COUNTY OF DELTA, MICHIGAN

BASIC FINANCIAL STATEMENTS
with Supplemental Information

YEAR ENDED SEPTEMBER 30, 2018

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"A Regional Firm Within the Upper Peninsula of Michigan"

Alan M. Stotz, CPA

INDEPENDENT AUDITOR'S REPORT

To the Delta County Board
of Commissioners and Management
Escanaba, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Delta, Michigan as of and for the year ended September, 30, 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Delta County Road Commission, and the financial information and related notes of the Delta County Road Commission have not been included in these financial statements. Those financial statements were audited by other auditors whose report was not furnished to us before issuance of this report, as stated in the "Basis for Adverse Opinion on Discretely Presented Component Units" paragraph below. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Delta County Central Dispatch Authority were not audited in accordance with *Government Auditing Standards*.

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

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

901 LUDINGTON STREET ESCANABA, MICHIGAN 49829 (906)786-3111 FAX (906)786-8940

Summary of Opinions

Opinion Unit	Type of Opinion
Governmental Activities	Unmodified
Business-Type Activities	Unmodified
Discretely Presented Component Units	Adverse
General Fund	Unmodified
Road Patrol Fund	Unmodified
Airport Fund	Unmodified
Capital Outlay Fund	Unmodified
Jail Building Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

Basis for Adverse Opinion on Discretely Presented Component Units

The financial statements referred to above do not include financial data for the County's legally separate component unit, the Delta County Road Commission. Accounting principles generally accepted in the United States of America require financial data for the component unit to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component unit. The County has not issued such reporting entity financial statements. The Delta County Road Commission an audit of the financial statements was not issued within the required time parameter. Because of this departure from accounting principles generally accepted in the United States of America, the assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenses of the discretely presented component unit are not presented. The amount by which this departure would affect the financial statements and the related notes has not been determined.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly the financial position of the discretely presented component units of the County of Delta, Michigan, as of September 30, 2018, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Delta, Michigan, as of September 30, 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, the schedule of changes in the net pension liability and related ratios, and the schedule of employer contributions, 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 of Delta's basic financial statements. The combining nonmajor fund financial statements are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Anderson, Tackman & Company P.L.C.

ANDERSON, TACKMAN & COMPANY, PLC
Certified Public Accountants
Escanaba, Michigan

March 28, 2019

MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of Delta County's financial performance provides an overview of the County's financial activities for the fiscal year ending September 30, 2018. Please read it in conjunction with the County's financial statements, which begin on page 15.

FINANCIAL HIGHLIGHTS

- In 2015, the County implemented GASB Statement 68, *Accounting and Financial Reporting for Pensions*, which required the recording of a net pension liability. The impact of GASB Statement 68 decreased in 2017 and again in 2018. Net pension liability decreased by $1.5 million to a balance of $10.5 million, deferred outflow of resources increased by $1.2 million to a balance of $2.9 million, and deferred inflows of resources increased by $1.5 million at September 30, 2018. All activity related to GASB Statement 68 only affected the Governmental Activities on pages 15 and 17 of the financial statements and has no effect on the fund financial statements. During 2018, the County made an additional contribution of $1,000,000 toward the pension liability.

- In 2018, the County broke ground on the Corrections Facility construction project. The County had drawdowns of $14,029,400 from the $17,900,000 in issued bonds from Rural Development. The County anticipates officially moving to the new facility in the first part of 2019.

- Net position for the County was reported at $31,702,668 for 2018 and $30,929,886 for 2017, an increase of $772,782. For 2018, net position for business-type activities were $5,888,143 or 19% of total net position, while net position in our governmental activities were $25,814,525 or 81% of total net position.

- The County's expenses for 2018 totaled $16,178,329, while revenues from all sources totaled $16,951,111, leaving an increase of $772,782. In 2017, expenses totaled $15,505,168 while revenues totaled $16,092,167, leaving an increase of $586,999.

- The General Fund reported an increase in fund balance of $331,883 in 2018 and an increase of $1,504,691 in 2017, representing a change in fund balance of +6% and +38%, respectively. This was after revenues of $10,221,721 in 2018 compared to $10,888,247 in 2017, and expenditures of $9,063,539 in 2018 compared to expenditures of $9,280,497 in 2017. Net transfers in 2017 were -$826,299 in 2018 as compared to -$103,059 in 2017.

USING THIS REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and Statement of Activities (on pages 15, 16 and 17) provide information about the activities of the County as a whole and present a longer term view of the County's finances. Fund financial statements start on page 18. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide financial statements by providing information about the County's most significant funds. The remaining statement provides financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of government.

Reporting the County as a Whole

Statement of Net Position and the Statement of Activities

Our analysis of the County as a whole begins on page 7. One of the most important questions asked about the county's finances; "Is the County as a whole better off or in worse condition as a result of this year's activities?" The Statement of Net Position and the Statement of Activities report information about the County as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current years revenue and expenses are taken into account regardless of when cash is received or paid. These two statements report the County's *net position* and changes in them. You can think of the County's net position as the difference between assets and liabilities as one way to measure the County's financial health, or *financial position.* Over time, *increases or decreases* in the County's net position are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the County's property tax base to assess the *overall financial health* of the County.

In the Statement of Net Position and the Statement of Activities, we divide the County into two categories of activities:

- Governmental activities – Most of the County's basic services are reported here including public safety, judicial system, parks and recreation, the County Airport, and general administration. Property taxes, charges for services, and state and federal funding make up the majority of revenue for these activities.

- Business-type activities – The County charges a fee to customers to help cover all or most of the costs of certain services it provides. The collection of delinquent property taxes primarily make up the County's business activities.

The County is also required to present three legally separate component units; Public Health Department, Central Dispatch Authority, and the County Road Commission which should be reported separately from the financial information of the County. As disclosed in Note T, management has omitted the County Road Commission in the current year. A separate financial statement is available for the Public Health Department, Central Dispatch Authority, and the County Road Commission and is available at their administrative offices.

Reporting the County's Most Significant Funds

Fund Financial Statements

Our analysis of the County's Major Funds begins on page 10. The fund financial statements begin on page 18 and provide detailed information on the most significant funds – not the County as a whole. Some funds are required to be established by State law, and by bond covenants. However, the County Board of Commissioners establishes many other funds to help it control and manage money for particular purposes or to show that the Board is meeting legal requirements for certain taxes, grants and other money. The County's two kinds of funds *governmental* and *proprietary* – use different accounting methods.

- *Governmental funds* – Most of the County's services are reported in governmental funds which focus on how money flows into and out of those funds and the balances that are left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed *short-term* view of the County's general government operations and the basic services it provides. Governmental fund information helps you to determine whether there are more or fewer financial resources that can be spent in the near future to finance County programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and Statement of Activities) and governmental *funds* in a reconciliation which follows the fund financial statements.

- *Proprietary funds* - When the County charges customers for the services it provides – whether to outside customers or to other units of the County – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the County's enterprise funds (a component of proprietary funds) are the same as the business-type activities that we report in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for other County programs and activities.

The County as a Trustee

The County is the trustee, *or fiduciary,* of tax receipts and other collections, that are collected for other agencies and held for periodic payment to those agencies. The County's fiduciary activities are reported in a separate Statement of Fiduciary Net Position on page 27. We exclude these funds from the County's other financial statements because the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

The County as a Whole

The County's combined net position increased by $772,782 in 2018 and by $586,999 in 2017.

Table 1
Net Position

	Governmental Activities		Business-Type Activities	
	2018	2017	2018	2017
Current and other assets	$ 18,342,697	$17,604,406	$5,875,720	$ 5,455,686
Capital assets (net)	33,213,755	20,154,481	22,201	26,007
Total Assets	51,556,452	37,758,887	5,897,921	5,481,693
Deferred outflows	2,945,684	1,771,169	-	-
Long-term debt outstanding	14,261,926	618,425	-	-
Other liabilities	12,693,844	13,222,997	9,778	1,304
Total Liabilities	26,955,770	13,841,422	9,778	1,304
Deferred inflows	1,731,841	239,137	-	-
Net Position:				
Net investment in capital assets	18,951,829	19,536,056	22,201	26,007
Restricted assets:				
Expendable	2,885,868	2,172,916	-	-
Unrestricted	3,976,828	3,740,525	5,865,942	5,454,382
Total net position	$ 25,814,525	$25,449,497	$5,888,143	$ 5,480,389

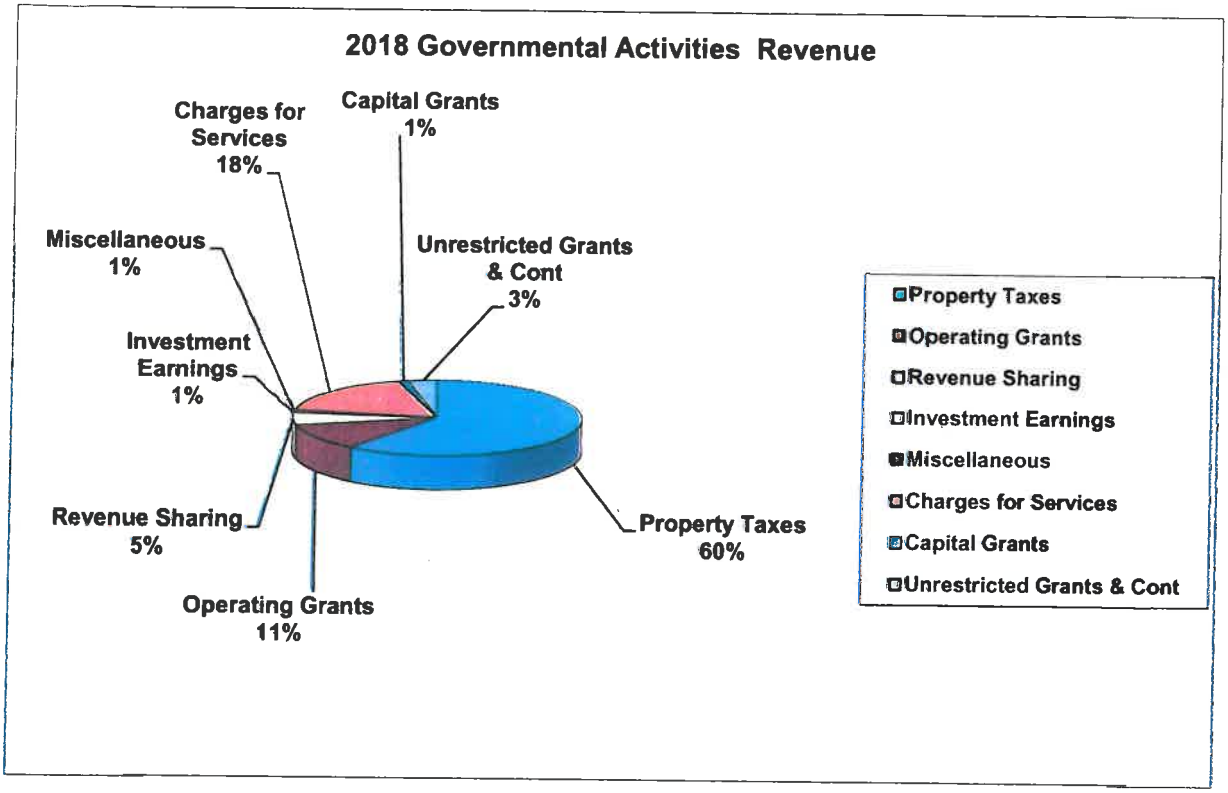
Net position of the County's governmental activities stood at $25,814,525, up from $25,449,497 in 2017. Unrestricted net position, the part of net position that could be used to finance the day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements stood at $3,976,828 and $3,740,525 for 2018 and 2017, respectively.

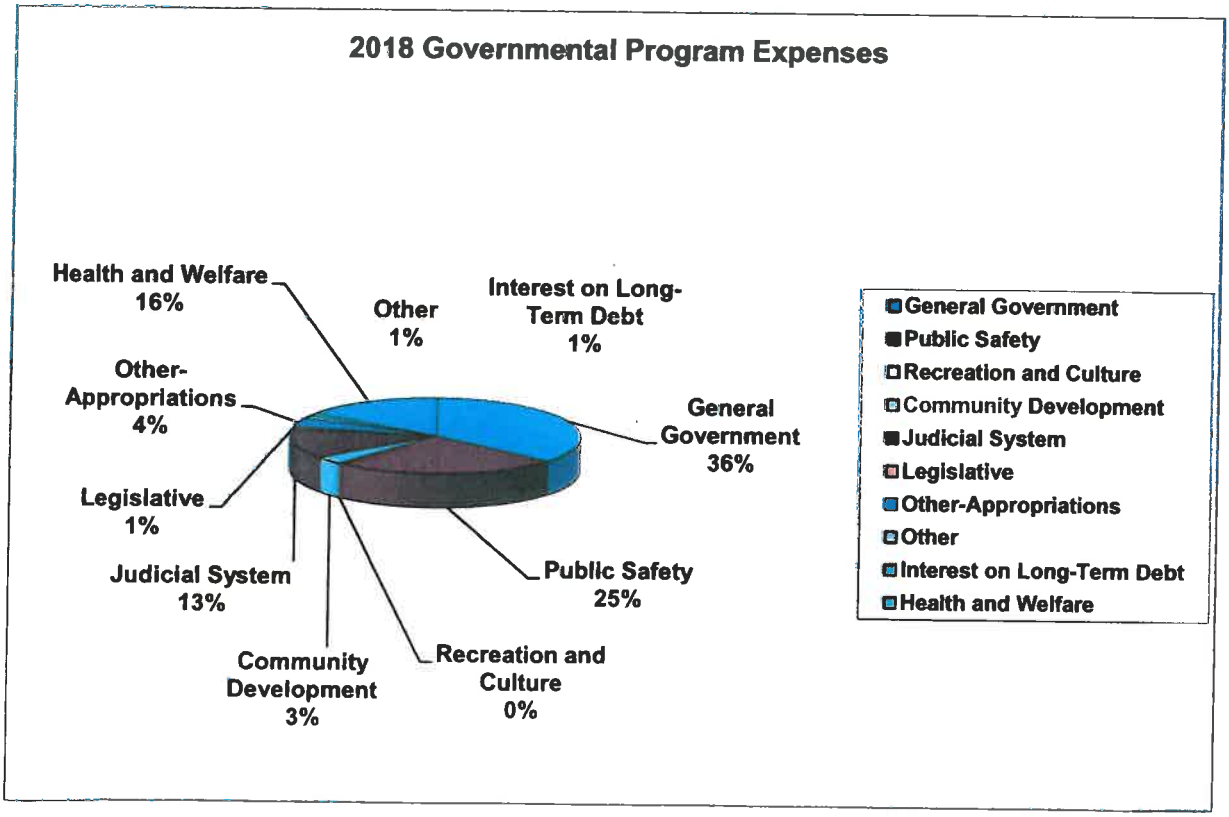
Net position in our business-type activities stood at $5,888,143, up from $5,480,389 in 2017. Unrestricted net position for business-type activities was $5,865,942 and $5,454,382 for 2018 and 2017, respectively.

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities	
	2018	2017	2018	2017
Revenues:				
Program Revenues:				
Charges for services	$ 2,892,464	$ 2,430,414	$ 717,735	$ 727,322
Operating grants	1,869,782	2,187,561	-	-
Capital grants	159,599	68,174	-	-
General Revenues:				
Property taxes	9,713,942	9,434,999	-	-
State revenue sharing	818,031	809,931	-	-
Grants and contributions not restricted to specific programs	547,545	493,018	-	-
Unrestricted investment earnings	100,702	84,607	20,664	8,970
Miscellaneous	110,647	112,902	-	-
Total Revenues	16,212,712	15,621,606	738,399	736,292
Program Expenses:				
Legislative	136,376	169,826	-	-
Judicial system	2,091,421	2,969,335	-	-
General government	5,738,939	4,637,007	-	-
Public safety	4,024,636	4,399,831	-	-
Health and welfare	2,451,782	2,264,146	-	-
Recreation and culture	47,574	42,561	-	-
Community development	454,363	-	-	-
Other-appropriations	591,845	634,253	-	-
Other	186,150	162,724	-	-
Interest on long-term debt	208,235	30,774	-	-
Delinquent tax revolving	-	-	153,658	129,676
Jail commissary	-	-	93,350	65,035
Total Expenses	15,931,321	15,310,457	247,008	194,711
Excess (deficiency) before transfers and contributions	281,391	311,149	491,391	541,581
Transfers	83,637	(244,618)	(83,637)	(21,113)
Increase (decrease) in net position	365,028	66,531	407,754	520,468
Net position - beginning, restated	25,449,497	25,382,966	5,480,389	4,959,921
Net position - ending	$25,814,525	$25,449,497	$5,888,143	$ 5,480,389

Governmental Activities





Governmental Activities

Revenues (including net transfers) for the County's governmental activities totaled $16.3 million, up 6% from $15.4 million in 2017. Expenses totaled $15.9 million in 2018, up 4% from $15.3 million in 2017.

Table three below reflects the cost of each of the County's five largest activities; Public Safety, Judicial System, General Government, Health and Welfare, and Other – Appropriations, - as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each function placed on the taxpayers.

Table 3
Government Activities

	Total Cost of Services		Net Cost of Services	
	2018	2017	2018	2017
Public safety	$ 4,024,636	$ 4,399,831	$ 3,397,712	$ 3,862,808
Judicial system	2,091,421	2,969,335	430,225	1,279,233
General government	5,738,939	4,637,007	3,687,921	2,826,274
Health and welfare	2,451,782	2,264,146	1,869,075	1,615,855
Other - appropriation	591,845	634,253	591,845	634,253
Totals	$14,898,623	$14,904,572	$ 9,976,778	$10,218,423

Business-Type Activities

The County's business-type activities net position totaled $5,888,143 as compared to $5,480,389 in 2017.

THE COUNTY'S FUNDS

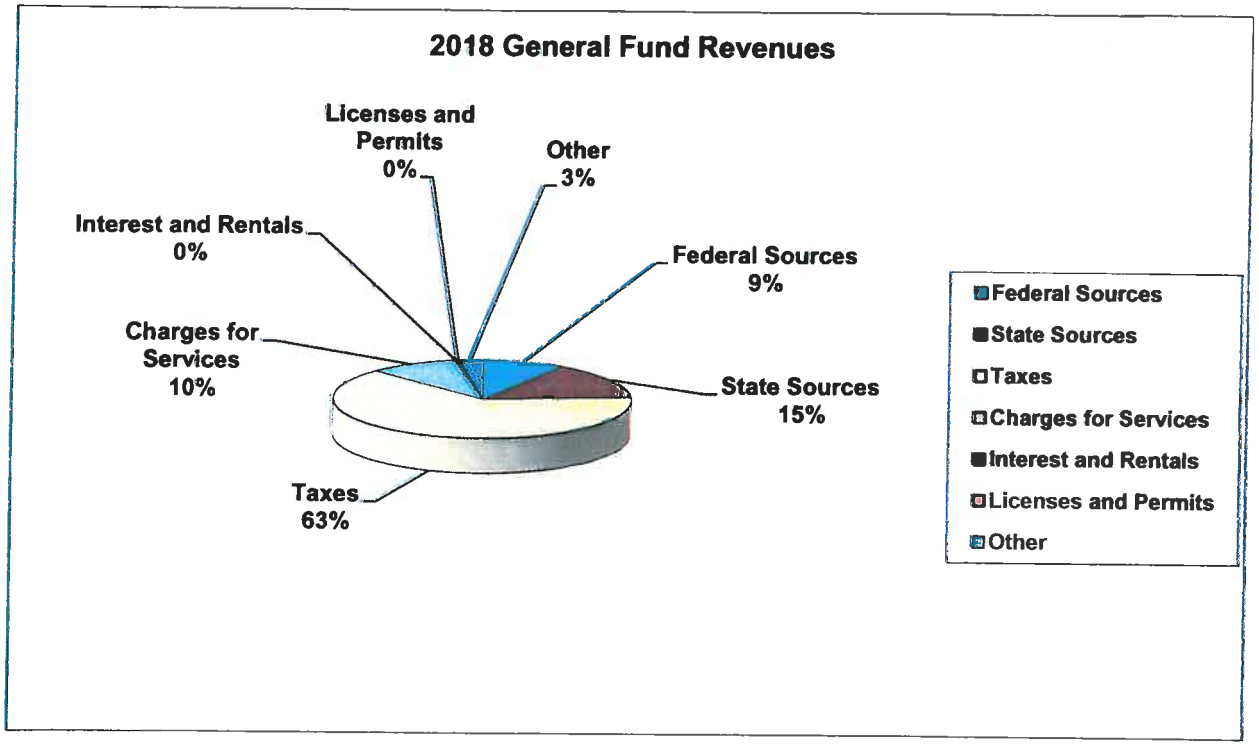
The focus of the governmental funds of the County is to provide information on near-term inflows, outflows and balances in spendable resources. The fund information is useful to determine short-term financing requirements and can be used to measure the County's net resources available for spending at the end of the fiscal year.

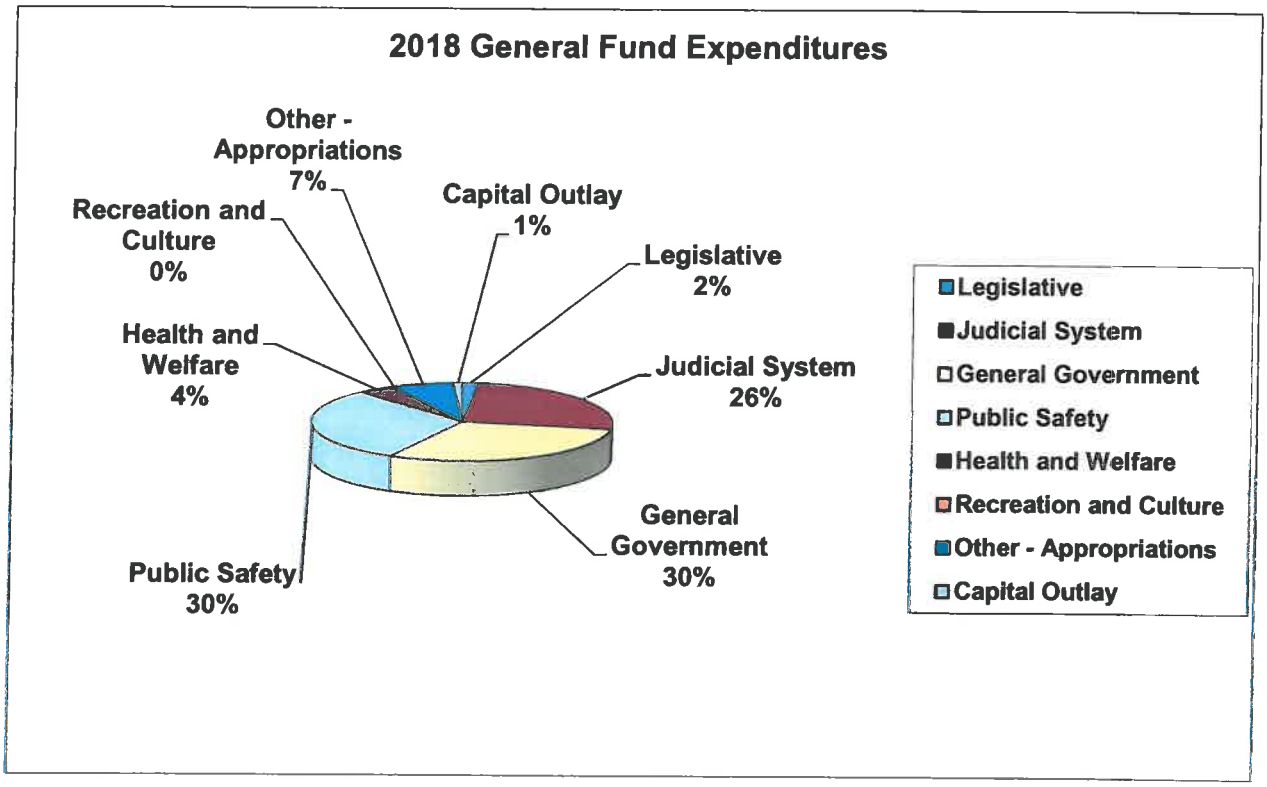
For the current fiscal year the County's governmental funds reported total fund balance of $9,896,851. The General Fund unassigned fund balance amounted to $3,714,981and $2,022,256 was committed for pension stabilization. The General Fund had an increase in fund balance of $331,883, representing an increase of 6% over the prior year total fund balance. The increase was primarily due to the personal property tax loss reimbursement from the state and continued fiscal responsibility.

General Fund Budgetary Highlights

Over the course of the year, the budget was amended several times to recognize anticipated changes in the county's financial forecast. The expenditure authority of the final FY 2018 Amended Budget increased by $330,050 over the original FY 2018 Approved Budget, which represents an increase of 3.8%. However, final expenditures were actually $340,881, or 3.9% more than the original approved expenditure authority as a result of administration costs and capital outlay that was unexpected at the time of the original budget. The original budget was projected to add $0 to fund balance, however $331,883 was added to General Fund Balance due to FY 2018 activities.

General Fund





CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2018, the County had $33,235,956, net of accumulated depreciation, invested in a variety of capital assets including machinery and equipment, buildings and improvements, parks, airport infrastructure and land. (See table 4 below)

Table 4
Capital Assets at Year-End
(net of accumulated depreciation)

	Governmental Activities		Business-Type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Capital assets	$52,121,287	$38,017,952	$26,641	$26,641	$52,147,928	$38,044,593
Accumulated depreciation	(18,907,532)	(17,863,471)	(4,440)	(634)	(18,911,972)	(17,864,105)
Total	$33,213,755	$20,154,481	$22,201	$26,007	$33,235,956	$20,180,488

There was a significant increase in governmental activities capital assets in 2018 due to construction in progress related to the new correctional facility. The other additions to capital assets in 2018 were related to projects at the airport and vehicles.

DEBT

At year-end the County had $14,029,400 in bonds outstanding and $232,526 in notes outstanding.

Table 5
Outstanding Debt at Year-End

	Governmental Activities	
	2018	2017
Building Authority Bonds:		
Courthouse Renovation	$ -	$ 315,000
General Obligation Unlimited Tax Bonds:		
Series 2017A	9,000,000	-
Series 2017B	5,029,400	-
Notes Payable:		
Energy Project	232,526	303,425
Totals	$ 14,261,926	$ 618,425

The State of Michigan limits the amount of general obligation debt that local units of government can issue to 10% of the current equalized valuation, including TIF valuations. The County's outstanding general obligation debt is below statutory limits.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Delta County received higher than anticipated revenue due to a manufacturing personal property exemption formula that is being phased out over the next ten years. The financial picture remains strong due to recent growth in Delta County taxable value. Taxable value in the FY 2019 budget is expected to increase by between 2 and 4 percent.

Aside from strong taxable value growth, the county has prepared itself financially for its two biggest financial concerns. The first is the unfunded pension liability that it will pay over an accelerated time period due to closing the plan to new entrants a decade ago. The County created a pension stabilization fund in FY 2015 and has set aside over $2 million over the last two years to help pay for future General Fund cost increases. At this rate, the Stabilization Fund could support every pension increase above current levels for 5 years. This will take Delta County very close to its peak annual contribution.

The other financial burden that Delta County has recently faced is planning for the opening of its new Correctional Facility. The new Correctional Facility is much bigger than the current jail and will require a large increase in both staffing and technology. The county has diverted funding to Corrections in order to prepare for occupancy. While we are working hard to prepare for this transition, there are going to be unanticipated costs that will require ongoing financial conservancy.

Due to the county's strong debt profile, strong financial reserves, solid revenue picture, and management of General Fund cost expenditures in recent years, the overall financial picture is very strong. The County is entering into master planning and is also documenting a plan for capital improvements. This will allow for better fiscal planning and hopefully create less long-term debate on prioritization of spending. Barring a major recession or other unplanned fiscal catastrophe, the County should be able to operate at existing service levels for the foreseeable future.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers and customers, as well as investors and creditors with a general overview of the County's finances and to show the County's accountability for the revenues it receives. If you have questions about this report or need additional information, contact the County Administrator at the Delta County Courthouse, 310 Ludington Street, Escanaba, Michigan, 49829.

COUNTY OF DELTA, MICHIGAN
STATEMENT OF NET POSITION
September 30, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 10,542,353	$ 3,235,044	$ 13,777,397
Investments	4,249,880	1,026,069	5,275,949
Receivables:			
Accounts	1,002,063	114,971	1,117,034
Current taxes	1,083,315	-	1,083,315
Notes	225,590	-	225,590
Delinquent taxes	-	985,710	985,710
Interest & admin fee	-	200,310	200,310
Internal balances	-	56	56
Due from other governmental units	5,451	-	5,451
Due from State of Michigan	822,502	-	822,502
Prepaids	74,711	-	74,711
Inventory	19,197	-	19,197
Total current assets	18,025,062	5,562,160	23,587,222
Noncurrent assets:			
Notes receivable	317,635	-	317,635
Delinquent taxes receivable	-	313,560	313,560
Capital assets, net of accumulated depreciation	33,213,755	22,201	33,235,956
Total noncurrent assets	33,531,390	335,761	33,867,151
Total assets	$ 51,556,452	$ 5,897,921	$ 57,454,373
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - pension plan	$ 2,945,684	$ -	$ 2,945,684
LIABILITIES			
Current liabilities:			
Accounts payable	1,160,974	9,778	1,170,752
Accrued payroll	319,944	-	319,944
Accrued interest	160,714	-	160,714
Internal balances	56	-	56
Unearned revenue	-	-	-
Long-term liabilities due within one year:			
Compensated absences	135,399	-	135,399
Notes payable	74,106	-	74,106
Bonds payable	514,000	-	514,000
Total current liabilities	2,365,193	9,778	2,374,971
Long-term liabilities:			
Compensated absences	406,196	-	406,196
Notes payable	158,420	-	158,420
Bonds payable	13,515,400	-	13,515,400
Net pension liability	10,510,561	-	10,510,561
Total long-term liabilities	24,590,577	-	24,590,577
Total liabilities	$ 26,955,770	$ 9,778	$ 26,965,548
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - pension plan	1,731,841	-	1,731,841
Total liabilities	$ 1,731,841	$ -	$ 1,731,841
NET POSITION			
Net investment in capital assets	18,951,829	22,201	18,974,030
Restricted for:			
Expendable:			
Special revenue	1,410,278	-	1,410,278
Debt service	912,662	-	912,662
Capital projects	562,928	-	562,928
Unrestricted	3,976,828	5,865,942	9,842,770
Total net position	$ 25,814,525	$ 5,888,143	$ 31,702,668

See accompanying notes to financial statements.

Component Units	
Public Health Department	Central Dispatch Authority
$ 1,151,301	$ 457,806
-	-
59,958	75,777
-	-
-	-
-	-
-	-
-	-
-	56,757
187,435	-
25,802	-
-	-
1,424,496	590,340
-	-
-	-
86,272	391,359
86,272	391,359
$ 1,510,768	$ 981,699
$ 900,199	$ -
42,625	104,636
77,004	-
-	-
-	-
121,547	-
42,379	-
-	-
-	-
283,555	104,636
127,137	-
-	-
-	-
885,201	-
1,012,338	-
$ 1,295,893	$ 104,636
572,270	-
$ 572,270	$ -
86,272	391,359
814,787	10,424
-	-
-	-
(358,255)	475,280
$ 542,804	$ 877,063

See accompanying notes to financial statements.

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COUNTY OF DELTA, MICHIGAN
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2018

Functions/Programs	Expenses	Program Revenue: Fees, Fines and Charges for Services	Program Revenue: Operating Grants and Contributions	Program Revenue: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Component Units
Primary government:								
Governmental activities:								
Legislative	$ 136,376	$ -	$ -	$ -	$ (136,376)	$ -	$ (136,376)	$ -
Judicial system	2,091,421	600,046	1,061,150	-	(430,225)	-	(430,225)	-
General government	5,738,939	1,666,064	282,373	102,581	(3,687,921)	-	(3,687,921)	-
Public safety	4,024,636	278,577	291,329	57,018	(3,397,712)	-	(3,397,712)	-
Health and welfare	2,451,782	347,777	234,930	-	(1,869,075)	-	(1,869,075)	-
Recreation and culture	47,574	-	-	-	(47,574)	-	(47,574)	-
Community development	454,363	-	-	-	(454,363)	-	(454,363)	-
Other - appropriation	591,845	-	-	-	(591,845)	-	(591,845)	-
Other	186,150	-	-	-	(186,150)	-	(186,150)	-
Interest on long-term debt	208,235	-	-	-	(208,235)	-	(208,235)	-
Total governmental activities	15,931,321	2,892,464	1,869,782	159,599	(11,009,476)	-	(11,009,476)	-
Business-type activities:								
Delinquent tax revolving & foreclosure	153,658	604,941	-	-	-	451,283	451,283	-
Jail commissary	93,350	112,794	-	-	-	19,444	19,444	-
Total business-type activities	247,008	717,735	-	-	-	470,727	470,727	-
Total primary government	16,178,329	3,610,199	1,869,782	159,599	(11,009,476)	470,727	(10,538,749)	-
Component units:								
Public Health Department	3,602,699	559,826	2,869,119	-	-	-	-	(173,754)
Central Dispatch Authority	1,003,770	305,954	193,085	-	-	-	-	(504,731)
Total component units	$ 4,606,469	$ 865,780	$ 3,062,204	$ -	-	-	-	(678,485)
General revenues:								
Property taxes					9,713,942	-	9,713,942	286,441
State revenue sharing					818,031	-	818,031	-
Grants and contributions not restricted to specific programs					547,545	-	547,545	-
Unrestricted investment earnings					100,702	20,664	121,366	6,944
Miscellaneous					110,647	-	110,647	1,986
Transfers					83,637	(83,637)	-	-
Total general revenues and transfers					11,374,504	(62,973)	11,311,531	295,371
Change in net position					365,028	407,754	772,782	(383,114)
Net position, beginning					25,449,497	5,480,389	30,929,886	1,802,981
Net position, ending					$ 25,814,525	$ 5,888,143	$ 31,702,668	$ 1,419,867

See accompanying notes to financial statements.

COUNTY OF DELTA, MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2018

	General Fund	Road Patrol	Airport	Capital Outlay
ASSETS				
Cash and equivalents:				
Unrestricted	$ 3,412,263	$ 353,777	$ 418,327	$ 491,773
Restricted	-	-	145,590	-
Investments	670,756	-	-	-
Receivables:				
Accounts	30,661	544	57,682	-
Property taxes	1,083,315	-	-	-
Due from other funds	147,522	-	-	-
Due from other units of government	-	5,451	-	-
Due from State of Michigan	752,562	15,000	-	-
Inventory	-	-	19,197	-
Prepaid items	36,677	35,211	-	-
Total assets	$ 6,133,756	$ 409,983	$ 640,796	$ 491,773
LIABILITIES				
Accounts payable	$ 151,647	$ 25,056	$ 20,296	$ -
Due to other funds	-	-	-	-
Advances from other funds	-	-	350,000	-
Accrued payroll and related liabilities	208,195	48,520	29,906	-
Total liabilities	359,842	73,576	400,202	-
FUND BALANCES				
Nonspendable:				
Prepaid items	36,677	35,211	-	-
Inventory	-	-	19,197	-
Restricted	-	-	145,590	185,000
Committed	2,022,256	-	-	-
Assigned	-	301,196	75,807	306,773
Unassigned	3,714,981	-	-	-
Total fund balances	5,773,914	336,407	240,594	491,773
Total liabilities and fund balances	$ 6,133,756	$ 409,983	$ 640,796	$ 491,773

See accompanying notes to financial statements.

Jail Building	Nonmajor Governmental Funds	Total Governmental Funds
$ 204,559	$ 1,905,078	$ 6,785,777
46,167	1,085,657	1,277,414
-	-	670,756
841,400	45,050	975,337
-	-	1,083,315
-	-	147,522
-	-	5,451
-	54,940	822,502
-	-	19,197
-	2,823	74,711
$ 1,092,126	$ 3,093,548	$ 11,861,982
$ 838,383	$ 113,118	$ 1,148,500
-	147,578	147,578
-	-	350,000
-	32,432	319,053
838,383	293,128	1,965,131
-	2,823	74,711
-	-	19,197
253,743	2,301,535	2,885,868
-	-	2,022,256
-	496,062	1,179,838
-	-	3,714,981
253,743	2,800,420	9,896,851
$ 1,092,126	$ 3,093,548	$ 11,861,982

See accompanying notes to financial statements.

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COUNTY OF DELTA, MICHIGAN
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
September 30, 2018

Total fund balances for governmental funds		$ 9,896,851
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:		
Capital assets	52,121,287	
Accumulated depreciation	(18,907,532)	
Total capital assets		33,213,755
Deferred outflow of resources related to recording the net pension liability.		2,945,684
Deferred inflow of resources related to recording the net pension liability.		(1,731,841)
The County uses internal service funds for the purpose of internally financing various County projects and for activities related to the Service Center. The assets and liabilities of these internal service funds are included in the governmental activities in the statement of net position.		6,964,872
Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net position.		
Accrued interest on long-term debt	(160,714)	
Notes payable	(232,526)	
Bonds payable	(14,029,400)	
Compensated absences	(541,595)	
Net pension liability	(10,510,561)	(25,474,796)
Total net position of governmental activities		$ 25,814,525

See accompanying notes to financial statements.

COUNTY OF DELTA, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2018

	General Fund	Road Patrol	Airport	Capital Outlay
REVENUES:				
Taxes	$ 6,457,196	$ 1,123,250	$ -	$ -
Licenses and permits	1,390	-	-	-
Federal sources	909,932	-	-	-
State sources	1,550,850	90,078	150	-
Local sources	-	61,181	34,764	15,000
Charges for services	987,947	12,870	686,299	-
Interest and rentals	44,651	-	167,218	-
Other	269,755	61,896	13,324	-
Total revenues	10,221,721	1,349,275	901,755	15,000
EXPENDITURES:				
Legislative	148,005	-	-	-
Judicial system	2,366,176	-	-	-
General government	2,720,147	-	1,246,536	1,651
Public safety	2,756,950	1,276,815	-	-
Health and welfare	393,832	-	-	-
Recreation and culture	-	-	-	37,066
Community development	-	-	-	-
Others - appropriations	591,845	-	-	-
Capital outlay	86,584	28,693	9,530	40,445
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Other	-	-	-	-
Total expenditures	9,063,539	1,305,508	1,256,066	79,162
Excess revenues (expenditures)	1,158,182	43,767	(354,311)	(64,162)
OTHER FINANCING SOURCES (USES):				
Loan proceeds	-	-	-	-
Transfer in	166,611	-	300,000	137,066
Transfer out	(992,910)	(81,195)	-	(84,625)
Total other financing sources (uses)	(826,299)	(81,195)	300,000	52,441
Net change in fund balance	331,883	(37,428)	(54,311)	(11,721)
Fund balances - beginning of year	5,442,031	373,835	294,905	503,494
Fund balances - end of year	$ 5,773,914	$ 336,407	$ 240,594	$ 491,773

See accompanying notes to financial statements.

Jail Building	Nonmajor Governmental Funds	Total Governmental Funds
$ -	$ 2,133,496	$ 9,713,942
-	168,635	170,025
-	169,175	1,079,107
-	549,130	2,190,208
-	397,936	508,881
-	83,162	1,770,278
860	3,532	216,261
-	116,274	461,249
860	3,621,340	16,109,951
-	-	148,005
-	16,531	2,382,707
-	446,601	4,414,935
-	177,788	4,211,553
-	2,057,950	2,451,782
-	-	37,066
-	454,363	454,363
-	-	591,845
13,553,746	361,067	14,080,065
-	385,899	385,899
-	59,187	59,187
-	186,150	186,150
13,553,746	4,145,536	29,403,557
(13,552,886)	(524,196)	(13,293,606)
14,029,400	-	14,029,400
398,998	880,496	1,883,171
(621,769)	(216,088)	(1,996,587)
13,806,629	664,408	13,915,984
253,743	140,212	622,378
-	2,660,208	9,274,473
$ 253,743	$ 2,800,420	$ 9,896,851

See accompanying notes to financial statements.

DELTA COUNTY, MICHIGAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2018

Net changes in fund balances - total governmental funds		$ 622,378
The change in net position reported for governmental activities in the statement of activities is different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense ($1,081,092) was exceeded by capital outlays ($14,080,065).		12,998,973
Governmental funds do not record contributions of capital assets. However, in the Statement of Activities the fair value of those assets are reported as capital contributions.		60,301
Internal service funds are used by management to account for activities related to accumulating resources to pay for sick leave upon termination, the accumulation of residual equity from delinquent tax collections and the operation of the service center building. The net revenue (expense) of the internal service funds is reported with governmental activities.		
Net operating income (loss) from governmental activities in internal service funds		(919,446)
Interest earnings from governmental internal service funds		42,460
Transfers made from governmental internal service funds		197,053
Repayment of principal is an expenditure in the governmental funds but reduces the liability in the Statement of Net Position.		
Principal repayments:		
Bond principal		385,899
Debt proceeds provide current financial resources to governmental funds in the period issued, but issuing debt increases long-term liabilities in the statement of net position.		
Proceeds from issuance of long-term debt		(14,029,400)
Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the following net changes:		
Compensated absences	(6,988)	
Accrued interest on bonds	(149,048)	
Pension expense	1,162,846	1,006,810
Changes in net position of governmental activities		$ 365,028

See accompanying notes to financial statements.

COUNTY OF DELTA, MICHIGAN
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2018

	P.A. 123 Foreclosure	Delinquent Tax Revolving	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
ASSETS					
Current assets:					
Cash and cash equivalents					
Unrestricted	$ 1,213,913	$ 1,959,183	$ 61,948	$ 3,235,044	$ 2,479,162
Investments	-	1,026,069	-	1,026,069	3,579,124
Receivables:					
Accounts	856	89,084	25,031	114,971	16,136
Notes	-	-	-	-	225,590
Current taxes	-	985,710	-	985,710	-
Interest & admin fee	-	200,310	-	200,310	10,590
Due from other funds	-	56	-	56	-
Total current assets	1,214,769	4,260,412	86,979	5,562,160	6,310,602
Noncurrent assets:					
Delinquent taxes receivable	-	313,560	-	313,560	-
Advances to other funds	-	-	-	-	350,000
Notes receivable	-	-	-	-	317,635
Capital assets, net	-	-	22,201	22,201	-
Total noncurrent assets	-	313,560	22,201	335,761	667,635
Total assets	$ 1,214,769	$ 4,573,972	$ 109,180	$ 5,897,921	$ 6,978,237
LIABILITIES					
Current liabilities:					
Accounts payable	$ -	$ 2,706	$ 7,072	$ 9,778	$ 12,474
Accrued payroll	-	-	-	-	891
Total liabilities	-	2,706	7,072	9,778	13,365
NET POSITION					
Net investment in capital assets	-	-	22,201	22,201	-
Restricted - expendable	-	-	-	-	150,000
Unrestricted	1,214,769	4,571,266	79,907	5,865,942	6,814,872
Total net position	1,214,769	4,571,266	102,108	5,888,143	6,964,872
TOTAL LIABILITIES AND NET POSITION	$ 1,214,769	$ 4,573,972	$ 109,180	$ 5,897,921	$ 6,978,237

See accompanying notes to financial statements.

COUNTY OF DELTA, MICHIGAN
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended September 30, 2018

	P.A. 123 Foreclosure	Delinquent Tax Revolving	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
OPERATING REVENUES:					
Charges for services	$ 119,712	$ 91,015	$ 112,794	$ 323,521	$ -
State sources	-	-	-	-	-
Local sources	147,750	-	-	147,750	-
Rental and interest income	6,228	237,011	-	243,239	57,838
Miscellaneous	-	3,225	-	3,225	220,979
Total operating revenue	273,690	331,251	112,794	717,735	278,817
OPERATING EXPENSES:					
Salaries and fringes	-	-	-	-	1,041,997
Supplies	10,709	458	89,544	100,711	5,927
Contracted services	37,033	-	-	37,033	5,530
Repairs and maintenance	-	-	-	-	39,307
Postage	-	2,582	-	2,582	-
Utilities	-	-	-	-	11,847
Recording fees	26,163	-	-	26,163	-
Depreciation	-	-	3,806	3,806	-
Miscellaneous	11,379	65,334	-	76,713	93,655
Total operating expenses	85,284	68,374	93,350	247,008	1,198,263
Operating income (loss)	188,406	262,877	19,444	470,727	(919,446)
NONOPERATING REVENUES (EXPENSES):					
Interest income	-	20,457	207	20,664	42,460
Total nonoperating revenue (expense)	-	20,457	207	20,664	42,460
Income (loss) before transfers and contributions	188,406	283,334	19,651	491,391	(876,986)
Transfer in	-	-	30,000	30,000	733,901
Transfer out	-	(50,398)	(63,239)	(113,637)	(536,848)
Change in net position	188,406	232,936	(13,588)	407,754	(679,933)
Total net position - beginning	1,026,363	4,338,330	115,696	5,480,389	7,644,805
Total net position - ending	$ 1,214,769	$ 4,571,266	$ 102,108	$ 5,888,143	$ 6,964,872

See accompanying notes to financial statements.

COUNTY OF DELTA, MICHIGAN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2018

	P.A. 123 Foreclosure	Delinquent Tax Revolving	Nonmajor Enterprise Fund	Total Enterprise Funds	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	$ 399,467	$ 195,574	$ 173,559	$ 768,600	$ -
Receipts from interest and rents	6,228	255,582	-	261,810	117,176
Cash received for collection of taxes	-	2,501,090	-	2,501,090	-
Payments to suppliers	(85,793)	(68,374)	(82,500)	(236,667)	(169,437)
Payments for wages and related benefits	-	-	-	-	(1,041,235)
Cash payments for taxes	-	(2,362,987)	-	(2,362,987)	-
Receipts (payments) to other funds	-	(56)	-	(56)	-
Other receipts (payments)	-	5,164	-	5,164	849,944
Net cash provided (used) by operating activities	319,902	525,993	91,059	936,954	(243,552)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Operating transfer in	-	-	30,000	30,000	733,901
Operating transfer out	-	(50,398)	(63,239)	(113,637)	(536,848)
Net cash provided (used) by noncapital financing activities	-	(50,398)	(33,239)	(83,637)	197,053
CASH FLOWS FROM INVESTING ACTIVITIES					
Net transfer of investments	-	(1,026,069)	-	(1,026,069)	(1,644,234)
Interest earnings	-	20,457	207	20,664	42,460
Net cash provided (used) by investing activities	-	(1,005,612)	207	(1,005,405)	(1,601,774)
Net increase (decrease) in cash and equivalents	319,902	(530,017)	58,027	(152,088)	(1,648,273)
Cash and equivalents, beginning of year	894,011	2,489,200	3,921	3,387,132	4,127,435
Cash and equivalents, end of year	$ 1,213,913	$ 1,959,183	$ 61,948	$ 3,235,044	$ 2,479,162
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	$ 188,406	$ 262,877	$ 19,444	$ 470,727	$ (919,446)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation expense	-	-	3,806	3,806	-
Changes in assets and liabilities:					
(Increase) decrease in receivables	132,005	261,233	60,765	454,003	688,303
(Increase) decrease in due from other funds	-	(56)	-	(56)	-
Increase (decrease) in accounts payable	(509)	1,939	7,044	8,474	(13,171)
Increase (decrease) in due to other funds	-	-	-	-	-
Increase (decrease) in accrued payroll	-	-	-	-	762
Total adjustments	131,496	263,116	71,615	466,227	675,894
Net cash provided (used) by operating activities	$ 319,902	$ 525,993	$ 91,059	$ 936,954	$ (243,552)

See accompanying notes to financial statements.

COUNTY OF DELTA, MICHIGAN
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
September 30, 2018

	Agency Funds
ASSETS	
Cash and cash equivalents:	
Unrestricted	$ 2,404,549
Due from local units	296
Total assets	$ 2,404,845
LIABILITIES	
Due to other governmental units	94,756
Undistributed taxes	2,080,248
Other liabilities	229,841
Total liabilities	$ 2,404,845

See accompanying notes to financial statements.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Background - The County of Delta was organized under the provisions of the Michigan Constitution. The County is operated under a Commission/Administrator form of government and provides services in the following functional areas: legislative, courts, public records, public roads, management, building operation and expense, human service, resource management and development, law enforcement, and health services. The County is governed by an elected five member Board of Commissioners, with the county seat located in the City of Escanaba.

The financial statements of the County have been prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The financial statements have been prepared in accordance with GASB Statement 34, *Basic Financial Statements and Management's Discussion and Analysis.* GASB 34 significantly changes financial reporting for governmental agencies by adding government-wide financial statements, management's discussion and analysis and reporting on infrastructure.

Reporting Entity - The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth by the GASB. The concept underlying the definition of the reporting entity is that elected officials are accountable. In addition, State of Michigan - Department of Treasury pronouncements were considered in the determination process. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Component Units - In conformity with generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity either as blended component units or as discretely presented component units.

Blended Component Units - The County has two component units for which the financial data has been blended with the primary government financial statements.

Airport - The members of the governing board of the Delta County Airport are appointed by the County's Board of Commissioners. For financial reporting purposes, the Airport is reported as if it were part of the County's operations because its purpose is to provide the opportunity for air travel for the citizens of the Delta County area.

Delta County Building Authority - The Delta County Building Authority is governed by a board which has been appointed by the County's Board of Commissioners. For financial reporting purposes, the Building Authority is reported as if it were part of the County's operations because its purpose is to finance construction projects for the County and the departments of the County.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Discretely presented component unit - The component unit columns in the combined financial statements include the financial data of the Delta-Menominee District Health, the Delta County Road Commission, and the Delta County Central Dispatch Authority. The component units are reported in a separate column to emphasize that they are legally separate from the County.

Public Health, Delta & Menominee Counties - The members of the governing board of Public Health, Delta & Menominee Counties are jointly appointed by the Delta County Board of Commissioners and Menominee County Board of Commissioners. Two of the three board members appointed by Delta County are County Commissioners. The Health Department's operations and capital budgets must be approved by the County Commissioners. The Counties are obligated by agreement to a funding formula that requires Menominee County to provide 40% and Delta County 60% of the net budget appropriation requirements. The Health Department received $265,731 in appropriations from Delta County. Complete financial statements can be obtained from:

Public Health, Delta & Menominee Counties
2920 College Avenue
Escanaba, Michigan 49829

Delta County Road Commission - The members of the governing board of the Road Commission are elected by the citizenry in a general, popular election. The Road Commission provides the citizens of Delta County road service and maintenance. The Road Commission may not issue debt or levy a tax without the County Board of Commissioners approval. The Road Commission financial data was not included in the County's financial statements in the current year as they were not prepared within the required time parameter. Complete financial statements can be obtained from:

Delta County Road Commission
3000 32nd Avenue North
Escanaba, Michigan 49829

Delta County Central Dispatch Authority - The members of the governing board of the Dispatch Authority are appointed by participating local governments. The Dispatch Authority provides the citizens of Delta County dispatch services for emergency police, fire, ambulance, and wrecker services. The Dispatch Authority may not issue debt or levy a tax without the County Board of Commissioners approval. Complete financial statements can be obtained from:

Delta County Central Dispatch Authority
310 Ludington Street
Escanaba, Michigan 49829

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related Organization - The Delta Area Transit Authority is an authority for which the Delta County Board of Commissioners appoints a member to the governing board but the Authority is not financially accountable to the County Board. The Delta Area Transit Authority provides low-cost transportation to the citizens of Delta County. Complete financial statements of the Authority can be obtained directly from their administrative office.

Delta Area Transit Authority
2901 27th Avenue North
Escanaba, Michigan 49829

Joint Ventures - Based on the foregoing criteria, the following organizations are not included in the financial report of the County of Delta:

Delta Solid Waste Management Authority - The Authority is formed under separate statutes and ordinances which provide for operation as a joint venture of the participating governmental units. Certain information applicable to the Authority is disclosed in Note Q to the financial statements.

Pinecrest Medical Care Facility - Delta County is a participant with Dickinson and Menominee Counties in a joint venture to operate the Pinecrest Medical Care Facility. The Pinecrest Medical Care Facility was established under PA 178 of 1929 (MCL 404.1) permitting the establishment, operation and control of county medical care facility by two or more counties of less than 1,000,000 population. The Pinecrest Medical Care Board was created for that purpose. The nine-member board is composed of three representatives from each County's Social Services Board. The Counties are obligated by agreement to share equally in providing the local funds necessary for operations and improvements. The County did not make any financial contributions to the Facility in the current year. Pinecrest Medical Care Facility is custodian of their funds and the financial statements are not reported in any one of the three counties. For the year ended December 31, 2017 the Facility had $18.8 million in assets, $1.3 million in liabilities and $17.5 million in net position. Complete Financial Statements for the Pinecrest Medical Care Facility can be obtained from Pinecrest's Office at N 15995 Main Street, Powers, Michigan 49874.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Jointly Governed Organization

Pathways - On January 1, 1998 the Delta County Community Mental Health Center merged its operations with Superior Behavioral Health which operates under the name of Pathways.

Pathways was established pursuant to the Michigan Constitution of 1963, Article 7, Section 28, the Mental Health Code, 1974 PA 258, as amended, and the Urban Cooperation Act, 1967 PA 7. The County does not have an ongoing financial interest or an ongoing financial responsibility in Pathways but did make an appropriation in the amount of $275,608.

Complete financial statements for Pathways can be obtained from their office located at 200 West Spring Street, Marquette, MI 49855.

Accounting Policies - The accounting policies of the County of Delta conform to accounting principles generally accepted in the United States of America as applicable to state and local governments. The following is a summary of the more significant policies:

Fund Accounting - The accounts of the County are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows/inflows, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-wide and fund financial statements - The government-wide financial statements include a Statement of Net Position and a Statement of Activities which report the information on all non-fiduciary activities of the primary government and its component units. Most of the effects of interfund activity have been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely primarily on user fees and charges for service. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identified with a specific function or segment. Program revenues include 1) charges for services to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a specific function or segment and 2) operating grants and contributions that are restricted to meeting the operating or capital requirements of a particular function or segment and 3) other revenues that are by definition related to the cost of providing a specific function or segment. Taxes and other items not specific to particular functions or segments are reported instead as general revenues.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major 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 use the economic resources measurement focus and full accrual basis of accounting which also include the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year in which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor 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 collectable within the current period or soon thereafter to be used to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when the payment is due.

Property taxes, licenses, interest revenue and charges for services are considered susceptible to accrual and have been recognized as revenues in the current fiscal period. Grant revenues are considered to be available when all eligibility requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the County.

The County reports the following as major governmental funds:

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

Road Patrol – The Road Patrol fund accounts for millage revenues used to provide twenty-four hour road patrol services to the residents of Delta County.

Airport – The Airport fund accounts for activities relating to the operations of the county airport, which is utilized by commercial and private air carriers.

Capital Outlay Fund – The Capital Outlay fund accounts for the activities related to capital expenditures of the County.

Jail Building Fund – The Jail Building fund accounts for the activities related to capital expenditures and bond proceeds for the construction of a new county jail.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The County reports the following as major proprietary funds:

P.A. 123 Foreclosure – This fund accounts for the fees, sales proceeds and expenses related to the foreclosure process of real property in the county for which the taxes are delinquent beyond the statutory redemption period.

Delinquent Tax Revolving – This fund accounts for the purchase and subsequent collection of delinquent real property taxes from the various taxing units throughout the county.

Additionally, the County reports the following fund types:

Governmental Funds:

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

Debt service funds – Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Capital project funds – Capital project funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Proprietary Funds:

Enterprise funds – Enterprise funds may be used to, "report any activity for which a fee is charged to external users for goods and services." GASB Statement 34 states that enterprise funds must be used to account for an activity if any of the following three criteria is satisfied:

- The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity.
- Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or capital debt service), be recovered with fees and charges, rather than with taxes or similar revenues.
- The pricing policy of the activity establishes fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

Internal service funds - These funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the County, or to other governmental entities, on a cost reimbursement basis.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fiduciary Funds:

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the P.A. 123 Foreclosure fund are charges, fees and interest applied to delinquent property taxes and property sales proceeds and the principal operating revenues of the Delinquent Tax Revolving fund are interest and fees collected on delinquent property taxes. The County's internal service funds primarily recognize rental income as operating revenue related to renting space in county owned buildings to other governmental entities. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets and Budgetary Accounting - The County utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

a. In mid-year a proposed operating budget for the fiscal year commencing the following October 1st is submitted to the County Board of Commissioners. The operating budget includes proposed expenditures and the means of financing them.

b. Numerous opportunities exist for public comment during the budget process including at least one formal public hearing conducted at the Courthouse to obtain taxpayer comment.

c. Pursuant to statute, prior to commencement of a year, the budget for the ensuing year is legally enacted through adoption by the County Board of Commissioners.

d. The general statute governing County budgetary activity is the Uniform Budgeting and Accounting Act.

e. The County of Delta adopts its Annual Budget on a line item basis. The budget structure consists of levels of detail as follows:

    Resources (revenues)
    General appropriations and functional groups
    Departmental appropriations

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f. At each level of detail, governmental operations are summarized into revenue or expenditure account groups. Budgetary control exists at the level adopted by the Board of Commissioners. Accounting, i. e. classification control, resides at the line item detail level.

g. Budgets are adopted on a basis consistent with the accounting principles followed in the recording of transactions. Budgeted amounts reflected in the financial statements are as originally adopted and subsequently amended by the County Board of Commissioners.

h. Budgets of certain funds reflect utilization of a portion of beginning fund balance. Only the appropriated beginning fund balance amount is reflected in the budgets under the caption "Fund balance, beginning of year."

i. Budgets have been amended during 2018. All budget amendments are presented to the Finance Committee or the County Administrator by the department heads for approval. In September, the Board of Commissioners approved all amendments to the annual budget.

Cash Equivalents and Investments – Cash and investments are segregated on the statement of net position. Cash deposits consist of demand and time deposits with financial institutions and are reported at carrying amount which is fair value. Investments are stated at cost or amortized cost which approximates market value. For the purpose of the statement of cash flows, the County considers all highly liquid investments with maturities of less than three months or where there is no loss of principal upon early withdrawal, as cash equivalents.

Receivables – All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. The County has not recorded an allowance for uncollectible accounts, as the County does not anticipate that amount to be material.

Interfund Receivables and Payables - During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds" on the balance sheet.

Inventory - Inventory is valued and recorded as an asset at cost on the first-in first-out method for the Airport fund. Inventories of all other funds are accounted for as expenditures when purchased.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property Taxes - Assessed property values are established annually (the first Monday in March) by the local units of government and equalized by the State at an estimated 50% of current market value. Property taxable value is determined in accordance with (MCL 211.34d). The property taxes are levied based on taxable value on December 1, and are payable without penalty through the following February 28.

Real property taxes not paid by February 28 are purchased by the County as part of the March tax settlement. County property taxes are recognized as revenue in the current fiscal year when services financed by the levy are being provided.

The 2017 taxable valuation of Delta County amounted to $1,136,362,042 on which ad valorem taxes of .9000 mills for county road patrol, .6000 mills for senior citizens programs, .2000 mills for Delta County Central Dispatch Authority, .3000 mills for Delta Solid Waste Management Authority recycling, and .8350 for county jail construction were levied. The December 2017 tax levy raised approximately $1,010,000 for road patrol, $673,000 for senior citizens programs, $222,000 for emergency dispatch services, $334,000 for recycling programs, and $927,000 for debt payments related to jail construction. The 2018 taxable valuation of Delta County amounted to $1,163,052,026 on which ad valorem taxes of 5.0317 mills were levied for County general fund operations in July 2018, which should raise approximately $5,700,000.

Because County operating mills will be levied on July 1st for each fiscal year ended September 30, it is the County of Delta's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made available for financing operations. Available means collected within the current period or expected to be paid from the delinquent tax revolving fund within one year.

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

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the County, as well as its component units, are depreciated using the straight-line method over the following estimated useful lives:

	Years
Land improvements	15 - 30
Buildings and improvements	10 - 50
Machinery and equipment	3 - 30
Infrastructure	15 - 30

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences – County employees are granted vacation and sick leave in varying amounts based upon employment classification and length of service. Upon termination, employees are paid for accumulated vacation and sick time, based upon current rate of pay subject to certain limitations. Vacation and sick leave pay is fully accrued in the government-wide financial statements and the proprietary financial statements.

Long-Term Obligations – In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

Fund Equity – Equity Classifications for Government-wide and Fund Financial Statements are as follows:

Government-wide Financial Statements – Equity is classified as net position and displayed in three components:

a. Net investment in capital assets – This component consists of capital assets net of accumulated depreciation and reduced by the outstanding balance of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets

b. Restricted net position – This component consists of net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

c. Unrestricted net position – All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

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

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The County has classified inventory, prepaid items, and certain long-term receivables as nonspendable as these items are not expected to be converted to cash or are not expected to be converted to cash within the next year.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted – This classification includes amounts for which constraints have been placed on the use of the resources 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.

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the County Board. These amounts cannot be used for any other purpose unless the County Board removes or changes the specified use.

Assigned – This classification includes amounts that are constrained by the County's intent to be used for a specific purpose but are neither restricted nor committed. The intent can be expressed by the County through the budgetary process or the County Administrator and this classification also includes the remaining positive fund balance for all governmental funds.

Unassigned – This classification includes the residual fund balance of the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

The County would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriated opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

Budget Stabilization Funds – With the implementation of GASB 54, budget stabilization funds are required to be reported within the General Fund, and beginning and ending fund balances are reflected within the fund balances of the General Fund as of year-end. As of September 30, 2018, budget stabilization funds in the amount of $2,022,256 are categorized as committed fund balance in the General Fund for the purpose of future General Fund pension costs and can only be used if authorized by the County Board, used to offset payments to MERS in excess of $1,100,000 and is intended to be used over at least a three year period. Annual General Fund surpluses will be added to the stabilization amount up to a limit of 20% or 20% of the five year average (whichever is lower) of the General Fund budget as allowed by State of Michigan Act 30 of 1978, as amended.

Unearned Revenue - The County reports unearned revenue on its statement of net position and governmental funds balance sheet. Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenue also arise when resources are received by the County before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability of unearned revenue is removed from the balance sheet and revenue is recognized.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Other Financing Sources (Uses) - The transfers of cash between the various County funds are budgeted but reported separately from revenues and expenditures as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing and borrowing funds, respectively.

Use of Estimates - The preparation of financial statements in conformity with 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B – BUDGET/FUND BALANCE NON-COMPLIANCE

Public Act 2 of 1968, as amended, requires budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget. Expenditures exceeded the appropriations in the following funds:

	Budget	Actual	Variance
General Fund	$ 10,043,050	$ 10,056,449	$ (13,399)
Airport Fund	1,235,488	1,256,066	(20,578)
Community Action	882,300	907,207	(24,907)
County Survey	87,000	87,305	(305)
Homestead P.A. 105	5,650	24,656	(19,006)

NOTE C - CASH, CASH EQUIVALENTS AND INVESTMENTS

The County maintains various cash and investment accounts, including pooled funds that are available for use by all funds. Michigan Compiled Laws, Section 129.91 authorizes the County to deposit and invest in the following:

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

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

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

d. Repurchase agreements consisting of instruments listed in subdivision (a).

e. Bankers' acceptances of United States banks.

f. Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.

g. Mutual funds registered under the Investment Company Act of 1940, title I of chapter 686, 54 sat. 789,15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of any of the following:

    i. The purchase of securities on a when-issued or delayed delivery basis.

    ii. The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the securities loaned.

    iii. The limited ability to borrow and pledge a like portion of the portfolios' 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, MCL 124.501 to 124.512.

i. Investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, 129.111 to 129.118.

j. The investment pools organized under the Local Government Investment Pool Act, MCL 129.141 to 129.150.

NOTE C - CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

The balance sheet caption "Cash" includes imprest cash of $8,004. Total imprest cash, deposits, investments and the Governmental Accounting Standards Board (GASB) Statement No. 40, risk disclosures for deposits and investments are as follows:

	Primary Government	
	Carrying Amount	Bank Balance
Cash and equivalents:		
Deposits:		
Insured (FDIC)	$ 1,978,344	$ 1,978,344
Uninsured	14,203,602	14,112,468
Total cash	$ 16,181,946	$ 16,090,812
Government-Wide Statement of Net Position Presentation:		
Cash and equivalents - Unrestricted & restricted:	$ 13,777,397	
Statement of Fiduciary Net Position:		
Cash and equivalents - Unrestricted:	2,404,549	
Total cash and equivalents	$ 16,181,946	

Investments:	Fair Value	Moody Credit Rating	S&P Credit Rating	Maturity Date
Municipal Bonds:				
Harper Creek Michigan Community School District	$ 352,185	AA1	-	5/1/2019
U.S. Government Securities:				
Federal Farm Credit Bank Securities	501,534	AAA	-	7/22/2019
Federal Farm Credit Bank Securities	976,279	AAA	-	7/13/2020
Federal Farm Credit Bank Securities	971,487	AAA	-	1/12/2021
Corporate Fixed Income:				
Credit Agricole Corp	1,002,922	-	A1	12/3/2018
Ing (US) Funding LLC	248,788	-	A1	12/12/2018
Ing U S Fdg LLC	496,495	-	A1	1/11/2019
Coca Cola	499,027	-	A1+	4/10/2019
Total Investments	$ 5,048,717			

NOTE C - CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

Cash has been restricted in the Airport Fund in the amount of $145,590 for lease payments received from the Renaissance Zone which are only allowed to be used on selected capital projects at the Airport, per FAA requirements. Cash has been restricted in the Jail Building Fund in the amount of $46,167 for jail construction. Cash has been restricted in the Jail Building Debt Fund in the amount of $849,824 for debt payments on the jail. Cash has been restricted in the Airport Improvement Fund in the amount of $235,833 for select capital projects at the airport per FAA regulations.

The County's cash and investments are subject to several types of risk, which are examined below in more detail:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. The County does not have a policy for custodial credit risk. As noted in the preceding table, the County has $14,112,468 of bank deposits that were uninsured and uncollateralized. The County holds an additional $5,180,811 of bank deposits for component units that are not included in the preceding table. There is no additional insurance coverage for these deposits.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County does not have a policy for custodial credit risk. The County's investments, in the table above are held in the name of the agent and not in the name of the County.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. Investment balances and maturities as of September 30, 2018 are listed in the table above.

Credit Risk

State law and the County's investment policy limit the investment in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations with a maximum maturity of 270 days. Investment balances and credit quality ratings are listed in the table above.

NOTE C - CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

Fair Value Measurement

The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy. In instances whereby inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The County's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability. The County had the following recurring fair value measurements as of September 30, 2018:

- Fixed income U.S. Government Securities are considered Level 1.
- Municipal bonds are considered Level 2.
- Corporate fixed income securities are considered Level 2.

Investments in Entities that Calculate Net Asset Value per Share

The County shares in investment pools where the fair value of the investments are measured on a recurring basis using the net asset value per share of the investment pool as a practical expedient.

As of September 30, 2018, the fair value of Michigan CLASS pooled account investments was $227,232. There were no unfunded commitments or redemption rules.

The Michigan CLASS investment pool invests in U.S. Treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated 'A-1' or better), collateralized bank deposits, repurchase agreements (collateralized at 102% by Treasuries and agencies), and approved money-market funds. The program is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities, and other public agencies.

Public Health Department:

The Public Health Department has a book balance of cash of $1,151,301 which were deposited in checking and savings accounts. Of this amount, $1,073,989 is held by the County Treasurer and pooled with County Cash. The remaining bank balance of these deposits amounted to $105,637, of which the entire amount was covered by federal depository insurance.

NOTE C - CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

Central Dispatch Authority:

The Central Dispatch Authority has a book balance of cash of $457,806 which were deposited in checking and savings accounts. This entire amount is held by the County Treasurer in an account designated for the Central Dispatch Authority, which had a bank balance of $457,806, of which $207,806 was uninsured and uncollateralized.

NOTE D - INTERFUND RECEIVABLES AND PAYABLES

Individual interfund receivable and payable balances at September 30, 2018 represent short-term borrowings between funds. The balances result from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made and are summarized as follows:

Fund	Interfund Receivable	Fund	Interfund Payable
Governmental Funds:			
General Fund	$ 147,522	Non-major Governmental	$ 147,578
Total Governmental Funds	$ 147,522		$ 147,578
Enterprise Funds:			
Delinquent Tax Revolving	$ 56		$ -

Individual interfund advance balances at September 30, 2018 represent long-term borrowings between funds. The balance resulted from the funding of an airport hangar project by the Residual Equity Transfer fund. The Airport fund will repay the advance through budget surplus whenever available with no interest.

Fund	Interfund Receivable	Fund	Interfund Payable
Internal Service Fund:		**Governmental Fund:**	
Residual Equity Transfer	$ 350,000	Airport	$ 350,000

All amounts have been eliminated in the Statement of Net Position.

NOTE E – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2018, was as follows:

	Balance at 10/01/17	Additions	Disposals	Transfers	Balance at 09/30/18
Governmental activities:					
Capital assets not being depreciated:					
Land	$ 2,313,001	$ -	$ -	$ -	$ 2,313,001
Construction in progress	642,868	13,566,331	-	(37,181)	14,172,018
Total non-depreciable capital assets	2,955,869	13,566,331	-	(37,181)	16,485,019
Capital assets being depreciated:					
Land improvements	602,592	-	-	-	602,592
Buildings and improvements	20,911,191	103,624	-	24,344	21,039,159
Infrastructure	9,567,591	55,823	-	12,837	9,636,251
Machinery and equipment	3,980,709	414,588	37,031	-	4,358,266
Total depreciable capital assets	35,062,083	574,035	37,031	37,181	35,636,268
Total capital assets	38,017,952	14,140,366	37,031	-	52,121,287
Less accumulated depreciation:					
Land improvements	486,581	23,321	-	-	509,902
Buildings and improvements	9,264,025	519,577	-	-	9,783,602
Infrastructure	5,495,080	262,168	-	-	5,757,248
Machinery and equipment	2,617,785	276,026	37,031	-	2,856,780
Total accumulated depreciation	17,863,471	1,081,092	37,031	-	18,907,532
Net depreciable capital assets	17,198,612	(507,057)	-	37,181	16,728,736
Governmental activities capital assets, net	$20,154,481	$13,059,274	$ -	$ -	$33,213,755
Business-type activities:					
Capital assets being depreciated:					
Machinery and equipment	$ 26,641	$ -	$ -	$ -	$ 26,641
Less accumulated depreciation:					
Machinery and equipment	634	3,806	-	-	4,440
Business-type activities capital assets, net	$ 26,007	$ (3,806)	$ -	$ -	$ 22,201

NOTE E – CAPITAL ASSETS (continued)

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

Governmental activities:		Business-type activities:	
Judicial system	$ 78,496	Jail Commissary	$ 3,806
General government	809,223		
Public safety	171,236		
Recreation and culture	22,137		
Total governmental activities depreciation expense	$ 1,081,092	Total business-type activities depreciation expense	$ 3,806

NOTE F – COMPONENT UNIT CAPITAL ASSETS

The following is a summary of changes in capital assets of the Public Health Department:

	Balance at 10/01/17	Additions	Disposals	Balance at 09/30/18
Capital assets being depreciated:				
Machinery and equipment	$ 729,796	$ 14,591	$ -	$ 744,387
Less accumulated depreciation:				
Machinery and equipment	599,372	58,743	-	658,115
Capital assets, net	$ 130,424	$ (44,152)	$ -	$ 86,272

The following is a summary of changes in capital assets of the Central Dispatch Authority:

	Balance at 10/01/17	Additions	Disposals	Balance at 09/30/18
Capital assets being depreciated:				
Buildings and improvements	$ -	$ 15,562	$ -	$ 15,562
Machinery and equipment	714,965	180,573	-	895,538
Total capital assets	714,965	196,135	-	911,100
Less accumulated depreciation:				
Buildings and improvements	-	65	-	65
Machinery and equipment	463,934	55,742	-	519,676
Total accumulated depreciation	463,934	55,807	-	519,741
Capital assets, net	$ 251,031	$ 140,328	$ -	$ 391,359

NOTE G – LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended September 30, 2018:

Type of Debt	Balance 10/1/2017	Additions	Deductions	Balance 9/30/2018	Amounts Due Within One Year
Governmental activities:					
2009 Courthouse Renovation Refinancing Bonds	$ 315,000	$ -	$ 315,000	$ -	$ -
2017 Jail Construction					
G.O. Unlimited Tax Bond 2017A	-	9,000,000	-	9,000,000	298,000
G.O. Unlimited Tax Bond 2017B	-	5,029,400	-	5,029,400	216,000
Energy project note	303,425	-	70,899	232,526	74,106
Compensated absences	534,606	6,988	-	541,594	135,399
Total governmental activities long-term debt	$1,153,031	$14,036,388	$ 385,899	$14,803,520	$ 723,505

The changes in compensated absences payables are shown as a net addition.

Debt service requirements on long-term debt at September 30, 2018 are as follows:

For the Year Ending September 30,	Governmental Activities			
	Bonds Payable		Notes Payable	
	Principal	Interest	Principal	Interest
2019	$ 514,000	$ 388,288	$ 74,106	$ 10,519
2020	369,000	556,546	77,458	7,166
2021	380,000	544,375	80,962	3,663
2022	392,000	531,830	-	-
2023	405,000	518,879	-	-
2024-2028	2,232,000	2,384,785	-	-
2029-2033	2,621,000	1,991,356	-	-
2034-2038	3,072,000	1,529,645	-	-
2039-2043	3,607,000	988,146	-	-
2044-2048	4,308,000	352,121	-	-
Total	$ 17,900,000	$ 9,785,971	$ 232,526	$ 21,348

NOTE G – LONG-TERM DEBT (continued)

Governmental Activities:

In 2009, the Delta County Building Authority issued bonds in the amount of $2,555,000 for the purpose of a current refunding of the 1994 bond issue which were issued for the purpose of renovating the courthouse. In a current refunding, the new debt proceeds were used to repay the outstanding balance of the 1994 bond issue in the amount of $2,475,000. The total bond issuance cost, including cost of issuance, underwriter's discount, insurance fee and additional proceeds were $82,087. The difference between the cash flows required to service the old debt and the new debt and complete the refunding is $170,402. The economic gain from the transaction (difference between the present value of the old debt service requirement and the present value of the new debt service requirement, discounted at the effective interest rate on the new debt and adjusted for any additional cash) is $147,971. The refunding bonds are payable over the period of 2010 to 2018 at interest rates ranging from 2.0% to 3.7%. The bonds were paid off during the current year.

In 2017, the County obtained a note in the amount of $388,049 for the purpose of performing energy upgrades at the Courthouse and Airport. The note is payable in five annual installments of $84,625 through January 2021 at an interest rate of 2.892%.

On October 24, 2017 the County issued General Obligation Unlimited Tax Bond Series 2017A in the amount of $9,000,000 and General Obligation Unlimited Tax Bond Series 2017B in the amount of $8,900,000 for the purpose of constructing and equipping a new Sheriff's Office and Corrections Center. The bonds were sold to the United States Department of Agriculture-Rural Development Office. The County has issued a separate tax levy for the purpose of making the future debt payments. The bonds call for annual principal payments beginning October 1, 2018 and semi-annual interest payments which began April 1, 2018. The bonds mature in 2047 and have an interest rate of 3.25%. At September 30, 2018, the Series 2017A bond was fully drawn and $5,029,400 was drawn on the Series 2018B bond. The debt service requirements listed above assume that both series were fully drawn.

Compensated Absences:

Substantially all County employees are entitled to certain vacation and sick pay benefits that accrue and vest under various parameters, dependent upon which labor contract the employee is subject to or upon which department or fund the employee is within. Compensated absences in the amount of $541,594 are reported under the governmental activities in the Statement of Net Position. For governmental activities, compensated absences are liquidated by the fund the employee's regular payroll is charged to, and any claims or judgments are typically liquated by the general fund.

NOTE H – PUBLIC HEALTH COMPENSATED ABSENCES

The Health Department's policies regarding vacation and sick time permits employees to accumulate earned but unused vacation and sick time. The liability for these compensated absences is recorded as long-term debt in the government-wide financial statements and amounted to $169,516 for the year ended September 30, 2018.

NOTE I - OPERATING TRANSFERS IN AND OUT

Transfers between governmental and proprietary funds are made to fund various County programs operational and capital expenditures and are summarized as follows for the year ended September 30, 2018:

	Transfers Out								
Transfers In	General Fund	Road Patrol	Capital Outlay	Jail Building	Nonmajor Govt'l Funds	Enterprise - DTRF Fund	Nonmajor Enterprise Funds	Internal Service Funds	Total
General Fund	$ -	$ -	$ -	$ 16,082	$ 69,666	$ 20,398	$ 60,465	$ -	$ 166,611
Airport	300,000	-	-	-	-	-	-	-	300,000
Capital Outlay	100,000	-	-	-	-	-	-	37,066	137,066
Jail Building	-	-	-	-	-	-	-	398,998	398,998
Nonmajor govt'l funds	592,910	81,195	84,625	-	121,766	-	-	-	880,496
Nonmajor enterprise funds	-	-	-	-	-	30,000	-	-	30,000
Internal Service Funds	-	-	-	605,687	24,656	-	2,774	100,784	733,901
									2,647,072
	$992,910	$81,195	$84,625	$621,769	$216,088	$ 50,398	$ 63,239	$536,848	$2,647,072

NOTE J - RETIREMENT PLANS

General County – Defined Benefit

Description of Plan and Plan Assets

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

The system provides the following provisions: normal retirement, deferred retirement and service retirement to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplies by the sum of 2.50% times the final compensation (FAC) for all divisions. The most recent period of which actuarial data was available was for year ended December 31, 2017.

NOTE J – RETIREMENT PLANS (continued)

General Information about the Pension Plan

Plan Description: The County participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under PA 135 of 1945 and administered by a nine member Retirement Board. MERS is a nonprofit organization that was granted independence from the State of Michigan pursuant to Public Act 220 of 1996, effective August 15, 1996. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by accessing the MERS Website at www.mersofmich.com or in writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917.

Benefits Provided--Defined Benefit: The County's defined benefit pension plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. PA 427 of 1984 established and amends the benefit provisions of the participants in MERS.

	Divisions - For the 2017 Valuation			
	01-Circuit Court Closed	02-Sheriff Closed	10-Gen AFSCME Closed	11-Elected Dept Closed
Benefit Multiplier:	2.5%-80% max	2.5%-80% max	2.5%-80% max	2.5%-80% max
Normal Retirement Age:	60	60	60	60
Vesting:	10 years	10 years	10 years	10 years
Early Retirement (unreduced):	55/25	25 & out	55/15	55/15
Early Retirement (reduced):	50/25 or 55/15	55/15	50/25	50/25
Final Average Compensation:	3 years	5 years	3 years	3 years
COLA for Future Retirees:	2.50%	2.50%	2.50%	2.50%
Employee Contributions:	0.5%	0.5%	0.5%	0.00%
Act 88:	Yes	Yes	Yes	Yes

	Divisions - For the 2017 Valuation			
	12-Dist Court Employee Closed	13-Probate Crt Closed	14-Non Union Closed	20-Road Patrol Closed
Benefit Multiplier:	2.5%-80% max	2.5%-80% max	2.5%-80% max	2.5%-80% max
Normal Retirement Age:	60	60	60	60
Vesting:	10 years	10 years	10 years	10 years
Early Retirement (unreduced):	55/20	55/20 or 50/25	55/15 or 25 out	50/25
Early Retirement (reduced):	50/25 or 55/15	50/15	-	55/15
Final Average Compensation:	3 years	3 years	3 years	3 years
COLA for Future Retirees:	2.50%	2.50%	2.50%	2.50%
Employee Contributions:	0.5%	0.5%	0%	1.00%
Act 88:	Yes	Yes	No	Yes

NOTE J – RETIREMENT PLANS (continued)

Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefits	114
Inactive employees entitled to but not yet receiving benefits	16
Active employees	44
	174

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the County's competitive bargaining unit and personnel policy, which require employees to contribute to the plan. The County is required to contribute at an actuarially determined rate. 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 monthly contribution rates for the County divisions are as follows:

Valuation Division		Employer Contribution Percentage			Member Contribution Percentage		
		10/1/19 *	10/1/18 *	10/1/17 *	10/1/19 *	10/1/18 *	10/1/17 *
Circuit Court Employees	@	$ 10,643	$ 9,957	$ 6,829	0.50%	0.50%	0.50%
Sheriff	@	$ 11,947	$ 11,626	$ 13,573	0.50%	0.50%	0.50%
General AFSCME	@	$ 17,098	$ 15,786	$ 13,492	0.50%	0.50%	0.50%
Elected Department Heads	@	$ 36,620	$ 33,762	$ 29,000	0.00%	0.00%	0.00%
District Court Employees	@	$ 6,557	$ 4,867	$ 4,361	0.50%	0.50%	0.50%
Probate Court Employees	@	$ 13,789	$ 11,906	$ 12,039	0.50%	0.50%	0.50%
Non-Union Contract Employees	@	$ 4,298	$ 3,552	$ 2,775	0.00%	0.00%	0.00%
Road Patrol Deputies	@	$ 15,889	$ 13,972	$ 13,320	1.00%	1.00%	1.00%

* Represents the actuarial required contibution for the beginning of the fiscal year.

@ This division is closed to new hires. Contributions, if any, are determined by MERS based on a dollar amount.

Net Pension Liability

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

NOTE J – RETIREMENT PLANS (continued)

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

Inflation	2.5 percent
Salary increases	3.75 percent, average, including inflation in the long-term
Investment rate of return	7.75 percent, net of investment and administrative 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 Healthy Annuitant Mortality Table (with rates multiplied by 105%), the RP-2014 Employee Mortality Tables, and the RP-2014 Juvenile Mortality Tables using a 50% Male and 50% Female blend. For disabled retirees, the regular mortality table is used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members.

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

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

Asset Class	Target Allocation	Target Allocation Gross Rate of Return	Long-Term Expected Real Rate of Return
Global Equity	55.5%	8.65%	3.41%
Global Fixed Income	18.5%	3.76%	0.23%
Real Assets	13.5%	9.72%	0.97%
Diversifying Strategies	12.5%	7.50%	0.63%

Discount Rate: The discount rate used to measure the total pension liability is 8.0% for 2017. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE J – RETIREMENT PLANS (continued)

Changes in the Net Pension Liability:

	Increases (Decreases)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2016	$ 37,481,999	$ 25,490,404	$11,991,595
Service cost	308,654	-	308,654
Interest on total pension liability	2,920,694	-	2,920,694
Changes in benefits	-	-	-
Difference between expected and actual experience	(371,018)	-	(371,018)
Changes in assumptions	-	-	-
Employer contributions	-	1,064,136	(1,064,136)
Employee contributions	-	13,101	(13,101)
Net investment income	-	3,314,698	(3,314,698)
Benefit payments, including employee refunds	(2,255,299)	(2,255,299)	-
Administrative expense	-	(52,570)	52,570
Other changes	-	-	-
Net changes	603,031	2,084,066	(1,481,035)
Balances as of December 31, 2017	$ 38,085,030	$ 27,574,470	$10,510,560

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

	1% Decrease 7.00%	Current Discount Rate 8.00%	1% Increase 9.00%
Net pension liability at 12/31/17	$ 10,510,560	$ 10,510,560	$ 10,510,560
County's change in net pension liability at 12/31/17	4,293,277	-	(3,621,019)
	$ 14,803,837	$ 10,510,560	$ 6,889,541

NOTE J – RETIREMENT PLANS (continued)

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

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

For the year ended September 30, 2018, the County recognized pension expense of $1,006,626. At September 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ 185,509
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	1,068,580	1,546,332
Contributions subsequent to the measurement date *	1,877,104	-
Total	$ 2,945,684	$ 1,731,841

* 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 September 30, 2019.

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

Year Ended September 30:	
2019	$ (33,048)
2020	61,857
2021	(427,131)
2022	(264,939)

NOTE J – RETIREMENT PLANS (continued)

Annual Pension Cost

During the year ended September 30, 2018, the County's contributions totaling $2,169,472 were made in accordance with contribution requirement determined by an actuarial valuation of the plan as of December 31, 2016. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 7.75 percent and annual salary increases of 3.75 percent based on an age-related scale to reflect merit, longevity, and promotional salary increases. The unfunded actuarial liability is amortized as a level dollar contribution on a closed basis. The remaining amortization period ranges from 10 to 21 years for the various divisions that are underfunded.

General County – Defined Contribution

The County offers its employees a defined contribution plan provided by Municipal Employees' Retirement System of Michigan, as authorized by 1996 PA 220. There are two separate plans, one covers Elected Officials and Department Heads and the other plan covers essentially all other County employees. The Plan is available to all new full time employees and are eligible to participate immediately, permitting them to defer a portion of their salary until future years. The deferred compensation will not be available to employees until termination, retirement, death or disability. Loans are not permitted under either plan. Eligible employees under the Elected Officials/Department Head plan may make contributions ranging from 0 – 5%, subject to limits allowed under IRS regulation. The County will contribute 10% of employee compensation into the plan and will match up to an additional 5% if the employee contributes to the plan. Eligible employees under the Other Employee plan may make contributions ranging from 0 – 2%, subject to limits allowed under IRS regulation. The County will contribute 6% of employee compensation into the plan and will match up to an additional 2% if the employee contributes to the plan.

County contributions in the amount of $306,401 were expensed and accrued in fiscal year ended September 30, 2018. Employee contributions totaled $88,952 in fiscal year 2018. Any amendments to the plan would be subject to the approval of the County Board of Commissioners.

Both Plans calls for cliff vesting, which allows the employee to be vested in the employer contributions after 3 years of service.

Forfeiture of non-vested amounts is used to reduce future employer contributions. There were forfeitures of $4,703 in 2018 and there were forfeiture balances available for use by the County in the amount of $25,539.

NOTE J - RETIREMENT PLANS (continued)

Public Health Department (component unit)

Description of Plan and Plan Assets

The Department is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement and service retirement to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplies by the sum of 2.50% times the three year final compensation (FAC) for all divisions. The most recent period of which actuarial data was available was for year ended December 31, 2017.

General Information about the Pension Plan

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

	Divisions - For the 2017 Valuation	
	01 - General Closed	02 - Non Union Closed
Benefit Multiplier:	2.5%-80% max	2.5%-80% max
Normal Retirement Age:	60	60
Vesting:	10 years	6 years
Early Retirement (unreduced):	-	-
Early Retirement (reduced):	50/25 or 55/15	50/25 or 55/15
Final Average Compensation:	3 years	3 years
COLA for Future Retirees:	2.50%	2.50%
Employee Contributions:	2%	2%
Act 88:	Yes	Yes

During year ended September 30, 2018, the Department closed divisions 01 and 02 and linked them to a new division 11, which will be included in the actuarial valuation as of December 31, 2018.

NOTE J – RETIREMENT PLANS (continued)

Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefits	34
Inactive employees entitled to but not yet receiving benefits	27
Active employees	40
	101

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Department's competitive bargaining unit and personnel policy, which require employees to contribute to the plan. The Department is required to contribute at an actuarially determined rate.

The contribution rates for the Department divisions are as follows:

Valuation Division	Employer Contribution Percentage			Member Contribution Percentage		
	10/1/19 *	10/1/18 *	10/1/17 *	10/1/19 *	10/1/18 *	10/1/17 *
General	$ 8,164.00 @	15.10%	14.00%	2.00%	2.00%	2.00%
Non Union	$12,870.00 @	15.01%	15.09%	2.00%	2.00%	2.00%

* Represents the actuarial required contibution for the beginning of the fiscal year.

@ This division is closed to new hires. Contributions, if any, are determined by MERS based on a dollar amount.

Net Pension Liability

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

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

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

NOTE J – RETIREMENT PLANS (continued)

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 Healthy Annuitant Mortality Table (with rates multiplied by 105%), the RP-2014 Employee Mortality Tables, and the RP-2014 Juvenile Mortality Tables using a 50% Male and 50% Female blend. For disabled retirees, the regular mortality table is used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members.

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

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

Asset Class	Target Allocation	Target Allocation Gross Rate of Return	Long-Term Expected Real Rate of Return
Global Equity	55.5%	8.65%	3.41%
Global Fixed Income	18.5%	3.76%	0.23%
Real Assets	13.5%	9.72%	0.97%
Diversifying Strategies	12.5%	7.50%	0.63%

Discount Rate: The discount rate used to measure the total pension liability is 8.0% for 2017. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE J – RETIREMENT PLANS (continued)

Changes in the Net Pension Liability:

	Increases (Decreases)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2016	$ 10,061,042	$ 8,828,966	$ 1,232,076
Service cost	204,234	-	204,234
Interest on total pension liability	794,390	-	794,390
Changes in benefits	-	-	-
Difference between expected and actual experience	171,098	-	171,098
Changes in assumptions	-	-	-
Employer contributions	-	330,202	(330,202)
Employee contributions	-	31,965	(31,965)
Net investment income	-	1,172,985	(1,172,985)
Benefit payments, including employee refunds	(466,575)	(466,575)	-
Administrative expense	-	(18,556)	18,556
Other changes	-	2	(2)
Net changes	703,147	1,050,023	(346,876)
Balances as of December 31, 2017	$ 10,764,189	$ 9,878,989	$ 885,200

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

	1% Decrease 7.00%	Current Discount Rate 8.00%	1% Increase 9.00%
Net pension liability at 12/31/17	$ 885,200	$ 885,200	$ 885,200
Departments' change in net pension liability at 12/31/17	1,366,051	-	(1,147,198)
	$ 2,251,251	$ 885,200	$ (261,998)

NOTE J – RETIREMENT PLANS (continued)

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

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

For the year ended September 30, 2018, the Department recognized pension expense of $513,936. At September 30, 2018, the Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 150,395	$ 26,936
Changes in assumptions	129,258	-
Net difference between projected and actual earnings on pension plan investments	362,895	545,334
Contributions subsequent to the measurement date *	257,651	-
Total	$ 900,199	$ 572,270

* 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 September 30, 2019.

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

Year Ended September 30:	
2019	$ 230,120
2020	42,039
2021	(107,565)
2022	(94,316)

NOTE J – RETIREMENT PLANS (continued)

Annual Pension Cost

During the year ended September 30, 2018, the Department's contributions totaling $334,557 were made in accordance with contribution requirement determined by an actuarial valuation of the plan as of December 31, 2016. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 7.75 percent and annual salary increases of 3.75 percent based on an age-related scale to reflect merit, longevity, and promotional salary increases. The unfunded actuarial liability is amortized as a level percent of payroll on a closed basis. The remaining amortization period is 21 years for all divisions that are underfunded.

NOTE K – AIRPORT HANGAR

A hangar was constructed at the Delta County Airport and is being jointly financed by Delta County, the cities of Escanaba and Gladstone, and the Escanaba Foundation. The hangar financing is in the form of a lease, with the County assuming ownership of the facility upon completion of the terms of the lease. The lease arrangements for the hangar specify a month-to-month lease with lease payments commencing the second year of the lease in the sum of $1,761.99 per month plus $.10 per square foot per annum rental for the land. The County receives the rental payments from the lessee and divides the proceeds with 44 percent to the County and 28 percent to each of the cities. The agreement calls for repayment only if the hangar is occupied. For the last several years the hangar has been unoccupied.

NOTE L – FUND BALANCE CLASSIFICATIONS

Fund balance has been classified in the funds as follows:

	Restricted	Committed	Assigned
General Fund:			
Budget Stabilization-Pension	$ -	$2,022,256	$ -
Road Patrol Fund:			
Public Safety	-	-	301,196
Airport Fund:			
Renaissance Zone Capital Projects	145,590	-	-
Operations	-	-	75,807
Capital Outlay Fund:			
Wells Township-Potential Water/Sewer Project	185,000	-	-
Capital Projects	-	-	306,773
Jail Building Fund:			
Bond Proceeds for Jail Construction	46,167	-	-
Jail Construction	207,576		
Nonmajor Funds:			
Restricted based on fund purpose	1,388,873	-	-
Future Debt Payments	912,662	-	-
Assigned based on fund purpose	-	-	495,192
Animal Shelter	-	-	870
	$2,885,868	$2,022,256	$1,179,838

Amounts for nonspendable, restricted, committed and assigned as reported in the financial statements that are not disclosed above, are disclosed on the financial statements based upon the fund description.

NOTE M – RESTRICTED NET POSITION

Total net position which is restricted by enabling legislation amounted to $2,885,868 for governmental activities.

NOTE N – CONTINGENT LIABILITIES

From time to time, the County is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecast with certainty, it is the opinion of management and legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the County's financial position or results of operations.

The County participates in a number of Federal and State assisted grant programs, principal of which are the Friend of Court and Prosecuting Attorney Cooperative Reimbursement programs, which are subject to financial and compliance audits. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the County expects such amounts if any, to be immaterial.

NOTE O – RISK MANAGEMENT

The County of Delta 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. An individual member's maximum retention on general liability and auto liability is $75,000. The limits on auto physical damage are $15,000 per unit and $30,000 per occurrence. The retention limits for property coverage are subject to a $1,000 deductible with 10 percent of the first $100,000 to be paid by the member. Some members have individual retention levels different than the ones previously stated.

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.

At September 30, 2018, the County had no outstanding claims which exceeded the plan's limits and there has been no significant reduction in insurance coverage over the past three years.

NOTE P – JOINT VENTURE - DELTA SOLID WASTE LANDFILL

The Delta Solid Waste Management Authority was incorporated in 1984, pursuant to Act 233, Public Acts of Michigan, 1955, by the County of Delta and the local units of government within the County. It was established in order to provide for a new landfill since the current countywide site, owned by the City of Gladstone, was approaching saturation.

The Authority is governed by a seven-person Board of Directors, composed of three representatives of the participating townships, three representatives of the participating cities and one member of the Delta County Board of Commissioners. The three members of the Authority Board from the villages and townships will be selected by and from a body composed of one representative from each such township or village; the three board members from the cities shall be selected by and from a body composed of two representatives from each such city; and a member of the Delta County Board of Commissioners shall be chosen by said Board of Commissioners after review of recommendations by the Townships, Villages and City representatives. The Authority as described herein has no taxing power.

NOTE P – JOINT VENTURE - DELTA SOLID WASTE LANDFILL (continued)

The landfill is constructed on land owned by the City of Escanaba and leased, through the County, to the Authority. The County does not capitalize its interest in the landfill as the County has no legal title to any assets of the landfill.

The following local governmental units are participants in the Authority; shown with their respective percentage shares in the Authority.

Local Governmental Unit	Percentage Share
Delta County	51.80%
City of Escanaba	18.60%
City of Gladstone	5.90%
Local Townships	23.70%
	100.00%

Operation and maintenance costs are paid out of tipping fees assessed against users of the landfill. Parties that use the landfill include the municipal sanitation systems of the cities of Escanaba and Gladstone, and private solid waste companies serving the other local units. The landfill began operation in December 1985. Financial information of the Delta Solid Waste Management Authority and Recycling Program is available at their administrative offices located at 5701 19th Avenue North, Escanaba, MI 49829.

The Delta Solid Waste Management Authority has two outstanding bond issues: 1.) 2008 refinancing bonds issued in the amount of $2,750,000 was paid off as of December 31, 2017; 2.) 2014 general obligation limited tax refunding bonds issued in the amount of $4,540,000 for the purpose of refinancing the 2010 general obligation limited tax refunding bonds which were used for constructing additional landfill capacity and the 2014 refunding bonds have an outstanding balance as of December 31, 2017 of $4,540,000. The County is secondarily liable for the bonds and has pledged its limited tax full faith and credit for the payment of its contractual payments, and the County is obligated to pay such amounts from its general funds, including collections of ad valorem taxes on all taxable property within its boundaries, subject to applicable statutory and constitutional tax rate limitations. The estimated total current cost of the landfill closure and postclosure care is $2,279,122 and is based on the amount that would be paid if all equipment, facilities and services required to close, monitor and maintain the landfill were acquired as of December 31, 2017. The County has signed a $1,100,000 open letter of credit for the landfill which expired December 31, 2017. There was no outstanding balance on this letter of credit as of December 31, 2017. Beginning in 2017, the residents of Delta County began paying 0.3 mils in property taxes for 10 years to help fund the recycling, composting, and household hazardous waste disposal services. The December 2017 tax levy raised approximately $334,000 for recycling programs.

NOTE Q – NOTES RECEIVABLE

The following are recorded as notes receivable in the Residual Equity Fund, an internal service fund of the County.

On September 1st, 2012 the U.P State Fair Authority entered into a capital lease with Delta County. The Authority is leasing a building from Delta County for the Miracle of Life exhibit. This building was constructed by the County for the purpose of the lease. The lease is scheduled to consist of 15 annual principal and interest payments, with the first payment being due September 1st, 2013 and the last payment due by September 1st, 2027. During the term of the lease the Authority will pay 3% interest totaling $110,192.

In September 2012, the County approved a loan to the Delta Soil Conservation District in the amount of $150,000 for the purpose of making improvements at the County Parks. The note calls for 10 annual payments due on November 1st and bears a 3% interest rate.

On October 26, 2017, the County signed a promissory note with Belgium Equipment, Inc. for the sale of land commonly known as the fish dam for $198,000. The note is secured by a mortgage on the land and is due in full on October 26, 2018. Subsequent to the County's year end, the receivable was paid in full.

Future note payments are as follows:

For the Year Ending September 30,	Principal	Interest
2019	225,590	8,396
2020	44,042	9,529
2021	45,363	8,208
2022	46,724	6,847
2023	48,125	5,445
2024-2027	133,381	10,132
Total	$ 543,225	$ 48,557

The Delta Soil Conservation District made the payment due November 1, 2018 prior to September 30, 2018. As such, $17,585 has been excluded from principal and interest due for year end September 30, 2019.

NOTE R – COMMITMENTS

Delta County enter into a construction contract with Miron Construction Company Inc., which includes a) Renovation of existing owned office space for: Sheriff's office, Jail programming space, and training space, b) New Construction of an approximately 160 bed pod-design correctional facility built adjacent to the existing office space, c) New construction of garage for Sheriff's Road Patrol vehicles, and d) New construction of a holding cell attached to the current courthouse. As of September 30, 2018, the County had an outstanding construction contract with change orders totaling with approximately $3.9 million remaining to be paid. The project is being financed with bonds issued in the current year as explained in Note G. Bond payments will be paid by a dedicated property tax millage of .85 mils.

NOTE S – FUTURE CHANGES IN ACCOUNTING PRINCIPLE

In January 2017, the Governmental Accounting Standards Board issued GASB Statement No. 84, *Fiduciary Activities,* which establishes criteria for identifying fiduciary activities of governments and improves guidance for accounting and financial reporting related to how these activities should be reported. The County is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the County's financial statements for the 2019-2020 fiscal year.

In June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The County is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the County's financial statements for the 2020-2021 fiscal year.

NOTE T – COMPONENT UNIT OMITTED

Delta County's financial statements do not include financial data for the County's legally separate component unit (Delta County Road Commission). Accounting principles generally accepted in the United States of America require financial data for the component unit to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component unit. The County has not issued such reporting entity financial statements as of the time these financial statements were issued. Management of the Delta County Road Commission have not provided their audited financial statements as the County and Road Commission have the same reporting deadline. Because of this departure from accounting principles generally accepted in the United States of America, the assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenses of the discretely presented component unit are not presented. The amount by which this departure would affect the financial statements and the related notes has not been determined. However, as of the most recent audit of the Delta County Road Commission (September 30, 2017), the Road Commission had total assets of $42,367,315, deferred outflows of resources of $1,034,466, liabilities of $11,175,763, and net position of $32,226,018. The Road Commission's total expenses for the year ended September 30, 2017 were $7,360,394 and total revenue for the year was $8,598,223.

REQUIRED SUPPLEMENTAL INFORMATION

COUNTY OF DELTA, MICHIGAN
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended September 30, 2018

	Budgeted Amounts		Actual Amounts, (Budgetary Basis) (See Note A)	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	$ 6,223,300	$ 6,374,700	$ 6,457,196	$ 82,496
License and permits	1,400	1,400	1,390	(10)
Federal sources	781,900	781,900	909,932	128,032
State sources	1,481,350	1,514,350	1,550,850	36,500
Charges for services	959,400	969,250	987,947	18,697
Interest and rentals	49,300	49,300	44,651	(4,649)
Other	144,350	219,050	269,755	50,705
Total revenues	9,641,000	9,909,950	10,221,721	311,771
EXPENDITURES:				
Legislative:				
Board of commissioners	149,700	147,700	147,480	220
County memberships	600	600	525	75
Judicial system:				
Circuit court	388,638	401,138	396,492	4,646
District court	729,156	754,820	767,838	(13,018)
Friend of court	616,839	616,958	610,290	6,668
Jury commission	2,200	2,200	1,774	426
Probate court	320,619	328,675	352,444	(23,769)
Probate court juvenile	228,316	228,380	237,338	(8,958)
General government:				
Elections	89,554	89,605	72,295	17,310
Clerk	195,095	195,172	195,484	(312)
Administration	295,400	295,464	347,641	(52,177)
I.T. Department	171,900	165,400	153,033	12,367
Equalization	164,000	164,250	163,960	290
Prosecuting attorney	572,965	591,067	620,237	(29,170)
Register of deeds	112,952	112,952	113,690	(738)
Treasurer	177,000	182,130	186,757	(4,627)
Building maintenance	401,354	404,480	387,273	17,207
Drain commissioner	55	55	54	1
Record copying	11,200	11,200	11,352	(152)
Health insurance and other benefits	316,657	316,657	253,832	62,825
Insurance and bonds	95,000	180,000	141,971	38,029
Professional fees	65,600	65,600	61,888	3,712
Equipment repair and equipment	16,200	4,200	824	3,376
Labor relations	15,000	4,000	-	4,000
Miscellaneous	32,000	23,747	9,856	13,891
Public safety:				
Sheriff administration	394,975	431,975	422,857	9,118
Sheriff marine	22,500	22,500	26,169	(3,669)
Sheriff corrections	2,101,062	2,269,052	2,245,784	23,268
Emergency management	55,600	55,600	62,140	(6,540)
Health and welfare:				
Medical examiner	50,500	50,500	57,527	(7,027)
Soldier burial	12,500	11,500	7,900	3,600
Veterans affair	55,200	61,200	59,065	2,135
Health department	265,731	265,731	265,731	-
Other	2,500	2,500	3,609	(1,109)
Capital outlay	4,000	2,110	86,584	(84,474)
Other - appropriations	590,090	593,590	591,845	1,745
Total expenditures	8,722,658	9,052,708	9,063,539	(10,831)
Excess revenues (expenditures)	918,342	857,242	1,158,182	300,940
OTHER FINANCING SOURCES (USES)				
Transfer in	108,000	133,100	166,611	33,511
Transfer out	(1,026,342)	(990,342)	(992,910)	(2,568)
Total other financing sources (uses)	(918,342)	(857,242)	(826,299)	30,943
Net changes in fund balances	-	-	331,883	331,883
Fund balances - beginning	5,442,031	5,442,031	5,442,031	-
Fund balances - ending	$ 5,442,031	$ 5,442,031	$ 5,773,914	$ 331,883

COUNTY OF DELTA, MICHIGAN
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
ROAD PATROL
For the Year Ended September 30, 2018

	Budgeted Amounts		Actual Amounts, (Budgetary Basis) (See Note A)	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	$ 1,109,963	$ 1,111,963	$ 1,123,250	$ 11,287
State sources	107,700	111,700	90,078	(21,622)
Local sources	63,100	63,100	61,181	(1,919)
Charges for services	18,400	18,400	12,870	(5,530)
Other	39,337	108,045	61,896	(46,149)
Total revenue	1,338,500	1,413,208	1,349,275	(63,933)
EXPENDITURES:				
Public safety	1,234,381	1,304,644	1,276,815	27,829
Capital outlay	45,000	30,250	28,693	1,557
Total expenditures	1,279,381	1,334,894	1,305,508	29,386
Excess revenues (expenditures)	59,119	78,314	43,767	(34,547)
OTHER FINANCING SOURCES (USES):				
Sale of capital assets	3,000	3,000	-	(3,000)
Transfer out	(62,119)	(81,314)	(81,195)	119
Total other financing sources (uses)	(59,119)	(78,314)	(81,195)	(2,881)
Net changes in fund balances	-	-	(37,428)	(37,428)
Fund balances - beginning	373,835	373,835	373,835	-
Fund balances - ending	$ 373,835	$ 373,835	$ 336,407	$ (37,428)

COUNTY OF DELTA, MICHIGAN
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
AIRPORT
For the Year Ended September 30, 2018

	Budgeted Amounts		Actual Amounts, (Budgetary Basis) (See Note A)	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
State sources	$ -	$ -	$ 150	$ 150
Local sources	53,053	92,353	34,764	(57,589)
Charges for services	478,100	669,600	686,299	16,699
Interest and rentals	157,250	160,063	167,218	7,155
Other	4,000	13,472	13,324	(148)
Total revenues	692,403	935,488	901,755	(33,733)
EXPENDITURES:				
General government	982,403	1,222,488	1,246,536	(24,048)
Capital outlay	10,000	13,000	9,530	3,470
Total expenditures	992,403	1,235,488	1,256,066	(20,578)
Excess revenues (expenditures)	(300,000)	(300,000)	(354,311)	(13,155)
OTHER FINANCING SOURCES (USES):				
Transfer in	300,000	300,000	300,000	-
Transfer out	-	-	-	-
Total other financing sources (uses)	300,000	300,000	300,000	-
Net changes in fund balances	-	-	(54,311)	(13,155)
Fund balances - beginning	294,905	294,905	294,905	-
Fund balances - ending	$ 294,905	$ 294,905	$ 240,594	$ (13,155)

COUNTY OF DELTA, MICHIGAN
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
CAPITAL OUTLAY
For the Year Ended September 30, 2018

	Budgeted Amounts		Actual Amounts, (Budgetary Basis) (See Note A)	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
Local sources	$ -	$ 28,000	$ 15,000	$ (13,000)
Other	-	-	-	-
Total revenues	-	28,000	15,000	(13,000)
EXPENDITURES:				
General government	100,000	85,000	1,651	83,349
Parks and recreation	-	-	37,066	(37,066)
Capital outlay	-	43,000	40,445	2,555
Total expenditures	100,000	128,000	79,162	48,838
Excess revenues (expenditures)	(100,000)	(100,000)	(64,162)	(61,838)
OTHER FINANCING SOURCES (USES):				
Transfer in	100,000	100,000	137,066	37,066
Transfer out	-	-	(84,625)	(84,625)
Total other financing sources (uses)	100,000	100,000	52,441	(47,559)
Net changes in fund balances	-	-	(11,721)	(109,397)
Fund balances - beginning	503,494	503,494	503,494	-
Fund balances - ending	$ 503,494	$ 503,494	$ 491,773	$ (109,397)

Note: The Capital Outlay Fund is a capital projects fund and is not required to adopt a budget.

COUNTY OF DELTA, MICHIGAN
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
JAIL BUILDING
For the Year Ended September 30, 2018

	Budgeted Amounts		Actual Amounts, (Budgetary Basis) (See Note A)	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
Interest and rentals	$ -	$ -	$ 860	$ 860
Total revenues	-	-	860	860
EXPENDITURES:				
Capital outlay	-	17,314,312	13,553,746	3,760,566
Total expenditures	-	17,314,312	13,553,746	3,760,566
Excess revenues (expenditures)	-	(17,314,312)	(13,552,886)	(3,759,706)
OTHER FINANCING SOURCES (USES):				
Loan proceeds	-	17,900,000	14,029,400	(3,870,600)
Transfer in	-	20,000	398,998	378,998
Transfer out	-	(605,688)	(621,769)	(16,081)
Total other financing sources (uses)	-	17,314,312	13,806,629	(3,507,683)
Net changes in fund balances	-	-	253,743	(7,267,389)
Fund balances - beginning	-	-	-	-
Fund balances - ending	$ -	$ -	$ 253,743	$ (7,267,389)

Note: The Jail Building Fund is a capital projects fund and is not required to adopt a budget.

COUNTY OF DELTA, MICHIGAN
EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS
SCHEDULE OF NET PENSION LIABILITY AND RELATED RATIOS
For the Year Ended September 30, 2018
(Schedule is prepared propspectively upon implementation of GASB 68)

	2015	2016	2017	2018
Total pension liability				
Service cost	$ 370,738	$ 355,421	$ 321,967	$ 308,654
Interest	2,619,381	2,700,647	2,880,075	2,920,694
Difference between expected and actual experience	-	376,689	(478,274)	(371,018)
Change in assumptions	-	1,971,406	-	-
Benefit payments, including refund of member contributions	(1,915,053)	(2,079,788)	(2,163,446)	(2,255,299)
Other	(1)	1	2	-
Net change in total pension liability	1,075,065	3,324,376	560,324	603,031
Total pension liability - beginning	32,522,234	33,597,299	36,921,675	37,481,999
Total pension liability - ending	$ 33,597,299	$ 36,921,675	$ 37,481,999	$ 38,085,030
Plan fiduciary net position				
Contributions - employer	$ 1,031,587	$ 1,094,983	$ 758,928	$ 1,064,136
Contributions - employee	35,737	28,599	40,542	13,101
Net investment income	1,567,230	(374,464)	2,691,573	3,314,698
Benefit payments, including refunds of member contributions	(1,915,053)	(2,079,788)	(2,163,446)	(2,255,299)
Administrative expense	(57,465)	(55,499)	(53,549)	(52,570)
Net change in plan fiduciary net position	662,036	(1,386,169)	1,274,048	2,084,066
Plan fiduciary net position - beginning	24,940,489	25,602,525	24,216,356	25,490,404
Plan fiduciary net position - ending	$ 25,602,525	$ 24,216,356	$ 25,490,404	$ 27,574,470
County's net pension liability - ending	$ 7,994,774	$ 12,705,319	$ 11,991,595	$ 10,510,560
Plan fiduciary net position as a percentage of the total pension liability	76%	66%	68%	72%
Covered - employee payroll	$ 2,508,801	$ 2,410,300	$ 2,123,797	$ 2,051,194
County's net pension liability as a percentage of covered-employee payroll	319%	527%	565%	512%
Annual money-weighted rate of return, net of investment expense	6%	-2%	11%	13%

COUNTY OF DELTA, MICHIGAN
EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS
SCHEDULE OF EMPLOYER CONTRIBUTIONS
For the Year Ended September 30, 2018
(Schedule is prepared propspectively upon implementation of GASB 68)

	2015	2016	2017	2018
Actuarially determined contribution	$ 872,928	$ 1,018,896	$ 879,024	$ 1,169,472
Contributions in relation to the actuarially determined contribution	955,842	1,018,896	879,024	2,169,472
Contribution deficiency (excess)	$ (82,914)	$ -	$ -	$ (1,000,000)
Covered - employee payroll	$ 2,508,801	$ 2,410,300	$ 2,123,797	$ 2,051,194
Contributions as a percentage of covered-employee payroll	38%	42%	41%	106%

Notes to Schedule:

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	21 years
Asset valuation method	5-years smoothed market
Inflation	2.50%
Salary increases	3.75%, average, including inflation
Investment rate of return	7.75%
Retirement age	Experienced-based tables of rates that are specific to the type of eligibility condition
Mortality	50% Female/50% Male RP-2014 Annulity Mortality Table

COUNTY OF DELTA, MICHIGAN
EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS
SCHEDULE OF NET PENSION LIABILITY AND RELATED RATIOS
For the Year Ended September 30, 2018
(Schedule is prepared prospectively upon implementation of GASB 68)

PUBLIC HEALTH DELTA-MENOMINEE - COMPONENT UNIT

	2015	2016	2017	2018
Total pension liability				
Service cost	$ 160,837	$ 180,914	$ 187,284	$ 204,234
Interest	662,144	697,023	759,262	794,390
Difference between expected and actual experience	-	88,285	(53,870)	171,098
Changes in assumptions	-	517,032	-	-
Benefit payments, including refund of member contributions	(389,151)	(431,337)	(457,522)	(466,575)
Other	1	-	(1)	-
Net change in total pension liability	433,831	1,051,917	435,153	703,147
Total pension liability - beginning	8,140,141	8,573,972	9,625,889	10,061,042
Total pension liability - ending	$ 8,573,972	$ 9,625,889	$ 10,061,042	$ 10,764,189
Plan fiduciary net position				
Contributions - employer	$ 149,618	$ 186,133	$ 238,951	$ 330,202
Contributions - employee	27,549	29,564	30,057	31,965
Net investment income	516,019	(125,857)	921,012	1,172,985
Benefit payments, including refunds of member contributions	(389,151)	(431,337)	(457,522)	(466,575)
Administrative expense	(18,941)	(18,480)	(18,180)	(18,556)
Other	-	1	-	2
Net change in plan fiduciary net position	285,094	(359,976)	714,318	1,050,023
Plan fiduciary net position - beginning	8,189,530	8,474,624	8,114,648	8,828,966
Plan fiduciary net position - ending	$ 8,474,624	$ 8,114,648	$ 8,828,966	$ 9,878,989
Department's net pension liability - ending	$ 99,348	$ 1,511,241	$ 1,232,076	$ 885,200
Plan fiduciary net position as a percentage of the total pension liability	99%	84%	88%	92%
Covered - employee payroll	$ 1,314,026	$ 1,480,198	$ 1,480,531	$ 1,617,942
Department's net pension liability as a percentage of covered-employee payroll	8%	102%	83%	55%
Annual money-weighted rate of return, net of investment expense	6%	-2%	11%	13%

COUNTY OF DELTA, MICHIGAN
EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS
SCHEDULE OF EMPLOYER CONTRIBUTIONS
For the Year Ended September 30, 2018

PUBLIC HEALTH DELTA-MENOMINEE - COMPONENT UNIT
(Schedule is prepared prospectively upon implementation of GASB 68)

	2015	2016	2017	2018
Actuarially determined contribution	$ 166,235	$ 233,984	$ 319,441	$ 334,557
Contributions in relation to the actuarially determined contribution	166,235	233,984	319,441	334,557
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered - employee payroll	$ 1,314,026	$ 1,480,198	$ 1,480,531	$ 1,617,942
Contributions as a percentage of covered-employee payroll	13%	16%	22%	21%

Notes to Schedule:

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	21 years
Asset valuation method	5-years smoothed market
Inflation	2.50%
Salary increases	3.75%, average, including inflation
Investment rate of return	7.75%
Retirement age	Experienced-based tables of rates that are specific to the type of eligibility condition
Mortality	50% Female/50% Male RP-2014 Annuity Mortality Table

OTHER SUPPLEMENTAL INFORMATION

COUNTY OF DELTA, MICHIGAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2018

	Special Revenue Funds			
	Title III Forest Projects	Friend of Court	Circuit Court Counseling	Community Action
ASSETS				
Cash and equivalents:				
Unrestricted	$ 253,891	$ 161,654	$ 91,010	$ 6,120
Restricted	-	-	-	-
Receivables:				
Accounts	-	80	15	11,073
Due from State of Michigan	-	-	-	-
Prepaid items	-	-	-	-
Total assets	$ 253,891	$ 161,734	$ 91,025	$ 17,193
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ -	$ -	$ -	$ 17,193
Due to other funds	-	-	-	-
Accrued payroll and related liabilities	-	-	-	-
Total liabilities	-	-	-	17,193
Fund balances:				
Nonspendable	-	-	-	-
Restricted	253,891	161,734	-	-
Committed	-	-	-	-
Assigned	-	-	91,025	-
Unassigned	-	-	-	-
Total fund balances	253,891	161,734	91,025	-
Total liabilities and fund balances	$ 253,891	$ 161,734	$ 91,025	$ 17,193

See accompanying notes to financial statements.

Special Revenue Funds							
Sanitary Landfill	Hannahville Funding	Donations	Building and Zoning	Drug Enforcement	County Survey	Homestead P.A. 105
$ 34,674	$ 62,461	$ 96,018	$ 124,456	$ -	$ 111,469	$ -
-	-	-	-	-	-	-
-	-	-	-	7,638	80	-
-	-	-	-	-	-	-
-	-	-	-	2,823	-	-
$ 34,674	$ 62,461	$ 96,018	$ 124,456	$ 10,461	$ 111,549	$ -
$ 33,564	$ -	$ 944	$ 221	$ 85	$ 8,280	$ -
-	-	-	-	4,716	-	-
-	-	-	9,726	2,837	-	-
33,564	-	944	9,947	7,638	8,280	-
-	-	-	-	2,823	-	-
1,110	-	-	-	-	-	-
-	-	-	-	-	-	-
-	62,461	95,074	114,509	-	103,269	-
-	-	-	-	-	-	-
1,110	62,461	95,074	114,509	2,823	103,269	-
$ 34,674	$ 62,461	$ 96,018	$ 124,456	$ 10,461	$ 111,549	$ -

See accompanying notes to financial statements.

COUNTY OF DELTA, MICHIGAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2018

	Special Revenue Funds			
	R.O.D. Automation	Concealed Pistol Licensing	Law Library	Training
ASSETS				
Cash and equivalents:				
Unrestricted	$ 85,435	$ 45,175	$ 30,894	$ 2,944
Restricted	-	-	-	-
Receivables:				
Accounts	265	72	-	1,480
Due from State of Michigan	-	-	-	-
Prepaid items	-	-	-	-
Total assets	$ 85,700	$ 45,247	$ 30,894	$ 4,424
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 3,936	$ 505	$ 1,170	$ -
Due to other funds	-	-	-	-
Accrued payroll and related liabilities	273	489	-	-
Total liabilities	4,209	994	1,170	-
Fund balances:				
Nonspendable	-	-	-	-
Restricted	81,491	44,253	-	4,424
Committed	-	-	-	-
Assigned	-	-	29,724	-
Unassigned	-	-	-	-
Total fund balances	81,491	44,253	29,724	4,424
Total liabilities and fund balances	$ 85,700	$ 45,247	$ 30,894	$ 4,424

See accompanying notes to financial statements.

Special Revenue Funds							
Child Care	Soldiers and Sailors	Veterans Trust	Co-Probation	Sobriety Court	Northcare Sobriety Court	Prosecutors Grant
$ 516,015	$ 13,477	$ -	$ 178,245	$ -	$ -	$ 8,955
-	-	-	-	-	-	-
-	-	-	-	-	10,915	-
41,656	-	-	6,250	5,226	-	1,808
-	-	-	-	-	-	-
$ 557,671	$ 13,477	$ -	$ 184,495	$ 5,226	$ 10,915	$ 10,763
$ 24,569	$ -	$ -	$ -	$ 320	$ 598	$ 10,029
-	-	-	-	3,973	6,166	-
12,955	-	-	4,983	924	-	245
37,524	-	-	4,983	5,217	6,764	10,274
-	-	-	-	-	-	-
520,147	13,477	-	179,512	9	4,151	489
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
520,147	13,477	-	179,512	9	4,151	489
$ 557,671	$ 13,477	$ -	$ 184,495	$ 5,226	$ 10,915	$ 10,763

See accompanying notes to financial statements.

COUNTY OF DELTA, MICHIGAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2018

	Special Revenue Funds	Debt Service Funds		
	Summer Tax	Jail Building Debt	Courthouse Renovation	Energy Project
ASSETS				
Cash and equivalents:				
Unrestricted	$ -	$ 62,842	$ -	$ -
Restricted	-	849,824	-	-
Receivables:				
Accounts	-	52	-	-
Due from State of Michigan	-	-	-	-
Prepaid items	-	-	-	-
Total assets	$ -	$ 912,718	$ -	$ -
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ -	$ -	$ -	$ -
Due to other funds	-	56	-	-
Accrued payroll and related liabilities	-	-	-	-
Total liabilities	-	56	-	-
Fund balances:				
Nonspendable	-	-	-	-
Restricted	-	912,662	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	-	912,662	-	-
Total liabilities and fund balances	$ -	$ 912,718	$ -	$ -

See accompanying notes to financial statements.

Capital Projects Funds						
Building Authority Construction	PFC Airport Improvement	Airport Improvement	Renaissance Zone	Brownfield	Total Nonmajor Governmental Funds
$ -	$ -	$ -	$ 8,341	$ 11,002	$ 1,905,078
-	-	235,833	-	-	1,085,657
-	-	13,380	-	-	45,050
-	-	-	-	-	54,940
-	-	-	-	-	2,823
$ -	$ -	$ 249,213	$ 8,341	$ 11,002	$ 3,093,548
$ -	$ -	$ 11,704	$ -	$ -	$ 113,118
-	-	132,667	-	-	147,578
-	-	-	-	-	32,432
-	-	144,371	-	-	293,128
-	-	-	-	-	2,823
-	-	104,842	8,341	11,002	2,301,535
-	-	-	-	-	-
-	-	-	-	-	496,062
-	-	-	-	-	-
-	-	104,842	8,341	11,002	2,800,420
$ -	$ -	$ 249,213	$ 8,341	$ 11,002	$ 3,093,548

See accompanying notes to financial statements.

COUNTY OF DELTA, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended September 30, 2018

	Special Revenue Funds			
	Title III Forest Projects	Friend of Court	Circuit Court Counseling	Community Action
REVENUES:				
Taxes	$ -	$ -	$ -	$ 853,872
License and permits	-	-	-	-
Federal sources	57,018	-	-	-
State sources	-	880	-	33,217
Local sources	-	8,400	3,540	-
Charges for services	-	-	-	-
Interest and rentals	-	-	-	-
Other	-	99	-	-
Total revenues	57,018	9,379	3,540	887,089
EXPENDITURES:				
Judicial system	-	2,766	-	-
General government	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	907,207
Community development	-	-	-	-
Capital outlay	73,805	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Other	-	-	-	-
Total expenditures	73,805	2,766	-	907,207
Excess revenues (expenditures)	(16,787)	6,613	3,540	(20,118)
OTHER FINANCING SOURCES (USES):				
Transfer in	-	-	-	-
Transfer out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net changes in fund balance	(16,787)	6,613	3,540	(20,118)
Fund balances - beginning	270,678	155,121	87,485	20,118
Fund balances - ending	$ 253,891	$ 161,734	$ 91,025	$ -

See accompanying notes to financial statements.

Special Revenue Funds							
Sanitary Landfill	Hannahville Funding	Donations	Building and Zoning	Drug Enforcement	County Survey	Homestead P.A. 105
$ 335,471	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	168,635	-	-	-
-	-	-	-	37,157	-	-
-	-	-	-	-	96,223	-
-	186,150	130,048	-	-	-	-
-	-	3,100	-	-	-	-
-	-	-	-	-	-	-
-	-	-	62,000	16,144	-	-
335,471	186,150	133,148	230,635	53,301	96,223	-
-	-	-	-	-	-	-
-	-	-	229,742	-	87,305	-
-	-	24,110	-	134,494	-	-
334,471	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	115,229	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	186,150	-	-	-	-	-
334,471	186,150	139,339	229,742	134,494	87,305	-
1,000	-	(6,191)	893	(81,193)	8,918	-
-	-	-	5,000	83,016	-	-
-	-	-	-	-	-	(24,656)
-	-	-	5,000	83,016	-	(24,656)
1,000	-	(6,191)	5,893	1,823	8,918	(24,656)
110	62,461	101,265	108,616	1,000	94,351	24,656
$ 1,110	$ 62,461	$ 95,074	$ 114,509	$ 2,823	$ 103,269	$ -

See accompanying notes to financial statements.

COUNTY OF DELTA, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended September 30, 2018

	Special Revenue Funds			
	R.O.D. Automation	Concealed Pistol Licensing	Law Library	Training
REVENUES:				
Taxes	$ -	$ -	$ -	$ -
License and permits	-	-	-	-
Federal sources	-	-	-	-
State sources	-	-	-	-
Local sources	-	-	-	7,274
Charges for services	37,555	22,676	-	-
Interest and rentals	-	-	-	-
Other	-	-	4,500	-
Total revenues	37,555	22,676	4,500	7,274
EXPENDITURES:				
Judicial system	-	-	13,765	-
General government	26,905	-	-	-
Public safety	-	14,167	-	4,521
Health and welfare	-	-	-	-
Community development	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Other	-	-	-	-
Total expenditures	26,905	14,167	13,765	4,521
Excess revenues (expenditures)	10,650	8,509	(9,265)	2,753
OTHER FINANCING SOURCES (USES):				
Transfer in	-	-	5,000	-
Transfer out	-	-	-	-
Total other financing sources (uses)	-	-	5,000	-
Net changes in fund balance	10,650	8,509	(4,265)	2,753
Fund balances - beginning	70,841	35,744	33,989	1,671
Fund balances - ending	$ 81,491	$ 44,253	$ 29,724	$ 4,424

See accompanying notes to financial statements.

Special Revenue Funds							
Child Care	Soldiers and Sailors	Veterans Trust	Co-Probation	Sobriety Court	Northcare Sobriety Court	Prosecutors Grant
$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-	-
-	-	-	75,000	-	-	-
327,946	-	-	-	39,306	-	51,207
17,056	-	-	-	-	18,539	-
19,831	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
364,833	-	-	75,000	39,306	18,539	51,207
-	-	-	-	-	-	-
-	-	-	-	-	-	50,718
-	-	-	-	-	-	-
642,105	2,096	845	117,541	39,297	14,388	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
642,105	2,096	845	117,541	39,297	14,388	50,718
(277,272)	(2,096)	(845)	(42,541)	9	4,151	489
330,000	1,500	-	20,000	-	-	-
(64,618)	-	-	-	-	-	-
265,382	1,500	-	20,000	-	-	-
(11,890)	(596)	(845)	(22,541)	9	4,151	489
532,037	14,073	845	202,053	-	-	-
$ 520,147	$ 13,477	$ -	$ 179,512	$ 9	$ 4,151	$ 489

See accompanying notes to financial statements.

COUNTY OF DELTA, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended September 30, 2018

	Special Revenue Funds	Debt Service Funds		
	Summer Tax	Jail Building Debt	Courthouse Renovation	Energy Project
REVENUES:				
Taxes	$ -	$ 944,153	$ -	$ -
License and permits	-	-	-	-
Federal sources	-	-	-	-
State sources	-	-	-	-
Local sources	-	-	-	-
Charges for services	-	-	-	-
Interest and rentals	-	2,311	-	-
Other	-	-	-	-
Total revenues	-	946,464	-	-
EXPENDITURES:				
Judicial system	-	-	-	-
General government	-	-	-	-
Public safety	-	496	-	-
Health and welfare	-	-	-	-
Community development	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	315,000	70,899
Interest	-	33,306	12,155	13,726
Other	-	-	-	-
Total expenditures	-	33,802	327,155	84,625
Excess revenues (expenditures)	-	912,662	(327,155)	(84,625)
OTHER FINANCING SOURCES (USES):				
Transfer in	-	-	265,342	84,625
Transfer out	(5,048)	-	-	-
Total other financing sources (uses)	(5,048)	-	265,342	84,625
Net changes in fund balance	(5,048)	912,662	(61,813)	-
Fund balances - beginning	5,048	-	61,813	-
Fund balances - ending	$ -	$ 912,662	$ -	$ -

See accompanying notes to financial statements.

Capital Projects						
Building Authority Construction	PFC Airport Improvement	Airport Improvement	Renaissance Zone	Brownfield		Total Nonmajor Governmental Funds
$ -	$ -	$ -	$ -	$ -		$ 2,133,496
-	-	-	-	-		168,635
-	-	-	-	-		169,175
-	-	-	-	351		549,130
-	-	26,929	-	-		397,936
-	-	-	-	-		83,162
-	-	1,221	-	-		3,532
-	-	-	-	33,531		116,274
-	-	28,150	-	33,882		3,621,340
-	-	-	-	-		16,531
-	-	51,506	425	-		446,601
-	-	-	-	-		177,788
-	-	-	-	-		2,057,950
-	-	-	-	454,363		454,363
-	-	172,033	-	-		361,067
-	-	-	-	-		385,899
-	-	-	-	-		59,187
-	-	-	-	-		186,150
-	-	223,539	425	454,363		4,145,536
-	-	(195,389)	(425)	(420,481)		(524,196)
-	-	86,013	-	-		880,496
(35,753)	(86,013)	-	-	-		(216,088)
(35,753)	(86,013)	86,013	-	-		664,408
(35,753)	(86,013)	(109,376)	(425)	(420,481)		140,212
35,753	86,013	214,218	8,766	431,483		2,660,208
$ -	$ -	$ 104,842	$ 8,341	$ 11,002		$ 2,800,420

See accompanying notes to financial statements.

COUNTY OF DELTA, MICHIGAN
COMBINING STATEMENT OF NET POSITION
NONMAJOR PROPRIETARY FUNDS
September 30, 2018

	Jail Commissary	Tax Revolving Administration	Total Nonmajor Proprietary Funds
ASSETS			
Current assets:			
Cash and cash equivalents			
Unrestricted	$ 61,948	$ -	$ 61,948
Receivables:			
Accounts	25,031	-	25,031
Total current assets	86,979	-	86,979
Noncurrent assets:			
Capital assets, net	22,201	-	22,201
Total noncurrent assets	22,201	-	22,201
Total assets	$ 109,180	$ -	$ 109,180
LIABILITIES			
Accounts payable	$ 7,072	$ -	$ 7,072
Due to other funds	-	-	-
Total liabilities	7,072	-	7,072
NET POSITION			
Net investment in capital assets	22,201	-	22,201
Unrestricted	79,907	-	79,907
Total net position	102,108	-	102,108
TOTAL LIABILITIES AND NET POSITION	$ 109,180	$ -	$ 109,180

See accompanying notes to financial statements.

COUNTY OF DELTA, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
NONMAJOR PROPRIETARY FUNDS
For the Year Ended September 30, 2018

	Jail Commissary	Tax Revolving Administration	Total Nonmajor Proprietary Funds
OPERATING REVENUES:			
Charges for services	$ 112,794	$ -	$ 112,794
Miscellaneous	-	-	-
Total operating revenue	112,794	-	112,794
OPERATING EXPENSES:			
Supplies	89,544	-	89,544
Depreciation	3,806	-	3,806
Miscellaneous	-	-	-
Total operating expenses	93,350	-	93,350
Operating income (loss)	19,444	-	19,444
NONOPERATING REVENUES (EXPENSES):			
Interest income	207	-	207
Transfer in	30,000	-	30,000
Transfer out	(60,465)	(2,774)	(63,239)
Total nonoperating revenues (expenses)	(30,258)	(2,774)	(33,032)
Change in net position	(10,814)	(2,774)	(13,588)
Total net position - beginning	112,922	2,774	115,696
Total net position - ending	$ 102,108	$ -	$ 102,108

See accompanying notes to financial statements.

COUNTY OF DELTA, MICHIGAN
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
For the Year Ended September 30, 2018

	Jail Commissary	Tax Revolving Administration	Total Nonmajor Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	$ 173,559	$ -	$ 173,559
Payments to suppliers	(82,500)	-	(82,500)
Net cash provided (used) by operating activities	91,059	-	91,059
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfer in	30,000	-	30,000
Transfer out	(60,465)	(2,774)	(63,239)
Net cash provided (used) by noncapital financing activities	(30,465)	(2,774)	(33,239)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest earnings	207	-	207
Net cash provided (used) by investing activities	207	-	207
Net increase (decrease) in cash and equivalents	60,801	(2,774)	58,027
Cash and equivalents, beginning of year	1,147	2,774	3,921
Cash and equivalents, end of year	$ 61,948	$ -	$ 61,948
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	$ 19,444	$ -	$ 19,444
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation expense	3,806	-	3,806
Changes in assets and liabilities:			
(Increase) decrease in receivables	60,765	-	60,765
Increase (decrease) in accounts payable	7,044	-	7,044
Total adjustments	71,615	-	71,615
Net cash provided by operating activities	$ 91,059	$ -	$ 91,059

See accompanying notes to financial statements.

COUNTY OF DELTA, MICHIGAN
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
September 30, 2018

	Termination/ Sick Leave	Residual Equity Transfer	Service Center	Michigan Works Center	Total Internal Service Funds
ASSETS					
Current assets:					
Cash and cash equivalents					
Unrestricted	$ 402,334	$ 1,551,379	$ 525,449	$ -	$ 2,479,162
Investments	-	3,579,124	-	-	3,579,124
Receivables:					
Accounts	-	-	16,136	-	16,136
Interest	-	10,590	-	-	10,590
Notes receivable	-	225,590	-	-	225,590
Total current assets	402,334	5,366,683	541,585	-	6,310,602
Noncurrent assets:					
Advances to other funds	-	350,000	-	-	350,000
Notes receivable	-	317,635	-	-	317,635
Total noncurrent assets	-	667,635	-	-	667,635
Total assets	$ 402,334	$ 6,034,318	$ 541,585	$ -	$ 6,978,237
LIABILITIES					
Current liabilities:					
Accounts payable	$ -	$ -	$ 12,474	$ -	$ 12,474
Accrued payroll	-	-	891	-	891
Total liabilities	-	-	13,365	-	13,365
NET POSITION					
Restricted	150,000	-	-	-	150,000
Unrestricted	252,334	6,034,318	528,220	-	6,814,872
Total net position	402,334	6,034,318	528,220	-	6,964,872
TOTAL LIABILITIES AND NET POSITION	$ 402,334	$ 6,034,318	$ 541,585	$ -	$ 6,978,237

See accompanying notes to financial statements.

COUNTY OF DELTA, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
For the Year Ended September 30, 2018

	Termination/ Sick Leave	Residual Equity Transfer	Service Center	Michigan Works Center	Total Internal Service Funds
OPERATING REVENUES:					
Rental and interest income	$ -	$ -	$ 57,838	$ -	$ 57,838
State sources	-	-	-	-	-
Miscellaneous	-	220,175	804	-	220,979
Total operating revenue	-	220,175	58,642	-	278,817
OPERATING EXPENSES:					
Salaries and fringes	24,627	1,000,000	17,370	-	1,041,997
Supplies	-	-	5,927	-	5,927
Contracted services	-	-	5,530	-	5,530
Repairs and maintenance	-	-	39,307	-	39,307
Utilities	-	-	11,847	-	11,847
Miscellaneous	-	-	58,446	35,209	93,655
Total operating expenses	24,627	1,000,000	138,427	35,209	1,198,263
Operating income (loss)	(24,627)	(779,825)	(79,785)	(35,209)	(919,446)
NONOPERATING REVENUES (EXPENSES):					
Interest income	-	42,460	-	-	42,460
Income (loss) before transfers and contributions	(24,627)	(737,365)	(79,785)	(35,209)	(876,986)
Transfer in	-	633,117	100,784	-	733,901
Transfer out	-	(436,064)	-	(100,784)	(536,848)
Change in net position	(24,627)	(540,312)	20,999	(135,993)	(679,933)
Total net position - beginning	426,961	6,574,630	507,221	135,993	7,644,805
Total net position - ending	$ 402,334	$ 6,034,318	$ 528,220	$ -	$ 6,964,872

See accompanying notes to financial statements.

COUNTY OF DELTA, MICHIGAN
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended September 30, 2018

	Termination/ Sick Leave	Residual Equity Transfer	Service Center	Michigan Works Center	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from interest and rents	$ -	$ 68,538	$ 48,638	$ -	$ 117,176
Payments to suppliers	-	(9,000)	(125,228)	(35,209)	(169,437)
Payments for wages and related benefits	(24,658)	(1,000,000)	(16,577)	-	(1,041,235)
Other cash receipts (payments)	-	849,140	804	-	849,944
Net cash provided (used) by operating activities	(24,658)	(91,322)	(92,363)	(35,209)	(243,552)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfer in	-	633,117	100,784	-	733,901
Transfer out	-	(436,064)	-	(100,784)	(536,848)
Net cash provided (used) by noncapital financing activities	-	197,053	100,784	(100,784)	197,053
CASH FLOWS FROM INVESTING ACTIVITIES					
Net transfer of investments	-	(1,644,234)	-	-	(1,644,234)
Interest earnings	-	42,460	-	-	42,460
Net cash provided (used) by investing activities	-	(1,601,774)	-	-	(1,601,774)
Net increase (decrease) in cash and equivalents	(24,658)	(1,496,043)	8,421	(135,993)	(1,648,273)
Cash and equivalents, beginning of year	426,992	3,047,422	517,028	135,993	4,127,435
Cash and equivalents, end of year	$ 402,334	$ 1,551,379	$ 525,449	$ -	$ 2,479,162
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	$ (24,627)	$ (779,825)	$ (79,785)	$ (35,209)	$ (919,446)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Changes in assets and liabilities:					
(Increase) decrease in receivables	-	697,503	(9,200)	-	688,303
Increase (decrease) in accounts payable	-	(9,000)	(4,171)	-	(13,171)
Increase (decrease) in accrued payroll	(31)	-	793	-	762
Total adjustments	(31)	688,503	(12,578)	-	675,894
Net cash provided by operating activities	$ (24,658)	$ (91,322)	$ (92,363)	$ (35,209)	$ (243,552)

See accompanying notes to financial statements.

COUNTY OF DELTA, MICHIGAN
COMBINING STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
September 30, 2018

	General Trust and Agency	Friend of Court Trust	District Court Trust
ASSETS			
Cash and cash equivalents:			
Unrestricted	$ 2,196,643	$ 751	$ 137,282
Due from local units	296	-	-
Total assets	2,196,939	751	137,282
LIABILITIES			
Due to other governmental units	94,756	-	-
Undistributed taxes	2,080,248	-	-
Other liabilities	21,935	751	137,282
Total liabilities	$ 2,196,939	$ 751	$ 137,282

See accompanying notes to financial statements.

Sheriff Inmate Trust	Library Penal Fines	Totals
$ 35,007	$ 34,866	$ 2,404,549
-	-	296
35,007	34,866	2,404,845
-	-	94,756
-	-	2,080,248
35,007	34,866	229,841
$ 35,007	$ 34,866	$ 2,404,845

See accompanying notes to financial statements.

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SINGLE AUDIT

ANDERSON, TACKMAN & COMPANY, PLC
Certified Public Accountants

"A Regional Firm Within the Upper Peninsula of Michigan"

Kristine P. Berhow, CPA, Principal
Brandy M. Olson, CPA, Principal
Kathleen A. Ciantar, CPA, Principal
Alan M. Stotz, CPA

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

To the Delta County Board
of Commissioners and Management
Escanaba, Michigan 49829

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 discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Delta, Michigan, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the County of Delta, Michigan's basic financial statements, and have issued our report thereon dated March 28, 2019. Our report omits the Delta County Road Commission, as described in the "Basis for Adverse Opinion on Discretely Presented Component Units" section of our report on Delta County's financial statements. Therefore, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Delta County Road Commission. The financial statements of the Delta County Central Dispatch Authority were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Delta County Central Dispatch Authority.

Internal Control over Financial Reporting

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

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

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control and which is described in the accompanying schedule of findings and questioned costs as item 2018-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Delta, Michigan's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2018-002.

County of Delta, Michigan's Response to Finding

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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.

Anderson, Tackman & Company P.L.C.

ANDERSON, TACKMAN, & COMPANY, PLC
Certified Public Accountants
Escanaba, Michigan

March 28, 2019

ANDERSON, TACKMAN & COMPANY, PLC
Certified Public Accountants

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Alan M. Stotz, CPA

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

To the Delta County Board
of Commissioners and Management
Escanaba, Michigan 49829

Report on Compliance for Each Major Federal Program

We have audited County of Delta, Michigan's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County of Delta, Michigan's major federal programs for the year ended September 30, 2018. County of Delta, Michigan's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

County of Delta, Michigan's basic financial statements include the operations of the Public Health, Delta & Menominee Counties and Delta County Central Dispatch Authority. The County of Delta, Michigan's basis financial statements omit the Delta County Road Commission, as described in the "Basis for Adverse Opinion on Discretely Presented Component Units" section of our report on Delta County's financial statements. The Public Health, Delta & Menominee Counties received $901,687 in federal awards which are not included in the County of Delta, Michigan's schedule of expenditures of federal awards during the year ended September 30, 2018. The amount of federal awards received by the Delta County Road Commission was unavailable as of our report date. Our audit, described below, did not include the operations of Public Health, Delta & Menominee Counties, Delta County Road Commission, and Delta County Central Dispatch Authority because the component units issue separately audited financial statements, which include an audit of compliance, if required.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the County of Delta, Michigan, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2018.

Report on Internal Control over Compliance

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

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

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

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

Anderson, Tackman & Company P.L.C.

ANDERSON, TACKMAN & COMPANY, PLC
Certified Public Accountants
Escanaba, Michigan

March 28, 2019

COUNTY OF DELTA, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended September 30, 2018

Federal grantor/pass-through/program title	Federal CFDA Number	Agency or pass-through number	Federal Expenditures	Amount Provided to Subrecipients
U.S. Department of Health and Human Services:				
Passed through State of Michigan Department of Human Services:				
TANF Cluster	93.558	DEL-17-21001	$ 37,500	-
Child Support Enforcement	93.563	CS/COM-17-21003	406,954	-
Friend of Court - Federal Incentives	93.563	unknown	70,938	-
Promoting Safe and Stable Families	93.556	DEL-17-21001	37,500	-
Total U.S. Department of Health and Human Services			552,892	-
U.S. Department of Justice:				
Passed through the Michigan State Police				
Byrne Memorial Formula Grant	16.738	JAG-70768-U.P.S.E.T.-2018	37,157	-
U.S. Department of Agriculture:				
Direct Funding:				
Community Facilities Loan & Grants	10.766	-	14,029,400	-
Passed through Michigan Department of Natural Resources:				
Schools & Roads Grants to States-Title I	10.665	unknown	228,071	-
Schools & Roads Grants to States-Title III	10.665	unknown	57,018	-
Total U.S. Department of Agriculture			14,314,489	-
U.S. Department of Homeland Security:				
Passed through Michigan State Police:				
Emergency Management Performance	97.042	2018 EMPG	18,882	-
Passed through the Michigan Department of Natural Resources:				
Boating Safety Financial Assistance	97.012	MSR-MS18-072	14,900	-
Passed through Houghton County:				
Homeland Security Grant-2016	97.067	unknown	10,632	-
Homeland Security Grant-2017	97.067	unknown	5,957	-
Total U.S. Department of Homeland Security			50,371	-
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 14,954,909	$ -

See accompanying notes to the schedule of expenditures of federal awards.

COUNTY OF DELTA, MICHIGAN
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2018

NOTE A – OVERSIGHT AGENCY

The U.S. Department of Agriculture is the current year's oversight agency for single audit as determined by the agency providing the largest share of direct federal financial assistance.

NOTE B – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Delta County under programs of the federal government for the year ended September 30, 2018. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Delta County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Delta County. The information in the schedules reconciles with the amounts presented in the financial statements as shown in Note F below.

NOTE C – BASIS OF PRESENTATION

1) Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
2) Delta County has elected not to use the ten percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D – PASS-THROUGH GRANT MONIES

During 2018, the County did not pass through any grant funds.

NOTE E – PASS-THROUGH GRANTOR'S OR PROGRAM NUMBERS

The pass-through grantor's number represents the County's provider I.D. number. Such other I.D. numbers were not available or provided by the State administering agencies.

NOTE F – FEDERAL REVENUE RECONCILIATION

Federal revenue per governmental fund financial statements	$ 1,079,107
Federal expenditures per schedule of expenditures of federal award	14,954,909
Difference	(13,875,802)
Reconciling items:	
Federal revenues for CFDA #10.665-Title III funds were received in the amount of $0 and reported as revenue in the financial statements, with $0 of it being expended and reported in the schedule of expenditures of federal awards.	-
Federal payment in-lieu of taxes reported as federal revenue but not included on the schedule of expenditures of federal awards.	(398,258)
Expenditures reported on the schedule of expenditures of federal in the current year which were not recorded as revenue in the current year.	
CFDA #10.665	228,071
CFDA #10.766	14,029,400
CFDA #97.067	16,589
Reconciled difference	$ -

NOTE G – LOAN PROGRAMS

The balances and transactions relating to the Community Facilities loan are included the County's basic financial statements. Loans made during the current year are included in the federal expenditures presented in the Schedule. The balance of loans outstanding at September 30, 2018 for the Community Facilities Loan – CFDA # 10.766 was $14,029,400.

COUNTY OF DELTA, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2018

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unmodified opinion on the basic financial statements of the County of Delta, Michigan.

2. There was one material weakness disclosed during the audit of the basic financial statements to be reported in the *Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.

3. There was one instance of noncompliance material to the basic financial statements of the County of Delta, Michigan disclosed during the audit.

4. There were no significant deficiencies or material weaknesses disclosed during the audit of the major federal programs to be reported in the *Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance*.

5. The auditor's report on compliance for the major federal programs for the County of Delta, Michigan expresses an unmodified opinion.

6. There were no findings noted relative to the major federal programs for the County of Delta.

7. The programs tested as major programs included:

    - Community Facilities Loan & Grants CFDA #10.766

8. The threshold for distinguishing Type A & B programs was $750,000.

9. The County of Delta, Michigan was determined to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

2018-001: Material Weakness – Material Audit Adjustments

Criteria: The County is required to have internal controls in place to properly records, process, and report accounting data.

Condition: Material audit adjustments were required to properly accrue revenues and expenditures to present the financial statements in accordance with generally accepted accounting principles.

Effect: The County lacks internal controls over recording and reporting accounting data. The County's trial balances were not materially correct at year-end.

Cause: Revenues and expenditures were not properly recorded in the County general ledger. This condition was caused by turnover in County personnel and the County's decision to rely on the external auditor to assist with journal entries at year end due to time and staffing constraints given the turnover.

Recommendation: All revenues and expenditures should be properly accrued in the general ledger of the County prior to final trial balances being produced for preparation of the year-end financial statements.

Management Response: County management will review procedures to properly accrue revenues and expenditures as required to ensure that the financial statements are materially correct.

2018-002: Compliance Finding – Violation of Public Act 2 of 1968, as Amended

Criteria: Expenditures in excess of appropriations is contrary to the provisions of Public Act 2.

Condition: During the fiscal year ended September 30, 2018, expenditures were incurred in excess of amounts appropriated in the amended budgets of certain funds (see footnote B for detail of funds).

Effect: The County is not in compliance with State statutes.

Cause: Budgets were not amended prior to processing disbursements in the affected funds.

Recommendation: Budgets should be amended prior to expenditures being incurred that are in excess of appropriated amounts.

Management Response: Due to the timing of accruals, accurate and honest budgeting projections at the 9/30 date are not feasible. Per state law, budgets were not adjusted following 9/30 despite additional expenditures after this date to be accrued back. Budget are annually reviewed and amended. Budgets are done conservatively. Management will continue to be responsible with projected expenditures and attempt to avoid the appearance of compliance issues.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

COUNTY OF DELTA, MICHIGAN
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2018

A. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

ANDERSON, TACKMAN & COMPANY, PLC
Certified Public Accountants

"A Regional Firm Within the Upper Peninsula of Michigan"

Kristine P. Berhow, CPA, Principal
Brandy M. Olson, CPA, Principal
Kathleen A. Ciantar, CPA, Principal
Alan M. Stotz, CPA

REPORT TO MANAGEMENT

To the Delta County Board
of Commissioners and Management
Delta County, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Delta County for the year ended September 30, 2018. 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 October 16, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Delta County are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2018. We noted no transactions entered into by Delta 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 lives of capital assets is based on intended use of the asset and managements experience with similar assets and net pension liability is based upon information provided to the County by the retirement system including actuarial valuations. We evaluated the key factors and assumptions used to develop the useful lives of capital assets and net pension liability in determining that it is reasonable in relation to the financial statements taken as a whole.

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

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit. However, the completion of our audit was delayed because the Delta County Road Commission's audited financial statements were not available. The Road Commission has the same filing deadline as the County. As the Road Commission is a component unit of the County, it must be included in the County financial statements. In order to comply with the Continuing Disclosure Agreement with the Municipal Securities Rulemaking Board (MSRB) on the 2014 General Obligation Limited Tax Refunding Bonds, management has decided to omit the County Road Commission from the Financial Statements as described in Note T to the financial statements.

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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. The material misstatements detected as a result of audit procedures were corrected by management and related to accruals of revenue and expenditures.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 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 Delta 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 Delta 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, budgetary comparison schedules, the schedule of net pension liability and related ratios for the pension system, and the schedule of employer contributions for the pension system, 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 combining nonmajor fund financial statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Comments & Recommendations

In planning and performing our audit of the financial statements of Delta County for the year ended September 30, 2018, we considered the County's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and recommendation regarding these matters. This letter does not affect our report dated March 28, 2019 on the financial statements of Delta County.

COMMENTS & RECOMMENDATIONS

Reconciliation of Balance Sheet Accounts (repeat)

Comment:

We noted various balance sheet accounts, including accounts payable and payroll withholding liability accounts, that were not reconciled to supporting documentation, that included unknown items that carried forward from prior years, or that were not properly clearing out with each payroll. The County does not have procedures in place to ensure balance sheet accounts are reconciled.

Recommendations:

All balances should be examined throughout the year for accuracy. Year-end asset and liability balances should be supported by a list of detailed items that make up that balance, even if the balance is carrying forward from a prior year. Balances that are carried forward from a prior year should be evaluated for appropriateness. Payroll withholding accounts should be reviewed to ensure that all amounts withheld are properly disbursed.

Sheriff's Collections & Receipts

Comment:

During our audit, we noted possible recommendations to improve the collections/receipting process in the Sheriff's department.

Recommendation:

1. A process should be implemented to log or match up copies of files sent to the Collection Agency with an adjustment report for accounts written off/sent to collections in BS&A by someone other than employee that enters adjustments into BS&A.
2. We recommend that the Sheriff should set up a process to review the report of all adjustments either monthly or quarterly.
3. We recommend that the County regularly update/review their fee schedule to ensure all fess charged are on it.
4. We recommend that the Sheriff set up a process to reconcile cash donations per manual spreadsheet to cash receipts posted in BS&A receipt system.
5. We recommend that further agreed upon procedures can be performed to test systems and controls at a more detailed level.

District Court Bonds Payable

Comment:

The list of bonds payable could not be reconciled to the bond bank statement. The County does not have procedures in place to ensure this reconciliation is performed on a monthly basis.

Recommendation:

The list of bonds outstanding should be reconciled to the bank statement on a monthly basis.

OTHER INFORMATION

Local Community Stabilization Authority

On June 27, 2018, Governor Snyder signed into law 2018 Public Act 247 and 2018 Public Act 248. These acts make significant changes to the Local Community Stabilization Authority Act and the calculation of personal property tax (PPT) reimbursements.

The State Department of Treasury issued a summary document of the amendments in July 2018, which can be found on the State's website. This summary document lists the following changes as a result of these acts.

1. Accelerate some reporting deadlines and add two new reporting requirements
2. Change the calculation of the millage rate to be used in the calculation of the PPT reimbursements
3. Change the calculation of the personal property exemption loss and eliminate the requirements to recalculate prior year taxable values
4. Change the millage rate to be used in the calculation of a Tax Increment Finance Authority's (TIFA's) PPT reimbursement
5. Make the Local Community Stabilization Authority responsible for distributing the fire protection services payments
6. Create a process for correcting PPT reimbursements
7. Allow for a one-time PPT advance for prior year underpayments of $500,000 or more
8. Change the payment dates of the PPT reimbursements to allow for corrections to current year reimbursements, and delay the payment of qualified loss in excess of 100% until May 20
9. Change how municipalities are required to record and allocate the revenue

We recommend that the County review the summary document and public acts for an in-depth look at the changes.

Updated Uniform Chart of Accounts

In April 2017, the State released an updated Uniform Chart of Accounts and requires local units of government to comply with the changes "sometime in 2019". Treasury is working on developing training and additional information to assist in the transition. Local units should begin evaluating this new chart of accounts to determine what changes will be necessary and set up a plan to achieve compliance. Some accounting software vendors have already been working with some local units on an automated remapping solution to the extent needed; this could be a possible solution for some. The new chart of accounts can be found on the State website.

GASB Statement No. 84 – Fiduciary Activities

In January 2017, the Governmental Accounting Standards Board issued GASB Statement No. 84, *Fiduciary Activities,* which establishes criteria for identifying fiduciary activities of governments and improves guidance for accounting and financial reporting related to how these activities should be reported. The Summary section of the Statement states the following:

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less.

This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

The provisions of this statement are effective for the County's financial statements for the 2019-2020 fiscal year. The County should begin analyzing the impact the implementation of the standard will have on the County's funds.

Restriction on Use

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

Anderson, Tackman & Company P.L.C.

ANDERSON, TACKMAN & COMPANY, PLC
Certified Public Accountants
Escanaba, Michigan

March 28, 2019