



**COUNTY OF CHEBOYGAN, MICHIGAN
ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2018**

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INDEPENDENT AUDITORS' REPORT

Members of the Board of Commissioners
Cheboygan County
Cheboygan, 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 Cheboygan County, Michigan (the "County") as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Independent Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Cheboygan County Road Commission or the Cheboygan Airport Authority, which represent 100 percent of the assets, net position, and revenues 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 Cheboygan County Road Commission and the Cheboygan Airport Authority, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County as of December 31, 2018, 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, budgetary comparison information, and the required pension schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor 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 June 28, 2019, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Gabridge & Company". The signature is written in dark ink and is positioned above the typed name of the firm.

Gabridge & Company, PLC
Grand Rapids, MI
June 28, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

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

Financial Highlights

- The assets and deferred outflows of the County exceeded its liabilities and deferred inflows at December 31, 2018 by \$25,671,548. Of this amount, \$13,807,551 is unrestricted and may be used to meet the County's ongoing obligations to citizens and creditors.
- The County's total net position increased \$434,261 in 2018 compared to \$49,914 in 2017. Revenues for the County increased during the year by \$905,419 and expenses for the County increased by \$521,072 from the prior year.
- At the close of the current fiscal year, the County's governmental funds reported combined fund balances of \$10,813,408, an increase of \$650,176 in comparison with the prior year. Approximately 78%, or \$8,435,185, of this amount is available for spending at the government's discretion (unassigned fund balance).
- At December 31, 2018, unassigned fund balance for the General Fund was \$8,435,185, or 62% of the General Fund's annualized expenditures.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the

underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., accrued interest expense and long-term debt).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include; general government services (administration, clerk, and treasurer); judicial activities (courts); public safety (sheriff); health and welfare (health and mental health), and a variety of other services. The business-type activities of the County include marina operations, delinquent tax collections, Straits Regional Ride, tax foreclosures, and jail commissary activities.

The County includes two legally separate entities in its financial statements, the Cheboygan County Road Commission and the Cheboygan Airport Authority. Although legally separate, these “component units” are important because the County is financially accountable for them. The Cheboygan County Road Commission and the Cheboygan Airport Authority issued separate audited financial statements and those statements can be obtained at their respective administrative offices.

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

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

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

The County maintains numerous individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balance for the General, Friend of the Court, Inverness Township Sewer Debt, and Township Road Load Program funds, each of which is considered to be a major fund. Data from the other governmental funds are combined into a single, aggregated

presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining schedules elsewhere in this report.

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

Proprietary funds. The County maintains one type of proprietary fund, an enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for marina operations, delinquent tax collections, Straits Regional Ride, tax foreclosures, and jail commissary activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Straits Regional Ride and Delinquent Tax funds, which are considered to be major funds of the County. Individual fund data for the nonmajor enterprise funds is provided in the form of combining schedules elsewhere in this report.

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

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

Other information. In addition to the basic financial statement and accompanying notes, this report also presents certain information concerning the County's budgetary compliance and the County's progress in funding its obligation to provide pension benefits to its employees. This required supplemental information can be found immediately following the notes to the financial statements.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the required supplemental information.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the County, assets and deferred outflows exceeded liabilities and deferred inflows by \$25,671,548 at the close of the most recent fiscal year. A large portion of the County's net position (46%, or \$11,851,955) represents its investment in capital assets (e.g., land, buildings and improvements, machinery and equipment, and vehicles) less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources

needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the County's net position (less than 1%, or \$12,042) represents resources that are subject to external restrictions on how they may be used. Restricted net position refers to amounts that have constraints placed on them by either: a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation. The remaining portion of the County's net position (54%, or \$13,807,551) is comprised of unrestricted net position. These amounts may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the County is able to report positive balances in all reported categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
ASSETS						
<i>Current Assets</i>						
Cash and Investments	\$ 11,017,822	\$ 10,050,967	\$ 6,304,863	\$ 8,819,906	\$ 17,322,685	\$ 18,870,873
Receivables	2,907,675	2,055,675	1,502,151	1,448,376	4,409,826	3,504,051
Current Portion of Notes Receivable	38,226	17,000	-	-	38,226	17,000
Current Portion of Leases Receivable	95,000	95,000	-	-	95,000	95,000
Due from Other Governments	216,719	259,889	96,858	93,369	313,577	353,258
Prepaid Items	-	-	563	392	563	392
Inventories	-	-	28,828	19,337	28,828	19,337
Land Held for Resale	-	-	50,460	50,460	50,460	50,460
Total Current Assets	14,275,442	12,478,531	7,983,723	10,431,840	22,259,165	22,910,371
<i>Noncurrent Assets</i>						
Advances to Other Governments	-	162,727	-	-	-	162,727
Capital Assets not Being Depreciated	5,007,289	2,084,238	-	-	5,007,289	2,084,238
Capital Assets being Depreciated	5,263,034	5,355,638	1,584,552	1,467,830	6,847,586	6,823,468
Notes Receivable	1,116,816	1,176,749	-	-	1,116,816	1,176,749
Leases Receivable	2,240,000	2,335,000	-	-	2,240,000	2,335,000
Total Assets	27,902,581	23,592,883	9,568,275	11,899,670	37,470,856	35,492,553
DEFERRED OUTFLOWS OF RESOURCES						
Pension	1,785,907	2,656,007	123,104	194,109	1,909,011	2,850,116
Total Deferred Outflows of Resources	1,785,907	2,656,007	123,104	194,109	1,909,011	2,850,116
LIABILITIES						
<i>Current Liabilities</i>						
Accounts Payable	447,538	177,449	14,049	18,824	461,587	196,273
Accrued Liabilities	205,175	169,789	17,842	9,196	223,017	178,985
Due to Governmental Units	32,363	66,957	15,849	19,628	48,212	86,585
Unearned Revenue	27,801	61,035	-	-	27,801	61,035
Current Portion of Long-term Debt	2,920	5,840	-	-	2,920	5,840
Total Current Liabilities	715,797	481,070	47,740	47,648	763,537	528,718
<i>Noncurrent Liabilities</i>						
Long-term Debt	-	2,920	-	-	-	2,920
Compensated Absences	347,837	317,813	14,583	11,760	362,420	329,573
Net Pension Liability	7,138,969	7,921,179	542,113	573,077	7,681,082	8,494,256
Total Liabilities	8,202,603	8,722,982	604,436	632,485	8,807,039	9,355,467
DEFERRED INFLOWS OF RESOURCES						
Revenues Intended to Finance a Subsequent Year	4,394,182	3,739,190	-	-	4,394,182	3,739,190
Pension	472,993	-	34,105	10,725	507,098	10,725
Total Deferred Inflows of Resources	4,867,175	3,739,190	34,105	10,725	4,901,280	3,749,915
NET POSITION						
Net Investment in Capital Assets	10,267,403	7,431,116	1,584,552	1,467,830	11,851,955	8,898,946
Restricted	12,042	389,524	-	-	12,042	389,524
Unrestricted	6,339,265	5,966,078	7,468,286	9,982,739	13,807,551	15,948,817
Total Net Position	\$ 16,618,710	\$ 13,786,718	\$ 9,052,838	\$ 11,450,569	\$ 25,671,548	\$ 25,237,287

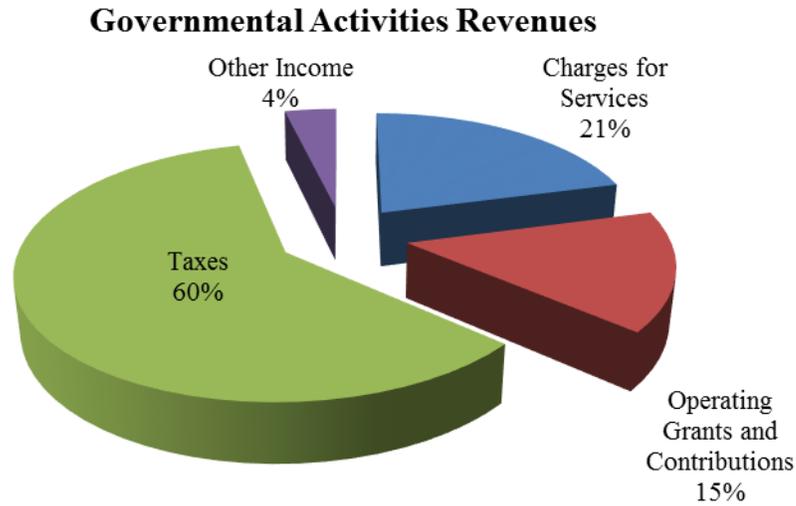
The County's total net position increased \$434,261 during the year, from \$25,237,287 to \$25,671,548 as of December 31, 2018.

	Governmental Activities		Business-type Activities		Total Government	
	2018	2017	2018	2017	2018	2017
Revenue						
Program Revenues						
Charges for Services	\$ 3,346,138	\$ 3,225,190	\$ 1,571,065	\$ 1,401,063	\$ 4,917,203	\$ 4,626,253
Operating Grants and Contributions	2,468,330	2,369,953	744,972	480,845	3,213,302	2,850,798
Capital Grants and Contributions	-	-	298,300	1,000	298,300	1,000
Total Program Revenues	5,814,468	5,595,143	2,614,337	1,882,908	8,428,805	7,478,051
General Revenues						
Taxes	9,607,701	9,536,711	-	-	9,607,701	9,536,711
State Sources	462,591	592,034	-	-	462,591	592,034
Investment Income	137,505	130,075	42,661	36,973	180,166	167,048
Total General Revenues	10,207,797	10,258,820	42,661	36,973	10,250,458	10,295,793
Total Revenues	16,022,265	15,853,963	2,656,998	1,919,881	18,679,263	17,773,844
Expenses						
Legislative	138,971	131,986	-	-	138,971	131,986
Judicial	2,439,830	2,319,875	-	-	2,439,830	2,319,875
General Government	4,536,639	4,340,667	-	-	4,536,639	4,340,667
Public Safety	5,396,976	5,328,838	-	-	5,396,976	5,328,838
Health and Welfare	2,656,612	2,991,962	-	-	2,656,612	2,991,962
Recreation and Culture	336,201	301,671	-	-	336,201	301,671
Public Works	31,999	35,641	-	-	31,999	35,641
Community and Economic Development	244,483	336,637	-	-	244,483	336,637
Other Expenses	179,694	172,731	-	-	179,694	172,731
Interest on Long-term Debt	207,388	211,781	-	-	207,388	211,781
Marina	-	-	512,626	388,770	512,626	388,770
Tax Foreclosure	-	-	349,325	86,320	349,325	86,320
Straits Regional Ride	-	-	1,060,211	930,660	1,060,211	930,660
Jail Commissary	-	-	154,047	146,391	154,047	146,391
Delinquent Tax	-	-	-	-	-	-
Total Expenses	16,168,793	16,171,789	2,076,209	1,552,141	18,245,002	17,723,930
Changes in Net Position Before Transfers	(146,528)	(317,826)	580,789	367,740	434,261	49,914
Transfers - Net	2,978,520	305,351	(2,978,520)	(305,351)	-	-
Change in Net Position	2,831,992	(12,475)	(2,397,731)	62,389	434,261	49,914
<i>Net Position at the Beginning of Period</i>	<i>13,786,718</i>	<i>13,799,193</i>	<i>11,450,569</i>	<i>11,388,180</i>	<i>25,237,287</i>	<i>25,187,373</i>
Net Position at the End of Period	\$ 16,618,710	\$ 13,786,718	\$ 9,052,838	\$ 11,450,569	\$ 25,671,548	\$ 25,237,287

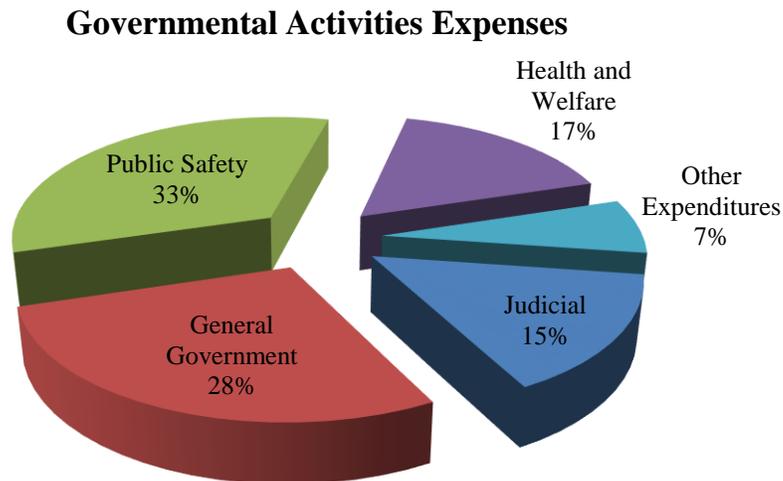
Governmental activities.

Governmental activities increased the County's net position by \$2,831,992 in 2018, compared to a decrease of \$12,475 in 2017. This was primarily the result of a net transfers in of \$2,978,520 from business-type activities.

The following chart summarizes the revenue sources for the governmental activities of the County for the most recent fiscal year end:



The following chart summarizes the expenses for the governmental activities of the County for the most recent fiscal year end:



Business-type activities.

The business-type activities of the County decreased the County’s net position by \$2,397,731 in 2018 compared to an increase of \$62,389 in 2017. This large change was a result of net transfers out to governmental activities in the amount of \$2,978,520.

Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the County *governmental fund statements* is to provide information on near term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the County financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Unassigned fund balance of the General Fund represented 62% of total General Fund expenditures.

General Fund Highlights

The County collapses certain funds into the General Fund for external financial reporting purposes. A combining schedule is provided towards the end of this report as other supplementary information to show the various components.

The General Fund's fund balance increased by \$429,428 from \$8,815,151 to \$9,244,579 during 2018; compared to \$331,049 during 2017. Total revenues for the General Fund increased by \$441,318 compared to the previous year. Total expenditures increased by \$3,056,884 compared to the previous year. The details of the significant changes in the General Fund revenues and expenditures are as follows:

General Fund Revenues

- Taxes increased by \$318,519 due to an increase in taxable value for 2018.
- State sources increased by \$17,691 primarily due to the County's return to the state revenue sharing program.
- Refunds and reimbursements increased by \$97,028. This was caused by a higher return of net assets from the Michigan Municipal Risk Management insurance pool and a larger dividend from the Michigan Association of Counties.
- Transfers in increased by \$5,290,308 primarily due to a surplus declared by the County Treasurer from the Delinquent Tax Revolving Fund.

General Fund Expenditures

- Information Systems increased by \$43,390 due to purchase of a new AS400 server.
- Sheriff increased by \$71,965 due to equipment purchases and personnel costs.
- Planning and Zoning decreased by \$90,285 due to staff vacancies not filled until later in the year.
- Transfers out increased by \$2,586,119 to pay for the cost of the Jail Kitchen and the Dorm and Storage Building project.

Friend of the Court Highlights

The Friend of the Court fund balance remained the same at \$0. Total revenues increased by \$11,933 compared to the previous year. Total expenditures increased by \$21,556 compared to the previous year.

Inverness Township Sewer Debt Fund Highlights

The Inverness Township Sewer Debt Fund's fund balance increased by \$5 from \$5,360 to \$5,365 during 2018; compared to \$5 during 2017. Total revenues decreased by \$4,393 compared to the previous year. Total expenditures decreased by \$4,393 compared to the previous year. There were no significant changes to revenues or expenditures in the Inverness Township Sewer Debt Fund.

Township Road Loan Program Highlights

The Township Road Loan Program fund balance increased by \$6,677 from \$0 to \$6,677 during 2018; compared to no change during 2017. Total revenues increased by \$6,677 compared to the previous year. Expenditures did not change compared to the previous year.

Proprietary Funds. The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the Straits Regional Ride and Delinquent Tax funds as of year-end was (\$250,533) and \$6,890,724, respectively. The change in net position, respectively, for the proprietary funds was \$124,117 and \$(2,540,280). In the Straits Regional Ride fund, the reason for this change was revenue (primarily federal and state capital assistance) in excess of expense. In the Delinquent Tax fund, the reason for this change was a large transfers out of \$2,983,802.

General Fund Budgetary Highlights

Original budget compared to final budget. During the year there was no need for any significant amendments to increase either the original estimated revenues or original budgeted appropriations. However, there was a need to make amendments to reallocate appropriations among departments when it became clearer which departments would actually be charged for certain expenditures. Generally, the movement of the appropriations between departments was *not* significant.

Capital Asset and Debt Administration

Capital assets

As of December 31, 2018, the County's investment in capital assets for its governmental and business-type activities amounted to \$11,854,875 (net of accumulated depreciation). The investment in capital assets includes land and land improvements, buildings and improvements, machinery and equipment and vehicles. The total net increase in the County's net capital assets for 2018 was \$2,947,169.

Significant capital asset additions during 2018 included:

Governmental Activities

- Jail Kitchen and Dorm and Storage Building project
- Humane Society (animal control) remodel project – phase III
- Doris Reid Building remodel project – phase II
- 1 Ford Explorer and 1 Chevy Tahoe for the Sheriff’s Department
- 1 Ford Escape for Motorpool Fleet and 1 Ford F-250 for Animal Control

Capital assets, net of depreciation, are summarized as follows as of year-end:

	Governmental Activities	Business-type Activities	Total
Land	\$ 1,892,102	\$ -	\$ 1,892,102
Construction in progress	3,115,187	-	3,115,187
Land improvement	348,995	851,226	1,200,221
Building and improvements	4,336,223	102,740	4,438,963
Machinery and equipment	270,253	9,270	279,523
Vehicles	307,563	-	307,563
Transportation equipment	-	384,238	384,238
Docks	-	237,078	237,078
Total	\$ 10,270,323	\$ 1,584,552	\$ 11,854,875

Additional information on the County’s capital assets can be found in Note 6 to the financial statements.

Long-term Debt

The County entered into an agreement with Inverness Township for the Inverness Township Sewer Project. The Township pledged its full faith and credit for the repayment of the loan; therefore, this debt is not included in the County’s financial statements.

As of December 31, 2018, the primary government of the County had long-term debt outstanding of \$2,920 for a capital lease of a postage machine. Additional information on the County’s long-term debt can be found in Note 8 to the financial statements.

Economic Factors and Next Year’s Budgets and Rates

Management estimates that \$17,941,682 of revenues will be available for appropriation in the General Fund in the upcoming budget. Expenditures are expected to exceed revenues by \$229,000; compared to \$681,000 in the 2018 originally adopted budget. The budget will be balanced by appropriating the use of fund balance. The County continues to review all budget line items for opportunities to reduce expenditures when possible. The budget will be monitored during the year

to identify any necessary amendments. The ongoing costs of providing essential services for the citizens of the County will again need to be monitored in order to maintain the financial condition of the County.

Requests for Information

This financial report is designed to provide a general overview of the County finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Cheboygan County Administrative Office
870 S. Main Street
PO Box 70
Cheboygan, MI 49721

BASIC FINANCIAL STATEMENTS

County of Cheboygan
Statement of Net Position
December 31, 2018

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
<i>Current Assets</i>				
Cash and Investments	\$ 11,017,822	\$ 6,304,863	\$ 17,322,685	\$ 2,481,223
Receivables	701,240	3,624	704,864	1,296,623
Taxes Receivable	2,206,435	1,498,527	3,704,962	--
Current Portion of Notes Receivable	38,226	--	38,226	--
Current Portion of Leases Receivable	95,000	--	95,000	--
Due from Other Governments	216,719	96,858	313,577	1,534,081
Prepaid Items	--	563	563	120,183
Inventories	--	28,828	28,828	1,003,524
Land Held for Resale	--	50,460	50,460	--
Total Current Assets	14,275,442	7,983,723	22,259,165	6,435,634
<i>Noncurrent Assets</i>				
Capital Assets not Being Depreciated	5,007,289	--	5,007,289	7,419,453
Capital Assets Being Depreciated	5,263,034	1,584,552	6,847,586	28,204,547
Notes Receivable	1,116,816	--	1,116,816	--
Leases Receivable	2,240,000	--	2,240,000	--
Restricted Deposits	--	--	--	28,209
Total Assets	27,902,581	9,568,275	37,470,856	42,087,843
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Charges on Refunding Bond	--	--	--	33,330
OPEB	--	--	--	74,044
Pension	1,785,907	123,104	1,909,011	785,605
Total Deferred Outflows of Resources	1,785,907	123,104	1,909,011	892,979
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	447,538	14,049	461,587	52,246
Accrued Liabilities	205,175	17,842	223,017	137,783
Accrued Interest Payable	--	--	--	21,175
Due to Governmental Units	32,363	15,849	48,212	30,247
Advances and Deposits	--	--	--	121,064
Unearned Revenue	27,801	--	27,801	--
Current Portion of Long-term Debt	2,920	--	2,920	260,675
Total Current Liabilities	715,797	47,740	763,537	623,190
<i>Noncurrent Liabilities</i>				
Long-term Debt	--	--	--	1,805,033
Compensated Absences	347,837	14,583	362,420	266,884
Other Post-Employment Benefits	--	--	--	11,949,499
Net Pension Liability	7,138,969	542,113	7,681,082	11,751,198
Total Liabilities	8,202,603	604,436	8,807,039	26,395,804
DEFERRED INFLOWS OF RESOURCES				
Taxes Levied for a Subsequent Period	4,394,182	--	4,394,182	1,251,000
OPEB	--	--	--	116,608
Pension	472,993	34,105	507,098	133,544
Total Deferred Inflows of Resources	4,867,175	34,105	4,901,280	1,501,152
NET POSITION				
Net Investment in Capital Assets	10,267,403	1,584,552	11,851,955	33,591,622
<i>Restricted for:</i>				
Debt Service	5,365	--	5,365	--
Other Purposes	6,677	--	6,677	--
<i>Unrestricted</i>	6,339,265	7,468,286	13,807,551	(18,507,756)
Total Net Position	\$ 16,618,710	\$ 9,052,838	\$ 25,671,548	\$ 15,083,866

The Notes to the Financial Statements are an integral part of these financial statements.

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary Government								
Governmental Activities:								
Legislative	\$ 138,971	\$ --	\$ --	\$ --	\$ (138,971)	\$ --	\$ (138,971)	\$ --
Judicial	2,439,830	699,770	1,144,783	--	(595,277)	--	(595,277)	--
General Government	4,536,639	1,498,062	257,833	--	(2,780,744)	--	(2,780,744)	--
Public Safety	5,396,976	957,401	371,496	--	(4,068,079)	--	(4,068,079)	--
Health and Welfare	2,656,612	6,328	661,850	--	(1,988,434)	--	(1,988,434)	--
Recreation and Culture	336,201	155,981	4,398	--	(175,822)	--	(175,822)	--
Other Expenditures	179,694	--	--	--	(179,694)	--	(179,694)	--
Interest on Long-term Debt	207,388	--	--	--	(207,388)	--	(207,388)	--
Public Works	31,999	--	--	--	(31,999)	--	(31,999)	--
Community and Economic Development	244,483	28,596	27,970	--	(187,917)	--	(187,917)	--
Total Governmental Activities	16,168,793	3,346,138	2,468,330	--	(10,354,325)	--	(10,354,325)	--
Business-type Activities:								
Marina	512,626	431,443	--	--	--	(81,183)	(81,183)	--
Tax Foreclosure	349,325	237,334	200,000	--	--	88,009	88,009	--
Straits Regional Ride	1,060,211	335,774	544,972	298,300	--	118,835	118,835	--
Jail Commissary	154,047	165,022	--	--	--	10,975	10,975	--
Delinquent Tax	--	401,492	--	--	--	401,492	401,492	--
Total Business-type Activities	2,076,209	1,571,065	744,972	298,300	--	538,128	538,128	--
Total Primary Government	\$ 18,245,002	\$ 4,917,203	\$ 3,213,302	\$ 298,300	\$ (10,354,325)	\$ 538,128	\$ (9,816,197)	--
Component Units								
Road Commission	\$ 10,075,805	\$ 2,149,548	\$ 7,987,294	\$ --	--	--	--	61,037
Cheboygan Airport Authority	328,413	123,048	80,000	--	--	--	--	(125,365)
Total Component Units	\$ 10,404,218	\$ 2,272,596	\$ 8,067,294	\$ --	--	--	--	(64,328)
General Purpose Revenues and Transfers:								
Revenues								
Taxes					9,607,701	--	9,607,701	1,205,597
State Sources					462,591	--	462,591	--
Other Revenues					--	--	--	50,545
Interest and Rentals					137,505	42,661	180,166	3,477
Transfers					2,978,520	(2,978,520)	--	--
Total General Revenues and Transfers					13,186,317	(2,935,859)	10,250,458	1,259,619
Change in Net Position					2,831,992	(2,397,731)	434,261	1,195,291
<i>Net Position at Beginning of Period</i>					13,786,718	11,450,569	25,237,287	13,888,575
Net Position at End of Period					\$ 16,618,710	\$ 9,052,838	\$ 25,671,548	\$ 15,083,866

The Notes to the Financial Statements are an integral part of these financial statements.

**County of Cheboygan
Balance Sheet
Governmental Funds
December 31, 2018**

	Special Revenue					Total Governmental Funds
	General	Friend of the Court	Inverness Township Sewer Debt	Township Road Loan Program	Other Governmental Funds	
ASSETS						
Cash and Investments	\$ 9,472,105	\$ --	\$ 5,365	\$ --	\$ 1,540,352	\$ 11,017,822
Receivables	147,258	121,267	--	--	432,715	701,240
Taxes Receivable	441,493	--	--	--	1,764,942	2,206,435
Due from Other Governments	30,755	23,237	--	162,727	--	216,719
Due from Other Funds	327,355	--	--	--	--	327,355
Notes Receivable	--	--	--	--	1,155,042	1,155,042
Leases Receivable	--	--	2,335,000	--	--	2,335,000
Total Assets	\$ 10,418,966	\$ 144,504	\$ 2,340,365	\$ 162,727	\$ 4,893,051	\$ 17,959,613
LIABILITIES						
Accounts Payable	\$ 409,504	\$ 50	\$ --	\$ --	\$ 37,984	\$ 447,538
Accrued Liabilities	180,333	9,528	--	--	15,314	205,175
Due to Governmental Units	--	--	--	--	32,363	32,363
Unearned Revenue	27,801	--	--	--	--	27,801
Due to Other Funds	--	134,926	--	156,050	36,379	327,355
Total Liabilities	617,638	144,504	--	156,050	122,040	1,040,232
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenue	556,749	--	--	--	1,155,042	1,711,791
Taxes Levied for a Subsequent Period	--	--	2,335,000	--	2,059,182	4,394,182
Total Liabilities and Deferred Inflows of Resources	1,174,387	144,504	2,335,000	156,050	3,336,264	7,146,205
FUND BALANCE						
Restricted	--	--	5,365	6,677	--	12,042
Committed	362,451	--	--	--	100	362,551
Assigned	446,943	--	--	--	1,556,687	2,003,630
Unassigned	8,435,185	--	--	--	--	8,435,185
Total Fund Balance	9,244,579	--	5,365	6,677	1,556,787	10,813,408
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 10,418,966	\$ 144,504	\$ 2,340,365	\$ 162,727	\$ 4,893,051	\$ 17,959,613

The Notes to the Financial Statements are an integral part of these financial statements.

County of Cheboygan
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
December 31, 2018

Total Fund Balance - Governmental Funds	\$	10,813,408
General government capital assets of \$18,487,535, net of accumulated depreciation of \$8,217,212, are not financial resources and, accordingly, are not reported in the funds.		10,270,323
Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.		(347,837)
Long-term liabilities are not due any payable in the current period and, therefore, are not reported in the funds.		(2,920)
Unavailable revenues are not available to pay current period expenditures and, therefore, are deferred inflows of resources in the funds.		1,711,791
Net pension liability is not due and payable in the current period and is not reported in the funds.		(7,611,962)
Certain pension contributions and changes in pension plan net position are reported as deferred outflows of resources and deferred inflows of resources in the statement of net position, but are reported as expenses in the governmental funds.		1,785,907
Total Net Position - Governmental Activities	\$	<u>16,618,710</u>

The Notes to the Financial Statements are an integral part of these financial statements.

County of Cheboygan
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2018

	Special Revenue					Other Governmental Funds	Total Governmental Funds
	General	Friend of the Court	Inverness Township Sewer Debt	Township Road Loan Program			
Revenues							
Taxes	\$ 8,612,393	\$ --	\$ --	\$ --	\$ 1,020,165	\$ 9,632,558	
Licenses and Permits	49,784	--	--	--	16,062	65,846	
Federal Sources	99,678	324,665	--	--	145,134	569,477	
State Sources	1,227,820	37,419	--	--	915,375	2,180,614	
Local Sources	60,741	59,789	207,388	--	3,070	330,988	
Contributions	--	--	--	--	104,394	104,394	
Charges for Services	1,285,771	19,863	--	--	965,141	2,270,775	
Fines and Penalties	55,809	--	--	--	618	56,427	
Refunds and Reimbursement	277,792	--	--	--	23	277,815	
Other Revenues	24,817	--	--	--	359,913	384,730	
Interest and Rentals	88,569	--	5	6,677	104,604	199,855	
Total Revenues	<u>11,783,174</u>	<u>441,736</u>	<u>207,393</u>	<u>6,677</u>	<u>3,634,499</u>	<u>16,073,479</u>	
Expenditures							
Legislative	132,913	--	--	--	--	132,913	
Judicial	1,599,776	516,889	--	--	180,278	2,296,943	
General Government	3,602,161	--	--	--	526,547	4,128,708	
Public Safety	4,208,367	--	--	--	809,160	5,017,527	
Health and Welfare	477,048	--	--	--	2,103,113	2,580,161	
Community and Economic Development	227,467	--	--	--	--	227,467	
Recreation and Culture	126,718	--	--	--	163,082	289,800	
Other Expenditures	179,694	--	--	--	--	179,694	
Capital Outlay	3,084,119	--	--	--	263,613	3,347,732	
Debt Service - Principal	5,840	--	--	--	--	5,840	
Debt Service - Interest	--	--	207,388	--	--	207,388	
Total Expenditures	<u>13,644,103</u>	<u>516,889</u>	<u>207,388</u>	<u>--</u>	<u>4,045,793</u>	<u>18,414,173</u>	
Excess of Revenues Over (Under) Expenditures	<u>(1,860,929)</u>	<u>(75,153)</u>	<u>5</u>	<u>6,677</u>	<u>(411,294)</u>	<u>(2,340,694)</u>	
Other Financing Sources (Uses)							
Insurance Recoveries	12,350	--	--	--	--	12,350	
Transfers In	5,998,385	75,153	--	--	754,702	6,828,240	
Transfer Out	(3,720,378)	--	--	--	(129,342)	(3,849,720)	
Net Other Financing Sources (Uses)	<u>2,290,357</u>	<u>75,153</u>	<u>--</u>	<u>--</u>	<u>625,360</u>	<u>2,990,870</u>	
Net Change in Fund Balance	429,428	--	5	6,677	214,066	650,176	
<i>Fund Balance at Beginning of Period</i>	8,815,151	--	5,360	--	1,342,721	10,163,232	
Fund Balance at End of Period	<u>\$ 9,244,579</u>	<u>\$ --</u>	<u>\$ 5,365</u>	<u>\$ 6,677</u>	<u>\$ 1,556,787</u>	<u>\$ 10,813,408</u>	

The Notes to the Financial Statements are an integral part of these financial statements.

County of Cheboygan
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year Ended December 31, 2018

Total Net Change in Fund Balances - Governmental Funds	\$	650,176
<p>Governmental funds report capital outlay as expenditures; however, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. This is the amount by which capital outlay expenditures of \$3,347,732 exceed depreciation expense of \$489,383 and net disposals of assets of \$27,902.</p>		
		2,830,447
<p>Change to compensated absences are not shown in the fund financial statements. The net effect of the current year decrease in compensated absences is to increase net position.</p>		
		(30,024)
<p>The repayment of principal of long-term capital leases consumes the current financial resources of governmental funds and is recorded as an expenditure; however, the repayment of long-term capital leases payable reduces long-term liabilities on the statement of net position.</p>		
		5,840
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds; they are deferred into the following year.</p>		
		(63,564)
<p>Changes to the net pension liability are not shown in the fund financial statements. The net effect of the current year increase is to decrease net position.</p>		
		(560,883)
Changes in Net Position - Governmental Activities	\$	<u>2,831,992</u>

The Notes to the Financial Statements are an integral part of these financial statements.

**County of Cheboygan
Statement of Net Position
Proprietary Funds
December 31, 2018**

Business-type Activities - Enterprise Funds

	<u>Straits Regional Ride</u>	<u>Delinquent Tax</u>	<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>
ASSETS				
<i>Current Assets</i>				
Cash and Investments	\$ 89,510	\$ 5,392,197	\$ 823,156	\$ 6,304,863
Receivables	3,334	--	290	3,624
Taxes Receivable	--	1,498,527	--	1,498,527
Due from Other Governments	96,858	--	--	96,858
Prepaid Items	--	--	563	563
Inventories	--	--	28,828	28,828
Land Held for Resale	--	--	50,460	50,460
Total Current Assets	<u>189,702</u>	<u>6,890,724</u>	<u>903,297</u>	<u>7,983,723</u>
<i>Noncurrent Assets</i>				
Capital Assets Being Depreciated	393,507	--	1,191,045	1,584,552
Total Assets	<u>583,209</u>	<u>6,890,724</u>	<u>2,094,342</u>	<u>9,568,275</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension	113,152	--	9,952	123,104
Total Deferred Outflows of Resources	<u>113,152</u>	<u>--</u>	<u>9,952</u>	<u>123,104</u>
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	949	--	13,100	14,049
Accrued Liabilities	17,842	--	--	17,842
Due to Governmental Units	15,849	--	--	15,849
Total Current Liabilities	<u>34,640</u>	<u>--</u>	<u>13,100</u>	<u>47,740</u>
<i>Noncurrent Liabilities</i>				
Compensated Absences	14,583	--	--	14,583
Net Pension Liability	493,947	--	48,166	542,113
Total Liabilities	<u>543,170</u>	<u>--</u>	<u>61,266</u>	<u>604,436</u>
DEFERRED INFLOWS OF RESOURCES				
Pension	10,217	--	23,888	34,105
Total Deferred Inflows of Resources	<u>10,217</u>	<u>--</u>	<u>23,888</u>	<u>34,105</u>
NET POSITION				
Net Investment in Capital Assets	393,507	--	1,191,045	1,584,552
<i>Unrestricted</i>	(250,533)	6,890,724	828,095	7,468,286
Total Net Position	<u>\$ 142,974</u>	<u>\$ 6,890,724</u>	<u>\$ 2,019,140</u>	<u>\$ 9,052,838</u>

The Notes to the Financial Statements are an integral part of these financial statements.

County of Cheboygan
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2018

Business-type Activities - Enterprise Funds

	Straits Regional Ride	Delinquent Tax	Other Enterprise Funds	Total Enterprise Funds
Operating Revenues				
Federal Sources	\$ 170,874	\$ --	\$ --	\$ 170,874
State Sources	374,098	--	200,000	574,098
Local Sources	17,537	--	--	17,537
Charges for Services	318,237	116,283	833,359	1,267,879
Interest and Rentals	--	285,209	--	285,209
Other Revenues	--	--	440	440
Total Operating Revenues	880,746	401,492	1,033,799	2,316,037
Operating Expenses				
Personal Services	649,589	--	72,320	721,909
Contractual Services	12,253	--	313,891	326,144
Utilities	4,328	--	20,544	24,872
Repair and Maintenance	106,480	--	13,827	120,307
Other Supplies and Expenses	183,061	--	518,338	701,399
Depreciation	104,500	--	77,078	181,578
Total Operating Expenses	1,060,211	--	1,015,998	2,076,209
Operating Income (Loss)	(179,465)	401,492	17,801	239,828
Non-Operating Revenues (Expenses)				
Interest and Rentals	--	42,030	631	42,661
Net Non-Operating Revenues (Expenses)	--	42,030	631	42,661
Income Before Contributions and Transfers	(179,465)	443,522	18,432	282,489
Federal Capital Assistance	238,640	--	--	238,640
State Capital Assistance	59,660	--	--	59,660
Transfers In	5,282	--	--	5,282
Transfer Out	--	(2,983,802)	--	(2,983,802)
Change In Net Position	124,117	(2,540,280)	18,432	(2,397,731)
<i>Net Position at Beginning of Period</i>	18,857	9,431,004	2,000,708	11,450,569
Net Position at End of Period	\$ 142,974	\$ 6,890,724	\$ 2,019,140	\$ 9,052,838

The Notes to the Financial Statements are an integral part of these financial statements.

Cheboygan County
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2018

	Straits Regional Ride	Delinquent Tax	Other Enterprise Funds	Total Enterprise Funds
Cash Flows from Operating Activities				
Cash Received from Customers or Users	\$ 316,077	\$ 64,958	\$ 1,033,509	\$ 1,414,544
Cash Received from Interest and Rentals	-	285,209	-	285,209
Cash Received from Governmental Units	555,241	-	-	555,241
Cash Payments to Suppliers	(312,950)	-	(874,209)	(1,187,159)
Cash Payments to Employees	(585,270)	-	(61,749)	(647,019)
<i>Net Cash Provided (Used) by Operating Activities</i>	<u>(26,902)</u>	<u>350,167</u>	<u>97,551</u>	<u>420,816</u>
Cash Flows from Non-capital Related Financing Activities				
Transfers In	5,282	-	-	5,282
Transfers Out	-	(2,983,802)	-	(2,983,802)
<i>Net Cash Provided (Used) by Non-capital Related Financing Activities</i>	<u>5,282</u>	<u>(2,983,802)</u>	<u>-</u>	<u>(2,978,520)</u>
Cash Flows from Capital and Related Financing Activities				
Federal Capital Assistance	238,640	-	-	238,640
State Capital Assistance	59,660	-	-	59,660
Purchase of Capital Assets	(298,300)	-	-	(298,300)
<i>Net Cash Provided (Used) by Capital and Related Financing Activities</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash Flows from Investing Activities				
Interest Received	-	42,030	631	42,661
<i>Net Cash Provided by Investing Activities</i>	<u>-</u>	<u>42,030</u>	<u>631</u>	<u>42,661</u>
<i>Net Increase in Cash and Equivalents</i>	(21,620)	(2,591,605)	98,182	(2,515,043)
<i>Cash and Investments - Beginning of Year</i>	111,130	7,983,802	724,974	8,819,906
<i>Cash and Investments - End of Year</i>	<u>\$ 89,510</u>	<u>\$ 5,392,197</u>	<u>\$ 823,156</u>	<u>\$ 6,304,863</u>
Reconciliation of Operating Income (Loss) to				
Net Cash Provided (Used) by Operating Activities				
Operating Income (Loss)	\$ (179,465)	\$ 401,492	\$ 17,801	\$ 239,828
Adjustments to Reconcile Operating Income to Net Cash				
Depreciation	104,500	-	77,078	181,578
Provided (Used) by Operating Activities				
(Increase) decrease in:				
Receivables	(2,160)	(51,325)	(290)	(53,775)
Land Held for Resale	-	-	-	-
Prepaid Expenditures	-	-	(171)	(171)
Inventories	-	-	(9,491)	(9,491)
Due from Governmental Units	(3,489)	-	-	(3,489)
Accounts Payable	(6,828)	-	2,053	(4,775)
Compensated Absences	2,823	-	-	2,823
Accrued Liabilities	8,646	-	-	8,646
Due to Governmental Units	(3,779)	-	-	(3,779)
Deferred Outflows and Inflows Related to Pension	78,654	-	15,731	94,385
Pension	(25,804)	-	(5,160)	(30,964)
Net Cash Provided (Used) by Operating Activities	<u>\$ (26,902)</u>	<u>\$ 350,167</u>	<u>\$ 97,551</u>	<u>\$ 420,816</u>

The Notes to the Financial Statements are an integral part of these financial statements.

County of Cheboygan
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
December 31, 2018

	Agency Funds
ASSETS	
Cash and Investments	\$ 1,046,906
<i>Total Assets</i>	1,046,906
LIABILITIES	
Assets Held on Behalf of Others	1,046,906
<i>Total Liabilities</i>	\$ 1,046,906

The Notes to the Financial Statements are an integral part of these financial statements.

County of Cheboygan
Combining Statement of Net Position
Component Units
December 31, 2018

	<u>Road Commission</u>	<u>Cheboygan Airport Authority</u>	<u>Total Component Units</u>
ASSETS			
<i>Current Assets</i>			
Cash and Investments	\$ 2,393,418	\$ 87,805	\$ 2,481,223
Receivables	1,295,878	745	1,296,623
Due from Other Governments	1,534,081	--	1,534,081
Prepaid Items	95,011	25,172	120,183
Inventories	1,002,802	722	1,003,524
Total Current Assets	<u>6,321,190</u>	<u>114,444</u>	<u>6,435,634</u>
<i>Noncurrent Assets</i>			
Capital Assets not Being Depreciated	7,037,269	382,184	7,419,453
Capital Assets Being Depreciated	26,410,118	1,794,429	28,204,547
Restricted Deposits	28,209	--	28,209
Total Assets	<u>39,796,786</u>	<u>2,291,057</u>	<u>42,087,843</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charges on Refunding Bond	33,330	--	33,330
OPEB	74,044	--	74,044
Pension	785,605	--	785,605
Total Deferred Outflows of Resources	<u>892,979</u>	<u>--</u>	<u>892,979</u>
LIABILITIES			
<i>Current Liabilities</i>			
Accounts Payable	43,428	8,818	52,246
Accrued Liabilities	128,918	8,865	137,783
Accrued Interest Payable	21,175	--	21,175
Due to Governmental Units	30,247	--	30,247
Advances and Deposits	121,064	--	121,064
Current Portion of Long-term Debt	260,675	--	260,675
Total Current Liabilities	<u>605,507</u>	<u>17,683</u>	<u>623,190</u>
<i>Noncurrent Liabilities</i>			
Long-term Debt	1,805,033	--	1,805,033
Compensated Absences	266,884	--	266,884
Other Post-Employment Benefits	11,949,499	--	11,949,499
Net Pension Liability	11,751,198	--	11,751,198
Total Liabilities	<u>26,378,121</u>	<u>17,683</u>	<u>26,395,804</u>
DEFERRED INFLOWS OF RESOURCES			
Taxes Levied for a Subsequent Period	1,251,000	--	1,251,000
OPEB	116,608	--	116,608
Pension	133,544	--	133,544
Total Deferred Inflows of Resources	<u>1,501,152</u>	<u>--</u>	<u>1,501,152</u>
NET POSITION			
Net Investment in Capital Assets	31,415,009	2,176,613	33,591,622
<i>Unrestricted</i>	(18,604,517)	96,761	(18,507,756)
Total Net Position	<u>\$ 12,810,492</u>	<u>\$ 2,273,374</u>	<u>\$ 15,083,866</u>

The Notes to the Financial Statements are an integral part of these financial statements.

County of Cheboygan
Combining Statement of Activities
Component Units
For the Year Ended December 31, 2018

	<u>Road Commission</u>	<u>Cheboygan Airport Authority</u>	<u>Total Component Units</u>
Expenses			
Public Works	\$ 10,075,805	\$ 328,413	\$ 10,404,218
<i>Total Expenses</i>	<u>10,075,805</u>	<u>328,413</u>	<u>10,404,218</u>
Program Revenues			
Charges for Services	2,149,548	123,048	2,272,596
Operating Grants and Contributions	7,987,294	80,000	8,067,294
<i>Total Program Revenues</i>	<u>10,136,842</u>	<u>203,048</u>	<u>10,339,890</u>
<i>Net Program Revenues (Expenses)</i>	<u>61,037</u>	<u>(125,365)</u>	<u>(64,328)</u>
General Revenue			
Taxes	1,205,597	--	1,205,597
Other Revenues	50,545	--	50,545
Interest and Rentals	3,477	--	3,477
<i>Total General Revenues</i>	<u>1,259,619</u>	<u>--</u>	<u>1,259,619</u>
<i>Change in Net Position</i>	<u>1,320,656</u>	<u>(125,365)</u>	<u>1,195,291</u>
<i>Net Position at Beginning of Period</i>	11,489,836	2,398,739	13,888,575
<i>Net Position at End of Period</i>	<u>\$ 12,810,492</u>	<u>\$ 2,273,374</u>	<u>\$ 15,083,866</u>

The Notes to the Financial Statements are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

Cheboygan County

Notes to the Financial Statements

Note 1 - Summary of Significant Accounting Policies

The County of Cheboygan, Michigan (the “County” or “government”) is a public corporation created under the Constitution and Statutes of the State of Michigan with the County Seat located in the City of Cheboygan. The County operates under an elected Board of Commissioners (seven members) and provides services to its 25,401 residents (per 2016 estimated census) in many areas, including; law enforcement, administration of justice, community enrichment and development, public works, health and welfare, and recreation and cultural activities.

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

Reporting Entity

The accompanying financial statements present the County (the primary government) and its component units, entities for which the government is considered to be financially accountable. The discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the County.

Discretely-presented Component Units

Cheboygan County Road Commission (the “Road Commission”)

The Road Commission is considered part of the County reporting entity for financial reporting purposes. The Road Commission is governed by a board elected by the electorate of the County. The Road Commission may not issue debt or levy taxes without the approval of the County Board of Commissioners. However, this component unit of the County has been audited and reported separately. Accordingly, the County has elected to omit substantially all note disclosures related to the Road Commission in these financial statements. Complete financial statements of the individual component unit can be obtained from the following:

Cheboygan County Road Commission
5302 South Straits Highway
Indian River, MI 49747

Cheboygan Airport Authority (the “Airport”)

The Airport is an authority created by Public Act 206 as amended by Public Act 153, which is supported through fees and rents as well as support from Cheboygan County. The County appoints members of the Airport’s governing board. Management of the County has elected to include the Airport as a discretely presented component unit because the County has the ability to impose its

Cheboygan County

Notes to the Financial Statements

will on the Airport. The Airport is audited separately from the County and complete financial statements may be obtained from the Airport's administrative office. Accordingly, the County has elected to omit substantially all note disclosures related to the Airport in these financial statements. The Airport's administrative office contact information is as follows:

Cheboygan County Airport
1520 Levering Rd
Cheboygan, Michigan, 49721

Multi-County Agencies

The County participates jointly in the operation of the ***District Health Department Office #4*** with Alpena, Presque Isle, and Montmorency Counties. All financial operations of the District Health Department Office #4 are recorded in the financial statements of Alpena County. The funding formula requires the County to provide approximately 30% of the budget appropriation requirement, which amounted to \$231,162 for the year ended December 31, 2018. This expenditure was made from the General Fund.

The County participated in the ***North County Community Mental Health Authority*** (the "Authority") with Charlevoix, Otsego, Emmet, Kalkaska, and Antrim Counties. Financial statements for the Authority can be obtained from the Authority. The County contributed \$111,995 for the year ended December 31, 2018. This expenditure was made from the General Fund.

Regional Joint Operation

The County, together with Charlevoix and Emmet Counties, has jointly established the ***C.C.E. Central Dispatch Authority*** (the "C.C.E."), which is a Michigan municipal body formed by, and on behalf of, participating municipalities located within the counties of Charlevoix, Cheboygan, and Emmet, through the auspices of the Inter-governmental Contracts between Municipalities Act, Urban Cooperation Act, and Emergency Telephone Service Enabling Act. The County is required to contribute annually to the operations of the C.C.E. The funding formula, which is reviewed every five years, calls for each County to provide 20% of the required funding (total 60% for the three counties), plus their prorata share of the remainder, based on telephone lines. The County's share for the year ended December 31, 2018 was \$430,762. The purpose of the C.C.E. is to centralize the dispatch of emergency service responders in the three county areas. Financial statements for the C.C.E. may be obtained through C.C.E. Central Dispatch Authority, P.O. Box 866, Petoskey, Michigan, 49770.

Government-wide and Fund Financial Statements

The government-wide financial statements (e.g., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues,

Cheboygan County

Notes to the Financial Statements

are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except for agency funds which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period or within one year for expenditure-driven grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service and compensated absences expenditures are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the County.

Cheboygan County

Notes to the Financial Statements

The County reports the following major governmental funds:

The **General Fund** is the County's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.

The **Inverness Township Sewer Debt Fund** is used to account for expenditures incurred related to water and sewer system debt the County issued on behalf of the Township that are financed primarily through township payments to cover these expenditures.

The **Friend of the Court** is used to account for expenditures incurred related to the friend of the court of the County. The primary source of revenue is property taxes.

The **Township Road Loan Program** is used to account for expenditures incurred related to road loan program

The County reports the following major enterprise funds:

The **Delinquent Tax Fund** accounts for money advanced by the County to other local taxing units and various County funds to pay for their delinquent real property taxes. Revenues are generated by the collection of the delinquent real property taxes, penalties, and interest.

The **Straits Regional Ride Fund** accounts for the expenditures and revenues related to the transportation authority. The primary sources of revenue are charges for services and state and federal grants.

Additionally, the County reports the following fund types:

The **special revenue funds** are used to account for the proceeds of specific revenue sources (other than permanent trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

The **capital projects funds** account for the accumulation and disbursement of resources for the construction of governmental fund capital projects.

The **enterprise funds** are used to account for resources that business-type in nature that provide services to residents for a user charge or fee.

The **agency funds** are used to account for the collection and disbursement of funds that are collected on behalf of outside governments or other parties.

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

Cheboygan County

Notes to the Financial Statements

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

Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Investments are stated at fair value, which is determined as follows: a) short-term investments are reported at cost, which approximates fair value; b) securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates; c) investments that do not have established market values are reported at estimated fair value; and d) cash deposits are reported at carrying amount, which reasonably approximates fair value. State statutes authorize the County to deposit in the accounts of federally insured banks, credit unions and savings and loan associations and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers' acceptances, and mutual funds composed of otherwise legal investments.

Receivables

Receivables consist of amounts due from governmental units for various financial assistance programs and accounts receivable related to charges for services, special assessments, and notes receivable made in connection with various programs.

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

Lease Receivable

On December 10, 2002, the County borrowed \$3,419,000 from the United States Department of Housing and Urban Development (HUD) under the provisions of the Consolidated Farm and Rural Development Act (7 U.S.C. 1921 et seq.) for the development of a sewer extension in Inverness Township.

On May 1, 2002, Inverness Township entered into a contract with the County. This contract provides, among other things, that the County will finance a portion of this project in anticipation of sufficient payments to be made by the Township to pay the principal and interest on the loan. The outstanding lease receivable recorded in the accompanying basic financial statements is offset by deferred inflows

Cheboygan County

Notes to the Financial Statements

because it is not available for use by the County. The loan consists of a series of notes ranging in amounts of \$40,000 to \$100,000, with maturity dates from September 1, 2005 to September 1, 2024 with interest charged at 4.625%.

The Township has pledged its full faith and credit for the repayment of the loan. Neither the full faith and credit nor the taxing power of the County is pledged for the payment of the notes; therefore, the debt has not been recorded in the accompanying basic financial statements.

Inventories and Prepaid Items

Inventories are valued at the lower of cost or market using the first-in first-out (FIFO) method for proprietary fund types. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Inventories consist primarily of fuel costs.

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

Land Held for Resale

Land held for resale consists of property held by the County for the purpose of selling.

Capital Assets

Capital assets are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities and component unit columns. Capital assets are those with an individual initial cost of \$5,000 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

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

Cheboygan County

Notes to the Financial Statements

Depreciation is computed using the straight-line method over the following useful lives:

	<u>Years</u>
Land improvements	15
Buildings and improvements	15 - 40
Machinery and equipment	3 - 5
Vehicles	4 - 7

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of fund balance/net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure/expense) until then. The County has one item that qualifies for reporting in this category, pension related deferred outflows. The government-wide statements report deferred outflows from the difference between projected and actual investment earnings of the pension plan, differences between plan expected and actual experience, changes in actuarial assumptions, as well as County contributions made after the measurement date of the net pension liability.

In addition to liabilities, the fund level balance sheet and the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of fund balance/net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The County reports deferred inflows of resources in its fund level balance sheet and its statement of net position for taxes levied for subsequent periods. Additionally, the County recognized unavailable revenues in its fund level balance sheets for special assessments collectible in subsequent periods and for amounts due from other governmental units for future year's debt service obligations.

Long-term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in a debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

Cheboygan County

Notes to the Financial Statements

Compensated Absences

It is the County's policy to permit employees to accumulate earned but unused sick and vacation time benefits, subject to certain limitations. All sick and vacation time pay is accrued when incurred in the governmental-wide statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

Unearned Revenues

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

Interfund Transactions

During the course of normal operations, the County has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Property Taxes

The County property tax is levied each December 1 and July 1 on the taxable valuation of property located in the County as of the preceding December 31.

The assessed and taxable value of real and personal property for the December 1, 2017 levy, was recognized as revenue in the fiscal year 2018. The general operating tax rate for this levy was at the maximum rate of 5.7319. The County also has a voter approved tax of .4993 mills for senior services, .2500 mills for ambulance services, and .9986 mills for road repair and maintenance.

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 as delinquent on March 1, 2018. Subsequent collections of delinquent taxes receivable, plus interest thereon and investment earnings, are used to repay the funds distributed by the Delinquent Tax Fund. This activity is accounted for in the Delinquent Tax (enterprise) Fund.

Net Position Flow Assumption

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

Cheboygan County

Notes to the Financial Statements

It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either; a) not in spendable form, or b) legally or contractually required to be maintained intact. Nonspendable fund balance would be equal to inventory, prepaid items, interfund advances, and the nonspendable portion of endowments. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The *committed fund balance* classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision making authority. The Board of Commissioners is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (e.g. the adoption of another resolution) to remove or revise the limitation.

Amounts in the *assigned fund balance* classification are constrained by the County's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the County through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.

Unassigned fund balance is the residual classification for the County's General Fund and includes all spendable amounts not contained in the other classifications and is therefore available to be spent as determined by the County Board of Commissioners.

Cheboygan County

Notes to the Financial Statements

Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with the modified accrual basis used to reflect actual results in the fund financial statements. This basis is consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for all required governmental fund types.

The County employs the following procedures in establishing budgets:

- a. Each December, after receiving input from the individual departments, the Board of Commissioners prepares a proposed operating budget for the fiscal period commencing January 1st and lapses on December 31st. The operating budget includes proposed expenditures and the means of financing them.
- b. A public hearing is conducted to obtain taxpayers' comments.
- c. Prior to January 1st, the budgets are legally enacted through passage of a budget resolution.
- d. Budgetary control is exercised at the departmental level of the General Fund. Any revisions that alter the total expenditures of any department or fund (e.g., budget amendments) require approval by the Board of Commissioners. Such amendments are made in accordance with the procedures prescribed under public Act 621 of 1978.
- e. The County does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds. All unexpended appropriations lapse at year-end.

Use of Estimates

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

Note 2 - Budgetary Compliance

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount budgeted. The approved budgets of the County were adopted on the activity level basis for the General Fund and the functional basis for special revenue funds.

Cheboygan County

Notes to the Financial Statements

The County had one expenditure in excess of the amount appropriated during the year ended December 31, 2018. The capital outlay function had a final budget of \$2,865,000 with an actual amount of \$3,084,119, resulting in a variance of \$(219,119).

Note 3 - Cash, Cash Equivalents, and Investments

The County utilizes various pooled cash accounts and investments for approximately fifty (50) funds. The County's pooled cash and investments consist of a common checking and savings account.

The County's pooled cash and investments are utilized by the General Fund, special revenue funds, capital project funds, permanent funds, enterprise funds, trust and agency funds, and component unit funds. Each fund's portion of these pooled accounts is included in the cash, cash equivalents, and investments captions on the combined balance sheet and statement of net position.

The other funds of the County utilize separate savings and interest bearing checking accounts. In addition, certificates of deposit are separately held by several of the County's funds.

In accordance with Michigan Compiled Laws, the County is authorized to invest in the following investment vehicles:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or local office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 6 of 1855 PA 105, MCL 21.146.
- c. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers' acceptances of United States banks.
- f. Obligations of this State or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the Investment Company Act of 1940, 15 USC 80a-1 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by

Cheboygan County

Notes to the Financial Statements

a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of any of the following:

- (i) The purchase of securities on a when-issued or delivery basis.
 - (ii) The ability to lend portfolio securities as long as the mutual fund receives collateral at all time equal to at least 100% of the value of the securities loaned.
 - (iii) The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes.
- h. Obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the Urban Cooperation Act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
 - i. Investment pools organized under the Surplus Funds Investment pool act, 1982 PA 367, MCL 129.111 to 129.118.
 - j. The investment pools organized under the Local Government Investment Pool act, 1985 PA 121, MCL 129.141 to 129.150.

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

Following is a reconciliation of deposit and investment balances (including both pooled cash and investments) as of December 31, 2018:

	Totals
Statement of Net Position	
Cash and investments	\$ 17,322,685
Statement of Fiduciary Assets and Liabilities	
Cash and investments	1,046,906
<i>Total Deposits and Investments</i>	\$ 18,369,591
Deposits and Investments	
Bank deposits	\$ 15,232,346
Certificates of deposit	2,638,242
Investments	497,558
Cash on hand	1,445
<i>Total</i>	\$ 18,369,591

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the County's deposits might not

Cheboygan County

Notes to the Financial Statements

be returned. State law does not require and the County does not have a policy for deposit custodial credit risk. As of year-end, \$19,674,154 of the County's bank balance of \$21,174,154 was exposed to custodial credit risk because it was uninsured and uncollateralized. Due to the dollar amounts of cash deposits and the limits of FDIC and NCUA insurance, the County believes it is impractical to insure all bank deposits. As a result, the County evaluates each financial institution with which it deposits County funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of December 31, 2018, the County had one investment that would be subject to rating by a NRSRO: Michigan CLASS account with an S&P rating of AAAM. The County has no investment policy that would further limit its investment choices.

Interest Rate Risk

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 designing its portfolio with the objective of obtaining a rate of return throughout the budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio. The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Maturity dates for investments and certificates of deposits held at year-end are summarized as follows:

	Certificates of Deposits	Investments
	<u> </u>	<u> </u>
No maturity	\$ -	\$ 497,558
Due within 1-5 years	2,638,242	-
	<u>\$ 2,638,242</u>	<u>\$ 497,558</u>

Concentration of Credit Risk

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 its investments by security type and institution to ensure that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

Fair Value Measurement

The County categorizes its fair value measurements within the fair value hierarchy established by

Cheboygan County

Notes to the Financial Statements

generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; level 2 inputs are significant other observable inputs; level 3 inputs are significant unobservable inputs.

The County has the following recurring fair value measurements as of December 31, 2018:

- Investments held within Michigan CLASS totaled \$497,558. Michigan CLASS is authorized to invest in the same investment types as local units of government in Michigan. These holdings are valued using level 2 inputs.

Note 4 - Receivables and Deferred Inflows of Resources

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are: 1) not considered to be available to liquidate liabilities of the current period, or 2) intended to finance operations of a subsequent period. Amounts deferred based on availability are recognized in the government-wide statements.

At the end of the current fiscal year, the various components of deferred inflows of resources reported in governmental funds were as follows:

	Revenues Intended to Finance Subsequent Year	Unavailable Revenues	Total
Governmental funds			
Property taxes receivable	\$ 1,764,942	\$ 556,749	\$ 2,321,691
Special assessments	294,240	-	294,240
Leases receivable	2,335,000	-	2,335,000
Accounts Receivable	-	-	-
Notes receivable	-	1,155,042	1,155,042
Total	\$ 4,394,182	\$ 1,711,791	\$ 6,105,973

Cheboygan County

Notes to the Financial Statements

Note 5 - Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds, business-type funds, and the component unit have been eliminated.

The composition of interfund transfers for this year is as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Nonmajor Governmental Funds	General Fund	\$ 718,977
General - Termination Liability	General Fund	20,000
General - Social Services	General Fund	1,355
General - Soldier's Relief	General Fund	1,689
General - Courthouse Preservation	General Fund	2,847,189
General - CCE 911	General Fund	50,733
Straits Regional Ride	General Fund	5,282
General Fund	Nonmajor Governmental Funds	93,617
General Fund	Delinquent Tax	2,983,802
Nonmajor Governmental Funds	Nonmajor Governmental Funds	35,725
Friend of the Court	General Fund	75,153

Transfers are used to: 1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; 2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and 3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Inter-fund receivables and payables as reported in the financial statements are comprised of the following:

<u>Receivable</u>	<u>Payable</u>	<u>Amount</u>
General Fund	Township Road Loan Program	\$ 156,050
General Fund	Friend of the Court	134,926
General Fund	Nonmajor Governmental Funds	36,379

The outstanding balances between the funds result mainly from the time lag between the dates that: 1) inter-fund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between the funds are made.

Cheboygan County
Notes to the Financial Statements

Note 6 - Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,892,102	\$ -	\$ -	\$ 1,892,102
Construction in process	192,136	2,923,051	-	3,115,187
Subtotal	<u>2,084,238</u>	<u>2,923,051</u>	<u>-</u>	<u>5,007,289</u>
<i>Capital assets being depreciated:</i>				
Land improvements	540,880	-	-	540,880
Buildings and improvements	9,958,135	195,368	-	10,153,503
Machinery and equipment	1,687,937	56,548	-	1,744,485
Vehicles	962,167	172,765	(93,554)	1,041,378
Subtotal	<u>13,149,119</u>	<u>424,681</u>	<u>(93,554)</u>	<u>13,480,246</u>
<i>Less accumulated depreciation for:</i>				
Land improvements	(159,981)	(31,904)	-	(191,885)
Buildings and improvements	(5,544,788)	(272,492)	-	(5,817,280)
Machinery and equipment	(1,382,565)	(91,667)	-	(1,474,232)
Vehicles	(706,147)	(93,320)	65,652	(733,815)
Subtotal	<u>(7,793,481)</u>	<u>(489,383)</u>	<u>65,652</u>	<u>(8,217,212)</u>
Net Capital Assets Being Depreciated	<u>5,355,638</u>	<u>(64,702)</u>	<u>(27,902)</u>	<u>5,263,034</u>
Governmental Activities Capital Assets, Net of Depreciation	<u>\$ 7,439,876</u>	<u>\$ 2,858,349</u>	<u>\$ (27,902)</u>	<u>\$ 10,270,323</u>

Cheboygan County

Notes to the Financial Statements

Depreciation expense was charged to the following governmental activities:

Governmental Activities:	
Judicial	\$ 20,797
General Government	235,733
Public Safety	141,374
Public Works	25,661
Health and Welfare	47,319
Recreation and Cultural	18,499
Total Governmental Activities	<u>\$ 489,383</u>

Capital asset activity for the business-type activities for the year ended December 31, 2018 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type Activities:				
<i>Capital assets being depreciated:</i>				
Buildings and improvements	\$ 560,959	\$ -	\$ -	\$ 560,959
Land improvements	1,519,258	-	-	1,519,258
Machinery and equipment	96,971	-	-	96,971
Transportation equipment	1,144,234	298,300	-	1,442,534
Docks	691,940	-	-	691,940
	<u>4,013,362</u>	<u>298,300</u>	<u>-</u>	<u>4,311,662</u>
Subtotal				
<i>Less accumulated depreciation for:</i>				
Buildings and improvements	(441,249)	(16,970)	-	(458,219)
Land improvements	(630,137)	(37,895)	-	(668,032)
Machinery and equipment	(85,714)	(1,987)	-	(87,701)
Transportation equipment	(955,783)	(102,513)	-	(1,058,296)
Docks	(432,649)	(22,213)	-	(454,862)
	<u>(2,545,532)</u>	<u>(181,578)</u>	<u>-</u>	<u>(2,727,110)</u>
Subtotal				
Net Capital Assets Being Depreciated	<u>1,467,830</u>	<u>116,722</u>	<u>-</u>	<u>1,584,552</u>
Business-type Activities Capital Assets, Net of Depreciation	<u>\$ 1,467,830</u>	<u>\$ 116,722</u>	<u>\$ -</u>	<u>\$ 1,584,552</u>

Cheboygan County

Notes to the Financial Statements

Depreciation expense was allocated to the following business-type activities:

Business-type Activities:	
Marina	\$ 77,078
Straits Regional Ride	104,500
Total Business-type Activities	<u>\$ 181,578</u>

Note 7 - Capital Lease

The County leases a Pitney Bowes postage machine under a capital lease with monthly payments of \$487 with no interest. The lease qualifies as a capital lease for accounting purposes and therefore has been recorded at the present value of future minimum lease payments as of the inception date.

The future minimum lease obligations and the net present values are as follows:

Year Ended	Amount
December 31	Amount
2019	\$ 2,920

Note 8 - Long-term Debt

Compensated Absences

Vacation is earned in carrying amounts depending on the number of years of services of the employee and is made available to the employee at their anniversary date, not to exceed a total accumulation of 25 days for union employees, administrative, and nonunion supervisory employees. Vacation is payable at 100% to employees when they terminate employment.

Sick leave is accumulated at the rate of one day for each month of service, not to exceed a total accumulation of 45 – 100 days for court employees, 90 days for sheriff's department employees, and 30 days for all other employees.

Sick leave is payable at 50% at termination, retirement, or death for the sheriff's department employees only.

Cheboygan County

Notes to the Financial Statements

A summary of vested employee benefits payable for the primary government as of December 31, 2018, is as follows:

Primary Government	Beginning Balances	Change (net)	Ending Balances
Vacation	\$ 213,200	\$ 25,155	\$ 238,355
Sick	116,373	7,692	124,065
Total	\$ 329,573	\$ 32,847	\$ 362,420

Note 9 - Retirement System

Defined Benefit Pension Plan

Plan Description

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

Benefits Provided

Retirement benefits for employees are calculated as follows:

Division	Benefit Multiplier	Benefit Maximum	Final Average Compensation (Years)	Normal Retirement Age	Unreduced Benefit (Age/Years of Service)	Reduced Benefit (Age/Years of Service)	Vesting (Years)
01 - General - Closed	2.50%	80%	5	60	55/20	50/25 or 55/15	10
02 - Sheriff - Closed	2.50%	80%	3	60	55/20	50/25 or 55/15	10
10 - Elected/Appointed - Closed	2.50%	80%	3	60	55/20	50/25 or 55/15	10
20 - Sheriff POLC - Closed	2.50%	80%	3	60	55/20	50/25 or 55/15	10
HA - General and Non-Union	Hybrid, 1.25%	-	3	60	-	-	6
HB - All FT Union & Non-Union Patrol	Hybrid, 1.25%	-	3	60	55/25	-	6

Cheboygan County

Notes to the Financial Statements

Employees Covered by Benefit Terms

At the December 31, 2017 measurement date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	105
Inactive plan members entitled to but not yet receiving benefits	15
Active plan members	<u>132</u>
Total employees covered by MERS	<u>252</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, 2018, the County had the following contribution rates:

Division	Employee Contributions	Employer Contributions
01 - General - Closed*	3.50%	\$ 41,239
02 - Sheriff - Closed*	3.50%	12,305
10 - Elected/Appointed - Closed*	3.50%	14,506
20 - Sheriff POLC - Closed*	3.00%	18,244
HA - General and Non-Union	0.00%	6.86%
HB - All FT Union & Non-Union Patrol	0.00%	6.50%

* Amount represents a monthly dollar contribution

Net Pension Liability

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

Actuarial Assumptions

The total pension liability in the December 31, 2017 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

- Inflation: 2.5%

Cheboygan County

Notes to the Financial Statements

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

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

Discount Rate

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

Cheboygan County

Notes to the Financial Statements

Changes in Net Pension Liability

Changes in the net pension liability during the measurement year were as follows:

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2016	\$ 27,992,330	\$ 19,498,074	\$ 8,494,256
Service cost	663,977	-	663,977
Interest	2,202,134	-	2,202,134
Difference between expected and actual experience	196,980	-	196,980
Contributions - Employer	-	1,134,796	(1,134,796)
Contributions - Employee	-	208,676	(208,676)
Net investment income	-	2,573,528	(2,573,528)
Benefit payments, including refunds	(1,595,286)	(1,595,286)	-
Administrative expenses	-	(40,736)	40,736
Other changes	(1)	-	(1)
Net changes	1,467,804	2,280,978	(813,174)
Balance at December 31, 2017	\$ 29,460,134	\$ 21,779,052	\$ 7,681,082

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the County, calculated using the discount rate of 8.00 percent, as well as what the County's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.00 percent) or one percentage point higher (9.00 percent) than the current rate:

	1% Decrease	Current	1% Increase
	(7.00%)	Discount Rate (8.00%)	(9.00%)
Net pension liability of the County	\$ 11,062,501	\$ 7,681,082	\$ 4,811,959

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.

Cheboygan County

Notes to the Financial Statements

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

For the year ended December 31, 2018, the County recognized pension expense of \$984,344. At December 31, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Source	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 502,085
Differences between expected and actual experience	428,806	-
Changes in assumptions	506,263	5,013
Employer contributions to the plan subsequent to the measurement date *	973,942	-
Total	\$ 1,909,011	\$ 507,098

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending December 31, 2018.

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

Years Ending December 31	Amount
2019	\$ 448,220
2020	384,625
2021	(239,195)
2022	(165,679)

Note 10 - Contingent Liabilities

Primary Government

The County participates in a number of federal and state assisted grant programs that are subject to compliance audits. The single audit of the federal programs and the periodic program compliance audits of many of the state programs have not yet been completed or final resolution has not been received. Accordingly, the County's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by

Cheboygan County

Notes to the Financial Statements

the granting agencies cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

Note 11 - Risk Management

Primary Government

The County participates as a member in the Michigan Municipal Risk Management Authority (the “Authority”). The Authority is a municipal self-insurance entity operating pursuant to the State of Michigan Public Act 138 of 1982. The purpose of the Authority is to administer a risk management fund, which provides members with loss protection for general and auto liability, motor vehicle physical damage and property.

The Authority has entered into reinsurance agreements providing for loss coverage in excess of the amounts to be retained by the Authority and individual members.

In the event a reinsurance company does not meet its obligation to the Authority, responsibility for payment of any unreimbursed claims will be that of the Authority Reinsurance Fund.

The Authority has retained certain levels of risk rather than obtaining coverage through reinsurance agreements. The Authority established the Authority Reinsurance Fund in order to participate in the reinsurance agreements. Individual members are provided the same level of coverage previously afforded through a combination of the reinsurance agreements and the Reinsurance Fund. In addition, the Authority purchases insurance for certain risks not covered by the reinsurance agreements.

The reinsurance agreements discussed above include provisions for minimum annual premiums. As of December 31, 2018, the Authority had met the minimum requirements.

The County is a “state pool member” for the self-insured retention portion of liabilities and as such pays deductibles of only \$250 per vehicle and \$150 per occurrence for property and crime coverage. The County’s annual MMRMA premium includes a fee to participate as a “state pool member” for self-insured retention.

The County has transferred the risk of loss for workers’ compensation and health insurance via the purchase of commercial insurance policies. Settled claims have not exceeded coverage in any of the past three fiscal years.

Cheboygan County

Notes to the Financial Statements

Note 12 - Restricted Net Position / Fund Balances - Governmental Funds

The County reports fund balance in governmental funds based on the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Restricted net position is composed of the same components of restricted fund balance, as shown in the following table:

	General Fund	Friend of the Court	Inverness Township Sewer Debt	Township Road Loan Program	Other Governmental Funds	Total Governmental Funds
Restricted						
Township Road Loan Program	\$ -	\$ -	\$ -	\$ 6,677	\$ -	\$ 6,677
Debt Service	-	-	5,365	-	-	5,365
	-	-	5,365	6,677	-	12,042
Committed						
Caseflow Assistance	110,699	-	-	-	-	110,699
Local Grants	9,865	-	-	-	-	9,865
LEPC	6,260	-	-	-	-	6,260
Capital Improvements	235,627	-	-	-	-	235,627
Drain Fund	-	-	-	-	100	100
	362,451	-	-	-	100	362,551
Assigned						
Family Counseling	-	-	-	-	31,848	31,848
Termination Liability	44,765	-	-	-	-	44,765
Public Act 302 Training	-	-	-	-	7,965	7,965
Probation Enhancement	-	-	-	-	10,101	10,101
Victim's Restitution	-	-	-	-	865	865
Remonumentation Grant	-	-	-	-	22,710	22,710
Community Projects	-	-	-	-	4,866	4,866
Indigent Defense	-	-	-	-	111,553	111,553
Doris Reid Building	-	-	-	-	95,306	95,306
Recycling	-	-	-	-	159,237	159,237
Veteran's Memorial Park	-	-	-	-	1,200	1,200
Public Improvement	-	-	-	-	6,041	6,041
Register of Deeds Automation	-	-	-	-	410,920	410,920
Disaster Contingency	10,000	-	-	-	-	10,000
Sheriff Special Projects	-	-	-	-	1,146	1,146
Concealed Pistol Licensing	-	-	-	-	45,923	45,923
Local Officer Training	-	-	-	-	23,132	23,132
D.A.R.E.	-	-	-	-	2,149	2,149
Drug Court	-	-	-	-	30,121	30,121
Sobriety Court	-	-	-	-	16,748	16,748
Veterans Assistance	-	-	-	-	22,305	22,305
ORV	-	-	-	-	1,763	1,763
Housing Commission	-	-	-	-	207,943	207,943
Child Care	-	-	-	-	74,492	74,492
Senior Citizen's Millage	-	-	-	-	222,945	222,945
DAV Van	-	-	-	-	600	600
DHHS Building Fund	-	-	-	-	33,717	33,717
County Fair	-	-	-	-	11,091	11,091
CCE 911 Development	392,178	-	-	-	-	392,178
	446,943	-	-	-	1,556,687	2,003,630
Unassigned	8,435,185	-	-	-	-	8,435,185
Total fund balances - governmental funds	\$ 9,244,579	\$ -	\$ 5,365	\$ 6,677	\$ 1,556,787	\$ 10,813,408

Cheboygan County

Notes to the Financial Statements

Note 13 - Tax Abatement Disclosure

Municipalities within the County have entered into tax abatement agreements with local businesses under the Plant Rehabilitation and Industrial Development Districts Act, (known as the Industrial Facilities Tax Exemption, or “IFT”) PA 198 of 1974, as amended. The IFT on a new plant and non-industrial property, such as some high-tech personal property, is computed at half the local property tax millage rate. This amounts to a reduction in property taxes of approximately 50% for those businesses.

City of Cheboygan Tax Abatements

For the year ended December 31, 2018, the County’s IFT program expired.

REQUIRED SUPPLEMENTARY INFORMATION

County of Cheboygan
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Consolidated General Fund
For the Year Ended December 31, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative) Final to Actual
Revenues				
Taxes	\$ 8,464,221	\$ 8,464,221	\$ 8,612,393	\$ 148,172
Licenses and Permits	43,000	43,000	49,784	6,784
Federal Sources	107,452	144,282	99,678	(44,604)
State Sources	1,193,693	1,216,367	1,227,820	11,453
Local Sources	55,189	57,889	60,741	2,852
Charges for Services	1,168,974	1,168,974	1,285,771	116,797
Fines and Penalties	16,000	16,000	55,809	39,809
Interest and Rentals	75,300	75,300	88,569	13,269
Refunds and Reimbursements	104,601	104,601	277,792	173,191
Other Revenue	10,000	24,500	24,817	317
Total Revenues	<u>11,238,430</u>	<u>11,315,134</u>	<u>11,783,174</u>	<u>468,040</u>
Other Financing Sources				
Insurance Recoveries	--	--	12,350	12,350
Transfers In	6,444,320	6,774,320	5,998,385	(775,935)
Total Revenues and Other Financing Sources	<u>17,682,750</u>	<u>18,089,454</u>	<u>17,793,909</u>	<u>(295,545)</u>
Expenditures				
Legislative				
Board of Commissioners	145,920	145,943	132,913	13,030
Judicial				
Circuit Court	331,234	334,473	292,975	41,498
District Court	636,234	643,024	626,868	16,156
Victim's Rights	68,397	76,459	67,615	8,844
Jury Board	10,810	10,810	5,275	5,535
Probate Court	618,500	619,387	607,043	12,344
Total Judicial	<u>1,665,175</u>	<u>1,684,153</u>	<u>1,599,776</u>	<u>84,377</u>
General Government				
Elections	9,660	8,568	5,356	3,212
Finance	332,474	315,663	308,521	7,142
Administrative Office	235,184	235,288	225,137	10,151
County Clerk/Register of Deeds	450,059	452,486	452,485	1
Equalization	217,303	217,651	205,250	12,401
Information Systems	365,019	363,692	243,093	120,599
Prosecuting Attorney	639,924	649,041	614,693	34,348
GIS	70,993	71,035	69,369	1,666
Treasurer	327,440	327,620	310,406	17,214
Maintenance	505,026	506,682	485,427	21,255
Major Equipment and Building	196,530	126,663	43,776	82,887
Human Resources	5,775	5,775	3,782	1,993
Drain Commission	6,090	6,090	1,193	4,897
County Surveyor	2,150	2,150	2,149	1
MSU Extension	363,990	364,029	134,786	229,243
Soil Conservation	13,720	13,720	13,155	565
Termination Liability	76,000	76,000	29,211	46,789
Disaster Contingency	10,000	10,000	--	10,000
General	498,504	479,802	454,372	25,430
Total General Government	<u>4,325,841</u>	<u>4,231,955</u>	<u>3,602,161</u>	<u>629,794</u>

County of Cheboygan
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Consolidated General Fund
For the Year Ended December 31, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative) Final to Actual
Expenditures				
Public Safety				
Sheriff	1,739,739	1,834,576	1,745,519	89,057
ORV Enforcement	20,065	16,556	14,553	2,003
CCE 911	490,261	490,261	450,495	39,766
Marine Safety	109,868	113,820	95,954	17,866
Snowmobile Safety	9,670	9,640	9,201	439
Secondary Road Patrol	78,883	79,498	76,285	3,213
Stonegarden	40,276	80,012	27,970	52,042
Enforcement Grants	11,477	8,572	8,002	570
Local Grants	10,091	10,162	6,862	3,300
Canine Unit	10,000	24,500	22,339	2,161
Corrections/Communications	1,529,452	1,558,861	1,544,332	14,529
Emergency Management Services	78,285	78,285	76,783	1,502
Animal Control	157,709	174,896	130,072	44,824
Total Public Safety	<u>4,285,776</u>	<u>4,479,639</u>	<u>4,208,367</u>	<u>271,272</u>
Community and Economic Development				
Planning and Zoning	364,098	357,829	227,467	130,362
Health and Welfare				
Health Department	231,162	231,162	231,162	--
Mental Health	112,495	112,495	111,995	500
Medical Examiner	19,508	18,669	15,153	3,516
Soldier's Relief	5,220	5,220	1,689	3,531
Social Services Medical	7,400	7,400	1,355	6,045
Veteran's Services	125,568	128,092	115,694	12,398
Total Health and Welfare	<u>501,353</u>	<u>503,038</u>	<u>477,048</u>	<u>25,990</u>
Recreation and Culture				
Airport Operations	112,500	112,500	103,500	9,000
Fairgrounds and Events	56,012	56,058	22,118	33,940
Veteran's Park	7,000	7,000	1,100	5,900
Total Recreation and Culture	<u>175,512</u>	<u>175,558</u>	<u>126,718</u>	<u>48,840</u>
Other Expenditures				
Insurance	197,400	197,400	179,440	17,960
Other Miscellaneous	340	340	254	86
Total Other Expenditures	<u>197,740</u>	<u>197,740</u>	<u>179,694</u>	<u>18,046</u>
Debt Service	2,920	5,841	5,840	1
Capital Outlay	2,535,000	2,865,000	3,084,119	(219,119)
Total Expenditures	<u>14,199,335</u>	<u>14,646,696</u>	<u>13,644,103</u>	<u>1,002,593</u>
Other Financing Uses				
Transfers Out	4,230,471	4,329,653	3,720,378	609,275
Total Expenditures and Other Financing Uses	<u>18,429,806</u>	<u>18,976,349</u>	<u>17,364,481</u>	<u>1,611,868</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>(747,056)</u>	<u>(886,895)</u>	<u>429,428</u>	<u>1,316,323</u>
Net Change in Fund Balance	<u>(747,056)</u>	<u>(886,895)</u>	<u>429,428</u>	<u>1,316,323</u>
Fund Balance at Beginning of Period	8,815,151	8,815,151	8,815,151	--
Fund Balance at End of Period	<u>\$ 8,068,095</u>	<u>\$ 7,928,256</u>	<u>\$ 9,244,579</u>	<u>\$ 1,316,323</u>

County of Cheboygan
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Friend of the Court
For the Year Ended December 31, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative) Final to Actual
Revenues				
Federal Sources	\$ 363,959	\$ 363,959	\$ 324,665	\$ (39,294)
State Sources	40,830	40,830	37,419	(3,411)
Local Sources	59,939	59,939	59,789	(150)
Charges for Services	21,660	21,660	19,863	(1,797)
Total Revenues	<u>486,388</u>	<u>486,388</u>	<u>441,736</u>	<u>(44,652)</u>
Other Financing Sources				
Transfers In	44,340	44,340	75,153	30,813
Total Revenues and Other Financing Sources	<u>530,728</u>	<u>530,728</u>	<u>516,889</u>	<u>(13,839)</u>
Expenditures				
Judicial	530,728	530,728	516,889	13,839
Total Expenditures	<u>530,728</u>	<u>530,728</u>	<u>516,889</u>	<u>13,839</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures	--	--	--	--
Net Change in Fund Balance	--	--	--	--
Fund Balance at Beginning of Period	--	--	--	--
Fund Balance at End of Period	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

County of Cheboygan
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Inverness Township Sewer Debt
For the Year Ended December 31, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative) Final to Actual
Revenues				
Local Sources	\$ 207,504	\$ 207,504	\$ 207,388	\$ (116)
Interest and Rentals	--	--	5	5
Total Revenues	<u>207,504</u>	<u>207,504</u>	<u>207,393</u>	<u>(111)</u>
Expenditures				
Interest	207,504	207,504	207,388	116
Total Expenditures	<u>207,504</u>	<u>207,504</u>	<u>207,388</u>	<u>116</u>
Excess (Deficiency) of Revenues				
Over Expenditures	--	--	5	5
Net Change in Fund Balance	--	--	<u>5</u>	<u>5</u>
Fund Balance at Beginning of Period	5,360	5,360	5,360	--
Fund Balance at End of Period	<u>\$ 5,360</u>	<u>\$ 5,360</u>	<u>\$ 5,365</u>	<u>\$ 5</u>

County of Cheboygan
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Township Road Loan Program
For the Year Ended December 31, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative)
				<u>Final to Actual</u>
Revenues				
Interest and Rentals	\$ --	\$ --	\$ 6,677	\$ 6,677
<i>Total Revenues</i>	--	--	6,677	6,677
Other Financing Sources				
<i>Total Revenues and Other Financing Sources</i>	--	--	6,677	6,677
Expenditures				
<i>Total Expenditures</i>	--	--	--	--
Other Financing Uses				
<i>Total Expenditures and Other Financing Uses</i>	--	--	--	--
<i>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</i>	--	--	6,677	6,677
<i>Net Change in Fund Balance</i>	--	--	6,677	6,677
<i>Fund Balance at Beginning of Period</i>	--	--	--	--
<i>Fund Balance at End of Period</i>	\$ --	\$ --	\$ 6,677	\$ 6,677

Cheboygan County
Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios
Last Four Years

	2017	2016	2015	2014
Total Pension Liability				
Service Cost	\$ 663,977	\$ 606,305	\$ 641,356	\$ 593,125
Interest	2,202,134	2,081,552	1,860,889	1,808,149
Differences Between Expected & Actual Experience	196,980	236,900	163,725	-
Changes in Assumptions	-	-	1,253,128	-
Benefit Payments, Including Refunds	(1,595,286)	(1,288,578)	(1,114,294)	(1,048,189)
Other Changes	(1)	(4,386)	58,153	-
Net Change in Pension Liability	<u>1,467,804</u>	<u>1,631,793</u>	<u>2,862,957</u>	<u>1,353,085</u>
<i>Total Pension Liability - Beginning</i>	27,992,330	26,360,537	23,497,580	22,144,495
Total Pension Liability - Ending (a)	<u>\$ 29,460,134</u>	<u>\$ 27,992,330</u>	<u>\$ 26,360,537</u>	<u>\$ 23,497,580</u>
Plan Fiduciary Net Position				
Contributions - Employer	\$ 1,134,796	\$ 1,075,037	\$ 793,069	\$ 723,370
Contributions - Member	208,676	185,646	309,950	178,124
Net Investment Income	2,573,528	2,006,495	(273,612)	1,078,034
Benefit Payments, Including Refunds	(1,595,286)	(1,288,578)	(1,114,294)	(1,048,189)
Administrative Expenses	(40,736)	(39,589)	(39,544)	(39,659)
Net Change in Plan Fiduciary Net Position	<u>2,280,978</u>	<u>1,939,011</u>	<u>(324,431)</u>	<u>891,680</u>
<i>Plan Fiduciary Net Position - Beginning</i>	19,498,074	17,559,063	17,883,494	16,991,814
Plan Fiduciary Net Position - Ending (b)	<u>\$ 21,779,052</u>	<u>\$ 19,498,074</u>	<u>\$ 17,559,063</u>	<u>\$ 17,883,494</u>
Net Pension Liability - Ending (a) - (b)	\$ 7,681,082	\$ 8,494,256	\$ 8,801,474	\$ 5,614,086
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	73.93%	69.66%	66.61%	76.11%
Covered Employee Payroll	\$ 5,807,595	\$ 5,057,284	\$ 5,595,966	\$ 5,171,109
Net Pension Liability as a Percentage of Covered Employee Payroll	132.26%	167.96%	157.28%	108.57%

* Built prospectively upon implementation on GASB 68

Cheboygan County
Required Supplementary Information
Schedule of Contributions
Last Five Years

	2018	2017	2016	2015	2014
Actuarially Determined Contribution	\$ 973,941	\$ 974,897	\$ 825,037	\$ 748,069	\$ 723,370
Contributions in Relation to the Actuarially Determined Contribution	1,144,091	1,134,797	1,075,037	793,069	723,370
Contribution Excess (Deficiency)	\$ 170,150	\$ 159,900	\$ 250,000	\$ 45,000	\$ -
Covered Employee Payroll	5,924,730	5,807,595	5,057,284	5,595,966	5,171,109
Contributions as a Percentage of Covered Employee Payroll	19%	20%	21%	14%	14%

Notes

Valuation Date

Actuarially determined contribution amounts are calculated as of December 31 each year, which is 12 months prior to the beginning of the fiscal year in which the contributions are required.

Methods and assumptions used to determine contribution rates

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	14-21 years
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
Mortality	50% Male - 50% Female blend of the RP-2014 Group Annuity Mortality Table

OTHER SUPPLEMENTARY INFORMATION

County of Cheboygan
General Fund Combining Balance Sheet
All Funds Treated as General
December 31, 2018

	<u>General Fund</u>	<u>Termination Liability</u>	<u>Disaster Contingency</u>	<u>Courthouse Preservation</u>	<u>CCE 911 Capital</u>	<u>Social Services</u>	<u>Soldier's Relief</u>	<u>Total General Funds</u>
ASSETS								
Cash and Investments	\$ 8,678,375	\$ 44,765	\$ 10,000	\$ 346,687	\$ 392,178	\$ 100	\$ --	\$ 9,472,105
Receivables	147,258	--	--	--	--	--	--	147,258
Taxes Receivable	441,493	--	--	--	--	--	--	441,493
Due from Other Governments	30,755	--	--	--	--	--	--	30,755
Due from Other Funds	327,355	--	--	--	--	--	--	327,355
Total Assets	\$ 9,625,236	\$ 44,765	\$ 10,000	\$ 346,687	\$ 392,178	\$ 100	\$ --	\$ 10,418,966
LIABILITIES								
Accounts Payable	\$ 62,717	\$ --	\$ --	\$ 346,687	\$ --	\$ 100	\$ --	\$ 409,504
Accrued Liabilities	180,333	--	--	--	--	--	--	180,333
Unearned Revenue	27,801	--	--	--	--	--	--	27,801
Total Liabilities	270,851	--	--	346,687	--	100	--	617,638
DEFERRED INFLOWS OF RESOURCES								
Unavailable Revenue	556,749	--	--	--	--	--	--	556,749
Total Liabilities and Deferred Inflows of Resources	827,600	--	--	346,687	--	100	--	1,174,387
FUND BALANCE								
Committed	362,451	--	--	--	--	--	--	362,451
Assigned	--	44,765	10,000	--	392,178	--	--	446,943
Unassigned	8,435,185	--	--	--	--	--	--	8,435,185
Total Fund Balance	8,797,636	44,765	10,000	--	392,178	--	--	9,244,579
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 9,625,236	\$ 44,765	\$ 10,000	\$ 346,687	\$ 392,178	\$ 100	\$ --	\$ 10,418,966

County of Cheboygan
General Fund Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
All Funds Treated as General
For the Year Ended December 31, 2018

	<u>General Fund</u>	<u>Termination Liability</u>	<u>Disaster Contingency</u>	<u>Courthouse Preservation</u>	<u>CCE 911 Capital</u>	<u>Social Services</u>	<u>Soldier's Relief</u>	<u>Total General Funds</u>
Revenues								
Taxes	\$ 8,612,393	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 8,612,393
Licenses and Permits	49,784	--	--	--	--	--	--	49,784
Federal Sources	99,678	--	--	--	--	--	--	99,678
State Sources	1,227,820	--	--	--	--	--	--	1,227,820
Local Sources	60,741	--	--	--	--	--	--	60,741
Charges for Services	1,285,771	--	--	--	--	--	--	1,285,771
Fines and Penalties	55,809	--	--	--	--	--	--	55,809
Refunds and Reimbursement	277,792	--	--	--	--	--	--	277,792
Other Revenues	24,767	--	--	50	--	--	--	24,817
Interest and Rentals	88,569	--	--	--	--	--	--	88,569
Total Revenues	<u>11,783,124</u>	<u>--</u>	<u>--</u>	<u>50</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>11,783,174</u>
Expenditures								
Legislative	132,913	--	--	--	--	--	--	132,913
Judicial	1,599,776	--	--	--	--	--	--	1,599,776
General Government	3,572,950	29,211	--	--	--	--	--	3,602,161
Public Safety	4,188,634	--	--	--	19,733	--	--	4,208,367
Health and Welfare	474,004	--	--	--	--	1,355	1,689	477,048
Community and Economic Development	227,467	--	--	--	--	--	--	227,467
Recreation and Culture	126,718	--	--	--	--	--	--	126,718
Other Expenditures	179,694	--	--	--	--	--	--	179,694
Capital Outlay	236,880	--	--	2,847,239	--	--	--	3,084,119
Debt Service - Principal	5,840	--	--	--	--	--	--	5,840
Total Expenditures	<u>10,744,876</u>	<u>29,211</u>	<u>--</u>	<u>2,847,239</u>	<u>19,733</u>	<u>1,355</u>	<u>1,689</u>	<u>13,644,103</u>
Excess of Revenues Over (Under) Expenditures	<u>1,038,248</u>	<u>(29,211)</u>	<u>--</u>	<u>(2,847,189)</u>	<u>(19,733)</u>	<u>(1,355)</u>	<u>(1,689)</u>	<u>(1,860,929)</u>
Other Financing Sources (Uses)								
Insurance Recoveries	12,350	--	--	--	--	--	--	12,350
Transfers In	3,077,419	20,000	--	2,847,189	50,733	1,355	1,689	5,998,385
Transfer Out	(3,720,378)	--	--	--	--	--	--	(3,720,378)
Net Other Financing Sources (Uses)	<u>(630,609)</u>	<u>20,000</u>	<u>--</u>	<u>2,847,189</u>	<u>50,733</u>	<u>1,355</u>	<u>1,689</u>	<u>2,290,357</u>
Net Change in Fund Balance	407,639	(9,211)	--	--	31,000	--	--	429,428
<i>Fund Balance at Beginning of Period</i>	8,389,997	53,976	10,000	--	361,178	--	--	8,815,151
Fund Balance at End of Period	<u>\$ 8,797,636</u>	<u>\$ 44,765</u>	<u>\$ 10,000</u>	<u>\$ --</u>	<u>\$ 392,178</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 9,244,579</u>

County of Cheboygan
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2018

	Special Revenue						
	Family Counseling	PA 302 Training	Public Act 106	Probation Enhancement	Victim's Restitution	Remonumentation Grant	Community Projects
ASSETS							
Cash and Investments	\$ 31,848	\$ 7,965	\$ --	\$ 10,129	\$ 865	\$ --	\$ 4,866
Receivables	--	--	--	--	--	35,883	--
Taxes Receivable	--	--	--	--	--	--	--
Notes Receivable	--	--	--	--	--	--	--
<i>Total Assets</i>	<u>\$ 31,848</u>	<u>\$ 7,965</u>	<u>\$ --</u>	<u>\$ 10,129</u>	<u>\$ 865</u>	<u>\$ 35,883</u>	<u>\$ 4,866</u>
LIABILITIES							
Accounts Payable	\$ --	\$ --	\$ --	\$ 28	\$ --	\$ 1,395	\$ --
Accrued Liabilities	--	--	--	--	--	--	--
Due to Governmental Units	--	--	--	--	--	--	--
Due to Other Funds	--	--	--	--	--	11,778	--
<i>Total Liabilities</i>	<u>--</u>	<u>--</u>	<u>--</u>	<u>28</u>	<u>--</u>	<u>13,173</u>	<u>--</u>
DEFERRED INFLOWS OF RESOURCES							
Unavailable Revenue	--	--	--	--	--	--	--
Taxes Levied for a Subsequent Period	--	--	--	--	--	--	--
<i>Total Liabilities and Deferred Inflows of Resources</i>	<u>--</u>	<u>--</u>	<u>--</u>	<u>28</u>	<u>--</u>	<u>13,173</u>	<u>--</u>
FUND BALANCE							
Committed	--	--	--	--	--	--	--
Assigned	31,848	7,965	--	10,101	865	22,710	4,866
Unassigned	--	--	--	--	--	--	--
<i>Total Fund Balance</i>	<u>31,848</u>	<u>7,965</u>	<u>--</u>	<u>10,101</u>	<u>865</u>	<u>22,710</u>	<u>4,866</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i>	<u>\$ 31,848</u>	<u>\$ 7,965</u>	<u>\$ --</u>	<u>\$ 10,129</u>	<u>\$ 865</u>	<u>\$ 35,883</u>	<u>\$ 4,866</u>

**County of Cheboygan
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2018**

	Special Revenue						
	Ambulance Millage	Doris Reid Building	Recycling	Cellular Phone	911 4% Surcharge	DNR Forest Flow Through	Public Improvement
ASSETS							
Cash and Investments	\$ --	\$ 94,646	\$ 167,356	\$ --	\$ --	\$ --	\$ 6,041
Receivables	6,653	786	297,183	--	--	--	--
Taxes Receivable	352,959	--	--	--	--	--	--
Notes Receivable	--	--	--	--	--	--	--
Total Assets	\$ 359,612	\$ 95,432	\$ 464,539	\$ --	\$ --	\$ --	\$ 6,041
LIABILITIES							
Accounts Payable	\$ --	\$ 126	\$ 9,868	\$ --	\$ --	\$ --	\$ --
Accrued Liabilities	--	--	1,194	--	--	--	--
Due to Governmental Units	--	--	--	--	--	--	--
Due to Other Funds	6,653	--	--	--	--	--	--
Total Liabilities	6,653	126	11,062	--	--	--	--
DEFERRED INFLOWS OF RESOURCES							
Unavailable Revenue	--	--	--	--	--	--	--
Taxes Levied for a Subsequent Period	352,959	--	294,240	--	--	--	--
Total Liabilities and Deferred Inflows of Resources	359,612	126	305,302	--	--	--	--
FUND BALANCE							
Committed	--	--	--	--	--	--	--
Assigned	--	95,306	159,237	--	--	--	6,041
Unassigned	--	--	--	--	--	--	--
Total Fund Balance	--	95,306	159,237	--	--	--	6,041
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 359,612	\$ 95,432	\$ 464,539	\$ --	\$ --	\$ --	\$ 6,041

**County of Cheboygan
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2018**

	Special Revenue						
	Building Department	Register of Deeds Automation	Sheriff Special Projects	Concealed Pistol	Local Officer Training	DARE	Drug Court
ASSETS							
Cash and Investments	\$ 7,912	\$ 411,002	\$ 1,146	\$ 45,923	\$ 23,132	\$ 2,149	\$ 10,685
Receivables	--	--	--	--	--	--	23,772
Taxes Receivable	--	--	--	--	--	--	--
Notes Receivable	--	--	--	--	--	--	--
Total Assets	\$ 7,912	\$ 411,002	\$ 1,146	\$ 45,923	\$ 23,132	\$ 2,149	\$ 34,457
LIABILITIES							
Accounts Payable	\$ 534	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 2,785
Accrued Liabilities	7,378	82	--	--	--	--	1,551
Due to Governmental Units	--	--	--	--	--	--	--
Due to Other Funds	--	--	--	--	--	--	--
Total Liabilities	7,912	82	--	--	--	--	4,336
DEFERRED INFLOWS OF RESOURCES							
Unavailable Revenue	--	--	--	--	--	--	--
Taxes Levied for a Subsequent Period	--	--	--	--	--	--	--
Total Liabilities and Deferred Inflows of Resources	7,912	82	--	--	--	--	4,336
FUND BALANCE							
Committed	--	--	--	--	--	--	--
Assigned	--	410,920	1,146	45,923	23,132	2,149	30,121
Unassigned	--	--	--	--	--	--	--
Total Fund Balance	--	410,920	1,146	45,923	23,132	2,149	30,121
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 7,912	\$ 411,002	\$ 1,146	\$ 45,923	\$ 23,132	\$ 2,149	\$ 34,457

**County of Cheboygan
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2018**

	Special Revenue						
	Sobriety Court	Law Library	Veteran's Assistance	SAYPA Program	Senior Citizen's Millage	Child Care	Veteran's Trust
ASSETS							
Cash and Investments	\$ 16,886	\$ 330	\$ 22,305	\$ 7,477	\$ 222,945	\$ 108,011	\$ --
Receivables	--	--	--	7,299	--	4,355	--
Taxes Receivable	--	--	--	--	706,058	--	--
Notes Receivable	--	--	--	--	--	--	--
Total Assets	\$ 16,886	\$ 330	\$ 22,305	\$ 14,776	\$ 929,003	\$ 112,366	\$ --
LIABILITIES							
Accounts Payable	\$ 138	\$ 330	\$ --	\$ 177	\$ --	\$ 1,351	\$ --
Accrued Liabilities	--	--	--	--	--	4,323	--
Due to Governmental Units	--	--	--	--	--	32,200	--
Due to Other Funds	--	--	--	14,599	--	--	--
Total Liabilities	138	330	--	14,776	--	37,874	--
DEFERRED INFLOWS OF RESOURCES							
Unavailable Revenue	--	--	--	--	--	--	--
Taxes Levied for a Subsequent Period	--	--	--	--	706,058	--	--
Total Liabilities and Deferred Inflows of Resources	138	330	--	14,776	706,058	37,874	--
FUND BALANCE							
Committed	--	--	--	--	--	--	--
Assigned	16,748	--	22,305	--	222,945	74,492	--
Unassigned	--	--	--	--	--	--	--
Total Fund Balance	16,748	--	22,305	--	222,945	74,492	--
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 16,886	\$ 330	\$ 22,305	\$ 14,776	\$ 929,003	\$ 112,366	\$ --

**County of Cheboygan
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2018**

	Special Revenue						
	Senior Citizens Busing	DAV Van	County Fair	Housing Commission	Sheriff Work Crew	ORV Fund	Indigent Defense
ASSETS							
Cash and Investments	\$ --	\$ 600	\$ 13,126	\$ 211,172	\$ --	\$ 1,763	\$ 74,880
Receivables	--	--	1,600	--	620	--	54,564
Taxes Receivable	--	--	--	--	--	--	--
Notes Receivable	--	--	--	1,155,042	--	--	--
Total Assets	\$ --	\$ 600	\$ 14,726	\$ 1,366,214	\$ 620	\$ 1,763	\$ 129,444
LIABILITIES							
Accounts Payable	\$ --	\$ --	\$ 3,368	\$ --	\$ --	\$ --	\$ 17,709
Accrued Liabilities	--	--	267	--	337	--	182
Due to Governmental Units	--	--	--	163	--	--	--
Due to Other Funds	--	--	--	3,066	283	--	--
Total Liabilities	--	--	3,635	3,229	620	--	17,891
DEFERRED INFLOWS OF RESOURCES							
Unavailable Revenue	--	--	--	1,155,042	--	--	--
Taxes Levied for a Subsequent Period	--	--	--	--	--	--	--
Total Liabilities and Deferred Inflows of Resources	--	--	3,635	1,158,271	620	--	17,891
FUND BALANCE							
Committed	--	--	--	--	--	--	--
Assigned	--	600	11,091	207,943	--	1,763	111,553
Unassigned	--	--	--	--	--	--	--
Total Fund Balance	--	600	11,091	207,943	--	1,763	111,553
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ --	\$ 600	\$ 14,726	\$ 1,366,214	\$ 620	\$ 1,763	\$ 129,444

**County of Cheboygan
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2018**

	Special Revenue		Capital Projects				Total Nonmajor Governmental Funds
	Veteran's Memorial Park	CCE 911 Millage	DHHS Building	Revolving Drain Fund	Doris Reid Capital Project	Animal Control Project	
ASSETS							
Cash and Investments	\$ 1,200	\$ --	\$ 33,717	\$ 100	\$ --	\$ 175	\$ 1,540,352
Receivables	--	--	--	--	--	--	432,715
Taxes Receivable	--	705,925	--	--	--	--	1,764,942
Notes Receivable	--	--	--	--	--	--	1,155,042
Total Assets	\$ 1,200	\$ 705,925	\$ 33,717	\$ 100	\$ --	\$ 175	\$ 4,893,051
LIABILITIES							
Accounts Payable	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 175	\$ 37,984
Accrued Liabilities	--	--	--	--	--	--	15,314
Due to Governmental Units	--	--	--	--	--	--	32,363
Due to Other Funds	--	--	--	--	--	--	36,379
Total Liabilities	--	--	--	--	--	175	122,040
DEFERRED INFLOWS OF RESOURCES							
Unavailable Revenue	--	--	--	--	--	--	1,155,042
Taxes Levied for a Subsequent Period	--	705,925	--	--	--	--	2,059,182
Total Liabilities and Deferred Inflows of Resources	--	705,925	--	--	--	175	3,336,264
FUND BALANCE							
Committed	--	--	--	100	--	--	100
Assigned	1,200	--	33,717	--	--	--	1,556,687
Unassigned	--	--	--	--	--	--	--
Total Fund Balance	1,200	--	33,717	100	--	--	1,556,787
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 1,200	\$ 705,925	\$ 33,717	\$ 100	\$ --	\$ 175	\$ 4,893,051

County of Cheboygan
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2018

	Special Revenue						
	Family Counseling	PA 302 Training	Public Act 106	Probation Enhancement	Victim's Restitution	Remonumentatio n Grant	Community Projects
Revenues							
Taxes	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Licenses and Permits	--	--	--	--	--	--	--
Federal Sources	--	--	--	--	--	--	--
State Sources	--	3,524	139,576	--	--	59,878	--
Local Sources	--	--	--	--	--	--	--
Contributions	--	--	--	--	--	--	--
Charges for Services	--	--	--	--	--	--	--
Fines and Penalties	--	--	--	618	--	--	--
Refunds and Reimbursement	--	--	--	--	--	--	--
Other Revenues	2,425	--	--	--	326	--	--
Interest and Rentals	--	--	--	--	--	--	1
Total Revenues	<u>2,425</u>	<u>3,524</u>	<u>139,576</u>	<u>618</u>	<u>326</u>	<u>59,878</u>	<u>1</u>
Expenditures							
Judicial	--	--	--	--	--	--	--
General Government	--	--	139,576	--	--	59,877	--
Public Safety	--	4,395	--	2,612	--	--	--
Health and Welfare	--	--	--	--	--	--	--
Recreation and Culture	--	--	--	--	--	--	--
Capital Outlay	--	--	--	--	--	--	--
Total Expenditures	<u>--</u>	<u>4,395</u>	<u>139,576</u>	<u>2,612</u>	<u>--</u>	<u>59,877</u>	<u>--</u>
Excess of Revenues Over (Under) Expenditures	<u>2,425</u>	<u>(871)</u>	<u>--</u>	<u>(1,994)</u>	<u>326</u>	<u>1</u>	<u>1</u>
Other Financing Sources (Uses)							
Transfers In	--	--	--	--	--	--	--
Transfer Out	--	--	--	--	--	--	--
Net Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Net Change in Fund Balance	<u>2,425</u>	<u>(871)</u>	<u>--</u>	<u>(1,994)</u>	<u>326</u>	<u>1</u>	<u>1</u>
Fund Balance at Beginning of Period	29,423	8,836	--	12,095	539	22,709	4,865
Fund Balance at End of Period	<u>\$ 31,848</u>	<u>\$ 7,965</u>	<u>\$ --</u>	<u>\$ 10,101</u>	<u>\$ 865</u>	<u>\$ 22,710</u>	<u>\$ 4,866</u>

County of Cheboygan
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2018

	Special Revenue						
	Ambulance Millage	Doris Reid Building	Recycling	Cellular Phone	911 4% Surcharge	DNR Forest Flow Through	Public Improvement
Revenues							
Taxes	\$ 342,033	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Licenses and Permits	--	--	--	--	--	--	--
Federal Sources	--	--	--	--	--	4,398	--
State Sources	--	--	--	--	--	--	--
Local Sources	--	--	3,070	--	--	--	--
Contributions	--	--	--	--	--	--	--
Charges for Services	--	--	300,682	--	--	--	--
Fines and Penalties	--	--	--	--	--	--	--
Refunds and Reimbursement	--	--	--	--	--	--	--
Other Revenues	--	--	--	167,090	162,941	--	--
Interest and Rentals	--	85,165	--	--	--	--	--
Total Revenues	342,033	85,165	303,752	167,090	162,941	4,398	--
Expenditures							
Judicial	--	--	--	--	--	--	--
General Government	--	24,601	291,392	--	--	--	--
Public Safety	--	--	--	167,090	162,941	--	--
Health and Welfare	342,033	--	--	--	--	--	--
Recreation and Culture	--	--	--	--	--	4,398	--
Capital Outlay	--	--	41,152	--	--	--	--
Total Expenditures	342,033	24,601	332,544	167,090	162,941	4,398	--
Excess of Revenues Over (Under) Expenditures	--	60,564	(28,792)	--	--	--	--
Other Financing Sources (Uses)							
Transfers In	--	--	--	--	--	--	--
Transfer Out	--	(48,244)	--	--	--	--	--
Net Other Financing Sources (Uses)	--	(48,244)	--	--	--	--	--
Net Change in Fund Balance	--	12,320	(28,792)	--	--	--	--
<i>Fund Balance at Beginning of Period</i>	--	82,986	188,029	--	--	--	6,041
Fund Balance at End of Period	\$ --	\$ 95,306	\$ 159,237	\$ --	\$ --	\$ --	\$ 6,041

County of Cheboygan
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2018

	Special Revenue						
	Building Department	Register of Deeds Automation	Sheriff Special Projects	Concealed Pistol	Local Officer Training	DARE	Drug Court
Revenues							
Taxes	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Licenses and Permits	--	--	--	16,062	--	--	--
Federal Sources	--	--	--	--	--	--	90,764
State Sources	--	--	--	--	--	--	3,796
Local Sources	--	--	--	--	--	--	--
Contributions	--	--	--	--	--	--	--
Charges for Services	433,273	34,105	--	--	8,016	--	5,155
Fines and Penalties	--	--	--	--	--	--	--
Refunds and Reimbursement	--	--	--	--	--	--	--
Other Revenues	--	--	--	--	--	--	--
Interest and Rentals	--	402	--	39	--	--	--
Total Revenues	<u>433,273</u>	<u>34,507</u>	<u>--</u>	<u>16,101</u>	<u>8,016</u>	<u>--</u>	<u>99,715</u>
Expenditures							
Judicial	--	--	--	--	--	--	105,648
General Government	--	10,410	--	--	--	--	--
Public Safety	437,098	--	526	--	7,898	460	--
Health and Welfare	--	--	--	--	--	--	--
Recreation and Culture	--	--	--	--	--	--	--
Capital Outlay	--	--	--	--	--	--	--
Total Expenditures	<u>437,098</u>	<u>10,410</u>	<u>526</u>	<u>--</u>	<u>7,898</u>	<u>460</u>	<u>105,648</u>
Excess of Revenues Over (Under) Expenditures	<u>(3,825)</u>	<u>24,097</u>	<u>(526)</u>	<u>16,101</u>	<u>118</u>	<u>(460)</u>	<u>(5,933)</u>
Other Financing Sources (Uses)							
Transfers In	3,825	--	--	--	--	--	20,683
Transfer Out	--	--	--	--	--	--	(9,619)
Net Other Financing Sources (Uses)	<u>3,825</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>11,064</u>
Net Change in Fund Balance	<u>--</u>	<u>24,097</u>	<u>(526)</u>	<u>16,101</u>	<u>118</u>	<u>(460)</u>	<u>5,131</u>
Fund Balance at Beginning of Period	<u>--</u>	<u>386,823</u>	<u>1,672</u>	<u>29,822</u>	<u>23,014</u>	<u>2,609</u>	<u>24,990</u>
Fund Balance at End of Period	<u>\$ --</u>	<u>\$ 410,920</u>	<u>\$ 1,146</u>	<u>\$ 45,923</u>	<u>\$ 23,132</u>	<u>\$ 2,149</u>	<u>\$ 30,121</u>

County of Cheboygan
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2018

	Special Revenue						
	Sobriety Court	Law Library	Veteran's Assistance	SAYPA Program	Senior Citizen's Millage	Child Care	Veteran's Trust
Revenues							
Taxes	\$ --	\$ --	\$ --	\$ --	\$ 678,132	\$ --	\$ --
Licenses and Permits	--	--	--	--	--	--	--
Federal Sources	--	--	--	48,643	--	--	--
State Sources	--	--	--	--	--	517,484	--
Local Sources	--	--	--	--	--	--	--
Contributions	--	--	1,041	67,153	--	--	--
Charges for Services	8,100	--	--	--	--	6,606	--
Fines and Penalties	--	--	--	--	--	--	--
Refunds and Reimbursement	--	--	--	--	--	23	--
Other Revenues	--	3,500	--	--	--	--	--
Interest and Rentals	--	--	--	--	--	--	--
Total Revenues	8,100	3,500	1,041	115,796	678,132	524,113	--
Expenditures							
Judicial	4,787	14,047	--	--	--	--	--
General Government	--	--	--	--	--	--	--
Public Safety	--	--	--	--	--	--	--
Health and Welfare	--	--	663	53,523	636,976	1,025,044	284
Recreation and Culture	--	--	--	--	--	--	--
Capital Outlay	--	--	--	--	--	--	--
Total Expenditures	4,787	14,047	663	53,523	636,976	1,025,044	284
Excess of Revenues Over (Under) Expenditures	3,313	(10,547)	378	62,273	41,156	(500,931)	(284)
Other Financing Sources (Uses)							
Transfers In	--	10,547	--	7,477	--	505,187	--
Transfer Out	--	--	--	(71,479)	--	--	--
Net Other Financing Sources (Uses)	--	10,547	--	(64,002)	--	505,187	--
Net Change in Fund Balance	3,313	--	378	(1,729)	41,156	4,256	(284)
Fund Balance at Beginning of Period	13,435	--	21,927	1,729	181,789	70,236	284
Fund Balance at End of Period	\$ 16,748	\$ --	\$ 22,305	\$ --	\$ 222,945	\$ 74,492	\$ --

County of Cheboygan
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2018

	Special Revenue						
	Senior Citizens Busing	DAV Van	County Fair	Housing Commission	Sheriff Work Crew	ORV Fund	Indigent Defense
Revenues							
Taxes	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Licenses and Permits	--	--	--	--	--	--	--
Federal Sources	--	--	--	1,329	--	--	--
State Sources	25,000	--	--	--	--	--	166,117
Local Sources	--	--	--	--	--	--	--
Contributions	--	--	--	--	--	--	--
Charges for Services	--	--	155,969	--	13,235	--	--
Fines and Penalties	--	--	--	--	--	--	--
Refunds and Reimbursement	--	--	--	--	--	--	--
Other Revenues	--	--	--	23,631	--	--	--
Interest and Rentals	--	--	--	198	--	--	--
Total Revenues	<u>25,000</u>	<u>--</u>	<u>155,969</u>	<u>25,158</u>	<u>13,235</u>	<u>--</u>	<u>166,117</u>
Expenditures							
Judicial	--	--	--	--	--	--	55,796
General Government	--	--	--	--	--	--	--
Public Safety	--	--	--	--	26,140	--	--
Health and Welfare	25,000	--	--	19,590	--	--	--
Recreation and Culture	--	--	158,684	--	--	--	--
Capital Outlay	--	--	--	--	--	--	--
Total Expenditures	<u>25,000</u>	<u>--</u>	<u>158,684</u>	<u>19,590</u>	<u>26,140</u>	<u>--</u>	<u>55,796</u>
Excess of Revenues Over (Under) Expenditures	<u>--</u>	<u>--</u>	<u>(2,715)</u>	<u>5,568</u>	<u>(12,905)</u>	<u>--</u>	<u>110,321</u>
Other Financing Sources (Uses)							
Transfers In	--	--	13,806	--	12,905	--	1,232
Transfer Out	--	--	--	--	--	--	--
Net Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>13,806</u>	<u>--</u>	<u>12,905</u>	<u>--</u>	<u>1,232</u>
Net Change in Fund Balance	<u>--</u>	<u>--</u>	<u>11,091</u>	<u>5,568</u>	<u>--</u>	<u>--</u>	<u>111,553</u>
Fund Balance at Beginning of Period	<u>--</u>	<u>600</u>	<u>--</u>	<u>202,375</u>	<u>--</u>	<u>1,763</u>	<u>--</u>
Fund Balance at End of Period	<u>\$ --</u>	<u>\$ 600</u>	<u>\$ 11,091</u>	<u>\$ 207,943</u>	<u>\$ --</u>	<u>\$ 1,763</u>	<u>\$ 111,553</u>

County of Cheboygan
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2018

	Special Revenue			Capital Projects			Total Nonmajor Governmental Funds
	Veteran's Memorial Park	CCE 911 Millage	DHHS Building	Revolving Drain Fund	Doris Reid Capital Project	Animal Control Project	
Revenues							
Taxes	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 1,020,165
Licenses and Permits	--	--	--	--	--	--	16,062
Federal Sources	--	--	--	--	--	--	145,134
State Sources	--	--	--	--	--	--	915,375
Local Sources	--	--	--	--	--	--	3,070
Contributions	1,200	--	--	--	--	35,000	104,394
Charges for Services	--	--	--	--	--	--	965,141
Fines and Penalties	--	--	--	--	--	--	618
Refunds and Reimbursement	--	--	--	--	--	--	23
Other Revenues	--	--	--	--	--	--	359,913
Interest and Rentals	--	--	18,799	--	--	--	104,604
Total Revenues	1,200	--	18,799	--	--	35,000	3,634,499
Expenditures							
Judicial	--	--	--	--	--	--	180,278
General Government	--	--	691	--	--	--	526,547
Public Safety	--	--	--	--	--	--	809,160
Health and Welfare	--	--	--	--	--	--	2,103,113
Recreation and Culture	--	--	--	--	--	--	163,082
Capital Outlay	--	--	8,421	--	116,215	97,825	263,613
Total Expenditures	--	--	9,112	--	116,215	97,825	4,045,793
Excess of Revenues Over (Under) Expenditures	1,200	--	9,687	--	(116,215)	(62,825)	(411,294)
Other Financing Sources (Uses)							
Transfers In	--	--	--	--	116,215	62,825	754,702
Transfer Out	--	--	--	--	--	--	(129,342)
Net Other Financing Sources (Uses)	--	--	--	--	116,215	62,825	625,360
Net Change in Fund Balance	1,200	--	9,687	--	--	--	214,066
<i>Fund Balance at Beginning of Period</i>	--	--	24,030	100	--	--	1,342,721
Fund Balance at End of Period	\$ 1,200	\$ --	\$ 33,717	\$ 100	\$ --	\$ --	\$ 1,556,787

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

	<u>Enterprise</u>			Total Enterprise Funds
	<u>Marina</u>	<u>Tax Foreclosure</u>	<u>Jail Commissary</u>	
ASSETS				
<i>Current Assets</i>				
Cash and Investments	\$ 104,285	\$ 663,170	\$ 55,701	\$ 823,156
Receivables	290	--	--	290
Prepaid Items	563	--	--	563
Inventories	28,828	--	--	28,828
Land Held for Resale	--	50,460	--	50,460
Total Current Assets	<u>133,966</u>	<u>713,630</u>	<u>55,701</u>	<u>903,297</u>
<i>Noncurrent Assets</i>				
Capital Assets Being Depreciated	1,191,045	--	--	1,191,045
Total Assets	<u>1,325,011</u>	<u>713,630</u>	<u>55,701</u>	<u>2,094,342</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension	9,952	--	--	9,952
Total Deferred Outflows of Resources	<u>9,952</u>	<u>--</u>	<u>--</u>	<u>9,952</u>
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	626	--	12,474	13,100
Total Current Liabilities	<u>626</u>	<u>--</u>	<u>12,474</u>	<u>13,100</u>
<i>Noncurrent Liabilities</i>				
Net Pension Liability	48,166	--	--	48,166
Total Liabilities	<u>48,792</u>	<u>--</u>	<u>12,474</u>	<u>61,266</u>
DEFERRED INFLOWS OF RESOURCES				
Pension	23,888	--	--	23,888
Total Deferred Inflows of Resources	<u>23,888</u>	<u>--</u>	<u>--</u>	<u>23,888</u>
NET POSITION				
Net Investment in Capital Assets	1,191,045	--	--	1,191,045
<i>Unrestricted</i>	71,238	713,630	43,227	828,095
Total Net Position	<u>\$ 1,262,283</u>	<u>\$ 713,630</u>	<u>\$ 43,227</u>	<u>\$ 2,019,140</u>

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

	Enterprise			Total Enterprise Funds
	Marina	Tax Foreclosure	Jail Commissary	
Operating Revenues				
State Sources	\$ --	\$ 200,000	\$ --	\$ 200,000
Charges for Services	431,003	237,334	165,022	833,359
Other Revenues	440	--	--	440
<i>Total Operating Revenues</i>	431,443	437,334	165,022	1,033,799
Operating Expenses				
Personal Services	61,575	10,745	--	72,320
Contractual Services	--	313,891	--	313,891
Utilities	20,544	--	--	20,544
Repair and Maintenance	13,827	--	--	13,827
Other Supplies and Expenses	339,602	24,689	154,047	518,338
Depreciation	77,078	--	--	77,078
<i>Total Operating Expenses</i>	512,626	349,325	154,047	1,015,998
<i>Operating Income (Loss)</i>	(81,183)	88,009	10,975	17,801
Non-Operating Revenues (Expenses)				
Interest and Rentals	--	631	--	631
<i>Net Non-Operating Revenues (Expenses)</i>	--	631	--	631
<i>Change In Net Position</i>	(81,183)	88,640	10,975	18,432
<i>Net Position at Beginning of Period</i>	1,343,466	624,990	32,252	2,000,708
<i>Net Position at End of Period</i>	\$ 1,262,283	\$ 713,630	\$ 43,227	\$ 2,019,140

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

	Enterprise			Total Enterprise Funds
	Marina	Tax Foreclosure	Jail Commissary	
Cash Flows from Operating Activities				
Cash Received from Customers or Users	\$ 431,153	\$ 437,334	\$ 165,022	\$ 1,033,509
Cash Payments to Suppliers	(383,589)	(338,580)	(152,040)	(874,209)
Cash Payments to Employees	(51,004)	(10,745)	-	(61,749)
Net Cash Provided (Used) by Operating Activities	(3,440)	88,009	12,982	97,551
Cash Flows from Investing Activities				
Interest Earned	-	631	-	631
Net Cash Provided by Investing Activities	-	631	-	631
Net Increase (Decrease) in Cash and Equivalents	(3,440)	88,640	12,982	98,182
<i>Cash and Equivalents - Beginning of Year</i>	107,725	574,530	42,719	724,974
Cash and Equivalents - End of Year	\$ 104,285	\$ 663,170	\$ 55,701	\$ 823,156
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating Income	\$ (81,183)	\$ 88,009	\$ 10,975	\$ 17,801
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
(Increase) Decrease in:				
Receivables	(290)	-	-	(290)
Prepaid Expenditures	(171)	-	-	(171)
Inventories	(9,491)	-	-	(9,491)
Accounts Payable	46	-	2,007	2,053
Deferred Outflows and Inflows Related to Pension	15,731	-	-	15,731
Net Pension Liability	(5,160)	-	-	(5,160)
Net Cash Provided (Used) by Operating Activities	\$ (3,440)	\$ 88,009	\$ 12,982	\$ 97,551

County of Cheboygan
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
December 31, 2018

	<u>Agency</u>					
	<u>T & A</u>	<u>Friend of the Court Agency</u>	<u>Library</u>	<u>District Court</u>	<u>Inmate Trust Fund</u>	<u>Total</u>
ASSETS						
Cash and Investments	\$ 870,165	\$ 200	\$ 160,945	\$ 4,980	\$ 10,616	\$ 1,046,906
<i>Total Assets</i>	<u>870,165</u>	<u>200</u>	<u>160,945</u>	<u>4,980</u>	<u>10,616</u>	<u>1,046,906</u>
LIABILITIES						
Assets Held on Behalf of Others	870,165	200	160,945	4,980	10,616	1,046,906
<i>Total Liabilities</i>	<u>\$ 870,165</u>	<u>\$ 200</u>	<u>\$ 160,945</u>	<u>\$ 4,980</u>	<u>\$ 10,616</u>	<u>\$ 1,046,906</u>

**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***

To the Board of Commissioners
Cheboygan County
Cheboygan, 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 Cheboygan County, Michigan (the "County"), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 28, 2019. Our report includes a reference to other auditors who audited the financial statements of the Cheboygan County Road Commission and the Cheboygan Airport Authority, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

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

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

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

not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County'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*.

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.



Gabridge & Company, PLC
Grand Rapids, MI
June 28, 2019

June 28, 2019

To the Board of Commissioners
Cheboygan County
Cheboygan, 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 Cheboygan County, Michigan (the "County") as of and for the year ended December 31, 2018. Our report includes a reference to other auditors. 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 May 20, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the County are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies were not changed during the fiscal year ended December 31, 2018. We noted no transactions entered into by the 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 the County's financial statements were:

- Management's estimate of the useful life of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.
- Management's assumptions used in the actuarial valuations of the pension are based on historical trends and industry standards.

We evaluated the key factors and assumptions used to develop these estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 28, 2019.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the 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.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the 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 management's discussion and analysis, pension schedules, and the budgetary comparison schedules, which are required supplementary information (RSI) that supplements 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 on the combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards, 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.

Restriction on Use

This information is intended solely for the information and use of the Board of Commissioners and management of the County and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,



Gabridge & Company, PLC
Grand Rapids, MI
June 28, 2019