

IOSCO COUNTY
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2017

NOTE 6 - LONG-TERM LIABILITIES

Primary Government:

A. Bonds Payable

	<u>Governmental</u>	<u>Business-Type</u>
<p>\$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.</p>	\$ 190,000	\$ 0
<p>\$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.</p>	140,000	0
<p>\$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.</p>	0	90,000
<p>\$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.</p>	0	120,000
<p>Total Bonds Payable</p>	330,000	210,000

B. Installment Purchase Agreements Payable

	<u>Governmental</u>	<u>Business-Type</u>
<p>On October 5, 2016, the County entered into an installment purchase agreement with Computer Systems, Inc. (CSI) in the amount of \$29,975 for the purchase of CSI Title 1 Solution software. This software has been recorded as a capital asset at its purchase price. This agreement is repayable in 60 monthly installments of \$500. The agreement does not bear interest on the unpaid balance.</p>	\$ 23,480	\$ 0
<p>On May 4, 2017, the County entered into an installment purchase agreement with Carrier SI, Inc. in the amount of \$59,478 for the purchase of the Avaya telephone system. This phone system has been recorded as a capital asset at its purchase price. This agreement is repayable in 59 monthly installments of \$992 and one of \$950. The agreement does not bear interest on the unpaid balance.</p>	53,529	0
<p>Total Installment Purchase Agreements Payable</p>	77,009	0

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For the Year Ended December 31, 2017

NOTE 6 - LONG-TERM LIABILITIES (CONTINUED)

Primary Government: (Continued)

C. Capital Leases Payable

On March 3, 2017, the County entered into a lease agreement with Ford Motor Credit Company LLC for the lease of a 2017 Ford Police Interceptor Utility vehicle in the amount of \$28,635. The vehicle 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 6.00% interest rate.

	<u>Governmental</u>	<u>Business-Type</u>
	18,529	0
Total Primary Government	\$ <u>425,538</u>	\$ <u>210,000</u>

Component Units:

D. 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>575,000</u>	\$ <u>0</u>

E. Compensated Absences Payable

The County has an accrued liability for accumulated vested vacation and sick leave benefits of its employees. As of December 31, 2017, the accumulated vested vacation and sick leave benefits of the employees of various County departments and its component units were as follows:

	<u>Current Liability</u>	<u>Long-Term Liability</u>	<u>Total Balance</u>
<u>Accrued Employee Benefits Payable</u>	<u>12/31/17</u>	<u>12/31/17</u>	<u>12/31/17</u>
<u>Primary Government</u>			
Governmental Activities	\$ 0	\$ 337,057	\$ 337,057
Business-Type Activities	<u>225,319</u>	<u>0</u>	<u>225,319</u>
	<u>\$ 225,319</u>	<u>\$ 337,057</u>	<u>\$ 562,376</u>
<u>Component Unit</u>			
Road Commission	<u>\$ 0</u>	<u>\$ 145,800</u>	<u>\$ 145,800</u>

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

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NOTE 6 - LONG-TERM LIABILITIES (CONTINUED)

F. Health Insurance

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

The changes in the Health Insurance claims liability for the year ended December 31, 2017 are as follows:

	12/31/2017
Claims Liability, Beginning of Year	\$ 119,949
Claims and Damages Incurred	1,143,360
Claims Payments	(1,223,516)
Claims Liability, End of Year	\$ 39,793

G. Changes in Long-Term Liabilities

The following is a summary of long-term debt transactions of the County for the year ended December 31, 2017:

	Balance 01/01/17	Issues or Additions	Payments or Expenditures	Balance 12/31/17	Due Within One Year
<u>Governmental Activities</u>					
Primary Government:					
Bonds Payable	\$ 675,000	\$ 0	\$ (345,000)	\$ 330,000	\$ 260,000
Installment Purchase					
Agreements Payable	29,475	59,478	(11,944)	77,009	17,393
Capital Leases Payable	8,361	28,635	(18,467)	18,529	8,995
Net Pension Liability	7,996,353	0	(387,526)*	7,608,827	0
Incurring but not Reported					
Insurance Claims	119,949	0	(80,156)*	39,793	39,793
Compensated Absences	343,503	0	(6,446)*	337,057	34,386
Total Primary Government	\$ 9,172,641	\$ 88,113	\$ (849,539)	\$ 8,411,215	\$ 360,567
Component Units:					
Bonds Payable	\$ 690,000	\$ 0	\$ (115,000)	\$ 575,000	\$ 115,000
Net OPEB Obligation	204,621	24,031	(8,977)	219,675	0
Net Pension Liability	3,341,745	0	(399,888)*	2,941,857	0
Compensated Absences	149,569	0	(3,769)*	145,800	0
Total Component Units	\$ 4,385,935	\$ 24,031	\$ (527,634)	\$ 3,882,332	\$ 115,000

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For the Year Ended December 31, 2017

NOTE 6 - LONG-TERM LIABILITIES (CONTINUED)

G. Changes in Long-Term Liabilities (Continued)

<u>Business-Type Activities</u>	<u>Balance</u> 01/01/17	<u>Issues or</u> <u>Additions</u>	<u>Payments or</u> <u>Expenditures</u>	<u>Balance</u> 12/31/17	<u>Due Within</u> <u>One Year</u>
Primary Government:					
Bonds Payable	\$ 260,000	\$ 0	\$ (50,000)	\$ 210,000	\$ 50,000
Net Pension Liability (Asset)	1,086,296	0	(1,109,173)*	(22,877)	0
Compensated Absences	<u>194,686</u>	<u>30,633</u> *	<u>0</u>	<u>225,319</u>	<u>225,319</u>
Total Primary Government	<u>\$ 1,540,982</u>	<u>\$ 30,633</u>	<u>\$ (1,159,173)</u>	<u>\$ 412,442</u>	<u>\$ 275,319</u>

*Represents net of additions and retirements for the year.

See Note 10 for further detail of the Net Pension Liability.

The interest expenditures on long-term obligations for the year were \$33,439 for the primary government and \$26,050 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, net OPEB obligations, and health insurance claims) as of December 31, 2017 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>	
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	0	0	25,000	1,875	26,875
2022	<u>0</u>	<u>0</u>	<u>25,000</u>	<u>625</u>	<u>25,625</u>
Total	<u>\$ 330,000</u>	<u>\$ 9,609</u>	<u>\$ 210,000</u>	<u>\$ 23,641</u>	<u>\$ 573,250</u>

**Installment Purchase
Agreements Payable**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2018	\$ 17,393	\$ 0	\$ 0	\$ 0	\$ 17,393
2019	17,893	0	0	0	17,893
2020	17,893	0	0	0	17,893
2021	17,893	0	0	0	17,893
2022	<u>5,937</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,937</u>
Total	<u>\$ 77,009</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 77,009</u>

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NOTES TO FINANCIAL STATEMENTS
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NOTE 6 - LONG-TERM LIABILITIES (CONTINUED)

Capital Leases Payable

	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
2018	\$ 8,995	\$ 1,112	\$ 0	\$ 0	\$ 10,107
2019	9,534	572	0	0	10,106
Total	<u>\$ 18,529</u>	<u>\$ 1,684</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 20,213</u>

Component Units

Bonds Payable

	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
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	115,000	6,900	0	0	121,900
2022	115,000	2,300	0	0	117,300
Total	<u>\$ 575,000</u>	<u>\$ 57,500</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 632,500</u>