

**County of Hillsdale, Michigan**

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**BASIC FINANCIAL STATEMENTS**

**December 31, 2017**

COUNTY OF HILLSDALE, MICHIGAN

BOARD OF COMMISSIONERS

Mark E. Wiley  
Chairman

John Burtka  
Vice Chairman

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Treasurer

Tim Parker  
Sheriff

Matt Word  
Drain Commissioner

Neal A. Brady  
Prosecuting Attorney

Derek Ringman  
Finance Director

TABLE OF CONTENTS

|  | <u>Page</u> |
|--|-------------|
| INDEPENDENT AUDITOR'S REPORT .....                                 | 1           |
| MANAGEMENT'S DISCUSSION AND ANALYSIS .....                         | 4           |
| <b>BASIC FINANCIAL STATEMENTS:</b>                                 |             |
| Government-Wide Financial Statements:                              |             |
| Statement of Net Position .....                                    | 9           |
| Statement of Activities .....                                      | 10          |
| Fund Financial Statements:   |             |
| Balance Sheet - Governmental Funds .....                           | 12          |
| Reconciliation of Governmental Funds                               |             |
| Balance Sheet to the Statement of Net Position .....               | 13          |
| Statement of Revenues, Expenditures, and                           |             |
| Changes in Fund Balance - Governmental Funds.....                  | 14          |
| Reconciliation of Governmental Funds                               |             |
| Statement of Revenues, Expenditures, and Changes                   |             |
| in Fund Balances to the Statement of Activities.....               | 15          |
| Proprietary Funds:   |             |
| Statement of Net Position .....                                    | 16          |
| Statement of Revenues, Expenses, and Changes in Net Position ..... | 17          |
| Statement of Cash Flows .....                                      | 18          |
| Fiduciary Funds:   |             |
| Statement of Fiduciary Net Position.....                           | 20          |
| <b>COMPONENT UNITS:</b>  |             |
| Financial Statements:  |             |
| Combining Statement of Net Position .....                          | 21          |
| Combining Statement of Activities.....                             | 22          |
| NOTES TO FINANCIAL STATEMENTS .....                                | 23          |

**REQUIRED SUPPLEMENTARY INFORMATION:**

Employee Retirement and Benefit Systems:  
Schedule of Funding Progress ..... 50

Major Funds:

Budgetary Comparison Schedule - General Fund ..... 52  
Budgetary Comparison Schedule - Senior Citizens Special Revenue Fund ..... 56

**OTHER INFORMATION:**

Combining Balance Sheet - Nonmajor Governmental Funds ..... 57

Combining Statement of Revenues, Expenditures, and Changes in  
Fund Balance - Nonmajor Governmental Funds ..... 61

Combining Statement of Net Position - Nonmajor Enterprise Funds ..... 65

Combining Statement of Revenues, Expenses, and Changes in  
Net Position - Nonmajor Enterprise Funds ..... 67

Combining Statement of Cash Flows - Nonmajor Enterprise Funds..... 69

Combining Statement of Fiduciary Funds - Assets and Liabilities ..... 71

Combining Statement of Net Position/Balance Sheet -  
Drain Commission - Component Unit ..... 72

Reconciliation of Governmental Funds  
Balance Sheet to the Statement of Net Position - Drain Commission - Component Unit ..... 73

Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balance/Net Assets - Drain Commission - Component Unit ..... 74

Reconciliation of Governmental Funds  
Statement of Revenues, Expenditures, and Changes in  
in Fund Balances to the Statement of Activities - Drain Commission - Component Unit..... 75

**REPORTS ON COMPLIANCE:**

Independent Auditor’s Report on Internal Control Over Financial  
Reporting and on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in Accordance  
with *Government Auditing Standards* ..... 76



**ANDERSON, TACKMAN & COMPANY, PLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**KINROSS OFFICE**

SUE A. BOWLBY, CPA, PRINCIPAL  
KENNETH A. TALSMA, CPA, PRINCIPAL  
AMBER N. MACK, CPA, PRINCIPAL

PHILLIP J. WOLF, CPA

**MEMBER AICPA**  
**DIVISION FOR CPA FIRMS**

**MEMBER MACPA**

**OFFICES IN**  
**MICHIGAN & WISCONSIN**

**INDEPENDENT AUDITOR'S REPORT**

Members of the Board  
County of Hillsdale, Michigan  
Courthouse, 29 N. Howell Street  
Hillsdale, Michigan 49242

***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 Hillsdale, Michigan, as of and for the year ending December 31, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

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

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

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Hillsdale County Road Commission, which represents 94 percent, 96 percent, and 93 percent, respectively, of the assets, net position, and revenue of the discretely presented component units; the Hillsdale County Medical Care Facility, which represents 71 percent, 79 percent, and 94 percent, respectively, of the assets, net position, and revenue of the business-type activities; and the Hillsdale County Park Commission, which represents .1 percent, .5 percent, and .1 percent, respectively, of the assets, net position, and revenue of the governmental activities. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Road Commission, Medical Care Facility, and Park Commission, 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. The financial statements of the Hillsdale County Medical Care Facility were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 report 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 Hillsdale, Michigan, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress and budgetary comparison information on pages 4 through 8, page 50 through 51, and pages 52 through 56 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 and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

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

The combining nonmajor fund financial statements 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 nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2018 on our consideration of the County of Hillsdale, Michigan'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 the 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 of Hillsdale, Michigan's internal control over financial reporting and compliance.



Anderson, Tackman & Company, PLC  
Certified Public Accountants  
Kincheloe, Michigan

June 29, 2018

## Management's Discussion and Analysis

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# COUNTY OF HILLSDALE, MICHIGAN

## Management's Discussion and Analysis

### Using this Annual Report

The following discussion and analysis of the financial performance for County of Hillsdale ("County") provides an overview of the County's financial activities for the fiscal year ended December 31, 2017. Please read it in conjunction with the County's financial statements which follow this section.

### Financial Highlights

- The general fund reported an increase in fund balance of \$256,701 over 2016. This was partially driven by employee turnover leading to employee wage and benefit expenditures far lower than anticipated in the 2017 budget process.
- Property tax revenue increased by \$163,579 in 2017 compared to 2016. This was the largest tax revenue increase the county has seen in quite a few years.
- The Medical Care Facility reported an increase in net position of \$1,104,609.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County of Hillsdale's basic financial statements. These statements are comprised of five components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements, 4) required supplementary information, 5) other information.

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

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

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

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County of Hillsdale, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund financial statements report the County's operations in more detail than the government-wide financial statements. These statements present a short-term view and tell how taxpayer resources were spent during the year. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

# COUNTY OF HILLSDALE, MICHIGAN

## Management's Discussion and Analysis

**Governmental funds.** Most of the County's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the County's general governmental operations and the basic services it provides.

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

**Proprietary funds.** Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Internal service funds are an accounting device used to accumulate and allocate workers compensation costs internally among the County's various functions. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County of Hillsdale's own programs. The basis of accounting used for fiduciary funds is much like that used for proprietary funds.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

### Government-Wide Financial Analysis

The Statement of Net Position and the Statement of Activities report information about the County as a whole and about its activities in a way that helps explain the condition of the County. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. In a condensed format, the table below shows a comparison of the net position of the County as of the end of the current and prior year.

|   | Hillsdale County Net Position |                   |                          |                   |                   |                   |
|---|-------------------------------|-------------------|--------------------------|-------------------|-------------------|-------------------|
|   | Governmental Activities       |                   | Business-type Activities |                   | Total             |                   |
|   | 2017                          | 2016              | 2017                     | 2016              | 2017              | 2016              |
| <b>Assets</b>                             |                               |                   |                          |                   |                   |                   |
| Current and other assets                  | \$ 8,356,299                  | \$ 8,836,095      | \$ 10,902,631            | \$ 9,855,706      | \$ 19,258,930     | \$ 18,691,801     |
| Capital assets, net                       | 7,861,037                     | 7,802,870         | 10,283,582               | 10,738,492        | 18,144,619        | 18,541,362        |
| <b>Total assets</b>                       | <b>16,217,336</b>             | <b>16,638,965</b> | <b>21,186,213</b>        | <b>20,594,198</b> | <b>37,403,549</b> | <b>37,233,163</b> |
| <b>Deferred outflows</b>                  |                               |                   |                          |                   |                   |                   |
| Deferred outflow from pension             | 237,735                       | 567,438           | -                        | -                 | 237,735           | 567,438           |
| <b>Liabilities</b>                        |                               |                   |                          |                   |                   |                   |
| Long-term liabilities                     | 14,311,630                    | 15,277,358        | 2,981,000                | 3,453,863         | 17,292,630        | 18,731,221        |
| Other liabilities                         | 1,460,496                     | 1,624,953         | 1,700,152                | 1,859,510         | 3,160,648         | 3,484,463         |
| <b>Total liabilities</b>                  | <b>15,772,126</b>             | <b>16,902,311</b> | <b>4,681,152</b>         | <b>5,313,373</b>  | <b>20,453,278</b> | <b>22,215,684</b> |
| <b>Deferred inflows</b>                   |                               |                   |                          |                   |                   |                   |
| Deferred inflow from Pension              | 146,154                       | 310,219           | -                        | -                 | 146,154           | 310,219           |
| Property taxes levied for subsequent year | 1,506,390                     | 1,874,068         | 746,690                  | 730,379           | 2,253,080         | 2,604,447         |
| <b>Total Deferred Inflows</b>             | <b>1,652,544</b>              | <b>2,184,287</b>  | <b>746,690</b>           | <b>730,379</b>    | <b>2,399,234</b>  | <b>2,914,666</b>  |

# COUNTY OF HILLSDALE, MICHIGAN

## Management's Discussion and Analysis

### Net position:

|                                  |                     |                       |                      |                      |                      |                      |
|----------------------------------|---------------------|-----------------------|----------------------|----------------------|----------------------|----------------------|
| Net investment in capital assets | (446,861)           | (1,418,312)           | 10,102,582           | 9,984,629            | 9,655,721            | 8,566,317            |
| Restricted                       | 1,506,655           | 1,684,892             | 266,845              | 178,845              | 1,773,500            | 1,863,737            |
| Unrestricted                     | (2,029,393)         | (2,146,775)           | 5,388,944            | 4,386,972            | 3,359,551            | 2,240,197            |
| <b>Total net position</b>        | <b>\$ (969,599)</b> | <b>\$ (1,880,195)</b> | <b>\$ 15,758,371</b> | <b>\$ 14,550,446</b> | <b>\$ 14,788,772</b> | <b>\$ 12,670,251</b> |

The County's combined net position increased 16.7% from a year ago - increasing from \$12,670,251 to \$14,788,772. Governmental activities experienced an increase in net position of \$910,596 (48%). Business-type activities experienced an increase of \$1,207,925 in net position (8.3%).

The following table shows the changes in net position of the County during the current and prior year:

|   | Hillsdale County Changes in Net Position |                       |                          |                      |                      |                      |
|---|--|-----------------------|--------------------------|----------------------|----------------------|----------------------|
|   | Governmental Activities                  |                       | Business-type Activities |                      | Total                |                      |
|   | 2017                                     | 2016                  | 2017                     | 2016                 | 2017                 | 2016                 |
| <b>Program revenues:</b>                        |  |                       |                          |                      |                      |                      |
| Charges for services                            | \$ 2,706,858                             | \$ 3,025,603          | \$ 18,744,237            | \$ 17,968,603        | \$ 21,451,095        | \$ 20,994,206        |
| Operating grants and contributions              | 3,523,600                                | 3,336,000             | 3,193,113                | 3,061,968            | 6,716,713            | 6,397,968            |
| <b>General revenues:</b>                        |  |                       |                          |                      |                      |                      |
| Property taxes                                  | 8,612,862                                | 8,479,079             | -                        | -                    | 8,612,862            | 8,479,079            |
| State shared revenue                            | 1,242,761                                | 1,098,032             | -                        | -                    | 1,242,761            | 1,098,032            |
| Unrestricted investment earnings                | 41,718                                   | 33,136                | -                        | -                    | 41,718               | 33,136               |
| Other Revenue                                   | 320,489                                  | 1,468,459             | -                        | -                    | 320,489              | 1,468,459            |
| <b>Total revenues</b>                           | <b>16,448,288</b>                        | <b>17,440,309</b>     | <b>21,937,350</b>        | <b>21,030,571</b>    | <b>38,385,638</b>    | <b>38,470,880</b>    |
| <b>Expenses:</b>                                |  |                       |                          |                      |                      |                      |
| Legislative                                     | 72,315                                   | 72,735                | -                        | -                    | 72,315               | 72,735               |
| Judicial  | 1,838,461                                | 1,790,428             | -                        | -                    | 1,838,461            | 1,790,428            |
| General government                              | 3,081,547                                | 3,188,893             | -                        | -                    | 3,081,547            | 3,188,893            |
| Public safety                                   | 4,435,420                                | 4,286,470             | -                        | -                    | 4,435,420            | 4,286,470            |
| Public works                                    | 24,361                                   | 24,619                | -                        | -                    | 24,361               | 24,619               |
| Health and welfare                              | 4,044,800                                | 4,280,735             | -                        | -                    | 4,044,800            | 4,280,735            |
| Recreation and cultural                         | 47,150                                   | 73,025                | -                        | -                    | 47,150               | 73,025               |
| Other governmental activities                   | 2,560,682                                | 4,147,765             | -                        | -                    | 2,560,682            | 4,147,765            |
| Interest on long-term debt                      | 106,857                                  | 68,340                | -                        | -                    | 106,857              | 68,340               |
| Medical Care Facility                           | -  | -                     | 19,500,415               | 18,919,974           | 19,500,415           | 18,919,974           |
| Delinquent tax collections/forfeitures          | -  | -                     | 178,682                  | 259,127              | 178,682              | 259,127              |
| Building inspections                            | -  | -                     | 348,699                  | 326,208              | 348,699              | 326,208              |
| Geographic information services                 | -  | -                     | 13,261                   | 13,276               | 13,261               | 13,276               |
| <b>Total expenses</b>                           | <b>16,211,593</b>                        | <b>17,933,010</b>     | <b>20,041,057</b>        | <b>19,518,585</b>    | <b>36,252,650</b>    | <b>37,451,595</b>    |
| <b>Change in net position, before transfers</b> | <b>236,695</b>                           | <b>(492,701)</b>      | <b>1,896,293</b>         | <b>1,511,986</b>     | <b>2,132,988</b>     | <b>1,019,285</b>     |
| Transfers                                       | 776,530                                  | 777,230               | (776,530)                | (777,230)            | -                    | -                    |
| <b>Change in net position</b>                   | <b>1,013,225</b>                         | <b>284,529</b>        | <b>1,119,763</b>         | <b>734,756</b>       | <b>2,132,988</b>     | <b>1,019,285</b>     |
| <b>Net position:</b>                            |  |                       |                          |                      |                      |                      |
| Beginning of year, as restated                  | (1,880,819)                              | (2,164,724)           | 14,550,450               | 13,815,690           | 12,669,631           | 11,650,966           |
| Prior Period Adjustment                         | (102,005)                                | -                     | 88,158                   | -                    | (13,847)             | -                    |
| <b>End of year</b>                              | <b>\$ (969,599)</b>                      | <b>\$ (1,880,195)</b> | <b>\$ 15,758,371</b>     | <b>\$ 14,550,446</b> | <b>\$ 14,788,772</b> | <b>\$ 12,670,251</b> |

# COUNTY OF HILLSDALE, MICHIGAN

## Management's Discussion and Analysis

### Governmental Activities

Total governmental revenues decreased by \$992,021. A large contributing factor was the decrease in other revenues, which can be items such as loan proceeds. Governmental expenses decreased 9.6%, largely due to a decrease in Principal Payments.

### Business-Type Activities

The county's business-type activities consist primarily of the Medical Care Facility fund. Medical Care Facility revenue increased \$906,779 and expenses increased \$580,441. The year's increase in net position of \$1,119,763 is the 3rd consecutive year of increasing net position.

### Financial Analysis of the County's Funds

The fund financial statements provide detailed information about the most significant funds, not the County as a whole. The County board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The County's major governmental funds for 2017 include the general fund, the senior citizens fund, and the senior center debt service fund.

The general fund pays for most of the county's governmental services. The most significant are public safety, general government, and judicial, which incurred expenditures of \$2,928,040, \$2,710,509, and \$1,800,509, respectively. Some of these services are partially supported by state and federal grants, with the remaining cost funded by general revenue sources of the general fund.

The senior citizens fund is used to account for the collection of property tax collections and disbursements for county-wide senior services pursuant to contractual arrangement.

The senior center debt service fund was used to account for principal and interest payments on the 2005 and 2015 senior center bond issues. Lease payments received from the senior center cover these bond payments.

Major proprietary funds for the year include the medical care facility fund, and the 2016 delinquent tax revolving fund.

### General Fund Budgetary Highlights

Revenue was increased from 2016 to 2017 by \$485,316. Expenditures were well under budget. This year saw a lot of employee turnover which had a significant financial impact in employee wages and benefits.

Over the course of the year, the Board of Commissioners amended the 2017 budget to take into account various unexpected events during the year. All of these amendments were fairly minor.

### Capital Asset and Debt Administration

At the end of the fiscal year 2017, the County had approximately \$18,144,619 (net of depreciation) invested in a broad range of capital assets, including land, buildings, vehicles, equipment, etc. Details of the County's capital assets are contained in the notes to the financial statements. The major increases for the year include the construction of the new 911 building as well as the beginning of construction on the new County Office Building.

**Management's Discussion and Analysis**

The County continues to pay down debt obligations related to capital investments. At December 31, 2017, debt related to capital assets of governmental activities totaled \$8,307,898. Debt related to business-type activities totaled \$2,981,000, of this \$181,000 relates to Medical Care Facility capital assets, and \$2,800,000 relates to delinquent tax notes for 2015 and 2016.

**Economic Factors and Next Year's Budgets and Rates**

The County's 2017 taxable value was a little higher than 2016 values, and a 3.0% increase is expected in 2018. The residential housing market continues to improve. Unemployment locally and statewide continues to decline. Although there are signs of Michigan's economy improving, the County must continue to be prudent in its revenue estimates and spending decisions.

**Contacting the County's Management**

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the County Treasurer's office or the Finance office at 29 North Howell Street, Hillsdale.

# Basic Financial Statements

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# COUNTY OF HILLSDALE, MICHIGAN

## Statement of Net Position

December 31, 2017

|   | Primary Government      |                          |                      | Component Units      |
|---|-------------------------|--------------------------|----------------------|----------------------|
|   | Governmental Activities | Business-type Activities | Total                |                      |
| <b>Assets</b>                             |                         |                          |                      |                      |
| Cash and investments                      | \$ 2,266,249            | \$ 4,985,729             | \$ 7,251,978         | \$ 2,922,466         |
| Internal balances                         | (78,000)                | 78,000                   | -                    | -                    |
| Receivables, net                          | 5,973,550               | 5,473,489                | 11,447,039           | 1,747,762            |
| Prepaid items and other assets            | 194,500                 | 365,413                  | 559,913              | 637,567              |
| Capital assets not being depreciated      | 642,793                 | -                        | 642,793              | 5,522,319            |
| Capital assets being depreciated, net     | 7,218,244               | 10,283,582               | 17,501,826           | 21,074,415           |
| <b>Total assets</b>                       | <b>16,217,336</b>       | <b>21,186,213</b>        | <b>37,403,549</b>    | <b>31,904,529</b>    |
| <b>Deferred outflow of resources</b>      |                         |                          |                      |                      |
| Deferred outflow from Pension             | 237,735                 | -                        | 237,735              | 294,826              |
| <b>Liabilities</b>                        |                         |                          |                      |                      |
| Accounts payable and accrued expenses     | 1,456,661               | 1,700,152                | 3,156,813            | 708,408              |
| Unearned revenue                          | 3,835                   | -                        | 3,835                | -                    |
| <b>Long-term liabilities:</b>             |                         |                          |                      |                      |
| Other post employment benefits            | 2,311,891               | -                        | 2,311,891            | -                    |
| Due within one year                       | 942,158                 | 2,181,000                | 3,123,158            | 311,749              |
| Due in more than one year                 | 7,850,127               | 800,000                  | 8,650,127            | 922,737              |
| Net Pension Liability                     | 3,207,454               | -                        | 3,207,454            | 4,242,922            |
| <b>Total liabilities</b>                  | <b>15,772,126</b>       | <b>4,681,152</b>         | <b>20,453,278</b>    | <b>6,185,816</b>     |
| <b>Deferred inflow of resources</b>       |                         |                          |                      |                      |
| Deferred inflow from pension              | 146,154                 | -                        | 146,154              | 455,160              |
| Property taxes levied for subsequent year | 1,506,390               | 746,690                  | 2,253,080            | -                    |
| <b>Total Deferred Inflows</b>             | <b>1,652,544</b>        | <b>746,690</b>           | <b>2,399,234</b>     | <b>455,160</b>       |
| <b>Net position</b>                       |                         |                          |                      |                      |
| Net investment in capital assets          | (446,861)               | 10,102,582               | 9,655,721            | 26,637,772           |
| Restricted for:                           |                         |                          |                      |                      |
| Endowments and trusts                     | 3,155                   | -                        | 3,155                | -                    |
| Other purposes                            | 1,503,500               | 266,845                  | 1,770,345            | 701,150              |
| Unrestricted                              | (2,029,393)             | 5,388,944                | 3,359,551            | (1,780,543)          |
| <b>Total net position</b>                 | <b>\$ (969,599)</b>     | <b>\$ 15,758,371</b>     | <b>\$ 14,788,772</b> | <b>\$ 25,558,379</b> |

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

COUNTY OF HILLSDALE, MICHIGAN

**Statement of Activities**

Year Ended December 31, 2017

| Functions/Programs                     | Expenses             | Program Revenues     |                                    |                                  | Net (Expense) Revenue |
|--|----------------------|----------------------|------------------------------------|----------------------------------|-----------------------|
|  |                      | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |                       |
| <b>Primary government</b>              |                      |                      |                                    |                                  |                       |
| Governmental activities:               |                      |                      |                                    |                                  |                       |
| Legislative                            | \$ 72,315            | \$ -                 | \$ -                               | \$ -                             | \$ (72,315)           |
| Judicial                               | 1,838,461            | 654,049              | 1,074,103                          | -                                | (110,309)             |
| General government                     | 3,081,547            | 554,613              | 329,552                            | -                                | (2,197,382)           |
| Public safety                          | 4,435,420            | 1,311,887            | 654,393                            | -                                | (2,469,140)           |
| Public works                           | 24,361               | -                    | -                                  | -                                | (24,361)              |
| Health and welfare                     | 4,044,800            | 157,428              | 922,213                            | -                                | (2,965,159)           |
| Recreation and cultural                | 47,150               | 21,480               | 4,426                              | -                                | (21,244)              |
| Other governmental activities          | 2,560,682            | 7,401                | 538,913                            | -                                | (2,014,368)           |
| Interest on long-term debt             | 106,857              | -                    | -                                  | -                                | (106,857)             |
| <b>Total governmental activities</b>   | <b>16,211,593</b>    | <b>2,706,858</b>     | <b>3,523,600</b>                   | <b>-</b>                         | <b>(9,981,135)</b>    |
| Business-type activities:              |                      |                      |                                    |                                  |                       |
| Medical Care Facility                  | 19,500,415           | 17,505,192           | 3,184,232                          | -                                | 1,189,009             |
| Delinquent tax collections/forfeitures | 178,682              | 651,030              | 5,236                              | -                                | 477,584               |
| Building inspections                   | 348,699              | 580,742              | 3,645                              | -                                | 235,688               |
| Geographic information services        | 13,261               | 7,273                | -                                  | -                                | (5,988)               |
| <b>Total business-type activities</b>  | <b>20,041,057</b>    | <b>18,744,237</b>    | <b>3,193,113</b>                   | <b>-</b>                         | <b>1,896,293</b>      |
| <b>Total primary government</b>        | <b>\$ 36,252,650</b> | <b>\$ 21,451,095</b> | <b>\$ 6,716,713</b>                | <b>\$ -</b>                      | <b>\$ (8,084,842)</b> |
| <b>Component units</b>                 |                      |                      |                                    |                                  |                       |
| County Drains                          | \$ 506,794           | \$ 492,158           | \$ 133,778                         | \$ -                             | \$ 119,142            |
| County Roads                           | 7,422,847            | 804,360              | 7,403,140                          | -                                | 784,653               |
| <b>Total component units</b>           | <b>\$ 7,929,641</b>  | <b>\$ 1,296,518</b>  | <b>\$ 7,536,918</b>                | <b>\$ -</b>                      | <b>\$ 903,795</b>     |

continued...



COUNTY OF HILLSDALE, MICHIGAN

Statement of Activities (Continued)

Year Ended December 31, 2017

|  | Primary Government         |                             |                      | Component<br>Units   |
|--|----------------------------|-----------------------------|----------------------|----------------------|
|  | Governmental<br>Activities | Business-type<br>Activities | Total                |                      |
| <b>Changes in net position</b>             |                            |                             |                      |                      |
| Net (expense) revenue                      | \$ (9,981,135)             | \$ 1,896,293                | \$ (8,084,842)       | \$ 903,795           |
| General revenues:                          |                            |                             |                      |                      |
| Property taxes                             | 8,612,862                  | -                           | 8,612,862            | -                    |
| State shared revenue                       | 1,242,761                  | -                           | 1,242,761            | -                    |
| Unrestricted investment earnings           | 41,718                     | -                           | 41,718               | 13,659               |
| Other revenue                              | 320,489                    | -                           | 320,489              | 31,326               |
| Transfers - internal activities            | 776,530                    | (776,530)                   | -                    | -                    |
| Total general revenues and transfers       | 10,994,360                 | (776,530)                   | 10,217,830           | 44,985               |
| <b>Change in net position</b>              | 1,013,225                  | 1,119,763                   | 2,132,988            | 948,780              |
| Net position (deficit), beginning of year  | (1,880,819)                | 14,550,450                  | 12,669,631           | 24,609,599           |
| Prior Period Adjustment                    | (102,005)                  | 88,158                      | (13,847)             | -                    |
| <b>Net position (deficit), end of year</b> | <u>\$ (969,599)</u>        | <u>\$ 15,758,371</u>        | <u>\$ 14,788,772</u> | <u>\$ 25,558,379</u> |

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

COUNTY OF HILLSDALE, MICHIGAN

**Balance Sheet - Governmental Funds**

December 31, 2017

|   | General             | Senior Citizen      | Senior Center Debt Service | Nonmajor Funds      | Totals              |
|---|---------------------|---------------------|----------------------------|---------------------|---------------------|
| <b>Assets</b>   |                     |                     |                            |                     |                     |
| Cash and investments  | \$ 819,905          | \$ 22,694           | \$ 8,044                   | \$ 1,318,500        | \$ 2,169,143        |
| Taxes receivable  | 499,738             | 1,253,162           | -                          | 1,091,884           | 2,844,784           |
| Accounts receivable   | 228,032             | -                   | -                          | 380,208             | 608,240             |
| Leases receivable   | -                   | -                   | 2,100,000                  | -                   | 2,100,000           |
| Due from other governments  | 12,145              | -                   | -                          | 413                 | 12,558              |
| Prepaid expenditures  | 178,418             | -                   | -                          | 16,082              | 194,500             |
| Advance to component unit   | 407,968             | -                   | -                          | -                   | 407,968             |
| <b>Total assets</b>   | <b>\$ 2,146,206</b> | <b>\$ 1,275,856</b> | <b>\$ 2,108,044</b>        | <b>\$ 2,807,087</b> | <b>\$ 8,337,193</b> |
| <b>Liabilities</b>  |                     |                     |                            |                     |                     |
| Accounts payable  | \$ 149,804          | \$ -                | \$ 1,005,000               | \$ 76,924           | \$ 1,231,728        |
| Unearned revenue  | -                   | -                   | -                          | 3,835               | 3,835               |
| Accrued expenditures  | 98,532              | -                   | -                          | 36,146              | 134,678             |
| Due to other funds  | 78,000              | -                   | -                          | -                   | 78,000              |
| <b>Total liabilities</b>  | <b>326,336</b>      | <b>-</b>            | <b>1,005,000</b>           | <b>116,905</b>      | <b>1,448,241</b>    |
| <b>Deferred inflows of resources</b>                                      | <b>318,832</b>      | <b>1,253,162</b>    | <b>1,095,000</b>           | <b>1,011,111</b>    | <b>3,678,105</b>    |
| <b>Fund balances</b>  |                     |                     |                            |                     |                     |
| Nonspendable  | 577,932             | -                   | -                          | 17,686              | 595,618             |
| Restricted  | -                   | 22,694              | 8,044                      | 1,472,762           | 1,503,500           |
| Assigned  | -                   | -                   | -                          | 188,623             | 188,623             |
| Unassigned  | 923,106             | -                   | -                          | -                   | 923,106             |
| <b>Total fund balances</b>  | <b>1,501,038</b>    | <b>22,694</b>       | <b>8,044</b>               | <b>1,679,071</b>    | <b>3,210,847</b>    |
| <b>Total liabilities, deferred inflows of resources and fund balances</b> | <b>\$ 2,146,206</b> | <b>\$ 1,275,856</b> | <b>\$ 2,108,044</b>        | <b>\$ 2,807,087</b> | <b>\$ 8,337,193</b> |

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

# COUNTY OF HILLSDALE, MICHIGAN

## Reconciliation

Fund Balances for Governmental Funds  
to Net Position of Governmental Activities  
December 31, 2017

|  |                     |
|--|---------------------|
| Fund balances - total governmental funds   | \$ 3,210,847        |
| 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   | 642,794             |
| Capital assets being depreciated, net  | 7,218,243           |
| Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets, such as certain receivables, are offset by deferred inflows in the governmental funds.                 |                     |
| Long-term receivables included in deferred inflows of resources  | 2,171,715           |
| Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position. |                     |
| Net position of governmental activities accounted for in the internal service fund   | 68,680              |
| Certain liabilities, such as bonds payable, are not due and payable in the current period, and therefore are not reported in the funds.  |                     |
| Bonds and leases payable   | (8,307,897)         |
| Net Pension Liability  | (3,207,454)         |
| Compensated absences   | (484,388)           |
| Deferred Outflow Pension Liability   | 237,735             |
| Deferred Inflow Pension Liability  | (146,154)           |
| Other post employment benefits   | (2,311,891)         |
| Accrued interest on long-term liabilities  | (61,829)            |
| Net position (deficit) of governmental activities  | <u>\$ (969,599)</u> |

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

COUNTY OF HILLSDALE, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

Year Ended December 31, 2017

|   | General             | Senior Citizen   | Senior Center Debt Service | Nonmajor Funds      | Totals              |
|---|---------------------|------------------|----------------------------|---------------------|---------------------|
| <b>Revenues</b>                             |                     |                  |                            |                     |                     |
| Taxes and special assessments               | \$ 6,390,645        | \$ 1,249,154     | \$ -                       | \$ 973,063          | \$ 8,612,862        |
| Intergovernmental                           | 2,381,333           | -                | -                          | 197,934             | 2,579,267           |
| Licenses and permits                        | 50,476              | -                | -                          | -                   | 50,476              |
| Contributions                               | -                   | -                | 143,443                    | 8,880               | 152,323             |
| Fines and forfeits                          | 324,340             | -                | -                          | 29,665              | 354,005             |
| Charges for services                        | 903,590             | -                | -                          | 1,241,315           | 2,144,905           |
| Reimbursements and refunds                  | 840,027             | -                | -                          | 190,022             | 1,030,049           |
| Interest and rentals                        | 351,344             | -                | -                          | 179,968             | 531,312             |
| Other revenue                               | -                   | -                | 170,803                    | 822,286             | 993,089             |
| <b>Total revenues</b>                       | <b>11,241,755</b>   | <b>1,249,154</b> | <b>314,246</b>             | <b>3,643,133</b>    | <b>16,448,288</b>   |
| <b>Expenditures</b>                         |                     |                  |                            |                     |                     |
| Current:                                    |                     |                  |                            |                     |                     |
| Legislative                                 | 72,315              | -                | -                          | -                   | 72,315              |
| Judicial                                    | 1,800,509           | -                | -                          | 37,952              | 1,838,461           |
| General government                          | 2,710,509           | -                | -                          | 28,992              | 2,739,501           |
| Public safety                               | 2,928,040           | -                | -                          | 1,388,904           | 4,316,944           |
| Public works                                | 24,361              | -                | -                          | -                   | 24,361              |
| Health and welfare                          | 767,305             | 1,239,038        | -                          | 2,097,865           | 4,104,208           |
| Recreation and cultural                     | -                   | -                | -                          | 45,724              | 45,724              |
| Other                                       | 2,184,888           | -                | -                          | -                   | 2,184,888           |
| Capital outlay                              | 62,254              | -                | -                          | 423,255             | 485,509             |
| Debt service:                               |                     |                  |                            |                     |                     |
| Principal                                   | -                   | -                | 270,000                    | 779,206             | 1,049,206           |
| Interest                                    | 2,691               | -                | 44,246                     | 213,838             | 260,775             |
| <b>Total expenditures</b>                   | <b>10,552,872</b>   | <b>1,239,038</b> | <b>314,246</b>             | <b>5,015,736</b>    | <b>17,121,892</b>   |
| Revenue over (under) expenditures           | 688,883             | 10,116           | -                          | (1,372,603)         | (673,604)           |
| <b>Other financing sources (uses)</b>       |                     |                  |                            |                     |                     |
| Proceeds from issuance of debt              | 62,254              | -                | -                          | -                   | 62,254              |
| Transfers in                                | 732,781             | -                | -                          | 1,353,550           | 2,086,331           |
| Transfers out                               | (1,227,217)         | -                | -                          | (142,584)           | (1,369,801)         |
| <b>Total other financing sources (uses)</b> | <b>(432,182)</b>    | <b>-</b>         | <b>-</b>                   | <b>1,210,966</b>    | <b>778,784</b>      |
| <b>Net change in fund balances</b>          | <b>256,701</b>      | <b>10,116</b>    | <b>-</b>                   | <b>(161,637)</b>    | <b>105,180</b>      |
| Fund balances, beginning of year            | 1,346,966           | 12,578           | 8,044                      | 1,840,708           | 3,208,296           |
| Prior Period Adjustment                     | (102,629)           | -                | -                          | -                   | (102,629)           |
| <b>Fund balances (deficit), end of year</b> | <b>\$ 1,501,038</b> | <b>\$ 22,694</b> | <b>\$ 8,044</b>            | <b>\$ 1,679,071</b> | <b>\$ 3,210,847</b> |

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

# COUNTY OF HILLSDALE, MICHIGAN

## Reconciliation

Net Changes in Fund Balances of Governmental Funds  
to Change in Net Position of Governmental Activities  
Year Ended December 31, 2017

|   |                     |
|---|---------------------|
| Net change in fund balances - total governmental funds  | \$ 105,180          |
| 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.   |                     |
| Capital outlay  | 484,083             |
| Depreciation expense  | (425,916)           |
| 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. |                     |
| Capital lease proceeds  | (62,254)            |
| Principal payments on bonds   | 913,284             |
| Principal payments on capital leases  | 62,254              |
| 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.   |                     |
| Change in the accrual of compensated absences   | 10,621              |
| Change in the accrual of other post employment benefits   | (45,227)            |
| Change in Pension Obligation  | 87,050              |
| Change in deferred Inflows from Pension   | 164,065             |
| Change in deferred Outflows from Pension  | (329,703)           |
| Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities:   |                     |
| Net operating income from governmental activities accounted for in the internal service fund  | (10,212)            |
| Transfers received in governmental internal service funds   | 60,000              |
| Change in net position of governmental activities   | <u>\$ 1,013,225</u> |

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

COUNTY OF HILLSDALE, MICHIGAN

Statement of Net Position

Proprietary Funds  
December 31, 2017

|   | Business-type Activities - Enterprise Funds |                               |                               |                     |                      | Internal Service |
|---|---|-------------------------------|-------------------------------|---------------------|----------------------|------------------|
|   | Medical Care Facility                       | 2015 Delinquent Tax Revolving | 2016 Delinquent Tax Revolving | Nonmajor Funds      | Totals               | Self Insurance   |
| <b>Assets</b>                                 |   |                               |                               |                     |                      |                  |
| Current assets:                               |   |                               |                               |                     |                      |                  |
| Cash and investments                          | \$ 1,891,224                                | \$ 655,935                    | \$ 1,105,694                  | \$ 1,344,842        | \$ 4,997,695         | \$ 97,106        |
| Taxes receivable                              | 746,690                                     | 368,631                       | 1,287,938                     | 392,388             | 2,795,647            | -                |
| Accounts receivable                           | 1,865,357                                   | 287,359                       | -                             | 6,148               | 2,158,864            | -                |
| Due from other funds                          | -   | -                             | -                             | 78,000              | 78,000               | -                |
| Interest receivable                           | -   | -                             | -                             | 518,978             | 518,978              | -                |
| Prepays                                       | -   | -                             | -                             | 2,176               | 2,176                | -                |
| Other assets                                  | 363,237                                     | -                             | -                             | -                   | 363,237              | -                |
| <b>Total current assets</b>                   | <b>4,866,508</b>                            | <b>1,311,925</b>              | <b>2,393,632</b>              | <b>2,342,532</b>    | <b>10,914,597</b>    | <b>97,106</b>    |
| Noncurrent assets:                            |   |                               |                               |                     |                      |                  |
| Capital assets being depreciated, net         | 10,252,039                                  | -                             | -                             | 31,543              | 10,283,582           | -                |
| <b>Total assets</b>                           | <b>15,118,547</b>                           | <b>1,311,925</b>              | <b>2,393,632</b>              | <b>2,374,075</b>    | <b>21,198,179</b>    | <b>97,106</b>    |
| <b>Liabilities</b>                            |   |                               |                               |                     |                      |                  |
| Current liabilities:                          |   |                               |                               |                     |                      |                  |
| Accounts payable                              | 607,042                                     | -                             | -                             | 1,064               | 608,106              | 28,426           |
| Accrued liabilities                           | 1,081,306                                   | -                             | -                             | 2,229               | 1,083,535            | -                |
| Interfund payable                             | -   | -                             | -                             | 11,966              | 11,966               | -                |
| Due to other governments                      | -   | 2,370                         | -                             | 6,141               | 8,511                | -                |
| Current portion of long-term debt             | 181,000                                     | 1,300,000                     | 1,300,000                     | -                   | 2,781,000            | -                |
| <b>Total current liabilities</b>              | <b>1,869,348</b>                            | <b>1,302,370</b>              | <b>1,300,000</b>              | <b>21,400</b>       | <b>4,493,118</b>     | <b>28,426</b>    |
| Long-term liabilities:                        |   |                               |                               |                     |                      |                  |
| Due in more than one year                     | -   | (600,000)                     | 800,000                       | -                   | 200,000              | -                |
| <b>Total long-term liabilities</b>            | <b>-</b>                                    | <b>(600,000)</b>              | <b>800,000</b>                | <b>-</b>            | <b>200,000</b>       | <b>-</b>         |
| <b>Total liabilities</b>                      | <b>1,869,348</b>                            | <b>702,370</b>                | <b>2,100,000</b>              | <b>21,400</b>       | <b>4,693,118</b>     | <b>28,426</b>    |
| <b>Deferred inflows of resources</b>          |   |                               |                               |                     |                      |                  |
| Property taxes levied for the subsequent year | 746,690                                     | -                             | -                             | -                   | 746,690              | -                |
| <b>Net position</b>                           |   |                               |                               |                     |                      |                  |
| Net investment in capital assets              | 10,071,039                                  | -                             | -                             | 31,543              | 10,102,582           | -                |
| Restricted by statute                         | -   | -                             | -                             | 266,845             | 266,845              | -                |
| Unrestricted (deficit)                        | 2,431,470                                   | 609,555                       | 293,632                       | 2,054,287           | 5,388,944            | 68,680           |
| <b>Total net position</b>                     | <b>\$ 12,502,509</b>                        | <b>\$ 609,555</b>             | <b>\$ 293,632</b>             | <b>\$ 2,352,675</b> | <b>\$ 15,758,371</b> | <b>\$ 68,680</b> |

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

COUNTY OF HILLSDALE, MICHIGAN

Statement of Revenues, Expenses and Changes in Net Position

Proprietary Funds

Year Ended December 31, 2017

|   | Business-type Activities - Enterprise Funds |                               |                               |                     |                      | Internal Service |
|---|---|-------------------------------|-------------------------------|---------------------|----------------------|------------------|
|   | Medical Care Facility                       | 2015 Delinquent Tax Revolving | 2016 Delinquent Tax Revolving | Nonmajor Funds      | Totals               | Self Insurance   |
| <b>Operating revenues</b>                 |   |                               |                               |                     |                      |                  |
| Charges for services                      | \$ 17,505,192                               | \$ 203,728                    | \$ 145,716                    | \$ 563,314          | \$ 18,417,950        | \$ -             |
| Refunds and reimbursements                | -   | -                             | -                             | 3,645               | 3,645                | -                |
| Other operating revenue                   | 2,396,980                                   | -                             | (20)                          | 10,011              | 2,406,971            | -                |
| <b>Total operating revenues</b>           | <b>19,902,172</b>                           | <b>203,728</b>                | <b>145,696</b>                | <b>576,970</b>      | <b>20,828,566</b>    | <b>-</b>         |
| <b>Operating expenses</b>                 |   |                               |                               |                     |                      |                  |
| Depreciation expense                      | 547,465                                     | -                             | -                             | 5,149               | 552,614              | -                |
| Cost of services                          | 18,942,496                                  | 14,665                        | 36,808                        | 464,390             | 19,458,359           | 10,212           |
| <b>Total operating expenses</b>           | <b>19,489,961</b>                           | <b>14,665</b>                 | <b>36,808</b>                 | <b>469,539</b>      | <b>20,010,973</b>    | <b>10,212</b>    |
| Operating income (loss)                   | 412,211                                     | 189,063                       | 108,888                       | 107,431             | 817,593              | (10,212)         |
| <b>Nonoperating revenues (expenses)</b>   |   |                               |                               |                     |                      |                  |
| Property tax revenue                      | 780,430                                     | -                             | -                             | -                   | 780,430              | -                |
| Gain (loss) on disposal of capital assets | (1,714)                                     | -                             | -                             | -                   | (1,714)              | -                |
| Contributions                             | 1,122                                       | -                             | -                             | -                   | 1,122                | -                |
| Interest and rentals                      | 5,700                                       | 137,461                       | 184,743                       | (692)               | 327,212              | -                |
| Interest expense                          | (8,740)                                     | (14,411)                      | 1                             | (5,200)             | (28,350)             | -                |
| <b>Total nonoperating revenues</b>        | <b>776,798</b>                              | <b>123,050</b>                | <b>184,744</b>                | <b>(5,892)</b>      | <b>1,078,700</b>     | <b>-</b>         |
| Income (loss) before transfers            | 1,189,009                                   | 312,113                       | 293,632                       | 101,539             | 1,896,293            | (10,212)         |
| <b>Transfers in (out)</b>                 |   |                               |                               |                     |                      |                  |
| Transfers in                              | -   | -                             | -                             | -                   | -                    | 60,000           |
| Transfers out                             | (84,400)                                    | -                             | -                             | (692,130)           | (776,530)            | -                |
| <b>Total transfers</b>                    | <b>(84,400)</b>                             | <b>-</b>                      | <b>-</b>                      | <b>(692,130)</b>    | <b>(776,530)</b>     | <b>60,000</b>    |
| Change in Net Position                    | 1,104,609                                   | 312,113                       | 293,632                       | (590,591)           | 1,119,763            | 49,788           |
| Net position, beginning of year           | 11,397,900                                  | 297,442                       | -                             | 2,855,108           | 14,550,450           | 18,892           |
| Prior period adjustment                   | -   | -                             | -                             | 88,158              | 88,158               | -                |
| <b>Net position, end of year</b>          | <b>\$ 12,502,509</b>                        | <b>\$ 609,555</b>             | <b>\$ 293,632</b>             | <b>\$ 2,352,675</b> | <b>\$ 15,670,213</b> | <b>\$ 68,680</b> |

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

COUNTY OF HILLSDALE, MICHIGAN

**Statement of Cash Flows**

Proprietary Funds  
Year Ended December 31, 2017

|  | Business-type Activities - Enterprise Funds |                               |                               |                     |                     | Internal Service |
|--|---|-------------------------------|-------------------------------|---------------------|---------------------|------------------|
|  | Medical Care Facility                       | 2015 Delinquent Tax Revolving | 2016 Delinquent Tax Revolving | Nonmajor Funds      | Totals              | Self Insurance   |
| <b>Cash flows from operating activities</b>                                    |   |                               |                               |                     |                     |                  |
| Cash received from customers   | \$ 17,624,143                               | \$ 802,861                    | \$ 145,696                    | \$ 1,777,342        | \$ 20,350,042       | \$ -             |
| Cash received from quality assurance supplement                                | 2,389,751                                   | -                             | -                             | -                   | 2,389,751           | -                |
| Other operating receipts   | 7,229                                       | -                             | -                             | -                   | 7,229               | -                |
| Cash payments to suppliers and employees for goods and services                | (19,231,722)                                | (12,295)                      | (1,324,746)                   | (392,804)           | (20,961,567)        | (91,382)         |
| <b>Net cash provided by (used in) operating activities</b>                     | <b>789,401</b>                              | <b>790,566</b>                | <b>(1,179,050)</b>            | <b>1,384,538</b>    | <b>1,785,455</b>    | <b>(91,382)</b>  |
| <b>Cash flows from noncapital financing activities</b>                         |   |                               |                               |                     |                     |                  |
| Property tax and other nonoperating revenue                                    | 790,028                                     | -                             | -                             | -                   | 790,028             | -                |
| Transfers in   | -   | -                             | -                             | -                   | -                   | 60,000           |
| Transfers out  | (84,400)                                    | -                             | -                             | (692,130)           | (776,530)           | -                |
| <b>Net cash provided by (used in) non-capital financing activities</b>         | <b>705,628</b>                              | <b>-</b>                      | <b>-</b>                      | <b>(692,130)</b>    | <b>13,498</b>       | <b>60,000</b>    |
| <b>Cash flows from capital and related financing activities</b>                |   |                               |                               |                     |                     |                  |
| Purchase of capital assets   | (100,418)                                   | -                             | -                             | -                   | (100,418)           | -                |
| Interest payments  | (8,740)                                     | (14,411)                      | 1                             | (5,202)             | (28,352)            | -                |
| Principal payments   | (572,863)                                   | (1,250,000)                   | (350,000)                     | (750,000)           | (2,922,863)         | -                |
| Proceeds from long-term debt   | -   | -                             | 2,450,000                     | -                   | 2,450,000           | -                |
| Proceeds from sale of property and equipment                                   | 1,000                                       | -                             | -                             | -                   | 1,000               | -                |
| <b>Net cash provided by (used in) capital and related financing activities</b> | <b>(681,021)</b>                            | <b>(1,264,411)</b>            | <b>2,100,001</b>              | <b>(755,202)</b>    | <b>(600,633)</b>    | <b>-</b>         |
| <b>Cash flows from investing activities</b>                                    |   |                               |                               |                     |                     |                  |
| Interest and rental earnings   | 5,700                                       | 137,461                       | 184,743                       | (692)               | 327,212             | -                |
| <b>Net cash provided by investing activities</b>                               | <b>5,700</b>                                | <b>137,461</b>                | <b>184,743</b>                | <b>(692)</b>        | <b>327,212</b>      | <b>-</b>         |
| <b>Net increase (decrease) in cash and cash equivalents</b>                    | <b>819,708</b>                              | <b>(336,384)</b>              | <b>1,105,694</b>              | <b>(63,486)</b>     | <b>1,525,532</b>    | <b>(31,382)</b>  |
| Cash equivalents, beginning of year  | 1,071,516                                   | 992,319                       | -                             | 1,408,328           | 3,472,163           | 128,488          |
| <b>Cash equivalents, end of year</b>   | <b>\$ 1,891,224</b>                         | <b>\$ 655,935</b>             | <b>\$ 1,105,694</b>           | <b>\$ 1,344,842</b> | <b>\$ 4,997,695</b> | <b>\$ 97,106</b> |



COUNTY OF HILLSDALE, MICHIGAN

**Statement of Cash Flows**

Proprietary Funds  
Year Ended December 31, 2017

|  | Business-type Activities - Enterprise Funds |                               |                               |                     |                     | Internal Service   |
|--|---|-------------------------------|-------------------------------|---------------------|---------------------|--------------------|
|  | Medical Care Facility                       | 2015 Delinquent Tax Revolving | 2016 Delinquent Tax Revolving | Nonmajor Funds      | Totals              | Self Insurance     |
| <b>Cash flows from operating activities</b>  |   |                               |                               |                     |                     |                    |
| Operating income (loss)  | \$ 412,211                                  | \$ 189,063                    | \$ 108,888                    | \$ 107,431          | \$ 817,593          | \$ (10,212)        |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: |   |                               |                               |                     |                     |                    |
| Depreciation   | 555,471                                     | -                             | -                             | -                   | 555,471             | -                  |
| Changes in assets and liabilities:   |   |                               |                               |                     |                     |                    |
| Taxes receivable   | -   | 707,128                       | (1,287,938)                   | 423,501             | (157,309)           | -                  |
| Accounts receivable  | 103,374                                     | (94,765)                      | -                             | 393,159             | 401,768             | -                  |
| Advances to other funds  | -   | -                             | -                             | 53,863              | 53,863              | -                  |
| Lease receivable   | 15,577                                      | -                             | -                             | -                   | 15,577              | -                  |
| Interest receivable  | -   | (13,230)                      | -                             | 329,849             | 316,619             | -                  |
| Interfund receivable   | -   | -                             | -                             | -                   | -                   | -                  |
| Prepays  | (131,660)                                   | -                             | -                             | -                   | (131,660)           | -                  |
| Accounts payable   | (49,257)                                    | 2,370                         | -                             | 76,735              | 29,848              | (81,170)           |
| Accrued expenses   | (116,315)                                   | -                             | -                             | -                   | (116,315)           | -                  |
| <b>Net cash provided by (used in) operating activities</b>   | <u>\$ 789,401</u>                           | <u>\$ 790,566</u>             | <u>\$ (1,179,050)</u>         | <u>\$ 1,384,538</u> | <u>\$ 1,785,455</u> | <u>\$ (91,382)</u> |

**Non-cash transactions**

There were no non-cash transactions during the fiscal year.

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

# COUNTY OF HILLSDALE, MICHIGAN

## Statement of Fiduciary Net Position

December 31, 2017

|                          | Agency<br>Funds |
|--------------------------|-----------------|
| <b>Assets</b>            |                 |
| Cash and investments     | \$ 1,219,705    |
| <b>Liabilities</b>       |                 |
| Due to other governments | 367,882         |
| Undistributed receipts   | 851,823         |
| <b>Total liabilities</b> | \$ 1,219,705    |

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

## Component Units

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# COUNTY OF HILLSDALE, MICHIGAN

## Combining Statement of Net Position

Discretely Presented Component Units

December 31, 2017

|                                       | Drain<br>Commission | Road<br>Commission   | Total                |
|---------------------------------------|---------------------|----------------------|----------------------|
| <b>Assets</b>                         |                     |                      |                      |
| Cash and investments                  | \$ 770,140          | \$ 2,152,326         | \$ 2,922,466         |
| Special assessments receivable        | 484,610             | -                    | 484,610              |
| Receivables, net                      | -                   | 1,263,152            | 1,263,152            |
| Prepaid items and other assets        | -                   | 637,567              | 637,567              |
| Capital assets:                       |                     |                      |                      |
| Capital assets not being depreciated  | -                   | 5,522,319            | 5,522,319            |
| Capital assets being depreciated, net | 792,442             | 20,281,973           | 21,074,415           |
| <b>Total assets</b>                   | <u>2,047,192</u>    | <u>29,857,337</u>    | <u>31,904,529</u>    |
| <b>Deferred Outflows of Resources</b> |                     |                      |                      |
| Deferred pension amounts              | -                   | 294,826              | 294,826              |
| <b>Liabilities</b>                    |                     |                      |                      |
| Accounts payable and accrued expenses | (207)               | 142,438              | 142,231              |
| Advances from primary government      | 407,968             | 158,209              | 566,177              |
| Long-term liabilities:                |                     |                      |                      |
| Due within one year                   | 108,571             | 203,178              | 311,749              |
| Due in more than one year             | 443,858             | 478,879              | 922,737              |
| Net Pension Liability                 | -                   | 4,242,922            | 4,242,922            |
| <b>Total liabilities</b>              | <u>960,190</u>      | <u>5,225,626</u>     | <u>6,185,816</u>     |
| <b>Deferred Inflows of Resources</b>  |                     |                      |                      |
| Deferred pension amounts              | -                   | 455,160              | 455,160              |
| <b>Net position</b>                   |                     |                      |                      |
| Net investment in capital assets      | 792,442             | 25,845,330           | 26,637,772           |
| Restricted                            | -                   | 701,150              | 701,150              |
| Unrestricted                          | 294,560             | (2,075,103)          | (1,780,543)          |
| <b>Total net position</b>             | <u>\$ 1,087,002</u> | <u>\$ 24,471,377</u> | <u>\$ 25,558,379</u> |

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

# COUNTY OF HILLSDALE, MICHIGAN

## Combining Statement of Activities Discretely Presented Component Units Year Ended December 31, 2017

|                                    | Drain<br>Commission | Road<br>Commission   | Total                |
|------------------------------------|---------------------|----------------------|----------------------|
| <b>Expenses</b>                    |                     |                      |                      |
| County Drains                      | \$ 506,794          | \$ -                 | \$ 506,794           |
| County Roads                       | -                   | 7,422,847            | 7,422,847            |
| <b>Total expenses</b>              | <b>506,794</b>      | <b>7,422,847</b>     | <b>7,929,641</b>     |
| <b>Program revenues</b>            |                     |                      |                      |
| Charges for services               | 492,158             | 804,360              | 1,296,518            |
| Operating grants and contributions | 133,778             | 7,403,140            | 7,536,918            |
| <b>Total program revenues</b>      | <b>625,936</b>      | <b>8,207,500</b>     | <b>8,833,436</b>     |
| <b>Net revenue (expense)</b>       | <b>119,142</b>      | <b>784,653</b>       | <b>903,795</b>       |
| <b>General revenues</b>            |                     |                      |                      |
| Unrestricted investment earnings   | -                   | 13,659               | 13,659               |
| Other revenue                      | -                   | 31,326               | 31,326               |
| <b>Total general revenues</b>      | <b>-</b>            | <b>44,985</b>        | <b>44,985</b>        |
| <b>Change in net position</b>      | <b>119,142</b>      | <b>829,638</b>       | <b>948,780</b>       |
| Net position, beginning of year    | 967,860             | 23,641,739           | 24,609,599           |
| <b>Net position, end of year</b>   | <b>\$ 1,087,002</b> | <b>\$ 24,471,377</b> | <b>\$ 25,558,379</b> |

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

## Notes to Financial Statements

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# COUNTY OF HILLSDALE, MICHIGAN

## Notes to Financial Statements

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Hillsdale County, Michigan (the "County" or "government") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing U.S. 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 so 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 government-wide financial statements to emphasize that they are legally separate from the government.

#### Blended Component Unit

Hillsdale County Medical Care Facility - provides skilled long term care to residents of the County and is not considered legally separate from the County; therefore, it has been included in the County's basic financial statements as an Enterprise Fund. The complete financial statements may be obtained by contacting:

Hillsdale County Medical Care Facility  
140 W. Mechanic Street  
Hillsdale, MI 49242  
(517) 439 9341

Hillsdale County Building Authority - is governed by a five-member board appointed by the Hillsdale County Board of Commissioners. Although it is legally separate from Hillsdale 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.

Hillsdale Department of Public Works - Pursuant to Act 185 of 1957 (MCL 123.732, as amended) the County entered into a program of water supply and sanitary sewer facility construction. The Department of Public Works is under the general control of the County Board of Commissioners and under the immediate control of a Board of Public Works which includes the County Drain Commissioner. The Board of Public Works is considered an agency of the County. The Board manages water supply and sanitary sewer system construction projects that are bonded by the County. Bonds issued are authorized by an ordinance or a resolution approved by the Board of Public Works and adopted by the County Board of Commissioners. The component unit has no financial activity to report.

#### Discretely Presented Component Units

Hillsdale County Road Commission - is established pursuant to the County Road Law (MCL 224.1), is governed by an elected three member Board of County Road Commissioners. The Road Commission may not issue debt or levy a tax without the approval of the County Board of Commissioners. If approval is granted, Road Commission taxes are levied under the taxing authority of the County, as approved by the County electors, and would be included as a part of the County total tax levy as well as reported in the County Road Fund.

The Hillsdale County Road Commission has a separately issued audit report. Complete financial statements of the component unit can be obtained from its respective administrative offices or from the Clerk's Office:

Hillsdale County Road Commission  
1919 Hudson Road  
Hillsdale, Michigan 49242  
(517) 437-4458

# COUNTY OF HILLSDALE, MICHIGAN

## Notes to Financial Statements

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Hillsdale County Drain Commission - Each of the Drainage Districts established pursuant to the Drain Code of 1956 are separate legal entities, with the power to contract, to sue and be sued, to hold, manage and dispose of real and personal property, etc. The statutory drainage board of Chapter 20 (MCL 280.461 et seq.) Drain Commission consists of the drain commissioners, the chairperson of the county board of commissioners, and one other member of the board of commissioners. The statutory drainage board of Chapter 5 (MCL 280.101 et seq.) and Chapter 6 (MCL 280.121 et seq.) Drain Commission consists of the State Director of Agriculture and the drain commissioners of each county involved in the project. The county drain commissioner has sole responsibility to administer the drainage district established pursuant to Chapter 3 (MCL 280.51 et seq.) and Chapter 4 (MCL 280.71 et seq.) of the Drain Code. The drainage board or drain commissioners, on behalf of the drainage district, may issue debt and levy special assessments authorized by the Drain Code without the prior approval of the county board of commissioners. The full faith and credit of the County may be given for the debt of the drainage district. There is created for each project petitioned for under the provisions of the Chapter 21 (MCL 280.511 et seq.) Drain Commission, an augmented drainage board to consist of the members of the drainage board together with the chairman of the board of commissioners and the chairman of the board of county auditors of each county involved. The statutory drainage board of Chapter 8 (MCL 280.191 et seq.) Drain Commission consists of the Drain Commissioner, the State Director of Agriculture, and the commissioners of each county involved.

#### Related Organization

A related organization is a legal entity for which the government appoints a voting majority of the governing body, but for which it is not financially accountable.

LifeWays - Hillsdale County and Jackson County entered into an agreement pursuant to Section 205 of Act 258 of 1974, as amended (MCL 330.1205), to create the Jackson Hillsdale Mental Health Authority, which later became known as "LifeWays". LifeWays is a legally separate organization established to provide mental health services to residents of the counties.

It is governed by a twelve (12) member board, including four (4) from Hillsdale County and eight (8) from Jackson County. The County's accountability does not extend beyond this representation and making these appointments. The board may borrow money and issue bonds pursuant to Section 205 of Act 258 of 1974, as amended (MCL 330.1205). LifeWays indemnifies and holds harmless the participating counties from all claims and liabilities. Hillsdale County's appropriation to LifeWays for the calendar year ended December 31, 2017, was \$274,000.

Branch Hillsdale St Joseph District I Health Department - Hillsdale County participates jointly with Branch and St. Joseph Counties in the operation of the Branch, Hillsdale, St. Joseph District I Health Department. All of the financial operations of the District Health Department are recorded in the records of Branch County. It is governed by a seven (7) member board, two (2) from Hillsdale County, two (2) from Branch County, and three (3) from St. Joseph County. The funding formula approved by the members of the county boards of commissioners is based pro rata on each county's population. The current funding formula approved by the District Health Board requires Hillsdale, Branch and St. Joseph Counties to provide 30.1, 29.6, and 40.3 percent, respectively. Hillsdale County's appropriation to the District Health Department for the calendar year ended December 31, 2017, was \$220,367.

#### *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 non-fiduciary 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.



# COUNTY OF HILLSDALE, MICHIGAN

## Notes to Financial Statements

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, reporting 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 County 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

Property taxes, state shared revenues, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so 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 *senior citizens special revenue fund* is used to account for the collection of property tax and disbursements for county-wide senior services pursuant to contractual services.

The *Senior Center debt service fund* is used to account for financial resources to refund the debt of the Senior Citizens Center.

The County reports the following major proprietary funds:

The medical care *facility fund* accounts for the operation of the County's long-term adult care facility.

The 2015 and 2016 *delinquent tax revolving fund* accounts for the 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.

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 HILLSDALE, MICHIGAN

## Notes to Financial Statements

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

*Permanent funds* are used to account for resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the County's programs.

*Enterprise funds* account for those 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 the insurance activity of the County provided to other departments and funds on a cost reimbursement basis.

*Agency funds* are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the government holds for others in an agency capacity.

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

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 County's internal service fund 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.

#### Assets, Liabilities and Equity

##### *Cash 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 and consist of commercial paper and certificates of deposit with original maturities of greater than 90 days.

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 year are referred to as "interfund receivables/payable". Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal

Receivables consist of accounts receivable related to charges for services and amounts due from governmental units for various financial assistance programs and State shared revenues. The County has established allowances for doubtful accounts to estimate uncollectible accounts receivable in the child care, health and rehabilitation services facility funds and district health department component unit. The County utilizes the direct write-off method for all other funds as past experience indicates the write-off of accounts receivable for these funds are immaterial and do not warrant the use of allowance accounts.

Advances between funds or component units are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

##### *Inventories*

The cost of inventory items in the primary government for all funds is recorded as an expenditure at the time of purchase. Inventories of the health and rehabilitation services facility and jail commissary funds consist of medical supplies and miscellaneous hygiene and consumer products, respectively, which are stated at the lower of first-in, first-out (FIFO) or market.

# COUNTY OF HILLSDALE, MICHIGAN

## Notes to Financial Statements

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Prepays*

Certain payments to vendors (particularly for insurance coverage) reflect costs that are applicable to a future period and are recorded as prepaid items.

#### *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 \$5,000 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 estimated fair value at the date of donation. Infrastructure for the Road Commission and Drain Commission component units has been capitalized back to 1980.

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.

Capital assets of the primary government and Drain Commission component unit are depreciated using the straight-line method over the following estimated useful lives:

|                           | Years |
|---------------------------|-------|
| Building and improvements | 10-50 |
| Equipment                 | 10-25 |
| Vehicles                  | 5-10  |
| Infrastructure - drains   | 50    |

Capital assets of the Road Commission component unit are depreciated as follows:

|                            | Years |
|----------------------------|-------|
| Buildings and improvements | 40    |
| Equipment                  | 4-8   |
| Infrastructure             | 8-50  |

#### *Compensated Absences*

In accordance with County personnel policies and/or contracts negotiated with the various employee groups of the County, upon termination of employment, individual employees have vested rights to receive payment or unused vacation and sick leave under formulas and conditions specified in the respective personnel policies and/or contracts. Vacation pay that has matured, such as due to employee resignations or retirements, is reported as an expenditure and a fund liability of the governmental fund that will pay it for employees retiring.

#### *Pensions*

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

## Notes to Financial Statements

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *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 assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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.

#### *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, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The County has pension items that qualify for reporting in this category.

#### *Deferred inflows of resources*

In addition to liabilities, the statement of net position and governmental funds balance sheet will sometimes 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 government has two types of items that qualify for reporting in this category. The governmental funds report unavailable revenues, which arises only under a modified accrual basis of accounting. 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 County has pension and property taxes that qualify for reporting in this category.

#### *Fund Equity*

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 government's highest level of decision-making authority, the County Commissioners. A formal resolution of the County Commissioners is required to establish, modify, or rescind a fund balance commitment.

The County Commissioners can also give authority to management to assign fund balance but has not yet done so; assigned fund balances are neither restricted nor committed. Unassigned fund balance is the residual classification for the general fund.

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

#### *Use of Estimates*

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the reporting period. Actual results could differ from

# COUNTY OF HILLSDALE, MICHIGAN

## Notes to Financial Statements

### 2. BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and special revenue funds. All annual appropriations lapse at year-end.

The Finance Committee receives the preliminary budget requests from departmental heads in September. A proposed operating budget for the fiscal year beginning the following January 1 is submitted to the Board of Commissioners in October. Public hearings are conducted to obtain taxpayer comments. The budget is formally adopted by resolution at the December Board of Commissioners' meeting. Any revisions to the budget must be approved by the Board of Commissioners. Formal budgetary integration is employed as a management control device for the General and Special Revenue Funds. Budgeted amounts are as originally adopted or as amended by the Board of Commissioners during the year.

The legal level of budgetary control is the activity level for the General Fund and the function level for the special revenue funds. The Board of Commissioners made several supplemental budgetary appropriations during the year which were not considered material.

Encumbrance accounting is not employed by the County because it is presently considered unnecessary to reasonably assure budgetary control.

### 3. CASH AND INVESTMENTS

#### Summary of Deposit and Investment Balances

Following is a reconciliation of deposit and investment balances as of December 31, 2017:

|   | Primary<br>Government | Component<br>Units  | Totals               |
|---|-----------------------|---------------------|----------------------|
| <b>Financial statements</b>   |                       |                     |                      |
| Statement of net assets -   |                       |                     |                      |
| Cash and investments  | \$ 7,251,978          | \$ 2,922,466        | \$ 10,174,444        |
| Statement of fiduciary assets and liabilities -                                     |                       |                     |                      |
| Cash and investments  | 1,219,705             | -                   | 1,219,705            |
| <b>Total</b>  | <b>\$ 8,471,683</b>   | <b>\$ 2,922,466</b> | <b>\$ 11,394,149</b> |
| <b>Cash and investments</b>   |                       |                     |                      |
| Bank deposits (checking accounts, savings<br>accounts and certificates of deposits) |                       |                     | \$ 4,396,655         |
| Investments in securities, mutual funds and<br>similar vehicles:                    |                       |                     |                      |
| Treasurer's pool  |                       |                     | 6,958,563            |
| Cash on hand  |                       |                     | 38,931               |
| <b>Total</b>  |                       |                     | <b>\$ 11,394,149</b> |

#### County's Cash and Investment Pool

*Interest Rate Risk.* State law limits the allowable investments and the maturities of some of the allowable investments as identified in the list of authorized investments above. The County's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At year end, maturities of the County's debt securities were as follows:

|                 | Total Fair       | Investment Maturities (fair value by years) |                  |          |              |
|-----------------|------------------|---|------------------|----------|--------------|
|                 |                  | Less than 1                                 | 1-5              | 6-10     | More than 10 |
| U.S. Agencies   | 289,521          | -   | 289,521          | -        | -            |
| Municipal bonds | 771,486          | -   | 771,486          | -        | -            |
| <b>Total</b>    | <b>1,061,007</b> | <b>-</b>                                    | <b>1,061,007</b> | <b>-</b> | <b>-</b>     |

# COUNTY OF HILLSDALE, MICHIGAN

## Notes to Financial Statements

### 3. CASH AND INVESTMENTS (Continued)

*Custodial Credit Risk - Deposits.* For deposits, custodial credit risk is the risk, that in the event of a bank failure, the County's deposits may not be returned to the government. As of December 31, 2017, \$2,796,846 of the County's total balance of \$6,958,563 was exposed to custodial credit risk as it was uninsured and uncollateralized.

The County's investment policy requires that only those banks or savings and loan institutions that are members of the FDIC or FSLIC will be considered for depository purposes, but recognizes that it is impractical to insure all bank deposits due to the limitations of depository insurance. As a result, the County evaluates each financial institution with which it deposits funds 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 Treasurer's investment pool holdings as of December 31, 2017:

|                                    |           |                  |
|------------------------------------|-----------|------------------|
| U.S. agencies                      | \$        | 289,521          |
| Michigan municipal bonds and notes |           | 771,486          |
| Certificates of deposit            |           | 3,390,756        |
| Money market funds                 |           | 2,506,800        |
|                                    |           | <hr/>            |
| <b>Total</b>                       | <b>\$</b> | <b>6,958,563</b> |

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.

*Credit Risk.* As of December 31, 2017, all of the County's investments in securities of U.S. agencies were rated AAA by Standard & Poor's (S&P). All of the County's investments in money market funds are rated AAA by S&P. The County's investment in Michigan municipal bonds and notes are rated in the top tier by at least one rating agency.

*Concentration of Credit Risk.* State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The County's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year- end are reported above.

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

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the measurements required judgement and considers factors specific to each asset or liability.

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

|                 | <u>Total</u>        | <u>Level 1</u>      | <u>Level 2</u> | <u>Level 3</u> |
|-----------------|---------------------|---------------------|----------------|----------------|
| U.S. Agencies   | \$ 289,521          | \$ 289,521          | \$ -           | \$ -           |
| Municipal Bonds | 771,486             | 771,486             | -              | -              |
|                 | <hr/>               | <hr/>               | <hr/>          | <hr/>          |
| <b>Total</b>    | <b>\$ 1,061,007</b> | <b>\$ 1,061,007</b> | <b>\$ -</b>    | <b>\$ -</b>    |

# COUNTY OF HILLSDALE, MICHIGAN

## Notes to Financial Statements

### 4. RECEIVABLES

Receivables as of December 31, 2017 are summarized as follows:

|                            | Governmental<br>Activities | Business-type<br>Activities | Component<br>Units  |
|----------------------------|----------------------------|-----------------------------|---------------------|
| Property taxes             | \$ 2,844,784               | \$ 2,795,647                | \$ -                |
| Accounts receivable        | 608,240                    | 2,158,864                   | 1,263,152           |
| Special assessments        | -                          | -                           | 484,610             |
| Due from other governments | 12,558                     | -                           | -                   |
| Advances to component unit | 407,968                    | -                           | -                   |
| Leases receivable          | 2,100,000                  | -                           | -                   |
| Interest receivable        | -                          | 518,978                     | -                   |
|                            | <u>\$ 5,973,550</u>        | <u>\$ 5,473,489</u>         | <u>\$ 1,747,762</u> |

Of the amounts reported for receivables above, leases receivable in the amount of \$1,820,000 are not expected to be collected within one year.

### 5. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund receivables and payables at December 31, 2017 is as follows:

|                             | Receivable       | Payable          |
|-----------------------------|------------------|------------------|
| General fund                | \$ -             | \$ 78,000        |
| Nonmajor governmental funds | 78,000           | -                |
|                             | <u>\$ 78,000</u> | <u>\$ 78,000</u> |

Interfund receivables/payables represent short-term working capital loans for funds with negative balances in the County's cash and investment pool at year-end.

For the year ended December 31, 2017, interfund transfers consisted of the following:

|                             | Transfers In        | Transfers Out       |
|-----------------------------|---------------------|---------------------|
| General fund                | \$ 732,781          | \$ 1,227,217        |
| Nonmajor governmental funds | 1,353,550           | 142,584             |
| Internal service fund       | 60,000              | -                   |
| Medical Care Facility       | -                   | 84,400              |
| Nonmajor enterprise funds   | -                   | 692,130             |
|                             | <u>\$ 2,146,331</u> | <u>\$ 2,146,331</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

COUNTY OF HILLSDALE, MICHIGAN

Notes to Financial Statements

6. CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2017 was as follows:

|  | Beginning Balance   | Additions        | Disposals        | Ending Balance      |
|--|---------------------|------------------|------------------|---------------------|
| <b>Governmental activities</b>                     |                     |                  |                  |                     |
| Capital assets not being depreciated               |                     |                  |                  |                     |
| Land   | \$ 156,005          | \$ 35,280        | \$ -             | \$ 191,285          |
| Construction in progress                           | 78,911              | 372,597          | -                | 451,508             |
| Total capital assets not being depreciated         | <u>234,916</u>      | <u>407,877</u>   | <u>-</u>         | <u>642,793</u>      |
| Capital assets being depreciated:                  |                     |                  |                  |                     |
| Buildings and improvements                         | 10,915,957          | -                | -                | 10,915,957          |
| Vehicles and equipment                             | 3,438,070           | 76,206           | (122,206)        | 3,392,070           |
| Total capital assets being depreciated             | <u>14,354,027</u>   | <u>76,206</u>    | <u>(122,206)</u> | <u>14,308,027</u>   |
| Less accumulated depreciation for:                 |                     |                  |                  |                     |
| Buildings and improvements                         | (4,321,476)         | (232,627)        | -                | (4,554,103)         |
| Vehicles and equipment                             | (2,464,597)         | (193,289)        | 122,206          | (2,535,680)         |
| Total accumulated depreciation                     | <u>(6,786,073)</u>  | <u>(425,916)</u> | <u>122,206</u>   | <u>(7,089,783)</u>  |
| <b>Total capital assets being depreciated, net</b> | <u>7,567,954</u>    | <u>(349,710)</u> | <u>-</u>         | <u>7,218,244</u>    |
| <b>Governmental activities capital assets, net</b> | <u>\$ 7,802,870</u> | <u>\$ 58,167</u> | <u>\$ -</u>      | <u>\$ 7,861,037</u> |

Depreciation expense was charged to programs of the governmental activities as follows:

|                    |                   |
|--------------------|-------------------|
| General Government | \$ 352,667        |
| Public Safety      | <u>73,249</u>     |
| <b>Total</b>       | <u>\$ 425,916</u> |



COUNTY OF HILLSDALE, MICHIGAN

Notes to Financial Statements

6. CAPITAL ASSETS (Continued)

|   | Beginning<br>Balance | Additions           | Disposals         | Ending<br>Balance    |
|---|----------------------|---------------------|-------------------|----------------------|
| <b>Business-type activities</b>                         |                      |                     |                   |                      |
| Capital assets being<br>depreciated:                    |                      |                     |                   |                      |
| Land improvements                                       | \$ 29,524            | \$ -                | \$ -              | \$ 29,524            |
| Construction in Progress                                | -                    | 7,915               | -                 | 7,915                |
| Buildings and<br>improvements                           | 17,357,060           | 19,707              | (450)             | 17,376,317           |
| Vehicles and equipment                                  | 1,068,364            | 72,796              | (70,691)          | 1,070,469            |
| <b>Total capital assets being<br/>depreciated</b>       | <b>18,454,948</b>    | <b>100,418</b>      | <b>(71,141)</b>   | <b>18,484,225</b>    |
| Less accumulated<br>depreciation for:                   |                      |                     |                   |                      |
| Land improvements                                       | (29,524)             | -                   | -                 | (29,524)             |
| Buildings and<br>improvements                           | (6,772,668)          | (473,727)           | 315               | (7,246,080)          |
| Vehicles and equipment                                  | (914,264)            | (78,887)            | 68,112            | (925,039)            |
| <b>Total accumulated<br/>depreciation</b>               | <b>(7,716,456)</b>   | <b>(552,614)</b>    | <b>68,427</b>     | <b>(8,200,643)</b>   |
| <b>Total capital assets<br/>being depreciated, net</b>  | <b>10,738,492</b>    | <b>(452,196)</b>    | <b>(2,714)</b>    | <b>10,283,582</b>    |
| <b>Business-type activities<br/>capital assets, net</b> | <b>\$ 10,738,492</b> | <b>\$ (452,196)</b> | <b>\$ (2,714)</b> | <b>\$ 10,283,582</b> |

Depreciation expense was charged to programs of the business-type activities as follows:

|                       |                   |
|-----------------------|-------------------|
| Medical Care Facility | \$ 547,465        |
| Building Inspection   | 5,149             |
| <b>Total</b>          | <b>\$ 552,614</b> |

COUNTY OF HILLSDALE, MICHIGAN

Notes to Financial Statements

6. CAPITAL ASSETS (Continued)

|  | Beginning Balance | Additions        | Disposals    | Ending Balance    |
|--|-------------------|------------------|--------------|-------------------|
| <b>Component unit - Road Commission</b>            |                   |                  |              |                   |
| Capital assets not being depreciated:              |                   |                  |              |                   |
| Land   | 64,634            | -                | -            | 64,634            |
| Land improvements                                  | 5,432,755         | 24,930           | -            | 5,457,685         |
| Total capital assets not being depreciated         | 5,497,389         | 24,930           | -            | 5,522,319         |
| Capital assets being depreciated:                  |                   |                  |              |                   |
| Buildings and improvements                         | 2,125,732         | 23,496           | -            | 2,149,228         |
| Equipment  | 8,070,531         | 230,532          | (69,205)     | 8,231,858         |
| Infrastructure                                     | 56,159,500        | 1,268,117        | -            | 57,427,617        |
| Depletable assets                                  | 54,700            | -                | -            | 54,700            |
| Total capital assets being depreciated             | 66,410,463        | 1,522,145        | (69,205)     | 67,863,403        |
| Less accumulated depreciation for:                 |                   |                  |              |                   |
| Buildings and improvements                         | (1,151,133)       | (62,859)         | -            | (1,213,992)       |
| Equipment  | (6,867,732)       | (429,055)        | 68,372       | (7,228,415)       |
| Infrastructure                                     | (37,518,319)      | (1,568,520)      | -            | (39,086,839)      |
| Depletable assets                                  | (52,184)          | -                | -            | (52,184)          |
| Total accumulated depreciation                     | (45,589,368)      | (2,060,434)      | 68,372       | (47,581,430)      |
| <b>Total capital assets being depreciated, net</b> | <b>20,821,095</b> | <b>(538,289)</b> | <b>(833)</b> | <b>20,281,973</b> |
| <b>Capital assets, net</b>                         | <b>26,318,484</b> | <b>(513,359)</b> | <b>(833)</b> | <b>25,804,292</b> |

Depletion/depreciation expense was charged to programs of the Hillsday County Road Commission as follows:

Total Depreciation Expense - Public Works \$ 2,060,434

|   | Beginning Balance | Additions          | Disposals   | Ending Balance    |
|---|-------------------|--------------------|-------------|-------------------|
| <b>Component unit - Drainage District</b> |                   |                    |             |                   |
| Capital assets being depreciated -        |                   |                    |             |                   |
| Buildings                                 | \$ 135,000        | \$ -               | \$ -        | \$ 135,000        |
| Equipment                                 | 1,019,871         | 21,774             | -           | 1,041,645         |
| Infrastructure                            | 628,693           | -                  | -           | 628,693           |
| Total capital assets being depreciated    | 1,783,564         | 21,774             | -           | 1,805,338         |
| Less accumulated depreciation for -       |                   |                    |             |                   |
| Buildings                                 | (91,812)          | (5,400)            | -           | (97,212)          |
| Equipment                                 | (727,523)         | (56,094)           | -           | (783,617)         |
| Infrastructure                            | (119,493)         | (12,574)           | -           | (132,067)         |
| Total accumulated depreciation            | (938,828)         | (74,068)           | -           | (1,012,896)       |
| <b>Capital assets, net</b>                | <b>\$ 844,736</b> | <b>\$ (52,294)</b> | <b>\$ -</b> | <b>\$ 792,442</b> |

Depletion/depreciation expense was charged to programs of the Drainage District as follows:

Total Depreciation Expense - Public Works \$ 74,068

# COUNTY OF HILLSDALE, MICHIGAN

## Notes to Financial Statements

### 7. PAYABLES

Accounts payable and accrued liabilities as of December 31, 2017 are summarized as follows:

|                                  | Governmental<br>Activities | Business-type<br>Activities | Components<br>Units |
|----------------------------------|----------------------------|-----------------------------|---------------------|
| Accounts payable                 | \$ 1,260,154               | \$ 608,106                  | \$ 142,231          |
| Accrued liabilities              | 134,678                    | 1,083,535                   | -                   |
| Due to other governments         | -                          | 8,511                       | -                   |
| Advances from other funds        | -                          | -                           | -                   |
| Advances from primary government | -                          | -                           | 566,177             |
| Accrued interest payable         | 61,829                     | -                           | -                   |
|                                  | <u>\$ 1,456,661</u>        | <u>\$ 1,700,152</u>         | <u>\$ 708,408</u>   |

### 8. LONG-TERM DEBT

**General obligation bonds.** The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. 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. General obligation bonds currently outstanding are as follows:

| Purpose                                 | Interest Rates | Maturity Date | Amount of<br>Original Issue | Amount<br>Outstanding |
|---|----------------|---------------|-----------------------------|-----------------------|
| <b>Governmental activities</b>          |                |               |                             |                       |
| 2015 Cap. Impr. Sr Ctr. Refunding       | .70%-2.70%     | 2025          | \$ 2,140,000                | \$ 1,095,000          |
| 2015 MCF Refunding                      | 2.74%          | 2026          | 5,755,000                   | 4,960,000             |
| 2016 County Office Building             | 2.10%          | 2028          | 500,000                     | 500,000               |
| 2015 Senior Center Capital Debt         | .75%-2.45%     | 2023          | 1,300,000                   | 1,005,000             |
|   |                |               |                             | <u>\$ 7,560,000</u>   |
| <b>Business-type activities</b>         |                |               |                             |                       |
| 2012 Building Authority - MCF Refunding | 1.00%-1.70%    | 2018          | \$ 995,000                  | \$ 181,000            |
| 2010 Medical Care Facility              | 1.7%           | 2017          | 2,100,000                   | -                     |
| Sprinkler system upgrade                | 1.5%           | 2017          | 215,450                     | -                     |
|   |                |               |                             | <u>\$ 181,000</u>     |

Annual debt service requirements to maturity for general obligation bonds are as follows:

| Year Ending<br>December 31, | Governmental Activities |                   | Business-type Activities |                 |
|-----------------------------|-------------------------|-------------------|--------------------------|-----------------|
|                             | Principal               | Interest          | Principal                | Interest        |
| 2018                        | \$ 730,000              | \$ 188,549        | \$ 181,000               | \$ 1,539        |
| 2019                        | 760,000                 | 172,719           | -                        | -               |
| 2020                        | 790,000                 | 155,287           | -                        | -               |
| 2021                        | 880,000                 | 136,331           | -                        | -               |
| 2022                        | 920,000                 | 113,136           | -                        | -               |
| 2023-2028                   | 3,480,000               | 224,618           | -                        | -               |
|                             | <u>\$ 7,560,000</u>     | <u>\$ 990,640</u> | <u>\$ 181,000</u>        | <u>\$ 1,539</u> |

# COUNTY OF HILLSDALE, MICHIGAN

## Notes to Financial Statements

### 8. LONG-TERM DEBT (Continued)

By statute, the government's legal debt limit is restricted to 10% of the equalized value of property in the County. At December 31, 2017, the County's legal debt limit was \$181,124,056.

*Installment obligations.* The government has entered into several long-term installment payment agreements for the upgrade of its facilities and software. Installment obligations currently outstanding are as follows:

| Purpose                                    | Interest Rates | Maturity Date | Amount of Original Issue | Amount Outstanding |
|--|----------------|---------------|--------------------------|--------------------|
| <b>Governmental activities</b>             |                |               |                          |                    |
| 2016 E-911 Central Dispatch                | 1.70%          | 2026          | \$ 400,000               | \$ 365,000         |
| Energy Efficiency Improvements - Sheriff's | 4.38%          | 2018          | 774,200                  | 49,172             |
| Annex Project                              | 1.50%          | 2020          | 680,000                  | 275,000            |
|  |                |               |                          | <u>\$ 689,172</u>  |

Annual debt service requirements to maturity for installment obligations are as follows:

| Year Ending<br>December 31, | Governmental Activities |                  |
|-----------------------------|-------------------------|------------------|
|                             | Principal               | Interest         |
| 2018                        | 174,172                 | 11,498           |
| 2019                        | 130,000                 | 8,183            |
| 2020                        | 135,000                 | 6,393            |
| 2021                        | 40,000                  | 4,468            |
| 2022                        | 40,000                  | 3,908            |
| 2023-2026                   | <u>170,000</u>          | <u>3,288</u>     |
|                             | <u>\$ 689,172</u>       | <u>\$ 37,738</u> |

Capital lease. The government has entered into several lease agreements for financing the acquisition of vehicles. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2017 were as follows:

| Year Ending<br>December 31,             | Governmental<br>Activities |
|---|----------------------------|
| 2018                                    | \$ 40,719                  |
| 2019                                    | <u>21,671</u>              |
| Total minimum lease payments            | 62,390                     |
| Less amount representing interest       | <u>(3,666)</u>             |
| Present value of minimum lease payments | <u>\$ 58,724</u>           |

# COUNTY OF HILLSDALE, MICHIGAN

## Notes to Financial Statements

### 8. LONG-TERM DEBT (Continued)

*Delinquent tax notes.* The government issues general obligation limited tax notes to finance the purchase of delinquent real property taxes receivable from each taxing district in the County. These notes are reported in the proprietary funds (i.e., delinquent tax revolving enterprise fund) as they are expected to be repaid from proprietary fund revenues. Principal and interest payments are predicated upon actual collections of delinquent property taxes, which are subject to collection over a period not to exceed three years. Delinquent tax notes outstanding at December 31, 2017, are as follows:

| Purpose                             | Interest Rates | Maturity Date | Amount of Original Issue | Amount Outstanding  |
|-------------------------------------|----------------|---------------|--------------------------|---------------------|
| <b>Business-type activities</b>     |                |               |                          |                     |
| 2015 Delinquent Tax Revolving Notes | 0.95%          | 2018          | 2,300,000                | \$ 700,000          |
| 2016 Delinquent Tax Revolving Notes | 0.95%          | 2019          | 2,450,000                | 2,100,000           |
|                                     |                |               |                          | <u>\$ 2,800,000</u> |

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

| Year Ending<br>December 31, | Business-type Activities |                  |
|-----------------------------|--------------------------|------------------|
|                             | Principal                | Interest         |
| 2018                        | \$ 2,000,000             | \$ 24,686        |
| 2019                        | 800,000                  | 7,900            |
|                             | <u>\$ 2,800,000</u>      | <u>\$ 32,586</u> |

*Drain Notes Payable.* The County Drain Office has entered into several long term notes Payable to assist in funding different drain projects. Drain Notes Payable currently outstanding are as follows:

| Purpose      | Interest Rates | Maturity Date | Amount of Original Issue | Amount Outstanding |
|--------------|----------------|---------------|--------------------------|--------------------|
| <b>Drain</b> |                |               |                          |                    |
| Hoops #90    | 2.15%          | 2019          | \$ 100,000               | \$ 40,000          |
| Hopkins #72  | 2.15%          | 2018          | 190,000                  | 23,000             |
| Hacket #240  | 2.15%          | 2026          | 320,000                  | 288,000            |
| Boyd #118    | 2.15%          | 2023          | 235,000                  | 201,429            |
|              |                |               |                          | <u>\$ 552,429</u>  |

Annual debt service requirements to maturity for Drain Notes are as follows:

| Year Ending<br>December 31, | Component Unit - Drain Notes |                  |
|-----------------------------|------------------------------|------------------|
|                             | Principal                    | Interest         |
| 2018                        | 108,571                      | 12,270           |
| 2019                        | 85,571                       | 10,151           |
| 2020                        | 65,571                       | 8,376            |
| 2021                        | 65,571                       | 6,850            |
| 2022                        | 65,571                       | 5,348            |
| 2023-2026                   | <u>161,574</u>               | <u>8,536</u>     |
|                             | <u>\$ 552,429</u>            | <u>\$ 51,531</u> |

# COUNTY OF HILLSDALE, MICHIGAN

## Notes to Financial Statements

### 8. LONG-TERM DEBT (Continued)

**Road Commission Installment Purchase Agreements.** The Road Commission entered into an installment purchase agreement for \$725,000 that provides for monthly payments of \$15,545 including interest at a rate of 1.38%.

Debt service requirements to maturity for the installment purchase agreement are as follows:

Annual debt service requirements to maturity for Road Commission installment purchase agreements are as follows:

| Year Ending<br>December 31, | Component Unit - Road Commission Notes |                 |                   |
|-----------------------------|--|-----------------|-------------------|
|                             | Principal                              | Interest        | Total             |
| 2018                        | 183,675                                | 2,871           | 186,546           |
| 2019                        | 108,319                                | 499             | 108,818           |
|                             | <u>\$ 291,994</u>                      | <u>\$ 3,370</u> | <u>\$ 295,364</u> |

*Changes in long-term debt.* Long-term debt activity for the year ended December 31, 2017 was as follows:

|                                 | Beginning<br>Balance | Additions           | Deductions            | Ending<br>Balance    | Due Within<br>One Year |
|---------------------------------|----------------------|---------------------|-----------------------|----------------------|------------------------|
| <b>Primary Government:</b>      |                      |                     |                       |                      |                        |
| <b>Governmental activities</b>  |                      |                     |                       |                      |                        |
| General obligation bonds        | \$ 8,255,000         | \$ -                | \$ (695,000)          | \$ 7,560,000         | \$ 730,000             |
| Capital leases                  | 53,819               | 62,254              | (57,348)              | 58,725               | 37,986                 |
| Installment contracts           | 912,363              | -                   | (223,190)             | 689,173              | 174,172                |
| Compensated absences            | 495,009              | -                   | (10,621)              | 484,388              | -                      |
| Net Pension Liability           | 3,294,503            | 242,653             | (329,702)             | 3,207,454            | -                      |
|                                 | <u>\$ 13,010,694</u> | <u>\$ 304,907</u>   | <u>\$ (1,315,861)</u> | <u>\$ 11,999,740</u> | <u>\$ 942,158</u>      |
| <b>Business-type activities</b> |                      |                     |                       |                      |                        |
| General obligation bonds        | \$ 753,863           | \$ -                | \$ (572,863)          | \$ 181,000           | \$ 181,000             |
| Delinquent tax notes            | 2,700,000            | 2,450,000           | (2,350,000)           | 2,800,000            | 2,000,000              |
|                                 | <u>\$ 3,453,863</u>  | <u>\$ 2,450,000</u> | <u>\$ (2,922,863)</u> | <u>\$ 2,981,000</u>  | <u>\$ 2,181,000</u>    |
| <b>Component Units:</b>         |                      |                     |                       |                      |                        |
| <b>Drains</b>                   |                      |                     |                       |                      |                        |
| Hoops #90                       | \$ 60,000            | \$ -                | \$ (20,000)           | \$ 40,000            | \$ 20,000              |
| Hopkins #72                     | 61,000               | -                   | (38,000)              | 23,000               | 23,000                 |
| Chandler #186                   | 16,500               | -                   | (16,500)              | -                    | -                      |
| Hacket #240                     | 320,000              | -                   | (32,000)              | 288,000              | 32,000                 |
| Boyd #118                       | 235,000              | -                   | (33,571)              | 201,429              | 33,571                 |
| <b>Road Commission</b>          |                      |                     |                       |                      |                        |
| Installment lease payable       | 473,153              | -                   | (181,159)             | 291,994              | 183,675                |
| Compensated absences            | 373,127              | 114,452             | (97,516)              | 390,063              | 19,503                 |
|                                 | <u>\$ 1,538,780</u>  | <u>\$ 114,452</u>   | <u>\$ (418,746)</u>   | <u>\$ 1,234,486</u>  | <u>\$ 311,749</u>      |

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

# COUNTY OF HILLSDALE, MICHIGAN

## Notes to Financial Statements

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

The County 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 County has purchased commercial insurance for employee medical benefit claims, participates in the Michigan Municipal Risk Management Authority (risk pool) for claims relating to property loss, torts, errors and omissions, and personal injuries, and participates in a risk pool at Employer's Reinsurance Corporation for claims relating to workers' compensation. 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 Municipal Risk Management Authority (risk pool) program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority, and the Authority uses the premiums to pay claims up to the retention limits, the ultimate liability for those claims remains with the County. As of December 31, 2017, the County estimates that its funds on deposit with the Authority are sufficient to cover any outstanding claims. Accordingly, no liability has been recorded.

*Workers' Compensation.* The government maintains a self insurance program for workers' compensation coverage which is accounted for in an internal service fund (i.e., the Self Insurance fund). The program is administered by a third party administrator who conducts safety inspections and provides claims review and processing services. Premiums are paid into the internal service fund by all other funds based on payrolls and job classifications and are available to pay claims, claim reserves, excess coverage and administrative costs.

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 \$350,000 subject to an annual aggregate limit of \$768,232. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Changes in the balances of claims liabilities during the past two years are as follows:

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

|   | 2017             | 2016             |
|---|------------------|------------------|
| <b>Workers compensation</b>                               |                  |                  |
| Estimated liability, January 1                            | \$ 68,313        | \$ 164,748       |
| Estimated claims incurred, including changes in estimates | 48,466           | (63,327)         |
| Claim payments  | (91,448)         | (33,108)         |
| <b>Estimated liability, December 31</b>                   | <u>\$ 25,331</u> | <u>\$ 68,313</u> |

*Road Commission.* The Road Commission is a member of the Michigan County Road Commission Self-Insurance Pool ("Pool") established pursuant to the laws of the State of Michigan which authorizes contracts between municipal corporations (interlocal agreements) to form group self-insurance pools, and to prescribe conditions to the performance of these contracts.

The Michigan County Road Commission Self-Insurance Pool was established for the purpose of making a self-insurance pooling program available for Michigan County Road Commissions, which includes, but is not limited to, general liability coverages, auto liability coverages, property insurance coverages, stop loss insurance protection, claims administration, and risk management and loss control services pursuant to Michigan Public Act 138 of 1982.

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

# COUNTY OF HILLSDALE, MICHIGAN

## Notes to Financial Statements

### 9. RISK MANAGEMENT / SELF-INSURANCE PROGRAMS (Continued)

The Road Commission is also self-insured for workers' compensation as a member of the County Road Association Worker's Compensation Fund.

In the past three years, there have been no reductions in coverages, nor have settlements exceeded coverages. Management of the Road Commission believes that losses, if any, in excess of Insurance Pool coverages would not be material to the financial position of the Road Commission.

The Road Commission continues to carry commercial insurance for employee health and accident insurance.

### 10. CONTINGENT LIABILITIES

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

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.

LifeWays. The Michigan Department of Community Health (MDCH) has indicated that the County is partially responsible for \$3,299,285 owed to Lifeways, the mental health authority for Jackson and Hillsdale Counties. Hillsdale County has entered into agreement to pay \$80,000 per year for 10 years to account for their portion of the \$3,299,285 owed to Lifeways. The first payment was in the 2015 fiscal year.

The State Court Administrators Office has determined that monies transferred to the General Fund over the past 10 years from the 215, Friend of the Court fund are to be determined as a loan, and paid back to the Friend of the Court Fund. The total amount of the loan is \$180,000, and it is still being decided over what time frame this will be paid back.

### 11. PROPERTY TAXES

County General Fund property taxes are levied on July 1 of each year (the lien date) and are due in full by September 14, though they do not become delinquent until March 1 of the following year. For levies other than the General Fund, the lien date is December 1.

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 percent 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.

For the ambulance, senior services and Medical Care Facility, the assessed and taxable value of real and personal property for the December 1, 2016 levy, for which revenue was recognized in fiscal 2017, was \$1,268,018,832. For the general fund, the assessed and taxable value of real and personal property for the July 1, 2017 levy, for which revenue was recognized in fiscal 2017, was \$1,283,614,692. The general operating tax rate for this levy was at the maximum rate of 4.9527 mills, as adjusted by the Headlee Amendment to the State of Michigan Constitution. The County also had a voter approved tax of .3997 mills for ambulance services, .9962 mills for senior services, .5997 for Medical Care Facility operating, and .4000 mills for the Medical Care Facility debt service.

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.



# COUNTY OF HILLSDALE, MICHIGAN

## Notes to Financial Statements

### 12. DEFINED BENEFIT PENSION PLANS - Primary Government

Employees of the Sheriff Department, except the Sheriff and Under sheriff, are eligible to participate in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer, defined benefit pension plan. The System is administered by the MERS retirement board. MERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. A publicly available financial report that includes financial statements and required supplementary information for MERS may be obtained by writing to the Municipal Employees Retirement System of Michigan, 1134 Municipal Way, Lansing, MI 48917, or by calling (800) 767-6377.

The County is required to contribute at an actuarially determined rate; the current rate for the County is 8% of annual covered payroll for each employee group. All participating employees are required to contribute 12.29% percent of their annual salary. The contribution requirements of the County are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members are established and may be amended by the County Board of Commissioners, depending on the MERS contribution program adopted by the County. However, if the MERS funding requirement for the employer's portion exceeds the amount per the labor contracts then the employees are required to fund the difference.

#### 02- Sheriff Patrol: Open Division

|                               | 2017 Valuation            | 2016 Valuation            |
|-------------------------------|---------------------------|---------------------------|
| Benefit Multiplier:           | 2.00% Multiplier (no max) | 2.00% Multiplier (no max) |
| Normal Retirement Age:        | 60                        | 60                        |
| Vesting:                      | 10 Years                  | 10 Years                  |
| Early Retirement (Unreduced): | 55/25                     | 55/25                     |
| Early Retirement (Reduced):   | 50/25                     | 50/25                     |
|                               | 55/15                     | 55/15                     |
| Final Average Compensation:   | 5 Years                   | 5 Years                   |
| Employee Contributions:       | 14.86%                    | 15.17%                    |
| Act 88:                       | No                        | No                        |

#### 20- Sheriff Sergeant: Open Division

|                               | 2017 Valuation            | 2016 Valuation            |
|-------------------------------|---------------------------|---------------------------|
| Benefit Multiplier:           | 2.00% Multiplier (no max) | 2.00% Multiplier (no max) |
| Normal Retirement Age:        | 60                        | 60                        |
| Vesting:                      | 10 Years                  | 10 Years                  |
| Early Retirement (Unreduced): | 55/25                     | 55/25                     |
| Early Retirement (Reduced):   | 50/25                     | 50/25                     |
|                               | 55/15                     | 55/15                     |
| Final Average Compensation:   | 5 Years                   | 5 Years                   |
| Employee Contributions:       | 16.56%                    | 16.56%                    |
| Act 88:                       | No                        | No                        |

*Employees Covered by Benefit Terms.* As of December 1, 2017, the following employees were covered by the

|                            |           |
|----------------------------|-----------|
| Retirees and Beneficiaries | 21        |
| Vested Former Employees    | 5         |
| Active Employees:          | 34        |
| <b>Total Employee</b>      | <b>60</b> |

# COUNTY OF HILLSDALE, MICHIGAN

## Notes to Financial Statements

### 12. DEFINED BENEFIT PENSION PLANS - Primary Government (Continued)

*Funding Policy:* The obligation to contribute to and maintain the system for these employees was established by negotiation with the County's competitive bargaining unit and personnel policy, which require employees to contribute to the plan. The County is required to contribute at an actuarially determined rate.

The contribution rate as a percentage of payroll at December 31, 2017 is as follows:

|                  |       |
|------------------|-------|
| Sheriff Patrol   | 8.00% |
| Sheriff Sergeant | 8.00% |

Actuarial Assumptions. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                           |  |
|---------------------------|--|
| Inflation                 | 2.5 Percent                                |
| Salary Increases          | 3.75 percent, average, including inflation |
| Investment rate of return | 7.75 percent                               |

Although no explicit price inflation assumption is used in this valuation, the long-term annual rate of price inflation implicit in the 3.75% base wage inflations is 2.5%.

Mortality rates used were based on the 1994 Group Annuity Mortality Table of a 50% Male and 50% Female blend. For disabled retirees, the regular mortality table is used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study in 2016.

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

| Asset Class             | Target Allocation | Long-Term Expected Real Rate of Return |
|-------------------------|-------------------|--|
| Global Equity           | 57.5%             | 5.02%                                  |
| Global Fixed Income     | 20.0%             | 2.18%                                  |
| Real Assets             | 12.5%             | 4.23%                                  |
| Diversifying Strategies | 10.0%             | 6.56%                                  |

Discount Rate. The discount rate used to measure the total pension liability is 8.25% for 2015 and will be 8.0% in 2016 and thereafter. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

# COUNTY OF HILLSDALE, MICHIGAN

## Notes to Financial Statements

### 12. DEFINED BENEFIT PENSION PLANS - Primary Government (Continued)

| <i>Changes in Net Pension Liability:</i>          | <i>Total Pension Liability</i> | <i>Plan Fiduciary Net Position</i> | <i>Net Pension Liability</i> |
|---|--------------------------------|------------------------------------|------------------------------|
| Balances at December 31, 2016                     | \$ 7,871,147                   | \$ 4,576,643                       | \$ 3,294,504                 |
| Service Cost:                                     | 196,805                        |                                    | 196,805                      |
| Interest:   | 618,638                        |                                    | 618,638                      |
| Difference between expected and actual experience | 126,618                        |                                    | 126,618                      |
| Changes in assumptions                            | -                              |                                    | -                            |
| Benefit Changes                                   | (58,721)                       |                                    | (58,721)                     |
| Employer Contributions                            |                                | 144,608                            | (144,608)                    |
| Employee Contributions                            |                                | 252,676                            | (252,676)                    |
| Net Investment Income                             |                                | 605,974                            | (605,974)                    |
| Benefit payments, including employee refunds      | (448,312)                      | (448,312)                          | -                            |
| Administrative expense                            |                                | (9,587)                            | 9,587                        |
| Other Changes                                     | 23,281                         |                                    | 23,281                       |
| Net Changes                                       | 458,309                        | 545,359                            | (87,050)                     |
| Balances as of December 31, 2017                  | \$ 8,329,456                   | \$ 5,122,002                       | \$ 3,207,454                 |

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 8.00% , as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

|                                 | 1% Decrease<br>7.00% | Current Rate<br>8.00% | 1% Increase<br>9.00% |
|---------------------------------|----------------------|-----------------------|----------------------|
| Change in net pension liability | \$ 4,292,009         | \$ 3,207,454          | \$ 2,314,157         |

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued MERS financial report.

For the year ended December 31, 2017, the County recognized pension expense of \$914,416. At December 31, 2017, 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 |
|---|--------------------------------|-------------------------------|
| Difference between expected and actual experience | \$ -                           | \$ 146,154                    |
| Changes in assumptions                            | 237,735                        | -                             |
| Total   | \$ 237,735                     | \$ 146,154                    |

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

| Year Ended<br>December 31: | Outflows   | Inflows    |
|----------------------------|------------|------------|
| 2018                       | \$ 51,243  | \$ 37,448  |
| 2019                       | 51,243     | 37,448     |
| 2020                       | 28,280     | 37,448     |
| 2021                       | 54,695     | 37,448     |
| 2022                       | 52,274     | 14,452     |
| 2023                       | -          | (18,088)   |
| Total                      | \$ 237,735 | \$ 146,154 |

# COUNTY OF HILLSDALE, MICHIGAN

## Notes to Financial Statements

### 12. DEFINED BENEFIT PENSION PLANS - Primary Government (Continued)

#### Annual Pension Cost

During the year ended December 31, 2017, the County's contributions totaling \$144,608 were made in accordance with contribution requirement determined by an actuarial valuation of the plan as of December 31, 2013. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5 percent based on an age-related scale to reflect merit, longevity, and promotional salary increases. The unfunded actuarial liability is amortized as a level percent of payroll on a closed basis. The remaining amortization period is 25 years.

### 13. DEFINED BENEFIT PENSION PLANS - Road Commission

#### General Information About the Plan

*Plan Description.* The Road Commission participates in the Municipal Employees' Retirement System (MERS) of Michigan, a defined benefit pension plan providing certain retirement, disability and death benefits to plan members and beneficiaries. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. Public Act 427 of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at [www.mersofmich.com](http://www.mersofmich.com).

*Benefits Provided.* Pension benefits are calculated as final average compensation (based on a 5 year period) and multiplier of 2%. Participants are considered to be fully vested in the plan after 5 years. Normal retirement age is 60 with early retirement at age 50 with 25 years of service. The employer may establish contribution rates to be paid by its covered employees. Currently, member contributions range from 5.3%-9.9%.

*Employees Covered by Benefit Terms.* At December 31, 2016, plan membership consisted of the following:

|  |           |
|--|-----------|
| Inactive employees or beneficiaries currently receiving benefits | 38        |
| Inactive employees entitled to but not yet receiving benefits    | 2         |
| Active employees   | 40        |
| <b>Total membership</b>  | <b>80</b> |

*Contributions.* The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employer contributions were \$424,259 for the year ended December 31, 2017.

*Net Pension Liability.* The Road Commission's net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016.

*Actuarial Assumptions.* The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                           |  |
|---------------------------|--|
| Inflation                 | 2.5%   |
| Salary increases          | 3.75% in the long-term                                   |
| Investment rate of return | 7.75%, net of investment expense and including inflation |

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

# COUNTY OF HILLSDALE, MICHIGAN

## Notes to Financial Statements

### 13. DEFINED BENEFIT PENSION PLANS - Road Commission (Continued)

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

The actuarial assumptions used in the valuation were based on the results of the most recent actuarial experience study of 2009-2013. The main assumption and method changes in the most recent actuarial valuation included an adjustment to the mortality table to reflect longer lifetimes, the assumed annual rate of return, net of all expenses was lowered from 8.0% to 7.75%, and the asset smoothing was changed from 10 to 5 years.

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

| Asset Class                          | Allocation     | Real Rate of Return | Weighted Rate of    |
|--------------------------------------|----------------|---------------------|---------------------|
| Global equity                        | 57.50%         | 5.02%               | 2.89%               |
| Global fixed income                  | 20.00%         | 2.18%               | 0.44%               |
| Real assets                          | 12.50%         | 4.23%               | 0.51%               |
| Diversifying strategies              | 10.00%         | 6.56%               | 0.66%               |
|                                      | <u>100.00%</u> |                     |                     |
| Inflation                            |                |                     | 3.25%               |
| Administrative expenses netted above |                |                     | <u>0.50%</u>        |
| <b>Investment rate of return</b>     |                |                     | <u><u>8.25%</u></u> |

*Discount Rate.* The discount rate used to measure the total pension liability was 8.25%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

# COUNTY OF HILLSDALE, MICHIGAN

## Notes to Financial Statements

### 13. DEFINED BENEFIT PENSION PLANS - Road Commission (Continued)

#### *Changes in Net Pension Liability*

The components of the change in the net pension liability are summarized as follows:

|   | Liability     | Position     | Liability    |
|---|---------------|--------------|--------------|
| Balances at December 31, 2016                                 | \$ 11,355,336 | \$ 6,571,600 | \$ 4,783,736 |
| Changes for the year:   |               |              |              |
| Service cost  | 193,239       | -            | 193,239      |
| Interest  | 889,219       | -            | 889,219      |
| Differences between expected and actual experience            | (191,001)     | -            | (191,001)    |
| Changes in assumptions  | -             | -            | -            |
| Employer contributions  | -             | 424,259      | (424,259)    |
| Employee contributions  | -             | 128,001      | (128,001)    |
| Net investment income   | -             | 862,009      | (862,009)    |
| Benefit payments, including refunds of employee contributions | (673,428)     | (673,428)    | -            |
| Administrative expense  | -             | (13,639)     | 13,639       |
| Other changes   | (31,641)      | -            | (31,641)     |
| Net changes   | 186,388       | 727,202      | (540,814)    |
| Balances at December 31, 2017                                 | \$ 11,541,724 | \$ 7,298,802 | \$ 4,242,922 |

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate.* The following presents the net pension liability of the Road Commission, calculated using the discount rate of 8.25%, as well as what the Road Commission's net pension liability would be if it were calculated using a discount rate that is 1% lower (7.25%) or 1% higher (9.25%) than the current rate:

|   | 1% Decrease<br>(7.00%) | Current<br>Discount Rate<br>(8.00%) | 1% Increase<br>(9.00%) |
|---|------------------------|-------------------------------------|------------------------|
| Road Commission's net pension liability | \$ 5,421,784           | \$ 4,242,922                        | \$ 3,226,843           |

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

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

For the year ended December 31, 2017, the Road Commission recognized pension expense of \$524,120. The Road Commission 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                                | \$ -                           | \$ 218,867                    | \$ (218,867)                                 |
| Changes in assumptions   | 294,826                        | -                             | \$ 294,826                                   |
| Net difference between projected and actual earnings on pension plan investments |                                | 236,293                       | \$ (236,293)                                 |
| <b>Total</b>   | <b>\$ 294,826</b>              | <b>\$ 455,160</b>             | <b>\$ (160,334)</b>                          |

# COUNTY OF HILLSDALE, MICHIGAN

## Notes to Financial Statements

### 13. DEFINED BENEFIT PENSION PLANS - Road Commission (Continued)

Amounts reported as deferred outflows/inflows of resources related to pension will be recognized in pension expense

| December 31, | Amount                     |
|--------------|----------------------------|
| 2018         | \$ 108,000                 |
| 2019         | (45,198)                   |
| 2020         | (154,802)                  |
| 2021         | <u>(68,334)</u>            |
| <b>Total</b> | <b><u>\$ (160,334)</u></b> |

*Payable to the Pension Plan.* At December 31, 2017, the Road Commission did not have any contributions payable to the pension plan.

### 14. DEFINED CONTRIBUTION PENSION PLAN - Primary Government

The County provides pension benefits to all of its full time employees (except for the Sheriff's Department) through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by the Hillsdale County Retirement Fund, the County contributes 6.5 percent for all the general County employees' gross earnings and 4 percent for all Medical Care Facility employees. Employees contribute 2-10 percent of earnings. In accordance with these requirements, the County contributed \$283,714 for the year ended December 31, 2017 and employees contributed \$170,986.

The Hillsdale County Board of Commissioners established both plans and may amend them and the related contribution requirements, subject to the County's various collective bargaining agreements. The plans are administered and the assets are in the custody of third-party insurance companies

### 15. POSTEMPLOYMENT HEALTH CARE BENEFITS -Primary Government

**Plan Description.** The Hillsdale County Sheriff's Department participates in a defined benefit postretirement plan sponsored by Hillsdale County that provides postretirement medical benefits to retirees. Substantially all employees may become eligible for the benefits if they reach normal retirement age while working at the Sheriff's department. The County is required to pay 50% of the postretirement obligation to be paid from the County's General Fund, until the retiree reaches the age of 65, at which point the retiree is eligible for Medicare, and the county's obligation ends.

**Funding Policy.** The County has no obligation to make contributions in advance until the premiums are due for payment (in other words, this may be financed on a pay as you go basis). Covered members are required to contribute 50% of their health insurance cost.

**Funding Progress.** For the year ended December 31, 2017, the County has estimated the cost of providing retiree healthcare benefits through actuarial valuations as of June 7, 2018. The valuation computes an annual required contribution, which represents a level funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. This valuation's computed contribution and actual funding are summarized as follows for the year ended December 31, 2017:

**Annual OPEB Cost and Net OPEB Obligation.** For the year ended December 31, 2017, the components of the County's annual OPEB (other postemployment benefit) cost for the year, the amount actually contributed to the Plan, and changes in the County's net OPEB obligation to the Plan were as follows:

# COUNTY OF HILLSDALE, MICHIGAN

## Notes to Financial Statements

### 15. POSTEMPLOYMENT HEALTH CARE BENEFITS -Primary Government (Continued)

|  |                         |
|--|-------------------------|
| Annual required Contribution               | 154,640                 |
| Interest on net OPEB Obligation            | 79,559                  |
| Adjustment to annual required contribution | <u>(169,218)</u>        |
| Annual OPEB cost                           | 64,981                  |
| Contributions made                         | <u>19,754</u>           |
| Increase in net OPEB Obligation            | 45,227                  |
| Net OPEB obligation, beginning of year     | <u>2,266,664</u>        |
| Net OPEB Obligation, end of year           | <u><u>2,311,891</u></u> |

The County's annual OPEB costs, the percentage of annual OPEB costs contributed to the Plan, and the net OPEB obligation as of December 31, 2017, and the preceding two years, were as follows:

| Three-Year Trend Information |                  |                  |                     |
|------------------------------|------------------|------------------|---------------------|
|                              |                  | Percentage of    |                     |
|                              |                  | Annual OPEB      |                     |
| Year Ended                   | Annual OPEB Cost | Cost Contributed | Net OPEB Obligation |
| 2014                         | 17,170           | 37%              | 2,265,286           |
| 2015                         | 18,053           | -101%            | 2,267,272           |
| 2016                         | 15,852           | -104%            | 2,266,664           |
| 2017                         | 64,981           | -30%             | 2,311,891           |

Funded Status and Funding Progress. As of December 31, 2017, the date of the most recent actuarial valuation, the Plan was 0 percent funded. The actuarial accrued liability for benefits was \$1,581,723 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,581,723. The covered payroll (annual payroll of the active employees covered by the Plan) was unavailable.

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, 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 to past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing 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. Significant methods and assumptions were as follows:

|                               |   |
|-------------------------------|---|
| Actuarial valuation date      | December 31, 2017   |
| Actuarial Methods             | Cost Method, Asset Valuation Method                             |
| <b>Actuarial assumptions:</b> |   |
| Discount Rate                 | 4%  |
| Salary Scale                  | 1%  |
| Return on Plan Assets         | N/A; Plan is not pre-funded                                     |
| Mortality Rates               | 2018 IRS 1.30(h) Annuitant and Non-annuitant                    |
| Utilization                   | 60% of eligible employees will elect coverage at retirement     |
| Turnover Rates                | Tables found in Actuary Report                                  |
| Retirement Rates              | Tables found in Actuary Report                                  |
| Dependent Assumption          | 85% of future retirees will have a covered spouse at retirement |



COUNTY OF HILLSDALE, MICHIGAN

Notes to Financial Statements

16. NET INVESTMENT IN CAPITAL ASSETS

|  | Governmental<br>activities | Business-type<br>activities |
|--|----------------------------|-----------------------------|
| Capital assets not being depreciated   | \$ 642,793                 | \$ -                        |
| Capital assets being depreciated, net  | 7,218,244                  | 10,283,582                  |
| Total capital assets                   | <u>7,861,037</u>           | <u>10,283,582</u>           |
| Capital related bonds                  | (7,560,000)                | (181,000)                   |
| Installment contracts                  | (689,173)                  | -                           |
| Capital leases                         | <u>(58,725)</u>            | <u>-</u>                    |
| Total net investment in capital assets | <u>\$ (446,861)</u>        | <u>\$ 10,102,582</u>        |

17. PRIOR PERIOD ADJUSTMENTS

The governmental activities were restated in the amount of \$102,005 to remove investment premium. The business-type activities were restated in the amount of \$88,158 to record for closure proceeds from prior year.

## Required Supplementary Information

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COUNTY OF HILLSDALE, MICHIGAN

**Required Supplementary Information**

Retiree Health Care Plan - Primary government

| Schedule of Funding Progress |                               |   |                           |                      |                     |   |
|------------------------------|-------------------------------|---|---------------------------|----------------------|---------------------|---|
| Actuarial Valuation Date     | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) - Entry Age (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a / b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a) / c) |
| 12/31/2009                   | \$ -                          | \$ 3,954,168                                      | \$ 3,954,168              | 0.0%                 | n/a                 | n/a   |
| 12/31/2011                   | -                             | 4,739,727   | 4,739,727                 | 0.0%                 | n/a                 | n/a   |
| 12/31/2014                   | -                             | 676,764   | 676,764                   | 0.0%                 | n/a                 | n/a   |
| 12/31/2015                   | -                             | 676,764   | 676,764                   | 0.0%                 | n/a                 | n/a   |
| 1/1/2016                     | -                             | 676,764   | 676,764                   | 0.0%                 | n/a                 | n/a   |
| 12/31/2017                   |                               | 1,581,723   | 1,581,723                 | 0.0%                 | n/a                 | n/a   |

| Schedule of Employer Contributions |                               |                        |
|------------------------------------|-------------------------------|------------------------|
| Year Ended December 31,            | Annual Required Contributions | Percentage Contributed |
| 2011                               | 512,460                       | 3.1%                   |
| 2012                               | 552,523                       | 2.0%                   |
| 2013                               | 570,228                       | 2.0%                   |
| 2014                               | 65,752                        | 9.6%                   |
| 2015                               | 70,301                        | 2.4%                   |
| 2016                               | 71,899                        | 2.4%                   |
| 2016                               | 154,640                       | 12.8%                  |

# COUNTY OF HILLSDALE, MICHIGAN

## Required Supplementary Information

### Defined Benefit Pension Plans - Primary Government

| Schedule of Funding Progress   |           |           |           |
|--|-----------|-----------|-----------|
|  | 2015      | 2016      | 2017      |
| Total Pension Liability  |           |           |           |
| Service Cost   | 192,609   | 198,793   | 196,805   |
| Interest   | 537,668   | 595,086   | 618,638   |
| Benefit payments, including refund of member contributions                 | (299,424) | (315,192) | (448,312) |
| Other Changes  | 170,326   | 17,024    | 91,178    |
| Net Change in Total Pension Liability                                      | 601,179   | 495,711   | 458,309   |
| Total Pension Liability - Beginning  | 6,774,257 | 7,375,436 | 7,871,147 |
| Total Pension Liability - Ending   | 7,375,436 | 7,871,147 | 8,329,456 |
| Plan fiduciary net position  |           |           |           |
| Contributions - employer   | 138,180   | 137,998   | 144,608   |
| Contributions - employee   | 212,788   | 218,671   | 252,676   |
| Net investment income  | 234,464   | 469,826   | 605,974   |
| Benefit payments, including refunds of member contributions                | (299,424) | (315,192) | (448,312) |
| Administrative expense   | -         | (9,261)   | (9,587)   |
| Other Changes  | -         | (551,627) | -         |
| Net Change in plan fiduciary net position                                  | 286,008   | (49,585)  | 545,359   |
| Total plan fiduciary net position - Beginning                              | 4,340,220 | 4,626,228 | 4,576,643 |
| Total plan fiduciary net position - Ending                                 | 4,626,228 | 4,576,643 | 5,122,002 |
| County's net pension liability - Ending                                    | 2,749,208 | 3,294,504 | 3,207,454 |
| Plan fiduciary net position as a percentage of the total pension liability | 63%       | 58%       | 61%       |
| Covered - Employee Payroll   | 1,799,823 | 1,799,823 | 1,799,823 |
| County's net pension liability as a percentage of covered-employee payroll | 65%       | 55%       | 56%       |
| Annual money-weighted rate of return, net investment expense               | 4%        | 4%        | 4%        |
| Actuarially determined contribution  | 147,900   | 161,856   | 161,856   |
| Contributions in relation to the actuarially determined contribution       | (138,180) | (137,998) | (137,998) |
| Contribution deficiency (excess)   | 9,720     | 23,858    | 23,858    |
| Covered - employee payroll   | 1,799,823 | 1,799,823 | 1,799,823 |
| Contributions as a percentage of covered-employee payroll                  | 8%        | 8%        | 8%        |

COUNTY OF HILLSDALE, MICHIGAN

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

Budget and Actual - General Fund  
Year Ended December 31, 2017

|  | Original<br>Budget | Final<br>Budget  | Actual           | Actual over<br>(under) Final<br>Budget |
|--|--------------------|------------------|------------------|--|
| <b>Revenues</b>                                |                    |                  |                  |  |
| Property taxes                                 | \$ 6,330,000       | \$ 6,355,000     | \$ 6,390,645     | \$ 35,645                              |
| Intergovernmental:                             |                    |                  |                  |  |
| State revenue sharing                          | 1,122,874          | 1,122,874        | 1,242,761        | 119,887                                |
| Juvenile Officer's Grant                       | 28,000             | 28,000           | 20,488           | (7,512)                                |
| Judges Salaries Grant                          | 231,367            | 231,367          | 234,175          | 2,808                                  |
| Juror Compensation Grant                       | 4,000              | 4,000            | 2,775            | (1,225)                                |
| Liquor Tax                                     | 106,500            | 106,500          | 103,184          | (3,316)                                |
| Secondary Road Patrol Grant                    | 60,272             | 60,272           | 58,527           | (1,745)                                |
| Marine Safety Grant                            | 11,000             | 11,000           | 11,373           | 373                                    |
| Emergency Management Grant                     | 8,000              | 8,000            | 8,394            | 394                                    |
| Drunk Driving Grant                            | 12,000             | 12,000           | 10,526           | (1,474)                                |
| Prosecutor - Cooperative Reimbursement Program | 48,000             | 68,000           | 91,938           | 23,938                                 |
| FOC - Cooperative Reimbursement Program        | 190,000            | 190,000          | 276,534          | 86,534                                 |
| FOC - Other                                    | 90,000             | 105,000          | 127,699          | 22,699                                 |
| Survey and Remonumentation Grant               | 36,665             | 42,265           | 16,883           | (25,382)                               |
| State court equity funding                     | 190,000            | 190,000          | 162,513          | (27,487)                               |
| Elections                                      | 30,000             | 30,000           | 13,426           | (16,574)                               |
| Other intergovernmental revenue                | 500                | 500              | 137              | (363)                                  |
| <b>Total intergovernmental</b>                 | <b>2,169,178</b>   | <b>2,209,778</b> | <b>2,381,333</b> | <b>171,555</b>                         |
| Licenses and permits:                          |                    |                  |                  |  |
| Dog licenses                                   | 48,000             | 48,000           | 48,681           | 681                                    |
| Other licenses and permits                     | 161,000            | 161,000          | 1,795            | (159,205)                              |
| <b>Total licenses and permits</b>              | <b>209,000</b>     | <b>209,000</b>   | <b>50,476</b>    | <b>(158,524)</b>                       |
| Fines and forfeits:                            |                    |                  |                  |  |
| Ordinance fines and costs                      | 307,000            | 307,000          | 285,347          | (21,653)                               |
| Bond forfeitures                               | 32,200             | 32,200           | 38,993           | 6,793                                  |
| <b>Total fines and forfeits</b>                | <b>339,200</b>     | <b>339,200</b>   | <b>324,340</b>   | <b>(14,860)</b>                        |
| Charges for services:                          |                    |                  |                  |  |
| Circuit Court                                  | 43,500             | 43,500           | 41,053           | (2,447)                                |
| District Court                                 | 106,500            | 106,500          | 100,172          | (6,328)                                |
| Friend of the Court                            | 89,600             | 89,600           | 80,371           | (9,229)                                |
| Probate/Family Court                           | 17,100             | 17,100           | 23,155           | 6,055                                  |
| Clerk  | 64,500             | 64,500           | 70,317           | 5,817                                  |
| Register of deeds                              | 358,000            | 358,000          | 372,872          | 14,872                                 |
| Sheriff  | 75,300             | 75,300           | 81,285           | 5,985                                  |
| Equalization                                   | 53,000             | 53,000           | 51,823           | (1,177)                                |
| Other charges for services                     | 89,600             | 89,600           | 82,542           | (7,058)                                |
| <b>Total charges for services</b>              | <b>897,100</b>     | <b>897,100</b>   | <b>903,590</b>   | <b>6,490</b>                           |

continued...

# COUNTY OF HILLSDALE, MICHIGAN

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

Budget and Actual - General Fund  
Year Ended December 31, 2017

|                                | Original Budget   | Final Budget      | Actual            | Actual over (under) Final Budget |
|--------------------------------|-------------------|-------------------|-------------------|----------------------------------|
| <b>Revenues (continued)</b>    |                   |                   |                   |                                  |
| Interest and rentals:          |                   |                   |                   |                                  |
| Interest revenue               | 60,000            | 60,000            | 41,711            | (18,289)                         |
| Rents                          | 289,377           | 339,377           | 309,633           | (29,744)                         |
| Total interest and rentals     | <u>349,377</u>    | <u>399,377</u>    | <u>351,344</u>    | <u>(48,033)</u>                  |
| Other revenue/reimbursements - |                   |                   |                   |                                  |
| Reimbursements and refunds     | <u>779,806</u>    | <u>779,806</u>    | <u>840,027</u>    | <u>60,221</u>                    |
| <b>Total revenues</b>          | <u>11,073,661</u> | <u>11,189,261</u> | <u>11,241,755</u> | <u>52,494</u>                    |
| <b>Expenditures</b>            |                   |                   |                   |                                  |
| Legislative -                  |                   |                   |                   |                                  |
| Board of Commissioners         | <u>73,978</u>     | <u>73,978</u>     | <u>72,315</u>     | <u>(1,663)</u>                   |
| Judicial:                      |                   |                   |                   |                                  |
| Circuit Court                  | 165,338           | 165,338           | 150,863           | (14,475)                         |
| District Court                 | 492,009           | 492,009           | 490,021           | (1,988)                          |
| Friend of the Court            | 361,719           | 361,719           | 350,336           | (11,383)                         |
| Jury Commission                | 2,624             | 2,624             | 2,561             | (63)                             |
| Probate Court                  | 550,674           | 550,674           | 531,736           | (18,938)                         |
| Family/Juvenile Court          | 265,000           | 275,000           | 274,992           | (8)                              |
| Total judicial                 | <u>1,837,364</u>  | <u>1,847,364</u>  | <u>1,800,509</u>  | <u>(46,855)</u>                  |
| General government:            |                   |                   |                   |                                  |
| Elections                      | 104,168           | 144,482           | 130,576           | (13,906)                         |
| Clerk                          | 246,997           | 247,234           | 246,591           | (643)                            |
| Register of deeds              | 152,121           | 152,664           | 137,934           | (14,730)                         |
| Planning                       | 640               | 640               | -                 | (640)                            |
| Equalization                   | 238,607           | 239,222           | 217,577           | (21,645)                         |
| Information technology         | 303,521           | 304,119           | 302,590           | (1,529)                          |
| Prosecutor                     | 456,419           | 457,307           | 461,986           | 4,679                            |
| Survey & Remonumentation       | 36,665            | 42,265            | 42,208            | (57)                             |
| Treasurer                      | 221,164           | 221,711           | 216,386           | (5,325)                          |
| Finance                        | 60,263            | 60,552            | 60,309            | (243)                            |
| MSU Extension                  | 183,926           | 184,926           | 184,923           | (3)                              |
| Courthouse and grounds         | 367,163           | 367,697           | 365,170           | (2,527)                          |
| FOC Building                   | 25,200            | 25,200            | 19,465            | (5,735)                          |
| DHS Building                   | 135,189           | 135,279           | 123,687           | (11,592)                         |
| Drain Commissioner             | 234,952           | 235,406           | 185,862           | (49,544)                         |
| Bus Garage                     | 15,700            | 15,700            | 12,287            | (3,413)                          |
| Office building                | 4,900             | 4,900             | 2,958             | (1,942)                          |
| Total general government       | <u>2,787,595</u>  | <u>2,839,304</u>  | <u>2,710,509</u>  | <u>(128,795)</u>                 |

continued...

COUNTY OF HILLSDALE, MICHIGAN

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

Budget and Actual - General Fund  
Year Ended December 31, 2017

|                                    | Original Budget   | Final Budget      | Actual            | Actual over (under) Final Budget |
|------------------------------------|-------------------|-------------------|-------------------|----------------------------------|
| <b>Expenditures (continued)</b>    |                   |                   |                   |                                  |
| Public safety:                     |                   |                   |                   |                                  |
| Sheriff's Department               | 1,879,269         | 1,840,815         | \$ 1,840,815      | \$ -                             |
| Secondary Road Patrol Grant        | 79,778            | 79,778            | 60,974            | (18,804)                         |
| Marine Patrol                      | 13,500            | 13,500            | 11,322            | (2,178)                          |
| Jail Operation                     | 925,300           | 930,300           | 912,855           | (17,445)                         |
| Emergency Preparedness             | 49,554            | 49,654            | 46,365            | (3,289)                          |
| Animal control                     | 62,800            | 62,800            | 55,709            | (7,091)                          |
| Total public safety                | <u>3,010,201</u>  | <u>2,976,847</u>  | <u>2,928,040</u>  | <u>(48,807)</u>                  |
| Public works -                     |                   |                   |                   |                                  |
| Board of Public Works              | 24,894            | 24,971            | 24,361            | (610)                            |
| Health and welfare:                |                   |                   |                   |                                  |
| Health Department                  | 146,960           | 147,460           | 137,522           | (9,938)                          |
| Medical Examiner                   | 46,250            | 61,250            | 58,813            | (2,437)                          |
| Veteran's Burial                   | 12,000            | 15,000            | 12,317            | (2,683)                          |
| Veteran's Affairs Office           | 61,530            | 64,699            | 64,286            | (413)                            |
| District Health Department         | 220,000           | 220,000           | 220,367           | 367                              |
| Mental Health Authority            | 274,000           | 274,000           | 274,000           | -                                |
| Total health and welfare           | <u>760,740</u>    | <u>782,409</u>    | <u>767,305</u>    | <u>(15,104)</u>                  |
| Other:                             |                   |                   |                   |                                  |
| Employee Benefits                  | 1,749,898         | 1,672,398         | 1,586,701         | (85,697)                         |
| Property/Liability Insurance       | 274,600           | 279,600           | 280,548           | 948                              |
| Other                              | 225,938           | 220,774           | 187,487           | (33,287)                         |
| Appropriations                     | 130,978           | 130,978           | 130,152           | (826)                            |
| Total other                        | <u>2,381,414</u>  | <u>2,303,750</u>  | <u>2,184,888</u>  | <u>(118,862)</u>                 |
| Capital outlay                     | 10,000            | 49,188            | 62,254            | 13,066                           |
| Debt service:                      |                   |                   |                   |                                  |
| Interest                           | 3,000             | 3,000             | 2,691             | (309)                            |
| <b>Total expenditures</b>          | <u>10,889,186</u> | <u>10,900,811</u> | <u>10,552,872</u> | <u>(347,939)</u>                 |
| Revenues over (under) expenditures | <u>184,475</u>    | <u>288,450</u>    | <u>688,883</u>    | <u>400,433</u>                   |

continued...

COUNTY OF HILLSDALE, MICHIGAN

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

Budget and Actual - General Fund  
Year Ended December 31, 2017

|   | Original Budget     | Final Budget        | Actual              | Actual over (under) Final Budget |
|---|---------------------|---------------------|---------------------|----------------------------------|
| <b>Other financing sources (uses)</b>       |                     |                     |                     |                                  |
| Proceeds from capital lease                 | 42,000              | 42,000              | 62,254              | 20,254                           |
| Transfers in                                | 742,130             | 742,130             | 732,781             | (9,349)                          |
| Transfers out                               | (1,123,932)         | (1,234,096)         | (1,227,217)         | 6,879                            |
| <b>Total other financing sources (uses)</b> | <u>(339,802)</u>    | <u>(449,966)</u>    | <u>(432,182)</u>    | <u>4,026</u>                     |
| <b>Net change in fund balances</b>          | (155,327)           | (161,516)           | 256,701             | 418,217                          |
| Fund balances, beginning of year            | 1,346,966           | 1,346,966           | 1,346,966           | -                                |
| Prior Period Adjustment                     | (102,629)           | (102,629)           | (102,629)           | -                                |
| <b>Fund balances (deficit), end of year</b> | <u>\$ 1,089,010</u> | <u>\$ 1,082,821</u> | <u>\$ 1,501,038</u> | <u>\$ 418,217</u>                |

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



COUNTY OF HILLSDALE, MICHIGAN

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

Budget and Actual - Senior Citizen Special Revenue Fund  
 Year Ended December 31, 2017

|                                  | Original Budget  | Final Budget     | Actual           | Actual over (under) Final Budget |
|----------------------------------|------------------|------------------|------------------|----------------------------------|
| <b>Revenues</b>                  |                  |                  |                  |                                  |
| Property tax revenue             | \$ 1,267,719     | \$ 1,267,719     | \$ 1,249,154     | \$ (18,565)                      |
| <b>Expenditures</b>              |                  |                  |                  |                                  |
| Health and welfare               | <u>1,271,118</u> | <u>1,271,118</u> | <u>1,239,038</u> | <u>(32,080)</u>                  |
| Revenues over expenditures       | (3,399)          | (3,399)          | 10,116           | 13,515                           |
| Fund balances, beginning of year | <u>12,578</u>    | <u>12,578</u>    | <u>12,578</u>    | <u>-</u>                         |
| Fund balances, end of year       | <u>\$ 9,179</u>  | <u>\$ 9,179</u>  | <u>\$ 22,694</u> | <u>\$ 13,515</u>                 |

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

## Other Information

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COUNTY OF HILLSDALE, MICHIGAN

Combining Balance Sheet - Nonmajor Governmental Funds  
December 31, 2017

|   | Special Revenue  |                   |                               |                                |                   |                          |                     |                              |                  |                          |
|---|------------------|-------------------|-------------------------------|--------------------------------|-------------------|--------------------------|---------------------|------------------------------|------------------|--------------------------|
|   | Parks            | Ambulance         | Tobacco and Alcohol Diversion | Pros. Atty. Offender Diversion | E-911 Emergency   | Concealed Pistols Permit | Friend of the Court | Register of Deeds Automation | Drug Forfeiture  | Law Enforcement Training |
| <b>Assets</b>   |                  |                   |                               |                                |                   |                          |                     |                              |                  |                          |
| Cash and investments  | \$ 15,361        | \$ 9,604          | \$ 4,787                      | \$ 5,359                       | \$ 241,296        | \$ 48,445                | \$ 77,870           | \$ 230,392                   | \$ 17,189        | \$ 3,079                 |
| Taxes receivable  | -                | 502,800           | -                             | -                              | -                 | -                        | -                   | -                            | -                | -                        |
| Accounts receivable   | 389              | -                 | -                             | -                              | 272,201           | -                        | -                   | -                            | -                | -                        |
| Due from other governments  | -                | -                 | -                             | -                              | -                 | -                        | -                   | -                            | -                | -                        |
| Prepaid expenditures  | -                | -                 | -                             | -                              | 13,830            | -                        | -                   | -                            | -                | -                        |
| <b>Total assets</b>   | <b>\$ 15,750</b> | <b>\$ 512,404</b> | <b>\$ 4,787</b>               | <b>\$ 5,359</b>                | <b>\$ 527,327</b> | <b>\$ 48,445</b>         | <b>\$ 77,870</b>    | <b>\$ 230,392</b>            | <b>\$ 17,189</b> | <b>\$ 3,079</b>          |
| <b>Liabilities</b>  |                  |                   |                               |                                |                   |                          |                     |                              |                  |                          |
| Accounts payable  | \$ 5,978         | \$ -              | \$ -                          | \$ 132                         | \$ 11,719         | \$ -                     | \$ -                | \$ -                         | \$ -             | \$ -                     |
| Unearned revenue  | 3,835            | -                 | -                             | -                              | -                 | -                        | -                   | -                            | -                | -                        |
| Accrued liabilities   | 846              | -                 | -                             | -                              | 22,974            | -                        | -                   | -                            | -                | -                        |
| Due to other funds  | -                | -                 | -                             | -                              | -                 | -                        | -                   | -                            | -                | -                        |
| Interfund payable   | -                | -                 | -                             | -                              | -                 | -                        | -                   | -                            | -                | -                        |
| <b>Total liabilities</b>  | <b>10,659</b>    | <b>-</b>          | <b>-</b>                      | <b>132</b>                     | <b>34,693</b>     | <b>-</b>                 | <b>-</b>            | <b>-</b>                     | <b>-</b>         | <b>-</b>                 |
| <b>Deferred inflows of resources</b>                                      |                  |                   |                               |                                |                   |                          |                     |                              |                  |                          |
| Taxes levied for subsequent periods                                       | -                | 502,800           | -                             | -                              | -                 | -                        | -                   | -                            | -                | -                        |
| <b>Fund balances</b>  |                  |                   |                               |                                |                   |                          |                     |                              |                  |                          |
| Nonspendable  | -                | -                 | -                             | -                              | 13,830            | -                        | -                   | -                            | -                | -                        |
| Restricted  | -                | 9,604             | -                             | -                              | 478,804           | 48,445                   | 77,870              | 230,392                      | 17,189           | 3,079                    |
| Assigned  | 5,091            | -                 | 4,787                         | 5,227                          | -                 | -                        | -                   | -                            | -                | -                        |
| <b>Total fund balances</b>  | <b>5,091</b>     | <b>9,604</b>      | <b>4,787</b>                  | <b>5,227</b>                   | <b>492,634</b>    | <b>48,445</b>            | <b>77,870</b>       | <b>230,392</b>               | <b>17,189</b>    | <b>3,079</b>             |
| <b>Total liabilities, deferred inflows of resources and fund balances</b> | <b>\$ 15,750</b> | <b>\$ 512,404</b> | <b>\$ 4,787</b>               | <b>\$ 5,359</b>                | <b>\$ 527,327</b> | <b>\$ 48,445</b>         | <b>\$ 77,870</b>    | <b>\$ 230,392</b>            | <b>\$ 17,189</b> | <b>\$ 3,079</b>          |

COUNTY OF HILLSDALE, MICHIGAN

**Combining Balance Sheet - Nonmajor Governmental Funds**  
December 31, 2017

|   | Special Revenue    |                  |                              |   |                    |                               |                 |                        |                   |                        |
|---|--------------------|------------------|------------------------------|---|--------------------|-------------------------------|-----------------|------------------------|-------------------|------------------------|
|   | County Law Library | Child Abuse      | Department of Human Services | Department of Human Services Child Care | Probate Child Care | Soldiers' and Sailors' Relief | Veterans' Trust | Veterans' Respite Care | Homeland Security | GIS/Mapping Technology |
| <b>Assets</b>   |                    |                  |                              |   |                    |                               |                 |                        |                   |                        |
| Cash and investments  | \$ 10,324          | \$ 23,169        | \$ 12,051                    | \$ 12,463                               | \$ 39,170          | \$ 13,419                     | \$ -            | \$ 5,157               | \$ (236)          | \$ 5,624               |
| Taxes receivable  | -                  | -                | -                            | -                                       | -                  | -                             | -               | -                      | -                 | -                      |
| Accounts receivable   | -                  | -                | -                            | 9,488                                   | 34,208             | -                             | -               | -                      | 695               | 197                    |
| Due from other governments  | -                  | -                | -                            | -                                       | -                  | -                             | -               | -                      | 413               | -                      |
| Prepaid expenditures  | -                  | -                | 1,551                        | -                                       | 577                | -                             | -               | -                      | -                 | -                      |
| <b>Total assets</b>   | <b>\$ 10,324</b>   | <b>\$ 23,169</b> | <b>\$ 13,602</b>             | <b>\$ 21,951</b>                        | <b>\$ 73,955</b>   | <b>\$ 13,419</b>              | <b>\$ -</b>     | <b>\$ 5,157</b>        | <b>\$ 872</b>     | <b>\$ 5,821</b>        |
| <b>Liabilities</b>  |                    |                  |                              |   |                    |                               |                 |                        |                   |                        |
| Accounts payable  | \$ 776             | \$ -             | \$ -                         | \$ 21,951                               | \$ 16,605          | \$ 2,638                      | \$ -            | \$ -                   | \$ -              | \$ -                   |
| Unearned revenue  | -                  | -                | -                            | -                                       | -                  | -                             | -               | -                      | -                 | -                      |
| Accrued liabilities   | -                  | -                | -                            | -                                       | 12,326             | -                             | -               | -                      | -                 | -                      |
| Due to other funds  | -                  | -                | -                            | -                                       | -                  | -                             | -               | -                      | -                 | -                      |
| Interfund payable   | -                  | -                | -                            | -                                       | -                  | -                             | -               | -                      | -                 | -                      |
| <b>Total liabilities</b>  | <b>776</b>         | <b>-</b>         | <b>-</b>                     | <b>21,951</b>                           | <b>28,931</b>      | <b>2,638</b>                  | <b>-</b>        | <b>-</b>               | <b>-</b>          | <b>-</b>               |
| <b>Deferred inflows of resources</b>                                      |                    |                  |                              |   |                    |                               |                 |                        |                   |                        |
| Taxes levied for subsequent periods                                       | -                  | -                | -                            | -                                       | -                  | -                             | -               | -                      | -                 | -                      |
| <b>Fund balances</b>  |                    |                  |                              |   |                    |                               |                 |                        |                   |                        |
| Nonspendable  | -                  | -                | -                            | -                                       | 577                | -                             | -               | -                      | -                 | -                      |
| Restricted  | 9,548              | 23,169           | 13,602                       | -                                       | 44,447             | 10,781                        | -               | 5,157                  | -                 | -                      |
| Assigned  | -                  | -                | -                            | -                                       | -                  | -                             | -               | -                      | 872               | 5,821                  |
| <b>Total fund balances</b>  | <b>9,548</b>       | <b>23,169</b>    | <b>13,602</b>                | <b>-</b>                                | <b>45,024</b>      | <b>10,781</b>                 | <b>-</b>        | <b>5,157</b>           | <b>872</b>        | <b>5,821</b>           |
| <b>Total liabilities, deferred inflows of resources and fund balances</b> | <b>\$ 10,324</b>   | <b>\$ 23,169</b> | <b>\$ 13,602</b>             | <b>\$ 21,951</b>                        | <b>\$ 73,955</b>   | <b>\$ 13,419</b>              | <b>\$ -</b>     | <b>\$ 5,157</b>        | <b>\$ 872</b>     | <b>\$ 5,821</b>        |

COUNTY OF HILLSDALE, MICHIGAN

Combining Balance Sheet - Nonmajor Governmental Funds  
December 31, 2017

|   | Special Revenue   |                     |                       | Debt Service |                   |                                    |                                   |                                     | Capital Project        |                   |
|---|-------------------|---------------------|-----------------------|--------------|-------------------|------------------------------------|-----------------------------------|-------------------------------------|------------------------|-------------------|
|   | Family Drug Court | District Drug Court | Veterans' Scholarship | Court House  | Court House Annex | Medical Care Facility Debt Service | Medical Care Facility Small House | DHS Building Authority Debt Service | County Office Building | Improvement       |
| <b>Assets</b>   |                   |                     |                       |              |                   |                                    |                                   |                                     |                        |                   |
| Cash and investments  | \$ 72,677         | \$ 109,134          | \$ 2,828              | \$ 25        | \$ -              | \$ 803                             | \$ 720                            | \$ -                                | \$ 988                 | \$ 159,102        |
| Taxes receivable  | -                 | -                   | -                     | -            | -                 | 589,084                            | -                                 | -                                   | -                      | -                 |
| Accounts receivable   | 58,550            | 4,480               | -                     | -            | -                 | -                                  | -                                 | -                                   | -                      | -                 |
| Due from other governments  | -                 | -                   | -                     | -            | -                 | -                                  | -                                 | -                                   | -                      | -                 |
| Prepaid expenditures  | 124               | -                   | -                     | -            | -                 | -                                  | -                                 | -                                   | -                      | -                 |
| <b>Total assets</b>   | <b>\$ 131,351</b> | <b>\$ 113,614</b>   | <b>\$ 2,828</b>       | <b>\$ 25</b> | <b>\$ -</b>       | <b>\$ 589,887</b>                  | <b>\$ 720</b>                     | <b>\$ -</b>                         | <b>\$ 988</b>          | <b>\$ 159,102</b> |
| <b>Liabilities</b>  |                   |                     |                       |              |                   |                                    |                                   |                                     |                        |                   |
| Accounts payable  | \$ 5,814          | \$ 3,710            | \$ -                  | \$ -         | \$ -              | \$ -                               | \$ -                              | \$ -                                | \$ -                   | \$ -              |
| Unearned revenue  | -                 | -                   | -                     | -            | -                 | -                                  | -                                 | -                                   | -                      | -                 |
| Accrued liabilities   | -                 | -                   | -                     | -            | -                 | -                                  | -                                 | -                                   | -                      | -                 |
| Due to other funds  | -                 | -                   | -                     | -            | -                 | -                                  | -                                 | -                                   | -                      | -                 |
| Interfund payable   | -                 | -                   | -                     | -            | -                 | -                                  | -                                 | -                                   | -                      | -                 |
| <b>Total liabilities</b>  | <b>5,814</b>      | <b>3,710</b>        | <b>-</b>              | <b>-</b>     | <b>-</b>          | <b>-</b>                           | <b>-</b>                          | <b>-</b>                            | <b>-</b>               | <b>-</b>          |
| <b>Deferred inflows of resources</b>                                      |                   |                     |                       |              |                   |                                    |                                   |                                     |                        |                   |
| Taxes levied for subsequent periods                                       | -                 | -                   | -                     | -            | -                 | 508,311                            | -                                 | -                                   | -                      | -                 |
| <b>Fund balances</b>  |                   |                     |                       |              |                   |                                    |                                   |                                     |                        |                   |
| Nonspendable  | 124               | -                   | -                     | -            | -                 | -                                  | -                                 | -                                   | -                      | -                 |
| Restricted  | 125,413           | 109,904             | 2,828                 | 25           | -                 | 81,576                             | 720                               | -                                   | 988                    | -                 |
| Assigned  | -                 | -                   | -                     | -            | -                 | -                                  | -                                 | -                                   | -                      | 159,102           |
| <b>Total fund balances</b>  | <b>125,537</b>    | <b>109,904</b>      | <b>2,828</b>          | <b>25</b>    | <b>-</b>          | <b>81,576</b>                      | <b>720</b>                        | <b>-</b>                            | <b>988</b>             | <b>159,102</b>    |
| <b>Total liabilities, deferred inflows of resources and fund balances</b> | <b>\$ 131,351</b> | <b>\$ 113,614</b>   | <b>\$ 2,828</b>       | <b>\$ 25</b> | <b>\$ -</b>       | <b>\$ 589,887</b>                  | <b>\$ 720</b>                     | <b>\$ -</b>                         | <b>\$ 988</b>          | <b>\$ 159,102</b> |

COUNTY OF HILLSDALE, MICHIGAN

**Combining Balance Sheet - Nonmajor Governmental Funds**  
December 31, 2017

|   | Capital Projects       |                       |                        |                       |                        | Permanent       | Total               |
|---|------------------------|-----------------------|------------------------|-----------------------|------------------------|-----------------|---------------------|
|   | County Office Building | Medical Care Facility | DHS Building Authority | CH Building Authority | E911 Construction Fund | MCF Endowment   |                     |
| <b>Assets</b>   |                        |                       |                        |                       |                        |                 |                     |
| Cash and investments  | \$ 167,717             | \$ 984                | \$ 6,739               | \$ 19,105             | \$ -                   | \$ 3,155        | \$ 1,318,500        |
| Taxes receivable  | -                      | -                     | -                      | -                     | -                      | -               | 1,091,884           |
| Accounts receivable   | -                      | -                     | -                      | -                     | -                      | -               | 380,208             |
| Due from other governments  | -                      | -                     | -                      | -                     | -                      | -               | 413                 |
| Prepaid expenditures  | -                      | -                     | -                      | -                     | -                      | -               | 16,082              |
| <b>Total assets</b>   | <u>\$ 167,717</u>      | <u>\$ 984</u>         | <u>\$ 6,739</u>        | <u>\$ 19,105</u>      | <u>\$ -</u>            | <u>\$ 3,155</u> | <u>\$ 2,807,087</u> |
| <b>Liabilities</b>  |                        |                       |                        |                       |                        |                 |                     |
| Accounts payable  | \$ 7,601               | \$ -                  | \$ -                   | \$ -                  | \$ -                   | \$ -            | \$ 76,924           |
| Unearned revenue  | -                      | -                     | -                      | -                     | -                      | -               | 3,835               |
| Accrued liabilities   | -                      | -                     | -                      | -                     | -                      | -               | 36,146              |
| Due to other funds  | -                      | -                     | -                      | -                     | -                      | -               | -                   |
| Interfund payable   | -                      | -                     | -                      | -                     | -                      | -               | -                   |
| <b>Total liabilities</b>  | <u>7,601</u>           | <u>-</u>              | <u>-</u>               | <u>-</u>              | <u>-</u>               | <u>-</u>        | <u>116,905</u>      |
| <b>Deferred inflows of resources</b>                                      |                        |                       |                        |                       |                        |                 |                     |
| Taxes levied for subsequent periods                                       | -                      | -                     | -                      | -                     | -                      | -               | 1,011,111           |
| <b>Fund balances</b>  |                        |                       |                        |                       |                        |                 |                     |
| Nonspendable  | -                      | -                     | -                      | -                     | -                      | 3,155           | 17,686              |
| Restricted  | 160,116                | -                     | -                      | 19,105                | -                      | -               | 1,472,762           |
| Assigned  | -                      | 984                   | 6,739                  | -                     | -                      | -               | 188,623             |
| <b>Total fund balances</b>  | <u>160,116</u>         | <u>984</u>            | <u>6,739</u>           | <u>19,105</u>         | <u>-</u>               | <u>3,155</u>    | <u>1,679,071</u>    |
| <b>Total liabilities, deferred inflows of resources and fund balances</b> | <u>\$ 167,717</u>      | <u>\$ 984</u>         | <u>\$ 6,739</u>        | <u>\$ 19,105</u>      | <u>\$ -</u>            | <u>\$ 3,155</u> | <u>\$ 2,807,087</u> |

COUNTY OF HILLSDALE, MICHIGAN

■ **Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
 Nonmajor Governmental Funds  
 Year Ended December 31, 2017

|   | Special Revenue |                 |                               |                                |                   |                          |                     |                              |                  |                          |
|---|-----------------|-----------------|-------------------------------|--------------------------------|-------------------|--------------------------|---------------------|------------------------------|------------------|--------------------------|
|   | Parks           | Ambulance       | Tobacco and Alcohol Diversion | Pros. Atty. Offender Diversion | E-911 Emergency   | Concealed Pistols Permit | Friend of the Court | Register of Deeds Automation | Drug Forfeiture  | Law Enforcement Training |
| <b>Revenues</b>                             |                 |                 |                               |                                |                   |                          |                     |                              |                  |                          |
| Property taxes                              | \$ -            | \$ 495,815      | \$ -                          | \$ -                           | \$ -              | \$ -                     | \$ -                | \$ -                         | \$ -             | \$ -                     |
| Intergovernmental                           | -               | 6,199           | -                             | -                              | -                 | -                        | -                   | -                            | -                | -                        |
| Contributions                               | -               | -               | -                             | -                              | -                 | -                        | -                   | -                            | -                | -                        |
| Fines and forfeits                          | -               | -               | 945                           | 9,800                          | -                 | -                        | 18,920              | -                            | -                | -                        |
| Charges for services                        | 21,480          | -               | -                             | -                              | 1,195,881         | 23,954                   | -                   | -                            | -                | -                        |
| Refunds and reimbursements                  | -               | -               | -                             | -                              | 63,477            | -                        | -                   | -                            | -                | -                        |
| Interest and rentals                        | 96              | -               | -                             | -                              | 22                | -                        | -                   | -                            | -                | -                        |
| Other revenue                               | 450             | -               | -                             | -                              | 29,202            | -                        | 12,552              | 48,180                       | 1,911            | 4,509                    |
| <b>Total revenues</b>                       | <b>22,026</b>   | <b>502,014</b>  | <b>945</b>                    | <b>9,800</b>                   | <b>1,288,582</b>  | <b>23,954</b>            | <b>31,472</b>       | <b>48,180</b>                | <b>1,911</b>     | <b>4,509</b>             |
| <b>Expenditures</b>                         |                 |                 |                               |                                |                   |                          |                     |                              |                  |                          |
| Current:                                    |                 |                 |                               |                                |                   |                          |                     |                              |                  |                          |
| Judicial                                    | -               | -               | -                             | -                              | -                 | -                        | 28,017              | -                            | -                | -                        |
| General government                          | -               | -               | -                             | -                              | -                 | -                        | -                   | 27,692                       | -                | -                        |
| Public safety                               | -               | -               | -                             | 16,202                         | 1,073,148         | 4,517                    | -                   | -                            | 7,754            | 6,161                    |
| Health and welfare                          | -               | 500,692         | -                             | -                              | -                 | -                        | -                   | -                            | -                | -                        |
| Recreation and culture                      | 45,306          | 418             | -                             | -                              | -                 | -                        | -                   | -                            | -                | -                        |
| Capital outlay                              | 1,426           | -               | -                             | -                              | 49,232            | -                        | -                   | -                            | -                | -                        |
| Debt service                                |                 |                 |                               |                                |                   |                          |                     |                              |                  |                          |
| Principal                                   | -               | -               | -                             | -                              | -                 | -                        | -                   | -                            | -                | -                        |
| Interest                                    | -               | -               | -                             | -                              | -                 | -                        | -                   | -                            | -                | -                        |
| <b>Total expenditures</b>                   | <b>46,732</b>   | <b>501,110</b>  | <b>-</b>                      | <b>16,202</b>                  | <b>1,122,380</b>  | <b>4,517</b>             | <b>28,017</b>       | <b>27,692</b>                | <b>7,754</b>     | <b>6,161</b>             |
| Revenues over (under) expenditures          | (24,706)        | 904             | 945                           | (6,402)                        | 166,202           | 19,437                   | 3,455               | 20,488                       | (5,843)          | (1,652)                  |
| <b>Other financing sources (uses)</b>       |                 |                 |                               |                                |                   |                          |                     |                              |                  |                          |
| Transfers in                                | 29,764          | -               | -                             | -                              | -                 | -                        | -                   | -                            | -                | -                        |
| Transfers out                               | -               | -               | (12,000)                      | (10,000)                       | (89,933)          | -                        | -                   | -                            | -                | -                        |
| <b>Total other financing sources (uses)</b> | <b>29,764</b>   | <b>-</b>        | <b>(12,000)</b>               | <b>(10,000)</b>                | <b>(89,933)</b>   | <b>-</b>                 | <b>-</b>            | <b>-</b>                     | <b>-</b>         | <b>-</b>                 |
| <b>Net changes in fund balances</b>         | <b>5,058</b>    | <b>904</b>      | <b>(11,055)</b>               | <b>(16,402)</b>                | <b>76,269</b>     | <b>19,437</b>            | <b>3,455</b>        | <b>20,488</b>                | <b>(5,843)</b>   | <b>(1,652)</b>           |
| Fund balances (deficit), beginning of year  | 33              | 8,700           | 15,842                        | 21,629                         | 416,365           | 29,008                   | 74,415              | 209,904                      | 23,032           | 4,731                    |
| <b>Fund balances (deficit), end of year</b> | <b>\$ 5,091</b> | <b>\$ 9,604</b> | <b>\$ 4,787</b>               | <b>\$ 5,227</b>                | <b>\$ 492,634</b> | <b>\$ 48,445</b>         | <b>\$ 77,870</b>    | <b>\$ 230,392</b>            | <b>\$ 17,189</b> | <b>\$ 3,079</b>          |

COUNTY OF HILLSDALE, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 Nonmajor Governmental Funds  
 Year Ended December 31, 2017

|   | Special Revenue    |                  |                              |   |                    |                               |                 |                        |                   |                        |
|---|--------------------|------------------|------------------------------|---|--------------------|-------------------------------|-----------------|------------------------|-------------------|------------------------|
|   | County Law Library | Child Abuse      | Department of Human Services | Department of Human Services Child Care | Probate Child Care | Soldiers' and Sailors' Relief | Veterans' Trust | Veterans' Respite Care | Homeland Security | GIS/Mapping Technology |
| <b>Revenues</b>                             |                    |                  |                              |   |                    |                               |                 |                        |                   |                        |
| Property taxes                              | \$ -               | \$ -             | \$ -                         | \$ -                                    | \$ -               | \$ -                          | \$ -            | \$ -                   | \$ -              | \$ -                   |
| Intergovernmental                           | -                  | -                | -                            | -                                       | -                  | -                             | -               | -                      | 19,451            | -                      |
| Contributions                               | -                  | -                | -                            | -                                       | -                  | -                             | -               | \$ 5,000               | -                 | -                      |
| Fines and forfeits                          | -                  | -                | -                            | -                                       | -                  | -                             | -               | -                      | -                 | -                      |
| Charges for services                        | -                  | -                | -                            | -                                       | -                  | -                             | -               | -                      | -                 | -                      |
| Refunds and reimbursements                  | -                  | -                | -                            | -                                       | 121,645            | -                             | -               | -                      | -                 | -                      |
| Interest and rentals                        | -                  | -                | -                            | -                                       | 1,000              | -                             | -               | -                      | -                 | -                      |
| Other revenue                               | 10,552             | 26,157           | -                            | 84,838                                  | 459,396            | -                             | -               | -                      | -                 | 1,214                  |
| <b>Total revenues</b>                       | <b>10,552</b>      | <b>26,157</b>    | <b>-</b>                     | <b>84,838</b>                           | <b>582,041</b>     | <b>-</b>                      | <b>-</b>        | <b>5,000</b>           | <b>19,451</b>     | <b>1,214</b>           |
| <b>Expenditures</b>                         |                    |                  |                              |   |                    |                               |                 |                        |                   |                        |
| Current:                                    |                    |                  |                              |   |                    |                               |                 |                        |                   |                        |
| Judicial                                    | 9,935              | -                | -                            | -                                       | -                  | -                             | -               | -                      | -                 | -                      |
| General government                          | -                  | -                | -                            | -                                       | -                  | -                             | -               | -                      | -                 | 1,300                  |
| Public safety                               | -                  | 38               | -                            | -                                       | -                  | -                             | -               | -                      | 21,446            | -                      |
| Health and welfare                          | -                  | -                | 58,198                       | 331,196                                 | 1,069,643          | 128,621                       | 1,415           | 4,100                  | -                 | -                      |
| Recreation and culture                      | -                  | -                | -                            | -                                       | -                  | -                             | -               | -                      | -                 | -                      |
| Capital outlay                              | -                  | -                | -                            | -                                       | -                  | -                             | -               | -                      | -                 | -                      |
| Debt service                                |                    |                  |                              |   |                    |                               |                 |                        |                   |                        |
| Principal                                   | -                  | -                | -                            | -                                       | -                  | -                             | -               | -                      | -                 | -                      |
| Interest                                    | -                  | -                | -                            | -                                       | -                  | -                             | -               | -                      | -                 | -                      |
| <b>Total expenditures</b>                   | <b>9,935</b>       | <b>38</b>        | <b>58,198</b>                | <b>331,196</b>                          | <b>1,069,643</b>   | <b>128,621</b>                | <b>1,415</b>    | <b>4,100</b>           | <b>21,446</b>     | <b>1,300</b>           |
| Revenues over (under) expenditures          | 617                | 26,119           | (58,198)                     | (246,358)                               | (487,602)          | (128,621)                     | (1,415)         | 900                    | (1,995)           | (86)                   |
| <b>Other financing sources (uses)</b>       |                    |                  |                              |   |                    |                               |                 |                        |                   |                        |
| Transfers in                                | -                  | -                | 35,000                       | 242,025                                 | 433,000            | 126,802                       | -               | -                      | -                 | -                      |
| Transfers out                               | -                  | (30,000)         | -                            | -                                       | -                  | -                             | -               | -                      | -                 | -                      |
| <b>Total other financing sources (uses)</b> | <b>-</b>           | <b>(30,000)</b>  | <b>35,000</b>                | <b>242,025</b>                          | <b>433,000</b>     | <b>126,802</b>                | <b>-</b>        | <b>-</b>               | <b>-</b>          | <b>-</b>               |
| <b>Net changes in fund balances</b>         | <b>617</b>         | <b>(3,881)</b>   | <b>(23,198)</b>              | <b>(4,333)</b>                          | <b>(54,602)</b>    | <b>(1,819)</b>                | <b>(1,415)</b>  | <b>900</b>             | <b>(1,995)</b>    | <b>(86)</b>            |
| Fund balances (deficit), beginning of year  | 8,931              | 27,050           | 36,800                       | 4,333                                   | 99,626             | 12,600                        | 1,415           | 4,257                  | 2,867             | 5,907                  |
| <b>Fund balances (deficit), end of year</b> | <b>\$ 9,548</b>    | <b>\$ 23,169</b> | <b>\$ 13,602</b>             | <b>\$ -</b>                             | <b>\$ 45,024</b>   | <b>\$ 10,781</b>              | <b>\$ -</b>     | <b>\$ 5,157</b>        | <b>\$ 872</b>     | <b>\$ 5,821</b>        |



COUNTY OF HILLSDALE, MICHIGAN

■ **Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
 Nonmajor Governmental Funds  
 Year Ended December 31, 2017

|   | Special Revenue   |                     |                       | Debt Service   |                   |                                    |                                   |                                     | Capital Project        |                   |
|---|-------------------|---------------------|-----------------------|----------------|-------------------|------------------------------------|-----------------------------------|-------------------------------------|------------------------|-------------------|
|   | Family Drug Court | District Drug Court | Veterans' Scholarship | Court House    | Court House Annex | Medical Care Facility Debt Service | Medical Care Facility Small House | DHS Building Authority Debt Service | County Office Building | Improvement       |
| <b>Revenues</b>                             |                   |                     |                       |                |                   |                                    |                                   |                                     |                        |                   |
| Property taxes                              | \$ -              | \$ -                | \$ -                  | \$ -           | \$ -              | \$ 477,248                         | \$ -                              | \$ -                                | \$ -                   | \$ -              |
| Intergovernmental                           | 169,535           | 2,749               | -                     | -              | -                 | -                                  | -                                 | -                                   | -                      | -                 |
| Contributions                               | -                 | -                   | 3,880                 | -              | -                 | -                                  | -                                 | -                                   | -                      | -                 |
| Fines and forfeits                          | -                 | -                   | -                     | -              | -                 | -                                  | -                                 | -                                   | -                      | -                 |
| Charges for services                        | -                 | -                   | -                     | -              | -                 | -                                  | -                                 | -                                   | -                      | -                 |
| Refunds and reimbursements                  | 4,900             | -                   | -                     | -              | -                 | -                                  | -                                 | -                                   | -                      | -                 |
| Interest and rentals                        | -                 | -                   | -                     | -              | -                 | 178,473                            | -                                 | -                                   | -                      | 330               |
| Other revenue                               | -                 | 142,082             | -                     | -              | -                 | -                                  | -                                 | -                                   | -                      | -                 |
| <b>Total revenues</b>                       | <b>174,435</b>    | <b>144,831</b>      | <b>3,880</b>          | <b>-</b>       | <b>-</b>          | <b>655,721</b>                     | <b>-</b>                          | <b>-</b>                            | <b>-</b>               | <b>330</b>        |
| <b>Expenditures</b>                         |                   |                     |                       |                |                   |                                    |                                   |                                     |                        |                   |
| Current:                                    |                   |                     |                       |                |                   |                                    |                                   |                                     |                        |                   |
| Judicial                                    | -                 | -                   | -                     | -              | -                 | -                                  | -                                 | -                                   | -                      | -                 |
| General government                          | -                 | -                   | -                     | -              | -                 | -                                  | -                                 | -                                   | -                      | -                 |
| Public safety                               | 151,212           | 59,531              | -                     | -              | -                 | -                                  | -                                 | -                                   | -                      | -                 |
| Health and welfare                          | -                 | -                   | 4,000                 | -              | -                 | -                                  | -                                 | -                                   | -                      | -                 |
| Recreation and culture                      | -                 | -                   | -                     | -              | -                 | -                                  | -                                 | -                                   | -                      | -                 |
| Capital outlay                              | -                 | -                   | -                     | -              | -                 | -                                  | -                                 | -                                   | -                      | 50,020            |
| Debt service                                |                   |                     |                       |                |                   |                                    |                                   |                                     |                        |                   |
| Principal                                   | -                 | -                   | -                     | 95,206         | 85,000            | 599,000                            | -                                 | -                                   | -                      | -                 |
| Interest                                    | -                 | -                   | -                     | 6,370          | 5,400             | 152,018                            | -                                 | -                                   | 9,012                  | -                 |
| <b>Total expenditures</b>                   | <b>151,212</b>    | <b>59,531</b>       | <b>4,000</b>          | <b>101,576</b> | <b>90,400</b>     | <b>751,018</b>                     | <b>-</b>                          | <b>-</b>                            | <b>9,012</b>           | <b>50,020</b>     |
| Revenues over (under) expenditures          | 23,223            | 85,300              | (120)                 | (101,576)      | (90,400)          | (95,297)                           | -                                 | -                                   | (9,012)                | (49,690)          |
| <b>Other financing sources (uses)</b>       |                   |                     |                       |                |                   |                                    |                                   |                                     |                        |                   |
| Transfers in                                | 22,000            | -                   | -                     | 101,576        | 90,400            | 84,400                             | -                                 | -                                   | 10,000                 | 95,000            |
| Transfers out                               | -                 | -                   | -                     | -              | -                 | -                                  | -                                 | (651)                               | -                      | -                 |
| <b>Total other financing sources (uses)</b> | <b>22,000</b>     | <b>-</b>            | <b>-</b>              | <b>101,576</b> | <b>90,400</b>     | <b>84,400</b>                      | <b>-</b>                          | <b>(651)</b>                        | <b>10,000</b>          | <b>95,000</b>     |
| <b>Net changes in fund balances</b>         | <b>45,223</b>     | <b>85,300</b>       | <b>(120)</b>          | <b>-</b>       | <b>-</b>          | <b>(10,897)</b>                    | <b>-</b>                          | <b>(651)</b>                        | <b>988</b>             | <b>45,310</b>     |
| Fund balances (deficit), beginning of year  | 80,314            | 24,604              | 2,948                 | 25             | -                 | 92,473                             | 720                               | 651                                 | -                      | 113,792           |
| <b>Fund balances (deficit), end of year</b> | <b>\$ 125,537</b> | <b>\$ 109,904</b>   | <b>\$ 2,828</b>       | <b>\$ 25</b>   | <b>\$ -</b>       | <b>\$ 81,576</b>                   | <b>\$ 720</b>                     | <b>\$ -</b>                         | <b>\$ 988</b>          | <b>\$ 159,102</b> |

COUNTY OF HILLSDALE, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 Nonmajor Governmental Funds  
 Year Ended December 31, 2017

|   | Capital Projects       |                       |                        |                       |                        | Permanent       | Total               |
|---|------------------------|-----------------------|------------------------|-----------------------|------------------------|-----------------|---------------------|
|   | County Office Building | Medical Care Facility | DHS Building Authority | CH Building Authority | E911 Construction Fund | MCF Endowment   |                     |
| <b>Revenues</b>                             |                        |                       |                        |                       |                        |                 |                     |
| Property taxes                              | \$ -                   | \$ -                  | \$ -                   | \$ -                  | \$ -                   | \$ -            | \$ 973,063          |
| Intergovernmental                           | -                      | -                     | -                      | -                     | -                      | -               | 197,934             |
| Contributions                               | -                      | -                     | -                      | -                     | -                      | -               | 8,880               |
| Fines and forfeits                          | -                      | -                     | -                      | -                     | -                      | -               | 29,665              |
| Charges for services                        | -                      | -                     | -                      | -                     | -                      | -               | 1,241,315           |
| Refunds and reimbursements                  | -                      | -                     | -                      | -                     | -                      | -               | 190,022             |
| Interest and rentals                        | -                      | -                     | 6                      | 22                    | -                      | 19              | 179,968             |
| Other revenue                               | 1,243                  | -                     | -                      | -                     | -                      | -               | 822,286             |
| <b>Total revenues</b>                       | <b>1,243</b>           | <b>-</b>              | <b>6</b>               | <b>22</b>             | <b>-</b>               | <b>19</b>       | <b>3,643,133</b>    |
| <b>Expenditures</b>                         |                        |                       |                        |                       |                        |                 |                     |
| Current:                                    |                        |                       |                        |                       |                        |                 |                     |
| Judicial                                    | -                      | -                     | -                      | -                     | -                      | -               | 37,952              |
| General government                          | -                      | -                     | -                      | -                     | -                      | -               | 28,992              |
| Public safety                               | -                      | -                     | -                      | -                     | 48,895                 | -               | 1,388,904           |
| Health and welfare                          | -                      | -                     | -                      | -                     | -                      | -               | 2,097,865           |
| Recreation and culture                      | -                      | -                     | -                      | -                     | -                      | -               | 45,724              |
| Capital outlay                              | 322,577                | -                     | -                      | -                     | -                      | -               | 423,255             |
| Debt service                                |                        |                       |                        |                       |                        |                 |                     |
| Principal                                   | -                      | -                     | -                      | -                     | -                      | -               | 779,206             |
| Interest                                    | -                      | -                     | -                      | -                     | 41,038                 | -               | 213,838             |
| <b>Total expenditures</b>                   | <b>322,577</b>         | <b>-</b>              | <b>-</b>               | <b>-</b>              | <b>89,933</b>          | <b>-</b>        | <b>5,015,736</b>    |
| Revenues over (under) expenditures          | (321,334)              | -                     | 6                      | 22                    | (89,933)               | 19              | (1,372,603)         |
| <b>Other financing sources (uses)</b>       |                        |                       |                        |                       |                        |                 |                     |
| Transfers in                                | -                      | -                     | -                      | (6,350)               | 89,933                 | -               | 1,353,550           |
| Transfers out                               | -                      | -                     | -                      | -                     | -                      | -               | (142,584)           |
| <b>Total other financing sources (uses)</b> | <b>-</b>               | <b>-</b>              | <b>-</b>               | <b>(6,350)</b>        | <b>89,933</b>          | <b>-</b>        | <b>1,210,966</b>    |
| <b>Net changes in fund balances</b>         | <b>(321,334)</b>       | <b>-</b>              | <b>6</b>               | <b>(6,328)</b>        | <b>-</b>               | <b>19</b>       | <b>(161,637)</b>    |
| Fund balances (deficit), beginning of year  | 481,450                | 984                   | 6,733                  | 25,433                | -                      | 3,136           | 1,840,708           |
| <b>Fund balances (deficit), end of year</b> | <b>\$ 160,116</b>      | <b>\$ 984</b>         | <b>\$ 6,739</b>        | <b>\$ 19,105</b>      | <b>\$ -</b>            | <b>\$ 3,155</b> | <b>\$ 1,679,071</b> |

COUNTY OF HILLSDALE, MICHIGAN

Combining Statement of Net Position

Nonmajor Enterprise Funds

December 31, 2017

|                                  | 2005<br>Delinquent<br>Tax Revolving | 2006<br>Delinquent<br>Tax Revolving | 2007<br>Delinquent<br>Tax Revolving | 2008<br>Delinquent<br>Tax Revolving | 2009<br>Delinquent<br>Tax Revolving | 2010<br>Delinquent<br>Tax Revolving | 2011<br>Delinquent<br>Tax Revolving |
|----------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| <b>Assets</b>                    |                                     |                                     |                                     |                                     |                                     |                                     |                                     |
| Current assets:                  |                                     |                                     |                                     |                                     |                                     |                                     |                                     |
| Cash and investments             | \$ 259                              | \$ 3,001                            | \$ 4,615                            | \$ 14,581                           | \$ 28,230                           | \$ 17,771                           | \$ 11,741                           |
| Taxes receivable                 | 2,498                               | 6,073                               | 12,995                              | 18,293                              | 26,331                              | 43,572                              | 52,852                              |
| Accounts receivable              | -                                   | -                                   | -                                   | 870                                 | 2,340                               | 1,403                               | 3,140                               |
| Due from other funds             | -                                   | -                                   | -                                   | -                                   | -                                   | -                                   | -                                   |
| Interest receivable              | 18,757                              | 20,714                              | 37,861                              | 50,389                              | 54,509                              | 71,072                              | 64,357                              |
| Prepays                          | -                                   | -                                   | -                                   | -                                   | -                                   | 1,500                               | -                                   |
| <b>Total current assets</b>      | <b>21,514</b>                       | <b>29,788</b>                       | <b>55,471</b>                       | <b>84,133</b>                       | <b>111,410</b>                      | <b>135,318</b>                      | <b>132,090</b>                      |
| Noncurrent assets:               |                                     |                                     |                                     |                                     |                                     |                                     |                                     |
| Capital assets                   | -                                   | -                                   | -                                   | -                                   | -                                   | -                                   | -                                   |
| <b>Total assets</b>              | <b>21,514</b>                       | <b>29,788</b>                       | <b>55,471</b>                       | <b>84,133</b>                       | <b>111,410</b>                      | <b>135,318</b>                      | <b>132,090</b>                      |
| <b>Liabilities</b>               |                                     |                                     |                                     |                                     |                                     |                                     |                                     |
| Accounts payable                 | -                                   | -                                   | 590                                 | -                                   | -                                   | -                                   | -                                   |
| Accrued liabilities              | -                                   | 460                                 | -                                   | -                                   | -                                   | -                                   | -                                   |
| Interfund payable                | -                                   | -                                   | -                                   | -                                   | 11,966                              | -                                   | -                                   |
| Due to other governments         | 120                                 | -                                   | 500                                 | 790                                 | 1,060                               | 850                                 | 1,667                               |
| <b>Total liabilities</b>         | <b>120</b>                          | <b>460</b>                          | <b>1,090</b>                        | <b>790</b>                          | <b>13,026</b>                       | <b>850</b>                          | <b>1,667</b>                        |
| <b>Net position</b>              |                                     |                                     |                                     |                                     |                                     |                                     |                                     |
| Net investment in capital assets | -                                   | -                                   | -                                   | -                                   | -                                   | -                                   | -                                   |
| Restricted by statute            | -                                   | -                                   | -                                   | -                                   | -                                   | -                                   | -                                   |
| Unrestricted (deficit)           | 21,394                              | 29,328                              | 54,381                              | 83,343                              | 98,384                              | 134,468                             | 130,423                             |
| <b>Total net position</b>        | <b>\$ 21,394</b>                    | <b>\$ 29,328</b>                    | <b>\$ 54,381</b>                    | <b>\$ 83,343</b>                    | <b>\$ 98,384</b>                    | <b>\$ 134,468</b>                   | <b>\$ 130,423</b>                   |

(continued...)

COUNTY OF HILLSDALE, MICHIGAN

Combining Statement of Net Position

Nonmajor Enterprise Funds  
December 31, 2017

|                                  | 2012<br>Delinquent<br>Tax Revolving | 2013<br>Delinquent<br>Tax Revolving | 2014<br>Delinquent<br>Tax Revolving | Building<br>Inspection | Geographic<br>Information<br>Systems | Total               |
|----------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|------------------------|--------------------------------------|---------------------|
| <b>Assets</b>                    |                                     |                                     |                                     |                        |                                      |                     |
| Current assets:                  |                                     |                                     |                                     |                        |                                      |                     |
| Cash and investments             | \$ 96,709                           | \$ (35,071)                         | \$ 98,112                           | \$ 1,089,693           | \$ 15,201                            | \$ 1,344,842        |
| Taxes receivable                 | 67,340                              | 75,639                              | 86,795                              | -                      | -                                    | 392,388             |
| Accounts receivable              | 1,990                               | 1,770                               | (5,433)                             | -                      | 68                                   | 6,148               |
| Due from other funds             | -                                   | -                                   | -                                   | 78,000                 | -                                    | 78,000              |
| Interest receivable              | 64,236                              | 63,956                              | 73,127                              | -                      | -                                    | 518,978             |
| Prepays                          | 368                                 | -                                   | -                                   | 227                    | 81                                   | 2,176               |
| <b>Total current assets</b>      | <b>230,643</b>                      | <b>106,294</b>                      | <b>252,601</b>                      | <b>1,167,920</b>       | <b>15,350</b>                        | <b>2,342,532</b>    |
| Noncurrent assets:               |                                     |                                     |                                     |                        |                                      |                     |
| Capital assets                   | -                                   | -                                   | -                                   | 31,543                 | -                                    | 31,543              |
| <b>Total assets</b>              | <b>230,643</b>                      | <b>106,294</b>                      | <b>252,601</b>                      | <b>1,199,463</b>       | <b>15,350</b>                        | <b>2,374,075</b>    |
| <b>Liabilities</b>               |                                     |                                     |                                     |                        |                                      |                     |
| Accounts payable                 | -                                   | -                                   | -                                   | 474                    | -                                    | 1,064               |
| Accrued liabilities              | -                                   | -                                   | -                                   | 1,769                  | -                                    | 2,229               |
| Interfund payable                | -                                   | -                                   | -                                   | -                      | -                                    | 11,966              |
| Due to other funds/governments   | 234                                 | (560)                               | 1,480                               | -                      | -                                    | 6,141               |
| <b>Total liabilities</b>         | <b>234</b>                          | <b>(560)</b>                        | <b>1,480</b>                        | <b>2,243</b>           | <b>-</b>                             | <b>21,400</b>       |
| <b>Net position</b>              |                                     |                                     |                                     |                        |                                      |                     |
| Net investment in capital assets | -                                   | -                                   | -                                   | 31,543                 | -                                    | 31,543              |
| Restricted by statute            | 158,913                             | 19,932                              | 88,000                              | -                      | -                                    | 266,845             |
| Unrestricted (deficit)           | 71,496                              | 86,922                              | 163,121                             | 1,165,677              | 15,350                               | 2,054,287           |
| <b>Total net position</b>        | <b>\$ 230,409</b>                   | <b>\$ 106,854</b>                   | <b>\$ 251,121</b>                   | <b>\$ 1,197,220</b>    | <b>\$ 15,350</b>                     | <b>\$ 2,352,675</b> |

COUNTY OF HILLSDALE, MICHIGAN

■ Combining Statement of Revenues, Expenses and Changes in Net Position

Nonmajor Enterprise Funds  
Year Ended December 31, 2017

|  | 2005<br>Delinquent<br>Tax Revolving | 2006<br>Delinquent<br>Tax Revolving | 2007<br>Delinquent<br>Tax Revolving | 2008<br>Delinquent<br>Tax Revolving | 2009<br>Delinquent<br>Tax Revolving | 2010<br>Delinquent<br>Tax Revolving | 2011<br>Delinquent<br>Tax Revolving |
|--|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| <b>Operating revenues</b>                      |                                     |                                     |                                     |                                     |                                     |                                     |                                     |
| Charges for services                           | \$ -                                | \$ 94                               | \$ -                                | \$ -                                | \$ -                                | \$ (2,282)                          | \$ (2,308)                          |
| Refunds and reimbursements                     | -                                   | -                                   | -                                   | -                                   | -                                   | -                                   | -                                   |
| Other operating revenue                        | -                                   | -                                   | -                                   | -                                   | 45                                  | 5,060                               | -                                   |
| <b>Total operating revenues</b>                | <u>-</u>                            | <u>94</u>                           | <u>-</u>                            | <u>-</u>                            | <u>45</u>                           | <u>2,778</u>                        | <u>(2,308)</u>                      |
| <b>Operating expenses</b>                      |                                     |                                     |                                     |                                     |                                     |                                     |                                     |
| Depreciation                                   | -                                   | -                                   | -                                   | -                                   | -                                   | -                                   | -                                   |
| Cost of services                               | -                                   | 110                                 | 718                                 | 926                                 | 1,886                               | -                                   | (90)                                |
| <b>Total operating expenses</b>                | <u>-</u>                            | <u>110</u>                          | <u>718</u>                          | <u>926</u>                          | <u>1,886</u>                        | <u>-</u>                            | <u>(90)</u>                         |
| <b>Operating income (loss)</b>                 | <u>-</u>                            | <u>(16)</u>                         | <u>(718)</u>                        | <u>(926)</u>                        | <u>(1,841)</u>                      | <u>2,778</u>                        | <u>(2,218)</u>                      |
| <b>Non-operating revenues (expenses)</b>       |                                     |                                     |                                     |                                     |                                     |                                     |                                     |
| Interest revenue                               | 1,474                               | (1,084)                             | (3,713)                             | (15,066)                            | (14,427)                            | (5,342)                             | (901)                               |
| Interest expense                               | -                                   | -                                   | -                                   | -                                   | -                                   | -                                   | -                                   |
| <b>Total non-operating revenues (expenses)</b> | <u>1,474</u>                        | <u>(1,084)</u>                      | <u>(3,713)</u>                      | <u>(15,066)</u>                     | <u>(14,427)</u>                     | <u>(5,342)</u>                      | <u>(901)</u>                        |
| <b>Income (loss) before transfers</b>          | <u>1,474</u>                        | <u>(1,100)</u>                      | <u>(4,431)</u>                      | <u>(15,992)</u>                     | <u>(16,268)</u>                     | <u>(2,564)</u>                      | <u>(3,119)</u>                      |
| <b>Transfers</b>                               |                                     |                                     |                                     |                                     |                                     |                                     |                                     |
| Transfers out                                  | -                                   | -                                   | -                                   | (4,000)                             | (11,000)                            | (24,000)                            | (119,000)                           |
| <b>Change in net position</b>                  | <u>1,474</u>                        | <u>(1,100)</u>                      | <u>(4,431)</u>                      | <u>(19,992)</u>                     | <u>(27,268)</u>                     | <u>(26,564)</u>                     | <u>(122,119)</u>                    |
| Net position (deficit), beginning of year      | 19,920                              | 30,428                              | 58,812                              | 103,335                             | 125,652                             | 161,032                             | 252,542                             |
| Prior period adjustment                        | -                                   | -                                   | -                                   | -                                   | -                                   | -                                   | -                                   |
| <b>Net position (deficit), end of year</b>     | <u>\$ 21,394</u>                    | <u>\$ 29,328</u>                    | <u>\$ 54,381</u>                    | <u>\$ 83,343</u>                    | <u>\$ 98,384</u>                    | <u>\$ 134,468</u>                   | <u>\$ 130,423</u>                   |

(continued...)

COUNTY OF HILLSDALE, MICHIGAN

Combining Statement of Revenues, Expenses and Changes in Net Position

Nonmajor Enterprise Funds  
Year Ended December 31, 2017

|  | 2012<br>Delinquent<br>Tax Revolving | 2013<br>Delinquent<br>Tax Revolving | 2014<br>Delinquent<br>Tax Revolving | Building<br>Inspection | Geographic<br>Information<br>Systems | Total               |
|--|-------------------------------------|-------------------------------------|-------------------------------------|------------------------|--------------------------------------|---------------------|
| <b>Operating revenues</b>                      |                                     |                                     |                                     |                        |                                      |                     |
| Charges for services                           | \$ (2,817)                          | \$ 284                              | \$ (16,779)                         | \$ 579,849             | \$ 7,273                             | \$ 563,314          |
| Refunds and reimbursements                     | -                                   | -                                   | -                                   | 3,645                  | -                                    | 3,645               |
| Other operating revenue                        | 2,493                               | (3,145)                             | 4,665                               | 893                    | -                                    | 10,011              |
| <b>Total operating revenues</b>                | <b>(324)</b>                        | <b>(2,861)</b>                      | <b>(12,114)</b>                     | <b>584,387</b>         | <b>7,273</b>                         | <b>576,970</b>      |
| <b>Operating expenses</b>                      |                                     |                                     |                                     |                        |                                      |                     |
| Depreciation                                   | -                                   | -                                   | -                                   | 5,149                  | -                                    | 5,149               |
| Cost of services                               | -                                   | 8,839                               | 95,190                              | 343,550                | 13,261                               | 464,390             |
| <b>Total operating expenses</b>                | <b>-</b>                            | <b>8,839</b>                        | <b>95,190</b>                       | <b>348,699</b>         | <b>13,261</b>                        | <b>469,539</b>      |
| <b>Operating income (loss)</b>                 | <b>(324)</b>                        | <b>(11,700)</b>                     | <b>(107,304)</b>                    | <b>235,688</b>         | <b>(5,988)</b>                       | <b>107,431</b>      |
| <b>Non-operating revenues (expenses)</b>       |                                     |                                     |                                     |                        |                                      |                     |
| Interest revenue                               | -                                   | 8,596                               | 29,771                              | -                      | -                                    | (692)               |
| Interest expense                               | (1)                                 | 2                                   | (5,201)                             | -                      | -                                    | (5,200)             |
| <b>Total non-operating revenues (expenses)</b> | <b>(1)</b>                          | <b>8,598</b>                        | <b>24,570</b>                       | <b>-</b>               | <b>-</b>                             | <b>(5,892)</b>      |
| <b>Income (loss) before transfers</b>          | <b>(325)</b>                        | <b>(3,102)</b>                      | <b>(82,734)</b>                     | <b>235,688</b>         | <b>(5,988)</b>                       | <b>101,539</b>      |
| <b>Transfers</b>                               |                                     |                                     |                                     |                        |                                      |                     |
| Transfers out                                  | (174,130)                           | -                                   | (360,000)                           | -                      | -                                    | (692,130)           |
| <b>Change in net position</b>                  | <b>(174,455)</b>                    | <b>(3,102)</b>                      | <b>(442,734)</b>                    | <b>235,688</b>         | <b>(5,988)</b>                       | <b>(590,591)</b>    |
| Net position, beginning of year                | 404,864                             | 109,956                             | 605,697                             | 961,532                | 21,338                               | 2,855,108           |
| Prior period adjustment                        | -                                   | -                                   | 88,158                              | -                      | -                                    | 88,158              |
| <b>Net position, end of year</b>               | <b>\$ 230,409</b>                   | <b>\$ 106,854</b>                   | <b>\$ 251,121</b>                   | <b>\$ 1,197,220</b>    | <b>\$ 15,350</b>                     | <b>\$ 2,352,675</b> |

COUNTY OF HILLSDALE, MICHIGAN

Combining Statement of Cash Flows

Nonmajor Enterprise Funds  
Year Ended December 31, 2017

|  | 2005<br>Delinquent<br>Tax Revolving | 2006<br>Delinquent<br>Tax Revolving | 2007<br>Delinquent<br>Tax Revolving | 2008<br>Delinquent<br>Tax Revolving | 2009<br>Delinquent<br>Tax Revolving | 2010<br>Delinquent<br>Tax Revolving | 2011<br>Delinquent<br>Tax Revolving |
|--|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| <b>Cash flows from operating activities</b>  |                                     |                                     |                                     |                                     |                                     |                                     |                                     |
| Cash received from customers   | \$ (1,472)                          | \$ 4,005                            | \$ 8,716                            | \$ 33,712                           | \$ 42,978                           | \$ 40,972                           | \$ 95,874                           |
| Cash payments to suppliers for goods and services  | -                                   | (99)                                | (717)                               | (866)                               | (1,857)                             | (148)                               | 138                                 |
| <b>Net cash provided by (used in) operating activities</b>   | <u>(1,472)</u>                      | <u>3,906</u>                        | <u>7,999</u>                        | <u>32,846</u>                       | <u>41,121</u>                       | <u>40,824</u>                       | <u>96,012</u>                       |
| <b>Cash flows from non-capital financing activities</b>  |                                     |                                     |                                     |                                     |                                     |                                     |                                     |
| Transfers out  | -                                   | -                                   | -                                   | (4,000)                             | (11,000)                            | (24,000)                            | (119,000)                           |
| <b>Cash flows from capital and related financing activities</b>  |                                     |                                     |                                     |                                     |                                     |                                     |                                     |
| Interest payments  | -                                   | -                                   | -                                   | -                                   | -                                   | -                                   | -                                   |
| Principal payments   | -                                   | -                                   | -                                   | -                                   | -                                   | -                                   | -                                   |
| <b>Net cash provided by (used in) capital and related financing activities</b>                           | <u>-</u>                            | <u>-</u>                            | <u>-</u>                            | <u>-</u>                            | <u>-</u>                            | <u>-</u>                            | <u>-</u>                            |
| <b>Cash flows from investing activities</b>  |                                     |                                     |                                     |                                     |                                     |                                     |                                     |
| Interest received  | 1,474                               | (1,084)                             | (3,713)                             | (15,066)                            | (14,427)                            | (5,342)                             | (901)                               |
| <b>Total cash provided by (used in) investing activities</b>   | <u>1,474</u>                        | <u>(1,084)</u>                      | <u>(3,713)</u>                      | <u>(15,066)</u>                     | <u>(14,427)</u>                     | <u>(5,342)</u>                      | <u>(901)</u>                        |
| <b>Net change in cash and cash equivalents</b>   | <u>2</u>                            | <u>2,822</u>                        | <u>4,286</u>                        | <u>13,780</u>                       | <u>15,694</u>                       | <u>11,482</u>                       | <u>(23,889)</u>                     |
| Cash and cash equivalents, beginning of year   | 257                                 | 179                                 | 329                                 | 801                                 | 12,536                              | 6,289                               | 35,630                              |
| <b>Cash and cash equivalents, end of year</b>  | <u>\$ 259</u>                       | <u>\$ 3,001</u>                     | <u>\$ 4,615</u>                     | <u>\$ 14,581</u>                    | <u>\$ 28,230</u>                    | <u>\$ 17,771</u>                    | <u>\$ 11,741</u>                    |
| <b>Cash flows from operating activities</b>  |                                     |                                     |                                     |                                     |                                     |                                     |                                     |
| Operating income (loss)  | \$ -                                | \$ (16)                             | \$ (718)                            | \$ (926)                            | \$ (1,841)                          | \$ 2,778                            | \$ (2,218)                          |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: |                                     |                                     |                                     |                                     |                                     |                                     |                                     |
| Depreciation   | -                                   | -                                   | -                                   | -                                   | -                                   | -                                   | -                                   |
| (Increase) decrease in:  |                                     |                                     |                                     |                                     |                                     |                                     |                                     |
| Taxes receivable   | 2                                   | 1,121                               | 3,697                               | 14,335                              | 19,615                              | 19,347                              | 24,205                              |
| Accounts receivable  | -                                   | -                                   | -                                   | -                                   | 30                                  | 50                                  | -                                   |
| Advances to other funds  | -                                   | -                                   | -                                   | -                                   | -                                   | -                                   | 53,863                              |
| Interest receivable  | (1,474)                             | 2,790                               | 5,019                               | 19,377                              | 23,287                              | 18,798                              | 20,113                              |
| Prepays  | -                                   | -                                   | -                                   | -                                   | -                                   | -                                   | -                                   |
| Accounts payable   | -                                   | 11                                  | 1                                   | 60                                  | 29                                  | (148)                               | 48                                  |
| <b>Net cash provided by (used in) operating activities</b>   | <u>\$ (1,472)</u>                   | <u>\$ 3,906</u>                     | <u>\$ 7,999</u>                     | <u>\$ 32,846</u>                    | <u>\$ 41,121</u>                    | <u>\$ 40,824</u>                    | <u>\$ 96,012</u>                    |

(continued...)

COUNTY OF HILLSDALE, MICHIGAN

Combining Statement of Cash Flows

Nonmajor Enterprise Funds  
Year Ended December 31, 2017

|  | 2012<br>Delinquent<br>Tax Revolving | 2013<br>Delinquent<br>Tax Revolving | 2014<br>Delinquent<br>Tax Revolving | Building<br>Inspection | Geographic<br>Information<br>Systems | Total               |
|--|-------------------------------------|-------------------------------------|-------------------------------------|------------------------|--------------------------------------|---------------------|
| <b>Cash flows from operating activities</b>  |                                     |                                     |                                     |                        |                                      |                     |
| Cash received from customers   | \$ 40,784                           | \$ 33,638                           | \$ 847,543                          | \$ 623,387             | \$ 7,206                             | \$ 1,777,342        |
| Cash payments to suppliers for<br>goods and services   | 66,863                              | (77,307)                            | (16,678)                            | (348,873)              | (13,261)                             | (392,804)           |
| <b>Net cash provided by (used in)<br/>operating activities</b>   | <u>107,647</u>                      | <u>(43,669)</u>                     | <u>830,865</u>                      | <u>274,514</u>         | <u>(6,055)</u>                       | <u>1,384,538</u>    |
| <b>Cash flows from non-capital<br/>financing activities</b>  |                                     |                                     |                                     |                        |                                      |                     |
| Transfers out  | (174,130)                           | -                                   | (360,000)                           | -                      | -                                    | (692,130)           |
| <b>Cash flows from capital and<br/>related financing activities</b>  |                                     |                                     |                                     |                        |                                      |                     |
| Interest payments  | (3)                                 | 2                                   | (5,201)                             | -                      | -                                    | (5,202)             |
| Principal payments   |                                     | -                                   | (750,000)                           | -                      | -                                    | (750,000)           |
| <b>Net cash provided by (used in) capital and<br/>related financing activities</b>                             | <u>(3)</u>                          | <u>2</u>                            | <u>(755,201)</u>                    | <u>-</u>               | <u>-</u>                             | <u>(755,202)</u>    |
| <b>Cash flows from investing activities</b>  |                                     |                                     |                                     |                        |                                      |                     |
| Interest received  | -                                   | 8,596                               | 29,771                              | -                      | -                                    | (692)               |
| <b>Total cash provided from investing activities</b>   | <u>-</u>                            | <u>8,596</u>                        | <u>29,771</u>                       | <u>-</u>               | <u>-</u>                             | <u>(692)</u>        |
| <b>Net change in cash and cash equivalents</b>   | <u>(66,486)</u>                     | <u>(35,071)</u>                     | <u>(254,565)</u>                    | <u>274,514</u>         | <u>(6,055)</u>                       | <u>(63,486)</u>     |
| Cash and cash equivalents, beginning of year   | 163,195                             | -                                   | 352,677                             | 815,179                | 21,256                               | 1,408,328           |
| Cash and cash equivalents, end of year   | <u>\$ 96,709</u>                    | <u>\$ (35,071)</u>                  | <u>\$ 98,112</u>                    | <u>\$ 1,089,693</u>    | <u>\$ 15,201</u>                     | <u>\$ 1,344,842</u> |
| <b>Cash flows from operating activities</b>  |                                     |                                     |                                     |                        |                                      |                     |
| Operating income (loss)  | \$ (324)                            | \$ (11,700)                         | \$ (107,304)                        | \$ 235,688             | \$ (5,988)                           | \$ 107,431          |
| Adjustments to reconcile operating<br>income (loss) to net cash provided<br>by (used in) operating activities: |                                     |                                     |                                     |                        |                                      |                     |
| Depreciation   | -                                   | -                                   | -                                   | -                      | -                                    | -                   |
| (Increase) decrease in:  |                                     |                                     |                                     |                        |                                      |                     |
| Taxes receivable   | 19,908                              | 23,092                              | 298,179                             | -                      | -                                    | 423,501             |
| Accounts receivable  | 140                                 | 130                                 | 353,876                             | 39,000                 | (67)                                 | 393,159             |
| Advances from other funds  | -                                   | -                                   | -                                   | -                      | -                                    | 53,863              |
| Interest receivable  | 21,060                              | 13,277                              | 207,602                             | -                      | -                                    | 329,849             |
| Prepays  | -                                   | -                                   | -                                   | -                      | -                                    | -                   |
| Accounts payable   | 66,863                              | (68,468)                            | 78,512                              | (174)                  | -                                    | 76,735              |
| <b>Net cash provided by (used in)<br/>operating activities</b>   | <u>\$ 107,647</u>                   | <u>\$ (43,669)</u>                  | <u>\$ 830,865</u>                   | <u>\$ 274,514</u>      | <u>\$ (6,055)</u>                    | <u>\$ 1,384,538</u> |



COUNTY OF HILLSDALE, MICHIGAN

**Combining Statement of Fiduciary Assets and Liabilities**

Agency Funds  
December 31, 2017

|                          | Trust & Agency | Land Policy Education | Library Penal Fines | Employee Benefit Trust | Sheriff Department Retirement | District Court | Community Development Block Grant | Total        |
|--------------------------|----------------|-----------------------|---------------------|------------------------|-------------------------------|----------------|-----------------------------------|--------------|
| <b>Assets</b>            |                |                       |                     |                        |                               |                |                                   |              |
| Cash and investments     | \$ 961,756     | \$ -                  | \$ 74,397           | \$ 363                 | \$ 36,075                     | \$ 94,278      | \$ 52,836                         | \$ 1,219,705 |
| <b>Liabilities</b>       |                |                       |                     |                        |                               |                |                                   |              |
| Due to other governments | 367,882        | -                     | -                   | -                      | -                             | -              | -                                 | 367,882      |
| Undistributed receipts   | 593,874        | -                     | 74,397              | 363                    | 36,075                        | 94,278         | 52,836                            | 851,823      |
| <b>Total liabilities</b> | \$ 961,756     | \$ -                  | \$ 74,397           | \$ 363                 | \$ 36,075                     | \$ 94,278      | \$ 52,836                         | \$ 1,219,705 |

COUNTY OF HILLSDALE, MICHIGAN

Statement of Net Position / Governmental Funds Balance Sheet  
 Drain Commission Component Unit  
 December 31, 2017

|   | Debt Service            | Capital Projects         |                   |                               |                      | Capital Projects   | Total               | Internal Service          | Adjustments         | Statement of Net Position |
|---|-------------------------|--------------------------|-------------------|-------------------------------|----------------------|--------------------|---------------------|---------------------------|---------------------|---------------------------|
|   | Drain Construction Debt | Drain Special Assessment | Drain Revolving   | Lake Level Special Assessment | Lake Level Revolving | Drain Construction |                     | Drain Equipment Revolving |                     |                           |
| <b>Assets</b>   |                         |                          |                   |                               |                      |                    |                     |                           |                     |                           |
| Cash and investments  | \$ 318                  | \$ 418,886               | \$ 54,411         | \$ 59,071                     | \$ 10,291            | \$ 56,208          | \$ 599,185          | \$ 170,955                | \$ -                | \$ 770,140                |
| Special assessments receivable  | -                       | 469,608                  | -                 | 15,002                        | -                    | -                  | 484,610             | -                         | -                   | 484,610                   |
| Due from other funds  | -                       | -                        | 335,077           | (7,252)                       | 8,189                | -                  | 336,014             | -                         | (336,014)           | -                         |
| Capital assets, net   | -                       | -                        | -                 | -                             | -                    | -                  | -                   | 350,226                   | 442,216             | 792,442                   |
| <b>Total assets</b>   | <b>\$ 318</b>           | <b>\$ 888,494</b>        | <b>\$ 389,488</b> | <b>\$ 66,821</b>              | <b>\$ 18,480</b>     | <b>\$ 56,208</b>   | <b>\$ 1,419,809</b> | <b>\$ 521,181</b>         | <b>106,202</b>      | <b>2,047,192</b>          |
| <b>Liabilities</b>  |                         |                          |                   |                               |                      |                    |                     |                           |                     |                           |
| Accounts payable  | \$ -                    | \$ -                     | \$ -              | \$ -                          | \$ -                 | \$ -               | \$ -                | \$ (207)                  |                     | (207)                     |
| Due to other funds  | -                       | 204,531                  | -                 | -                             | -                    | -                  | 204,531             | 131,483                   | (336,014)           | -                         |
| Long Term Liabilities   | -                       | -                        | 389,488           | -                             | 18,480               | -                  | 407,968             | -                         | -                   | 407,968                   |
| <b>Total liabilities</b>  | <b>-</b>                | <b>204,531</b>           | <b>389,488</b>    | <b>-</b>                      | <b>18,480</b>        | <b>-</b>           | <b>612,499</b>      | <b>131,276</b>            | <b>(336,014)</b>    | <b>407,761</b>            |
| <b>Deferred inflows of resources</b>                                      |                         |                          |                   |                               |                      |                    |                     |                           |                     |                           |
| Unavailable revenue - special assessments                                 | -                       | 469,608                  | -                 | 15,002                        | -                    | -                  | 484,610             | -                         | (484,610)           | -                         |
| <b>Fund balances</b>  |                         |                          |                   |                               |                      |                    |                     |                           |                     |                           |
| Unassigned  | 318                     | 214,355                  | -                 | 51,819                        | -                    | 56,208             | 322,700             | 389,905                   | (712,605)           | -                         |
| <b>Total liabilities, deferred inflows of resources and fund balances</b> | <b>\$ 318</b>           | <b>\$ 888,494</b>        | <b>\$ 389,488</b> | <b>\$ 66,821</b>              | <b>\$ 18,480</b>     | <b>\$ 56,208</b>   | <b>\$ 1,419,809</b> | <b>\$ 521,181</b>         |                     |                           |
| <b>Net position</b>   |                         |                          |                   |                               |                      |                    |                     |                           |                     |                           |
| Net investment in capital assets  |                         |                          |                   |                               |                      |                    |                     |                           | 792,442             | 792,442                   |
| Unrestricted  |                         |                          |                   |                               |                      |                    |                     |                           | \$ 294,560          | \$ 294,560                |
| <b>Total net position</b>   |                         |                          |                   |                               |                      |                    |                     |                           | <b>\$ 1,087,002</b> | <b>\$ 1,087,002</b>       |

# COUNTY OF HILLSDALE, MICHIGAN

## Reconciliation

Fund Balances for Governmental Funds  
To Net Position of Governmental Activities  
Drain Commission Component Unit  
December 31, 2017

|  |                            |
|--|----------------------------|
| Fund balances - governmental funds   | \$ 712,605                 |
| 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 are not reported in the funds.  | 442,216                    |
| Long-term liability used in governmental activities are not financial resources and therefore are not reported in funds.   | (552,429)                  |
| Other long-term assets are not available to pay current year expenditures and, therefore, are not recorded in the funds.<br>Deferred inflows on long-term special assessments receivable | <u>484,610</u>             |
| Net position of governmental activities  | <u><u>\$ 1,087,002</u></u> |

COUNTY OF HILLSDALE, MICHIGAN

Statement of Activities / Governmental Funds Revenues, Expenditures, and Changes in Fund Balances  
 Drain Commission Component Unit  
 Year Ended December 31, 2017

|  | Debt Service            | Capital Projects         |                 |                               |                      | Capital Projects   | Total             | Internal Service          | Adjustments       | Statement of Activities |
|--|-------------------------|--------------------------|-----------------|-------------------------------|----------------------|--------------------|-------------------|---------------------------|-------------------|-------------------------|
|  | Drain Construction Debt | Drain Special Assessment | Drain Revolving | Lake Level Special Assessment | Lake Level Revolving | Drain Construction |                   | Drain Equipment Revolving |                   |                         |
| <b>Revenues</b>  |                         |                          |                 |                               |                      |                    |                   |                           |                   |                         |
| Interest revenue   | \$ -                    | \$ 980                   | \$ -            | \$ 54                         | \$ -                 | \$ 132,560         | \$ 133,594        | \$ 184                    | \$ -              | \$ 133,778              |
| Other revenue  | -                       | 492,854                  | -               | 20,158                        | -                    | -                  | 513,012           | -                         | (20,854)          | 492,158                 |
| <b>Total revenues</b>  | <b>-</b>                | <b>493,834</b>           | <b>-</b>        | <b>20,212</b>                 | <b>-</b>             | <b>132,560</b>     | <b>646,606</b>    | <b>184</b>                | <b>(20,854)</b>   | <b>625,936</b>          |
| <b>Expenditures/Expenses</b>                                   |                         |                          |                 |                               |                      |                    |                   |                           |                   |                         |
| Public works   | -                       | 418,439                  | -               | 16,238                        | -                    | 159,893            | 594,570           | 1                         | (118,297)         | 476,274                 |
| Depreciation   | -                       | -                        | -               | -                             | -                    | -                  | -                 | -                         | 30,520            | 30,520                  |
| <b>Total expenditures/expenses</b>                             | <b>-</b>                | <b>418,439</b>           | <b>-</b>        | <b>16,238</b>                 | <b>-</b>             | <b>159,893</b>     | <b>594,570</b>    | <b>1</b>                  | <b>(87,777)</b>   | <b>506,794</b>          |
| <b>Net change in fund balances/<br/>change in net position</b> | <b>-</b>                | <b>75,395</b>            | <b>-</b>        | <b>3,974</b>                  | <b>-</b>             | <b>(27,333)</b>    | <b>52,036</b>     | <b>183</b>                | <b>66,923</b>     | <b>119,142</b>          |
| <b>Fund balances / net position,<br/>beginning of year</b>     | <b>318</b>              | <b>138,960</b>           | <b>-</b>        | <b>47,845</b>                 | <b>-</b>             | <b>83,541</b>      | <b>270,664</b>    | <b>389,722</b>            | <b>307,474</b>    | <b>967,860</b>          |
| <b>Fund balances / net position,<br/>end of year</b>           | <b>\$ 318</b>           | <b>\$ 214,355</b>        | <b>\$ -</b>     | <b>\$ 51,819</b>              | <b>\$ -</b>          | <b>\$ 56,208</b>   | <b>\$ 322,700</b> | <b>\$ 389,905</b>         | <b>\$ 374,397</b> | <b>\$ 1,087,002</b>     |

# COUNTY OF HILLSDALE, MICHIGAN

## Statement of Net Position / Governmental Funds Balance Sheet

Drain Commission Component Unit

Reconciliation of the Statement of Revenues, Expenditures  
and Changes in Fund Balance to the Statement of Activities

Year Ended December 31, 2017

|   |                                 |
|---|---------------------------------|
| Net change in fund balance - Governmental funds   | \$ 52,036                       |
| Amounts reported for <i>governmental activities</i> in the statement of activities<br>are different because:  |                                 |
| Governmental funds report capital outlays as expenditures. However, in the<br>statement of activities, the cost of those assets is allocated over their estimated<br>useful lives and reported as depreciation expense.                           |                                 |
| Deduct - depreciation expense   | (30,520)                        |
| Add - capital assets purchased  | 118,297                         |
| Revenues in the statement of activities that do not provide current financial resources<br>are not reported as revenues in the funds, but rather are deferred to the<br>following fiscal year.  |                                 |
|   | (20,854)                        |
| Internal service funds are used by management to charge the costs of certain activities,<br>such as equipment purchases, to individual funds. The net revenue (expense) of the<br>internal service fund is reported with governmental activities: |                                 |
| Net operating loss from governmental activities accounted for in the internal service fund  | <u>183</u>                      |
| <b>Change in net position of governmental activities</b>  | <b><u><u>\$ 119,142</u></u></b> |

# Report on Compliance

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**ANDERSON, TACKMAN & COMPANY, PLC**  
CERTIFIED PUBLIC ACCOUNTANTS

**KINROSS OFFICE**

SUE A. BOWLBY, CPA, PRINCIPAL  
KENNETH A. TALSMA, CPA, PRINCIPAL  
AMBER N. MACK, CPA, PRINCIPAL

PHILLIP J. WOLF, CPA

**MEMBER AICPA  
DIVISION FOR CPA FIRMS**

**MEMBER MACPA**

**OFFICES IN  
MICHIGAN & WISCONSIN**

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Board  
County of Hillsdale, Michigan  
Courthouse, 29 N. Howell Street  
Hillsdale, Michigan 49242

We have audited, in accordance with the 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, the 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 Hillsdale, Michigan, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County of Hillsdale, Michigan's basic financial statements and have issued our report thereon dated June 29, 2018. Our report includes a reference to other auditors who audited the financial statements of the Hillsdale County Road Commission, the Hillsdale County Medical Care Facility and the Hillsdale County Park Commission as described in or report on the County of Hillsdale, Michigan's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Hillsdale County Medical Care Facility were not audited in accordance with *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the County of Hillsdale, Michigan's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County of Hillsdale, Michigan's internal control. Accordingly, we do not express an opinion on the effectiveness of the County of Hillsdale, Michigan's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Hillsdale's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Anderson, Tackman & Company, PLC  
Certified Public Accountants  
Kincheloe, Michigan

June 29, 2018





**ANDERSON, TACKMAN & COMPANY, PLC**  
CERTIFIED PUBLIC ACCOUNTANTS

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**MEMBER MACPA**

**OFFICES IN  
MICHIGAN & WISCONSIN**

**COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE**

Members of the Hillsdale County  
Board of Commissioners  
Courthouse, 29 N. Howell Street  
Hillsdale, Michigan 49242

We have audited the 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 Hillsdale, Michigan for the year ended December 31, 2017, and have issued our report thereon dated June 29, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

**Our Responsibility under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards***

As stated in our engagement letter dated April 24, 2018, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the County of Hillsdale, Michigan. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Generally accepted accounting principles provide for certain required supplementary information (RSI) to supplement the basic financial statements. Our responsibility with respect to the management's discussion and analysis, schedule of funding progress, and budgetary comparison schedules, which supplement(s) the basic financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI will not be audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we will not express an opinion or provide any assurance on the RSI.

We have been engaged to report on combining fund financial statements, which accompany the financial statements but are not RSI. Our responsibility for this other information, as described by professional standards, is to evaluate the presentation of the other information in relation to the financial statements as a whole and to report on whether the other information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our letter about planning matters dated on April 24, 2018.

### **Significant Audit Findings**

#### ***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the County of Hillsdale, Michigan are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the depreciation expense is based on estimated lives. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.
- Management's estimate of the allowance for uncollectible accounts receivable is based on past experience and future expectations for collection of various account balances and has been determined to be \$0.
- Management's estimate of the Annual Required Contribution for OPEB Obligations and pension benefits were based on various assumptions regarding life expectancies, inflation, premium increases, and investment rates.

The financial statement disclosures are neutral, consistent and clear.

### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

### *Disagreement with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated June 29, 2018.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### *Comments and Recommendations*

#### **Policies (Prior Year)**

The County does not currently have the following policies in place: ACH/EFT Banking, Conflict of Interest and GASB#54. It is recommended that the County adopt proper policies in order to provide the applicable guidelines to follow and ensure sound accounting procedures.

Status: Uncorrected.

It was also noted that the policy for non-union employee sick time payout is silent on whether or not these hours are paid out upon termination or retirement; however, the County is using 100% of sick time in the calculation for accrued sick time liability at year end. It is recommended that the County update its policy to reflect this.

Status: Uncorrected.

#### **Uniform Chart of Accounts (Prior Year)**

During the audit, it was noted that several of the Special Revenue funds only utilize the revenue and expense control accounts. It is recommended, that the County review the State of Michigan's Uniform Chart of Accounts and update the County's chart of accounts to provide greater financial detail such as type of revenue (taxes or grants) and type of expense (personel or supplies) and capital outlay accounts.

Status: Uncorrected.

#### **Inmate Trust Account (Prior Year)**

Currently the inmate monies are recorded in a separate bank account; however, the amounts are not recorded in a fund of the County's general ledger. We recommend that the County's general ledger be updated to include fund 764 "Inmate Trust" and that the bank account and subsidiary listing of inmate account balances be reconciled on a monthly basis

Status: Uncorrected.

#### **Inmate Trust (Prior Year)**

It was noted during our testing of the inmate trust account that documentation of year end inmate balances could not be verified. We recommend that a running balance be kept of inmate funds and be reconciled to the bank statement on a monthly basis to ensure accuracy.

Status: Uncorrected.

#### **Payroll**

It was noted during our test of controls over payroll that one of the five employees tested had a payroll forms were missing information. We recommend that the county verifies that all employee forms are complete prior to the beginning of employment to ensure accuracy of identification and withholding information.

#### **Disbursements**

It was noted during our test of controls over disbursements that the county had incurred a late fee on one othe sixteen tested. We recommend that the county pays invoices in a timely manner to ensure no late fees are applied to outstanding balances.

### **Credit Cards**

It was noted during our test of controls over credit cards that on some occasions credit card purchase receipts were not retained for accounting records. We recommend that the county retain all purchase receipts to ensure all accounting records are compliant with county policy.

It was also noted during our test of controls over credit cards that proper documentation was not provided regarding credit limit increases that are above the county credit card policy limits. We recommend that approvals of credit limit increases are approved by the board in an open meeting, and the credit card policy be updated to reflect changes to ensure proper authorization and records of employee credit limit increases.

### **Travel Policy**

It was noted during our overall test of controls that the county does not have a travel policy. We recommend that the county implement a travel policy to ensure proper protocol is followed while traveling.

### **Inactive Funds**

It was noted in our review of County funds that the County currently has multiple funds that appear to no longer have any activity, and or that the funding sources no longer exist. We recommend that the County perform a review of funds to ensure funds that are no longer active be closed.

### **Trust and Agency Funds**

It was noted during our review of Trust and Agency funds that multiple funds had stale outstanding liabilities within them. We recommend that the Trust and Agency funds have a review of all liability accounts that have stale balances and that the County work to distribute these funds to the rightful owners. We also recommend that the County review these funds on a regular basis in future periods to ensure that these funds are distributed in a timelier fashion.

It was also noted that some Agency funds had fund balances recorded within them, and Agency funds should be used to report resources held by the reporting government in a purely custodial capacity (assets equal liabilities), as defined by the State Uniform Chart of Accounts. We recommend that these accounts be reviewed by the County and journal entries prepared to remove fund balances within these Agency type funds.

### **Long Outstanding Checks**

During our examination of bank reconciliations, it was noted that there are multiple outstanding checks that are over the time period in which the State's Manual for Reporting Unclaimed Property requires them to have been escheated to the State. We recommend that the County review the State Manual for Reporting Unclaimed Property and review the current outstanding checks for compliance, as well as institute a policy to ensure compliance with its requirements in future periods.

## Other Postemployment Benefits

In June 2015, the Governmental Accounting Standards Board issued Statement Number 75 - "Financial Reporting for Postemployment Benefits other than Pensions." The standard addresses how to measure long-term liabilities and annual costs of Other Postemployment Benefits (OPEB) for the purposes of reporting them in the financial statements. The standard does not apply to how a governmental unit should fund future OPEB payments, however. The standard makes significant changes which will increase the liability and may adjust annual OPEB expense as well. A net OPEB liability will be reported in the employer's statement of net position which could amount to a significant increase than past amounts reported. The OPEB expense will also be significantly more volatile, since there will likely be two sets of calculations for expense and funding. Additionally, changes in methods and assumptions used in the actuarial calculations, more extensive footnote disclosures and required supplementary information will be needed.

The standard is effective for fiscal years beginning after June 15, 2017. We encourage the Board and management to review the provisions of this new standard and anticipate its effect on the financial reporting process.

## Single Approach for Reporting Leases

The Governmental Accounting Standards Board (GASB) issued guidance that establishes a single approach to accounting for and reporting leases by state and local governments. The single approach is based on the principle that leases are financing of the right to use an underlying asset.

GASB Statement No. 87, *Leases*, provides guidance for lease contracts for nonfinancial assets - including vehicles heavy equipment, and buildings - but excludes nonexchange transactions, including donated assets, and leases of intangible assets.

Under the new Statement, a lessee government is required to recognize (1) a lease liability and (2) an intangible asset representing the lessee's right to use the leased asset. A lessor government is required to recognize (1) a lease receivable and (2) a deferred inflow of resources. A lessor will continue to report the leased asset in its financial statements.

A lease also will report the following in its financial statements:

- Amortization expense for using the lease asset (similar to depreciation) over the shorter of the term of the lease or the useful life of the underlying asset.
- Interest expense on the lease liability.
- Note disclosures about the lease, including a general description of the leasing arrangement, the amount of the lease assets recognized, and a schedule of future lease payment to be made.

Limited exceptions to the single-approach guidance are provided for:

- Short-term leases, defined as lasting a maximum of 12 months at inception, including any options to extend.
- Financial purchases.
- Certain regulated leases, such as between municipal airports and air carriers.

The full text of Statement 87 is available on the GASB website, [www.gasb.org](http://www.gasb.org).

### Other Matters

We applied certain limited procedures to the management's discussion and analysis and budgetary comparison schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquires of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and our knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining fund financial statements, which accompany the financial statements but are not RSI. With respect to this other information, we made certain inquires of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the other information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

### Conclusion

We would like to express our appreciation, as well as that of our staff, for the excellent cooperation we received while performing the audit. If we can be of assistance in implementing the above recommendations, please contact us.

This information is intended solely for the use of the Board of Commissioners, management, federal awarding agencies, pass-through entities and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.



Anderson, Tackman & Company, PLC  
Certified Public Accountants  
Kincheloe, Michigan

June 29, 2018