

Mid-Michigan District Health Department

Financial Statements

September 30, 2019



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Independent Auditors' Report

Board of Public Health
Mid-Michigan District Health Department
Stanton, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Mid-Michigan District Health Department (the Department), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Department'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.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Mid-Michigan District Health Department, as of September 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, municipal employees' retirement system schedules and other post-employment benefit schedules, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2020 on our consideration of the Mid-Michigan District Health Department'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 solely 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 the effectiveness of the Mid-Michigan District Health Department's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Mid-Michigan District Health Department's internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Alma, Michigan
March 27, 2020

Mid-Michigan District Health Department

Management's Discussion and Analysis

September 30, 2019

This section of the annual financial statements, titled Management's Discussion and Analysis, represents the administration's review of the Department's financial performance during the fiscal year ended September 30, 2019, and is a requirement of GASB 34. The Management's Discussion and Analysis is intended to be read in conjunction with the Department's financial statements.

Generally accepted accounting principles (GAAP) according to GASB 34 require the reporting of two types of financial statements: Government-wide financial statements and Fund Level financial statements.

Financial Highlights

- The assets and deferred outflows of resources of the Department exceeded its liabilities and deferred inflows of resources at September 30, 2019 by \$527,143 at the government-wide level. Of this amount, \$21,986 (unrestricted net position) may be used to meet the Department's ongoing obligations.
- The Department's total net position increased by \$45,876 as a result of this year's operations.
- As of September 30, 2019, the Department's governmental fund reported an ending fund balance of \$2,486,120, an increase of \$100,045.
- As of September 30, 2019, the unassigned fund balance was \$106,678.

Overview of the Financial Statements

The Department's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements: The government-wide financial statements provide information about the activities of the entire Department. They present an overall view of the Department's finances for the fiscal year ending September 30, 2019.

The statement of net position presents information on all of the Department's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between these 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 Department is improving or deteriorating.

The statement of activities presents information showing how the Department's net position changed during fiscal year 2018/2019. All changes in net position are reported as soon as the change occurs, regardless of the timing of related cash flows.

All of the Department's offices are supported by intergovernmental revenues, governmental grants, donations, fees and charges for services, interest, and local contributions. The governmental activities of the Department are all considered health and sanitation programs.

The government-wide financial statements include only financial information related to the Department.

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 Department uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Department operates with one fund, which is considered a governmental fund.

Governmental funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. 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.

**Mid-Michigan District Health Department
Management's Discussion and Analysis
September 30, 2019**

Such information may be useful in evaluating the Department's near-term financing requirements. 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 Department's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Department adopts an annual appropriated budget for its General Operating Fund. A budgetary comparison statement has been provided for this fund to demonstrate compliance with this budget.

The basic financial statements can be found starting on page 3-1 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 starting on page 3-7 of this report.

Required Supplementary Information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning budgeted revenues and expenditures on page 4-1, and information related to the defined pension plan and retired employees' health care plans starting on page 4-2.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Department, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$527,143. A comparative analysis of data with the previous fiscal year is as follows:

	<u>2019</u>	<u>2018</u>
Current and other assets	\$3,850,809	\$3,193,394
Capital assets	241,659	427,543
Total assets	<u>4,092,468</u>	<u>3,620,937</u>
 Deferred outflow of resources	 1,540,064	 515,790
 Current liabilities	 1,278,656	 706,146
Noncurrent liabilities	3,478,004	2,477,300
Total liabilities	<u>4,756,660</u>	<u>3,183,446</u>
 Deferred inflow of resources	 348,729	 472,014
 Net position		
Investment in capital assets	241,659	332,650
Restricted for		
Dental Clinic	95,209	95,209
Medicaid cost based reimbursement	168,289	93,734
Unrestricted	21,986	(40,326)
Total net position	<u>\$527,143</u>	<u>\$481,267</u>

**Mid-Michigan District Health Department
Management's Discussion and Analysis
September 30, 2019**

Unrestricted net position (the part of net position that can be used to finance day-to-day operations) increased by \$62,312. The main reason for the increase relates to an increase in the deferred outflows related to the net pension liability based on the actuarial calculations. Net position invested in capital assets decreased by \$90,991. The current level of unrestricted net position for the governmental activities stands at \$21,986.

The following table shows the changes of net position for the years ended September 30, 2019 and 2018.

	<u>2019</u>	<u>2018</u>
Program revenues		
Charges for services	\$1,691,467	\$1,469,636
Operating grants and contributions	3,711,088	3,362,097
General revenue		
County appropriations	1,379,885	1,329,302
Interest	43,916	27,241
Gain on Capital Assets	-	108
Total revenues	<u>6,826,777</u>	<u>6,188,384</u>
Program expenses	<u>6,780,480</u>	<u>6,634,824</u>
Change in net position	<u><u>\$45,876</u></u>	<u><u>\$(446,440)</u></u>

Total expenses increased 2.2% over the previous fiscal year and revenue increased 10.32%.

Financial Analysis of the Department's Fund

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

Governmental Fund: The focus of the Department's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Department's financing requirements. In particular, 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.

As of the end of the current fiscal year, the Department's governmental fund reported a total ending fund balance of \$2,486,120, an increase of \$100,045 in comparison with the prior year. Certain constraints have been placed on fund balance at September 30, 2019. Of the total fund balance, \$1,957,143, or 79% of the total, has been committed for the general operating fund. Committed fund balances are amounts that are constrained for certain purposes that have been approved by the Board of Public Health. Commitments of fund balance can be established, modified, or rescinded by a resolution from the Board of Public Health. The restricted and non-spendable fund balances total \$422,299 and the unassigned fund balance is \$106,678. As a measure of liquidity, it may be useful to compare committed and unassigned fund balance to the total fund expenditure. Committed and unassigned fund balance represents 27% of the total fund expenditures.

**Mid-Michigan District Health Department
Management's Discussion and Analysis
September 30, 2019**

Governmental Fund Budgetary Highlights

Over the course of the year, the Department's Board of Public Health may amend the budget to take into account events that occur during the year. For the year ended September 30, 2019, budget amendments primarily increased and decreased licenses and permits, intergovernmental, and charges for services revenue and certain expenditure line items, especially those related to the approved capital expense projects by amounts necessary to maintain consistency with actual activities for the fiscal year. In total, the Department's amended expenditure budget changed from \$6,150,092 to \$6,990,450, which represented an increase in the overall agency budget, mainly related to a one-time retirement payment. The actual expenditures came in at \$6,836,765.

Capital Asset and Debt Administration

Capital Assets: The Department's investment in capital assets as of September 30, 2019, amounts to \$241,659 (net of accumulated depreciation). More information is reported in footnote 5.

Long-term Obligations: The Department has long-term obligations related to compensated absences (e.g., unused vacation and personal leave). The total obligation for compensated absences and related payroll taxes at September 30, 2019, was \$302,377.

Economic Factors and Next Year's Budget and Rates

For the fiscal year ending September 30, 2020, close monitoring of the Federal and State budget actions will continue to be important related to lack of economic increases and/or further possible cuts in funding provided through State grant agreements including those that originate at the federal level and other State funding mechanisms such as Essential Local Public Health Services, Medicaid Cost, and Rated Based Reimbursement funding supplements. The Department continues to closely monitor Environmental Health permit applications activity and Community Health and Education charge for services to determine if there are any significant changes in activity. The Department is focusing efforts on increasing reimbursement by billing commercial insurances for services provided in Community Health and Education Division. The Department's operating budget could be significantly impacted by changes in State funding, permit activity and billing reimbursement, therefore, will be monitored closely.

Requests for Information

This financial report is designed to provide a general overview of the Department's finances for all those with an interest in the Department's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

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Mid-Michigan District Health Department
Statement of Net Position
September 30, 2019

	Governmental Activities
Assets	
Cash	\$ 23,534
Cash on deposit with fiscal agent	3,375,814
Receivables	
Accounts	52,923
Contracts	35,600
Due from other units of government	
Federal and state	144,991
Local	8,713
Inventories	56,702
Prepaid items	102,099
Contracts receivable, net of current portion	50,433
Capital assets, net of accumulated depreciation	241,659
Total assets	4,092,468
Deferred Outflows of Resources	
Deferred amount relating to net pension liability	1,540,064
Liabilities	
Accounts payable	158,292
Accrued wages	145,855
Accrued liabilities	73,143
Due to others	18,063
Due to other units of government	826,601
Unearned revenue	56,702
Noncurrent liabilities	
Compensated absences due within one year	302,377
Total OPEB liability	181,169
Net pension liability	2,994,458
Total liabilities	4,756,660
Deferred Inflows of Resources	
Deferred amount relating to net pension liability	322,322
Deferred amount relating to total OPEB liability	26,407
Total deferred outflows of resources	348,729
Net Position	
Net investment in capital assets	241,659
Restricted for	
Dental clinic	95,209
Medicaid cost based reimbursement	168,289
Unrestricted	21,986
Total net position	\$ 527,143

See Accompanying Notes to the Financial Statements

Mid-Michigan District Health Department
Statement of Activities
For the Year Ended September 30, 2019

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	
Functions/Programs				
Governmental activities				
Health and welfare				
Community health and education	\$ 3,786,387	\$ 984,849	\$ 2,943,995	\$ 142,457
Environmental health	1,365,872	561,402	626,339	(178,131)
Administration	1,628,221	145,216	140,754	(1,342,251)
Total governmental activities	<u>\$ 6,780,480</u>	<u>\$ 1,691,467</u>	<u>\$ 3,711,088</u>	<u>(1,377,925)</u>
General revenues				
Interest				43,916
County appropriations				<u>1,379,885</u>
Total general revenues				<u>1,423,801</u>
Change in net position				45,876
Net position - beginning of year				<u>481,267</u>
Net position - end of year				<u>\$ 527,143</u>

See Accompanying Notes to the Financial Statements

Mid-Michigan District Health Department
Governmental Fund
Balance Sheet
September 30, 2019

	<u>General Operating Fund</u>
Assets	
Cash	\$ 23,534
Cash on deposit with fiscal agent	3,375,814
Receivables	
Accounts	52,923
Contracts	86,033
Due from other units of government	
Federal and state	144,991
Local	8,713
Inventories	56,702
Prepaid items	<u>102,099</u>
Total assets	<u><u>\$ 3,850,809</u></u>
Liabilities	
Accounts payable	\$ 158,292
Accrued wages	145,855
Accrued liabilities	73,143
Due to others	18,063
Due to other units of government	826,601
Unearned revenue	<u>56,702</u>
Total liabilities	<u>1,278,656</u>
Deferred Inflows of Resources	
Unavailable revenue - lease revenue	<u>86,033</u>
Fund Balances	
Non-spendable	
Inventories	56,702
Prepaid items	102,099
Restricted for	
Dental clinic	95,209
Medicaid cost based reimbursement	168,289
Committed	1,957,143
Unassigned	<u>106,678</u>
Total fund balances	<u>2,486,120</u>
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 3,850,809</u></u>

See Accompanying Notes to the Financial Statements

**Mid-Michigan District Health Department
Governmental Fund
Reconciliation of Fund Balances of Governmental Fund
to Net Position of Governmental Activities
September 30, 2019**

Total fund balances for governmental fund	\$ 2,486,120
Total net position for governmental activities in the statement of net position is different because:	
Capital assets net of accumulated depreciation used in governmental activities are not financial resources and therefore are not reported in the funds.	241,659
Certain receivables are not available to pay for current period expenditures and, therefore are deferred in the funds.	86,033
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Compensated absences	(302,377)
Deferred outflows of resources resulting from net pension liability	1,540,064
Deferred inflows of resources resulting from net pension liability	(322,322)
Deferred inflows of resources resulting from total OPEB liability	(26,407)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities.	
Total OPEB liability	(181,169)
Net pension liability	(2,994,458)
Net position of governmental activities	<u>\$ 527,143</u>

Mid-Michigan District Health Department
Governmental Fund
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2019

	<u>General Operating Fund</u>
Revenues	
Licenses and permits	\$ 711,754
Intergovernmental	
Federal and state	2,937,179
Local	
Other	844,118
County	1,379,885
Charges for services	992,126
Interest income	43,916
Other revenue	<u>27,411</u>
 Total revenues	 <u>6,936,389</u>
 Expenditures	
Current	
Health and welfare	
Salaries and wages	3,276,038
Fringe benefits	1,795,211
Supplies and materials	467,290
Contractual services	252,296
Communications	65,066
Travel and training	190,293
Insurance	36,187
Building and equipment lease and rentals	491,997
Printing and advertising	121,281
Postage	24,490
Other	<u>91,798</u>
Total health and welfare	<u>6,811,947</u>
Capital outlay	<u>24,818</u>
 Total expenditures	 <u>6,836,765</u>
 Excess of revenues over expenditures	 99,624
 Other financing sources	
Sale of fixed assets	<u>421</u>
 Net change in fund balance	 100,045
 Fund balance - beginning of year	 <u>2,386,075</u>
 Fund balance - end of year	 <u><u>\$ 2,486,120</u></u>

See Accompanying Notes to the Financial Statements

**Mid-Michigan District Health Department
Governmental Fund
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Fund to the Statement of Activities
For the Year Ended September 30, 2019**

Net change in fund balances - total governmental fund \$ 100,045

Total change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense	(62,985)
Sale of capital assets (net book value)	(28,006)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.

Charges for services	(12,413)
Financing lease	(97,620)

Expenses are recorded when incurred in the statement of activities.

Compensated absences	(11,736)
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The statement of net position reports the net pension liability and deferred outflows of resources and deferred inflows related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions.

Net change in net pension liability	(981,329)
Net change in the deferred inflows of resources related to the net pension liability	131,427
Net change in the deferred outflows of resources related to the net pension liability	1,024,274

The statement of net position reports the total OPEB liability and deferred outflows of resources and deferred inflows related to the total OPEB liability and OPEB expense. However, the amount recorded on the governmental funds equals actual OPEB contributions.

Net change in total OPEB liability	(7,639)
Net change in the deferred inflows of resources related to the total OPEB liability	(8,142)

Change in net position of governmental activities \$ 45,876

Mid-Michigan District Health Department
Notes to the Financial Statements
September 30, 2019

Note 1 - Summary of Significant Accounting Policies

Reporting entity

The Mid-Michigan District Health Department (the Department) is a joint venture between Montcalm, Gratiot and Clinton Counties, and was established to provide public health services.

The Board of Public Health is represented by and provides services to Montcalm, Gratiot and Clinton Counties. Each County provides annual appropriations. The current funding formula approved by the Board of Public Health requires Montcalm, Gratiot and Clinton Counties to provide approximately 36, 27, and 37 percent, respectively, of the total County appropriations. The percentages are calculated annually based on the formula in the intergovernmental agreement. In addition, the treasury function for the Department rests with the Montcalm County Treasurer.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government.

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. Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General appropriations and other items not properly included among program revenues are reported instead as *general revenues*. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all county appropriations.

Separate financial statements are provided for governmental funds. The Department only has one fund reported in the fund financial statements.

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*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Revenues susceptible to accrual include state and federal grants and interest income. Other revenues are not susceptible to accrual because generally they are not measurable until received in cash. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible 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 collected within 60 days of the end of the current fiscal period. Revenues related to grants are considered available if collected within 180 days due to the State of Michigan's slow payment. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The government reports the following major governmental fund:

The General Operating Fund is used to account for all financial resources of the Department, which includes expenditures primarily for specified health related purposes.

Mid-Michigan District Health Department
Notes to the Financial Statements
September 30, 2019

Assets, liabilities, and net position or equity

Cash – Cash is considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Cash on deposit with fiscal agent – Cash on deposit with the Montcalm County Treasurer.

Receivables – Receivables consist of amounts due from governmental units for various grant programs and accounts receivable for charges for services to clients and other organizations.

The Department has recognized the revenue related to charges for services at the time the services are performed and billed to the extent such amounts are estimated to be received. Contractual adjustments by third-party payers are treated as a reduction to revenues.

Inventories – Inventories are valued at cost, on a first-in, first-out basis. Donated vaccine inventory consists of vaccines received from the State of Michigan and is stated at fair value as of the date of donation. Vaccine inventory received from the State of Michigan that is on hand at year-end has been reported as unearned revenue. They are reported as expenditures at the time individual inventory items are used.

Prepaid items – Certain payments to vendors reflect costs applicable to future fiscal years. For such payments in governmental funds the Department follows the consumption method, and they therefore are capitalized as prepaid items in both government-wide and fund financial statements.

Capital assets – Capital assets are reported in the government-wide financial statements. Capital assets are defined by the Department as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed.

The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the Department values these capital assets at the estimated fair value of the item at the date of its donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

Equipment	5 - 20 years
Leasehold improvements	10 years

Deferred outflows of resources – The Department reports deferred outflows of resources as a result of pension earnings. This amount is the result of a difference between what the plan expected to earn from plan investments and what is actually earned. This amount will be amortized over the next four years and included in pension expense. Changes in assumptions and experience differences relating to the net pension liability and total OPEB liability are deferred and amortized over the expected remaining services lives of the employees and retirees in the plan. The Department also reported deferred outflows of resources for pension contributions made after the measurement date. This amount will reduce net pension liability in the following year.

Due to others – The Department serves as the fiduciary on monies that are to be used for specific purposes. For example, other agencies have provided funding for a dental center expansion. Until all of the funds are raised and the project begins, these funds could possibly be paid back to the other agencies.

Mid-Michigan District Health Department
Notes to the Financial Statements
September 30, 2019

Unearned revenue – The governmental fund reports unearned revenue in connection with resources that have been received but not yet earned. The Department records unearned revenue in connection with the inventory previously discussed.

Compensated absences – It is the Department’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Leave time is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

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

Other post-employment benefits (OPEB) – For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Deferred inflows of resources – A deferred inflow of resources is an acquisition of net position by the Department that is applicable to a future reporting period. For the governmental fund this includes unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period. The Department reports deferred inflows of resources as a result of pension earnings. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension expense. Changes in assumptions and experience differences relating to the net pension liability and total OPEB liability are deferred and amortized over the expected remaining services lives of the employees and retirees in the plan.

Fund Equity – In the fund financial statements fund balance is reported in the following categories:

Non-spendable – assets that are not available in a spendable form.

Restricted – amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.

Committed – amounts constrained on use imposed by the Department’s highest level of decision-making, its Board of Public Health. A fund balance commitment may be established, modified, or rescinded by a resolution of the Board of Public Health.

Assigned – amounts intended to be used for specific purposes, as determined by the Board of Public Health, the budget or finance committee, or delegated official. The Board of Public Health has not anyone the authority to assign funds.

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Unassigned – all other resources; the remaining fund balances after non-spendable, restrictions, commitments and assignments.

The following amounts have been committed for the general operating fund:

Equipment	\$ 489,494
Facility development	124,580
Self-insurance bonds	13,950
Retirement	323,830
Vacation and sick leave	285,989
Unemployment	55,000
Training	35,000
Behavioral Risk Factor Survey (BRFS)	11,522
Health insurance	160,000
OPEB liability	57,778
CHW program	400,000
	<u>\$ 1,957,143</u>

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Department's policy is to consider restricted funds spent first.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the Department's policy is to consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities, deferred inflows and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Adoption of New Accounting Standards

Statement No. 83, *Certain Asset Retirement Obligations* establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset.

Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* improves the information that is disclosed in notes to the financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities should be included when disclosing information related to debt. It requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. It will also require that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

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Upcoming Accounting and Reporting Changes

Statement No. 84, *Fiduciary Activities* improves the guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The focus of the criteria includes the following: (1) is the government controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally will report fiduciary activities that are not held in a trust or similar arrangement that meets specific criteria. The requirements of this Statement are effective for the fiscal year ending September 30, 2020.

Statement No. 87, *Leases* increases the usefulness of the financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee will be required to recognize a lease liability and an intangible right-to-use a lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about leasing activities. The requirements of this Statement are effective for the fiscal year ending September 30, 2021.

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. It requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reporting in a business-type activity or enterprise fund. Interest cost incurred before the end of a construction period should be recognized as an expenditure for financial statements prepared using the current financial resources measurement. The requirements of this Statement are effective for the fiscal year ending September 30, 2021.

Statement No. 90, *Majority Equity Interests* improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain components. This statement is effective for the year ending September 30, 2020.

Statement No. 91, *Conduit Debt Obligations* provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This statement is effective for the year ending September 30, 2022.

The Department is evaluating the impact that the above GASBs will have on its financial reporting.

Mid-Michigan District Health Department
Notes to the Financial Statements
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Note 2 - Budget Accountability

Budgetary information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Operating Fund. All annual appropriations lapse at fiscal year end. Any revisions that alter the total expenditures of an activity must be approved by the Board of Public Health.

Note 3 - Cash

At year end deposits were reported in the financial statements in the following categories:

	Cash and Cash Equivalents	Cash on Deposit with Fiscal Agent	Total
Governmental activities	\$ 23,534	\$ 3,375,814	\$ 3,399,348

The breakdown between deposits and investments is as follows:

Bank deposits (checking and savings accounts)	\$ 22,604
Cash on deposit with fiscal agent	3,375,814
Petty cash and cash on hand	930
	\$ 3,399,348

Interest rate risk – The Department does not have a formal investment policy to manage its exposure to fair value losses from changes in interest rates.

Credit risk – State statutes and the Department’s investment policy authorize the Department to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Department is allowed to invest in bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States. United States government or federal agency obligations; repurchase agreements; bankers acceptance of United States Banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Concentration of credit risk – The government has no policy that would limit the amount that may be issued in any one issuer.

Custodial credit risk – deposits – In the case of deposits, this is the risk that in the event of bank failure, the Department’s deposits may not be returned to it. The Department does not have a policy for custodial credit risk. As of year end, the bank deposits were not exposed to custodial credit risk. The cash on deposit with Montcalm County is part of the County pooled cash and investments. As a result, the insured and uninsured amounts related to these funds cannot be determined.

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Note 4 - Long-term Contracts Receivable

The Department entered into agreements on June 1, 2009 and February 1, 2011 with Michigan Community Dental Clinics, Inc. (MCDC) to lease office space and equipment and turnover the Department's dental services to MCDC. In return, MCDC is paying the Department a sum of money (\$561,600 and \$346,957) over a period of 10 years. The amounts attributable to these long-term contracts receivable have been recorded at the fund level as contracts receivable and deferred inflows of resources. The following is a summary of future annual revenue from MCDC for the remaining agreements:

Year Ending September 30,	Equipment Lease	Office Lease	Total
2020	\$ 12,000	\$ 23,600	\$ 35,600
2021	12,000	23,600	35,600
2022	5,000	9,833	14,833
	<u>\$ 29,000</u>	<u>\$ 57,033</u>	<u>\$ 86,033</u>

Note 5 - Capital Assets

Capital assets activity for the current year is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets being depreciated				
Equipment	\$ 1,072,296	\$ -	\$ 259,102	\$ 813,194
Leasehold improvements	208,496	-	188,765	19,731
Total capital assets being depreciated	<u>1,280,792</u>	<u>-</u>	<u>447,867</u>	<u>832,925</u>
Less accumulated depreciation for				
Equipment	764,490	61,255	240,533	585,212
Leasehold improvements	183,652	1,730	179,328	6,054
Total accumulated depreciation	<u>948,142</u>	<u>62,985</u>	<u>419,861</u>	<u>591,266</u>
Net capital assets being depreciated	<u>332,650</u>	<u>(62,985)</u>	<u>28,006</u>	<u>241,659</u>
Governmental activities capital assets, net	<u>\$ 332,650</u>	<u>\$ (62,985)</u>	<u>\$ 28,006</u>	<u>\$ 241,659</u>

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

Governmental activities	
Community health and education	\$ 25,090
Environmental health	9,023
Administration	<u>28,872</u>
Total governmental activities	<u><u>\$ 62,985</u></u>

Note 6 - Leases

Operating Leases

On June 2, 2011, the Department entered into a lease agreement with Clinton County to lease office space located in St. Johns, Michigan. The effective date of the new lease is October 1, 2011, until September 30, 2021. Total costs for this lease were \$20,100 for the year ended September 30, 2019. Michigan Community Dental Clinics, Inc. (MCDC) is a sub-lessee of the office space. MCDC pays the Department monthly, then the Department pays Clinton County. The future minimum lease payments for this lease are as follows:

Year Ending September 30,	
2020	\$ 20,100
2021	<u>20,100</u>
	<u><u>\$ 40,200</u></u>

Note 7 - Long-Term Debt

Long-term obligations include compensated absences. Compensated absences are liquidated with funds from the general operating fund. Compensated absences are a liability to the Department which are split between current and noncurrent liabilities within the government-wide financial statements based on an estimate of when they will be due and payable. Payments to employees for compensated absences are recorded as expenditures when they are used and payments are actually made to the employees at the fund level.

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Compensated absences	<u>\$ 290,641</u>	<u>\$ 392,899</u>	<u>\$ 381,163</u>	<u>\$ 302,377</u>	<u>\$ 302,377</u>

Note 8 - Risk Management

The Department is a voluntary member of the Michigan Municipal Risk Management Authority which is organized under Public Act 138 of 1982, as amended as a governmental group self-insurance pool. Public Act 138 authorizes local units of government to exercise jointly any power, privilege, or authority which each might exercise separately. The Authority administers a risk management fund providing the Department with loss protection for general liability, property damage, and losses due to crime. Settled claims relating to the insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

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The Department also carries commercial insurance for the risk of loss due to workers' compensation and healthcare professional liability claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

Note 9 - Employee Retirement and Benefit Systems

Defined benefit pension plan

Plan description – The Department participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer, statewide public employee defined benefit pension plan that covers all employees of the government. The plan was established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917 or on the web at <http://www.mersofmich.com>.

Benefits provided – Benefits provided include plans with multipliers ranging from 2.00% to 2.25%. Vesting periods range from 6 to 10 years. Normal retirement age is 60 with early retirement at 50 with 25 years of service or 55 with 15 years of service. Final average compensation is calculated based on 5 years. Member contributions range from 2.58% to 3.00%.

Employees covered by benefit terms – At the December 31, 2018 valuation date, the following employees were covered by benefit terms:

Inactive employees or beneficiaries currently receiving benefits	58
Inactive employees entitled to, but not yet receiving benefits	36
Active employees	68
	162

Contributions – The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees. Employer contributions range from 7.74% to 24.88% based on annual payroll for open divisions. There were no divisions closed to new hires as of December 31, 2018.

Net pension liability – The employer's net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

Actuarial assumptions – The total pension liability in the December 31, 2018 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement include: 1) Inflation 2.5%; 2) Salary increases 3.75% in the long-term; 3) Investment rate of return of 7.75%, net of investment expense, including inflation.

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

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Mortality rates used were based on the 2014 Group Annuity Mortality Table of a 50% male and 50% female blend. For disabled retirees, the regular mortality table is used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study.

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

Asset Class	Target Allocation	Target Allocation Gross Rate of Return	Long-term Expected Gross Rate of Return	Inflation Assumption	Long-term Expected Real Rate of Return
Global equity	55.50%	8.65%	4.80%	2.50%	3.41%
Global fixed income	18.50%	3.76%	0.70%	2.50%	0.23%
Real assets	13.50%	9.72%	1.31%	2.50%	0.97%
Diversifying strategies	12.50%	7.50%	0.94%	2.50%	0.64%
	<u>100.00%</u>		<u>7.75%</u>		<u>5.25%</u>

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

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September 30, 2019

Total Pension Liability	
Service cost	\$ 264,216
Interest on the total pension liability	900,338
Experience differences	(171,765)
Benefit payments and refunds	<u>(588,407)</u>
Net change in total pension liability	404,382
Total pension liability - beginning	<u>11,416,307</u>
Total pension liability - ending (a)	<u><u>\$ 11,820,689</u></u>
Plan Fiduciary Net Position	
Employer contributions	\$ 303,797
Employee contributions	91,929
Pension plan net investment loss	(366,071)
Benefit payments and refunds	(588,407)
Pension plan administrative expense	<u>(18,195)</u>
Net change in plan fiduciary net position	(576,947)
Plan fiduciary net position - beginning	<u>9,403,178</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 8,826,231</u></u>
Net pension liability (a-b)	<u><u>\$ 2,994,458</u></u>
Plan fiduciary net position as a percentage of total pension liability	74.67%
Covered payroll	\$ 3,080,999
Net pension liability as a percentage of covered payroll	97.19%

Sensitivity of the net pension liability to changes in the discount rate – The following presents the net pension liability of the employer, calculated using the discount rate of 8.0%, as well as what the employer’s net pension liability would be using a discount rate that is 1% point lower (7%) or 1% higher (9%) than the current rate.

	1% Decrease	Current Discount rate	1% Increase
Total pension liability	<u>\$ 13,263,589</u>	<u>\$ 11,820,689</u>	<u>\$ 10,606,616</u>
Fiduciary net position	<u>8,826,231</u>	<u>8,826,231</u>	<u>8,826,231</u>
Net pension liability	<u><u>\$ 4,437,358</u></u>	<u><u>\$ 2,994,458</u></u>	<u><u>\$ 1,780,385</u></u>

Mid-Michigan District Health Department
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Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions – For the year ended September 30, 2019 the employer recognized pension expense of \$598,745. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Amount to Amortize
Differences in experience	\$ 8,888	\$ (322,322)	\$ (313,434)
Differences in assumptions	99,686	-	99,686
Net difference between projected and actual earnings on plan investments	663,529	-	663,529
Contributions subsequent to the measurement date*	767,961	-	-
Total	\$ 1,540,064	\$ (322,322)	\$ 449,781

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the fiscal year ending 2020.

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

Year ended,	
2020	\$ 223,384
2021	(34,761)
2022	39,180
2023	221,978
	\$ 449,781

Note 10 - Other Post-employment Benefits

Plan description – The Department provides other post-employment benefits (OPEB) to non-union employees who retire at the minimum age of 60 and have at least 20 or more years of continuous service with the Department. The Board of Public Health is responsible for oversight of this Plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits provided – The Department will pay the annual amount equal to the single maximum hard cap under State of Michigan PA 152. Dependents are not eligible for any employer paid insurance and if coverage is elected for dependents, it will be 100% employee paid. Employees who do not meet the above stated criteria will not receive employer paid benefits upon retirement. Coverage ends at the earlier of a retiree attainment of age 65 or death.

Employees covered by benefit terms – At September 30, 2019, the plan membership consisted of the following:

Active employees	10
Inactive employees or beneficiaries currently receiving benefits	-
	10

The plan is closed to new employees.

Mid-Michigan District Health Department
Notes to the Financial Statements
September 30, 2019

Total OPEB liability – The total OPEB liability of \$181,169 was measured as of September 30, 2019 and was determined by an actuarial valuation as of that date.

Actuarial assumptions – The total OPEB liability was determined by an actuarial valuation as of September 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement.

Inflation	Implicit in expected payroll increases
Healthcare cost trend rates	Not applicable
Salary increases	3.50%
Investment rate of return	Not applicable, plan is not pre-funded

Mortality rates were based on the 2010 Public General Employees and Healthy Retirees mortality table, headcount weighted.

Discount Rate – The discount rate used to measure the total OPEB liability was 3.00%. Because the plan does not have a dedicated OPEB trust, there are not assets projected to be sufficient to make projected future benefit payments of current plan members. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits. From the year that benefit payments were not projected to be covered by the projected assets (the “depletion date”), projected benefits were discounted at a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield. A single equivalent discount rate that yields the same present value of benefits is calculated. This discount rate is used to determine the total OPEB Liability. The discount rate used for September 30, 2018 was 3.16%.

Changes in Total OPEB Liability

Total OPEB Liability	
Service cost	\$ 12,397
Interest on the total OPEB liability	5,578
Experience differences	(5,030)
Changes in actuarial assumptions	<u>(5,306)</u>
Net change in total OPEB liability	7,639
Total OPEB liability - beginning	173,530
Total OPEB liability - ending	<u><u>\$ 181,169</u></u>

Sensitivity of the total OPEB liability to changes in the discount rate – The following presents the total OPEB liability of the Department, as well as what the Department’s total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.0%) or 1% higher (4.0%) than the current discount rate.

	1% Decrease	Current Discount Rate	1% Increase
Total OPEB liability	<u>\$ 192,956</u>	<u>\$ 181,169</u>	<u>\$ 169,875</u>

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates – Because the plan provides a stipend and not health insurance, the medical trend is not applicable.

Mid-Michigan District Health Department
Notes to the Financial Statements
September 30, 2019

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB – For the year ended September 30, 2019 the employer recognized OPEB expense of \$15,781. The employer reported deferred inflows of resources related to OPEB from the following sources:

	Deferred Inflows of Resources
Differences in experience	\$ (10,443)
Differences in assumptions	(15,964)
Total	\$ (26,407)

Amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended September 30,		
2020	\$	(2,194)
2021		(2,194)
2022		(2,194)
2023		(2,194)
2024		(2,194)
Thereafter		(15,437)
	\$	(26,407)

Note 11 - Deferred Compensation Plan

The Department offers its employees deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plans, available to substantially all Department 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. The plans are administered through MetLife Resources, Royal Alliance, and Primary Shareholders Services.

Legislative changes made to 457 plans mandated that no later than January 1, 1999, all existing 457 plan assets must be held in a custodial account, trust, annuity contract for benefit of participants and their beneficiaries.

Once 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 beneficiary, and are not subject to the claims of public employees creditors nor can they be used by the public employee for any purpose other than the payment of benefits to these individuals participating in the plan or their designated beneficiaries. As of September 30, 1999, the Department had implemented changes to be in compliance with these requirements. As a result, the plan assets are not reported in the audited financial statements by the Department because the legislation eliminated the requirements that Section 457 plan assets legally remain the assets of the sponsoring government.

The Department also offers its employees a tax sheltered annuity plan created in accordance with Internal Revenue Code Section 403(b). The plan, available to substantially all Department employees, permits them to make pre-tax contributions into various investment options. The Department has obtained non-profit exemption status under Internal Revenue Code Section 501(c)(3) thus allowing them to create the 403(b) plan. The plan is administered through MetLife Resources.

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Note 12 - Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Department expects such amounts, if any, to be immaterial.

Note 13 - Subsequent Event

As a result of the global coronavirus pandemic of 2020, many organizations' financial picture has seen an unanticipated change. The duration and full effects of the outbreak are currently unknown, as the global picture continues to change daily. While management is hopeful that the impact is temporary in nature, it is not possible to estimate the effect this may have on the Organization. Accordingly, no adjustments to the financial statements were made as a result of this subsequent event.

Mid-Michigan District Health Department
Required Supplementary Information
Budgetary Comparison Schedule
General Operating Fund
For the Year Ended September 30, 2019

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
Revenues				
Licenses and permits	\$ 663,711	\$ 719,500	\$ 711,754	\$ (7,746)
Intergovernmental				
Federal and state	2,835,551	2,947,817	2,937,179	(10,638)
Local				
Other	578,480	475,000	844,118	369,118
County	1,386,528	1,386,783	1,379,885	(6,898)
Charges for services	671,522	1,001,300	992,126	(9,174)
Interest income	8,000	30,000	43,916	13,916
Other revenue	6,300	27,550	27,411	(139)
Sale of fixed assets	-	-	421	421
	<u>6,150,092</u>	<u>6,587,950</u>	<u>6,936,810</u>	<u>348,860</u>
Expenditures				
Health and welfare				
Salaries and wages	3,302,869	3,302,850	3,276,038	(26,812)
Fringe benefits	1,393,408	1,802,600	1,795,211	(7,389)
Supplies and materials	539,395	600,000	467,290	(132,710)
Contractual services	114,000	319,000	252,296	(66,704)
Communications	72,310	70,000	65,066	(4,934)
Travel and training	174,550	198,000	190,293	(7,707)
Insurance	32,000	36,000	36,187	187
Building and equipment lease and rentals	333,250	420,500	491,997	71,497
Printing and advertising	18,350	82,000	121,281	39,281
Postage	29,200	27,000	24,490	(2,510)
Other	59,060	54,500	91,798	37,298
Total health and welfare	<u>6,068,392</u>	<u>6,912,450</u>	<u>6,811,947</u>	<u>(100,503)</u>
Capital outlay	<u>81,700</u>	<u>78,000</u>	<u>24,818</u>	<u>(53,182)</u>
	<u>6,150,092</u>	<u>6,990,450</u>	<u>6,836,765</u>	<u>(153,685)</u>
Net change in fund balance	-	(402,500)	100,045	502,545
Fund balance - beginning of year	<u>2,386,075</u>	<u>2,386,075</u>	<u>2,386,075</u>	<u>-</u>
Fund balance - end of year	<u>\$ 2,386,075</u>	<u>\$ 1,983,575</u>	<u>\$ 2,486,120</u>	<u>\$ 502,545</u>

Mid-Michigan District Health Department
Required Supplementary Information
Municipal Employees Retirement System of Michigan
Schedule of Changes in Net Pension Liability and Related Ratios
September 30, 2019

Measurement date December 31,	2018	2017	2016	2015	2014
Total Pension Liability					
Service cost	\$ 264,216	\$ 269,282	\$ 281,687	\$ 277,353	\$ 257,983
Interest on the total pension liability	900,338	872,780	831,211	741,267	720,117
Experience differences	(171,765)	(252,527)	(104,954)	44,440	-
Changes in actuarial assumptions	-	-	-	498,434	-
Other changes	-	1	(1)	23,165	(1)
Benefit payments and refunds	(588,407)	(496,671)	(467,601)	(457,449)	(443,826)
Net change in total pension liability	404,382	392,865	540,342	1,127,210	534,273
Total pension liability - beginning	11,416,307	11,023,442	10,483,100	9,355,890	8,821,617
Total pension liability - ending (a)	<u>\$ 11,820,689</u>	<u>\$ 11,416,307</u>	<u>\$ 11,023,442</u>	<u>\$ 10,483,100</u>	<u>\$ 9,355,890</u>
Plan Fiduciary Net Position					
Employer contributions	\$ 303,797	\$ 281,778	\$ 266,008	\$ 252,936	\$ 251,231
Employee contributions	91,929	94,936	95,221	92,676	87,771
Pension plan net investment income (loss)	(366,071)	1,115,288	873,830	(119,126)	477,547
Benefit payments and refunds	(588,407)	(496,671)	(467,601)	(457,449)	(443,826)
Pension plan administrative expense	(18,195)	(17,650)	(17,243)	(17,344)	(17,561)
Net change in plan fiduciary net position	(576,947)	977,681	750,215	(248,307)	355,162
Plan fiduciary net position - beginning	9,403,178	8,425,497	7,675,282	7,923,589	7,568,427
Plan fiduciary net position - ending (b)	<u>\$ 8,826,231</u>	<u>\$ 9,403,178</u>	<u>\$ 8,425,497</u>	<u>\$ 7,675,282</u>	<u>\$ 7,923,589</u>
Net pension liability (a-b)	<u>\$ 2,994,458</u>	<u>\$ 2,013,129</u>	<u>\$ 2,597,945</u>	<u>\$ 2,807,818</u>	<u>\$ 1,432,301</u>
Plan fiduciary net position as a percentage of total pension liability	74.67%	82.37%	76.43%	73.22%	84.69%
Covered payroll	\$ 3,080,999	\$ 3,148,825	\$ 3,273,595	\$ 3,271,621	\$ 3,042,883
Net pension liability as a percentage of covered payroll	97.19%	63.93%	79.36%	85.82%	47.07%

*GASB Statement No. 68 was implemented for the fiscal year ended September 30, 2015 and does not require retroactive implementation. Data will be added as information is available until 10 years of such data is available.

**Mid-Michigan District Health Department
Required Supplementary Information
Municipal Employees Retirement System of Michigan
Schedule of Employer Contributions
September 30, 2019**

Fiscal Year Ending September 30,	Annual Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2010	\$ 223,631	\$ 223,631	\$ -	\$ 2,785,928	8.03%
2011	204,670	204,670	-	2,858,466	7.16%
2012	213,261	213,261	-	2,735,992	7.79%
2013	414,440	198,313	216,127	2,904,165	6.83%
2014	219,406	219,406	-	2,919,078	7.52%
2015	251,230	251,230	-	3,149,934	7.98%
2016	252,937	252,937	-	3,410,816	7.42%
2017	266,008	266,008	-	3,263,521	8.15%
2018	281,778	281,778	-	3,193,159	8.82%
2019	301,786	303,797	(2,011)	3,200,079	9.49%

Notes: Actuarially determined contribution amounts are calculated as of December 31 each year, which is 21 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal cost
Amortization method	Level percentage, open
Remaining amortization period	20
Asset valuation method	5-year smoothed value of assets
Inflation	2.50%
Salary increases	3.75%
Investment rate of return	7.75%, net of investment expense
Retirement age	60
Mortality	RP-2014 Healthy Annuitant Mortality Tables - 50% male and 50% female blend RP-2014 Employee Mortality Tables - 50% male and 50% female blend RP-2014 Juvenile Mortality Tables - 50% male and 50% female blend RP-2014 Disabled Retiree Mortality Tables - 50% male and 50% female blend

Mid-Michigan District Health Department
Required Supplementary Information
Other Post Employment Benefits
Schedule of Changes in Total OPEB Liability and Related Ratios
September 30, 2019

Fiscal year ended September 30,	2019	2018
Total OPEB Liability		
Service cost	\$ 12,397	\$ 11,933
Interest on the total OPEB liability	5,578	5,919
Experience differences	(5,030)	(6,768)
Changes in actuarial assumptions	(5,306)	(12,933)
Net change in total OPEB liability	7,639	(1,849)
Total OPEB liability - beginning	173,530	175,379
Total OPEB liability - ending	<u>\$ 181,169</u>	<u>\$ 173,530</u>
Plan fiduciary net position as a percentage of total OPEB liability	- %	- %
Covered payroll	N/A	\$ 572,784
Net OPEB liability as a percentage of covered payroll	N/A	30.30%

*GASB Statement No. 75 was implemented for the fiscal year ended September 30, 2018 and does not require retroactive implementation. Data will be added as information is available until 10 years of such data is available.

**Mid-Michigan District Health Department
Required Supplementary Information
Other Post Employment Benefits
Schedule of Employer Contributions
September 30, 2019**

Fiscal Year Ending September 30,	Annual Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2018	\$ 27,500	\$ -	\$ 27,500	\$ 572,784	- %
2019	27,305	-	27,305	N/A	N/A

Notes to Schedule of Contributions

Valuation Date: September 30, 2019

Notes: Actuarially determined contribution amounts are calculated as of September 30 each year, which is 12 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal (level percentage of compensation)
Amortization method	Level dollar
Remaining amortization period	15 years
Asset valuation method	Not applicable, plan is not pre-funded
Inflation	Implicit in expected payroll increases
Healthcare cost trend rates	Not applicable
Salary increases	3.50%
Investment rate of return	Not applicable, plan is not pre-funded
Retirement age	60
Mortality	2010 Public General Employees and Healthy Retirees, Headcount weighted