (citizens) for goods and services. The following are the County's major enterprise funds:

- Medical Care Facility Fund – This fund accounts for the operations of the County's medical care facility.
- Delinquent Tax Revolving Fund – This fund accounts for the purchase of delinquent taxes from other local taxing units.

Internal Service Fund – This fund is used to record the financing of services provided by the local unit to other departments and funds, and to other governmental units on a cost reimbursement basis. This fund is related to insurance fund services.

***Fiduciary Funds:***

Fiduciary fund reporting focuses on net position and changes in net position. The County's agency funds account for assets held by the County for political subdivisions in which the County acts as fiscal agent for property tax collections, state-levied shared revenues, and fines and forfeitures.

**Notes to Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided on the County *government-wide* and *fund* financial statements. The notes to financial statements are presented following the Basic Financial Statements and provide an expansive and thorough view of various aspects of the audited financial statements.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents combining nonmajor fund statements.

## Government -Wide Financial Analysis

### Summary of Net Position :

The following summarizes the net position of the County of Iosco at December 31, 2019 and 2018:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Current Assets	\$ 8,777,117	\$ 11,546,905	\$ 20,324,022	\$ 20,735,280
Restricted Assets	0	1,769,456	1,769,456	1,611,059
Noncurrent Assets	2,938,801	50,000	2,988,801	3,121,937
Capital Assets	<u>5,588,157</u>	<u>5,297,268</u>	<u>10,885,425</u>	<u>10,654,953</u>
<b>Total Assets</b>	<u>17,304,075</u>	<u>18,663,629</u>	<u>35,967,704</u>	<u>36,123,229</u>
<b>Deferred Outflows of Resources</b>	<u>2,051,315</u>	<u>645,098</u>	<u>2,696,413</u>	<u>1,383,367</u>
Current Liabilities	691,231	558,253	1,249,484	1,408,042
Long-Term Liabilities	<u>9,126,630</u>	<u>697,194</u>	<u>9,823,824</u>	<u>7,747,292</u>
<b>Total Liabilities</b>	<u>9,817,861</u>	<u>1,255,447</u>	<u>11,073,308</u>	<u>9,155,334</u>
<b>Deferred Inflows of Resources</b>	<u>1,904,910</u>	<u>708,427</u>	<u>2,613,337</u>	<u>3,092,085</u>
<b>Net Position (Deficit)</b>				
Net Investment in				
Capital Assets	5,424,620	5,297,268	10,721,888	10,516,303
Restricted	7,241,914	29,537	7,271,451	7,561,984
Unrestricted (Deficit)	<u>(5,033,915)</u>	<u>12,018,048</u>	<u>6,984,133</u>	<u>7,180,890</u>
<b>Total Net Position</b>	<u>\$ 7,632,619</u>	<u>\$ 17,344,853</u>	<u>\$ 24,977,472</u>	<u>\$ 25,259,177</u>

### Summary of Changes in Net Position :

Following is an analysis of the changes in net position for the period ended December 31, 2019 and 2018:

Generally speaking, the County's net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for acquisition, construction, or improvement of those assets. The County of Iosco, through its governing body, i.e., Board of Commissioners, has taken a sensible approach regarding capital asset acquisition and amortization of the incurred debt. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors or laws/regulations of other governments.

It is the County's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Year Ended December 31, 2019</b>	<b>Year Ended December 31, 2018</b>
Program Revenue:				
Charges for Services	\$ 5,188,519	\$ 8,801,511	\$ 13,990,030	\$ 13,420,387
Operating Grants and Contributions	2,674,834	8,099	2,682,933	2,190,224
Capital Grants and Contributions	<u>80,462</u>	<u>0</u>	<u>80,462</u>	<u>596,436</u>
<b>Total Program Revenue</b>	<u>7,943,815</u>	<u>8,809,610</u>	<u>16,753,425</u>	<u>16,207,047</u>

**Summary of Changes in Net Position: (Continued)**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Year Ended December 31, 2019</u>	<u>Year Ended December 31, 2018</u>
General Revenue:				
Property Taxes	\$ 6,374,454	\$ 473,651	\$ 6,848,105	\$ 5,648,989
State Revenue Sharing	680,073	0	680,073	631,538
Interest and Investment Earnings	47,067	339,789	386,856	341,384
Rent Income	19,697	0	19,697	19,884
Gain (Loss) on Disposal of				
Capital Assets	39,128	0	39,128	(16,527)
Contribution to Component Unit	0	0	0	(100)
Other	61,634	0	61,634	46,514
Transfers	<u>505,229</u>	<u>(505,229)</u>	<u>0</u>	<u>0</u>
Total General Revenue and Transfers	<u>7,727,282</u>	<u>308,211</u>	<u>8,035,493</u>	<u>6,671,682</u>
 Total Revenue	 <u>15,671,097</u>	 <u>9,117,821</u>	 <u>24,788,918</u>	 <u>22,878,729</u>
Program Expenses:				
General Government:				
Legislative and Executive	151,187	0	151,187	142,629
Judicial	2,379,918	0	2,379,918	2,329,132
Other General Government	3,743,584	0	3,743,584	3,204,209
Public Safety	4,306,714	0	4,306,714	4,074,365
Public Works	72,333	0	72,333	71,244
Health and Welfare	5,380,261	0	5,380,261	4,727,296
Community and Economic				
Development	231,241	0	231,241	199,116
Recreation and Cultural	114,576	0	114,576	71,501
Interest and Fees on Long-Term Debt	7,605	0	7,605	8,417
Department of Public Works	0	8,099	8,099	11,160
Delinquent Tax Revolving	0	326,574	326,574	276,390
Medical Care Facility	0	8,347,501	8,347,501	7,974,892
Commissary	<u>0</u>	<u>1,030</u>	<u>1,030</u>	<u>1,457</u>
Total Expenses	<u>16,387,419</u>	<u>8,683,204</u>	<u>25,070,623</u>	<u>23,091,808</u>
 Increase (Decrease) in Net Position Before Special Item	 (716,322)	 434,617	 (281,705)	 (213,079)
 Special Item – EDC Federal Award Recapture	 <u>0</u>	 <u>0</u>	 <u>0</u>	 <u>(1,217,550)</u>
 <b>Change in Net Position</b>	 (716,322)	 434,617	 (281,705)	 (1,430,629)
 Beginning Net Position (Restated)	 <u>8,348,941</u>	 <u>16,910,236</u>	 <u>25,259,177</u>	 <u>26,689,806</u>
 <b>Ending Net Position</b>	 <u>\$ 7,632,619</u>	 <u>\$ 17,344,853</u>	 <u>\$ 24,977,472</u>	 <u>\$ 25,259,177</u>

**Governmental Activities**

The *Statement of Activities* illustrates, by department, the expense incurred and revenue received.

Total governmental activities reveal revenues of \$7,943,815 from *Charges for Services, Operating Grants and Contributions and Capital Grants and Contributions*. The *Charges for Services* are fees for real estate transfers/recordings, fines and forfeitures related to judicial activity, and licenses and permits. While revenue collected is substantial, operating expenses totaled \$16,387,419 for these same activities. The largest expenses were incurred by Other General Government offices (\$3,743,584), Health and Welfare (\$5,380,261), Judicial (\$2,379,918), and Public Safety (\$4,306,714).

## Business-Type Activities

Iosco County's *Business-Type activities* include the Medical Care Facility, debt payments related to public works, and activities related to delinquent tax collection; as well as the commissary activities. The business-type activities reveal revenues of \$8,809,610 from *Charges for Services and Operating Grants and Contributions*. The *Charges for Services* are for fees associated with the collection of property taxes, medical care and for commissary sales. The operating expenses for these same activities totaled \$8,683,204.

## Financial Analysis of County Funds

As noted earlier in this report, the County uses fund accounting to ensure and demonstrate compliance with finance-related statutory and legal requirements. A thorough review and examination of fund types will reveal the strengths and weaknesses of its daily operations.

The other governmental funds of the County account for grants and other resources whose use is restricted for a particular purpose; the accumulation of resources for, and the payment of debt; and the acquisition or construction of major capital facilities.

This year's County audit, following GASB 34 format, shows 49 funds. These funds are maintained by the County Treasurer as separate units in the general ledger.

## Enterprise Funds

The County's enterprise funds provide the same type of information found in the government-wide financial statements. Departments such as Public Works, Medical Care, Commissary and Delinquent Tax Revolving comprise these funds. GASB 34 places such funds under the caption of *Propriety Funds* under the appropriate statements, i.e., *Statement of Net Position*, *Statement of Cash Flows*, etc.

## Budgetary Highlights

The County began the year with a \$1,429,864 General Fund fund balance. At year's end, the General Fund fund balance decreased to \$1,022,426. The General Fund actual revenue of \$8,013,706 versus budgeted revenue of \$8,584,497 netted an unfavorable variance of \$570,791, which is due mostly to receiving less state revenue and less other revenue than anticipated. Actual expenditures of the General Fund were \$8,326,065 versus budgeted expenditures of \$8,490,964, showing a favorable variance of \$164,899, which is primarily a result of over budgeting for general government expenses. Significant budget amendments were for increased capital outlay and other general government expenditures.

## Capital Asset and Debt Administration

### Capital Assets

Capital assets are defined by the County as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at *historical cost* or *estimated historical cost* if purchased or constructed. Donated capital assets are recorded at estimated FMV (fair market value) at the date of donation.

The County does not possess any infrastructure. Improvements are capitalized, i.e., depreciated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of enterprise fund capital assets is also capitalized.

Capital Assets – Governmental Activities beginning balance was \$10,327,647 with an ending balance of \$11,225,865. Governmental Activities Total Capital Assets – Net of Depreciation was \$5,588,157. The County's 2019 capital asset additions consisted of:

Dispatch Console Upgrades	\$ 541,012
Two 2019 Ford Ambulances	317,100

Power Pro Ambulance Cots and Fasteners	124,167
Exploration Trail Construction in Progress	69,432
Trail Grooming Pole Barn Construction in Progress	44,736
Four Police Vehicle Camera Upgrade Packages	42,670
2019 Dodge Durango	32,967
2019 Dodge Charger	32,419
Donated Land (Valued at)	30,600
2019 Ram Pickup	26,215
Other Additions	<u>22,783</u>
<b>Total Additions</b>	<b><u>\$ 1,284,101</u></b>

The County's governmental capital asset disposals consisted of: various fully-depreciated equipment; several EMS cots with a combined original cost of \$79,186 and accumulated depreciation of \$71,338, which were sold for \$20,000; and several vehicles, whose total original cost of \$252,343 exceeded accumulated depreciation by \$10,250, an amount which was more than recouped in proceeds from their sales.

Capital Assets - Business Type Activities beginning balance was \$12,398,229 with an ending balance of \$12,455,179. The only addition in the current year was \$56,950 for construction in progress at the Iosco Medical Care Facility. There were no current year disposals. Business-Type Activities Total Capital Assets - Net of Depreciation was \$5,297,268. An expanded and detailed presentation may be seen in Note 4 of the audit, notes to financial statements.

#### **Long-Term Debt**

The Long-Term debt of the County of Iosco, as noted on the financial statements contained herein, is comprised of debt related to direct business transactions by the County Board of Commissioners or business trade activity on the part of a local unit of government.

At year's end, long-term debt (due in more than one year) amounted to \$525,797. Such debt includes *Bonds Payable*, *Installment Purchase Agreements Payable*, *Incurred but not Reported Insurance Claims* (Primary Government) and *Compensated Absences*. That is, accumulated vested vacation benefits payable and contingent liability for the accumulated sick leave benefits of County employees. New installment purchase agreement payables were entered into in the total amount of \$167,052 in the current year. The County's 2009 Capital Improvement bonds were paid off in 2019.

#### **Net Pension Liability**

Net pension liability for the County amounted to \$8,833,713 at year-end. This is the contingent liability for certain retirement, disability, and death benefits to plan members and beneficiaries. An expanded and detailed presentation may be seen in Note 10 of the audit notes to the financial statements.

#### **Economic Factors**

The year ended December 31, 2019, indicates a decrease from the prior year General Fund fund balance of \$407,438. The ending fund balance of \$1,022,426 represents 12% of annual expenditures. It is management's goal to maintain a fund balance sufficient to sustain payables from January through July each year. Due to an increase in fronting a large amount of grants, a \$2,000,000 fund balance is the minimum to support the budget and cash flow requirements. The fund balance should be closer to \$2,500,000. Increasing health care costs will again require a large transfer into the General Fund for the fiscal year 2020. Close attention will need to be given to the 2021 budget in order to have a balanced General Fund budget without a transfer in.

#### **Component Unit**

Complete financial statements for the Iosco County Drain Commission are included in this audit report.

Complete financial statements for the Iosco County Road Commission may be obtained from the Financial Manager at 3939 West M-55, Tawas City, Michigan 48763.

### **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 the Iosco County Treasurer, P.O. Box 538, Tawas City, Michigan 48764-0538.

IOSCO COUNTY  
Tawas City, Michigan

STATEMENT OF NET POSITION  
December 31, 2019

	Primary Government			Component Units	
	Governmental	Business-Type	Total	Iosco County	
	Activities	Activities		Drain Commission	Road Commission
<b>Assets</b>					
Cash and Cash Equivalents	\$ 5,240,051	\$ 8,385,421	\$ 13,625,472	\$ 485,444	\$ 320,617
Investments	80,000	0	80,000	0	5,856,265
Receivables:					
Property Taxes	2,202,425	536,011	2,738,436	0	0
Delinquent Taxes	0	1,145,264	1,145,264	0	0
Special Assessments	0	0	0	96,028	0
Accounts, Net	400,660	1,053,554	1,454,214	0	111,729
Loans Receivable	100,037	55,932	155,969	0	0
Due from Primary Government	0	0	0	100	0
Due from Local Units	0	0	0	203,526	19,711
Due from Component Units	67,000	150	67,150	0	0
Due from State	541,221	135,954	677,175	0	1,044,087
Prepaid Items	145,723	0	145,723	138,740	36,701
Inventory	0	0	0	0	779,625
Other Current Assets	0	234,619	234,619	0	0
Restricted Assets:					
Cash and Cash Equivalents	0	1,769,456	1,769,456	0	0
Noncurrent Assets:					
Long-Term Special Assessments Receivable	0	0	0	199,611	0
Long-Term Loans Receivable, Net	2,938,801	50,000	2,988,801	0	0
Capital Assets Not Being Depreciated	743,872	56,950	800,822	0	3,146,380
Capital Assets, Net of Accumulated Depreciation	4,844,285	5,240,318	10,084,603	2,296,306	25,127,345
Net OPEB Asset	0	0	0	0	120,076
Total Assets	<u>17,304,075</u>	<u>18,663,629</u>	<u>35,967,704</u>	<u>3,419,755</u>	<u>36,562,536</u>
<b>Deferred Outflows of Resources</b>					
Deferred Amounts Related to Pensions	<u>2,051,315</u>	<u>645,098</u>	<u>2,696,413</u>	<u>0</u>	<u>34,921</u>
<b>Liabilities</b>					
Accounts Payable	290,760	418,300	709,060	3,575	283,636
Due to Local Units	39,884	0	39,884	0	0
Due to Component Units	100	0	100	0	0
Due to State	30,531	0	30,531	0	0
Due to Other Units of Government	81,303	0	81,303	0	0
Accrued Interest Payable	0	932	932	8,917	0
Deposits Payable	0	6,380	6,380	0	0
Accrued Liabilities	220,912	132,641	353,553	0	74,702
Due to Primary Government	0	0	0	67,150	0
Unearned Revenue	27,741	0	27,741	0	167,063
Long Term Liabilities:					
Due Within One Year	176,433	287,881	464,314	287,500	0
Due In More Than One Year	475,797	50,000	525,797	500,000	129,300
Net Pension Liability	<u>8,474,400</u>	<u>359,313</u>	<u>8,833,713</u>	<u>0</u>	<u>2,644,897</u>
Total Liabilities	<u>9,817,861</u>	<u>1,255,447</u>	<u>11,073,308</u>	<u>867,142</u>	<u>3,299,598</u>
<b>Deferred Inflows of Resources</b>					
Deferred Amounts Related to Pensions	0	172,416	172,416	0	95,119
Deferred Amounts Related to OPEB	0	0	0	0	731
Property Taxes Levied for Next Year	<u>1,904,910</u>	<u>536,011</u>	<u>2,440,921</u>	<u>0</u>	<u>0</u>
Total Deferred Inflows of Resources	<u>1,904,910</u>	<u>708,427</u>	<u>2,613,337</u>	<u>0</u>	<u>95,850</u>
<b>Net Position (Deficit)</b>					
Net Investment in Capital Assets	5,424,620	5,297,268	10,721,888	1,651,306	28,273,725
Restricted For:					
Public Safety	1,000,893	0	1,000,893	0	0
Health and Welfare	2,552,865	0	2,552,865	0	0
Community and Economic Development	3,221,227	0	3,221,227	0	0
Recreation and Cultural	247,361	0	247,361	0	0
Drain and Lake Level Maintenance	0	0	0	135,439	0
Debt Service	0	0	0	701,023	0
Capital Projects	37,579	29,537	67,116	64,845	0
County Roads	0	0	0	0	4,928,284
Other State Mandated Programs	181,989	0	181,989	0	0
Unrestricted (Deficit)	<u>(5,033,915)</u>	<u>12,018,048</u>	<u>6,984,133</u>	<u>0</u>	<u>0</u>
Total Net Position	<u>\$ 7,632,619</u>	<u>\$ 17,344,853</u>	<u>\$ 24,977,472</u>	<u>\$ 2,552,613</u>	<u>\$ 33,202,009</u>

The accompanying notes to financial statements are an integral part of this statement.

IOSCO COUNTY  
Tawas City, Michigan

STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2019

Function/Program	Net (Expense) Revenue and Changes in Net Position							Component Units	
	Expenses	Program Revenues			Primary Government			Iosco County Drain Commission	Iosco County Road Commission
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total		
<b>Primary Government</b>									
Governmental Activities:									
General Government:									
Legislative and Executive	\$ 151,187	\$ 0	\$ 0	\$ 0	\$ (151,187)	\$ 0	\$ (151,187)		
Judicial	2,379,918	663,616	454,088	0	(1,262,214)	0	(1,262,214)		
Other General Government	3,743,584	765,459	660,480	0	(2,317,645)	0	(2,317,645)		
Public Safety:									
Sheriff	391,739	35,033	0	0	(356,706)	0	(356,706)		
Jail	1,442,868	78,539	0	0	(1,364,329)	0	(1,364,329)		
Other Public Safety	2,472,107	738,843	965,459	42,670	(725,135)	0	(725,135)		
Public Works:									
Other Public Works	72,333	0	0	0	(72,333)	0	(72,333)		
Health and Welfare:									
Health Department	174,926	0	0	0	(174,926)	0	(174,926)		
Other Health and Welfare	5,205,335	2,877,739	554,634	0	(1,772,962)	0	(1,772,962)		
Community and Economic									
Development	231,241	29,290	0	0	(201,951)	0	(201,951)		
Recreation and Cultural	114,576	0	40,173	37,792	(36,611)	0	(36,611)		
Interest and Fees on Long-Term Debt	7,605	0	0	0	(7,605)	0	(7,605)		
Total Governmental Activities	<u>16,387,419</u>	<u>5,188,519</u>	<u>2,674,834</u>	<u>80,462</u>	<u>(8,443,604)</u>	<u>0</u>	<u>(8,443,604)</u>		
Business-Type Activities:									
Department of Public Works	8,099	0	8,099	0	0	0	0		
Delinquent Tax Revolving	326,574	411,716	0	0	0	85,142	85,142		
Medical Care Facility	8,347,501	8,381,412	0	0	0	33,911	33,911		
Commissary	1,030	8,383	0	0	0	7,353	7,353		
Total Business-Type Activities	<u>8,683,204</u>	<u>8,801,511</u>	<u>8,099</u>	<u>0</u>	<u>0</u>	<u>126,406</u>	<u>126,406</u>		
Total Primary Government	<u>\$ 25,070,623</u>	<u>\$ 13,990,030</u>	<u>\$ 2,682,933</u>	<u>\$ 80,462</u>	<u>(8,443,604)</u>	<u>126,406</u>	<u>(8,317,198)</u>		
<b>Component Units</b>									
Drain Commission	\$ 190,660	\$ 410,763	\$ 0	\$ 0			\$ 220,103	\$ 0	
Road Commission	<u>7,536,422</u>	<u>984,157</u>	<u>8,596,931</u>	<u>0</u>			<u>0</u>	<u>2,044,666</u>	
Total Component Units	<u>\$ 7,727,082</u>	<u>\$ 1,394,920</u>	<u>\$ 8,596,931</u>	<u>\$ 0</u>			<u>220,103</u>	<u>2,044,666</u>	

The accompanying notes to financial statements are an integral part of this statement.

IOSCO COUNTY  
Tawas City, Michigan

STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2019

Function/Program	Net (Expense) Revenue and Changes in Net Position								
	Program Revenues			Primary Government			Component Units		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Iosco County Drain Commission	Iosco County Road Commission
General Revenue:									
Property Taxes Levied For:									
General Operating					\$ 4,529,445	\$ 0	\$ 4,529,445	\$ 0	\$ 0
Animal Control					90,492	0	90,492	0	0
MSU Extension					135,111	0	135,111	0	0
Veterans Services					67,868	0	67,868	0	0
Ambulance Services					495,313	0	495,313	0	0
911 Services					772,285	0	772,285	0	0
Parks and Recreation					283,940	0	283,940	0	0
Medical Care Facility					0	473,651	473,651	0	0
State Revenue Sharing					680,073	0	680,073	0	0
Interest and Investment Earnings					47,067	339,789	386,856	108	113,648
Rent Income					19,697	0	19,697	0	0
Gain (Loss) on Disposal of Capital Assets					39,128	0	39,128	0	14,700
Other					61,634	0	61,634	0	220,328
Transfers					505,229	(505,229)	0	0	0
Total General Revenue and Transfers					<u>7,727,282</u>	<u>308,211</u>	<u>8,035,493</u>	<u>108</u>	<u>348,676</u>
Change in Net Position					(716,322)	434,617	(281,705)	220,211	2,393,342
Net Position - Beginning (Restated)					<u>8,348,941</u>	<u>16,910,236</u>	<u>25,259,177</u>	<u>2,332,402</u>	<u>30,808,667</u>
Net Position - Ending					<u>\$ 7,632,619</u>	<u>\$ 17,344,853</u>	<u>\$ 24,977,472</u>	<u>\$ 2,552,613</u>	<u>\$ 33,202,009</u>

The accompanying notes to financial statements are an integral part of this statement.

IOSCO COUNTY  
Tawas City, Michigan

BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2019

	Special Revenue Funds					Other Governmental Funds	Total Governmental Funds
	General Fund	Ambulance Service Fund	MSHDA Fund	EDC Grant Revolving Loan Fund	E-911 Fund		
<b>Assets</b>							
Cash and Cash Equivalents	\$ 572,602	\$ 587,351	\$ 4,045	\$ 1,441,334	\$ 6,903	\$ 2,572,025	\$ 5,184,260
Investments	0	0	0	0	0	80,000	80,000
Receivables:							
Property Taxes	297,515	510,900	0	0	798,873	595,137	2,202,425
Accounts, Net	1,000	377,772	0	0	14,985	6,903	400,660
Loans Receivable	0	0	1,194,955	1,596,051	0	249,172	3,040,178
Due from Component Units	67,000	0	0	0	0	0	67,000
Due from State	241,743	5,766	0	0	10,382	283,330	541,221
Due from Other Funds	196,872	29,348	0	0	0	11,542	237,762
Prepaid Items	88,654	24,551	1,254	0	16,866	14,398	145,723
<b>Total Assets</b>	<b>\$ 1,465,386</b>	<b>\$ 1,535,688</b>	<b>\$ 1,200,254</b>	<b>\$ 3,037,385</b>	<b>\$ 848,009</b>	<b>\$ 3,812,507</b>	<b>\$ 11,899,229</b>
<b>Liabilities</b>							
Accounts Payable	\$ 154,654	\$ 69,175	\$ 0	\$ 1,000	\$ 3,115	\$ 62,816	\$ 290,760
Due to Other Funds	38,043	0	2,847	0	8,001	188,871	237,762
Due to Local Units	25,484	0	0	0	0	14,400	39,884
Due to Component Unit	100	0	0	0	0	0	100
Due to State	0	0	0	0	0	30,531	30,531
Due to Other Units of Government	81,303	0	0	0	0	0	81,303
Accrued Liabilities	116,179	50,964	1,198	0	21,154	31,417	220,912
Unearned Revenue	0	0	0	0	0	27,741	27,741
<b>Total Liabilities</b>	<b>415,763</b>	<b>120,139</b>	<b>4,045</b>	<b>1,000</b>	<b>32,270</b>	<b>355,776</b>	<b>928,993</b>
<b>Deferred Inflows of Resources</b>							
Property Taxes Levied for Next Year	0	510,900	0	0	798,873	595,137	1,904,910
Unavailable Revenue - Loans	0	0	1,194,955	1,596,051	0	249,172	3,040,178
Unavailable Revenue - Grants	27,197	0	0	0	0	46,838	74,035
<b>Total Deferred Inflows of Resources</b>	<b>27,197</b>	<b>510,900</b>	<b>1,194,955</b>	<b>1,596,051</b>	<b>798,873</b>	<b>891,147</b>	<b>5,019,123</b>
<b>Fund Equity</b>							
Fund Balances:							
Nonspendable	155,654	24,551	1,254	0	16,866	14,398	212,723
Restricted	51,353	880,098	0	1,440,334	0	1,727,384	4,099,169
Committed	0	0	0	0	0	24,695	24,695
Assigned	0	0	0	0	0	799,107	799,107
Unassigned	815,419	0	0	0	0	0	815,419
<b>Total Fund Equity</b>	<b>1,022,426</b>	<b>904,649</b>	<b>1,254</b>	<b>1,440,334</b>	<b>16,866</b>	<b>2,565,584</b>	<b>5,951,113</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Equity</b>	<b>\$ 1,465,386</b>	<b>\$ 1,535,688</b>	<b>\$ 1,200,254</b>	<b>\$ 3,037,385</b>	<b>\$ 848,009</b>	<b>\$ 3,812,507</b>	<b>\$ 11,899,229</b>

The accompanying notes to financial statements are an integral part of this statement.

IOSCO COUNTY  
Tawas City, Michigan

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
December 31, 2019

Total Governmental Fund Balances		\$	5,951,113
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. Capital assets at year end consist of:			
Capital Assets Cost		\$ 11,225,865	
Accumulated Depreciation		<u>(5,637,708)</u>	5,588,157
Other assets are not available to pay for current period expenditures and, therefore, are unavailable revenue in the governmental funds:			
Loans Receivable		3,038,838	
Grants Receivable		<u>74,035</u>	3,112,873
Governmental funds report actual pension expenditures for the fiscal year, whereas the governmental activities will recognize the net pension liability as of the measurement date. Pension contributions subsequent to the measurement date will be deferred in the statement of net position. In addition, resources related to changes of assumptions, differences between expected and actual experience, and differences between projected and actual pension plan investment earnings will be deferred over time in the government-wide financial statements. These amounts consist of:			
Deficit Investment Return		1,024,639	
Differences between Expected and Actual Experience		18,698	
Employer Pension Contributions		<u>1,007,978</u>	2,051,315
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year end consist of:			
Installment Purchase Agreement Payable		(163,537)	
Net Pension Liability		(8,474,400)	
Incurred but not Reported Insurance Claims		(146,445)	
Compensated Absences		<u>(342,248)</u>	(9,126,630)
Some amounts reported for governmental activities in the statement of net position are different because the internal service fund assets and liabilities are included with governmental activities.			<u>55,791</u>
Total Net Position - Governmental Activities		\$	<u><u>7,632,619</u></u>

The accompanying notes to financial statements are an integral part of this statement.

IOSCO COUNTY  
Tawas City, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2019

	Special Revenue Funds					Other Governmental Funds	Total Governmental Funds
	General Fund	Ambulance Service Fund	MSHDA Fund	EDC Grant Revolving Loan Fund	E-911 Fund		
<b>Revenue</b>							
Property Taxes	\$ 4,529,445	\$ 495,313	\$ 0	\$ 0	\$ 772,285	\$ 577,411	\$ 6,374,454
Federal Grants and Revenue	888,262	0	15,525	0	0	539,735	1,443,522
State Grants and Revenue	1,201,003	12,333	0	0	10,382	867,944	2,091,662
Contributions from Local Units	0	0	0	0	0	5,420	5,420
Licenses and Permits	17,722	0	0	0	0	373,237	390,959
Charges for Services	1,046,181	2,831,080	0	0	305,886	231,628	4,414,775
Fines and Forfeits	33,006	0	0	0	0	3,500	36,506
Interest and Rentals	37,762	19,980	0	0	707	8,237	66,686
Other Revenue	<u>260,325</u>	<u>24,561</u>	<u>0</u>	<u>137,850</u>	<u>125</u>	<u>104,145</u>	<u>527,006</u>
Total Revenue	<u>8,013,706</u>	<u>3,383,267</u>	<u>15,525</u>	<u>137,850</u>	<u>1,089,385</u>	<u>2,711,257</u>	<u>15,350,990</u>
<b>Expenditures</b>							
Current:							
General Government:							
Legislative and Executive	143,423	0	0	0	0	0	143,423
Judicial	1,501,778	0	0	0	0	782,655	2,284,433
Financial and Tax Administration	641,645	0	0	0	0	0	641,645
Other General Government	2,829,729	0	0	0	0	62,634	2,892,363
Public Safety	2,434,996	0	0	0	907,402	607,092	3,949,490
Public Works	69,247	0	0	0	0	0	69,247
Health and Welfare	436,290	3,313,135	74,731	0	0	1,066,126	4,890,282
Community and Economic Development	1,360	0	0	401,140	0	208,236	610,736
Recreation and Cultural	18,475	0	0	0	0	55,855	74,330
Capital Outlay	227,118	472,459	0	0	557,838	142,002	1,399,417
Debt Service:							
Principal	21,432	0	0	0	44,738	75,995	142,165
Interest and Fiscal Charges	<u>572</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>6,548</u>	<u>1,453</u>	<u>8,573</u>
Total Expenditures	<u>8,326,065</u>	<u>3,785,594</u>	<u>74,731</u>	<u>401,140</u>	<u>1,516,526</u>	<u>3,002,048</u>	<u>17,106,104</u>

The accompanying notes to financial statements are an integral part of this statement.

IOSCO COUNTY  
Tawas City, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2019

	Special Revenue Funds				Other Governmental Funds	Total Governmental Funds	
	General Fund	Ambulance Service Fund	MSHDA Fund	EDC Grant Revolving Loan Fund			E-911 Fund
Excess of Revenue Over (Under) Expenditures	\$ (312,359)	\$ (402,327)	\$ (59,206)	\$ (263,290)	\$ (427,141)	\$ (290,791)	\$ (1,755,114)
<u>Other Financing Sources (Uses)</u>							
Installment Purchase Agreement Proceeds	26,040	0	0	0	141,012	0	167,052
Sale of Capital Assets	22,216	22,005	0	0	0	13,005	57,226
Operating Transfers In	705,229	0	23,626	0	197,737	919,301	1,845,893
Operating Transfers Out	<u>(848,564)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(292,100)</u>	<u>(1,140,664)</u>
Total Other Financing Sources (Uses)	<u>(95,079)</u>	<u>22,005</u>	<u>23,626</u>	<u>0</u>	<u>338,749</u>	<u>640,206</u>	<u>929,507</u>
Net Change in Fund Balances	(407,438)	(380,322)	(35,580)	(263,290)	(88,392)	349,415	(825,607)
Fund Balances - Beginning of Year	<u>1,429,864</u>	<u>1,284,971</u>	<u>36,834</u>	<u>1,703,624</u>	<u>105,258</u>	<u>2,216,169</u>	<u>6,776,720</u>
Fund Balances - End of Year	<u>\$ 1,022,426</u>	<u>\$ 904,649</u>	<u>\$ 1,254</u>	<u>\$ 1,440,334</u>	<u>\$ 16,866</u>	<u>\$ 2,565,584</u>	<u>\$ 5,951,113</u>

The accompanying notes to financial statements are an integral part of this statement.

IOSCO COUNTY  
Tawas City, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2019

Total Net Change in Fund Balances - Governmental Funds	\$	(825,607)
Amounts reported for governmental activities in the statement of activities are different because:		
Receivables not currently available are reported as revenue when collected or when currently available in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements:		
Loans Receivable	\$ 261,695	
Grants Receivable	<u>(99,498)</u>	162,197
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital Outlay	1,284,101	
Current Year Depreciation Expense	(689,302)	
Gain (Loss) on Disposal of Capital Assets	<u>(18,098)</u>	576,701
Debt issued provides current financial resources to governmental funds, but issuing debt increases liabilities in the statement of net position. Proceeds from debt issued consists of the following:		
Installment Purchase Agreement Proceeds		(167,052)
Principal repayments on long-term debt are reported as expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. The amount of repayments reported as expenditures in the governmental funds consist of:		
Bonds Payable	70,000	
Installment Purchase Agreement Payable	62,631	
Capital Leases Payable	<u>9,534</u>	142,165
Governmental funds report County pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned, net of employee contributions, is reported as pension expense. The following amounts represent the current year net changes:		
Current Year Pension Expense	(1,359,104)	
Deferred Outflow for Pension Contributions Subsequent to Measurement Date	<u>1,007,978</u>	(351,126)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:		
Net Change in Accrued Interest	968	
Net Change in Accrued Compensated Absences	(6,025)	
Net Change in the Incurred but not Reported Insurance Claims	<u>(56,296)</u>	(61,353)
Some amounts reported for governmental activities in the statement of activities are different because the internal service fund revenue and expenses are included with governmental activities.		
		<u>(192,247)</u>
Change in Net Position of Governmental Activities	\$	<u><u>(716,322)</u></u>

The accompanying notes to financial statements are an integral part of this statement.

IOSCO COUNTY  
Tawas City, Michigan

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
December 31, 2019

	Enterprise Funds				Governmental Activity
	Major Funds			Total	Internal Service Fund
	Medical Care Facility Fund	Delinquent Tax Revolving Fund	Other Enterprise Funds		Workers' Compensation Insurance
<b>Assets</b>					
<b>Current Assets</b>					
Cash and Cash Equivalents	\$ 4,411,752	\$ 3,888,901	\$ 84,768	\$ 8,385,421	\$ 55,791
Receivables:					
Property Taxes	536,011	0	0	536,011	0
Delinquent Taxes	0	1,145,264	0	1,145,264	0
Accounts, Net	1,053,554	0	0	1,053,554	0
Loans Receivable	0	0	55,932	55,932	0
Due from Component Unit	0	150	0	150	0
Due from State	0	135,954	0	135,954	0
Other Current Assets	234,619	0	0	234,619	0
Restricted Assets:					
Cash and Cash Equivalents	<u>1,769,456</u>	<u>0</u>	<u>0</u>	<u>1,769,456</u>	<u>0</u>
Total Current Assets	<u>8,005,392</u>	<u>5,170,269</u>	<u>140,700</u>	<u>13,316,361</u>	<u>55,791</u>
<b>Noncurrent Assets:</b>					
Long-Term Loans Receivable	0	0	50,000	50,000	0
Capital Assets Not Being Depreciated	56,950	0	0	56,950	0
Capital Assets, Net of Accumulated Depreciation	<u>5,240,318</u>	<u>0</u>	<u>0</u>	<u>5,240,318</u>	<u>0</u>
Total Noncurrent Assets	<u>5,297,268</u>	<u>0</u>	<u>50,000</u>	<u>5,347,268</u>	<u>0</u>
Total Assets	<u>13,302,660</u>	<u>5,170,269</u>	<u>190,700</u>	<u>18,663,629</u>	<u>55,791</u>
<b>Deferred Outflows of Resources</b>					
Deferred Amounts Related to Pensions	<u>645,098</u>	<u>0</u>	<u>0</u>	<u>645,098</u>	<u>0</u>
<b>Liabilities</b>					
<b>Current Liabilities:</b>					
Accounts Payable	411,078	7,210	12	418,300	0
Accrued Interest Payable	0	0	932	932	0
Deposits Payable	6,380	0	0	6,380	0
Accrued Liabilities	132,641	0	0	132,641	0
Current Portion of Long-Term Liabilities	<u>232,881</u>	<u>0</u>	<u>55,000</u>	<u>287,881</u>	<u>0</u>
Total Current Liabilities	<u>782,980</u>	<u>7,210</u>	<u>55,944</u>	<u>846,134</u>	<u>0</u>
<b>Long-Term Liabilities:</b>					
Due in More Than One Year	0	0	50,000	50,000	0
Net Pension Liability	<u>359,313</u>	<u>0</u>	<u>0</u>	<u>359,313</u>	<u>0</u>
Total Long-Term Liabilities	<u>359,313</u>	<u>0</u>	<u>50,000</u>	<u>409,313</u>	<u>0</u>
Total Liabilities	<u>1,142,293</u>	<u>7,210</u>	<u>105,944</u>	<u>1,255,447</u>	<u>0</u>
<b>Deferred Inflows of Resources</b>					
Property Taxes Levied for Next Year	536,011	0	0	536,011	0
Deferred Amounts Related to Pensions	<u>172,416</u>	<u>0</u>	<u>0</u>	<u>172,416</u>	<u>0</u>
Total Deferred Inflows of Resources	<u>708,427</u>	<u>0</u>	<u>0</u>	<u>708,427</u>	<u>0</u>
<b>Net Position</b>					
Net Investment in Capital Assets	5,297,268	0	0	5,297,268	0
Restricted For:					
Capital Projects	29,537	0	0	29,537	0
Unrestricted	<u>6,770,233</u>	<u>5,163,059</u>	<u>84,756</u>	<u>12,018,048</u>	<u>55,791</u>
Total Net Position	<u>\$ 12,097,038</u>	<u>\$ 5,163,059</u>	<u>\$ 84,756</u>	<u>\$ 17,344,853</u>	<u>\$ 55,791</u>

The accompanying notes to financial statements are an integral part of this statement.

IOSCO COUNTY  
Tawas City, Michigan

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
For the Year Ended December 31, 2019

	Enterprise Funds				Governmental Activity
	Major Funds			Total	Internal Service Fund
	Medical Care Facility Fund	Delinquent Tax Revolving Fund	Other Enterprise Funds		Workers' Compensation Insurance
<u>Operating Revenue</u>					
Charges For Services	\$ 7,298,080	\$ 0	\$ 8,383	\$ 7,306,463	\$ 0
Tax Collection Fees	0	118,227	0	118,227	0
Interest and Penalties on Taxes	0	240,609	0	240,609	0
Other Revenue	<u>1,083,332</u>	<u>293,489</u>	<u>0</u>	<u>1,376,821</u>	<u>7,675</u>
Total Operating Revenue	<u>8,381,412</u>	<u>652,325</u>	<u>8,383</u>	<u>9,042,120</u>	<u>7,675</u>
<u>Operating Expenses</u>					
Salaries and Wages	3,965,367	0	0	3,965,367	0
Payroll Taxes and Employee Benefits	1,279,325	0	0	1,279,325	0
Depreciation	403,179	0	0	403,179	0
Operating Supplies	666,951	0	0	666,951	0
Professional Fees and Services	651,066	0	0	651,066	0
Quality Assurance Provider Tax	580,727	0	0	580,727	0
Quality Measures Initiative Tax	63,610	0	0	63,610	0
Other	<u>737,276</u>	<u>326,574</u>	<u>1,030</u>	<u>1,064,880</u>	<u>0</u>
Total Operating Expenses	<u>8,347,501</u>	<u>326,574</u>	<u>1,030</u>	<u>8,675,105</u>	<u>0</u>
Operating Income (Loss)	<u>33,911</u>	<u>325,751</u>	<u>7,353</u>	<u>367,015</u>	<u>7,675</u>
<u>Nonoperating Revenue (Expenses)</u>					
Property Taxes	473,651	0	0	473,651	0
Interest and Investment Earnings	97,541	1,639	0	99,180	78
Contributions	0	0	8,099	8,099	0
Interest and Fees Expense	<u>0</u>	<u>0</u>	<u>(8,099)</u>	<u>(8,099)</u>	<u>0</u>
Total Nonoperating Revenue (Expenses)	<u>571,192</u>	<u>1,639</u>	<u>0</u>	<u>572,831</u>	<u>78</u>
Income (Loss) Before Operating Transfers	605,103	327,390	7,353	939,846	7,753
Operating Transfers Out	<u>0</u>	<u>(505,229)</u>	<u>0</u>	<u>(505,229)</u>	<u>(200,000)</u>
Change in Net Position	605,103	(177,839)	7,353	434,617	(192,247)
Net Position - Beginning of Year (Restated)	<u>11,491,935</u>	<u>5,340,898</u>	<u>77,403</u>	<u>16,910,236</u>	<u>248,038</u>
Net Position - End of Year	<u>\$ 12,097,038</u>	<u>\$ 5,163,059</u>	<u>\$ 84,756</u>	<u>\$ 17,344,853</u>	<u>\$ 55,791</u>

The accompanying notes to financial statements are an integral part of this statement.

IOSCO COUNTY  
Tawas City, Michigan

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Year Ended December 31, 2019

	Enterprise Funds				Governmental Activity
	Major Funds			Total	Internal Service Fund
	Medical Care Facility Fund	Delinquent Tax Revolving Fund	Other Enterprise Funds		Workers' Compensation Insurance
<u>Cash Flows From Operating Activities</u>					
Receipts From Customers and Taxpayers	\$ 6,778,349	\$ 642,293	\$ 8,383	\$ 7,429,025	\$ 0
Resident Trust Deposits	1,158	0	0	1,158	0
Other Operating Revenue	438,995	0	0	438,995	7,675
Payments to Suppliers for Goods and Services	(1,884,220)	(333,385)	(1,018)	(2,218,623)	0
Payments to Employees for Services	(5,206,284)	0	0	(5,206,284)	0
Delinquent Taxes Collected (Purchased)	0	(89,241)	0	(89,241)	0
Net Cash Provided (Used) by Operating Activities	<u>127,998</u>	<u>219,667</u>	<u>7,365</u>	<u>355,030</u>	<u>7,675</u>
<u>Cash Flows From Non-Capital Financing Activities</u>					
Operating Subsidies and Transfers From (To) Other Funds	0	(505,229)	0	(505,229)	(200,000)
Property Taxes Received	473,651	0	0	473,651	0
Net Cash Provided (Used) by Non- Capital Financing Activities	<u>473,651</u>	<u>(505,229)</u>	<u>0</u>	<u>(31,578)</u>	<u>(200,000)</u>
<u>Cash Flows From Capital and Related Financing Activities</u>					
Intergovernmental Contributions	0	0	63,604	63,604	0
Acquisition and Construction of Capital Assets	(56,950)	0	0	(56,950)	0
Principal Paid on Long-Term Debt	0	0	(55,000)	(55,000)	0
Interest and Fees Paid on Long-Term Debt	0	0	(8,604)	(8,604)	0
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(56,950)</u>	<u>0</u>	<u>0</u>	<u>(56,950)</u>	<u>0</u>
<u>Cash Flows From Investing Activities</u>					
Interest Earned	97,541	1,639	0	99,180	78
Net Increase (Decrease) in Cash and Cash Equivalents	642,240	(283,923)	7,365	365,682	(192,247)
Cash and Cash Equivalents at Beginning of Year	<u>5,538,968</u>	<u>4,172,824</u>	<u>77,403</u>	<u>9,789,195</u>	<u>248,038</u>
Cash and Cash Equivalents at End of Year	<u>\$ 6,181,208</u>	<u>\$ 3,888,901</u>	<u>\$ 84,768</u>	<u>\$ 10,154,877</u>	<u>\$ 55,791</u>

The accompanying notes to financial statements are an integral part of this statement.

IOSCO COUNTY  
Tawas City, Michigan

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Year Ended December 31, 2019

	Enterprise Funds				Governmental Activity
	Major Funds			Total	Internal Service Fund
	Medical Care Facility Fund	Delinquent Tax Revolving Fund	Other Enterprise Funds		Workers' Compensation Insurance
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</u>					
Operating Income (Loss)	\$ 33,911	\$ 325,751	\$ 7,353	\$ 367,015	\$ 7,675
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation Expense	403,179	0	0	403,179	0
Provision for Bad Debts	50,993	0	0	50,993	0
Amortization of Deferred Outflows/Deferred Inflows of Resources Related to Pension	141,641	0	0	141,641	0
Change in Assets, Liabilities, and Deferred Outflows/Deferred Inflows of Resources:					
Receivables	(468,418)	(99,273)	0	(567,691)	0
Other Current Assets	(33,373)	0	0	(33,373)	0
Accounts and Other Payables	64,033	(6,811)	12	57,234	0
Accrued Liabilities	24,416	0	0	24,416	0
Third Party Settlements	(102,306)	0	0	(102,306)	0
Deferred Outflows of Resources Related to Pension	(700,086)	0	0	(700,086)	0
Deferred Inflows of Resources Related to Pension	13,697	0	0	13,697	0
Net Pension Asset/Liability	700,311	0	0	700,311	0
Net Cash Provided (Used) by Operating Activities	<u>\$ 127,998</u>	<u>\$ 219,667</u>	<u>\$ 7,365</u>	<u>\$ 355,030</u>	<u>\$ 7,675</u>
<u>Reconciliation of Cash and Cash Equivalents to Statement of Net Position:</u>					
Cash and Cash Equivalents	\$ 4,411,752	\$ 3,888,901	\$ 84,768	\$ 8,385,421	\$ 55,791
Restricted Cash and Cash Equivalents	<u>1,769,456</u>	<u>0</u>	<u>0</u>	<u>1,769,456</u>	<u>0</u>
Cash and Cash Equivalents at End of Year	<u>\$ 6,181,208</u>	<u>\$ 3,888,901</u>	<u>\$ 84,768</u>	<u>\$ 10,154,877</u>	<u>\$ 55,791</u>

The accompanying notes to financial statements are an integral part of this statement.

IOSCO COUNTY  
Tawas City, Michigan

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUNDS  
December 31, 2019

	<u>Trust and Agency Fund</u>	<u>Penal Fines Fund</u>	<u>Flexible Spending Account</u>	<u>Total</u>
<u>Assets</u>				
Cash and Cash Equivalents	\$ 800,993	\$ 79,268	\$ 6,969	\$ 887,230
Investments	25,000	0	0	25,000
Due from Local Units	<u>14,400</u>	<u>0</u>	<u>0</u>	<u>14,400</u>
Total Assets	<u>\$ 840,393</u>	<u>\$ 79,268</u>	<u>\$ 6,969</u>	<u>\$ 926,630</u>
<u>Liabilities</u>				
Accounts Payable	\$ 5,257	\$ 0	\$ 0	\$ 5,257
Due to Local Units	12,191	0	0	12,191
Due to State	233,087	0	0	233,087
Due to Other Agencies and Individuals	220,855	79,268	6,969	307,092
Undistributed Tax Collections	<u>369,003</u>	<u>0</u>	<u>0</u>	<u>369,003</u>
Total Liabilities	<u>\$ 840,393</u>	<u>\$ 79,268</u>	<u>\$ 6,969</u>	<u>\$ 926,630</u>

The accompanying notes to financial statements are an integral part of this statement.

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Iosco County (County) conform to accounting principles generally accepted in the United States of America (GAAP) applicable to governments. The following is a summary of the significant accounting policies:

A. Description of County Operations and Fund Types

The County of Iosco, (the County), was organized in 1837 and covers an area of 565 square miles divided into 11 townships and 3 cities. The County seat is located in Tawas City. The County operates under a five member elected Board of Commissioners and provides services to its more than 25,000 residents in many areas including law enforcement, administration of justice, community enrichment and development, and human services.

B. Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements of the County are not misleading. The primary government of the County consists of all funds, departments, boards, and agencies that are not legally separate from the County.

Component units are legally separate organizations for which the County is financially accountable. The primary government is financially accountable if the County appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

In addition, the primary government is also financially accountable if an organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointed by a higher level of government, or (3) a jointly appointed board.

1. Blended Component Unit

Business-Type Activity and Proprietary Fund Type Blended Component Unit:

**Iosco County Medical Care Facility** - The Iosco County Medical Care Facility is legally separate from the County. The Medical Care Facility is reported as if it were part of the primary government because its sole purpose is to finance, construct and operate the County's medical care facilities. The financial activities of the Medical Care Facility are recorded in an Enterprise Fund, which is accounted for using the accrual basis of accounting.

Governmental Activity and Fund Type Blended Component Unit:

**Iosco County Building Authority** - The Iosco County Building Authority is legally separate from Iosco County and is governed by a four member board appointed by the County Board of Commissioners. The County Treasurer acts as Treasurer of the Building Authority. The Building Authority is reported as if it were part of the primary government because its sole purpose is to finance and construct Iosco County's public buildings.

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Reporting Entity (Continued)

2. Discretely Presented Component Units

The component unit columns on the combined financial statements include the financial data of the County's component units. They are reported in separate columns to emphasize that they are legally separate from the County.

a. Governmental Activity and Fund Type Component Units

**The Iosco County Road Commission** - The County appoints all members of the governing Board of the Road Commission. The Road Commission was established to control the expenditures of Michigan Transportation Fund money distributed to the County which is earmarked by law for street and highway construction and repair purposes. The Road Commission deposits all receipts with the County. The Road Commission also has a balance in the County's common bank account and has investments through the County. Complete financial statements for the Iosco County Road Commission can be obtained from the Iosco County Road Commission, located at 3939 M-55, Tawas City, Michigan 48764.

**The Iosco County Drain Commission** - The Iosco County Drain Commission is the Agency through which the County carries on the activities related to construction and maintenance of County drains. The Drain Commission is fiscally dependent on Iosco County. Public Act 40 (The Drain Code) of 1956 established each drainage district as a separate legal entity with the power to contract, to sue and be sued, to hold, manage and dispose of real and personal property, etc. The Drain Commission may issue debt and levy special assessments without the prior approval of the County Board of Commissioners. The Full Faith and Credit of the County may be given for debt of the drainage districts. The County Treasurer collects the receipts and the Clerk makes disbursements after the Drain Commissioner approves the invoices. The Drain Commission also has balances in the County's common bank account and investments through the County. The financial statements of the Drain Commission are presented as part of other supplementary information and are not audited separately.

C. Joint Ventures

The County has entered into several joint ventures with other surrounding counties as follows:

AuSable Valley Community Mental Health Services Board

Iosco County, along with Ogemaw and Oscoda Counties, contributes to the AuSable Valley Community Mental Health Services Board. This Board operates autonomously under an appointed board (12 members) and provides services to residents in these counties under a full management contract with the Michigan Department of Mental Health. Iosco County's 2019 contribution to the AuSable Valley Community Mental Health Services Board was \$67,935. Upon dissolution of the Mental Health Services Board, the net position of the Board will be shared by each county in proportion to each county's total economic contribution since the existence of the Board. At September 30, 2019, the most recent financial statements available, the Mental Health Board had total net position of \$3,604,181. Complete financial statements for the AuSable Valley Community Mental Health Services Board can be obtained from the Mental Health Services Board's administrative offices at 1199 Harris, Tawas City, Michigan 48763.

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Joint Ventures (Continued)

District Health Department No. 2

Iosco County, along with Alcona, Ogemaw and Oscoda Counties, contributes to the District Health Department No. 2. This Board operates autonomously under an appointed board and provides various health services to residents of the above aforementioned counties. The funding formula is based prorata on each unit's population and equalized valuation to the District's total population and valuations. Iosco County's 2019 contribution to the District Health Department No. 2 was \$174,926. The District Health Department No. 2 deposits their receipts with the Ogemaw County Treasurer through the common cash bank account. At September 30, 2019 the District Health Department No. 2 had total net position of \$368,614. Complete financial statements for the District Health Department No. 2 can be obtained from the District's administrative offices at 630 Progress Street, West Branch, Michigan 48661.

Iosco-Arenac District Library

Iosco County and Arenac County contribute to the Iosco-Arenac District Library Board. This Board operates autonomously under an appointed board (8 members) and provides library services to the residents of Iosco County and Arenac County. Iosco County's 2019 contribution to the Iosco-Arenac District Library for property taxes and penal fines was \$555,791 and \$132,856, respectively. The Iosco-Arenac District Library deposits their receipts with the Iosco County Treasurer through the common cash bank account. At December 31, 2019 the Iosco-Arenac District Library had total net position of \$1,689,743. Complete financial statements for the Iosco-Arenac District Library can be obtained from the Library's administrative offices at 120 W. Westover, East Tawas, Michigan 48730.

Oscoda-Wurtsmith Airport Authority

The Oscoda-Wurtsmith Airport Authority functions as a jointly governed organization between the County of Iosco, County of Alcona, Charter Township of Oscoda, Charter Township of AuSable and the Township of Greenbush. The Airport Authority was established to provide for planning, promoting, acquiring, constructing, improving, enlarging, extending, owning, maintaining and operating the landing, navigational and building facilities necessary thereto, at the former Wurtsmith Air Force Base, for the purpose of providing a Community Airport. Iosco County has no financial obligation to the Airport Authority. Complete financial statements can be obtained from the Airport Authority Manager's office at 3961 East Airport Drive, Oscoda, Michigan 48750.

D. Basis of Presentation

The County's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**Government-Wide Financial Statements**

The statement of net position and the statement of activities display information about the County as a whole. These statements include the financial activities of the primary government and its component units, except for fiduciary funds. For the most part, the effect of interfund activity has been removed from the statements. The statements distinguish between those activities of the County that are governmental and those that are considered business-type activities. Governmental activities are normally supported by taxes and intergovernmental revenues while business-type activities rely to a significant extent on fees and charges for support.

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Presentation (Continued)

The statement of net position presents the financial condition of the governmental and business-type activities of the County at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the County's governmental and business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the County, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the County.

**Fund Financial Statements**

During the year, the County segregates transactions related to certain County functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the County at this more detailed level. The focus of governmental and proprietary fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type, and are excluded from the government-wide financial statements.

E. Fund Accounting

The County uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain County functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

**Governmental Funds**

Governmental funds are those through which most governmental functions of the County are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the County's major governmental funds:

General Fund - This fund accounts for all financial resources, except those required to be accounted for in another fund. Revenues are derived primarily from property taxes and state and federal distributions, grants and other intergovernmental revenue.

Ambulance Service Fund - This fund accounts for the collection of a separate tax millage that is used to fund the operations of ambulance services.

EDC Grant Revolving Loan Fund - This fund accounts for the operations of a service for providing low interest loans to assist professional, commercial and industrial entities in rehabilitation and expansion of existing businesses and the construction of new businesses within the County.

MSHDA Fund - This fund accounts for the operations of services for providing affordable low interest loans to fund home mortgages and home improvements to residents within the County.

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Fund Accounting (Continued)

E-911 Fund - This fund accounts for the collection of cellular service surcharges and a separate tax millage that are used to fund the operations of countywide enhanced 911 emergency telephone and central dispatch services.

The other governmental funds of the County account for grants and other resources whose use is restricted for a particular purpose; the accumulation of resources for, and the payment of debt; and the acquisition or construction of major capital facilities.

**Proprietary Funds**

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows.

The County's enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the County's major enterprise funds:

Medical Care Facility Fund - This fund accounts for the operations of the County's medical care facility.

Delinquent Tax Revolving Fund - This fund accounts for the purchase of delinquent taxes from other local taxing units.

The other enterprise funds of the County account for the accumulation of resources for, and the payment of debt; and the commissary revenues of the County.

Internal Service Fund - This fund is used to record the financing of services provided by the local unit to other departments and funds, and to other governmental units on a cost reimbursement basis. This fund is related to insurance fund services.

**Fiduciary Funds**

Fiduciary fund reporting focuses on net position and changes in net position. The County's agency funds account for assets held by the County for political subdivisions in which the County acts as fiscal agent for property tax collections, state-levied shared revenues, and fines and forfeitures.

F. Measurement Focus

**Government-Wide Financial Statements**

The government-wide financial statements are prepared using a flow of economic resources measurement focus.

All assets and all liabilities associated with the operation of the County are included on the statement of net position.

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Measurement Focus (Continued)

**Fund Financial Statements**

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenue, expenditures, and changes in fund balances reflects the sources (i.e., revenues and other financial sources) and uses (i.e., expenditures and other financial uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

Like the government-wide financial statements, the enterprise funds are accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of changes in revenue, expenses, and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows reflects how the County finances and meets the cash flow needs of its enterprise activities.

G. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide, proprietary and fiduciary funds financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of unavailable revenue as deferred inflows of resources, and in the presentation of expenses versus expenditures.

**Revenues – Exchange and Non-exchange Transactions**

Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the County, available means expected to be received within 60 days of the fiscal year-end.

Nonexchange transactions, in which the County receives value without directly giving equal value in return, include property taxes, sales taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied. Revenue from sales taxes is recognized in the period in which the sales are made. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the County must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the County on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before they can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: sales taxes, charges for services, fines and forfeitures, state-levied locally shared taxes (including sales tax), grants, interest and rent.

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Basis of Accounting (Continued)

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position and balance sheet 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 that time.

In addition to liabilities, the statement of net position and 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.

**Expenses/Expenditures**

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

H. Cash and Cash Equivalents

For presentation on the financial statements, investments in the cash management pools and investments with an original maturity of three months or less at the time they are purchased by the County are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

Investments are reported at fair value, except for repurchase agreements and certificates of deposit which are reported at cost which approximates fair value. Fair value is based on quoted market prices. Mutual funds are reported at current share price.

I. Receivables

Receivables generally consist of accounts (fees), sales taxes, shared revenues, property taxes, loans receivable, intergovernmental grants, and interest. All receivables are net of estimated uncollectible accounts. Receivables are recognized to the extent the amounts are determined material and substantiated, not only by supporting documentation but also by a reasonable systematic method of determining their existence, completeness, valuation, and collectability.

The allowance for doubtful accounts at December 31, 2019 was \$310,783 for the primary government and the component units.

J. Interfund Receivables and Payables

On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "due from/to other funds". Interfund balances within governmental activities and within business-type activities are eliminated on the government-wide statement of net position. Balances due from/to component units are reported on the government-wide statement of net position.

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Prepaid Items

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

L. Inventory

Road Commission inventories consist of equipment parts and road materials and are valued at the lower of cost or market. Inventory items are charged to road construction, maintenance, equipment repairs and operations as they are used.

M. Restricted Assets

Restricted assets include assets set aside by the Board of Trustees of the Medical Care Facility for future capital improvement, over which, the Board retains control and may, at its discretion, subsequently use for other purposes.

N. Loans Receivable

Governmental Activities

Loans receivable represent amounts due to Iosco County for loans made to assist individual residents and professional, commercial and industrial entities for the purchases of homes and improvements to homes, as well as, the rehabilitation and expansion of existing businesses and the construction of new businesses within the County. Terms of repayment vary depending upon the loan agreements.

Loans receivable have a set payment schedule for monthly payments to be made to the County. Due to the nature of these loans, loan payments are not always made in accordance with the payment schedule. As such, the estimate of the amount not expected to be collected in one year is \$2,938,801.

Business-Type Activities

Loans receivable represent amounts due from local governmental units for water and sewer bonds taken out by Iosco County so that these governmental units could make improvements. These governmental units are paying the County back as the bond payments come due. The amount not expected to be collected in one year is \$50,000.

O. Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements. Capital assets used by the enterprise funds are reported in both the business-type activities column of the government-wide statement of net position and in the respective funds.

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.

The County's infrastructure consists of roads, bridges, and County Drains. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Capital Assets (Continued)

Capital assets are depreciated using the straight-line method for the primary government and Drain Commission Component Unit, and using the sum-of-the-years digits method for road equipment and the straight-line method for capital assets for the Road Commission Component Unit; over the following useful lives:

<u>Descriptions</u>	<u>Estimated Lives</u>
Building and improvements	25 - 50 years
Equipment	4 - 20 years
Vehicles	3 - 10 years
Infrastructure	5 - 50 years

P. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from the enterprise fund are reported on the enterprise fund statement. In general, payables and accrued liabilities that will be paid from governmental funds are reported as a liability in the fund financial statements at the time they are incurred, to the extent that they will be paid from current, expendable, financial resources. However, bonds and other long-term obligations, compensated absences, claims and judgments, contractually required pension contributions and special termination benefits that are paid from governmental funds are recognized as liabilities in the fund financial statements only to the extent that they are due for payment during the current year.

Q. Compensated Absences

The County reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Vacation and sick leave benefits are accrued as a liability using the vesting method. An accrual for earned vacation and sick leave is made based on accumulated vacation and sick leave and the employee wage rates at year end taking into consideration limits specified in the County's termination policy. The County records a liability for sick leave earned at varying rates depending on County policy. The County records a liability for accumulated unused vacation time when earned for all employees.

The entire compensated absences liability is reported on the government-wide financial statements. On the governmental fund financial statements, the current portion of unpaid compensated absences is recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts, if any, are recorded in the account "Accrued Compensated Absences Payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported in the governmental fund financial statements. For enterprise funds, the entire amount of compensated absences is reported as a fund liability.

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Net Pension Liability

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

S. Postemployment Benefits Other than Pensions (OPEB)

For purposes of measuring the Net Other Post-Employment Benefits (OPEB) liability of the Road Commission, OPEB expense has been determined on the same basis as they are reported by the Commission. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms.

T. Net Position

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The County reports three categories of net position as follows:

Net investment in capital assets - consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.

Restricted net position - net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws or buyers of the County's bonds. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted net position - consists of all other net position that does not meet the definition of the above two components and is available for general use by the County.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, management applies restricted net position first, unless a determination is made to use unrestricted net position. The County's policy concerning which to apply first varies with the intended use and legal requirements. Management typically makes this decision on a transactional basis at the incurrence of the expenditure.

U. Fund Balances

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form—pre-paid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

U. Fund Balances (Continued)

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by a resolution of the Board of Commissioners—the County’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Board of Commissioners removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance. This classification reflects the amounts constrained by the County’s “intent” to be used for specific purposes, but are neither restricted nor committed. The Board of Commissioners or the County Administrator have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the County’s policy to use externally restricted resources first, then unrestricted resources—committed, assigned, and unassigned—in order as needed.

The recommended unassigned fund balance for the General Fund is 20% of budgeted expenditures.

V. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the County, these revenues are charges for services for medical care, commissary sales, tax collections and title collection fees. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the fund. Revenues and expenses not meeting these definitions are reported as nonoperating.

W. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/ expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/ expenses to the funds that initially paid for them are not presented on the financial statements.

X. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the fiscal year ended December 31, 2019.

Y. Budgets and Budgetary Accounting

Iosco County normally follows these procedures in establishing the budgetary data reflected in the financial statements.

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Y. Budgets and Budgetary Accounting (Continued)

1. Prior to December 1, the departments submit to the Board of Commissioners a proposed departmental operating budget for the fiscal year commencing the following January 1. This operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at the governmental center to obtain taxpayer comments.
3. Prior to January 1, the budget is legally enacted through passage of an ordinance.
4. All budget appropriations lapse at year-end. Budgetary amounts reported herein are as originally adopted, and as amended by the Board of Commissioners throughout the operating year.

The County adopts budgets for the General Fund and Special Revenue Funds.

The budgets of the County are prepared on the same basis of accounting as the financial statement presentation. The budgets were adopted at the activity level.

The County Clerk is authorized to transfer budgeted amounts between accounts within the same department. Revisions that alter the total expenditures of any fund or total department expenditures must be approved by the County Board of Commissioners. The financial statements include budgetary amounts as amended.

Z. Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

AA. Reclassifications

Certain prior year amounts have been reclassified to conform with the current year presentation.

NOTE 2 - 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>Fiduciary Funds</u>	<u>Total Primary Government</u>	<u>Component Units</u>
Cash and Cash Equivalents	\$ 5,240,051	\$ 8,385,421	\$ 887,230	\$ 14,512,702	\$ 806,061
Investments	80,000	0	25,000	105,000	5,856,265
Restricted Cash and Cash Equivalents	<u>0</u>	<u>1,769,456</u>	<u>0</u>	<u>1,769,456</u>	<u>0</u>
Total	<u>\$ 5,320,051</u>	<u>\$ 10,154,877</u>	<u>\$ 912,230</u>	<u>\$ 16,387,158</u>	<u>\$ 6,662,326</u>

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2019

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

The breakdown between deposits and investments is as follows:

	Primary Government	Component Units
Bank Deposits (Checking and Savings Accounts and Certificates of Deposit)	\$ 9,898,440	\$ 806,061
Investments in Municipal Investment Account Pooled Funds and Money Market Funds	6,483,628	5,856,265
Petty Cash and Cash on Hand	5,090	0
Total	\$ 16,387,158	\$ 6,662,326

As of December 31, 2019, the County had the following investments:

Investment Type	Fair Value	Specific Identification Maturities
Primary Government:		
Money Markets	\$ <u>6,483,628</u>	Daily
Component Units:		
Money Markets	\$ <u>5,856,265</u>	Daily

Interest Rate Risk

In accordance with its investment policy, the County will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the County's known cash requirements.

Credit Risk

State law authorizes investments in investment pools as authorized by the Surplus Funds Investment Pool Act, Act No. 367 of the Public Acts of 1982, being sections 129.111 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a local government unit in Michigan. The County's and Road Commission's money markets are rated AAA by Standard and Poors and Moody's.

Custodial Credit Risk - Deposits - Primary Government

In the case of deposits, this is the risk that in the event of a bank failure, the County's deposits may not be returned to it. As of December 31, 2019, \$9,146,498 of the County's bank balance of \$10,001,498 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk - Deposits - Component Units

In the case of deposits, this is the risk that in the event of a bank failure, the component unit's deposits may not be returned to it. As of December 31, 2019, \$243,429 of the Drain Commission's bank balance of \$485,445 was exposed to custodial credit risk and \$183,039 of the Road Commission's bank balance of \$433,039 was exposed to custodial credit risk because they were uninsured and uncollateralized.

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2019

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk - Primary Government

The County will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the County's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. The County's investment policy requires that no more than 50% of the total investment portfolio, with the exception of U. S. Treasury Securities and authorized pools, can be invested in a single security type or with a single financial institution. The following are investments of the County that represent more than 5% of the County's total investments:

Governmental Money Market Funds, which are invested solely in U.S. Treasury Securities, held at Fifth Third Securities, Inc., which represents 100% of the County's total investments.

Concentration of Credit Risk - Component Units

The Road Commission will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Road Commission's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. The following are investments of the Road Commission that represent more than 5% of the Road Commission's total investments:

Governmental Money Market Funds, which are invested solely in U.S. Treasury Securities, held at Fifth Third Securities, Inc., which represents 100% of the Road Commission's total investments.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The County will minimize custodial credit risk, by; limiting investments to the types of securities approved in the County's investment policy which is in accordance with State law, and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the County will do business.

Foreign Currency Risk

The County's investment policy does not address foreign currency risk.

Investments

The County Board has adopted an investment policy in accordance with Act 196, PA 1997 which authorizes the County to deposit and invest in the following:

- λ Accounts of federally insured banks, credit unions and savings and loan associations
- λ Bonds and other direct obligations of the United States or an agency or instrumentality of the United States
- λ United States government or federal agency obligation repurchase agreements
- λ Banker's acceptances of United States banks
- λ Commercial paper rated with a rating of not less than A1 from Moody's and P1 from Standard & Poor's

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2019

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

- Mutual funds registered under the Investment Company Act of 1940, Title I of Chapter 686, 54 Stat. 789 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation

Michigan law requires that public funds may not be deposited in financial institutions that do not maintain an office in Michigan. The County's deposits and investments are in accordance with statutory authority.

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivables and payables as of December 31, 2019 were as follows:

<u>Due to</u>	<u>Due from</u>				<u>Total</u>
	<u>General Fund</u>	<u>E-911 Fund</u>	<u>MSHDA Fund</u>	<u>Non-major Governmental Funds</u>	
General Fund	\$ 0	\$ 8,001	\$ 0	\$ 188,871	\$ 196,872
Ambulance Service Fund	29,348	0	0	0	29,348
Non-major Governmental Funds	8,695	0	2,847	0	11,542
	<u>\$ 38,043</u>	<u>\$ 8,001</u>	<u>\$ 2,847</u>	<u>\$ 188,871</u>	<u>\$ 237,762</u>
<u>Due from Component Unit</u>			<u>Due to Primary Government</u>		
General Fund	\$ 66,900		Drain Commission	\$ 66,900	
Delinquent Tax Revolving Fund	150		Drain Commission	150	
Total	<u>\$ 67,050</u>		Total	<u>\$ 67,050</u>	

These balances result from the time lag between the dates that interfund goods and services are provided, transactions are recorded in the accounting system, and payments between funds are made.

The Due from Component Unit to the General Fund is a long-term loan and is not expected to be repaid within one year.

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2019

NOTE 4 - CAPITAL ASSETS

Capital asset activity of the primary government for the fiscal year ended December 31, 2019, was as follows:

	Balance 01/01/19	Additions	Deletions	Balance 12/31/19
<u>Governmental Activities</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 384,841	\$ 30,600	\$ 0	\$ 415,441
Construction in Progress	<u>214,263</u>	<u>114,168</u>	<u>0</u>	<u>328,431</u>
Subtotal	<u>599,104</u>	<u>144,768</u>	<u>0</u>	<u>743,872</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	4,981,541	0	0	4,981,541
Machinery and Equipment	3,113,193	715,307	(133,540)	3,694,960
Vehicles	<u>1,633,809</u>	<u>424,026</u>	<u>(252,343)</u>	<u>1,805,492</u>
Subtotal	<u>9,728,543</u>	<u>1,139,333</u>	<u>(385,883)</u>	<u>10,481,993</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(2,522,664)	(85,074)	0	(2,607,738)
Machinery and Equipment	(1,944,221)	(277,624)	125,692	(2,096,153)
Vehicles	<u>(849,306)</u>	<u>(326,604)</u>	<u>242,093</u>	<u>(933,817)</u>
Subtotal	<u>(5,316,191)</u>	<u>(689,302)</u>	<u>367,785</u>	<u>(5,637,708)</u>
Capital Assets Being Depreciated	<u>4,412,352</u>	<u>450,031</u>	<u>(18,098)</u>	<u>4,844,285</u>
Governmental Activities Total				
Capital Assets - Net of Depreciation	<u>\$ 5,011,456</u>	<u>\$ 594,799</u>	<u>\$ (18,098)</u>	<u>\$ 5,588,157</u>
	Balance 01/01/19	Additions	Deletions	Balance 12/31/19
<u>Business-Type Activities</u>				
Capital Assets Not Being Depreciated:				
Construction in Progress	\$ 0	\$ 56,950	\$ 0	\$ 56,950
Capital Assets Being Depreciated:				
Buildings	10,829,804	0	0	10,829,804
Machinery and Equipment	<u>1,568,425</u>	<u>0</u>	<u>0</u>	<u>1,568,425</u>
Subtotal	<u>12,398,229</u>	<u>0</u>	<u>0</u>	<u>12,398,229</u>
Less Accumulated Depreciation for:				
Buildings	(5,321,478)	(363,844)	0	(5,685,322)
Machinery and Equipment	<u>(1,433,254)</u>	<u>(39,335)</u>	<u>0</u>	<u>(1,472,589)</u>
Subtotal	<u>(6,754,732)</u>	<u>(403,179)</u>	<u>0</u>	<u>(7,157,911)</u>
Capital Assets Being Depreciated	<u>5,643,497</u>	<u>(403,179)</u>	<u>0</u>	<u>5,240,318</u>
Business-Type Activities Total				
Capital Assets - Net of Depreciation	<u>\$ 5,643,497</u>	<u>\$ (346,229)</u>	<u>\$ 0</u>	<u>\$ 5,297,268</u>

The County has entered into lease agreements for the purchase of capital assets. These lease agreements qualify as capital leases for accounting purposes and are recorded as governmental activities capital assets. The annex building purchased through a capital lease has an original cost of \$810,000 and accumulated depreciation at December 31, 2019 is \$396,900. The police vehicle purchased through a capital lease has an original cost of \$28,635 and accumulated depreciation at December 31, 2019 is \$17,181.

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2019

NOTE 4 - CAPITAL ASSETS (CONTINUED)

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

Governmental Activities

General Government:	
Judicial	\$ 2,175
Other General Government	80,086
Public Safety:	
Sheriff	69,541
Jail	50,775
Other Public Safety	93,318
Health and Welfare:	
Other Health and Welfare	356,714
Recreation and Cultural	<u>36,693</u>
Total Governmental Activities	<u>\$ 689,302</u>

Business-Type Activities

Medical Care Facility	<u>\$ 403,179</u>
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Capital asset activity of the Drain Commission for the current year is as follows:

	<u>Balance</u> <u>01/01/19</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/19</u>
<u>Governmental Activities</u>				
Capital Assets Not Being Depreciated:				
Construction in Progress	\$ <u>44,073</u>	\$ <u>0</u>	\$ <u>(44,073)</u>	\$ <u>0</u>
Capital Assets Being Depreciated				
Infrastructure - Whitney Drain	2,437,337	0	0	2,437,337
Infrastructure - Parent Drain	162,280	0	0	162,280
Infrastructure - Van Etten Lake Dam	78,303	0	0	78,303
Infrastructure - Alabaster-Whitney Drain	0	288,253	0	288,253
Equipment - Office	<u>11,035</u>	<u>0</u>	<u>0</u>	<u>11,035</u>
Subtotal	<u>2,688,955</u>	<u>288,253</u>	<u>0</u>	<u>2,977,208</u>
Less Accumulated Depreciation for:				
Infrastructure - Whitney Drain	(487,103)	(48,747)	0	(535,850)
Infrastructure - Parent Drain	(97,368)	(8,114)	0	(105,482)
Infrastructure - Van Etten Lake Dam	(17,931)	(3,915)	0	(21,846)
Infrastructure - Alabaster-Whitney Drain	0	(14,413)	0	(14,413)
Equipment - Office	<u>(2,208)</u>	<u>(1,103)</u>	<u>0</u>	<u>(3,311)</u>
Subtotal	<u>(604,610)</u>	<u>(76,292)</u>	<u>0</u>	<u>(680,902)</u>
Capital Assets Being Depreciated	<u>2,084,345</u>	<u>211,961</u>	<u>0</u>	<u>2,296,306</u>
Governmental Activities Total				
Capital Assets - Net of Depreciation	<u>\$ 2,128,418</u>	<u>\$ 211,961</u>	<u>\$ (44,073)</u>	<u>\$ 2,296,306</u>

Depreciation expense was charged to programs of the Drain Commission as follows:

Governmental Activities

Public Works	<u>\$ 76,292</u>
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IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2019

NOTE 4 - CAPITAL ASSETS (CONTINUED)

Capital asset activity of the Road Commission for the current year is as follows:

	<u>Balance</u> 01/01/19	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> 12/31/19
<u>Governmental Activities</u>				
Capital Assets Not Being Depreciated:				
Land and Improvements	\$ 3,104,810	\$ 41,570	\$ 0	\$ 3,146,380
Capital Assets Being Depreciated				
Buildings and Improvements	2,456,756	165,671	0	2,622,427
Equipment - Road	8,376,319	759,403	(141,751)	8,993,971
Equipment - Shop	62,331	17,219	0	79,550
Equipment - Office	65,740	0	(12,849)	52,891
Equipment - Engineer's	42,719	7,866	0	50,585
Equipment - Yard	121,419	0	0	121,419
Infrastructure and Improvements	35,084,199	2,680,720	0	37,764,919
Land Improvements	98,977	31,790	0	130,767
Subtotal	<u>46,308,460</u>	<u>3,662,669</u>	<u>(154,600)</u>	<u>49,816,529</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(1,515,730)	(163,679)	0	(1,679,409)
Equipment - Road	(7,382,216)	(447,935)	141,751	(7,688,400)
Equipment - Shop	(62,331)	(330)	0	(62,661)
Equipment - Office	(44,787)	(4,718)	12,849	(36,656)
Equipment - Engineer's	(27,807)	(2,763)	0	(30,570)
Equipment - Yard	(121,418)	0	0	(121,418)
Infrastructure and Improvements	(13,269,702)	(1,751,561)	0	(15,021,263)
Land Improvements	(33,386)	(15,421)	0	(48,807)
Subtotal	<u>(22,457,377)</u>	<u>(2,386,407)</u>	<u>154,600</u>	<u>(24,689,184)</u>
Capital Assets Being Depreciated	<u>23,851,083</u>	<u>1,276,262</u>	<u>0</u>	<u>25,127,345</u>
Governmental Activities Total				
Capital Assets - Net of Depreciation	\$ <u>26,955,893</u>	\$ <u>1,317,832</u>	\$ <u>0</u>	\$ <u>28,273,725</u>

Depreciation expense was charged to programs of the Road Commission as follows:

<u>Governmental Activities</u>	
Public Works	\$ <u>2,386,407</u>

NOTE 5 - UNEARNED REVENUE

Governmental funds defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of unearned revenue are as follows:

	<u>Unearned</u>
Grants Receivable	\$ <u>27,741</u>

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2019

NOTE 6 - LONG-TERM LIABILITIES

Primary Government:

A. Bonds Payable

	Governmental	Business-Type
\$550,000 Iosco County - Alabaster Township Water System Project Bonds, dated August 1, 2000, due in annual installments through May 1, 2020, bearing interest at the rates of 5.05% to 6.25%, paid from the Alabaster Water Fund. This bond issue is being funded by Alabaster Township.	\$ 0	\$ 30,000
\$355,000 Iosco County - Baldwin Township 2002 Water Project Bonds, dated January 1, 2003, due in annual installments through May 1, 2022, bearing interest at the rates of 3.75% to 5%, paid from the Baldwin Water 2002 Fund. This bond issue is being funded by Baldwin Township.	0	75,000
Total Bonds Payable	0	105,000

B. Installment Purchase Agreements Payable

	Governmental	Business-Type
On October 5, 2016, the County entered into an installment purchase agreement with Computer Systems, Inc. (CSI) in the amount of \$29,975 for the purchase of CSI Title 1 Solution software. This software has been recorded as a capital asset at its purchase price. This agreement is repayable in 60 monthly installments of \$500. The agreement does not bear interest on the unpaid balance.	11,490	0
On May 4, 2017, the County entered into an installment purchase agreement with Carrier SI, Inc. in the amount of \$59,478 for the purchase of the Avaya telephone system. This phone system has been recorded as a capital asset at its purchase price. This agreement is repayable in 59 monthly installments of \$992 and one of \$950. The agreement does not bear interest on the unpaid balance.	29,733	0
On June 1, 2019, the County entered into an installment purchase agreement with KS StateBank to finance the purchase of a 2019 Dodge Charger in the amount of \$5,019. The vehicle has been recorded as a capital asset at its purchase price. This agreement is repayable in two annual payments of \$2,807, inclusive of interest at the rate of 7.80%.	5,019	0
On June 20, 2019, the County entered into an installment purchase agreement with KS StateBank to finance the purchase of a 2019 Dodge Durango Pursuit in the amount of \$21,021. The vehicle has been recorded as a capital asset at its purchase price. This agreement is repayable in two annual payments of \$11,546, inclusive of interest at the rate of 6.50%.	21,021	0

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2019

NOTE 6 - LONG-TERM LIABILITIES (CONTINUED)

Primary Government: (Continued)

B. Installment Purchase Agreements Payable (Continued)

	Governmental	Business-Type
On November 30, 2018, the County entered into an installment purchase agreement with Motorola Solutions Credit Company LLC in the amount of \$141,012 for the purchase of radio communications equipment. The equipment has been recorded as a capital asset at its purchase price. This agreement is repayable in three annual installments of \$51,286, inclusive of interest at the rate of 4.33%.	96,274	0
Total Installment Purchase Agreements Payable	163,537	0
Total Primary Government	\$ 163,537	\$ 105,000

Component Units:

C. Bonds Payable

	Governmental	Business-Type
Governmental Activities:		
Drain Commission - \$1,690,000 Whitney Intercounty Drain Bonds, dated October 1, 2007, due in annual installments through June 1, 2022, bearing interest at the rate of 4%. Said bonds were issued for the purpose of constructing a drain in Ogemaw, Iosco and Arenac Counties. Iosco County's portion of said bonds is 74.92% or \$1,266,189. Ogemaw and Arenac County send special assessment revenue to Iosco County and the entire debt is paid by Iosco County. Payments are made from the Whitney Drain Fund.	\$ 345,000	\$ 0

D. Notes Payable

	Governmental	Business-Type
Governmental Activities:		
Drain Commission - \$285,000 Cedar Lake Level Control Structure Special Assessment District Note, Series 2019, dated November 27, 2019. Iosco County's portion of the note is 50%, or \$142,500. The note bears interest at 1.87% and is due in full on May 1, 2020.	142,500	0
Drain Commission - \$300,000 Alabaster-Whitney Intercounty Drain Drainage District Note, dated March 1, 2019, due in annual installments through June 1, 2029, bearing interest at the rate of 3.84%. Said note was issued for the purpose of making improvements on existing intercounty drains. Iosco County's portion is 65% or \$195,000. Arenac County sends special assessment revenue to Iosco County, who pays off the entire debt. Payments are made from the Alabaster Whitney Debt Fund.	300,000	0
Total Notes Payable	\$ 442,500	\$ 0
Total Component Units	\$ 787,500	\$ 0

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2019

NOTE 6 - LONG-TERM LIABILITIES (CONTINUED)

E. Compensated Absences Payable

The County has an accrued liability for accumulated vested vacation and sick leave benefits of its employees. As of December 31, 2019, the accumulated vested vacation and sick leave benefits of the employees of various County departments and its component units were as follows:

	Current Liability	Long-Term Liability	Total Balance
	<u>12/31/19</u>	<u>12/31/19</u>	<u>12/31/19</u>
<u>Accrued Employee Benefits Payable</u>			
<u>Primary Government</u>			
Governmental Activities	\$ 0	\$ 342,248	\$ 342,248
Business-Type Activities	<u>232,881</u>	<u>0</u>	<u>232,881</u>
	<u>\$ 232,881</u>	<u>\$ 342,248</u>	<u>\$ 575,129</u>
<u>Component Unit</u>			
Road Commission	<u>\$ 0</u>	<u>\$ 129,300</u>	<u>\$ 129,300</u>

The employment policies for accumulation of vacation and sick leave benefits vary based on union membership and employee group.

F. Health Insurance

The self-insurance program for health insurance is accounted for in the General Fund. An independent administrator (Blue Cross) is hired to process the daily claims. The County has a stop loss of \$100,000. The County is also responsible for paying administrative charges. The liability at the end of the year is based on claims already incurred and reported and on estimates of incurred but not reported claims as provided by Blue Cross. No annuity contracts have been purchased to satisfy claim liabilities.

The changes in the Health Insurance claims liability for the year ended December 31, 2019 are as follows:

	<u>12/31/2019</u>
Claims Liability, Beginning of Year	\$ 90,149
Claims and Damages Incurred	2,313,427
Claims Payments	<u>(2,257,131)</u>
Claims Liability, End of Year	<u>\$ 146,445</u>

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2019

NOTE 6 - LONG-TERM LIABILITIES (CONTINUED)

G. Changes in Long-Term Liabilities

The following is a summary of long-term debt transactions of the County for the year ended December 31, 2019:

	<u>Balance</u> <u>01/01/19</u>	<u>Issues or</u> <u>Additions</u>	<u>Payments or</u> <u>Expenditures</u>	<u>Balance</u> <u>12/31/19</u>	<u>Due Within</u> <u>One Year</u>
<u>Governmental Activities</u>					
Primary Government:					
Bonds Payable	\$ 70,000	\$ 0	\$ (70,000)	\$ 0	\$ 0
Installment Purchase					
Agreements Payable	59,116	167,052	(62,631)	163,537	29,988
Capital Leases Payable	9,534	0	(9,534)	0	0
Incurring but not Reported					
Insurance Claims	90,149	56,296 *	0	146,445	146,445
Compensated Absences	<u>336,223</u>	<u>6,025</u> *	<u>0</u>	<u>342,248</u>	<u>0</u>
Total Primary Government	<u>\$ 565,022</u>	<u>\$ 229,373</u>	<u>\$ (142,165)</u>	<u>\$ 652,230</u>	<u>\$ 176,433</u>
Component Units:					
Bonds Payable	\$ 460,000	\$ 0	\$ (115,000)	\$ 345,000	\$ 115,000
Notes Payable	105,000	442,500	(105,000)	442,500	172,500
Compensated Absences	<u>156,608</u>	<u>0</u>	<u>(27,308)</u> *	<u>129,300</u>	<u>0</u>
Total Component Units	<u>\$ 721,608</u>	<u>\$ 442,500</u>	<u>\$ (247,308)</u>	<u>\$ 916,800</u>	<u>\$ 287,500</u>
	<u>Balance</u> <u>01/01/19</u>	<u>Issues or</u> <u>Additions</u>	<u>Payments or</u> <u>Expenditures</u>	<u>Balance</u> <u>12/31/19</u>	<u>Due Within</u> <u>One Year</u>
<u>Business-Type Activities</u>					
Primary Government:					
Bonds Payable	\$ 160,000	\$ 0	\$ (55,000)	\$ 105,000	\$ 55,000
Compensated Absences	<u>211,605</u>	<u>21,276</u> *	<u>0</u>	<u>232,881</u>	<u>232,881</u>
Total Primary Government	<u>\$ 371,605</u>	<u>\$ 21,276</u>	<u>\$ (55,000)</u>	<u>\$ 337,881</u>	<u>\$ 287,881</u>

\*Represents net of additions and retirements for the year.

The interest expenses on long-term obligations for the year were \$15,704 for the primary government and \$28,378 for the Drain Commission.

Compensated absences and Insurance Claims for the governmental funds are generally liquidated by the General Fund.

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2019

NOTE 6 - LONG-TERM LIABILITIES (CONTINUED)

The annual aggregate maturities for all debt outstanding (excluding compensated absences and health insurance claims) as of December 31, 2019 are as follows:

Primary Government

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2020	\$ 0	\$ 0	\$ 55,000	\$ 4,044	\$ 59,044
2021	0	0	25,000	1,875	26,875
2022	0	0	25,000	625	25,625
Total	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 105,000</u>	<u>\$ 6,544</u>	<u>\$ 111,544</u>

**Installment Purchase Agreements Payable**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2020	\$ 29,988	\$ 1,758	\$ 0	\$ 0	\$ 31,746
2021	78,455	5,077	0	0	83,532
2022	55,094	2,128	0	0	57,222
Total	<u>\$ 163,537</u>	<u>\$ 8,963</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 172,500</u>

Component Units

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2020	\$ 115,000	\$ 11,500	\$ 0	\$ 0	\$ 126,500
2021	115,000	6,900	0	0	121,900
2022	115,000	2,300	0	0	117,300
Total	<u>\$ 345,000</u>	<u>\$ 20,700</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 365,700</u>

**Notes Payable**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2020	\$ 172,500	\$ 15,533	\$ 0	\$ 0	\$ 188,033
2021	30,000	10,368	0	0	40,368
2022	30,000	9,216	0	0	39,216
2023	30,000	8,064	0	0	38,064
2024	30,000	6,912	0	0	36,912
2025 - 2029	150,000	17,280	0	0	167,280
Total	<u>\$ 442,500</u>	<u>\$ 67,373</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 509,873</u>

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2019

**NOTE 7 - PROPERTY TAXES**

Property taxes include amounts levied against all real property and tangible personal property located in the County. Property taxes become an enforceable lien on property as of December 1, 2018 for winter taxes and July 1, 2019 for summer taxes. Taxes are levied on December 1, 2018 and July 1, 2019 and are payable by February 28, 2019 and September 30, 2019, respectively. The cities and townships within the County bill and collect the property taxes for the County.

County taxes levied December 1, 2018, are collected in and are intended to finance 2019 operations. The taxable value of real and personal property for the December 1, 2018 levy was \$1,145,253,017. The 2018 operating tax rate is currently .5000 mills for commission on aging, .1200 mills for MSU Extension, .1450 mills for transit, .4431 for ambulance, .4557 for medical care operations, .0800 mills for animal control, .6800 for 911 and CDM, .2500 for parks and recreation, and .0600 for veterans affairs.

County taxes levied July 1, 2019, are collected in and are intended to finance 2019 operations. The taxable value of real and personal property for the July 1, 2019 levy was \$1,175,517,123. The 2019 operating tax rate is currently 3.9129 mills for operations.

By resolution of the Board of Commissioners and agreement with various taxing authorities, the County purchased at face value the real property taxes receivable returned delinquent on March 1, 2019. County funds were used to liquidate the amounts due the General Fund and various other funds and governmental agencies for purchase of the receivables. Subsequent collections on delinquent taxes receivable, plus interest and collection fees thereon and investment earnings, are used to replenish County funds. This activity is recorded in the Delinquent Tax Revolving Fund, which is an Enterprise Fund.

**NOTE 8 - OPERATING TRANSFERS**

During the year ended December 31, 2019, the following transfers were made:

<u>Transfer to</u>	<u>Transfer from</u>				<u>Total</u>
	<u>General Fund</u>	<u>Delinquent Tax Revolving Fund</u>	<u>Non-major Governmental Funds</u>	<u>Internal Service Fund</u>	
General Fund	\$ 0	\$ 505,229	\$ 0	\$ 200,000	\$ 705,229
E-911 Fund	0	0	197,737	0	197,737
MSHDA Fund	1,526	0	22,100	0	23,626
Non-major Governmental Funds	<u>847,038</u>	<u>0</u>	<u>72,263</u>	<u>0</u>	<u>919,301</u>
	<u>\$ 848,564</u>	<u>\$ 505,229</u>	<u>\$ 292,100</u>	<u>\$ 200,000</u>	<u>\$ 1,845,893</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

IOSCO COUNTY  
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NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2019

**NOTE 9 - EXCESS OF EXPENDITURES OVER APPROPRIATION IN BUDGETARY FUNDS**

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the County's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the County for these budgetary funds were adopted at the activity level.

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

<u>Fund/Activity</u>	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
General Fund/Judicial	\$ 1,477,443	\$ 1,501,778	\$ 24,335
General Fund/Public Works	\$ 64,593	\$ 69,247	\$ 4,654
General Fund/Debt Service/Principal	\$ 11,000	\$ 21,432	\$ 10,432
General Fund/Debt Service/Interest	\$ 0	\$ 572	\$ 572
General Fund/Operating Transfers Out	\$ 824,660	\$ 848,564	\$ 23,904
Ambulance Service Fund/Health and Welfare	\$ 2,789,540	\$ 3,313,135	\$ 523,595
EDC Grant Revolving Loan Fund/Community and Economic Development	\$ 350,000	\$ 401,140	\$ 51,140
MSHDA Fund/Health and Welfare	\$ 54,957	\$ 74,731	\$ 19,774
E-911 Fund/Public Safety	\$ 876,331	\$ 907,402	\$ 31,071
E-911 Fund/Capital Outlay	\$ 480,000	\$ 557,838	\$ 77,838
E-911 Fund/Debt Service/Principal	\$ 0	\$ 44,738	\$ 44,738
E-911 Fund/Debt Service/Interest	\$ 0	\$ 6,548	\$ 6,548

**NOTE 10 - RETIREMENT SYSTEM - MERS OPERATED**

**Defined Benefit Plan**

**Primary Government**

Plan Description

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

IOSCO COUNTY  
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NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2019

NOTE 10 - RETIREMENT SYSTEM - MERS OPERATED (CONTINUED)

**Defined Benefit Plan (Continued)**

**Primary Government (Continued)**

Benefits Provided

<u>01 - Gnrl Empls: Closed to new hires</u>	
	<u>2018 Valuation</u>
Benefit Multiplier:	2.25% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 years
Early Retirement (Unreduced):	55/25
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	5 years
Employee Contributions:	0%
DC Plan for New Hires:	1/1/2008
Act 88:	Yes (Adopted 5/5/1993)

<u>02 - POAM Empls: Closed to new hires</u>	
	<u>2018 Valuation</u>
Benefit Multiplier:	2.5% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 years
Early Retirement (Unreduced):	25 and Out
Early Retirement (Reduced):	55/15
Final Average Compensation:	5 years
Employee Contributions:	1.77%
DC Plan for New Hires	1/1/2007
Act 88:	Yes (Adopted 5/5/1993)

<u>04 - MCF: Closed to new hires</u>	
	<u>2018 Valuation</u>
Benefit Multiplier:	Svc x (1.00% times FAC < \$4,200, plus 1.50% times FAC > \$4,200) (no max)
Normal Retirement Age:	60
Vesting:	10 years
Early Retirement (Unreduced):	-
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	5 years
Employee Contributions:	0%
DC Plan for New Hires:	8/1/2014
Act 88:	Yes (Adopted 5/5/1993)

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2019

NOTE 10 - RETIREMENT SYSTEM - MERS OPERATED (CONTINUED)

**Defined Benefit Plan (Continued)**

**Primary Government (Continued)**

<u>10 - United Stlwrks: Closed to new hires</u>	
	<u>2018 Valuation</u>
Benefit Multiplier:	2.25% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 years
Early Retirement (Unreduced):	50/25
	55/20
Early Retirement (Reduced):	55/15
Final Average Compensation:	5 years
Employee Contributions:	1.54%
DC Plan for New Hires:	1/1/2000
Act 88:	Yes (Adopted 5/5/1993)

<u>13 - Central Disp/POAM: Closed to new hires</u>	
	<u>2018 Valuation</u>
Benefit Multiplier:	2.50% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 years
Early Retirement (Unreduced):	55/25
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	5 years
Employee Contributions:	0%
DC Plan for New Hires:	1/22/2000
Act 88:	Yes (Adopted 5/5/1993)

<u>14 - Chem Workers Union: Open Division</u>	
	<u>2018 Valuation</u>
Benefit Multiplier:	2.25% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	8 years
Early Retirement (Unreduced):	50/25
	55/20
Early Retirement (Reduced):	55/15
Final Average Compensation:	5 years
Employee Contributions:	2%
Act 88:	Yes (Adopted 5/5/1993)

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NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2019

NOTE 10 - RETIREMENT SYSTEM - MERS OPERATED (CONTINUED)

**Defined Benefit Plan (Continued)**

**Primary Government (Continued)**

<u>15 - Elected &amp; Non-Union: Closed to new hires</u>	
	<u>2018 Valuation</u>
Benefit Multiplier:	2.50% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	8 years
Early Retirement (Unreduced):	50/25
	55/20
Early Retirement (Reduced):	55/15
Final Average Compensation:	3 years
Employee Contributions:	0.94%
DC Plan for New Hires:	4/1/2001
Act 88:	Yes (Adopted 5/5/1993)

<u>16 - EMS Employees: Open Division</u>	
	<u>2018 Valuation</u>
Benefit Multiplier:	2.25% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 years
Early Retirement (Unreduced):	-
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	5 years
Employee Contributions:	0%
Act 88:	Yes (Adopted 9/1/2008)

<u>40 - Director: Open Division</u>	
	<u>2018 Valuation</u>
Benefit Multiplier:	2.50% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 years
Early Retirement (Unreduced):	55/20
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	3 years
Employee Contributions:	0%
	DROP+ (4%)
Act 88:	Yes (Adopted 5/5/1993)

Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefits	162
Inactive employees entitled to but not yet receiving benefits	63
Active employees	<u>113</u>
	<u><u>338</u></u>

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2019

NOTE 10 - RETIREMENT SYSTEM - MERS OPERATED (CONTINUED)

**Defined Benefit Plan (Continued)**

**Primary Government (Continued)**

Contributions

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

Employer contributions range between 10.54% and 19.39% based on annual payroll and \$1,180 for the director division for open divisions and between \$1,864 and \$24,407 per month for closed divisions.

Net Pension Liability

The employer's Net Pension Liability reported at December 31, 2019 was measured as of December 31, 2018, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of that date.

Actuarial Assumptions

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

Inflation: 2.5%

Salary increases: 3.75% in the long-term plus a percentage based on an age-related scale to reflect merit, longevity, and promotional pay increases.

Investment rate of return: 7.75%, net of investment expense, including inflation

Although no explicit price inflation assumption is used in the valuation, the long term annual rate of price inflation implicit in the 3.75% base wage inflation is 2.5% annually.

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

The actuarial assumptions used in the 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 geometric real rates of return for each major asset class are summarized in the following table:

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2019

NOTE 10 - RETIREMENT SYSTEM - MERS OPERATED (CONTINUED)

**Defined Benefit Plan (Continued)**

**Primary Government (Continued)**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Target Allocation Gross Rate of Return</u>	<u>Long-Term Expected Gross Rate of Return</u>	<u>Inflation Assumption</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	55.5%	8.65%	4.80%	2.50%	3.41%
Global Fixed Income	18.5%	3.76%	0.70%	2.50%	0.24%
Private Investments	26.0%	8.65%	2.25%	2.50%	1.60%
Total	<u>100.0%</u>		<u>7.75%</u>		<u>5.25%</u>

Discount Rate

The discount rate used to measure the total pension liability is 8.0%. The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because, for GASB 68 purposes, the discount rate must be shown gross of administrative expenses, whereas for funding purposes, it is net of administrative expenses. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	<u>Calculating the Net Pension Liability</u>		
	<u>Total Pension Liability (a)</u>	<u>Increase (Decrease) Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a)-(b)</u>
Balances at 12/31/18	\$ 28,060,685	\$ 21,591,018	\$ 6,469,667
Changes for the Year			
Service Cost	350,226	0	350,226
Interest on Total Pension Liability	2,191,654	0	2,191,654
Changes in benefits	0	0	0
Difference between expected and actual experience	(59,243)	0	(59,243)
Changes in assumptions	0	0	0
Employer contributions	0	969,028	(969,028)
Employee contributions	0	22,873	(22,873)
Net investment income	0	(831,792)	831,792
Benefit payments, including employee refunds	(1,680,259)	(1,680,259)	0
Administrative expense	0	(41,520)	41,520
Other changes	(2)	0	(2)
Net changes	<u>802,376</u>	<u>(1,561,670)</u>	<u>2,364,046</u>
Balances as of 12/31/19	<u>\$ 28,863,061</u>	<u>\$ 20,029,348</u>	<u>\$ 8,833,713</u>

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2019

NOTE 10 - RETIREMENT SYSTEM - MERS OPERATED (CONTINUED)

**Defined Benefit Plan (Continued)**

**Primary Government (Continued)**

Sensitivity of the Net Pension Liability to changes in the discount rate

The following presents the Net Pension Liability of the employer, calculated using the discount rate of 8.0%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower (7.0%) or 1% higher (9.0%) than the current rate.

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
County's net pension liability	\$ 11,797,825	\$ 8,833,713	\$ 6,296,071

Note: The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because for GASB purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expenses.

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

For the year ended December 31, 2019, the employer recognized pension expense of \$1,569,345. The employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 35,203	\$ 172,416
Change in Assumptions	81,896	0
Deficit Investment Returns	1,516,658	0
Contributions Subsequent to the Measurement Date*	1,062,656	0
Total	\$ 2,696,413	\$ 172,416

\*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the year ending December 31, 2020.

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

Year Ended	Pension Expense
2020	\$ 470,890
2021	179,887
2022	302,614
2023	507,950

Payable to the Pension Plan

At December 31, 2019, there was a reported payable of \$88,926 for the outstanding amount of contributions to the pension plan required for the year ending December 31, 2019.

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2019

NOTE 10 - RETIREMENT SYSTEM - MERS OPERATED (CONTINUED)

**Defined Benefit Plan (Continued)**

**Road Commission**

Following are the Road Commission Retirement System disclosures as presented in the Road Commission's audit and its report dated May 29, 2020.

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).

Benefits Provided

01 - General: Closed to New Hires

	2018 Valuation
Benefit Multiplier:	2.25% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 years
Early Retirement (Unreduced):	-
Early Retirement (Reduced):	50/25 55/15
Final Average Compensation:	5 years
Employee Contributions:	6.70%
DC Plan New Hires:	12/12/2011
Act 88:	Yes (Adopted 10/01/2001)

10 - Salaried: Closed to New Hires

	2018 Valuation
Benefit Multiplier:	2.50% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 years
Early Retirement (Unreduced):	-
Early Retirement (Reduced):	50/25 55/15
Final Average Compensation:	5 years
COLA for Future Retirees:	2.50% (Non-Compound)
Employee Contributions:	8.98%
DC Plan New Hires:	04/01/2011
Act 88:	Yes (Adopted 10/01/2001)

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2019

NOTE 10 - RETIREMENT SYSTEM - MERS OPERATED (CONTINUED)

**Defined Benefit Plan (Continued)**

**Road Commission (Continued)**

Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefits	38
Inactive employees entitled to but not yet receiving benefits	2
Active employees	<u>16</u>
	<u><u>56</u></u>

Contributions

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

For the year ended December 31, 2019, employer contribution requirements range from \$11,065 to \$11,950 per month and employee contribution requirements range from 6.70% - 8.98% of annual payroll.

Net Pension Liability

The employer's Net Pension Liability was measured as of December 31, 2019, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of December 31, 2018, using the "roll forward" data.

Actuarial Assumptions

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

Inflation: 2.5%

Salary increases: 3.75% in the long-term.

Investment rate of return: 7.75%, net of investment expense, including inflation

Although no specific price inflation assumptions are needed for the valuation, the 2.5% long-term wage inflation assumption would be consistent with a price inflation of 3%-4%.

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

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

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2019

NOTE 10 - RETIREMENT SYSTEM - MERS OPERATED (CONTINUED)

**Defined Benefit Plan (Continued)**

**Road Commission (Continued)**

The long-term expected rate of return on pension plan investments was determined using a model 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Target Allocation Gross Rate of Return</u>	<u>Long-Term Expected Gross Rate of Return</u>	<u>Inflation Assumption</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	55.5%	8.65%	4.80%	2.50%	3.41%
Global Fixed Income	18.5%	3.76%	0.70%	2.50%	0.24%
Private Investments	26.0%	8.65%	2.25%	2.50%	1.60%
Total	<u>100.0%</u>		<u>7.75%</u>		<u>5.25%</u>

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.

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2019

NOTE 10 - RETIREMENT SYSTEM - MERS OPERATED (CONTINUED)

**Defined Benefit Plan (Continued)**

**Road Commission (Continued)**

Changes in Net Pension Liability

Calculating the Net Pension Liability			
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at 12/31/18	\$ 11,889,266	\$ 8,097,482	\$ 3,791,784
Changes for the Year			
Service Cost	89,498	0	89,498
Interest on Total Pension Liability	922,204	0	922,204
Changes in benefits	0	0	0
Difference between expected and actual experience	(271,481)	0	(271,481)
Changes in assumptions	0	0	0
Employer contributions	0	714,576	(714,576)
Employee contributions	0	67,236	(67,236)
Net investment income	0	1,101,944	(1,101,944)
Benefit payments, including employee refunds	(812,930)	(812,930)	0
Administrative expense	0	(18,994)	18,994
Other changes	(22,346)	0	(22,346)
Net changes	(95,055)	1,051,832	(1,146,887)
Balances as of 12/31/19	\$ 11,794,211	\$ 9,149,314	\$ 2,644,897

Sensitivity of the Net Pension Liability to changes in the discount rate

The following presents the Net Pension Liability of the employer, calculated using the discount rate of 8.00%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1% lower (7.00%) or 1% higher (9.00%) than the current rate.

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Road Commission's net pension liability \$	3,811,124	2,644,897	1,651,723

Note: The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because for GASB purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expenses.

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2019

NOTE 10 - RETIREMENT SYSTEM - MERS OPERATED (CONTINUED)

**Defined Benefit Plan (Continued)**

**Road Commission (Continued)**

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

For the year ended December 31, 2019, the employer recognized pension expense of \$137,480. The employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 0	\$ 95,119
Deficit Investment Returns	<u>34,921</u>	<u>0</u>
Total	<u>\$ 34,921</u>	<u>\$ 95,119</u>

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

<u>Year Ended</u>	<u>Pension Expense</u>
2020	\$ (111,250)
2021	29,895
2022	112,388
2023	(91,231)

Payable to the Pension Plan

At December 31, 2019, there was a reported payable of \$67,148 for the outstanding amount of contributions to the pension plan required for the year ending December 31, 2019.

**Defined Contribution Plan**

**Primary Government**

Plan Description

The Iosco County Employees Defined Contribution Pension Plan (the "Plan") is a single employer defined contribution pension plan. All County employees hired after January 1, 2000, with the exception of certain bargaining units, are required to participate in the Plan. As the union contracts of the non-participating bargaining units are renegotiated, new employees of these units are added to the Plan. All other County employees that are not vested in the County's Defined Benefit Plan have the option of becoming a participant in the Defined Contribution Plan. The Plan is affiliated with the Municipal Employees Retirement System (MERS) of Michigan, an agent multiple-employer, state-wide, public employee pension created under Public Act 135 of 1945, and now operated under Public Act 220 of 1996, and the MERS Plan Document as revised. The plan services are provided by an Alliance Agreement of May 1997 by MERS, exclusively through Alerus Financial as the plan administrator. Any municipality within the State may elect to become a participating member of MERS or elect to terminate participation by a majority vote of the municipality's governing body. Changes in benefit coverage are available to bargaining units after approval by a majority of the municipality's governing body. The MERS of Michigan issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing MERS of Michigan, 1134 Municipal Way, Lansing, Michigan, 48917 or by calling 1-800-767-6377.

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2019

NOTE 10 - RETIREMENT SYSTEM - MERS OPERATED (CONTINUED)

**Defined Contribution Plan (Continued)**

**Primary Government (Continued)**

Funding Policy

At December 31, 2019, there were 59 plan members. Plan members are not required to contribute to the Plan; however, employees may contribute up to 3% of their annual salary. The County is required to contribute 7% of the employees' annual salary, subject to the limitations of sections 415(c) and (e) of the Internal Revenue Code. In addition, the County contributes another 1% if the employees contribute 3% of their salary. The contribution requirements of plan members and the County are established and may be amended by the Board of Commissioners.

Vesting

Employees become fully vested in the plan after one year of service.

Plan Contributions

During the year ended December 31, 2019, the County contributed \$164,414 on behalf of its employees and employee contributions amounted to \$61,310.

A stand-alone pension plan report has not been issued for the defined contribution plan.

NOTE 11 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

**Road Commission**

Plan Description

The Road Commission administers a single-employer defined benefit post-employment benefit plan. The plan provides healthcare, dental, and life insurance benefits in accordance with the employee working agreements. The plan is administered by the Road Commission and can be amended at its discretion.

Benefits Provided

The employee working agreement requires the ICRC to pay insurance premium costs for all employees who retire at the age of 60 until they reach full Social Security age. The ICRC obtains healthcare coverage for retirees through private insurers.

IOSCO COUNTY  
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NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2019

NOTE 11 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

**Road Commission (Continued)**

Summary of Plan Participants

As of December 31, 2019, retirement plan membership consisted of the following:

Active plan members	29
Retirees	<u>24</u>
	<u><u>53</u></u>

Actuarially Determined Contributions

December 31, 2019	\$ 25,003
December 31, 2020	\$ 0

Contributions

The Road Commission has the authority to establish the funding policy for the plan, and to amend the obligations of both the Road Commission and members. Active members are not obligated to make contributions to the plan at this time.

Actuarial Assumptions

Actuarial Cost Method	Entry-age normal
Amortization Method	Level dollar
Remaining Amortization Period	29 years, closed
Discount Rate	7.00%
Salary Increases	3.50%
Investment Rate of Return	7.00%
Retirement Age	Ranging from 50-60 dependent on contract
Mortality	RP-2014 Employee and Healthy Annuitant tables with a 50/50 male and female blend
Healthcare Cost Trend Rate	Pre-65: 8.5% gradually decreasing .25% per year to an ultimate rate of 4.5%
	Post-65: 7.0% gradually decreasing .25% per year to an ultimate rate of 4.5%

The Road Commission believes the State of Michigan uniform assumptions are appropriate for its financial statement total OPEB liability calculation and these have been applied.

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2019

NOTE 11 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

**Road Commission (Continued)**

Changes in Net OPEB Liability (Asset)

Calculating the Net OPEB Liability (Asset)			
	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a)-(b)
Balances at 12/31/18	\$ 371,404	\$ 0	\$ 371,404
Changes for the Year			
Service Cost	2,381	0	2,381
Interest on Total OPEB Liability	25,814	0	25,814
Experience (Gains)/Losses-Changes in assumptions	(135,626)	0	(135,626)
Employer contributions	0	379,649	(379,649)
Administrative expense	0	(262)	262
Net investment income	0	4,662	(4,662)
Benefit payments	(7,649)	(7,649)	0
Net changes	(115,080)	376,400	(491,480)
Balances as of 12/31/19	\$ 256,324	\$ 376,400	\$ (120,076)

Sensitivity of the Net OPEB Liability (Asset) to changes in the discount rate

The following presents the Road Commission's Net OPEB Liability (Asset), calculated using the discount rate of 7.00%, as well as what the employer's Net OPEB Liability (Asset) would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Net OPEB Liability (Asset)	\$ (98,725)	\$ (120,076)	\$ (139,099)

The following presents the Road Commission's Net OPEB Liability (Asset), calculated using healthcare cost trends as well as what the Net OPEB Liability would be if it were calculated using a discount rate that is 1% lower (7.50%) or 1% higher (9.50%) than the current rate.

	1% Decrease (7.50%)	Healthcare Cost Trend Rate (8.50%)	1% Increase (9.50%)
Net OPEB Liability (Asset)	\$ (99,661)	\$ (120,076)	\$ (142,957)

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2019

NOTE 11 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

**Road Commission (Continued)**

OPEB Expense and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2019, the Road Commission reported deferred inflows of resources related to OPEB from the following sources:

	Deferred Inflows of Resources
Excess Investment Returns	\$ <u>731</u>

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

Year Ended	OPEB Expense
2020	\$ 183
2021	183
2022	183
2023	182

NOTE 12 - FUND DEFICITS

The following funds had a fund deficit at December 31, 2019:

Fund	Deficit at December 31, 2019
Elm Creek Fund	\$ 2,434
Kelchner Drain Fund	18,994
Gregory/Scherrett Drain Fund	14,556
Parent Drain Debt Fund	2,748

NOTE 13 - RISK MANAGEMENT

The County is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The County has purchased commercial insurance for risks of loss. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

Road Commission (Component Unit)

The Road Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. The commission manages its workers' compensation through County Road Association Self-Insurance Fund (CRASIF). The commission manages all other risks by participating in Michigan County Road Commission Self-Insurance Pool (MCRCSIP). Both CRASIF and MCRCSIP are trust funds established by the road commissions in the State of Michigan. The MCRCSIP and CRASIF are public entity risk pools currently operating as a common risk management and insurance program. The Commission pays an annual premium to MCRCSIP and CRASIF for its liability coverage. The MCRCSIP and CRASIF are self-sustaining through member premiums and provide reinsurance through commercial companies for claims in excess of certain limits.

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2019

NOTE 14 - CONTINGENCIES AND COMMITMENTS

**Primary Government**

The County participates in a number of federally assisted grant programs which are subject to program compliance audits. The audits of these programs for and including the year ended December 31, 2019, have been conducted and have been reported in this audit report. However, the compliance audit reports have not yet been accepted by the grantors. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time; although the County expects such amounts, if any, to be immaterial.

**Component Unit**

**Road Commission**

The Road Commission is a party to various legal proceedings, which normally occur in governmental operations for which the Road Commission carries commercial insurance.

The Michigan Department of Transportation (MDOT) requires that road commissions report all Federal revenue pertaining to their county. During the year ended December 31, 2019, the Federal revenue expended by the Road Commission was \$1,933,928 for contracted projects and \$0 for negotiated projects. Contracted projects are projects performed by private contractors paid for and administered by MDOT. Negotiated projects are projects where the Road Commission administers the grant and either performs the work or contracts it out. The Road Commission would be subject to single audit requirements if they expended \$750,000 or more for negotiated projects.

NOTE 15 - PRIOR PERIOD ADJUSTMENT

In the Delinquent Tax Revolving Fund, the receivable recorded for the annual foreclosed properties sale failed to deduct state fees, resulting in an overstatement of prior year revenue and assets. This necessitated a prior period adjustment to reduce beginning net position.

	Business-Type Activities	Delinquent Tax Revolving Fund
Net Position - Beginning	\$ 16,930,486	\$ 5,361,148
Adjustment for foreclosure sales receipt	(20,250)	(20,250)
Net Position - Beginning (Restated)	\$ 16,910,236	\$ 5,340,898

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2019

NOTE 16 - FUND CHANGES AND FUND BALANCES

Amounts for specific purposes by fund and fund balance classifications for the year ended December 31, 2019, are as follows:

<u>Classification/Fund</u>	<u>Purpose</u>	
Nonspendable		
General Fund	Prepaid Items	\$ 88,654
General Fund	Long-Term Advances to Component Units	67,000
Ambulance Service Fund	Prepaid Items	24,551
MSHDA Fund	Prepaid Items	1,254
E-911 Fund	Prepaid Items	16,866
Friend of the Court Fund	Prepaid Items	6,340
Child Care Fund	Prepaid Items	1,648
Building and Safety Fund	Prepaid Items	1,254
MSU Extension Fund	Prepaid Items	1,568
Indigent Defense Fund	Prepaid Items	693
Crime Victims Rights Fund	Prepaid Items	1,568
Animal Control Officer Fund	Prepaid Items	1,327
Total Nonspendable		<u>212,723</u>
Restricted		
General Fund	Gypsy Moth Control	37,612
General Fund	Children Protective Services	13,741
Ambulance Service Fund	EMS Services	880,098
EDC Grant Revolving Loan Fund	Economic Development Loans	1,440,334
E-911 Wireless Training Grant Fund	911 Training	13,173
E911 Wireless Fund	Accounts for State 911 Wireless Revenue	270,045
Probate Guardian Fund	Guardian Services for Individuals with Developmental Disabilities	16,070
Marriage Counseling Fund	Marriage Counseling Activities	69,824
Building and Safety Fund	Building Department Activities	521,249
Ouil Restitution Fund	Operating Under the Influence Enforcement	45,553
Register of Deeds Technology Fund	Register of Deeds Equipment	104,774
Indigent Defense Fund	Indigent Defense	6,659
Local Correctional Training Fund	Training of Corrections Officers	13,666
Special Investigative Fund	Sheriff Department Drug Enforcement	5,778
Jail Tether Fund	Jail Tether Costs	12,517
Bike Path Project Fund	Bike Path Projects	22,196
Trail Grooming Fund	Trail Grooming	9,670
ICHRRLP Fund	Community Mortgage Loans	192,224
Michigan Justice Training Fund	Pistol Safety Training	3,707
Veterans Relief Fund	Veterans Relief	250
Veterans Trust Fund	Veterans Trust Activities	50,874
Economic Revolving Loan Fund	Economic Development Loans	388
Economic Revolving Loan #3 Fund	Economic Development Loans	22,536
Parks and Recreation Fund	Parks and Recreation	215,495
Capital Improvement Construction Fund	Capital Projects	22,651
Family Treatment Court Fund	Family Treatment Court Activities	13,370
Animal Control Officer Fund	Animal Control	46,504
Courthouse Preservation Fund	Courthouse Preservation	14,928
Concealed Pistol Licensing Fund	Concealed Pistol Licensing	33,283
Total Restricted		<u>4,099,169</u>

IOSCO COUNTY  
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NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2019

NOTE 16 - FUND CHANGES AND FUND BALANCES (CONTINUED)

Committed		
Plat Book Revolving Fund	Plat Book Production and Sales	24,695
Assigned		
Building Improvement Fund	Capital Projects	799,107
Unassigned		
General Fund	County Operations	815,419
Total Fund Balances		\$ 5,951,113

NOTE 17 - SUBSEQUENT EVENTS

The COVID-19 pandemic, occurring subsequent to year end and ongoing as of the date of the audit report, may have adverse effects on future revenue and expenses, particularly as it relates to revenue sharing received from the State of Michigan, which is a significant component of General Fund revenue. It is not yet possible to estimate the overall financial impact, given uncertainties across local, state, and federal administrations, and the fact that the pandemic is ongoing.

In light of the COVID-19 pandemic, the Governmental Accounting Standards Board (GASB) released GASB Statement Number 95, "Postponement of the Effective Dates of Certain Authoritative Guidance", which postponed the effective dates of a variety of pronouncements for either one year or eighteen months as a means to provide temporary relief to governments and other stakeholders. Of particular note for the County were GASB 84, "Fiduciary Activities" and GASB 88, "Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements", both of which were due to be implemented in the current year but the implementation of which were delayed by the County in accordance with GASB 95.

On February 27, 2020, the Iosco County Drain Commission, in conjunction with the Alcona County Drain Commission, closed on the Cedar Lake Level Control Structure Series 2020 Note. The total amount of the note is \$533,600, \$286,347 of which was used to pay off the Cedar Lake Level Control Structure Special Assessment District Note, Series 2019, in its entirety. 50% of the debt is the responsibility of Iosco County.

In May of 2020 the County experienced record flooding. The flooding caused significant damage with cost, at the time of the Iosco County Road Commission's report issuance, estimated to be slightly over \$1,000,000. The flooding was not expected to materially impact Iosco County's financial position beyond the possible effect to the component unit outlined above.

REQUIRED SUPPLEMENTARY INFORMATION

IOSCO COUNTY  
Tawas City, Michigan

SCHEDULE OF CHANGES IN EMPLOYER'S  
NET PENSION LIABILITY AND RELATED RATIOS  
For the Year Ended December 31, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability					
Service cost	\$ 350,226	\$ 352,124	\$ 376,678	\$ 408,282	\$ 471,785
Interest	2,191,654	2,131,127	2,069,369	1,989,380	1,910,808
Changes of benefit terms	0	0	0	0	0
Difference between expected and actual experience	(59,243)	(86,045)	(102,362)	(470,013)	0
Changes of assumptions	0	0	0	1,303,015	0
Benefit payments, including employee refunds	(1,680,259)	(1,600,138)	(1,518,766)	(1,404,071)	(1,392,838)
Other	<u>(2)</u>	<u>516</u>	<u>1</u>	<u>1</u>	<u>1</u>
Net Change in Total Pension Liability	802,376	797,584	824,920	1,826,594	989,756
Total Pension Liability - Beginning	<u>28,060,685</u>	<u>27,263,101</u>	<u>26,438,181</u>	<u>24,611,587</u>	<u>23,621,832</u>
Total Pension Liability - Ending	<u>\$ 28,863,061</u>	<u>\$ 28,060,685</u>	<u>\$ 27,263,101</u>	<u>\$ 26,438,181</u>	<u>\$ 24,611,588</u>
Plan Fiduciary Net Position					
Employer contributions	\$ 969,028	\$ 952,113	\$ 1,890,507	\$ 1,996,003	\$ 983,254
Employee contributions	22,873	23,183	24,119	25,994	26,662
Net investment income	(831,792)	2,579,075	1,964,535	(253,222)	1,031,417
Benefit payments, including employee refunds	(1,680,259)	(1,600,138)	(1,518,766)	(1,404,071)	(1,392,838)
Administrative expense	(41,520)	(40,862)	(38,778)	(37,192)	(37,863)
Other	<u>0</u>	<u>496</u>	<u>2</u>	<u>0</u>	<u>0</u>
Net Change in Plan Fiduciary Net Position	(1,561,670)	1,913,867	2,321,619	327,512	610,632
Plan Fiduciary Net Position - Beginning	<u>21,591,018</u>	<u>19,677,151</u>	<u>17,355,532</u>	<u>17,028,020</u>	<u>16,417,389</u>
Plan Fiduciary Net Position - Ending	<u>\$ 20,029,348</u>	<u>\$ 21,591,018</u>	<u>\$ 19,677,151</u>	<u>\$ 17,355,532</u>	<u>\$ 17,028,021</u>
Employer Net Pension Liability	<u>\$ 8,833,713</u>	<u>\$ 6,469,667</u>	<u>\$ 7,585,950</u>	<u>\$ 9,082,649</u>	<u>\$ 7,583,567</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69%	77%	72%	66%	69%
Covered Employee Payroll	\$ 4,508,454	\$ 4,553,914	\$ 4,912,262	\$ 5,350,039	\$ 6,464,892
Employer's Net Pension Liability as a Percentage of Covered Employee Payroll	196%	142%	154%	170%	117%

IOSCO COUNTY  
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SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS  
For the Year Ended December 31, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contributions	\$ 1,062,656	\$ 969,028	\$ 952,113	\$ 1,065,507	\$ 996,003
Contributions in relation to the actuarially determined contribution	<u>1,062,656</u>	<u>969,028</u>	<u>952,113</u>	<u>1,890,507</u>	<u>1,996,003</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (825,000)</u>	<u>\$ (1,000,000)</u>
Covered employee payroll	\$ 4,508,454	\$ 4,553,914	\$ 4,912,262	\$ 5,350,039	\$ 6,464,892
Contributions as a percentage of covered employee payroll	24%	21%	19%	35%	31%

**Notes to Schedule**

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	20 years for open plans and 5 to 15 years for closed plans
Asset valuation method	5 year smoothed
Inflation	2.50%
Salary increases	3.75%
Investment rate of return	7.75%
Retirement age	Varies depending on plan adoption. See Note 10.
Mortality	50% Female/50% Male - RP-2014 Group Annuity Mortality Table

IOSCO COUNTY  
Tawas City, Michigan

IOSCO COUNTY ROAD COMMISSION'S SCHEDULE OF CHANGES IN  
EMPLOYER'S NET PENSION LIABILITY AND RELATED RATIOS  
For the Year Ended December 31, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability					
Service cost	\$ 89,498	\$ 100,601	\$ 115,436	\$ 132,606	\$ 126,341
Interest	922,204	897,010	869,075	826,506	777,567
Changes of benefit terms	0	0	0	0	0
Difference between expected and actual experience	0	0	0	(38,236)	0
Changes of assumptions	(271,481)	121,864	124,985	619,118	0
Benefit payments, including employee refunds	(812,930)	(853,257)	(787,037)	(622,470)	(577,441)
Other	<u>(22,346)</u>	<u>34,090</u>	<u>67,256</u>	<u>18,535</u>	<u>(8,424)</u>
Net Change in Total Pension Liability	(95,055)	300,308	389,715	936,059	318,043
Total Pension Liability - Beginning	<u>11,889,266</u>	<u>11,588,958</u>	<u>11,199,243</u>	<u>10,263,184</u>	<u>9,945,141</u>
Total Pension Liability - Ending	<u>\$ 11,794,211</u>	<u>\$ 11,889,266</u>	<u>\$ 11,588,958</u>	<u>\$ 11,199,243</u>	<u>\$ 10,263,184</u>
Plan Fiduciary Net Position					
Employer contributions	\$ 714,576	\$ 586,180	\$ 482,244	\$ 454,896	\$ 364,188
Employee contributions	67,236	69,001	79,339	93,258	96,442
Net investment income	1,101,944	(334,911)	1,031,395	814,875	(109,802)
Benefit payments, including employee refunds	(812,930)	(853,257)	(787,037)	(622,470)	(577,441)
Administrative expense	(18,994)	(16,632)	(16,338)	(16,069)	(16,097)
Other	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Plan Fiduciary Net Position	1,051,832	(549,619)	789,603	724,490	(242,710)
Plan Fiduciary Net Position - Beginning	<u>8,097,482</u>	<u>8,647,101</u>	<u>7,857,498</u>	<u>7,133,008</u>	<u>7,375,718</u>
Plan Fiduciary Net Position - Ending	<u>\$ 9,149,314</u>	<u>\$ 8,097,482</u>	<u>\$ 8,647,101</u>	<u>\$ 7,857,498</u>	<u>\$ 7,133,008</u>
Employer Net Pension Liability	<u>\$ 2,644,897</u>	<u>\$ 3,791,784</u>	<u>\$ 2,941,857</u>	<u>\$ 3,341,745</u>	<u>\$ 3,130,176</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78%	68%	75%	70%	70%
Covered Employee Payroll	\$ 873,705	\$ 977,653	\$ 1,131,695	\$ 1,294,155	\$ 1,225,394
Employer's Net Pension Liability as a Percentage of Covered Employee Payroll	303%	388%	260%	258%	255%

IOSCO COUNTY  
Tawas City, Michigan

IOSCO COUNTY ROAD COMMISSION'S SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS  
For the Year Ended December 31, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contributions	\$ 276,180	\$ 242,244	\$ 214,896	\$ 184,188	\$ 170,352
Contributions in relation to the actuarially determined contribution	<u>586,180</u>	<u>482,244</u>	<u>454,896</u>	<u>364,188</u>	<u>290,352</u>
Contribution deficiency (excess)	<u>\$ (310,000)</u>	<u>\$ (240,000)</u>	<u>\$ (240,000)</u>	<u>\$ (180,000)</u>	<u>\$ (120,000)</u>
Covered employee payroll	\$ 873,705	\$ 977,653	\$ 1,131,695	\$ 1,294,155	\$ 1,225,394
Contributions as a percentage of covered employee payroll	67%	49%	40%	28%	24%

**Notes to Schedule**

Actuarial cost method	Entry age normal cost
Amortization method	Level percentage of payroll, closed
Remaining amortization period	23 years
Asset valuation method	5 year smoothed market
Inflation	2.50%
Salary increases	3.75%, including inflation
Investment rate of return	8.00%
Retirement age	60 years
Mortality	50% Female/50% Male - RP-2014 Group Annuity Mortality Table

IOSCO COUNTY  
Tawas City, Michigan

IOSCO COUNTY ROAD COMMISSION'S SCHEDULE OF CHANGES IN  
EMPLOYER'S NET OPEB LIABILITY AND RELATED RATIOS  
For the Year Ended December 31, 2019

	<u>2019</u>	<u>2018</u>
Total OPEB Liability		
Service cost	\$ 2,381	\$ 6,054
Interest	25,814	11,398
Changes of benefit terms	0	0
Difference between expected and actual experience and changes in assumptions	(135,626)	(18,857)
Benefit payments	(7,649)	(8,216)
Other	<u>0</u>	<u>0</u>
Net Change in Total OPEB Liability	(115,080)	(9,621)
Total OPEB Liability - Beginning	<u>371,404</u>	<u>381,025</u>
Total OPEB Liability - Ending	<u>\$ 256,324</u>	<u>\$ 371,404</u>
Plan Fiduciary Net Position		
Employer contributions	\$ 379,649	\$ 8,216
Employee contributions	0	0
Net investment income	4,662	0
Benefit payments	(7,649)	(8,216)
Administrative expense	(262)	0
Other	<u>0</u>	<u>0</u>
Net Change in Plan Fiduciary Net Position	376,400	0
Plan Fiduciary Net Position - Beginning	<u>0</u>	<u>0</u>
Plan Fiduciary Net Position - Ending	<u>\$ 376,400</u>	<u>\$ 0</u>
Employer Net OPEB Liability (Asset)	<u>\$ (120,076)</u>	<u>\$ 371,404</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	147%	0%
Covered Employee Payroll	\$ 1,315,339	\$ 1,364,910
Employer's Net OPEB Liability as a Percentage of Covered Employee Payroll	19%	27%

IOSCO COUNTY  
Tawas City, Michigan

IOSCO COUNTY ROAD COMMISSION'S SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS  
For the Year Ended December 31, 2019

	<u>2019</u>	<u>2018</u>
Actuarially determined contributions	\$ 25,003	\$ 25,598
Contributions in relation to the actuarially determined contribution	<u>379,649</u>	<u>8,216</u>
Contribution deficiency (excess)	<u>\$ (354,646)</u>	<u>\$ 17,382</u>
Covered employee payroll	\$ 1,315,339	\$ 1,364,910
Contributions as a percentage of covered employee payroll	29%	1%

IOSCO COUNTY  
Tawas City, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
GENERAL FUND

For the Year Ended December 31, 2019

	Original Budget	Final Amended Budget	Actual	Variance - Favorable (Unfavorable)
<u>Revenue</u>				
Property Taxes	\$ 4,600,000	\$ 4,600,000	\$ 4,529,445	\$ (70,555)
Federal Grants and Revenue	923,685	923,685	888,262	(35,423)
State Grants and Revenue	1,447,497	1,460,017	1,201,003	(259,014)
Licenses and Permits	20,000	20,000	17,722	(2,278)
Charges for Services	1,085,886	1,128,556	1,046,181	(82,375)
Fines and Forfeits	33,000	33,000	33,006	6
Interest and Rentals	30,800	30,800	37,762	6,962
Other Revenue	362,500	388,439	260,325	(128,114)
Total Revenue	8,503,368	8,584,497	8,013,706	(570,791)
<u>Expenditures</u>				
Current:				
General Government:				
Legislative and Executive	148,588	148,588	143,423	5,165
Judicial	1,476,498	1,477,443	1,501,778	(24,335)
Financial and Tax Administration	648,806	648,806	641,645	7,161
Other General Government	2,459,640	2,959,595	2,829,729	129,866
Public Safety	2,449,702	2,440,572	2,434,996	5,576
Public Works	64,593	64,593	69,247	(4,654)
Health and Welfare	432,108	453,608	436,290	17,318
Community and Economic Development	2,675	2,675	1,360	1,315
Recreation and Cultural	19,805	19,805	18,475	1,330
Capital Outlay	160,485	264,279	227,118	37,161
Debt Service:				
Principal	0	11,000	21,432	(10,432)
Interest and Fiscal Charges	0	0	572	(572)
Total Expenditures	7,862,900	8,490,964	8,326,065	164,899
Excess of Revenue Over (Under) Expenditures	640,468	93,533	(312,359)	(405,892)
<u>Other Financing Sources (Uses)</u>				
Installment Purchase Agreement Proceeds	0	0	26,040	26,040
Sale of Capital Assets	7,500	25,700	22,216	(3,484)
Operating Transfers In	139,729	706,729	705,229	(1,500)
Operating Transfers Out	(786,397)	(824,660)	(848,564)	(23,904)
Total Other Financing Sources (Uses)	(639,168)	(92,231)	(95,079)	(2,848)
Net Change in Fund Balances	1,300	1,302	(407,438)	(408,740)
Fund Balances - Beginning of Year	1,429,864	1,429,864	1,429,864	0
Fund Balances - End of Year	\$ 1,431,164	\$ 1,431,166	\$ 1,022,426	\$ (408,740)

IOSCO COUNTY  
Tawas City, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
AMBULANCE SERVICE FUND - SPECIAL REVENUE FUND  
For the Year Ended December 31, 2019

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
<u>Revenue</u>				
Property Taxes	\$ 490,000	\$ 490,000	\$ 495,313	\$ 5,313
State Grants and Revenue	0	0	12,333	12,333
Charges for Services	2,501,000	2,501,000	2,831,080	330,080
Interest and Rentals	8,000	8,000	19,980	11,980
Other Revenue	<u>2,000</u>	<u>2,000</u>	<u>24,561</u>	<u>22,561</u>
Total Revenue	<u>3,001,000</u>	<u>3,001,000</u>	<u>3,383,267</u>	<u>382,267</u>
<u>Expenditures</u>				
Current:				
Health and Welfare	2,789,540	2,789,540	3,313,135	(523,595)
Capital Outlay	<u>530,000</u>	<u>530,000</u>	<u>472,459</u>	<u>57,541</u>
Total Expenditures	<u>3,319,540</u>	<u>3,319,540</u>	<u>3,785,594</u>	<u>(466,054)</u>
Excess of Revenue Over (Under) Expenditures	<u>(318,540)</u>	<u>(318,540)</u>	<u>(402,327)</u>	<u>(83,787)</u>
<u>Other Financing Sources (Uses)</u>				
Sale of Capital Assets	0	0	22,005	22,005
Operating Transfers In	<u>318,540</u>	<u>318,540</u>	<u>0</u>	<u>(318,540)</u>
Total Other Financing Sources (Uses)	<u>318,540</u>	<u>318,540</u>	<u>22,005</u>	<u>(296,535)</u>
Net Change in Fund Balances	0	0	(380,322)	(380,322)
Fund Balances - Beginning of Year	<u>1,284,971</u>	<u>1,284,971</u>	<u>1,284,971</u>	<u>0</u>
Fund Balances - End of Year	<u>\$ 1,284,971</u>	<u>\$ 1,284,971</u>	<u>\$ 904,649</u>	<u>\$ (380,322)</u>

IOSCO COUNTY  
Tawas City, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
EDC GRANT REVOLVING LOAN FUND - SPECIAL REVENUE FUND  
For the Year Ended December 31, 2019

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
<u>Revenue</u>				
Interest and Rentals	\$ 3,600	\$ 3,600	\$ 0	\$ (3,600)
Other Revenue	<u>400,000</u>	<u>400,000</u>	<u>137,850</u>	<u>(262,150)</u>
Total Revenue	403,600	403,600	137,850	(265,750)
<u>Expenditures</u>				
Current:				
Community and Economic Development	<u>350,000</u>	<u>350,000</u>	<u>401,140</u>	<u>(51,140)</u>
Excess of Revenue Over (Under) Expenditures	53,600	53,600	(263,290)	(316,890)
<u>Other Financing Sources (Uses)</u>				
Operating Transfers Out	<u>(50,000)</u>	<u>(50,000)</u>	<u>0</u>	<u>50,000</u>
Net Change in Fund Balances	3,600	3,600	(263,290)	(266,890)
Fund Balances - Beginning of Year	<u>1,703,624</u>	<u>1,703,624</u>	<u>1,703,624</u>	<u>0</u>
Fund Balances - End of Year	<u>\$ 1,707,224</u>	<u>\$ 1,707,224</u>	<u>\$ 1,440,334</u>	<u>\$ (266,890)</u>

IOSCO COUNTY  
Tawas City, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
MSHDA FUND - SPECIAL REVENUE FUND  
For the Year Ended December 31, 2019

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
<u>Revenue</u>				
Federal Grants and Revenue	\$ 61,000	\$ 61,000	\$ 15,525	\$ (45,475)
Other Revenue	<u>5,000</u>	<u>5,000</u>	<u>0</u>	<u>(5,000)</u>
Total Revenue	66,000	66,000	15,525	(50,475)
<u>Expenditures</u>				
Current:				
Health and Welfare	<u>54,957</u>	<u>54,957</u>	<u>74,731</u>	<u>(19,774)</u>
Excess of Revenue Over (Under) Expenditures	11,043	11,043	(59,206)	(70,249)
<u>Other Financing Sources (Uses)</u>				
Operating Transfers In	<u>15,000</u>	<u>15,000</u>	<u>23,626</u>	<u>8,626</u>
Net Change in Fund Balances	26,043	26,043	(35,580)	(61,623)
Fund Balances - Beginning of Year	<u>36,834</u>	<u>36,834</u>	<u>36,834</u>	<u>0</u>
Fund Balances - End of Year	<u>\$ 62,877</u>	<u>\$ 62,877</u>	<u>\$ 1,254</u>	<u>\$ (61,623)</u>

IOSCO COUNTY  
Tawas City, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
E-911 FUND - SPECIAL REVENUE FUND  
For the Year Ended December 31, 2019

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
<u>Revenue</u>				
Property Taxes	\$ 777,893	\$ 777,893	\$ 772,285	\$ (5,608)
State Grants and Revenue	0	0	10,382	10,382
Charges for Services	302,843	302,843	305,886	3,043
Interest and Rentals	500	500	707	207
Other Revenue	0	0	125	125
Total Revenue	<u>1,081,236</u>	<u>1,081,236</u>	<u>1,089,385</u>	<u>8,149</u>
<u>Expenditures</u>				
Current:				
Public Safety	876,331	876,331	907,402	(31,071)
Capital Outlay	480,000	480,000	557,838	(77,838)
Debt Service:				
Principal	0	0	44,738	(44,738)
Interest and Fiscal Charges	0	0	6,548	(6,548)
Total Expenditures	<u>1,356,331</u>	<u>1,356,331</u>	<u>1,516,526</u>	<u>(160,195)</u>
Excess of Revenue Over (Under) Expenditures	<u>(275,095)</u>	<u>(275,095)</u>	<u>(427,141)</u>	<u>(152,046)</u>
<u>Other Financing Sources (Uses)</u>				
Installment Purchase Agreement Proceeds	0	0	141,012	141,012
Operating Transfers In	295,000	295,000	197,737	(97,263)
Operating Transfers Out	(8,725)	(8,725)	0	8,725
Total Other Financing Sources (Uses)	<u>286,275</u>	<u>286,275</u>	<u>338,749</u>	<u>52,474</u>
Net Change in Fund Balances	11,180	11,180	(88,392)	(99,572)
Fund Balances - Beginning of Year	<u>105,258</u>	<u>105,258</u>	<u>105,258</u>	<u>0</u>
Fund Balances - End of Year	<u>\$ 116,438</u>	<u>\$ 116,438</u>	<u>\$ 16,866</u>	<u>\$ (99,572)</u>

OTHER INFORMATION

IOSCO COUNTY  
Tawas City, Michigan

COMBINING BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS  
December 31, 2019

Special Revenue Funds

	Parks and Recreation Fund	E-911 Wireless Training Grant Fund	E911 Wireless Fund	Friend of the Court Fund	Probate Guardian Fund	Marriage Counseling Fund	Building and Safety Fund
<b>Assets</b>							
Cash and Cash Equivalents	\$ 211,677	\$ 6,122	\$ 225,331	\$ 72,668	\$ 16,070	\$ 69,824	\$ 531,084
Investments	0	0	0	0	0	0	0
Receivables:							
Property Taxes	292,121	0	0	0	0	0	0
Accounts, Net	0	0	0	3,534	0	0	0
Loans Receivable	0	0	0	0	0	0	0
Due from State	3,818	14,102	44,714	109,607	0	0	0
Due from Other Funds	0	0	0	0	0	0	0
Prepaid Items	0	0	0	6,340	0	0	1,254
<b>Total Assets</b>	<b><u>\$ 507,616</u></b>	<b><u>\$ 20,224</u></b>	<b><u>\$ 270,045</u></b>	<b><u>\$ 192,149</u></b>	<b><u>\$ 16,070</u></b>	<b><u>\$ 69,824</u></b>	<b><u>\$ 532,338</u></b>
<b>Liabilities</b>							
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 5,895	\$ 0	\$ 0	\$ 7,205
Due to Other Funds	0	0	0	161,842	0	0	0
Due to Local Units	0	0	0	0	0	0	0
Due to State	0	0	0	0	0	0	0
Accrued Liabilities	0	0	0	18,072	0	0	2,630
Unearned Revenue	0	0	0	0	0	0	0
<b>Total Liabilities</b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>185,809</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>9,835</u></b>
<b>Deferred Inflows of Resources</b>							
Property Taxes Levied for Next Year	292,121	0	0	0	0	0	0
Unavailable Revenue - Loans	0	0	0	0	0	0	0
Unavailable Revenue - Grants	0	7,051	0	0	0	0	0
<b>Total Deferred Inflows of Resources</b>	<b><u>292,121</u></b>	<b><u>7,051</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>
<b>Fund Equity</b>							
Fund Balances:							
Nonspendable	0	0	0	6,340	0	0	1,254
Restricted	215,495	13,173	270,045	0	16,070	69,824	521,249
Committed	0	0	0	0	0	0	0
Assigned	0	0	0	0	0	0	0
<b>Total Fund Equity</b>	<b><u>215,495</u></b>	<b><u>13,173</u></b>	<b><u>270,045</u></b>	<b><u>6,340</u></b>	<b><u>16,070</u></b>	<b><u>69,824</u></b>	<b><u>522,503</u></b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Equity</b>	<b><u>\$ 507,616</u></b>	<b><u>\$ 20,224</u></b>	<b><u>\$ 270,045</u></b>	<b><u>\$ 192,149</u></b>	<b><u>\$ 16,070</u></b>	<b><u>\$ 69,824</u></b>	<b><u>\$ 532,338</u></b>

IOSCO COUNTY  
Tawas City, Michigan

COMBINING BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS  
December 31, 2019

Special Revenue Funds

	Oil Restitution Fund	Register of Deeds Technology Fund	Indigent Defense Fund	Crime Victims Rights Fund	Family Treatment Court Fund	Animal Control Officer Fund	Local Correctional Training Fund
<b>Assets</b>							
Cash and Cash Equivalents	\$ 45,553	\$ 104,774	\$ 25,474	\$ 0	\$ 13,370	\$ 45,087	\$ 13,666
Investments	0	0	0	0	0	0	0
Receivables:							
Property Taxes	0	0	0	0	0	93,479	0
Accounts, Net	0	0	0	0	0	0	0
Loans Receivable	0	0	0	0	0	0	0
Due from State	0	0	0	11,641	0	1,221	0
Due from Other Funds	0	0	0	0	0	1,996	0
Prepaid Items	0	0	693	1,568	0	1,327	0
<b>Total Assets</b>	<b>\$ 45,553</b>	<b>\$ 104,774</b>	<b>\$ 26,167</b>	<b>\$ 13,209</b>	<b>\$ 13,370</b>	<b>\$ 143,110</b>	<b>\$ 13,666</b>
<b>Liabilities</b>							
Accounts Payable	\$ 0	\$ 0	\$ 602	\$ 0	\$ 0	\$ 0	\$ 0
Due to Other Funds	0	0	0	10,453	0	0	0
Due to Local Units	0	0	0	0	0	0	0
Due to State	0	0	0	0	0	0	0
Accrued Liabilities	0	0	0	1,188	0	1,800	0
Unearned Revenue	0	0	18,213	0	0	0	0
<b>Total Liabilities</b>	<b>0</b>	<b>0</b>	<b>18,815</b>	<b>11,641</b>	<b>0</b>	<b>1,800</b>	<b>0</b>
<b>Deferred Inflows of Resources</b>							
Property Taxes Levied for Next Year	0	0	0	0	0	93,479	0
Unavailable Revenue - Loans	0	0	0	0	0	0	0
Unavailable Revenue - Grants	0	0	0	0	0	0	0
<b>Total Deferred Inflows of Resources</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>93,479</b>	<b>0</b>
<b>Fund Equity</b>							
Fund Balances:							
Nonspendable	0	0	693	1,568	0	1,327	0
Restricted	45,553	104,774	6,659	0	13,370	46,504	13,666
Committed	0	0	0	0	0	0	0
Assigned	0	0	0	0	0	0	0
<b>Total Fund Equity</b>	<b>45,553</b>	<b>104,774</b>	<b>7,352</b>	<b>1,568</b>	<b>13,370</b>	<b>47,831</b>	<b>13,666</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Equity</b>	<b>\$ 45,553</b>	<b>\$ 104,774</b>	<b>\$ 26,167</b>	<b>\$ 13,209</b>	<b>\$ 13,370</b>	<b>\$ 143,110</b>	<b>\$ 13,666</b>

IOSCO COUNTY  
Tawas City, Michigan

COMBINING BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS  
December 31, 2019

Special Revenue Funds

	Special Investigative Fund	Law Library Fund	Concealed Pistol Licensing Fund	Trail Grooming Fund	ICHRRLP Fund	Jail Tether	Michigan Justice Training Fund
<u>Assets</u>							
Cash and Cash Equivalents	\$ 5,778	\$ 139	\$ 33,283	\$ 10,072	\$ 107,758	\$ 13,680	\$ 3,707
Investments	0	0	0	0	80,000	0	0
Receivables:							
Property Taxes	0	0	0	0	0	0	0
Accounts, Net	0	1,750	0	0	1,619	0	0
Loans Receivable	0	0	0	0	88,822	0	0
Due from State	0	0	0	3,085	0	0	0
Due from Other Funds	0	0	0	0	2,847	0	0
Prepaid Items	0	0	0	0	0	0	0
Total Assets	<u>\$ 5,778</u>	<u>\$ 1,889</u>	<u>\$ 33,283</u>	<u>\$ 13,157</u>	<u>\$ 281,046</u>	<u>\$ 13,680</u>	<u>\$ 3,707</u>
<u>Liabilities</u>							
Accounts Payable	\$ 0	\$ 139	\$ 0	\$ 3,487	\$ 0	\$ 1,163	\$ 0
Due to Other Funds	0	1,750	0	0	0	0	0
Due to Local Units	0	0	0	0	0	0	0
Due to State	0	0	0	0	0	0	0
Accrued Liabilities	0	0	0	0	0	0	0
Unearned Revenue	0	0	0	0	0	0	0
Total Liabilities	<u>0</u>	<u>1,889</u>	<u>0</u>	<u>3,487</u>	<u>0</u>	<u>1,163</u>	<u>0</u>
<u>Deferred Inflows of Resources</u>							
Property Taxes Levied for Next Year	0	0	0	0	0	0	0
Unavailable Revenue - Loans	0	0	0	0	88,822	0	0
Unavailable Revenue - Grants	0	0	0	0	0	0	0
Total Deferred Inflows of Resources	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>88,822</u>	<u>0</u>	<u>0</u>
<u>Fund Equity</u>							
Fund Balances:							
Nonspendable	0	0	0	0	0	0	0
Restricted	5,778	0	33,283	9,670	192,224	12,517	3,707
Committed	0	0	0	0	0	0	0
Assigned	0	0	0	0	0	0	0
Total Fund Equity	<u>5,778</u>	<u>0</u>	<u>33,283</u>	<u>9,670</u>	<u>192,224</u>	<u>12,517</u>	<u>3,707</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Equity	<u>\$ 5,778</u>	<u>\$ 1,889</u>	<u>\$ 33,283</u>	<u>\$ 13,157</u>	<u>\$ 281,046</u>	<u>\$ 13,680</u>	<u>\$ 3,707</u>

IOSCO COUNTY  
Tawas City, Michigan

COMBINING BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS  
December 31, 2019

Special Revenue Funds

	MSU Extension Fund	Bike Path Project Fund	Child Care Fund	Veterans Relief Fund	Veterans Trust Fund	County Airport Fund	Plat Book Revolving Fund
<b>Assets</b>							
Cash and Cash Equivalents	\$ 1,761	\$ 22,196	\$ 45,905	\$ 250	\$ 49,965	\$ 2,998	\$ 24,695
Investments	0	0	0	0	0	0	0
Receivables:							
Property Taxes	139,428	0	0	0	70,109	0	0
Accounts, Net	0	0	0	0	0	0	0
Loans Receivable	0	0	0	0	0	0	0
Due from State	1,832	0	92,393	0	917	0	0
Due from Other Funds	2,995	0	0	0	0	3,704	0
Prepaid Items	1,568	0	1,648	0	0	0	0
<b>Total Assets</b>	<b>\$ 147,584</b>	<b>\$ 22,196</b>	<b>\$ 139,946</b>	<b>\$ 250</b>	<b>\$ 120,991</b>	<b>\$ 6,702</b>	<b>\$ 24,695</b>
<b>Liabilities</b>							
Accounts Payable	\$ 5,363	\$ 0	\$ 34,972	\$ 0	\$ 8	\$ 3,982	\$ 0
Due to Other Funds	0	0	12,106	0	0	2,720	0
Due to Local Units	0	0	14,400	0	0	0	0
Due to State	0	0	30,531	0	0	0	0
Accrued Liabilities	1,225	0	6,502	0	0	0	0
Unearned Revenue	0	0	0	0	0	0	0
<b>Total Liabilities</b>	<b>6,588</b>	<b>0</b>	<b>98,511</b>	<b>0</b>	<b>8</b>	<b>6,702</b>	<b>0</b>
<b>Deferred Inflows of Resources</b>							
Property Taxes Levied for Next Year	139,428	0	0	0	70,109	0	0
Unavailable Revenue - Loans	0	0	0	0	0	0	0
Unavailable Revenue - Grants	0	0	39,787	0	0	0	0
<b>Total Deferred Inflows of Resources</b>	<b>139,428</b>	<b>0</b>	<b>39,787</b>	<b>0</b>	<b>70,109</b>	<b>0</b>	<b>0</b>
<b>Fund Equity</b>							
Fund Balances:							
Nonspendable	1,568	0	1,648	0	0	0	0
Restricted	0	22,196	0	250	50,874	0	0
Committed	0	0	0	0	0	0	24,695
Assigned	0	0	0	0	0	0	0
<b>Total Fund Equity</b>	<b>1,568</b>	<b>22,196</b>	<b>1,648</b>	<b>250</b>	<b>50,874</b>	<b>0</b>	<b>24,695</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Equity</b>	<b>\$ 147,584</b>	<b>\$ 22,196</b>	<b>\$ 139,946</b>	<b>\$ 250</b>	<b>\$ 120,991</b>	<b>\$ 6,702</b>	<b>\$ 24,695</b>

IOSCO COUNTY  
Tawas City, Michigan

COMBINING BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS  
December 31, 2019

	Special Revenue Funds		Debt Service	Capital Project Funds				Total Other Governmental Funds
	Economic Revolving Loan Fund	Economic Revolving Loan #3 Fund	Funds 2009 Capital Improvement Bonds	Building Improvement Fund	Capital Improvement Construction Fund	Courthouse Preservation Fund	EDC Capital Projects Fund	
<b>Assets</b>								
Cash and Cash Equivalents	\$ 388	\$ 22,536	\$ 0	\$ 799,107	\$ 22,651	\$ 14,928	\$ 9,528	\$ 2,572,025
Investments	0	0	0	0	0	0	0	80,000
Receivables:								
Property Taxes	0	0	0	0	0	0	0	595,137
Accounts, Net	0	0	0	0	0	0	0	6,903
Loans Receivable	136,917	23,433	0	0	0	0	0	249,172
Due from State	0	0	0	0	0	0	0	283,330
Due from Other Funds	0	0	0	0	0	0	0	11,542
Prepaid Items	0	0	0	0	0	0	0	14,398
<b>Total Assets</b>	<b>\$ 137,305</b>	<b>\$ 45,969</b>	<b>\$ 0</b>	<b>\$ 799,107</b>	<b>\$ 22,651</b>	<b>\$ 14,928</b>	<b>\$ 9,528</b>	<b>\$ 3,812,507</b>
<b>Liabilities</b>								
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 62,816
Due to Other Funds	0	0	0	0	0	0	0	188,871
Due to Local Units	0	0	0	0	0	0	0	14,400
Due to State	0	0	0	0	0	0	0	30,531
Accrued Liabilities	0	0	0	0	0	0	0	31,417
Unearned Revenue	0	0	0	0	0	0	9,528	27,741
<b>Total Liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>9,528</b>	<b>355,776</b>
<b>Deferred Inflows of Resources</b>								
Property Taxes Levied for Next Year	0	0	0	0	0	0	0	595,137
Unavailable Revenue - Loans	136,917	23,433	0	0	0	0	0	249,172
Unavailable Revenue - Grants	0	0	0	0	0	0	0	46,838
<b>Total Deferred Inflows of Resources</b>	<b>136,917</b>	<b>23,433</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>891,147</b>
<b>Fund Equity</b>								
Fund Balances:								
Nonspendable	0	0	0	0	0	0	0	14,398
Restricted	388	22,536	0	0	22,651	14,928	0	1,727,384
Committed	0	0	0	0	0	0	0	24,695
Assigned	0	0	0	799,107	0	0	0	799,107
<b>Total Fund Equity</b>	<b>388</b>	<b>22,536</b>	<b>0</b>	<b>799,107</b>	<b>22,651</b>	<b>14,928</b>	<b>0</b>	<b>2,565,584</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Equity</b>	<b>\$ 137,305</b>	<b>\$ 45,969</b>	<b>\$ 0</b>	<b>\$ 799,107</b>	<b>\$ 22,651</b>	<b>\$ 14,928</b>	<b>\$ 9,528</b>	<b>\$ 3,812,507</b>

IOSCO COUNTY  
Tawas City, Michigan

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES  
OTHER GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2019

	Special Revenue Funds						
	Parks and Recreation Fund	E-911 Wireless Training Grant Fund	E911 Wireless Fund	Friend of the Court Fund	Probate Guardian Fund	Marriage Counseling Fund	Building and Safety Fund
<b>Revenue</b>							
Property Taxes	\$ 283,940	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Federal Grants and Revenue	0	0	0	539,735	0	0	0
State Grants and Revenue	3,818	14,108	154,505	25,809	0	0	0
Contributions from Local Units	0	0	0	5,420	0	0	0
Licenses and Permits	0	0	0	0	0	0	357,243
Charges for Services	0	0	0	0	104,857	3,085	23,791
Fines and Forfeits	0	0	0	0	0	0	0
Interest and Rentals	0	0	4,612	0	0	0	0
Other Revenue	0	0	0	27,312	0	0	274
<b>Total Revenue</b>	<b>287,758</b>	<b>14,108</b>	<b>159,117</b>	<b>598,276</b>	<b>104,857</b>	<b>3,085</b>	<b>381,308</b>
<b>Expenditures</b>							
Current:							
General Government:							
Judicial	0	0	0	669,351	98,652	0	0
Other General Government	0	0	0	0	0	0	0
Public Safety	0	11,797	0	0	0	0	226,515
Health and Welfare	0	0	0	0	0	1,000	0
Community and Economic Development	0	0	0	0	0	0	0
Recreation and Cultural	0	0	0	0	0	0	0
Capital Outlay	0	0	0	650	0	0	14,780
Debt Service:							
Principal	0	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0	0
Total Expenditures	0	11,797	0	670,001	98,652	1,000	241,295
Excess of Revenue Over (Under)							
Expenditures	287,758	2,311	159,117	(71,725)	6,205	2,085	140,013
<b>Other Financing Sources (Uses)</b>							
Sale of Capital Assets	0	0	0	0	0	0	0
Operating Transfers In	0	0	0	67,203	0	0	0
Operating Transfers Out	(72,263)	0	(197,737)	0	0	0	0
Total Other Financing Sources (Uses)	(72,263)	0	(197,737)	67,203	0	0	0
<b>Net Change in Fund Balances</b>	<b>215,495</b>	<b>2,311</b>	<b>(38,620)</b>	<b>(4,522)</b>	<b>6,205</b>	<b>2,085</b>	<b>140,013</b>
Fund Balances - Beginning of Year	0	10,862	308,665	10,862	9,865	67,739	382,490
<b>Fund Balances - End of Year</b>	<b>\$ 215,495</b>	<b>\$ 13,173</b>	<b>\$ 270,045</b>	<b>\$ 6,340</b>	<b>\$ 16,070</b>	<b>\$ 69,824</b>	<b>\$ 522,503</b>

IOSCO COUNTY  
Tawas City, Michigan

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES  
OTHER GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2019

Special Revenue Funds

	Oil Restitution Fund	Register of Deeds Technology Fund	Indigent Defense Fund	Crime Victims Rights Fund	Family Treatment Court Fund	Animal Control Officer Fund	Local Correctional Training Fund
<b>Revenue</b>							
Property Taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 90,492	\$ 0
Federal Grants and Revenue	0	0	0	0	0	0	0
State Grants and Revenue	0	0	0	47,242	0	4,160	0
Contributions from Local Units	0	0	0	0	0	0	0
Licenses and Permits	0	0	0	0	0	0	0
Charges for Services	23,872	36,145	0	0	1,190	0	12,002
Fines and Forfeits	0	0	0	0	0	0	0
Interest and Rentals	0	283	0	0	0	0	0
Other Revenue	0	0	0	0	0	0	0
<b>Total Revenue</b>	<b>23,872</b>	<b>36,428</b>	<b>0</b>	<b>47,242</b>	<b>1,190</b>	<b>94,652</b>	<b>12,002</b>
<b>Expenditures</b>							
Current:							
General Government:							
Judicial	0	0	0	0	0	0	0
Other General Government	0	4,693	0	0	0	0	0
Public Safety	21,970	0	160,756	73,908	0	86,822	14,155
Health and Welfare	0	0	0	0	0	0	0
Community and Economic Development	0	0	0	0	0	0	0
Recreation and Cultural	0	0	0	0	0	0	0
Capital Outlay	0	30,589	0	0	0	29,492	0
Debt Service:							
Principal	0	5,995	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0	0
<b>Total Expenditures</b>	<b>21,970</b>	<b>41,277</b>	<b>160,756</b>	<b>73,908</b>	<b>0</b>	<b>116,314</b>	<b>14,155</b>
Excess of Revenue Over (Under)	1,902	(4,849)	(160,756)	(26,666)	1,190	(21,662)	(2,153)
<b>Other Financing Sources (Uses)</b>							
Sale of Capital Assets	0	0	0	0	0	13,005	0
Operating Transfers In	0	0	168,108	17,254	0	0	0
Operating Transfers Out	0	0	0	0	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>0</b>	<b>168,108</b>	<b>17,254</b>	<b>0</b>	<b>13,005</b>	<b>0</b>
Net Change in Fund Balances	1,902	(4,849)	7,352	(9,412)	1,190	(8,657)	(2,153)
Fund Balances - Beginning of Year	43,651	109,623	0	10,980	12,180	56,488	15,819
Fund Balances - End of Year	\$ 45,553	\$ 104,774	\$ 7,352	\$ 1,568	\$ 13,370	\$ 47,831	\$ 13,666

IOSCO COUNTY  
Tawas City, Michigan

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES  
OTHER GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2019

	Special Revenue Funds						
	Special Investigative Fund	Law Library Fund	Concealed Pistol Licensing Fund	Trail Grooming Fund	ICHRRLP Fund	Jail Tether	Michigan Justice Training Fund
<b>Revenue</b>							
Property Taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Federal Grants and Revenue	0	0	0	0	0	0	0
State Grants and Revenue	0	0	0	40,173	0	0	843
Contributions from Local Units	0	0	0	0	0	0	0
Licenses and Permits	0	0	15,994	0	0	0	0
Charges for Services	0	0	0	0	0	0	0
Fines and Forfeits	0	3,500	0	0	0	0	0
Interest and Rentals	0	0	0	3	1,743	0	0
Other Revenue	0	0	0	0	3,236	8,533	0
<b>Total Revenue</b>	<b>0</b>	<b>3,500</b>	<b>15,994</b>	<b>40,176</b>	<b>4,979</b>	<b>8,533</b>	<b>843</b>
<b>Expenditures</b>							
Current:							
General Government:							
Judicial	0	6,449	0	0	0	0	0
Other General Government	0	0	0	0	0	0	0
Public Safety	0	0	7,584	0	0	2,575	1,010
Health and Welfare	0	0	0	0	110	0	0
Community and Economic Development	0	0	0	0	0	0	0
Recreation and Cultural	0	0	0	55,855	0	0	0
Capital Outlay	0	0	7,872	56,087	0	0	0
Debt Service:							
Principal	0	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0	0
<b>Total Expenditures</b>	<b>0</b>	<b>6,449</b>	<b>15,456</b>	<b>111,942</b>	<b>110</b>	<b>2,575</b>	<b>1,010</b>
Excess of Revenue Over (Under)							
Expenditures	0	(2,949)	538	(71,766)	4,869	5,958	(167)
<b>Other Financing Sources (Uses)</b>							
Sale of Capital Assets	0	0	0	0	0	0	0
Operating Transfers In	0	2,773	0	72,263	0	0	0
Operating Transfers Out	0	0	0	0	(22,100)	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>2,773</b>	<b>0</b>	<b>72,263</b>	<b>(22,100)</b>	<b>0</b>	<b>0</b>
<b>Net Change in Fund Balances</b>	<b>0</b>	<b>(176)</b>	<b>538</b>	<b>497</b>	<b>(17,231)</b>	<b>5,958</b>	<b>(167)</b>
Fund Balances - Beginning of Year	5,778	176	32,745	9,173	209,455	6,559	3,874
<b>Fund Balances - End of Year</b>	<b>\$ 5,778</b>	<b>\$ 0</b>	<b>\$ 33,283</b>	<b>\$ 9,670</b>	<b>\$ 192,224</b>	<b>\$ 12,517</b>	<b>\$ 3,707</b>

IOSCO COUNTY  
Tawas City, Michigan

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES  
OTHER GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2019

Special Revenue Funds

	MSU Extension Fund	Bike Path Project Fund	Child Care Fund	Veterans Relief Fund	Veterans Trust Fund	County Airport Fund	Plat Book Revolving Fund
<u>Revenue</u>							
Property Taxes	\$ 135,111	\$ 0	\$ 0	\$ 0	\$ 67,868	\$ 0	\$ 0
Federal Grants and Revenue	0	0	0	0	0	0	0
State Grants and Revenue	6,240	0	570,129	0	917	0	0
Contributions from Local Units	0	0	0	0	0	0	0
Licenses and Permits	0	0	0	0	0	0	0
Charges for Services	0	0	0	0	0	26,686	0
Fines and Forfeits	0	0	0	0	0	0	0
Interest and Rentals	0	0	0	0	0	0	0
Other Revenue	0	10	43,683	0	1	0	915
Total Revenue	<u>141,351</u>	<u>10</u>	<u>613,812</u>	<u>0</u>	<u>68,786</u>	<u>26,686</u>	<u>915</u>
<u>Expenditures</u>							
Current:							
General Government:							
Judicial	0	0	0	0	0	0	0
Other General Government	0	0	0	0	0	57,941	0
Public Safety	0	0	0	0	0	0	0
Health and Welfare	0	0	1,041,626	0	23,390	0	0
Community and Economic Development	208,236	0	0	0	0	0	0
Recreation and Cultural	0	0	0	0	0	0	0
Capital Outlay	898	0	1,634	0	0	0	0
Debt Service:							
Principal	0	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0	0
Total Expenditures	<u>209,134</u>	<u>0</u>	<u>1,043,260</u>	<u>0</u>	<u>23,390</u>	<u>57,941</u>	<u>0</u>
Excess of Revenue Over (Under)							
Expenditures	<u>(67,783)</u>	<u>10</u>	<u>(429,448)</u>	<u>0</u>	<u>45,396</u>	<u>(31,255)</u>	<u>915</u>
<u>Other Financing Sources (Uses)</u>							
Sale of Capital Assets	0	0	0	0	0	0	0
Operating Transfers In	66,671	0	425,540	0	0	28,036	0
Operating Transfers Out	0	0	0	0	0	0	0
Total Other Financing Sources (Uses)	<u>66,671</u>	<u>0</u>	<u>425,540</u>	<u>0</u>	<u>0</u>	<u>28,036</u>	<u>0</u>
Net Change in Fund Balances	(1,112)	10	(3,908)	0	45,396	(3,219)	915
Fund Balances - Beginning of Year	2,680	22,186	5,556	250	5,478	3,219	23,780
Fund Balances - End of Year	<u>\$ 1,568</u>	<u>\$ 22,196</u>	<u>\$ 1,648</u>	<u>\$ 250</u>	<u>\$ 50,874</u>	<u>\$ 0</u>	<u>\$ 24,695</u>

IOSCO COUNTY  
Tawas City, Michigan

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES  
OTHER GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2019

	Special Revenue Funds		Debt Service	Capital Project Funds				Total Other Governmental Funds
	Economic	Economic	2009 Capital	Capital		Courthouse	EDC Capital	
	Revolving Loan	Revolving Loan #3	Improvement	Building	Improvement			
Fund	Fund	Bonds	Improvement Fund	Construction Fund	Preservation Fund	Projects Fund		
<b>Revenue</b>								
Property Taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 577,411
Federal Grants and Revenue	0	0	0	0	0	0	0	539,735
State Grants and Revenue	0	0	0	0	0	0	0	867,944
Contributions from Local Units	0	0	0	0	0	0	0	5,420
Licenses and Permits	0	0	0	0	0	0	0	373,237
Charges for Services	0	0	0	0	0	0	0	231,628
Fines and Forfeits	0	0	0	0	0	0	0	3,500
Interest and Rentals	0	0	0	1,596	0	0	0	8,237
Other Revenue	0	5,230	0	0	11	14,940	0	104,145
<b>Total Revenue</b>	<b>0</b>	<b>5,230</b>	<b>0</b>	<b>1,596</b>	<b>11</b>	<b>14,940</b>	<b>0</b>	<b>2,711,257</b>
<b>Expenditures</b>								
Current:								
General Government:								
Judicial	0	0	0	0	0	8,203	0	782,655
Other General Government	0	0	0	0	0	0	0	62,634
Public Safety	0	0	0	0	0	0	0	607,092
Health and Welfare	0	0	0	0	0	0	0	1,066,126
Community and Economic Development	0	0	0	0	0	0	0	208,236
Recreation and Cultural	0	0	0	0	0	0	0	55,855
Capital Outlay	0	0	0	0	0	0	0	142,002
Debt Service:								
Principal	0	0	70,000	0	0	0	0	75,995
Interest and Fiscal Charges	0	0	1,453	0	0	0	0	1,453
<b>Total Expenditures</b>	<b>0</b>	<b>0</b>	<b>71,453</b>	<b>0</b>	<b>0</b>	<b>8,203</b>	<b>0</b>	<b>3,002,048</b>
Excess of Revenue Over (Under)								
Expenditures	0	5,230	(71,453)	1,596	11	6,737	0	(290,791)
<b>Other Financing Sources (Uses)</b>								
Sale of Capital Assets	0	0	0	0	0	0	0	13,005
Operating Transfers In	0	0	71,453	0	0	0	0	919,301
Operating Transfers Out	0	0	0	0	0	0	0	(292,100)
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>0</b>	<b>71,453</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>640,206</b>
Net Change in Fund Balances	0	5,230	0	1,596	11	6,737	0	349,415
Fund Balances - Beginning of Year	388	17,306	0	797,511	22,640	8,191	0	2,216,169
Fund Balances - End of Year	\$ 388	\$ 22,536	\$ 0	\$ 799,107	\$ 22,651	\$ 14,928	\$ 0	\$ 2,565,584

IOSCO COUNTY  
Tawas City, Michigan

COMBINING STATEMENT OF NET POSITION  
OTHER ENTERPRISE FUNDS  
December 31, 2019

	Alabaster Water Fund	Baldwin Water 2002 Fund	Commissary	Total
<u>Assets</u>				
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 84,768	\$ 84,768
Receivables:				
Loans Receivable	30,313	25,619	0	55,932
Noncurrent Assets:				
Long-Term Loans Receivable	<u>0</u>	<u>50,000</u>	<u>0</u>	<u>50,000</u>
Total Assets	<u>30,313</u>	<u>75,619</u>	<u>84,768</u>	<u>190,700</u>
<u>Liabilities</u>				
Current Liabilities:				
Accounts Payable	0	0	12	12
Accrued Interest Payable	313	619	0	932
Current Portion of Long-Term Liabilities	30,000	25,000	0	55,000
Long-Term Liabilities:				
Due in More Than One Year	<u>0</u>	<u>50,000</u>	<u>0</u>	<u>50,000</u>
Total Liabilities	<u>30,313</u>	<u>75,619</u>	<u>12</u>	<u>105,944</u>
<u>Net Position</u>				
Unrestricted	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 84,756</u>	<u>\$ 84,756</u>

IOSCO COUNTY  
Tawas City, Michigan

COMBINING STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION  
OTHER ENTERPRISE FUNDS  
For the Year Ended December 31, 2019

	Alabaster Water Fund	Baldwin Water 2002 Fund	Commissary	Total
<u>Operating Revenue</u>				
Charges For Services	\$ 0	\$ 0	\$ 8,383	\$ 8,383
<u>Operating Expenses</u>				
Other	<u>0</u>	<u>0</u>	<u>1,030</u>	<u>1,030</u>
Operating Income	<u>0</u>	<u>0</u>	<u>7,353</u>	<u>7,353</u>
<u>Nonoperating Revenue (Expenses)</u>				
Contributions	3,241	4,858	0	8,099
Interest and Fees Expense	<u>(3,241)</u>	<u>(4,858)</u>	<u>0</u>	<u>(8,099)</u>
Total Nonoperating Revenue (Expenses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Change in Net Position	0	0	7,353	7,353
Net Position - Beginning of Year	<u>0</u>	<u>0</u>	<u>77,403</u>	<u>77,403</u>
Net Position - End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 84,756</u>	<u>\$ 84,756</u>

IOSCO COUNTY  
Tawas City, Michigan

COMBINING STATEMENT OF CASH FLOWS  
OTHER ENTERPRISE FUNDS  
For the Year Ended December 31, 2019

	Alabaster Water Fund	Baldwin Water 2002 Fund	Commissary	Total
<u>Cash Flows From Operating Activities</u>				
Receipts from Customers and Taxpayers	\$ 0	\$ 0	\$ 8,383	\$ 8,383
Payments to Suppliers for Goods and Services	0	0	(1,018)	(1,018)
Net Cash Provided by Operating Activities	0	0	7,365	7,365
<u>Cash Flows From Capital and Related Financing Activities</u>				
Intergovernmental Contributions	33,548	30,056	0	63,604
Principal Paid on Long-Term Debt	(30,000)	(25,000)	0	(55,000)
Interest and Fees Paid on Long-Term Debt	(3,548)	(5,056)	0	(8,604)
Net Cash Provided (Used) by Capital and Related Financing Activities	0	0	0	0
Net Increase (Decrease) in Cash and Cash Equivalents	0	0	7,365	7,365
Cash and Cash Equivalents at Beginning of Year	0	0	77,403	77,403
Cash and Cash Equivalents at End of Year	\$ 0	\$ 0	\$ 84,768	\$ 84,768
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</u>				
Operating Income	\$ 0	\$ 0	\$ 7,353	\$ 7,353
Change in Assets and Liabilities:				
Accounts Payable	0	0	12	12
Net Cash Provided by Operating Activities	\$ 0	\$ 0	\$ 7,365	\$ 7,365

IOSCO COUNTY  
Tawas City, Michigan

COMBINING BALANCE SHEET  
DRAIN COMMISSION - COMPONENT UNIT  
GOVERNMENTAL FUNDS  
December 31, 2019

Debt Retirement Funds								
	Lakewood Storm Fund	Elm Creek Fund	Kelchner Drain Fund	Gregory / Scherrett Drain Fund	Whitney Drain Debt Fund	Parent Drain Debt Fund	Cedar Lake Level Project	Alabaster Whitney Debt Fund
<b>Assets</b>								
Cash and Cash Equivalents	\$ 1,121	\$ 66	\$ 4,396	\$ 5,645	\$ 212,160	\$ 4,252	\$ 0	\$ 14,375
Receivables:								
Special Assessments	0	0	0	0	126,753	0	0	168,886
Due from Primary Government	0	0	100	0	0	0	0	0
Due from Local Units	0	0	0	0	86,526	0	0	105,000
Due from Other Funds	0	0	300	0	0	0	0	0
Prepaid Items	0	0	0	0	0	0	138,740	0
<b>Total Assets</b>	<b>\$ 1,121</b>	<b>\$ 66</b>	<b>\$ 4,796</b>	<b>\$ 5,645</b>	<b>\$ 425,439</b>	<b>\$ 4,252</b>	<b>\$ 138,740</b>	<b>\$ 288,261</b>
<b>Liabilities</b>								
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Due to Other Funds	0	2,500	23,790	20,201	0	7,000	0	0
Due to Primary Government	0	0	0	0	0	0	0	0
<b>Total Liabilities</b>	<b>0</b>	<b>2,500</b>	<b>23,790</b>	<b>20,201</b>	<b>0</b>	<b>7,000</b>	<b>0</b>	<b>0</b>
<b>Deferred Inflows of Resources</b>								
Unavailable Revenue - Special Assessments	0	0	0	0	126,753	0	0	168,886
Unavailable Revenue - Due from Local Units	0	0	0	0	86,526	0	0	105,000
<b>Total Deferred Inflows of Resources</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>213,279</b>	<b>0</b>	<b>0</b>	<b>273,886</b>
<b>Fund Equity</b>								
Fund Balances (Deficit):								
Nonspendable	0	0	0	0	0	0	138,740	0
Restricted For:								
Debt Service	0	0	0	0	212,160	0	0	14,375
Drain and Lake Level Maintenance	1,121	(2,434)	(18,994)	(14,556)	0	(2,748)	0	0
Capital Projects	0	0	0	0	0	0	0	0
<b>Total Fund Equity</b>	<b>1,121</b>	<b>(2,434)</b>	<b>(18,994)</b>	<b>(14,556)</b>	<b>212,160</b>	<b>(2,748)</b>	<b>138,740</b>	<b>14,375</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Equity</b>	<b>\$ 1,121</b>	<b>\$ 66</b>	<b>\$ 4,796</b>	<b>\$ 5,645</b>	<b>\$ 425,439</b>	<b>\$ 4,252</b>	<b>\$ 138,740</b>	<b>\$ 288,261</b>

IOSCO COUNTY  
Tawas City, Michigan

COMBINING BALANCE SHEET  
DRAIN COMMISSION - COMPONENT UNIT  
GOVERNMENTAL FUNDS  
December 31, 2019

	<u>Capital Project Funds</u>							Total Governmental Funds
	Van Etten Dam Lake Level Fund	Whitney Drain Fund	Lake Level Maintenance Fund	Drain Maintenance Fund	Lake Level Revolving Fund	Drain Assessment Revolving Fund	Alabaster Whitney Construction Fund	
<u>Assets</u>								
Cash and Cash Equivalents	\$ 65,545	\$ 14,040	\$ 539	\$ 93,151	\$ 0	\$ 1,809	\$ 68,345	\$ 485,444
Receivables:								
Special Assessments	0	0	0	0	0	0	0	295,639
Due from Primary Government	0	0	0	0	0	0	0	100
Due from Local Units	0	0	0	0	12,000	0	0	203,526
Due from Other Funds	0	0	0	0	0	53,491	0	53,791
Prepaid Items	0	0	0	0	0	0	0	138,740
<b>Total Assets</b>	<b>\$ 65,545</b>	<b>\$ 14,040</b>	<b>\$ 539</b>	<b>\$ 93,151</b>	<b>\$ 12,000</b>	<b>\$ 55,300</b>	<b>\$ 68,345</b>	<b>\$ 1,177,240</b>
<u>Liabilities</u>								
Accounts Payable	\$ 75	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,500	\$ 3,575
Due to Other Funds	0	0	0	0	0	300	0	53,791
Due to Primary Government	150	0	0	0	12,000	55,000	0	67,150
Total Liabilities	225	0	0	0	12,000	55,300	3,500	124,516
<u>Deferred Inflows of Resources</u>								
Unavailable Revenue - Special Assessments	0	0	0	0	0	0	0	295,639
Unavailable Revenue - Due from Local Units	0	0	0	0	0	0	0	191,526
Total Deferred Inflows of Resources	0	0	0	0	0	0	0	487,165
<u>Fund Equity</u>								
Fund Balances (Deficit):								
Nonspendable	0	0	0	0	0	0	0	138,740
Restricted For:								
Debt Service	0	0	0	0	0	0	0	226,535
Drain and Lake Level Maintenance	65,320	14,040	539	93,151	0	0	0	135,439
Capital Projects	0	0	0	0	0	0	64,845	64,845
Total Fund Equity	65,320	14,040	539	93,151	0	0	64,845	565,559
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Equity</b>	<b>\$ 65,545</b>	<b>\$ 14,040</b>	<b>\$ 539</b>	<b>\$ 93,151</b>	<b>\$ 12,000</b>	<b>\$ 55,300</b>	<b>\$ 68,345</b>	<b>\$ 1,177,240</b>

IOSCO COUNTY  
Tawas City, Michigan

DRAIN COMMISSION - COMPONENT UNIT  
 RECONCILIATION OF TOTAL GOVERNMENTAL FUND  
 BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES  
December 31, 2019

Total Governmental Fund Balances	\$	565,559
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. Capital assets at year end consist of:		
Capital Assets Cost	\$ 2,977,208	
Accumulated Depreciation	<u>(680,902)</u>	2,296,306
Other assets are not available to pay for current period expenditures and, therefore, are unavailable revenue in the governmental funds:		
Special Assessments Receivable	295,639	
Due from Local Units	<u>191,526</u>	487,165
Accrued Interest on Long-Term Liabilities		(8,917)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year end consist of:		
Bonds Payable	(345,000)	
Notes Payable	<u>(442,500)</u>	<u>(787,500)</u>
Total Net Position - Governmental Activities	\$	<u><u>2,552,613</u></u>

IOSCO COUNTY  
Tawas City, Michigan

COMBINING STATEMENT OF  
REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
DRAIN COMMISSION - COMPONENT UNIT - GOVERNMENTAL FUNDS  
December 31, 2019

	Debt Retirement Funds							
	Lakewood Storm Fund	Elm Creek Fund	Kelchner Drain Fund	Gregory / Scherrett Drain Fund	Whitney Drain Debt Fund	Parent Drain Debt Fund	Cedar Lake Level Project	Alabaster Whitney Debt Fund
<u>Revenue</u>								
Special Assessments	\$ 0	\$ 0	\$ 4,396	\$ 5,644	\$ 134,294	\$ 8,500	\$ 0	\$ 14,372
Interest and Rentals	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>103</u>	<u>1</u>	<u>0</u>	<u>3</u>
Total Revenue	<u>1</u>	<u>0</u>	<u>4,396</u>	<u>5,644</u>	<u>134,397</u>	<u>8,501</u>	<u>0</u>	<u>14,375</u>
<u>Expenditures</u>								
Current:								
Public Works	0	2,500	23,390	26,250	0	50	0	0
Capital Outlay	0	0	0	0	0	0	0	0
Debt Service:								
Principal	0	0	0	0	115,000	0	105,000	0
Interest and Fiscal Charges	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>16,850</u>	<u>0</u>	<u>3,760</u>	<u>0</u>
Total Expenditures	<u>0</u>	<u>2,500</u>	<u>23,390</u>	<u>26,250</u>	<u>131,850</u>	<u>50</u>	<u>108,760</u>	<u>0</u>
Excess of Revenue Over (Under) Expenditures	<u>1</u>	<u>(2,500)</u>	<u>(18,994)</u>	<u>(20,606)</u>	<u>2,547</u>	<u>8,451</u>	<u>(108,760)</u>	<u>14,375</u>
<u>Other Financing Sources (Uses)</u>								
Note Proceeds	0	0	0	0	0	0	142,500	0
Operating Transfers In	0	0	0	0	0	0	0	0
Operating Transfers Out	<u>(2,000)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>(2,000)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>142,500</u>	<u>0</u>
Net Change in Fund Balances	(1,999)	(2,500)	(18,994)	(20,606)	2,547	8,451	33,740	14,375
Fund Balances - Beginning of Year	<u>3,120</u>	<u>66</u>	<u>0</u>	<u>6,050</u>	<u>209,613</u>	<u>(11,199)</u>	<u>105,000</u>	<u>0</u>
Fund Balances (Deficit) - End of Year	<u>\$ 1,121</u>	<u>\$ (2,434)</u>	<u>\$ (18,994)</u>	<u>\$ (14,556)</u>	<u>\$ 212,160</u>	<u>\$ (2,748)</u>	<u>\$ 138,740</u>	<u>\$ 14,375</u>

IOSCO COUNTY  
Tawas City, Michigan

COMBINING STATEMENT OF  
REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
DRAIN COMMISSION - COMPONENT UNIT - GOVERNMENTAL FUNDS  
December 31, 2019

	Capital Project Funds							Total Governmental Funds
	Van Etten Dam Lake Level Fund	Whitney Drain Fund	Lake Level Maintenance Fund	Drain Maintenance Fund	Lake Level Revolving Fund	Drain Assessment Revolving Fund	Alabaster Whitney Construction Fund	
<u>Revenue</u>								
Special Assessments	\$ 8,410	\$ 0	\$ 0	\$ 21,201	\$ 0	\$ 0	\$ 56,370	\$ 253,187
Interest and Rentals	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>108</u>
Total Revenue	<u>8,410</u>	<u>0</u>	<u>0</u>	<u>21,201</u>	<u>0</u>	<u>0</u>	<u>56,370</u>	<u>253,295</u>
<u>Expenditures</u>								
Current:								
Public Works	5,723	0	425	23,559	0	0	4,093	85,990
Capital Outlay	0	0	0	0	0	0	244,180	244,180
Debt Service:								
Principal	0	0	0	0	0	0	0	220,000
Interest and Fiscal Charges	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>20,610</u>
Total Expenditures	<u>5,723</u>	<u>0</u>	<u>425</u>	<u>23,559</u>	<u>0</u>	<u>0</u>	<u>248,273</u>	<u>570,780</u>
Excess of Revenue Over (Under) Expenditures	<u>2,687</u>	<u>0</u>	<u>(425)</u>	<u>(2,358)</u>	<u>0</u>	<u>0</u>	<u>(191,903)</u>	<u>(317,485)</u>
<u>Other Financing Sources (Uses)</u>								
Note Proceeds	0	0	0	0	0	0	300,000	442,500
Operating Transfers In	0	0	0	45,252	0	0	0	45,252
Operating Transfers Out	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(43,252)</u>	<u>(45,252)</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>45,252</u>	<u>0</u>	<u>0</u>	<u>256,748</u>	<u>442,500</u>
Net Change in Fund Balances	2,687	0	(425)	42,894	0	0	64,845	125,015
Fund Balances - Beginning of Year	<u>62,633</u>	<u>14,040</u>	<u>964</u>	<u>50,257</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>440,544</u>
Fund Balances (Deficit) - End of Year	<u>\$ 65,320</u>	<u>\$ 14,040</u>	<u>\$ 539</u>	<u>\$ 93,151</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 64,845</u>	<u>\$ 565,559</u>

IOSCO COUNTY  
Tawas City, Michigan

DRAIN COMMISSION - COMPONENT UNIT  
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2019

Total Net Change in Fund Balances - Governmental Funds	\$	125,015
Amounts reported for governmental activities in the statement of activities are different because:		
Receivables not currently available are reported as revenue when collected or when currently available in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements:		
Special Assessments	\$ 81,418	
Due from Local Units	<u>76,158</u>	157,576
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital Outlay	244,180	
Current Year Depreciation Expense	<u>(76,292)</u>	167,888
Debt issued provides current financial resources to governmental funds, but issuing debt increases liabilities in the statement of net position. Proceeds from debt issued consists of the following:		
Note Proceeds		(442,500)
Principal repayments on long-term debt are reported as expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. The amount of repayments reported as expenditures in the governmental funds consist of:		
Bonds Payable	115,000	
Notes Payable	<u>105,000</u>	220,000
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:		
Net Change in Accrued Interest		<u>(7,768)</u>
Change in Net Position of Governmental Activities	\$	<u><u>220,211</u></u>



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IOSCO COUNTY  
TAWAS CITY, MICHIGAN

SINGLE AUDIT REPORTS  
YEAR ENDED DECEMBER 31, 2019

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*Stephenson & Company, P.C.*

Certified Public Accountants & Consultants

July 29, 2020

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

Board of Commissioners  
Iosco County  
Tawas City, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Iosco County as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Iosco County's basic financial statements and have issued our report thereon dated July 29, 2020. Our report includes a reference to other auditors who audited the financial statements of Iosco Medical Care Facility and Iosco County Road Commission, as described in our report on Iosco County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of Iosco Medical Care Facility were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Iosco Medical Care Facility.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2019-001 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2019-002 to be a significant deficiency.

**Compliance and Other Matters**

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

**The Iosco County's Response to Findings**

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Stephenson & Company, P.C.



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July 29, 2020

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Commissioners  
Iosco County  
Tawas City, Michigan

**Report on Compliance for Each Major Federal Program**

We have audited the Iosco County's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Iosco County's major federal programs for the year ended December 31, 2019. The Iosco County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Iosco County's basic financial statements include the operations of Iosco County Road Commission, which expended \$1,933,928 in federal awards which is not included in Iosco County's schedule of expenditures of federal awards during the year ended December 31, 2019. Our audit, as described below, did not include the operations of Iosco County Road Commission because the federal awards were for contracted projects. These contracted projects fall under the single audit requirements of the Michigan Department of Transportation.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the Iosco County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Iosco County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Iosco County's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the Iosco County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

*Report on Internal Control Over Compliance*

Management of losco County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the losco County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the losco County's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

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 losco County as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the losco County's basic financial statements. We issued our report thereon dated July 29, 2020, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Stephenson & Company, P.C.*

IOSCO COUNTY  
Tawas City, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended December 31, 2019

Summary of Auditors' Results

1. The auditors' report expresses unmodified opinions on the financial statements of the losco County.
2. One material weakness and one significant deficiency in internal control relating to the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the losco County, which are required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No material weaknesses or significant deficiencies relating to the audit of internal control over major federal award programs are reported in the Independent Auditors' Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.
5. The auditors' report on compliance for the major federal award programs for losco County expresses an unmodified opinion on all major federal programs.
6. No audit findings relative to the major federal award programs for the losco County are reported in this schedule.
7. The program tested as a major program was: CFDA #11.307 Economic Development Administration - Economic Adjustment Grant for Military Base Closures
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. The losco County does not qualify as a low-risk auditee.

Findings - Financial Statement Audit

2019-001

Financial Statement Preparation

**Condition and Criteria:** Accounting principles require personnel of the County have the knowledge to review and determine the financial report and the Schedule of Expenditures of Federal Awards is a complete presentation in accordance with Generally Accepted Accounting Principles. losco County's personnel prepare various financial information throughout the year to assess operations and the financial condition of the County. However, prior to the closing of the year end, various entries material to the financial statements were proposed by the external auditors. Also, the County relies on the external auditors to assist in preparing the annual financial report and Schedule of Expenditures of Federal Awards in accordance with Generally Accepted Accounting Principles.

**Effect:** As a result, the County is considered to have a material weakness, since reporting errors or omissions could occur in the preparation of the annual financial report and Schedule of Expenditures of Federal Awards that would be departures from Generally Accepted Accounting Principles and the County would not be in a position to detect the errors or omissions.

IOSCO COUNTY  
Tawas City, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended December 31, 2019

Findings - Financial Statement Audit (Continued)

2019-001                      Financial Statement Preparation (Continued)

**Cause:** The County has in the past evaluated the cost vs. benefit of correcting this finding and deemed it in its best interests to outsource the task to its external auditors.

**Context:** Iosco County has individuals on staff to review the financial report and Schedule of Expenditures of Federal Awards to ensure they are accurate, and the financial information reflects the recording of the proposed entries. However, the individuals do not review and determine that the financial report and Schedule of Expenditures of Federal Awards is a complete presentation in accordance with Generally Accepted Accounting Principles.

**Auditor's Recommendation:** We recommend the County continue to re-evaluate the cost vs. benefit considerations involved with remedying this situation.

**Views of Responsible Officials:** The County has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the County to outsource this task to its external auditors, and to carefully review the draft financial statements and notes and the Schedule of Expenditures of Federal Awards prior to approving them and accepting responsibility for their content and presentation.

**Corrective Action Plan:** See attached corrective action plan from management.

2019-002                      Review of Direct Deposit ACH File after Initiation with the Financial Institution

**Condition and Criteria:** A sound internal control process includes the separation of duties in the performance of functions. During our examination of the internal control process over payroll, we determined that while there is internal control over the payroll process, there is no independent review of the final amount sent to the County's financial institution for direct deposit of payroll.

**Effect:** The effect of this significant deficiency is that the County is at an increased risk for misappropriation of assets as there is a lack of separation of duties over this final step in the process as there is no review by another individual other than the original preparer.

**Cause:** The County's internal control system did not take into consideration steps in the payroll process after the completion of the payroll register.

**Context:** All payroll related direct deposits lack this control.

**Auditor's Recommendation:** We recommend that the ACH file and returned confirmation email is reviewed by an individual other than the payroll clerk and compared to the approved payroll register.

**Views of Responsible Officials and Planned Corrective Actions:** As soon as this issue was brought to the attention of the County Clerk during the audit, she began to review the ACH email after each direct deposit. In the review, she is also ensuring the amount of the ACH file matches the payroll register approved by her earlier in the payroll process.

IOSCO COUNTY  
Tawas City, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended December 31, 2019

Findings and Questioned Costs - Major Federal Award Programs Audit

There were no findings or questioned costs related to the major federal award program audit for the year ended December 31, 2019.

IOSCO COUNTY, MICHIGAN  
Tawas City, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2019

<u>Federal Grantor or Pass Through Grantor Program Title/Grantor's Number</u>	<u>Federal CFDA Number</u>	<u>Current Year Expenditures</u>	<u>Expenditures to Subrecipients</u>
<u>U.S. Department of Agriculture</u>			
Housing Preservation Grant Program Income	10.433	\$ 550	\$ 0
Passed through the Michigan Department of Natural Resources:			
Schools & Roads - Grants to States National Forest Revenue 2018	10.665	120,245	120,245
Rural Business Enterprise Fund Grant	10.769	<u>45,969</u>	<u>0</u>
Total U.S. Department of Agriculture		<u>166,764</u>	<u>120,245</u>
<u>U.S. Department of Interior</u>			
Payment in Lieu of Taxes 2019	15.226	<u>164,422</u>	<u>0</u>
<u>U.S. Department of Commerce</u>			
Economic Development Administration - Economic Adjustment Grant for Military Base Closures	11.307	<u>3,054,904</u>	<u>0</u>
<u>U.S. Department of Housing and Urban Development</u>			
Passed through Michigan State Housing Development Authority:			
Community Development Block Grant Program Income	14.228	25,430	0
ICHRRLP Revolving Loan Fund		<u>4,048</u>	<u>0</u>
		<u>29,478</u>	<u>0</u>
<u>U.S. Department of Health and Human Services</u>			
Child Support Enforcement:			
Passed through the Michigan Department of Human Services:			
Child Support Enforcement Incentive Payment 2019	93.563	36,989	0
Friend of the Court Title IV-D CSFOC-17-35001		<u>394,904</u>	<u>0</u>
		<u>431,893</u>	<u>0</u>
<u>U.S. Department of Homeland Security</u>			
Passed through the Michigan Department of Natural Resources:			
2019 Marine Safety Program Grant Agreement	97.012	<u>8,700</u>	<u>0</u>
Passed through Michigan State Police:			
Emergency Management Performance Grant EMC-2019-EP-00004	97.042	<u>9,516</u>	<u>0</u>
Passed through Michigan Region 3 Homeland Security Planning Board:			
2017 State Homeland Security Grant Program EMW-2017-SS-00010-S01	97.067	438,885	335,571
2016 State Homeland Security Grant Program EMW-2016-SS-00010-S01		<u>266,739</u>	<u>266,630</u>
		<u>705,624</u>	<u>602,201</u>
Total U.S. Department of Homeland Security		<u>723,840</u>	<u>602,201</u>
Total Federal Awards		<u>\$ 4,571,301</u>	<u>\$ 722,446</u>

The accompanying notes are an integral part of this schedule.

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2019

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Iosco County under programs of the federal government for the year ended December 31, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Iosco County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Iosco County.

2. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, *Title 2*.

Iosco County has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

3. Reconciliation to Financial Statements

Federal revenue presented in the financial statements	\$	1,443,522
Accounts receivable for year ended December 31, 2018, received more than 60 days after year end and recognized as federal revenue in the fiscal year ended December 31, 2019		
#93.563 Child Support Enforcement		(107,842)
Loans receivable for the year ended December 31, 2019 not recognized as federal revenue but recognized as federal award expenditures.		
#10.769 Rural Business Enterprise Fund Grant		23,433
Revolving Loan Fund Capital Base		
#11.307 Economic Adjustment Grant for Military Base Closures		3,037,385
Loan disbursements, write-offs, and administrative expenses made for the year ended December 31, 2019 not recognized as federal revenue, but recognized as federal award expenditures.		
#11.307 Economic Adjustment Grant for Military Base Closures		17,519
#14.228 CDBG Revolving Loan Fund		10,455
Cash balances and administrative expenses in revolving loan funds required to be included in the Schedule of Expenditures of Federal Awards per the compliance supplements but, not included as federal revenue in the financial statements.		
#10.769 Rural Business Enterprise Fund Grant		22,536
Loan repayments, loans disbursed by subrecipients, and interest revenue in revolving loan funds recognized as mortgage repayment and interest revenue but required to be reported on the Schedule of Expenditures of Federal Awards.		
#14.228 ICHRRLP Revolving Loan Fund		4,048
Federal Awards passed through the County to other local units of government required to be included on the Schedule of Expenditures of Federal Awards but not recognized as revenue to the County.		
#10.665 Schools & Roads - Grants to States National Forest Revenue 2018		120,245
Federal revenue expended per the Schedule of Expenditures of Federal Awards	\$	4,571,301

The accompanying notes are an integral part of this schedule.

IOSCO COUNTY  
Tawas City, Michigan

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2019

4. Calculation of the amount on the Schedule of Expenditures of Federal Awards for #11.307 Economic Development Administration - Economic Adjustment Grant for Military Base Closures

Balance of the loans outstanding at December 31, 2019	\$ 1,596,051
Cash and investment balance at December 31, 2019	1,441,334
Administration expenses	17,519
Unpaid principal of loans written of during the year	<u>0</u>
Total	<u>3,054,904</u>
Federal participation rate	100%

The accompanying notes are an integral part of this schedule.

# Iosco County Board of Commissioners

COURT HOUSE  
Tawas City, Michigan 48763

## Summary Schedule of Prior Year Audit Findings:

### 2018-001 - Financial Statement Preparation

**Finding:** Historically the County has relied on its independent external auditors to assist in the preparation of financial statements, related footnotes, and the Schedule of Expenditures of Federal Awards as part of its external financial reporting process. Accordingly, the County's ability to prepare financial statements in accordance with GAAP is based in part, on its external auditors, who cannot by definition be considered a part of the County's internal controls. The County has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that is in the best interests of the County to outsource the task to its external auditors, and carefully review the draft financial statements, related notes, and the Schedule of Expenditure of Federal Awards prior to approving them and accepting responsibility for their content and presentation.

**Year of Initial Occurrence:** December 31, 2008

**Status:** This situation still exists. The County understands the risk of having the auditors prepare the financial statements and has determined to accept this risk as they feel the benefit outweighs the risk itself. See the current year finding 2019-001 for details and for following Corrective Action Plan.

# Iosco County Board of Commissioners

COURT HOUSE  
Tawas City, Michigan 48763

## **Corrective Action Plan For the Year Ended December 31, 2019**

### **2019-001 - Financial Statement Preparation**

**Finding:** Historically the County has relied on its independent external auditors to assist in the preparation of financial statements, related footnotes, and the Schedule of Expenditures of Federal Awards as part of its external financial reporting process. Accordingly, the County's ability to prepare financial statements in accordance with GAAP is based in part, on its external auditors, who cannot by definition be considered a part of the County's internal controls. The County has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that is in best interests to outsource the task to its external auditors, and carefully review the draft financial statements, related notes, and the Schedule of Expenditure of Federal Awards prior to approving them and accepting responsibility for their content and presentation.

**Corrective Action:** The County will not be correcting this finding. The County has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the County to outsource the task to its external auditors, and to carefully review the draft financial statements, related notes, and the Schedule of Expenditures of Federal Awards prior to approving them and accepting responsibility for their content and presentation.

**Contact Person Responsible for Corrective Action:** Nancy Huebel, County Clerk/Administrator

**Anticipated Completion Date:** Ongoing, with annual review by County Clerk/Administrator and Auditor.

### **2019-002 – Review of Direct Deposit ACH File after Initiation with the Financial Institution**

**Finding:** A sound internal control process includes the separation of duties in the performance of functions. During our examination of the internal control process over payroll, we determined that while there is internal control over the payroll process, there is no independent review of the final amount sent to the County's financial institution for direct deposit of payroll.

**Corrective Action:** As soon as this issue was brought to the attention of the County Clerk during the audit, the County Clerk contacted the financial institution and the confirmation email is also being sent to her for review. In the review, she is also ensuring the amount of the ACH file matches the payroll register approved by her earlier in the payroll process.

Contact Person Responsible for Corrective Action: Nancy Huebel, County Clerk/Administrator

Anticipated Completion Date: This item was corrected in March of 2020.



*Stephenson & Company, P.C.*

Certified Public Accountants & Consultants

Alan J. Stephenson, CPA  
Donald W. Brannan, CPA  
Kyle E. Troyer, CPA  
Robert J. Morand, CPA  
Brenden A. Stephenson, CPA/PFS, CFP®  
Cynthia R. Scott, CPA, CFE

July 29, 2020

Management and the Board of Commissioners  
Iosco County  
Tawas City, Michigan

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 Iosco County for the year ended December 31, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 17, 2020. Professional standards also require that we communicate to you the following information related to our audit. The appendices to this letter set forth those communications as follows:

I Communication with Those Charged with Governance

II Management Comments

We discussed these matters with various personnel of the County during the audit and met with management on July 29, 2020. We would also be pleased to meet with you to discuss these matters at your convenience.

These communications are intended solely for the information and use of management, the Board of Commissioners, others within the County and the Michigan Department of Treasury and are not intended to be, and should not be, used by anyone other than those specified parties.

Very truly yours,

*Stephenson & Company, P.C.*

## **APPENDIX I COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE**

### **Significant Audit Matters**

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

- Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by losco County are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2019. We noted no transactions entered into by losco County during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.
- Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting losco County's financial statements were:

Management's estimate of the allowance for doubtful accounts which is based on historical revenues, historical loss levels and an analysis of the collectability of individual accounts; management's estimate of incurred but not reported claims for the County's health insurance, which is partially self-insured, which is based on subsequent claim reports and historical trends, and management's estimates related to the net pension liability which is based on pension obligations and actuarial reports. We evaluated the key factors and assumptions used to develop the allowance, incurred but not reported liability, and net pension liability in determining that they are reasonable in relation to the financial statements taken as a whole.

- 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 Misstatement**

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 determined the effects of the unadjusted audit differences are immaterial, both individually and in the aggregate, to the financial statements as a whole, and material misstatements provided to management on July 29, 2020 were corrected by management.

#### **Disagreements 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 July 29, 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 losco County'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.

**APPENDIX I  
COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE**

**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 losco County's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**Other Matters**

We applied certain limited procedures to the management's discussion and analysis, postemployment benefits schedules, required pension schedules, and the budgetary comparison information, which are required supplementary information (RSI) that supplement the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report the combining nonmajor fund financial statements and the losco County Drain Commission Component Unit fund financial statements which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries 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 supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

## **APPENDIX II MANAGEMENT COMMENTS**

In planning and performing our audit of 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 losco County as of and for the year ended December 31, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered losco County's internal control over financial reporting (internal control) as a basis for designing 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 losco County's internal control. Accordingly, we do not express an opinion on the effectiveness of losco County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

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. We consider the following deficiency in internal control to be a material weakness:

### **FINANCIAL STATEMENT PREPARATION CONTROLS**

In conjunction with our audit, we have been contracted to prepare the financial statements and related disclosures based on the information provided to us by Management. We have also been contracted to assist in the preparation of the schedule of expenditures of federal awards. We would like to stress that these services are allowable under AICPA ethics guidelines and may be the most efficient and effective method for preparation of losco County's financial statements. However, if at any point in the audit we as auditors are part of losco County's control system for producing reliable financial statements, auditing standards indicate that losco County has a control deficiency. If Management is not able to prepare financial statements, including disclosures and the schedule of expenditures of federal awards, and the auditors are contracted to prepare these statements, this is considered a control deficiency. The effect of this material weakness is that reporting errors or omissions could occur in the preparation of the annual financial report and schedule of expenditures of federal awards that would be departures from Generally Accepted Accounting Principles (GAAP) and the County would not be in a position to detect the errors or omissions. We recommend that Management and those charged with governance evaluate and document their decision on the costs and benefits of whether to contract for these services with our firm.

View of Responsible Officials:

losco County has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP and the schedule of expenditures of federal awards, and determined that it is in the best interests of the County to outsource these tasks to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

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. We consider the following deficiency in losco County's internal control to be a significant deficiency:

### **REVIEW OF DIRECT DEPOSIT ACH FILE AFTER INITIATION WITH THE FINANCIAL INSTITUTION**

During our examination of the internal control process over payroll, we determined that while there is internal control over the payroll process, there is no review of the final amount sent to the County's financial institution for direct deposit of payroll. For 2019, the County had the two co-administrators review and approve the payroll register. We recommend that this review continues. However, the final step in the payroll process involves the submission of the ACH file by the payroll clerk to the County's financial institution. The financial institution confirmed the amount

## **APPENDIX II MANAGEMENT COMMENTS**

through a confirmation returned to the payroll clerk. The ACH file and confirmation returned by the financial institution was never reviewed by an individual other than the payroll clerk. The effect of this significant deficiency is that the County is at an increased risk for misappropriation of assets as there is a lack of separation of duties over this final step in the process as there is no review by another individual other than the original preparer. We recommend that the ACH file and returned confirmation email is reviewed by an individual other than the payroll clerk.

### **View of Responsible Officials:**

As soon as this issue was brought to the attention of the County Clerk during the audit, she began to review the ACH email after each direct deposit. In the review, she is also ensuring the amount of the ACH file matches the payroll register approved by her earlier in the payroll process.

Iosco County's responses to the findings in our audit are described above. We did not audit the County's responses and, accordingly, we express no opinion on them.

During our audit, we also became aware of the following deficiencies in internal control other than significant deficiencies or material weaknesses, and other matters that are opportunities for strengthening internal controls and operating efficiency.

### **DISTRICT COURT INTERNAL CONTROLS**

During our audit procedures, we obtained an understanding of the internal controls in place over the County's District Court. As a result of these procedures, we discovered an area where these internal controls could be improved. We developed the following recommendation to be implemented to assist the County in protecting the assets collected at the District Court including those held in trust:

- Bank statements should be reconciled to their respective ledger books and the bond ledger balance should be reconciled to the outstanding bond report. Currently, the bond ledger balance does not reconcile to the outstanding bond report. We would like to report that the Court Administrator and her staff have worked diligently in the current year to correct this issue and believe they will have the issue corrected by the 2020 audit. We recommend that the District Court continue their work to determine why the ledger does not reconcile to the outstanding bond report, correct the issues, and continue to reconcile between the two on a monthly basis.

### **JAIL BANK ACCOUNT INTERNAL CONTROLS**

The County's jail maintains its own bank account that it uses for a variety of activity. Included in that activity is inmate trust activity, collections of fees, and other sales. Currently, the jail bookkeeper is maintaining an electronic check book which she reconciles monthly to the bank statement. We recommend that this reconciliation continues. We also recommend that the balance of the cash ledger is reconciled to a subsidiary ledger that details the source of the funds each month and which entity the cash belongs to (inmates, County, State of Michigan, etc.) so that there is an accurate tracking of all fund activity within the account.

### **DEFICIT FUND BALANCES**

The Iosco County Drain Commission Component Unit had several funds (Parent Drain Debt Fund, Gregory/Scherrett Drain Fund, Kelchner Drain Fund, and Elm Creek Fund) with a deficit fund balance. A deficit elimination plan will need to be filed with the State of Michigan for these funds.

### **RECORDING OF SPECIAL MILLAGE FUND EXPENDITURES**

The Michigan Department of Treasury requires a separate park and recreation fund for local units of government that levy a special voted tax for park and recreation activities. The County did properly set up this fund for its new special voted tax. However, it did not record the expenditures within this fund. It transferred the funds to another fund. Ultimately, the funds were used for a purpose that met the special millage language. However, we recommend that expenditures are recorded directly in the fund for transparency purposes.

**APPENDIX II  
MANAGEMENT COMMENTS**

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various governmental unit personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

**STATUS OF PRIOR YEAR COMMENTS:**

We have reviewed the status of comments and recommendations made in the prior year. The status of prior year comments is as follows:

<u>Comment</u>	<u>Implemented/ Situation Corrected</u>	<u>Management Decision To Not Implement</u>	<u>Progress Made</u>	<u>Situation Still Exists</u>
Financial Statement Preparation Controls		X		
District Court Internal Controls			X	
Deficit Fund Balance				X