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MANAGEMENT LETTER

To the Board of Commissioners
of Ionia County
Ionia, Michigan

As you know, we have recently completed our audit of the financial statements of Ionia County (the County) as of and for the year ended December 31, 2016. In connection with the audit, we feel that certain changes in your accounting and administrative procedures would be helpful in improving management's control and the operational efficiency of the accounting and administrative functions. The suggestion below is a result of our evaluation of the internal control structure and our discussions with management and was considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the basic financial statements, and this report does not affect our report on the basic financial statements dated June 5, 2017.

- During our review of eligibility testing, a single audit requirement in order to be in compliance with the Women, Infants, and Children Grant (WIC), it was noted that physical records are not maintained. The County utilizes an electronic system to determine eligibility, but does not maintain support for the information in the system. Without any physical records, the County would not have anything to support eligibility should the system be unavailable. We recommend the County maintain support or physical records of all applicants eligible for WIC services. This could include making copies of Medicaid Cards or obtaining a paystub. These records should be kept on file for no less than seven years.

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

We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these suggestions with you and to provide assistance in the implementation of improvements.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

June 5, 2017

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To the Board of Commissioners
of Ionia County
Ionia, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Ionia County, Michigan (the County) for the year ended December 31, 2016. We did not audit the financial statements of the Ionia County Road Commission (discretely presented component unit) which represents 86 percent, 86 percent, and 95 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Professional standards require that we provide you with information about our audit 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. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Ionia County are described in Note A to the financial statements. As described in Note P to the financial statements, the County adopted Governmental Accounting Standards Board (GASB) Statement 72, *Fair Value Measurement and Application*, and (GASB) Statement 77, *Tax Abatement Disclosures*, during the year ended December 31, 2016. Accordingly, the effect of the accounting change is reported in the applicable financial statements. We noted no transactions entered into by the County during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the governmental activities, business-type activities, the aggregate discretely presented component units, and the aggregate remaining fund information was:

Management's calculation of depreciation expense for the current period is based on an estimate of the useful lives of the capital assets.

Certain financial statement disclosures are particularly sensitive because of their significance to the financial statement users. The most sensitive estimates affecting the governmental activities financial statements were:

Management's calculation for current and noncurrent compensated absence payments is based on an estimate of the percentage of employees' use of compensated absences.

Management's calculation of the net post-employment benefits obligation is based on an actuarial study which utilized certain assumptions.

Management's calculation of the net pension liability and changes therein was based on actuarial assumptions and the use of a specialist (actuary).

Investments are carried at fair value, which is defined as the amount that the County could reasonably expect to receive for an investment in a current sale between a willing buyer and a willing seller and is generally measured by quoted market prices.

We evaluated the key factors and assumptions that were used to develop the estimates in determining that they appeared reasonable in relation to the financial statements taken as a whole.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected 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. The following material misstatements detected as a result of audit procedures were corrected by management: taxes receivable and related unavailable revenue, accumulated depreciation and depreciation expense, and changes in pension investment balances.

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 June 05, 2017.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

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

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

Restriction on Use

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

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

June 5, 2017

Ionia County, Michigan
FINANCIAL STATEMENTS
December 31, 2016

Ionia County, Michigan

December 31, 2016

BOARD OF COMMISSIONERS

Jack Shattuck	Chairperson
James L. Banks	Vice-chair
Julie Calley	Commissioner
David Hodges	Commissioner
Scott Wirtz	Commissioner
Larry Tiejema	Commissioner
Brenda Cowling-Cronk	Commissioner

ADMINISTRATION AND OTHER ELECTED OFFICIALS

Stephanie Fox	Administrator
Judith Clark	Treasurer
Tonda Rich	Clerk
Diane Adams	Register of Deeds
Robert Rose	Drain Commissioner
Kyle Butler	Prosecuting Attorney
Dale Miller	Sheriff

Ionia County, Michigan

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
of Ionia County
Ionia, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Ionia County, Michigan (the County), as of and for the year ended December 31, 2016, 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 Ionia County Road Commission which represents 86 percent, 86 percent, and 95 percent, respectively, of the assets, net position, and revenue of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and in our opinion, insofar as it relates to the amounts included for the Ionia County Road Commission, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Ionia County, Michigan, as of December 31, 2016, and the respective changes in financial position, and, where applicable, cash flows, thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principles

As described in Note P to the financial statements, the County implemented GASB Statement No. 72, *Fair Value Measurement and Application*, during the year. As a result, the County has applied fair value to certain investments and disclosures related to all fair value measurements. Our opinions are not modified with respect to this matter.

As described in Note P to the financial statements, the County implemented GASB Statement No. 77, *Tax Abatement Disclosures*, during the year. The statement improves financial reporting through the disclosure of information about the nature and magnitude of tax abatements. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension system schedules, as identified 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 05, 2017 on our consideration of the Ionia County, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Ionia County's internal control over financial reporting and compliance.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

June 5, 2017

Ionía County

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2016

As management of the County of Ionía, we offer this narrative overview and analysis of the financial activities of the County of Ionía for the fiscal year ended December 31, 2016. The purpose of this overview and discussion is to provide a narrative insight into the financial structure and position of the County of Ionía. This Discussion and Analysis should be read in conjunction with the financial statements contained herein.

Financial Highlights

- * Net Position of the County of Ionía decreased by 3.71 percent during 2016.
- * The ratio of Current Assets to Current Liabilities is over 11 to 1.
- * The current debt load for Ionía County is approximately less than one percent of that which is allowable by state law. There is significant capacity for Ionía County to incur additional debt.

USING THIS REPORT

As stated above, this discussion and analysis is intended to serve as an introduction to the County of Ionía basic financial statements. The basic financial statements have three components: *Government-Wide Financial Statements*; *Fund Financial Statements*; and *Notes to Financial Statements*. This report also contains other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

Government-Wide Financial Statements are intended to report information about the County as a whole using accounting methods similar to those used in the private sector. The *Government-Wide Financial Statements* are used to provide a long-term view of the financial stability of the County and are divided into the *Statement of Net Position* and the *Statement of Activities*.

The *Statement of Net Position* includes all of the County of Ionía's Assets and Liabilities. The difference between Assets and Liabilities is reported as Net Position. Over time, increases or decreases in Net Position may serve as a useful indicator of the financial position of the County of Ionía.

The *Statement of Activities* provides summary information regarding the revenue and expenses relating to specific programs within the County of Ionía.

Both of the *Government-Wide Financial Statements* distinguish functions of Ionía County that are principally supported by taxes and intergovernmental revenues (*Governmental-Type Activities*) or from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*Business-Type Activities*). The Governmental-Type Activities for Ionía County are combined into program areas such as General Government, Public Safety, Public Works, Health & Welfare, Community & Economic Development, Recreation & Cultural, and Other Activities. The Business-Type Activities include the Delinquent Tax Revolving Fund and the Airport Fund, both of which are Enterprise Funds.

The *Government-Wide Financial Statements* include the activities for the County of Ionía and three legally separate entities for which the County of Ionía is financially accountable: the Ionía County Road Commission, County Drainage Districts, and the Brownfield Redevelopment Authority. These activities are known as *Component Units*, because they are reported in the County of Ionía financial statements, but are not combined with total figures for County finances.

Fund Financial Statements

A *Fund* is used to group related accounts to maintain control over resources that have been segregated for specific activities or objectives. Ionía County, as with other state and local units of government, uses fund accounting to control and manage resources for particular purposes and to ensure compliance with finance-related legal requirements. All of the Funds of Ionía County can be grouped into three categories: *Governmental Funds*, *Proprietary Funds*, and *Fiduciary Funds*.

Ionia County

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2016

Governmental Funds: *Governmental Funds* are used to account for a majority of the basic services provided by the County, essentially those same functions reported as Governmental Activities under the Government-Wide Financial Statements. The Governmental Fund Financial Statements, however, focus on the short-term financial position, such as how cash and assets can be converted into cash flow and what balances remain at the end of a fiscal year for spending.

Because the focus of governmental funds is narrower than that of the *Government-Wide Financial Statements*, it is useful to compare the information presented for *Governmental Funds* with similar information presented for *Governmental Activities* in the *Government-Wide Financial Statements*. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. The Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison.

The County of Ionia maintains several individual *Governmental Funds*. The General Fund is the primary fund used to account for main activities of the County of Ionia. Of special note is that activities for the operation of Friend of the Court, Public Health, Resource Recovery, Building Inspector, Central Dispatch, Commission on Aging, and Courts Security are contained within the Other Governmental Funds.

The County of Ionia adopts an annual budget for its General Fund, Special Revenue Funds, and the Airport Fund. Budgetary comparison statements have been provided for the General Fund, Friend of the Court, Public Health Fund, and Commission on Aging Fund to demonstrate compliance with this budget.

Proprietary Funds: The County of Ionia maintains two different types of proprietary funds: *Enterprise and Internal Service*. *Enterprise Funds* are used to report the same functions presented as *Business-Type Activities* in the *Government-Wide Financial Statements*. The County of Ionia uses enterprise funds to account for its Delinquent Tax Revolving and Airport activities. *Internal Service Funds* are an accounting device used to accumulate and allocate costs internally among the County's various functions.

Fiduciary Funds: *Fiduciary Funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the *Government-Wide Financial Statements* because the resources of those funds are not available to support the County of Ionia's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

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

GOVERNMENT-WIDE FINANCIAL INFORMATION AND ANALYSIS

As noted earlier, Net Position may serve over time as a useful indicator of a government's financial position. During the current period, the County of Ionia experienced a 3.71 percent decrease in Net Position for a total of \$15.26 million.

	Governmental Activities		Business-Type Activities		Total		Percent Change
	2015	2016	2015	2016	2015	2016	
Assets							
<i>Current Assets</i>							
Cash	\$ 8,686,361	\$ 8,260,914	\$ 3,661,650	\$ 3,980,506	\$ 12,348,011	\$ 12,241,420	-0.86%
Investments	342,832	394,243	-	-	342,832	394,243	15.00%
Other assets	2,452,572	2,385,017	1,613,043	1,548,108	4,065,615	3,933,125	-3.26%
<i>Non-Current Assets</i>							
Capital assets	5,497,452	5,838,724	675,014	600,846	6,172,466	6,439,570	4.33%
Investments	848,925	848,925	-	-	848,925	848,925	0.00%
Total Assets	\$ 17,828,142	\$ 17,727,823	\$ 5,949,707	\$ 6,129,460	\$ 23,777,849	\$ 23,857,283	0.33%
Deferred Outflows of Resources	\$ 2,209,255	\$ 2,209,255	\$ -	\$ -	\$ 2,209,255	\$ 2,209,255	100.00%

Ionia County

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2016

	Governmental Activities		Business-Type Activities		Total		Percent Change
	2015	2016	2015	2016	2015	2016	
Liabilities							
<i>Current Liabilities</i>	\$ 923,349	\$ 1,451,003	\$ 21,749	\$ 9,695	\$ 945,098	\$ 1,460,698	54.56%
<i>Non-Current Liabilities</i>							
Other Liabilities	8,311,921	8,311,921	-	-	8,311,921	8,311,921	0.00%
Total Liabilities	\$ 9,235,270	\$ 9,762,924	\$ 21,749	\$ 9,695	\$ 9,257,019	\$ 9,772,619	5.57%
Deferred Inflows of Resources	887,032	887,032	-	-	887,032	887,032	100.00%
Net Position							
Net investment in capital assets	5,497,452	5,838,724	675,014	600,846	6,172,466	6,439,570	4.33%
Restricted	3,630,626	4,146,720	-	-	3,630,626	4,146,720	14.22%
Unrestricted	787,017	(849,407)	5,252,944	5,518,919	6,039,961	4,669,512	-22.69%
Total Net Position	\$ 9,915,095	\$ 9,136,037	\$ 5,927,958	\$ 6,119,765	\$ 15,843,053	\$ 15,255,802	-3.71%

A further breakdown of the County of Ionia's \$15.26 million in Net Position, and the change in Net Position during 2016, is shown in the following table.

	Governmental Activities		Business-Type Activities		Total		Percent Change
	2015	2016	2015	2016	2015	2016	
Revenue:							
Program Revenue							
Charges for Services	\$ 4,349,198	\$ 4,512,667	\$ 922,877	\$ 921,635	\$ 5,272,075	\$ 5,434,302	3.08%
Operating Grants & Contributions	5,149,945	4,722,428	-	-	5,149,945	4,722,428	-8.30%
Capital Grants & Contributions	-	11,457	43	-	43	11,457	26544.19%
General Revenue							
Property Taxes	7,762,310	7,765,108	-	-	7,762,310	7,765,108	0.04%
Other	2,646,900	2,224,203	1,636	1,303	2,648,536	2,225,506	-15.97%
Total Revenue	\$ 19,908,353	\$ 19,235,863	\$ 924,556	\$ 922,938	\$ 20,832,909	\$ 20,158,801	-3.24%
Expenses:							
General Government	\$ 7,763,152	\$ 8,387,650			\$ 7,763,152	\$ 8,387,650	8.04%
Public Safety	6,856,054	6,887,725			6,856,054	6,887,725	0.46%
Public Works	322,902	361,826			322,902	361,826	12.05%
Health & Welfare	4,298,844	4,474,098			4,298,844	4,474,098	4.08%
Other	358,348	262,613			358,348	262,613	-26.72%
Interest on Long-Term Debt	1,935	-			1,935	-	-100.00%
Delinquent Tax Revolving			5,577	4,527	5,577	4,527	-18.83%
Tax Foreclosures			205,831	213,095	205,831	213,095	3.53%
Airport			184,614	154,518	184,614	154,518	-16.30%
Total Expenses	\$ 19,601,235	\$ 20,373,912	\$ 396,022	\$ 372,140	\$ 19,997,257	\$ 20,746,052	3.74%
Increase (Decrease) before Transfers	\$ 307,118	\$ (1,138,049)	\$ 528,534	\$ 550,798	\$ 835,652	\$ (587,251)	-170.27%
Transfers	1,396,485	358,991	(1,396,485)	(358,991)	-	-	0.00%
Increase (Decrease) of Net Assets	\$ 1,703,603	\$ (779,058)	\$ (867,951)	\$ 191,807	\$ 835,652	\$ (587,251)	-170.27%
Net Assets, January 1	\$ 13,320,895	\$ 9,915,095	\$ 6,795,909	\$ 5,927,958	\$ 20,116,804	\$ 15,843,053	-21.24%
Prior Period Adjustments	(5,109,403)	-	-	-	(5,109,403)	-	0%
Net Assets, December 31	\$ 9,915,095	\$ 9,136,037	\$ 5,927,958	\$ 6,119,765	\$ 15,843,053	\$ 15,255,802	-3.71%

This table perhaps more appropriately illustrates the increase in revenue with additional detail.

ANALYSIS OF INDIVIDUAL FUNDS

The County of Ionia uses fund accounting in order to ensure and demonstrate compliance with finance-related legal requirements.

Ionia County

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2016

Governmental Funds: Most governmental activities are accounted for in the General Fund, although some governmental activities, particularly those with a dedicated source of revenue, are accounted for in Special Revenue Funds.

The focus of these Governmental Funds is to provide information on near-term inflows, outflows, and balances of available resources.

The chief operating fund of the County of Ionia, the General Fund, finished with a balance of \$4.97 million. Of this, \$2.84 million is considered committed, which means it is available for spending at the government's discretion. A common financial management practice is to assign a portion of fund balance toward maintaining current services during unexpected, catastrophic events. A common suggested benchmark is 15 to 20 percent of expenditures (including transfers to other funds), or about two months of services. At \$1.63 million, the Unassigned Fund Balance in the General Fund represents a 33 percent of the total Fund Balance.

The County of Ionia continues to be committed to remaining financially strong.

Proprietary Funds: The County of Ionia's proprietary funds provide the same type of information found in the *Government-Wide Financial Statements*, but in more detail.

The Delinquent Tax Revolving Fund is used for the administration of delinquent tax payments to local units of government, and the collection of payments and penalties from delinquent taxpayers. The County of Ionia uses interest earned from the Delinquent Tax Revolving Fund to finance various capital and other projects. Interest is earned on the fund through investments, but also from penalties assessed to delinquent taxpayers.

The Tax Foreclosure Fund is used to track foreclosure activity in the County.

BUDGET VARIANCE ANALYSIS

Significant budget variances in the General Fund include:

Charges for services - Increased approximately \$ 24,000 primarily due to the charge for the printing of tax bills and the Register of Deeds fees, transfer tax and adjustments made to other revenue accounts.

Other reimbursements - Increase of approximately \$188,000 primarily due to the reimbursement received from our liability insurance for distribution of excess of net assets.

General government - Increase of approximately \$54,000 due to several reasons. There were several areas that were decreased, but an overall increase of \$54,000 with data processing receiving the biggest increase.

Public Safety - Increase of approximately \$ 168,000 due to the sheriff and jail.

Ionia County

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2016

CAPITAL ASSETS AND DEBT ADMINISTRATION

The County of Ionia's investment in Fixed (Capital) Assets was as follows:

	Governmental Activities		Business-Type Activities		Total		Percent Change
	2015	2016	2015	2016	2015	2016	
Non-Depreciated Assets							
Land & CIP	\$ 495,403	\$ 643,095	\$ 210,060	\$ 210,060	\$ 530,168	\$ 853,155	60.92%
Depreciated Assets							
Buildings & Improvements	9,126,723	9,346,150	2,372,097	2,372,097	11,267,811	11,718,247	4.00%
Equipment & Furniture	1,586,923	1,959,032	5,556	5,556	1,528,870	1,964,588	28.50%
Vehicles	1,118,685	1,200,147	-	-	1,107,328	1,200,147	8.38%
Less: Accumulated Depreciation	6,830,282	7,309,700	1,912,699	1,986,867	8,273,336	9,296,567	12.37%
Net Capital Assets	\$ 5,497,452	\$ 5,838,724	\$ 675,014	\$ 600,846	\$ 6,160,841	\$ 6,439,570	4.52%

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation (i.e., State Equalized Value). This would allow the County of Ionia to issue debt in the amount of approximately \$200 million. ***Ionia County's current debt load is approximately less than one percent of the allowable limit imposed by state law.***

The County of Ionia has been able to leverage its tax base and bond rating to the benefit of its local units of government, particularly the Ionia Area Sewage Disposal System, the City of Ionia, and the Ionia County Road Commission.

Component Units	Gross Debt Outstanding
Road Commission Installment Loans	\$ 467,612
Various Drainage District Bonds	1,530,866
Total Outstanding Debt	\$ 1,998,478

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

Ionia County continues to remain financially strong. In 2016, Ionia County is currently exploring a new building for our Friend of the Court, Juvenile Court and other administrative offices.

REQUESTS FOR INFORMATION

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. Any questions about this report, or requests for additional financial information, may be directed to:

Ionia County Administration
 Finance Department
 100 West Main Street
 Ionia, MI 48846

BASIC FINANCIAL STATEMENTS

Ionia County, Michigan

STATEMENT OF NET POSITION

December 31, 2016

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 8,260,914	\$ 3,980,506	\$ 12,241,420	\$ 1,888,159
Investments	394,243	-	394,243	-
Receivables	1,727,654	1,548,108	3,275,762	943,932
Due from other governmental units	635,674	-	635,674	1,406,888
Prepaid expenses	17,760	-	17,760	97,898
Inventories	3,929	-	3,929	644,178
Total current assets	11,040,174	5,528,614	16,568,788	4,981,055
Noncurrent assets				
Investments	848,925	-	848,925	-
Capital assets not being depreciated	643,095	210,060	853,155	17,158,649
Capital assets, net of accumulated depreciation	5,195,629	390,786	5,586,415	39,604,539
Total noncurrent assets	6,687,649	600,846	7,288,495	56,763,188
TOTAL ASSETS	17,727,823	6,129,460	23,857,283	61,744,243
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources related to pensions	2,749,700	-	2,749,700	2,046,636
LIABILITIES				
Current liabilities				
Accounts payable	529,509	7,471	536,980	172,245
Other payables	160	-	160	-
Accrued liabilities	206,610	2,224	208,834	80,660
Due to other governmental units	-	-	-0-	115,922
Accrued interest payable	-	-	-0-	21,896
Unearned revenue	25,223	-	25,223	11,114
Advances	-	-	-0-	312,915
Current portion of compensated absences	689,501	-	689,501	-
Current portion of long-term debt	-	-	-0-	683,850
Total current liabilities	1,451,003	9,695	1,460,698	1,398,602
Noncurrent liabilities				
Net OPEB obligation	541,077	-	541,077	1,524,711
Noncurrent portion of long-term debt	-	-	-0-	1,482,418
Net pension liability	3,798,947	-	3,798,947	10,528,227
Total noncurrent liabilities	4,340,024	-0-	4,340,024	13,535,356
TOTAL LIABILITIES	5,791,027	9,695	5,800,722	14,933,958
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources related to pensions	4,798,314	-	4,798,314	200,642
Taxes levied for subsequent period	752,145	-	752,145	-
TOTAL DEFERRED INFLOWS OF RESOURCES	5,550,459	-0-	5,550,459	200,642
NET POSITION				
Net investment in capital assets	5,838,724	600,846	6,439,570	54,764,710
Restricted				
Nonexpendable	262,928	-	262,928	-
Expendable	3,883,792	-	3,883,792	980,684
Unrestricted	(849,407)	5,518,919	4,669,512	(7,089,115)
TOTAL NET POSITION	\$ 9,136,037	\$ 6,119,765	\$ 15,255,802	\$ 48,656,279

See accompanying note to financial statements.

Ionia County, Michigan
STATEMENT OF ACTIVITIES
Year Ended December 31, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities								
General government	\$ 8,387,650	\$ 1,650,997	\$ 1,763,531	\$ -	\$ (4,973,122)	\$ -	\$ (4,973,122)	\$ -
Public safety	6,887,725	2,405,928	314,881	11,457	(4,155,459)	-	(4,155,459)	-
Public works	361,826	-	125,927	-	(235,899)	-	(235,899)	-
Health and welfare	4,474,098	398,106	2,483,560	-	(1,592,432)	-	(1,592,432)	-
Community and economic development	103,141	15,663	-	-	(87,478)	-	(87,478)	-
Recreation and cultural	159,472	41,973	34,529	-	(82,970)	-	(82,970)	-
Total governmental activities	20,373,912	4,512,667	4,722,428	11,457	(11,127,360)	-0-	(11,127,360)	-0-
Business-type activities								
Delinquent Tax Revolving	4,527	428,617	-	-	-	424,090	424,090	-
Airport	154,518	77,951	-	-	-	(76,567)	(76,567)	-
Tax Foreclosure	211,470	410,843	-	-	-	199,373	199,373	-
Principal Residence Denial Interest	1,625	4,224	-	-	-	2,599	2,599	-
Total business-type activities	372,140	921,635	-0-	-0-	-0-	549,495	549,495	549,495
Total primary government	<u>\$ 20,746,052</u>	<u>\$ 5,434,302</u>	<u>\$ 4,722,428</u>	<u>\$ 11,457</u>	(11,127,360)	549,495	(10,577,865)	549,495
Component units								
Road Commission	\$ 12,315,376	\$ 5,324,639	\$ 5,208,576	\$ 2,149,523	-	-	-0-	367,362
Drainage Districts	872,855	19,057	800	636,371	-	-	-0-	(216,627)
Land Bank Authority	1,271	7,920	-	-	-	-	-0-	6,649
Total component units	<u>\$ 13,189,502</u>	<u>\$ 5,351,616</u>	<u>\$ 5,209,376</u>	<u>\$ 2,785,894</u>	-0-	-0-	-0-	157,384
General revenues								
Property taxes					7,765,108	-	7,765,108	134
State shared revenue					1,181,057	-	1,181,057	-
Investment earnings					22,145	1,303	23,448	4,177
Miscellaneous					1,021,001	-	1,021,001	-
Gain on sale of assets					-	-	-0-	72,903
Transfers					358,991	(358,991)	-0-	-
Total general revenues and transfers					<u>10,348,302</u>	<u>(357,688)</u>	<u>9,990,614</u>	<u>77,214</u>
Change in net position					(779,058)	191,807	(587,251)	234,598
Net position, beginning of year					<u>9,915,095</u>	<u>5,927,958</u>	<u>15,843,053</u>	<u>48,421,681</u>
Net position, end of the year					<u>\$ 9,136,037</u>	<u>\$ 6,119,765</u>	<u>\$ 15,255,802</u>	<u>\$ 48,656,279</u>

See accompanying notes to financial statements.

Ionia County, Michigan

Governmental Funds

BALANCE SHEET

December 31, 2016

	<u>General</u>	<u>Friend of the Court</u>	<u>Public Health</u>
ASSETS			
Cash and cash equivalents	\$ 3,355,751	\$ 31,554	\$ 1,811,235
Investments	993,168	-	-
Receivables			
Accounts	189,975	-	23,549
Taxes	520,628	-	-
Due from other funds	232,829	-	-
Due from other governmental units			
Federal/State	128,832	152,652	32,007
Local	108,640	-	-
Prepays	17,760	-	-
Inventory	-	-	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 5,547,583</u>	<u>\$ 184,206</u>	<u>\$ 1,866,791</u>
LIABILITIES			
Accounts payable	\$ 411,912	\$ 8,537	\$ 2,641
Other payables	-	-	160
Accrued liabilities	142,469	10,976	20,920
Due to other funds	-	160,100	900
Unearned revenue	25,223	-	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	579,604	179,613	24,621
DEFERRED INFLOWS OF RESOURCES			
Taxes levied for subsequent period	-	-	-
FUND BALANCES			
Nonspendable	17,760	-	-
Restricted	82,753	-	1,155,452
Committed	2,836,429	4,593	416,718
Assigned	404,069	-	270,000
Unassigned	1,626,968	-	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES	<u>4,967,979</u>	<u>4,593</u>	<u>1,842,170</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 5,547,583</u>	<u>\$ 184,206</u>	<u>\$ 1,866,791</u>

See accompanying notes to financial statements.

<u>Commission on Aging</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 756,447	\$ 2,305,927	\$ 8,260,914
-	250,000	1,243,168
6,657	316,972	537,153
669,873	-	1,190,501
-	-	232,829
48,146	165,397	527,034
-	-	108,640
-	-	17,760
3,929	-	3,929
<u>\$ 1,485,052</u>	<u>\$ 3,038,296</u>	<u>\$ 12,121,928</u>
\$ 24,919	\$ 81,500	\$ 529,509
-	-	160
10,637	21,608	206,610
66,000	5,829	232,829
-	-	25,223
101,556	108,937	994,331
752,145	-	752,145
3,929	262,928	284,617
627,422	2,014,236	3,879,863
-	117,900	3,375,640
-	534,295	1,208,364
-	-	1,626,968
<u>631,351</u>	<u>2,929,359</u>	<u>10,375,452</u>
<u>\$ 1,485,052</u>	<u>\$ 3,038,296</u>	<u>\$ 12,121,928</u>

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Ionia County, Michigan

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

December 31, 2016

Total fund balances - governmental funds \$ 10,375,452

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

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

The cost of capital assets is	\$ 13,148,424	
Accumulated depreciation is	<u>(7,309,700)</u>	
Capital assets, net		5,838,724

Governmental funds report actual pension expenditures for the fiscal year, whereas the governmental activities will recognize the net pension liability as of the measurement date. Pension contributions subsequent to the measurement date will be deferred in the statement of net position. In addition, resources related to changes of assumptions, differences between expected and actual experience, and differences between projected and actual pension plan investment earnings will be deferred over time in the government-wide financial statements. These amounts consist of:

Deferred outflows of resources related to pensions		2,749,700
Deferred inflows of resources related to pensions		<u>(4,798,314)</u>

Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet. Long-term liabilities at year-end consist of:

Net pension liability	(3,798,947)	
Net other post-employment benefits obligation	(541,077)	
Compensated absences	<u>(689,501)</u>	
		<u>(5,029,525)</u>

Net position of governmental activities \$ 9,136,037

Ionia County, Michigan

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended December 31, 2016

	General	Friend of the Court	Public Health
REVENUES			
Taxes	\$ 7,006,482	\$ -	\$ -
Licenses and permits	129,732	-	-
Intergovernmental	2,561,818	656,376	1,322,285
Charges for services	1,681,209	-	307,755
Fines and forfeits	115,037	89,716	-
Interest and rents	137,046	-	-
Other	1,150,069	-	10,054
TOTAL REVENUES	12,781,393	746,092	1,640,094
EXPENDITURES			
Current			
General government	6,685,155	746,066	-
Public safety	4,497,537	-	-
Public works	284,657	-	-
Health and welfare	1,287,417	-	1,940,497
Community and economic development	25,000	-	-
Recreation and cultural	111,940	-	-
Other	480,070	-	-
Capital outlay	658,544	-	-
TOTAL EXPENDITURES	14,030,320	746,066	1,940,497
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,248,927)	26	(300,403)
OTHER FINANCING SOURCES (USES)			
Transfers in	487,830	-	270,000
Transfers out	(401,027)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	86,803	-0-	270,000
NET CHANGE IN FUND BALANCES	(1,162,124)	26	(30,403)
Fund balances, beginning of year	6,130,103	4,567	1,872,573
Fund balances, end of year	<u>\$ 4,967,979</u>	<u>\$ 4,593</u>	<u>\$ 1,842,170</u>

See accompanying notes to financial statements.

<u>Commission on Aging</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 758,627	\$ -	\$ 7,765,109
-	455,842	585,574
323,136	397,879	5,261,494
51,983	1,682,429	3,723,376
-	13,374	218,127
-	1,390	138,436
<u>164,355</u>	<u>219,270</u>	<u>1,543,748</u>
1,298,101	2,770,184	19,235,864
-	239,421	7,670,642
-	1,938,914	6,436,451
-	65,696	350,353
996,082	10,680	4,234,676
-	69,942	94,942
-	24,308	136,248
-	165	480,235
<u>425</u>	<u>131,752</u>	<u>790,721</u>
<u>996,507</u>	<u>2,480,878</u>	<u>20,194,268</u>
301,594	289,306	(958,404)
-	131,027	888,857
<u>-</u>	<u>(128,839)</u>	<u>(529,866)</u>
<u>-0-</u>	<u>2,188</u>	<u>358,991</u>
301,594	291,494	(599,413)
<u>329,757</u>	<u>2,637,865</u>	<u>10,974,865</u>
<u>\$ 631,351</u>	<u>\$ 2,929,359</u>	<u>\$ 10,375,452</u>

Ionia County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

Year Ended December 31, 2016

Net change in fund balances - total governmental funds \$ (599,413)

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

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 820,690	
Depreciation expense	<u>(479,418)</u>	
Excess of capital outlay over depreciation expense		341,272

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in net pension liability	3,753,587	
Increase in deferred outflows related to pensions	540,445	
(Increase) in deferred inflows related to pensions	(4,663,805)	
(Increase) in other post-employment benefits obligation	(101,737)	
(Increase) in accrued compensated absences	<u>(49,407)</u>	
		<u>(520,917)</u>

Change in net position of governmental activities \$ (779,058)

Ionia County, Michigan

Proprietary Funds

STATEMENT OF NET POSITION

December 31, 2016

	Business-type Activities			Total Enterprise Funds
	Delinquent Tax Revolving	Tax Foreclosure	Nonmajor Enterprise Funds	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 2,598,099	\$ 1,302,148	\$ 80,259	\$ 3,980,506
Taxes receivable	1,548,108	-	-	1,548,108
Total current assets	4,146,207	1,302,148	80,259	5,528,614
Noncurrent assets				
Capital assets not being depreciated	-	-	210,060	210,060
Capital assets, net of accumulated depreciation	-	-	390,786	390,786
Total noncurrent assets	-0-	-0-	600,846	600,846
TOTAL ASSETS	4,146,207	1,302,148	681,105	6,129,460
LIABILITIES				
Current liabilities				
Accounts payable	-	7,471	-	7,471
Accrued liabilities	-	-	2,224	2,224
TOTAL LIABILITIES	-0-	7,471	2,224	9,695
NET POSITION				
Investment in capital assets	-	-	600,846	600,846
Unrestricted	4,146,207	1,294,677	78,035	5,518,919
TOTAL NET POSITION	\$ 4,146,207	\$ 1,294,677	\$ 678,881	\$ 6,119,765

See accompanying notes to financial statements.

Ionia County, Michigan

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Year Ended December 31, 2016

	Business-type Activities			
	Delinquent Tax Revolving	Tax Foreclosure	Nonmajor Enterprise Funds	Total Enterprise Funds
OPERATING REVENUES				
Interest and penalties on delinquent taxes	\$ 310,672	\$ 1,136	\$ 4,224	\$ 316,032
Charges for services	117,945	409,707	77,951	605,603
TOTAL OPERATING REVENUES	428,617	410,843	82,175	921,635
OPERATING EXPENSES				
Operating expenses	-	142,811	17,259	160,070
Contracted services	-	68,659	57,574	126,233
Salaries	-	-	550	550
Fringe benefits	-	-	549	549
Depreciation	-	-	74,168	74,168
Other	4,527	-	6,043	10,570
TOTAL OPERATING EXPENSES	4,527	211,470	156,143	372,140
OPERATING INCOME (LOSS)	424,090	199,373	(73,968)	549,495
NONOPERATING REVENUES				
Interest revenue	576	727	-	1,303
INCOME (LOSS) BEFORE TRANSFERS	424,666	200,100	(73,968)	550,798
TRANSFERS OUT	(346,637)	-	(12,354)	(358,991)
CHANGE IN NET POSITION	78,029	200,100	(86,322)	191,807
Net position, beginning of year	4,068,178	1,094,577	765,203	5,927,958
Net position, end of year	<u>\$ 4,146,207</u>	<u>\$ 1,294,677</u>	<u>\$ 678,881</u>	<u>\$ 6,119,765</u>

See accompanying notes to financial statements.

Ionia County, Michigan

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended December 31, 2016

	Business-type Activities			
	Delinquent Tax Revolving	Tax Foreclosure	Nonmajor Enterprise Funds	Total Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers	\$ 493,054	\$ 410,843	\$ 82,673	\$ 986,570
Cash paid to employees and suppliers	(8,007)	(215,537)	(85,933)	(309,477)
Cash paid for employee benefits	-	-	(549)	(549)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	485,047	195,306	(3,809)	676,544
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers out	(346,637)	-	(12,354)	(358,991)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	576	727	-	1,303
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	138,986	196,033	(16,163)	318,856
Cash and cash equivalents, beginning of year	2,459,113	1,106,115	96,422	3,661,650
Cash and cash equivalents, end of year	<u>\$ 2,598,099</u>	<u>\$ 1,302,148</u>	<u>\$ 80,259</u>	<u>\$ 3,980,506</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ 424,090	\$ 199,373	\$ (73,968)	\$ 549,495
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	-	-	74,168	74,168
Decrease in:				
Receivables	64,437	-	498	64,935
Increase (decrease) in:				
Accounts payable	(3,480)	(4,067)	(4,932)	(12,479)
Accrued liabilities	-	-	425	425
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 485,047	\$ 195,306	\$ (3,809)	\$ 676,544

See accompanying notes to financial statements.

Ionia County, Michigan

Fiduciary Funds

STATEMENT OF NET POSITION

December 31, 2016

	<u>Agency Funds</u>	<u>Pension Fund</u>
ASSETS		
Cash and cash equivalents	\$ 2,552,966	\$ 97,257
Cash - restricted	43,506	-
Investments	-	9,138,472
Due from individuals and agencies	-	-
Deposit with agent	<u>342,877</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 2,939,349</u></u>	<u>9,235,729</u>
LIABILITIES		
Due to other governmental units	\$ 2,392,406	-
Due to individuals and agencies	<u>546,943</u>	<u>-</u>
TOTAL LIABILITIES	<u><u>\$ 2,939,349</u></u>	<u>-0-</u>
NET POSITION		
Held in trust for benefits and other purposes		<u><u>\$ 9,235,729</u></u>

See accompanying notes to financial statements.

Ionia County, Michigan

Pension Trust Fund

STATEMENT OF CHANGES IN PLAN NET POSITION

Year Ended December 31, 2016

	<u>Pension Fund</u>
ADDITIONS	
Investment income	
Net increase in fair value of investments	\$ 654,495
Contributions	
Employer	317,671
Employee	<u>123,532</u>
Total contributions	<u>441,203</u>
Total additions	1,095,698
DEDUCTIONS	
Benefit payments	448,083
Administrative expenses	<u>28,150</u>
Total deductions	<u>476,233</u>
CHANGE IN NET POSITION	619,465
Net position, beginning of year	<u>8,616,264</u>
Net position, end of year	<u><u>\$ 9,235,729</u></u>

See accompanying notes to financial statements.

Ionia County, Michigan

Component Units

COMBINING STATEMENT OF NET POSITION

December 31, 2016

	Road Commission	Drainage Districts	Land Bank Authority	Total Component Units
ASSETS				
Current assets				
Cash and cash equivalents	\$ 627,636	\$ 1,220,484	\$ 40,039	\$ 1,888,159
Receivables	4,173	939,759	-	943,932
Inventories	644,178	-	-	644,178
Prepays	97,898	-	-	97,898
Due from other governmental units	1,357,072	49,816	-	1,406,888
Total current assets	2,730,957	2,210,059	40,039	4,981,055
Noncurrent assets				
Capital assets not being depreciated	17,158,649	-	-	17,158,649
Capital assets, net of accumulated depreciation	33,196,907	6,407,632	-	39,604,539
Total noncurrent assets	50,355,556	6,407,632	-0-	56,763,188
TOTAL ASSETS	53,086,513	8,617,691	40,039	61,744,243
DEFERRED OUTFLOWS OF RESOURCES	2,046,636	-	-	2,046,636
LIABILITIES				
Current liabilities				
Accounts payable	56,015	116,230	-	172,245
Accrued liabilities	80,660	-	-	80,660
Unearned revenue	11,114	-	-	11,114
Due to other governmental units	-	115,922	-	115,922
Accrued interest payable	2,916	18,980	-	21,896
Advances	312,915	-	-	312,915
Current portion of long-term debt	169,925	513,925	-	683,850
Total current liabilities	633,545	765,057	-0-	1,398,602
Noncurrent liabilities				
Net OPEB obligation	1,524,711	-	-	1,524,711
Noncurrent portion of long-term debt	465,477	1,016,941	-	1,482,418
Net pension liability	10,528,227	-	-	10,528,227
Total noncurrent liabilities	12,518,415	1,016,941	-0-	13,535,356
TOTAL LIABILITIES	13,151,960	1,781,998	-0-	14,933,958
DEFERRED INFLOWS OF RESOURCES	200,642	-	-	200,642
NET POSITION				
Net investment in capital assets	49,887,944	4,876,766	-	54,764,710
Restricted for capital expenditures	-	980,684	-	980,684
Unrestricted	(8,107,397)	978,243	40,039	(7,089,115)
TOTAL NET POSITION	\$ 41,780,547	\$ 6,835,693	\$ 40,039	\$ 48,656,279

See accompanying notes to financial statements.

Ionia County, Michigan

Component Units

COMBINING STATEMENT OF ACTIVITIES

Year Ended December 31, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Road Commission	Drainage Districts	Land Bank Authority	Total
Road Commission	\$ 12,315,376	\$ 5,324,639	\$ 5,208,576	\$ 2,149,523	\$ 367,362	\$ -	\$ -	\$ 367,362
Drainage Districts	872,855	19,057	800	636,371	-	(216,627)	-	(216,627)
Land Bank Authority	1,271	7,920	-	-	-	-	6,649	6,649
TOTALS	\$ 13,189,502	\$ 5,351,616	\$ 5,209,376	\$ 2,785,894	367,362	(216,627)	6,649	157,384
		General revenues						
		Investment earnings			1,619	2,558	-	4,177
		Property tax			-	-	134	134
		Gain on sale of assets			72,903	-	-	72,903
		Total general revenues			74,522	2,558	134	77,214
		Change in net position			441,884	(214,069)	6,783	234,598
		Restated net position, beginning of the year			41,338,663	7,049,762	33,256	48,421,681
		Net position, end of the year			\$ 41,780,547	\$ 6,835,693	\$ 40,039	\$ 48,656,279

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Ionia, Michigan, was incorporated in 1837, and covers an area of approximately 575 square miles with the County seat located in the City of Ionia. The County operates under an elected Board of Commissioners and provides services to its more than 60,000 residents in many areas including law enforcement, administration of justice, community enrichment and development, and human services.

The financial statements of the County have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to County governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; these financial statements present the financial activities of Ionia County (primary government) and its component units. The component units described in Sections 2 and 3 below should be included in the County's reporting entity because of the significance of their operational or financial relationship with the County. Blended component units, although legally separate entities, are in substance, part of the County's operations, so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the County.

2. Blended Component Units

The Ionia County Commission on Aging is responsible for planning and coordinating services for senior citizens. The Board is composed of seven (7) members, of which one (1) is a County Commissioner. The Commission's operations have been blended into the primary government.

3. Discretely Presented Component Units

These component units are reported in a separate column to emphasize that, while legally separate, Ionia County remains financially accountable for these entities, or the nature and significance of the relationship between these entities and Ionia County is such that exclusion of these entities would render the financial statements misleading or incomplete.

The Ionia County Road Commission is responsible for the maintenance and construction of the County road system. The Road Commission operations are financed primarily from the State distribution of gas and weight taxes, Federal financial assistance, and contributions from other local government units within the County. The Ionia County Road Commission, which is established pursuant to the County Road Law (MCL 224.1), is governed by an appointed five (5) member board of county road commissioners. The Road Commission is a separate legal entity from the County and they maintain a separate financial and accounting system. This component unit is audited individually and complete financial statements (including the Employee Healthcare Benefit Trust Fund) may be obtained from the Road Commission's administrative office.

The Drainage Districts in the County come under the jurisdiction of the Ionia County Drain Commissioner. This includes planning, developing, and maintaining surface water drainage systems. A complete file of finance, construction, and maintenance is maintained for each of the drains. The Drain Commissioner has authority to spend up to \$5,000 per mile on drain maintenance and may borrow up to \$300,000 from any source to provide for maintenance of a drain without Board of Commissioner approval and without going through the Municipal Finance Division, State of Michigan. The Drain Commissioner has authority to levy special assessments on properties benefiting from maintenance. The Drainage Districts are financially accountable to the County because bond issuances greater than \$300,000 require County authorization and are backed by the full faith and credit of the County.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Discretely Presented Component Units - continued

The Land Bank Authority, organized pursuant to State statutes, was created to carry out the powers, duties and functions, and responsibilities of an authority under the Land Bank Act including, but not limited to, the power, privilege, and authority to acquire, manage, and dispose of interests in property, and doing all other things necessary or convenient to implement to purposes, objectives, and provisions of the Land Bank Act.

4. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities (the government-wide financial statements) present information for the primary government and its component units as a whole. All non-fiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide financial statements). For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities presents the direct functional expenses of the primary government and its component units and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

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

The major governmental funds of the County are:

- a. The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Friend of the Court Fund accounts for the activities of the Friend of the Court and is funded primarily by grant revenue.
- c. The Public Health Fund accounts for all operations of the health department and is funded primarily by grant revenue.
- d. The Commission on Aging Fund accounts for the operations of the Commission on Aging and is funded primarily through grant revenue and taxes.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Basis of Presentation - continued

FUND FINANCIAL STATEMENTS - CONTINUED

The major enterprise funds of the County are:

- a. The Delinquent Tax Revolving Fund accounts for money advanced by the County to other local taxing units and various County funds to pay for their delinquent real property taxes. Revenues are generated by the collection of delinquent real property taxes, penalties, and interest.
- b. The Tax Foreclosure Fund accounts for activity associated with property foreclosure throughout the County.

The County reports a trust fund to account for the accumulation of resources for retirement payments to qualified employees.

The County also reports agency funds to account for assets held by the County as an agent for other governments, private organizations, or individuals. Agency funds are, by nature, custodial; therefore, operation results are not measured.

5. Measurement Focus

The government-wide, proprietary, and non-agency fiduciary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide financial statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance.

There is no measurement focus for agency funds since assets equal liabilities.

6. Basis of Accounting

Basis of accounting refers to when revenues and expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is sixty (60) days. Revenues that are considered measurable but not available are recorded as receivable and as unavailable revenue.

Significant revenues susceptible to accrual are property taxes, special assessments, and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Basis of Accounting - continued

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. If/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.

7. Cash and Cash Equivalents

The County pools cash resources of various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balances in the pooled cash accounts are available to meet current operating requirements. Cash in excess of current requirements is invested in various interest bearing securities and disclosed as part of the County's investments. Cash equivalents consist of temporary investments in certificates of deposit, mutual funds, U.S. government securities, and time certificates with an original maturity of 90 days or less.

8. Investments

Investments consist of Pension Fund Securities, U.S. government securities, and certificates of deposit with original maturities of greater than 90 days. Investments are recorded at fair value.

9. Receivables

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

10. Inventories

Inventories in the Road Commission (Component Unit) Fund are priced at cost as determined on the average cost method. Road Commission inventory items are charged to road construction and maintenance, equipment repairs and operations, as used.

11. Capital Assets

PRIMARY GOVERNMENT AND COMPONENT UNITS (EXCEPT ROAD COMMISSION)

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

11. Capital Assets - continued

PRIMARY GOVERNMENT AND COMPONENT UNITS (EXCEPT ROAD COMMISSION) - CONTINUED

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and improvements	10 - 50 years
Equipment and furniture	5 - 20 years
Vehicles	5 - 6 years
Drain infrastructure	50 years

ROAD COMMISSION - COMPONENT UNIT

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, and similar items), are reported in the government-wide financial statements. Capital assets are defined by Ionia County Road Commission as assets with an estimated useful life in excess of two (2) years. No minimum cost is used to record road equipment capital assets. Such assets are recorded at historical costs or estimated historical cost of purchase or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are recorded in the governmental fund statements as capital expenditures at the time of purchase.

Depreciation is computed on the sum-of-the-years'-digits method for road equipment and straight-line method for all other capital assets. The depreciation rates are designed to amortize the cost of the assets over their estimated useful lives as follows:

Buildings and Improvements	10 - 50 years
Road Equipment	5 - 8 years
Shop Equipment	5 years
Office Equipment	5 - 10 years
Engineering Equipment	3 - 10 years
Infrastructure - Roads	5 - 30 years
Infrastructure - Bridges	12 - 50 years

Infrastructure is reported retrospectively from 1980, except for right-of-ways, bridges, and traffic signals which are required to be reported despite the date of purchase. Roads are removed from the capital assets at the time the group of individually recorded roads has been fully depreciated.

The Uniform Accounting Procedures Manual for Michigan County Road Commissions provides for recoding depreciation and depletion in the governmental fund statements as a charge to various expenditure accounts, and a credit to a depreciation/depletion credit account. Accordingly, the annual depreciation/depletion expenditure does not affect the available operating equities of the governmental fund statements.

Depletion is calculated as the amount of prorated cost or other indicated value assigned to the extracted portion of a natural resource.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

12. Long-Term Obligations

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

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

13. Compensated Absences

In accordance with the County personnel policies and/or contracts negotiated with the various employee groups of the County, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in the respective personnel policies and/or contracts.

Vested vacation and sick leave earned as of December 31, 2016, including related payroll taxes, is recorded in the government-wide financial statements.

14. Unearned Revenue

Unearned revenue consists of amounts that have been received but have not been earned.

15. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position or balance sheet will, when applicable, report separate sections for deferred outflows of resources and deferred inflows of resources. *Deferred outflows of resources*, a separate financial statement element, represents a consumption of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. *Deferred inflows of resources*, a separate financial statement element, represents an acquisition of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

The County reports items in both categories, deferred outflows and inflows of resources, which correspond to the County's net pension liability and are related to differences between expected and actual experience, changes in assumptions, differences between projected and actual pension plan investment earnings, and contributions made subsequent to the measurement date. These amounts are deferred and recognized as an outflow or inflow of resources in the period to which they apply.

The County also reports deferred inflows of resources in the Commission on Aging Fund for taxes levied for subsequent periods.

16. Interfund Transactions

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

17. Budgets and Budgetary Accounting

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

- a. Prior to August 25, the County departments, in conjunction with the Administrator's office, prepare and submit their proposed operating budgets to the Board of Commissioners for the fiscal year commencing the following January 1. The operating budgets include proposed expenditures and resources to finance them.
- b. A Public Hearing is held to obtain taxpayers' comments.
- c. Prior to December 31, the budgets are legally enacted through passage of an annual budget resolution.
- d. The budgets are legally adopted at the fund level for the General Fund and the Special Revenue funds. Budgetary transfers between funds and amendments to total fund budgets are not permitted without Board approval. For control purposes, all funds' budgets are maintained at the activity and account level. The Administrator is authorized to transfer budget amounts between accounts.
- e. The County does not employ encumbrance accounting as an extension of formula budgetary integration in the governmental funds. All unexpended appropriations lapse at year-end.

Applicable budgeted amounts are reported as originally adopted or as amended by the Board of Commissioners during the year. Individual amendments were not material in relation to the original appropriations that were adopted.

18. Federal Programs

Federal Programs are accounted for in the funds to which the programs pertain. The County has not integrated its Single Audit Reports and financial data as part of the financial statements. The Single Audit reports and financial data will be issued under separate cover as supplementary information to the financial statements.

19. Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since the inclusion of comparative data would make the statements unduly complex and difficult to read.

20. Net Pension Liability

The net pension liability is deemed to be a noncurrent liability and is recognized on the County's government-wide financial statements.

21. Tax Abatements

The County's tax revenues have been reduced by tax abatements throughout the County. Management has determined these amounts to be immaterial to the financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS

The County utilizes various pooled cash accounts and investments for approximately thirty (30) funds. The County's pooled cash and investments consist of a common checking account, savings, certificates of deposit, and mutual funds.

The County's pooled cash and investments are utilized by the General Fund, Special Revenue Funds, Capital Project Funds, Enterprise Funds, Internal Service Funds, Trust and Agency Funds, and Component Unit Funds. Each fund's portion of these pooled accounts is included in the cash and cash equivalents caption in the applicable balance sheet/statement of net position.

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

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

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration (NCUA), but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
- c. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers acceptances of United States banks.
- f. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Deposits

As of December 31, 2016, the carrying amounts and bank balance for each type of bank account are as follows:

<u>ACCOUNT TYPE</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
PRIMARY GOVERNMENT		
Checking and savings	\$ 12,239,629	\$ 12,093,425
Certificates of deposit	<u>250,000</u>	<u>250,956</u>
Total primary government	12,489,629	12,344,381

Ionia County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

Deposits - continued

<u>ACCOUNT TYPE</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
COMPONENT UNITS		
Checking and savings	\$ 1,887,659	\$ 1,887,659
FIDUCIARY FUNDS		
Checking and savings	2,693,729	3,615,320
Certificates of deposit	<u>200,000</u>	<u>201,521</u>
Total fiduciary funds	<u>2,893,729</u>	<u>3,816,841</u>
TOTAL REPORTING ENTITY	<u>\$ 17,271,017</u>	<u>\$ 18,048,881</u>

Deposits of the County are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the County. As of December 31, 2016, the primary government, component units, and fiduciary fund accounts were insured by the FDIC or NCUA for \$1,484,926 and the amount of \$16,563,955 was uninsured and uncollateralized.

Due to significantly higher cash flow at certain periods during the year, the amount the County held as cash and cash equivalents increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy is also established which requires an entity to maximize the use of observable and minimize the use of unobservable inputs. There are three (3) levels of inputs that may be used to measure fair value:

- Level 1: Quoted prices in active markets for identical securities.
- Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk and others.
- Level 3: Prices determined using significant unobservable inputs. Unobservable inputs may be used in situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period). Unobservable inputs reflect the organization's own assumptions about the factors market participants would use in pricing an investment, and would be based on the best information available.

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying financial statements, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Ionia County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

Fair Value Measurements - continued

The County had the following fair value measurements as of December 31, 2016:

<u>INVESTMENT TYPE</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>	<u>Moody's/ S&P Rating</u>	<u>Weighted Average Maturity</u>
PRIMARY GOVERNMENT						
Federal National Mortgage Association	\$ -	\$ 498,108	\$ -	\$ 498,108	AAA/AA+	296 days
Municipal obligations	-	247,083	-	247,083	AA-	1,080 days
Money Market	-	247,977	-	247,977	AAAm	51 days
TOTAL PRIMARY GOVERNMENT	\$ -0-	\$ 993,168	\$ -0-	\$ 993,168		
FIDUCIARY FUNDS						
Equity Funds	\$ -	\$ 4,506,593	\$ -	\$ 4,506,593	Not Rated	N/A
Fixed Income Funds	-	4,122,864	-	4,122,864	Not Rated	N/A
Money Market Funds	-	309,015	-	309,015	Not Rated	N/A
TOTAL FIDUCIARY FUNDS	\$ -0-	\$ 8,938,472	\$ -0-	\$ 8,938,472		
TOTAL REPORTING ENTITY	\$ -0-	\$ 9,931,640	\$ -0-	\$ 9,931,640		

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of December 31, 2016, rating information on the County's investments is presented above.

Interest Rate Risk

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

Concentration of Credit Risk

The County will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the County's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial Credit Risk

The County will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer by:

- Limiting investments to the types of securities listed in this investment policy.
- Pre-qualifying the financial institutions, brokers/dealers, intermediaries, and advisors with which the County will do business in accordance with this investment policy.

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the financial statements, based upon criteria disclosed in Note A.

Ionia County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

Custodial Credit Risk - continued

The following summarizes the categorization of these amounts as of December 31, 2016:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Funds</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 12,241,420	\$ 1,888,159	\$ 2,693,729	\$ 16,823,308
Investments - current	394,243	-	-	394,243
Investments - noncurrent	848,925	-	9,138,472	9,987,397
	<u>\$ 13,484,588</u>	<u>\$ 1,888,159</u>	<u>\$ 11,832,201</u>	<u>\$ 27,204,948</u>

The primary government and component units cash and cash equivalents caption on the financial statement includes \$1,791 and \$500, respectively, in imprest cash.

NOTE C: INTERFUND RECEIVABLES AND PAYABLES

The following schedule details interfund receivables and payables at December 31, 2016:

Due to General Fund from:	
Commission on Aging Fund	\$ 66,000
Friend of the Court Fund	160,100
Public Health	900
Nonmajor Governmental Funds	<u>5,829</u>
	<u>\$ 232,829</u>

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

NOTE D: INTERFUND TRANSFERS

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

Transfers are used to 1) move revenues from the fund with collection authorization to the Debt Service Funds as debt service principal and interest payments become due, 2) move unrestricted General Fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, and 3) move Delinquent Tax Revolving Fund reserves to finance various capital improvements.

Transfers to General Fund from:	
Nonmajor enterprise funds	\$ 12,354
Nonmajor governmental funds	128,839
Delinquent Tax Revolving Fund	<u>346,637</u>
	<u>\$ 487,830</u>

Ionia County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE D: INTERFUND TRANSFERS - CONTINUED

Transfer to Public Health Fund from:	
General Fund	<u>\$ 270,000</u>
Transfers to nonmajor governmental funds from:	
General Fund	<u>\$ 131,027</u>

NOTE E: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016 was as follows:

PRIMARY GOVERNMENT

	<u>Balance Jan. 1, 2016</u>	<u>Additions/ Reclassifications</u>	<u>Deletions/ Reclassifications</u>	<u>Balance Dec. 31, 2016</u>
Governmental Activities				
Capital assets not being depreciated				
Land and land improvements	\$ 320,108	\$ -	\$ -	\$ 320,108
Construction in progress	175,295	322,987	175,295	322,987
Total capital assets not being depreciated	495,403	322,987	175,295	643,095
Capital assets being depreciated				
Buildings	9,126,723	219,427	-	9,346,150
Equipment and furniture	1,586,923	372,109	-	1,959,032
Vehicles	1,118,685	81,462	-	1,200,147
Total capital assets being depreciated	11,832,331	672,998	-0-	12,505,329
Less accumulated depreciation for:				
Buildings	(4,573,297)	(269,957)	-	(4,843,254)
Equipment and furniture	(1,466,471)	(102,972)	-	(1,569,443)
Vehicles	(790,514)	(106,489)	-	(897,003)
Total accumulated depreciation	(6,830,282)	(479,418)	-0-	(7,309,700)
Net capital assets being depreciated	5,002,049	193,580	-0-	5,195,629
Capital assets, net	<u>\$ 5,497,452</u>	<u>\$ 516,567</u>	<u>\$ 175,295</u>	<u>\$ 5,838,724</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 117,661
Public safety	295,157
Public works	3,273
Health and welfare	48,303
Recreation and cultural	15,024
Total depreciation expense	<u>\$ 479,418</u>

Ionia County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE E: CAPITAL ASSETS - CONTINUED

	Balance Jan. 1, 2016	Additions	Deletions	Balance Dec. 31, 2016
Business-Type Activities				
Capital assets not being depreciated				
Land	\$ 210,060	\$ -	\$ -	\$ 210,060
Capital assets being depreciated				
Buildings and improvements	2,372,097	-	-	2,372,097
Equipment	5,556	-	-	5,556
Total capital assets being depreciated	2,377,653	-0-	-0-	2,377,653
Less accumulated depreciation for:				
Buildings and improvements	(1,907,143)	(74,168)	-	(1,981,311)
Equipment	(5,556)	-	-	(5,556)
Total accumulated depreciation	(1,912,699)	(74,168)	-0-	(1,986,867)
Net capital assets being depreciated	464,954	(74,168)	-0-	390,786
Capital assets, net	<u>\$ 675,014</u>	<u>\$ (74,168)</u>	<u>\$ -0-</u>	<u>\$ 600,846</u>

COMPONENT UNITS

	Balance Jan. 1, 2016	Additions	Deletions	Balance Dec. 31, 2016
Drainage Districts				
Capital assets being depreciated				
Drains	\$ 10,302,144	\$ -	\$ -	\$ 10,302,144
Less accumulated depreciation for:				
Drains	(3,688,469)	(206,043)	-	(3,894,512)
Capital assets, net	<u>\$ 6,613,675</u>	<u>\$ (206,043)</u>	<u>\$ -0-</u>	<u>\$ 6,407,632</u>

Ionia County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE E: CAPITAL ASSETS - CONTINUED

COMPONENT UNITS - CONTINUED

	Balance Jan. 1, 2016	Additions	Deletions	Balance Dec. 31, 2016
Road Commission				
Capital assets not being depreciated				
Land	\$ 79,821	\$ -	\$ -	\$ 79,821
Land improvements	16,230,133	635,283	-	16,865,416
Right of ways	80,000	-	-	80,000
Depletable assets - gravel pits	10,080	90,176	-	100,256
Construction in progress	156	33,000	-	33,156
Subtotal	16,400,190	758,459	-0-	17,158,649
Capital assets being depreciated				
Buildings and improvements	2,491,999	20,345	-	2,512,344
Road equipment	7,025,310	715,546	(434,231)	7,306,625
Shop equipment	237,831	-	-	237,831
Office equipment	216,092	3,626	-	219,718
Engineering equipment	152,363	-	-	152,363
Infrastructure - bridges	18,826,766	1,375,726	-	20,202,492
Infrastructure - roads	31,453,750	1,965,149	(1,320,200)	32,098,699
Total capital assets being depreciated	60,404,111	4,080,392	(1,754,431)	62,730,072
Less accumulated depreciation for:				
Buildings and improvements	(1,399,274)	(61,705)	-	(1,460,979)
Road equipment	(5,880,482)	(436,382)	433,808	(5,883,056)
Shop equipment	(200,695)	(13,296)	-	(213,991)
Office equipment	(184,402)	(7,342)	-	(191,744)
Engineering equipment	(146,700)	(3,559)	-	(150,259)
Infrastructure - bridges	(4,954,077)	(383,408)	-	(5,337,485)
Infrastructure - roads	(15,713,614)	(1,902,237)	1,320,200	(16,295,651)
Total accumulated depreciation	(28,479,244)	(2,807,929)	1,754,008	(29,533,165)
Capital assets being depreciated, net	31,924,867	1,272,463	(423)	33,196,907
Capital assets, net	<u>\$ 48,325,057</u>	<u>\$ 2,030,922</u>	<u>\$ (423)</u>	<u>\$ 50,355,556</u>

Ionia County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE F: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portion) of the County for the year ended December 31, 2016:

	Balance Jan. 1, 2016	Additions	Deletions	Balance Dec. 31, 2016	Amounts Due Within One Year
PRIMARY GOVERNMENT					
Governmental Activities					
Compensated absences	\$ 640,094	\$ 889,839	\$ (840,432)	\$ 689,501	\$ 689,501
COMPONENT UNITS					
Drainage Districts					
Drain notes	1,776,962	229,100	(475,196)	1,530,866	513,925
Road Commission					
Installment loans	381,134	202,480	(116,002)	467,612	169,925
Compensated absences	180,752	-	(22,962)	157,790	-
Retiree life insurance liability	10,000	-	-	10,000	-
Total Road Commission	<u>571,886</u>	<u>202,480</u>	<u>(138,964)</u>	<u>635,402</u>	<u>169,925</u>
TOTAL COMPONENT UNITS	<u>2,348,848</u>	<u>431,580</u>	<u>(614,160)</u>	<u>2,166,268</u>	<u>683,850</u>
TOTAL REPORTING ENTITY	<u>\$ 2,988,942</u>	<u>\$ 1,321,419</u>	<u>\$ (1,454,592)</u>	<u>\$ 2,855,769</u>	<u>\$ 1,373,351</u>

Significant details regarding outstanding long-term debt (including current portion) are presented below:

PRIMARY GOVERNMENT

Compensated Absences

In accordance with County personnel policies and/or contracts negotiated with various employee groups of the County, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in their respective personnel policies and/or contracts. The dollar amount of these vested rights, including related payroll taxes, amounted to \$689,501 for vacation and sick at December 31, 2016. All of the \$689,501 is classified as current.

COMPONENT UNIT - DRAINAGE DISTRICTS

Drain Notes

The County has irrevocably pledged its full faith and credit as collateral for the following drain notes. These projects are administered by the Ionia County Drain Commission for various local drainage districts. The drain notes were issued to finance the various Construction Funds for the purpose of paying costs in connection with various drainage district projects and are payable out of assessments to be made against the benefited properties.

Notes payable at December 31, 2016, per respective Drain projects serviced from the Component Unit Debt Service Funds are as follows:

Various drain notes due in various annual installments and interest rates through 2024. \$ 1,530,866

Ionia County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE F: LONG-TERM DEBT - CONTINUED

COMPONENT UNIT - ROAD COMMISSION

Installment Loan

In February 2014, the Road Commission borrowed \$226,000. The loan is payable over 10 semi-annual installments, including interest of 2.50%.	\$ 116,532
In September 2015, the Road Commission borrowed \$220,000. The loan is payable over 6 semi-annual installments, including interest of 2.60%.	148,600
In September 2016, the Road Commission borrowed \$202,480. The loan is payable over 4 annual installments, including interest of 1.50%.	<u>202,480</u>
	<u>\$ 467,612</u>

Compensated Absences

In accordance with County Road Commission personnel policies and/or contracts negotiated with various employee groups of the County Road Commission, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in their respective personnel policies and/or contracts. The dollar amount of these vested rights, including related payroll taxes, amounted to \$140,410 and \$17,380 for vacation and sick, respectively, at December 31, 2016. This amount, \$157,790, has been reported as a noncurrent liability.

Retiree Life Insurance Liability

During 1995, the Road Commission elected to become self-insured with respect to retirees' life insurance benefits, as it relates to existing retirees. Employees who retire from the Road Commission after 1995 are no longer granted life insurance at retirement, through contract negotiations. However, employees who retired prior to the effective date of the current employee contract were granted life insurance coverage upon retirement. The Road Commission decided not to continue paying the premiums on the existing policies and to pay the death benefits from future resources. Accordingly, a liability for retirees' life insurance benefits was recorded in the government-wide financial statements in the amount of \$10,000, which represents the maximum remaining amount of death benefits to be paid to beneficiaries.

The annual requirements to pay the debt principal and interest outstanding for the above Bonds, Notes, and Installment Purchase Agreement are as follows:

Year Ending December 31,	Drainage District Drain Notes		Road Commission Installment Loans	
	Principal	Interest	Principal	Interest
2017	\$ 513,925	\$ 38,761	\$ 169,925	\$ 7,522
2018	340,282	27,423	171,897	5,208
2019	240,686	18,427	74,421	1,825
2020	186,440	11,535	51,369	770
2021	75,700	6,874	-	-
2022-2024	173,833	9,185	-	-
	<u>\$ 1,530,866</u>	<u>\$ 112,205</u>	<u>\$ 467,612</u>	<u>\$ 15,325</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE G: CONDUIT DEBT

To provide for the construction and maintenance of the Water and Sewer at the City of Ionia, the County has assisted with seven (7) bond issuances on behalf of the City of Ionia. The bonds are paid by the City and not a general obligation of the County. The bonds, \$23,090,000 as of December 31, 2016, are not reflected in the County's financial statements.

NOTE H: EMPLOYEE RETIREMENT SYSTEM

PRIMARY GOVERNMENT (EXCLUDING SHERIFF DEPARTMENT AND CENTRAL DISPATCH)

Plan Description

The County of Ionia administers the County of Ionia Pension Plan - a single-employer defined benefit pension plan that provides pensions for participants as defined by the plan document. The plan is currently open to employees hired prior to July 31, 2015 but not yet participating; however, employees who first perform an hour of service for the County after July 31, 2015 are not eligible to participate. Management of the plan is the responsibility of the County Administrator.

Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expenses, information about the fiduciary net position of the County of Ionia Pension Plan and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the County of Ionia. For this purpose, benefits payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Benefits Provided

1.5% of average monthly compensation multiplied by years of credited benefit service.

Summary of Plan Participants

Inactive employees receiving benefits	55
Inactive employees entitled to but not yet receiving benefits	33
Inactive not vested employees	14
Active employees	<u>105</u>
	<u><u>207</u></u>

Contributions

Article 9, Section 24 of the Regulations of the State of Michigan constitution requires the financial benefits arising on account of service rendered each year be funded during that year. The County retains an actuary to determine the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. Employer contributions are based on the 20-year contribution divided by the total expected valuation payroll. This percentage is contributed each payroll based on the participant salaries for that payroll period. Each active participant in the eligible class will make a participant contribution equal to 3% of compensation during each month that the participant is in the eligible class.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE H: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

PRIMARY GOVERNMENT (EXCLUDING SHERIFF DEPARTMENT AND CENTRAL DISPATCH) - CONTINUED

Net Pension Liability

The employer's Net Pension Liability was measured as of December 31, 2016, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of December 31, 2016.

Actuarial Assumptions

The total pension liability in the December 31, 2016 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.9%

Investment rate of return: 7.15%

Interest rate: 7.00% per year

Salary scale: 2.5% annual increases*

* The mortality table was updated from the 2015 table to the 2016 table and the salary scale assumption remained consistent at 2.5% since the last valuation.

The long-term expected rate of return on retirement plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of retirement plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the retirement plan's target asset allocation as of December 31, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	38.0%	9.76%
Fixed Income	33.0%	5.03%
International Equity	10.0%	5.73%
Global Bond	8.0%	5.24%
Real Estate	5.0%	11.12%
U.S. High Yield	3.0%	5.03%
Cash	3.0%	2.90%

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE H: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

PRIMARY GOVERNMENT (EXCLUDING SHERIFF DEPARTMENT AND CENTRAL DISPATCH) - CONTINUED

Discount Rate

The discount rate used to measure the total pension liability was 6.77%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the retirement plan's fiduciary net position was not projected to be sufficient to make all project future benefit payments of current plan members. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits. From the year that benefit payments were not projected to be covered by the projected assets (the "depletion date"), projected benefits were discounted at a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield. A single equivalent discount rate that yields the same present value of benefits is calculated. This discount rate is used to determine the Total Pension Liability. The discount rate used as of December 31, 2015 was 3.91%.

Changes in Net Pension Liability

	Calculating the Net Pension Liability		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at 12/31/15	\$ 14,989,123	\$ 8,616,264	\$ 6,372,859
Changes for the Year			
Service Cost	653,067	-	653,067
Interest on Total Pension Liability	602,850	-	602,850
Difference between expected and actual experience	(527,978)	-	(527,978)
Changes in assumptions	(4,612,948)	-	(4,612,948)
Employer contributions	-	317,671	(317,671)
Employee contributions	-	123,532	(123,532)
Net investment income	-	654,495	(654,495)
Benefit payments, including employee refunds	(448,083)	(448,083)	-0-
Administrative expense	-	(28,150)	28,150
Net changes	<u>(4,333,092)</u>	<u>619,465</u>	<u>(4,952,557)</u>
Balances as of 12/31/16	<u>\$ 10,656,031</u>	<u>\$ 9,235,729</u>	<u>\$ 1,420,302</u>

Ionia County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE H: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

PRIMARY GOVERNMENT (EXCLUDING SHERIFF DEPARTMENT AND CENTRAL DISPATCH) - CONTINUED

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

The following presents the net pension liability (NPL) of the County of Ionia, calculated using the discount rate of 6.77%, as well as what the County of Ionia's net pension liability would be if it were calculated using a discount rate that is 1% percentage point lower (5.77%) or 1 percentage point higher (7.77%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Net pension liability	<u>\$ 2,750,736</u>	<u>\$ 1,420,302</u>	<u>\$ 302,736</u>

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

For the year ended December 31, 2016, the employer recognized pension expense of \$451,751. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences in experience	\$ -	\$ 601,697
Differences in assumptions	1,236,170	4,196,617
Excess (Deficit) investment returns	<u>181,445</u>	<u>-</u>
Total	<u>\$ 1,417,615</u>	<u>\$ 4,798,314</u>

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

<u>Year Ending</u>	<u>Pension Expense</u>
2017	\$ (268,529)
2018	(268,529)
2019	(268,528)
2020	(386,141)
Thereafter	(2,188,972)

SHERIFF DEPARTMENT AND CENTRAL DISPATCH

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's Legislature under Public Act 135 of 1945 and administered by a nine (9) member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing MERS website at www.mersofmich.com.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE H: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

SHERIFF DEPARTMENT AND CENTRAL DISPATCH - CONTINUED

Summary of Significant Accounting Policies

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

Benefits Provided

Benefits provided include plans with multipliers of 2.25-2.50%.

Vesting period of six (6) to ten (10) years for all divisions.

Normal retirement age is 60 with early retirement at 50 with 25 or 55 with 15 years of service.

Final average compensation is calculated based on 5 years. Member contributions range is 3.00 - 10.00%.

At the December 31, 2015 valuation date, the following employees were covered by the benefit terms:

Summary of Plan Participants

Inactive employees or beneficiaries receiving benefits	15
Inactive employees entitle to but not yet receiving benefits	16
Active employees	<u>62</u>
	<u><u>93</u></u>

Contributions

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

Employer contributions range from 7.00% to 17.28%.

Net Pension Liability

The employer's Net Pension Liability was measured as of December 31, 2015, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of that date.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE H: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

SHERIFF DEPARTMENT AND CENTRAL DISPATCH - CONTINUED

Actuarial Assumptions

The total pension liability in the December 31, 2015 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5%

Salary increases: 3.75% in the long-term plus a percentage based on age.

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

Although no specific price inflation assumptions are needed for the valuation, the 3.75% long-term wage inflation assumption would be greater than the price inflation of 2.5%.

Mortality rates used were based on the RP-2014 Group Annuity Mortality Table of 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 in 2015.

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:

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

Discount Rate

The discount rate used to measure the total pension liability is 8.00%. 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.

Ionia County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE H: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

SHERIFF DEPARTMENT AND CENTRAL DISPATCH - CONTINUED

Changes in Net Pension Liability

	Calculating the Net Pension Liability		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at 12/31/14	\$ 8,068,825	\$ 6,889,150	\$ 1,179,675
Changes for the Year			
Service Cost	318,467	-	318,467
Interest on Total Pension Liability	668,551	-	668,551
Changes in benefits	(31,411)	-	(31,411)
Difference between expected and actual experience	185,127	-	185,127
Changes in assumptions	347,998	-	347,998
Employer contributions	-	270,627	(270,627)
Employee contributions	-	141,963	(141,963)
Net investment income	-	(107,426)	107,426
Benefit payments, including employee refunds	(248,818)	(248,818)	-0-
Administrative expense	-	(15,403)	15,403
Other changes	(1)	-	(1)
Net changes	<u>1,239,913</u>	<u>40,943</u>	<u>1,198,970</u>
Balances as of 12/31/15	<u>\$ 9,308,738</u>	<u>\$ 6,930,093</u>	<u>\$ 2,378,645</u>

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

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

	1% Decrease	Current Discount Rate	1% Increase
Net pension liability	<u>\$ 3,768,207</u>	<u>\$ 2,378,645</u>	<u>\$ 1,237,244</u>

Ionia County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE H: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

SHERIFF DEPARTMENT AND CENTRAL DISPATCH - CONTINUED

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

For the year ended December 31, 2016, the employer recognized pension expenses of \$495,930. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences in experience	\$ 161,986	\$ -
Differences in assumptions	304,498	-
Excess (Deficit) investment returns	604,829	-
Contributions subsequent to the measurement date*	<u>260,772</u>	<u>-</u>
Total	<u>\$ 1,332,085</u>	<u>\$ -0-</u>

* The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the year ending December 31, 2017.

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

<u>Year Ending</u>	<u>Pension Expense</u>
2017	\$ 223,951
2018	223,951
2019	223,953
2020	199,538
2021	199,920

COMPONENT UNIT - ROAD COMMISSION

The Ionia County Road Commission has a separate account and retirement plan, which is maintained by MERS. Details applicable to the Road Commission's pension plan are available in their separately issued financial statements. The actuarially determined contribution requirements have been met, where applicable.

NOTE I: CONTINGENT LIABILITIES

There are various legal actions pending against the County. Due to the inconclusive nature of many of the actions, it is not possible for legal counsel to determine the probable outcome or a reasonable estimate of the County's potential liability, if any. Those actions for which a reasonable estimate can be determined of the County's potential liability and that would not be covered by insurance and reserves, if any, could be material to the County.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE J: ROAD COMMISSION FEDERAL GRANTS

The Michigan Department of Transportation (MDOT) requires that road commissions report all Federal and State grants pertaining to their county. During the fiscal year ended December 31, 2016, the Federal aid received and expended by the Ionia County Road Commission was \$942,899 for contracted projects. Contracted projects are defined as projects performed by private contractors paid for and administered by MDOT. The contracted Federal projects are not subject to single audit requirements by the road commissions, as they are included in MDOT's single audit. Negotiated projects are defined as projects performed by Road Commission employees or private contractors paid for and administered by the Road Commission. Due to these facts, all of these funds have been excluded from the County's Single Audit, which is presented under separate cover.

NOTE K: RISK MANAGEMENT

PRIMARY GOVERNMENT AND COMPONENT UNITS (EXCEPT ROAD COMMISSION)

The County participates in a pool, the Michigan Counties Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. The County has no liability for additional assessments based on the claims filed against the pool nor do they have any right to dividends.

The County is a voluntary member of the Michigan Municipal Risk Management Authority which is organized under Public Act 138 of 1982, as amended as a governmental group self-insurance pool. Public Act 138 authorizes local units of government to exercise jointly any power, privilege, or authority which each might exercise separately. The Authority administers a risk management fund providing Ionia County with loss protection for general liability, vehicle physical damage, property damage, and losses due to crime.

The administration of the Authority is directed by a nine (9) member Board of Directors composed of municipal representatives from the membership elected by the membership. The Board establishes the general policy of the Authority, creates and publishes rules to be followed by the Manager and Board, and is empowered with the authority to impose sanctions or terminate membership. The County, by resolution of the County Board of Commissioners, has designated a representative to the Authority to be responsible for the execution of all loss control measures, to ensure the payment of all annual and supplementary or other payment requirements, to ensure the filing of all required reports, and to act as a liaison between the County and the Authority.

The Authority provides risk management, underwriting, reinsurance, and claim services with member contributions allocated to meet these obligations. The Authority administers a risk management fund providing Ionia County with loss protection for general and auto liability, and property damage. Under most circumstances the County's maximum loss per occurrence is limited as follows:

<u>Type of Risk</u>	<u>Maximum Retention Per Occurrence</u>
General liability	\$ 150,000
Vehicle physical damage coverage	15,000

The Authority has established a Retained Risk Program to pay losses incurred by members that exceed individual retention levels and are not covered under existing reinsurance agreements. Losses incurred within the established limits are general obligations of the Authority. In the event that losses are incurred in excess of the resources available, the Authority as a whole (i.e., all constituent municipalities) is liable for the excess. The Authority may authorize dividends to individual members in the event that the members and individual fund balance is determined to be sufficient to do so.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE K: RISK MANAGEMENT - CONTINUED

PRIMARY GOVERNMENT AND COMPONENT UNITS (EXCEPT ROAD COMMISSION) - CONTINUED

In addition, the Authority has accumulated resources to create and fund an Internal Stop Loss Fund. The Stop Loss Fund was initiated to eliminate the need to purchase aggregate reinsurance for aggregate losses paid in excess of \$210,000 net of reinsurance for any one (1) member in any one (1) year. Aggregate paid losses in excess of \$210,000 net of reinsurance recoveries are paid entirely from the Internal Stop Loss Fund. If at any time the Stop Loss Fund resources are insufficient to fund losses, the remaining liability shall become the responsibility of the Authority as a whole.

At December 31, 2016, the County had a balance of \$221,930 with the Authority in the Member Retention Funds. The Authority's reported reserves at December 31, 2016 for reported claims related to the County were \$74,367.

COMPONENT UNIT - ROAD COMMISSION

The Road Commission is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Road Commission has purchased commercial insurance for healthcare claims.

The Road Commission is a member of the Michigan County Road Commission Self-Insurance Pool (Pool). The Michigan County Road Commission Self-Insurance Pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts. The Pool provides loss coverage includes, but is not limited to, general liability, auto, property insurance, stop loss protection, errors and omissions, trunkline liability and an umbrella policy. The amount the Road Commission pays annually is determined by the Administrator of the Pool and is based on miles of roads, population, and prior claim history of the Road Commission. The Road Commission's exposure is limited to \$1,000 per claim; all other risk is transferred to the Pool. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three (3) fiscal years.

The Road Commission is a member of the County Road Association Self-Insurance Fund for workers' compensation claims. As a member of the fund, the Road Commission is fully insured for workers' compensation claims incurred.

NOTE L: PROPERTY TAXES AND TAXES RECEIVABLE

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

The County's summer 2016 ad valorem taxes for County general operating purposes were levied and collectible on July 1, 2016. It is the County's policy to recognize revenues from the tax levy in the year when the proceeds of the levy are budgeted and made available for the financing of County operations. As a result, the County's summer 2016 tax levy has been recognized as revenue in the current fiscal year. The 2016 taxable value of Ionia County amounted to \$1,543,412,183 on which ad valorem taxes levied for County general operating purposes consisted of 4.6378 mills.

The Ionia County Commission on Aging continues to levy taxes in December. The 2015 taxable value of Ionia County amounted to \$1,525,623,190 on which the Ionia County Commission on Aging has levied .5000 mills for services related to the aging within the County.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE L: PROPERTY TAXES AND TAXES RECEIVABLE - CONTINUED

By resolution of the Board of Commissioners and agreement with various taxing authorities, the County purchased at face value the real property taxes receivable returned delinquent on March 1, 2016. Subsequent collections of delinquent taxes receivable, plus interest thereon and investment earnings, are used to repay the funds distributed by the Delinquent Tax Revolving Fund. This activity is accounted for in the Delinquent Tax Revolving (Enterprise) Fund.

NOTE M: DETAILS OF FUND BALANCE CLASSIFICATIONS

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The following are the five (5) fund balance classifications under this standard.

Nonspendable - assets that are not available in a spendable form such as inventory, prepaid expenditures, and long-term receivables not expected to be converted to cash in the near term. It also includes funds that are legally or contractually required to be maintained intact such as the corpus of a permanent fund or foundation.

Restricted - amounts that are required by external parties to be used for a specific purpose. Constraints are externally imposed by creditors, grantors, contributors or laws, regulations or enabling legislation.

Committed - amounts constrained on use imposed by formal action of the government's highest level of decision making authority (i.e., Board, Council, etc.).

Assigned - amounts intended to be used for specific purposes. This is determined by the governing body, the budget or finance committee or a delegated municipality official.

Unassigned - all other resources; the remaining fund balance after non-spendable, restrictions, commitments, and assignments. This class only occurs in the General Fund, except for cases of negative fund balances. Negative fund balances are always reported as unassigned, no matter which fund the deficit occurs in.

Fund Balance Classification Policies and Procedures

For committed fund balance, the Ionia County's highest level of decision-making authority is the Board of Commissioners. The formal action that is required to be taken to establish (and modify or rescind) a fund balance commitment is a Board Resolution.

For assigned fund balance, Board of Commissioners is authorized to assign amounts to a specific purpose.

The Ionia County has not adopted a policy that defines the order of usage for fund balance amounts classified as restricted, committed, assigned, or unassigned. In the absence of such a policy, resources with the highest level of restriction will be used first.

Ionia County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE M: DETAILS OF FUND BALANCE CLASSIFICATIONS - CONTINUED

	General Fund	Friend of the Court	Public Health	Commission on Aging	Nonmajor Governmental Funds	Total
Fund Balances						
Nonspendable						
Inventory	\$ -	\$ -	\$ -	\$ 3,929	\$ -	\$ 3,929
Prepays	17,760	-	-	-	-	17,760
Perpetual Care	-	-	-	-	262,928	262,928
Restricted for:						
Resource Recovery	-	-	-	-	359,362	359,362
Building Inspection	-	-	-	-	144,214	144,214
Register of Deed Automation	-	-	-	-	116,761	116,761
Central Dispatch	-	-	-	-	815,385	815,385
Community Corrections	-	-	-	-	23,216	23,216
Drug Forfeiture	-	-	-	-	39,975	39,975
Corrections Training	-	-	-	-	6,970	6,970
Vehicle Forfeiture	-	-	-	-	3,322	3,322
Sobriety Court	-	-	-	-	311,240	311,240
Special Investigative	-	-	-	-	7,224	7,224
Drug Forfeiture Fund	-	-	-	-	30,184	30,184
Law Library	-	-	-	-	28,891	28,891
Community Development Block Grant	-	-	-	-	34,942	34,942
OCYS Basic Grant	-	-	-	-	16	16
Juvenile Accountability Block Grant	-	-	-	-	565	565
Human Services	-	-	-	-	7,107	7,107
Soldiers and Sailors Relief	-	-	-	-	4,868	4,868
Veterans' Trust	-	-	-	-	1,224	1,224
Courts Security	-	-	-	-	5,561	5,561
Health Building Debt	-	-	-	-	73,021	73,021
Johnson Road Improvement	-	-	-	-	188	188
Public Health	-	-	1,155,452	-	-	1,155,452
Substance abuse services	82,753	-	-	-	-	82,753
Commission on Aging	-	-	-	627,422	-	627,422
Committed to:						
PTO Accrual	643,500	4,593	61,718	-	117,900	827,711
Facilities	2,192,500	-	-	-	-	2,192,500
Child Care	429	-	-	-	-	429
Medicaid	-	-	355,000	-	-	355,000
Assigned to:						
Public Health	-	-	270,000	-	-	270,000
Capital Improvements	277,465	-	-	-	-	277,465
Designated Contributions	-	-	-	-	531,138	531,138
Cemetery	-	-	-	-	3,157	3,157
Subsequent year's expenditures	126,604	-	-	-	-	126,604
Unassigned	1,626,968	-	-	-	-	1,626,968
TOTAL FUND BALANCES	\$ 4,967,979	\$ 4,593	\$ 1,842,170	\$ 631,351	\$ 2,929,359	\$ 10,375,452

NOTE N: OTHER POST-EMPLOYMENT BENEFITS

PRIMARY GOVERNMENT AND COMPONENT UNITS (EXCEPT ROAD COMMISSION)

In addition to providing pension benefits, the County provides certain health care benefits in accordance with union agreements and/or personnel policies to employees who have retired. The County allows access to retirees to participate in the County's medical plan. For most retirees this is for the age 60 or 55 with 25 years of service.

Ionia County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE N: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

PRIMARY GOVERNMENT AND COMPONENT UNITS (EXCEPT ROAD COMMISSION) - CONTINUED

The pay as you go system of funding is used for the county portion of expense paid through the General Fund. Expenditures for post-employment health care benefits are recognized when claims are paid. During the year, expenditures of \$56,464 were recognized for post-employment health care. The following are the Governmental Accounting Standards Board Statement No. 45 required disclosures and these disclosures have been implemented prospectively by the County.

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

Funding Policy

The County has no obligation to make contributions in advance of when the insurance premiums are due for payment (i.e., may be financed on a "pay-as-you-go" basis). The only current contributions being made are to pay the actual current premiums of the retirees. That amount was less than the annual required contribution and is reflected in the schedule that follows. Administrative costs of the plan are paid for by the County.

Funding Progress

For the year ended December 31, 2016, the County has determined an estimated cost of providing retiree post-employment benefits through an actuarial valuation as of December 31, 2015. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to cover the amortization of any unfunded actuarial liabilities from the past, over a period not to exceed 10 years.

The County's computed contribution and actual funding is summarized as follows:

Annual required contribution (ARC)	\$ 176,117
Interest on net OPEB obligation	17,574
ARC adjustment	<u>(35,490)</u>
Annual OPEB cost	158,201
Amounts contributed:	
Payments of current premiums (Gross of employee reimbursement)	<u>(56,464)</u>
Increase in net OPEB obligation	101,737
Net OPEB obligation - Beginning of year	<u>439,340</u>
Net OPEB obligation - End of year	<u><u>\$ 541,077</u></u>

The annual OPEB costs, the percentage contributed to the plan, and the net OPEB obligation for the years ended December 31 were as follows:

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Annual OPEB cost	\$ 122,824	\$ 123,832	\$ 158,201
Percentage contributed	36%	34%	36%
Net OPEB obligation	\$ 357,428	\$ 439,340	\$ 541,077

This trend information was obtained from the most recently issued actuarial reports.

Ionia County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE N: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

PRIMARY GOVERNMENT AND COMPONENT UNITS (EXCEPT ROAD COMMISSION) - CONTINUED

The current funding progress of the plan as of the last three (3) valuation dates, are as follows:

	2011	December 31, 2013	2015
Actuarial value of assets	\$ -	\$ -	\$ -
Actuarial accrued liability (AAL)	1,347,714	1,294,753	1,338,892
Unfunded AAL (UAAL)	1,347,714	1,294,753	1,338,892
Funded ratio	0%	0%	0%

Information related to funding progress with multiyear trend information indicating whether the actuarial value of plan assets is increasing or decreasing over time relative to the AAL for benefits is not presented since there currently are no plan assets.

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of potential occurrences of certain events in the future. Examples include assumption about future employment, mortality, healthcare costs trends, inflation, etc. Amounts determined regarding the funded status of the plan and the annual required contributions of the County are subject to constant changes and modifications as actual results are compared with past expectations and new estimates and assumptions are made about the future.

Projections of retiree benefits for financial reporting purposes are based on current plan activities as it is handled by the County and the benefits are received by the eligible plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the County and plan members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2015, actuarial valuation, the projected unit credit actuarial cost method was used. The UAAL is being amortized as a level percent, closed, over a period of 10 years. A 30-year amortization period for unfunded actuarial accrued liabilities is the maximum period that complies with GASB requirements.

COMPONENT UNIT - ROAD COMMISSION

In addition to the pension benefits, the Ionia County Road Commission provides post-employment health care to eligible employees and their spouses who retire from the Road Commission on or after attaining retirement age with at least ten (10) or twenty (20) years of service, depending on position. This is a single employer defined benefit plan that is administered by the Road Commission. The benefits are provided under the collective bargaining agreement for union employees and by resolution of the Board of County Road Commissioners for nonunion employees. Details applicable to the Road Commission plan are available in their separately issued financial statements.

Ionia County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE O: RESTRICTED NET POSITION

Restrictions of net position shown in the government-wide financial statements indicate restrictions imposed by the funding source or some other outside source with precludes their use for unrestricted purposes. The following are the various net position restrictions as of December 31, 2016:

Governmental activities		
Restricted for:		
Other purposes:		
Register of Deeds Automation	\$	116,761
Resource Recovery		359,362
Building Inspection		144,214
Central Dispatch		815,385
Community Corrections		23,216
Drug Forfeiture		39,975
Corrections Training		6,970
Vehicle Forfeiture		3,322
Sobriety Court		311,240
Special Investigative		7,224
Drug Forfeiture Fund		30,184
Law Library		28,891
Community Development Block Grant		34,942
OCYS Basic Grant		16
Juvenile Accountability Block Grant		565
Human Services		7,107
Soldiers and Sailors Relief		4,868
Veterans' Trust		1,224
Courts Security		5,561
Health Building Debt		73,021
Johnson Road Improvement		188
Cemetery Perpetual Care - Nonexpendable		262,928
Public Health		1,155,452
Substance Abuse Services		82,753
Commission on Aging		631,351
		<u>631,351</u>
	\$	<u>4,146,720</u>

NOTE P: CHANGE IN ACCOUNTING PRINCIPLES

GASB Statement No. 72, *Fair Value Measurement and Application*, was implemented during the year. This statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

GASB Statement No. 77, *Tax Abatement Disclosures*, was implemented during the year. The statement improves financial reporting through the disclosure of information about the nature and magnitude of tax abatements that are not consistently or comprehensively reported to the public at present.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE Q: UPCOMING ACCOUNTING PRONOUNCEMENTS

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The statement follows the framework for financial reporting of defined benefit OPEB plans in Statement No. 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position. The statement requires more extensive note disclosures and RSI related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money weighted rates of return on plan investments. The County is currently evaluating the impact this standard will have on the financial statements when adopted during the 2017 fiscal year.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The statement requires governments providing other postemployment benefits (OPEB) to recognize their unfunded OPEB obligations as a liability for the first time, and to more comprehensibly and comparably measure the annual costs of OPEB benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The County is currently evaluating the impact this standard will have on the financial statements when adopted during the 2018 fiscal year.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14*. The Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments and requires the blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The County is currently evaluating the impact this standard will have on the financial statements when adopted during the 2017 fiscal year.

In March 2016, the GASB issued Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The County is currently evaluating the impact this standard will have on the financial statements when adopted during the 2018 fiscal year.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The Statement establishes criteria for identifying fiduciary activities for all state and local governments, focusing on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries for whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The County is current evaluating the impact this standard will have on the financial statements when adopted during the 2019 fiscal year.

NOTE R: CONTRACTUAL COMMITMENTS

The County is obligated for contracts relating to the construction of the new courthouse facilities in the amount of \$5,233,772. The County anticipates an installment loan and fund balance will cover these commitments.

NOTE S: SUBSEQUENT EVENT

On May 9, 2017 the County approved a loan with Chemical Bank for \$3,500,000 with interest of 2.39% and will be making semi-annual interest payments and annual principal payments beginning in November 2017. This loan will be used to fund the construction of the new courthouse facilities.

REQUIRED SUPPLEMENTARY INFORMATION

Ionia County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND
OTHER FINANCING SOURCES (NON-GAAP BASIS)

Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variances with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Current and delinquent property taxes	\$ 6,999,356	\$ 7,044,356	\$ 7,002,841	\$ (41,515)
Mobile home park taxes	4,500	4,500	3,641	(859)
Total taxes	7,003,856	7,048,856	7,006,482	(42,374)
Licenses and permits				
Pistol permits	14,000	14,000	9,480	(4,520)
Dog licenses	150,000	150,000	120,252	(29,748)
Total licenses and permits	164,000	164,000	129,732	(34,268)
Intergovernmental - Federal/State				
Emergency management	59,164	59,164	16,634	(42,530)
Homeland security	11,000	22,500	18,214	(4,286)
Cooperative reimbursement - Prosecutor	71,941	71,941	68,615	(3,326)
Probate judge's salary	148,200	148,200	149,188	988
Circuit judge's salary	94,200	94,200	87,586	(6,614)
District judge's salary	45,800	45,800	45,724	(76)
Juvenile officer	27,300	27,300	27,317	17
Juvenile transportation	16,600	16,600	6,208	(10,392)
Inmate trial	50,000	50,000	29,707	(20,293)
Court equity	275,000	275,000	260,223	(14,777)
Jury fees	19,100	19,400	12,898	(6,502)
Victim's Rights Act	67,768	67,768	87,746	19,978
Sheriff secondary road patrol	69,657	69,657	53,988	(15,669)
Marine safety	-	4,800	4,789	(11)
Remonumentation	57,945	39,157	15,663	(23,494)
Liquor law enforcement	220,000	221,050	140,392	(80,658)
Byrne grant	17,350	17,350	12,528	(4,822)
State revenue sharing	1,177,604	1,177,604	1,181,057	3,453
Other	7,800	7,800	12,666	4,866
Total intergovernmental - Federal/State	2,436,429	2,435,291	2,231,143	(204,148)

Ionia County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND
OTHER FINANCING SOURCES (NON-GAAP BASIS) - CONTINUED

Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variances with Final Budget Positive (Negative)
	Original	Final		
REVENUES - CONTINUED				
Charges for services				
Circuit Court	\$ 105,000	\$ 105,000	\$ 101,066	\$ (3,934)
District Court	665,000	671,500	643,350	(28,150)
Probate Court	24,500	24,500	20,630	(3,870)
County Treasurer	22,000	38,200	35,866	(2,334)
County Clerk	75,000	55,000	53,147	(1,853)
Register of Deeds	368,000	376,000	384,854	8,854
Prosecuting attorney	15,400	15,400	13,243	(2,157)
Drain Commissioner	8,000	8,000	5,680	(2,320)
Juvenile Court	27,500	27,500	13,744	(13,756)
Sheriff Department	274,905	274,905	251,476	(23,429)
Jail	55,500	67,500	58,944	(8,556)
Equalization	4,000	4,000	1,000	(3,000)
Abstract department	17,000	10,500	10,473	(27)
Animal control	15,000	15,000	14,470	(530)
Other	12,000	20,100	20,318	218
Total charges for services	1,688,805	1,713,105	1,628,261	(84,844)
Fines and forfeits				
Bond forfeitures	15,000	17,600	20,378	2,778
Ordinance fines and costs	105,000	105,000	94,659	(10,341)
Total fines and forfeits	120,000	122,600	115,037	(7,563)
Interest and rents				
Interest on investments	9,000	9,000	9,656	656
Rents	102,100	120,600	116,291	(4,309)
Total interest and rents	111,100	129,600	125,947	(3,653)
Other				
Reimbursements and refunds	686,500	872,906	880,538	7,632
Other	225,018	227,118	250,561	23,443
Total other	911,518	1,100,024	1,131,099	31,075
TOTAL REVENUES	12,435,708	12,713,476	12,367,701	(345,775)

Ionia County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND
OTHER FINANCING SOURCES (NON-GAAP BASIS) - CONTINUED

Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variances with Final Budget Positive (Negative)
	Original	Final		
OTHER FINANCING SOURCES				
Transfers in				
Central Dispatch	\$ 75,914	\$ 75,914	\$ 77,229	\$ 1,315
Resource Recovery	5,468	5,468	4,243	(1,225)
Child Care	38,114	38,114	30,452	(7,662)
Building Inspection	31,287	31,287	37,367	6,080
Register of Deeds Automation	10,000	10,000	10,000	-0-
Airport	12,799	12,799	12,354	(445)
TOTAL OTHER FINANCING SOURCES	<u>173,582</u>	<u>173,582</u>	<u>171,645</u>	<u>(1,937)</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 12,609,290</u>	<u>\$ 12,887,058</u>	<u>\$ 12,539,346</u>	<u>\$ (347,712)</u>

Ionia County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES AND
OTHER FINANCING USES BY ACTIVITY (NON-GAAP BASIS)

Year Ended December 31, 2016

EXPENDITURES	Budgeted Amounts		Actual	Variances with Final Budget Positive (Negative)
	Original	Final		
Current				
General government				
Board of Commissioners	\$ 105,537	\$ 107,907	\$ 102,896	\$ 5,011
Circuit Court	636,326	628,258	613,000	15,258
District Court	1,012,269	1,019,969	1,007,253	12,716
Probate Court	447,873	450,523	408,870	41,653
Juvenile Court	425,746	442,841	441,686	1,155
County Administrator	208,738	266,338	250,693	15,645
Finance	211,927	208,727	200,774	7,953
Clerk	263,057	271,167	268,635	2,532
Data processing	391,298	422,417	525,781	(103,364)
Treasurer	215,112	231,312	223,030	8,282
Equalization	155,679	148,979	145,852	3,127
Cooperative extension	151,698	152,974	154,006	(1,032)
Elections	127,000	142,400	141,730	670
Courthouse and grounds	803,372	786,487	750,143	36,344
Prosecuting Attorney	693,872	692,477	682,305	10,172
Register of Deeds	153,497	153,272	142,635	10,637
Abstract	42,175	32,125	31,098	1,027
Remonumentation	57,945	39,157	39,157	-0-
Fleet maintenance	44,708	44,708	42,080	2,628
Communications	37,075	37,525	32,502	5,023
Other	28,550	30,550	36,514	(5,964)
Total general government	6,213,454	6,310,113	6,240,640	69,473
Public safety				
Sheriff	1,689,107	1,802,207	1,732,083	70,124
CMET	78,897	78,897	76,149	2,748
Secondary Road Patrol	84,019	84,019	70,408	13,611
Marine safety	-	4,800	4,789	11
Emergency services	72,060	75,450	75,102	348
Jail	2,278,815	2,334,640	2,280,198	54,442
Animal control	225,993	217,528	216,774	754
Total public safety	4,428,891	4,597,541	4,455,503	142,038
Public works				
Drain commissioner	172,774	178,934	180,422	(1,488)
Department of public works	1,170	1,170	158	1,012
Drains at large	106,000	104,100	104,077	23
Total public works	279,944	284,204	284,657	(453)

Ionia County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES AND
OTHER FINANCING USES BY ACTIVITY (NON-GAAP BASIS) - CONTINUED

Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variances with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES - CONTINUED				
Current - continued				
Health and welfare				
Substance abuse	\$ 101,056	\$ 101,056	\$ 70,637	\$ 30,419
Medical examiner	97,000	97,000	82,783	14,217
Veterans	31,530	31,530	29,655	1,875
Aging	2,097	2,097	2,097	-0-
Mental Health	163,000	163,000	163,000	-0-
Social Welfare	7,500	7,500	7,500	-0-
Total health and welfare	402,183	402,183	355,672	46,511
Community and economic development				
Economic development	25,000	25,000	25,000	-0-
Recreation and cultural				
Parks and Recreation department	143,345	122,595	111,940	10,655
Other				
Other	3,000	11,000	11,000	-0-
Insurance and bonds	378,000	378,000	411,112	(33,112)
Record copy	60,000	60,000	55,744	4,256
Total other	441,000	449,000	477,856	(28,856)
TOTAL EXPENDITURES	11,933,817	12,190,636	11,951,268	239,368
OTHER FINANCING USES				
Transfers out				
Public Health	200,000	200,000	270,000	(70,000)
Law Library	3,000	3,000	3,000	-0-
OCYS Basic Grant	-	-	225	(225)
Soldiers and Sailors relief	15,000	15,000	10,000	5,000
Child Care	446,829	456,829	551,829	(95,000)
Court security	109,552	117,802	117,802	-0-
TOTAL OTHER FINANCING USES	774,381	792,631	952,856	(160,225)
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 12,708,198	\$ 12,983,267	\$ 12,904,124	\$ 79,143

Ionia County, Michigan

Friend of the Court Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variances with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 628,725	\$ 656,925	\$ 656,376	\$ (549)
Charges for services	93,200	93,200	89,716	(3,484)
TOTAL REVENUES	721,925	750,125	746,092	(4,033)
EXPENDITURES				
Current				
General government	842,687	870,887	746,066	124,821
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(120,762)	(120,762)	26	120,788
OTHER FINANCING SOURCES				
Transfers in	120,762	120,762	-	(120,762)
NET CHANGE IN FUND BALANCE	-0-	-0-	26	26
Fund balance, beginning of year	4,567	4,567	4,567	-0-
Fund balance, end of year	\$ 4,567	\$ 4,567	\$ 4,593	\$ 26

Ionia County, Michigan

Public Health Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variances with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 1,059,313	\$ 1,423,356	\$ 1,322,285	\$ (101,071)
Charges for services	302,095	303,895	307,755	3,860
Other	1,800	10,000	10,054	54
TOTAL REVENUES	1,363,208	1,737,251	1,640,094	(97,157)
EXPENDITURES				
Current				
Health and welfare	2,004,616	2,007,250	1,940,497	66,753
EXCESS OF REVENUES (UNDER) EXPENDITURES	(641,408)	(269,999)	(300,403)	(30,404)
OTHER FINANCING SOURCES				
Transfers in	270,000	270,000	270,000	-0-
NET CHANGE IN FUND BALANCE	(371,408)	1	(30,403)	(30,404)
Fund balance, beginning of year	1,872,573	1,872,573	1,872,573	-0-
Fund balance, end of year	\$ 1,501,165	\$ 1,872,574	\$ 1,842,170	\$ (30,404)

Ionia County, Michigan

Commission on Aging

BUDGETARY COMPARISON SCHEDULE

Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variances with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 753,688	\$ 753,688	\$ 758,627	\$ 4,939
Intergovernmental	367,937	367,937	323,136	(44,801)
Charges for services	31,606	31,606	51,983	20,377
Other	138,035	138,035	164,355	26,320
TOTAL REVENUES	1,291,266	1,291,266	1,298,101	6,835
EXPENDITURES				
Current				
Health and welfare	1,045,218	1,045,218	996,082	49,136
Capital outlay	206,048	206,048	425	205,623
TOTAL EXPENDITURES	1,251,266	1,251,266	996,507	254,759
EXCESS OF REVENUES OVER EXPENDITURES	40,000	40,000	301,594	261,594
OTHER FINANCING (USES)				
Transfers out	(40,000)	(40,000)	-	40,000
NET CHANGE IN FUND BALANCE	-0-	-0-	301,594	301,594
Fund balance, beginning of year	329,757	329,757	329,757	-0-
Fund balance, end of year	\$ 329,757	\$ 329,757	\$ 631,351	\$ 301,594

Ionia County, Michigan

SCHEDULE OF CHANGES IN THE COUNTY'S NET PENSION LIABILITY
AND RELATED RATIOS

Last Three Measurement Dates (Ultimately Ten Years will be Displayed)
(Amounts were determined as of 12/31 of each fiscal year)

PRIMARY GOVERNMENT (EXCLUDING SHERIFF DEPARTMENT AND CENTRAL DISPATCH)

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Total Pension Liability			
Service Cost	\$ 561,305	\$ 529,813	\$ 653,067
Interest	562,638	622,701	602,850
Difference between expected and actual experience	-	(147,648)	(527,978)
Changes of assumptions	-	1,503,826	(4,612,948)
Benefit payments including employee refunds	<u>(335,864)</u>	<u>(421,191)</u>	<u>(448,083)</u>
Net Change in Total Pension Liability	788,079	2,087,501	(4,333,092)
Total Pension Liability, beginning	<u>12,113,543</u>	<u>12,901,622</u>	<u>14,989,123</u>
Total Pension Liability, ending	<u>\$ 12,901,622</u>	<u>\$ 14,989,123</u>	<u>\$ 10,656,031</u>
Plan Fiduciary Net Position			
Contributions-employer	\$ 438,821	\$ 396,687	\$ 317,671
Contributions-employee	129,391	129,277	123,532
Net Investment income	503,657	(58,858)	654,495
Benefit payments including employee refunds	(335,864)	(421,191)	(448,083)
Administrative expense	<u>(34,663)</u>	<u>(20,584)</u>	<u>(28,150)</u>
Net Change in Plan Fiduciary Net Position	701,342	25,331	619,465
Plan Fiduciary Net Position, beginning	<u>7,889,591</u>	<u>8,590,933</u>	<u>8,616,264</u>
Plan Fiduciary Net Position, ending	<u>\$ 8,590,933</u>	<u>\$ 8,616,264</u>	<u>\$ 9,235,729</u>
Employer Net Pension Liability	<u>\$ 4,310,689</u>	<u>\$ 6,372,859</u>	<u>\$ 1,420,302</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	67%	57%	87%
Covered Employee Payroll	\$ 4,464,260	\$ 4,590,752	\$ 4,189,851
County's Net Pension Liability as a percentage of covered employee payroll	96.56%	138.82%	33.90%

Ionia County, Michigan

SCHEDULE OF CHANGES IN THE COUNTY'S NET PENSION LIABILITY
AND RELATED RATIOS

Last Two Measurement Dates (Ultimately Ten Years will be Displayed)
(Amounts were determined as of 12/31 of each fiscal year)

SHERIFF DEPARTMENT AND CENTRAL DISPATCH

	<u>2014</u>	<u>2015</u>
Total Pension Liability		
Service Cost	\$ 290,439	\$ 318,467
Interest	611,667	668,551
Changes of Benefit Terms	-	(31,411)
Difference between expected and actual experience	-	185,127
Changes of assumptions	-	347,998
Benefit payments including employee refunds	(204,406)	(248,818)
Other	-	(1)
	<u>697,700</u>	<u>1,239,913</u>
Net Change in Total Pension Liability	697,700	1,239,913
Total Pension Liability, beginning	<u>7,371,125</u>	<u>8,068,825</u>
Total Pension Liability, ending	<u>\$ 8,068,825</u>	<u>\$ 9,308,738</u>
Plan Fiduciary Net Position		
Contributions-employer	\$ 275,675	\$ 270,627
Contributions-employee	131,272	141,963
Net Investment income	405,137	(107,426)
Benefit payments including employee refunds	(204,406)	(248,818)
Administrative expense	(14,978)	(15,403)
	<u>592,700</u>	<u>40,943</u>
Net Change in Plan Fiduciary Net Position	592,700	40,943
Plan Fiduciary Net Position, beginning	<u>6,296,450</u>	<u>6,889,150</u>
Plan Fiduciary Net Position, ending	<u>\$ 6,889,150</u>	<u>\$ 6,930,093</u>
Employer Net Pension Liability	<u>\$ 1,179,675</u>	<u>\$ 2,378,645</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	85%	74%
Covered Employee Payroll	\$ 2,804,341	\$ 3,076,299
Employer's Net Pension Liability as a percentage of covered employee payroll	42%	77%

Ionia County, Michigan
 SCHEDULE OF COUNTY CONTRIBUTIONS
 Last 10 Fiscal Years

PRIMARY GOVERNMENT (EXCLUDING SHERIFF DEPARTMENT AND CENTRAL DISPATCH)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarial determined contributions	\$ 322,208	\$ 341,860	\$ 371,083	\$ 356,545	\$ 299,026	\$ 281,890	\$ 387,295	\$ 350,756	\$ 250,007	\$ 261,850
Contributions in relation to the actuarially determined contribution	317,671	396,687	439,933	308,265	294,420	399,320	365,289	271,231	304,757	262,402
Contribution deficiency (excess)	<u>\$ 4,537</u>	<u>\$ (54,827)</u>	<u>\$ (68,850)</u>	<u>\$ 48,280</u>	<u>\$ 4,606</u>	<u>\$ (117,430)</u>	<u>\$ 22,006</u>	<u>\$ 79,525</u>	<u>\$ (54,750)</u>	<u>\$ (552)</u>
Covered Employee Payroll	\$ 4,189,851	\$ 4,590,752	\$ 4,464,260	\$ 4,264,670	\$ 4,258,622	\$ 4,210,933	\$ 4,194,613	\$ 4,169,833	\$ 4,087,173	\$ 4,027,766
Contributions as a percentage of covered employee payroll	7.58%	8.64%	9.85%	7.23%	6.91%	9.48%	8.71%	6.50%	7.46%	6.51%

Ionia County, Michigan

County of Ionia Pension Plan

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Last Two Fiscal Years (Ultimately ten fiscal years will be displayed)

SHERIFF DEPARTMENT AND CENTRAL DISPATCH

	<u>2015</u>	<u>2016</u>
Actuarial determined contributions	\$ 271,162	\$ 260,772
Contributions in relation to the actuarially determined contribution	<u>271,162</u>	<u>260,772</u>
Contribution deficiency (excess)	<u>\$ -0-</u>	<u>\$ -0-</u>
Covered Employee Payroll	\$ 3,076,299	\$ 3,058,126
Contributions as a percentage of covered employee payroll	8.81%	8.53%

Ionia County, Michigan

County of Ionia Pension Plan

SCHEDULE OF INVESTMENT RETURNS

Last Three Fiscal Years (Ultimately ten fiscal years will be displayed)

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Annual money-weighted rate of return, net of investment expense	11.96%	5.96%	7.90%

Ionia County, Michigan

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended December 31, 2016

NOTE A: BUDGET/GAAP RECONCILIATION

Ionia County budgets the activities of the General Fund Designated, Budget Stabilization and Child Care funds separately from the General Fund. For financial reporting purposes and the GAAP-basis basic financial statements, however, the activities of the above mentioned funds are combined with the General Fund as required by GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The budgetary perspective difference shown on the General Fund Budgetary Comparison Schedule (Non-GAAP budgetary basis) reconciles the change in fund balance to the GAAP basis basic financial statements and the details related to these amounts are as follows:

Net change in fund balance (Budgetary Basis)	\$ (364,778)
Net change in fund balance related to:	
General Fund Designated	(752,304)
Child Care	<u>(45,042)</u>
Net actual change in fund balance (GAAP Basis)	<u><u>\$ (1,162,124)</u></u>

OTHER SUPPLEMENTARY INFORMATION

Ionia County, Michigan

General Fund

COMBINING BALANCE SHEET

December 31, 2016

	Operating	Designated	Budget Stabilization
ASSETS			
Cash and cash equivalents	\$ 1,285,907	\$ 1,761,203	\$ 5,000
Investments	244,243	748,925	-
Receivables			
Accounts	189,975	-	-
Taxes	520,628	-	-
Due from other funds	521,229	-	-
Due from other governmental units			
Federal/State	128,832	-	-
Local	108,640	-	-
Prepays	17,760	-	-
TOTAL ASSETS	<u>\$ 3,017,214</u>	<u>\$ 2,510,128</u>	<u>\$ 5,000</u>
LIABILITIES			
Accounts payable	\$ 320,297	\$ 40,163	\$ -
Accrued liabilities	140,709	-	-
Due to other funds	38,400	-	-
Due to other governmental units	25,223	-	-
TOTAL LIABILITIES	524,629	40,163	-0-
FUND BALANCES			
Nonspendable	17,760	-	-
Restricted	82,753	-	-
Committed	643,500	2,192,500	-
Assigned	126,604	277,465	-
Unassigned	1,621,968	-	5,000
TOTAL FUND BALANCES	<u>2,492,585</u>	<u>2,469,965</u>	<u>5,000</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,017,214</u>	<u>\$ 2,510,128</u>	<u>\$ 5,000</u>

Child Care	Total General Fund
\$ 303,641	\$ 3,355,751
-	993,168
-	189,975
-	520,628
-	521,229
-	128,832
-	108,640
-	17,760
<u>\$ 303,641</u>	<u>\$ 5,835,983</u>
\$ 51,452	\$ 411,912
1,760	142,469
250,000	288,400
-	25,223
<u>303,212</u>	<u>868,004</u>
-	17,760
-	82,753
429	2,836,429
-	404,069
-	1,626,968
<u>429</u>	<u>4,967,979</u>
<u>\$ 303,641</u>	<u>\$ 5,835,983</u>

Ionia County, Michigan

General Fund

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended December 31, 2016

	<u>Operating</u>	<u>Designated</u>	<u>Budget Stabilization</u>
REVENUES			
Taxes	\$ 7,006,482	\$ -	\$ -
Licenses and permits	129,732	-	-
Intergovernmental	2,231,143	6,572	-
Charges for services	1,628,261	9,870	-
Fines and forfeits	115,037	-	-
Interest and rents	125,947	11,099	-
Other	1,131,099	18,970	-
	<u>12,367,701</u>	<u>46,511</u>	<u>-0-</u>
TOTAL REVENUES	12,367,701	46,511	-0-
EXPENDITURES			
Current			
General government	6,240,640	444,515	-
Public safety	4,455,503	42,034	-
Public works	284,657	-	-
Health and welfare	355,672	359	-
Community and economic development	25,000	-	-
Recreation and cultural	111,940	-	-
Other	477,856	-	-
Capital outlay	-	658,544	-
	<u>11,951,268</u>	<u>1,145,452</u>	<u>-0-</u>
TOTAL EXPENDITURES	11,951,268	1,145,452	-0-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	416,433	(1,098,941)	-0-
OTHER FINANCING SOURCES (USES)			
Transfers in	171,645	346,637	-
Transfers out	(952,856)	-	-
	<u>(781,211)</u>	<u>346,637</u>	<u>-0-</u>
TOTAL OTHER FINANCING SOURCES (USES)	(781,211)	346,637	-0-
NET CHANGE IN FUND BALANCES	(364,778)	(752,304)	-0-
Fund balances, beginning of year	<u>2,857,363</u>	<u>3,222,269</u>	<u>5,000</u>
Fund balances, end of year	<u><u>\$ 2,492,585</u></u>	<u><u>\$ 2,469,965</u></u>	<u><u>\$ 5,000</u></u>

<u>Child Care</u>	<u>Total General Fund</u>
\$ -	\$ 7,006,482
-	129,732
324,103	2,561,818
43,078	1,681,209
-	115,037
-	137,046
-	1,150,069
<u>367,181</u>	<u>12,781,393</u>
-	6,685,155
-	4,497,537
-	284,657
931,386	1,287,417
-	25,000
-	111,940
2,214	480,070
-	658,544
<u>933,600</u>	<u>14,030,320</u>
(566,419)	(1,248,927)
551,829	1,070,111
<u>(30,452)</u>	<u>(983,308)</u>
<u>521,377</u>	<u>86,803</u>
(45,042)	(1,162,124)
<u>45,471</u>	<u>6,130,103</u>
<u>\$ 429</u>	<u>\$ 4,967,979</u>

Ionia County, Michigan
 Nonmajor Governmental Funds
 COMBINING BALANCE SHEET
 December 31, 2016

	Special		
	Resource Recovery	Building Inspection	Register of Deed Automation
ASSETS			
Cash and cash equivalents	\$ 350,641	\$ 174,333	\$ 116,761
Investments	-	-	-
Accounts receivable	9,150	-	-
Due from other governmental units			
Federal/State	-	-	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 359,791</u>	<u>\$ 174,333</u>	<u>\$ 116,761</u>
LIABILITIES			
Accounts payable	\$ 29	\$ 30,037	\$ -
Accrued liabilities	-	82	-
Due to other funds	-	-	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	29	30,119	-0-
FUND BALANCES			
Nonspendable	-	-	-
Restricted	359,362	144,214	116,761
Committed	400	-	-
Assigned	-	-	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES	<u>359,762</u>	<u>144,214</u>	<u>116,761</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 359,791</u>	<u>\$ 174,333</u>	<u>\$ 116,761</u>

Revenue

Designated Contributions	Central Dispatch	Community Corrections	Drug Forfeiture	Corrections Training	Vehicle Forfeiture
\$ 531,138	\$ 625,828	\$ 4,824	\$ 40,085	\$ 5,935	\$ 3,322
-	-	-	-	-	-
-	306,587	-	-	1,235	-
-	50,721	18,727	-	-	-
<u>\$ 531,138</u>	<u>\$ 983,136</u>	<u>\$ 23,551</u>	<u>\$ 40,085</u>	<u>\$ 7,170</u>	<u>\$ 3,322</u>
\$ -	\$ 27,497	\$ -	\$ -	\$ -	\$ -
-	16,925	335	110	200	-
-	5,829	-	-	-	-
-0-	50,251	335	110	200	-0-
-	-	-	-	-	-
-	815,385	23,216	39,975	6,970	3,322
-	117,500	-	-	-	-
531,138	-	-	-	-	-
<u>531,138</u>	<u>932,885</u>	<u>23,216</u>	<u>39,975</u>	<u>6,970</u>	<u>3,322</u>
<u>\$ 531,138</u>	<u>\$ 983,136</u>	<u>\$ 23,551</u>	<u>\$ 40,085</u>	<u>\$ 7,170</u>	<u>\$ 3,322</u>

Ionia County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

December 31, 2016

	Special		
	Sobriety Court	Special Investigative	Drug Forfeiture Fund
ASSETS			
Cash and cash equivalents	\$ 237,208	\$ 7,224	\$ 30,184
Investments	-	-	-
Accounts receivable	-	-	-
Due from other governmental units Federal/State	93,866	-	-
TOTAL ASSETS	\$ 331,074	\$ 7,224	\$ 30,184
LIABILITIES			
Accounts payable	\$ 18,896	\$ -	\$ -
Accrued liabilities	938	-	-
Due to other funds	-	-	-
TOTAL LIABILITIES	19,834	-0-	-0-
FUND BALANCES			
Nonspendable	-	-	-
Restricted	311,240	7,224	30,184
Committed	-	-	-
Assigned	-	-	-
TOTAL FUND BALANCES	311,240	7,224	30,184
TOTAL LIABILITIES AND FUND BALANCES	\$ 331,074	\$ 7,224	\$ 30,184

Revenue

Law Library	Community Development Block Grant	OCYS Basic Grant	Juvenile Accountability Block Grant	Human Services	Soldiers and Sailors Relief
\$ 29,958	\$ 36,069	\$ 225	\$ 565	\$ 7,107	\$ 4,868
-	-	-	-	-	-
-	-	2,083	-	-	-
<u>\$ 29,958</u>	<u>\$ 36,069</u>	<u>\$ 2,308</u>	<u>\$ 565</u>	<u>\$ 7,107</u>	<u>\$ 4,868</u>
\$ 1,067	\$ 1,127	\$ 2,292	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
1,067	1,127	2,292	-0-	-0-	-0-
-	-	-	-	-	-
28,891	34,942	16	565	7,107	4,868
-	-	-	-	-	-
-	-	-	-	-	-
<u>28,891</u>	<u>34,942</u>	<u>16</u>	<u>565</u>	<u>7,107</u>	<u>4,868</u>
<u>\$ 29,958</u>	<u>\$ 36,069</u>	<u>\$ 2,308</u>	<u>\$ 565</u>	<u>\$ 7,107</u>	<u>\$ 4,868</u>

Ionia County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

December 31, 2016

	Special Revenue		Debt
	Veterans' Trust	Courts Security	Health Building Debt
ASSETS			
Cash and cash equivalents	\$ 1,224	\$ 9,134	\$ 73,021
Investments	-	-	-
Accounts receivable	-	-	-
Due from other governmental units			
Federal/State	-	-	-
TOTAL ASSETS	\$ 1,224	\$ 9,134	\$ 73,021
LIABILITIES			
Accounts payable	\$ -	\$ 555	\$ -
Accrued liabilities	-	3,018	-
Due to other funds	-	-	-
TOTAL LIABILITIES	-0-	3,573	-0-
FUND BALANCES			
Nonspendable	-	-	-
Restricted	1,224	5,561	73,021
Committed	-	-	-
Assigned	-	-	-
TOTAL FUND BALANCES	1,224	5,561	73,021
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,224	\$ 9,134	\$ 73,021

<u>Capital Projects</u>	<u>Permanent Cemetery Perpetual Care</u>	<u>Total Nonmajor Governmental Funds</u>
Johnson Road Improvement		
\$ 188	\$ 16,085	\$ 2,305,927
-	250,000	250,000
-	-	316,972
-	-	165,397
<u>\$ 188</u>	<u>\$ 266,085</u>	<u>\$ 3,038,296</u>
\$ -	\$ -	\$ 81,500
-	-	21,608
-	-	5,829
-0-	-0-	108,937
-	262,928	262,928
188	-	2,014,236
-	-	117,900
-	3,157	534,295
<u>188</u>	<u>266,085</u>	<u>2,929,359</u>
<u>\$ 188</u>	<u>\$ 266,085</u>	<u>\$ 3,038,296</u>

Ionia County, Michigan

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

Year Ended December 31, 2016

	Special		
	Resource Recovery	Building Inspection	Register of Deed Automation
REVENUES			
Licenses and permits	\$ -	\$ 425,655	\$ -
Intergovernmental - Federal/State	14,108	-	-
Charges for services	111,819	-	53,015
Fine and forfeits	-	-	-
Interest and rents	-	-	228
Other	-	-	-
TOTAL REVENUES	125,927	425,655	53,243
EXPENDITURES			
Current			
General government	-	-	23,325
Public safety	-	307,455	-
Public works	65,696	-	-
Health and welfare	-	-	-
Community and economic development	-	-	-
Recreation and cultural	-	-	-
Other	-	-	-
Capital outlay	-	-	-
TOTAL EXPENDITURES	65,696	307,455	23,325
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	60,231	118,200	29,918
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	(4,243)	(37,367)	(10,000)
TOTAL OTHER FINANCING SOURCES (USES)	(4,243)	(37,367)	(10,000)
NET CHANGE IN FUND BALANCES	55,988	80,833	19,918
Fund balances, beginning of year	303,774	63,381	96,843
Fund balances, end of year	<u>\$ 359,762</u>	<u>\$ 144,214</u>	<u>\$ 116,761</u>

Revenue

Designated Contributions	Central Dispatch	Community Corrections	Drug Forfeiture	Corrections Training	Vehicle Forfeiture
\$ -	\$ -	\$ -	\$ 30,187	\$ -	\$ -
-	-	63,946	-	-	-
-	1,451,775	-	-	19,253	-
-	-	-	-	-	-
131	589	-	-	-	-
105,755	36,001	1,940	-	-	-
105,886	1,488,365	65,886	30,187	19,253	-0-
-	-	-	-	-	-
14,104	1,246,043	60,516	1,448	17,929	-
-	-	-	-	-	-
-	-	-	-	-	-
24,308	-	-	-	-	-
-	-	-	-	-	-
24,964	106,788	-	-	-	-
63,376	1,352,831	60,516	1,448	17,929	-0-
42,510	135,534	5,370	28,739	1,324	-0-
-	-	-	-	-	-
-	(77,229)	-	-	-	-
-0-	(77,229)	-0-	-0-	-0-	-0-
42,510	58,305	5,370	28,739	1,324	-0-
488,628	874,580	17,846	11,236	5,646	3,322
<u>\$ 531,138</u>	<u>\$ 932,885</u>	<u>\$ 23,216</u>	<u>\$ 39,975</u>	<u>\$ 6,970</u>	<u>\$ 3,322</u>

Ionia County, Michigan

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - CONTINUED

Year Ended December 31, 2016

	Special		
	Sobriety Court	Special Investigative	Drug Forfeiture Fund
REVENUES			
Licenses and permits	\$ -	\$ -	\$ -
Intergovernmental - Federal/State	306,283	-	-
Charges for services	-	-	-
Fine and forfeits	-	-	1,252
Interest and rents	-	-	54
Other	18,525	-	-
TOTAL REVENUES	324,808	-0-	1,306
EXPENDITURES			
Current			
General government	-	-	-
Public safety	289,202	2,217	-
Public works	-	-	-
Health and welfare	-	-	-
Community and economic development	-	-	-
Recreation and cultural	-	-	-
Other	-	-	165
Capital outlay	-	-	-
TOTAL EXPENDITURES	289,202	2,217	165
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	35,606	(2,217)	1,141
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-0-	-0-	-0-
NET CHANGE IN FUND BALANCES	35,606	(2,217)	1,141
Fund balances, beginning of year	275,634	9,441	29,043
Fund balances, end of year	<u>\$ 311,240</u>	<u>\$ 7,224</u>	<u>\$ 30,184</u>

Revenue

Law Library	Community Development Block Grant	OCYS Basic Grant	Juvenile Accountability Block Grant	Human Services	Soldiers and Sailors Relief
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	13,542	-	-	-
-	-	-	-	-	-
12,122	-	-	-	-	-
-	12	-	-	-	-
-	54,895	-	-	-	-
12,122	54,907	13,542	-0-	-0-	-0-
9,342	-	13,751	-	-	-
-	-	-	-	-	-
-	-	-	-	-	8,548
-	69,942	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
9,342	69,942	13,751	-0-	-0-	8,548
2,780	(15,035)	(209)	-0-	-0-	(8,548)
3,000	-	225	-	-	10,000
-	-	-	-	-	-
3,000	-0-	225	-0-	-0-	10,000
5,780	(15,035)	16	-0-	-0-	1,452
23,111	49,977	-	565	7,107	3,416
<u>\$ 28,891</u>	<u>\$ 34,942</u>	<u>\$ 16</u>	<u>\$ 565</u>	<u>\$ 7,107</u>	<u>\$ 4,868</u>

Ionia County, Michigan

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - CONTINUED

Year Ended December 31, 2016

	Special Revenue		Debt Service
	Veterans' Trust	Courts Security	Health Building Debt
REVENUES			
Licenses and permits	\$ -	\$ -	\$ -
Intergovernmental - Federal/State	-	-	-
Charges for services	-	46,567	-
Fine and forfeits	-	-	-
Interest and rents	-	-	73
Other	2,104	-	-
TOTAL REVENUES	2,104	46,567	73
EXPENDITURES			
Current			
General government	-	163,440	-
Public safety	-	-	-
Public works	-	-	-
Health and welfare	2,132	-	-
Community and economic development	-	-	-
Recreation and cultural	-	-	-
Other	-	-	-
Capital outlay	-	-	-
TOTAL EXPENDITURES	2,132	163,440	-0-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(28)	(116,873)	73
OTHER FINANCING SOURCES (USES)			
Transfers in	-	117,802	-
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-0-	117,802	-0-
NET CHANGE IN FUND BALANCES	(28)	929	73
Fund balances, beginning of year	1,252	4,632	72,948
Fund balances, end of year	\$ 1,224	\$ 5,561	\$ 73,021

<u>Capital Projects</u>	<u>Permanent Cemetery Perpetual Care</u>	<u>Total Nonmajor Governmental Funds</u>
Johnson Road Improvement		
\$ -	\$ -	\$ 455,842
-	-	397,879
-	-	1,682,429
-	-	13,374
-	303	1,390
-	50	219,270
<hr/>	<hr/>	<hr/>
-0-	353	2,770,184
-	29,563	239,421
-	-	1,938,914
-	-	65,696
-	-	10,680
-	-	69,942
-	-	24,308
-	-	165
-	-	131,752
<hr/>	<hr/>	<hr/>
-0-	29,563	2,480,878
-0-	(29,210)	289,306
-	-	131,027
-	-	(128,839)
<hr/>	<hr/>	<hr/>
-0-	-0-	2,188
-0-	(29,210)	291,494
188	295,295	2,637,865
<hr/>	<hr/>	<hr/>
\$ 188	\$ 266,085	\$ 2,929,359
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Ionia County, Michigan
Nonmajor Enterprise Funds
STATEMENT OF NET POSITION
December 31, 2016

	Business-type Activities		
	Airport	Principal Residence Denial Interest	Total Nonmajor Enterprise Funds
ASSETS			
Current assets			
Cash and cash equivalents	\$ 14,045	\$ 66,214	\$ 80,259
Noncurrent assets			
Capital assets not being depreciated	210,060	-	210,060
Capital assets, net of accumulated depreciation	390,786	-	390,786
Total noncurrent assets	600,846	-0-	600,846
TOTAL ASSETS	614,891	66,214	681,105
LIABILITIES			
Current liabilities			
Accrued liabilities	2,224	-	2,224
NET POSITION			
Investment in capital assets	600,846	-	600,846
Unrestricted	11,821	66,214	78,035
TOTAL NET POSITION	\$ 612,667	\$ 66,214	\$ 678,881

Ionia County, Michigan

Nonmajor Enterprise Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Year Ended December 31, 2016

	Business-type Activities		
	Airport	Principal Residence Denial Interest	Total Nonmajor Enterprise Funds
OPERATING REVENUES			
Interest and penalties on delinquent taxes	\$ -	\$ 4,224	\$ 4,224
Charges for services	77,951	-	77,951
TOTAL OPERATING REVENUES	77,951	4,224	82,175
OPERATING EXPENSES			
Operating expenses	15,634	1,625	17,259
Contractual services	57,574	-	57,574
Salaries	550	-	550
Fringe benefits	549	-	549
Depreciation	74,168	-	74,168
Other	6,043	-	6,043
TOTAL OPERATING EXPENSES	154,518	1,625	156,143
OPERATING INCOME (LOSS) BEFORE TRANSFERS	(76,567)	2,599	(73,968)
OTHER FINANCING (USES)			
Transfers out	(12,354)	-	(12,354)
CHANGE IN NET POSITION	(88,921)	2,599	(86,322)
Net position, beginning of year	701,588	63,615	765,203
Net position, end of year	<u>\$ 612,667</u>	<u>\$ 66,214</u>	<u>\$ 678,881</u>

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Ionia County, Michigan
Nonmajor Enterprise Funds
STATEMENT OF CASH FLOWS
Year Ended December 31, 2016

	Business-type Activities		
	Airport	Principal Residence Denial Interest	Total Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 78,449	\$ 4,224	\$ 82,673
Cash paid to employees and suppliers	(84,308)	(1,625)	(85,933)
Cash paid for employee benefits	(549)	-	(549)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(6,408)	2,599	(3,809)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers out	(12,354)	-	(12,354)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(18,762)	2,599	(16,163)
Cash and cash equivalents, beginning of year	32,807	63,615	96,422
Cash and cash equivalents, end of year	<u>\$ 14,045</u>	<u>\$ 66,214</u>	<u>\$ 80,259</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ (76,567)	\$ 2,599	\$ (73,968)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	74,168	-	74,168
Decrease in:			
Accounts receivable	498	-	498
Increase (decrease) in:			
Accounts payable	(4,932)	-	(4,932)
Accrued liabilities	425	-	425
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (6,408)</u>	<u>\$ 2,599</u>	<u>\$ (3,809)</u>

Ionia County, Michigan

Agency Funds

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

December 31, 2016

	<u>Trust and Agency</u>	<u>Current Tax</u>	<u>Payroll</u>	<u>Library</u>
ASSETS				
Cash and cash equivalents	\$ 2,171,883	\$ 239,216	\$ 245,229	\$ 212,209
Cash - restricted	43,506	-	-	-
Deposit with agent	-	-	-	-
TOTAL ASSETS	<u>\$ 2,215,389</u>	<u>\$ 239,216</u>	<u>\$ 245,229</u>	<u>\$ 212,209</u>
LIABILITIES				
Due to other governmental units	\$ 1,988,621	\$ 222,298	\$ -	\$ 181,487
Due to individuals and agencies	226,768	16,918	245,229	30,722
TOTAL LIABILITIES	<u>\$ 2,215,389</u>	<u>\$ 239,216</u>	<u>\$ 245,229</u>	<u>\$ 212,209</u>

<u>Mid-West Michigan Trail Authority</u>	<u>Employee Flex Account</u>	<u>Employee Benefit Account</u>	<u>Inmate Trust</u>	<u>Total Agency Funds</u>
\$ 107,698	\$ 35,268	\$ (481,426)	\$ 22,889	\$ 2,552,966
-	-	-	-	43,506
-	-	342,877	-	342,877
<u>\$ 107,698</u>	<u>\$ 35,268</u>	<u>\$ (138,549)</u>	<u>\$ 22,889</u>	<u>\$ 2,939,349</u>
\$ -	\$ -	\$ -	\$ -	\$ 2,392,406
107,698	35,268	(138,549)	22,889	546,943
<u>\$ 107,698</u>	<u>\$ 35,268</u>	<u>\$ (138,549)</u>	<u>\$ 22,889</u>	<u>\$ 2,939,349</u>

Ionia County, Michigan

Component Unit Funds

COMBINING BALANCE SHEET/STATEMENT OF NET POSITION - DRAINAGE DISTRICTS

December 31, 2016

	Capital Projects		Internal Service	Total
	County Drain	Brisbin Village Drain	Drain Equipment Revolving	
ASSETS				
Cash and cash equivalents	\$ 1,156,772	\$ 5,503	\$ 58,209	\$ 1,220,484
Special assessments receivable	939,759	-	-	939,759
Due from other governmental units	-	49,816	-	49,816
TOTAL ASSETS	\$ 2,096,531	\$ 55,319	\$ 58,209	\$ 2,210,059
LIABILITIES				
Accounts payable	\$ 105,268	\$ 237	\$ 10,725	\$ 116,230
Due to other governmental units	52,122	55,000	8,800	115,922
TOTAL LIABILITIES	157,390	55,237	19,525	232,152
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	939,559	-	-	939,559
FUND EQUITY				
Net position				
Unrestricted	-	-	38,684	38,684
Fund balances				
Restricted for capital expenditures	999,582	82	-	999,664
TOTAL FUND EQUITY	999,582	82	38,684	1,038,348
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND EQUITY	\$ 2,096,531	\$ 55,319	\$ 58,209	\$ 2,210,059

Ionia County, Michigan

Component Unit Funds

RECONCILIATION OF THE COMBINING BALANCE SHEET TO THE
STATEMENT OF NET POSITION - DRAINAGE DISTRICTS

December 31, 2016

Fund balances - total governmental funds \$ 999,664

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental fund.

The cost of capital assets is	\$ 10,302,144	
Accumulated depreciation is	<u>(3,894,512)</u>	
Capital assets, net		6,407,632

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the Internal Service Fund are included in the governmental activities in the Government-wide Statement of Net Position. 38,684

Long-term receivables are not available to pay for current period expenditures and are therefore unavailable in the funds. These consist of:

Unavailable revenue		939,559
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Long-term liabilities at year-end consist of:

Bonds and notes payable	(1,530,866)	
Accrued interest payable	<u>(18,980)</u>	
		<u>(1,549,846)</u>

Net position of governmental activities		<u><u>\$ 6,835,693</u></u>
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Ionia County, Michigan

Component Unit Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - DRAINAGE DISTRICTS

Year Ended December 31, 2016

	<u>County Drain</u>	<u>Brisbin Village Drain</u>	<u>Total</u>
REVENUES			
Intergovernmental	\$ -	\$ 800	\$ 800
Interest	2,558	-	2,558
Other			
Special assessments	<u>879,936</u>	<u>-</u>	<u>879,936</u>
TOTAL REVENUES	882,494	800	883,294
EXPENDITURES			
Current			
Public works	584,340	-	584,340
Debt service			
Principal	474,808	388	475,196
Interest	<u>48,410</u>	<u>350</u>	<u>48,760</u>
TOTAL EXPENDITURES	<u>1,107,558</u>	<u>738</u>	<u>1,108,296</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(225,064)	62	(225,002)
OTHER FINANCING SOURCES			
Note proceeds	<u>229,100</u>	<u>-</u>	<u>229,100</u>
NET CHANGE IN FUND BALANCES	4,036	62	4,098
Fund balances, beginning of year	<u>995,546</u>	<u>20</u>	<u>995,566</u>
Fund balances, end of year	<u>\$ 999,582</u>	<u>\$ 82</u>	<u>\$ 999,664</u>

Ionia County, Michigan

Component Unit Funds

RECONCILIATION OF THE COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES - DRAINAGE DISTRICTS

Year Ended December 31, 2016

Net change in fund balances - total governmental funds \$ 4,098

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

In the statement of activities, the cost of capital assets is allocated over their useful lives as depreciation expense. In the current period, this amount is:

Depreciation expense	(206,043)
----------------------	-----------

Internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net position for the internal service funds was:

(19,070)

Revenues in the statements of activities that do not provide current financial resources are not reported as revenues in the funds. In the current period, these amounts consist of:

Decrease in unavailable revenue	(243,565)
---------------------------------	-----------

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net position. In the current year, these amounts consist of:

Long-term debt proceeds	\$ (229,100)	
Note principal retirement	475,196	
	475,196	

246,096

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued interest payable	4,415
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Change in net position of governmental activities \$ (214,069)

Ionia County, Michigan

Component Unit Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND - DRAINAGE DISTRICTS

Year Ended December 31, 2016

	<u>Drain Equipment Revolving</u>
OPERATING REVENUES	
Charges for services	\$ 19,057
OPERATING EXPENSES	
Contractual services	<u>38,127</u>
CHANGE IN NET POSITION	(19,070)
Net position, beginning of year	<u>57,754</u>
Net position, end of year	<u><u>\$ 38,684</u></u>

Ionia County, Michigan

Component Unit Funds

STATEMENT OF CASH FLOWS
PROPRIETARY FUND - DRAINAGE DISTRICTS

Year Ended December 31, 2016

	Drain Equipment Revolving
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from users	\$ 19,057
Cash paid to suppliers	<u>(37,411)</u>
NET (DECREASE) IN CASH AND CASH EQUIVALENTS DURING YEAR	(18,354)
Cash and cash equivalents, beginning of year	<u>76,563</u>
Cash and cash equivalents, end of year	<u><u>\$ 58,209</u></u>
Reconciliation of operating (loss) to net cash provided by operating activities	
Operating (loss)	\$ (19,070)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities	
Increase in accounts payable/due to other governmental units	<u>716</u>
NET CASH (USED) BY OPERATING ACTIVITIES	<u><u>\$ (18,354)</u></u>

Ionia County, Michigan

Component Unit Funds

STATEMENT OF NET POSITION - LAND BANK AUTHORITY

December 31, 2016

	<u>Enterprise</u>
ASSETS	
Cash and cash equivalents	\$ 40,039
LIABILITIES	
	<u>-</u>
NET POSITION	
Unrestricted	<u>\$ 40,039</u>

Ionia County, Michigan

Component Unit Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION - LAND BANK AUTHORITY

Year Ended December 31, 2016

	<u>Enterprise</u>
OPERATING REVENUES	
Property tax revenue	\$ 134
Charges for services	<u>7,920</u>
TOTAL REVENUES	8,054
OPERATING EXPENSES	
Other	<u>1,271</u>
CHANGE IN NET POSITION	6,783
Net position, beginning of year	<u>33,256</u>
Net position, end of year	<u><u>\$ 40,039</u></u>

Ionia County, Michigan

Component Unit Funds

STATEMENT OF CASH FLOWS - LAND BANK AUTHORITY

Year Ended December 31, 2016

	<u>Enterprise</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	\$ 8,054
Cash paid to suppliers	<u>(1,271)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	6,783
Cash and cash equivalents, beginning of year	<u>33,256</u>
Cash and cash equivalents, end of year	<u>\$ 40,039</u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	<u>\$ 6,783</u>

Ionia County, Michigan

**SUPPLEMENTARY INFORMATION TO
BASIC FINANCIAL STATEMENTS
(FEDERAL AWARDS)**

December 31, 2016

Ionia County, Michigan

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

To the Board of Commissioners
of Ionia County
Ionia, Michigan

Report on Compliance for Each Major Federal Program

We have audited Ionia County, 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 Ionia County's major federal programs for the year ended December 31, 2016. Ionia County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Ionia County, Michigan's basic financial statements include the operations of the Ionia County Road Commission, which received \$942,899 in federal awards which is not included in the schedule during the year ended December 31, 2016. Contracted projects are defined as projects performed by private contractors paid for an administrated by MDOT. The contracted federal projects are not subject to single audit requirements by the road commissions, as they are included in MDOT's single audit. Negotiated projects are defined as projects performed by road commission employees or private contractors paid for and administered by the road commission which are subject to single audit requirements, if the amount expended is \$750,000 or more.

Management's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Ionia County, 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 December 31, 2016.

Report on Internal Control Over Compliance

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

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

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

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Ionia County as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise Ionia County's basic financial statements. We did not audit the financial statements of the Ionia County Road Commission which represents 86 percent, 86 percent, and 95 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. We issued our report thereon dated June 5, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

June 5, 2017

Ionia County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2016

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through Michigan Department of Community Health			
Women, Infants and Children (WIC) ^(c)	10.557		
FY 15-16 Regular		IW100342	\$ 225,069
FY 16-17 Regular		IW100342	68,658
FY 15-16 Peer Counseling		IW100342	8,138
FY 15-16 Peer Counseling		W500342	16,276
FY 16-17 Peer Counseling		W500342	7,073
FY 16-17 Peer Counseling		IW100342	<u>3,536</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			328,750
U.S. DEPARTMENT OF JUSTICE			
Passed through Office of Community Oriented Police Services			
State Criminal Alien Assistance Program	16.606		
2016		N/A	1,212
Passed through Michigan State Police			
Edward Byrne Memorial Justice Assistance Grant Program	16.738		
2014		N/A	359
2016		N/A	<u>817</u>
			1,176
Passed through Office of Drug Control Policy			
and the County of Mecosta			
Edward Byrne Memorial Justice Assistance Grant Program	16.738		
2016		72082	<u>11,711</u>
TOTAL U.S. DEPARTMENT OF JUSTICE			14,099
ENVIRONMENTAL PROTECTION AGENCY			
Passed through Michigan Department of Environmental Quality			
Capitalization Grants for Drinking Water State Revolving Funds	66.468		
FY 2015-2016		N/A	329
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through Michigan Department of Office on Services to the			
Aging and Area Agency on Aging of Western Michigan			
Title III-D Special Programs for Aging	93.043		
(In-Home Services)			
FY 15-16		N/A	10,684
FY 16-17		N/A	<u>4,218</u>
			14,902
Title III-B Special Programs for Aging ^(d)	93.044		
(Chore, Case Coordination, Homecare Assistance,			
In-Home Respite, and Information and Assistance)			
FY 15-16		N/A	9,802
FY 16-17		N/A	<u>5,088</u>
			14,890

Ionia County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended December 31, 2016

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES - CONTINUED			
Passed through Michigan Department of Office on Services to the Aging and Area Agency on Aging of Western Michigan - continued			
Title III-C Special Programs for the Aging ^(d) (Nutrition Services)	93.045		
FY 15-16 Nutrition Congregate		61.54	\$ 34,702
FY 16-17 Nutrition Congregate		61.54	8,910
FY 15-16 Nutrition Home Delivered Meals		61.54	47,532
FY 16-17 Nutrition Home Delivered Meals		61.54	<u>16,252</u>
			107,396
 Title III-E Special Programs for Aging (Nation Family Caregiver Support Program)	 93.052		
FY 15-16		N/A	2,400
FY 16-17		N/A	<u>234</u>
			2,634
 Nutrition Services Incentive Program ^(d)	 93.053		
FY 15-16 Nutrition Congregate		61.54	4,730
FY 15-16 Nutrition Home Delivered Meals		61.54	35,743
FY 16-17 Nutrition Congregate		61.54	1,247
FY 16-17 Nutrition Home Delivered Meals		61.54	<u>10,680</u>
			52,400
 Passed through Michigan Department of Community Health Public Health Emergency Preparedness	 93.069		
FY 15-16 Focus A		NU90TP000528	89,544
FY 16-17 Focus A		NU90TP000528	<u>22,079</u>
			111,623
 Immunization Grants	 93.268		
FY 15-16 IAP		H23 CCH522556	14,975
FY 16-17 IAP		H23 CCH522556	9,416
FY 15-16 Vaccine Supply		N/A	135,771
FY 16-17 Vaccine Supply		N/A	<u>27,850</u>
			188,012
 Medical Assistance Program	 93.778		
Childrens Special Health Care Services			
FY 15-16		05 U05M15ADM	14,018
FY 16-17		05 U05M15ADM	7,327
Medicaid Outreach			
FY 15-16		05 U05M15ADM	11,889
FY 16-17		05 U05M15ADM	<u>928</u>
			34,162

Ionia County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended December 31, 2016

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES - CONTINUED			
Passed through Michigan Department of Community Health - continued			
Maternal & Child Health Services Block Grant States FY 15-16 Local MCH	93.994	B1MIMCHS	\$ 33,830
Passed through Michigan Department of Health and Human Services			
Child Support Enforcement (Title IV-D) ^(c) Cooperative Reimbursement - Friend of the Court ^(a) 2015-2016	93.563	CS/FOC-13-34001	314,316
2016-2017		CS/FOC-17-34001	136,796
Cooperative Reimbursement - Prosecuting Attorney ^(a) 2015-2016		CS/PA-13-34002	49,010
2016-2017		CS/PA-17-34002	19,604
Child Support Enforcement (Title IV-D) ^(c) Legal Services - Prosecuting Attorney Federal Incentive Payments - FOC ^(b) 2016	93.563	N/A	<u>106,686</u>
			626,412
Passed through Clinton, Eaton, Ingham Community Mental Health and Michigan Department of Community Health FY 16/17 Treatment, Prevention, and Women's Specialty	93.959	N/A	<u>100,697</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			1,286,958
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed through Michigan Department of Natural Resources			
Boating Safety Financial Assistance	97.012	N/A	4,789
Emergency Management Performance Grants 2016	97.042	N/A	16,634
Passed through West Michigan Shoreline Regional Development Commission			
Homeland Security Grant Program	97.067	N/A	<u>18,214</u>
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			<u>39,637</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 1,669,773</u></u>

There were no funds that were provided to sub-recipients from the above programs. Noncash assistance in the form of vaccine supply was provided to the County in 2016 and is reflected in the above schedule.

Ionia County, Michigan

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2016

NOTE A: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of Ionia County, Michigan and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements, which are reconciled in Note C. The County has elected not to use the 10 percent *de minimus* indirect rate allowed under the Uniform Guidance.

Federal Awards of the Ionia County Road Commission are excluded from the accompanying Schedule of Expenditures of Federal Awards. The Michigan Department of Transportation (MDOT) requires that road commissions report all Federal and State grants pertaining to their county. During the year ended December 31, 2016, the Federal aid received and expended by the Road Commission was \$942,899 for contracted projects. Contracted projects are defined as projects performed by private contractors paid for and administered by MDOT (they are included in MDOT's single audit). Negotiated projects are projects where the road commission administers the grant and either performs the work or contracts it out. The Road Commission would be subject to single audit requirements if it expended \$750,000 or more for negotiated projects.

NOTE B: SUMMARY OF SIGNIFICANT EXPLANATIONS OF SCHEDULE

The following descriptions identified below as (a) - (d) represent explanations that cross reference to amounts on the Schedule of Expenditures of Federal Awards:

- (a) Reimbursements of these contracts are passed through the State Department of Human Services (DHS). The amounts reported on the Schedule of Expenditures of Federal Awards represent the Federal portion of the respective amounts based on 66% of Title IV-D eligible expenditures for the applicable grants. The entire amount paid by DHS for the reimbursed expenditures is considered Federal.
- (b) The reimbursements for the IV-D Incentive Payments Program are based on support payments collected. Expenditures have been reported to the extent of earned revenues.
- (c) Denotes programs tested as "major programs".
- (d) Program considered a cluster by the U.S. Department of Health and Human Services.

Ionia County, Michigan

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended December 31, 2016

NOTE C: RECONCILIATION TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The following reconciles the intergovernmental revenues reported in the December 31, 2016 basic financial statements to the expenditures of the County administered federal programs reported on the Schedule of Expenditures of Federal Awards:

	<u>Federal/ State/Local Revenue</u>	<u>Less State/Local Revenue</u>	<u>Federal Award Expenditures</u>
PRIMARY GOVERNMENT			
GENERAL FUND			
Cooperative Reimbursement - Prosecutor	\$ 68,614	\$ -	\$ 68,614
Emergency Management	16,634	-	16,634
Marine Safety	4,789	-	4,789
Byrne Grant	12,887	-	12,887
SCAAP Grant	1,212	-	1,212
Homeland Security Grant	18,214	-	18,214
Other Programs	<u>2,439,468</u>	<u>2,439,468</u>	<u>-0-</u>
TOTAL GENERAL FUND	2,561,818	2,439,468	122,350
SPECIAL REVENUE FUNDS			
Friend of the Court	656,376	98,578	557,798
Public Health	1,322,285	524,882	797,403
Commission on Aging	323,136	130,914	192,222
Other Programs	<u>397,879</u>	<u>397,879</u>	<u>-0-</u>
TOTAL SPECIAL REVENUE FUNDS	<u>2,699,676</u>	<u>1,152,253</u>	<u>1,547,423</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 5,261,494</u>	<u>\$ 3,591,721</u>	<u>\$ 1,669,773</u>

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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 Board of Commissioners
of Ionia County
Ionia, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Ionia County, Michigan as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise Ionia County's basic financial statements and have issued our report thereon dated June 05, 2017. We did not audit the financial statements of the Ionia County Road Commission which represents 86 percent, 86 percent, and 95 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We consider the deficiency described in the accompanying schedule of findings and questioned costs as 2016-001 to be a material weakness.

Compliance and Other Matters

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

Ionia County's Response to Finding

Ionia County's response to the finding identified in our audit is described in the corrective action plan. Ionia County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

June 5, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2016

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? X Yes No

Significant deficiency(ies) identified? Yes X No

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes X No

Significant deficiency(ies) identified? Yes X None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported with 2 CFR 200.516(a)? Yes X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.557	Women, Infants, and Children (WIC)
93.563	Child Support Enforcement

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? Yes X No

Section II - Financial Statement Findings

2016-001 MATERIAL JOURNAL ENTRIES PROPOSED BY AUDITORS

Condition: Material journal entries for the proper recognition of taxes receivable, and related unavailable revenue, accumulated depreciation and depreciation expense, and changes in pension investment balances were proposed by the auditors. These misstatements were not detected by the County's internal control over financial reporting. These entries were brought to the attention of management and were subsequently recorded in the County's general ledger. A similar issue was noted and reported in our audit comments last year.

Criteria: Statement on Auditing Standards No. 115 (SAS 115), *Communicating Internal Control Related Matters Identified in an Audit*, emphasizes that management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows (where applicable), including the notes to the financial statements, in conformity with U.S. generally accepted accounting principles.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year Ended December 31, 2016

Section II - Financial Statement Findings - Continued

2016-001 MATERIAL JOURNAL ENTRIES PROPOSED BY AUDITORS - CONTINUED

Cause: Misstatements were not identified and corrected by management.

Effect: Without the recording of these journal entries the financial statements would have been materially misstated.

Recommendation: We recommend that the County take steps to ensure that material journal entries are not necessary at the time future audit analysis is performed.

Section III - Federal Award Findings and Questioned Costs

None noted.

Ionia County, Michigan

CORRECTIVE ACTION PLAN

Year Ended December 31, 2016

2016-001 MATERIAL JOURNAL ENTRIES PROPOSED BY AUDITORS

County personnel responsible for resolution: Stephanie Fox, County Administrator and Judy Clark, Treasurer.

Corrective action plan response: The County will take steps to ensure that material journal entries are processed.

Anticipated completion date: Prior to December, 2018.

Ionia County, Michigan

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

Year Ended December 31, 2016

FINDINGS/NONCOMPLIANCE

Significant Deficiencies and Material Weaknesses Related to Internal Controls Over the Financial Statements.

2015-001 Material Journal Entries Proposed By Auditors

Condition: Material journal entries for the proper recognition of taxes receivable and related unavailable revenue, accumulated depreciation and depreciation expense, and changes in pension investment balances were proposed by the auditors. These misstatements were not detected by the County's internal control over financial reporting. These entries were brought to the attention of management and were subsequently recorded in the County's general ledger. A similar issue was noted and reported in our audit comments last year.

Resolution: A similar issue was noted during the current audit and the condition is repeated.

Findings Related to Compliance with Requirements Applicable to Financial Statements.

None noted.

Findings Related to Compliance with Requirements Applicable to Federal Awards and Internal Control Over Compliance in Accordance with Uniform Guidance.

None noted.