



COMPREHENSIVE ANNUAL FINANCIAL REPORT

ST. CLAIR COUNTY, MICHIGAN

FOR THE YEAR ENDED DECEMBER 31, 2017

**Current members of the
BOARD OF COMMISSIONERS**

Jeffrey L. Bohm, Chairperson
Bill Gratopp, Vice Chairperson
Howard T. Heidemann
Greg McConnell
Duke Dunn
David Rushing
Karl Tomion

Prepared by:
ADMINISTRATOR/CONTROLLER'S OFFICE

Karry Hepting, CPA, Administrator/Controller
Danielle Hazlewood, CGFM, Deputy Controller/Finance Director
Dena Alderdyce, Accounting Manager

ST. CLAIR COUNTY, MICHIGAN

**TABLE OF CONTENTS
DECEMBER 31, 2017**

Page Number

SECTION ONE: INTRODUCTORY SECTION

Letter of Transmittal	I-1
List of Elected and Appointed Officials	I-8
GFOA Certificate of Achievement	I-9
Organizational Chart	I-10

SECTION TWO: FINANCIAL SECTION

Independent Auditor's Report	1
Management's Discussion and Analysis	4
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	18
Statement of Activities	20
Fund Financial Statements:	
Balance Sheet - Governmental Funds	22
Reconciliation of the Balance Sheet for Governmental Funds to the Statement of Net Position	24
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	25
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances for Governmental Funds to the Statement of Activities	27
Statement of Net Position - Proprietary Funds	28
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	30
Statement of Cash Flows - Proprietary Funds	31
Statement of Fiduciary Net Position - Fiduciary Funds	33
Statement of Changes in Fiduciary Net Position - Fiduciary Funds	34
Component Units:	
Combining Statement of Net Position - Discretely Presented Component Units	35
Combining Statement of Activities - Discretely Presented Component Units	37
Notes to Basic Financial Statements	39

ST. CLAIR COUNTY, MICHIGAN

TABLE OF CONTENTS DECEMBER 31, 2017

	<u>Page Number</u>
Required Supplementary Information:	
Budgetary Comparison Information -	
Schedule of Revenues, Expenditures, and Change in Fund	
Balance - Budget and Actual	
General Fund	105
Parks and Recreation	108
Library	109
Senior Citizens Millage	110
Drug Task Force	111
Notes to Required Supplementary Information	111
Schedules for the Pension and Other Postemployment Benefit Plans -	
Basic Retirement System -	
Schedule of Investment Returns	112
Schedule of Changes in Net Pension Liability and Related Ratios	113
Schedule of County Contributions	115
Retiree Health Benefits -	
Schedule of Funding Progress	116
Schedule of Employer Contributions	116
Schedule of Investment Returns	117
Schedule of Change in Net OPEB Liability and Related Ratios	118
Schedule of County Contributions	119
Supplementary Information:	
Combined General Fund:	
Combining Balance Sheet	120
Combining Schedule of Revenues, Expenditures, and	
Changes in Fund Balances	121
Schedule of Revenues, Expenditures, and Change in	
Fund Balance - Budget and Actual - Budget Incentive	122
Combining and Individual Fund Statements and Schedules:	
Nonmajor Governmental Funds -	
Combining Balance Sheet	123
Combining Statement of Revenues, Expenditures,	
and Changes in Fund Balances	127
Schedule of Revenues, Expenditures, and Changes	
in Fund Balances - Budget and Actual	131
Nonmajor Enterprise Funds -	
Combining Statement of Net Position	138
Combining Statement of Revenues, Expenses and	
Changes in Net Position	139
Combining Statement of Cash Flows	140
Fiduciary Funds -	
Pension and Other Employee Benefit Trust Funds -	
Statement of Fiduciary Net Position	141
Combining Schedule of Changes in Fiduciary Net Position	142

ST. CLAIR COUNTY, MICHIGAN

TABLE OF CONTENTS DECEMBER 31, 2017

	<u>Page Number</u>
Supplementary Information (cont'd):	
Agency Funds -	
Combining Statement of Fiduciary Net Position	144
Combining Statement of Changes in Assets and Liabilities	145
Capital Assets Used in the Operation of Governmental Funds -	
Schedule of Changes in Capital Assets	147
Schedule of Capital Assets by Function and Activity	148
Schedule of Changes in Capital Assets by Function and Activity	150
Drainage Districts (Discretely Presented Component Unit)	
Balance Sheet/Statement of Net Position	152
Reconciliation of the Balance Sheet for Drain Funds to Statement of Net Position of Drain Activities	154
Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities	155
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Drain Funds to the Statement of Activities	157
SECTION THREE: STATISTICAL SECTION	
Financial Trends Information:	
Net Position by Component	S-1
Changes in Net Position	S-2
Fund Balances of Governmental Funds	S-4
Changes in Fund Balances of Governmental Funds	S-5
Revenue Capacity:	
Assessed Value and Estimated Actual Value of Taxable Property	S-7
Property Tax Rates Direct and Overlapping Governments	S-8
Principal Property Taxpayers	S-9
Property Tax Levies and Collections	S-10
Debt Capacity:	
Ratios of Outstanding Debt by Type	S-11
Ratios of General Bonded Debt Outstanding	S-12
Computation of Direct and Overlapping Debt	S-13
Legal Debt Margin Information	S-14
Demographic and Economic Information:	
Demographic and Economical Statistics	S-15
Principal Employers	S-16
Operating Information:	
Full-Time Equivalent County Government Employees by Function	S-17
Operating Indicators by Function	S-19
Capital Asset Statistics by Function	S-20



COUNTY OF ST. CLAIR

Office of the Administrator/Controller



KARRY HEPTING, CPA
Administrator/Controller
khepting@stclaircounty.org
Phone: 810-989-6900

JENNIFER POSEY
Administrative Services Manager
jposey@stclaircounty.org
Phone: 810-989-6900

DANIELLE HAZLEWOOD, CGFM
Deputy Controller/Finance Director
dhazlewood@stclaircounty.org
Phone: 810-989-6301

DENA ALDERDYCE
Accounting Manager
dalderdyce@stclaircounty.org
Phone: 810-989-6324

OFFICE ADDRESS:
200 Grand River Avenue
Suite 203
Port Huron, MI 48060
Fax: 810-985-3463
www.stclaircounty.org

June 20, 2018

To the Board of Commissioners and Citizens of St. Clair County

State law requires that every general purpose local government publish, within six months of the close of each fiscal year, a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended December 31, 2017.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed the anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Stewart, Beauvais and Whipple, Certified Public Accountants, have issued an unmodified (“clean”) opinion on St. Clair County’s financial statements for the year ended December 31, 2017. The independent auditor’s report is located at the front of the financial section of this report.

The independent audit of the financial statements of St. Clair County, Michigan was part of a broader, federally mandated “Single Audit” designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government’s internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in St. Clair County’s separately issued Single Audit Report.

Management’s discussion and analysis (MD&A) immediately follows the independent auditor’s report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of St. Clair County

St. Clair County, established in 1820, is located in southeastern Michigan and covers approximately 725 square miles. On the County's eastern border is the sovereign country of Canada, separated by approximately fifty-eight miles of shoreline on Lake Huron, the St. Clair River and Lake St. Clair. The County is less than one hour from downtown Detroit and is the eastern terminus of two major interstate highways, I-94 and I-69, the site of an international airport, two international bridges, two international ferry services, and the site of an international train tunnel. The bridges and train tunnel play an integral part in the "trade corridor" created by the Free Trade Agreement between the United States and Canada. We are the second busiest northern border crossing in America and the third-ranked commercial point of entry in North America. St. Clair County is the nation's principal gateway for international trade with Canada with approximately 27% of total North American land based international trade.

The 2010 census reported the population at 163,040, living in 63,841 households. The Southeastern Michigan Council of Governments currently estimates our population to grow 2.8% between 2010 and 2040, while the region as a whole is projected to grow .8%. The number of jobs in the county is expected to grow by 5.5% by 2020 and 14.2% by 2040. The County is made up of a mix of rural and urban communities, encompassing 9 villages and cities and 23 townships. The county seat is located in Port Huron, which is the largest city in the County, and where a majority of our offices are located.

The County is organized under the various public acts of the State of Michigan and is governed by a seven member Board of Commissioners, elected by district for two-year terms. The Board of Commissioners serve as the legislative body responsible for establishing policy and appropriating funds. The Board of Commissioners appoints an Administrator/Controller who is responsible for carrying out the policies and ordinances of the Board of Commissioners and the day-to-day management of County affairs.

Other elected officials include the Clerk/Register of Deeds, Treasurer, Prosecuting Attorney, Sheriff, Drain Commissioner, and Surveyor. These offices are elected countywide to four-year terms. The Clerk/Register of Deeds is responsible for recording vital statistics, maintaining court records, documents regarding property ownership, and Board of Commissioner proceedings; the Treasurer is responsible for the collection of delinquent taxes, delinquent tax settlements with local units, cash management and investments; the Prosecuting Attorney and Sheriff are responsible for law enforcement; the Drain Commissioner is responsible for construction and maintenance of drains; and the Surveyor is responsible for the proper surveying of the boundaries of land parcels.

The court system consists of the 72nd District Court, Probate Court, and the 31st Circuit Court (including the Family Division). The 72nd District Court, with three judges, has jurisdiction over misdemeanors, ordinance and charter violations, civil cases under \$25,000, traffic infractions, and preliminary examinations in felony cases. The Probate Court, with two judges, is responsible for estates, mental health matters, guardianships, and they act as Circuit Court Judges for certain domestic matters. The 31st Circuit Court, with three judges, has jurisdiction over criminal cases where the minimum penalty is over one year incarceration,

civil damage cases over \$25,000, and family matters. All judges are elected, countywide, to staggered six-year terms.

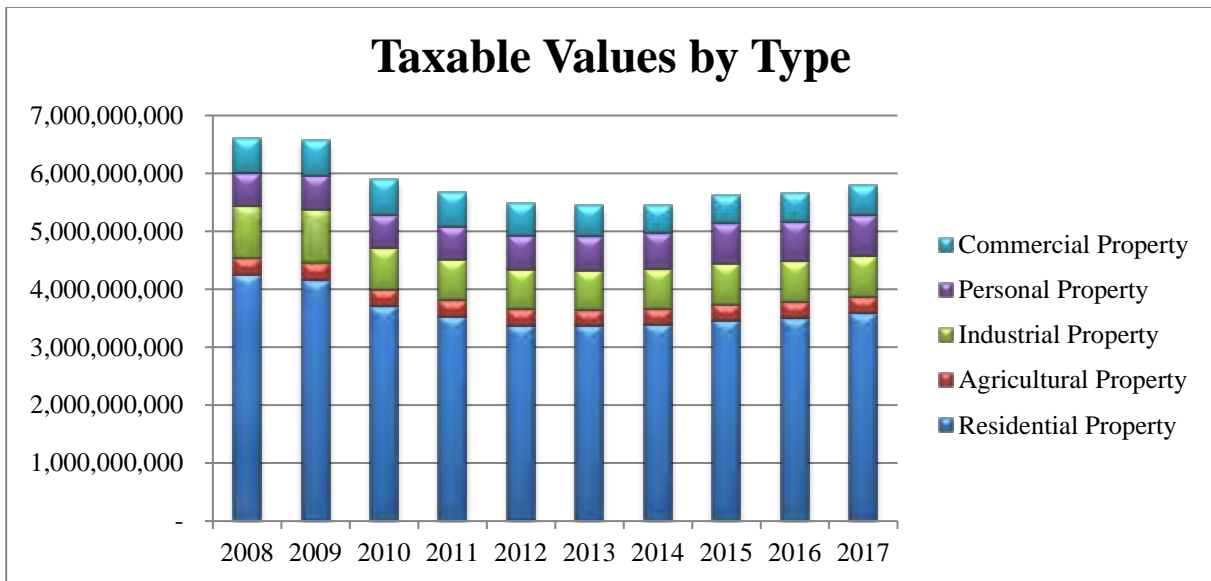
The Board of Commissioners appoints members to the three member Board of Road Commissioners, the three member Department of Public Works Board, the five member Land Bank Authority Board and the twelve member Community Mental Health Authority Board. These boards are governed and controlled by various public acts and statutes, and function as separate entities. Because of these appointments, and the fact that they may receive county appropriations, they are reflected as discretely presented component units in the County's Comprehensive Annual Financial Report, as required by the Governmental Accounting Standards Board.

The Board of Commissioners also appoints members to a variety of boards and commissions that have various responsibilities and duties. Some of the more complex of these boards and commissions include the Parks and Recreation Board, the Metropolitan Planning Commission, the Library Board, and the Commission on Aging. The Parks and Recreation Board oversees extra-voted millage monies collected by the County and used for the development and maintenance of a County park system. The Metropolitan Planning Commission oversees the development of the County master plans used for land development in the County. The Library Board oversees extra-voted millage monies, and other monies, collected by the County and used for the operation of our County-wide Library system. The Commission on Aging oversees extra-voted millage monies collected by the County and used for the enrichment of the lives of our senior population.

The County provides a wide range of services that are either mandated by state statute or authorized by the Board of Commissioners. These general areas include Legislative (i.e. Board of Commissioners), Judicial (i.e. Courts, Friend of the Court, and Probation), General Government (i.e. Elections, Equalization, Administration, Prosecuting Attorney, Clerk/Register of Deeds, Treasurer, Drain Commissioner, Buildings and Grounds Maintenance, and Information Technology), Public Safety (i.e. Sheriff, Jail, Emergency Preparedness, and Animal Control), Public Works (Drains, Airport, and Landfill), Health and Welfare (i.e. Health Department, Veteran's Affairs, Public Guardian, and Child Care), Community & Economic Development (i.e. Planning), and Recreation and Culture (i.e. Parks, and Library).

Local Economy

As the State of Michigan's housing market fights to rebound, the County is experiencing a strong housing market and increasing property values. Most of the local units of government in St. Clair County experienced an increase in taxable property values in 2017. Despite the phase out of personal property tax under the State of Michigan's Personal Property Tax reform, the County still experienced an increase in taxable value of 2.4% in 2017 from 2016. The upward trend is expected to continue in 2018. The chart below illustrates the changes in taxable values by property type.



They County’s stability can be measured by the new national and regional businesses that choose to locate in St. Clair County, our population has remained stable, the County general operating millage rate is at lower than authorized levels (due to Headlee rollbacks). The County continues to balance the General Fund Budget without the use of fund balance, the County bond rating continues to be strong and the County continues to maintain a high level of services to our citizens.

The Economic Development Alliance of St. Clair County reported just over \$127 million of new investments in 2017. These investments resulted in the creation of over 720 new jobs. The following projects demonstrate the viability of St. Clair County to compete for new growth:

- In 2017 DTE announced it will be retiring its coal fired plant in East China Township along with two other coal fired plants in the state. These plants will be replaced with one natural gas powered plant that will be located in East China Township on the campus of the existing coal fired plant. DTE officials said the new \$1 billion plant is scheduled to break ground later this year and will create at least \$200 million in business with Michigan-based companies, as well as roughly 500 local construction jobs.
- St. Clair County Community College expanded its campus to include a new athletic field house and a new health science wing is underway. The new health science wing will help the college meet the growing demand of students in the medical profession. The College also will be offering student housing for the first time beginning in 2018.
- The construction of a City Flats Hotel in the former Michigan National Bank Building located along the Black River has begun. This will be the third Michigan location for City Flats. The hotel is expected to open in spring of 2019.

- Adler Pelzer Holding manufactures soft trim automotive parts with acoustic properties for global automotive OEMs. The company received a new contract and added a new production facility in the City of Port Huron, investing nearly \$13.5 million and creating 124 jobs.
- US Farathane, LLC, a global automotive supplier, was awarded several new contracts in 2017 to manufacture interior and under-hood components. As a result, the company is investing approximately \$15 million to expand and create 205 jobs over the next three years.
- For the first time since 2008 the county is seeing a significant increase in new residential construction. The most prominent new project to break ground this year is the \$14 million 8-story Bluewater View Condos in Port Huron. A second 10 story building is expected to break ground in 2018. In addition, a 94 unit apartment complex is under construction in St. Clair Township with a second 104 unit project currently under review. A new 200 home sub-division is underway in the City of Marysville along with several other new sub-divisions being planned in St. Clair Township, Ira Township, Fort Gratiot and Algonac.

Long-term Financial Planning and Major Initiatives

The County uses a software product for financial forecasting. The model takes a look six years into the future as to where the finances of the County will be. It utilizes known historical information as well as assumptions as to future revenues and expenditures, and has been accurate in its predictions. Administration uses this model to guide us in our budget deliberations and it is updated as new information is received. We also update the Board of Commissioner's at public meetings as to what is expected to happen financially in the County over the next several years. This information is extremely valuable to the Board as they formulate their thinking regarding our future financial position.

We are taking a hard look at the services we provide, and how we provide them, as we formulate our future budgets. The objective is to continue to deliver high quality and relevant services to the citizens of the County. We are looking internally to determine if we are utilizing automation as efficiently as possible, exploring new revenue sources and reducing expenditures where practical.

St. Clair County actively participates in the economic development initiative in the County. The Economic Development Alliance (EDA) is the agency in the County largely responsible for economic development and of which the County is a member. The mission of the EDA is to accelerate economic growth in the region and to support the core values of the St. Clair County Economic Development Strategic Plan which are people, place, and prosperity.

The County has implemented the conversion of our landfill cell space to new technology that may enable it to become a "perpetual landfill". Using a patented process we inject septage

into the new cells at the landfill to promote the aggressive decomposition of refuse. After decomposition the cell will be re-filled with refuse, and the process starts over again. This bioreactor has the potential to ensure landfill space well into the future and the technology developed here will be marketed and sold to other landfills for their use. We have also contracted with a Detroit Edison Company to buy the methane gas created by the advanced decomposition at the landfill to produce electric power. In 2014 the County was granted another research and development permit to construct an additional bioreactor cell. Construction of this cell was completed in spring of 2015. In spring of 2016, the EPA adopted a change in their rules allowing our research development and demonstration project permit to extend our bio-reactor operations from 12 years to 21 years. The County is actively working with legislators to move this process from a research and development project, to a normal accepted method of operation. In 2018 the County has been granted additional funding from the MDEQ to study the impact of the bioreactor process on the functional stability of the landfill and the impact to the closure and post closure monitoring process.

The natural beauty of St. Clair County continues to attract tourists with unique events like offshore power boat races, Port Huron to Mackinaw sail boat races, Blue Water Sand Fest, Blue Water Sturgeon Festival, and various other events highlighting our unique water trails. In March of 2017 the County along with the City of Port Huron was awarded SEMCOG's first Regional Showcase Award. The award recognized over three miles of recent shoreline revitalization, economic development, and recreation projects along the St. Clair River including the Blue Water River Walk, Island Loop National Water Trail and the Blue Water Convention Center.

The St. Clair County Park and Recreation Commission continue to secure grants to make improvements to the Blue Water River Walk Wetland Park. The next phase of improvements will include a play area, pavilion, and restrooms. These improvements are expected to be completed during 2018-2019 dependent on the availability of grant funding.

Relevant Financial Policies

The Board of Commissioner's has established policies regarding maintenance levels for fund balance in the General and Special Revenue Funds as follows:

The General Fund strives to maintain a Fund Balance with a minimum amount of 15% and a maximum of 20% of the most currently approved General Fund budget. All Special Revenue Funds will maintain a Fund Balance of 10% of the most currently approved budget.

Annually, at the conclusion of the annual audit, these Funds will be reviewed to determine if they are in compliance with the established policy. Any excess funds, other than those in separate millage supported funds and certain grant funds may be reverted back to the General Fund. If the General Fund is at its maximum of 20% the excess funds will be transferred to a Budget Stabilization Fund, the Public Improvement Fund or be retained in the General Fund and be assigned/committed for future budget stabilization.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to St. Clair County for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2016. This was our twenty-fifth time receiving this award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

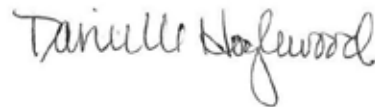
In addition, the County Health Department has once again met all standards set by the Michigan Local Public Health Accreditation Program and has been awarded accreditation. This accreditation process looks at a mandatory standards-based system for accrediting local public health departments.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Administrator/Controller's office. We would like to express our appreciation to all members of the department, and various other departments, who assisted and contributed to the preparation of this report. We also express our gratitude to the Board of Commissioners for their interest and support in planning and conducting the financial operation and management of St. Clair County in a responsible and progressive manner.

Respectively submitted,



Karry Hepting, CPA
Administrator/Controller



Danielle Hazlewood, CGFM
Deputy Controller/Finance Director

**St. Clair County
Elected and Appointed Officials**

Elected Officials

Board of Commissioners

Jeffrey Bohm	Chairperson
Bill Gratopp	Vice-Chairperson
Howard Heidemann	Member
Greg McConnell	Member
Duke Dunn	Member
David Rushing	Member
Karl Tomion	Member

31st Circuit Court

Daniel J. Kelly	Chief Judge
Michael West	Circuit Judge
Cynthia A. Lane	Circuit Judge

72nd District Court

John D. Monaghan	District Judge
Michael L. Hulewicz	District Judge
Cynthia S. Platzer	District Judge

Probate Court

Elwood L. Brown	Chief Judge of Probate
John Tomlinson	Judge of Probate

Other Elected Officials

Jay DeBoyer	Clerk/Register of Deeds
Robert Wiley	Drain Commissioner
Michael D. Wendling	Prosecuting Attorney
Timothy Donnellon	Sheriff
Charles Koob	Surveyor
Kelly M. Roberts-Burnett	Treasurer

Appointed Official

Karry Hepting	Administrator/Controller
---------------	--------------------------



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

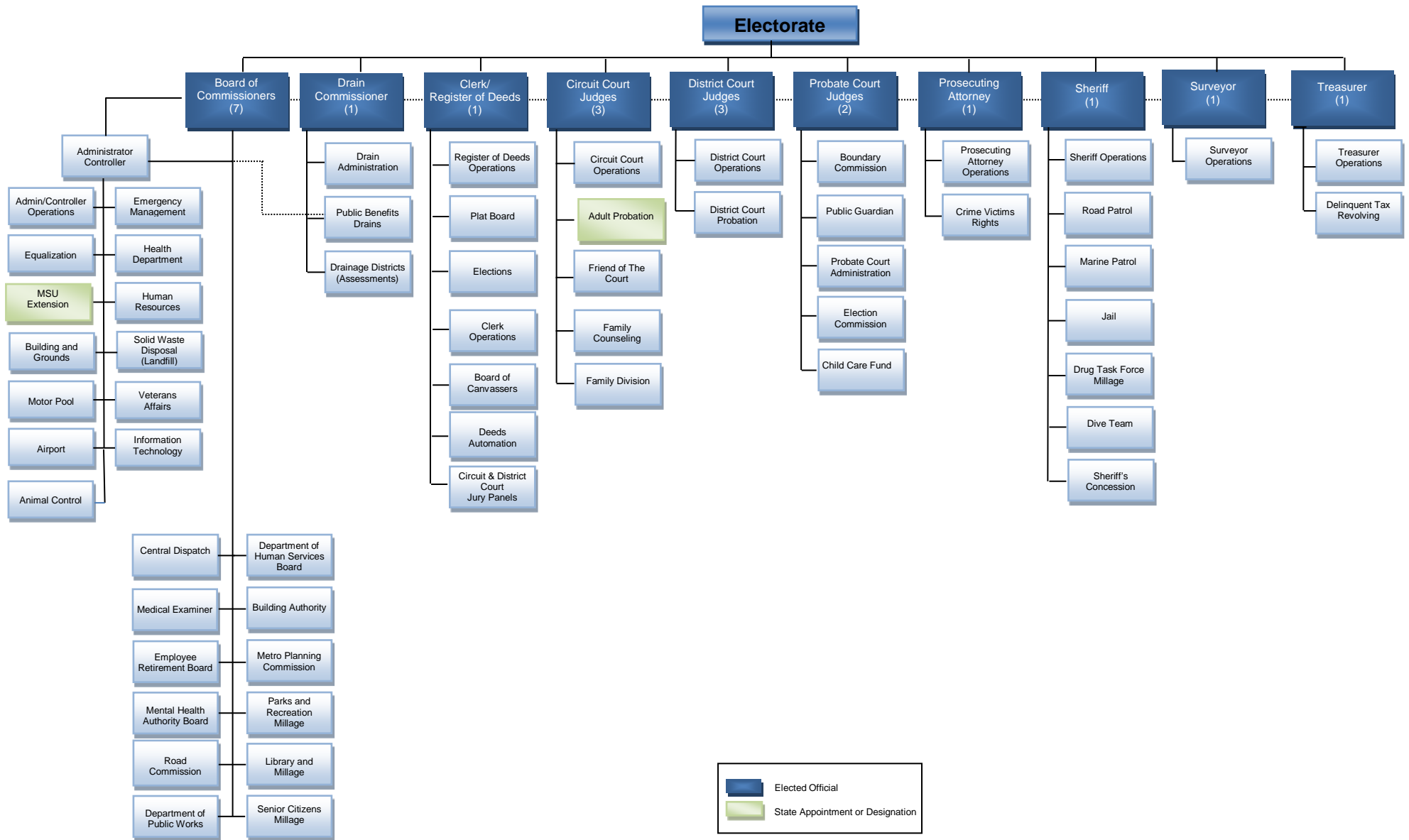
**St. Clair County
Michigan**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2016

Christopher P. Morill

Executive Director/CEO



INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
of St. Clair County
Port Huron, 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 St. Clair County, Michigan, as of and for the year ended December 31, 2017 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 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 judgement, 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, 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 St. Clair County, Michigan, as of December 31, 2017 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 20 to the financial statements, the County adopted GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. As a result, note disclosures were enhanced and required supplementary information is being reported in anticipation of GASB Statement No. 75. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the schedules for the pension and other postemployment benefit plans, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise St. Clair County, Michigan's basic financial statements. The combining General Fund schedules, combining and individual fund statements and schedules, capital assets used in the operation of governmental funds schedules, combining fund financial statements of the Drainage Districts, the introductory section and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information, as listed in the table of contents, 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. 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 supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2018 on our consideration of St. Clair County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 St. Clair County's internal control over financial reporting and compliance.



Certified Public Accountants

June 20, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the County of St. Clair, we offer readers of our financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended December 31, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found preceding this narrative, and the accompanying basic financial statements and footnotes.

Financial Highlights

- The assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources at December 31, 2017 by \$62,521,843 (net position). Net position is either restricted for specific purposes or related to the County's investment in capital assets and is not available for spending.
- The government's total net position decreased by \$6,677,815. Governmental activities decreased by \$4,881,202 while Business-type activities decreased by \$1,796,613.
- At December 31, 2017, the County's governmental funds reported combined ending fund balances of \$32,854,734, an increase of \$1,281,609. Approximately 23% of this amount (\$7,694,357) is available for spending at the government's discretion (unassigned fund balance).
- Total outstanding long-term debt decreased by \$2,786,287. This was primarily due to the normal retirement of debt and the refunding of the 2009 bond issue sold to construct a communications tower and 911 equipment. This decrease was offset by increases in closure/post closure costs and increases to the landfill's state revolving loans.
- The Development Revolving Fund as well as the Budget Incentive Fund are included as sub funds of the Combined General Fund and are reflected on pages 120-121. Government Accounting Standards Board requires any fund that is largely supported by transfers from the General Fund be included as part of the General Fund for reporting purposes.
- In 2017 the Board of Commissioners adopted a balanced budget for the 2018 General Fund.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements are made up of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information intended to furnish additional detail to support the basic financial statements themselves.

St. Clair County Management's Discussion and Analysis

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

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

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused employee vacation leave).

The government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) and from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the County include legislative, judicial, general government, public safety, public works, health and welfare, community and economic development, recreation and culture, and debt service. The business-type activities of the County include the Airport, Sheriff's Concession, Solid Waste Disposal System, School Tax Collections, Homestead Exemption Audits, and the Delinquent Tax Revolving Funds.

The government-wide financial statements include not only the County itself (known as the primary government) but also a legally separate Community Mental Health Authority, a legally separate Land Bank Authority, a legally separate Road Commission, legally separate Drain Commissioner projects, and a legally separate Department of Public Works for which the County is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 18-21 of this report.

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

St. Clair County Management's Discussion and Analysis

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Governmental funds are reported using the modified accrual method of accounting. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Included are the Combined General Fund, the Special Revenue funds, the Debt Service funds, and the Capital Project funds.

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

The County maintains 33 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the Combined General Fund, Parks and Recreation Fund, Library Fund, Senior Citizens Millage Fund, Drug Task Force Fund, and Mental Health Building Debt Fund, all of which are considered to be major funds. Data for 2 governmental funds and the General Fund are combined and reported as the Combined General Fund and data for the other 25 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

As required by state law the County adopts an annual appropriated budget for its General Fund and Special Revenue Funds. Budgetary comparison statements have been provided for these funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 22-27 of this report.

Proprietary funds. Proprietary funds use the accrual basis of accounting, which is the same basis used by private business. The County maintains two different types of proprietary funds.

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for the activities of the Airport, Solid Waste Disposal System, Delinquent Tax Revolving, Sheriff's Concession, School Tax Collections, and Homestead Exemption Audits funds.

St. Clair County Management's Discussion and Analysis

Internal Service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses an internal service fund to account for its various employee benefits and risk programs. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary financial statements provide separate information for the Solid Waste Disposal System and Delinquent Tax Revolving Funds, both of which are considered to be major funds of the County. Individual fund data for the four non-major Enterprise Funds is provided in the form of combining statements elsewhere in this report. The County's only Internal Service Fund is presented in the proprietary fund financial statements in the Governmental Activities - Internal Service Fund column.

The basic proprietary fund financial statements can be found on pages 28-32 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The Fiduciary Funds are the Pension and Other Employee Benefits Fund, the Landfill Private-Purpose Trust Fund, and the Trust and Agency Fund. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 33-34 of this report.

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. The notes to the financial statements can be found on pages 39-104 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's progress in funding its obligation to provide pension benefits and other post-employment benefits to its employees and the budgetary information for the General Fund and four major governmental funds (Special Revenue Funds). This required supplementary information is found on pages 105-119 of this report.

The combining statements referred to earlier in connection with the Combined General Fund, non-major governmental, enterprise and fiduciary funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 120-146 of this report.

**St. Clair County
Management's Discussion and Analysis**

Government-wide Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$62,521,843 at December 31, 2017. This compares to \$69,199,658 at the close of the prior fiscal year, a decrease of \$6,677,815. This decrease was due primarily to the recording of the net pension liability as required by GASB statement number 68. While GASB 68 requires that the entire net pension liability be recorded as a claim on the County's assets as of the end of the fiscal year, the County funds the pension obligation based on an annual actuarial recommendation in accordance with a sound funding objective of funding benefits as they accrue.

Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Current and Other Assets	67,248,083	62,936,439	42,997,784	41,457,602	110,245,867	104,394,041
Capital Assets,						
Net of Accumulated Depreciation	89,019,373	91,838,103	21,785,399	23,812,536	110,804,772	115,650,639
Total Assets	<u>156,267,456</u>	<u>154,774,542</u>	<u>64,783,183</u>	<u>65,270,138</u>	<u>221,050,639</u>	<u>220,044,680</u>
Total Deferred Outflows of Resources	<u>12,640,890</u>	<u>12,599,858</u>	<u>130,324</u>	<u>123,817</u>	<u>12,771,214</u>	<u>12,723,675</u>
Current Liabilities	7,571,794	5,397,743	1,041,816	547,087	8,613,610	5,944,830
Other Liabilities	130,344,709	126,865,937	16,520,002	15,702,698	146,864,711	142,568,635
Total Liabilities	<u>137,916,503</u>	<u>132,263,680</u>	<u>17,561,818</u>	<u>16,249,785</u>	<u>155,478,321</u>	<u>148,513,465</u>
Total Deferred Inflows of Resources	<u>15,816,538</u>	<u>15,054,213</u>	<u>5,151</u>	<u>1,019</u>	<u>15,821,689</u>	<u>15,055,232</u>
Net Position						
Net Investment in capital assets	53,996,316	54,109,996	13,027,718	15,360,059	67,024,034	69,470,055
Restricted	13,472,454	12,681,561	3,714,975	3,530,770	17,187,429	16,212,331
Unrestricted	<u>(52,293,465)</u>	<u>(46,735,050)</u>	<u>30,603,845</u>	<u>30,252,322</u>	<u>(21,689,620)</u>	<u>(16,482,728)</u>
Total Net Position	<u>15,175,305</u>	<u>20,056,507</u>	<u>47,346,538</u>	<u>49,143,151</u>	<u>62,521,843</u>	<u>69,199,658</u>

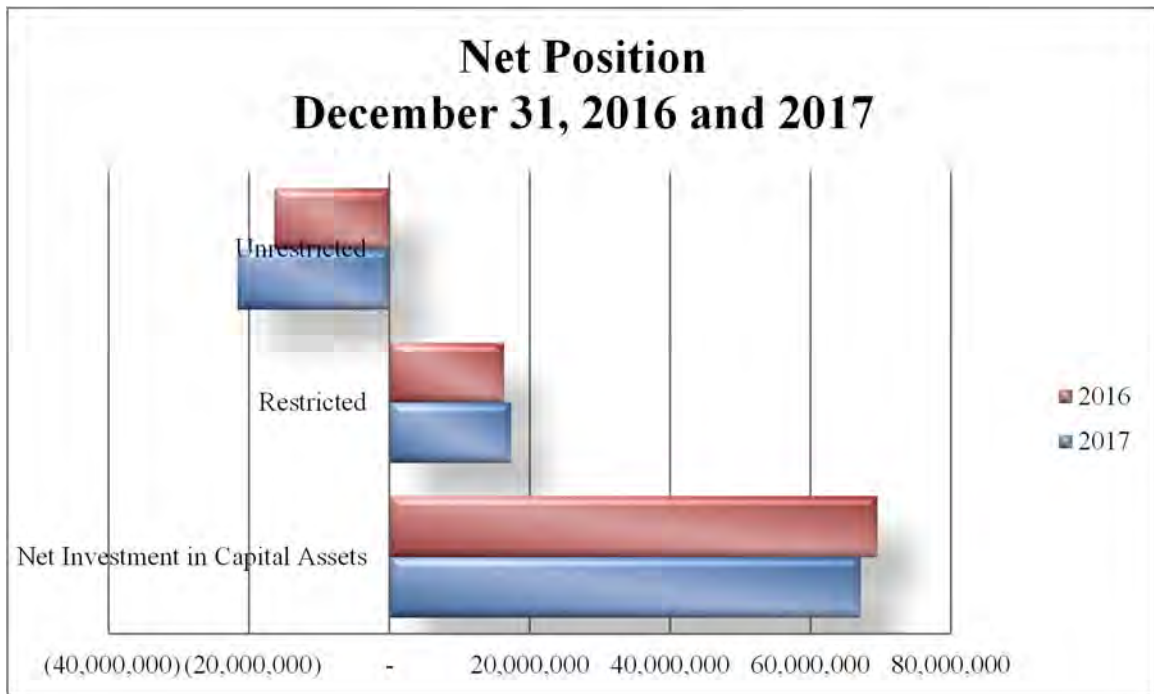
St. Clair County's Net Position

The largest portion of the County's net position (107 percent) reflects our investment in capital assets, (e.g., land, buildings, machinery and equipment) less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

St. Clair County
Management's Discussion and Analysis

A portion of the County's net position (28 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position has a deficit balance (-35 percent) and is not available to meet the government's ongoing obligations to citizens and creditors.

The County's net position decreased by \$6,677,815. This decrease was primarily due to the increase in the County's net pension and other post-employment benefits (OPEB) liability. Government Accounting Standards Board Statement Numbers 45 and 68 require governments to record these obligations along with the associated pension expense.



Governmental Activities. Governmental activities net position decreased by \$4,881,202. The decrease was primarily due to recording of other post-employment benefit expenses and pension expenses mentioned above.

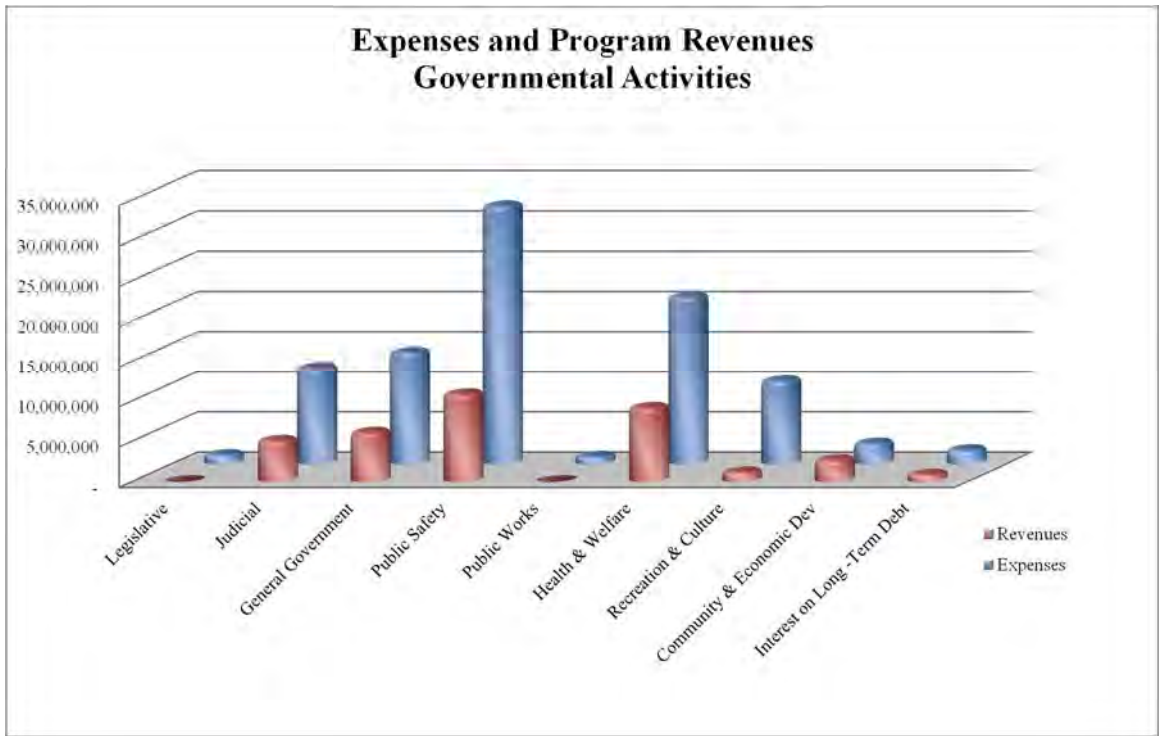
Business-Type Activities. Business-type activities decreased the County's net position by \$1,796,613. This decrease was due to costs associated with closure and post closure costs, increased depreciation expense, and costs associated post-employment benefits.

**St. Clair County
Management's Discussion and Analysis**

Changes in Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	19,014,710	18,146,598	11,474,717	9,476,901	30,489,427	27,623,499
Operating Grants and Contributions	17,102,295	14,379,824	74,752	67,994	17,177,047	14,447,818
Capital Grants and Contributions	230,969	641,227	-	759,774	230,969	1,401,001
General revenues:						
Property Taxes	45,982,891	43,556,887	-	-	45,982,891	43,556,887
Intergovernmental revenues	4,549,247	5,674,894	-	-	4,549,247	5,674,894
Investment earnings	656,537	417,370	168,498	103,300	825,035	520,670
Interest & Penalties on Delinq Taxes	14,417	4,787	1,074,915	1,118,599	1,089,332	1,123,386
Total Revenues	87,551,066	82,821,587	12,792,882	11,526,568	100,343,948	94,348,155
Expenses:						
Legislative	1,183,900	1,246,612	-	-	1,183,900	1,246,612
Judicial	12,038,438	11,634,691	-	-	12,038,438	11,634,691
General Government	13,965,327	14,840,021	-	-	13,965,327	14,840,021
Public Safety	32,126,970	29,257,731	-	-	32,126,970	29,257,731
Public Works	971,174	1,083,425	-	-	971,174	1,083,425
Health and Welfare	20,845,128	20,412,163	-	-	20,845,128	20,412,163
Recreation and Culture	10,361,814	9,585,753	-	-	10,361,814	9,585,753
Community and Economic Development	2,604,813	592,263	-	-	2,604,813	592,263
Interest on Debt Service	1,795,350	1,862,804	-	-	1,795,350	1,862,804
Delinquent Tax Collections	-	-	422,586	430,287	422,586	430,287
Airport	-	-	1,087,918	924,665	1,087,918	924,665
Sheriff's Concession	-	-	1,156,423	797,752	1,156,423	797,752
School Tax Collections	-	-	-	11	-	11
Homestead Exemption Audits	-	-	182	-	182	-
Solid Waste Disposal	-	-	8,461,740	7,084,455	8,461,740	7,084,455
Total Expenses	95,892,914	90,515,463	11,128,849	9,237,170	107,021,763	99,752,633
Increase (Decrease) in Net Position,						
before transfers	(8,341,848)	(7,693,876)	1,664,033	2,289,398	(6,677,815)	(5,404,478)
Transfers	3,460,646	3,612,775	(3,460,646)	(3,612,775)	-	-
Decrease in Net Position	(4,881,202)	(4,081,101)	(1,796,613)	(1,323,377)	(6,677,815)	(5,404,478)
Net Position January 1	20,056,507	24,137,608	49,143,151	50,466,528	69,199,658	74,604,136
Net Position December 31	15,175,305	20,056,507	47,346,538	49,143,151	62,521,843	69,199,658

**St. Clair County
Management's Discussion and Analysis**



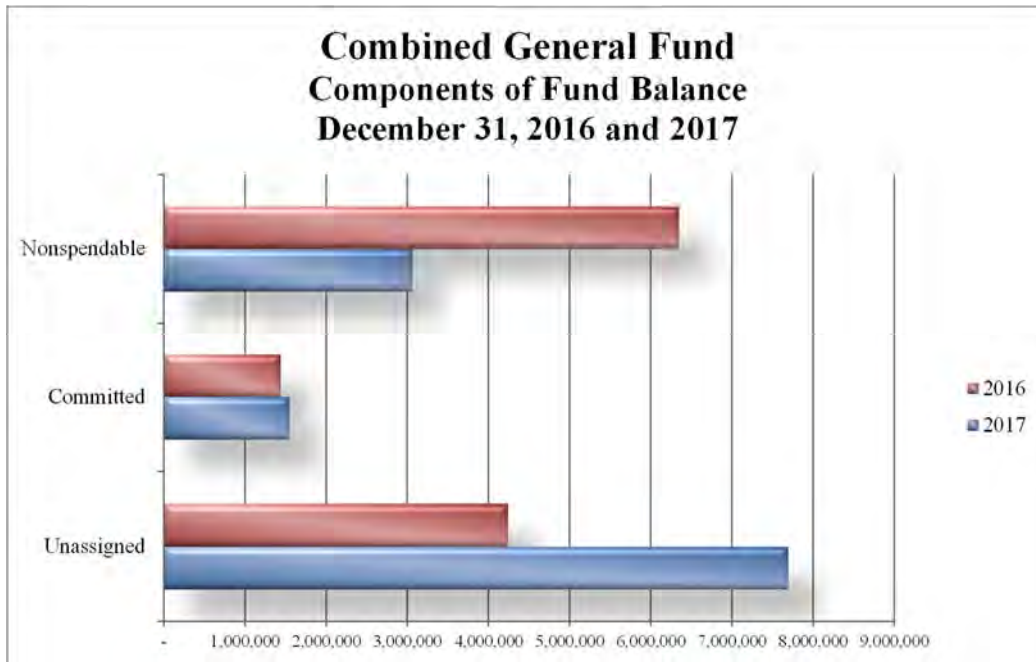
Financial Analysis of Governmental Funds

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

Governmental Funds. The focus of the County’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County’s financing requirements. In particular, assigned and unassigned fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

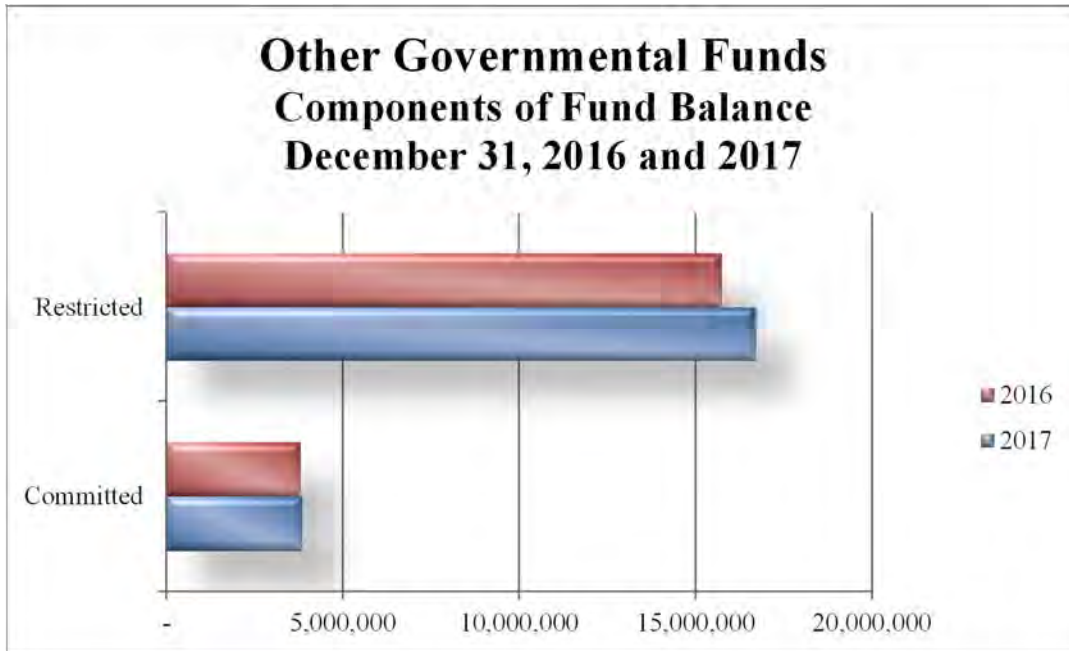
At December 31, 2017, the County’s governmental funds reported combined ending fund balances of \$32,854,734, an increase of \$1,281,609 in comparison to the prior year. Approximately 23% of this fund balance (\$7,694,357) constitutes unassigned fund balance, which is available for spending at the government’s discretion. The remainder of fund balance is either nonspendable, restricted, committed or assigned to indicate that it is 1.) not in spendable form (\$3,062,513), 2.) restricted for particular purposes (\$16,702,647), or 3.) committed for particular purposes (\$5,395,217).

**St. Clair County
Management's Discussion and Analysis**



The Combined General Fund is the chief operating fund of the County. At December 31, 2017, the Combined General Fund reported an ending fund balance of \$12,305,030. Of that amount \$7,694,357 is unassigned, \$1,548,160 is committed for specific departments in the budget incentive fund, and \$3,062,513 are nonspendable loans to the Drain Commissioner for funding drain projects, long-term receivables, and prepayments. As a measure of the combined general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 13 percent of total combined general fund expenditures and transfers, while total fund balance represents 20 percent of total combined general fund expenditures and transfers.

The Combined General Fund balance increased by \$273,424 during the current fiscal year. The increase is due to an increase in inter-governmental revenues and conservative spending on the departments' behalf.



The second major governmental fund is the special millage Parks and Recreation Fund. At December 31, 2017, Parks and Recreation reported a fund balance of \$2,164,132. Fund balance decreased \$340,467 over the prior fiscal year. This decrease was due to budgeted park improvements that were planned for in the prior year but were not completed until 2017.

The third major governmental fund is the special millage Library Fund. It reported \$2,820,142 in fund balance at December 31, 2017. Fund balance decreased \$39,210 from the prior fiscal year. This decrease was mostly due to budgeted expenditures for the Library's 100th Anniversary activity and celebrations.

The fourth major governmental fund is the special millage Senior Citizens fund. It reported \$3,532,537 in fund balance at December 31, 2017. This fund increased \$62,072 over the prior year. Several projects are being planned for the use of the additional millage funds.

The fifth major governmental fund is the special millage Drug Task Force fund. It reported a \$822,617 fund balance at December 31, 2017. The fund increased \$720,369 over the prior year. The increase was due to a voter approved millage increase that took effect in 2017.

The last major governmental fund is the Mental Health Building Debt Fund. It reported a fund balance of \$610 at December 31, 2017. This fund accounts for the payment of debt as well as monies received from Community Mental Health to reimburse the County for the debt payment.

St. Clair County
Management's Discussion and Analysis

Proprietary funds. The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The County had two major proprietary funds at December 31, 2017.

Net position in the Solid Waste Disposal System at the end of the year amounted to \$13,714,599. Of this amount, \$8,583,927 is invested in capital assets. Net position decreased \$1,242,201 due to long-term liabilities relating to the pension program, bonds, and post-closure costs.

The Delinquent Tax Revolving Fund reported net position of \$28,292,319, a decrease of \$438,514 over the prior year. The earnings in this fund are dedicated to the annual debt payment requirements of the bond secured for the construction of the Jail/Juvenile facility.

General Fund Budgetary Highlights

Original budget compared to final budget. During the year the original budget was amended as needed. The original budget was balanced, while the final amended budget anticipated a gain of \$55,674. Major changes can be summarized as follows:

- Intergovernmental revenues and expenditures were adjusted for various grants received throughout the year, as well as the reimbursement received for the lost personal property tax revenue.
- Charges for services and corrections/jail expenditures were increased for revenues and expenses associated with the increased population of federal inmates.
- Transfers out was increased to reflect transfers made to fund the Child Care and Public Improvement funds.
- Other expenditures were reserved for contingencies and was eliminated at the end of the year to cover other budget shortfalls.

Final budget compared to actual results. The most significant differences between the amended budgets and actual results for revenues were as follows:

- Intergovernmental Revenues were higher by \$1,660,281 due to a pass-through grant that was received after final budget amendments.

Amended expenditures and other financing uses differed -\$1,446,537 from actual expenditures and other financing uses. Significant differences between the amended budgets and actual results for expenditures in the departments are as follows:

- Actual transfers out were \$441,376 more than the amended budget mainly due to additional transfers to the Child Care and Budget Incentive funds.
- The Planning Commission was over budget by \$1,864,195 due to the same pass-through grant mentioned above.
- The Jail was over its amended budget by \$94,469 due to costs associated with inmates, such as meals and pharmaceuticals.

**St. Clair County
Management's Discussion and Analysis**

- Most departments were under their amended budgets, so therefore, those unspent dollars were transferred to the Budget Incentive Fund mentioned earlier. Some departments had positions that remained vacant throughout the year which contributed to their savings.

Capital Asset and Debt Administration

Capital Assets. The County's investment in capital assets for its governmental and business-type activities as of December 31, 2017 amounted to \$110,804,772 (net of accumulated depreciation). This investment in capital assets includes land, buildings, land improvements, machinery and equipment, and vehicles. The total decrease in the County's capital assets for the current fiscal year was \$4,845,867.

Capital Assets (net of depreciation)

	Governmental Activities		Business-Type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Land	13,030,562	13,030,562	1,892,998	1,892,998	14,923,560	14,923,560
Buildings and Improvements	62,263,549	64,661,889	6,013,195	6,321,156	68,276,744	70,983,045
Improvements other than Buildings	4,491,197	4,449,777	8,959,070	9,268,776	13,450,267	13,718,553
Equipment and Vehicles	6,569,445	7,620,113	4,273,673	4,378,977	10,843,118	11,999,090
Books	1,694,720	1,800,170	-	-	1,694,720	1,800,170
Construction in Progress	969,900	275,592	646,463	1,950,629	1,616,363	2,226,221
Total	89,019,373	91,838,103	21,785,399	23,812,536	110,804,772	115,650,639

Major capital asset events during the year included the following:

- Construction of a boardwalk at the Wetlands County Park was completed.
- Building renovations at the Courthouse in Port Huron.
- Continued improvements at various County parks.
- Continued technology improvements in all County departments.
- Replacement of various County vehicles.
- Addition of books to the County library collection.
- Improvements to the Leachate Management System at the Landfill.
- Taxiway rehabilitation at the Airport.

Additional information on the County's capital assets can be found in Note 5 beginning on page 59 of this report.

Long-term Debt. At December 31, 2017, the County had total debt outstanding of \$67,397,608.

**St. Clair County
Management's Discussion and Analysis**

Outstanding Debt

	Governmental Activities		Business-Type Activities		Totals	
	2017	2016	2017	2016	2017	2016
General Obligation Bonds	41,180,000	44,385,000	8,757,681	8,452,477	49,937,681	52,837,477
Landfill Closure and Post Closure Costs		-	6,655,207	6,264,060	6,655,207	6,264,060
Drain Districts	2,823,141	3,001,226		-	2,823,141	3,001,226
Self-insurance Liability	328,000	695,000		-	328,000	695,000
Accumulated Employee Vacation, Sick and Compensatory Time	5,055,475	4,655,685	44,110	45,430	5,099,585	4,701,115
Net Premium	2,553,994	2,685,017		-	2,553,994	2,685,017
Total	51,940,610	55,421,928	15,456,998	14,761,967	67,397,608	70,183,895

Significant portions of the debt include the following:

- The general obligation bonds sold in 2010 to construct a landfill leachate system and a gas to energy facility (\$6,379,280), net of 36.3% of forgivable portion. This debt is issued through the State of Michigan Municipal Bond Authority.
- The general obligation bonds sold in 2014 to expand the County's bioreactor system and to construct an additional landfill cell (\$2,378,401), net of 50% of forgivable portion. This debt is issued through the State of Michigan Municipal Bond Authority.
- The 2015 refunding of the 2007 (Series A) general obligation bonds to finance the construction of a Mental Health Authority building (\$7,025,000).
- The 2015 refunding of the 2007 (Series B) general obligation bonds to fund equipment related to 911 services (\$1,510,000).
- The outstanding portion of the 2012 refunding of the 2003 issue sold to finance the construction of a Jail/Juvenile facility (\$19,645,000).
- The 2013 refunding (taxable) of the general obligations to finance the construction of the Administrative Building (\$3,035,000).
- The general obligation bonds sold in 2012 to construct and equip the Blue Water Area Convention Center (\$8,170,000).
- The general obligation bonds sold in 2009 to construct a communications tower and acquire the required equipment (\$200,000). These bonds were partially refunded in 2017. The 2017 refunding bonds have a balance of \$1,595,000.
- The County operates the Smiths Creek Landfill and is required to record the estimated costs of closure and the post-closure costs of the Landfill to ensure that when the facility is closed in the future there will be sufficient funds available to maintain it in an environmentally sound way. The amount recorded for this obligation is \$6,655,207.
- Upon their leaving County employment, certain employees of the County have, through collective bargaining agreements or policy, rights to be paid outstanding balances of accrued vacation, sick time, or compensatory time earned. This amount at December 31, 2017 is \$5,099,585.

St. Clair County
Management's Discussion and Analysis

Additional information on the County's long-term debt can be found in Note 10 beginning on page 67 of this report.

Economic Factors and Next Year's Budgets and Rates

Many factors were considered in preparation of the County's budget for the 2018 fiscal year. Several of the more telling factors are as follows:

- The taxable value of real and personal property within the County is expected to increase 2% in 2018.
- The County is expecting a slight reduction of its millage rate due to the Headlee Amendment.
- County revenue sharing from the State increased 1% from the prior year.
- Employee healthcare costs will decrease by 3%
- Costs of inmate medical and female inmate housing expenses are expected to increase.
- State-wide unemployment rates continue to decline.
- Community development is on the rise.

The 2018 budgets are currently balanced and the Board of Commissioners will approve any amendments as needed.

Requests for Information

This financial report is designed to provide a general overview of the County's finances for our citizens, taxpayers, customers, investors and creditors and to demonstrate the County's accountability for the taxpayer money we receive. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Administrator/Controller, 200 Grand River Ave., Suite 203, Port Huron, Michigan 48060, or contact us at 810-989-6905. You can also visit our website at www.stclaircounty.org for additional information regarding the County or additional copies of this report.

BASIC FINANCIAL STATEMENTS

ST. CLAIR COUNTY, MICHIGAN

**STATEMENT OF NET POSITION
DECEMBER 31, 2017**

	Primary Government		Total	Component Units
	Governmental Activities	Business Type Activities		
Assets:				
Cash and cash equivalents	\$ 25,935,571	\$ 13,982,690	\$ 39,918,261	\$ 23,447,195
Investments	18,796,870	7,615,756	26,412,626	-
Receivables (net of allowance)	23,293,202	8,562,552	31,855,754	21,513,839
Prepaid expenses and deposits	2,523,473	18,477	2,541,950	507,555
Internal balances	(12,800,000)	12,800,000	-	-
Inventory	-	18,309	18,309	1,548,880
Properties held for sale	-	-	-	8,449
Long-term notes receivable	8,138,967	-	8,138,967	-
Advance to component units	1,360,000	-	1,360,000	-
Restricted assets -				
Cash and cash equivalents	-	-	-	2,609,623
Accounts receivable	-	-	-	37,500
Contract receivables	-	-	-	8,438,042
Beneficial interest in assets held by others	-	-	-	113,541
Capital assets (net of accumulated depreciation)				
Assets not being depreciated	14,000,462	2,539,461	16,539,923	33,515,350
Assets being depreciated	75,018,911	19,245,938	94,264,849	194,915,231
Total Assets	<u>156,267,456</u>	<u>64,783,183</u>	<u>221,050,639</u>	<u>286,655,205</u>
Deferred Outflows of Resources:				
Related to the pension plan	11,402,737	130,324	11,533,061	7,510,392
Deferred charges on bond refunding	1,238,153	-	1,238,153	288,914
Total Deferred Outflows of Resources	<u>12,640,890</u>	<u>130,324</u>	<u>12,771,214</u>	<u>7,799,306</u>
Liabilities:				
Payables and accrued liabilities	7,306,396	1,036,824	8,343,220	7,308,069
Advances and deposits	128,339	-	128,339	3,351,957
Advances from primary government	-	-	-	1,360,000
Unearned revenue	137,059	4,992	142,051	108,866
Notes payable	-	-	-	1,930,000
Liabilities payable from restricted assets	-	-	-	55,480
Non-current liabilities -				
Net OPEB obligation	59,183,145	843,325	60,026,470	24,318,733
Net pension liability	19,220,954	219,679	19,440,633	14,202,517
Due within one year	4,759,167	330,000	5,089,167	7,664,720
Due in more than one year	47,181,443	15,126,998	62,308,441	30,863,463
Total Liabilities	<u>137,916,503</u>	<u>17,561,818</u>	<u>155,478,321</u>	<u>91,163,805</u>
Deferred Inflows of Resources:				
Related to the pension plan	450,697	5,151	455,848	1,577,269
Taxes levied for a subsequent period	15,365,841	-	15,365,841	1,101,517
Total Deferred Inflows of Resources	<u>15,816,538</u>	<u>5,151</u>	<u>15,821,689</u>	<u>2,678,786</u>

(Continued)

The accompanying notes are an integral part of these financial statements.

ST. CLAIR COUNTY, MICHIGAN

**STATEMENT OF NET POSITION
DECEMBER 31, 2017**

	Primary Government			Component Units
	Governmental Activities	Business Type Activities	Total	
Net Position:				
Net investment in capital assets	\$ 53,996,316	\$ 13,027,718	\$ 67,024,034	\$ 197,769,126
Restricted - Expendable -				
Acquisition/construction of capital assets	3,163,962	-	3,163,962	551,872
Debt Service	1,445,250	-	1,445,250	18,280,499
Recreation and Cultural	974,764	-	974,764	-
Health and Welfare	5,334,654	-	5,334,654	-
Public Safety	1,472,205	-	1,472,205	-
Foreclosure sales	-	3,714,975	3,714,975	-
Other Purposes	1,081,619	-	1,081,619	155,312
Unrestricted (deficit)	(52,293,465)	30,603,845	(21,689,620)	(16,144,889)
Total Net Position	<u>\$ 15,175,305</u>	<u>\$ 47,346,538</u>	<u>\$ 62,521,843</u>	<u>\$ 200,611,920</u>

(Concluded)

The accompanying notes are an integral part of these financial statements.

ST. CLAIR COUNTY, MICHIGAN

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
Legislative	\$ 1,183,900	\$ -	\$ -	\$ -
General Government	13,965,327	5,116,613	1,029,777	-
Judicial	12,038,438	1,977,075	3,159,878	-
Public Safety	32,126,970	6,320,035	4,369,517	210,719
Public Works	971,174	-	-	-
Health and Welfare	20,845,128	2,997,397	6,229,048	-
Community and Economic Development	2,604,813	810,860	1,946,387	-
Recreation and Culture	10,361,814	847,767	367,688	20,250
Interest on Long Term Debt	1,795,350	944,963	-	-
Total governmental activities	<u>95,892,914</u>	<u>19,014,710</u>	<u>17,102,295</u>	<u>230,969</u>
Business-type activities:				
Delinquent Tax Revolving	422,586	920,359	-	-
Airport Commission	1,087,918	553,178	-	-
Sheriff's Concession	1,156,423	1,201,447	-	-
School Tax Collections	-	-	-	-
Homestead Exemption Audits	182	-	-	-
Solid Waste Disposal System	8,461,740	8,799,733	74,752	-
Total business-type activities	<u>11,128,849</u>	<u>11,474,717</u>	<u>74,752</u>	<u>-</u>
Total Primary Government	<u>\$ 107,021,763</u>	<u>\$ 30,489,427</u>	<u>\$ 17,177,047</u>	<u>\$ 230,969</u>
Component Units				
Road Commission	\$ 27,987,842	\$ 4,116,161	\$ 19,895,753	\$ 3,423,911
Department of Public Works	2,090,471	1,561,090	-	115,000
Community Mental Health Authority	53,433,322	2,574,927	49,546,305	-
Land Bank Authority	-	-	-	-
Drainage Districts	1,691,926	1,947,323	-	53,311
Total Component Units	<u>\$ 85,203,561</u>	<u>\$ 10,199,501</u>	<u>\$ 69,442,058</u>	<u>\$ 3,592,222</u>

General revenues:

Property taxes
 Grants and contributions not
 restricted to specific programs
 Unrestricted investment income
 Interest and penalties on delinquent taxes
 Loss on disposal of capital assets
 Transfers
 Total general revenues and transfers

Change in net position

Net position at beginning of year, as restated

Net position at end of year

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Change in Net Position

Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$(1,183,900)	\$ -	\$(1,183,900)	\$ -
(7,818,937)	-	(7,818,937)	-
(6,901,485)	-	(6,901,485)	-
(21,226,699)	-	(21,226,699)	-
(971,174)	-	(971,174)	-
(11,618,683)	-	(11,618,683)	-
152,434	-	152,434	-
(9,126,109)	-	(9,126,109)	-
(850,387)	-	(850,387)	-
<u>(59,544,940)</u>	<u>-</u>	<u>(59,544,940)</u>	<u>-</u>
-	497,773	497,773	-
-	(534,740)	(534,740)	-
-	45,024	45,024	-
-	-	-	-
-	(182)	(182)	-
-	412,745	412,745	-
<u>-</u>	<u>420,620</u>	<u>420,620</u>	<u>-</u>
<u>(59,544,940)</u>	<u>420,620</u>	<u>(59,124,320)</u>	<u>-</u>
-	-	-	(552,017)
-	-	-	(414,381)
-	-	-	(1,312,090)
-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>308,708</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,969,780)</u>
45,982,891	-	45,982,891	1,152,155
4,549,247	-	4,549,247	-
656,537	168,498	825,035	41,247
14,417	1,074,915	1,089,332	-
-	-	-	(6,038)
<u>3,460,646</u>	<u>(3,460,646)</u>	<u>-</u>	<u>-</u>
<u>54,663,738</u>	<u>(2,217,233)</u>	<u>52,446,505</u>	<u>1,187,364</u>
(4,881,202)	(1,796,613)	(6,677,815)	(782,416)
<u>20,056,507</u>	<u>49,143,151</u>	<u>69,199,658</u>	<u>201,394,336</u>
<u>\$ 15,175,305</u>	<u>\$ 47,346,538</u>	<u>\$ 62,521,843</u>	<u>\$ 200,611,920</u>

ST. CLAIR COUNTY, MICHIGAN

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017**

	Combined General	Parks and Recreation	Library	Senior Citizens Millage
Assets:				
Cash and cash equivalents	\$ 1,621,785	\$ 2,470,320	\$ 3,372,291	\$ 4,298,407
Investments	18,503,386	-	-	-
Receivables, net of allowance -				
Property taxes	1,679,026	2,573,619	3,639,298	4,156,219
Interest and accounts	129,617	3,807	10,703	-
Due from other governmental units	5,113,062	151,275	72,452	-
Due from other funds	257,172	-	-	-
Long-term notes receivable	1,113,967	-	-	-
Advances to component units	1,360,000	-	-	-
Prepayments and deposits	36,693	-	41,656	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 29,814,708</u>	<u>\$ 5,199,021</u>	<u>\$ 7,136,400</u>	<u>\$ 8,454,626</u>
Liabilities:				
Accounts payable	\$ 2,831,329	\$ 115,421	\$ 145,095	\$ 264,247
Accrued liabilities	1,484,242	38,541	109,904	-
Advances and deposits	-	9,900	-	-
Due to other governmental units	23,787	-	-	21,309
Due to other funds	12,800,000	-	-	-
Unearned revenue	112,654	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>17,252,012</u>	<u>163,862</u>	<u>254,999</u>	<u>285,556</u>
Deferred Inflows of Resources:				
Unavailable revenue -				
Delinquent property taxes	52,632	6,664	9,424	10,768
Lease contract/revolving loans	-	-	-	-
Grants/fees	205,034	-	1,693	-
Taxes levied for subsequent period	-	2,864,363	4,050,142	4,625,765
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Deferred Inflows of Resources	<u>257,666</u>	<u>2,871,027</u>	<u>4,061,259</u>	<u>4,636,533</u>
Fund Balances:				
Nonspendable -				
Long-term notes receivable/advances	3,025,820	-	-	-
Prepayments and deposits	36,693	-	-	-
Restricted	-	2,164,132	2,820,142	3,532,537
Committed	1,548,160	-	-	-
Unassigned	7,694,357	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>12,305,030</u>	<u>2,164,132</u>	<u>2,820,142</u>	<u>3,532,537</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 29,814,708</u>	<u>\$ 5,199,021</u>	<u>\$ 7,136,400</u>	<u>\$ 8,454,626</u>

The accompanying notes are an integral part of these financial statements.

<u>Drug Task Force</u>	<u>Mental Health Building Debt</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 1,276,401	\$ 610	\$ 11,899,016	\$ 24,938,830
-	-	293,484	18,796,870
2,913,179	-	521,354	15,482,695
-	-	868,928	1,013,055
35,247	-	1,095,070	6,467,106
-	-	-	257,172
-	7,025,000	-	8,138,967
-	-	-	1,360,000
-	-	-	78,349
<u>\$ 4,224,827</u>	<u>\$ 7,025,610</u>	<u>\$ 14,677,852</u>	<u>\$ 76,533,044</u>
\$ 75,839	\$ -	\$ 813,676	\$ 4,245,607
70,288	-	308,550	2,011,525
-	-	118,439	128,339
-	-	117,252	162,348
-	-	257,172	13,057,172
-	-	24,405	137,059
<u>146,127</u>	<u>-</u>	<u>1,639,494</u>	<u>19,742,050</u>
6,217	-	1,345	87,050
-	7,025,000	686,259	7,711,259
6,142	-	559,241	772,110
<u>3,243,724</u>	<u>-</u>	<u>581,847</u>	<u>15,365,841</u>
<u>3,256,083</u>	<u>7,025,000</u>	<u>1,828,692</u>	<u>23,936,260</u>
-	-	-	3,025,820
-	-	-	36,693
822,617	610	7,362,609	16,702,647
-	-	3,847,057	5,395,217
-	-	-	7,694,357
<u>822,617</u>	<u>610</u>	<u>11,209,666</u>	<u>32,854,734</u>
<u>\$ 4,224,827</u>	<u>\$ 7,025,610</u>	<u>\$ 14,677,852</u>	<u>\$ 76,533,044</u>

ST. CLAIR COUNTY, MICHIGAN

**RECONCILIATION OF THE BALANCE SHEET FOR
GOVERNMENTAL FUNDS TO STATEMENT OF NET POSITION
DECEMBER 31, 2017**

Fund Balances - total governmental funds		\$ 32,854,734
Amounts reported for governmental activities in the statement of net position are different because:		
Expenses recorded in the funds on the purchase method		384,513
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		
Capital assets		149,337,773
Accumulated depreciation		(60,388,308)
Certain assets do not represent current financial resources and are therefore not recorded in the funds		
Interest receivable on capital lease contract		76,150
Certain pension contributions and changes in pension plan liabilities are reported as deferred outflows (inflows) of resources in the statement of net position		
Deferred outflows of resources		11,402,737
Deferred inflows of resources		(450,697)
Other long term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds		
Delinquent personal property taxes	\$ 87,050	
Housing rehabilitation loan	686,259	
Capital lease contract	7,025,000	
Grants/fees	<u>772,110</u>	8,570,419
Internal Service Fund used by management to charge cost of property, liability, health, disability, workers compensation, and life insurance expenses and claims. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		2,587,031
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds		
Bonds payable	(41,180,000)	
Drain District assessments payable	(2,823,141)	
Accrued interest on bonds/notes payable	(420,491)	
Net pension liability	(19,220,954)	
Net OPEB obligation	(59,183,145)	
Accrued compensated absences	<u>(5,055,475)</u>	(127,883,206)
Charges on refunding are reported currently in the governmental funds, whereas they are capitalized and amortized from net position		1,238,153
Premiums on bonds are reported as other financing sources in the governmental funds, whereas they are capitalized and amortized from net position (netted against bonds payable)		<u>(2,553,994)</u>
Net Position of governmental activities		<u>\$ 15,175,305</u>

The accompanying notes are an integral part of these financial statements.

ST. CLAIR COUNTY, MICHIGAN

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Combined General</u>	<u>Parks and Recreation</u>	<u>Library</u>	<u>Senior Citizens Millage</u>
Revenues:				
Taxes	\$ 30,988,192	\$ 2,796,797	\$ 3,952,098	\$ 4,516,399
Licenses and permits	488,129	-	-	-
Intergovernmental	14,893,233	151,275	218,462	-
Charges for services	8,310,870	99,839	93,760	-
Fines and forfeits	317,032	-	572,073	-
Interest and rent	1,038,064	18,533	52,692	8,791
Other	1,930,082	36,042	46,053	-
Total Revenues	<u>57,965,602</u>	<u>3,102,486</u>	<u>4,935,138</u>	<u>4,525,190</u>
Expenditures:				
Current -				
Legislative	1,177,953	-	-	-
General Government	11,274,477	-	-	-
Judicial	10,684,337	-	-	-
Public Safety	23,667,991	-	-	-
Public Works	977,462	-	-	-
Health and Welfare	1,721,423	-	-	4,463,118
Community and Economic Development	2,607,443	-	-	-
Recreation and Cultural	-	3,442,953	4,974,348	-
Capital Outlay	110,082	-	-	-
Debt Service -				
Principal	305,337	-	-	-
Interest and charges	142,467	-	-	-
Total Expenditures	<u>52,668,972</u>	<u>3,442,953</u>	<u>4,974,348</u>	<u>4,463,118</u>
Revenues over (under) expenditures	<u>5,296,630</u>	<u>(340,467)</u>	<u>(39,210)</u>	<u>62,072</u>
Other Financing Sources (Uses):				
Issuance of debt	127,252	-	-	-
Issuance of refunding bonds	-	-	-	-
Premium on refunding bonds	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
Transfers from other funds	2,281,742	-	-	-
Transfers to other funds	(7,432,200)	-	-	-
Total Other Financing Sources (Uses)	<u>(5,023,206)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	273,424	(340,467)	(39,210)	62,072
Fund Balances at beginning of year	<u>12,031,606</u>	<u>2,504,599</u>	<u>2,859,352</u>	<u>3,470,465</u>
Fund Balances at end of year	<u>\$ 12,305,030</u>	<u>\$ 2,164,132</u>	<u>\$ 2,820,142</u>	<u>\$ 3,532,537</u>

The accompanying notes are an integral part of these financial statements.

Drug Task Force	Mental Health Building Debt	Other Governmental Funds	Total Governmental Funds
\$ 3,164,169	\$ -	\$ 568,077	\$ 45,985,732
-	-	324,490	812,619
29,012	-	5,958,378	21,250,360
-	-	4,979,070	13,483,539
-	-	97,686	986,791
687	769,450	228,327	2,116,544
22,405	-	648,307	2,682,889
<u>3,216,273</u>	<u>769,450</u>	<u>12,804,335</u>	<u>87,318,474</u>
-	-	-	1,177,953
-	-	224,126	11,498,603
-	-	195,082	10,879,419
2,189,137	-	303,293	26,160,421
-	-	-	977,462
-	-	13,786,725	19,971,266
-	-	2,318	2,609,761
-	-	1,509,993	9,927,294
-	-	975,836	1,085,918
-	455,000	2,720,000	3,480,337
-	314,450	1,472,016	1,928,933
<u>2,189,137</u>	<u>769,450</u>	<u>21,189,389</u>	<u>89,697,367</u>
<u>1,027,136</u>	<u>-</u>	<u>(8,385,054)</u>	<u>(2,378,893)</u>
-	-	-	127,252
-	-	1,595,000	1,595,000
-	-	156,240	156,240
-	-	(1,678,636)	(1,678,636)
-	-	10,187,999	12,469,741
(306,767)	-	(1,270,128)	(9,009,095)
<u>(306,767)</u>	<u>-</u>	<u>8,990,475</u>	<u>3,660,502</u>
720,369	-	605,421	1,281,609
<u>102,248</u>	<u>610</u>	<u>10,604,245</u>	<u>31,573,125</u>
<u>\$ 822,617</u>	<u>\$ 610</u>	<u>\$ 11,209,666</u>	<u>\$ 32,854,734</u>

ST. CLAIR COUNTY, MICHIGAN

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017**

Net change in fund balances - total governmental funds	\$	1,281,609
Change in prepaid expenses recorded in the funds on the purchase method	(	25,696)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay		2,194,874
Depreciation expense	(	4,996,708)
Loss from sale/disposal of assets	(	34,306)
Governmental funds do not report the fair value of donated assets as revenues and expenditures. However, the fair value is reported as both revenues and expenses in the statement of activities.		
Fair value of donated assets		21,498
Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
		211,094
The issuance of long-term debt (e.g. bonds and notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources to governmental funds. Neither transaction, however, has any effect on net position.		
Principal payments on long term liabilities		3,480,337
Issuance of debt - drain districts	(	127,252)
Bond Proceeds	(	1,595,000)
Payments to refunding bond escrow agent		1,678,636
Accrued interest expense on bonds and the amortization of bond discounts, premiums, and deferred losses are not recorded by governmental funds, but are reported under interest and fiscal charges for the purpose of net position.		
Decrease in accrued interest payable		26,164
Premium on bonds	(	156,240)
Amortization of bond premium		288,038
Amortization of deferred charge on refunding	(	180,619)
Internal service funds used by management to charge costs of property, liability, health, disability, workers compensation and life insurance expenses and claims. The net revenues (expenses) attributable to those funds is reported with governmental activities.		
		605,276
Change in deferred outflows of resources and deferred inflows of resources related to the pension plan		
	(	191,017)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.		
Increase in net OPEB obligation	\$(	5,846,623)
Increase in net pension liability	(	1,115,477)
Increase in accrued compensated absences	(	399,790)
		<u>7,361,890</u>
Change in net position of governmental activities	\$(	<u><u>4,881,202</u></u>)

The accompanying notes are an integral part of these financial statements.

ST. CLAIR COUNTY, MICHIGAN

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2017**

	Business-type Activities - Enterprise Funds				Governmental
	Solid Waste Disposal System	Delinquent Tax Revolving	Other Proprietary Funds	Total	Internal Service Fund
Assets:					
Current Assets:					
Cash and cash equivalents	\$ 10,865,731	\$ 2,058,150	\$ 1,058,809	\$ 13,982,690	\$ 996,741
Investments	-	7,615,756	-	7,615,756	-
Receivables, net of allowance -					
Delinquent taxes	-	5,882,264	-	5,882,264	-
Interest and accounts	2,180,615	19,215	122,094	2,321,924	254,196
Due from other governmental units	329,136	20,779	-	349,915	-
Inventory	-	-	18,309	18,309	-
Prepaid expenses and deposits	1,037	16,457	983	18,477	2,060,611
Due from other funds	-	12,800,000	-	12,800,000	-
Total Current Assets	<u>13,376,519</u>	<u>28,412,621</u>	<u>1,200,195</u>	<u>42,989,335</u>	<u>3,311,548</u>
Noncurrent Assets:					
Capital assets	41,608,505	268,680	7,117,663	48,994,848	110,516
Less - accumulated depreciation	<u>(24,266,897)</u>	<u>(260,291)</u>	<u>(2,682,261)</u>	<u>(27,209,449)</u>	<u>(40,608)</u>
Capital assets, net	17,341,608	8,389	4,435,402	21,785,399	69,908
Notes receivable	-	8,449	-	8,449	-
Total Noncurrent Assets	<u>17,341,608</u>	<u>16,838</u>	<u>4,435,402</u>	<u>21,793,848</u>	<u>69,908</u>
Total Assets	<u>30,718,127</u>	<u>28,429,459</u>	<u>5,635,597</u>	<u>64,783,183</u>	<u>3,381,456</u>
Deferred Outflows of Resources:					
Related to pension plan	<u>130,324</u>	<u>-</u>	<u>-</u>	<u>130,324</u>	<u>-</u>

The accompanying notes are an integral part of these financial statements.

	Business-type Activities - Enterprise Funds				Governmental
	Solid Waste Disposal System	Delinquent Tax Revolving	Other Proprietary Funds	Total	Internal Service Fund
Liabilities:					
Current Liabilities:					
Accounts payable	\$ 778,988	\$ 11,667	\$ 123,486	\$ 914,141	\$ 76,842
Accrued expenses	18,006	3,846	9,977	31,829	389,583
Due to other governmental units	29,805	8,226	-	38,031	-
Accrued interest payable	52,823	-	-	52,823	-
Current portion of long-term liabilities	330,000	-	-	330,000	135,000
Unearned revenue	-	-	4,992	4,992	-
Total Current Liabilities	<u>1,209,622</u>	<u>23,739</u>	<u>138,455</u>	<u>1,371,816</u>	<u>601,425</u>
Long-term Liabilities (less current portions):					
Accrued vacation and sick	34,176	-	9,934	44,110	-
Accrued insurance claims	-	-	-	-	193,000
Net pension liability	219,679	-	-	219,679	-
Net OPEB obligation	582,336	113,401	147,588	843,325	-
Bonds payable	8,427,681	-	-	8,427,681	-
Estimated closure and post closure costs	6,655,207	-	-	6,655,207	-
Total Long-term Liabilities	<u>15,919,079</u>	<u>113,401</u>	<u>157,522</u>	<u>16,190,002</u>	<u>193,000</u>
Total Liabilities	<u>17,128,701</u>	<u>137,140</u>	<u>295,977</u>	<u>17,561,818</u>	<u>794,425</u>
Deferred Inflows of Resources:					
Related to pension plan	<u>5,151</u>	<u>-</u>	<u>-</u>	<u>5,151</u>	<u>-</u>
Net Position:					
Net investment in capital assets	8,583,927	8,389	4,435,402	13,027,718	69,908
Restricted - Expendable - Foreclosure sales	-	3,714,975	-	3,714,975	-
Unrestricted	5,130,672	24,568,955	904,218	30,603,845	2,517,123
Total Net Position	<u>\$ 13,714,599</u>	<u>\$ 28,292,319</u>	<u>\$ 5,339,620</u>	<u>\$ 47,346,538</u>	<u>\$ 2,587,031</u>

ST. CLAIR COUNTY, MICHIGAN

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Business-type Activities - Enterprise Funds				Governmental
	Solid Waste Disposal System	Delinquent Tax Revolving	Other Proprietary Funds	Total	Internal Service Fund
Operating Revenues:					
Intergovernmental	\$ 74,752	\$ -	\$ -	\$ 74,752	\$ -
Charges for services	8,790,857	920,359	1,594,237	11,305,453	12,611,685
Interest and rents	-	1,074,915	157,093	1,232,008	-
Other	8,876	-	3,295	12,171	661,858
Total Operating Revenues	<u>8,874,485</u>	<u>1,995,274</u>	<u>1,754,625</u>	<u>12,624,384</u>	<u>13,273,543</u>
Operating Expenses:					
Personal services	580,520	126,019	261,681	968,220	252,536
Supplies	446,912	-	271,348	718,260	4,466
Other services	4,284,650	285,382	1,404,727	5,974,759	12,407,177
Closure and post closure costs	391,147	-	-	391,147	-
Depreciation	2,574,494	11,185	306,767	2,892,446	4,088
Total Operating Expenses	<u>8,277,723</u>	<u>422,586</u>	<u>2,244,523</u>	<u>10,944,832</u>	<u>12,668,267</u>
Operating income (loss)	<u>596,762</u>	<u>1,572,688</u>	<u>(489,898)</u>	<u>1,679,552</u>	<u>605,276</u>
Non-Operating Revenues (Expenses):					
Interest revenue	-	168,498	-	168,498	-
Loss on disposal of capital assets	(18,395)	-	-	(18,395)	-
Interest expense	<u>(165,622)</u>	<u>-</u>	<u>-</u>	<u>(165,622)</u>	<u>-</u>
Total Non-Operating Revenues (Expenses)	<u>(184,017)</u>	<u>168,498</u>	<u>-</u>	<u>(15,519)</u>	<u>-</u>
Net income (loss) before transfers	<u>412,745</u>	<u>1,741,186</u>	<u>(489,898)</u>	<u>1,664,033</u>	<u>605,276</u>
Transfers:					
Transfers from other funds	-	-	374,000	374,000	-
Transfers to other funds	<u>(1,654,946)</u>	<u>(2,179,700)</u>	<u>-</u>	<u>(3,834,646)</u>	<u>-</u>
Total Transfers	<u>(1,654,946)</u>	<u>(2,179,700)</u>	<u>374,000</u>	<u>(3,460,646)</u>	<u>-</u>
Change in Net Position	<u>(1,242,201)</u>	<u>(438,514)</u>	<u>(115,898)</u>	<u>(1,796,613)</u>	<u>605,276</u>
Net Position at beginning of year	<u>14,956,800</u>	<u>28,730,833</u>	<u>5,455,518</u>	<u>49,143,151</u>	<u>1,981,755</u>
Net Position at end of year	<u>\$ 13,714,599</u>	<u>\$ 28,292,319</u>	<u>\$ 5,339,620</u>	<u>\$ 47,346,538</u>	<u>\$ 2,587,031</u>

The accompanying notes are an integral part of these financial statements.

ST. CLAIR COUNTY, MICHIGAN

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Business-type Activities - Enterprise Funds				Governmental
	Solid Waste Disposal System	Delinquent Tax Revolving	Other Proprietary Funds	Total	Internal Service Fund
Cash Flows From Operating Activities:					
Cash receipts from customers	\$ 7,527,922	\$11,425,991	\$ 1,736,540	\$20,690,453	\$ 1,166,642
Cash receipts from interfund services	-	-	-	-	12,611,685
Cash payments to suppliers	(4,227,673)	(9,175,461)	(1,663,249)	(15,066,383)	(11,835,539)
Cash payments to employees	(432,770)	(97,813)	(209,698)	(740,281)	(254,546)
Cash payments for interfund services	(62,256)	(14,446)	(31,791)	(108,493)	-
Other cash receipts	83,628	-	-	83,628	-
Net cash Provided by (Used in) Operating Activities	<u>2,888,851</u>	<u>2,138,271</u>	<u>(168,198)</u>	<u>4,858,924</u>	<u>1,688,242</u>
Cash Flows From Noncapital Financing Activities:					
Cash receipts/payments to other funds	-	(8,100,000)	-	(8,100,000)	(700,000)
Transfers from other funds	-	-	374,000	374,000	-
Transfers to other funds	<u>(1,654,946)</u>	<u>(2,179,700)</u>	<u>-</u>	<u>(3,834,646)</u>	<u>-</u>
Net cash Provided by (Used in) Non-capital Related Financing Activities	<u>(1,654,946)</u>	<u>(10,279,700)</u>	<u>374,000</u>	<u>(11,560,646)</u>	<u>(700,000)</u>
Cash Flows From Capital and Related Financing Activities:					
Proceeds from sale of bonds	625,204	-	-	625,204	-
Payments on bonds	(320,000)	-	-	(320,000)	-
Sale of assets	700	-	-	700	-
Interest paid	(163,456)	-	-	(163,456)	-
Acquisition and construction of capital assets	<u>(806,979)</u>	<u>-</u>	<u>(77,425)</u>	<u>(884,404)</u>	<u>-</u>
Net cash Provided by (Used in) Capital Related Financing Activities	<u>(664,531)</u>	<u>-</u>	<u>(77,425)</u>	<u>(741,956)</u>	<u>-</u>
Cash Flows From Investing Activities:					
Interest received	-	168,498	-	168,498	-
Proceeds from sale of investments	-	5,925,261	-	5,925,261	-
Net Cash Provided by Investing Activities	<u>-</u>	<u>6,093,759</u>	<u>-</u>	<u>6,093,759</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	569,374	(2,047,670)	128,377	(1,349,919)	988,242
Cash and Cash Equivalents at beginning of year	<u>10,296,357</u>	<u>4,105,820</u>	<u>930,432</u>	<u>15,332,609</u>	<u>8,499</u>
Cash and Cash Equivalents at end of year	<u><u>\$10,865,731</u></u>	<u><u>\$ 2,058,150</u></u>	<u><u>\$ 1,058,809</u></u>	<u><u>\$13,982,690</u></u>	<u><u>\$ 996,741</u></u>

(Continued)

The accompanying notes are an integral part of these financial statements.

ST. CLAIR COUNTY, MICHIGAN

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Business-type Activities - Enterprise Funds				Governmental Activities
	Solid Waste Disposal System	Delinquent Tax Revolving	Other Proprietary Funds	Total	Internal Service Fund
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:					
Operating income (loss)	\$ 596,762	\$ 1,572,688	\$(489,898)	\$ 1,679,552	\$ 605,276
Adjustments to reconcile operating income (loss) to net cash proved by (used in) operating activities -					
Depreciation	2,574,494	11,185	306,767	2,892,446	4,088
Provision for uncollectible accounts	80,000	-	-	80,000	-
Estimated closure and post closure costs	391,147	-	-	391,147	-
Change in assets and liabilities:					
Receivables	(1,347,799)	558,633	5,133	(784,033)	504,784
Inventory	-	-	(1,590)	(1,590)	-
Prepays and deposits	1,593	(107)	(858)	628	953,616
Deferred outflows/inflows of resources related to pension plan	(2,375)	-	-	(2,375)	-
Accounts payable/accrued expenses	586,648	11,103	77,573	675,324	(379,522)
Due to/from other governmental units	8,381	(15,231)	-	(6,850)	-
Due to other funds	-	-	(42,107)	(42,107)	-
Unearned revenue	-	-	(23,218)	(23,218)	-
Net cash Provided by (Used in) Operating Activities	<u>\$ 2,888,851</u>	<u>\$ 2,138,271</u>	<u>\$(168,198)</u>	<u>\$ 4,858,924</u>	<u>\$ 1,688,242</u>

(Concluded)

ST. CLAIR COUNTY, MICHIGAN

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2017**

	Pension and Other Employee Benefits	Landfill Private-Purpose Trust Fund	Agency Funds
	<u> </u>	<u> </u>	<u> </u>
Assets:			
Cash and cash equivalents	\$ 16,685,057	\$ 2,180,990	\$ 3,405,983
Investments -			
Corporate Debt	12,195,717	-	-
Hedge Funds	84,856	-	-
Stocks	125,003,718	-	-
Mutual Funds	18,321,156	-	-
Partnerships	114,222,511	-	-
Municipal Bonds	201,846	-	-
Certificates of Deposit	-	-	59,640
Receivables -			
Interest/dividends and accounts	264,044	-	19,789,620
Other	712,338	-	11,987
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>287,691,243</u>	<u>2,180,990</u>	<u>\$ 23,267,230</u>
 Liabilities:			
Accounts payable	486,016	-	\$ -
Due to individuals and agencies	4,039	-	20,725,477
Due to other governmental units	-	-	2,541,753
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>490,055</u>	<u>-</u>	<u>\$ 23,267,230</u>
 Net Position:			
Restricted for pension benefits	241,595,039	-	
Restricted for other postemployment benefits	45,606,149	-	
Restricted for landfill perpetual care	-	2,180,990	
	<u> </u>	<u> </u>	
Total Net Position	<u>\$ 287,201,188</u>	<u>\$ 2,180,990</u>	

The accompanying notes are an integral part of these financial statements.

ST. CLAIR COUNTY, MICHIGAN

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Pension and Other Employee Benefits	Landfill Private-Purpose Trust Fund
	<u> </u>	<u> </u>
Additions:		
Contributions -		
Member contributions	\$ 2,331,916	\$ -
Employer contributions	8,761,240	-
Closure/postclosure	-	43,000
Total Contributions	<u>11,093,156</u>	<u>43,000</u>
Investment income -		
Net appreciation in fair value of investments	28,298,774	-
Interest/dividends	3,327,050	16,601
Less investment expense	<u>(493,743)</u>	<u>(1,000)</u>
Net investment income	<u>31,132,081</u>	<u>15,601</u>
Total Additions	<u>42,225,237</u>	<u>58,601</u>
Deductions:		
Retirement payroll	14,526,219	-
Health/dental insurance	3,982,535	-
Death benefits	31,500	-
Employee refunds	433,975	-
Administration	128,290	-
Professional fees	<u>75,881</u>	<u>-</u>
Total Deductions	<u>19,178,400</u>	<u>-</u>
Net increase	23,046,837	58,601
Net position -		
Beginning of year	<u>264,154,351</u>	<u>2,122,389</u>
End of year	<u>\$ 287,201,188</u>	<u>\$ 2,180,990</u>

The accompanying notes are an integral part of these financial statements.

ST. CLAIR COUNTY, MICHIGAN

**COMBINING STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
DECEMBER 31, 2017**

	Road Commission	Department of Public Works	Community Mental Health Authority
Assets:			
Cash and cash equivalents	\$ 7,686,511	\$ 290,412	\$ 10,859,181
Receivables (net of allowance)	4,378,198	321,704	1,925,426
Prepaid expenses	242,873	-	264,682
Inventory	1,544,930	-	3,950
Properties held for sale	-	-	-
Restricted Assets -			
Cash and cash equivalents	-	1,150,383	1,459,240
Accounts receivable	-	37,500	-
Contracts receivable	-	8,438,042	-
Beneficial interest in assets held by others	-	-	113,541
Capital Assets (net of accumulated depreciation)			
Assets not being depreciated	27,037,697	83,776	1,474,133
Assets being depreciated	137,472,568	10,607,885	9,032,019
Total Assets	<u>178,362,777</u>	<u>20,929,702</u>	<u>25,132,172</u>
Deferred Outflows of Resources:			
Related to the pension plan	3,655,315	-	3,855,077
Deferred charges on bond refunding	-	-	288,914
Total Deferred Outflows of Resources	<u>3,655,315</u>	<u>-</u>	<u>4,143,991</u>
Liabilities:			
Payables and accrued liabilities	703,516	110,488	5,957,645
Accrued interest	-	-	1,387
Advances and deposits	1,149,967	125,921	1,874,798
Advance from primary government	-	-	-
Unearned revenue	-	-	108,866
Notes payable	-	-	-
Liabilities payable from restricted assets	-	55,480	-
Non-current liabilities -			
Net OPEB obligation	16,673,924	-	7,644,809
Net pension liability	6,486,984	-	7,715,533
Due within one year	288,000	2,045,000	2,112,797
Due in more than one year	100,000	6,973,573	8,280,903
Total Liabilities	<u>25,402,391</u>	<u>9,310,462</u>	<u>33,696,738</u>
Deferred Inflows of Resources:			
Related to the pension plan	1,338,938	-	238,331
Taxes levied for a subsequent period	1,101,517	-	-
Total Deferred Inflows of Resources	<u>2,440,455</u>	<u>-</u>	<u>238,331</u>
Net Position:			
Net investment in capital assets	164,510,265	10,691,661	1,804,158
Restricted -			
Donations	-	-	91,771
Beneficial interest	-	-	63,541
Equipment replacement	-	551,872	-
Debt Service	-	-	-
Unrestricted (Deficit)	<u>(10,335,019)</u>	<u>375,707</u>	<u>(6,618,376)</u>
Total Net Position	<u>\$ 154,175,246</u>	<u>\$ 11,619,240</u>	<u>\$ (4,658,906)</u>

The accompanying notes are an integral part of these financial statements.

Land Bank Authority	Drainage Districts	Totals
\$ 157,647	\$ 4,453,444	\$ 23,447,195
650	14,887,861	21,513,839
-	-	507,555
-	-	1,548,880
8,449	-	8,449
-	-	2,609,623
-	-	37,500
-	-	8,438,042
-	-	113,541
-	4,919,744	33,515,350
-	37,802,759	194,915,231
<u>166,746</u>	<u>62,063,808</u>	<u>286,655,205</u>
-	-	7,510,392
-	-	288,914
-	-	<u>7,799,306</u>
-	403,728	7,175,377
-	131,305	132,692
-	201,271	3,351,957
-	1,360,000	1,360,000
-	-	108,866
-	1,930,000	1,930,000
-	-	55,480
-	-	24,318,733
-	-	14,202,517
-	3,218,923	7,664,720
8,449	15,500,538	30,863,463
<u>8,449</u>	<u>22,745,765</u>	<u>91,163,805</u>
-	-	1,577,269
-	-	1,101,517
-	-	<u>2,678,786</u>
-	20,763,042	197,769,126
-	-	91,771
-	-	63,541
-	-	551,872
-	18,280,499	18,280,499
158,297	274,502	(16,144,889)
<u>\$ 158,297</u>	<u>\$ 39,318,043</u>	<u>\$ 200,611,920</u>

ST. CLAIR COUNTY, MICHIGAN

**COMBINING STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Road Commission				
Governmental activities:				
Highways and Streets	\$ 27,987,842	\$ 4,116,161	\$ 19,895,753	\$ 3,423,911
Department of Public Works				
Governmental activities:				
Interest on Long Term Debt	288,059	288,059	-	-
Business-type activities:				
Water and Sewer	1,802,412	1,273,031	-	115,000
Total Department of Public Works	2,090,471	1,561,090	-	115,000
Community Mental Health Authority				
Business type activities:				
Health and Welfare	53,433,322	2,574,927	49,546,305	-
Land Bank Authority				
Governmental activities:				
Community and Economic Development	-	-	-	-
Drainage Districts				
Governmental activities:				
Public Works	1,099,214	1,947,323	-	53,311
Interest on Long-term Debt	592,712	-	-	-
Total Drains	1,691,926	1,947,323	-	53,311
Total Component Units	\$ 85,203,561	\$ 10,199,501	\$ 69,442,058	\$ 3,592,222

General Revenues:

 Property taxes

 Unrestricted investment income

Loss on disposal of fixed assets

 Total general revenues

Change in net position

Net position at beginning of year, as restated

Net position at end of year

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Change in Net Position

<u>Road Commission</u>	<u>Department of Public Works</u>	<u>Community Mental Health Authority</u>	<u>Land Bank Authority</u>	<u>Drainage Districts</u>	<u>Total</u>
\$(552,017)					\$(552,017)
	\$ -				-
	<u>(414,381)</u>				(414,381)
	<u>(414,381)</u>				
		<u>\$(1,312,090)</u>			(1,312,090)
			<u>\$ -</u>		-
				\$ 901,420	901,420
				<u>(592,712)</u>	<u>(592,712)</u>
				<u>308,708</u>	
					<u>(1,969,780)</u>
1,147,437	-	-	4,718	-	1,152,155
7,223	977	11,784	154	21,109	41,247
-	<u>(6,038)</u>	-	-	-	<u>(6,038)</u>
<u>1,154,660</u>	<u>(5,061)</u>	<u>11,784</u>	<u>4,872</u>	<u>21,109</u>	<u>1,187,364</u>
602,643	<u>(419,442)</u>	<u>(1,300,306)</u>	4,872	329,817	<u>(782,416)</u>
<u>153,572,603</u>	<u>12,038,682</u>	<u>(3,358,600)</u>	<u>153,425</u>	<u>38,988,226</u>	<u>201,394,336</u>
<u>\$ 154,175,246</u>	<u>\$ 11,619,240</u>	<u>\$(4,658,906)</u>	<u>\$ 158,297</u>	<u>\$ 39,318,043</u>	<u>\$ 200,611,920</u>

ST. CLAIR COUNTY, MICHIGAN

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Reporting Entity -

The County of St. Clair, Michigan (the "County"), was organized on March 28, 1820 and covers an area of approximately 700 square miles, with the County seat located in the City of Port Huron, Michigan. The County operates under an elected Board of Commissioners (7 members) and provides services to its approximately 163,000 residents in many areas including law enforcement, administration of justice, community enrichment and development, public works, health and welfare, and recreation and culture.

These financial statements present the County and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are in substance part of the government's operations. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the County.

BLENDING COMPONENT UNIT -

ST. CLAIR COUNTY BUILDING AUTHORITY - The St. Clair County Building Authority (the "Authority") is governed by a three-person board, which is appointed by the St. Clair County Board of Commissioners. The main function of the Authority at the present time is to pay off building bonds. The St. Clair County Building Authority is reported as if it were a part of the primary government because its sole purpose is to finance the construction of the County's Library and Public Service buildings, and any additional facilities that require financing. The Authority's activity is reported as a Debt Service fund, captioned "Building Authority." Separate financial statements for the Authority are not published.

DISCRETELY PRESENTED COMPONENT UNITS -

ST. CLAIR COUNTY ROAD COMMISSION - The St. Clair County Road Commission (the "Road Commission") is responsible for the maintenance and construction of the County road system in St. Clair County. The Road Commission operations are financed primarily from the State distribution of gas and weight taxes, federal financial assistance, property taxes, and contributions from other local governmental units within the County. The Road Commission operates under a Board, which consists of three commissioners who are appointed by the County Commissioners who are not County Board members. The Road Commission is financially accountable to the County for the following reasons: all general long-term debt issuance, excluding capital lease purchase agreements, requires County authorization and tax levies require approval of the County Commissioners.

ST. CLAIR COUNTY DEPARTMENT OF PUBLIC WORKS - The Department of Public Works (DPW) has the responsibility of administering the various Public Works Project Construction and Debt Service Funds under the provision of Act 185, Public Acts of 1957, as amended, as well as the Utility Operations and Maintenance Receiving and Wastewater Treatment Funds. The DPW operates under a Board, which consists of three commissioners, who are appointed by the County Commissioners who are not County Board members. The County Commissioners must authorize and approve any long-term debt issued by the DPW and are secondarily responsible for all operations and obligations.

ST. CLAIR COUNTY, MICHIGAN

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

DRAINAGE DISTRICTS - The St. Clair County Drain Commissioner is solely responsible for the administration of the drainage districts established pursuant to Act 40, P.A. 1956, as amended, of the Michigan Drain Code. The statutory Inter-County Drainage Boards consists of the State Director of Agriculture and the Drain Commissioners of each County involved in the projects. Each of the drainage districts are separate legal entities. The Drainage Board or Drain Commissioners, on behalf of the drainage district, may issue debt and levy special assessments authorized by the Drain Code without the prior approval of the County Board of Commissioners. The Drain Commission and all operations for the Drain Commission office are budgeted and reported as part of the County General Fund, except for maintenance and construction of individual drains, which is accounted for through the various drain funds. Maintenance and construction of individual drains are assessed to the benefited property owner. The full faith and credit of the County is often given for the debt of the drainage district upon authorization of the County Board of Commissioners.

ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY (SCCCMHA) -

On January 1, 2000 the St. Clair County Community Mental Health Services Board adopted Authority status under Public Act 290 of the Public Acts of 1995. The County Board of Commissioners appoints the 12-member board, can remove the appointed members at will, can dissolve SCCCMA, and provides annual appropriations to SCCCMA.

ST. CLAIR COUNTY LAND BANK AUTHORITY - Established pursuant to the Michigan Land Bank Fast Track Public Act 258 of 2003 and an Intergovernmental Agreement entered into between the Michigan Land Bank Fast Track Authority and the St. Clair County Treasurer. The Land Bank Authority is governed by a five-member board including the St. Clair County Treasurer, who is, by law, its Chairperson, and four other members appointed by the St. Clair County Board of Commissioners. The Land Bank Authority was created to acquire, hold, manage and develop tax-foreclosed properties, as well as other vacant and abandoned properties. The Land Bank Authority is primarily funded through contributions from the County and the Director of the Land Bank Authority is an employee of the County. The County Board of Commissioners can significantly influence the operations of the Land Bank Authority.

COMPONENT UNIT FINANCIAL STATEMENTS - The St. Clair County Road Commission, the St. Clair County Department of Public Works, and the St. Clair County Community Mental Health Authority are audited separately and complete financial statements may be obtained from the administration offices at the following locations:

St. Clair County Road Commission
21 Airport Drive
St. Clair, MI 48079

St. Clair County Department of Public Works
21 Airport Drive
St. Clair, MI 48079

St. Clair County Community Mental Health Authority
3111 Electric Avenue
Port Huron, MI 48060

ST. CLAIR COUNTY, MICHIGAN

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

The component units associated with the activities of the drainage districts administered by the St. Clair County Drain Commissioner and the Land Bank Authority administered by the County Treasurer are included within the scope of the audit of the basic financial statements. Separate audited financial statements for these component units were not issued.

FISCAL YEAR ENDS - All of the County Funds and Component Units operate and are reported on a December 31 year-end with the exception of the St. Clair County Community Mental Health Authority, which operates and is reported as of September 30.

B. Government-wide and Fund Financial Statements -

The government-wide financial statements (statement of net position and statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation -

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary funds and fiduciary fund financial statements. (Agency funds, a type of fiduciary fund, are unlike all other types of funds, reporting only assets and liabilities. Agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.) Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are normally collected within 60 days of the end of the current fiscal period except for reimbursement grants, which are recognized if collected or could have been collected within 90 days. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when payment is due.

State shared revenue, licenses, notes receivable, and interest associated with the current fiscal period are all considered to be susceptible to accrual and therefore have been recognized as revenues of the current fiscal period. Property taxes are recognized as revenue in the year for which they are levied. All other revenue items are considered to be measurable and available only when cash is received by the government.

The County reports the following major governmental funds:

Combined General Fund - is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The Budget Incentive and Development Revolving Funds have been included in the Combined General Fund as revenues come from the General Fund and can be used for General Fund operations.

Parks and Recreation - is used to account for a County special millage to be used to expand and enhance the County park system.

Library - is used to account for a County special millage for the operations of the Public Library.

Senior Citizens Millage - is used to account for a County special millage to be used for senior citizens' activities.

Drug Task Force - is used to account for a County special millage and seized property used for the enhancement of the law enforcement effort pertaining to controlled substances. It also includes funding for drug prevention programs from state and federal sources.

Mental Health Building Debt - is used to account for the debt service requirements related to the construction of a Community Mental Health Building.

The County reports the following major proprietary funds:

Solid Waste Disposal System - is used to account for the operations of the County-owned landfill, which provides a disposal area for County commercial and residential refuse.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Delinquent Tax Revolving Fund - is used to account for the payment to each local unit of government within the County of the delinquent real property taxes outstanding as of March 1 of each year. The fund is also used to account for the collection of those delinquent taxes along with penalties and interest. Also, the fund is used to account for the activity related to property foreclosures.

Additionally, the County reports the following fund types:

Governmental Fund Types -

Special Revenue Funds - are used to account for the proceeds that are restricted or committed for expenditures for specific purposes other than debt service or capital projects.

Debt Service Funds - are used to account for the accumulation of resources for, and the payment of, principal and interest on long-term debt of governmental funds.

Capital Project Funds - are used to account for financial resources to be used for the acquisition or construction of major capital projects (other than those financed by Proprietary and Trust Funds).

Proprietary Fund Types -

Enterprise Funds - are used to report operations for services to the general public, financed primarily by user charges intended to recover the cost of services provided, and include the airport, sheriff's concession, homestead exemption audits, and school tax collection funds.

Internal Service Fund - is used to account for the charges for services from funds and departments for self-funded disability, unemployment, workers' compensation, and health care, and to account for the payment of related insurance claims and expenses.

Fiduciary Fund Types -

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. St. Clair County's fiduciary funds include:

Pension and Other Postemployment Benefits Fund - is used to account for activity of the Employees' Retirement System and Employees' OPEB Plan, which accumulates resources for pension payments and health benefit payments to eligible retirees.

Private Purpose Trust Fund (Landfill Perpetual Care) - is used to account for the accumulation of statutory fees and interest earnings to be used by the State of Michigan to safely maintain the landfill after the closure.

Agency Funds - are used to account for assets held by the County as an agent for individuals, private organizations, other governmental units, and other funds, including tax collections, payroll liabilities, and library collections of penal fines.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's enterprise funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal on-going operations. The principal operating revenues of the Enterprise and Internal Service Funds are charges to customers for sales and services and intergovernmental operating grants. Operating expenses from Enterprise and Internal Service Funds include costs of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first and then unrestricted resources as they are needed.

D. Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position or Fund Balance -

Deposits and Investments -

The County's cash and cash equivalents are considered to be cash on hand, demand deposits, investment trust funds, and certificates of deposit with original maturities of three months or less from the date of acquisition. The investment trust funds have the general characteristics of demand deposit accounts, in that the County may deposit additional cash at any time and effectively may withdraw cash at any time without prior notice or penalty, and are reported as cash and cash equivalents.

Investments are stated at fair value, which is determined as follows: (a) short-term investments are reported at cost, which approximates fair value; (b) securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates; (c) investments that do not have established market values are reported at estimated fair value; and (d) cash deposits are reported at their carrying amount which reasonably approximates fair value.

State statutes authorize the County to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers' acceptances, and mutual funds composed of otherwise legal investments (except those with a fluctuating per share value).

The Michigan Public Employee Retirement System Act, Public Act 314 of 1965 as amended, authorizes the Retirement System, to invest in stocks, government and corporate securities, mortgages, real estate, and various other investment instruments, subject to certain limitations.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Receivables and Payables -

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans), or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown net of an allowance for uncollectible accounts.

Inventories and Prepaid Items -

Inventories of governmental funds are recorded as expenditures when purchased. Inventories of the Road Commission are stated at average cost recognized using the consumption method (recorded as expense when used). All other inventories are held for resale and are valued at the lower of cost or market using the first in/first out (FIFO) method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide and proprietary fund type statements using the consumption method. In the governmental fund financial statements, the purchases method is used, except for prepaid postage and spendable endowment deposits with the Community Foundation, which are recorded as prepaid items using the consumption method.

Properties Held for Sale -

Properties held for sale in the Land Bank Authority are foreclosure properties purchased from the primary government to hold, manage, and develop to be productive and economically viable. These properties are stated at the lower of cost or market using the specific identification method and are recognized using the consumption method.

Property Tax Calendar -

The property taxes for the County’s general fund are levied on July 1 (the lien date), with all special purpose taxes levied on December 1 (the lien date), based on the taxable value of property located in the County as of the preceding December 31, by the various municipalities within the County. The July 1 taxes are due on or before September 15 and the December 1 taxes are due on or before February 15. The General Fund levy is recognized in the year of the levy. The special purpose taxes that are levied on December 1 are recorded as a receivable and deferred inflow of resources since they are levied for the subsequent year operations. For the year, the County levied 5.3265 mills for the General Fund, 0.4954 mills for Parks and Recreation, 0.7000 mills for Library, 0.8000 mills for Senior Citizens, 0.1000 mills for Veterans, 0.5610 mills for Drug Task Force, and 0.2500 mills for Roads.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Capital Assets -

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable columns in the government-wide financial statements. For the County, infrastructure exists in the Road Commission and Drain Commission component units. The government defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years, except for the St. Clair County Department of Public Works and the St. Clair County Road Commission, which capitalize assets with an individual cost of \$1,000 or more. The Road Commission also capitalizes road equipment without consideration of a minimum cost. Assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition 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 the asset's life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives, with the exceptions for certain landfill assets, which are depreciated based on the usage method, and road equipment, which is depreciated based on the sum-of-the-years' digits method:

	Years				
	<u>Primary Government</u>	<u>Road Commission</u>	<u>Mental Health</u>	<u>Dept. of Public Works</u>	<u>Drains</u>
Building/Improvements	10-45	20-50	5-30	20-50	-
Drainage Systems	-	-	-	-	50
Road Systems/Other Infrastructure	-	8-50	-	-	-
Utility System	-	-	-	50-60	-
Equipment	3-20	4-20	4-7	5-20	-
Books/Audiovisual	5-10	-	-	-	-

Compensated Absences -

In accordance with 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 contracts. All vested vacation and sick leave is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for this amount is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

ST. CLAIR COUNTY, MICHIGAN

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Long-term Obligations -

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual proceeds received, are reported as debt service expenditures.

Deferred Outflows/Inflows of Resources -

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses) until then. The County has two items that qualify for reporting in this category. A deferred charge on refunding is reported on the government-wide statement of net position. The deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Other items deferred by the County are related to the pension plan and are reported on the government-wide statement of net position and enterprise fund financial statements and relate to pension contribution payments made subsequent to the measurement date, the net difference between projected and actual plan investment earnings, changes in assumptions, and proportionate share difference. The contributions made subsequent to the measurement date are recognized in the following plan year; the changes in assumptions and proportionate share differences are amortized over the expected remaining service lives of the participants; and the difference between projected and actual plan investment earnings is amortized over five (5) years.

In addition to liabilities, the statement of net position and balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) so will not be recognized as an inflow of resources (revenue) until that time. The County had several items that qualified for reporting under this category including taxes levied for a subsequent period, unavailable revenues that are not collected within the 60-day or 90-day availability period, differences between expected and actual experience, and proportionate share differences in the pension plan. The County had unavailable revenues primarily from delinquent personal property taxes, long-term contract paid by other governmental units and individuals, fees, and expense reimbursement grants. The amounts are recognized as an inflow of resources in the period for which the tax is levied and in the period the amounts become available. The deferred inflows of resources related to the pension plan are amortized over the expected remaining service lives of the participants.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Fund Balance -

In the fund financial statements, governmental funds reported fund balances in one or more of the following classifications:

Nonspendable fund balance – the portion of fund balance that is not in a spendable form.

Restricted fund balance – the portion of fund balance that is mandated for a specific purpose by external parties, constitutional provisions, or enabling legislation.

Committed fund balance – the portion of fund balance that is set aside for a specific purpose by the County itself, using the highest level of decision-making authority (Board of Commissioners) by the passage of a resolution.

Assigned fund balance – the portion of fund balance that reflects the County's intended use of resources. Currently, the Administrator/Controller has the authority to set aside funds pursuant to the County's Fund Balance Policy. Amounts in excess of nonspendable, restricted, and committed fund balance in funds other than the Combined General Fund is reported as assigned.

Unassigned fund balance – the portion of fund balance in the Combined General Fund that cannot be classified into one of the four categories above and the reporting of any negative fund balance of other governmental funds.

When different classifications of fund balance are present, it is the County's policy that expenditures are to be spent from restricted fund balance first, if appropriate, followed in order by committed fund balance, assigned fund balance and lastly, unassigned fund balance.

Estimates -

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Federal Programs -

Federal Programs are accounted for in specific Special Revenue Funds or as part of the various fund types to which the programs pertain. The County has not integrated its Single Audit Reports and Schedule of Expenditures of Federal Awards as part of the Annual Financial Report. The Single Audit will be issued prior to September 30, 2018 under a separate cover as supplementary information to the Annual Financial Report.

ST. CLAIR COUNTY, MICHIGAN

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Upcoming Accounting Pronouncements -

The Governmental Accounting Standards Board (GASB) issued the following statements that will have an impact on the County's financial statements when adopted. The County is currently evaluating the implications of the pronouncements.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plan Other Than Pension Plans*, was issued in June 2015 and will become effective for the County's December 31, 2018 fiscal year. The statement requires governments providing defined benefit plans to report the net OPEB liability in their statement of net position. The net OPEB liability is the difference between the total OPEB liability (the present value of projected benefit payments to employees based on their past service) and the assets accumulated in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries.

GASB Statement No. 84, *Fiduciary Activities*, was issued in January 2017 and will become effective for the County's December 31, 2019 fiscal year. The statement re-establishes criteria for reporting fiduciary activities in the governmental financial statements where certain activities previously reported as agency funds may be reclassified.

GASB Statement No. 87, *Leases*, was issued in June 2017 and will become effective for the County's December 31, 2021 fiscal year. The objective of the statement is to improve accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right-to-use of an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the government's leasing activities.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary Information -

The General and Special Revenue Funds budgets shown in the financial statements were prepared on a basis consistent with accounting principles generally accepted in the United States of America. The County employs the following procedures in establishing the budgetary data reflected in the financial statements:

- 1) Prior to November 1, County departments, in conjunction with the Administrator/Controller's Office, prepare and submit their proposed operating budgets for the calendar year commencing the following January 1. The operating budgets include proposed expenditures and resources to finance them.
- 2) A Public Hearing is conducted to obtain taxpayers' comments.
- 3) Prior to December 31, the budgets are legally enacted through passage of a Board of Commissioners' resolution.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY - (cont'd):

- 4) The budgets are legally adopted at the activity level for the General Fund and the functional level for the Special Revenue Funds; however, for control purposes the budgets are maintained at the account level.
- 5) Formal budgetary integration is not employed for the Debt Service or Capital Projects Funds on an annual basis because effective budgetary control is achieved through project length financial plans.
- 6) After the budgets are adopted, the Administrator/Controller's Office is authorized to transfer budget amounts between accounts. Any revisions that exceed the total activities or functions as applicable must be approved by the Board of Commissioners.
- 7) The County does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds. All unexpended appropriations lapse at year-end.
- 8) Budgeted amounts are reported as originally adopted, or as amended by the Board of Commissioners during the year.

Similar procedures are followed in the case of the Component Units included in the Reporting Entity of St. Clair County, except that the respective Administrator/Director of each performs the function described above rather than the County Administrator/Controller. Budgetary comparisons have not been made for the component unit financial statements but are available in their separately issued component unit financial statements.

Michigan Public Act 621 of 1978 Section 18, as amended, provides that local governmental units shall not incur expenditures in excess of the amount appropriated at the legally enacted level. The Michigan Department of Treasury requires the reporting of any significant overages at the legal level of budgetary control level (any overages at the legal level of budgetary control greater than 10% of the total expenditure and the overage itself is larger than 10%). During the year ended December 31, 2017, the County had overages that exceeded these thresholds as follows:

Excess of Expenditures over Appropriations -

PRIMARY GOVERNMENT -

<u>Fund Type/Function/Activity</u>	<u>Appropriations</u>	<u>Expended</u>	<u>Variance</u>
Nonmajor Special Revenue Funds -			
Brownfield Redevelopment - Transfers to Other Funds	\$ -	\$ 15,000	\$ 15,000
Drug Law Enforcement - Public Safety	174,198	264,034	89,836
Veterans' Trust - Transfers to Other Funds	-	8,097	8,097
Prosecutor's Drug Forfeitures - Transfers to other funds	16,277	34,056	17,779

The County Drain Fund, major fund of the Drain Commission Discretely Presented Component Unit, has a \$1,767,199 deficit unassigned fund balance.

ST. CLAIR COUNTY, MICHIGAN

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

NOTE 3 - DEPOSITS AND INVESTMENTS:

Authorized Deposits and Investments -

Investments are carried at cost or fair value as explained in Note 1 and are deposited in the name of the St. Clair County Treasurer. Act 217 PA 1982 as amended authorizes the County to deposit in certificates of deposit, savings accounts, depository accounts or depository receipts of a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act 105 of the Public Acts of 1855, as amended, being section 21.145 and 21.146 of the Michigan Compiled Laws.

Investments, except those of the Retirement System, are administered by the Treasurer under guidelines established by Act 20 of the Michigan Public Acts of 1943, as amended, and the Investment Policy as adopted by the County's Board of Commissioners. The County's Investment Policy allows for the following instruments:

- 1) Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- 2) Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is eligible to be a depository of funds belonging to the state under a law or rule of this state or the United States.
- 3) Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase. Not more than 50% of County funds shall be invested in commercial paper.
- 4) Repurchase agreements consisting of instruments listed in (1) above.
- 5) Bankers' acceptances of United States banks, with a maturity date not to exceed 270 days. Not more than 50% of County funds shall be invested in bankers' acceptances.
- 6) Obligations of this state or any of its political subdivisions that, at the time of purchase, are rated as investment grade by not less than one standard rating service.
- 7) Mutual funds registered under the Investment Company Act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. This authorization is limited to securities whose intention is to maintain a net asset value of \$1.00 per share.
- 8) Obligations described in (1.) through (7.) above if purchased through an interlocal agreement under the Urban Cooperation Act of 1967, 1967 (Ex Sess) PA7, MCL 124.501 to 124.512.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 3 - DEPOSITS AND INVESTMENTS - (cont'd):

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

10) Investment pools organized under the Local Government Investment Pool Act, 1985 PA 121, MCL 129.141 to 129.150.

Carrying Amount -

At year-end, the carrying amount of the County Reporting Entity's deposits and investments is as follows:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Funds</u>	<u>Reporting Entity</u>
Cash on Hand -				
Petty cash and cash on hand	\$ 25,127	\$ 4,385	\$ 1,200	\$ 30,712
Deposits with Financial Institutions -				
Checking/Savings/Certificates of Deposit/Money Market	<u>27,051,632</u>	<u>20,437,729</u>	<u>5,550,619</u>	<u>53,039,980</u>
Investments -				
Money Market Funds	19,984,986	5,614,704	16,779,851	42,379,541
Marketable CD's	9,650,000	-	-	9,650,000
Commercial Paper	9,619,142	-	-	9,619,142
Corporate Debt	-	-	12,195,717	12,195,717
Stocks	-	-	125,003,718	125,003,718
Hedge Funds	-	-	84,856	84,856
Mutual Funds	-	-	18,321,156	18,321,156
Municipal Bonds	-	-	201,846	201,846
Partnerships	-	-	<u>114,222,511</u>	<u>114,222,511</u>
Total Investments	<u>39,254,128</u>	<u>5,614,704</u>	<u>286,809,655</u>	<u>331,678,487</u>
Grand Total	<u>\$ 66,330,887</u>	<u>\$ 26,056,818</u>	<u>\$ 292,361,474</u>	<u>\$ 384,749,179</u>

ST. CLAIR COUNTY, MICHIGAN

NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 3 - DEPOSITS AND INVESTMENTS - (cont'd):

Reconciliation to Statements of Net Position -

Reported as Cash and Cash Equivalents -	
Petty Cash and Cash on Hand	\$ 30,712
Cash in Checking/Savings	45,836,856
Money Market Funds	<u>42,379,541</u>
Total Cash and Cash Equivalents Reported on Statements of Net Position	<u>88,247,109</u>
Reported as Investments -	
Certificates of Deposits	7,203,124
Marketable CD's	9,650,000
Commercial Paper	9,619,142
Corporate Debt	12,195,717
Stocks	125,003,718
Hedge Funds	84,856
Mutual Funds	18,321,156
Municipal Bonds	201,846
Partnerships	<u>114,222,511</u>
Total Investments Reported on Statements of Net Position	<u>296,502,070</u>
Grand Total - Statements of Net Position	<u>\$ 384,749,179</u>

Deposits with Financial Institutions -

The County has deposits and investments, which are maintained for its primary government, component units, and fiduciary fund types.

Michigan Public Acts authorize the units of local government in Michigan to deposit in the accounts of federally insured banks, insured credit unions, and savings and loan associations. All deposits of the County are at federally insured banks in the State of Michigan in the name of the County.

Custodial Credit Risk - Deposits - Custodial credit risk for deposits is the risk that in the event of a bank failure, the County's deposits may not be returned. As an indication of the level of deposit custodial credit risk assumed by the County at year-end, the bank balance of the County's deposits was \$54,095,266, of which \$19,165,941 was insured, and the remaining \$34,929,325 was uninsured, uncollateralized, and in the County's name.

The County's Investment Policy allows for the use of bank deposits including certificates of deposit. The County's investment policy does not address custodial credit risk for deposits.

An element of the County cash structure is the common account, which is utilized by most of the funds and component units within the reporting entity. Segregation of the bank balance between the primary government and component units was not practical. The bank balance of the common checking account was included as part of the primary government's demand deposits for the determination of FDIC insurance coverage.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 3 - DEPOSITS AND INVESTMENTS - (cont'd):

The County believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the County evaluates each financial institution and assesses the level of risk. The County uses only those financial institutions with an acceptable estimated risk level as depositories.

Investments (Excluding Retirement) -

Credit Risk - Investments - State law limits investment in commercial paper to the top two ratings issued by a nationally recognized statistical rating organization. The County had \$9,619,142 invested in commercial paper at December 31, 2017, all of which were rated either A1 or A2 by Standard & Poor's and P1 or P2 by Moody's. The County has \$25,700,792 excluding retirement, invested in money market funds that invest primarily in U.S. Treasuries, U.S. Agencies, repurchase agreements, and commercial paper. The County's investment policy does not specifically address credit risk for investments. The money market fund has been rated as follows:

	<u>Amount</u>	<u>Rating</u>	<u>Rating Agency</u>	<u>Average Days to Maturity</u>
Primary Government -				
MBIA Michigan CLASS	\$ 15,913,877	AAAm	Standard & Poor's	71
Fidelity Government Money Market	4,071,109	AAAm	Standard & Poor's	32
Component Unit -				
MBIA Michigan CLASS	5,614,704	AAAm	Standard & Poor's	71
Fiduciary Funds -				
MBIA Michigan CLASS	101,102	AAAm	Standard & Poor's	71

Michigan Cooperative Liquid Assets Security System ("Michigan CLASS") is a participant-controlled trust created in accordance with Section 5 of Act 7 of the Urban Cooperation Act of 1967 and the Local Government Investment Pool Act, 1985 PA 121, MCL 129.141 to 129.150. Michigan CLASS is not subject to regulatory oversight and is not registered with the SEC, however does issue a separate audited financial statement. Michigan CLASS operates like a money market mutual fund, with each share valued at \$1.00. Fair value of the County's position in the pool is the same as the value of the Michigan CLASS pool shares.

Custodial Credit Risk - Investments - is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments that are in possession of another party.

The securities of the pool are safe kept with a third party selected by the counterparty. However, the pool's securities are held in trust for the participants of the fund that are not available to the counterparty if the counterparty should happen to fail. As of December 31, 2017, \$19,269,142 in investments were held in third-party safekeeping in the County's name. The County's investment policy does not limit the amount of securities that can be held by counterparties.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 3 - DEPOSITS AND INVESTMENTS - (cont'd):

Concentration of Credit Risk - Investments - is the risk of loss attributed to the magnitude of the County's investment in a single issuer. The County's formal investment policy attempts to minimize risk by diversifying its investments by maturity dates, individual financial institutions, and/or security type, so that potential loss on individual securities do not exceed the income generated from the remainder of the portfolio. However, the County's policy does not restrict the amount that can be invested with any one issuer, financial institution or type of investment.

Interest Rate Risk - Investments - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The County's investment policy specifies investments should yield a rate of return commensurate with a recognized level of risk for like investments. Also, the County's investment portfolio should be designed with the specific objective of attaining a market rate of return through the various economic cycles, taking into account the County's investment risk, legal constraints on investments, County policy constraints on investments, and cash flow requirements. At year-end, the County's investments have the following range of maturity dates:

Investment Types	Fair Value	Maturity (Years)	
		<1	1-5
Primary Government -			
Money Market Funds	\$ 19,984,986	\$ 19,984,986	\$ -
Commercial Paper	9,619,142	9,619,142	-
Certificates of Deposit (1)	7,143,484	7,143,484	-
Marketable CD's (1)	9,650,000	7,650,000	2,000,000
Fiduciary Unit -			
Certificates of Deposit (1)	59,640	22,980	36,660
Money Market Funds	101,102	101,102	-
Component Unit -			
Money Market Funds	5,614,704	5,614,704	-

(1) Presented to give an overall view of associated interest rate risk

Investments - Retirement System -

The Retirement System investments are made in accordance with Act 314 of the Michigan Public Acts of 1965, as amended, as well as the Investment Policy adopted by the Board of Trustees of the St. Clair County Employees' Retirement System. Investments in stock are limited to no more than 70% in U.S. Stocks and 20% in foreign stocks. Additionally, investments must comply with the following guidelines:

US Equities - Permitted from 35% up to maximum of 60% for active or passive growth or broad value, large-, mid-, and small-cap investments. Managers may invest up to 10% of their portfolio in the outstanding securities of one issuer. ADR's are permitted up to a maximum of 10% of each portfolio.

International Equities - Active, broad, or focused international equities ranging from 10% to 20% of pension assets. No more than 7.5% of the portfolio at cost or 10% at market rate in any one security.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 3 - DEPOSITS AND INVESTMENTS - (cont'd):

Global Fixed Income - Active or core plus with an allocation ranging from 25% to 45% of Plan assets. No more than 5% of the portfolio at market value may be invested in one issuer, except Treasury and Agency securities. At least 90% of debt securities must have a quality rating of Baa or higher. The account may invest up to 10% of the portfolio market value in securities rated BB to CCC.

Commercial Real Estate - Core, value-added, and opportunistic investments ranging from 10% to 20% of Plan assets. No more than 10% of the portfolio in properties where there is significant leasing risk, no more than 50% of the portfolio's assets will be invested in all types of leverage, no more than 20% of total assets will be invested in publicly traded REITs, no more than 5% of total assets will be invested in non-traditional property types and structures, no more than 20% of commitments in a single farm land property without approval of the Advisory Committee, no more than 10% of commitments outside of U.S. without approval, will not utilize leverage exceeding 25% of the aggregate sum of commitments.

Alternative Investments - Hedge funds, private equity, private debt, and real assets ranging from 0% to 10% of plan assets. No more than 8% of the portfolio's assets in the outstanding securities of one hedge fund.

Pension investments are made through the use of investment advisors, which are selected and retained by the Retirement Board. The advisors serve at the pleasure of the Retirement Board as provided by investment agreements. At December 31, 2017, the Retirement System had 12 investment advisors. As of December 31, 2017, the County had the following investment types in its Retirement System:

<u>Investment Types</u>	<u>Fair Value</u>	<u>Percentage</u>
Corporate Debt	\$ 12,195,717	4.25 %
Municipal Bonds	201,846	0.07
Stocks	125,003,718	43.60
Mutual Funds	18,321,156	6.39
Hedge Funds	84,856	0.03
Partnerships	114,222,511	39.84
	270,029,804	94.18
Money Market Funds (1)	16,678,749	5.82
Total	\$ 286,708,553	100.00 %

(1) These money market funds invest primarily in high quality commercial paper, U.S. Treasuries and government agencies, and other money market securities.

	<u>Amount</u>	<u>Rating</u>	<u>Rating Agency</u>	<u>Average Days to Maturity</u>
Federated -				
Govt. Obligations Tx Mgd Fund	\$ 14,536,292	AAAm	Standard & Poor's	25
Treasury Obligations Fund	2,142,457	AAAm	Standard & Poor's	24

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 3 - DEPOSITS AND INVESTMENTS - (cont'd):

Credit Risk - The Board's adopted Statement of Investment Policies Procedures and Objectives states that all debt securities, except Treasuries and Agencies, must have a quality rating of B or above at the time of issue and allows up to 25% of the portfolio in BB to CCC rated securities. If more than allowed value of securities is within that investment grade, it shall be reported to the Retirement Board immediately along with a proposed plan of action. As of December 31, 2017, investments held in the Retirement System excluding money market funds, partnerships, hedge funds, mutual funds, equity funds, and stocks had the following Standard & Poors ratings:

<u>Fair Value</u>	<u>Ratings</u>
\$ 349,896	AA+
299,745	AA
1,097,893	AA-
499,850	A+
1,757,961	A
2,378,842	A-
3,390,418	BBB+
1,781,430	BBB
194,792	BBB-
<u>646,736</u>	No Rating
<u>\$ 12,397,563</u>	

Custodial Credit Risk - The risk that, in the event of a failure of the counterparty, the Retirement System would not be able to recover the value of its investments that are in the possession of another third party. The Retirement System's Investment Policy requires that all investment transactions shall be conducted through a custodian that will act as the Retirement System's third party. Securities shall be held by the custodian, as designated by the Retirement Board, and shall be evidenced by a custodial report. As of December 31, 2017, \$155,722,437 in investments was held in third party safekeeping in the County's name.

Concentration of Credit Risk - The Board's Investment Policy states that no more than 5% of the Retirement System's assets may be invested with one issuer, except U.S. Treasuries and Agencies, which have no limitation. The Retirement System did not hold 5% or more in any one issuer.

Interest Rate Risk - The Board's adopted Statement of Investment Policy and Objectives places no limitation on the Retirement System's fixed income manager on the length to maturity for fixed income investments. Having staggered maturities will reduce the retirement system's risk exposure to rising interest rates. As of December 31, 2017, the Retirement System's investments had the following maturities:

<u>Investment</u>	<u>Fair Value</u>	<u>Years</u>		
		<u><1</u>	<u>1-5</u>	<u>6-10</u>
Corporate Debt	\$ 12,195,717	\$ 4,653,092	\$ 6,737,825	\$ 804,800
Municipal Bonds	<u>201,846</u>	-	<u>201,846</u>	-
	<u>\$ 12,397,563</u>	<u>\$ 4,653,092</u>	<u>\$ 6,939,671</u>	<u>\$ 804,800</u>

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 3 - DEPOSITS AND INVESTMENTS - (cont'd):

Fair Value of Investments - The County categorized its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are quoted prices for similar assets in active markets, quoted prices for identical or similar assets in inactive markets, inputs other than quoted prices that are observable, or market-corroborated inputs; and Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, the fair value measurements are categorized based on the lowest level input that is significant to valuation. The County's assessment of the significance of particular inputs used requires judgement and consideration of factors specific to each asset.

The County has the following recurring fair value measurements as of December 31, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Commercial Paper	\$ -	\$ 9,619,142	\$ -	\$ 9,619,142
Corporate Debt	-	12,195,717	-	12,195,717
Stocks	125,003,718	-	-	125,003,718
Mutual Funds	18,321,156	-	-	18,321,156
Municipal Bonds	-	201,846	-	201,846
Marketable CD's	-	9,650,000	-	9,650,000
	<u>\$ 143,324,874</u>	<u>\$ 31,666,705</u>	<u>\$ -</u>	174,991,579
Money Market Funds				42,379,541
Hedge Fund Valued at NAV				84,856
Partnerships Valued at NAV				<u>114,222,511</u>
				<u>\$ 331,678,487</u>

The fair value of municipal bonds, corporate debt, marketable CD's, and commercial paper are based on inputs (pricing) of similar assets at or near December 31, 2017.

Money market funds are recorded at amortized cost, which approximates fair value and these funds are not subject to the fair value disclosures under GASB Statement No. 72. The funds do not require notification of redemptions.

At year-end, the fair value, unfunded commitments, and redemption rules of the partnerships' investments are as follows:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency, if Eligible</u>	<u>Redemption Notice Period</u>
Partnerships	\$ 114,222,511	\$ 3,705,857	Varies*	Varies*

* Redemption frequency and notice periods of each investment vary from the end of each quarter to not applicable through the commitment period.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 4 - RECEIVABLES:

Receivables at December 31, 2017 in the governmental and business-type activities are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Property taxes	\$ 15,907,841	\$ 5,882,264
Interest and accounts	1,452,251	2,486,924
Notes receivable	-	8,449
Intergovernmental	<u>6,543,256</u>	<u>349,915</u>
	23,903,348	8,727,552
Less - allowance for uncollectible	<u>(610,146)</u>	<u>(165,000)</u>
	<u>\$ 23,293,202</u>	<u>\$ 8,562,552</u>

NOTE 5 - CAPITAL ASSETS:

Primary Government

Capital asset activity of the primary government for the year ended December 31, 2017 was as follows:

	<u>Balance January 1, 2017</u>	<u>Additions</u>	<u>Disposals/ Adjustments</u>	<u>Balance December 31, 2017</u>
Governmental Activities:				
Capital assets, not being depreciated				
Land	\$ 13,030,562	\$ -	\$ -	\$ 13,030,562
Construction in progress	<u>275,592</u>	<u>1,274,235</u>	<u>579,927</u>	<u>969,900</u>
Total capital assets, not being depreciated	<u>13,306,154</u>	<u>1,274,235</u>	<u>579,927</u>	<u>14,000,462</u>
Capital assets, being depreciated				
Buildings	98,913,973	137,888	-	99,051,861
Improvements other than buildings	7,766,614	460,089	-	8,226,703
Machinery and equipment	21,726,678	585,682	306,014	22,006,346
Books	<u>6,178,844</u>	<u>338,405</u>	<u>354,332</u>	<u>6,162,917</u>
Total capital assets being depreciated	<u>134,586,109</u>	<u>1,522,064</u>	<u>660,346</u>	<u>135,447,827</u>
Less accumulated depreciation for:				
Buildings	34,252,084	2,536,228	-	36,788,312
Improvements other than buildings	3,316,837	418,669	-	3,735,506
Machinery and equipment	14,106,565	1,602,044	271,708	15,436,901
Books	<u>4,378,674</u>	<u>443,855</u>	<u>354,332</u>	<u>4,468,197</u>
Total accumulated depreciation	<u>56,054,160</u>	<u>5,000,796</u>	<u>626,040</u>	<u>60,428,916</u>
Total capital assets being depreciated, net	<u>78,531,949</u>	<u>(3,478,732)</u>	<u>34,306</u>	<u>75,018,911</u>
Governmental activities capital assets, net	<u>\$ 91,838,103</u>	<u>\$(2,204,497)</u>	<u>\$ 614,233</u>	<u>\$ 89,019,373</u>

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 5 - CAPITAL ASSETS - (cont'd):

	Balance January 1, 2017	Additions	Disposals/ Adjustments	Balance December 31, 2017
Business-type Activities:				
Capital assets, not being depreciated				
Land	\$ 1,892,998	\$ -	\$ -	\$ 1,892,998
Construction in progress	<u>1,950,629</u>	<u>134,922</u>	<u>1,439,088</u>	<u>646,463</u>
Total capital assets, not being depreciated	<u>3,843,627</u>	<u>134,922</u>	<u>1,439,088</u>	<u>2,539,461</u>
Capital assets, being depreciated				
Buildings	8,280,256	26,221	-	8,306,477
Improvements other than buildings	28,093,724	1,813,816	-	29,907,540
Machinery and equipment	<u>7,928,089</u>	<u>348,533</u>	<u>35,252</u>	<u>8,241,370</u>
Total capital assets being depreciated	<u>44,302,069</u>	<u>2,188,570</u>	<u>35,252</u>	<u>46,455,387</u>
Less accumulated depreciation for:				
Buildings	1,959,100	334,182	-	2,293,282
Improvements other than buildings	18,824,948	2,123,522	-	20,948,470
Machinery and equipment	<u>3,549,112</u>	<u>434,742</u>	<u>16,157</u>	<u>3,967,697</u>
	<u>24,333,160</u>	<u>2,892,446</u>	<u>16,157</u>	<u>27,209,449</u>
Total capital assets being depreciated, net	<u>19,968,909</u>	<u>(703,876)</u>	<u>19,095</u>	<u>19,245,938</u>
Business-type activities capital assets, net	<u>\$ 23,812,536</u>	<u>\$(568,954)</u>	<u>\$ 1,458,183</u>	<u>\$ 21,785,399</u>

The business-type capital assets include \$341,801 of capitalized interest. During the year ended December 31, 2017, interest incurred by the County business-type activities was \$210,402, of which \$165,622 was expensed and \$44,780 was capitalized.

Depreciation expense for 2017 was charged to functions/programs of the primary government as follows:

Governmental Activities:	
Judicial	\$ 37,771
General Government	1,303,495
Public Safety	2,360,955
Health and Welfare	150,277
Recreation and Cultural	<u>1,144,210</u>
Total depreciation expense - governmental activities	4,996,708
Depreciation in the internal service fund	<u>4,088</u>
	<u>\$ 5,000,796</u>
Business-type Activities:	
Solid Waste Disposal System	\$ 2,574,494
Delinquent Tax Revolving	11,185
Airport Commission	<u>306,767</u>
Total depreciation expense - business-type activities	<u>\$ 2,892,446</u>

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 5 - CAPITAL ASSETS - (cont'd):

Construction/Purchase Commitments

The County has committed to the following contracts at December 31, 2017 (These commitments do not include any change orders made after December 31, 2017):

	<u>Contract Amount</u>	<u>Payments Through 12/31/17</u>	<u>Accounts Payable/ Retention</u>	<u>Remaining Balance 12/31/17</u>
Landfill Cell Maintenance (b)	\$ 2,467,488	\$ 1,233,744	\$ -	\$ 1,233,744
Gas Extraction Component Installation (a)	685,515	411,245	73,864	200,406

The County has open contracts at 12/31/17 for:

- (a) Installation of the gas extraction component at the Landfill
- (b) Cell maintenance at the landfill through December 31, 2017

Discretely Presented Component Units

Drainage Districts. Activity for the Drainage Districts for the year ended December 31, 2017 was as follows:

	<u>Balance January 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2017</u>
Capital assets, not being depreciated:				
Right of Ways	\$ 1,050,203	\$ 4,932	\$ -	\$ 1,055,135
Construction in progress	<u>8,790,038</u>	<u>1,458,617</u>	<u>6,384,046</u>	<u>3,864,609</u>
	<u>9,840,241</u>	<u>1,463,549</u>	<u>6,384,046</u>	<u>4,919,744</u>
Capital assets, being depreciated:				
Infrastructure	39,931,649	6,950,449	-	46,882,098
Equipment	<u>119,683</u>	<u>7,800</u>	<u>-</u>	<u>127,483</u>
	<u>40,051,332</u>	<u>6,958,249</u>	<u>-</u>	<u>47,009,581</u>
Less accumulated depreciation for:				
Infrastructure	8,432,128	708,635	-	9,140,763
Equipment	<u>49,476</u>	<u>16,583</u>	<u>-</u>	<u>66,059</u>
	<u>8,481,604</u>	<u>725,218</u>	<u>-</u>	<u>9,206,822</u>
Total capital assets being depreciated, net	<u>31,569,728</u>	<u>6,233,031</u>	<u>-</u>	<u>37,802,759</u>
Total capital assets, net	<u>\$ 41,409,969</u>	<u>\$ 7,696,580</u>	<u>\$ 6,384,046</u>	<u>\$ 42,722,503</u>

Depreciation expense for 2017 was \$725,218.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 5 - CAPITAL ASSETS - (cont'd):

Road Commission. Activity for the Road Commission for the year ended December 31, 2017 was as follows:

	Restated Balance January 1, 2017	Additions	Deletions/ Removals	Balance December 31, 2017
Capital assets, not being depreciated -				
Land	\$ 65,629	\$ -	\$ -	\$ 65,629
Land Improvements	23,757,337	-	-	23,757,337
Right of Ways	<u>3,204,731</u>	<u>10,000</u>	<u>-</u>	<u>3,214,731</u>
Total capital assets, not being depreciated	<u>27,027,697</u>	<u>10,000</u>	<u>-</u>	<u>27,037,697</u>
Capital assets, being depreciated -				
Building and Improvements	4,946,049	452,464	-	5,398,513
Road Equipment	13,897,237	1,804,572	623,758	15,078,051
Shop Equipment	753,761	-	-	753,761
Office Equipment	161,479	18,695	-	180,174
Engineering Equipment	316,424	15,225	-	331,649
Infrastructure -				
Roads	146,299,705	5,323,890	5,111,594	146,512,001
Bridges	73,291,145	3,587,222	-	76,878,367
Traffic Signals	460,813	-	-	460,813
Depletable Assets -				
Gravel Pits	<u>163,455</u>	<u>-</u>	<u>-</u>	<u>163,455</u>
	<u>240,290,068</u>	<u>11,202,068</u>	<u>5,735,352</u>	<u>245,756,784</u>
Less - accumulated depreciation for -				
Buildings and Improvements	3,216,596	109,713	-	3,326,309
Road Equipment	10,915,997	1,343,077	622,170	11,636,904
Shop Equipment	556,496	22,351	-	578,847
Office Equipment	142,709	14,490	-	157,199
Engineering Equipment	241,564	23,216	-	264,780
Infrastructure -				
Roads	66,526,150	7,305,902	5,111,594	68,720,458
Bridges	21,606,028	1,519,412	-	23,125,440
Traffic Signals	414,468	13,469	-	427,937
Depletable Assets	<u>46,342</u>	<u>-</u>	<u>-</u>	<u>46,342</u>
	<u>103,666,350</u>	<u>10,351,630</u>	<u>5,733,764</u>	<u>108,284,216</u>
Total capital assets being depreciated, net	<u>136,623,718</u>	<u>850,438</u>	<u>1,588</u>	<u>137,472,568</u>
Total capital assets, net	<u>\$ 163,651,415</u>	<u>\$ 860,438</u>	<u>\$ 1,588</u>	<u>\$ 164,510,265</u>

Depreciation expense for 2017 was \$10,351,630.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 5 - CAPITAL ASSETS - (cont'd):

Department of Public Works. Activity for the Department of Public Works for the year ended December 31, 2017 was as follows:

	Balance January 1, 2017	Additions	Deletions/ Removals	Balance December 31, 2017
Business-type Activities:				
Capital assets, not being depreciated -				
Land	\$ 83,776	\$ -	\$ -	\$ 83,776
Capital assets being depreciated -				
Plant	11,371,763	81,158	-	11,452,921
Utility System	16,002,766	-	-	16,002,766
Machinery and Equipment	811,900	84,738	86,854	809,784
	<u>28,186,429</u>	<u>165,896</u>	<u>86,854</u>	<u>28,265,471</u>
Less - accumulated depreciation for -				
Plant	6,106,903	228,247	-	6,335,150
Utility System	10,488,153	266,713	-	10,754,866
Machinery and Equipment	596,395	51,991	80,816	567,570
	<u>17,191,451</u>	<u>546,951</u>	<u>80,816</u>	<u>17,657,586</u>
Total capital assets, being depreciated, net	<u>10,994,978</u>	<u>(381,055)</u>	<u>6,038</u>	<u>10,607,885</u>
Total capital assets, net	<u>\$ 11,078,754</u>	<u>\$(381,055)</u>	<u>\$ 6,038</u>	<u>\$ 10,691,661</u>

Depreciation expense was charged to function/programs as follows:

Business-type activities - Water and Sewer	<u>\$ 546,951</u>
--	-------------------

Community Mental Health Authority. Activity for the Community Mental Health Authority for the year ended September 30, 2017 was as follows:

	Balance October 1, 2016	Additions	Disposals/ Adjustments	Balance September 30, 2017
Capital assets not being depreciated -				
Land	\$ 1,464,611	\$ -	\$ -	\$ 1,464,611
Non-depreciable equipment	5,252	-	-	5,252
Construction in progress	17,140	339,645	352,515	4,270
Total capital assets, not being depreciated	<u>1,487,003</u>	<u>339,645</u>	<u>352,515</u>	<u>1,474,133</u>
Capital assets being depreciated -				
Building	14,213,482	314,932	-	14,528,414
Leasehold improvements	90,820	77,860	35,840	132,840
Equipment and Furniture	2,411,618	133,087	68,290	2,476,415
	<u>16,715,920</u>	<u>525,879</u>	<u>104,130</u>	<u>17,137,669</u>
Less accumulated depreciation for -				
Building	5,456,348	684,793	-	6,141,141
Leasehold improvements	76,461	20,848	35,840	61,469
Equipment	1,774,306	197,024	68,290	1,903,040
	<u>7,307,115</u>	<u>902,665</u>	<u>104,130</u>	<u>8,105,650</u>
Total capital assets being depreciated, net	<u>9,408,805</u>	<u>(376,786)</u>	<u>-</u>	<u>9,032,019</u>
Total capital assets, net	<u>\$ 10,895,808</u>	<u>\$(37,141)</u>	<u>\$ 352,515</u>	<u>\$ 10,506,152</u>

Depreciation expense for 2017 was \$902,665.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 6 - PAYABLES:

Payables at December 31, 2017 in the governmental and business-type activities are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Accounts payable/accrued expenses	\$ 4,699,449	\$ 914,141
Wages and fringe benefits	2,024,108	31,829
Accrued interest	420,491	52,823
Intergovernmental	<u>162,348</u>	<u>38,031</u>
	<u>\$ 7,306,396</u>	<u>\$ 1,036,824</u>

NOTE 7 - INTERFUND RECEIVABLE, PAYABLE, AND TRANSFERS:

The composition of interfund balances as of December 31, 2017 is as follows:

Due To/From Other Funds -

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government -		
Combined General Fund	E-911 Fund	\$ 257,172 (1)
Delinquent Tax Revolving Fund	Combined General Fund	<u>12,800,000 (2)</u>
		13,057,172
Fiduciary Funds -		
Basic Retirement System	Other Postemployment Benefits	<u>199,258 (3)</u>
		<u>\$ 13,256,530</u>

(1) Amount due for 4th quarter receipts

(2) Amount due between funds for short fall in common cash

(3) To adjust contributions between pension funds

Advances From/To Primary Government & Component Unit -

<u>Receivable Entity</u>	<u>Payable Entity</u>	
Primary Government -	Component Unit -	
Combined General Fund	Drainage Districts	<u>\$ 1,360,000 (1)</u>

(1) Represent the long-term loan between entities for operating cash flow purposes (\$50,000) and capital purposes (\$1,310,000)

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 7 - INTERFUND RECEIVABLE, PAYABLE, AND TRANSFERS - (cont'd):

Transfers From/To Other Funds -

<u>Receiving Fund</u>	<u>Expending Fund</u>	<u>Amount</u>
Combined General	Drug Task Force	\$ 306,767 (4)
	Solid Waste Disposal System	900,000 (5)*
	E-911	1,048,975 (4)
	Prosecutor's Drug Forfeitures	11,000 (4)
	Brownfield Development	15,000 (4)
Nonmajor Governmental Funds -		
Convention Center	Combined General	100,000 (1)
	Solid Waste Disposal System	544,946 (1)*
Drug Law Enforcement	Prosecutor's Drug Forfeitures	23,056 (4)
Health Department	Combined General	1,620,400 (1)
CDBG Housing	Combined General	10,000 (1)
Human Services	Combined General	29,001 (1)
Child Care	Combined General	3,421,031 (1)
Veteran's Millage	Veteran's Trust	8,097 (4)
Public Improvement	Combined General	1,163,892 (3)
Jail/Juvenile Facility Debt	Delinquent Tax Revolving	2,179,700 (2)*
Building Authority Debt	Combined General	817,170 (2)
Communications Series 2009 Debt	Combined General	270,706 (2)
Nonmajor Enterprise Fund -		
Airport Commission	Solid Waste Disposal System	210,000 (1)
	Public Improvement	<u>164,000 (3)*</u>
Total Transfers		<u>\$ 12,843,741</u>

(1) Annual appropriations for operations

(2) Transfers for the payment of debt

(3) Transfers for construction/equipment

(4) Transfers to cover costs

(5) Transfer to cover Road Appropriation

* Transfer Between Governmental and Business-type Activities

NOTE 8 - LEASES:

Primary Government

Lessor Leases - The County has also entered into an operating lease agreement with the State of Michigan to lease approximately 49.3% (33,694 square feet) of the County Administration Building with a cost of \$16,600,373 and accumulated depreciation of \$7,582,106. The agreement calls for annual rent payments of \$681,333 per year with an adjustment based on actual operating cost after the end of each year. The original lease is for 25 years ending July 31, 2022 with an option to rent for an additional five years. However, the lease may be cancelled with the State for various reasons with at least 60 days' notice. The noncancellable portion of the lease is \$113,556.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 8 - LEASES - (cont'd):

The County has also entered into a capital lease agreement with the Community Mental Health Authority, a component unit of the County, for the use of the new Community Mental Health building. Under this agreement, the County issued bonds that were used for the construction of the facility. The Authority has agreed to pay the County the amount necessary to pay the principal, interest, and paying agent fees as they come due. Upon final payment of the bond issue, ownership of the building will revert to the Community Mental Health Authority. The building asset has been recorded in the financial statements of the Community Mental Health Authority.

The future minimum lease payments to be received are as follows:

	<u>Principal</u>	<u>Interest</u>
2018	\$ 555,000	\$ 293,500
2019	650,000	269,400
2020	750,000	241,400
2021	795,000	210,500
2022	790,000	178,800
2023-2026	<u>3,485,000</u>	<u>315,000</u>
Total Receivable	<u>\$ 7,025,000</u>	<u>\$ 1,508,600</u>

Component Unit - Department of Public Works

Lessor Leases - The DPW has entered into a number of capital lease agreements with various municipalities within the County. Under the agreements, the County issued bonds or obtained loans that were used for the construction of water and/or sewage disposal systems. The municipalities agreed to pay the DPW the amount necessary to pay the principal, interest and paying agent fees as they come due. Upon final payment of the respective bonds or loans, ownership of the system will revert to the respective municipality. Therefore, the County has recorded no assets relating to these projects.

The future minimum lease payments to be received are as follows:

	<u>Principal</u>	<u>Interest</u>
2018	\$ 2,045,000	\$ 306,288
2019	1,640,600	244,470
2020	1,175,000	204,564
2021	585,000	119,686
2022	600,000	102,616
2023-2027	2,541,954	272,106
2028-2032	400,000	21,846
2033-2034	<u>31,019</u>	<u>1,176</u>
	<u>\$ 9,018,573</u>	<u>\$ 1,272,752</u>

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 8 - LEASES - (cont'd):

The aggregate future capital lease payments necessary for the retirement of the debt principal and accrued interest payable at December 31, 2017 have been reported net of available cash as a capital lease receivable.

Principal due	\$ 9,018,573
Accrued interest	<u>55,480</u>
	9,074,053
Less - Cash available after current liabilities	<u>(636,011)</u>
	<u>\$ 8,438,042</u>

NOTE 9 - SHORT-TERM DEBT:

Component Unit - Drain Commission -

On December 15, 2017, the Drain Commissioner issued the Howe Brandymore Drain Drainage District 2017 Drain Note for \$1,930,000 with interest of 1.74% to assist with cashflow until such time a bond will be sold for the Drainage District. There have been no payments made in 2017 and the note is due December 1, 2018 including interest.

NOTE 10 - LONG-TERM DEBT:

PRIMARY GOVERNMENT -

The following is a summary of changes in the long-term debt (including current portions) of the Primary Government for the year ended December 31, 2017:

	Balance January 1, <u>2017</u>	<u>Additions</u>	<u>Reductions</u>	Balance December 31, <u>2017</u>	<u>Due Within One Year</u>
<u>Governmental Activities:</u>					
Governmental Funds -					
2009 General Obligation Bonds	\$ 2,025,000	\$ -	\$ 1,825,000	\$ 200,000	\$ 200,000
2012 Refunding Bonds	20,910,000	-	1,265,000	19,645,000	1,305,000
2012 General Obligation Bonds	8,385,000	-	215,000	8,170,000	215,000
2013 Refunding Bonds	3,785,000	-	750,000	3,035,000	725,000
2015 Refunding Bonds, Series A	7,480,000	-	455,000	7,025,000	555,000
2015 Refunding Bonds, Series B	1,800,000	-	290,000	1,510,000	340,000
2017 Refunding Bonds	-	1,595,000	-	1,595,000	15,000
Drain Districts	3,001,226	127,252	305,337	2,823,141	271,130
Accumulated Vacation, Sick, & Compensatory Leave	4,655,685	1,113,299	713,509	5,055,475	710,000
Amounts for -					
Issuance Discounts	(775)	-	(775)	-	-
Issuance Premiums	<u>2,685,792</u>	<u>156,240</u>	<u>288,038</u>	<u>2,553,994</u>	<u>288,037</u>
Total Governmental Funds	<u>54,726,928</u>	<u>2,991,791</u>	<u>6,106,109</u>	<u>51,612,610</u>	<u>4,624,167</u>

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 10 - LONG-TERM DEBT - (cont'd):

	Balance January 1, 2017	Additions	Reductions	Balance December 31, 2017	Due Within One Year
Internal Service Fund -					
Workers' Compensation Claims -					
Liability	\$ 65,000	\$ 81,996	\$ 91,996	\$ 55,000	\$ 55,000
General, Auto, & Property					
Insurance Claims Liability	<u>630,000</u>	<u>(224,274)</u>	<u>132,726</u>	<u>273,000</u>	<u>80,000</u>
Total Internal Service Fund	<u>695,000</u>	<u>(142,278)</u>	<u>224,722</u>	<u>328,000</u>	<u>135,000</u>
 Total Governmental Activities	<u>55,421,928</u>	<u>2,849,513</u>	<u>6,330,831</u>	<u>51,940,610</u>	<u>4,759,167</u>
 <u>Business Activities:</u>					
Enterprise Funds -					
Solid Waste Disposal System -					
General Obligation Bonds 2010	6,699,280	-	320,000	6,379,280	330,000
General Obligation Bonds 2014	1,753,197	625,204	-	2,378,401	-
Closure and Post-closure Costs	6,264,060	391,147	-	6,655,207	-
Accumulated Vacation, Sick, & Compensatory Leave	36,337	5,161	7,322	34,176	-
Airport Commission -					
Accumulated Vacation, Sick, & Compensatory Leave	<u>9,093</u>	<u>1,782</u>	<u>941</u>	<u>9,934</u>	<u>-</u>
Total Enterprise Funds	<u>14,761,967</u>	<u>1,023,294</u>	<u>328,263</u>	<u>15,456,998</u>	<u>330,000</u>
 Total Primary Government	<u>\$ 70,183,895</u>	<u>\$ 3,872,807</u>	<u>\$ 6,659,094</u>	<u>\$ 67,397,608</u>	<u>\$ 5,089,167</u>

Significant details regarding outstanding long-term debt (including current portions) are presented as follows:

2009 General Obligation Bonds -

The County issued \$3,000,000 of General Obligation Limited Tax Bonds, pursuant to the provisions of Act 34, Public Acts of Michigan. The bonds were issued for the cost of acquiring and constructing communications towers and acquiring and installing related equipment. The bonds were partially refunded with the 2017 Refunding Bond. The bonds, dated September 1, 2009, are due April 1, 2018 with interest of 4.00%.

\$ 200,000

2012 Refunding Bonds -

The County issued \$24,365,000 of general obligation limited tax refunding bonds to provide resources to purchase U.S. Government, State, and Local series securities that were placed in an irrevocable trust for the purpose of generating resources for future debt service payments of \$25,800,000 of 2003 General Obligation limited tax bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net position. The bonds dated June 4, 2012 are due in annual installments from \$1,305,000 to \$2,365,000 through April 1, 2028, with interest ranging from 3.00% to 5.00%, payable semi-annually.

\$ 19,645,000

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 10 - LONG-TERM DEBT - (cont'd):

2012 General Obligation Bonds -

The County issued \$9,000,000 of General Obligation Limited Tax Bonds, pursuant to the provisions of Act 34 Public Acts of Michigan of 2001. The bonds were issued for the cost of acquiring, constructing, and equipping a Convention Center. The bonds, dated September 11, 2012, are due in annual installments from \$215,000 to \$490,000, through April 1, 2042 with interest ranging from 2.00% to 5.00%, payable semi-annually.

\$ 8,170,000

2013 Refunding Bonds -

The County issued \$5,380,000 of limited tax general obligation refunding bonds to provide resources to purchase securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$5,020,000 of 2004 Building Authority refunding bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net position. The bonds dated June 20, 2013 are due in annual installments from \$725,000 to \$795,000 through April 1, 2021 with interest ranging from 1.60% to 2.45%, payable semi-annually.

\$ 3,035,000

2015 Refunding Bonds, Series A -

The County issued \$7,480,000 of General Obligation Limited Tax Refunding Bonds to provide resources to purchase securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$8,000,000 of 2007 General Obligation Series A Bonds. As a result, the refunded bonds are considered defeased and the liability has been removed from the governmental activities column in the statement of net position. The bonds, dated April 15, 2015, are due in annual installments of \$555,000 to \$900,000 through April 1, 2026 with interest ranging from 3.75% to 5.00%, payable semi-annually.

\$ 7,025,000

2015 Refunding Bonds, Series B -

The County issued \$1,800,000 of General Obligation Limited Tax Refunding Bonds to provide resources to purchase securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$1,850,000 of 2007 General Obligation Series B Bonds. As a result, the refunded bonds are considered defeased and the liability has been removed from the governmental activities column in the statement of net position. The bonds, dated April 15, 2015, are due in annual installments of \$340,000 to \$415,000 through April 1, 2021 with interest of 4.00%, payable semi-annually.

\$ 1,510,000

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 10 - LONG-TERM DEBT - (cont'd):

2017 Refunding Bonds -

The County issued \$1,595,000 of General Obligation Limited Tax Refunding Bonds to provide resources to purchase securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$1,625,000 of 2009 General Obligation Bonds. As a result, the refunded bonds are considered defeased and the liability has been removed from the governmental activities column in the statement of net position. The refunding resulted in an economic gain of \$67,171, reducing debt service payments by \$65,033 over the life of the bond. The bonds, dated August 11, 2017, are due in annual installments of \$15,000 to \$315,000 through April 1, 2024 with interest ranging from 2.00% to 4.00%, payable semi-annually.

\$ 1,595,000

2010 General Obligation Bonds -

The County issued \$14,045,000 of General Obligation Limited Tax Bonds through the Michigan Municipal Bond Authority to finance the construction of the Landfill Leachate System, of which \$5,096,000 or 36.3% of the bonds are forgivable. At December 31, 2017, the County had drawn \$12,605,659, including the forgivable portion of \$5,096,000. The bonds, dated January 22, 2010, are due in annual installments ranging from \$330,000 to \$474,280 through October 1, 2033 with interest of 2.50%, payable semi-annually.

\$ 6,379,280

2014 General Obligation Bonds -

The County issued \$6,870,000 of General Obligation Limited Tax Bonds through the Michigan Municipal Bond Authority to finance the construction of the Landfill Leachate System, of which \$3,435,000 or 50% of the bonds are forgivable. A capital grant has been reported for the forgivable portion of the obligation of \$3,434,990 in previous years. At December 31, 2017, the County had drawn \$5,813,391. The bonds, dated June 25, 2014, are due in annual installments ranging from \$135,000 to \$215,000 beginning April 1, 2019 through April 1, 2038 with interest of 2.5% payable semi-annually.

\$ 2,378,401

The proceeds of the 2004, 2012, 2013, 2015A, 2015B, and 2017 Refunding Bond issues were placed in special escrow accounts and are invested in securities of the U.S. Government and its agencies. The maturities of these investments coincide with the principal and interest payments on the extinguished debts and are sufficient to pay all principal and interest on the 1996 and 2003 General Obligation Bonds, 2004 Refunding Bonds, and the 2007A, 2007B, and 2009 General Obligation Bonds when due. Accordingly, the trust account assets and liabilities for the defeased bonds outstanding are not included in the Financial Statements. At December 31, 2017, the defeased bonds outstanding were \$3,100,000, \$20,850,000, \$3,040,000, \$7,500,000, \$1,550,000, and \$1,625,000, respectively.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 10 - LONG-TERM DEBT - (cont'd):

Drain Districts -

The St. Clair County Drain Commission has made improvements to various drains and levied multi-year assessments against the County. \$ 2,823,141

Accrued Workers' Compensation Claims -

The County has estimated accrued outstanding workers' compensation insurance claims, including an estimate for claims incurred but not reported (IBNR), at December 31, 2017. The dollar amount of these claims is reflected on the Balance Sheet of the Self-Insurance Fund as a current obligation. \$ 55,000

Accrued Insurance Claims -

The County has estimated the accrued claims for general and auto liability, motor vehicle physical damage and property, including estimates for claims incurred but not reported (IBNR), at December 31, 2017. The dollar amount of these claims is reflected on the Balance Sheet of the Self-Insurance Fund, including the current portion of \$80,000. \$ 273,000

Accrued Vacation, Sick, and Compensatory Leave - In accordance with contracts negotiated with the various employee groups of the County, individual employees have vested rights upon termination of employment to receive payments for unused vacation, sick and compensatory leave under formulas and conditions specified in the contracts. The Enterprise Funds portion of \$44,110 has been recorded as a long-term liability on the government-wide and fund level financial statements. The governmental activities portion of \$5,055,475 has been recorded in the government-wide financial statements as a long-term liability. The governmental activities portion is generally liquidated by the Combined General Fund or other governmental fund where the employee is charged.

Closure and Post-Closure Costs - In accordance with the Governmental Accounting Standards Board (GASB) Statement No. 18, the closure and post-closure care landfill liability at December 31, 2017, as reported in the Solid Waste Disposal System (Enterprise Fund/business activities) amounts to \$6,655,207. See Note 18 for additional information.

Letters of Credit - The County Landfill has letters of credit as a surety bond issued to the Michigan Department of Environmental Quality for \$2,595,000 and for the Belle River Watershed Bank for \$138,400. The letters are set to mature August 1, 2018 and January 5, 2019 for the Michigan Department of Environmental Quality and the Belle River Watershed Bank, respectively, with interest at the prime rate. As of December 31, 2017, there have been no claims on the letters of credit.

The County has a letter of credit issued for \$146,250 for the Day Treatment/Night Watch Wetlands. The letter is set to mature September 21, 2018 with interest at prime rate. As of December 31, 2017, there have been no claims on the letter of credit.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 10 - LONG-TERM DEBT - (cont'd):

Annual Debt Requirements - The annual requirements to pay the debt outstanding at December 31, 2017 for the following bonds and notes (excluding the 2014 General Obligation Limited Tax Bonds since payments have not been finalized) of Primary Government are as follows:

Year Ending December 31,	Refunding Bonds		G.O. Limited Tax Bonds		Drain Districts	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 2,940,000	\$ 1,330,245	\$ 745,000	\$ 455,100	\$ 271,130	\$ 128,266
2019	3,425,000	1,219,944	560,000	438,225	273,343	116,749
2020	3,645,000	1,093,623	570,000	424,438	270,947	105,187
2021	3,740,000	950,926	585,000	410,126	235,148	93,345
2022	2,700,000	820,200	605,000	393,576	237,753	83,029
2023-2027	13,995,000	2,220,075	3,275,000	1,704,321	1,091,852	257,668
2028-2032	2,365,000	59,125	3,765,000	1,214,579	340,839	60,438
2033-2037	-	-	2,354,280	644,637	83,160	18,277
2038-2042	-	-	2,290,000	220,878	18,969	996
	<u>\$32,810,000</u>	<u>\$ 7,694,138</u>	<u>\$14,749,280</u>	<u>\$ 5,905,880</u>	<u>\$ 2,823,141</u>	<u>\$ 863,955</u>

COMPONENT UNITS -

The following is a summary of changes in long-term debt (including current portions) of the Component Units for the year ended December 31, 2017:

	Balance January 1, 2017	Additions	Reductions	Balance December 31, 2017	Due Within One Year
Department of Public Works (DPW) -					
General Obligation Bonds	\$ 4,791,019	\$ -	\$ 815,000	\$ 3,976,019	\$ 830,000
Drinking Water Revolving Loan	6,222,554	-	1,180,000	5,042,554	1,215,000
Total DPW	<u>11,013,573</u>	<u>-</u>	<u>1,995,000</u>	<u>9,018,573</u>	<u>2,045,000</u>
Road Commission -					
Accrued Vacation & Sick	336,000	439,000	387,000	388,000	288,000
Drainage Districts -					
Notes Payable	1,722,499	1,820,000	426,753	3,115,746	2,123,040
Loans Payable	3,301,000	-	180,000	3,121,000	187,000
Bonds Payable	12,577,153	1,033,079	1,049,232	12,561,000	916,000
Amounts for -					
Issuance Premiums	3,522	-	3,522	-	-
Issuance Discounts	(85,401)	-	(7,116)	(78,285)	(7,117)
Total Drainage Districts	<u>17,518,773</u>	<u>2,853,079</u>	<u>1,652,391</u>	<u>18,719,461</u>	<u>3,218,923</u>
Land Bank Authority -					
Notes Payable	8,449	-	-	8,449	-
Community Mental Health Authority (1) -					
Notes Payable	1,273,285	935,062	992,285	1,216,062	69,580
Contracts Payable	7,480,000	-	455,000	7,025,000	555,000
Amounts for -					
Issuance Premiums	838,063	-	88,217	749,846	88,217
Accrued Vacation & Sick	1,466,359	1,412,554	1,476,121	1,402,792	1,400,000
Total Mental Health	<u>11,057,707</u>	<u>2,347,616</u>	<u>3,011,623</u>	<u>10,393,700</u>	<u>2,112,797</u>
Total Component Units	<u>\$ 39,934,502</u>	<u>\$ 5,639,695</u>	<u>\$ 7,046,014</u>	<u>\$ 38,528,183</u>	<u>\$ 7,664,720</u>

(1) October 1, 2016 through September 30, 2017

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 10 - LONG-TERM DEBT - (cont'd):

Department of Public Works -

General Obligation Bonds -

General Obligation Bonds have been issued by the County to construct several water supply and sewage disposal systems for various townships, villages and cities in the County. The County in turn is leasing the systems to the various municipalities who operate, maintain and manage the systems. The bonds were sold with the full faith and credit of the Townships, Villages, Cities, and County pursuant to Act 185, Public Acts of Michigan, 1957, as amended.

The principal and interest on the bonds are to be paid out of money received from the various municipalities by the Board of Public Works pursuant to the lease agreements. Upon final payment of the bond issues, ownership of the systems reverts to the townships, villages or cities. General Obligation Bonds currently outstanding are as follows:

	<u>Interest Rate (Percent)</u>	<u>Principal Balance</u>
Governmental Activities (G.O. Bonds) -		
Sewage Disposal System No. X - Series 2000 Bonds (Village of Capac)	5.55	\$ 180,000
Water Supply System No. XII - Series 2008 Bonds (Cottrellville Township)	4.10-5.00	825,000
Water Supply System No. XIIA - Series 2009 Bonds (Cottrellville Township)	4.00-4.20	<u>1,500,000</u>
		<u>2,505,000</u>
Governmental Activities (G.O. Refunding) -		
Water Supply System VII - 2003 A Refunding Bonds (Ira Township)	4.125	440,000
Sewage Disposal System I - 2012 Refunding Bonds (City of Algonac and Ira Township)	1.750-2.625	<u>775,000</u>
		<u>1,215,000</u>
Total G.O. Bonds - Governmental Activities		3,720,000

Business-type Activities -

2014 General Obligation Bonds -

The Department of Public Works issued \$585,000 of General Obligation Limited Tax Bonds through the Michigan Municipal Bond Authority to finance construction at the Sewage Disposal System, of which \$292,500 or 50% of the bonds are forgivable. At December 31, 2017, the DPW had drawn \$583,519, including the forgivable portion of \$292,500. The bonds, dated July 1, 2014, are due in annual installments, ranging from \$10,000 to \$20,000 through October 1, 2035 with interest of 2.5%, payable semi-annually.

	<u>256,019</u>
Total G.O. Bonds	<u>\$ 3,976,019</u>

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 10 - LONG-TERM DEBT - (cont'd):

The proceeds from the refunding issues, after payment of issuance costs, were placed in special escrow accounts and invested in securities of the U.S. Government and its agencies. The maturities of these investments coincide with the principal and interest payments on the extinguished debts and are sufficient to pay all principal and interest when due. Accordingly, the trust account assets and liabilities for the defeased bonds outstanding are not included in the DPW Financial Statements.

The following is a summary of refunding transactions with the balance of bonds considered defeased at December 31, 2017:

On February 27, 2014, Clay Township issued refunding bonds to advance refund the 2001 WSS No. IIA General Obligation Bonds.	<u>\$ 325,000</u>
On May 28, 2003, St. Clair County, through the Department of Public Works, issued \$4,520,000 in WSS VII Refunding Series 2003A Bonds to advance refund the 1994 WSS VII General Obligation Bonds.	<u>\$ 435,000</u>

Drinking Water Revolving Loans -

Department of Environmental Quality Bonds have been sold through the State of Michigan Drinking Water Revolving Fund to construct water supply systems for four (4) Townships and a City in the County. The County, in turn, is leasing the systems to the townships and city that operate, maintain and manage the systems. The full faith and credit of the Townships, City, and County are pledged for the payments to the Drinking Water Revolving Fund. The original amount of the drinking water revolving fund loans drawn in prior years was \$20,837,554.

The principal and interest on the bonds are to be paid out of money received from the various municipalities by the Board of Public Works of the County pursuant to the lease agreements. Upon final payment of the loans, ownership of the systems reverts to the Townships or City. Drinking Water Revolving Loans outstanding are as follows:

Governmental Activities (Revolving Loans) -

	<u>Interest Rate (Percent)</u>	<u>Principal Balance</u>
Water Supply System X Series 1998 (City of Algonac/Clay Township)	2.50	\$ 970,600
Water Supply System III Series 1999 (Charter Townships of East China and China)	2.50	1,550,000
Water Supply System XI Series 2006 (Ira Township)	2.125	<u>2,521,954</u>
Total Revolving Loans		<u>\$ 5,042,554</u>

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 10 - LONG-TERM DEBT - (cont'd):

Annual debt service requirements to maturities are as follows:

Year Ending December 31,	General Obligation Bonds		Drinking Water Revolving Loans	
	Principal	Interest	Principal	Interest
2018	\$ 830,000	\$ 143,439	\$ 1,215,000	\$ 162,849
2019	400,000	111,311	1,240,600	133,159
2020	405,000	96,779	770,000	107,785
2021	345,000	83,626	240,000	36,060
2022	350,000	71,762	250,000	30,854
2023-2027	1,215,000	200,466	1,326,954	71,640
2028-2032	400,000	21,846	-	-
2033-2034	31,019	1,176	-	-
	<u>\$ 3,976,019</u>	<u>\$ 730,405</u>	<u>\$ 5,042,554</u>	<u>\$ 542,347</u>

Road Commission -

Letter of Credit -

The Road Commission has a letter of credit as a surety bond issued to the Michigan Department of Environmental Quality for \$40,250. The letter is set to mature on August 2, 2018 with interest of 1.0% in excess of the prime rate and collateralized by a hold on a checking account. As of December 31, 2017, there have been no claims on the letter of credit.

Accrued Sick and Vacation -

In accordance with contracts negotiated with the various employee groups of the Road Commission, individual employees have a vested right upon termination of employment to receive payment for unused sick leave and vacation under formulas and conditions specified in the contracts. The dollar amount of these vested rights, which has been accrued on the financial statements, amounted to approximately \$126,000 for sick leave and \$262,000 for vacation at December 31, 2017.

Drainage Districts -

Bonds Payable -

Blue River Gardens Drain Drainage District Bonds -

In February 2008, the Blue River Gardens Drain Drainage District issued \$555,000 of bonds for improvements to the drainage district. The bonds will be paid from special assessments against property and public corporations within the drainage district. Principal on the bonds is due June 1 of each year through 2027 with interest due semi-annually at interest rates ranging from 4.05% to 5.10%.

\$ 300,000

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 10 - LONG-TERM DEBT - (cont'd):

Bunce Creek & Huffman Drain Drainage District Bonds -

In March 2009, the Bunce Creek & Huffman Drain Drainage District issued \$4,625,000 of bonds for improvements to the drainage district. The bonds will be paid from special assessments against property and public corporations within the drainage district. Principal on the bonds is due on April 1 of each year through 2029 with interest due semi-annually at interest rates ranging from 4.500% to 5.375%. \$ 3,000,000

Gossman and Branches Drain Drainage District Bonds -

In February 2012, the Gossman and Branches Drain Drainage District issued \$1,900,000 of bonds for improvements to the drainage district. The bonds will be paid from special assessments against property and public corporations within the drainage district. Principal on the bonds is due May 1 of each year through 2027 with interest of 3.15% due semi-annually. 1,265,000

Cox-Doty and Stein Drain Drainage District and Railroad and Branches Drain Drainage District Bonds -

In December 2009, the Cox-Doty and Stein Drain and Railroad Drain Drainage Districts issued \$2,380,000 of bonds for improvements to the drainage districts. The bonds will be paid from special assessments against property and public corporations within the drainage districts. Principal on the bonds is due on May 1 of each year through 2030 with interest due semi-annually at interest rates ranging from 4.00% to 4.50%. 1,790,000

Pelton Drain Drainage District Bonds -

In August 2011, the Pelton Drain Drainage District issued \$1,300,000 of bonds for improvements to the drainage district. The bonds will be paid from special assessments against property and public corporations within the drainage district. Principal on the bonds is due April 1 of each year through 2031 with interest due semi-annually at 4.25%. 955,000

Lakeland Drain Drainage District Bonds -

In July 2014, the Lakeland Drain Drainage District issued \$675,000 of bonds for improvements to the drainage district. The bonds will be paid from special assessments against property and public corporations within the drainage district. Principal is due on the bonds each June 1 through 2024 with interest due semi-annually at 2.52%. 475,000

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 10 - LONG-TERM DEBT - (cont'd):

Lester Bammel Drain Drainage District Bonds -

In October 2015, the Lester Bammel Drain Drainage District issued \$915,000 of bonds for improvements to the drainage district. The bonds will be paid from special assessments against property and public corporations within the drainage district. Principal on the bonds is due on June 1 of each year through 2030 with interest due semi-annually at interest rates ranging from 2.00% to 4.00%. \$ 815,000

Marine City Drain Drainage District Bonds -

In November 2016, the Marine City Drain Drainage District issued \$960,000 of bonds for improvements to the drainage district. The bonds will be paid from special assessments against property and public corporations within the drainage district. Principal on the bonds is due June 1 of each year through 2026 with interest due semi-annually at rates ranging from 1.35% to 2.50%. 865,000

Meldrum Drain Drainage District Bonds -

In January 2017, the Meldrum Drain Drainage District issued \$620,000 of bonds for improvements to the drainage district. The bonds will be paid from special assessments against property and public corporations within the drainage district. Principal is due on the bonds each June 1 through 2027 with interest due semi-annually at 2.98%. 620,000

Forrest Manor Drainage District Bonds -

Department of Agriculture Bonds have been sold for \$2,535,000 to finance the acquisition, construction, furnishing, and equipping of improvements to the Forrest Manor Drainage District. Payments on the bonds will be paid through special assessments to the drainage district. Principal payments on the bonds are due on March 1 of each year through 2046 with interest payable semi-annually at 2.25%. 2,476,000
\$ 12,561,000

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 10 - LONG-TERM DEBT - (cont'd):

Loans -

Department of Environmental Quality Bonds have been sold for \$2,425,000 and \$560,000 through the State of Michigan Clean Water Revolving Fund to construct sanitary sewer improvements, including two sanitary sewage pump stations and a treatment lagoon for the South Branch Pine River Drain Drainage District. Payments on the loans will be paid through special assessments. Principal on the bonds is due on April 1 of each year through 2028 with interest due semi-annually at interest rates of 1.625% and 2.50%, respectively, for each of the bonds.

\$ 1,825,000

Department of Agriculture Bonds have been sold for \$1,520,000 to finance the acquisition, construction, furnishing and equipping of improvements to the Number 211, Avoca Wastewater Treatment Project Drainage District. Payments on the loan will be paid through special assessments to the drainage district. Principal payments on the loan are due on September 1 of each year through 2039 with interest payable semi-annually at 4.25%.

1,296,000

\$ 3,121,000

Notes Payable -

St. Clair County, through the Drain Commission, administers the construction of drains, which are deemed to benefit properties against which special assessments are levied. To finance the construction, notes are issued in accordance with the provisions of Act No. 40 of the Michigan Public Acts of 1956, as amended by Act No. 71, Public Acts of 1976 or has received loans from the primary government. Repayment of the notes is made from the special assessment revenues, payment from other government units, etc. During the year, the Drain Commission issued \$1,820,000 of drain notes. The balance of the obligations at December 31, 2017 was as follows:

	<u>Interest Rate</u>	<u>Amount</u>
Governmental Activities -		
Layle-Robbins Drain	2.60 %	\$ 5,700 *
Galbraith County Drain	3.50	177,000 *
Richmond/Columbus Intercounty Drain	4.70	169,563
Fueslein Drain	3.75	108,000 *
Carrigan Branch 1	5.69	29,000
Shanahan 2009ZE	3.25	20,000 *
Chase Ext - Coon Creek Intercounty Drain	4.75	13,216
Macomb County Drain	2.00	216,000 *
Baldwin Drain	3.50	159,000 *
Barringer Drain	3.77	290,000
Shea Drain	3.50	108,267 *
Green Drain	1.37	320,000*
Stocks Creek	1.74	<u>1,500,000</u>
		<u>\$ 3,115,746</u>

* Amounts held by Primary Government

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 10 - LONG-TERM DEBT - (cont'd):

Letters of Credit -

The County has letters of credit issued for the Stocks Creek Drain of \$60,000 and \$596,200 set to mature June 14, 2018 with interest at prime rate. As of December 31, 2017, there have been no claims on the letters of credit.

Annual debt service requirements to maturities are as follows:

Year Ended December 31,	Bonds		Notes		Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 916,000	\$ 432,652	\$ 2,123,040	\$ 65,418	\$ 187,000	\$ 86,426
2019	933,000	401,591	240,824	24,327	193,000	82,136
2020	934,000	369,202	240,824	23,699	200,000	77,698
2021	946,000	335,565	126,924	17,945	201,000	73,136
2022	952,000	301,422	84,534	16,375	203,000	68,531
2023-2027	4,584,000	985,432	299,600	97,725	1,105,000	268,623
2028-2032	1,901,000	281,644	-	-	482,000	158,144
2033-2037	450,000	137,138	-	-	376,000	86,276
2038-2042	501,000	84,263	-	-	174,000	11,178
2043-2046	444,000	25,268	-	-	-	-
	<u>\$ 12,561,000</u>	<u>\$ 3,354,177</u>	<u>\$ 3,115,746</u>	<u>\$ 254,489</u>	<u>\$ 3,121,000</u>	<u>\$ 912,148</u>

Land Bank Authority -

Notes Payable -

The Land Bank Authority issued notes in accordance with Provisions of Act No. 40 of the Michigan Public Acts of 1956, as Amended by Act No. 71 of the Public Acts of 1976. The Land Bank Authority has received a loan from the primary government to acquire foreclosed properties within the County. Repayment of the promissory notes will be made when the properties are ultimately sold. The balance at December 31, 2017 was \$8,449.

Community Mental Health Authority -

Loans Payable -

In August 2007, the Authority entered into a loan agreement for \$1,250,000 for the purchase of six homes, which will be used to provide mental health services. The loan calls for 119 monthly payments of \$7,503, including interest of 5.19% with a final payment of \$939,864 on August 21, 2017. The loan was refinanced in August 2017 for \$935,062. The loan agreement calls for 59 monthly payments of \$7,064 beginning September 18, 2017 including interest of 4.25% through August 18, 2022, at which time the remaining balance is due.

\$ 931,420

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 10 - LONG-TERM DEBT - (cont'd):

On May 3, 2011, the Authority entered into a promissory note for the purchase of the Allen Road Home for \$124,000. The note was amended June 22, 2016 for \$91,573 and is to be repaid in monthly installments of \$906 including interest of 3.5% through June 22, 2021, at which time the remaining is due. The note is secured by the home. \$ 81,859

On June 28, 2011, the Authority entered into a promissory note for the Strawberry Lane Home for \$86,400. The note is to be repaid in 180 monthly payments of \$743, including interest at the Treasury Security Rate plus 3.89%. 48,636

On October 1, 2013, a term loan was entered into for \$191,641. The loan calls for 59 monthly payments of \$1,540 including interest of 5.17% with a final payment of \$145,108 on October 1, 2018. The note is secured by the property, however, is due on demand. 154,147
\$ 1,216,062

Contracts Payable -

The Authority and County modified their lease agreement with the refunding of the bonds used to purchase, construct, and equip the office building of the Authority. Upon the retirement of debt, the site will be deeded to the Authority. The bonds, dated April 15, 2015, are due in annual installments of \$555,000 to \$900,000 through April 11, 2026 with interest ranging from 3.75% to 5.00% payable semi-annually. \$ 7,025,000

Accrued Vacation and Sick -

In accordance with contracts negotiated with various employee groups of the Authority, individual employees have vested rights upon termination of employment to receive payments for unused vacation and sick leave under formulas and conditions specified in the contract. As of September 30, 2017, the vested benefits amounted to \$1,402,792.

Annual debt service requirements to pay the debt outstanding at September 30, 2016 (excluding vacation and sick) are as follows:

Year Ended September 30,	Notes Payable		Contracts Payable	
	Principal	Interest	Principal	Interest
2018	\$ 69,580	\$ 51,916	\$ 555,000	\$ 293,500
2019	206,925	42,664	650,000	269,400
2020	65,206	39,349	750,000	241,400
2021	115,912	35,897	795,000	210,500
2022	744,913	29,147	790,000	178,800
2023-2026	<u>13,526</u>	<u>677</u>	<u>3,485,000</u>	<u>315,000</u>
	<u>\$ 1,216,062</u>	<u>\$ 199,650</u>	<u>\$ 7,025,000</u>	<u>\$ 1,508,600</u>

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 11 - RETIREMENT PLAN:

DEFINED BENEFIT PLAN

Two years of information on the pension plan (the "Plan") is presented. The current year is presented for the Plan to satisfy requirements of GASB Statement No. 67, and the prior year is presented as the measurement date for reporting the liability of the employer to satisfy requirements of GASB Statement No. 68.

Plan Description -

The St. Clair County Retirement System is a single-employer defined benefit Plan, which was established by County ordinance in 1964 to provide retirement and pension benefits for eligible employees of St. Clair County, the St. Clair County Road Commission and St. Clair County Community Mental Health Authority. Employees not in this plan are covered by a defined contribution plan. Effective January 1, 2016, the Plan is closed to all but the Sheriff deputies bargaining unit. The system is administered, managed and operated by a Board composed of 9 Trustees, the chairperson of the Board of Commissioners, or their appointee, a member of the Board of Commissioners, a member of the St. Clair County Road Commission Board, one appointed citizen, four elected employees of the retirement system, and one retired member elected by the retired members. The benefit provisions are governed by Act No. 427 of the Michigan Public Acts of 1984, as amended. The Plan may be amended by the County Board of Commissioners. The Plan is audited within the scope of the audit of the basic financial statements. Separate audited financial statements are not issued.

The membership at December 31, 2015 was composed of 696 active participants, 694 retirees and beneficiaries, and 163 inactive but vested members. The membership at December 31, 2016 was composed of 642 active participants, 704 retirees and beneficiaries, and 173 inactive but vested members. In general, all employees are eligible for regular retirement as follows:

Sheriff Department - 25 years of service regardless of age. Benefits are calculated based on the total service times an annual multiple of final average compensation. Maximum benefits 75% of final average compensation.

Road Commission, Community Mental Health, and General County - when age plus service equals 80 and service is at least 25 years. Maximum benefits 75% of final average compensation, except Prosecuting Attorney, which has maximum benefits of 69.6% of final average compensation if service is 25 years or more.

All Employees - age 60 with 8 years of service.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 11 - RETIREMENT PLAN - (cont'd):

In addition to the regular retirement provisions, the system allows for the following retirement provisions at regular or reduced benefits:

- Deferred Retirement - 8 or more years of service, benefits begin at 60 or at age 55 with 25 or more years of service.
- Death In-Service - 10 or more years of service.
- Duty Disability - Sheriff's Department plan members 10 or more years of service, others no age or service requirements but must be in receipt of Workers' Compensation payments.
- Non-Duty Disability - 10 or more years of service.
- Life insurance - \$3,500 policy to retirees.
- Supplemental Payments to Retirees Age 65 and Older - retirees with less than 20 years of service receive \$14 per month and those with 20 or more years of service at retirement receive \$16 per month.

Since the County does not issue a stand-alone report for its County defined benefit plan, following are condensed financial statements for the period as of and including December 31, 2017:

Statement of Net Position

Cash and investments	\$ 241,307,238
Other assets	<u>608,189</u>
Total assets	<u>241,915,427</u>
Liabilities	<u>320,388</u>
Net position	<u>\$ 241,595,039</u>

Statement of Changes in Net Position

Additions:	
Contributions	\$ 8,281,653
Investment income	<u>26,077,017</u>
Total additions	<u>34,358,670</u>
Deductions:	
Benefit payments	14,868,027
Other expenses	<u>167,544</u>
Total deductions	<u>15,035,571</u>
Change in net position	19,323,099
Net position, beginning of year	<u>222,271,940</u>
Net position, end of year	<u>\$ 241,595,039</u>

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 11 - RETIREMENT PLAN - (cont'd):

Summary of Significant Accounting Policies -

Basis of Accounting -

The St. Clair County Retirement System utilizes the accrual basis of accounting and is reported within the County's reporting entity as a separate Pension Trust Fund. Contributions from employees are recognized in the period in which contributions are paid. Employer contributions are recognized when due and the employer has made a formal commitment to provide contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Method Used to Value Investments -

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

Contribution and Funding Policy -

The Plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as a level dollar amount designed to accumulate sufficient assets to pay benefits when due. During the year ended December 31, 2017, contributions totaling \$8,281,653 (\$6,392,847 employer and \$1,888,806 employee) were made in accordance with contribution requirements determined by an actuarial valuation for the Plan as of December 31, 2015. The required employer contributions were \$3,822,897 for General County, \$910,369 for the Road Commission, and \$1,357,417 for Community Mental Health. Employee contributions represent 5.0% of covered payroll, except the Road Commission where employees contributed 8.0%. The contribution requirement of a Plan member and the County are established by the St. Clair County Retirement Board and may be amended by the St. Clair County Board of Commissioners. Most administrative costs of the Plan are paid with retirement assets. The defined benefit Plan, excluding Sheriff Deputies, is closed to new-hires.

The required contribution rate was determined as part of the December 31, 2015 actuarial valuation using the individual entry age normal cost method. The actuarial assumptions included: (a) 7.5% net investment rate of return, and (b) projected salary increases of 3.5% to 8.0% per year, which includes pay inflation at 3.5%. There are no projected cost-of-living adjustments. The actuarial value was determined using techniques that smooth the effect of short-term volatility in the market value of investments over a five-year period. The Plan's unfunded actuarial accrued liability is being amortized as a level dollar on an open period, with a remaining amortization period as of December 31, 2015 of 20 years for Community Mental Health and amortized as a level dollar on a closed period with a remaining amortization period as of December 31, 2015 of 15 years for General Employees and 16 years for the Road Commission.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 11 - RETIREMENT PLAN - (cont'd):

Net Pension Liability of the County -

The net pension liability of the County has been measured as of December 31, 2016, which used updated procedures to roll forward the estimated liability to December 31, 2017 and is composed of the following:

	<u>Total Pension Liability</u>	<u>Plan's Net Position</u>	<u>Net Pension Liability</u>
Beginning balance	\$ 255,915,090	\$ 222,271,940	\$ 33,643,150
Service cost	4,207,259	-	4,207,259
Interest on total pension liability	18,951,625	-	18,951,625
Net investment income	-	26,077,017	(26,077,017)
Changes in assumptions	(764,777)	-	(764,777)
Expected and actual differences	(3,166,992)	-	(3,166,992)
Contributions from employer	-	6,392,847	(6,392,847)
Contributions from employees	-	1,888,806	(1,888,806)
Benefit payments	(14,868,027)	(14,868,027)	-
Administrative costs	<u>-</u>	<u>(167,544)</u>	<u>167,544</u>
Ending balance	<u>\$ 260,274,178</u>	<u>\$ 241,595,039</u>	<u>\$ 18,679,139</u>

Plan fiduciary net position as a percentage of the total pension liability 92.82%

The net pension liability of the County has been measured as of December 31, 2015, which used updated procedures to roll forward the estimated liability to December 31, 2016 and is composed of the following:

	<u>Total Pension Liability</u>	<u>Plan's Net Position</u>	<u>Net Pension Liability</u>
Beginning balance	\$ 243,930,941	\$ 211,588,333	\$ 32,342,608
Service cost	4,334,943	-	4,334,943
Interest on total pension liability	18,082,930	-	18,082,930
Net investment income	-	16,974,234	(16,974,234)
Changes in assumptions	4,721,041	-	4,721,041
Expected and actual differences	(834,461)	-	(834,461)
Contributions from employer	-	6,264,277	(6,264,277)
Contributions from employees	-	1,989,155	(1,989,155)
Benefit payments	(14,320,304)	(14,320,304)	-
Administrative costs	<u>-</u>	<u>(223,755)</u>	<u>223,755</u>
Ending balance	<u>\$ 255,915,090</u>	<u>\$ 222,271,940</u>	<u>\$ 33,643,150</u>

Plan fiduciary net position as a percentage of the total pension liability 86.85 %

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 11 - RETIREMENT PLAN - (cont'd):

Proportionate share of liability is as follows:

Primary Government	\$ 19,440,633	57.79 %
Component Units -		
Road Commission	6,486,984	19.28
Community Mental Health Authority	<u>7,715,533</u>	<u>22.93</u>
	<u>\$ 33,643,150</u>	<u>100.00 %</u>

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

For the year ended December 31, 2017, the County recognized pension expense of \$5,272,029 in the government-wide and proprietary fund financial statements of the primary government and \$3,367,802 in the component units (\$1,315,379 in Road Commission and \$2,052,423 in Community Mental Health Authority). At December 31, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Primary Government</u>	<u>Component Units</u>
Deferred Outflows of Resources		
Proportionate share difference	\$ 867,883	\$ 373,818
Net difference between projected and actual earnings on Plan investments	4,534,990	3,425,843
Changes in assumptions	2,182,439	1,594,394
Contributions made subsequent to the measurement date	<u>3,947,749</u>	<u>2,116,337</u>
	<u>\$ 11,533,061</u>	<u>\$ 7,510,392</u>
	<u>Primary Government</u>	<u>Component Units</u>
Deferred Inflows of Resources		
Proportionate share difference	\$ -	\$ 1,241,702
Differences between expected and actual experience	<u>455,848</u>	<u>335,567</u>
	<u>\$ 455,848</u>	<u>\$ 1,577,269</u>

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 11 - RETIREMENT PLAN - (cont'd):

The amounts of deferred outflows of resources and deferred inflows of resources related to pension, excluding contributions to the Plan subsequent to the measurement date which will be recognized by the Plan in the next measurement period, will be recognized in pension expense as follows:

	<u>Primary Government</u>	<u>Component Units</u>
2018	\$ 2,414,979	\$ 1,310,662
2019	2,414,980	1,310,663
2020	1,840,966	1,123,875
2021	<u>458,539</u>	<u>71,586</u>
	<u>\$ 7,129,464</u>	<u>\$ 3,816,786</u>

Investment Policy - The Plan's policy in regard to the allocation of invested assets is established and may be amended by the Retirement Board by a majority vote of its members. It is the policy of the Retirement Board to pursue an investment strategy that manages risk through diversification of the portfolio across a broad selection of distinct asset classes. The following was the Board's adopted asset allocation policy as of December 31, 2017 and 2016:

<u>Asset Class</u>	<u>Target Allocation</u>
Fixed Income	25.0 %
Domestic Equity	40.0
International Equity	20.0
Hedge Funds	2.5
Real Estate	12.5
Cash	0.0

Rate of Return - For the years ended December 31, 2017 and 2016, the annual money-weighted rate of return on Plan investments, net of Plan investment expense, was 11.89% and 8.13%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of December 31, 2015, which used updated procedures to roll forward the estimated liability to December 31, 2016, and by an actuarial valuation as of December 31, 2016, which also used updated procedures to roll forward this estimated liability to December 31, 2017. The valuations used the following actuarial assumptions based on the most recent experience study, completed December 31, 2013:

Salary increases	3.50 - 8.00 %
Investment rate of return	7.50
Inflation	2.50

Mortality Rate - Mortality rates were based on RP-2014 Mortality Table with generational improvements from 2006 based on the Social Security mortality improvement assumptions from the 2016 Trustees' Report.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 11 - RETIREMENT PLAN - (cont'd):

Discount Rate - The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that County contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Projected Cash Flows - Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on 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 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 weighing 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 as of December 31, 2017 and 2016 for each major asset class included in the Plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following table.

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>
Fixed Income	2.30 %
Domestic Equity	6.60
International Equity	6.20
Hedge Funds	4.20
Real Estate	3.90
Cash	0.50

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the County, calculated using the discount rate of 7.50 percent, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate.

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1 % Increase (8.50%)</u>
Net pension liability at December 31, 2017	\$ 48,783,844	\$ 18,679,139	\$(8,304,495)
Net pension liability at December 31, 2016			
Primary government	\$ 36,721,950	\$ 19,440,633	\$ 3,967,557
Component units	<u>26,827,437</u>	<u>14,202,517</u>	<u>2,898,523</u>
	<u>\$ 63,549,387</u>	<u>\$ 33,643,150</u>	<u>\$ 6,866,080</u>

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 11 - RETIREMENT PLAN - (cont'd):

DEFINED CONTRIBUTION PLAN

General Government -

The County offers to certain employees who have been hired on or after January 1, 2009, the option to participate in a defined contribution plan with contributions being held in accordance with Internal Revenue Code Section 457. The plan is administered by a third-party administrator. Participation in the plan is voluntary to eligible full-time employees. Employees opting to participate in the plan may contribute to the plan in increments of 1% up to a maximum of 8% of total wages with the County matching contributions. The plan may be amended by the County Board of Commissioners.

In addition, certain eligible employees have the option to contribute to a 457-deferred compensation plan in lieu of participating in the County's Retiree Health Care Trust Fund Plan. This option requires employee contributions from 1-5% with a matching County contribution of .5-2.5% (50% of employee contribution percentage).

Employer contributions for the year ended December 31, 2017 were \$596,472.

Component Units -

The Road Commission provides pension benefits through a defined contribution plan to employees not participating in the defined benefit plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus any investment earnings. The Road Commission matches employee contributions up to 8% of total wages and is subject to forfeiture by the employee based on a 5-year vesting schedule. Employee contributions are 100% vested at the time of contribution. For the year ended December 31, 2017, the Road Commission contributed \$108,280 to the plan.

The St. Clair County Community Mental Health Authority offers employees who have been hired on or after January 1, 2016 the option to participate in a defined contribution plan with contributions being held in accordance with Internal Revenue Code Section 457. The plan is administered by a third-party administrator. Participation in the plan is voluntary to eligible full-time employees. The St. Clair County Community Mental Health Authority will match the employee contribution dollar-for-dollar up to the maximum of 8% of total wages. The plan may be amended by the Board of Directors. For the year ended September 30, 2017, employer contributions were \$29,763.

NOTE 12 - POSTEMPLOYMENT HEALTH CARE PLAN:

The single-employer plan administered through St. Clair County provides postemployment benefits for eligible employees of the County, including those of the St. Clair County Road Commission and employees of the St. Clair County Community Mental Health Authority. Postemployment benefits consist of health, dental, and prescription drug coverage. The plan is audited within the scope of the audit of the basic financial statements. Separate audited financial statements are not issued.

ST. CLAIR COUNTY, MICHIGAN

NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 12 - POSTEMPLOYMENT HEALTH CARE PLAN - (cont'd):

Benefits Provided -

The employees covered by the postemployment benefits and memberships are the same as noted for the basic retirement plan (Note 11), with the exception of Sheriff Deputies who, after a specified time, are not eligible to join this plan. In general, all employees are eligible for postemployment benefits as follows:

Some retirees age 55 and older are provided health, dental and prescription and drug coverage for recipient and dependents with 25 years of service or age 60 with 8 years of service. (Age 50 with 25 years of service for Sheriff Department or age 60 with 8 years of service.) Members of groups with "Rule of 80" are eligible if the sum of their age plus years of service are greater than or equal to 80 and their years of service equal to 25 years or more.

Beneficiaries of deceased retirees and survivors of deceased employees are provided health and dental coverages for recipients and dependents of retired employees who have at least ten years of service at time of death. Surviving spouse contribution requirement follows members' contribution requirements prior to their death.

Since the County does not issue a stand-alone report for its County postemployment benefit plan, following are condensed financial statements for the period as of and including December 31, 2017:

Statement of Net Position

Cash and investments	\$ 45,407,623
Other assets	<u>567,451</u>
Total assets	<u>45,975,074</u>
Liabilities	<u>368,925</u>
Net position	<u>\$ 45,606,149</u>

Statement of Changes in Net Position

Additions:	
Contributions	\$ 2,811,503
Investment Income	<u>5,055,064</u>
Total additions	<u>7,866,567</u>
Deductions:	
Benefit payments	4,106,202
Other expenses	<u>36,627</u>
Total deductions	<u>4,142,829</u>
Change in net position	3,723,738
Net position, beginning of year	<u>41,882,411</u>
Net position, end of year	<u>\$ 45,606,149</u>

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 12 - POSTEMPLOYMENT HEALTH CARE PLAN - (cont'd):

Summary of Significant Accounting Policies -

The Basis of Accounting and Method Used to Value Investments are the same as the Retirement Plan, outlined in Note 11.

The postemployment benefits are accounted for through two trust funds; one is established under the IRS Code Section 401(h), which is combined with the basic retirement plan assets as described in Note 11. The assets of this trust fund have been exhausted during 2017. The other trust fund was established on July 1, 2006 under Michigan Public Act 149. All contributions on or after July 1, 2006 are recorded in the PA 149 Fund.

The investments of the 401(h) are invested with the basic retirement plan. The retirement board has established a rate of return on the 401(h) investments to be proportionate to the average net position balance for the period of which assets were held with the basic retirement plan assets.

The contribution requirement of a plan member and the County are established by the St. Clair County Retirement Board and may be amended by the St. Clair County Board of Commissioners. Most administrative costs of the plan are paid with plan assets.

Benefits and refunds are recognized when due and payable, in accordance with the terms of the plan. Certain contracts specify member contributions from employees ranging from 2.00% to 2.50%.

Contribution and Funding Policy -

The Plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. During the year ended December 31, 2017, contributions of \$2,811,503 (\$2,368,393 employer and \$443,110 employee) were made. Employer contributions were \$536,606 for Community Mental Health, \$990,456 for the Road Commission, and \$841,331 for General County employees. The actuarial valuation dated December 31, 2016 determined a contribution of \$1,633,525 for Community Mental Health, \$9,841,176 for General County, and \$2,748,314 for Road Commission employees using an assumed rate of increase of health care costs as follows:

	<u>Medical and Prescription Drug</u>	<u>Dental</u>
2018	8.50 %	5.00 %
2019	8.00	5.00
2020	7.50	5.00
2021	7.00	5.00
2022 and after	5.00-6.50	5.00

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 12 - POSTEMPLOYMENT HEALTH CARE PLAN - (cont'd):

Annual OPEB Cost and Net OPEB Obligation -

The County and its component units' annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents the level of funding necessary to cover the normal cost each year and the amortization of any unfunded actuarial liabilities (or funding excess) amortized over a period of fourteen years. The annual OPEB cost for the year, the amount actually contributed, and changes in the net OPEB obligation are as follows:

	<u>Primary Government</u>	<u>Component Units</u>
Annual required contribution	\$ 9,841,176	\$ 4,381,839
Interest on net OPEB obligation	2,703,987	1,116,854
Adjustment to annual required contribution	<u>(5,757,100)</u>	<u>(1,963,978)</u>
Annual OPEB cost (expense)	6,788,063	3,534,715
Contributions made	<u>(841,331)</u>	<u>(1,553,045)</u>
Increase in net OPEB obligation	5,946,732	1,981,670
Net OPEB obligation – beginning of year	<u>54,079,738</u>	<u>22,337,063</u>
Net OPEB obligation – end of year	<u>\$ 60,026,470</u>	<u>\$ 24,318,733</u>

Employer contributions shown above differ from supplementary information due to the different year-end of the Community Mental Health Authority.

Schedule of Funding Progress -

Primary Government

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/(c)
12/31/14	\$ 24,027,124	\$ 82,431,355	\$ 58,404,231	29.1 %	\$ 22,286,492	262 %
12/31/15	23,975,737	95,180,770	71,205,033	25.2	22,081,884	323
12/31/16	24,356,391	100,883,309	76,526,918	24.1	21,110,886	363

Road Commission

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/(c)
12/31/14	\$ 1,231,400	\$ 24,824,010	\$ 23,592,610	5.0 %	\$ 3,897,048	605 %
12/31/15	1,202,631	26,961,404	25,758,773	4.5	3,626,057	710
12/31/16	1,360,548	27,224,192	25,863,644	5.0	3,596,775	719

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 12 - POSTEMPLOYMENT HEALTH CARE PLAN - (cont'd):

Community Mental Health

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/(c)
12/31/14	\$ 12,285,111	\$ 18,695,889	\$ 6,410,778	65.7 %	\$ 10,389,722	62 %
12/31/15	15,039,695	23,794,416	8,754,721	63.2	11,497,448	76
12/31/16	16,324,626	25,252,659	8,928,033	64.6	10,660,894	84

Schedule of Employer Contributions -

Primary Government

Year Ended December 31,	Annual OPEB Cost	Percentage Contributed	Change In Net OPEB Obligation	Net OPEB Obligation
2015	\$ 5,139,201	10.60 %	\$ 4,594,601	\$ 48,686,593
2016	6,332,646	14.84	5,393,145	54,079,738
2017	6,788,063	12.39	5,946,732	60,026,470

Component Units -

Road Commission

Year Ended December 31,	Annual OPEB Cost	Percentage Contributed	Change In Net OPEB Obligation	Net OPEB Obligation
2015	\$ 1,908,073	38.45 %	\$ 1,174,382	\$ 14,192,856
2016	2,117,289	38.10	1,311,195	15,504,051
2017	2,160,329	45.85	1,169,873	16,673,924

Community Mental Health

Year Ended September 30,	Annual OPEB Cost	Percentage Contributed	Change In Net OPEB Obligation	Net OPEB Obligation
2015	\$ 1,036,089	223.27 %	\$ (1,277,198)	\$ 6,095,519
2016	1,393,209	47.07	737,493	6,833,012
2017	1,374,386	40.93	811,797	7,644,809

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 12 - POSTEMPLOYMENT HEALTH CARE PLAN - (cont'd):

Actuarial Methods and Assumptions -

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and 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 employer and plan members to that point. The 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.

The required contribution rate was determined as part of the December 31, 2016 actuarial valuation using the individual entry age normal level percent of salary cost method. The actuarial assumption included (a) 5.0% net investment rate of return, (b) projected salary increases of 3.5% to 8.0% per year, (c) an annual healthcare cost trend of 8.5% initially, reduced by decrements of 0.5% to an ultimate rate of 5.0% after 8 years, (d) an annual dental cost trend rate of 5.0%, and (e) inflation rate of 3.0%. There are no projected cost-of-living adjustments. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of investment over a five-year period. The plan's unfunded actuarial accrued liability is being amortized as a level dollar amount for General County employees and as a level percentage of member payroll for Community Mental Health and Road Commission employees on a closed period, with a remaining amortization period as of December 31, 2016 of 13 years.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions of the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the program and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplemental information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Investment Policy -

The plan's policy in regard to the allocation of invested assets is established and may be amended by the County Administrator.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 12 - POSTEMPLOYMENT HEALTH CARE PLAN - (cont'd):

The long-term expected rate of return on 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 investment expense and inflation) are developed for each asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The adopted asset allocation policy and the best estimates of arithmetic real rates of return for each asset class as of December 31, 2017 are as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Fixed Income	44 %	2.0 %
Domestic Equity	37	4.9
International Equity	16	5.4
Cash	<u>3</u>	0.5
TOTAL	<u>100 %</u>	

Rate of Return -

For the year ended December 31, 2017, the annual money-weighted rate of return on plan investments, net of investment expense, as 20.08%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability of the County -

For 2017, the County reports OPEB expense based on funding requirements, as directed by GASB Statement No. 45. Beginning next year, the County will adopt GASB Statement No. 75, which will require the measurement of OPEB expense as it is earned, rather than as it is funded. The components of the net OPEB liability of the County are measured at December 31, 2017 and are as follows:

Total OPEB liability	\$ 192,677,996
OPEB Plan fiduciary net position	<u>45,606,149</u>
Net OPEB liability	<u>\$ 147,071,847</u>
OPEB Plan fiduciary net position as a percentage of total OPEB liability	23.7%

Actuarial Assumptions -

The total OPEB liability was determined by an actuarial valuation at December 31, 2016, which used updating procedures to roll forward the estimated liability to December 31, 2017. The valuation used the following assumptions included in the measurement:

Salary Increases - 3.5%-8.0%, including inflation

Investment Rate of Return - 6.5%

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 12 - POSTEMPLOYMENT HEALTH CARE PLAN - (cont'd):

Mortality Rates - RP-2016 Mortality Table with generational improvements from 2006 based on the Social Security mortality improvement assumptions from the 2016 Trustees' Report.

Inflation Rate - 2.8%

Healthcare Cost Trend Rate - 8.5% graded down by 0.5% increments to 5.0%

Projected Cash Flows - The plan's fiduciary net position was projected to cover projected future benefit payments of current and active members through 2031. The discount rate used through this year was at 5.0% and the years thereafter at 3.6%, resulting in a single discount rate of 3.8% at December 31, 2017. The projected cash flows assumed a level of contributions from the employer equal to the average contributions from the last 5 years.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate -

The following presents the net OPEB liability of the County, calculated using the discount rate of 3.8% as well as what the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate.

	1% Decrease <u>(2.8%)</u>	Current Discount Rate <u>(3.8%)</u>	1% Increase <u>(4.8%)</u>
Net OPEB liability	\$ <u>183,618,541</u>	\$ <u>147,071,847</u>	\$ <u>118,496,706</u>

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates -

The following presents the net OPEB liability of the County, calculated using the healthcare cost trend rate of 8.5% graded down in 0.5% increments to 5.0%, as well as what the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage-point lower or one percentage-point higher than the current rate.

	1% Decrease <u>(7.5-4.0%)</u>	Current Discount Rate <u>(8.5-5.0%)</u>	1% Increase <u>(9.5-6.0%)</u>
Net OPEB liability	\$ <u>115,171,982</u>	\$ <u>147,071,847</u>	\$ <u>188,522,176</u>

NOTE 13 - CONTINGENT LIABILITIES:

Primary Government -

The County participates in a number of federal and state assisted grant programs, which are subject to compliance audits. The Single Audit of the federal programs and the periodic program compliance audits of many of the state programs have not yet been conducted or completed. Accordingly, the County's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 13 - CONTINGENT LIABILITIES - (cont'd):

There are various other legal actions pending against the County. Due to the inconclusive nature of many of the actions, it is not possible for Corporate 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, if any, are considered by County Management and Legal Counsel to be immaterial.

A substantial portion of the Health Department's total patient revenues are for services provided to Medicare, Medicaid, and Blue Cross and Blue Shield of Michigan patients. Payments for these services are based upon allowable costs incurred and are subject to final audit by the intermediaries.

Component Unit - Road Commission -

In the normal course of its operations, the St. Clair County Road Commission often becomes a party to various claims and lawsuits. In the opinion of the Road Commission's legal counsel, if any of these claims should result in an unfavorable resolution to the Road Commission, the Road Commission's liability would be limited to its deductible under insurance policies. The insurer would pay the losses, and there should be no material effect on the financial position of the Road Commission.

The Road Commission participates in a number of federal and state assisted grant programs, which are subject to compliance audits. The periodic program compliance monitoring of many of the federal and state programs have not yet been conducted or completed. Accordingly, the Road Commission's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the Road Commission expects such amounts, if any, to be immaterial.

Also, as part of its trunkline maintenance agreement with the State of Michigan, the Road Commission's costs charged to the State are subject to audit. The amounts, if any, which may have to be paid back to the State, cannot be determined at this time, although the Road Commission expects such amounts, if any, to be immaterial.

Component Unit - Community Mental Health Authority -

As is common for Mental Health Authorities, St. Clair County Community Mental Health Authority receives a significant portion of its revenues through contracts with the State of Michigan Department of Health and Human Services. Medicaid revenue is passed through Region 10 Prepaid Inpatient Health Plan (PIHP), with a settlement reached at the end of each fiscal year. The settlement is based on accumulated reimbursable cost of the Authority and is subject to final audit by the Michigan Department of Health and Human Services.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 14 - RISK MANAGEMENT:

Primary Government -

The County is self-insured for property and liability, health care, unemployment, workers' compensation, and disability. Property and liability insurance are charged to participating funds based on the County's cost allocation plan. Each participating fund of the County makes payments to the Self-Insurance Internal Service Fund equal to an established percentage of gross salaries for that fund, if deemed necessary for health care, unemployment, workers' compensation and disability. These payments are accounted for as other services and charges in the paying fund and charges for services in the receiving fund.

The County is completely self-insured for unemployment compensation and short-term disability claims and is self-insured for workers' compensation claims up to an amount of \$500,000 in individual claims for 2017.

Based on claims currently pending and past history, the County has estimated accrued claims, including an estimate for claims incurred but not reported (IBNR), of \$0, \$0 and \$55,000 for unemployment compensation, disability and workers' compensation, respectively.

In addition, the Primary Government and the Drainage Districts (component unit) are voluntary members of the Michigan Municipal Risk Management Authority (MMRMA) established pursuant to laws of the State of Michigan which authorize local units of government to exercise jointly any power, privilege, or authority which each might exercise separately.

The administration of MMRMA is directed by a nine-member Board of Directors composed of municipal representatives from the membership elected by the membership. The Board of Directors establishes the general policy of MMRMA, creates and publishes rules to be followed by the Manager and Board of Directors 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 MMRMA to be responsible for the execution of all loss control measures, to ensure the payment of all annual and supplementary or other payment requirements, and to ensure the filing of all required reports and to act as a liaison between the County and MMRMA.

MMRMA administers risk management funds providing St. Clair County with loss protection for general and auto liability and property. 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 and auto liability	\$ 250,000
Property and Crime	1,000 per occurrence, plus 10% of the next \$100,000 of loss

The County has also elected to be a member of the Stop Loss Program, which limits the County's self-insurance retention. For 2017, that Stop Loss Program limited the retention for St. Clair County to \$575,000 in aggregate claims paid during the year.

MMRMA provides risk management, underwriting, reinsurance, and claims services with member contributions allocated to meet these obligations.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 14 - RISK MANAGEMENT - (cont'd):

MMRMA has established a reserve to pay losses incurred by members who exceed individual retention levels and are not covered under existing reinsurance agreements. Losses incurred within the established limits are general obligations of MMRMA. In the event that St. Clair County incurs a loss in excess of the resources available, the County is liable for the excess.

Based on claims currently pending and past history, the County has estimated the accrued property and liability claims, including an estimate for claims incurred but not reported (IBNR), of \$273,000, which is recorded in the Self-Insurance Fund.

The County is self-insured for health care benefits with the administrative services of the program being performed on a contractual basis by a third party. The County pays claims up to \$150,000 per contract per contract year. Stop-loss insurance has been purchased to insure the County against losses in excess of these limits. Based on past history, the County has estimated the accrued health care claims, including an estimate for claims IBNR, of \$347,000 at December 31, 2017, which is recorded as current liabilities in the Self Insurance (Internal Service) Fund. Changes in the balance of claims liability during the past two years as reported in the Self-Insurance (Internal Service) Fund are as follows:

	<u>Property/ Liability Insurance</u>		<u>Disability Insurance</u>		<u>Unemployment</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Unpaid claims, beginning of year	\$ 630,000	\$ 545,000	\$ -	\$ -	\$ -	\$ -
Incurred claims (including IBNR's)	(224,274)	217,817	307,185	389,157	20,532	19,769
Claims paid	(132,726)	(132,817)	(307,185)	(389,157)	(20,532)	(19,769)
Unpaid claims, end of year	273,000	630,000	-	-	-	-
Less current portion	(80,000)	(340,000)	-	-	-	-
Long-term Liabilities	<u>\$ 193,000</u>	<u>\$ 290,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
	<u>Workers' Compensation</u>		<u>Health Care</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Unpaid claims, beginning of year	\$ 65,000	\$ 205,000	\$ 325,000	\$ 600,000	\$1,020,000	\$1,350,000
Incurred claims (including IBNR's)	81,996	152,940	8,472,151	8,031,624	8,657,590	8,811,307
Claims paid	(91,996)	(292,940)	(8,450,151)	(8,306,624)	(9,002,590)	(9,141,307)
Unpaid claims, end of year	55,000	65,000	347,000	325,000	675,000	1,020,000
Less current portion	(55,000)	(65,000)	(347,000)	(325,000)	(482,000)	(730,000)
Long-term Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 193,000</u>	<u>\$ 290,000</u>

ST. CLAIR COUNTY, MICHIGAN

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

NOTE 14 - RISK MANAGEMENT - (cont'd):

Component Units -

Road Commission -

The Road Commission, including the Department of Public Works, is a member of the Michigan County Road Commission Self-Insurance Pool, established pursuant to the laws of the State of Michigan, which authorizes contracts between municipal corporations (inter-local agreements) to form group self-insurance pools and to prescribe conditions to the performance of these contracts. The Michigan County Road Commission Self-Insurance Pool was established for the purpose of making a self-insurance pooling program available for Michigan County Road Commissions, which includes, but is not limited to, general liability coverages, auto liability coverages, property insurance coverages, stop-loss insurance protection, claims administration, and risk management and loss control services pursuant to Michigan Public Act 138 of 1982.

The Road Commission pays an annual premium to the Pool for property (buildings and grounds) coverage, automobile liability, errors and omissions liability and bodily injury, property damage and personal injury liability. The agreement for the formation of the Pool provides that the Pool will be self-sustaining through member premiums and will purchase both specific and aggregate stop-loss insurance to the limits determined necessary by the Pool Board.

The Road Commission is also a member of the County Road Commission Road Association Self-Insurance Fund (the "Fund") for workers' compensation self-insurance. This Fund is a municipal self-insurance entity operating within the laws of the State of Michigan. The Fund has entered into reinsurance agreements providing for loss coverage in excess of amounts to be retained by the Fund.

The Road Commission continues to carry commercial insurance for accident insurance. The amount of settlements (claims) for the past three years has not exceeded insurance coverage.

The Road Commission is self-insured for health care benefits. The administrative services for the self-insured program are performed by a health insurance company. The Road Commission makes monthly payments, based on estimated claims and a stop-loss provision (up to \$30,000 per contract per contract year), which are adjusted quarterly. The Road Commission has estimated accrued health care claims in excess of the last quarter payments, including an estimate for claims IBNR of \$42,000 at December 31, 2017, which is recorded as a current liability.

Community Mental Health Authority -

SCCCMHA is exposed to various risks of loss to general and auto liability, property damage, and errors and omissions. SCCCMHA is a member in a public risk pool administered by the Michigan Municipal Risk Management Authority for risk of losses relating to its property and general liability (including auto liability and vehicle physical damage). MMRMA is a municipal self-insurance entity operating pursuant to the State of Michigan Public Act 138 of 1982. The purpose of the MMRMA is to administer a risk management fund, which provides members with loss protection for general and property liability. SCCCMHA has joined with numerous other governmental agencies in Michigan as a participant in MMRMA's "State Pool." Members of the State Pool do not have individual self-retention amounts other than \$250 deductible per occurrence of property and vehicle coverage. State Pool members' limits of coverage (per occurrence) are \$15 million for liability and approximately \$15 million for buildings and personal property. If a loss exceeds these limits or, if for any reason, MMRMA's resources are depleted, the payment of all unpaid losses is the sole obligation of SCCCMHA.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 14 - RISK MANAGEMENT - (cont'd):

SCCCMHA is also self-insured for the difference in the coverage provided through a previous health insurance plan and the current plan. The self-insurance is administered by a third-party administrator and any reimbursed claims are billed to SCCCMA periodically.

SCCCMHA purchases workers' compensation insurance through a commercial carrier with a maximum limit of \$500,000 per occurrence.

NOTE 15 - MAJOR TAXPAYER:

The County is economically dependent upon the Detroit Edison Company that has real and personal property within the County with a taxable value of \$782,136,028. This represents approximately 13.49 percent of the taxable value for the County.

NOTE 16 - DEFERRED COMPENSATION:

The County, the St. Clair County Community Mental Health Authority, and the St. Clair County Road Commission offer their employees deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plans, which are available to all employees, permit them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

A trust, custodial account, or annuity contract exists; assets are owned or held by the trust, custodian, or insurer for the exclusive benefit of participants and beneficiaries and are not subject to the claims of public employer creditors, nor can they be used by the public employer for any purpose other than the payment of benefits to those individuals participating in the plan or their designated beneficiaries.

NOTE 17 - NET POSITION/FUND BALANCE:

NET INVESTMENT IN CAPITAL ASSETS -

Governmental Activities:

Capital Assets	\$ 89,019,373
Less related debt -	
2013 Refunding Bonds	(3,035,000)
2009 G.O. Bonds	(200,000)
2012 Refunding Bonds	(19,645,000)
2012 G.O. Bonds	(8,170,000)
2015 Refunding Bonds, Series B	(1,510,000)
2017 Refunding Bonds	(1,595,000)
Bond premiums	(1,826,203)
Deferred charges	<u>958,146</u>
	<u>\$ 53,996,316</u>

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 17 - NET POSITION/FUND BALANCE - (cont'd):

Business-type Activities:

Capital Assets	\$ 21,785,399
Less related debt -	
2010 G.O. Bond	(6,379,280)
2014 G.O. Bond	<u>(2,378,401)</u>
	\$ <u>13,027,718</u>

RESTRICTED FUND BALANCE/NET POSITION -

The fund balances and net position the Primary Government have been restricted for the following purposes at December 31, 2017:

	<u>Enabling Legislation</u>	<u>Other</u>	<u>Total</u>
Governmental Funds/Activities:			
Acquisition/construction of capital assets:			
Public Improvement	\$ 3,097,531	\$ -	\$ <u>3,097,531</u>
Debt Service:			
Mental Health Building Debt Fund	-	610	610
Communications Debt Fund - Series B	738,327	-	738,327
Communications Debt Fund - 2009	16,658	-	16,658
Building Authority Debt Fund	-	3,727	3,727
Convention Center	-	682,424	682,424
Jail/Juvenile Facility	-	3,504	<u>3,504</u>
			<u>1,445,250</u>
Recreation and Cultural:			
Parks and Recreation	2,164,132	-	2,164,132
Library	2,820,142	-	<u>2,820,142</u>
			<u>4,984,274</u>
Health and Welfare:			
Senior Citizens Millage	3,532,537	-	3,532,537
CDBG Housing	-	399,263	399,263
HUD Housing	-	95,311	95,311
Health Department	-	363,805	363,805
Veterans' Millage	245,366	-	<u>245,366</u>
			<u>4,636,282</u>
Public Safety:			
Drug Task Force	882,617	-	822,617
Drug Law Enforcement	-	257,862	257,862
Local Corrections and Training	-	12,501	12,501
Prosecutor's Drug Forfeiture	-	220,542	220,542
Concealed Pistol License	146,324	-	<u>146,324</u>
			<u>1,459,846</u>

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 17 - NET POSITION/FUND BALANCE - (cont'd):

	<u>Enabling Legislation</u>	<u>Other</u>	<u>Total</u>
Other Purposes:			
Friend of Court	\$ -	\$ 532,634	\$ 532,634
Family Counseling	100,674	-	100,674
Deeds Automation	446,156	-	<u>446,156</u>
			<u>1,079,464</u>
 Total Restricted Fund Balance - Governmental Funds			 16,702,647
Deferred Inflows of Resources:			
Recreation and Cultural Programs			17,781
Health and Welfare Programs			698,372
Public Safety Programs			12,359
Other Programs			2,155
Acquisitional/Construction of Assets			66,431
 Net Pension Liability and OPEB Obligation associated with Recreation and Cultural Programs			 (<u>4,027,291</u>)
 Total Restricted Net Position - Governmental Activities			 <u>\$ 13,472,454</u>
 Business-type Activities:			
Foreclosure sales	\$ -	\$ 3,714,975	<u>\$ 3,714,975</u>

COMMITTED FUND BALANCES -

At December 31, 2017, the Board of Commissioners had committed the following fund balances:

Combined General Fund - Budget Incentive	\$ 1,548,160
 Nonmajor Funds -	
General Government - Convention Center	392,771
Health and Welfare - Health Department	3,160,300
Human Services	56,178
Child Care	8,891
Community and Economic Development - Brownfield Redevelopment	27,800
Capital Outlay - Municipal Building	<u>201,117</u>
	<u>\$ 5,395,217</u>

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 18 - CLOSURE AND POSTCLOSURE CARE COSTS:

State and federal laws and regulations require that the County of St. Clair place a final cover on its landfill and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of the landfill closure and postclosure care costs is based on the amount of the landfill capacity used during the year. The estimated liability for landfill closure and postclosure care costs was \$6,655,207 at December 31, 2017, which is based on the estimated percentage of capacity used to date of 36.73%.

Currently, the County has 97 acres licensed, with an additional 10 acres available for licensing. It is estimated that an additional \$12,602,094 will be recognized as closure and post-closure care expense between the date of the balance sheet and the date the landfill is expected to be filled to capacity and monitored for 30 years. The estimated remaining life of the landfill is 75 years.

The estimated total cost of the landfill closure and post-closure care cost of \$19,257,301 is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain that landfill were acquired as of December 31, 2017. However, the actual cost of closure and post-closure care may be higher or lower due to inflation, changes in technology, or changes in landfill laws and regulations.

In addition, as required by State regulations, the County has established the Landfill Private-Purpose Trust Fund for the accumulation of statutory fees and interest earnings to be used by the State of Michigan, if necessary, to safely maintain the landfill after its closure.

The County is also required by the State to purchase an irrevocable line of credit in the amount of \$2,595,000 that can be drawn on by the State of Michigan to pay any necessary closure and post-closure costs. The County is in compliance with this requirement.

NOTE 19 - TAX ABATEMENTS:

The County has received reduced property tax revenues during 2017 as a result of industrial facilities tax exemptions (IFT's) entered into by cities, villages, and townships within the County.

The IFT's were entered into based upon the Industrial Development Districts Act, PA 198 of 1974, as amended. IFT's provide a tax incentive to manufacturers to enable renovation and expansion of aging facilities, assist in the building of new facilities, and to promote the establishment of high-tech facilities. Properties qualifying for IFT status are taxed at 50% of the millage rate applicable to other real and personal property in the County. The abatements amounted to approximately \$257,000 in reduced County tax revenues in the General Fund and \$139,000 in reduced County tax revenues in the Special Revenue millage funds for 2017.

NOTE 20 - CHANGE IN ACCOUNTING PRINCIPLE:

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This statement enhances note disclosures and schedules of required supplementary information. The adoption of this statement has no effect on net position of the County.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 21 - SUBSEQUENT EVENT:

Component Unit - Drain Commission -

On March 6, 2018, the Drain Commissioner issued \$1,465,000 of Green Drain Drainage District Bonds, Series 2018.

On March 13, 2018, the Drain Commissioner issued \$2,360,000 of Stocks Creek and Branches Drain Drainage District Bonds, Series 2018A.

NOTE 22 - PRIOR PERIOD ADJUSTMENTS:

During 2017, a final accounting report was provided to the Road Commission for a certain project. The final accounting amounts were significantly different than the costs provided to the Road Commission as the project was in process. An adjustment was made to increase the fund balance and net position as the project was largely constructed in 2013. The adjustment to the fund balance was an increase of \$294,614, as this amount was refunded to the Road Commission; and the adjustment to the net position was a decrease of \$1,315,589, representing the net book value of the cost of the road capitalized previously offset by the amount refunded to the Road Commission.

REQUIRED SUPPLEMENTARY INFORMATION

ST. CLAIR COUNTY, MICHIGAN

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND**

FOR THE YEAR ENDED DECEMBER 31, 2017

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenues:				
Taxes	\$ 30,514,222	\$ 30,954,927	\$ 30,988,192	\$ 33,265
Licenses and permits	509,000	477,000	488,129	11,129
Intergovernmental	12,807,109	13,232,952	14,893,233	1,660,281
Charges for services	7,191,197	8,273,012	8,310,870	37,858
Fines and forfeits	385,000	318,000	317,032	(968)
Interest and rent	867,808	1,045,808	1,038,064	(7,744)
Other	2,266,115	1,987,118	1,930,082	(57,036)
Total Revenues	<u>54,540,451</u>	<u>56,288,817</u>	<u>57,965,602</u>	<u>1,676,785</u>
Expenditures:				
Legislative -				
Board of Commissioners	215,623	218,573	214,989	3,584
Other Legislative Activities	1,042,580	1,042,580	962,964	79,616
	<u>1,258,203</u>	<u>1,261,153</u>	<u>1,177,953</u>	<u>83,200</u>
General Government -				
Administrator/Controller	493,478	497,478	489,243	8,235
Elections	100,000	70,000	28,955	41,045
Accounting	296,791	310,462	296,746	13,716
Clerk	807,071	807,071	757,168	49,903
Equalization	780,958	780,958	760,632	20,326
Human Resources	424,638	412,383	350,991	61,392
Prosecuting Attorney	2,842,457	2,935,925	2,848,944	86,981
Victims Rights	10,800	10,800	2,860	7,940
Purchasing	92,205	92,205	80,937	11,268
Register of Deeds	111,702	111,702	102,638	9,064
Treasurer	442,734	442,734	428,332	14,402
Cooperative Extension	217,489	217,489	205,170	12,319
Information Technology	2,189,023	2,189,023	2,031,528	157,495
Building and Grounds	2,282,424	2,282,424	2,258,281	24,143
Drain Commissioner	585,843	585,843	483,419	102,424
Motor Pool	169,500	169,500	148,633	20,867
	<u>11,847,113</u>	<u>11,915,997</u>	<u>11,274,477</u>	<u>641,520</u>
Judicial -				
Circuit Court	1,829,440	1,829,440	1,794,337	35,103
District Court	2,404,587	2,417,122	2,388,303	28,819
Courthouse Security	477,611	477,611	454,525	23,086
Friend of the Court	2,655,399	2,705,399	2,696,762	8,637
Probate Court	1,025,092	1,155,092	1,148,384	6,708
Family Division - Circuit Court	1,554,837	1,554,837	1,525,581	29,256
Probation	7,300	7,300	6,430	870
District Court Probation	681,797	681,797	670,015	11,782
	<u>10,636,063</u>	<u>10,828,598</u>	<u>10,684,337</u>	<u>144,261</u>

(Continued)

ST. CLAIR COUNTY, MICHIGAN

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND**

FOR THE YEAR ENDED DECEMBER 31, 2017

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Public Safety -				
Sheriff	\$ 7,803,855	\$ 8,192,984	\$ 8,188,822	\$ 4,162
Training	15,000	15,000	15,622	(622)
Communications/Radio	1,807,579	1,807,579	1,809,688	(2,109)
Marine Law Enforcement	218,590	228,590	222,000	6,590
Dive Team	27,854	29,854	32,016	(2,162)
Corrections / Jail	10,886,443	11,868,083	11,962,552	(94,469)
Other Corrections Activities	330,000	330,000	308,996	21,004
Emergency Preparedness	533,043	698,724	701,861	(3,137)
Hazardous Material Handling	28,006	43,006	35,767	7,239
Animal Shelter/Dog Warden	365,878	395,878	390,667	5,211
	<u>22,016,248</u>	<u>23,609,698</u>	<u>23,667,991</u>	<u>(58,293)</u>
Public Works -				
Road Commission	900,000	900,000	900,000	-
Drains - Public Benefit	550,000	94,529	77,462	17,067
	<u>1,450,000</u>	<u>994,529</u>	<u>977,462</u>	<u>17,067</u>
Health and Welfare -				
Medical Examiner	329,695	377,695	359,460	18,235
Mental Health	955,672	955,672	955,672	-
Public Guardian	385,465	400,465	392,491	7,974
Veterans' Burial	15,000	15,000	13,800	1,200
	<u>1,685,832</u>	<u>1,748,832</u>	<u>1,721,423</u>	<u>27,409</u>
Community and Economic Development -				
Planning Commission	621,646	736,468	2,600,663	(1,864,195)
Transportation Planning	8,350	8,350	4,513	3,837
Redevelopment and Housing	-	2,300	2,267	33
	<u>629,996</u>	<u>747,118</u>	<u>2,607,443</u>	<u>(1,860,325)</u>
Other	511,055	-	-	-
Debt Service -				
Principal	-	305,337	305,337	-
Interest	-	142,467	142,467	-
	<u>-</u>	<u>447,804</u>	<u>447,804</u>	<u>-</u>
Total Expenditures	<u>50,034,510</u>	<u>51,553,729</u>	<u>52,558,890</u>	<u>(1,005,161)</u>
Revenues over expenditures	<u>4,505,941</u>	<u>4,735,088</u>	<u>5,406,712</u>	<u>671,624</u>

(Continued)

ST. CLAIR COUNTY, MICHIGAN

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	Variance with Amended Budget Positive (Negative)
Other Financing Sources (Uses):				
Issuance of debt	\$ -	\$ 127,252	\$ 127,252	\$ -
Transfers from other funds	2,355,492	2,404,767	2,281,742	(123,025)
Transfers to other funds	(6,861,433)	(7,211,433)	(7,652,809)	(441,376)
Total Other Financing Sources (Uses)	<u>(4,505,941)</u>	<u>(4,679,414)</u>	<u>(5,243,815)</u>	<u>(564,401)</u>
 Net Change in Fund Balance	-	55,674	162,897	107,223
 Fund Balance at beginning of year	<u>10,042,120</u>	<u>10,042,120</u>	<u>10,042,120</u>	<u>-</u>
 Fund Balance at end of year	<u>\$ 10,042,120</u>	<u>\$ 10,097,794</u>	<u>\$ 10,205,017</u>	<u>\$ 107,223</u>

Reconciliation of Budget-Basis to GAAP-Basis Reporting:

Net Change in General Fund Fund Balance (Budgetary Basis)	\$ 162,897
 Perspective difference -	
Other Budgeted Funds Net Change Allocated to the General Fund for GAAP-basis reporting	
 Budget Incentive	110,527
Development Revolving	<u>-</u>
 Net Change in Combined General Fund Fund Balance (GAAP-Basis)	<u>\$ 273,424</u>

(Concluded)

ST. CLAIR COUNTY, MICHIGAN

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL - SPECIAL REVENUE FUND
PARKS AND RECREATION
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	Variance with Amended Budget Positive (Negative)
Revenues:				
Taxes	\$ 2,851,400	\$ 2,797,000	\$ 2,796,797	\$(203)
Intergovernmental	100,000	193,000	151,275	(41,725)
Charges for services	96,000	105,500	99,839	(5,661)
Interest and rent	5,500	7,600	18,533	10,933
Other	<u>8,500</u>	<u>21,400</u>	<u>36,042</u>	<u>14,642</u>
Total Revenues	3,061,400	3,124,500	3,102,486	(22,014)
Expenditures:				
Recreation and Cultural	<u>3,080,700</u>	<u>3,461,530</u>	<u>3,442,953</u>	<u>18,577</u>
Net Change in Fund Balance	(19,300)	(337,030)	(340,467)	(3,437)
Fund Balance at beginning of year	<u>2,504,599</u>	<u>2,504,599</u>	<u>2,504,599</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 2,485,299</u></u>	<u><u>\$ 2,167,569</u></u>	<u><u>\$ 2,164,132</u></u>	<u><u>\$(3,437)</u></u>

ST. CLAIR COUNTY, MICHIGAN

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL - SPECIAL REVENUE FUND
LIBRARY
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	Variance with Amended Budget Positive (Negative)
Revenues:				
Taxes	\$ 4,012,697	\$ 4,012,697	\$ 3,952,098	\$(60,599)
Intergovernmental	148,000	148,000	218,462	70,462
Charges for services	80,200	80,200	93,760	13,560
Fines and forfeits	566,200	566,200	572,073	5,873
Interest and rent	45,568	45,568	52,692	7,124
Other	22,550	22,550	46,053	23,503
Total Revenues	<u>4,875,215</u>	<u>4,875,215</u>	<u>4,935,138</u>	<u>59,923</u>
Expenditures:				
Recreation and Cultural	<u>5,139,378</u>	<u>5,139,378</u>	<u>4,974,348</u>	<u>165,030</u>
Net Change in Fund Balance	(264,163)	(264,163)	(39,210)	224,953
Fund Balance at beginning of year	<u>2,859,352</u>	<u>2,859,352</u>	<u>2,859,352</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 2,595,189</u></u>	<u><u>\$ 2,595,189</u></u>	<u><u>\$ 2,820,142</u></u>	<u><u>\$ 224,953</u></u>

ST. CLAIR COUNTY, MICHIGAN

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL - SPECIAL REVENUE FUND
SENIOR CITIZENS MILLAGE
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	Variance with Amended Budget Positive (Negative)
Revenues:				
Taxes	\$ 4,639,459	\$ 4,639,459	\$ 4,516,399	\$(123,060)
Interest and rent	-	-	8,791	8,791
Total Revenues	<u>4,639,459</u>	<u>4,639,459</u>	<u>4,525,190</u>	<u>(114,269)</u>
Expenditures:				
Health and Welfare	<u>4,619,459</u>	<u>4,619,459</u>	<u>4,463,118</u>	<u>156,341</u>
Net Change in Fund Balance	20,000	20,000	62,072	42,072
Fund Balance at beginning of year	<u>3,470,465</u>	<u>3,470,465</u>	<u>3,470,465</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 3,490,465</u></u>	<u><u>\$ 3,490,465</u></u>	<u><u>\$ 3,532,537</u></u>	<u><u>\$ 42,072</u></u>

ST. CLAIR COUNTY, MICHIGAN

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL - SPECIAL REVENUE FUND
DRUG TASK FORCE
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Revenues:				
Taxes	\$ 3,170,457	\$ 3,186,000	\$ 3,164,169	\$(21,831)
Intergovernmental	-	-	29,012	29,012
Interest and rent	-	-	687	687
Other	-	-	22,405	22,405
Total Revenues	<u>3,170,457</u>	<u>3,186,000</u>	<u>3,216,273</u>	<u>30,273</u>
 Expenditures:				
Public Safety	<u>2,707,043</u>	<u>2,879,233</u>	<u>2,189,137</u>	<u>690,096</u>
Revenues over expenditures	463,414	306,767	1,027,136	720,369
 Other Financing Uses:				
Transfers to other funds	<u>(463,414)</u>	<u>(306,767)</u>	<u>(306,767)</u>	<u>-</u>
Net Change in Fund Balance	-	-	720,369	720,369
Fund Balance at beginning of year	<u>102,248</u>	<u>102,248</u>	<u>102,248</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 102,248</u></u>	<u><u>\$ 102,248</u></u>	<u><u>\$ 822,617</u></u>	<u><u>\$ 720,369</u></u>

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. The General Fund budgetary comparison schedule (non-GAAP budgetary basis) is presented on the same basis of accounting as that used in preparing the adopted budget. The County budgets the activities of the Budget Incentive Fund separately from the General Fund as well as the Development Revolving Fund which is not budgeted. For the GAAP-basis basic financial statements, however, the activities of the above mentioned funds are combined with the General Fund.
2. The Major Special Revenue Funds budgets shown in the required supplementary information were prepared on a basis consistent with accounting principles generally accepted in the United States of America and on the same modified accrual basis used to reflect actual results.

ST. CLAIR COUNTY, MICHIGAN
BASIC RETIREMENT SYSTEM
SCHEDULE OF INVESTMENT RETURNS
LAST TEN FISCAL YEARS

	<u>Annual money-weighted rate of return, net of expenses</u>
2017	11.89%
2016	8.13%
2015	1.60%
2014	5.62%

GASB No. 67 was implemented for fiscal year ended December 31, 2014 and does not require retroactive implementation.

ST. CLAIR COUNTY, MICHIGAN

**BASIC RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability			
Service Cost	\$ 4,207,259	\$ 4,334,943	\$ 4,389,780
Interest	18,951,625	18,082,930	17,509,331
Changes of assumptions	(764,777)	4,721,041	-
Differences between expected and actual experience	(3,166,992)	(834,461)	(206,413)
Benefit payments, including refunds	<u>(14,868,027)</u>	<u>(14,320,304)</u>	<u>(13,659,456)</u>
Change in total pension liability	4,359,088	11,984,149	8,033,242
Total pension liability, beginning of year	<u>255,915,090</u>	<u>243,930,941</u>	<u>235,897,699</u>
Total pension liability, end of year	<u><u>\$ 260,274,178</u></u>	<u><u>\$ 255,915,090</u></u>	<u><u>\$ 243,930,941</u></u>
Plan Fiduciary Net Position			
Contributions - Employer	\$ 6,392,847	\$ 6,264,277	\$ 7,179,980
Contributions - Member	1,888,806	1,989,155	2,038,958
Net investment income	26,077,017	16,974,234	3,454,816
Benefit payments, including refunds	(14,868,027)	(14,320,304)	(13,659,456)
Administrative expenses	(128,290)	(122,496)	(101,847)
Other	<u>(39,254)</u>	<u>(101,259)</u>	<u>(41,090)</u>
Net change in plan fiduciary net position	19,323,099	10,683,607	(1,128,639)
Plan fiduciary net position, beginning of year	<u>222,271,940</u>	<u>211,588,333</u>	<u>212,716,972</u>
Plan fiduciary net position, end of year	<u><u>\$ 241,595,039</u></u>	<u><u>\$ 222,271,940</u></u>	<u><u>\$ 211,588,333</u></u>
County's Net Pension Liability - Ending	<u><u>\$ 18,679,139</u></u>	<u><u>\$ 33,643,150</u></u>	<u><u>\$ 32,342,608</u></u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	92.82%	86.85%	86.74%
Covered Employee Payroll	\$ 35,708,838	\$ 37,714,347	\$ 38,937,952
County's Net Pension Liability as a Percentage of Covered Employee Payroll	52.3%	89.2%	83.1%

* GASB No. 67 was implemented for fiscal year ended December 31, 2014 and does not require retroactive implementation.

<u>2014</u>	<u>2013*</u>
\$ 4,781,202	\$ -
16,948,045	-
-	-
(358,590)	-
<u>(13,331,371)</u>	<u>-</u>
8,039,286	-
<u>227,858,413</u>	<u>-</u>
<u>\$235,897,699</u>	<u>\$ 227,858,413</u>
\$ 7,192,197	\$ -
2,093,855	-
11,448,618	-
(13,331,371)	-
(113,781)	-
<u>(40,983)</u>	<u>-</u>
7,248,535	-
<u>205,468,437</u>	<u>-</u>
<u>\$212,716,972</u>	<u>\$ 205,468,437</u>
<u>\$ 23,180,727</u>	<u>\$ 22,389,976</u>
90.17%	90.17%
\$ 39,542,954	\$ 40,514,547
58.6%	55.3%

ST. CLAIR COUNTY, MICHIGAN

**BASIC RETIREMENT SYSTEM
SCHEDULE OF COUNTY CONTRIBUTIONS
LAST TEN FISCAL YEARS**

	Actuarially determined contributions	Contributions in relation to the actuarially determined contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a percentage of covered employee payroll
2008	\$ 4,312,555	\$ 4,312,555	\$ -	\$ 47,841,420	9.01%
2009	4,382,161	4,382,161	-	47,125,760	9.30%
2010	5,067,619	5,067,619	-	45,859,200	11.05%
2011	6,513,424	6,513,424	-	46,217,020	14.09%
2012	6,360,209	6,755,000	(394,791)	44,165,160	15.29%
2013	7,378,242	7,378,242	-	42,911,460	17.19%
2014	7,192,197	7,192,197	-	42,461,824	16.94%
2015	6,197,341	7,179,980	(982,639)	38,496,661	18.65%
2016	5,620,520	6,264,277	(643,757)	37,413,854	16.74%
2017	6,090,683	6,392,847	(302,164)	35,512,868	18.00%

Valuation Date December 31 of the second previous fiscal year

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Individual Entry Age
Amortization method	Level dollar
Remaining amortization period	15 years for General (closed), 16 years for Road Commission (closed), and 20 years for Community Mental Health (open)
Asset valuation method	5-year smoothed market value
Salary increases	3.5- 8.0% for General and Road Commission, 2.0% for Community Mental Health
Investment rate of return	7.50%
Retirement age	Earliest age participant becomes eligible for normal retirement
Mortality	RP-2014 Mortality Table with generational improvements from 2006 based on the Social Security mortality improvement assumptions from the 2015 Trustees' Report

ST. CLAIR COUNTY, MICHIGAN

RETIREE HEALTH BENEFITS

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date		Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/07	**	\$ 39,332,611	\$ 214,700,277	\$ 175,367,666	18.32%	\$ 44,600,186	393.20%
12/31/08	**	38,496,962	214,789,128	176,292,166	17.92%	45,511,253	387.36%
12/31/09	**	37,213,548	249,961,670	212,748,122	14.89%	46,078,581	461.71%
12/31/10	**	36,105,532	244,063,636	207,958,104	14.79%	44,623,366	466.03%
12/31/11		35,528,936	223,723,268	188,194,332	15.88%	43,482,070	432.81%
12/31/12	#, @	32,831,573	116,604,115	83,772,542	28.16%	40,053,245	209.15%
12/31/13		35,159,413	125,538,349	90,378,936	28.01%	37,222,197	242.81%
12/31/14		37,543,635	125,951,254	88,407,619	29.81%	36,573,262	241.73%
12/31/15		40,218,063	145,936,590	105,718,527	27.56%	37,205,389	284.15%
12/31/16		42,041,565	153,360,160	111,318,595	27.41%	35,368,535	314.74%

Certain assumptions revised

** Amortization period changed

@ Plan provisions changed

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended December 31,	Annual Required Contribution	Percentage Contributed
2008	\$ 11,000,584	24.20%
2009	12,277,448	21.52%
2010	11,513,436	26.88%
2011	17,395,598	24.73%
2012	16,580,583	9.73%
2013	11,211,597	11.83%
2014	10,420,633	27.83%
2015	10,842,573	33.48%
2016	12,982,543	18.51%
2017	14,223,015	16.65%

Actuarial Cost Method

Individual Entry Age Normal Cost

Asset Valuation Method

Market Value with 5 year Smoothing of Gains and Losses

Principal Actuarial Assumptions -

Net Investment Return

5.00%

Projected Salary Increases

5.0% pay inflation plus merit and longevity

Cost-of-Living Adjustments

None

Rate of Increase of Healthcare Costs

Medical and Prescription

5.0% to 9.0%

Dental

5.0%

Note: Compliance may appear to vary because requirements are computed using the end of year payroll while contributions are based upon the payrolls during the year.

ST. CLAIR COUNTY, MICHIGAN
RETIREE HEALTH BENEFITS
SCHEDULE OF INVESTMENT RETURNS
LAST TEN FISCAL YEARS

	<u>Annual money-weighted rate of return, net of expenses</u>
2017	20.08%

GASB No. 74 was implemented for fiscal year ended December 31, 2017 and does not require retroactive implementation.

ST. CLAIR COUNTY, MICHIGAN

**RETIREE HEALTH BENEFITS
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS**

	<u>2017</u>	<u>2016-2008*</u>
Total OPEB Liability		
Service Cost	\$ 4,331,219	\$ -
Interest	7,268,730	-
Changes of assumptions	9,312,448	-
Differences between expected and actual experience	884,442	-
Benefit payments, including refunds	<u>(4,106,202)</u>	<u>-</u>
Change in total OPEB liability	17,690,637	-
Total OPEB liability, beginning of year	<u>174,987,359</u>	<u>-</u>
Total OPEB liability, end of year	<u><u>\$ 192,677,996</u></u>	<u><u>\$ 174,987,359</u></u>
Plan Fiduciary Net Position		
Contributions - Employer	\$ 2,368,393	\$ -
Contributions - Member	443,110	-
Net investment income	5,055,064	-
Benefit payments, including refunds	<u>(4,106,202)</u>	<u>-</u>
Other	<u>(36,627)</u>	<u>-</u>
Net change in plan fiduciary net position	3,723,738	-
Plan fiduciary net position, beginning of year	<u>41,882,411</u>	<u>-</u>
Plan fiduciary net position, end of year	<u><u>\$ 45,606,149</u></u>	<u><u>\$ 41,882,411</u></u>
County's Net OPEB Liability - Ending	<u><u>\$ 147,071,847</u></u>	<u><u>\$ 133,104,948</u></u>
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	23.67%	0.00%
Covered Employee Payroll	\$ 35,368,535	
County's Net OPEB Liability as a Percentage of Covered Employee Payroll	415.8%	0.00%

* GASB No. 74 was implemented for fiscal year ended December 31, 2017 and does not require retroactive implementation.

SUPPLEMENTARY INFORMATION

ST. CLAIR COUNTY, MICHIGAN

**COMBINING BALANCE SHEET
COMBINED GENERAL FUND
DECEMBER 31, 2017**

	<u>General</u>	<u>Budget Incentive</u>	<u>Development Revolving</u>	<u>Combined General</u>
Assets:				
Cash and cash equivalents	\$ 42,537	\$ 1,579,248	\$ -	\$ 1,621,785
Investments	18,503,386	-	-	18,503,386
Receivables, net of allowance -				
Property taxes	1,679,026	-	-	1,679,026
Interest and accounts	129,617	-	-	129,617
Due from other governmental units	4,561,209	-	551,853	5,113,062
Due from other funds	257,172	-	-	257,172
Long-term notes receivable	1,113,967	-	-	1,113,967
Advances to component units	1,360,000	-	-	1,360,000
Prepayments and deposits	36,693	-	-	36,693
	<u>27,683,607</u>	<u>1,579,248</u>	<u>551,853</u>	<u>29,814,708</u>
Total Assets	<u>\$ 27,683,607</u>	<u>\$ 1,579,248</u>	<u>\$ 551,853</u>	<u>\$ 29,814,708</u>
Liabilities:				
Accounts payable	\$ 2,800,241	\$ 31,088	\$ -	\$ 2,831,329
Accrued liabilities	1,484,242	-	-	1,484,242
Due to other governmental units	23,787	-	-	23,787
Due to other funds	12,800,000	-	-	12,800,000
Unearned revenue	112,654	-	-	112,654
	<u>17,220,924</u>	<u>31,088</u>	<u>-</u>	<u>17,252,012</u>
Total Liabilities	<u>17,220,924</u>	<u>31,088</u>	<u>-</u>	<u>17,252,012</u>
Deferred Inflows of Resources:				
Unavailable revenue -				
Property taxes	52,632	-	-	52,632
Grants/fees	205,034	-	-	205,034
	<u>257,666</u>	<u>-</u>	<u>-</u>	<u>257,666</u>
Total Deferred Inflows of Resources	<u>257,666</u>	<u>-</u>	<u>-</u>	<u>257,666</u>
Fund Balances:				
Nonspendable -				
Long-term notes receivable/advances	2,473,967	-	551,853	3,025,820
Prepayments	36,693	-	-	36,693
Committed	-	1,548,160	-	1,548,160
Unassigned	7,694,357	-	-	7,694,357
	<u>10,205,017</u>	<u>1,548,160</u>	<u>551,853</u>	<u>12,305,030</u>
Total Fund Balances	<u>10,205,017</u>	<u>1,548,160</u>	<u>551,853</u>	<u>12,305,030</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 27,683,607</u>	<u>\$ 1,579,248</u>	<u>\$ 551,853</u>	<u>\$ 29,814,708</u>

ST. CLAIR COUNTY, MICHIGAN

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
COMBINED GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>General</u>	<u>Budget Incentive</u>	<u>Development Revolving</u>	<u>Eliminations</u>	<u>Combined General</u>
Revenues:					
Taxes	\$ 30,988,192	\$ -	\$ -	\$ -	\$ 30,988,192
Licenses and permits	488,129	-	-	-	488,129
Intergovernmental	14,893,233	-	-	-	14,893,233
Charges for services	8,310,870	-	-	-	8,310,870
Fines and forfeits	317,032	-	-	-	317,032
Interest and rent	1,038,064	-	-	-	1,038,064
Other	1,930,082	-	-	-	1,930,082
Total Revenues	<u>57,965,602</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>57,965,602</u>
Expenditures:					
Current -					
Legislative	1,177,953	-	-	-	1,177,953
General Government	11,274,477	-	-	-	11,274,477
Judicial	10,684,337	-	-	-	10,684,337
Public Safety	23,667,991	-	-	-	23,667,991
Public Works	977,462	-	-	-	977,462
Health and Welfare	1,721,423	-	-	-	1,721,423
Community and Economic Development	2,607,443	-	-	-	2,607,443
Capital Outlay	-	110,082	-	-	110,082
Debt Service -					
Principal	305,337	-	-	-	305,337
Interest	142,467	-	-	-	142,467
Total Expenditures	<u>52,558,890</u>	<u>110,082</u>	<u>-</u>	<u>-</u>	<u>52,668,972</u>
Revenues over (under) expenditures	<u>5,406,712</u>	<u>(110,082)</u>	<u>-</u>	<u>-</u>	<u>5,296,630</u>
Other Financing Sources (Uses):					
Issuance of debt	127,252	-	-	-	127,252
Transfers from other funds	2,281,742	220,609	-	(220,609)	2,281,742
Transfers to other funds	(7,652,809)	-	-	220,609	(7,432,200)
Total Other Financing Sources (Uses)	<u>(5,243,815)</u>	<u>220,609</u>	<u>-</u>	<u>-</u>	<u>(5,023,206)</u>
Net Change in Fund Balance	162,897	110,527	-	-	273,424
Fund Balance at beginning of year	<u>10,042,120</u>	<u>1,437,633</u>	<u>551,853</u>	<u>-</u>	<u>12,031,606</u>
Fund Balance at end of year	<u>\$ 10,205,017</u>	<u>\$ 1,548,160</u>	<u>\$ 551,853</u>	<u>\$ -</u>	<u>\$ 12,305,030</u>

ST. CLAIR COUNTY, MICHIGAN

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
BUDGET INCENTIVE
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Amended Budget</u>	<u>Actual</u>	Variance with Actual Positive (Negative)
Expenditures:			
Capital Outlay	\$ 150,000	\$ 110,082	\$ 39,918
Other Financing Sources:			
Transfers from other funds	<u>-</u>	<u>220,609</u>	<u>220,609</u>
Net Change in Fund Balance	(150,000)	110,527	260,527
Fund Balance at beginning of year	<u>1,437,633</u>	<u>1,437,633</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 1,287,633</u></u>	<u><u>\$ 1,548,160</u></u>	<u><u>\$ 260,527</u></u>

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts, debt service, or capital projects) that are restricted or committed to expenditures for specified purposes. The Nonmajor Special Revenue Funds of the County are as follows:

Friend of Court – is used to account for the revenues and expenditures of the Friend of the Court office required in 1982 Public Acts 294 through 298.

Brownfield Redevelopment – is used to account for earmarked funds set aside under Public Act 381 for the St. Clair County Brownfield Redevelopment Authority as well as federal and state grants received by this authority. These funds are used to encourage redevelopment, including tax increment financing revolving loan funds and tax credits.

Convention Center – is used to account for the proceeds from and operations of the convention center.

Drug Law Enforcement – is used to account for revenues derived from the sale of assets seized by the Drug Task Force in drug cases and expenditures made in accordance with state drug forfeiture laws.

Health Department – is used to account for the operations of providing health protection and health services. Financing is provided by state and federal grants, charges for services and General Fund appropriations.

HUD Housing – is used to account for federal grant money received prior to 1987 for renovations made to qualified housing. It is also used to account for the loans resulting from these renovation projects. The interest from the loans and the repayments are used to supplement funding of future grants.

CDBG Housing – is used to account for federal grant money received after 1987 for renovations made to qualified housing. It is also used to account for the loans resulting from these renovation projects.

Human Services – is used to account for the cost of providing financial assistance to County residents who cannot meet basic requirements for personal needs, shelter and medical care. Financing is provided by the Michigan Family Independence Agency and General Fund appropriations.

Child Care – is used to account for court-ordered expenses for the health and welfare of minor children, and community based residential treatment program for emotionally impaired children and their families. Financing is provided by General Fund appropriations and state matching of certain eligible costs.

Veterans' Trust – is used to account for earmarked revenue for aid to veterans. This fund is required by state law and is financed by state grants.

Veterans' Millage – is used to account for a County special millage to be used for Veterans' aid.

Emergency 911 (E-911) – is used to account for revenues and expenditures of purchasing and providing Emergency 911 services.

Deeds Automation – is used to account for the revenues and expenditures set aside for the updating and streamlining the records system in the deeds office.

Local Corrections and Training – is used to account for the County's portion of booking fees collected in the Jail and used for corrections officer education and training and/or inmate substance abuse/mental health programs.

Family Counseling – is used to account for the portion of marriage license fees set aside for providing family counseling to individuals who have domestic related actions pending before the Circuit Court.

Concealed Pistol Licensing – was created under State of Michigan Act 3 of 2015 and accounts for the deposit of licensing fees collected by the County and the related expenditures of the cost of administering.

Prosecutor’s Drug Forfeitures – is used to account for the prosecuting attorney’s proceeds for vehicle and drug forfeitures.

DEBT SERVICE FUNDS

Debt Service Funds are used to account for restricted resources for the payment of general long-term debt principal, interest, and related costs. The Debt Service Funds of the County are as follows:

Communications Series B – is used to account for the debt service requirements related to the communications system.

Communications Series 2009 – is used to account for the debt service requirements related to the 2009 communications system.

Building Authority – is used to account for the accumulation of rents paid by the County departments for payment of separate debt service requirements on revenue bonds sold to defray the cost of construction and improvements to various County buildings. It also accounts for the payment of Debt Service requirements on revenue bonds sold to construct the new administrative facility.

Convention Center – is used to account for the debt service requirements related to the Blue Water Area Convention Center.

Jail/Juvenile Facility – is used to account for the accumulation of resources and payment of debt for the Jail/Juvenile facility.

CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for restricted financial resources to be used for the acquisition or construction of capital assets (other than those financed by Proprietary and Trust Funds). The Capital Projects Funds of the County are as follows:

Public Improvement – is used to account for the funds earmarked for improvements in County facilities or equipment. Financing is provided by General Fund appropriations.

Municipal Building – is used to account for local revenues used for major improvements to existing County buildings.

Convention Center – is used to account for the construction of the Blue Water Area Convention Center.

ST. CLAIR COUNTY, MICHIGAN

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2017**

	Special Revenue Funds					
	Friend of Court	Brownfield Redevelopment	Convention Center	Drug Law Enforcement	Health Department	HUD Housing
Assets:						
Cash and cash equivalents	\$ 359,969	\$ 25,896	\$ 475,728	\$ 402,715	\$ 3,649,566	\$ 95,311
Investments	143,484	-	-	-	-	-
Receivables, net of allowance -						
Property taxes	-	-	-	-	-	-
Interest and accounts	949	-	2,208	500	88,232	149,572
Due from other governmental units	37,931	2,318	175	-	374,585	-
Total Assets	\$ 542,333	\$ 28,214	\$ 478,111	\$ 403,215	\$ 4,112,383	\$ 244,883
Liabilities:						
Accounts payable	\$ 2,155	\$ 414	\$ 20,993	\$ 145,353	\$ 194,116	\$ -
Accrued liabilities	5,389	-	-	-	184,091	-
Advances and deposits	-	-	64,347	-	54,092	-
Due to other governmental units	-	-	-	-	66,957	-
Due to other funds	-	-	-	-	-	-
Unearned revenue	-	-	-	-	24,405	-
Total Liabilities	7,544	414	85,340	145,353	523,661	-
Deferred Inflows of Resources:						
Unavailable revenue -						
Delinquent property taxes	-	-	-	-	-	-
Lease contract/revolving loans	-	-	-	-	-	149,572
Grants/fees	2,155	-	-	-	64,617	-
Taxes levied for a subsequent period	-	-	-	-	-	-
Total Deferred Inflows of Resources	2,155	-	-	-	64,617	149,572
Fund Balances:						
Restricted	532,634	-	-	257,862	363,805	95,311
Committed	-	27,800	392,771	-	3,160,300	-
Total Fund Balances	532,634	27,800	392,771	257,862	3,524,105	95,311
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 542,333	\$ 28,214	\$ 478,111	\$ 403,215	\$ 4,112,383	\$ 244,883

Special Revenue Funds

CDBG Housing	Human Services	Child Care	Veterans' Trust	Veterans' Millage	E - 911	Deeds Automation	Local Corrections and Training
\$ 399,263	\$ 57,059	\$ 313,271	\$ -	\$ 319,638	\$ 257,172	\$ 299,648	\$ 13,751
-	-	-	-	-	-	150,000	-
-	-	-	-	521,354	-	-	-
586,982	-	1,716	-	52	-	699	-
-	-	588,481	-	10,630	-	-	-
<u>\$ 986,245</u>	<u>\$ 57,059</u>	<u>\$ 903,468</u>	<u>\$ -</u>	<u>\$ 851,674</u>	<u>\$ 257,172</u>	<u>\$ 450,347</u>	<u>\$ 13,751</u>
\$ -	\$ 292	\$ 365,272	\$ -	\$ 9,150	\$ -	\$ 4,191	\$ 1,250
-	589	103,267	-	13,966	-	-	-
-	-	-	-	-	-	-	-
50,295	-	-	-	-	-	-	-
-	-	-	-	-	257,172	-	-
-	-	-	-	-	-	-	-
<u>50,295</u>	<u>881</u>	<u>468,539</u>	<u>-</u>	<u>23,116</u>	<u>257,172</u>	<u>4,191</u>	<u>1,250</u>
-	-	-	-	1,345	-	-	-
536,687	-	-	-	-	-	-	-
-	-	426,038	-	-	-	-	-
-	-	-	-	581,847	-	-	-
<u>536,687</u>	<u>-</u>	<u>426,038</u>	<u>-</u>	<u>583,192</u>	<u>-</u>	<u>-</u>	<u>-</u>
399,263	-	-	-	245,366	-	446,156	12,501
-	56,178	8,891	-	-	-	-	-
<u>399,263</u>	<u>56,178</u>	<u>8,891</u>	<u>-</u>	<u>245,366</u>	<u>-</u>	<u>446,156</u>	<u>12,501</u>
<u>\$ 986,245</u>	<u>\$ 57,059</u>	<u>\$ 903,468</u>	<u>\$ -</u>	<u>\$ 851,674</u>	<u>\$ 257,172</u>	<u>\$ 450,347</u>	<u>\$ 13,751</u>

(Continued)

ST. CLAIR COUNTY, MICHIGAN

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2017**

	Special Revenue Funds			Debt Service Funds		
	Family	Concealed	Prosecutor's	Communications		Building
	Counseling	Pistol	Drug	Series B	Series 2009	Authority
		Licensing	Forfeitures			
Assets:						
Cash and cash equivalents	\$ 101,809	\$ 147,206	\$ 218,867	\$ 732,727	\$ 16,658	\$ 3,727
Investments	-	-	-	-	-	-
Receivables, net of allowance -						
Property taxes	-	-	-	-	-	-
Interest and accounts	30	366	1,875	-	-	-
Due from other governmental units	-	-	-	5,600	-	-
Total Assets	\$ 101,839	\$ 147,572	\$ 220,742	\$ 738,327	\$ 16,658	\$ 3,727
Liabilities:						
Accounts payable	\$ 1,165	\$ -	\$ 200	\$ -	\$ -	\$ -
Accrued liabilities	-	1,248	-	-	-	-
Advances and deposits	-	-	-	-	-	-
Due to other governmental units	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-
Total Liabilities	1,165	1,248	200	-	-	-
Deferred Inflows of Resources:						
Unavailable revenue -						
Delinquent property taxes	-	-	-	-	-	-
Lease contract/revolving loans	-	-	-	-	-	-
Grants/fees	-	-	-	-	-	-
Taxes levied for subsequent period	-	-	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-	-	-
Fund Balances:						
Restricted	100,674	146,324	220,542	738,327	16,658	3,727
Committed	-	-	-	-	-	-
Total Fund Balances	100,674	146,324	220,542	738,327	16,658	3,727
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 101,839	\$ 147,572	\$ 220,742	\$ 738,327	\$ 16,658	\$ 3,727

<u>Debt Service Funds</u>		<u>Capital Projects Funds</u>			
<u>Convention Center</u>	<u>Jail/Juvenile Facility</u>	<u>Public Improvement</u>	<u>Municipal Building</u>	<u>Convention Center</u>	<u>Total</u>
\$ 646,842	\$ 3,504	\$ 3,157,064	\$ 201,278	\$ 347	\$ 11,899,016
-	-	-	-	-	293,484
-	-	-	-	-	521,354
35,582	-	-	165	-	868,928
-	-	75,350	-	-	1,095,070
<u>\$ 682,424</u>	<u>\$ 3,504</u>	<u>\$ 3,232,414</u>	<u>\$ 201,443</u>	<u>\$ 347</u>	<u>\$ 14,677,852</u>
\$ -	\$ -	\$ 68,452	\$ 326	\$ 347	\$ 813,676
-	-	-	-	-	308,550
-	-	-	-	-	118,439
-	-	-	-	-	117,252
-	-	-	-	-	257,172
-	-	-	-	-	24,405
-	-	68,452	326	347	1,639,494
-	-	-	-	-	1,345
-	-	-	-	-	686,259
-	-	66,431	-	-	559,241
-	-	-	-	-	581,847
-	-	66,431	-	-	1,828,692
682,424	3,504	3,097,531	-	-	7,362,609
-	-	-	201,117	-	3,847,057
<u>682,424</u>	<u>3,504</u>	<u>3,097,531</u>	<u>201,117</u>	<u>-</u>	<u>11,209,666</u>
<u>\$ 682,424</u>	<u>\$ 3,504</u>	<u>\$ 3,232,414</u>	<u>\$ 201,443</u>	<u>\$ 347</u>	<u>\$ 14,677,852</u>

(Concluded)

ST. CLAIR COUNTY, MICHIGAN

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Special Revenue Funds					
	Friend of Court	Brownfield Redevelopment	Convention Center	Drug Law Enforcement	Health Department	HUD Housing
Revenues:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	236,686	-
Intergovernmental	219,749	2,318	-	7,814	3,059,624	-
Charges for services	53,245	-	718,965	-	2,177,150	-
Fines and forfeits	-	-	-	88,643	-	-
Interest and rent	1,798	-	224,879	-	-	-
Other	4,197	-	7,096	48,123	236,662	-
Total Revenues	<u>278,989</u>	<u>2,318</u>	<u>950,940</u>	<u>144,580</u>	<u>5,710,122</u>	<u>-</u>
Expenditures:						
Current -						
Judicial	186,499	-	-	-	-	-
General Government	-	-	-	-	-	-
Public Safety	-	-	-	264,034	-	-
Health and Welfare	-	-	-	-	6,710,036	-
Community and Economic Development	-	2,318	-	-	-	-
Recreation and Cultural	-	-	1,509,993	-	-	-
Capital Outlay	-	-	-	-	-	-
Debit Service - Principal	-	-	-	-	-	-
Interest and charges	-	-	-	-	-	-
Total Expenditures	<u>186,499</u>	<u>2,318</u>	<u>1,509,993</u>	<u>264,034</u>	<u>6,710,036</u>	<u>-</u>
Revenues over (under) expenditures	<u>92,490</u>	<u>-</u>	<u>(559,053)</u>	<u>(119,454)</u>	<u>(999,914)</u>	<u>-</u>
Other Financing Sources (Uses):						
Issuance of refunding bonds	-	-	-	-	-	-
Premium on refunding bonds	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-	-
Transfers from other funds	-	-	644,946	23,056	1,620,400	-
Transfers to other funds	-	(15,000)	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(15,000)</u>	<u>644,946</u>	<u>23,056</u>	<u>1,620,400</u>	<u>-</u>
Net Change in Fund Balances	92,490	(15,000)	85,893	(96,398)	620,486	-
Fund Balances at beginning of year	<u>440,144</u>	<u>42,800</u>	<u>306,878</u>	<u>354,260</u>	<u>2,903,619</u>	<u>95,311</u>
Fund Balances at end of year	<u>\$ 532,634</u>	<u>\$ 27,800</u>	<u>\$ 392,771</u>	<u>\$ 257,862</u>	<u>\$ 3,524,105</u>	<u>\$ 95,311</u>

Special Revenue Funds

CDBG Housing	Human Services	Child Care	Veterans' Trust	Veterans' Millage	E - 911	Deeds Automation	Local Corrections and Training
\$ -	\$ -	\$ -	\$ -	\$ 568,077	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	2,658,243	-	10,630	-	-	-
500	-	51,214	-	-	1,048,975	153,223	28,958
-	-	-	-	-	-	-	-
458	-	-	-	226	-	966	-
35,881	10	6,090	-	245	-	-	-
<u>36,839</u>	<u>10</u>	<u>2,715,547</u>	<u>-</u>	<u>579,178</u>	<u>1,048,975</u>	<u>154,189</u>	<u>28,958</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	185,710	-
-	-	-	-	-	-	-	28,432
41,818	28,199	6,401,525	3,806	601,341	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>41,818</u>	<u>28,199</u>	<u>6,401,525</u>	<u>3,806</u>	<u>601,341</u>	<u>-</u>	<u>185,710</u>	<u>28,432</u>
(4,979)	(28,189)	(3,685,978)	(3,806)	(22,163)	1,048,975	(31,521)	526
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
10,000	29,001	3,421,031	-	8,097	-	-	-
-	-	-	(8,097)	-	(1,048,975)	-	-
<u>10,000</u>	<u>29,001</u>	<u>3,421,031</u>	<u>(8,097)</u>	<u>8,097</u>	<u>(1,048,975)</u>	<u>-</u>	<u>-</u>
5,021	812	(264,947)	(11,903)	(14,066)	-	(31,521)	526
<u>394,242</u>	<u>55,366</u>	<u>273,838</u>	<u>11,903</u>	<u>259,432</u>	<u>-</u>	<u>477,677</u>	<u>11,975</u>
<u>\$ 399,263</u>	<u>\$ 56,178</u>	<u>\$ 8,891</u>	<u>\$ -</u>	<u>\$ 245,366</u>	<u>\$ -</u>	<u>\$ 446,156</u>	<u>\$ 12,501</u>

(Continued)

ST. CLAIR COUNTY, MICHIGAN

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Special Revenue Funds			Debt Service Funds		
	Family	Concealed	Prosecutor's	Communications		Building
	Counseling	Pistol	Drug	Series B	Series 2009	Authority
		Licensing	Forfeitures			
Revenues:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	87,804	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	14,554	-	22,070	296,436	-	-
Fines and forfeits	-	-	9,043	-	-	-
Interest and rent	-	-	-	-	-	-
Other	-	-	500	-	-	-
Total Revenues	<u>14,554</u>	<u>87,804</u>	<u>31,613</u>	<u>296,436</u>	<u>-</u>	<u>-</u>
Expenditures:						
Current -						
Judicial	8,583	-	-	-	-	-
General Government	-	38,416	-	-	-	-
Public Safety	-	-	10,827	-	-	-
Health and Welfare	-	-	-	-	-	-
Community and Economic						
Development	-	-	-	-	-	-
Recreation and Cultural	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-
Debit Service -						
Principal	-	-	-	290,000	200,000	750,000
Interest and charges	-	-	-	66,950	127,027	67,170
Total Expenditures	<u>8,583</u>	<u>38,416</u>	<u>10,827</u>	<u>356,950</u>	<u>327,027</u>	<u>817,170</u>
Revenues over (under) expenditures	<u>5,971</u>	<u>49,388</u>	<u>20,786</u>	<u>(60,514)</u>	<u>(327,027)</u>	<u>(817,170)</u>
Other Financing Sources (Uses):						
Issuance of refunding bonds	-	-	-	-	1,595,000	-
Premium on refunding bonds	-	-	-	-	156,240	-
Payment to refunded bond						
escrow agent	-	-	-	-	(1,678,636)	-
Transfers from other funds	-	-	-	-	270,706	817,170
Transfers to other funds	-	-	(34,056)	-	-	-
Total Other Financing	<u>-</u>	<u>-</u>	<u>(34,056)</u>	<u>-</u>	<u>343,310</u>	<u>817,170</u>
Sources (Uses)	<u>-</u>	<u>-</u>	<u>(34,056)</u>	<u>-</u>	<u>343,310</u>	<u>817,170</u>
Net Change in Fund Balances	5,971	49,388	(13,270)	(60,514)	16,283	-
Fund Balances at beginning of year	<u>94,703</u>	<u>96,936</u>	<u>233,812</u>	<u>798,841</u>	<u>375</u>	<u>3,727</u>
Fund Balances at end of year	<u>\$ 100,674</u>	<u>\$ 146,324</u>	<u>\$ 220,542</u>	<u>\$ 738,327</u>	<u>\$ 16,658</u>	<u>\$ 3,727</u>

Debt Service Funds		Capital Projects Funds			
Convention Center	Jail/Juvenile Facility	Public Improvement	Municipal Building	Convention Center	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 568,077
-	-	-	-	-	324,490
-	-	-	-	-	5,958,378
142,667	-	245,769	25,344	-	4,979,070
-	-	-	-	-	97,686
-	-	-	-	-	228,327
195,960	-	113,543	-	-	648,307
<u>338,627</u>	<u>-</u>	<u>359,312</u>	<u>25,344</u>	<u>-</u>	<u>12,804,335</u>
-	-	-	-	-	195,082
-	-	-	-	-	224,126
-	-	-	-	-	303,293
-	-	-	-	-	13,786,725
-	-	-	-	-	2,318
-	-	-	-	-	1,509,993
-	-	933,624	42,212	-	975,836
215,000	1,265,000	-	-	-	2,720,000
296,169	914,700	-	-	-	1,472,016
<u>511,169</u>	<u>2,179,700</u>	<u>933,624</u>	<u>42,212</u>	<u>-</u>	<u>21,189,389</u>
<u>(172,542)</u>	<u>(2,179,700)</u>	<u>(574,312)</u>	<u>(16,868)</u>	<u>-</u>	<u>(8,385,054)</u>
-	-	-	-	-	1,595,000
-	-	-	-	-	156,240
-	-	-	-	-	(1,678,636)
-	2,179,700	1,163,892	-	-	10,187,999
-	-	(164,000)	-	-	(1,270,128)
<u>-</u>	<u>2,179,700</u>	<u>999,892</u>	<u>-</u>	<u>-</u>	<u>8,990,475</u>
(172,542)	-	425,580	(16,868)	-	605,421
854,966	3,504	2,671,951	217,985	-	10,604,245
<u>\$ 682,424</u>	<u>\$ 3,504</u>	<u>\$ 3,097,531</u>	<u>\$ 201,117</u>	<u>\$ -</u>	<u>\$ 11,209,666</u>

(Concluded)

ST. CLAIR COUNTY, MICHIGAN

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
FRIEND OF COURT			
Revenues:			
Intergovernmental	\$ 352,000	\$ 219,749	\$(132,251)
Charges for services	-	53,245	53,245
Interest and rent	-	1,798	1,798
Other	-	4,197	4,197
Total Revenues	<u>352,000</u>	<u>278,989</u>	<u>(73,011)</u>
Expenditures:			
Judicial	<u>329,140</u>	<u>186,499</u>	<u>142,641</u>
Net Change in Fund Balance	22,860	92,490	69,630
Fund Balance at beginning of year	<u>440,144</u>	<u>440,144</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 463,004</u></u>	<u><u>\$ 532,634</u></u>	<u><u>\$ 69,630</u></u>

BROWNFIELD REDEVELOPMENT

Revenues:			
Intergovernmental	\$ 5,000	\$ 2,318	\$(2,682)
Expenditures:			
Community and Economic Development	<u>5,000</u>	<u>2,318</u>	<u>2,682</u>
Revenues over expenditures	-	-	-
Other Financing Uses:			
Transfers to other funds	<u>-</u>	<u>(15,000)</u>	<u>(15,000)</u>
Net Change in Fund Balance	-	(15,000)	(15,000)
Fund Balance at beginning of year	<u>42,800</u>	<u>42,800</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 42,800</u></u>	<u><u>\$ 27,800</u></u>	<u><u>\$(15,000)</u></u>

(Continued)

ST. CLAIR COUNTY, MICHIGAN

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
CONVENTION CENTER			
Revenues:			
Charges for services	\$ 912,982	\$ 718,965	\$(194,017)
Interest and rent	-	224,879	224,879
Other	-	7,096	7,096
Total Revenues	<u>912,982</u>	<u>950,940</u>	<u>37,958</u>
Expenditures:			
Recreation and Cultural	<u>1,557,928</u>	<u>1,509,993</u>	<u>47,935</u>
Revenues under expenditures	(644,946)	(559,053)	85,893
Other Financing Sources:			
Transfers from other funds	<u>644,946</u>	<u>644,946</u>	<u>-</u>
Net Change in Fund Balance	-	85,893	85,893
Fund Balance at beginning of year	<u>306,878</u>	<u>306,878</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 306,878</u>	<u>\$ 392,771</u>	<u>\$ 85,893</u>

DRUG LAW ENFORCEMENT

Revenues:			
Intergovernmental	\$ 10,000	\$ 7,814	\$(2,186)
Fines and forfeits	150,000	88,643	(61,357)
Other	-	48,123	48,123
Total Revenues	<u>160,000</u>	<u>144,580</u>	<u>(15,420)</u>
Expenditures:			
Public Safety	<u>174,198</u>	<u>264,034</u>	<u>(89,836)</u>
Revenues under expenditures	(14,198)	(119,454)	(105,256)
Other Financing Sources:			
Transfers from other funds	<u>14,198</u>	<u>23,056</u>	<u>8,858</u>
Net Change in Fund Balance	-	(96,398)	(96,398)
Fund Balance at beginning of year	<u>354,260</u>	<u>354,260</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 354,260</u>	<u>\$ 257,862</u>	<u>\$(96,398)</u>

(Continued)

ST. CLAIR COUNTY, MICHIGAN

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
HEALTH DEPARTMENT			
Revenues:			
Licenses and permits	\$ -	\$ 236,686	\$ 236,686
Intergovernmental	5,122,838	3,059,624	(2,063,214)
Charges for services	-	2,177,150	2,177,150
Other	-	236,662	236,662
Total Revenues	<u>5,122,838</u>	<u>5,710,122</u>	<u>587,284</u>
Expenditures:			
Health and Welfare	<u>6,857,088</u>	<u>6,710,036</u>	<u>147,052</u>
Revenues under expenditures	(1,734,250)	(999,914)	734,336
Other Financing Sources:			
Transfers from other funds	<u>1,620,400</u>	<u>1,620,400</u>	<u>-</u>
Net Change in Fund Balance	(113,850)	620,486	734,336
Fund Balance at beginning of year	<u>2,903,619</u>	<u>2,903,619</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 2,789,769</u></u>	<u><u>\$ 3,524,105</u></u>	<u><u>\$ 734,336</u></u>
HUD HOUSING			
Net Change in Fund Balance	\$ -	\$ -	\$ -
Fund Balance at beginning of year	<u>95,311</u>	<u>95,311</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 95,311</u></u>	<u><u>\$ 95,311</u></u>	<u><u>\$ -</u></u>
CDBG HOUSING			
Revenues:			
Intergovernmental	\$ 100,000	\$ -	\$(100,000)
Charges for services	-	500	500
Interest	-	458	458
Other	-	35,881	35,881
Total Revenues	<u>100,000</u>	<u>36,839</u>	<u>(63,161)</u>
Expenditures:			
Health and Welfare	<u>90,000</u>	<u>41,818</u>	<u>48,182</u>
Revenues over (under) expenditures	10,000	(4,979)	(14,979)
Other Financing Sources:			
Transfers from other funds	<u>10,000</u>	<u>10,000</u>	<u>-</u>
Net Change in Fund Balance	20,000	5,021	(14,979)
Fund Balance at beginning of year	<u>394,242</u>	<u>394,242</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 414,242</u></u>	<u><u>\$ 399,263</u></u>	<u><u>\$(14,979)</u></u>

(Continued)

ST. CLAIR COUNTY, MICHIGAN

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
HUMAN SERVICES			
Revenues:			
Other	\$ -	\$ 10	\$ 10
Expenditures:			
Health and Welfare	<u>29,001</u>	<u>28,199</u>	<u>802</u>
Revenues under expenditures	(29,001)	(28,189)	812
Other Financing Sources:			
Transfers from other funds	<u>29,001</u>	<u>29,001</u>	<u>-</u>
Net Change in Fund Balance	-	812	812
Fund Balance at beginning of year	<u>55,366</u>	<u>55,366</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 55,366</u></u>	<u><u>\$ 56,178</u></u>	<u><u>\$ 812</u></u>

CHILD CARE

Revenues:			
Intergovernmental	\$ 3,133,173	\$ 2,658,243	\$(474,930)
Charges for services	75,000	51,214	(23,786)
Other	<u>-</u>	<u>6,090</u>	<u>6,090</u>
Total Revenues	3,208,173	2,715,547	(492,626)
Expenditures:			
Health and Welfare	<u>6,529,204</u>	<u>6,401,525</u>	<u>127,679</u>
Revenues under expenditures	(3,321,031)	(3,685,978)	(364,947)
Other Financing Sources:			
Transfers from other funds	<u>3,321,031</u>	<u>3,421,031</u>	<u>100,000</u>
Net Change in Fund Balance	-	(264,947)	(264,947)
Fund Balance at beginning of year	<u>273,838</u>	<u>273,838</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 273,838</u></u>	<u><u>\$ 8,891</u></u>	<u><u>\$(264,947)</u></u>

(Continued)

ST. CLAIR COUNTY, MICHIGAN

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
VETERANS' TRUST			
Expenditures:			
Health and Welfare	\$ 11,903	\$ 3,806	\$ 8,097
Other Financing Uses:			
Transfers to other funds	<u>-</u>	<u>(8,097)</u>	<u>(8,097)</u>
Net Change in Fund Balance	(11,903)	(11,903)	-
Fund Balance at beginning of year	<u>11,903</u>	<u>11,903</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

VETERANS' MILLAGE

Revenues:			
Taxes	\$ 573,609	\$ 568,077	\$(5,532)
Intergovernmental	-	10,630	10,630
Interest and rent	-	226	226
Other	<u>-</u>	<u>245</u>	<u>245</u>
Total Revenues	573,609	579,178	5,569
Expenditures:			
Health and Welfare	<u>581,706</u>	<u>601,341</u>	<u>(19,635)</u>
Revenues under expenditures	(8,097)	(22,163)	(14,066)
Other Financing Sources:			
Transfers from other funds	<u>8,097</u>	<u>8,097</u>	<u>-</u>
Net Change in Fund Balance	-	(14,066)	(14,066)
Fund Balance at beginning of year	<u>259,432</u>	<u>259,432</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 259,432</u></u>	<u><u>\$ 245,366</u></u>	<u><u>\$(14,066)</u></u>

E - 911

Revenues:			
Charges for services	\$ 1,040,000	\$ 1,048,975	\$ 8,975
Other Financing Uses:			
Transfers to other funds	<u>(1,040,000)</u>	<u>(1,048,975)</u>	<u>(8,975)</u>
Net Change in Fund Balance	-	-	-
Fund Balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

(Continued)

ST. CLAIR COUNTY, MICHIGAN

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
DEEDS AUTOMATION			
Revenues:			
Charges for services	\$ 165,000	\$ 153,223	\$(11,777)
Interest	1,500	966	(534)
Total Revenues	<u>166,500</u>	<u>154,189</u>	<u>(12,311)</u>
Expenditures:			
General Government	<u>200,000</u>	<u>185,710</u>	<u>14,290</u>
Net Change in Fund Balance	(33,500)	(31,521)	1,979
Fund Balance at beginning of year	<u>477,677</u>	<u>477,677</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 444,177</u></u>	<u><u>\$ 446,156</u></u>	<u><u>\$ 1,979</u></u>

LOCAL CORRECTIONS AND TRAINING

Revenues:			
Charges for services	\$ 30,000	\$ 28,958	\$(1,042)
Expenditures:			
Public Safety	<u>30,000</u>	<u>28,432</u>	<u>1,568</u>
Net Change in Fund Balance	-	526	526
Fund Balance at beginning of year	<u>11,975</u>	<u>11,975</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 11,975</u></u>	<u><u>\$ 12,501</u></u>	<u><u>\$ 526</u></u>

FAMILY COUNSELING

Revenues:			
Charges for services	\$ 20,000	\$ 14,554	\$(5,446)
Expenditures:			
Judicial	<u>20,000</u>	<u>8,583</u>	<u>11,417</u>
Net Change in Fund Balance	-	5,971	5,971
Fund Balance at beginning of year	<u>94,703</u>	<u>94,703</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 94,703</u></u>	<u><u>\$ 100,674</u></u>	<u><u>\$ 5,971</u></u>

(Continued)

ST. CLAIR COUNTY, MICHIGAN

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
CONCEALED PISTOL LICENSING			
Revenues:			
Licenses and permits	\$ 90,000	\$ 87,804	\$(2,196)
Expenditures:			
General Government	<u>90,000</u>	<u>38,416</u>	<u>51,584</u>
Net Change in Fund Balance	-	49,388	49,388
Fund Balance at beginning of year	<u>96,936</u>	<u>96,936</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 96,936</u></u>	<u><u>\$ 146,324</u></u>	<u><u>\$ 49,388</u></u>
PROSECUTOR'S DRUG FORFEITURES			
Revenues:			
Charges for services	\$ 20,000	\$ 22,070	\$ 2,070
Fines and forfeits	10,000	9,043	(957)
Other	-	500	500
Total Revenues	<u>30,000</u>	<u>31,613</u>	<u>1,613</u>
Expenditures:			
Public Safety	<u>47,921</u>	<u>10,827</u>	<u>37,094</u>
Revenues over (under) expenditures	(17,921)	20,786	38,707
Other Financing Sources:			
Transfers to other funds	<u>(16,277)</u>	<u>(34,056)</u>	<u>(17,779)</u>
Net Change in Fund Balance	(34,198)	(13,270)	20,928
Fund Balance at beginning of year	<u>233,812</u>	<u>233,812</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 199,614</u></u>	<u><u>\$ 220,542</u></u>	<u><u>\$ 20,928</u></u>

(Concluded)

NON-MAJOR ENTERPRISE FUNDS

ENTERPRISE FUNDS

Enterprise Funds are used to report operations that provide services, which are financed primarily by user charges, or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes. The Nonmajor Enterprise Funds of the County are as follows:

Airport Commission – is used to account for the operation of the County-owned airport which sells gasoline, rents hangers, etc.

Sheriff's Concession – is used to account for the concession operations in the County Jail complex, which sells various items to the jail inmates.

Homestead Exemption Audits – is used to account for the operations of administering audits of County residents claiming homestead exemption on their property.

School Tax Collection – is used to account for the administrative fees charged to school districts for the collection of their taxes.

ST. CLAIR COUNTY, MICHIGAN

**COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
DECEMBER 31, 2017**

	<u>Airport Commission</u>	<u>Sheriff's Concession</u>	<u>Homestead Exemption Audits</u>	<u>School Tax Collection</u>	<u>Total</u>
Assets:					
Current Assets:					
Cash and cash equivalents	\$ 535,653	\$ 357,927	\$ 50,627	\$ 114,602	\$ 1,058,809
Interest and accounts receivable, net of allowance	18,310	103,784	-	-	122,094
Inventories	18,309	-	-	-	18,309
Prepaid expenses and deposits	983	-	-	-	983
Total Current Assets	<u>573,255</u>	<u>461,711</u>	<u>50,627</u>	<u>114,602</u>	<u>1,200,195</u>
Noncurrent Assets:					
Capital assets	7,117,663	-	-	-	7,117,663
Less - accumulated depreciation	<u>(2,682,261)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,682,261)</u>
Total Noncurrent Assets	<u>4,435,402</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,435,402</u>
Total Assets	<u>5,008,657</u>	<u>461,711</u>	<u>50,627</u>	<u>114,602</u>	<u>5,635,597</u>
Liabilities:					
Current Liabilities:					
Accounts payable	38,812	84,674	-	-	123,486
Accrued expenses	6,223	3,754	-	-	9,977
Unearned revenue	4,992	-	-	-	4,992
Total Current Liabilities	<u>50,027</u>	<u>88,428</u>	<u>-</u>	<u>-</u>	<u>138,455</u>
Long-Term Liabilities:					
Accrued vacation and sick (less current portion)	9,934	-	-	-	9,934
Net OPEB obligation	147,588	-	-	-	147,588
Total Long-Term Liabilities	<u>157,522</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>157,522</u>
Total Liabilities	<u>207,549</u>	<u>88,428</u>	<u>-</u>	<u>-</u>	<u>295,977</u>
Net Position:					
Net investment in capital assets	4,435,402	-	-	-	4,435,402
Unrestricted	365,706	373,283	50,627	114,602	904,218
Total Net Position	<u>\$ 4,801,108</u>	<u>\$ 373,283</u>	<u>\$ 50,627</u>	<u>\$ 114,602</u>	<u>\$ 5,339,620</u>

ST. CLAIR COUNTY, MICHIGAN

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Airport Commission</u>	<u>Sheriff's Concession</u>	<u>Homestead Exemption Audits</u>	<u>School Tax Collection</u>	<u>Total</u>
Operating Revenues:					
Charges for services	\$ 394,038	\$ 1,200,199	\$ -	\$ -	\$ 1,594,237
Interest and rents	157,093	-	-	-	157,093
Other	<u>2,047</u>	<u>1,248</u>	<u>-</u>	<u>-</u>	<u>3,295</u>
Total Operating Revenues	<u>553,178</u>	<u>1,201,447</u>	<u>-</u>	<u>-</u>	<u>1,754,625</u>
Operating Expenses:					
Personal services	149,196	112,485	-	-	261,681
Supplies	254,143	17,205	-	-	271,348
Other services	377,812	1,026,733	182	-	1,404,727
Depreciation	<u>306,767</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>306,767</u>
Total Operating Expenses	<u>1,087,918</u>	<u>1,156,423</u>	<u>182</u>	<u>-</u>	<u>2,244,523</u>
Operating Income (Loss)	(534,740)	45,024	(182)	-	(489,898)
Transfers:					
Transfers from other funds	<u>374,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>374,000</u>
Change in Net Position	(160,740)	45,024	(182)	-	(115,898)
Net Position at beginning of year	<u>4,961,848</u>	<u>328,259</u>	<u>50,809</u>	<u>114,602</u>	<u>5,455,518</u>
Net Position at end of year	<u>\$ 4,801,108</u>	<u>\$ 373,283</u>	<u>\$ 50,627</u>	<u>\$ 114,602</u>	<u>\$ 5,339,620</u>

ST. CLAIR COUNTY, MICHIGAN

**COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Airport Commission</u>	<u>Sheriff's Concession</u>	<u>Homestead Exemption Audits</u>	<u>School Tax Collection</u>	<u>Total</u>
Cash Flows From Operating Activities:					
Cash receipts from customers	\$ 554,526	\$ 1,182,014	\$ -	\$ -	\$ 1,736,540
Cash payments to suppliers	(643,274)	(1,019,975)	-	-	(1,663,249)
Cash payments to employees	(114,660)	(95,038)	-	-	(209,698)
Cash payments for interfund services	(14,269)	(17,340)	(182)	-	(31,791)
Net Cash Provided by (Used in)					
Operating Activities	(217,677)	49,661	(182)	-	(168,198)
Cash Flows From Noncapital Financing Activities:					
Transfers from other funds	374,000	-	-	-	374,000
Cash Flows From Capital and Related Financing Activities:					
Acquisition/construction of capital assets	(77,425)	-	-	-	(77,425)
Net Increase (Decrease) in					
Cash and Cash Equivalents	78,898	49,661	(182)	-	128,377
Cash and Cash Equivalents					
at Beginning of Year	<u>456,755</u>	<u>308,266</u>	<u>50,809</u>	<u>114,602</u>	<u>930,432</u>
Cash and Cash Equivalents at End of Year	<u>\$ 535,653</u>	<u>\$ 357,927</u>	<u>\$ 50,627</u>	<u>\$ 114,602</u>	<u>\$ 1,058,809</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in)					
Operating Activities:					
Operating Income (Loss)	\$(534,740)	\$ 45,024	\$(182)	\$ -	\$(489,898)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities					
Depreciation	306,767	-	-	-	306,767
Change in assets and liabilities:					
Accounts receivable	24,566	(19,433)	-	-	5,133
Inventory	(1,590)	-	-	-	(1,590)
Prepays and deposits	(858)	-	-	-	(858)
Accounts payable	33,236	23,963	-	-	57,199
Accrued expenses	20,267	107	-	-	20,374
Due to other governmental units	(42,107)	-	-	-	(42,107)
Unearned revenue	(23,218)	-	-	-	(23,218)
Net Cash Provided by (Used in)					
Operating Activities	<u>\$(217,677)</u>	<u>\$ 49,661</u>	<u>\$(182)</u>	<u>\$ -</u>	<u>\$(168,198)</u>

FIDUCIARY FUNDS

Fiduciary Funds are used to account for assets held by the County for the other parties (either as a trustee or as an agent) that cannot be used to finance the County's own operating programs.

Pension and Other Employee Benefits Trust Funds –

Basic Retirement System – is used to account for employer and employee pension contributions, investment income, accumulated assets and payments to beneficiaries including retiree health care.

Other Postemployment Benefits –

401h Health Care Fund – is an account within the pension trust fund established to account for employer and employee contributions, investment income, accumulated assets and payment for past employment benefits other than pensions. Starting on July 1, 2006 no new contributions were recorded in this fund; however, benefit payments continued to be paid from this fund until all the assets were used, which occurred in September 2017.

PA 149 Health Care Fund – was established on July 1, 2006 to account for employer and employee contributions, investment income, accumulated assets and payment for post-employment benefits other than pension.

The Pension and Other Employee Benefits Trust Funds are accounted for in essentially the same manner as Proprietary Funds, but with an important expanded emphasis on net position restricted for pension and other post-employment benefits.

Agency Funds –

Trust and Agency – is used to account for assets held by the County as an agent for individuals, private organizations, other governments and other funds.

Library Penal Fines – is used to account for the portion of fines that are collected by the 72nd District Court and distributed to the St. Clair County Public Library and County Law Library.

Payroll – is used to account for payroll activities to County employees.

ST. CLAIR COUNTY, MICHIGAN

**STATEMENT OF FIDUCIARY NET POSITION
PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS
DECEMBER 31, 2017**

	Basic Retirement System	Other Postemployment Benefits	Total
	<u> </u>	<u> </u>	<u> </u>
Assets:			
Cash and cash equivalents	\$ 14,509,742	\$ 2,175,315	\$ 16,685,057
Investments, at fair value -			
Corporate Debt	-	12,195,717	12,195,717
Hedge Funds	84,856	-	84,856
Stocks	112,490,129	12,513,589	125,003,718
Mutual Funds	-	18,321,156	18,321,156
Partnerships	114,222,511	-	114,222,511
Municipal Bonds	-	201,846	201,846
Receivables -			
Interest and dividends	167,586	96,458	264,044
Other	241,345	470,993	712,338
Due from other funds	<u>199,258</u>	<u>-</u>	<u>199,258</u>
Total Assets	<u>241,915,427</u>	<u>45,975,074</u>	<u>287,890,501</u>
Liabilities:			
Accounts payable	316,349	169,667	486,016
Accrued liabilities	4,039	-	4,039
Due to other funds	<u>-</u>	<u>199,258</u>	<u>199,258</u>
Total Liabilities	<u>320,388</u>	<u>368,925</u>	<u>689,313</u>
Net Position:			
Restricted for pension benefits	241,595,039	-	241,595,039
Restricted for other postemployment benefits	<u>-</u>	<u>45,606,149</u>	<u>45,606,149</u>
	<u>\$ 241,595,039</u>	<u>\$ 45,606,149</u>	<u>\$ 287,201,188</u>

ST. CLAIR COUNTY, MICHIGAN

**COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION
PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Basic Retirement System			
	Member Contributions	Employer Contributions	Pension Payments	Total
Additions:				
Contributions				
Member contributions	\$ 1,888,806	\$ -	\$ -	\$ 1,888,806
Employer contributions	-	6,392,847	-	6,392,847
Total contributions	<u>1,888,806</u>	<u>6,392,847</u>	<u>-</u>	<u>8,281,653</u>
Investment income				
Net appreciation in fair value of investments	-	24,029,864	-	24,029,864
Interest/Dividends	-	2,400,737	-	2,400,737
Less investment expense	-	(353,584)	-	(353,584)
Net investment income	<u>-</u>	<u>26,077,017</u>	<u>-</u>	<u>26,077,017</u>
Total Additions	<u>1,888,806</u>	<u>32,469,864</u>	<u>-</u>	<u>34,358,670</u>
Deductions:				
Retirement payroll	-	-	14,526,219	14,526,219
Health/dental insurance	-	-	-	-
Death benefits	-	31,500	-	31,500
Employee refunds	310,308	-	-	310,308
Administration	-	128,290	-	128,290
Professional fees	-	39,254	-	39,254
Total Deductions	<u>310,308</u>	<u>199,044</u>	<u>14,526,219</u>	<u>15,035,571</u>
Net Increase (Decrease) before Transfers	1,578,498	32,270,820	(14,526,219)	19,323,099
Interfund Transfers In (Out):				
Retirees obligation	(2,250,466)	(5,446,289)	7,696,755	-
Interest	596,692	(19,174,640)	18,577,948	-
Net Increase (Decrease)	(75,276)	7,649,891	11,748,484	19,323,099
Net Position Restricted for Pension Benefits and Other Postemployment Benefits:				
Beginning of year	<u>30,523,080</u>	<u>50,745,408</u>	<u>141,003,452</u>	<u>222,271,940</u>
End of year	<u>\$ 30,447,804</u>	<u>\$ 58,395,299</u>	<u>\$ 152,751,936</u>	<u>\$ 241,595,039</u>

Other Postemployment Benefits

<u>401H Health Care</u>	<u>Act 149 Health Care</u>	<u>Total</u>	<u>Total</u>
\$ -	\$ 443,110	\$ 443,110	\$ 2,331,916
-	2,368,393	2,368,393	8,761,240
-	2,811,503	2,811,503	11,093,156
-	4,268,910	4,268,910	28,298,774
89,617	836,696	926,313	3,327,050
-	(140,159)	(140,159)	(493,743)
89,617	4,965,447	5,055,064	31,132,081
89,617	7,776,950	7,866,567	42,225,237
-	-	-	14,526,219
2,711,234	1,271,301	3,982,535	3,982,535
-	-	-	31,500
28,897	94,770	123,667	433,975
-	-	-	128,290
36,627	-	36,627	75,881
2,776,758	1,366,071	4,142,829	19,178,400
(2,687,141)	6,410,879	3,723,738	23,046,837
-	-	-	-
-	-	-	-
(2,687,141)	6,410,879	3,723,738	23,046,837
2,687,141	39,195,270	41,882,411	264,154,351
\$ -	\$ 45,606,149	\$ 45,606,149	\$ 287,201,188

ST. CLAIR COUNTY, MICHIGAN

**COMBINING STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
DECEMBER 31, 2017**

	<u>Trust and Agency</u>	<u>Library Penal Fines</u>	<u>Payroll</u>	<u>Total</u>
Assets:				
Cash and cash equivalents	\$ 3,275,164	\$ 5,881	\$ 124,938	\$ 3,405,983
Investments	59,640	-	-	59,640
Receivables	19,788,447	1,173	-	19,789,620
Due from individuals	<u>-</u>	<u>-</u>	<u>11,987</u>	<u>11,987</u>
 Total Assets	 <u>\$ 23,123,251</u>	 <u>\$ 7,054</u>	 <u>\$ 136,925</u>	 <u>\$ 23,267,230</u>
 Liabilities:				
Due to individuals and agencies	\$ 20,725,477	\$ -	\$ -	\$ 20,725,477
Due to other governmental units	<u>2,397,774</u>	<u>7,054</u>	<u>136,925</u>	<u>2,541,753</u>
 Total Liabilities	 <u>\$ 23,123,251</u>	 <u>\$ 7,054</u>	 <u>\$ 136,925</u>	 <u>\$ 23,267,230</u>

ST. CLAIR COUNTY, MICHIGAN

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Balance January 1, 2017	Additions	Reductions	Balance December 31, 2017
TOTAL ALL AGENCY FUNDS				
Assets:				
Cash and cash equivalents	\$ 2,376,347	\$ 227,963,288	\$ 226,933,652	\$ 3,405,983
Investments	99,077	1,199	40,636	59,640
Receivables	19,391,011	846,004	447,395	19,789,620
Due from individuals	<u>14,149</u>	<u>11,987</u>	<u>14,149</u>	<u>11,987</u>
Total Assets	<u>\$ 21,880,584</u>	<u>\$ 228,822,478</u>	<u>\$ 227,435,832</u>	<u>\$ 23,267,230</u>
Liabilities:				
Due to -				
Individuals and agencies	\$ 20,324,869	\$ 3,718,752	\$ 3,318,144	\$ 20,725,477
Other governmental units	<u>1,555,715</u>	<u>246,358,453</u>	<u>245,372,415</u>	<u>2,541,753</u>
Total Liabilities	<u>\$ 21,880,584</u>	<u>\$ 250,077,205</u>	<u>\$ 248,690,559</u>	<u>\$ 23,267,230</u>
TRUST AND AGENCY				
Assets:				
Cash and cash equivalents	\$ 2,260,814	\$ 157,692,234	\$ 156,677,884	\$ 3,275,164
Investments	99,077	1,199	40,636	59,640
Receivables	<u>19,389,415</u>	<u>844,831</u>	<u>445,799</u>	<u>19,788,447</u>
Total Assets	<u>\$ 21,749,306</u>	<u>\$ 158,538,264</u>	<u>\$ 157,164,319</u>	<u>\$ 23,123,251</u>
Liabilities:				
Due to -				
Individuals and agencies	\$ 20,324,869	\$ 3,718,752	\$ 3,318,144	\$ 20,725,477
Other governmental units	<u>1,424,437</u>	<u>122,096,975</u>	<u>121,123,638</u>	<u>2,397,774</u>
Total Liabilities	<u>\$ 21,749,306</u>	<u>\$ 125,815,727</u>	<u>\$ 124,441,782</u>	<u>\$ 23,123,251</u>
LIBRARY PENAL FINES				
Assets:				
Cash and cash equivalents	\$ 5,150	\$ 1,064,468	\$ 1,063,737	\$ 5,881
Accounts receivable	<u>1,596</u>	<u>1,173</u>	<u>1,596</u>	<u>1,173</u>
Total Assets	<u>\$ 6,746</u>	<u>\$ 1,065,641</u>	<u>\$ 1,065,333</u>	<u>\$ 7,054</u>
Liabilities:				
Due to other governmental units	<u>\$ 6,746</u>	<u>\$ 15,118</u>	<u>\$ 14,810</u>	<u>\$ 7,054</u>

(Continued)

ST. CLAIR COUNTY, MICHIGAN

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Balance January 1, 2017	Additions	Reductions	Balance December 31, 2017
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
PAYROLL FUND				
Assets:				
Cash and cash equivalents	\$ 110,383	\$ 69,206,586	\$ 69,192,031	\$ 124,938
Due from individuals	14,149	11,987	14,149	11,987
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 124,532</u>	<u>\$ 69,218,573</u>	<u>\$ 69,206,180</u>	<u>\$ 136,925</u>
Liabilities:				
Due to other governmental units	<u>\$ 124,532</u>	<u>\$ 124,246,360</u>	<u>\$ 124,233,967</u>	<u>\$ 136,925</u>

(Concluded)

**CAPITAL ASSETS USED IN THE OPERATION OF
GOVERNMENTAL FUNDS**

ST. CLAIR COUNTY, MICHIGAN

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES IN CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Balance January 1, 2017	Additions	Disposals/ Adjustments	Balance December 31, 2017
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
General County:				
Land	\$ 13,030,562	\$ -	\$ -	\$ 13,030,562
Land improvements	7,766,614	460,089	-	8,226,703
Buildings	98,808,514	137,888	-	98,946,402
Equipment -				
Machinery	16,965,642	128,630	13,776	17,080,496
Marine	1,771,735	43,866	20,000	1,795,601
Vehicles	2,984,244	413,186	272,238	3,125,192
Books	6,178,844	338,405	354,332	6,162,917
	<u>147,506,155</u>	<u>1,522,064</u>	<u>660,346</u>	<u>148,367,873</u>
Less - Accumulated depreciation	<u>(56,017,640)</u>	<u>(4,996,708)</u>	<u>(626,040)</u>	<u>(60,388,308)</u>
	91,488,515	<u>(3,474,644)</u>	34,306	87,979,565
Construction in progress	<u>275,592</u>	<u>1,274,235</u>	<u>579,927</u>	<u>969,900</u>
Total Capital Assets, Net	<u>\$ 91,764,107</u>	<u>\$(2,200,409)</u>	<u>\$ 614,233</u>	<u>\$ 88,949,465</u>

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal services fund are excluded from the above amounts. The capital assets of the internal services fund are included as governmental activities in the statement of net position.

ST. CLAIR COUNTY, MICHIGAN

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CAPITAL ASSETS BY FUNCTION AND ACTIVITY
DECEMBER 31, 2017**

	<u>Total</u>	<u>Land and Improvements</u>	<u>Buildings</u>	<u>Equipment</u>
Judicial:				
District Court	\$ 554,779	\$ 50,051	\$ 374,512	\$ 130,216
Friend of Court	323,998	-	104,983	219,015
Courthouse Security	6,600	-	-	6,600
Public Improvement	443,717	5,900	122,091	315,726
	<u>1,329,094</u>	<u>55,951</u>	<u>601,586</u>	<u>671,557</u>
General Government:				
Administrator/Controller	8,783,425	970,215	7,755,103	58,107
Communications	549,616	-	-	549,616
Information Technology	138,077	-	-	138,077
Clerk	10,944	-	-	10,944
Register of Deeds	86,399	-	14,700	71,699
Equalization	46,225	-	-	46,225
Prosecuting Attorney	15,000	-	-	15,000
Property Description	16,341	-	-	16,341
County Treasurer	7,500	-	7,500	-
Buildings and Grounds	170,068	-	67,027	103,041
Public Improvement	3,306,842	824,165	1,010,515	1,472,162
Motor Pool	20,840	-	-	20,840
Drain Commissioner	302,276	25,000	20,000	257,276
	<u>13,453,553</u>	<u>1,819,380</u>	<u>8,874,845</u>	<u>2,759,328</u>
Public Safety:				
Sheriff and Patrol	698,323	-	-	698,323
Marine Law Enforcement	1,734,267	-	-	1,734,267
Jail	45,900,443	103,335	45,636,761	160,347
Juvenile Center	23,611	-	-	23,611
Radio/Communications	10,846,939	-	376,202	10,470,737
Secondary Road Patrol	50,866	-	-	50,866
Energy Efficiency	465,696	-	465,696	-
Emergency Services	1,276,156	9,142	345,106	921,908
Hazardous Materials Handling	971,587	60,895	477,340	433,352
Animal Shelter	314,006	-	295,006	19,000
Drug Task Force	606,811	24,900	99,543	482,368
Public Improvement	1,786,305	8,700	171,333	1,606,272
	<u>64,675,010</u>	<u>206,972</u>	<u>47,866,987</u>	<u>16,601,051</u>

Continued

ST. CLAIR COUNTY, MICHIGAN

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CAPITAL ASSETS BY FUNCTION AND ACTIVITY
DECEMBER 31, 2017**

	<u>Total</u>	<u>Land and Improvements</u>	<u>Buildings</u>	<u>Equipment</u>
Health and Welfare:				
Veterans Counselor	\$ 8,323	\$ -	\$ 8,323	\$ -
Medical Examiner	50,845	-	19,500	31,345
Day Treatment/Night Watch	1,926,079	132,407	1,548,944	244,728
Health Department	1,483,533	81,920	1,244,550	157,063
Child Care - Welfare	5,299	-	-	5,299
Motor Pool	50,438	-	-	50,438
Public Improvement	576,803	32,800	325,951	218,052
	<u>4,101,320</u>	<u>247,127</u>	<u>3,147,268</u>	<u>706,925</u>
Recreation and Cultural:				
Parks and Recreation	\$ 25,066,335	\$ 17,127,656	\$ 6,975,312	\$ 963,367
Public Library	7,429,652	111,759	864,383	6,453,510
Public Improvement	115,854	-	107,386	8,468
	<u>32,611,841</u>	<u>17,239,415</u>	<u>7,947,081</u>	<u>7,425,345</u>
General:				
Land and improvements	1,688,420	1,688,420	-	-
Buildings	30,508,635	-	30,508,635	-
	<u>32,197,055</u>	<u>1,688,420</u>	<u>30,508,635</u>	<u>-</u>
Total General Capital Assets	148,367,873	21,257,265	98,946,402	28,164,206
Less: Accumulated depreciation	<u>(60,388,308)</u>	<u>(3,735,506)</u>	<u>(36,748,884)</u>	<u>(19,903,918)</u>
	87,979,565	17,521,759	62,197,518	8,260,288
Construction in progress	<u>969,900</u>	<u>792,211</u>	<u>-</u>	<u>177,689</u>
Total Capital Assets (Net of Accumulated Depreciation)	<u>\$ 88,949,465</u>	<u>\$ 18,313,970</u>	<u>\$ 62,197,518</u>	<u>\$ 8,437,977</u>

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal services fund are excluded from the above amounts. The capital assets of the internal services fund are included as governmental activities in the statement of net position.

Concluded

ST. CLAIR COUNTY, MICHIGAN

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES IN CAPITAL ASSETS BY FUNCTION AND ACTIVITY
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Balance January 1, 2017	Additions	Disposals/ Adjustments	Balance December 31, 2017
Judicial:				
District Court	\$ 535,932	\$ 18,847	\$ -	\$ 554,779
Friend of Court	274,909	49,089	-	323,998
Courthouse Security	6,600	-	-	6,600
Public Improvement	419,259	24,458	-	443,717
Total Judicial	<u>1,236,700</u>	<u>92,394</u>	<u>-</u>	<u>1,329,094</u>
General Government:				
Administrator/Controller	8,778,425	5,000	-	8,783,425
Communications	549,616	-	-	549,616
Information Technology	122,892	15,185	-	138,077
Clerk/Register	10,944	-	-	10,944
Register of Deeds	86,399	-	-	86,399
Equalization	46,225	-	-	46,225
Prosecuting Attorney	15,000	-	-	15,000
Property Description	16,341	-	-	16,341
County Treasurer	7,500	-	-	7,500
Buildings and Grounds	170,068	-	-	170,068
Public Improvement	3,214,964	91,878	-	3,306,842
Motor Pool	20,840	-	-	20,840
Drain Commissioner	302,276	-	-	302,276
Total General Government	<u>13,341,490</u>	<u>112,063</u>	<u>-</u>	<u>13,453,553</u>
Public Safety:				
Sheriff and Patrol	773,703	27,120	(102,500)	698,323
Marine Law Enforcement	1,710,401	43,866	(20,000)	1,734,267
Jail	45,900,443	-	-	45,900,443
Juvenile Center	23,611	-	-	23,611
Radio/Communications	10,834,897	12,042	-	10,846,939
Secondary Road Patrol	50,866	-	-	50,866
Energy Efficiency	465,696	-	-	465,696
Emergency Preparedness	1,268,848	7,308	-	1,276,156
Hazardous Materials Handling	971,587	-	-	971,587
Animal Shelter	314,006	-	-	314,006
Drug Task Force	544,282	88,809	(26,280)	606,811
Public Improvement	1,575,450	291,170	(80,315)	1,786,305
Total Public Safety	<u>64,433,790</u>	<u>470,315</u>	<u>(229,095)</u>	<u>64,675,010</u>

(Continued)

ST. CLAIR COUNTY, MICHIGAN

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES IN CAPITAL ASSETS BY FUNCTION AND ACTIVITY
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Balance January 1, 2017	Additions	Disposals/ Adjustments	Balance December 31, 2017
Health and Welfare:				
Veterans Counselor	\$ 8,323	\$ -	\$ -	\$ 8,323
Medical Examiner	50,845	-	-	50,845
Day Treatment/Night Watch	1,961,423	-	(35,344)	1,926,079
Health Department	1,476,748	6,785	-	1,483,533
Child Care - Welfare	-	5,299	-	5,299
Motor Pool	-	50,438	-	50,438
Public Improvement	576,803	-	-	576,803
Total Health and Welfare	<u>4,074,142</u>	<u>62,522</u>	<u>(35,344)</u>	<u>4,101,320</u>
Recreation and Cultural:				
Parks and Recreation	24,661,545	446,365	(41,575)	25,066,335
Public Library	7,445,579	338,405	(354,332)	7,429,652
Public Improvement	115,854	-	-	115,854
Total Recreation and Cultural	<u>32,222,978</u>	<u>784,770</u>	<u>(395,907)</u>	<u>32,611,841</u>
General:				
Land and improvements	1,688,420	-	-	1,688,420
Buildings	30,508,635	-	-	30,508,635
Total General	<u>32,197,055</u>	<u>-</u>	<u>-</u>	<u>32,197,055</u>
Construction in progress	275,592	1,274,235	(579,927)	969,900
 Total Capital Assets	<u><u>\$ 147,781,747</u></u>	<u><u>\$ 2,796,299</u></u>	<u><u>\$(1,240,273)</u></u>	<u><u>\$ 149,337,773</u></u>

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal services fund are excluded from the above amounts. The capital assets of the internal services fund are included as governmental activities in the statement of net position.

(Concluded)

DRAIN COMMISSIONER

ST. CLAIR COUNTY, MICHIGAN

**BALANCE SHEET/STATEMENT OF NET POSITION
DRAIN FUNDS
DECEMBER 31, 2017**

	<u>County Drain</u>	<u>Drain Revolving</u>	<u>Special Services</u>	<u>Drain Debt</u>
Assets:				
Cash and cash equivalents	\$ 2,076,662	\$ 212,149	\$ 10,568	\$ 2,051,142
Special assessments receivable	637,225	-	-	14,250,636
Due from other funds	-	1,310,000	-	-
Capital assets (net of accumulated depreciation) -				
Assets not being depreciated	-	-	-	-
Assets being depreciated	-	-	-	-
	<u>\$ 2,713,887</u>	<u>\$ 1,522,149</u>	<u>\$ 10,568</u>	<u>\$ 16,301,778</u>
Liabilities:				
Accounts payable	\$ 402,590	\$ -	\$ -	\$ -
Accrued interest	-	-	-	-
Due to other funds	1,310,000	-	-	-
Escrow deposit	201,271	-	-	-
Note payable	1,930,000	-	-	-
Advances from primary government	-	1,360,000	-	-
Non-current liabilities				
Due within one year	-	-	-	-
Due in more than one year	-	-	-	-
	<u>3,843,861</u>	<u>1,360,000</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources:				
Unavailable revenue -				
Special Assessments	637,225	-	-	14,250,636
	<u>637,225</u>	<u>-</u>	<u>-</u>	<u>14,250,636</u>
Fund Balances:				
Restricted	-	-	-	2,051,142
Committed	-	162,149	10,568	-
Unassigned	(1,767,199)	-	-	-
	<u>(1,767,199)</u>	<u>162,149</u>	<u>10,568</u>	<u>2,051,142</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 2,713,887</u>	<u>\$ 1,522,149</u>	<u>\$ 10,568</u>	<u>\$ 16,301,778</u>
Net Position:				
Net investment in capital assets				
Restricted				
Unrestricted				
Total Net Position				

Mill Creek Debt	Equipment	Total	GASB No. 34 Adjustments	Statement of Net Position
\$ -	\$ 102,923	\$ 4,453,444	\$ -	\$ 4,453,444
-	-	14,887,861	-	14,887,861
-	-	1,310,000	(1,310,000)	-
-	-	-	4,919,744	4,919,744
-	-	-	37,802,759	37,802,759
<u>\$ -</u>	<u>\$ 102,923</u>	<u>\$ 20,651,305</u>	<u>41,412,503</u>	<u>62,063,808</u>
\$ -	\$ 1,138	\$ 403,728	-	403,728
-	-	-	131,305	131,305
-	-	1,310,000	(1,310,000)	-
-	-	201,271	-	201,271
-	-	1,930,000	-	1,930,000
-	-	1,360,000	-	1,360,000
-	-	-	3,218,923	3,218,923
-	-	-	15,500,538	15,500,538
<u>-</u>	<u>1,138</u>	<u>5,204,999</u>	<u>17,540,766</u>	<u>22,745,765</u>
-	-	14,887,861	(14,887,861)	-
-	-	2,051,142	(2,051,142)	-
-	101,785	274,502	(274,502)	-
-	-	(1,767,199)	1,767,199	-
<u>-</u>	<u>101,785</u>	<u>558,445</u>	<u>(558,445)</u>	<u>-</u>
<u>\$ -</u>	<u>\$ 102,923</u>	<u>\$ 20,651,305</u>		
			20,763,042	20,763,042
			18,280,499	18,280,499
			274,502	274,502
			<u>\$ 39,318,043</u>	<u>\$ 39,318,043</u>

ST. CLAIR COUNTY, MICHIGAN

**RECONCILIATION OF THE BALANCE SHEET FOR DRAIN FUNDS
TO THE STATEMENT OF NET POSITION OF DRAIN ACTIVITIES
DECEMBER 31, 2017**

Fund Balances - Drain Funds		\$ 558,445
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 in the funds		
Capital assets		51,929,325
Accumulated depreciation		(9,206,822)
Other long term assets are not available to pay for current period expenditures, and therefore, are deferred in the funds		
Special assessments		14,887,861
Discounts and premiums on bonds are reported as other financing sources or uses in the governmental funds, whereas they are capitalized and amortized from net position (netted against long-term debt)		
Bond discount		78,285
Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore, are not reported in the funds		
Notes payable	\$(3,115,746)	
Bonds payable	(12,561,000)	
Clean water revolving loans	(3,121,000)	
Accrued interest on bonds/notes payable	(131,305)	(18,929,051)
Net Position of Drainage Districts		<u>\$ 39,318,043</u>

ST. CLAIR COUNTY, MICHIGAN

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES/STATEMENT OF ACTIVITIES
DRAIN FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>County Drain</u>	<u>Drain Revolving</u>	<u>Special Services</u>	<u>Drain Debt</u>
Revenues:				
Intergovernmental	\$ 53,311	\$ -	\$ -	\$ -
Charges for services	771,029	-	-	2,150,398
Interest and rent	21,109	-	-	-
Other	26,207	-	-	-
Total Revenues	<u>871,656</u>	<u>-</u>	<u>-</u>	<u>2,150,398</u>
Expenditures/Expenses:				
Public Works	2,347,869	-	-	-
Debt Service	-	-	-	2,041,198
Total Expenditures/Expenses	<u>2,347,869</u>	<u>-</u>	<u>-</u>	<u>2,041,198</u>
Revenues over (under) expenditures	<u>(1,476,213)</u>	<u>-</u>	<u>-</u>	<u>109,200</u>
Other Financing Sources (Uses):				
Bond/note proceeds	2,853,079	-	-	-
Transfer from other funds	-	-	-	388,538
Transfer to other funds	(408,181)	-	-	-
Total Other Financing Sources (Uses)	<u>2,444,898</u>	<u>-</u>	<u>-</u>	<u>388,538</u>
Net Change in Fund Balance/Net Position	968,685	-	-	497,738
Fund Balances/Net Position at beginning of year	<u>(2,735,884)</u>	<u>162,149</u>	<u>10,568</u>	<u>1,553,404</u>
Fund Balances/Net Position at end of year	<u><u>\$(1,767,199)</u></u>	<u><u>\$ 162,149</u></u>	<u><u>\$ 10,568</u></u>	<u><u>\$ 2,051,142</u></u>

Mill Creek Debt	Equipment	Total	GASB No. 34 Adjustments	Statement of Activities
\$ -	\$ -	\$ 53,311	\$ -	\$ 53,311
157,906	64,442	3,143,775	(1,232,821)	1,910,954
-	-	21,109	-	21,109
-	10,162	36,369	-	36,369
<u>157,906</u>	<u>74,604</u>	<u>3,254,564</u>	<u>(1,232,821)</u>	<u>2,021,743</u>
-	63,879	2,411,748	(1,312,534)	1,099,214
200,589	-	2,241,787	(1,649,075)	592,712
<u>200,589</u>	<u>63,879</u>	<u>4,653,535</u>	<u>(2,961,609)</u>	<u>1,691,926</u>
<u>(42,683)</u>	<u>10,725</u>	<u>(1,398,971)</u>	<u>1,728,788</u>	<u>329,817</u>
-	-	2,853,079	(2,853,079)	-
19,643	-	408,181	(408,181)	-
-	-	(408,181)	408,181	-
<u>19,643</u>	<u>-</u>	<u>2,853,079</u>	<u>(2,853,079)</u>	<u>-</u>
(23,040)	10,725	1,454,108	(1,124,291)	329,817
<u>23,040</u>	<u>91,060</u>	<u>(895,663)</u>	<u>39,883,889</u>	<u>38,988,226</u>
<u>\$ -</u>	<u>\$ 101,785</u>	<u>\$ 558,445</u>	<u>\$ 38,759,598</u>	<u>\$ 39,318,043</u>

ST. CLAIR COUNTY, MICHIGAN

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF DRAIN FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017**

Net change in fund balances - Drain Fund	\$ 1,454,108
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>	
Capital outlay	2,037,752
Depreciation expense	(725,218)
Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(1,232,821)
<p>The issuance of long-term debt (e.g. bonds and notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources to governmental funds. Neither transaction, however, has any effect on net position.</p>	
Principal payments on long-term liabilities	1,655,985
Bond/note proceeds	(2,853,079)
Accrued interest expense on bonds and the amortization of bond issuance costs, discounts, and premiums are not recorded by governmental funds, but are reported under interest and fiscal charges for the purpose of net position.	
Increase in accrued interest payable	(3,316)
Amortization of bond premium	3,522
Amortization of bond discount	<u>(7,116)</u>
Change in net position of Drainage Districts	<u>\$ 329,817</u>

STATISTICAL SECTION

**STATISTICAL SECTION
(Unaudited)**

This part of St. Clair County, Michigan's comprehensive annual financial report presents detailed information as a context for understanding what the information says about the government's overall financial health.

Contents

Page

Financial Trends

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

S - 1 to S - 6

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

S - 7 to S - 10

Debt Capacity

These schedules present the information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

S - 11 to S - 14

Demographic and Economic Information

These schedules offer demographic indicators to help the reader understand the environment within which the government's financial activities take place.

S - 15 to S - 16

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

S - 17 to S - 20

Source: Unless otherwise noted, the information in these schedules is derived from the comprehensive financial reports for the relevant year.

ST. CLAIR COUNTY, MICHIGAN

SCHEDULE 1

NET POSITION BY COMPONENT
 LAST TEN FISCAL YEARS - UNAUDITED
 (accrual basis of accounting)
 (amounts expressed in thousands)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental Activities										
Net investment in capital assets	\$ 50,828	\$ 49,646	\$ 52,622	\$ 53,410	\$ 54,475	\$ 53,667	\$ 54,114	\$ 54,417	\$ 54,110	\$ 53,996
Restricted	28,469	28,607	24,480	21,420	12,905	13,540	14,037	15,230	12,682	13,472
Unrestricted	7,022	1,374	(4,253)	(14,232)	(23,262)	(27,904)	(33,040)	(45,509)	(46,735)	(52,293)
Total Governmental Activities Net Position	\$ 86,319	\$ 79,627	\$ 72,849	\$ 60,598	\$ 44,118	\$ 39,303	\$ 35,111	\$ 24,138	\$ 20,057	\$ 15,175
Business-Type Activities										
Net investment in capital assets	\$ 15,145	\$ 15,991	\$ 18,264	\$ 17,804	\$ 14,988	\$ 14,836	\$ 17,036	\$ 16,256	\$ 15,360	\$ 13,028
Restricted	935	1,272	1,518	1,822	2,078	2,417	2,735	3,008	3,531	3,715
Unrestricted	29,816	27,923	29,711	28,573	28,096	31,005	31,640	31,203	30,252	30,604
Total Business-Type Activities Net Position	\$ 45,896	\$ 45,186	\$ 49,493	\$ 48,199	\$ 45,162	\$ 48,258	\$ 51,411	\$ 50,467	\$ 49,143	\$ 47,347
Primary Government										
Net investment in capital assets	\$ 65,973	\$ 65,637	\$ 70,886	\$ 71,214	\$ 69,463	\$ 68,503	\$ 71,150	\$ 70,672	\$ 69,470	\$ 67,024
Restricted	29,404	29,879	25,998	23,242	14,983	15,957	16,772	18,238	16,212	17,187
Unrestricted	36,838	29,297	25,458	14,341	4,834	3,101	(1,400)	(14,306)	(16,483)	(21,689)
Total Primary Government Net Position	\$ 132,215	\$ 124,813	\$ 122,342	\$ 108,797	\$ 89,280	\$ 87,561	\$ 86,522	\$ 74,604	\$ 69,200	\$ 62,522

* The change of balances between 2014 and 2015 differs from the amount shown on Schedule 2 due to the prior period adjustment for GASB 68 implementation.

ST. CLAIR COUNTY, MICHIGAN

SCHEDULE 2

CHANGES IN NET POSITION
 LAST TEN FISCAL YEARS - UNAUDITED
 (accrual basis of accounting)
 (amounts expressed in thousands)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental Activities:										
Legislative	\$ 648	\$ 606	\$ 759	\$ 3,021	\$ 1,086	\$ 1,847	\$ 1,653	\$ 1,026	\$ 1,247	\$ 1,184
Judicial	12,813	12,834	11,985	13,053	13,140	11,213	11,302	10,953	11,635	13,965
General Government	17,057	15,610	15,197	15,569	13,832	12,685	13,734	13,311	14,840	12,039
Public Safety	25,937	28,314	27,820	29,256	34,740	29,208	28,362	28,042	29,258	32,127
Public Works	1,134	1,520	2,340	2,046	1,247	1,008	1,111	1,045	1,083	971
Health and Welfare	22,970	20,861	21,595	21,411	20,888	20,709	20,135	19,589	20,412	20,845
Community and Economic Development	652	819	678	972	844	788	1,015	705	592	2,605
Recreation and Culture	8,217	8,321	8,087	8,534	8,567	8,802	7,802	9,479	9,586	10,362
Interest on Long Term Debt	2,300	2,254	2,342	2,342	2,710	2,318	2,065	2,260	1,863	1,795
Total Governmental Activities Expenses	<u>91,728</u>	<u>91,139</u>	<u>90,803</u>	<u>96,204</u>	<u>97,054</u>	<u>88,577</u>	<u>87,179</u>	<u>86,410</u>	<u>90,515</u>	<u>95,893</u>
Business-Type Activities:										
Delinquent Revolving Tax	316	400	487	462	557	534	461	413	430	423
Airport Commission	569	683	583	592	490	1,063	1,125	1,039	925	1,088
Sheriff Concession	380	424	430	451	509	631	620	572	798	1,156
School Tax Collection	6	9	14	-	-	-	-	-	-	-
Homestead Exemption Audits	-	2	1	1	-	-	-	-	-	-
Solid Waste Disposal System	4,842	4,530	5,260	5,221	5,103	1,348	4,647	6,864	7,084	8,462
Total Business-Type Activities Expenses	<u>6,113</u>	<u>6,048</u>	<u>6,775</u>	<u>6,727</u>	<u>6,659</u>	<u>3,576</u>	<u>6,853</u>	<u>8,888</u>	<u>9,237</u>	<u>11,129</u>
Total Primary Government Expenses	<u>\$ 97,841</u>	<u>\$ 97,187</u>	<u>\$ 97,578</u>	<u>\$ 102,931</u>	<u>\$ 103,713</u>	<u>\$ 92,153</u>	<u>\$ 94,032</u>	<u>\$ 95,298</u>	<u>\$ 99,753</u>	<u>\$ 107,022</u>
Program Revenue:										
Governmental Activities:										
Charges for Services:										
Legislative	\$ -	\$ 2	\$ -	\$ -	\$ -	\$ 1	\$ -	\$ -	\$ -	\$ -
Judicial	2,809	2,581	2,436	2,330	2,404	2,440	2,240	2,136	1,987	1,977
General Government	4,927	5,175	4,866	4,552	4,871	5,215	4,359	4,653	4,937	5,117
Public Safety	4,484	4,801	6,279	8,033	7,446	6,828	6,133	5,244	6,264	6,320
Health and Welfare	2,103	2,534	2,737	2,761	1,663	3,076	3,211	3,527	2,543	2,997
Community and Economic Development	36	10	47	81	73	76	69	420	663	811
Recreation and Culture	895	842	882	988	1,026	1,078	1,034	1,021	783	848
Interest on Long Term Debt	731	757	414	404	394	695	676	485	970	945
Operating Grants and Contributions	16,538	15,777	16,531	15,855	15,558	14,809	13,987	13,742	14,380	17,102
Capital Grants and Contributions	934	1,236	1,398	323	1,042	1,770	2,132	1,292	641	231
Total Governmental Activities Program Revenues	<u>33,457</u>	<u>33,715</u>	<u>35,590</u>	<u>35,327</u>	<u>34,477</u>	<u>35,988</u>	<u>33,841</u>	<u>32,520</u>	<u>33,168</u>	<u>36,348</u>

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Business-Type Activities:										
Charges for Services:										
Delinquent Revolving Tax	\$ 1,415	\$ 1,226	\$ 1,271	\$ 1,288	\$ 1,219	\$ 1,310	\$ 1,175	\$ 1,099	\$ 1,259	\$ 920
Airport Commission	150	130	124	122	128	527	669	651	577	553
Sheriff Concession	389	400	408	517	578	643	649	603	832	1,202
School Tax Collection	58	5	-	-	-	-	-	-	-	-
Homestead Exemption Audits	1	-	-	-	-	-	-	-	1	-
Solid Waste Disposal System	4,355	3,785	3,996	4,384	4,692	4,933	5,598	7,209	6,808	8,800
Operating Grants and Contributions	134	168	84	77	159	335	137	505	68	75
Capital Grants and Contributions	-	122	5,576	42	24	224	3,309	314	760	-
Total Business-Type Activities Program Revenues	6,502	5,836	11,459	6,430	6,800	7,972	11,537	10,381	10,305	11,550
Total Primary Government Program Revenues	\$ 39,959	\$ 39,551	\$ 47,049	\$ 41,757	\$ 41,277	\$ 43,960	\$ 45,378	\$ 42,901	\$ 43,472	\$ 47,898
Net (expense)/revenue										
Governmental Activities	\$ (58,271)	\$ (57,424)	\$ (55,213)	\$ (60,877)	\$ (62,577)	\$ (52,589)	\$ (53,338)	\$ (53,890)	\$ (57,348)	\$ (59,545)
Business-Type Activities	389	(212)	4,684	(297)	141	4,396	4,684	1,493	1,068	421
Total Primary Government Net Expense	\$ (57,882)	\$ (57,636)	\$ (50,529)	\$ (61,174)	\$ (62,436)	\$ (48,193)	\$ (48,654)	\$ (52,397)	\$ (56,280)	\$ (59,124)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property Taxes	\$ 46,594	\$ 47,200	\$ 44,677	\$ 42,495	\$ 41,670	\$ 42,145	\$ 41,955	\$ 43,235	\$ 43,557	\$ 45,983
Unrestricted Grants and Contributions	386	387	382	385	660	2,779	3,909	4,129	5,675	4,549
Unrestricted Investment Income	1,880	509	414	411	263	176	234	257	417	657
Interest and Penalties on Delinquent Taxes	21	2	28	13	10	9	6	11	5	14
Transfers	3,779	2,634	2,934	3,105	3,495	2,666	3,042	3,648	3,613	3,461
Special Item - Tribunal Settlement	(4,157)	-	-	1,700	-	-	-	-	-	-
Total Governmental Activities	48,503	50,732	48,435	48,109	46,098	47,774	49,146	51,280	53,267	54,664
Business-Type Activities										
Unrestricted Investment Income	551	20	84	78	56	24	32	49	103	168
Interest and Penalties on Delinquent Taxes	1,455	2,116	2,052	2,029	2,185	1,342	1,479	1,249	1,119	1,075
Transfers	(3,779)	(2,634)	(2,934)	(3,104)	(3,495)	(2,666)	(3,042)	(3,648)	(3,613)	(3,461)
Special Item – Return of contribution	-	-	420	-	-	-	-	-	-	-
Total Business-Type Activities	(1,773)	(498)	(378)	(997)	(1,254)	(1,300)	(1,531)	(2,350)	(2,391)	(2,218)
Total Primary Government	\$ 46,730	\$ 50,234	\$ 48,057	\$ 47,112	\$ 44,844	\$ 46,474	\$ 47,615	\$ 48,930	\$ 50,876	\$ 52,446
Change in Net Position										
Governmental Activities	\$ (9,768)	\$ (6,692)	\$ (6,778)	\$ (12,768)	\$ (16,479)	\$ (4,815)	\$ (4,192)	\$ (2,609)	\$ (4,081)	\$ (4,881)
Business-Type Activities	(1,384)	(710)	4,306	(1,294)	(1,113)	3,096	3,153	(857)	(1,323)	(1,797)
Total Primary Government	\$ (11,152)	\$ (7,402)	\$ (2,472)	\$ (14,062)	\$ (17,592)	\$ (1,719)	\$ (1,039)	\$ (3,466)	\$ (5,404)	\$ (6,678)

ST. CLAIR COUNTY, MICHIGAN

SCHEDULE 3

FUND BALANCES OF GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS - UNAUDITED
 (modified accrual basis of accounting)
 (amounts expressed in thousands)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Reserved	\$ 66	\$ 2,785	\$ 3,055	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	8,406	5,919	5,894	-	-	-	-	-	-	-
Nonspendable	-	-	-	4,076	4,408	4,736	5,452	5,766	5,800	3,063
Restricted	-	-	-	45	-	-	-	-	-	-
Committed	-	-	-	-	686	1,093	1,364	1,353	1,438	1,548
Assigned	-	-	-	-	2,928	1,577	926	580	552	-
Unassigned	-	-	-	5,152	4,917	4,702	4,036	4,040	4,242	7,694
Total General Fund	<u>\$ 8,472</u>	<u>\$ 8,704</u>	<u>\$ 8,949</u>	<u>\$ 9,273</u>	<u>\$ 12,939</u>	<u>\$ 12,108</u>	<u>\$ 11,778</u>	<u>\$ 11,739</u>	<u>\$ 12,032</u>	<u>\$ 12,305</u>
All other Governmental Funds										
Reserved	\$ 2,309	\$ 5,961	\$ 3,267	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted - Special Revenue Funds	29,311	26,301	25,100	-	-	-	-	-	-	-
Nonspendable	-	-	-	389	-	-	-	-	-	-
Restricted	-	-	-	20,986	19,720	18,827	14,314	14,506	15,741	16,703
Committed	-	-	-	-	2,402	2,437	3,115	3,329	3,800	3,847
Assigned	-	-	-	2,482	-	-	-	-	-	-
Total all other Governmental Funds	<u>\$ 31,620</u>	<u>\$ 32,262</u>	<u>\$ 28,367</u>	<u>\$ 23,857</u>	<u>\$ 22,122</u>	<u>\$ 21,264</u>	<u>\$ 17,429</u>	<u>\$ 17,835</u>	<u>\$ 19,542</u>	<u>\$ 20,550</u>

NOTE: In 2011, the County implemented GASB statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

ST. CLAIR COUNTY, MICHIGAN

**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS - UNAUDITED
(modified accrual basis of accounting)
(amounts expressed in thousands)**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Revenues:				
Taxes	\$ 46,539	\$ 47,172	\$ 44,746	\$ 42,472
Licenses and Permits	780	776	792	765
Intergovernmental	17,749	18,386	18,806	16,917
Charges for Services	9,671	10,705	11,707	13,444
Fines and Forfeits	1,280	1,243	1,102	1,082
Interest and Rent	2,750	1,350	1,390	1,243
Other	3,299	2,524	2,957	2,822
Total Revenues	<u>82,068</u>	<u>82,156</u>	<u>81,500</u>	<u>78,745</u>
Expenditures:				
Legislative	625	582	2,002	2,996
Judicial	11,715	11,730	11,144	11,153
General Government	13,569	12,689	11,903	11,613
Public Safety	21,666	23,485	24,297	23,913
Public Works	677	1,521	2,340	2,046
Health and Welfare	22,354	20,597	20,909	19,822
Community and Economic Development	640	831	678	961
Recreation and Cultural	8,474	9,784	8,044	8,187
Other Activities	450	700	-	-
Capital Outlay	8,076	1,804	3,950	1,957
Debt Service				
Principal	1,634	1,840	2,014	2,242
Interest/Issuance Costs	2,242	2,220	2,289	2,286
Total Expenditures	<u>92,122</u>	<u>87,783</u>	<u>89,570</u>	<u>87,176</u>
Revenues over (under) expenditures	<u>(10,054)</u>	<u>(5,627)</u>	<u>(8,070)</u>	<u>(8,431)</u>
Other Financing Sources (Uses):				
Transfers In	21,805	20,163	16,662	15,871
Transfers Out	(18,026)	(17,529)	(13,728)	(12,767)
Issuance of debt	-	3,867	1,486	1,141
Issuance of Refunding Bonds	-	-	-	-
Premium on Debt	-	-	-	-
Payment to Refunding Bond Escrow Agent	-	-	-	-
Total Other Financing Sources (Uses)	<u>3,779</u>	<u>6,501</u>	<u>4,420</u>	<u>4,245</u>
Special Item - Tribunal Settlement	<u>(4,157)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>\$ (10,432)</u>	<u>\$ 874</u>	<u>\$ (3,650)</u>	<u>\$ (4,186)</u>
Debt Service as a Percentage of Noncapital Expenditures	<u>4.35%</u>	<u>4.88%</u>	<u>5.12%</u>	<u>5.42%</u>

SCHEDULE 4

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$	41,637	\$ 42,153	\$ 41,966	\$ 43,292	\$ 43,570	\$ 45,986
	717	749	758	794	766	813
	16,816	19,370	19,703	19,338	20,769	21,250
	12,299	12,365	11,868	11,112	12,611	13,483
	1,366	1,530	1,356	1,273	949	987
	1,079	1,648	1,681	1,786	1,893	2,116
	3,033	3,220	2,845	3,410	3,024	2,683
	<u>76,947</u>	<u>81,035</u>	<u>80,177</u>	<u>81,005</u>	<u>83,582</u>	<u>87,318</u>
	1,054	1,839	1,643	1,028	1,242	1,178
	11,262	10,462	10,383	10,543	10,696	10,879
	11,957	11,145	10,958	11,436	11,575	11,499
	25,227	25,063	23,918	24,152	24,826	26,160
	1,248	1,004	1,107	1,042	1,086	978
	19,321	19,967	19,330	19,196	19,589	19,971
	791	790	999	717	592	2,610
	9,150	7,986	7,695	9,229	9,176	9,927
	-	-	-	-	-	-
	3,501	2,180	6,270	1,966	1,313	1,086
	-	-	-	-	-	-
	2,364	2,622	3,066	3,187	3,385	3,480
	2,369	2,453	2,123	2,210	1,978	1,929
	<u>88,244</u>	<u>85,511</u>	<u>87,492</u>	<u>84,705</u>	<u>85,458</u>	<u>89,697</u>
	<u>(11,297)</u>	<u>(4,476)</u>	<u>(7,315)</u>	<u>(3,700)</u>	<u>(1,876)</u>	<u>(2,379)</u>
	15,665	15,557	11,546	11,888	12,526	12,470
	(12,170)	(12,891)	(8,504)	(8,240)	(8,913)	(9,009)
	9,622	-	107	232	263	127
	24,365	5,380	-	9,280	-	1,595
	2,620	-	-	1,138	-	156
	(26,874)	(5,259)	-	(10,231)	-	(1,679)
	<u>13,228</u>	<u>2,787</u>	<u>3,149</u>	<u>4,067</u>	<u>3,875</u>	<u>3,660</u>
	-	-	-	-	-	-
\$	<u>1,931</u>	<u>\$ (1,689)</u>	<u>\$ (4,166)</u>	<u>\$ 367</u>	<u>\$ 2,000</u>	<u>\$ 1,281</u>
	<u>5.78%</u>	<u>6.18%</u>	<u>6.50%</u>	<u>6.63%</u>	<u>6.45%</u>	<u>6.18%</u>

ST. CLAIR COUNTY, MICHIGAN

SCHEDULE 5

**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS - UNAUDITED**

Fiscal Year Ended	Real Property				Total Personal Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Residential Property	Commercial Property	Industrial Property	Other Property					
2008	5,231,341,989	711,841,017	1,380,728,677	589,786,748	577,689,370	8,491,387,801	7.3022	17,123,796,731	49.59%
2009	4,758,585,316	711,281,355	1,389,976,448	562,192,556	581,871,212	8,003,906,887	7.3022	16,106,193,867	49.69%
2010	3,971,598,924	703,012,594	749,672,675	469,173,055	578,004,195	6,471,461,443	7.3022	13,015,713,760	49.72%
2011	3,750,886,322	653,641,431	717,718,570	434,665,345	580,347,808	6,137,259,476	7.4022	12,363,112,485	49.64%
2012	3,538,223,638	610,977,218	698,943,058	401,257,193	595,313,942	5,844,715,049	7.9522	11,753,145,749	49.73%
2013	3,544,001,864	567,319,100	701,020,790	399,395,970	607,263,019	5,819,000,743	7.9522	11,700,887,497	49.73%
2014	3,647,452,119	514,049,239	704,585,720	477,832,025	629,706,602	5,973,625,705	7.9522	12,020,528,102	49.70%
2015	3,866,047,148	519,097,300	729,895,238	475,635,547	711,895,854	6,302,571,087	7.9522	12,676,913,578	49.72%
2016	4,133,911,528	565,812,942	727,091,150	442,567,334	673,454,031	6,542,836,985	8.2329	13,158,800,715	49.72%
2017	4,408,301,523	594,112,810	749,080,816	447,497,500	715,405,067	6,914,397,716	8.2329	13,912,504,690	49.70%

Source: County Equalization Department

ST. CLAIR COUNTY, MICHIGAN

SCHEDULE 6

**PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS - UNAUDITED**

(Per \$1,000 of Assessed Value)

Fiscal Year	Townships**	Cities and Villages**	County								Community College	Intermediate School	Local Schools**	Total
			Operating	Senior Citizens	Drug Task Force	Library	Parks	Roads	Veterans	Total				
2008	2.55	15.39	5.3265	0.5000	0.2803	0.7000	0.4954	0.0000	0.0000	7.3022	1.89	3.43	26.90	57.46
2009	2.30	15.30	5.3265	0.5000	0.2803	0.7000	0.4954	0.0000	0.0000	7.3022	1.89	3.43	28.90	59.12
2010	2.36	15.34	5.3265	0.5000	0.2803	0.7000	0.4954	0.0000	0.0000	7.3022	1.89	3.43	29.48	59.80
2011	2.32	14.46	5.3265	0.5000	0.2803	0.7000	0.4954	0.0000	0.1000	7.4022	1.89	3.43	29.62	59.12
2012	2.55	15.06	5.3265	0.8000	0.2803	0.7000	0.4954	0.2500	0.1000	7.9522	1.89	3.43	29.78	60.66
2013	2.50	15.80	5.3265	0.8000	0.2803	0.7000	0.4954	0.2500	0.1000	7.9522	1.89	3.43	29.80	61.37
2014	2.66	16.28	5.3265	0.8000	0.2803	0.7000	0.4954	0.2500	0.1000	7.9522	1.89	3.43	30.23	62.44
2015	2.69	17.01	5.3265	0.8000	0.2803	0.7000	0.4954	0.2500	0.1000	7.9522	1.89	3.43	29.91	62.88
2016	2.72	16.57	5.3265	0.8000	0.5610	0.7000	0.4954	0.2500	0.1000	8.2329	1.89	3.43	29.83	62.67
2017	2.77	16.50	5.3265	0.8000	0.5610	0.7000	0.4954	0.2500	0.1000	8.2329	1.89	3.43	29.86	62.69

Note: All tax rates rounded to two (2) decimal places, except the County rates.

** Average from Townships, Cities and Villages, and Local Schools are presented as these units have varying rates.

Source: Equalization Department

ST. CLAIR COUNTY, MICHIGAN

SCHEDULE 7

PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO - UNAUDITED

		2017			2008		
		Taxable	Rank	Percentage	Taxable	Rank	Percentage
		Valuation		of Total	Valuation		of Total
				Taxable Value			Taxable Value
DTE Companies	Electrical Utility	\$ 782,136,028	1	13.49%	\$ 731,190,353	1	11.06%
ITC Transmission	Electrical Transmission	105,188,767	2	1.81%	N/A		N/A
Enbridge Energy	Natural Gas & Pipeline	65,461,352	3	1.13%	N/A		N/A
Consumers Energy Company	Liquid Natural Gas Storage	57,977,444	4	1.00%	9,452,296	10	0.14%
Semco Energy Gas Company	Gas Utility	33,250,951	5	0.57%	N/A		N/A
Blue Water Gas Storage	Natural Gas Storage	24,937,541	6	0.36%	16,170,000	4	0.24%
Marysville Hydrocarbon LLC	Propane and Butane Storage	20,964,400	7	0.43%	N/A		N/A
MPT of Port Huron LLC	Petroleum Distributor	13,746,815	8	0.24%	N/A		N/A
Plains LPG Services	Production and Storage of Petroleum	12,138,300	9	0.21%	N/A		N/A
Acheson Ventures	Community Development	11,848,265	10	0.20%	13,507,242	6	0.20%
Michigan Consolidated Gas Co.	Natural Gas and Pipeline	N/A	-	N/A	46,481,900	2	0.70%
Daimler Chrysler	Automotive Parts Storage	N/A	-	N/A	21,188,900	3	0.32%
Birchwood Mall	Mall	N/A	-	N/A	13,784,922	5	0.21%
International Transmission	Electrical Utility	N/A	-	N/A	12,316,400	7	0.19%
E.B. Eddy	Paper Manufacturing	N/A	-	N/A	12,062,600	8	0.18%
Mueller Brass Co. & Affiliates	Brass Rod Manufacturing	N/A	-	N/A	10,512,700	9	0.16%
		<u>\$ 1,127,649,863</u>		19.45%	<u>\$ 886,667,313</u>		13.42%

Source: Equalization Department

ST. CLAIR COUNTY, MICHIGAN

SCHEDULE 8

**PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS - UNAUDITED**

<u>Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections to March 1</u>	<u>Percentage of Levy Collected</u>	<u>Delinquent Tax Collections to December 31</u>	<u>Total Tax Collections</u>	<u>Percentage of Total Tax Collections to Tax Levy</u>	<u>Outstanding Delinquent Taxes **</u>	<u>Percentage of Delinquent Taxes to Tax Levy</u>
2008	\$ 48,647,762	\$ 44,401,581	91.3%	\$ 3,938,715	\$ 48,340,296	99.4%	\$ 307,466	0.6%
2009	47,259,128	44,346,907	93.8%	2,554,609	46,901,516	99.2%	357,612	0.8%
2010	43,598,158	40,993,146	94.0%	2,379,194	43,372,340	99.5%	225,818	0.5%
2011	42,634,713	40,385,017	94.7%	2,031,428	42,416,445	99.5%	218,268	0.5%
2012	44,247,974	42,158,910	95.3%	1,894,263	44,053,173	99.6%	194,801	0.4%
2013	44,024,180	41,340,361	93.9%	2,491,636	43,831,996	99.6%	192,184	0.4%
2014	44,138,950	41,649,782	94.4%	2,305,638	43,955,420	99.6%	183,530	0.4%
2015	45,488,432	43,323,968	95.2%	1,981,333	45,305,300	99.6%	183,132	0.4%
2016	47,048,311	44,803,444	95.2%	2,100,442	46,903,886	99.7%	144,425	0.3%
2017	48,222,693	46,107,827	95.6%	1,987,468	48,095,295	99.7%	127,398	0.3%

** Represents Delinquent Personal Property Taxes and Chargebacks

Note: The Delinquent Tax Revolving Fund purchases the delinquent real taxes of each unit in March of each year.
Taxes levied are for County general operations and six extra-voted millages (Senior Citizens, Drug Task Force, Library, Veterans, Roads, and Parks).

Source: County Treasurer's Office

ST. CLAIR COUNTY, MICHIGAN

SCHEDULE 9

RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS - UNAUDITED

Fiscal Year	Governmental Activities		Business-Type Activities		Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Drain Districts	General Obligation Bonds	Capital Leases			
2008	\$ 52,775,000	\$ 772,882	\$ -	\$ 40,584	\$ 53,588,466	0.99%	326.29
2009	54,060,000	1,514,539	-	-	55,574,539	1.05%	338.38
2010	52,185,000	2,862,168	4,830,496	-	59,877,664	1.15%	367.26
2011	50,185,000	3,244,497	6,184,811	-	59,614,308	1.10%	365.64
2012	55,665,000	3,588,472	6,623,535	-	65,877,007	1.16%	404.05
2013	53,680,000	3,311,730	7,041,911	-	64,033,641	1.10%	392.75
2014	50,935,000	3,098,484	7,055,760	-	61,089,244	1.02%	374.69
2015	47,480,000	3,028,889	7,497,077	-	58,005,966	0.92%	355.78
2016	44,385,000	3,001,226	8,452,477	-	55,838,704	0.87%	342.48
2017	41,180,000	2,823,141	8,757,681	-	52,760,822	0.82%	323.61

Note: Details regarding the county's outstanding debt can be found in the notes to the financial statements.

ST. CLAIR COUNTY, MICHIGAN

SCHEDULE 10

RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS - UNAUDITED

Fiscal Year	Population *	Assessed Value (000)	Bonded Debt	Premiums, Discounts & Adjustments	Less: Amounts Available in Debt Service Funds	Total	Ratio of Net Bonded Debt to Assessed Value	Per Capita
2008	164,235	8,491,388	\$ 52,169,609	\$ (605,391)	\$ 708,847	\$ 50,855,371	0.30	309.65
2009	164,235	8,003,907	53,501,870	(558,130)	807,732	52,136,008	0.32	317.45
2010	163,040	6,471,461	56,506,289	(509,207)	883,296	55,113,786	0.42	338.04
2011	163,040	6,137,259	55,909,526	(460,285)	939,005	54,510,236	0.44	334.34
2012	163,040	5,844,715	63,365,232	1,076,697	973,741	63,468,188	0.54	389.28
2013	163,040	5,819,001	61,522,919	801,008	1,750,395	60,573,532	0.52	371.53
2014	163,040	5,973,626	57,990,760	764,303	1,795,436	56,959,627	0.47	349.36
2015	163,040	6,302,571	54,977,077	1,415,235	1,909,191	54,483,121	0.43	334.17
2016	163,040	6,542,837	52,837,477	1,320,656	1,662,063	52,496,070	0.40	321.98
2007	163,040	6,914,398	49,937,681	1,315,841	1,445,250	49,808,272	0.36	305.50

* U.S. Census

Note: Net Bonded Debt represents the Building Authority Debt, less debt service money available.

ST. CLAIR COUNTY, MICHIGAN

SCHEDULE 11

COMPUTATION OF DIRECT AND OVERLAPPING DEBT
DECEMBER 31, 2017 - UNAUDITED

Direct Debt:

Building Authority		\$	3,035,000
Communication System - Refunding Bonds			1,510,000
Communication System - Refunding Bonds			1,595,000
Comm. Mental Health - Refunding Bonds			7,025,000
Communication System - General Obligation Bonds			200,000
Jail Refunding Bonds			19,645,000
Convention Center - General Obligation Bonds			8,170,000
Drain Districts			2,823,141
			<hr/>
Net Direct Debt			44,003,141

Overlapping Debt:

Cities	\$	63,860,282	
Townships		17,316,899	
Villages		208,312	
School Districts		314,067,697	
Intermediate School District		583,174	
Community College		1,797,660	
		<hr/>	<hr/>
			397,834,023

Net Direct and Overlapping Debt \$ 441,837,164

Source: Debt information provided by Municipal Advisory Council of Michigan and Bendzinski and Co., Detroit, Michigan

Note: Percentage of overlap based on assessed property values.

ST. CLAIR COUNTY, MICHIGAN

SCHEDULE 12

LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS - UNAUDITED

Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin
2008	\$ 849,227,458	\$ 52,942,491	\$ 796,284,967
2009	800,388,624	55,016,409	745,372,215
2010	647,034,586	54,537,961	592,496,625
2011	613,544,334	52,969,212	560,575,122
2012	584,459,452	60,330,169	524,129,283
2013	581,900,074	57,792,738	524,107,336
2014	597,362,571	54,797,787	542,564,784
2015	630,257,109	51,924,124	578,332,985
2016	654,283,699	48,706,882	605,576,817
2017	691,556,650	44,003,141	647,553,509

Legal Debt Margin Calculation for Fiscal Year 2017

State Equalized Value	<u>\$ 6,915,566,496</u>
Legal Debt Limit (10% of State Equalized Value)	\$ 691,556,650
Less: Total Long-Term Debt	<u>44,003,141</u>
Legal Debt Margin	<u>\$ 647,553,509</u>

Note: Total Long-Term Debt does not include accumulated vacation, sick and compensatory time, net OPEB obligation, accrued insurance liability claims, and Landfill closure and post-closure costs.

ST. CLAIR COUNTY, MICHIGAN

SCHEDULE 13

DEMOGRAPHIC AND ECONOMICAL STATISTICS
LAST TEN FISCAL YEARS - UNAUDITED

Fiscal Year	Population *	U. S. Census	Personal Income **	Per Capita Income **	K - 12 School Enrollment ***	Unemployment Rate ****
2008	171,017	164,235	\$ 5,419,462	31,956	26,132	10.4
2009	166,842	164,235	5,290,584	31,574	25,477	17.5
2010	163,040	163,040	5,200,174	31,956	25,844	14.9
2011	162,569	163,040	5,408,369	33,459	25,344	13.1
2012	160,182	163,040	5,696,181	35,458	24,875	12.2
2013	160,327	163,040	5,802,172	36,158	24,184	10.6
2014	160,506	163,040	6,002,407	37,497	23,867	9.9
2015	160,025	163,040	6,277,941	39,268	23,396	7.1
2016	159,699	163,040	6,453,233	40,437	22,974	6.2
2017	159,719	163,040	6,453,233	40,437	22,497	5

Sources

- * Southeast Michigan Council of Governments
- ** U.S. Department of Commerce - Bureau of Economic Analysis. Numbers are in thousands.
- *** St. Clair County Regional Educational Service Agency
- **** Michigan Department of Labor and Economic Growth

Bold Data was not available at the time of publication, so the previous year data was used.

ST. CLAIR COUNTY, MICHIGAN

SCHEDULE 14

PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO - UNAUDITED

Employer	Product/Service	2017			2008		
		Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
McLaren Port Huron	Health Care Services	1,403	1	1.96%	1,057	2	1.39%
SMR Automotive	Manufacturer	1,122	2	1.57%	N/A		
Port Huron School District	Public Education	1,100	3	1.53%	1,462	1	1.92%
St. Clair County	Municipal Government	972	4	1.36%	832	5	1.09%
DTE Energy	Public Utility	747	5	1.04%	1,044	3	1.37%
Lake Huron Medical Center	Health Care Services	738	6	1.03%	693	6	0.91%
ZF Marysville	Manufacturer	700	7	0.98%	N/A		
Meijer	Retail	604	8	0.84%	N/A		
East China School District	Education	539	9	0.75%	594	7	0.78%
Engineered Plastic Components (EPC)	Manufacturer	450	10	0.63%	N/A		
K-Mart Corporation	Grocery/Retail	N/A	N/A	N/A	850	4	1.12%
Visiucorp	Review Mirrors	N/A	N/A	N/A	500	8	0.66%
AT & T	Public Utility	N/A	N/A	N/A	459	9	0.60%
International Automotive Comp.	Automotive Carpeting	N/A	N/A	N/A	450	10	0.59%
		<u>8,375</u>		<u>12.44%</u>	<u>7,941</u>		<u>10.43%</u>

Source: St. Clair County Metropolitan Planning, Bendzinski & Co., Economic Development Alliance of St. Clair County, and U.S. Bureau of Economic Analysis

ST. CLAIR COUNTY, MICHIGAN

SCHEDULE 15

FULL - TIME EQUIVALENT COUNTY GOVERNMENT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS - UNAUDITED

Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Legislative										
Board of Commissioners	7	7	7	7	7	7	7	7	7	7
Judicial										
Circuit Court	13	13	13	13	13	13	13	12	12	12
District Court	30	30	27	27	27	27	28	27	27	27
Courthouse Security	7	7	7	7	7	5	5	5	5	5
Friend of the Court	40	40	40	35	35	32	32	33	33	33
Probate Court - Adult	9	9	9	9	9	9	9	9	10	10
Probate Court - Juvenile	23	23	21	19	19	17	17	15	15	16
Probation - Adult	8	8	8	8	8	8	8	8	8	8
General Government										
Administrator/Controller	3	3	3	3	3	3	3	4	4	4
Elections	1	1	1	1	1	1	0	0	0	0
Accounting	4	4	4	4	4	4	4	4	4	4
Purchasing	3	2	2	2	2	2	2	1	1	1
Clerk	11	11	10	10	10	10	9	9	9	9
Equalization	11	11	10	10	10	9	8	8	8	8
Human Resources	6	6	6	4	4	5	5	5	7	7
Prosecuting Attorney	25	25	24	25	25	24	24	25	26	26
Register of Deeds	4	4	3	2	2	2	2	2	2	2
Treasurer	7	7	7	7	7	7	7	7	7	7
Cooperative Extension	4	4	3	2	2	2	2	2	2	2
Information Technology	14	14	13	12	14	14	15	15	15	16
Buildings and Grounds	23	23	21	20	20	19	20	20	20	20
Drain Commissioner	8	8	8	8	8	8	7	7	7	7
Public Safety										
Sheriff Department	76	76	77	77	79	86	85	85	85	86
Communications	23	23	23	23	26	23	21	21	22	22
Marine Patrol	1	1	1	1	1	1	1	1	1	1
Jail	97	97	96	96	96	95	100	100	100	100
Emergency Services	4	4	3	3	3	3	3	3	3	3
Animal Control	3	3	1	1	3	3	3	3	3	3
Metropolitan Planning	7	7	7	7	5	5	5	5	6	7

Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Health and Welfare										
Medical Examiner	1	1	1	1	2	2	2	2	2	2
Veterans Counselor	3	2	2	2	4	4	4	6	6	6
Public Guardian	3	3	3	3	3	3	3	4	4	5
Health Department	79	79	79	75	75	68	61	61	61	64
Child Care	50	50	48	48	48	48	42	40	40	40
Recreation and Culture										
Parks and Recreation	9	9	9	10	10	10	11	11	11	11
Library	37	37	37	37	37	37	36	37	37	35
Proprietary Activities										
Landfill	3	3	3	4	5	5	4	4	4	5
Airport	2	2	2	1	1	1	1	1	1	1

(Concluded)

Source: Accounting Department, Annual Budget by Department Sheets and Annual Budget book.

ST. CLAIR COUNTY, MICHIGAN

SCHEDULE 16

OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS - UNAUDITED

Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Judicial										
Circuit Court Cases Filed	4,293	4,138	3,793	3,795	3,764	3,843	3,616	3,721	3,638	3,732
Circuit Court Cases Dispositions	4,429	4,295	3,952	3,851	3,952	4,099	3,797	3,836	3,818	3,797
General Government										
Marriage licenses	946	880	842	957	937	937	964	963	968	970
Births Certificates	1,746	1,705	1,536	1,605	1,496	1,462	1,501	1,429	1,435	1,262
Divorces Filed	638	621	715	635	743	787	780	735	525	550
Death Certificates	1,535	1,517	1,569	1,551	1,472	1,633	1,608	1,632	1,592	1,653
Public Safety										
Inmate bookings	6,165	5,908	5,789	5,451	5,794	5,935	5,646	6,047	5,164	4,442
Dispatch Calls	88,680	106,349	109,642	118,511	123,958	122,499	119,743	116,294	114,070	118,884
Dog Licenses Issued	24,198	22,196	22,389	25,816	27,023	25,719	25,600	27,019	26,405	25,582
Airport										
Take-offs and Landings (1)	36,000	27,000	20,000	32,000	18,775	27,500	25,689	26,230	26,500	27,011
Landfill										
Tons of Waste Collected	219,362	190,680	188,541	238,254	171,072	176,671	221,912	293,962	297,049	384,686

Source: Various County Departments

(1) These numbers were estimates

ST. CLAIR COUNTY, MICHIGAN

SCHEDULE 17

CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS - UNAUDITED

Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Judicial										
Buildings	1	1	1	1	1	1	1	1	1	1
Vehicles	1	1	1	1	3	2	0	0	0	0
General Government										
Buildings	3	3	3	2	2	3	3	4	4	4
Vehicles	11	11	10	10	20	26	28	27	25	25
Public Safety										
Buildings	5	5	5	3	3	4	5	5	5	5
Jail Beds Available	450	450	478	491	491	491	491	491	491	491
Vehicles										
Patrol	44	46	45	41	43	41	35	35	34	39
Other	19	20	22	28	30	33	34	35	40	40
Health & Welfare										
Buildings	2	2	3	2	2	2	2	2	2	2
Vehicles	5	5	6	6	6	8	8	11	12	12
Recreation & Cultural										
Buildings	37	37	37	37	43	43	47	47	47	47
Vehicles	8	9	10	10	10	10	10	10	10	9
Park Acreage	559	559	559	562	562	565	566	568	633	633
Airport										
Buildings	6	6	6	6	6	7	7	7	7	7
Vehicles	2	2	2	2	2	3	2	2	2	2
Landfill										
Buildings	1	1	1	2	3	3	6	6	6	6
Vehicles	0	1	1	2	3	3	3	3	3	3

Source: Accounting Department