

IOSCO COUNTY
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015

NOTE 7 - LONG-TERM LIABILITIES

Primary Government:

A. Bonds Payable

	<u>Governmental</u>	<u>Business-Type</u>
\$2,015,000 2009 Building Authority Refunding Bonds, dated April 1, 2009 for the purpose of refunding the Iosco County Building Authority of 1984 Building Authority Bonds, due in annual installments through June 1, 2018, bearing interest at the rates of 3% to 4%, paid from the 2009 Building Authority Refunding Bond Fund.	\$ 730,000	\$ 0
\$605,000 2009 Capital Improvement Bonds, dated June 1, 2009 for the purpose of renovating the Iosco County Jail and Administrative Building, due in annual installments through March 1, 2019, bearing interest at the rate of 4.15%, paid from the 2009 Capital Improvement Bond Fund.	265,000	0
\$550,000 Iosco County - Alabaster Township Water System Project Bonds, dated August 1, 2000, due in annual installments through May 1, 2020, bearing interest at the rates of 5.05% to 6.25%, paid from the Alabaster Water Fund. This bond issue is being funded by Alabaster Township.	0	150,000
\$70,000 Iosco County Water Supply System No. 2 Series II Bonds, dated April 26, 1978, due in annual installments through January 1, 2017, bearing interest at the rate of 5%, paid from the AuSable D.P.W. #2 Series II Fund. This bond issue is being funded by AuSable Township.	0	3,000
\$355,000 Iosco County - Baldwin Township 2002 Water Project Bonds, dated January 1, 2003, due in annual installments through May 1, 2022, bearing interest at the rates of 3.75% to 5%, paid from the Baldwin Water 2002 Fund. This bond issue is being funded by Baldwin Township.	0	160,000
Total Bonds Payable	995,000	313,000

B. Capital Leases Payable

	<u>Governmental</u>	<u>Business-Type</u>
On April 28, 2015, the County entered into a lease agreement with Zubek Motors, Inc. for the lease of a 2015 Dodge Ram 1500 Animal Control Truck. The equipment has been recorded as a capital asset at its purchase price. Amortization of the leased equipment is included in depreciation expense. The capital lease is repayable over 3 years at a 4.75% interest rate.	16,342	0
Total Primary Government	\$ 1,011,342	\$ 313,000

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NOTE 7 - LONG-TERM LIABILITIES (CONTINUED)

Component Units:

C. Bonds Payable

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

<u>Governmental</u>	<u>Business-Type</u>
\$ <u>805,000</u>	\$ <u>0</u>

D. Compensated Absences Payable

The County has an accrued liability for accumulated vested vacation and sick leave benefits of its employees. As of December 31, 2015, the accumulated vested vacation and sick leave benefits of the employees of various County departments and its component units were as follows:

	Current Liability	Long-Term Liability	Total Balance
<u>Accrued Employee Benefits Payable</u>	<u>12/31/15</u>	<u>12/31/15</u>	<u>12/31/15</u>
<u>Primary Government</u>			
Governmental Activities	\$ 5,413	\$ 372,303	\$ 377,716
Business-Type Activities	<u>230,300</u>	<u>0</u>	<u>230,300</u>
	<u>\$ 235,713</u>	<u>\$ 372,303</u>	<u>\$ 608,016</u>
<u>Component Unit</u>			
Road Commission	<u>\$ 0</u>	<u>\$ 170,905</u>	<u>\$ 170,905</u>

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

E. Health Insurance

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

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For the Year Ended December 31, 2015

NOTE 7 - LONG-TERM LIABILITIES (CONTINUED)

E. Health Insurance (Continued)

The changes in the Health Insurance claims liability for the year ended December 31, 2015 are as follows:

	12/31/2015
Claims Liability, Beginning of Year	\$ 91,544
Claims and Damages Incurred	978,937
Claims Payments	(1,018,630)
Claims Liability, End of Year	\$ 51,851

F. Changes in Long-Term Liabilities

The following is a summary of long-term debt transactions of the County for the year ended December 31, 2015:

	<u>Balance</u> <u>01/01/15</u>	<u>Issues or</u> <u>Additions</u>	<u>Payments or</u> <u>Expenditures</u>	<u>Balance</u> <u>12/31/15</u>	<u>Due Within</u> <u>One Year</u>
<u>Governmental Activities</u>					
Primary Government:					
Bonds Payable	\$ 1,290,000	\$ 0	\$ (295,000)	\$ 995,000	\$ 320,000
Installment Purchase Agreements Payable	58,191	0	(58,191)	0	0
Capital Leases Payable	0	25,099	(8,757)	16,342	7,981
Net Pension Liability	5,777,029	266,375 *	0	6,043,404	0
Incurred but not Reported Insurance Claims	91,544	0	(39,693)*	51,851	51,851
Compensated Absences	369,701	8,015 *	0	377,716	5,413
Total Primary Government	\$ 7,586,465	\$ 299,489	\$ (401,641)	\$ 7,484,313	\$ 385,245
Component Units:					
Bonds Payable	\$ 940,000	\$ 0	\$ (135,000)	\$ 805,000	\$ 115,000
Net OPEB Obligation	188,111	22,024	(18,295)	191,840	0
Net Pension Liability	2,569,423	560,753 *	0	3,130,176	0
Compensated Absences	158,750	44,665	(32,510)	170,905	0
Total Component Units	\$ 3,856,284	\$ 627,442	\$ (185,805)	\$ 4,297,921	\$ 115,000
<u>Business-Type Activities</u>					
Primary Government:					
Bonds Payable	\$ 386,000	\$ 0	\$ (73,000)	\$ 313,000	\$ 50,000
Net Pension Liability	1,427,414	112,749 *	0	1,540,163	0
Compensated Absences	270,134	0	(39,834)*	230,300	230,300
Total Primary Government	\$ 2,083,548	\$ 112,749	\$ (112,834)	\$ 2,083,463	\$ 280,300

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NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015

NOTE 7 - LONG-TERM LIABILITIES (CONTINUED)

F. Changes in Long-Term Liabilities (Continued)

*Represents net of additions and retirements for the year.

See Note 11 for further detail of the Net Pension Liability.

The interest expenditures on long-term obligations for the year were \$64,025 for the primary government and \$35,650 for the Drain Commission.

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

The annual aggregate maturities for all debt outstanding (excluding compensated absences, net pension obligations and health insurance claims) as of December 31, 2015 are as follows:

Primary Government

Bonds Payable	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2016	\$ 320,000	\$ 33,753	\$ 50,000	\$ 15,462	\$ 419,215
2017	345,000	20,359	53,000	12,787	431,146
2018	260,000	8,157	50,000	9,993	328,150
2019	70,000	1,452	55,000	7,104	133,556
2020	0	0	55,000	4,044	59,044
2021 - 2022	0	0	50,000	2,500	52,500
Total	\$ 995,000	\$ 63,721	\$ 313,000	\$ 51,890	\$ 1,423,611

Capital Leases Payable	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2016	\$ 7,981	\$ 777	\$ 0	\$ 0	\$ 8,758
2017	8,361	397	0	0	8,758
Total	\$ 16,342	\$ 1,174	\$ 0	\$ 0	\$ 17,516

Component Units

Bonds Payable	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2016	\$ 115,000	\$ 29,900	\$ 0	\$ 0	\$ 144,900
2017	115,000	25,300	0	0	140,300
2018	115,000	20,700	0	0	135,700
2019	115,000	16,100	0	0	131,100
2020	115,000	11,500	0	0	126,500
2021 - 2022	230,000	9,200	0	0	239,200
Total	\$ 805,000	\$ 112,700	\$ 0	\$ 0	\$ 917,700