

**FINAL OFFICIAL STATEMENT DATED SEPTEMBER 21, 2017**

**NEW ISSUE**

**Rating: Standard & Poor's: AA**

*Subject to compliance by the District with certain tax-related covenants, in the opinion of Clark Hill PLC, Bond Counsel, under present law (i) interest on the Bonds is excluded from gross income of the owners of the Bonds for federal income tax purposes, but must be taken into account in computing the alternative minimum tax imposed on certain corporations, as more fully described under the heading "Tax Matters" herein, and (ii) the Bonds and interest thereon are exempt from all taxation provided by the laws of the State of Michigan except inheritance taxes and estate taxes and taxes on gains realized from the sale, payment or other disposition of the Bonds.*

**\$2,125,000**  
**LIGHTHOUSE CREEK DRAIN #298 DRAINAGE DISTRICT**  
**Berrien County, Michigan**  
**LIGHTHOUSE CREEK DRAIN #298 DRAINAGE DISTRICT,**  
**DRAIN BONDS, SERIES 2017**

**DATED:** OCTOBER 1, 2017

**GENERAL OBLIGATION LIMITED TAX BONDS**

**QUALIFIED TAX-**

**EXEMPT OBLIGATIONS**

**REGISTRATION:** Book entry only system

**INTEREST:** Paid from October 1, 2017 - 1st Paid June 1, 2018 - Semi-Annually Thereafter

**REGISTRAR, TRANSFER and PAYING AGENT:** The Huntington National Bank, Grand Rapids, Michigan

**DENOMINATIONS:** \$5,000 or a Multiple of \$5,000, Numbered From 1 Upwards

**AUTHORITY:** Act No. 40, Public Acts of Michigan, 1956, as amended and

**REDEMPTION PROVISIONS:** Maturities on June 1, 2024 or Prior - Non-Callable

Maturities on June 1, 2025 or After as follows:

Bonds called for redemption on or after June 1, 2024 shall be redeemed at par.

**PURPOSE AND SECURITY:** See "Security for the Bonds" and "Description of the Bonds" herein.

**BOOK ENTRY CUSTODIAL DEPOSITORY:** Depository Trust Company, New York, N.Y.

THE ABILITY OF THE COUNTY OF BERRIEN TO FULLFILL ITS  
FULL FAITH AND CREDIT PLEDGE IS SUBJECT TO CONSTITUTIONAL AND STATUTORY  
LIMITATIONS ON THE TAXING POWERS OF THE COUNTY.

**MATURITY SCHEDULE**

(CUSIP information on back of cover)

**\$675,000 Serial Bonds**

<b>Due</b>	<b>June 1</b>	<b>Amount</b>	<b>Rate</b>	<b>Yield</b>	<b>Due</b>	<b>June 1</b>	<b>Amount</b>	<b>Rate</b>	<b>Yield</b>	<b>Due</b>	<b>June 1</b>	<b>Amount</b>	<b>Rate</b>	<b>Yield</b>
2018		\$60,000	2.00%	1.00%	2021		\$85,000	2.00%	1.40%	2024		\$95,000	2.00%	1.85%
2019		80,000	2.00	1.10	2022		85,000	2.00	1.55	2025*		95,000	2.00	2.00
2020		85,000	2.00	1.25	2023		90,000	2.00	1.70					

**\$1,450,000 Term Bonds \*\***

\$200,000 - 3.00% Term Bonds due June 1, 2027\* - Yield: 2.20%  
\$215,000 - 3.00% Term Bonds due June 1, 2029\* - Yield: 2.45%  
\$235,000 - 3.00% Term Bonds due June 1, 2031\* - Yield: 2.70%  
\$245,000 - 3.00% Term Bonds due June 1, 2033\* - Yield: 2.90%  
\$265,000 - 3.00% Term Bonds due June 1, 2035\* - Yield: 3.05%  
\$290,000 - 3.00% Term Bonds due June 1, 2037\* - Yield: 3.15%

\* Callable-See "Description of the Bonds-Prior Redemption" herein.

\*\* Subject to Mandatory Redemption-See "Description of the Bonds-Serial Bonds and Term Bonds" herein.

Information prepared in cooperation with:

**BRETE. WITKOWSKI**  
County Treasurer

**Bond Counsel:**  
**CLARK HILL PLC**  
Detroit, Michigan

**CHRISTOPHER J. QUATTRIN**  
Drain Commissioner

**Underwriter:**  
**BAIRD**

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A  
SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION  
ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

**MUNICIPAL FINANCIAL CONSULTANTS INCORPORATED**  
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Detroit, Michigan 48226  
Phone: 313-330-9696 or 313-408-5990

**\$2,125,000**  
**LIGHTHOUSE CREEK DRAIN #298 DRAINAGE DISTRICT**  
**Berrien County, Michigan**  
**LIGHTHOUSE CREEK DRAIN #298 DRAINAGE DISTRICT,**  
**DRAIN BONDS, SERIES 2017**

**CUSIP NUMBERS**

<b><u>Principal</u></b>	<b><u>Maturity (June 1)</u></b>	<b><u>CUSIP * (53226H)</u></b>
\$ 60,000	2018	AA7
80,000	2019	AB5
85,000	2020	AC3
85,000	2021	AD1
85,000	2022	AE9
90,000	2023	AF6
95,000	2024	AG4
95,000	2025	AH2
200,000	2027**	AJ8
215,000	2029***	AK5
235,000	2031****	AL3
245,000	2033*****	AM1
265,000	2035*****	AN9
290,000	2037*****	AP4

\*\* Term Bonds, \*\*\*Term Bonds, \*\*\*\*Term Bonds, \*\*\*\*\*Term Bonds, \*\*\*\*\*Term Bonds, \*\*\*\*\*Term Bonds

\* Copyright 2014, American Bankers Association. CUSIP data herein is provided by Standard and Poor's CUSIP Service Bureau, a division of the McGraw Hill Companies, Inc. The District shall not be responsible for the selection of CUSIP numbers, nor any representation made as to their correctness on the Bonds or as indicated above.

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NO DEALER, BROKER, SALESMAN OR OTHER PERSON HAS BEEN AUTHORIZED BY THE LIGHTHOUSE CREEK DRAIN #298 DRAINAGE DISTRICT OR THE COUNTY OF BERRIEN TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION OTHER THAN AS CONTAINED IN THIS OFFICIAL STATEMENT, AND IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE DISTRICT OR THE COUNTY.

THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT HAS BEEN PREPARED FROM SOURCES WHICH ARE DEEMED TO BE RELIABLE, BUT IS NOT GUARANTEED AS TO ACCURACY OR COMPLETENESS.

THE INFORMATION AND EXPRESSIONS OF OPINION IN THIS OFFICIAL STATEMENT ARE SUBJECT TO CHANGE WITHOUT NOTICE AND NEITHER THE DELIVERY OF THE OFFICIAL STATEMENT NOR ANY SALE MADE UNDER IT SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE DISTRICT OR THE COUNTY SINCE THE DATE OF THIS OFFICIAL STATEMENT.

**OFFICIAL STATEMENT**  
**\$2,125,000**  
**LIGHTHOUSE CREEK DRAIN #298 DRAINAGE DISTRICT**  
**BERRIEN COUNTY, MICHIGAN**  
**LIGHTHOUSE CREEK DRAIN #298 DRAINAGE DISTRICT,**  
**DRAIN BONDS, SERIES 2017**

The purpose of this Official Statement is to set forth information concerning the County of Berrien (the "County") in connection with the sale by the Lighthouse Creek Drain #298 Drainage District, Berrien County, Michigan (the "District") of its Lighthouse Creek Drain #298 Drainage District, Drain Bonds, Series 2017 (the "Bonds") issued to make improvements to the Lighthouse Creek Drain #298 serving benefited properties located within the District, the City of New Buffalo and the Township of New Buffalo (the "Municipalities"), the County Road Commission, the CSX Railroad and the County (the "Project"). This Official Statement has been prepared in connection with the sale of the Bonds and for the information of those who initially become holders of the Bonds. Information summarized on the cover page is part of this Official Statement.

**DESCRIPTION OF THE BONDS**

The Bonds, aggregating the principal sum of \$2,125,000, shall be known as "Lighthouse Creek Drain #298 Drainage District, Drain Bonds, Series 2017" and shall be dated October 1, 2017. The Bonds shall be fully registered bonds, both as to principal and interest, in any one or more denominations of \$5,000 or a multiple of \$5,000 numbered from 1 upwards. The Bonds shall mature on June 1, 2018 and each June 1 thereafter as provided on the cover page of this Official Statement.

**Qualification Under Section 265(b)(3)**  
**of the Internal Revenue Code of 1986**

The Bonds have been designated by the District as "Qualified Tax-Exempt Obligations" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986.

**Interest Payment and Interest Rate**

The Bonds shall bear interest payable June 1, 2018 and semi-annually thereafter on each December 1 and June 1, until maturity, with interest rates not exceeding 6% per annum. Interest shall be paid by check or draft mailed to the registered owner of each Bond as of the applicable date of record.

## **Serial Bonds and Term Bonds**

Any bonds maturing in the years 2018 through 2025 are serial bonds. Any bond maturing in the year 2027, 2029, 2031, 2033, 2035 and 2037 is a term bond at 3.00%, 3.00%, 3.00%, 3.00%, 3.00%, and 3.00%, respectively. Principal maturities designated as term bonds are subject to mandatory redemption, in part, by lot, at par and accrued interest on June 1st of the years set forth hereafter. The amounts of the maturities that are now designated as term bonds and the amounts which must be paid as determined by mandatory redemption, by lot, are as follows:

<u>Year</u>	<u>Mandatory Redemption Annual Amounts</u>	<u>Year</u>	<u>Mandatory Redemption Annual Amounts</u>
2026	\$100,000	2028	\$105,000
2027	100,000	2029	110,000
<b>Total Amount of Term Bonds</b>	<b>\$200,000</b>		<b>\$215,000</b>

<u>Year</u>	<u>Mandatory Redemption Annual Amounts</u>	<u>Year</u>	<u>Mandatory Redemption Annual Amounts</u>
2030	\$115,000	2032	\$120,000
2031	120,000	2033	125,000
<b>Total Amount of Term Bonds</b>	<b>\$235,000</b>		<b>\$245,000</b>

<u>Year</u>	<u>Mandatory Redemption Annual Amounts</u>	<u>Year</u>	<u>Mandatory Redemption Annual Amounts</u>
2034	\$130,000	2036	\$140,000
2035	135,000	2037	150,000
<b>Total Amount of Term Bonds</b>	<b>\$265,000</b>		<b>\$290,000</b>

## **Paying Agent and Bond Registrar**

The Huntington National Bank, Grand Rapids, Michigan has been selected as bond registrar and paying agent (the "Bond Registrar") for the Bonds. The Bond Registrar will keep records of the registered holders of the Bonds, serve as transfer agent for the Bonds, authenticate the original and any re-issued Bonds and will pay principal and interest to the registered holders of the Bonds as shown on the registration books of the District maintained by the Bond Registrar on the applicable date of record. The principal of each Bond will be paid when due upon presentation and surrender thereof to the Bond Registrar. The date of record shall be the 15th day of the month before such payment is due.

## **Book-Entry-Only**

The Depository Trust Company, New York, New York ("DTC"), will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name

of Cede & Co. (DTC's partnership nominee). One fully registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE BONDS AS NOMINEE OF DTC, REFERENCES HEREIN TO THE BONDHOLDERS, HOLDERS OR REGISTERED OWNERS OF THE BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations ("Direct Participants"). DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual

Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments made by or on behalf of the District to DTC or its nominee shall satisfy the District's obligations under the Bond Resolution to the extent of the payments so made.

Principal and interest payments on the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on a payment date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on such payment date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the Bond Registrar, or the District subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the District or the Bond Registrar, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the District or the Bond Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.



The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered. THE INFORMATION IN THIS SECTION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE DISTRICT BELIEVES TO BE RELIABLE, BUT NEITHER THE DISTRICT, BOND COUNSEL, FINANCIAL ADVISOR NOR THE UNDERWRITERS ASSUME ANY RESPONSIBILITY FOR THE ACCURACY THEREOF.

THE DISTRICT AND THE DISTRICT'S BOND COUNSEL OR FINANCIAL ADVISOR, THE UNDERWRITERS AND THE BOND REGISTRAR CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC, THE DIRECT PARTICIPANTS OR THE INDIRECT PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE BONDS (i) PAYMENTS OF PRINCIPAL OF OR INTEREST AND PREMIUM, IF ANY, ON THE BONDS (ii) ANY DOCUMENT REPRESENTING OR CONFIRMING BENEFICIAL OWNERSHIP INTERESTS IN BONDS, OR (iii) REDEMPTION OR OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS NOMINEE, AS THE REGISTERED OWNER OF THE BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT. THE CURRENT "RULES" APPLICABLE TO DTC ARE ON FILE WITH THE SECURITIES AND EXCHANGE COMMISSION AND THE CURRENT "PROCEDURES" OF DTC TO BE FOLLOWED IN DEALING WITH THE PARTICIPANTS ARE ON FILE WITH DTC.

NEITHER THE DISTRICT, THE UNDERWRITERS NOR THE BOND REGISTRAR WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR ANY BENEFICIAL OWNER OF ANY OTHER PERSON WITH RESPECT TO: (1) THE BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (3) THE PAYMENT BY DTC TO ANY PARTICIPANT, OR BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT TO ANY BENEFICIAL OWNER OF ANY AMOUNT DUE WITH RESPECT TO THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS; (4) THE DELIVERY BY DTC TO ANY PARTICIPANT, OR BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT TO ANY BENEFICIAL OWNER OF ANY NOTICE WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE RESOLUTION TO BE GIVEN TO BONDHOLDERS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; (6) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

#### Discontinuation of Book-Entry-Only System

DTC may determine to discontinue providing its service with respect to the Bonds at any time by giving notice to the District and the Bond Registrar and discharging its responsibilities with respect thereto under applicable law. Upon the giving of such notice, the Bond Registrar shall attempt to have established a securities depository/book-entry system relationship with another qualified depository. If the Bond Registrar does not or is

unable to do so, the book-entry-only system shall be discontinued.

#### Transfer Outside Book-Entry-Only System

In the event the book-entry-only system is discontinued, the following provisions would apply to the Bonds. The Bond Registrar shall keep the registration books for the Bonds (the "Bond Register") at its corporate trust office. Subject to the further conditions contained in the Resolution, the Bonds may be transferred or exchanged for one or more Bonds in different authorized denominations upon surrender thereof at the corporate trust office of the Bond Registrar by the registered owners or their duly authorized attorneys; upon surrender of any Bonds to be transferred or exchanged, the Bond Registrar shall record the transfer or exchange in the Bond Register and shall authenticate replacement bonds in authorized denominations; during the 15 days immediately preceding the date of mailing ("Record Date") of any notice of redemption or any time following the mailing of any notice of redemption, the Bond Registrar shall not be required to effect or register any transfer or exchange of any Bond which has been selected for such redemption, except the Bonds properly surrendered for partial redemption may be exchanged for new Bonds in authorized denominations equal in the aggregate to the unredeemed portion; the District and Bond Registrar shall be entitled to treat the registered owners of the Bonds, as their names appear in the Bond Register as of the appropriate dates, as the owner of such Bonds for all purposes under the Resolution. No transfer or exchange made other than as described above and in the Resolution shall be valid or effective for any purposes under the Resolution.

#### **Prior Redemption**

Bonds maturing prior to June 1, 2025 shall not be subject to redemption prior to maturity. Bonds maturing on or after June 1, 2025 shall be subject to redemption prior to maturity at the option of the District, in any order, in whole or in part on any date on or after June 1, 2024. Bonds called for redemption shall be redeemed at par, plus accrued interest to the date fixed for redemption.

With respect to partial redemptions, any portion of a bond outstanding in a denomination larger than the minimum authorized denomination may be redeemed provided such portion as well as the amount not being redeemed constitute authorized denominations. In the event that less than the entire principal amount of a bond is called for redemption, upon surrender of the Bond to the Bond Registrar, the Bond Registrar shall authenticate and deliver to the registered owner of the Bond a new bond in the principal amount of the principal portion not redeemed.

Notice of redemption shall be sent to the registered holder of each bond being redeemed by first class mail at least thirty (30) days prior to the date fixed for redemption, which notice shall fix the date of record with respect to the redemption, if different than otherwise provided in the resolution authorizing the issuance of the bonds. Any defect in such notice shall not affect the validity of the redemption proceedings. Bonds so called for redemption shall not bear interest after the date fixed for redemption, provided funds are on hand with the Bond Registrar to redeem the same.

### **Transfer or Exchange of Bonds**

Any Bond shall be transferable on the bond register maintained by the Bond Registrar with respect to the Bonds upon the surrender of the Bond to the Bond Registrar together with an assignment executed by the registered owner or his or her duly authorized attorney in form satisfactory to the Bond Registrar. Upon receipt of a properly assigned Bond the Bond Registrar shall authenticate and deliver a new Bond or Bonds in equal aggregate principal amount and like interest rate and maturity to the designated transferee or transferees.

Bonds may likewise be exchanged for one or more other Bonds with the same interest rate and maturity in authorized denominations aggregating the same principal amount as the Bond or Bonds being exchanged. Such exchange shall be effected by surrender of the Bond to be exchanged to the Bond Registrar with written instructions signed by the registered owner of the Bond or his or her attorney in form satisfactory to the Bond Registrar. Upon receipt of a Bond with proper written instructions the Bond Registrar shall authenticate and deliver a new Bond or Bonds to the registered owner of the Bond or his or her properly designated transferee or transferees or attorney.

The Bond Registrar is not required to honor any transfer or exchange of Bonds or portions thereof that have been called for redemption. Any service charge made by the Bond Registrar for any such registration, transfer or exchange shall be paid for by the District, unless otherwise agreed by the District and the Bond Registrar. The Bond Registrar may, however, require payment by a bondholder of a sum sufficient to cover any tax or other governmental charge payable in connection with any such registration, transfer or exchange.

### **CUSIP Numbers**

CUSIP numbers will be imprinted on all Bonds of this issue at the District's expense. Neither the failure to print numbers nor any improperly printed number shall constitute cause for the purchaser to refuse to accept delivery. The purchaser shall be

responsible for requesting assignment of numbers and for the payment of any charges for the assignment of numbers.

### **SECURITY FOR THE BONDS**

The Bonds are being issued pursuant to Act No. 40, Public Acts of Michigan, 1956, as amended ("Act 40") to defray a portion of the cost of the Project serving the benefited properties located in the District, which is located in the City of New Buffalo and the Township of New Buffalo (the "Municipalities") located in the County. The Bonds are to be issued in anticipation of, and are primarily payable from, the collection of assessments made against the County, the Municipalities, the Road Commission, the State of Michigan, the CSX Railroad and specially benefited properties in the District in an amount equal to the principal of and interest on the Bonds. The full faith and credit of the District (which has no taxing power) and the County has been pledged for the making of such payments. In case of any deficiency in the assessments to be made to pay the principal of and interest on the Bonds as and when due, the County shall pay the amount of such deficiency out of its general funds and, if necessary, shall levy ad valorem taxes for such purpose against all taxable property within its limits. HOWEVER, THE ABILITY OF THE DISTRICT AND THE COUNTY TO RAISE FUNDS WITH WHICH TO MEET SUCH PLEDGE IS SUBJECT TO APPLICABLE CONSTITUTIONAL AND STATUTORY LIMITATIONS.

### **Drain Assessments**

The District has apportioned the percentage of the collection of drain assessments (the "Drain Assessments") against property owners in the District, the Municipalities, the Road Commission, the CSX Railroad, the State and the County at large for the project and for the payment of the principal of and interest on the Bonds set forth below issued for such construction costs, engineering expenses, legal fees, bond counsel and miscellaneous expenses in the following manner:

<b><u>Entities Responsible for Paying Part of Costs</u></b>	<b><u>Percentage of Cost</u></b>
<b>City of New Buffalo at large for Public Health Benefits</b>	<b>44.80%</b>
<b>Township of New Buffalo at large for Public Health Benefits</b>	<b>8.00%</b>
<b>COUNTY OF BERRIEN at large for Highway Drainage</b>	<b>8.26%</b>
<b>Berrien County Road Commission at large for Highway Drainage</b>	<b>1.74%</b>

State of Michigan at large for Highway Drainage	1.81%
CSX Railroad	1.65%
Benefited Property Owners	<u>33.74%</u>
	100.00%

The Drain Assessments are to be spread over a period of 20 years beginning on December 1, 2017 with the total amount due for said period of \$2,655,000.

#### DESCRIPTION OF THE PROJECT

##### Project Description

Construction of the Lighthouse Creek Drain #298 shall include construction and installation of road crossings, storm sewers, and drain tiles, open drain excavation, placement of boulders and riprap, headwall construction, storm sewer installation, sanitary sewer installation, watermain installation, pavement repair, site clearing, restoration, etc. as shown on the Drawings and described in the Specifications prepared by Spicer Group Inc.

##### Project Cost Estimates

Total Project Costs (including Project Construction Costs which include Engineering, Contingency, Capitalized Interest, Financing Costs, Bond Discount & Project Contingency)	\$2,655,000
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<b>Total Bond Size</b>	<b><u>\$2,125,000</u></b>
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#### CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with SEC Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities and Exchange Act of 1934 (the "Rule"), the District and the County will, pursuant to resolutions adopted by their governing bodies, enter into undertakings (the "Undertakings") for the benefit of beneficial owners of the Bonds to provide certain financial information and operating data relating to the District and the County to certain information repositories annually, and to provide notices of the occurrence of certain events enumerated in the Rule to certain information repositories or the Municipal Securities Rulemaking Board and to any state information depository. The details and terms of the Undertakings, as well as the information to be contained in the annual report or the notices of material events, are set forth in the Continuing Disclosure Certificates to be executed and delivered by the District and the County at the time the Bonds are delivered. Such Certificates will be in

substantially the forms attached hereto as Appendices A and B. A failure by the District or the County to comply with the Undertakings will not constitute an event of default on the Bonds (although holders will have any available remedy at law or in equity). Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

#### **Past Failures to File**

The County of Berrien failed to file via EMMA its required continuing disclosures for the years 2009 through 2013. The County had been using the old system of filing via the mail and only received a letter regarding the fact that this type of filing was outdated in 2014.

All of County's required continuing disclosures for the years 2009 through 2013 were filed as of August 29, 2014. The County's continuing disclosure for the year 2014, as well as the Notice of Material Event - Failure to File an Event Filing, was filed on August 14, 2015.

The County has subsequently hired Municipal Financial Consultants Incorporated to file all of their future continuing disclosures with EMMA.

The District has no outstanding bond issues, prior to these Bonds, which required continuing disclosure.

#### **SEC SETTLEMENT TERMS**

Due to the County's above-noted continuing disclosure failings, the County has consented to an order dated August 24, 2016 (the "Order") with the Securities and Exchange Commission regarding the County's violation of Section 17(a)(2) of the Securities Act. As a condition of the Order, the terms of the Order are required to be included in the Official Statement of any offering by the County within five years of the date of the Settlement. Accordingly, key provisions of the Order which apply to the County are described in Appendix C attached hereto. A signed copy will be available upon request from Meredith A. Shanle at Municipal Financial Consultants Incorporated, phone 313-408-5990 or e-mail [merediths@mfcinc.com](mailto:merediths@mfcinc.com).

## BOND RATING

### Standard & Poor's

The District has received a municipal bond rating of **AA** from Standard & Poor's Ratings Services. The District furnished to such rating agency certain materials and information in addition to that provided herein. Generally, rating agencies base their ratings on such information and materials and investigations, studies and assumptions made by the rating agencies. There is no assurance that such rating will prevail for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

The definitions of a rating furnished by Standard & Poor's Ratings Services are as follows:

- |              |  |
|--------------|--|
| <b>AAA</b>   | Debt rated "AAA" has the highest rating to a debt obligation. Capacity to pay interest and repay principal is extremely strong.  |
| <b>AA</b>    | Debt rated "AA" has a very strong capacity to pay interest and repay principal and differs from the higher rated issues only in small degree.  |
| <b>A</b>     | Debt rated "A" has a strong capacity to pay interest and repay principal although it is somewhat more susceptible to the adverse effects of changes of circumstances and economic conditions than in debt in higher rated categories.  |
| <b>BBB</b>   | Debt rated "BBB" is regarded as having an adequate capacity to pay interest and repay principal. Whereas it normally exhibits adequate protection parameters, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to pay interest and repay principal for debt in this category than in higher debt rated categories.   |
| <b>BB-CC</b> | Debt rated "BB", "B", "CCC or "CC" is regarded, on balance, as predominantly speculative with respect to capacity to pay interest and repay principal in accordance with the terms of the obligation. "BB" indicates the lowest degree of speculation and "CC" the highest degree of speculation. While such debt will likely have some quality and protective characteristics, these are outweighed by large uncertainties or major risk exposures to adverse conditions. |

- C        This rating is reserved for income bonds on which no interest is being paid.
- D        Debt rated "D" is in default, and payment of interest and/or repayment of principal is in arrears.

Plus (+) or minus (-): The ratings "AA" to "BBB" may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories.

## **TAX MATTERS**

### **General**

In the opinion of Clark Hill PLC, Detroit, Michigan ("Bond Counsel") based on its examination of the documents described in its opinion, under existing law, the interest on the Bonds (a) is excluded from gross income for federal income tax purposes, and (b) is not an item of tax preference and is not taken into account in determining adjusted current earnings for purposes of the federal alternative minimum tax imposed on individuals and corporations. The opinion set forth in clause (a) above is subject to the condition that the Authority comply with all requirements of the Internal Revenue Code of 1986, as amended (the "**Code**"), that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excluded from gross income for federal income tax purposes. Failure to comply with such requirements could cause the interest on the Bonds to be included in gross income retroactive to the date of issuance of the Bonds. The Authority has covenanted to comply with all such requirements. Bond Counsel will express no opinion regarding other federal tax consequences arising with respect to the Bonds and the interest thereon.

Prospective purchasers of the Bonds should be aware that (i) interest on the Bonds is included in the effectively connected earnings and profits of certain foreign corporations for purposes of calculating the branch profits tax imposed by Section 884 of the Code, (ii) interest on the Bonds may be subject to a tax on excess net passive income of certain S corporations imposed by Section 1375 of the Code, (iii) interest on the Bonds is included in the calculation of modified adjusted gross income for purposes of determining taxability of social security or railroad retirement benefits, (iv) the receipt of interest on the Bonds by life insurance companies may affect the federal tax liability of such companies, (v) in the case of property and casualty insurance companies, the amount of certain loss deductions otherwise allowed is reduced by a specific percentage of, among other things, interest on the Bonds, (vi) holders acquiring the Bonds subsequent to initial issuance will generally be required to treat market discount recognized under Section 1276 of the Code as ordinary taxable income, (vii) the receipt or accrual of



interest on the Bonds may cause disallowance of the earned income credit under Section 32 of the Code, (viii) interest on the Bonds is subject to backup withholding under Section 3406 of the Code in the case of registered owners that have not reported a taxpayer identification number and are not otherwise exempt from backup withholding, and (ix) registered owners of the Bonds may not deduct interest on indebtedness incurred or continued to purchase or carry the Bonds, and financial institutions may not deduct that portion of their interest expense allocated to interest on the Bonds.

In the opinion of Bond Counsel, based on its examination of the documents described in its opinion, under existing law, the Bonds and the interest thereon are exempt from all taxation by the State of Michigan or a political subdivision thereof, except estate taxes and taxes on gains realized from the sale, payment or other disposition thereof.

#### **Tax Treatment of Accruals on Original Issue Discount Bonds**

For federal income tax purposes, the difference between the initial offering prices to the public (excluding bond houses and brokers) at which a substantial amount of the Bonds initially sold at a discount as shown on the cover page hereof (the "**OID Bonds**") is sold and the amount payable at the stated redemption price at maturity thereof constitutes "original issue discount." Such discount is treated as interest excluded from federal gross income to the extent properly allocable to each registered owner thereof. The original issue discount accrues over the term to maturity of each such OID Bond on the basis of a constant interest rate compounded at the end of each six-month period (or shorter period from the date of original issue) with straight line interpolations between compounding dates. The amount of original issue discount accruing during each period is added to the adjusted basis of such OID Bonds to determine taxable gain upon disposition (including sale, redemption or payment on maturity) of such OID Bonds.

The Code contains certain provisions relating to the accrual of original issue discount in the case of registered owners of the OID Bonds who purchase such bonds after the initial offering of a substantial amount thereof. Registered owners who do not purchase such OID Bonds in the initial offering at the initial offering and purchase prices should consult their own tax advisors with respect to the tax consequences of ownership of such OID Bonds.

#### **Amortizable Bond Premium**

For federal income tax purposes, the difference between an original registered owner's cost basis of the Bonds initially sold at a premium as shown on the cover page hereof (the "Original Premium Bonds") and the amounts payable on the Original Premium Bonds other than stated interest constitutes an

amortizable bond premium. The same applies with respect to any Bond, if a registered owner's cost basis exceeds the amounts payable thereon other than stated interest (collectively with the Original Premium Bonds held by the original registered owners, "**Premium Bonds**"). Such amortizable bond premium is not deductible from gross income but is treated for federal income tax purposes as an offset of the amount of stated interest paid on the Premium Bonds, which may affect liability for the branch profits tax imposed by Section 884 of the Code. The amount of amortizable bond premium allocable to each taxable year is generally determined on the basis of the registered owner's yield to maturity determined by using the registered owner's basis (for purposes of determining loss on sale or exchange) of such Premium Bonds and compounding at the close of each six-month accrual period. The amount of amortizable bond premium allocable to each taxable year is deducted from the registered owner's adjusted basis of such Premium Bonds to determine taxable gain upon disposition (including sale, redemption or payment at maturity) of such Premium Bonds.

### **Future Developments**

NO ASSURANCE CAN BE GIVEN THAT ANY FUTURE LEGISLATION OR CLARIFICATIONS OR AMENDMENTS TO THE CODE, IF ENACTED INTO LAW, WILL NOT CONTAIN BIDS THAT COULD CAUSE THE INTEREST ON THE BONDS TO BE SUBJECT DIRECTLY OR INDIRECTLY TO FEDERAL OR STATE OF MICHIGAN INCOME TAXATION, ADVERSELY AFFECT THE MARKET PRICE OR MARKETABILITY OF THE BONDS, OR OTHERWISE PREVENT THE REGISTERED OWNERS FROM REALIZING THE FULL CURRENT BENEFIT OF THE STATUS OF THE INTEREST THEREON. FURTHER, NO ASSURANCE CAN BE GIVEN THAT ANY SUCH FUTURE LEGISLATION, OR ANY ACTIONS OF THE INTERNAL REVENUE SERVICE, INCLUDING, BUT NOT LIMITED TO, SELECTION OF THE BONDS FOR AUDIT EXAMINATION, OR THE AUDIT PROCESS OR RESULT OF ANY EXAMINATION OF THE BONDS OR OTHER BONDS THAT PRESENT SIMILAR TAX ISSUES, WILL NOT ADVERSELY AFFECT THE MARKET PRICE OF THE BONDS.

INVESTORS SHOULD CONSULT WITH THEIR TAX ADVISORS AS TO THE TAX CONSEQUENCES OF THEIR ACQUISITION, HOLDING OR DISPOSITION OF THE BONDS AND THE TAX CONSEQUENCES OF THE ORIGINAL ISSUE DISCOUNT OR PREMIUM THEREON, IF ANY.

### **BOND HOLDERS' RISKS**

The Federal Bankruptcy Code affects the rights and obligations of municipalities and their creditors. Although State legislative authority is a condition to the filing by municipalities of cases for relief under the Bankruptcy Code, recently-enacted legislation empowers local governments, such as the County or the District, to become a debtor under the Bankruptcy Code. This authorization would be invoked if fiscal circumstances become such an emergency financial manager were appointed for the County or the District. No assurance can be given that future circumstances or legislation will not result in

the County or the District filing for relief under the Bankruptcy Code. Should the County or the District file a petition for relief under the Bankruptcy Code, the bankruptcy court could reduce the amount of or extend the time of the County or the District's legal obligation to pay its outstanding debts.

#### **LITIGATION**

To the knowledge of the District and the County, there is no controversy of any nature threatening or pending against the District or the County, seeking to restrain or enjoin the issuance, sale, execution or delivery of the Bonds or in any way contesting or affecting the validity of the Bonds or any proceedings of the District or the County taken with respect to the issuance or sale thereof, or the pledge or application of any moneys or security provided for the payment of the Bonds.

#### **APPROVAL OF LEGALITY**

The approving opinion of Clark Hill PLC, attorneys of Detroit, Michigan, a copy of which opinion will be printed on the reverse side of each Bond, will be furnished without expense to the purchaser of the Bonds at the delivery thereof.

#### **FINANCIAL ADVISOR**

Municipal Financial Consultants Incorporated of Detroit, Michigan has served as financial advisor to the District in connection with the sale of the Bonds. The financial advisor makes no representation as to the completeness or the accuracy of the information set forth in this Official Statement.

#### **RESPONSIBILITIES OF BOND COUNSEL**

Bond Counsel has reviewed the statements made in this Official Statement under the captions "DESCRIPTION OF THE BONDS" except for the statements made under the subcaption "Book-Entry-Only", "SECURITY FOR THE BONDS", "TAX MATTERS", "APPROVAL OF LEGALITY" and "RESPONSIBILITIES OF BOND COUNSEL", but has not been retained to review and has not reviewed any other portion of this Official Statement. Bond Counsel has not made inquiry of any official or employee of the Township, the County, or the District, or any other person with respect to, or otherwise made any independent verification of, the accuracy or completeness of any statement made in this Official Statement (including those that it has reviewed) and has not expressed and will not express an opinion as to the accuracy or completeness of any statement made herein.

Except as stated in the immediately preceding paragraph and to the extent necessary to render its approving opinion respecting the validity of the Bonds and the exemption of the Bonds and the interest thereon from taxation, Bond Counsel has not been retained to examine or review, and has not examined or reviewed, any financial documents, statements or other materials that have been or may be furnished in connection with the authorization, marketing or issuance of the Bonds and, therefore, will not express an opinion with respect to the accuracy or completeness of any such documents, statements or other materials.

The fees of Bond Counsel for services rendered in connection with its approving opinion are expected to be paid from Bond proceeds.

**MUNICIPAL FINANCIAL CONSULTANTS INCORPORATED  
AFFILIATION WITH CLARK HILL PLC**

Two of the employees of Municipal Financial Consultants Incorporated (MFCI) are also employed by Clark Hill PLC. MFCI is a tenant of Clark Hill PLC but Clark Hill PLC has no financial interest in MFCI nor does any partner or member of Clark Hill PLC.

**MISCELLANEOUS**

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

**COUNTY OF BERRIEN, MICHIGAN**

**By /s/ BRET WITKOWSKI  
COUNTY TREASURER**

**By /s/ CHRISTOPHER J. QUATTRIN  
DRAIN COMMISSIONER**

las.os-ber147

**EXHIBIT A**  
**COUNTY OF BERRIEN**  
**GENERAL AND ECONOMIC INFORMATION**

**GENERAL**

The County is a public corporation, created under the Constitution and Statutes of the State of Michigan. The Board of Commissioners is the governing body. This legislative body is elected by districts for a two-year term. The County has general governmental powers and authority. Under Act 206, the Treasurer of the County is the officer responsible for collection of delinquent real property taxes which are returned to the County as uncollected on March 1 of any year. The Treasurer is also responsible for the application of the borrowing proceeds and the preservation of the primary and secondary security. The County uses a modified accrual system for accounting purposes.

**COUNTY LOCATION AND CHARACTER**

Berrien County has an area of 580 square miles and is located in the extreme southwest corner of the State of Michigan. The County's population of 162,453 (2010 U.S. Census) is almost equally divided between urban and rural areas. The western boundary of the County is 42 miles of shoreline and sand dunes along Lake Michigan. This setting provides numerous recreational opportunities and an attractive location for both seasonal and year-round homesteads. Warren Dunes State Park, which forms part of that shoreline, draws approximately one and one half million vacationers annually. It is Michigan's most visited state park and one of the most frequented vacation spots in the Midwest.

Canoeing, hang-gliding, sailing, swimming and golf are just a few of the activities that make Berrien County an interesting place to live and visit. With the St. Joseph, Paw Paw and Galien Rivers flowing through Berrien County into Lake Michigan, this area, is also a mecca for year-round fishing. The salmon, steelhead, lake perch and walleye fisheries are well known and support a growing charter boat fishing industry. Promotion of these natural resources and activities by the Southwest Michigan Tourist Council is making tourism a major economic force within the County.

Berrien County historically has been the location for a significant number of second homes. This trend is growing, as there are now 185 condominium developments (several with marinas). Many of these developments have added major additions in recent years.

American Electric Power, one of the County's largest taxpayers and employers, operates the Donald C. Cook nuclear power plant on the southeastern shore of Lake Michigan in Lake Township. Over 600 industrial firms are located in the County; of which several are Fortune 500 companies. Among the largest

employers are Lakeland Regional Health System, Whirlpool Corporation's world headquarters, Four Winds Casino, Andrews University, Michigan Pizza Hut and American Electric Power.

The Orchards Mall/Fairplain Plaza commercial center has shown significant growth in the past few years with many national retailers; such as Lowes, Target, Home Depot and Best Buy making substantial investments in the area. Many of the cities in the County have also made improvements in their downtowns to retain and attract new shoppers to their communities.

The Harbor Shores project, a 540-acre Brownfield redevelopment project, is currently underway. It will add 83 acres of new park and public access points and is expected to create approximately \$172 million in new tangible tax base for the City of Benton Harbor and \$230 million in new tangible tax base for the City of St. Joseph and Benton Charter Township. The construction and development of this project is expected to continue through 2018.

Industrial education is a specialty at Lake Michigan College and Southwestern Michigan College, which cooperates actively with the County's industries in increasing the quality and supply of skilled labor. Lake Michigan College's new south county campus built at the new Bertrand Crossing Industrial Center is providing specialized training for the plastics industries. Additionally, Lake Michigan College opened the Hanson Technology Center in 2016 to provide advanced technical training in manufacturing and energy production not traditionally found at the Community College level. Western Michigan University has built an extension on the Campus of Lake Michigan College. Five other major universities are located within commuting distance: Notre Dame, Indiana University at South Bend, Western Michigan University, Andrews University and St. Mary's College. Health care in the County is anchored by Lakeland Regional Health and Healing with its several hospitals and dozens of local privately owned clinics.

Expansion and improvement of the transportation capacity within the County continues to improve in a very positive manner. Completion of US 31 from Indiana through the center of the County is close to completion. The State and County continue an aggressive road rehabilitation and construction program. Amtrak is developing a high-speed rail between Detroit and Chicago with Niles, located in the Southern part of the County, being the last stop in Michigan. Commercial shipping in the Port of St. Joseph continues to be a vital transportation resource. Commercial shipping for the 2008 calendar year included a total of 45 ships delivered 410,192 tons of cement, stone, sand and salt.

Lake Michigan's moderating effect on the weather makes the County one of the most productive fruit growing areas in the

United States for non-citrus fruits. The County ranks first in the State in the production of peaches, apples, grapes and pears. The development of local wineries, breweries, and expansion of u-pick farms are contributing to the tourism industry.

In November, 2010, Whirlpool Corporation broke ground on a new \$68 million North American Headquarters in the City of Benton Harbor. Additionally, Whirlpool Corporation is investing over \$16 million in the renovating and updating its existing Global Headquarters in Benton Charter Township. These projects, which are expected to be completed in 2015, will result in the retention of over 3,500 corporate employees in the Benton Harbor/St. Joseph area.

## POPULATION

2015 Pop. Est.	- 154,636	2010 U.S. Census	- 156,813
2000 U.S. Census	- 162,453	1990 U.S. Census	- 161,378

## MAJOR TAXPAYERS

<u>10 Largest Taxpayers</u>	<u>2016 Taxable Valuation</u>
Indiana Michigan Power Company	\$1,060,137,702
Pru-Leasing	\$ 92,449,700
AEP in MI	\$ 30,297,400
Whirlpool Corporation	\$ 26,625,042
Enbridge Energy LP	\$ 23,629,000
Bethany Beach Corporation	\$ 21,732,695
Leco Corporation	\$ 20,595,777
AEP in MI Transmission Co	\$ 16,963,938
JVIS Manufacturing LLC	\$ 8,306,388
Four Flags Properties Inc	\$ 7,782,691
<b>TOTAL (represents 17.49% of 2016 TV)</b>	<b>\$1,308,520,333</b>

## EMPLOYMENT CHARACTERISTICS

<u>10 Largest Employers</u>	<u>Product/Service</u>	<u>Number Employed</u>
Whirlpool	Appliances Mfg	4,000
Lakeland Regional Health	Medical Services	3,826
Andrews University	Higher Education	2,104
Four Winds Casino	Gaming	1,800
AEP/Cook Plant	Nuclear Energy	1,200
Berrien County	Government	684
Leco Corporation	Medical Equipment	650
Lake Michigan College	Higher Education	472
Modineer	Metal Manufacturing	455
Benton Harbor Area Schools	K-12 Education	375

**RETIREMENT PLANS** (operated by the Board of Commissioners)

The County's contribution to the retirement system for 2016 is \$9,758,961 and is \$8,949,998 for the fiscal year ended December 31, 2015. As of December 31, 2016, market value of assets totaled \$184,785,585.

**LABOR CONTRACTS**

<u>Employee Group</u>	<u>Number of Positions</u>	<u>Expiration Date of Contract</u>
-Fraternal Order of Police Labor Council - Gen Employees	182	12/31/17
-Teamsters Local 214 Circuit Court	31	12/31/16
-AFSCME Local 2757 Probate/Judicial Court General Employees	52	12/31/18
-Police Officer's Labor Council Non-Command Sheriff's Department	116	12/31/18
-Police Officer's Labor Council Command Officers at Sheriff's	18	12/31/18
-Police Officer's Labor Council Dispatchers	26	12/31/18
-Police Officer's Labor Council Dispatch Supervisors	6	12/31/18

**EMPLOYMENT STATISTICS** (provided by MCDC)

	<u>July 2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Work force	71,226	70,353	73,756	72,170	72,021	72,468	75,756
Unemployment	4,025	3,548	3,692	4,953	6,381	6,528	7,597
% Unemployed	5.3%	4.8%	5.0%	6.9%	8.9%	9.0%	10.0%

**COUNTY BUILDING PERMITS**

	<u>TOTAL VALUE</u>	<u>RESIDENTIAL VALUE</u>	<u>COMMERCIAL VALUE</u>
2016 COUNTY TOTAL	\$130,845,692	\$53,189,156	\$31,895,189
2015 COUNTY TOTAL	\$147,797,357	\$45,506,816	\$54,781,104
2014 COUNTY TOTAL	\$181,471,944	\$69,492,345	\$57,699,752
2013 COUNTY TOTAL	\$144,493,422	\$37,542,215	\$64,102,339
2012 COUNTY TOTAL	\$107,712,897	\$38,218,860	\$34,534,854
2011 COUNTY TOTAL	\$105,283,585	\$32,010,665	\$38,124,756
2010 COUNTY TOTAL*	\$145,639,960	\$31,978,985	\$83,165,672

\*11 municipalities still unreported



**STATE EQUALIZED VALUATION  
(50% of True Value)**

2017 - \$9,492,140,241  
 2016 - \$9,372,917,823  
 2015 - \$9,171,342,594  
 2014 - \$8,922,917,530  
 2013 - \$8,603,717,984  
 2012 - \$8,682,555,303  
 2011 - \$9,020,094,181  
 2010 - \$9,126,276,645  
 2009 - \$9,500,027,116  
 2008 - \$9,283,852,948  
 2007 - \$8,596,156,853  
 2006 - \$7,805,264,151  
 2005 - \$7,170,520,995

**TAXABLE VALUATION**

2017 - \$7,669,810,047  
 2016 - \$7,481,709,630  
 2015 - \$7,436,838,041  
 2014 - \$7,263,772,988  
 2013 - \$7,016,486,116  
 2012 - \$6,947,739,532  
 2011 - \$6,983,786,216  
 2010 - \$6,886,322,026  
 2009 - \$6,922,686,976  
 2008 - \$6,608,426,284  
 2007 - \$6,266,685,108  
 2006 - \$5,842,412,095  
 2005 - \$5,484,942,513

Per Capita (2017) TV \$49,599

**2017 Breakdown by Use**

Residential	65.57%
Commercial	8.68
Industrial	14.91
Personal Property	7.23
Agricultural	3.61
TOTAL	100.00%

**2017 Breakdown by Class**

Real	92.77%
Personal	7.23%
TOTAL	100.00%

**COUNTY TAX RATES & LEVIES**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
County Operating	4.7723	4.7723	4.7723	4.7723	4.7723
911 County Operational	.4500	.4500	.4500	.4500	.2500
Law Enforcement	.3500	.3500	.3500	.3500	.3500
County Parks	.1000	.1000	.1000	-	-
Senior Citizens	.3000	.3000	.3000	.3000	.3000
TOTAL COUNTY	5.9723	5.9723	5.9723	5.8723	5.6723
Berrien I/S/D	2.3699	2.3699	2.3699	2.3699	2.3699
Lake Mich. Comm. Coll.	1.7854	1.7854	1.7854	1.7854	1.7854
TOTAL ALL JURISDICTIONS	10.1276	10.1276	10.1276	10.9276	9.8276

The County's authorized operating tax rate is 4.7723 mills.

## TAX COLLECTION RECORD

Berrien County pays from a 100% Tax Payment Fund delinquent real property taxes of all municipalities in the County, including the County. Delinquent personal property taxes are negligible. The County's fiscal year begins January 1. County taxes are due December 1 and become delinquent the following March 1.

Tax Year	Real Only Tax Levy	Collections to 3-1 of Year Following the Levy		Coll. Plus Funding to 3-1-17
		Real Only Amount	%	%
2016	\$240,266,503	\$229,307,983	95.44%	-
2015	232,665,521	221,731,518	95.30	100%
2014	226,993,605	214,664,052	94.57	100
2013	220,749,725	209,416,044	94.87	100
2012	220,690,714	206,911,057	93.76	100
2011	216,160,845	203,131,330	93.97	100
2010	214,631,774	200,929,316	93.62	100
2009	212,875,516	199,147,044	93.55	100
2008	204,115,968	191,342,926	93.74	100
2007	191,704,257	180,872,703	94.35	100

## TAX RATE LIMITATION

Article IX, Section 6, of the Michigan Constitution of 1963 provides, in part:

"Except as otherwise provided in this Constitution, the total amount of general ad valorem taxes imposed upon real and tangible personal property for all purposes in any one year shall not exceed 15 mills on each dollar of the assessed valuation of property as finally equalized."

Section 6 further provides that by a majority vote of qualified electors of the County, the 15 mill limitation may be increased to a total of not to exceed 18 mills, and the millages of the local units involved shall then be permanently fixed within that greater millage limitation.

Act 62, Public Acts of Michigan, 1933, as amended, defines local units as counties, townships, villages, cities, school districts, community college districts, intermediate school districts, and other organizations or districts which may be established with the power to levy taxes, except villages and cities for which there are provisions in their charters or general law fixing maximum limits on the power to levy taxes against property.

The County voted in November of 1976 to fix millage limitation rates pursuant to Section 6 of 1963 Michigan

Constitution and eliminate the Tax Allocation Board. The fixed rates are as follows:

<u>Units of Government</u>	<u>Millage Rate</u>
Any School District*	4.90
County of Berrien	5.42
Any Township	16.80
Berrien County I/S/D	2.38
	<u>29.50</u>

K-12 School Districts are no longer eligible for allocated millage - it was eliminated with legislation that implemented Bid A.

[\*Does not reflect actual levies which now include a 6 mill state levy.]

In addition, Article IX, Section 6, permits the levy of millage in excess of the above for:

1. All debt service on tax supported bonds issued prior to December 23, 1978 or tax supported issues which have been approved by the voters for which the issuer has pledged its full faith and credit.
2. Operating purposes for a specified period of time provided that such increased millage is approved by a majority of the qualified electors of the local unit.

#### **PROPERTY SUBJECT TO TAXATION**

The laws governing the taxation of real and personal property in the State of Michigan has been established by The General Property Tax Act, being Public Act 206 of 1893, as amended. Section 211.1 states: "That all property, real and personal, within the jurisdiction of the state, not expressly exempted, shall be subject to taxation."

The State Constitution limits the proportion of true cash value at which property can be uniformly assessed to 50% or less. By statute, the State legislature has provided that the property shall be assessed at 50% of its true cash value. The State legislature or the electorate may at some future time reduce and/or increase the percentage below the 50% of true cash value.

Responsibility for assessing local taxable property rests with the assessing officers of townships and cities. Any property owner may appeal his or her property assessment to the local March Board of Review and ultimately to the Michigan State Tax Tribunal.

On March 15, 1994, the electors of the State approved an amendment to the Michigan Constitution permitting the Legislature to authorize ad valorem taxes on a non-uniform basis. The resulting implementing legislation added new terminology "Taxable Value" and a new system for the calculation or determination of the base for the levy of real and personal property taxes. The 1995 assessment and tax rolls were the beginning year for implementation of the new system. The state Equalized Valuation for 1994 became the base for the calculation of the 1995 Taxable Value. It is now possible, and still is possible under certain circumstances, for the Taxable Value of a property to be different than its State Equalized Value.

The implementing legislation limited the increase in an existing property's Taxable Valuation for the lesser of the following: (a) the lesser of the increase in the rate of inflation or 5% or (b) the property's final State Equalized Valuation; until the ownership of the property transfers as defined in the General Property Tax Laws. Upon transfer of ownership the property's final State Equalized Valuation (50% of the properties true cash value or market value) becomes the properties Taxable Valuation in the year following the year of the transfer. The basic formula for the calculation of the Taxable Value is:

Prior Year's	- Minus	X the Lesser	+ Additions	= Current Year's
Taxable	Losses as	5% or the Rate	as Equalized	Taxable
Valuation	Equalized	of Inflation		Valuation

The Taxable Value and the State Equalized Valuation of existing property are adjusted annually.

The State Constitution also mandated the legislature to develop a system for the equalization of assessments. Although the assessor for each city and township (assessment jurisdiction) is responsible for actually assessing each individual property at 50% of its True Cash Value, there are several steps before that assessment becomes a final State Equalized Value and/or Taxable Value. The County Board of Commissioners with the recommendation of their Equalization Department may add or subtract from the assessed valuation of a city or townships entire classification of real or personal property equalizing the various jurisdictions within the county. The State Tax commission acting as the State board of Equalization may add or subtract from the entire classification of real or personal property of a county equalizing between the counties within the state upon the advice and recommendation of the Property Services Division of the State Tax Commission. The action of the State Board of Equalization creates the final State Equalized Valuation and the final Taxable Valuation as Equalized for taxation purposes. The determination of the final State Equalized Valuation is important for reasons besides levying property taxation. It is used in the spreading the tax burden of jurisdictions with overlapping boundaries,

distribution of various State and Federal aid programs, revenue sharing, and in the calculation of debt limits.

#### **INDUSTRIAL FACILITIES TAX**

The Michigan Plant Rehabilitation and Industrial Development District Act (Act 198, Public Acts of Michigan, 1974, as amended) ("Act 198"), provides significant tax incentives to industry to renovate and expand aging plants and to build new plants in Michigan. Under the provisions of Act 198, qualifying cities, villages and townships may establish districts in which industrial firms are offered certain property tax incentives to encourage restoration or replacement of obsolete industrial facilities and to attract new plants to the area. The issuance of any exemption certificate must be approved by the local unit of government in which the facility is located and then final approval is given from the State Treasurer. Firms situated in such districts pay an Industrial Facilities Tax in lieu of property taxes on plant and equipment for a period of up to 12 years. For rehabilitated plant and equipment, the assessed value is frozen at previous levels. New plant and equipment is taxed at one-half the current millage rate. It must be emphasized, however, that ad valorem property taxes on land and inventory are specifically excluded under Act 198.

**ABATEMENTS UNDER ACT 198 HAVE BEEN GRANTED TO PROPERTIES IN THE COUNTY WITH A TOTAL COMBINED 2016 TAXABLE VALUE OF \$38,402,353.**

#### **GENERAL FUND REVENUES AND EXPENDITURES**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Revenues & Transfers In	\$56,596,024	\$54,772,357	\$52,892,791
Expenses & Transfers Out	<u>54,848,210</u>	<u>53,448,572</u>	<u>52,786,149</u>
Revenues Over (Under)			
Expenses	\$ 1,747,814	\$ 1,323,785	\$ 106,642
Beginning Balance	\$18,701,316	\$17,377,531	\$17,270,889
Ending Balance	\$20,449,130	\$18,701,316	\$17,377,531

#### **REVENUE FROM THE STATE OF MICHIGAN**

The County receives revenue sharing payments from the State of Michigan under the State Constitution and the State Revenue Sharing Act of 1971, as amended (the "Revenue Sharing Act"), on a per capita basis. The County's revenue sharing distribution is subject to annual legislative appropriation and may be reduced or delayed by Executive Order during any State fiscal year in which the Governor, with the approval of the State Legislature's appropriation committees, determines that actual revenues will be less than the revenue estimates on which appropriations were based.

The State's ability to make revenue sharing payments to the County in the amounts and at the times specified in the Revenue

Sharing Act is subject to the State's overall financial condition and its ability to finance any temporary cash flow deficiencies. Act 357, Public Acts of Michigan, 2004 ("Act 357") amended the General Property Tax Act to temporarily eliminate statutory revenue sharing payments to counties by creating a reserve fund, against which counties could draw in lieu of annual revenue sharing payments, paid for by the permanent advancement of the counties' property tax levy from December to July each year, beginning in 2005. Under Act 357, a county would resume receiving state revenue sharing payments in the first year in which the county's property tax revenue reserve was less than the amount the county would have otherwise received in state revenue sharing payments. The County resumed receiving revenue sharing payments during its fiscal year ended December 31, 2012.

Under the fiscal year 2016 budget, signed into law on June 18, 2015 by Governor Snyder, a portion of county revenue sharing payment distributions are made pursuant to the Revenue Sharing Act and a portion are distributed through an incentive-based program called the county incentive program ("CIP"). For fiscal year 2016, the county revenue sharing program has an appropriation of \$214.7 million, an increase of \$3.5 million over fiscal year 2015 amounts, with \$2.8 million being distributed pursuant to the Revenue Sharing Act and \$700,000 being distributed through the CIP. The CIP provides eligible counties distributions for complying with "best practices" to increase transparency. Eligible counties are those that would be eligible to resume receiving state revenue sharing payments under Act 357.

Under the fiscal year 2016 CIP, an eligible county can receive CIP payments if it meets requirements for accountability and transparency, including making a citizen's guide to its finances, a performance dashboard, a debt service report and a two-year budget projection available for public viewing. Any portion of the CIP that the County would be eligible to receive would be subject to certain benchmarks that the County would need to meet, and there can be no assurance of what amount, if any, the County would receive under CIP. The County anticipates meeting the requirements to receive fiscal year 2016 CIP payments.

**Purchasers of the Bonds offered herein should be alert to further modifications to revenue sharing payments to Michigan local government units, to the potential consequent impact upon the County's general fund condition, and to the potential impact upon the market price or marketability of the Bonds resulting from changes in revenues received by the County from the State.**

#### **FUTURE FINANCING**

The County does not anticipate the issuance of any additional bonds or notes within the next two months.

Las.os-ber147

BERRIEN COUNTY  
DEBT STATEMENT - SEPTEMBER 1, 2017  
(Including this Offering)

DIRECT DEBT OF COUNTY:	Gross	Self-Supporting or Portion Paid Directly by Benefited Municipalities	Net
Sewer and Water Bonds	\$ 26,702,000	\$ 26,702,000	\$ -
Drain Bonds	18,155,000	15,219,225	2,935,775
Special Assessment Drain Notes*	837,000	142,450	694,550
	<u>\$ 45,694,000</u>	<u>\$ 42,063,675</u>	<u>\$ 3,630,325</u>

\*No County Credit Pledged

In addition to the above, the County issues self-supporting Limited Tax Delinquent Fund Tax Notes each year which mature in 1 to 3 years,

Per Capita County Net Direct Debt	\$ 23.48
Percent County Net Direct Debt to 2017 TV	0.05%

OVERLAPPING DEBT OF COUNTY:

School Districts	\$ 217,800,846
Cities	33,976,769
Townships	56,729,786
Villages	7,674,773
Intermediate School Districts	0
Community Colleges	17,279,478
Library	<u>1,065,000</u>
Net Overlapping Debt	<u>\$ 334,526,652</u>
Net County and Overlapping Debt	<u><u>\$ 338,156,977</u></u>

Per Capita County Net Direct and Overlapping Debt	\$ 2,186.79
Percent Net Direct and Overlapping Debt to 2017 TV	4.41%

Source: Berrien County and Municipal Advisory Council of Michigan

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BERRIEN COUNTY BONDS WITH COUNTY CREDIT PLEDGED  
(as of September 1, 2017)  
(Including this Offering)

Year	Drain Bonds	Sewer and Water Bonds	Total
2017	\$ 20,000	\$ 70,000	\$ 90,000
2018	1,230,000	1,583,000	2,813,000
2019	1,275,000	1,629,000	2,904,000
2020	1,145,000	1,554,000	2,699,000
2021	965,000	1,590,000	2,555,000
2022	1,000,000	1,625,000	2,625,000
2023	1,015,000	1,706,000	2,721,000
2024	1,050,000	1,757,000	2,807,000
2025	1,075,000	1,837,000	2,912,000
2026	1,115,000	1,913,000	3,028,000
2027	1,180,000	1,999,000	3,179,000
2028	1,170,000	1,899,000	3,069,000
2029	1,210,000	1,980,000	3,190,000
2030	1,245,000	2,081,000	3,326,000
2031	815,000	2,072,000	2,887,000
2032	840,000	282,000	1,122,000
2033	720,000	293,000	1,013,000
2034	390,000	29,000	419,000
2035	405,000	30,000	435,000
2036	140,000	31,000	171,000
2037	150,000	32,000	182,000
2038		33,000	33,000
2039		34,000	34,000
2040		35,000	35,000
2041		36,000	36,000
2042		37,000	37,000
2043		38,000	38,000
2044		39,000	39,000
2045		40,000	40,000
2046		41,000	41,000
2047		43,000	43,000
2048		44,000	44,000
2049		45,000	45,000
2050		47,000	47,000
2051		48,000	48,000
2052		50,000	50,000
2053		51,000	51,000
2054		49,000	49,000
Total	\$ 18,155,000	\$ 26,702,000	\$ 44,857,000

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**EXHIBIT B, page 1**  
**FINANCIAL INFORMATION REGARDING THE COUNTY OF BERRIEN**

The following section of the audited financial statements\* of the County of Berrien for the Fiscal Year ending December 31, 2016 have been extracted from the audit:

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**EXHIBIT B, page 2**  
**FINANCIAL INFORMATION REGARDING THE COUNTY OF BERRIEN**

The following section of the audited financial statements of the County of Berrien for the Fiscal Year ending December 31, 2016 have been extracted from the audit:

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The financial statements of individual funds and the Statement of Long Term Debt have not been included in this Official Statement, but will be provided upon request.

\*Note:       The County's auditors have not been asked to consent to the use of the audited financial statements provided herein and have not conducted any subsequent review of such audited financial statements or the information presented in this Exhibit B.

**INDEPENDENT AUDITORS' REPORT**

June 23, 2017

Board of Commissioners  
County of Berrien, Michigan  
St. Joseph, 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 the *County of Berrien, Michigan* (the "County") as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Independent Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Berrien County Road Commission or the Berrien Mental Health Authority which represent the indicated percentage of total aggregate discretely presented component units assets and deferred outflows of resources, net position, and revenues:

	Percent of Total Assets and Deferred Outflows	Percent of Total Net Position	Percent of Total Revenues
Berrien County Road Commission	52.0%	66.9%	27.0%
Berrien Mental Health Authority	14.0%	4.5%	64.0%

Those statements were audited by other auditors whose reports were furnished to us, and our opinion, insofar as it relates to the amounts included for the Berrien County Road Commission and Berrien Mental Health Authority, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Berrien County Road Commission were not audited in accordance with *Government Auditing Standards*.

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

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

### *Opinions*

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Berrien, Michigan, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the general fund and the major special revenue funds for the year then ended in conformity 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 management's discussion and analysis and the schedules of the defined benefit pension plan and the other postemployment benefits plan 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 required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

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

### *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2017 on our consideration of the 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 the County's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Lehmann Lohman LLC". The signature is written in a cursive, flowing style.

# COUNTY OF BERRIEN, MICHIGAN

## Statement of Net Position

December 31, 2016

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and cash equivalents	\$ 20,305,099	\$ 4,871,253	\$ 25,176,352	\$ 28,392,287
Investments	23,450,523	22,536,890	45,987,413	1,185,499
Restricted cash	2,797,234	-	2,797,234	1,021,252
Receivables, net	14,373,004	36,074,933	50,447,937	27,929,303
Internal balances	(450,000)	450,000	-	-
Prepaid items and other assets	668,721	37,630	706,351	1,322,823
Net other postemployment benefit asset	1,057,986	-	1,057,986	-
Capital assets not being depreciated	6,043,477	-	6,043,477	20,824,646
Capital assets being depreciated, net	34,409,472	59,934	34,469,406	80,465,271
<b>Total assets</b>	<b>102,655,516</b>	<b>64,030,640</b>	<b>166,686,156</b>	<b>161,141,081</b>
<b>Deferred outflows of resources</b>				
Deferred pension amounts	47,334,134	-	47,334,134	10,659,250
<b>Liabilities</b>				
Accounts payable and accrued expenses	4,610,816	1,225,933	5,836,749	15,761,094
Unearned revenue	489,679	-	489,679	-
Long-term liabilities:				
Due within one year	2,402,721	1,369,399	3,772,120	3,023,818
Due in more than one year	24,386	25,948,253	25,972,639	21,786,852
Net pension liability	93,623,711	-	93,623,711	17,241,299
Net other postemployment benefit obligation	-	-	-	498,731
<b>Total liabilities</b>	<b>101,151,313</b>	<b>28,543,585</b>	<b>129,694,898</b>	<b>58,311,794</b>
<b>Deferred inflows of resources</b>				
Taxes levied for a subsequent period	8,844,964	-	8,844,964	-
Deferred pension amounts	1,665,374	-	1,665,374	813,492
<b>Total deferred inflows of resources</b>	<b>10,510,338</b>	<b>-</b>	<b>10,510,338</b>	<b>813,492</b>
<b>Net position</b>				
Net investment in capital assets	40,422,466	59,934	40,482,400	82,461,466
Restricted for:				
Judicial	138,230	-	138,230	-
Public safety	2,969,515	-	2,969,515	-
Health and welfare	2,068,736	-	2,068,736	-
Recreation and cultural	208,526	-	208,526	-
State mandated programs and other purposes	4,301,072	-	4,301,072	25,674,723
Debt service	3,526	-	3,526	-
Unrestricted (deficit)	(11,784,072)	35,427,121	23,643,049	4,538,856
<b>Total net position</b>	<b>\$ 38,327,999</b>	<b>\$ 35,487,055</b>	<b>\$ 73,815,054</b>	<b>\$ 112,675,045</b>

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

# COUNTY OF BERRIEN, MICHIGAN

## Statement of Activities

For the Year Ended December 31, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary government</b>					
Governmental activities:					
Legislative	\$ 2,296,727	\$ 1,932	\$ 966,883	\$ -	\$ (1,327,912)
Judicial	13,976,626	4,169,078	4,366,718	-	(5,440,830)
General government	20,738,494	3,368,912	8,514,317	-	(8,855,265)
Public safety	30,259,136	3,917,786	1,366,441	-	(24,974,909)
Public works	699,285	788,660	-	-	89,375
Health and welfare	22,848,154	644,071	11,018,306	-	(11,185,777)
Recreation and cultural	2,803,371	683,155	459,540	-	(1,660,676)
Community development	1,490,749	488,319	1,017,623	-	15,193
Other governmental activities	770,691	-	-	-	(770,691)
Total governmental activities	<u>95,883,233</u>	<u>14,061,913</u>	<u>27,709,828</u>	<u>-</u>	<u>(54,111,492)</u>
Business-type activities:					
Delinquent tax collections/forfeitures	3,180,666	3,497,864	527	-	317,725
Public works projects	1,630,852	1,443,569	135,136	-	(52,147)
Total business-type activities	<u>4,811,518</u>	<u>4,941,433</u>	<u>135,663</u>	<u>-</u>	<u>265,578</u>
Total primary government	<u>\$ 100,694,751</u>	<u>\$ 19,003,346</u>	<u>\$ 27,845,491</u>	<u>\$ -</u>	<u>\$ (53,845,914)</u>
<b>Component units</b>					
Road commission	\$ 20,366,887	\$ -	\$ 18,750,305	\$ -	\$ (1,616,582)
Drain commission	3,176,437	2,800	132,693	3,005,916	(35,028)
Brownfield redevelopment authority	1,900,171	90	1,652,152	-	(247,929)
Economic development corporation	47,091	20,000	14,367	-	(12,724)
Land bank authority	431,365	400,509	23,280	-	(7,576)
Community mental health authority	45,210,538	41,029,481	3,369,257	-	(811,800)
Total component units	<u>\$ 71,132,489</u>	<u>\$ 41,452,880</u>	<u>\$ 23,942,054</u>	<u>\$ 3,005,916</u>	<u>\$ (2,731,639)</u>

continued...

## COUNTY OF BERRIEN, MICHIGAN

### Statement of Activities

For the Year Ended December 31, 2016

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Changes in net position				
Net (expenses) revenues	\$ (54,111,492)	\$ 265,578	\$ (53,845,914)	\$ (2,731,639)
General revenues:				
Property taxes	44,744,349	-	44,744,349	995,112
Grants and contributions not restricted to specific programs	248,405	-	248,405	-
Unrestricted investment earnings	38,353	-	38,353	-
Transfers - internal activities	2,793,306	(2,793,306)	-	-
Total general revenues and transfers	47,824,413	(2,793,306)	45,031,107	995,112
Change in net position	(6,287,079)	(2,527,728)	(8,814,807)	(1,736,527)
Net position, beginning of year	44,615,078	38,014,783	82,629,861	114,411,572
Net position, end of year	\$ 38,327,999	\$ 35,487,055	\$ 73,815,054	\$ 112,675,045

concluded.

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



# COUNTY OF BERRIEN, MICHIGAN

## Balance Sheet

Governmental Funds  
December 31, 2016

	General (1010)	911 County Operational (2610)	Drug Enforcement Public Safety (2175/2640)	Senior Citizen (2700)	Nonmajor Governmental Funds	Total
<b>Assets</b>						
Cash and cash equivalents	\$ 2,321,164	\$ 297,089	\$ 453,555	\$ 111,176	\$ 13,232,398	\$ 16,415,382
Investments	17,774,049	2,358,155	-	-	924,742	21,056,946
Receivables:						
Accounts	23,772	-	-	-	94,710	118,482
Taxes - current	1,884,621	3,181,302	2,474,621	2,121,174	705,877	10,367,595
Due from other governments	139,623	-	108,652	-	2,253,652	2,501,927
Notes	-	-	-	-	140,000	140,000
Advances to component units	1,245,000	-	-	-	-	1,245,000
<b>Total assets</b>	<b>\$ 23,388,229</b>	<b>\$ 5,836,546</b>	<b>\$ 3,036,828</b>	<b>\$ 2,232,350</b>	<b>\$ 17,351,379</b>	<b>\$ 51,845,332</b>
<b>Liabilities</b>						
Accounts payable	\$ 284,083	\$ 880	\$ 16,144	\$ -	\$ 506,706	\$ 807,813
Accrued expenses	697,436	70,202	5,678	-	345,884	1,119,200
Due to other governments	-	-	-	-	49,121	49,121
Interfund payable	-	-	-	-	316,228	316,228
Advances from other funds	450,000	-	-	-	-	450,000
Unearned revenue	-	-	323	-	489,356	489,679
<b>Total liabilities</b>	<b>1,431,519</b>	<b>71,082</b>	<b>22,145</b>	<b>-</b>	<b>1,707,295</b>	<b>3,232,041</b>
<b>Deferred inflows of resources</b>						
Unavailable revenue - property taxes	1,507,580	-	-	-	-	1,507,580
Taxes levied for a subsequent period	-	3,317,056	2,580,204	2,211,672	736,032	8,844,964
<b>Total deferred inflows of resources</b>	<b>1,507,580</b>	<b>3,317,056</b>	<b>2,580,204</b>	<b>2,211,672</b>	<b>736,032</b>	<b>10,352,544</b>
<b>Fund balances</b>						
Nonspendable	1,245,000	-	-	-	140,000	1,385,000
Restricted	-	2,448,408	434,479	20,678	2,790,820	5,694,385
Committed	-	-	-	-	11,977,232	11,977,232
Unassigned	19,204,130	-	-	-	-	19,204,130
<b>Total fund balances</b>	<b>20,449,130</b>	<b>2,448,408</b>	<b>434,479</b>	<b>20,678</b>	<b>14,908,052</b>	<b>38,260,747</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 23,388,229</b>	<b>\$ 5,836,546</b>	<b>\$ 3,036,828</b>	<b>\$ 2,232,350</b>	<b>\$ 17,351,379</b>	<b>\$ 51,845,332</b>

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

## COUNTY OF BERRIEN, MICHIGAN

### Reconciliation

Fund Balances of Governmental Funds  
to Net Position of Governmental Activities  
December 31, 2016

Fund balances - total governmental funds	\$ 38,260,747
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources, and therefore not reported in the funds.	
Capital assets not being depreciated	6,043,477
Capital assets being depreciated, net	34,409,472
Other long-term assets are not available to pay for current-period expenditures and therefore are not recorded in the funds.	
Unavailable property taxes	1,507,580
Governmental funds report expenditures equal to amounts contributed to defined benefit other postemployment benefit plans (OPEB). However, in the statement of activities, net OPEB costs are equal to the actuarially determined net OPEB costs. Differences between actuarially determined net OPEB costs and annual contributions are accumulated and reported as a net OPEB asset.	
Net OPEB cost in excess of contributions made	1,057,986
Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net position.	
Net position of governmental activities accounted for in internal service funds	7,430,795
Certain liabilities, such as bonds payable, are not due and payable in the current period, and therefore are not reported in the funds.	
Installment purchase agreement	(30,483)
Compensated absences	(2,396,624)
Certain pension-related amounts, such as the net pension liability and deferred amounts are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the funds.	
Net pension liability	(93,623,711)
Deferred outflows related to the net pension liability	47,334,134
Deferred inflows related to the net pension liability	(1,665,374)
Net position of governmental activities	<u><u>\$ 38,327,999</u></u>

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

# COUNTY OF BERRIEN, MICHIGAN

## Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended December 31, 2016

	General (1010)	911 County Operational (2610)	Drug Enforcement Public Safety (2175/2640)	Senior Citizen (2700)	Nonmajor Governmental Funds	Total
<b>Revenues</b>						
Property taxes	\$ 35,953,862	\$ 3,340,749	\$ 2,604,134	\$ 2,224,955	\$ 800,379	\$ 44,924,079
Licenses and permits	208,399	-	-	-	386,341	594,740
Intergovernmental revenue	7,447,956	-	582,739	-	11,833,217	19,863,912
Charges for services	6,905,337	1,017,155	2,146	-	5,096,464	13,021,102
Fines and forfeitures	441,341	-	-	-	4,730	446,071
Interest revenue	81,206	983	-	-	11,669	93,858
Other revenue	3,970,285	1,000	35,879	-	4,031,652	8,038,816
<b>Total revenues</b>	<b>55,008,386</b>	<b>4,359,887</b>	<b>3,224,898</b>	<b>2,224,955</b>	<b>22,164,452</b>	<b>86,982,578</b>
<b>Expenditures</b>						
Current expenditures:						
Legislative	1,816,051	-	-	-	-	1,816,051
Judicial	7,891,245	-	744,741	-	3,250,573	11,886,559
General government	15,811,400	-	-	-	4,096,132	19,907,532
Public safety	16,510,452	4,105,126	23,799	-	5,714,159	26,353,536
Public works	439,399	-	-	-	257,107	696,506
Health and welfare	642,218	-	-	2,228,924	18,504,951	21,376,093
Recreation and cultural	-	-	-	-	2,164,154	2,164,154
Community development	447,317	-	-	-	1,485,601	1,932,918
Other governmental activities	752,230	-	-	-	-	752,230
<b>Total expenditures</b>	<b>44,310,312</b>	<b>4,105,126</b>	<b>768,540</b>	<b>2,228,924</b>	<b>35,472,677</b>	<b>86,885,579</b>
<b>Revenues over (under) expenditures</b>	<b>10,698,074</b>	<b>254,761</b>	<b>2,456,358</b>	<b>(3,969)</b>	<b>(13,308,225)</b>	<b>96,999</b>
<b>Other financing sources (uses)</b>						
Issuance of long-term debt	-	-	-	-	30,483	30,483
Proceeds from sales of capital assets	-	-	-	-	26,940	26,940
Transfers in	1,587,638	-	270,787	-	19,947,624	21,806,049
Transfers out	(10,537,898)	-	(2,930,730)	-	(5,544,115)	(19,012,743)
<b>Total other financing sources (uses)</b>	<b>(8,950,260)</b>	<b>-</b>	<b>(2,659,943)</b>	<b>-</b>	<b>14,460,932</b>	<b>2,850,729</b>
<b>Net change in fund balances</b>	<b>1,747,814</b>	<b>254,761</b>	<b>(203,585)</b>	<b>(3,969)</b>	<b>1,152,707</b>	<b>2,947,728</b>
<b>Fund balances, beginning of year</b>	<b>18,701,316</b>	<b>2,193,647</b>	<b>638,064</b>	<b>24,647</b>	<b>13,755,345</b>	<b>35,313,019</b>
<b>Fund balances, end of year</b>	<b>\$ 20,449,130</b>	<b>\$ 2,448,408</b>	<b>\$ 434,479</b>	<b>\$ 20,678</b>	<b>\$ 14,908,052</b>	<b>\$ 38,260,747</b>

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

## COUNTY OF BERRIEN, MICHIGAN

### Reconciliation

Net Changes in Fund Balances of Governmental Funds  
to Change in Net Position of Governmental Activities  
For the Year Ended December 31, 2016

Net change in fund balances - total governmental funds	\$ 2,947,728
Amounts reported for <i>governmental activities</i> in the statement of activities are 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.	
Acquisition/construction of capital assets	4,850,493
Depreciation expense	(2,466,051)
Net book value of capital asset disposals	(138,879)
Revenues in the statement of activities that do not provide current resources are not reported as revenues in the funds.	
Change in unavailable property taxes	(179,730)
Governmental funds report expenditures equal to amounts contributed to defined benefit other postemployment benefit (OPEB) plans. However, in the statement of activities, net OPEB costs are equal to actuarially determined net OPEB costs.	
Excess contributions over net OPEB cost	229,387
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Issuance of long-term debt	(30,483)
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 governmental funds.	
Net pension liability and related deferred amounts	(8,979,961)
Change in accrued compensated absences	(246,778)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. The net revenue of the internal service fund is reported with governmental activities.	
Net operating income from governmental activities accounted for internal service funds	<u>(2,272,805)</u>
Change in net position of governmental activities	<u>\$ (6,287,079)</u>

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

## COUNTY OF BERRIEN, MICHIGAN

### Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended December 31, 2016

	Original Budget	Amended Budget	Actual	Over (Under) Budget
<b>Revenues</b>				
Property taxes	\$ 36,046,731	\$ 36,046,731	\$ 35,953,862	\$ (92,869)
Licenses and permits	263,200	263,200	208,399	(54,801)
Intergovernmental revenues	6,569,735	6,569,735	7,447,956	878,221
Charges for services	6,685,519	6,678,465	6,905,337	226,872
Fines and forfeitures	510,000	510,000	441,341	(68,659)
Interest revenue	41,000	41,000	81,206	40,206
Other revenue	3,709,267	3,716,321	3,970,285	253,964
<b>Total revenues</b>	<b>53,825,452</b>	<b>53,825,452</b>	<b>55,008,386</b>	<b>1,182,934</b>
<b>Expenditures</b>				
Legislative:				
Board of Commissioners	637,416	1,442,763	1,400,635	(42,128)
Appropriations to outside agencies	403,221	415,416	415,416	-
<b>Total legislative</b>	<b>1,040,637</b>	<b>1,858,179</b>	<b>1,816,051</b>	<b>(42,128)</b>
Judicial:				
Circuit court	290,601	322,682	319,720	(2,962)
District court	2,236,995	2,135,325	2,116,846	(18,479)
Probate court	331,279	265,339	258,341	(6,998)
Jury board	32,420	32,302	31,259	(1,043)
Family court intake	698,145	670,549	662,124	(8,425)
Tri-court cashiering unit	870,119	830,082	821,496	(8,586)
Trial court	2,327,309	2,186,513	2,077,236	(109,277)
District court probation	624,937	613,272	602,754	(10,518)
Adult probation	96,437	95,038	90,433	(4,605)
Juvenile probation	555,821	568,300	561,932	(6,368)
Probate court administration	347,101	372,473	349,104	(23,369)
<b>Total judicial</b>	<b>8,411,164</b>	<b>8,091,875</b>	<b>7,891,245</b>	<b>(200,630)</b>

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## COUNTY OF BERRIEN, MICHIGAN

### Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended December 31, 2016

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Expenditures (continued)				
General government:				
Elections	\$ 262,859	\$ 307,708	\$ 306,571	\$ (1,137)
County Administrator	230,007	234,245	233,453	(792)
Clerk	1,074,324	1,019,387	1,011,460	(7,927)
Equalization	563,271	555,169	521,801	(33,368)
Personnel	380,476	384,127	382,587	(1,540)
Purchasing	70,105	55,165	50,972	(4,193)
Corporate counsel	221,700	145,559	141,166	(4,393)
Prosecutor	2,801,578	2,793,553	2,770,868	(22,685)
Register of deeds	340,253	334,528	331,123	(3,405)
Treasurer	429,091	386,951	384,261	(2,690)
Courthouse and grounds	1,455,229	1,441,901	1,353,340	(88,561)
Building authority	229	229	218	(11)
South county building	449,714	435,079	380,831	(54,248)
Other county property	190,908	174,899	144,587	(30,312)
Administration center	242,357	283,843	226,274	(57,569)
2100 complex	208,125	202,597	160,219	(42,378)
HD Buildings and grounds	-	-	(1,673)	(1,673)
Surveyor	75	75	-	(75)
Training facility	18,082	18,082	8,041	(10,041)
Drain commissioner	293,804	293,664	272,063	(21,601)
Building security	626,333	610,337	606,584	(3,753)
Financial services	668,492	666,961	663,210	(3,751)
Napier building	286,861	277,588	136,885	(140,703)
Church street	113,149	103,878	103,589	(289)
Telephone switchboard-central	149,747	151,008	149,100	(1,908)
Printing and microfilming	322,758	322,419	290,605	(31,814)
Mailing services	401,463	303,490	295,930	(7,560)
Motor pool	350,524	356,951	320,919	(36,032)
Information systems	2,215,388	2,203,442	2,146,145	(57,297)
GIS/mapping	373,230	375,794	365,211	(10,583)
Automation upgrade	148,500	149,500	133,510	(15,990)
Survey and remonumentation	90,000	87,046	62,841	(24,205)
Copy center	6,809	6,809	5,028	(1,781)
Cooperative extension service	298,531	298,531	283,472	(15,059)
Records center	245,402	244,649	238,997	(5,652)
Indigent defense	1,436,852	1,353,397	1,331,212	(22,185)
Total general government	16,966,226	16,578,561	15,811,400	(767,161)

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## COUNTY OF BERRIEN, MICHIGAN

### Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended December 31, 2016

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Expenditures (continued)				
Public safety:				
Sheriff's office and road patrol	\$ 5,154,314	\$ 5,174,308	\$ 5,085,359	\$ (88,949)
Jail inmate rehabilitation	26,168	26,668	26,657	(11)
Sheriff's department radios	103,540	103,540	62,820	(40,720)
Law enforcement training facility	7,900	7,900	3,300	(4,600)
Jail division	9,820,872	9,598,442	9,468,871	(129,571)
Jail maintenance	985,893	948,306	796,567	(151,739)
Emergency management	441,999	418,177	405,009	(13,168)
Animal control	770,849	702,917	661,869	(41,048)
Total public safety	<u>17,311,535</u>	<u>16,980,258</u>	<u>16,510,452</u>	<u>(469,806)</u>
Public works -				
Appropriations to outside agencies	<u>439,399</u>	<u>439,399</u>	<u>439,399</u>	<u>-</u>
Health and welfare:				
Contagious disease	33,000	33,000	23,994	(9,006)
Veterans services	116,227	113,315	112,224	(1,091)
Veterans burial	10,000	10,000	6,000	(4,000)
Appropriations to outside agencies	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>-</u>
Total health and welfare	<u>659,227</u>	<u>656,315</u>	<u>642,218</u>	<u>(14,097)</u>
Community development:				
Economic development	511,129	448,390	445,021	(3,369)
Plat board	<u>2,363</u>	<u>2,296</u>	<u>2,296</u>	<u>-</u>
Total community development	<u>513,492</u>	<u>450,686</u>	<u>447,317</u>	<u>(3,369)</u>
Other governmental activities:				
Contingencies	1,500,000	-	-	-
Insurance and surety bonds	<u>844,943</u>	<u>752,230</u>	<u>752,230</u>	<u>-</u>
Total other governmental activities	<u>2,344,943</u>	<u>752,230</u>	<u>752,230</u>	<u>-</u>
Total expenditures	<u>47,686,623</u>	<u>45,807,503</u>	<u>44,310,312</u>	<u>(1,497,191)</u>
Revenues over expenditures	<u>6,138,829</u>	<u>8,017,949</u>	<u>10,698,074</u>	<u>2,680,125</u>

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## COUNTY OF BERRIEN, MICHIGAN

### Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended December 31, 2016

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Other financing sources (uses)				
Transfers in	\$ 2,729,069	\$ 2,729,069	\$ 1,587,638	\$ (1,141,431)
Transfers out	<u>(8,867,898)</u>	<u>(10,747,018)</u>	<u>(10,537,898)</u>	<u>(209,120)</u>
Total other financing uses	<u>(6,138,829)</u>	<u>(8,017,949)</u>	<u>(8,950,260)</u>	<u>(932,311)</u>
Net change in fund balance	-	-	1,747,814	1,747,814
Fund balance, beginning of year	<u>18,701,316</u>	<u>18,701,316</u>	<u>18,701,316</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 18,701,316</u></u>	<u><u>\$ 18,701,316</u></u>	<u><u>\$ 20,449,130</u></u>	<u><u>\$ 1,747,814</u></u>

concluded.

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



## COUNTY OF BERRIEN, MICHIGAN

### Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - 911 County Operational Fund

For the Year Ended December 31, 2016

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Revenues				
Property taxes	\$ 3,362,216	\$ 3,362,216	\$ 3,340,749	\$ (21,467)
Charges for services	1,198,475	1,198,475	1,017,155	(181,320)
Interest revenue	-	-	983	983
Other revenue	51,000	51,000	1,000	(50,000)
Total revenues	4,611,691	4,611,691	4,359,887	(251,804)
Expenditures				
Public safety	3,697,431	4,272,250	4,105,126	(167,124)
Net change in fund balance	914,260	339,441	254,761	(84,680)
Fund balance, beginning of year	2,193,647	2,193,647	2,193,647	-
Fund balance, end of year	<u>\$ 3,107,907</u>	<u>\$ 2,533,088</u>	<u>\$ 2,448,408</u>	<u>\$ (84,680)</u>

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

## COUNTY OF BERRIEN, MICHIGAN

### Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Drug Enforcement Public Safety

For the Year Ended December 31, 2016

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Revenues				
Property taxes	\$ 2,616,417	\$ 2,616,417	\$ 2,604,134	\$ (12,283)
Intergovernmental revenue	987,722	1,098,073	582,739	(515,334)
Charges for services	2,600	2,600	2,146	(454)
Other revenue	36,290	37,648	35,879	(1,769)
Total revenues	3,643,029	3,754,738	3,224,898	(529,840)
Expenditures				
Judicial	1,179,675	1,239,857	744,741	(495,116)
Public safety	-	52,884	23,799	(29,085)
Total expenditures	1,179,675	1,292,741	768,540	(524,201)
Revenues over expenditures	2,463,354	2,461,997	2,456,358	(5,639)
Other financing sources (uses)				
Transfers in	153,063	275,179	270,787	(4,392)
Transfers out	(3,068,616)	(2,982,850)	(2,930,730)	(52,120)
Total other financing sources (uses)	(2,915,553)	(2,707,671)	(2,659,943)	47,728
Net change in fund balance	(452,199)	(245,674)	(203,585)	42,089
Fund balance, beginning of year	638,064	638,064	638,064	-
Fund balance, end of year	\$ 185,865	\$ 392,390	\$ 434,479	\$ 42,089

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

## COUNTY OF BERRIEN, MICHIGAN

### Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Senior Citizen

For the Year Ended December 31, 2016

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Revenues				
Property taxes	\$ 2,243,587	\$ 2,248,487	\$ 2,224,955	\$ (23,532)
Expenditures				
Health and welfare	<u>2,243,587</u>	<u>2,248,487</u>	<u>2,228,924</u>	<u>(19,563)</u>
Net change in fund balance	-	-	(3,969)	(3,969)
Fund balance, beginning of year	<u>24,647</u>	<u>24,647</u>	<u>24,647</u>	<u>-</u>
Fund balance, end of year	<u>\$ 24,647</u>	<u>\$ 24,647</u>	<u>\$ 20,678</u>	<u>\$ (3,969)</u>

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

# COUNTY OF BERRIEN, MICHIGAN

## Statement of Net Position

Proprietary Funds  
December 31, 2016

	Business-type Activities - Enterprise Funds					Governmental Activities
	Delinquent Tax Revolving (5160)	Benton Township Water System No. 27 (5760)	Coloma City Water System No. 30 (5762)	Nonmajor Enterprise Funds	Total	Internal Service Funds
<b>Assets</b>						
Current assets:						
Cash and cash equivalents	\$ 3,826,176	\$ -	\$ 139,872	\$ 588,977	\$ 4,555,025	\$ 4,205,945
Investments	22,396,076	-	-	140,814	22,536,890	2,393,577
Receivables:						
Accounts	532,559	-	-	143,716	676,275	-
Taxes receivable, delinquent	6,722,423	-	-	297,251	7,019,674	-
Interest	895,131	-	-	-	895,131	-
Leases receivable, current	-	835,000	158,876	375,523	1,369,399	-
Due from other governments	-	-	-	28,700	28,700	-
Interfund receivable	395,976	-	-	-	395,976	-
Prepaid items	-	-	-	-	-	668,721
Inventories	-	-	-	37,630	37,630	-
Total current assets	34,768,341	835,000	298,748	1,612,611	37,514,700	7,268,243
Noncurrent assets:						
Restricted cash	-	-	-	-	-	2,797,234
Advance to other funds	450,000	-	-	-	450,000	-
Leases receivable, net of current portion	-	16,363,274	3,316,048	6,406,432	26,085,754	-
Capital assets being depreciated, net	-	-	-	59,934	59,934	-
Total noncurrent assets	450,000	16,363,274	3,316,048	6,466,366	26,595,688	2,797,234
Total assets	35,218,341	17,198,274	3,614,796	8,078,977	64,110,388	10,065,477
<b>Liabilities</b>						
Current liabilities:						
Accounts payable	-	-	89,923	178,037	267,960	-
Accrued expenses	-	116,529	21,735	69,222	207,486	2,634,682
Due to other governments	392,704	-	-	357,783	750,487	-
Interfund payable	-	-	-	79,748	79,748	-
Current portion of long-term debt	-	835,000	158,876	375,523	1,369,399	-
Total current liabilities	392,704	951,529	270,534	1,060,313	2,675,080	2,634,682
Noncurrent liabilities -						
Due in more than one year	-	16,246,745	3,344,262	6,357,246	25,948,253	-
Total liabilities	392,704	17,198,274	3,614,796	7,417,559	28,623,333	2,634,682
<b>Net position</b>						
Investment in capital assets	-	-	-	59,934	59,934	-
Restricted for self-insurance claims	-	-	-	-	-	2,797,234
Unrestricted	34,825,637	-	-	601,484	35,427,121	4,633,561
Total net position	\$ 34,825,637	\$ -	\$ -	\$ 661,418	\$ 35,487,055	\$ 7,430,795

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

# COUNTY OF BERRIEN, MICHIGAN

## Statement of Revenues, Expenses and Changes in Fund Net Position Proprietary Funds For the Year Ended December 31, 2016

	Business-type Activities - Enterprise Funds					Governmental Activities
	Delinquent Tax Revolving (5160)	Benton Township Water System No. 27 (5760)	Coloma City Water System No. 30 (5762)	Nonmajor Enterprise Funds	Total	Internal Service Funds
Operating revenues						
Charges for services	\$ 1,896,381	\$ 713,517	\$ 393,549	\$ 1,842,680	\$ 4,846,127	\$ 13,738,277
Interest on taxes	95,306	-	-	-	95,306	-
Intergovernmental revenue	-	-	-	134,496	134,496	-
Total operating revenues	1,991,687	713,517	393,549	1,977,176	5,075,929	13,738,277
Operating expenses						
Operation and maintenance	130,928	-	261,373	3,298,980	3,691,281	12,585,142
Benefits and claims	-	-	-	-	-	3,425,940
Depreciation	-	-	-	8,829	8,829	-
Total operating expenses	130,928	-	261,373	3,307,809	3,700,110	16,011,082
Operating income (loss)	1,860,759	713,517	132,176	(1,330,633)	1,375,819	(2,272,805)
Nonoperating revenues (expenses)						
Interest income	-	-	545	622	1,167	-
Interest and fiscal charges	(19,083)	(713,517)	(132,721)	(246,087)	(1,111,408)	-
Total nonoperating revenues (expenses)	(19,083)	(713,517)	(132,176)	(245,465)	(1,110,241)	-
Income (loss) before transfers	1,841,676	-	-	(1,576,098)	265,578	(2,272,805)
Transfers in	-	-	-	750,000	750,000	-
Transfers out	(3,450,000)	-	-	(93,306)	(3,543,306)	-
Change in net position	(1,608,324)	-	-	(919,404)	(2,527,728)	(2,272,805)
Net position, beginning of year	36,433,961	-	-	1,580,822	38,014,783	9,703,600
Net position, end of year	\$ 34,825,637	\$ -	\$ -	\$ 661,418	\$ 35,487,055	\$ 7,430,795

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

COUNTY OF BERRIEN, MICHIGAN

Statement of Cash Flows

Proprietary Funds

For the Year Ended December 31, 2016

	Business-type Activities - Enterprise Funds					Governmental Activities
	Delinquent Tax Revolving (5160)	Benton Township Water System No. 27 (5760)	Coloma City Water System No. 30 (5762)	Nonmajor Enterprise Funds	Total	Internal Service Funds
Cash flows from operating activities						
Cash received from customers	\$ 15,363,825	\$ 713,517	\$ 393,549	\$ 1,969,525	\$ 18,440,416	\$ -
Cash received from interfund services provided	-	-	-	-	-	13,738,277
Cash payments to suppliers for goods and services	(130,928)	904	(198,227)	(3,152,915)	(3,481,166)	(14,314,457)
Cash payments for delinquent tax rolls	(11,389,663)	-	-	-	(11,389,663)	-
Cash payments to employees for services	-	-	-	(194,746)	(194,746)	-
Net cash provided by (used in) operating activities	3,843,234	714,421	195,322	(1,378,136)	3,374,841	(576,180)
Cash flows from noncapital financing activities						
Principal payments	-	(810,000)	(160,000)	(369,000)	(1,339,000)	-
Interest payments	(19,083)	(713,517)	(132,721)	(246,087)	(1,111,408)	-
Transfers in	-	-	-	750,000	750,000	-
Transfers out	(3,450,000)	-	-	(93,306)	(3,543,306)	-
Net cash provided by (used in) noncapital financing activities	(3,469,083)	(1,523,517)	(292,721)	41,607	(5,243,714)	-
Cash flows from investing activities						
Purchase of investments	-	-	-	-	-	(4,465)
Proceeds from sale of investments	1,638,982	-	-	9,723	1,648,705	-
Interest received	-	-	545	622	1,167	-
Issuance of leases receivable	-	-	(101,286)	-	(101,286)	-
Amounts collected on leases receivable	-	809,096	-	376,512	1,185,608	-
Net cash provided by (used in) investing activities	1,638,982	809,096	(100,741)	386,857	2,734,194	(4,465)
Net change in cash and cash equivalents	2,013,133	-	(198,140)	(949,672)	865,321	(580,645)
Cash and cash equivalents, beginning of year	1,813,043	-	338,012	1,538,649	3,689,704	7,583,824
Cash and cash equivalents, end of year	\$ 3,826,176	\$ -	\$ 139,872	\$ 588,977	\$ 4,555,025	\$ 7,003,179
Statement of net position classification of cash and investments						
Cash and cash equivalents	\$ 3,826,176	\$ -	\$ 139,872	\$ 588,977	\$ 4,555,025	\$ 4,205,945
Restricted cash	-	-	-	-	-	2,797,234
	\$ 3,826,176	\$ -	\$ 139,872	\$ 588,977	\$ 4,555,025	\$ 7,003,179

continued...

COUNTY OF BERRIEN, MICHIGAN

Statement of Cash Flows

Proprietary Funds

For the Year Ended December 31, 2016

	Business-type Activities - Enterprise Funds					Governmental Activities
	Delinquent Tax Revolving (5160)	Benton Township Water System No. 27 (5760)	Coloma City Water System No. 30 (5762)	Nonmajor Enterprise Funds	Total	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:						
Operating income (loss)	\$ 1,860,759	\$ 713,517	\$ 132,176	\$ (1,330,633)	\$ 1,375,819	\$ (2,272,805)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	-	-	-	8,829	8,829	-
Amortization of bond discounts	-	4,884	992	477	6,353	-
Changes in:						
Accounts receivable	(345,562)	-	-	(128,976)	(474,538)	-
Taxes receivable, delinquent	1,597,328	-	-	(1,144)	1,596,184	-
Interest receivable	55,476	-	-	-	55,476	-
Due from other governments	-	-	-	87,804	87,804	-
Prepaid items	-	-	-	-	-	567,152
Inventories	-	-	-	4,358	4,358	-
Interfund receivable	(41,015)	-	-	-	(41,015)	-
Advance to other fund	1,000,000	-	-	-	1,000,000	-
Accounts payable	(50,095)	-	62,688	(151,689)	(139,096)	-
Accrued expenses	-	(3,980)	(534)	(1,499)	(6,013)	1,129,473
Due to other governments	(233,657)	-	-	54,589	(179,068)	-
Interfund payable	-	-	-	79,748	79,748	-
Net cash provided by (used in) operating activities	<u>\$ 3,843,234</u>	<u>\$ 714,421</u>	<u>\$ 195,322</u>	<u>\$ (1,378,136)</u>	<u>\$ 3,374,841</u>	<u>\$ (576,180)</u>

concluded.

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

## COUNTY OF BERRIEN, MICHIGAN

### Statement of Fiduciary Net Position

Fiduciary Funds

December 31, 2016

	Pension and Other Postemployment Benefit Trust Funds	Agency Funds
<b>Assets</b>		
Cash and cash equivalents	\$ 2,311,862	\$ 3,132,927
Investments:		
Equity mutual funds	112,847,584	-
Fixed income mutual funds	53,952,026	-
Commodities mutual funds	5,498,588	-
Real estate mutual funds	10,306,038	-
Accrued interest receivable	14,624	-
<b>Total assets</b>	<b>184,930,722</b>	<b>\$ 3,132,927</b>
<b>Liabilities</b>		
Accounts payable	145,137	\$ -
Undistributed receipts	-	3,132,927
<b>Total liabilities</b>	<b>145,137</b>	<b>\$ 3,132,927</b>
<b>Net position</b>		
Restricted for pension and other postemployment benefits	<b>\$ 184,785,585</b>	

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



## COUNTY OF BERRIEN, MICHIGAN

### Statement of Changes in Plan Net Position

Pension and Other Postemployment Benefits Trust Funds  
For the Year Ended December 31, 2016

#### Additions

##### Investment income (loss):

Net change in fair value of investments	\$ 12,832,738
Interest and dividends	1,572,085
Less investment expenses	<u>(565,304)</u>

Net investment income	<u>13,839,519</u>
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##### Contributions:

Employer	9,758,961
Employees	<u>2,790,452</u>

Total contributions	<u>12,549,413</u>
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Total additions	<u>26,388,932</u>
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#### Deductions

Benefit payments	14,658,364
Contribution refunds	382,538
Administration	<u>67,327</u>

Total deductions	<u>15,108,229</u>
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Change in net position	11,280,703
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Net position, beginning of year	<u>173,504,882</u>
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Net position, end of year	<u><u>\$ 184,785,585</u></u>
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The accompanying notes are an integral part of these financial statements.

# COUNTY OF BERRIEN, MICHIGAN

## Combining Statement of Net Position

Component Units  
December 31, 2016

	Road Commission	Drain Commission	Brownfield Redevelopment Authority
<b>Assets</b>			
Cash and cash equivalents	\$ 4,201,261	\$ 6,061,130	\$ 2,549,327
Investments	-	-	-
Restricted cash	472,149	-	-
Receivables, net	2,539,034	22,662,133	1,151,706
Prepaid items and other assets	986,978	-	-
Capital assets not being depreciated	14,913,267	5,783,379	-
Capital assets being depreciated, net	60,909,018	18,024,382	-
<b>Total assets</b>	<b>84,021,707</b>	<b>52,531,024</b>	<b>3,701,033</b>
<b>Deferred outflows of resources</b>			
Deferred pension amounts	5,368,364	-	-
<b>Liabilities</b>			
Accounts payable and accrued expenses	1,836,044	1,195,425	669,458
Long-term liabilities:			
Due within one year	229,433	2,506,051	168,524
Due in more than one year	105,300	20,078,481	983,182
Net pension liability	10,809,602	-	-
Net other postemployment benefit obligation	498,731	-	-
<b>Total liabilities</b>	<b>13,479,110</b>	<b>23,779,957</b>	<b>1,821,164</b>
<b>Deferred inflows of resources</b>			
Deferred pension inflows	487,346	-	-
<b>Net position</b>			
Net investment in capital assets	75,573,852	5,428,362	-
Restricted for other purposes	472,149	23,322,705	1,879,869
Unrestricted (deficit)	(622,386)	-	-
<b>Total net position</b>	<b>\$ 75,423,615</b>	<b>\$ 28,751,067</b>	<b>\$ 1,879,869</b>

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



Economic Development Corporation	Land Bank Authority	Mental Health Authority	Total
\$ 79,008	\$ 119,081	\$ 15,382,480	\$ 28,392,287
1,185,499	-	-	1,185,499
-	-	549,103	1,021,252
657,477	-	918,953	27,929,303
-	-	335,845	1,322,823
-	-	128,000	20,824,646
-	-	1,531,871	80,465,271
1,921,984	119,081	18,846,252	161,141,081
-	-	5,290,886	10,659,250
400,524	52,018	11,607,625	15,761,094
-	-	119,810	3,023,818
-	-	619,889	21,786,852
-	-	6,431,697	17,241,299
-	-	-	498,731
400,524	52,018	18,779,021	58,311,794
-	-	326,146	813,492
-	-	1,459,252	82,461,466
-	-	-	25,674,723
1,521,460	67,063	3,572,719	4,538,856
\$ 1,521,460	\$ 67,063	\$ 5,031,971	\$ 112,675,045

## COUNTY OF BERRIEN, MICHIGAN

### Combining Statement of Activities

Component Units

For the Year Ended December 31, 2016

	Road Commission	Drain Commission	Brownfield Redevelopment Authority
Expenses			
Road commission	\$ 20,366,887	\$ -	\$ -
Drain commission	-	3,176,437	-
Brownfield redevelopment authority	-	-	1,900,171
Economic development corporation	-	-	-
Land bank authority	-	-	-
Community mental health authority	-	-	-
Total expenses	<u>20,366,887</u>	<u>3,176,437</u>	<u>1,900,171</u>
Program revenues			
Charges for services	-	2,800	90
Operating grants and contributions	18,750,305	132,693	1,652,152
Capital grants and contributions	-	3,005,916	-
Total program revenues	<u>18,750,305</u>	<u>3,141,409</u>	<u>1,652,242</u>
Net (expenses) revenues	(1,616,582)	(35,028)	(247,929)
General revenues			
Property taxes	-	-	995,112
Change in net position	(1,616,582)	(35,028)	747,183
Net position, beginning of year	<u>77,040,197</u>	<u>28,786,095</u>	<u>1,132,686</u>
Net position, end of year	<u>\$ 75,423,615</u>	<u>\$ 28,751,067</u>	<u>\$ 1,879,869</u>

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



Economic Development Corporation	Land Bank Authority	Mental Health Authority	Total
\$ -	\$ -	\$ -	\$ 20,366,887
-	-	-	3,176,437
-	-	-	1,900,171
47,091	-	-	47,091
-	431,365	-	431,365
-	-	45,210,538	45,210,538
47,091	431,365	45,210,538	71,132,489
20,000	400,509	41,029,481	41,452,880
14,367	23,280	3,369,257	23,942,054
-	-	-	3,005,916
34,367	423,789	44,398,738	68,400,850
(12,724)	(7,576)	(811,800)	(2,731,639)
-	-	-	995,112
(12,724)	(7,576)	(811,800)	(1,736,527)
1,534,184	74,639	5,843,771	114,411,572
\$ 1,521,460	\$ 67,063	\$ 5,031,971	\$ 112,675,045

# COUNTY OF BERRIEN, MICHIGAN

## Notes To Financial Statements

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Berrien, Michigan (the "County") was incorporated in 1829 and covers an area of approximately 585 square miles in southwest lower Michigan. The County operates under a 12 member elected Board of Commissioners and an appointed County Administrator.

The financial statements of the County have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the County's accounting policies are described below.

#### Reporting Entity

As required by generally accepted accounting principles, these financial statements present the government 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 and data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the government.

#### *Blended Component Unit*

Berrien County Building Authority (the "Building Authority") - The Berrien County Building Authority is governed by a five-member Board appointed by the Berrien County Board of Commissioners. Although legally separate from the County, the Building Authority is reported as if it were part of the primary government, because its sole purpose is to finance and construct the County's public buildings. The financial statements of the Building Authority funds have been consolidated with the County's related debt service funds and capital projects funds.

#### *Discretely Presented Component Units*

Berrien County Road Commission (the "Road Commission") - The Berrien County Road Commission, established pursuant to State statutes, is governed by a five member board appointed by the County. Its receipts are deposited with the County Treasurer, who invests certain of those deposits. The Road Commission may not issue debt or levy a tax without the approval of the County Board of Commissioners. If approval is granted, such taxes would be levied under the taxing authority of the County and included as part of the County's total tax levy as well as reported in the Road Commission. The Road Commission has a September 30 year end.

## COUNTY OF BERRIEN, MICHIGAN

### Notes To Financial Statements

**Berrien County Drain Commission (the "Drain Commission")** - The Berrien County Drain Commission oversees all drainage districts established pursuant to the Michigan Drain Code of 1956, which are separate legal entities with the power to contract, to sue and be sued, and to hold, manage and dispose of real and personal property. The Drain Commission has sole responsibility to administer Chapter 3 and 4 drainage districts. A drainage board or Drain Commissioner, on behalf of the drainage district, may issue debt and levy special assessments without the prior approval of the County. The full faith and credit of the County may be given for the debt of the drainage district. The Drain Commissioner is required by law to make an annual report to the Board of County Commissioners in October. The Drain Commission is financially accountable to the County and is disclosed as a component unit, accordingly. The Drain Commission has a December 31 year end.

**Berrien County Brownfield Redevelopment Authority (the "Authority")** - The Berrien County Brownfield Redevelopment Authority was created pursuant to the provisions of Public Act 381 of 1996, in order to revitalize environmentally distressed Brownfield redevelopment areas. Its five-member Board is appointed by the Berrien County Board of Commissioners. The Authority's budget must be approved by the Berrien County Board of Commissioners. The Authority has a December 31 year end.

**Berrien County Economic Development Corporation (the "EDC")** - The Berrien County Economic Development Corporation, organized pursuant to State statutes, was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving or expanding within the County so as to provide needed services and facilities to the residents of the County. The governing body of the EDC is appointed by the County, and the EDC is financially accountable to the County and is disclosed as a component unit, accordingly. The EDC has a December 31 year end.

**Berrien County Land Bank Authority** - The Berrien County Land Bank Authority was created pursuant to the Michigan Land Bank Fast Track Act (Public Act 258). The governing body of the Land Bank Authority is appointed by the County, and is financially accountable to the County and is disclosed as a component unit, accordingly. The Land Bank Authority has a December 31 year end.

**Berrien Mental Health Authority** - The Berrien Mental Health Authority, established pursuant to State statutes, is governed by a 12-member board appointed by the Berrien County Board of Commissioners. The Mental Health Authority is financially accountable to the County and is disclosed as a component unit, accordingly. The Mental Health Authority has a September 30 year end.

Complete financial statements for the Road Commission, Brownfield Redevelopment Authority, Land Bank Authority, and Mental Health Authority may be obtained at the respective entities' administrative offices. The Drain Commission and Economic Development Corporation do not issue separate financial statements.

Berrien County Road Commission  
2860 E. Napier Avenue  
Benton Harbor, Michigan 49023

Berrien County Brownfield  
Redevelopment Authority  
701 Main Street  
St. Joseph, Michigan 49085

Berrien County Land Bank Authority  
701 Main Street  
St. Joseph, Michigan 49085

Berrien Mental Health Authority  
1485 S. M-139  
Benton Harbor, Michigan 49022

# COUNTY OF BERRIEN, MICHIGAN

## Notes To Financial Statements

### *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 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 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 funds and major individual enterprise funds are reported as separate columns 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*, as are the proprietary fund and fiduciary fund financial statements. 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. Agency funds, a type of fiduciary fund, are unlike all other types of funds, as agency funds report only assets and liabilities. Therefore, agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

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, or within one year for reimbursement-based grants. 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.



## COUNTY OF BERRIEN, MICHIGAN

### Notes To Financial Statements

Property taxes, state revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and such have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. 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:

The *general fund* is the government's primary operating fund. It accounts for all the financial resources of the general government, except those accounted for and reported in another fund.

The *911 county operational fund* accounts for the operations of the County's emergency 911 system funded through a special millage.

The *drug enforcement public safety fund* accounts for the operations of the County's drug enforcement system funded through a special millage and grants.

The *senior citizen fund* accounts for the operations of the County's senior centers which are funded through a special millage.

The County reports the following major proprietary funds:

The *delinquent tax revolving fund* accounts for the County's annual purchase of delinquent real property taxes from each of the local taxing units within the County and the ultimate collection from the property owners of the delinquent taxes with penalty and interest. The fund also accounts for the County's issuance of debt (to provide cash flow for the purchase of the taxes) and for the resulting debt service payments.

The *Benton Township Water System No. 27 fund* accounts for monies received under capital leases with a local governmental unit for the construction of, and subsequent debt retirement for, a water distribution system.

The *Coloma City Water System No. 30* accounts for monies received under capital leases with a local governmental unit for the construction of, and subsequent debt retirement for, a water distribution system.

Additionally, the County reports the following fund types:

*Special revenue funds* are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

*Debt service funds* are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

*Capital projects funds* are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

## COUNTY OF BERRIEN, MICHIGAN

### Notes To Financial Statements

*Enterprise funds* are used to account for operations that are financed and operated in a manner similar to private business or where the County has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

*Internal service funds* account for operations that provide services to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis, such as the County's self-insurance programs.

The *pension and other postemployment benefit (OPEB) trust funds* are accounted for in essentially the same manner as proprietary funds, using the same measurement focus and basis of accounting. The pension and OPEB trust funds account for the assets of the County's defined benefit pension and OPEB plans.

*Agency funds* are custodial in nature and do not present results of operations or have a measurement focus. These funds are used to account for assets that the government holds for others in an agency capacity (such as taxes collected for other governments).

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes 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* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds and of the government's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Restricted net position consists of assets that are subject to restrictions beyond the government's control. The restrictions may be externally imposed or imposed by law. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

#### Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Equity

##### *Deposits and Investments*

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

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 carrying amount, which reasonably approximates fair value.

## COUNTY OF BERRIEN, MICHIGAN

### Notes To Financial Statements

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.

#### *Receivables and Payables*

Transactions 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 noncurrent 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."

Advances between funds are offset by nonspendable fund balance in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles, as applicable.

#### *Inventories, Prepaid Items and Other Assets*

All inventories are valued at cost 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 both government-wide and fund financial statements.

#### *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 governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition cost 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 assets' lives 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, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

## COUNTY OF BERRIEN, MICHIGAN

### Notes To Financial Statements

Capital assets of the primary government and component units are depreciated over the useful life of the assets as follows:

	Depreciation Method	Useful Lives - Years
Primary government:		
Buildings	Straight-line	30
Public domain infrastructure	Straight-line	35
System infrastructure	Straight-line	35
Vehicles	Straight-line	3-20
Equipment	Straight-line	5-10
Road Commission:		
Buildings	Straight-line	40
Salt storage bins	Units of production	Various
Road equipment	Sum of years-digits	5-8
Other equipment	Straight-line	10-20
Roads	Straight-line	5-30
Other infrastructure	Straight-line	12-50
Drain Commission:		
Buildings	Straight-line	30
Public domain infrastructure	Straight-line	35
System infrastructure	Straight-line	35
Vehicles	Straight-line	3-20
Equipment	Straight-line	5-10
Community Mental Health Authority:		
Buildings and improvements	Straight-line	15-25
Vehicles	Straight-line	4
Equipment	Straight-line	5

#### *Deferred Outflows of Resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government reports deferred outflows of resources for change in expected and actual investment returns, assumptions, and benefits provided in its pension plans.

#### *Compensated Absences*

Eligible employees are permitted to accumulate earned but unused vacation benefits in varying amounts based on length of service and certain other established criteria. Amounts not expected to be liquidated with expendable available financial resources are accrued when incurred in the government-wide and proprietary fund financial statements. A liability is reported in governmental funds only if these amounts have matured, for example, as a result of employee resignations or retirements.

# COUNTY OF BERRIEN, MICHIGAN

## Notes To Financial Statements

### *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 statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line 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, as well as bond issuance costs, 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 debt proceeds received, are reported as debt service expenditures when incurred.

### *Deferred Inflows of Resources*

In addition to liabilities, the statement of net position and governmental funds balance sheet will sometime report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenues, which arises only under a modified accrual basis of accounting, from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In addition, deferred inflows of resources are reported in the government-wide and governmental fund financial statements for property taxes levied during the year that were intended to finance future periods. The government also reports deferred pension inflows in the statement of net position. A deferred pension inflow results when there is a change in total pension liability due to benefit changes, differences between expected and actual experience, changes in actuarial assumptions, or differences between expected and actual investment returns. The amounts are deferred and amortized.

### *Fund Balances*

Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Restricted fund balance is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Commissioners (the government's highest level of decision-making authority). A formal resolution of the Board of Commissioners is required to establish, modify, or rescind a fund balance commitment. The County may report assigned fund balance for amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Commissioners has delegated the authority to assign fund balance to the Finance Committee or its designee. The County has no assigned fund balance. Unassigned fund balance is the residual classification for the general fund.

# COUNTY OF BERRIEN, MICHIGAN

## Notes To Financial Statements

When the government incurs an expenditure for purposes for which various fund balance classifications can be used, it is the government's policy to use restricted fund balance first, then committed, assigned, and finally unassigned fund balance.

### 2. BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and certain special revenue funds. All annual appropriations lapse at year end. The legal level of budgetary control is at the department level. Management may make transfers of appropriations within funds. Transfers of appropriations between funds require the approval of the Board. The Board made several supplemental budgetary revisions throughout the year which were not considered material.

The annual budgeting process begins in July of each year. Department heads submit budget requests/recommendations to the responsible parent committee (i.e., Finance, Personnel, Administration) for approval. Once approved, the department heads are required to hold a budget hearing with the Finance Committee by the second Tuesday in September. The County Administrator tabulates a budget overview, including recommendations, for the Finance Committee to adjust and approve a final budget. Following truth in taxation hearings, the final budget is submitted to the Board of Commissioners for adoption. The Board has until December 31 to adopt the budget, although it normally targets mid-November for the general fund and for the special revenue funds.

### 3. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

State statutes provide that a local unit shall not incur expenditures in excess of the amounts appropriated. The approved budgets of the County were adopted on a department level basis for the general fund and the activity level for the special revenue funds.

The County did not incur any amounts in excess of appropriations.

### 4. DEPOSITS AND INVESTMENTS

Following is a reconciliation of deposit and investment balances of December 31, 2016:

	Primary Government	Component Units	Totals
Statement of Net Position			
Cash and cash equivalents	\$ 25,176,352	\$ 28,392,287	\$ 53,568,639
Investments	45,987,413	1,185,499	47,172,912
Restricted cash	2,797,234	1,021,252	3,818,486
Statement of Fiduciary Net Position			
Cash and cash equivalents	5,444,789	-	5,444,789
Investments	182,604,236	-	182,604,236
Total	<u>\$ 262,010,024</u>	<u>\$ 30,599,038</u>	<u>\$ 292,609,062</u>

## COUNTY OF BERRIEN, MICHIGAN

### Notes To Financial Statements

#### Deposits and investments

##### Bank deposits:

Checking/savings accounts	\$ 45,419,621
Certificates of deposit - due within one year	3,753,387
Certificates of deposit - due in one to five years	5,081,039

##### Investments in securities and mutual funds:

Treasurer's investment pool	52,930,970
Pension and OPEB investments	182,604,235
Cash on deposit with agent	2,806,650
Cash on hand	<u>13,160</u>

Total \$ 292,609,062

Restricted cash of the primary government consists of the County's deposits with the Michigan Municipal Risk Management Authority.

#### *Bank Deposits and Treasurer's Investment Pool*

*Custodial Credit Risk - Deposits.* Deposits are exposed to custodial credit risk if they are not covered by depository insurance. At year-end, the carrying amount of the County's deposits was \$54,254,047. The combined bank balance of these deposits was \$55,412,161 of which \$53,231,915 was uninsured and uncollateralized.

In accordance with the County's investment policy and State law, all deposits are uncollateralized, held in the County's name, and evidenced by a safekeeping receipt. Also, due to the dollar amounts of cash deposits and the limits of FDIC insurance, the County believes it is impractical to insure all bank deposits. As a result, the County evaluates each financial institution and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

*Custodial Credit Risk - Investments.* Following is a summary of the County's investments as of December 31, 2016:

U.S. treasury notes	\$ 1,808,469
U.S. government agencies	9,854,936
Repurchase agreements (collateralized by U.S. government securities)	13,472,714
Money market and cash management funds	<u>27,794,851</u>
Total	<u>\$ 52,930,970</u>

Investments are exposed to custodial credit risk if the securities are uninsured, unregistered or held by a counterparty or its agent but not in the government's name. In accordance with the County's investment policy, all investments are held in the name of the County and are evidenced by a safekeeping receipt confirmation, and thus not exposed to custodial credit risk.

## COUNTY OF BERRIEN, MICHIGAN

### Notes To Financial Statements

*Credit Risk.* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The County's investment policy and State law require that commercial paper be rated in the top two ratings by at least two nationally recognized statistical rating organizations.

As of December 31, 2016, all of the County's investments in securities of U.S. agencies were rated AA+ by Standard & Poor's. United States treasury securities are explicitly guaranteed by the U.S. government and not considered to have credit risk. The County's money market funds were not rated.

*Concentration of Credit Risk.* Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The County's investment policy requires diversification by security type and institution, but does not place a fixed percentage limit for any one issuer.

At December 31, 2016, the County had greater than 5% of its total investment portfolio concentrated as follows:

Investment Type	Issuer	% of Portfolio
Federal Home Loan Bank	Various	10.87%

*Interest Rate Risk.* Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of investments. The County's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

As of December 31, 2016, all of the County's debt securities had the following maturities:

	< 1 year	1 - 5 years	6 - 10 years	Total
U.S. treasury notes	\$ -	\$ 1,808,469	\$ -	\$ 1,808,469
U.S. government agencies	-	9,854,936	-	9,854,936
Repurchase agreements	13,472,714	-	-	13,472,714
	<u>\$ 13,472,714</u>	<u>\$ 11,663,405</u>	<u>\$ -</u>	<u>\$ 25,136,119</u>

*Fair Value Measurements.* The County categorizes the fair value measurements of its investments within the fair value hierarchy established by generally accepted accounting principles. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are inputs - other than quoted prices included within Level 1- that are observable for the asset or liability, either directly or indirectly. Finally, Level 3 inputs are unobservable and are based on estimates and assumptions. These levels are determined by the management's review of the type and substance of investments held by the County.



## COUNTY OF BERRIEN, MICHIGAN

### Notes To Financial Statements

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

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value at December 31, 2016
<b>Investments at fair value:</b>				
Repurchase agreements (CMH)	\$ -	\$ 13,472,714	\$ -	\$ 13,472,714
U.S. government agencies	-	9,854,936	-	9,854,936
U.S. treasury notes	1,808,469	-	-	1,808,469
Cash management/mutual funds	27,794,851	-	-	27,794,851
<b>Total investments at fair value</b>	<b>\$ 29,603,320</b>	<b>\$ 23,327,650</b>	<b>\$ -</b>	<b>\$ 52,930,970</b>

#### *Pension and Other Postemployment Benefit Trust Fund Investments*

The Trusts' investments are primarily held in a bank administered trust fund. Following is a summary of the Trusts' investments as of December 31, 2016:

	Pension	Other Postemployment Benefit Trust Fund
<b>Mutual funds at fair value, as determined by quoted market price:</b>		
<b>Equity funds:</b>		
Russell Large Cap US Eq Fund	\$ 29,394,673	\$ -
Russell 1000 Index Fund Series 1	29,787,358	-
Russell Small Cap Fund	12,819,311	-
Russell International Fund	20,347,920	-
Russell Emerging Markets Fund	2,157,164	-
RIC U.S. Defensive Equity	-	11,435,498
RIC U.S. Small Cap Equity	-	2,555,646
RIC International developed markets	-	3,931,994
RIC emerging markets	-	418,020
<b>Fixed income funds:</b>		
Russell Quantitative Bond Fund	43,763,745	-
RIC investment grade bond fund	-	10,188,281
<b>Commodities funds:</b>		
Russell Commodities Fund	4,591,885	-
RIC commodity strategies fund	-	906,703
<b>Real estate fund -</b>		
Russell Real Estate Equity Fund	10,306,038	-
<b>Total investments</b>	<b>\$ 153,168,094</b>	<b>\$ 29,436,142</b>

## COUNTY OF BERRIEN, MICHIGAN

### Notes To Financial Statements

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

*Credit Risk.* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Trusts' investment policy emphasizes appropriate risk/return parameters and compliance with Public Act 314, and gives discretionary authority to its investment managers as opposed to establishing specific credit rating benchmarks. The Trust invests in mutual funds, which is comprised of various securities. The percentages below represent the percent of the mutual fund that is invested in securities with a particular rating. As of December 31, 2016, the Trusts' investments in debt securities were rated by Standard & Poor's as follows:

Rating	Percentage	
	Pension	Other Postemployment Benefit Trust Fund
AAA	64.6%	61.4%
AA	8.1%	7.8%
A	9.5%	9.9%
BBB	17.7%	19.5%
BB	0.0%	0.8%
B	0.0%	0.1%
not rated	0.1%	0.5%
	<u>100.0%</u>	<u>100.0%</u>

*Custodial Credit Risk.* For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the Trust will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Trusts' investment policy requires that securities be held in trust by a third-party institution in the Trusts' name or its nominee custodian's name or in bearer form. Although uninsured and unregistered, the Trusts' investments are not exposed to custodial credit risk since the securities are held by the counterparty's trust department or agent in the Trusts' name. Short-term investments in money market funds and open-end mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book form.

*Concentration of Credit Risk.* Concentration of credit risk is the risk of loss attributed to the magnitude of the Trusts' investment in a single issuer. At December 31, 2016, the Trusts' investment portfolio was not concentrated to a particular issuer due to the only investments being in shares of mutual funds.

*Interest Rate Risk.* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Trusts' investment policy does not discuss the maximum maturity for any single fixed income security or the weighted average portfolio maturity.

## COUNTY OF BERRIEN, MICHIGAN

### Notes To Financial Statements

The Trust invests in mutual funds, which is comprised of various securities. The percentages below represent the percent of the mutual fund that is invested in securities with a particular maturity. As of December 31, 2016, maturities of the Trusts' debt securities, were as follows:

Maturity (Years)	Percentage	
	Pension	Other Employee Benefit Trust Fund
0 to 3	26.7%	21.0%
3 to 5	17.3%	23.5%
5 to 7	21.7%	22.5%
7 to 10	19.8%	16.2%
10 to 15	1.8%	3.1%
15 to 20	1.6%	2.1%
20 to 25	4.1%	3.1%
25+	7.0%	8.5%
	<u>100.0%</u>	<u>100.0%</u>

*Fair Value Measurements* - The System categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The System had the following recurring fair value measurements as of December 31, 2016:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value at December 31, 2016
Investments at fair value:				
Equity mutual funds	\$ 19,247,861	\$ 93,599,723	\$ -	\$ 112,847,584
Fixed income mutual funds	10,188,281	43,763,745	-	53,952,026
Commodities mutual funds	-	5,498,588	-	5,498,588
Real estate mutual funds	-	-	10,306,038	10,306,038
	<u>29,436,142</u>	<u>142,862,056</u>	<u>10,306,038</u>	<u>182,604,236</u>
Total investments at fair value	\$ 29,436,142	\$ 142,862,056	\$ 10,306,038	\$ 182,604,236

## COUNTY OF BERRIEN, MICHIGAN

### Notes To Financial Statements

#### 5. RECEIVABLES

Receivables at year end consisted of the following:

	Governmental Activities	Business-type Activities
Accounts	\$ 118,482	\$ 676,275
Taxes (current)	10,367,595	-
Taxes (delinquent)	-	7,019,674
Interest	-	973,448
Due from other governments	2,501,927	28,700
Leases, current portion	-	1,369,399
Leases, long-term portion	-	26,085,754
Advances to component units (not due within one year)	1,245,000	-
Notes (not due within one year)	140,000	-
Less: allowance for uncollectible accounts	-	(78,317)
	<u>\$ 14,373,004</u>	<u>\$ 36,074,933</u>

Of the amounts reported for receivables above, delinquent taxes receivable in the amount of \$5,603,931, advances to component units in the amount of \$1,245,000, notes receivable in the amount of \$140,000, and leases receivable in the amount of \$26,085,754 are not expected to be collected within one year.

# COUNTY OF BERRIEN, MICHIGAN

## Notes To Financial Statements

### 6. CAPITAL ASSETS

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

#### Primary government

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental activities					
Capital assets not being depreciated:					
Land	\$ 5,419,465	\$ -	\$ -	\$ -	\$ 5,419,465
Construction in progress	1,207,077	597,612	-	(1,180,677)	624,012
	<u>6,626,542</u>	<u>597,612</u>	<u>-</u>	<u>(1,180,677)</u>	<u>6,043,477</u>
Capital assets being depreciated:					
Land improvements	3,073,651	541,375	(49,950)	211,241	3,776,317
Buildings	42,586,285	2,574,606	(130,000)	946,263	45,977,154
Equipment	14,018,752	1,136,900	(490,251)	23,173	14,688,574
	<u>59,678,688</u>	<u>4,252,881</u>	<u>(670,201)</u>	<u>1,180,677</u>	<u>64,442,045</u>
Less accumulated depreciation for:					
Land improvements	(1,532,683)	(103,158)	25,183	-	(1,610,658)
Buildings	(17,460,303)	(929,775)	70,417	-	(18,319,661)
Equipment	(9,104,858)	(1,433,118)	435,722	-	(10,102,254)
	<u>(28,097,844)</u>	<u>(2,466,051)</u>	<u>531,322</u>	<u>-</u>	<u>(30,032,573)</u>
Total capital assets being depreciated, net	<u>31,580,844</u>	<u>1,786,830</u>	<u>(138,879)</u>	<u>1,180,677</u>	<u>34,409,472</u>
Governmental activities capital assets, net	<u>\$ 38,207,386</u>	<u>\$ 2,384,442</u>	<u>\$ (138,879)</u>	<u>\$ -</u>	<u>\$ 40,452,949</u>
	Beginning Balance	Additions	Disposals	Ending Balance	
Business-type activities					
Capital assets being depreciated - Equipment	\$ 809,512	\$ -	\$ -	\$ -	\$ 809,512
Less accumulated depreciation for - Equipment	<u>(740,749)</u>	<u>(8,829)</u>	<u>-</u>	<u>-</u>	<u>(749,578)</u>
Business-type activities capital assets, net	<u>\$ 68,763</u>	<u>\$ (8,829)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 59,934</u>

# COUNTY OF BERRIEN, MICHIGAN

## Notes To Financial Statements

### Discretely presented component units

Capital asset activity for the Road Commission component unit for the year ended September 30, 2016, was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Component Unit - Road Commission				
Capital assets not being depreciated -				
Land	\$ 14,898,895	\$ 14,372	\$ -	\$ 14,913,267
Capital assets being depreciated:				
Land improvements	28,540	-	-	28,540
Buildings	2,793,515	21,693	-	2,815,208
Road equipment	11,308,532	1,287,508	(195,519)	12,400,521
Other equipment	1,003,865	54,021	(216,540)	841,346
Infrastructure	119,654,200	5,223,400	(3,641,991)	121,235,609
	<u>134,788,652</u>	<u>6,586,622</u>	<u>(4,054,050)</u>	<u>137,321,224</u>
Less accumulated depreciation for:				
Land improvements	(15,221)	(2,854)	-	(18,075)
Buildings	(2,080,162)	(70,904)	-	(2,151,066)
Road equipment	(10,258,138)	(432,236)	191,347	(10,499,027)
Other equipment	(823,978)	(54,031)	189,366	(688,643)
Infrastructure	(61,326,707)	(5,370,679)	3,641,991	(63,055,395)
	<u>(74,504,206)</u>	<u>(5,930,704)</u>	<u>4,022,704</u>	<u>(76,412,206)</u>
Total capital assets				
being depreciated, net	<u>60,284,446</u>	<u>655,918</u>	<u>(31,346)</u>	<u>60,909,018</u>
Road Commission				
capital assets, net	<u>\$ 75,183,341</u>	<u>\$ 670,290</u>	<u>\$ (31,346)</u>	<u>\$ 75,822,285</u>

## COUNTY OF BERRIEN, MICHIGAN

### Notes To Financial Statements

Capital asset activity for the Drain Commission component unit for the year ended December 31, 2016, was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Component Unit - Drain Commission				
Capital assets not being depreciated -				
Construction in progress	\$ 2,129,255	\$ 3,654,124	\$ -	\$ 5,783,379
Capital assets being depreciated -				
Infrastructure	24,780,329	-	-	24,780,329
Less accumulated depreciation for -				
Infrastructure	(5,791,173)	(964,774)	-	(6,755,947)
Total capital assets				
being depreciated, net	18,989,156	(964,774)	-	18,024,382
Drain Commission				
capital assets, net	<u>\$ 21,118,411</u>	<u>\$ 2,689,350</u>	<u>\$ -</u>	<u>\$ 23,807,761</u>

Capital asset activity for the Community Mental Health Authority component unit for the year ended September 30, 2016, was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Component Unit -				
Mental Health Authority				
Capital assets not being depreciated -				
Land	\$ 128,000	\$ -	\$ -	\$ 128,000
Capital assets being depreciated:				
Buildings and improvements	1,051,630	15,317	-	1,066,947
Furniture, fixtures and equipment	3,519,259	317,775	(19,516)	3,817,518
Vehicles	404,412	30,955	(56,583)	378,784
	<u>4,975,301</u>	<u>364,047</u>	<u>(76,099)</u>	<u>5,263,249</u>
Less accumulated depreciation for:				
Buildings and improvements	(404,211)	(50,978)	-	(455,189)
Furniture, fixtures and equipment	(2,689,921)	(296,147)	19,516	(2,966,552)
Vehicles	(341,126)	(25,094)	56,583	(309,637)
	<u>(3,435,258)</u>	<u>(372,219)</u>	<u>76,099</u>	<u>(3,731,378)</u>
Total capital assets				
being depreciated, net	1,540,043	(8,172)	-	1,531,871
Mental Health Authority				
capital assets, net	<u>\$ 1,668,043</u>	<u>\$ (8,172)</u>	<u>\$ -</u>	<u>\$ 1,659,871</u>

# COUNTY OF BERRIEN, MICHIGAN

## Notes To Financial Statements

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

### Depreciation of governmental activities by function

Legislative	\$ 310,035
Judicial	57,569
General government	1,087,164
Public safety	666,371
Health and welfare	60,458
Recreation and cultural	95,640
Community development	188,814
	<u>\$ 2,466,051</u>

### Depreciation of business-type activities by function

Public works projects	<u>\$ 8,829</u>
-----------------------	-----------------

### Construction Commitments

The County has active construction projects as of December 31, 2016. The projects include infrastructure improvements for drains. At year end, the County's commitments with contractors are as follows:

	Construction Commitments
County capital projects	\$ 987,232
Drains	<u>72,689</u>
Total	<u>\$ 1,059,921</u>

## 7. ACCOUNTS PAYABLE

Accounts payable and accrued expenses in the government-wide financial statements are as follows:

	Governmental Activities	Business-type Activities
Accounts payable	\$ 807,813	\$ 267,960
Accrued and other liabilities	3,753,882	207,486
Due to other governments	<u>49,121</u>	<u>750,487</u>
	<u>\$ 4,610,816</u>	<u>\$ 1,225,933</u>

## 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The general fund has made long-term advances to the Drain Commission, Economic Development Corporation, and Land Bank Authority component units in the amounts of \$800,000, \$400,000, and \$45,000, respectively, and \$450,000 was advanced by the delinquent tax revolving fund to the general fund to provide sufficient resources for these advances.



## COUNTY OF BERRIEN, MICHIGAN

### Notes To Financial Statements

In addition, the nonmajor governmental funds and nonmajor enterprise funds with negative balances in the County's pooled cash accounts reported interfund payables of \$316,228 and 79,748, respectively, which is equal to the interfund receivable of \$395,976 reported in the delinquent tax revolving fund.

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

For the year ended December 31, 2016, interfund transfers consisted of the following:

	Transfers in	Transfers out
General fund	\$ 1,587,638	\$ 10,537,898
Drug enforcement public safety fund	270,787	2,930,730
Nonmajor governmental funds	19,947,624	5,544,115
Delinquent tax revolving	-	3,450,000
Nonmajor enterprise funds	750,000	93,306
	<u>\$ 22,556,049</u>	<u>\$ 22,556,049</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

### 9. LONG-TERM DEBT

#### Primary government

*General obligation bonds.* The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for business-type activities.

General obligation bonds are direct obligations and pledge the full faith and credit of the County. These bonds are typically issued as 10-20 year serial bonds with varying amounts of principal maturing each year.

*Installment purchase agreement.* During 2016, the County entered into an installment purchase agreement for the purchase of a tractor due in annual installments of \$6,097 through 2021 with 0% interest.

## COUNTY OF BERRIEN, MICHIGAN

### Notes To Financial Statements

General obligation bonds currently outstanding are as follows:

#### *Business-type Activities*

Bonds	Due	Annual Installments	Interest Rate	Amount
1999 Coloma Township Sewer System No. 24	2019	\$50,000-\$125,000	5.00% - 5.70%	\$ 370,000
2001 Village of Berrien Springs/Oronoko Township Water/Sewer System No. 26	2020	\$15,000-\$35,000	4.60% - 5.65%	125,000
2010 Benton Charter Township Water System No. 27	2031	\$675,000 - \$1,435,000	2.00% - 4.50%	15,960,000
2010 Village of Berrien Springs Water and Sewer System No. 29	2031	\$100,000-\$260,000	1.45% - 6.00%	2,645,000
2010 New Buffalo Water Supply System Bonds	2030	\$61,000-\$100,000	2.50%	1,169,924
2011 Benton Charter Township Water Supply System Bonds System No. 27	2031	\$55,000-\$105,000	1.00% - 4.35%	1,195,000
2013 City of Coloma Water and Sewer System Bonds System No. 30	2033	\$155,000-\$265,000	2.00% - 4.75%	3,525,000
2015 Village of Berrien Springs/Oronoko Township Water/Sewer System No. 31	2054	\$40,600-\$54,500	3.00%	2,430,000
Total business-type activities				<u>\$ 27,419,924</u>

Annual debt service requirements to maturity for business-type activities general obligation bonds are as follows:

Year Ended December 31,	Principal	Interest	Total
2017	\$ 1,376,000	\$ 1,076,199	\$ 2,452,199
2018	1,441,000	1,028,617	2,469,617
2019	1,483,000	975,609	2,458,609
2020	1,403,000	921,026	2,324,026
2021	1,440,000	867,489	2,307,489
2022-2026	8,031,000	3,441,273	11,472,273
2027-2031	9,951,924	1,553,046	11,504,970
2032-2036	810,000	274,238	1,084,238
2037-2041	340,000	202,800	542,800
2042-2046	390,000	148,800	538,800
2047-2051	454,000	86,640	540,640
2052-2054	300,000	17,940	317,940
	<u>\$ 27,419,924</u>	<u>\$ 10,593,677</u>	<u>\$ 38,013,601</u>

## COUNTY OF BERRIEN, MICHIGAN

### Notes To Financial Statements

#### Road Commission Component Unit

*Notes payable.* The Road Commission also issues notes payable to local townships, and enters into equipment purchase agreements. Such notes are repayable at varying interest rates through 2020, and amounted to \$248,433 at September 30, 2016.

Annual debt service requirements to maturity for notes payable are as follows:

Year Ended September 30,	Principal	Interest	Total
2017	\$ 143,133	\$ -	\$ 143,133
2018	74,800	30,200	105,000
2019	25,000	13,788	38,788
2020	5,500	-	5,500
	<u>\$ 248,433</u>	<u>\$ 43,988</u>	<u>\$ 292,421</u>

#### Drain Commission Component Unit

*Special assessment bonds.* The Drain Commission is authorized by State statutes to issue special assessment bonds for the construction or major maintenance of drainage districts. Such bonds are repaid from special assessments paid by local property owners.

Bonds	Due	Annual Installments	Interest Rate	Amount
2002 Hollywood Road Detention Drainage District Bonds	2022	\$15,000-\$20,000	4.13% - 5.00%	\$ 10,000
2008 Starr & Wellington Drainage District Bonds	2024	\$12,000-\$13,000	5.95%	97,000
2009 Close Drainage District Bonds	2019	\$120,000-\$165,000	2.50% - 4.00%	480,000
2010 Barnes and Hamilton Drain Bonds	2020	\$170,000-\$215,000	1.90% - 3.50%	815,000
2010 Hollywood Road Consolidated Drain Bonds	2030	\$100,000-\$190,000	2.50% - 4.75%	2,070,000
2010 Schwark Drain Bonds	2030	\$60,000-\$130,000	2.00% - 4.75%	1,375,000
2010 Lake Shore Drain Bonds	2030	\$140,000-\$280,000	0.85% - 4.00%	3,015,000
2012 Smith and Strong Drain Bonds	2032	\$30,000-\$55,000	1.00 - 4.05%	680,000
2012 Lakeside Drain Bonds	2032	\$25,000-\$40,000	0.90 - 4.65%	505,000
2012 Estates Drain Bonds	2032	\$30,000-\$55,000	4.00 - 5.00%	660,000
2012 Oak Hills Springs Drain Bonds	2037	\$30,000-45,000	3.20%	435,000
2013 Blue Jay Drain Bonds	2033	\$135,000-\$250,000	2.00 - 4.50%	3,175,000
2013 Hibbard Lake Drain Bonds	2033	\$50,000-\$90,000	2.00 - 4.00%	1,155,000
2015 North Royalton Drainage District Bonds	2035	\$248,000-\$285,000	2.00 - 3.63%	3,985,000
Total component unit - Drain Commission				<u>\$ 18,457,000</u>

## COUNTY OF BERRIEN, MICHIGAN

### Notes To Financial Statements

Annual debt service requirements to maturity for special assessment bonds are as follows:

Year Ended December 31,	Principal	Interest	Total
2017	\$ 1,202,000	\$ 521,412	\$ 1,723,412
2018	1,237,000	489,674	1,726,674
2019	1,267,000	455,464	1,722,464
2020	1,132,000	422,073	1,554,073
2021	957,000	393,338	1,350,338
2022-2026	5,282,000	1,522,822	6,804,822
2027-2031	5,535,000	611,420	6,146,420
2032-2035	1,845,000	32,734	1,877,734
	<u>\$ 18,457,000</u>	<u>\$ 4,448,937</u>	<u>\$ 22,905,937</u>

*Drain notes.* The Drain Commission issues drain notes to finance various drain capital projects. Interest rates vary from 1.63% to 4.99%, with repayment based on actual collections of special assessments, which are subject to collection over a period of three to ten years. Drain notes outstanding at December 31, 2016, amounted to \$4,205,134.

#### Brownfield Redevelopment Authority Component Unit

*Loans Payable.* The Brownfield Redevelopment Authority has two loans outstanding for the purpose of rehabilitating local properties. These loans are to be repaid from property tax captures in future years.

Loan	Due	Annual Installments	Interest Rate	Amount
2007 DEQ Cleanup Revolving Fund Loan	2021	\$91,350-\$108,915	2.00%	\$ 599,736
2007 Michigan Cleanup Initiative Loan	2022	\$82,178-\$100,174	2.00%	551,970
Total component unit- Brownfield Redevelopment Authority				<u>\$ 1,151,706</u>

Annual debt service requirements to maturity for these loans are as follows:

Year Ended December 31,	Principal	Interest	Total
2017	\$ 168,524	\$ 23,217	\$ 191,741
2018	171,894	19,817	191,711
2019	175,333	16,350	191,683
2020	178,839	12,814	191,653
2021	160,507	9,206	169,713
2022	296,609	1,964	298,573
	<u>\$ 1,151,706</u>	<u>\$ 83,368</u>	<u>\$ 1,235,074</u>

# COUNTY OF BERRIEN, MICHIGAN

## Notes To Financial Statements

### Mental Health Authority Component Unit

*Notes Payable.* The Mental Health Authority has two loans outstanding for the real estate purchased. The Authority has pledged the real property purchased as collateral on these loans.

Note	Due	Annual Installments	Interest Rate	Amount
2005 Real Estate note	2020	\$8,338-\$13,332	3.83%	\$ 44,418
2007 Real Estate note	2022	\$9,481-\$34,320	4.99%	156,202
Total component unit - Mental Health Authority				<u>\$ 200,620</u>

Annual debt service requirements to maturity for these loans are as follows:

Year Ended September 30,	Principal	Interest	Total
2017	\$ 38,948	\$ 8,704	\$ 47,652
2018	40,810	6,842	47,652
2019	42,762	4,890	47,652
2020	38,885	2,901	41,786
2021	33,120	1,200	34,320
2022	6,095	36	6,131
	<u>\$ 200,620</u>	<u>\$ 24,573</u>	<u>\$ 225,193</u>

### *Changes in long-term debt.*

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental Activities					
Installment purchase agreement	\$ -	\$ 30,483	\$ -	\$ 30,483	\$ 6,097
Compensated absences	2,149,846	2,015,440	(1,768,662)	2,396,624	2,396,624
	<u>\$ 2,149,846</u>	<u>\$ 2,045,923</u>	<u>\$ (1,768,662)</u>	<u>\$ 2,427,107</u>	<u>\$ 2,402,721</u>
Business-type Activities					
General obligation bonds	\$ 28,758,924	\$ -	\$ (1,339,000)	\$ 27,419,924	\$ 1,376,000
Unamortized bond discount	(108,625)	-	6,353	(102,272)	(6,601)
	<u>\$ 28,650,299</u>	<u>\$ -</u>	<u>\$ (1,332,647)</u>	<u>\$ 27,317,652</u>	<u>\$ 1,369,399</u>

## COUNTY OF BERRIEN, MICHIGAN

### Notes To Financial Statements

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
<b>Road Commission Component Unit</b>					
General obligation notes payable	\$ 378,433	\$ -	\$ (130,000)	\$ 248,433	\$ 143,133
Compensated absences	77,100	9,200	-	86,300	86,300
	<u>\$ 455,533</u>	<u>\$ 9,200</u>	<u>\$ (130,000)</u>	<u>\$ 334,733</u>	<u>\$ 229,433</u>

<b>Drain Commission Component Unit</b>					
Special assessment bonds payable	\$ 19,629,000	\$ -	\$ (1,172,000)	\$ 18,457,000	\$ 1,202,000
Drain notes payable	2,953,390	2,171,000	(919,256)	4,205,134	1,310,000
Unamortized bond discount	(116,476)	-	7,594	(108,882)	(7,595)
Unamortized bond premium	32,926	-	(1,646)	31,280	1,646
	<u>\$ 22,498,840</u>	<u>\$ 2,171,000</u>	<u>\$ (2,085,308)</u>	<u>\$ 22,584,532</u>	<u>\$ 2,506,051</u>

<b>Brownfield Redevelopment Authority Component Unit</b>					
Loans payable	\$ 1,327,499	\$ -	\$ (175,793)	\$ 1,151,706	\$ 168,524

<b>Mental Health Authority Component Unit</b>					
Notes payable	\$ 237,673	\$ -	\$ (37,053)	\$ 200,620	\$ 38,948
Compensated absences	532,735	86,255	(79,911)	539,079	80,862
	<u>\$ 770,408</u>	<u>\$ 86,255</u>	<u>\$ (116,964)</u>	<u>\$ 739,699</u>	<u>\$ 119,810</u>

For the governmental activities, compensated absences, the net pension liability and the net other postemployment benefit obligation are generally liquidated by the general fund.

### 10. SHORT-TERM NOTES PAYABLE

During the year, the County issued \$11,000,000 for general obligation limited tax notes. The note carried an interest rate of 0.77% and is due June 16, 2018. The County paid these notes in advance during the year resulting in a zero balance.

Short-term debt activity for the year ended December 31, 2016, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities limited tax notes	\$ -	\$ 11,000,000	\$ (11,000,000)	\$ -

# COUNTY OF BERRIEN, MICHIGAN

## Notes To Financial Statements

### 11. INVESTMENT IN CAPITAL ASSETS

As of December 31, 2016, the investment in capital assets was comprised of the following:

	Governmental activities	Business-type activities
Capital assets:		
Capital assets not being depreciated	\$ 6,043,477	\$ -
Capital assets being depreciated, net	34,409,472	59,934
	<u>40,452,949</u>	<u>59,934</u>
Related debt -		
Installment purchase agreement	(30,483)	-
	<u>(30,483)</u>	<u>-</u>
Total investment in capital assets	<u>\$ 40,422,466</u>	<u>\$ 59,934</u>

### 12. FUND BALANCE

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Detailed information on fund balances of governmental funds is as follows:

	General Fund	911 County Operational Fund	Drug Enforcement Public Safety Fund	Senior Citizen Fund	Nonmajor governmental funds	Total
Nonspendable:						
Advance to component unit	\$ 1,245,000	\$ -	\$ -	\$ -	\$ -	\$ 1,245,000
Long-term notes receivable	-	-	-	-	140,000	140,000
Total nonspendable	<u>1,245,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>140,000</u>	<u>1,385,000</u>
Restricted:						
Judicial	-	-	-	-	138,230	138,230
General government	-	-	-	-	56,973	56,973
Public safety	-	2,448,408	434,479	-	65,950	2,948,837
Health and welfare	-	-	-	-	2,068,736	2,068,736
Recreation and cultural	-	-	-	20,678	68,526	89,204
Community development	-	-	-	-	388,879	388,879
Debt service	-	-	-	-	3,526	3,526
Total restricted	<u>-</u>	<u>2,448,408</u>	<u>434,479</u>	<u>20,678</u>	<u>2,790,820</u>	<u>5,694,385</u>
Committed:						
Judicial	-	-	-	-	303,363	303,363
General government	-	-	-	-	1,314,263	1,314,263
Public safety	-	-	-	-	1,858,239	1,858,239
Public works	-	-	-	-	413,032	413,032
Health and welfare	-	-	-	-	1,264,353	1,264,353
Recreation and cultural	-	-	-	-	665,916	665,916
Capital projects	-	-	-	-	6,158,066	6,158,066
Total committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,977,232</u>	<u>11,977,232</u>
Unassigned	<u>19,204,130</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,204,130</u>
Total fund balances governmental funds	<u>\$ 20,449,130</u>	<u>\$ 2,448,408</u>	<u>\$ 434,479</u>	<u>\$ 20,678</u>	<u>\$ 14,908,052</u>	<u>\$ 38,260,747</u>

## COUNTY OF BERRIEN, MICHIGAN

### Notes To Financial Statements

#### 13. RISK MANAGEMENT / SELF-INSURANCE PROGRAMS

The government manages its risk exposures and provides certain employee benefits through a combination of self insurance programs, risk management pools, and commercial insurance and excess coverage policies. On risks which are commercially insured, settlements have not exceeded insurance coverage in any of the past three years. Following is a summary of the self insurance programs and risk management pool participation.

*Liability.* The County participates in the Michigan Municipal Risk Management Authority (MMRMA) for general and automobile liability, motor vehicle physical damage and property damage coverages. The MMRMA provides risk management, underwriting, reinsurance and claim review and processing services for all member governments pursuant to its charter.

The government makes annual contributions to MMRMA based on actuarial studies using historical data and insurance industry statistics. These contributions are paid from an internal service fund (i.e., the Property/Liability Insurance Fund) using premiums paid into it by other funds of the government. Such contributions as received by MMRMA are allocated between its general and member retention funds. Economic resources in the MMRMA's general fund are expended for reinsurance coverage, claim payments and certain general and administrative costs, whereas resources in the member retention fund are used for loss payments and defense costs up to the members' self insured retention limits along with certain other member specific costs.

Accordingly, the government records a restricted asset for its portion of the unexpended member retention fund. At December 31, 2016, the balance of the County's member retention fund was \$2,797,234.

Under most circumstances, the County's maximum loss retention per occurrence was as follows:

Type of Risk	Maximum Retention Per Occurrence
General and automobile liability	\$200,000 specific occurrence
Motor vehicle physical damage	County assumes all risk
Property damage and crime	\$1,000 per occurrence plus 10% of the next \$100,000



## COUNTY OF BERRIEN, MICHIGAN

### Notes To Financial Statements

Changes in the balances of claims liabilities during the past two years, including provision for incurred but not reported (IBNR) claims, which are recorded in the property/liability insurance internal service fund, are as follows:

	2016	2015
Unpaid claims, beginning of year	\$ 1,027,711	\$ 1,050,721
Incurred claims (including change in IBNR provisions)	897,195	221,662
Claims payments	(152,784)	(244,672)
Unpaid claims, end of year	<u>\$ 1,772,122</u>	<u>\$ 1,027,711</u>

*Health insurance.* The County is self-insured for its employee health insurance. The plan is accounted for in the health care insurance internal service fund. The self-insured program is administered by a third-party administrator who provides claims review and processing services as well as illustrated premium rates, which are anticipated, over time, to approximate the actual cost of benefits. Premiums for the self-insured program are paid into the internal service fund by all other funds based on actual or illustrated rates. These premiums are available to pay claims and administrative costs.

	2016	2015
Unpaid claims, beginning of year	\$ 464,400	\$ 866,672
Incurred claims (including change in IBNR provisions)	2,080,016	12,033,788
Claims payments	(1,856,216)	(12,436,060)
Unpaid claims, end of year	<u>\$ 688,200</u>	<u>\$ 464,400</u>

*Unemployment.* The County is self-insured for unemployment benefits, which is accounted for in the unemployment insurance internal service fund. The reserve for unemployment benefits is determined by management based on prior experience. Unemployment benefits are expensed when paid:

	2016	2015
Unpaid claims, beginning of year	\$ -	\$ -
Incurred claims	-	17,226
Claims payments	-	(17,226)
Unpaid claims, end of year	<u>\$ -</u>	<u>\$ -</u>

## COUNTY OF BERRIEN, MICHIGAN

### Notes To Financial Statements

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. An excess coverage insurance policy covers individual claims in excess of \$300,000 subject to an annual aggregate limit of \$5 million. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of pay outs and other economic and social factors.

Changes in the balances of claims liabilities during the past two years are as follows:

	2016	2015
Unpaid claims, beginning of year	\$ 13,098	\$ 77,561
Incurred claims	445,435	58,035
Claims payments	(284,173)	(122,498)
Unpaid claims, end of year	<u>\$ 174,360</u>	<u>\$ 13,098</u>

*Board errors and omissions.* The County is also self-insured for Board errors and omissions, which is accounted for in the property/liability insurance internal service fund. No estimated claims liability was outstanding at December 31, 2016 or 2015, nor were the amount of claims paid or incurred during 2016 or 2015 of any consequence.

*Road Commission.* The Road Commission is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The Road Commission has purchased commercial insurance for medical benefit claims and participates in the Michigan County Road Commission self-insurance pool for workers' compensation and property liability. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan County Road Commission self-insurance pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

### 14. PROPERTY TAXES

Property taxes are levied on the assessed taxable value of the property as established by local units, accepted by the County and equalized under State statute at approximately 50% of the current estimated market value. In March 1994, Michigan voters approved Proposal A, which limits annual increases in assessed values to the lesser of 5% or the rate of inflation with assessed value reverting to 50% of true cash value when the property is sold.

The assessed and taxable value of real and personal property for the 2016 levy was \$7,458,387,643. The general operating tax rate for this levy was 4.7723 mills. The taxable value of real and personal property for the 2015 levy was \$7,403,425,567. The tax rates for this levy was 0.4500 mills, 0.3500 mills, 0.3000 mills, and .1000 mills assessed for 911 emergency services, public safety operations, senior center operations, and parks respectively.

# COUNTY OF BERRIEN, MICHIGAN

## Notes To Financial Statements

By agreement with various taxing authorities, the County purchases at face value the real property taxes returned delinquent each March 1 and records a corresponding delinquent taxes receivable.

### 15. PENSION PLAN

#### General Information about the Pension Plan

*Plan Description.* The County administers the Berrien County Employees' Retirement System, (the "Plan"), a single-employer defined benefit plan provided by authority section 12a of Act No. 156 of the Public Acts of 1851, which was adopted and established by the County in accordance with Michigan Compiled Laws Section 46.12a. The plan is included as a pension trust fund in the County's financial statements and a stand alone report of the Plan has been issued. Employer and employee contributions and benefit provisions are authorized and may be amended by County Board resolution and benefits may vary pursuant to collective bargaining agreements. Substantially all employees are covered by the Plan. Upon retirement, the plan pays a benefit percentage (depending on group), calculated using the percentage of final average compensation times years of credited service.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and mortality. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress, presented as required supplementary information following the notes to the financial statements, present multi-year trend information about whether the actuarial values of trust assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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 actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The Plan issues a publicly available financial report that can be obtained at <http://www.berriencounty.org/>.

*Benefits Provided.* Plan members may retire at age 55 or 60 with 5, 8, 10 or 25 years of credited service depending on which group the employee is in. Members are vested after completing 5, 8 or 10 years of credited service. Retirement options that provide for survivor benefits are available to members. The Plan also provides death and disability benefits. If a member leaves employment or dies before vesting, accumulated member contributions plus interest are refunded to the member or designated beneficiary.

*Contributions.* The contribution requirements of plan members and the County are established and may be amended by the County Board of Commissioners. Plan members are required to contribute 5.0% to 10.49% to the Plan, depending on their bargaining unit and hire date, with the County contributing additional amounts, as necessary, to provide assets sufficient to pay for member benefits.

## COUNTY OF BERRIEN, MICHIGAN

### Notes To Financial Statements

Bargaining Unit / Employee Group	Benefits Multiplier	Contribution Percentage
AFSCME (Probate): Riverwood	2.00%	7.06%
Union members	2.20%	5.00%
Non-union members	2.20%	5.00%
Courthouse elected	2.20%	5.00%
GELC District Court Probation Members	2.20%	5.00%
Juvenile Court	2.00%	7.06%
Courthouse appointed	2.20%	5.00%
General non-bargaining members	2.20%	5.00%
FOPLC civilian members	2.20%	6.89%
Teamster FOC members	2.20%	8.00%
Road commission	2.00%	6.00%
Sheriff POLC Command Unit	2.80%	10.49%
Police Officers Labor Council (POLC)	2.80%	8.00%

*Employees Covered by Benefit Terms.* At December 31, 2015, the date of the latest actuarial valuation:

	County	Road Commission	Community Mental Health Authority	Total
Retirees and beneficiaries receiving benefits	501	76	76	653
Inactive plan members not yet receiving benefits	40	6	11	57
Active plan members	619	65	170	854
Total	1,160	147	257	1,564

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

*Actuarial Assumptions.* The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions.

Inflation	3.25%
Salary increases	3.55% to 6.25% including inflation
Investment rate of return	7.50%, net of investment expense and including inflation

Assumption changes for the current year include a decrease in the inflation rate used to calculate the discount rate, decrease in the expected salary increases, decrease in expected return on investments and a change in the mortality tables.

## COUNTY OF BERRIEN, MICHIGAN

### Notes To Financial Statements

Mortality tables were based on fully generational RP-2014 Healthy Annuitant Tables after adjustment to the base year 2006 for males and females with MP-2015 mortality improvement scales. The margin for future mortality improvement is included in the MP-2015 mortality improvement scales.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each asset class. These real 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. For each asset class that is included in the pension plan's target asset allocation as of December 31, 2014, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
U.S. large cap equities	35.00%	5.80%	2.03%
U.S. small cap equities	11.00%	7.60%	0.84%
International equities	12.00%	6.30%	0.76%
Core fixed income	35.00%	0.50%	0.18%
Global real estate	5.00%	3.90%	0.20%
Commodities	2.00%	3.90%	0.08%
	<u>100.00%</u>		4.09%
Inflation			3.25%
Risk adjustments			<u>0.16%</u>
Investment rate of return			<u>7.50%</u>

*Discount Rate.* The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that County contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension 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 pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

## COUNTY OF BERRIEN, MICHIGAN

### Notes To Financial Statements

*Changes in the Net Pension Liability.* The components of the change in the net pension liability are summarized as follows:

	County	Road Commission	Community Mental Health Authority	Total
Total pension liability	\$ 208,310,259	\$ 22,111,112	\$ 26,444,762	\$ 256,866,133
Plan fiduciary net position	(114,686,548)	(11,301,510)	(20,013,065)	(146,001,123)
County's net pension liability	<u>\$ 93,623,711</u>	<u>\$ 10,809,602</u>	<u>\$ 6,431,697</u>	<u>\$ 110,865,010</u>
		Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at December 31, 2014		<u>\$ 199,695,951</u>	<u>\$ 150,797,924</u>	<u>\$ 48,898,027</u>
Changes for the year:				
Service cost		4,694,759	-	4,694,759
Interest		15,655,309	-	15,655,309
Differences between expected and actual experience		694,777	-	694,777
Changes in assumptions		48,836,330	-	48,836,330
Benefit changes		(7,048)	-	(7,048)
Employer contributions		-	7,235,958	(7,235,958)
Employee contributions		-	2,829,258	(2,829,258)
Net investment income		-	(1,479,190)	1,479,190
Benefit payments, including refunds of employee contributions		(12,703,945)	(12,703,945)	-
Administrative expense		-	(678,882)	678,882
Net changes		<u>57,170,182</u>	<u>(4,796,801)</u>	<u>61,966,983</u>
Balances at December 31, 2015		<u>\$ 256,866,133</u>	<u>\$ 146,001,123</u>	<u>\$ 110,865,010</u>

*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%, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1% lower (6.50%) or 1% higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
County	\$ 120,136,059	\$ 93,623,711	\$ 71,535,994
Road commission	13,418,888	10,809,602	8,620,561
Community mental health authority	<u>9,803,513</u>	<u>6,431,697</u>	<u>3,612,974</u>
County's net pension liability	<u>\$ 143,358,460</u>	<u>\$ 110,865,010</u>	<u>\$ 83,769,529</u>

## COUNTY OF BERRIEN, MICHIGAN

### Notes To Financial Statements

*Pension Plan Fiduciary Net Position.* Detailed information about the pension plan's fiduciary net position is provided in the basic financial statements.

*Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions.* For the year ended December 31, 2016, the County, Road Commission, and Community Mental Health Authority recognized pension expense of \$15,176,134, \$1,900,108 and \$1,468,400, respectively. At December 31, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Difference between expected and actual experience:			
County	\$ 1,008,483	\$ 1,665,374	\$ (656,891)
Road commission	-	487,346	(487,346)
Community mental health authority	195,084	326,146	(131,062)
	<u>1,203,567</u>	<u>2,478,866</u>	<u>(1,275,299)</u>
Changes in assumptions:			
County	32,198,470	-	32,198,470
Road commission	3,927,792	-	3,927,792
Community mental health authority	3,210,477	-	3,210,477
	<u>39,336,739</u>	<u>-</u>	<u>39,336,739</u>
Net difference between projected and actual earnings on pension plan investments:			
County	8,474,089	-	8,474,089
Road commission	946,881	-	946,881
Community mental health authority	1,522,935	-	1,522,935
	<u>10,943,905</u>	<u>-</u>	<u>10,943,905</u>
Employer contributions to the plan subsequent to the measurement date:			
County	5,653,092	-	5,653,092
Road commission	493,691	-	493,691
Community mental health authority	362,390	-	362,390
	<u>6,509,173</u>	<u>-</u>	<u>6,509,173</u>
Total	<u>\$ 57,993,384</u>	<u>\$ 2,478,866</u>	<u>\$ 55,514,518</u>

## COUNTY OF BERRIEN, MICHIGAN

### Notes To Financial Statements

This amount includes deferred outflows of resources resulting from contributions subsequent to the measurement date of December 31, 2015 that will be recognized as a reduction in the net pension liability for the year ended September 30, 2017 for the Road Commission and the Community Mental Health Authority and the year ended December 31, 2017 for the County's primary government. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended December 31,	County	Road Commission	Community Mental Health Authority
2017	\$ 9,407,148	\$ 1,287,351	\$ 990,568
2018	9,407,148	1,287,351	990,568
2019	9,512,321	1,287,351	990,568
2020	8,521,774	530,385	1,083,899
2021	3,167,277	(1,219)	546,747
Thereafter	-	(3,892)	-
Total	<u>\$ 40,015,668</u>	<u>\$ 4,387,327</u>	<u>\$ 4,602,350</u>

*Payable to the pension plan.* At December 31, 2016, the County did not have any outstanding contributions payable to the pension plan for the year then ended.

### 16. OTHER POSTEMPLOYMENT BENEFITS

#### General County

*Plan description.* The Berrien County Employees Amended Retirement Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the County of Berrien. In addition to the retirement benefits described above, the Plan provides 50% health insurance benefits to certain retirees and their beneficiaries, which are advance-funded on a discretionary basis.

*Basis of Accounting.* The financial statements of the Plan are included in the County's financial statements as an other postemployment benefit trust fund and are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which they are due. The County's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

*Methods Used to Value Investments.* Investments are reported at fair value which is determined using selected bases as follows: 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 for which quotations are not readily available are valued at their fair values as determined by the custodian under the direction of the Board, with the assistance of a valuation service; and cash deposits are reported at carrying amounts which reasonably approximates fair value.



## COUNTY OF BERRIEN, MICHIGAN

### Notes To Financial Statements

*Funding Policy.* The contribution requirements of Plan members and the County are established and may be amended by the County Board of Commissioners. Plan members receiving benefits contributed \$986,842 through their required contribution of \$139 - \$410 per month for retiree-only coverage and \$418 - \$1,230 for retiree and spouse coverage, depending on age and bargaining unit.

The County's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

*Annual OPEB Cost and Net OPEB Asset.* The County's annual other postemployment benefit (OPEB) cost and net OPEB asset to the Plan for the current year were as follows:

Annual required contribution	\$ 2,870,794
Interest on net OPEB asset	(66,288)
Adjustment to annual required contribution	<u>56,498</u>
Annual OPEB cost	2,861,004
Contributions made	<u>(3,090,391)</u>
Change in net OPEB asset	(229,387)
Net OPEB asset, beginning of year	<u>(828,599)</u>
Net OPEB asset, end of year	<u>\$ (1,057,986)</u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB asset for the current and the two preceding years were as follows:

Three-Year Trend Information			
Years Ended December 31,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB (Asset)
2014	\$ 2,032,129	86%	\$ (1,234,465)
2015	2,119,906	81%	(828,599)
2016	2,861,004	108%	(1,057,986)

*Funded status and funding progress.* As of December 31, 2016, the date of the most recent actuarial valuation, the Plan was 46 percent funded. The actuarial accrued liability for benefits was \$68,944,128, and the actuarial value of assets was \$31,919,969, resulting in an unfunded actuarial accrued liability (UAAL) of \$37,024,159. The covered payroll (annual payroll of the active employees covered by the Plan) was \$30,310,471 and the ratio of the UAAL to the covered payroll was 122.2 percent.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefit.

## COUNTY OF BERRIEN, MICHIGAN

### Notes To Financial Statements

*Actuarial Methods and Assumptions.* In the December 31, 2016 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions includes: (a) a rate of return on investments of 7.5%; (b) projected salary increases of 3.25% attributable to inflation; (c) additional projected salary increases ranging from 0.30% to 3.00%, depending on age, attributable to seniority/merit; and (d) projected healthcare benefit increases of 3.25% to 9.0%. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the fair value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll over 30 years on an open basis.

#### Road Commission

*Plan description.* The Road Commission provides retiree health care benefits to eligible employees and their spouses. This is a single employer defined benefit plan administered by the Road Commission. The benefits are provided under the collective bargaining agreement for union employees and by the Road Commission resolution for nonunion employees. The Plan does not issue a publicly available financial report.

*Funding Policy.* The collective bargaining agreements require a contribution of \$500 per month for married employees and \$270 per month for single employees from retiree age 60 to 65. The Road Commission has no obligation to make contributions in advance of when the insurance premiums are due for payment (in other words, this may be financed on a "pay-as-you-go" basis). Therefore, the Road Commission has elected not to fund the plan in advance.

*Funding Progress.* The Road Commission's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC). The Road Commission has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB No. 45 for employers in plans with fewer than 100 total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of 10 years.

The following table shows the components of the Road Commission's annual OPEB cost for the year ended September 30, 2016, the amount actually contributed to the plan, and the changes in the net OPEB obligation:

Annual required contribution	\$ 48,643
Interest on net OPEB obligation	19,832
Less: adjustment to the annual required contribution	<u>(61,126)</u>
Annual OPEB cost	7,349
Contributions made	<u>(4,405)</u>
Change in net OPEB obligation	2,944
Net OPEB obligation, beginning of year	<u>495,787</u>
Net OPEB obligation, end of year	<u>\$ 498,731</u>

## COUNTY OF BERRIEN, MICHIGAN

### Notes To Financial Statements

The annual OPEB costs, the percentage contributed to the Plan, and the net OPEB obligation for the current and two preceding years are as follows:

Three-Year Trend Information			
Years Ended September 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 80,883	18.6%	\$ 360,963
2015	144,724	6.8%	495,787
2016	7,349	59.9%	498,731

*Funded status and funding progress.* As of September 30, 2016, the date of the most recent actuarial valuation, the Plan was zero percent funded. The actuarial accrued liability for benefits was \$660,703, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$660,703. The covered payroll (annual payroll of the active employees covered by the Plan) was \$3,690,721 and the ratio of the UAAL to the covered payroll was 17.9 percent.

*Actuarial Methods and Assumptions.* Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan 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 above, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the 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 actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:

*Retirement Age for Active Employees* - Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 60, or at the first subsequent year in which the member would qualify for benefits.

*Marital Status* - Marital status of members at the calculation date was assumed to continue throughout retirement.

## COUNTY OF BERRIEN, MICHIGAN

### Notes To Financial Statements

*Turnover* - Non-group-specific age-based turnover data from GASB Statement No. 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

*Health Insurance Premiums* - Health insurance premiums of \$500 for married participants and \$270 for single participants were used as the basis for calculation of the present value of total benefits to be paid.

Based on the historical and expected returns of the County's short-term investment portfolio, a discount rate of 4.0 percent was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level dollar contribution on a closed basis. The remaining amortization period at September 30, 2016 was 10 years.

### 17. COMBINING FINANCIAL INFORMATION - PENSION AND OTHER POSTEMPLOYMENT TRUST FUNDS

Financial statements for individual pension and employee benefit plans:

	Pension and Other Postemployment Benefits Net Position		
	Pension	Other Postemployment Benefit Trust Fund	Totals
<b>Assets</b>			
Cash and cash equivalents	\$ 1,028,505	\$ 1,283,357	\$ 2,311,862
Investments:			
Equity mutual funds	94,506,426	18,341,158	112,847,584
Fixed income mutual funds	43,763,745	10,188,281	53,952,026
Commodities mutual funds	4,591,885	906,703	5,498,588
Real estate mutual funds	10,306,038	-	10,306,038
Accrued interest receivable	14,624	-	14,624
<b>Total assets</b>	<b>154,211,223</b>	<b>30,719,499</b>	<b>184,930,722</b>
<b>Liabilities</b>			
Accounts payable	145,137	-	145,137
<b>Net position</b>			
Restricted for pension and other postemployment benefits	<u>\$ 154,066,086</u>	<u>\$ 30,719,499</u>	<u>\$ 184,785,585</u>

## COUNTY OF BERRIEN, MICHIGAN

### Notes To Financial Statements

	Changes in Pension and Other Postemployment Benefits Net Position		
	Pension	Other Postemployment Benefit Trust Fund	Totals
<b>Additions</b>			
Investment income (loss):			
Net change in fair value of investments	\$ 12,296,999	\$ 535,739	\$ 12,832,738
Interest and dividends	446	1,571,639	1,572,085
Less investment expenses	(565,304)	-	(565,304)
Net investment income	11,732,141	2,107,378	13,839,519
Contributions:			
Employer	6,668,570	3,090,391	9,758,961
Employees	2,790,452	-	2,790,452
Total contributions	9,459,022	3,090,391	12,549,413
Total additions	21,191,163	5,197,769	26,388,932
<b>Deductions</b>			
Benefit payments	12,676,335	1,982,029	14,658,364
Contribution refunds	382,538	-	382,538
Administration	67,327	-	67,327
Total deductions	13,126,200	1,982,029	15,108,229
Change in net position	8,064,963	3,215,740	11,280,703
Net position, beginning of year	146,001,123	27,503,759	173,504,882
Net position, end of year	\$ 154,066,086	\$ 30,719,499	\$ 184,785,585

### 18. TRANSACTIONS WITH RELATED PARTIES

The County provides grant funding to a local ministry that does work to reduce the likelihood of convicts going back to prison once they are released. This ministry is operated by a relative of a County Commissioner. During the year ended December 31, 2016, total expenditures incurred related to this contractor amounted to \$15,003.

# COUNTY OF BERRIEN, MICHIGAN

## Notes To Financial Statements

### 19. TAX ABATEMENTS

The County received reduced property tax revenues during 2016 as a result of industrial facilities tax exemptions (IFT's) and brownfield redevelopment agreements entered into by cities, villages, townships, and authorities within the County.

The IFT's were entered into based upon the Plant Rehabilitation and Industrial Development Districts Act, (known as the Industrial Facilities Exemption), 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 \$112,000 in reduced County tax revenues for 2016.

Brownfield redevelopment agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties. These agreements were entered into based upon the Brownfield Redevelopment Act, PA 381 of 1996, as amended. Under this act, a municipality may create a brownfield redevelopment authority to develop and implement brownfield projects. Tax increment financing may be used as a tool for property redevelopment. The abatements amounted to approximately \$257,000 in reduced County tax revenues for 2016.

### 20. CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by those agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds.

In January 2017, the County requested that the U.S. Department of Commerce's Economic Development Administration (the "EDA") terminate for convenience its Revolving Loan Fund Program. As a result of this termination, the County was required to repay \$685,000 to the EDA, which represented the federal share of program costs that the EDA had determined were disallowed under the provisions of the grant agreement. As disallowed costs, these amounts will be recorded as expenditures/expenses in the general fund and governmental activities during the year ended December 31, 2017.

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the County's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the County.

## COUNTY OF BERRIEN, MICHIGAN

### Notes To Financial Statements

#### 21. SUBSEQUENT EVENTS

On May 17, 2017, the County issued Lake Shore Drain Drainage District Refunding Bonds, Series 2017 with a face value of \$2,115,000, and Schwark Drain Drainage District Refunding Bonds, Series 2017 with a face value of \$780,000. The Lake Shore Drainage District Bonds, Series 2010, and Schwark Drain Drainage District Bonds, Series 2010 were refunded as of June 1, 2017, in the amount of \$2,850,000 and \$1,305,000 respectively, in part with proceeds from the refunding bonds issued.

On May 30, 2017, the County issued Village of Michiana Water System Improvement Project Bonds, Series 2017 with a face value of \$1,755,000 to finance water system infrastructure improvements.

On May 31, 2017, the County issued General Obligation Limited Tax Notes, Series 2017 with a face value of \$10,500,000 to finance the purchase of delinquent property taxes receivable from each taxing unit in the County, which is part of the normal financing activities of the County.

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## EXHIBIT C

\_\_\_\_\_, 2017

### **LIGHTHOUSE CREEK DRAIN #298 DRAINAGE DISTRICT** Berrien County, Michigan

We have examined the law and such certified proceedings of the Lighthouse Creek Drain #298 Drainage District, Berrien County, Michigan (the "District"), and other documents as we deemed necessary to render this opinion in connection with the issuance of the District's \$2,125,000 aggregate principal amount Lighthouse Creek Drain #298 Drainage District, Drain Bonds, Series 2017, dated October 1, 2017 (the "Bonds"), under and pursuant to the Constitution and statutes of the State of Michigan and especially Act No. 40, Public Acts of Michigan, 1956, as amended (the "Act"). We, also, have examined one executed and authenticated bond.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation. We have not been engaged nor have we undertaken to review the accuracy, completeness or sufficiency of the Official Statement or any other offering material relating to the Bonds (except to the extent, if any, stated in the Official Statement), and we express no opinion relating thereto (excepting only the matters set forth as our opinion in the Official Statement).

Based on the foregoing, as of the date hereof and under existing law, we are of the opinion:

1. The Bonds are a valid and binding obligation of the District.

2. The Bonds are to be issued in anticipation of, and are primarily payable from, the collection of installments of assessments against specially benefited properties in the District, the Charter Township of St. Joseph (the "Municipalities") and the County of Berrien in an amount equal to the principal of and interest on the Bonds. The District has



**LIGHTHOUSE CREEK DRAIN #298 DRAINAGE DISTRICT**

\_\_\_\_\_, 2017

Page Two

pledged its full faith and credit for the payment of the principal of and interest on the Bonds when due. The District has no taxing power. In addition, the County of Berrien has pledged its limited tax full faith and credit power for the prompt payment of the principal of and interest on the Bonds.

3. Under existing statutes, regulations, rulings and court decisions as currently interpreted, the interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. However, it should be noted that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. This opinion is subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excluded from gross income for federal income tax purposes. Such requirements include filing certain returns with the United States Internal Revenue Service and rebating to the United States certain investment earnings unless certain conditions are met. Failure to comply with such requirements could cause the interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds. The District has covenanted to comply with all such requirements. We express no opinion regarding other federal tax consequences arising with respect to the Bonds and the interest thereon.

4. In addition, the Bonds and the interest thereon are exempt from taxation presently in effect in the State of Michigan, except inheritance and estate taxes and taxes on gains realized from the sale, payment or other disposition thereof.

5. The Bonds have been designated by the District as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code.

**LIGHTHOUSE CREEK DRAIN #298 DRAINAGE DISTRICT**

\_\_\_\_\_, 2017

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The rights of holders of the Bonds may be affected by bankruptcy, reorganization, moratorium, receivership or other similar laws affecting the enforceability of creditors' rights now existing or hereafter enacted to the extent constitutionally applicable, and the enforcement of such rights may be subject to the exercise of judicial discretion in appropriate cases.

CLARK HILL PLC

By \_\_\_\_\_

las.os-ber147

## APPENDIX A

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

#### LIGHTHOUSE CREEK DRAIN #298 DRAINAGE DISTRICT

\$ \_\_\_\_\_  
Lighthouse Creek Drain #298 Drainage District,  
Drain Bonds, Series 2017  
(Berrien County, Michigan)

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Lighthouse Creek Drain #298 Drainage District, County of Berrien, State of Michigan (the "District") in connection with the issuance of its \$ \_\_\_\_\_ Drain Bonds, Series 2017 (the "Bonds"). This Disclosure Certificate is being executed and delivered pursuant to an order by the Drain Commissioner of the County on \_\_\_\_\_, \_\_\_\_ (the "Resolution"). The District covenants and agrees as follows:

#### SECTION 1. Purpose of the Disclosure Certificate.

(a) This Disclosure Certificate is being executed and delivered by the District for the benefit of the Bondholders and the Beneficial Owners and in order to assist the Participating Underwriters in complying with subsection (b)(5) of the Rule.

(b) In consideration of the purchase and acceptance of any and all of the Bonds by those who shall hold the same or shall own beneficial ownership interests therein from time to time, this Disclosure Certificate shall be deemed to be and shall constitute a contract between the District and the Bondholders and Beneficial Owners from time to time of the Bonds, and the covenants and agreements herein set forth to be performed on behalf of the District shall be for the benefit of the Bondholders and Beneficial Owners of any and all of the Bonds.

SECTION 2. Definitions. The following capitalized terms shall have the following meanings in this Disclosure Certificate:

"Annual Report" shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"Dissemination Agent" shall mean the District, or any successor Dissemination Agent appointed in writing by the District and which has filed with the District a written acceptance of such designation.

"EMMA" shall mean the Electronic Municipal Market Access system of the MSRB. As of the date of this Disclosure Certificate, the EMMA Internet Web site address is <http://www.emma.msrb.org>.

"GAAP" shall mean generally accepted accounting principles, as such principles are prescribed, in part, by the Financial Accounting Standards Board and modified by the Government Accounting Standards Board and in effect from time to time.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Official Statement" shall mean the Official Statement for the Bonds dated \_\_\_\_\_.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

"Rule" shall mean Rule 15c2-12 promulgated by the SEC pursuant to the 1934 Act, as the same may be amended from time to time, together with all interpretive guidances or other official interpretations or explanations thereof that are promulgated by the SEC.

"SEC" shall mean the Securities and Exchange Commission.

"Securities Counsel" shall mean legal counsel expert in federal securities law.

"State" shall mean the State of Michigan.

"1934 Act" shall mean the Securities Exchange Act of 1934, as amended.

### SECTION 3. Provision of Annual Reports.

(a) Each year, the District shall provide, or shall cause the Dissemination Agent to provide, not later than nine months after the first day of the District's fiscal year, commencing with the District's Annual Report for the fiscal year ending December 31, 2017, to the MSRB an Annual Report for the preceding fiscal year which is consistent with the requirements of Section 4 of this Disclosure Certificate. Currently, the District's fiscal year commences January 1. Not later than fifteen (15) business days prior to said date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided, however, that if the audited financial statements of the District are not available by the deadline for filing the Annual Report, they shall be provided when and if available, and unaudited financial statements in a format similar to the audited financial statements most recently prepared for the District shall be included in the Annual Report.

(b) If the District is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the District shall send a notice, in a timely manner, to the MSRB in substantially the form attached as Exhibit A.

(c) If the District's fiscal year changes, the District shall send written notice of such change to MSRB, in substantially the form attached as Exhibit B.

(d) If the Dissemination Agent is other than the District, the Dissemination Agent shall file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided.

(f) In connection with providing the Annual Report, the Dissemination Agent (if other than the District) is not obligated or responsible under this Disclosure Certificate to determine the sufficiency of the content of the Annual Report for purposes of the Rule or any other state or federal securities law, rule, regulation or administrative order.

**SECTION 4. Content of Annual Reports.** The District's Annual Report shall contain or incorporate by reference the following which is the same as for the County of Berrien:

(a) The audited financial statements of the District for its fiscal year immediately preceding the due date of the Annual Report.

(b) An update of the financial information and operating data relating to the District of the same nature as that contained in the following tables in the Official Statement: "State Equalized Valuation," "Taxable Valuation," "Major Taxpayers," "Tax Rates and Levies," "Tax Collection Record," "General Fund Revenues and Expenditures," "Employment Characteristics," and "Debt Statement".

The District's financial statements shall be audited and prepared in accordance with GAAP with such changes as may be required from time to time in accordance with State law.

Any or all of the items listed above may be included by specific reference to other documents available to the public on the MSRB's Internet Web site or filed with the SEC. The District shall clearly identify each such other document so included by reference.

**SECTION 5. Reporting of Significant Events.**

(a) The District covenants to provide, or cause to be provided, notice of any of the following events with respect to the Bonds, if material, in a timely manner, but not to exceed 10 business days, and in accordance with the Rule:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;

- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
- (7) Modifications to rights of security holders, if material;
- (8) Bond calls, if material;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the securities, if material;
- (11) Rating changes;
- (12) Tender offers;
- (13) Bankruptcy, insolvency, receivership or similar event of the obligated person;
- (14) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (15) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall as soon as possible determine if such event would be material under applicable federal securities laws. The District covenants that its determination of materiality will be in conformance with federal securities laws.

(c) If the District determines that the occurrence of a Listed Event would be material under applicable federal securities laws, the District shall promptly cause a notice of such occurrence to be filed with the MSRB. In connection with providing a notice of the occurrence of a Listed Event described in subsection (a)(9), the District shall include in the notice explicit disclosure as to whether the Bonds have been escrowed to maturity or escrowed to call, as well as appropriate disclosure of the timing of maturity or call.

(d) In connection with providing a notice of the occurrence of a Listed Event, the Dissemination Agent (if other than the District), solely in its capacity as such, is not

obligated or responsible under this Disclosure Certificate to determine the sufficiency of the content of the notice for purposes of the Rule or any other state or federal securities law, rule, regulation or administrative order.

(e) The District acknowledges that the "rating changes" referred to above in Section 5(a)(11) of this Disclosure Certificate may include, without limitation, any change in any rating on the Bonds or other indebtedness for which the District is liable.

(f) The District acknowledges that it is not required to provide a notice of a Listed Event with respect to credit enhancement when the credit enhancement is added after the primary offering of the Bonds, the District does not apply for or participate in obtaining such credit enhancement, and such credit enhancement is not described in the Official Statement.

SECTION 6. Mandatory Electronic Filing with EMMA: All filings with the MSRB under this Disclosure Certificate shall be made by electronically transmitting such filings through the EMMA Dataport at <http://www.emma.msrb.org> as provided by the amendments to the Rule adopted by the SEC in Securities Exchange Act Release No. 59062 on December 5, 2008.

#### SECTION 7. Termination of Reporting Obligation.

(a) The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance of the Resolution or the prior redemption or payment in full of all of the Bonds. If the District's obligation to pay the principal of and interest on the Bonds is assumed in full by some other entity, such entity shall be responsible for compliance with the Disclosure Certificate in the same manner as if it were the District, and the District shall have no further responsibility hereunder.

(b) This Disclosure Certificate, or any provision hereof, shall be null and void in the event that the District (i) receives an opinion of Securities Counsel, addressed to the District, to the effect that those portions of the Rule, which require such provisions of this Disclosure Certificate, do not or no longer apply to the Bonds, whether because such portions of the Rule are invalid, have been repealed, amended or modified, or are otherwise deemed to be inapplicable to the Bonds, as shall be specified in such opinion, and (ii) delivers notice to such effect to the MSRB.

SECTION 8. Dissemination Agent. The District, from time to time, may appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Disseminating Agent. The initial Dissemination Agent shall be the District. Except as otherwise provided in this Disclosure Certificate, the Dissemination Agent (if other than the District) shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate.

SECTION 9. Amendment; Waiver. (a) Notwithstanding any other provision of this Disclosure Certificate, this Disclosure Certificate may be amended, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(1) If the amendment relates to the provisions of Section 3(a), (b), (c), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(2) This Disclosure Certificate, as so amended or taking into account such waiver, would, in the opinion of Securities Counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(3) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bondholders.

(b) In the event of any amendment to, or waiver of a provision of, this Disclosure Certificate, the District shall describe such amendment or waiver in the next Annual Report, and shall include a narrative explanation of the reason for the amendment or waiver. In particular, if the amendment results in a change to the annual financial information required to be included in the Annual Report pursuant to Section 4 of this Disclosure Certificate, the first Annual Report that contains the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of such change in the type of operating data or financial information being provided. Further, if the annual financial information required to be provided in the Annual Report can no longer be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect shall be included in the first Annual Report that does not include such information.

(c) If the amendment results in a change to the accounting principles to be followed in preparing financial statements as set forth in Section 4 of this Disclosure Certificate, the Annual Report for the year in which the change is made shall include a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of such differences and the impact of the changes on the presentation of the financial information. To the extent reasonably feasible, the comparison shall also be quantitative. A notice of the change in accounting principles shall be sent by the District, or the Dissemination Agent (if other than the District) at the written direction of the District, to the MSRB.

**SECTION 10. Additional Information.** Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.



SECTION 11. Failure to Comply. In the event of a failure of the District or the Dissemination Agent (if other than the District) to comply with any provision of this Disclosure Certificate, any Bondholder or Beneficial Owner may bring an action to obtain specific performance of the obligations of the District or the Dissemination Agent (if other than the District) under this Disclosure Certificate, but no person or entity shall be entitled to recover monetary damages under any circumstances, and any failure to comply with the obligations under this Disclosure Certificate shall not constitute a default with respect to the Bonds or under the Resolution.

SECTION 12. Duties of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate.

SECTION 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriters, the Bondholders and the Beneficial Owners, and shall create no rights in any other person or entity.

SECTION 14. Transmission of Information and Notices. Unless otherwise required by law or this Disclosure Certificate, and, in the sole determination of the District or the Dissemination Agent, as applicable, subject to technical and economic feasibility, the District or the Dissemination Agent, as applicable, shall employ such methods of information and notice transmission as shall be requested or recommended by the herein designated recipients of such information and notices.

SECTION 15. Additional Disclosure Obligations. The District acknowledges and understands that other State and federal laws, including, without limitation, the Securities Act of 1933, as amended, and Rule 10b-5 promulgated by the SEC pursuant to the 1934 Act, may apply to the District, and that under some circumstances, compliance with this Disclosure Certificate, without additional disclosures or other action, may not fully discharge all duties and obligations of the District under such laws.

SECTION 16. Governing Law. This Disclosure Certificate shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of this Disclosure Certificate shall be instituted in a court of competent jurisdiction in the State. Notwithstanding the foregoing, to the extent this Disclosure Certificate addresses matters of federal securities laws, including the Rule, this Disclosure Certificate shall be construed and interpreted in accordance with such federal securities laws and official interpretations thereof.

LIGHTHOUSE CREEK DRAIN #298 DRAINAGE DISTRICT

By: \_\_\_\_\_

Its: \_\_\_\_\_

Date: \_\_\_\_\_

Las.cd-os-ber147

EXHIBIT A

NOTICE TO  
THE MSRB  
OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Lighthouse Creek Drain #298 Drainage District, Michigan

Name of Bond Issue: \$\_\_\_\_\_ Lighthouse Creek Drain #298 Drainage District,  
Drain Bonds, Series 2017

Date of Bonds: \_\_\_\_\_

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of its Continuing Disclosure Certificate with respect to the Bonds. The Issuer anticipates that the Annual Report will be filed by \_\_\_\_\_, \_\_\_\_.

LIGHTHOUSE CREEK DRAIN #298 DRAINAGE  
DISTRICT

By: \_\_\_\_\_

Its: \_\_\_\_\_

Dated: \_\_\_\_\_, \_\_\_\_

EXHIBIT B

NOTICE TO  
THE MSRB  
OF CHANGE IN ISSUER'S FISCAL YEAR

Name of Issuer: Lighthouse Creek Drain #298 Drainage District, Michigan

Name of Bond Issue: \$\_\_\_\_\_ Lighthouse Creek Drain #298 Drainage District,  
Drain Bonds, Series 2017

Date of Bonds: \_\_\_\_\_

NOTICE IS HEREBY GIVEN that the Issuer's fiscal year has changed. Previously, the Issuer's  
fiscal year ended on \_\_\_\_\_, \_\_\_\_\_. It now ends on \_\_\_\_\_, \_\_\_\_\_.

LIGHTHOUSE CREEK DRAIN #298 DRAINAGE  
DISTRICT

By: \_\_\_\_\_

Its: \_\_\_\_\_

Dated: \_\_\_\_\_, \_\_\_\_\_

## **APPENDIX B**

### **FORM OF CONTINUING DISCLOSURE CERTIFICATE**

COUNTY OF BERRIEN

\$\_\_\_\_\_

Lighthouse Creek Drain #298 Drainage District,  
Drain Bonds, Series 2017  
(Berrien County, Michigan)

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the County of Berrien, State of Michigan (the "County") in connection with the issuance by the Lighthouse Creek Drain #298 Drainage District (the "District") of its \$\_\_\_\_\_ Drain Bonds, Series 2017 (the "Bonds"). This Disclosure Certificate is being executed and delivered pursuant to a resolution approved by the Board of Commissioners of the County on \_\_\_\_\_ (the "Resolution"). The County covenants and agrees as follows:

#### **SECTION 1. Purpose of the Disclosure Certificate.**

(a) This Disclosure Certificate is being executed and delivered by the County for the benefit of the Bondholders and the Beneficial Owners and in order to assist the Participating Underwriters in complying with subsection (b)(5) of the Rule.

(b) In consideration of the purchase and acceptance of any and all of the Bonds by those who shall hold the same or shall own beneficial ownership interests therein from time to time, this Disclosure Certificate shall be deemed to be and shall constitute a contract between the County and the Bondholders and Beneficial Owners from time to time of the Bonds, and the covenants and agreements herein set forth to be performed on behalf of the County shall be for the benefit of the Bondholders and Beneficial Owners of any and all of the Bonds.

**SECTION 2. Definitions.** The following capitalized terms shall have the following meanings in this Disclosure Certificate:

"Annual Report" shall mean any Annual Report provided by the County pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"Dissemination Agent" shall mean the County, or any successor Dissemination Agent appointed in writing by the County and which has filed with the County a written acceptance of such designation.

"EMMA" shall mean the Electronic Municipal Market Access system of the MSRB. As of the date of this Disclosure Certificate, the EMMA Internet Web site address is <http://www.emma.msrb.org>.

"GAAP" shall mean generally accepted accounting principles, as such principles are prescribed, in part, by the Financial Accounting Standards Board and modified by the Government Accounting Standards Board and in effect from time to time.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Official Statement" shall mean the Official Statement for the Bonds dated \_\_\_\_\_.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

"Rule" shall mean Rule 15c2-12 promulgated by the SEC pursuant to the 1934 Act, as the same may be amended from time to time, together with all interpretive guidances or other official interpretations or explanations thereof that are promulgated by the SEC.

"SEC" shall mean the Securities and Exchange Commission.

"Securities Counsel" shall mean legal counsel expert in federal securities law.

"State" shall mean the State of Michigan.

"1934 Act" shall mean the Securities Exchange Act of 1934, as amended.

### SECTION 3. Provision of Annual Reports.

(a) Each year, the County shall provide, or shall cause the Dissemination Agent to provide, not later than nine months after the first day of the County's fiscal year, commencing with the County's Annual Report for the fiscal year ending December 31, 2017, to the MSRB an Annual Report for the preceding fiscal year which is consistent with the requirements of Section 4 of this Disclosure Certificate. Currently, the County's fiscal year commences January 1. Not later than fifteen (15) business days prior to said date, the County shall provide the Annual Report to the Dissemination Agent (if other than the County). In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided, however, that if the audited financial statements of the County are not available by the deadline for filing the Annual Report, they shall be provided when and if available, and unaudited financial statements in a format similar to the audited financial statements most recently prepared for the County shall be included in the Annual Report.

(b) If the County is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the County shall send a notice, in a timely manner, to the MSRB in substantially the form attached as Exhibit A.

(c) If the County's fiscal year changes, the County shall send written notice of such change to MSRB, in substantially the form attached as Exhibit B.

(d) If the Dissemination Agent is other than the County, the Dissemination Agent shall file a report with the County certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided.

(f) In connection with providing the Annual Report, the Dissemination Agent (if other than the County) is not obligated or responsible under this Disclosure Certificate to determine the sufficiency of the content of the Annual Report for purposes of the Rule or any other state or federal securities law, rule, regulation or administrative order.

**SECTION 4. Content of Annual Reports.** The County's Annual Report shall contain or incorporate by reference the following:

(a) The audited financial statements of the County for its fiscal year immediately preceding the due date of the Annual Report.

(b) An update of the financial information and operating data relating to the County of the same nature as that contained in the following tables in the Official Statement: "Major Taxpayers," "Top Ten Employers," "State Equalized Valuation," "Taxable Valuation," "Tax Rates & Levies", "Tax Collection Record," "General Fund Revenues and Expenditures", and "Debt Statement".

The County's financial statements shall be audited and prepared in accordance with GAAP with such changes as may be required from time to time in accordance with State law.

Any or all of the items listed above may be included by specific reference to other documents available to the public on the MSRB's Internet Web site or filed with the SEC. The County shall clearly identify each such other document so included by reference.

**SECTION 5. Reporting of Significant Events.**

(a) The County covenants to provide, or cause to be provided, notice of any of the following events with respect to the Bonds, if material, in a timely manner, but not to exceed 10 business days, and in accordance with the Rule:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;

- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
- (7) Modifications to rights of security holders, if material;
- (8) Bond calls, if material;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the securities, if material;
- (11) Rating changes;
- (12) Tender offers;
- (13) Bankruptcy, insolvency, receivership or similar event of the obligated person;
- (14) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (15) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Whenever the County obtains knowledge of the occurrence of a Listed Event, the County shall as soon as possible determine if such event would be material under applicable federal securities laws. The County covenants that its determination of materiality will be in conformance with federal securities laws.

(c) If the County determines that the occurrence of a Listed Event would be material under applicable federal securities laws, the County shall promptly cause a notice of such occurrence to be filed with the MSRB. In connection with providing a notice of the occurrence of a Listed Event described in subsection (a)(9), the County shall include in the notice explicit disclosure as to whether the Bonds have been escrowed to maturity or escrowed to call, as well as appropriate disclosure of the timing of maturity or call.

(d) In connection with providing a notice of the occurrence of a Listed Event, the Dissemination Agent (if other than the County), solely in its capacity as such, is not obligated or responsible under this Disclosure Certificate to determine the sufficiency of the content of the

notice for purposes of the Rule or any other state or federal securities law, rule, regulation or administrative order.

(e) The County acknowledges that the "rating changes" referred to above in Section 5(a)(11) of this Disclosure Certificate may include, without limitation, any change in any rating on the Bonds or other indebtedness for which the County is liable.

(f) The County acknowledges that it is not required to provide a notice of a Listed Event with respect to credit enhancement when the credit enhancement is added after the primary offering of the Bonds, the County does not apply for or participate in obtaining such credit enhancement, and such credit enhancement is not described in the Official Statement.

SECTION 6. Mandatory Electronic Filing with EMMA: All filings with the MSRB under this Disclosure Certificate shall be made by electronically transmitting such filings through the EMMA Dataport at <http://www.emma.msrb.org> as provided by the amendments to the Rule adopted by the SEC in Securities Exchange Act Release No. 59062 on December 5, 2008.

SECTION 7. Termination of Reporting Obligation.

(a) The County's obligations under this Disclosure Certificate shall terminate upon the legal defeasance of the Resolution or the prior redemption or payment in full of all of the Bonds. If the County's obligation to pay the principal of and interest on the Bonds is assumed in full by some other entity, such entity shall be responsible for compliance with the Disclosure Certificate in the same manner as if it were the County, and the County shall have no further responsibility hereunder.

(b) This Disclosure Certificate, or any provision hereof, shall be null and void in the event that the County (i) receives an opinion of Securities Counsel, addressed to the County, to the effect that those portions of the Rule, which require such provisions of this Disclosure Certificate, do not or no longer apply to the Bonds, whether because such portions of the Rule are invalid, have been repealed, amended or modified, or are otherwise deemed to be inapplicable to the Bonds, as shall be specified in such opinion, and (ii) delivers notice to such effect to the MSRB.

SECTION 8. Dissemination Agent. The County, from time to time, may appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Disseminating Agent. The initial Dissemination Agent shall be the County. Except as otherwise provided in this Disclosure Certificate, the Dissemination Agent (if other than the County) shall not be responsible in any manner for the content of any notice or report prepared by the County pursuant to this Disclosure Certificate.

SECTION 9. Amendment; Waiver. (a) Notwithstanding any other provision of this Disclosure Certificate, this Disclosure Certificate may be amended, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:



(1) If the amendment relates to the provisions of Section 3(a), (b), (c), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(2) This Disclosure Certificate, as so amended or taking into account such waiver, would, in the opinion of Securities Counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(3) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bondholders.

(b) In the event of any amendment to, or waiver of a provision of, this Disclosure Certificate, the County shall describe such amendment or waiver in the next Annual Report, and shall include a narrative explanation of the reason for the amendment or waiver. In particular, if the amendment results in a change to the annual financial information required to be included in the Annual Report pursuant to Section 4 of this Disclosure Certificate, the first Annual Report that contains the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of such change in the type of operating data or financial information being provided. Further, if the annual financial information required to be provided in the Annual Report can no longer be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect shall be included in the first Annual Report that does not include such information.

(c) If the amendment results in a change to the accounting principles to be followed in preparing financial statements as set forth in Section 4 of this Disclosure Certificate, the Annual Report for the year in which the change is made shall include a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of such differences and the impact of the changes on the presentation of the financial information. To the extent reasonably feasible, the comparison shall also be quantitative. A notice of the change in accounting principles shall be sent by the County, or the Dissemination Agent (if other than the County) at the written direction of the County, to the MSRB.

**SECTION 10. Additional Information.** Nothing in this Disclosure Certificate shall be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the County chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the County shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 11. Failure to Comply. In the event of a failure of the County or the Dissemination Agent (if other than the County) to comply with any provision of this Disclosure Certificate, any Bondholder or Beneficial Owner may bring an action to obtain specific performance of the obligations of the County or the Dissemination Agent (if other than the County) under this Disclosure Certificate, but no person or entity shall be entitled to recover monetary damages under any circumstances, and any failure to comply with the obligations under this Disclosure Certificate shall not constitute a default with respect to the Bonds or under the Resolution.

SECTION 12. Duties of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate.

SECTION 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the County, the Dissemination Agent, the Participating Underwriters, the Bondholders and the Beneficial Owners, and shall create no rights in any other person or entity.

SECTION 14. Transmission of Information and Notices. Unless otherwise required by law or this Disclosure Certificate, and, in the sole determination of the County or the Dissemination Agent, as applicable, subject to technical and economic feasibility, the County or the Dissemination Agent, as applicable, shall employ such methods of information and notice transmission as shall be requested or recommended by the herein designated recipients of such information and notices.

SECTION 15. Additional Disclosure Obligations. The County acknowledges and understands that other State and federal laws, including, without limitation, the Securities Act of 1933, as amended, and Rule 10b-5 promulgated by the SEC pursuant to the 1934 Act, may apply to the County, and that under some circumstances, compliance with this Disclosure Certificate, without additional disclosures or other action, may not fully discharge all duties and obligations of the County under such laws.

SECTION 16. Governing Law. This Disclosure Certificate shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of this Disclosure Certificate shall be instituted in a court of competent jurisdiction in the State. Notwithstanding the foregoing, to the extent this Disclosure Certificate addresses matters of federal securities laws, including the Rule, this Disclosure Certificate shall be construed and interpreted in accordance with such federal securities laws and official interpretations thereof.

COUNTY OF BERRIEN

By: \_\_\_\_\_

\_\_\_\_\_

Its: \_\_\_\_\_

Date: \_\_\_\_\_

Las.cd-os-ber147a

EXHIBIT A

NOTICE TO  
THE MSRB  
OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: County of Berrien, Michigan

Name of Bond Issue: \$\_\_\_\_\_ Lighthouse Creek Drain #298 Drainage District,  
Drain Bonds, Series 2017

Date of Bonds: \_\_\_\_\_

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of its Continuing Disclosure Certificate with respect to the Bonds. The Issuer anticipates that the Annual Report will be filed by \_\_\_\_\_, \_\_\_\_.

COUNTY OF BERRIEN

By: \_\_\_\_\_

Its: \_\_\_\_\_

Dated: \_\_\_\_\_, \_\_\_\_

EXHIBIT B

NOTICE TO  
THE MSRB  
OF CHANGE IN ISSUER'S FISCAL YEAR

Name of Issuer: County of Berrien, Michigan

Name of Bond Issue: \$\_\_\_\_\_ Lighthouse Creek Drain #298 Drainage District,  
Drain Bonds, Series 2017

Date of Bonds: \_\_\_\_\_

NOTICE IS HEREBY GIVEN that the Issuer's fiscal year has changed. Previously, the Issuer's  
fiscal year ended on \_\_\_\_\_, \_\_\_\_\_. It now ends on \_\_\_\_\_, \_\_\_\_\_.

COUNTY OF BERRIEN

By: \_\_\_\_\_

Its: \_\_\_\_\_

Dated: \_\_\_\_\_, \_\_\_\_\_

# COUNTY OF BERRIEN

## COUNTY OFFICIALS

BRET E. WITKOWSKI, *County Treasurer*  
SHARON TYLER, *Clerk*  
LORI D. JARVIS, *Register of Deeds*  
MICHAEL J. SEPIC, *Prosecuting Attorney*  
L. PAUL BAILEY, *Sheriff*  
CHRISTOPHER J. QUATTRIN, *Drain Commissioner*

## BOARD OF COMMISSIONERS

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MAMIE L. YARBROUGH, *VICE-CHAIRPERSON*  
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JIM CURRAN  
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TERI SUE FREEHLING  
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DEBRA PANOZZO  
EZRA A. SCOTT  
DAVID VOLLRATH