

**County of Hillsdale, Michigan**

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**BASIC FINANCIAL STATEMENTS**

**December 31, 2018**

**COUNTY OF HILLSDALE, MICHIGAN**

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Prosecuting Attorney

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Finance Director

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

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**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, 2018, 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 93 percent, 96 percent, and 93 percent, respectively, of the assets, net position, and revenue of the discretely presented component units; and the Hillsdale County Medical Care Facility, which represents 72 percent, 80 percent, and 94 percent, respectively, of the assets, net position, and revenue of the business-type 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 and Medical Care Facility, 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, 2018, 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 7, page 49 through 50, and pages 51 through 55 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 26, 2019 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County of Hillsdale, Michigan's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of Hillsdale, Michigan's internal control over financial reporting and compliance.

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

June 26, 2019

## **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, 2018. Please read it in conjunction with the County's financial statements which follow this section.

### Financial Highlights

- The general fund reported a decrease in fund balance of \$94,593 from year end 2017 to 2018. This was driven by the board decision to contribute an additional \$150,000 to the Sheriff Department's Municipal Employees' Retirement System (MERS) retirement fund. It was anticipated to partially use some of the County's fund balance to allow for this contribution.
- Property tax revenue increased by \$163,579 in 2018 compared to 2017.
- The Medical Care Facility reported an increase in net position of \$1,087,357

### 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 resources).

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.

**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.

# COUNTY OF HILLSDALE, MICHIGAN

## Management's Discussion and Analysis

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.** Proprietary 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	
	2018	2017	2018	2017	2018	2017
<b>Assets</b>						
Current and other assets	\$ 8,376,842	\$ 8,356,299	\$ 12,309,311	\$ 10,902,631	\$ 20,686,153	\$ 19,258,930
Capital assets, net	7,876,499	7,861,037	10,079,781	10,283,582	17,956,280	18,144,619
<b>Total assets</b>	<b>16,253,341</b>	<b>16,217,336</b>	<b>22,389,092</b>	<b>21,186,213</b>	<b>38,642,433</b>	<b>37,403,549</b>
<b>Deferred outflows</b>						
Deferred loss on advance refunding	677,025	237,735	-	-	677,025	237,735
<b>Liabilities</b>						
Long-term liabilities	13,144,044	14,311,630	2,850,000	2,981,000	15,994,044	17,292,630
Other liabilities	1,264,621	1,460,496	1,879,106	1,700,152	3,143,727	3,160,648
<b>Total liabilities</b>	<b>14,408,665</b>	<b>15,772,126</b>	<b>4,729,106</b>	<b>4,681,152</b>	<b>19,137,771</b>	<b>20,453,278</b>
<b>Deferred inflows</b>						
Deferred inflow from Pension	160,874	146,154	-	-	160,874	146,154
Deferred inflow of resources	1,587,940	1,506,390	771,980	746,690	2,359,920	2,253,080
<b>Total Deferred Inflows</b>	<b>1,748,814</b>	<b>1,652,544</b>	<b>771,980</b>	<b>746,690</b>	<b>2,520,794</b>	<b>2,399,234</b>
<b>Net position:</b>						
Net investment in capital assets	460,713	(446,861)	10,079,781	10,102,582	10,540,494	9,655,721
Restricted	1,631,370	1,506,655	-	266,845	1,631,370	1,773,500
Unrestricted	(1,319,196)	(2,029,393)	6,808,225	5,388,944	5,489,029	3,359,551
<b>Total net position</b>	<b>\$ 772,887</b>	<b>\$ (969,599)</b>	<b>\$ 16,888,006</b>	<b>\$ 15,758,371</b>	<b>\$ 17,660,893</b>	<b>\$ 14,788,772</b>

# COUNTY OF HILLSDALE, MICHIGAN

## Management's Discussion and Analysis

The County's combined net position increased 19.4% from a year ago - increasing from \$14,788,773 to \$17,660,893. Governmental activities experienced an increase in net position of \$1,742,486. Business-type activities experienced an increase of \$1,129,634 in net position.

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	
	2018	2017	2018	2017	2018	2017
Program revenues:						
Charges for services	\$ 2,745,341	\$ 2,706,858	\$ 18,901,482	\$ 18,744,237	\$ 21,646,823	\$ 21,451,095
Operating grants and contributions	4,064,646	3,523,600	3,750,601	3,193,113	7,815,247	6,716,713
General revenues:						
Property taxes	8,723,480	8,612,862	-	-	8,723,480	8,612,862
State shared revenue	958,837	1,242,761	-	-	958,837	1,242,761
Personal Property Tax Reimbursement	69,080	-	-	-	69,080	-
Unrestricted investment earnings	37,165	41,718	-	-	37,165	41,718
Other Revenue	335,776	320,489	-	-	335,776	320,489
<b>Total revenues</b>	<b>16,934,325</b>	<b>16,448,288</b>	<b>22,652,083</b>	<b>21,937,350</b>	<b>39,586,408</b>	<b>38,385,638</b>
Expenses:						
Legislative	225,325	72,315	-	-	225,325	72,315
Judicial	1,767,651	1,838,461	-	-	1,767,651	1,838,461
General government	3,240,795	3,081,547	-	-	3,240,795	3,081,547
Public safety	3,973,864	4,435,420	-	-	3,973,864	4,435,420
Public works	25,001	24,361	-	-	25,001	24,361
Health and welfare	4,068,724	4,044,800	-	-	4,068,724	4,044,800
Recreation and cultural	119,392	47,150	-	-	119,392	47,150
Other governmental activities	2,594,976	2,560,682	-	-	2,594,976	2,560,682
Interest on long-term debt	48,060	106,857	-	-	48,060	106,857
Medical Care Facility	-	-	20,070,770	19,500,415	20,070,770	19,500,415
Delinquent tax collections/forfeitures	-	-	174,566	178,682	174,566	178,682
Building inspections	-	-	388,963	348,699	388,963	348,699
Geographic information services	-	-	13,312	13,261	13,312	13,261
<b>Total expenses</b>	<b>16,063,788</b>	<b>16,211,593</b>	<b>20,647,611</b>	<b>20,041,057</b>	<b>36,711,399</b>	<b>36,252,650</b>
Change in net position, before transfers	870,537	236,695	2,004,472	1,896,293	2,875,009	2,132,988
Transfers	874,838	776,530	(874,838)	(776,530)	-	-
Change in net position	1,745,375	1,013,225	1,129,634	1,119,763	2,875,009	2,132,988
Net position:						
Beginning of year, as restated	(969,599)	(1,880,819)	15,758,372	14,550,450	14,788,773	12,669,631
Prior Period Adjustment	(2,889)	(102,005)	-	88,158	(2,889)	(13,847)
<b>End of year</b>	<b>\$ 772,887</b>	<b>\$ (969,599)</b>	<b>\$ 16,888,006</b>	<b>\$ 15,758,371</b>	<b>\$ 17,660,893</b>	<b>\$ 14,788,772</b>

### Governmental Activities

Total governmental revenues increased by \$486,037. The majority of this increase is from operating grants and contributions. Governmental expenses had a slight decrease of 0.9%.

### Business-Type Activities

The county's business-type activities consist primarily of the Medical Care Facility fund. Medical Care Facility revenue increased \$714,733 and expenses increased \$570,355. The year's increase in net position of \$1,129,634 is the 4th consecutive year of increasing net position.

# COUNTY OF HILLSDALE, MICHIGAN

## Management's Discussion and Analysis

### 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 2018 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 \$2,966,945, \$2,857,693, and \$1,757,044, 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 and 2017 delinquent tax revolving fund.

### General Fund Budgetary Highlights

Revenue was increased from 2017 to 2018 by \$126,609. Expenditures were well under budget. The County was able to pay off some debts early, and contribute \$150,000 to the Sheriff's Office MERS defined benefit plan to go towards the Net Pension Liability for the County.

### Capital Asset and Debt Administration

At the end of the fiscal year 2018, the County had approximately \$17,956,280 (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. A major increase for the year was the renovation of the new County Office Building that was purchased in June of 2014.

The County continues to pay down debt obligations related to capital investments. At December 31, 2018, debt related to capital assets of governmental activities totaled \$7,415,787. Debt related to business-type activities totaled \$2,850,000, this relates to delinquent tax notes for 2016 and 2017.

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

The County's 2018 taxable value was a little higher than 2017 values, and a 3.0% increase is expected in 2019. 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 33 McCollum Street, Hillsdale MI.

# **Basic Financial Statements**

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# COUNTY OF HILLSDALE, MICHIGAN

## Statement of Net Position

December 31, 2018

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and investments	\$ 2,296,744	\$ 6,620,604	\$ 8,917,348	\$ 3,524,947
Receivables, net	5,926,671	5,433,824	11,360,495	2,180,140
Prepaid items and other assets	153,427	254,883	408,310	746,696
Capital assets not being depreciated	193,565	-	193,565	5,530,545
Capital assets being depreciated, net	7,682,934	10,079,781	17,762,715	21,647,559
<b>Total assets</b>	<b>16,253,341</b>	<b>22,389,092</b>	<b>38,642,433</b>	<b>33,629,887</b>
<b>Deferred outflow of resources</b>				
Deferred outflow from Pension	677,025	-	677,025	590,357
<b>Liabilities</b>				
Accounts payable and accrued expenses	1,262,541	1,879,106	3,141,647	722,950
Unearned revenue	2,080	-	2,080	-
<b>Long-term liabilities:</b>				
Other post employment benefits	1,581,723	-	1,581,723	-
Due within one year	935,762	2,100,000	3,035,762	250,862
Due in more than one year	6,937,335	750,000	7,687,335	827,257
Net Pension Liability	3,689,224	-	3,689,224	4,524,675
<b>Total liabilities</b>	<b>14,408,665</b>	<b>4,729,106</b>	<b>19,137,771</b>	<b>6,325,744</b>
<b>Deferred inflow from Pension</b>	<b>160,874</b>	<b>-</b>	<b>160,874</b>	<b>138,370</b>
<b>Deferred inflow of resources</b>	<b>1,587,940</b>	<b>771,980</b>	<b>2,359,920</b>	<b>-</b>
<b>Total Deferred Inflows</b>	<b>1,748,814</b>	<b>771,980</b>	<b>2,520,794</b>	<b>138,370</b>
<b>Net position</b>				
Net investment in capital assets	460,713	10,079,781	10,540,494	26,630,734
Restricted for:				
Endowments and trusts	3,191	-	3,191	-
Other purposes	1,628,179	-	1,628,179	701,150
Unrestricted	(1,319,196)	6,808,225	5,489,029	424,246
<b>Total net position</b>	<b>\$ 772,887</b>	<b>\$ 16,888,006</b>	<b>\$ 17,660,893</b>	<b>\$ 27,756,130</b>

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

# COUNTY OF HILLSDALE, MICHIGAN

## Statement of Activities

Year Ended December 31, 2018

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	\$ 225,325	\$ -	\$ -	\$ -	\$ (225,325)
Judicial	1,767,651	780,378	1,214,676	-	227,403
General government	3,240,795	567,697	505,108	-	(2,167,990)
Public safety	3,973,864	1,281,069	611,497	-	(2,081,298)
Public works	25,001	-	-	-	(25,001)
Health and welfare	4,068,724	86,069	1,111,376	-	(2,871,279)
Recreation and cultural	119,392	21,480	95,202	-	(2,710)
Other governmental activities	2,594,976	8,648	526,787	-	(2,059,541)
Interest on long-term debt	48,060	-	-	-	(48,060)
<b>Total governmental activities</b>	<b>16,063,788</b>	<b>2,745,341</b>	<b>4,064,646</b>	<b>-</b>	<b>(9,253,801)</b>
Business-type activities:					
Medical Care Facility	20,070,770	17,497,604	3,748,258	-	1,175,092
Delinquent tax collections/forfeitures	174,566	871,589	253	-	697,276
Building inspections	388,963	524,693	2,090	-	137,820
Geographic information services	13,312	7,596	-	-	(5,716)
<b>Total business-type activities</b>	<b>20,647,611</b>	<b>18,901,482</b>	<b>3,750,601</b>	<b>-</b>	<b>2,004,472</b>
<b>Total primary government</b>	<b>\$ 36,711,399</b>	<b>\$ 21,646,823</b>	<b>\$ 7,815,247</b>	<b>\$ -</b>	<b>\$ (7,249,329)</b>
<b>Component units</b>					
County Drains	\$ 677,296	\$ 796,273	\$ 5,045	\$ -	\$ 124,022
County Roads	8,685,872	604,289	9,890,606	-	1,809,023
<b>Total component units</b>	<b>\$ 9,363,168</b>	<b>\$ 1,400,562</b>	<b>\$ 9,895,651</b>	<b>\$ -</b>	<b>\$ 1,933,045</b>

continued...

# COUNTY OF HILLSDALE, MICHIGAN

## Statement of Activities (Continued)

Year Ended December 31, 2018

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Changes in net position</b>				
Net (expense) revenue	\$ (9,253,801)	\$ 2,004,472	\$ (7,249,329)	\$ 1,933,045
General revenues:				
Property taxes	8,723,480	-	8,723,480	-
State shared revenue	958,837	-	958,837	-
Personal Property Tax Reimbursement	69,080	-	69,080	-
Unrestricted investment earnings	37,165	-	37,165	28,938
Other revenue	335,776	-	335,776	235,768
Transfers - internal activities	874,838	(874,838)	-	-
<b>Total general revenues and transfers</b>	<b>10,999,176</b>	<b>(874,838)</b>	<b>10,124,338</b>	<b>264,706</b>
<b>Change in net position</b>	<b>1,745,375</b>	<b>1,129,634</b>	<b>2,875,009</b>	<b>2,197,751</b>
Net position (deficit), beginning of year	(969,599)	15,758,372	14,788,773	25,558,379
Prior Period Adjustment	(2,889)	-	(2,889)	-
<b>Net position (deficit), end of year</b>	<b>\$ 772,887</b>	<b>\$ 16,888,006</b>	<b>\$ 17,660,893</b>	<b>\$ 27,756,130</b>

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



# COUNTY OF HILLSDALE, MICHIGAN

## Balance Sheet - Governmental Funds

December 31, 2018

	General	Senior Citizen	Senior Center Debt Service	Nonmajor Funds	Totals
<b>Assets</b>					
Cash and investments	\$ 610,206	\$ 26,945	\$ 8,044	\$ 1,581,696	\$ 2,226,891
Taxes receivable	665,148	1,288,995	-	1,042,703	2,996,846
Accounts receivable	248,093	-	-	426,033	674,126
Leases receivable	-	-	1,820,000	-	1,820,000
Due from other governments	17,325	-	-	-	17,325
Prepaid expenditures	158,178	-	-	(4,751)	153,427
Advance to component unit	407,968	-	-	-	407,968
Interest receivable	-	-	-	10,406	10,406
<b>Total assets</b>	<b>\$ 2,106,918</b>	<b>\$ 1,315,940</b>	<b>\$ 1,828,044</b>	<b>\$ 3,056,087</b>	<b>\$ 8,306,989</b>
<b>Liabilities</b>					
Accounts payable	\$ 135,342	\$ -	\$ 850,000	\$ 80,583	\$ 1,065,925
Unearned revenue	-	-	-	2,080	2,080
Accrued expenditures	110,063	-	-	24,724	134,787
<b>Total liabilities</b>	<b>245,405</b>	<b>-</b>	<b>850,000</b>	<b>107,387</b>	<b>1,202,792</b>
<b>Deferred inflows of resources</b>	<b>457,957</b>	<b>1,288,995</b>	<b>970,000</b>	<b>1,042,703</b>	<b>3,759,655</b>
<b>Fund balances</b>					
Nonspendable	557,692	-	-	3,191	560,883
Restricted	-	26,945	8,044	1,593,190	1,628,179
Assigned	-	-	-	309,616	309,616
Unassigned	845,864	-	-	-	845,864
<b>Total fund balances</b>	<b>1,403,556</b>	<b>26,945</b>	<b>8,044</b>	<b>1,905,997</b>	<b>3,344,542</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 2,106,918</b>	<b>\$ 1,315,940</b>	<b>\$ 1,828,044</b>	<b>\$ 3,056,087</b>	<b>\$ 8,306,989</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, 2018

<b>Fund balances - total governmental funds</b>	\$ 3,344,542
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	193,566
Capital assets being depreciated, net	7,682,933
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	69,853
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	(7,415,786)
Net Pension Liability	(3,689,224)
Compensated absences	(457,311)
Deferred Outflow Pension Liability	677,025
Deferred Inflow Pension Liability	(160,874)
Other post employment benefits	(1,581,723)
Accrued interest on long-term liabilities	(61,829)
<b>Net position of governmental activities</b>	<u>\$ 772,887</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, 2018

	General	Senior Citizen	Senior Center Debt Service	Nonmajor Funds	Totals
<b>Revenues</b>					
Taxes and special assessments	\$ 6,542,133	\$ 1,260,077	\$ -	\$ 921,270	\$ 8,723,480
Intergovernmental	2,367,291	-	-	231,420	2,598,711
Licenses and permits	48,918	-	-	-	48,918
Contributions	-	-	147,061	28,007	175,068
Fines and forfeits	321,924	-	-	24,490	346,414
Charges for services	1,042,356	-	-	1,221,528	2,263,884
Reimbursements and refunds	790,712	-	-	167,780	958,492
Interest and rentals	255,030	-	-	183,651	438,681
Other revenue	-	-	174,303	1,205,798	1,380,101
<b>Total revenues</b>	<b>11,368,364</b>	<b>1,260,077</b>	<b>321,364</b>	<b>3,983,944</b>	<b>16,933,749</b>
<b>Expenditures</b>					
Current:					
Legislative	225,325	-	-	-	225,325
Judicial	1,757,044	-	-	10,607	1,767,651
General government	2,857,693	-	-	73,602	2,931,295
Public safety	2,966,945	-	-	1,557,927	4,524,872
Public works	25,001	-	-	-	25,001
Health and welfare	806,101	1,255,826	-	2,027,865	4,089,792
Recreation and cultural	-	-	-	104,913	104,913
Other	2,123,319	-	-	-	2,123,319
Capital outlay	149,720	-	-	385,522	535,242
Debt service:					
Principal	-	-	280,000	805,172	1,085,172
Interest	2,733	-	41,364	141,483	185,580
<b>Total expenditures</b>	<b>10,913,881</b>	<b>1,255,826</b>	<b>321,364</b>	<b>5,107,091</b>	<b>17,598,162</b>
Revenue over (under) expenditures	454,483	4,251	-	(1,123,147)	(664,413)
<b>Other financing sources (uses)</b>					
Transfers in	632,130	-	-	1,837,518	2,469,648
Transfers out	(1,181,206)	-	-	(487,445)	(1,668,651)
<b>Total other financing sources (uses)</b>	<b>(549,076)</b>	<b>-</b>	<b>-</b>	<b>1,350,073</b>	<b>800,997</b>
<b>Net change in fund balances</b>	<b>(94,593)</b>	<b>4,251</b>	<b>-</b>	<b>226,926</b>	<b>136,584</b>
Fund balances, beginning of year	1,501,038	22,694	8,044	1,679,071	3,210,847
Prior Period Adjustment	(2,889)	-	-	-	(2,889)
<b>Fund balances, end of year</b>	<b>\$ 1,403,556</b>	<b>\$ 26,945</b>	<b>\$ 8,044</b>	<b>\$ 1,905,997</b>	<b>\$ 3,344,542</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, 2018

**Net change in fund balances - total governmental funds** \$ 136,584

Amounts reported for *governmental activities* 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	520,763
Depreciation expense	(505,301)

The receipt of a long-term receivable represents revenue in the fund financial statements, but is reported as a reduction of the receivable in the statement of activities.

Payments received on deferred long-term receivables

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	(75,071)
Principal payments on bonds	904,172
Principal payments on capital leases	63,010

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	27,077
Change in the accrual of other post employment benefits	730,168
Change in Pension Obligation	(481,770)
Change in deferred Inflows from Pension	(14,720)
Change in deferred Outflows from Pension	439,290

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	(72,668)
Transfers received in governmental internal service funds	73,841

**Change in net position of governmental activities** \$ 1,745,375

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

COUNTY OF HILLSDALE, MICHIGAN

Statement of Net Position

Proprietary Funds  
December 31, 2018

	Business-type Activities - Enterprise Funds					Internal Service
	Medical Care Facility	2016 Delinquent Tax Revolving	2017 Delinquent Tax Revolving	Nonmajor Funds	Totals	Self Insurance
<b>Assets</b>						
Current assets:						
Cash and investments	\$ 3,274,671	\$ 724,921	\$ 1,103,610	\$ 1,517,402	\$ 6,620,604	\$ 69,853
Taxes receivable	771,980	704,215	1,238,043	352,013	3,066,251	-
Accounts receivable	1,866,078	14,375	-	75,579	1,956,032	-
Interest receivable	-	-	-	411,541	411,541	-
Prepays	-	-	-	1,943	1,943	-
Other assets	252,940	-	-	-	252,940	-
<b>Total current assets</b>	<b>6,165,669</b>	<b>1,443,511</b>	<b>2,341,653</b>	<b>2,358,478</b>	<b>12,309,311</b>	<b>69,853</b>
Noncurrent assets:						
Capital assets being depreciated, net	10,054,421	-	-	25,360	10,079,781	-
<b>Total assets</b>	<b>16,220,090</b>	<b>1,443,511</b>	<b>2,341,653</b>	<b>2,383,838</b>	<b>22,389,092</b>	<b>69,853</b>
<b>Liabilities</b>						
Current liabilities:						
Accounts payable	695,533	2,340	-	13,479	711,352	-
Accrued liabilities	1,162,711	-	-	1,862	1,164,573	-
Due to other governments	-	-	-	3,181	3,181	-
Current portion of long-term debt	-	800,000	1,300,000	-	2,100,000	-
<b>Total current liabilities</b>	<b>1,858,244</b>	<b>802,340</b>	<b>1,300,000</b>	<b>18,522</b>	<b>3,979,106</b>	<b>-</b>
Long-term liabilities:						
Due in more than one year	-	-	750,000	-	750,000	-
<b>Total long-term liabilities</b>	<b>-</b>	<b>-</b>	<b>750,000</b>	<b>-</b>	<b>750,000</b>	<b>-</b>
<b>Total liabilities</b>	<b>1,858,244</b>	<b>802,340</b>	<b>2,050,000</b>	<b>18,522</b>	<b>4,729,106</b>	<b>-</b>
<b>Deferred inflows of resources</b>						
Property taxes levied for the subsequent year	771,980	-	-	-	771,980	-
<b>Net position</b>						
Net investment in capital assets	10,054,421	-	-	25,360	10,079,781	-
Unrestricted (deficit)	3,535,445	641,171	291,653	2,339,956	6,808,225	69,853
<b>Total net position (deficit)</b>	<b>\$ 13,589,866</b>	<b>\$ 641,171</b>	<b>\$ 291,653</b>	<b>\$ 2,365,316</b>	<b>\$ 16,888,006</b>	<b>\$ 69,853</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, 2018

	Business-type Activities - Enterprise Funds				Internal Service	
	Medical Care Facility	2016 Delinquent Tax Revolving	2017 Delinquent Tax Revolving	Nonmajor Funds	Totals	Self Insurance
<b>Operating revenues</b>						
Charges for services	\$ 17,497,604	\$ 236,082	\$ 153,965	\$ 650,502	\$ 18,538,153	\$ -
Refunds and reimbursements	-	-	-	2,090	2,090	-
Other operating revenue	2,914,985	-	-	2,963	2,917,948	576
<b>Total operating revenues</b>	<b>20,412,589</b>	<b>236,082</b>	<b>153,965</b>	<b>655,555</b>	<b>21,458,191</b>	<b>576</b>
<b>Operating expenses</b>						
Depreciation expense	540,731	-	-	12,715	553,446	-
Cost of services	19,529,013	32,465	47,102	479,598	20,088,178	73,244
<b>Total operating expenses</b>	<b>20,069,744</b>	<b>32,465</b>	<b>47,102</b>	<b>492,313</b>	<b>20,641,624</b>	<b>73,244</b>
Operating income (loss)	342,845	203,617	106,863	163,242	816,567	(72,668)
<b>Nonoperating revenues (expenses)</b>						
Property tax revenue	804,459	-	-	-	804,459	-
Contributions	2,738	-	-	-	2,738	-
Interest and rentals	26,076	143,923	184,790	31,906	386,695	-
Interest expense	(1,026)	(1)	-	(4,960)	(5,987)	-
<b>Total nonoperating revenues</b>	<b>832,247</b>	<b>143,922</b>	<b>184,790</b>	<b>26,946</b>	<b>1,187,905</b>	<b>-</b>
Income (loss) before transfers	1,175,092	347,539	291,653	190,188	2,004,472	(72,668)
<b>Transfers in (out)</b>						
Transfers in	-	-	-	-	-	73,841
Transfers out	(87,735)	-	-	(787,103)	(874,838)	-
<b>Total transfers</b>	<b>(87,735)</b>	<b>-</b>	<b>-</b>	<b>(787,103)</b>	<b>(874,838)</b>	<b>73,841</b>
Change in Net Position - Total	1,087,357	347,539	291,653	(596,915)	1,129,634	1,173
Net position, beginning of year	12,502,509	293,632	-	2,962,231	15,758,372	68,680
<b>Net position, end of year</b>	<b>\$ 13,589,866</b>	<b>\$ 641,171</b>	<b>\$ 291,653</b>	<b>\$ 2,365,316</b>	<b>\$ 16,888,006</b>	<b>\$ 69,853</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, 2018

	Business-type Activities - Enterprise Funds					Internal Service
	Medical Care Facility	2016 Delinquent Tax Revolving	2017 Delinquent Tax Revolving	Nonmajor Funds	Totals	Self Insurance
<b>Cash flows from operating activities</b>						
Cash received from customers	\$ 17,496,883	\$ 805,430	\$ 153,965	\$ 1,455,148	\$ 19,911,426	\$ 576
Cash received from quality assurance supplement	2,590,619	-	-	-	2,590,619	-
Other operating receipts	324,366	-	-	-	324,366	-
Cash payments to suppliers and employees for goods and services	(19,263,439)	(30,125)	(1,285,145)	(484,896)	(21,063,605)	(101,670)
<b>Net cash provided by (used in) operating activities</b>	<b>1,148,429</b>	<b>775,305</b>	<b>(1,131,180)</b>	<b>970,252</b>	<b>1,762,806</b>	<b>(101,094)</b>
<b>Cash flows from noncapital financing activities</b>						
Property tax and other nonoperating revenue	821,816	-	-	-	821,816	-
Transfers in	-	-	-	-	-	73,841
Transfers out	(87,735)	-	-	(787,103)	(874,838)	-
<b>Net cash provided by (used in) non-capital financing activities</b>	<b>734,081</b>	<b>-</b>	<b>-</b>	<b>(787,103)</b>	<b>(53,022)</b>	<b>73,841</b>
<b>Cash flows from capital and related financing activities</b>						
Purchase of capital assets	(343,113)	-	-	6,532	(336,581)	-
Interest payments	(1,026)	(1)	-	(4,962)	(5,989)	-
Principal payments	(181,000)	(1,300,000)	(350,000)	(700,000)	(2,531,000)	-
Proceeds from long-term debt	-	-	2,400,000	-	2,400,000	-
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>(525,139)</b>	<b>(1,300,001)</b>	<b>2,050,000</b>	<b>(698,430)</b>	<b>(473,570)</b>	<b>-</b>
<b>Cash flows from investing activities</b>						
Interest and rental earnings	26,076	143,923	184,790	31,906	386,695	-
<b>Net cash provided by investing activities</b>	<b>26,076</b>	<b>143,923</b>	<b>184,790</b>	<b>31,906</b>	<b>386,695</b>	<b>-</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,383,447</b>	<b>(380,773)</b>	<b>1,103,610</b>	<b>(483,375)</b>	<b>1,622,909</b>	<b>(27,253)</b>
Cash equivalents, beginning of year	1,891,224	1,105,694	-	2,000,777	4,997,695	97,106
<b>Cash equivalents, end of year</b>	<b>\$ 3,274,671</b>	<b>\$ 724,921</b>	<b>\$ 1,103,610</b>	<b>\$ 1,517,402</b>	<b>\$ 6,620,604</b>	<b>\$ 69,853</b>

COUNTY OF HILLSDALE, MICHIGAN

**Statement of Cash Flows**

Proprietary Funds

Year Ended December 31, 2018

	Business-type Activities - Enterprise Funds					Internal Service
	Medical Care Facility	2016 Delinquent Tax Revolving	2017 Delinquent Tax Revolving	Nonmajor Funds	Totals	Self Insurance
<b>Cash flows from operating activities</b>						
Operating income (loss)	\$ 342,845	\$ 203,617	\$ 106,863	\$ 163,242	\$ 816,567	\$ (72,668)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	540,731	-	-	12,715	553,446	-
Changes in assets and liabilities:						
Taxes receivable	-	703,955	(1,238,043)	409,007	(125,081)	-
Accounts receivable	10,457	(14,375)	-	74,400	70,482	-
Advances to other funds	-	-	-	-	-	-
Lease receivable	(11,178)	-	-	-	(11,178)	-
Interest receivable	-	(120,232)	-	316,186	195,954	-
Interfund receivable	-	-	-	-	-	-
Prepays	106,726	-	-	-	106,726	-
Accounts payable	92,062	2,340	-	(5,298)	89,104	(28,426)
Accrued expenses	66,786	-	-	-	66,786	-
Advances from other funds	-	-	-	-	-	-
<b>Net cash provided by (used in) operating activities</b>	<u>\$ 1,148,429</u>	<u>\$ 775,305</u>	<u>\$ (1,131,180)</u>	<u>\$ 970,252</u>	<u>\$ 1,762,806</u>	<u>\$ (101,094)</u>

**Non-cash transactions**

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



COUNTY OF HILLSDALE, MICHIGAN

**Statement of Cash Flows**

Proprietary Funds  
 Year Ended December 31, 2018

Business-type Activities - Enterprise Funds					Internal Service
Medical Care Facility	2016 Delinquent Tax Revolving	2017 Delinquent Tax Revolving	Nonmajor Funds	Totals	Self Insurance

# COUNTY OF HILLSDALE, MICHIGAN

## Statement of Fiduciary Net Position

December 31, 2018

	Agency Funds
<b>Assets</b>	
Cash and investments	\$ 1,137,441
<b>Liabilities</b>	
Due to other governments	\$ 541,718
Undistributed receipts	595,723
<b>Total liabilities</b>	\$ 1,137,441

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, 2018

	Drain Commission	Road Commission	Total
<b>Assets</b>			
Cash and investments	\$ 816,244	\$ 2,708,703	\$ 3,524,947
Special assessments receivable	605,494	-	605,494
Receivables, net	208	1,574,438	1,574,646
Prepaid items and other assets	-	746,696	746,696
Capital assets:			
Capital assets not being depreciated	-	5,530,545	5,530,545
Capital assets being depreciated, net	785,404	20,862,155	21,647,559
<b>Total assets</b>	<u>2,207,350</u>	<u>31,422,537</u>	<u>33,629,887</u>
<b>Deferred Outflows of Resources</b>			
Deferred pension amounts	-	590,357	590,357
<b>Liabilities</b>			
Accounts payable and accrued expenses	-	175,258	175,258
Advances from primary government	407,968	139,724	547,692
Long-term liabilities:			
Due within one year	123,471	127,391	250,862
Due in more than one year	464,887	362,370	827,257
Net Pension Liability		4,524,675	4,524,675
<b>Total liabilities</b>	<u>996,326</u>	<u>5,329,418</u>	<u>6,325,744</u>
<b>Deferred Inflows of Resources</b>			
Deferred pension amounts	-	138,370	138,370
<b>Net position</b>			
Net investment in capital assets	785,404	25,845,330	26,630,734
Restricted	-	701,150	701,150
Unrestricted	425,620	(1,374)	424,246
<b>Total net position</b>	<u>\$ 1,211,024</u>	<u>\$ 26,545,106</u>	<u>\$ 27,756,130</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, 2018

	Drain Commission	Road Commission	Total
<b>Expenses</b>			
County Drains	\$ 677,296	\$ -	\$ 677,296
County Roads	-	8,685,872	8,685,872
<b>Total expenses</b>	<u>677,296</u>	<u>8,685,872</u>	<u>9,363,168</u>
<b>Program revenues</b>			
Charges for services	796,273	604,289	1,400,562
Operating grants and contributions	5,045	9,890,606	9,895,651
<b>Total program revenues</b>	<u>801,318</u>	<u>10,494,895</u>	<u>11,296,213</u>
<b>Net revenue (expense)</b>	<u>124,022</u>	<u>1,809,023</u>	<u>1,933,045</u>
<b>General revenues</b>			
Unrestricted investment earnings	-	28,938	28,938
Other revenue	-	235,768	235,768
<b>Total general revenues</b>	<u>-</u>	<u>264,706</u>	<u>264,706</u>
<b>Change in net position</b>	124,022	2,073,729	2,197,751
Net position, beginning of year	<u>1,087,002</u>	<u>24,471,377</u>	<u>25,558,379</u>
<b>Net position, end of year</b>	<u>\$ 1,211,024</u>	<u>\$ 26,545,106</u>	<u>\$ 27,756,130</u>

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.

#### 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

### 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, 2018, 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, 2018, was \$228,000.

#### 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 recorded only when payment is due.

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 2016 and 2017 *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.

## 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 concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds and of the 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 balances".

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.

# COUNTY OF HILLSDALE, MICHIGAN

## Notes to Financial Statements

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

#### *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.

#### *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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

*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.

*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 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.

*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 those estimates.

# 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

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, 2018:

	Primary Government	Component Units	Totals
<b>Financial statements</b>			
Statement of net assets -			
Cash and investments	\$ 8,917,348	\$ 3,524,947	\$ 12,442,295
Statement of fiduciary assets and liabilities -			
Cash and investments	1,137,441	-	1,137,441
<b>Total</b>	<b>\$ 10,054,789</b>	<b>\$ 3,524,947</b>	<b>\$ 13,579,736</b>
<b>Cash and investments</b>			
Bank deposits (checking accounts, savings accounts and certificates of deposits)			\$ 12,273,148
Investments in securities, mutual funds and similar vehicles:			
Treasurer's pool			1,300,698
Cash on hand			5,890
<b>Total</b>			<b>\$ 13,579,736</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:

# COUNTY OF HILLSDALE, MICHIGAN

## Notes to Financial Statements

### 3. CASH AND INVESTMENTS (Continued)

	Total Fair	Less than 1	Investment Maturities (fair value by years)		
			1-5	6-10	More than 10
U.S. Agencies	286,641	-	286,641	-	-
Municipal bonds	768,617	-	768,617	-	-
<b>Total</b>	<b>1,055,258</b>	<b>-</b>	<b>1,055,258</b>	<b>-</b>	<b>-</b>

*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, 2018, \$7,353,816 of the County's total balance of \$13,562,792 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, 2018:

U.S. agencies	\$ 286,641
Michigan municipal bonds and notes	768,617
Certificates of Deposit	3,797,278
Money market funds	8,710,256
<b>Total</b>	<b>\$ 13,562,792</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, 2018, 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, 2018:

	Total	Level 1	Level 2	Level 3
Municipal Bonds	\$ 768,617	\$ 768,617	\$ -	\$ -

# COUNTY OF HILLSDALE, MICHIGAN

## Notes to Financial Statements

### 4. RECEIVABLES

Receivables as of December 31, 2018 are summarized as follows:

	Governmental Activities	Business-type Activities	Component Units
Property taxes	\$ 2,996,846	\$ 3,066,251	\$ -
Accounts receivable	674,126	1,956,032	1,574,646
Advances from other funds	-	-	-
Due From other Funds	-	-	-
Special assessments	-	-	605,494
Due from other governments	17,325	-	-
Advances to component unit	407,968	-	-
Leases receivable	1,820,000	-	-
Interest receivable	10,406	411,541	-
	<u>\$ 5,926,671</u>	<u>\$ 5,433,824</u>	<u>\$ 2,180,140</u>

Of the amounts reported for receivables above, leases receivable in the amount of \$1,535,000 are not expected to be collected within one year.

### 5. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

For the year ended December 31, 2018, interfund transfers consisted of the following:

	Transfers In	Transfers Out
General fund	\$ 632,130	\$ 1,181,206
Senior Citizens debt service	-	-
Nonmajor governmental funds	1,837,518	487,445
Internal service fund	73,841	-
Medical Care Facility	-	87,735
Nonmajor enterprise funds	-	787,103
	<u>\$ 2,543,489</u>	<u>\$ 2,543,489</u>

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

### 6. TAX ABATEMENTS

The County of Hillsdale entered into certain agreements during the year that involve tax abatements. The following table outlines the key information regarding the entities involved and the type and amounts of taxes abated during the year ending December 31, 2018.

Contracted Entity	Program	Tax Abated	Gross Amount Abated
Bef Foods, Inc	IFT	Prop. Tax	214
Cobra Moto LLC	IFT	Prop. Tax	60
Conagra Foods Inc.	IFT	Prop. Tax	9,461
Fairway Products	IFT	Prop. Tax	316
Foust Electro Mold Inc.	IFT	Prop. Tax	87
General Automatic Machine Products	IFT	Prop. Tax	2,981
Hillsdale Terminal & Tools	IFT	Prop. Tax	501
Hornet Manufacturing, Inc.	IFT	Prop. Tax	519
Nyloncraft of Michigan, Inc.	IFT	Prop. Tax	3,199
Precision Gage, LLC	IFT	Prop. Tax	2,215
Qualite Sports Lighting, LLC	IFT	Prop. Tax	128
Ross Design	IFT	Prop. Tax	369
TI Group Automotive Systems, LLC	IFT	Prop. Tax	136
			<u>\$ 20,186</u>

# COUNTY OF HILLSDALE, MICHIGAN

## Notes to Financial Statements

### 7. CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2018 was as follows:

	Beginning Balance	Additions	Transfers	Disposals	Ending Balance
<b>Governmental activities</b>					
Capital assets not being depreciated					
Land	\$ 191,285		\$ -	\$ -	\$ 191,285
Construction in progress	451,508	280,043	-	(729,271)	2,280
Total capital assets not being depreciated	<u>642,793</u>	<u>280,043</u>	<u>-</u>	<u>(729,271)</u>	<u>193,565</u>
Capital assets being depreciated:					
Buildings and improvements	10,915,957	729,271	-	-	11,645,228
Vehicles and equipment	3,392,070	240,720	-	(43,900)	3,588,890
Total capital assets being depreciated	<u>14,308,027</u>	<u>969,991</u>	<u>-</u>	<u>(43,900)</u>	<u>15,234,118</u>
Less accumulated depreciation for:					
Buildings and improvements	(4,554,103)	(258,042)	-	-	(4,812,145)
Vehicles and equipment	(2,535,680)	(203,359)	-	-	(2,739,039)
Total accumulated depreciation	<u>(7,089,783)</u>	<u>(461,401)</u>	<u>-</u>	<u>-</u>	<u>(7,551,184)</u>
<b>Total capital assets being depreciated, net</b>	<u>7,218,244</u>	<u>508,590</u>	<u>-</u>	<u>(43,900)</u>	<u>7,682,934</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 7,861,037</u>	<u>\$ 788,633</u>	<u>\$ -</u>	<u>\$ (773,171)</u>	<u>\$ 7,876,499</u>

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

General Government	\$ 292,677
Public Safety	167,099
Health and Welfare	1,625
<b>Total</b>	<u>\$ 461,401</u>



COUNTY OF HILLSDALE, MICHIGAN

Notes to Financial Statements

7. CAPITAL ASSETS (Continued)

Capital assets activity for the year ended December 31, 2018 was as follows:

	Beginning Balance	Additions	Transfers	Disposals	Ending Balance
<b>Business-type activities</b>					
Capital assets being depreciated:					
Land improvements	\$ 29,524	\$ -	\$ -	\$ -	\$ 29,524
Construction in Progress	7,915	350,466	-	(354,088)	4,293
Buildings and improvements	17,376,317	253,831	-	(28,229)	17,601,919
Vehicles and equipment	1,070,469	99,436	-	(99,173)	1,070,732
Total capital assets being depreciated	<u>18,484,225</u>	<u>703,733</u>	<u>-</u>	<u>(481,490)</u>	<u>18,706,468</u>
Less accumulated depreciation for:					
Land improvements	(29,524)	-	-	-	(29,524)
Buildings and improvements	(7,246,080)	(480,313)	-	28,229	(7,698,164)
Vehicles and equipment	(925,039)	(73,133)	-	99,173	(898,999)
Total accumulated depreciation	<u>(8,200,643)</u>	<u>(553,446)</u>	<u>-</u>	<u>127,402</u>	<u>(8,626,687)</u>
<b>Total capital assets being depreciated, net</b>	<u>10,283,582</u>	<u>150,287</u>	<u>-</u>	<u>(354,088)</u>	<u>10,079,781</u>
<b>Business-type activities capital assets, net</b>	<u>\$ 10,283,582</u>	<u>\$ 150,287</u>	<u>\$ -</u>	<u>\$ (354,088)</u>	<u>\$ 10,079,781</u>

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

Medical Care Facility	\$ 540,731
Building Inspection	<u>12,715</u>
Total	<u>\$ 553,446</u>

# COUNTY OF HILLSDALE, MICHIGAN

## Notes to Financial Statements

### 7. CAPITAL ASSETS (Continued)

Capital assets activity for the year ended December 31, 2018 was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
<b>Component unit - Road Commission</b>				
Capital assets not being depreciated:				
Land	64,634	-	-	64,634
Land improvements	5,457,685	8,226	-	5,465,911
Total capital assets not being depreciated	5,522,319	8,226	-	5,530,545
Capital assets being depreciated:				
Buildings and improvements	2,149,228	99,180	-	2,248,408
Equipment	8,231,858	1,091,722	(523,715)	8,799,865
Infrastructure	57,427,617	1,559,221	-	58,986,838
Depletable assets	54,700	-	-	54,700
Total capital assets being depreciated	67,863,403	2,750,123	(523,715)	70,089,811
Less accumulated depreciation for:				
Buildings and improvements	(1,213,992)	(66,861)	-	(1,280,853)
Equipment	(7,228,415)	(509,876)	523,233	(7,215,058)
Infrastructure	(39,086,839)	(1,592,679)	-	(40,679,518)
Depletable assets	(52,184)	(43)	-	(52,227)
Total accumulated depreciation	(47,581,430)	(2,169,459)	523,233	(49,227,656)
<b>Total capital assets being depreciated, net</b>	<b>20,281,973</b>	<b>580,664</b>	<b>(482)</b>	<b>20,862,155</b>
<b>Capital assets, net</b>	<b>25,804,292</b>	<b>588,890</b>	<b>(482)</b>	<b>26,392,700</b>

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

Total Depreciation Expense - Public Works \$ 2,169,459

	Beginning Balance	Additions	Disposals	Ending Balance
<b>Component unit - Drainage District</b>				
Capital assets being depreciated -				
Buildings	\$ 135,000	\$ -	\$ -	\$ 135,000
Equipment	1,041,645	66,937	-	1,108,582
Infrastructure	628,693	-	-	628,693
Total capital assets being depreciated	1,805,338	66,937	-	1,872,275
Less accumulated depreciation for -				
Buildings	(97,212)	(5,400)	-	(102,612)
Equipment	(783,617)	(56,001)	-	(839,618)
Infrastructure	(132,067)	(12,574)	-	(144,641)
Total accumulated depreciation	(1,012,896)	(73,975)	-	(1,086,871)
<b>Capital assets, net</b>	<b>\$ 792,442</b>	<b>\$ (7,038)</b>	<b>\$ -</b>	<b>\$ 785,404</b>

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

Total Depreciation Expense - Public Works \$ 73,975

# COUNTY OF HILLSDALE, MICHIGAN

## Notes to Financial Statements

### 8. PAYABLES

Accounts payable and accrued liabilities as of December 31, 2018 are summarized as follows:

	Governmental Activities	Business-type Activities	Components Units
Accounts payable	\$ 1,065,925	\$ 711,352	\$ 175,258
Accrued liabilities	134,787	1,164,573	-
Due to other governments	-	3,181	-
Advances from other funds	-	-	-
Advances from primary government	-	-	547,692
Accrued interest payable	61,829	-	-
	<u>\$ 1,262,541</u>	<u>\$ 1,879,106</u>	<u>\$ 722,950</u>

### 9. 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 Original Issue	Amount Outstanding
<b>Governmental activities</b>				
2015 Cap. Impr. Sr Ctr. Refunding	.70%-2.70%	2025	\$ 2,140,000	\$ 970,000
2015 MCF Refunding	2.74%	2026	5,755,000	4,510,000
2016 County Office Building	2.10%	2028	500,000	500,000
2015 Senior Center Capital Debt	.75%-2.45%	2023	1,300,000	850,000
				<u>\$ 6,830,000</u>
<b>Business-type activities</b>				
2012 Building Authority - MCF Refunding	1.00%-1.70%	2018	\$ 995,000	\$ -
				<u>\$ -</u>

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

Year Ending December 31,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2019	760,000	172,719	-	-
2020	790,000	155,287	-	-
2021	880,000	136,331	-	-
2022	920,000	113,136	-	-
2023	955,000	89,761	-	-
2024-2028	2,525,000	134,857	-	-
	<u>\$ 6,830,000</u>	<u>\$ 802,091</u>	<u>\$ -</u>	<u>\$ -</u>

By statute, the government's legal debt limit is restricted to 10% of the equalized value of property in the County. At December 31, 2018, the County's legal debt limit was \$184,140,527.

# COUNTY OF HILLSDALE, MICHIGAN

## Notes to Financial Statements

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

*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	\$ 330,000
Energy Efficiency Improvements - Sheriff's	4.38%	2018	\$ 774,200	-
Annex Project	1.50%	2020	680,000	185,001
				<u>\$ 515,001</u>

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

Year Ending December 31,	Governmental Activities	
	Principal	Interest
2019	130,000	8,183
2020	135,000	6,393
2021	40,000	4,468
2022	40,000	3,908
2023	40,000	3,288
2024-2026	130,001	5,443
	<u>\$ 515,001</u>	<u>31,683</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, 2018 were as follows:

Year Ending December 31,	Governmental Activities
2019	\$ 49,236
2020	<u>26,328</u>
Total minimum lease payments	75,564
Less amount representing interest	<u>(4,779)</u>
Present value of minimum lease payments	<u>\$ 70,785</u>

*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, 2018, are as follows:

# COUNTY OF HILLSDALE, MICHIGAN

## Notes to Financial Statements

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

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	\$ -
2016 Delinquent Tax Revolving Notes	0.95%	2019	2,450,000	800,000
2017 Delinquent Tax Revolving Notes	2.5%-3.1%	2020	2,400,000	2,050,000
				<u>\$ 2,850,000</u>

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

Year Ending December 31,	Business-type Activities	
	Principal	Interest
2019	\$ 2,100,000	\$ 46,600
2020	<u>750,000</u>	<u>24,750</u>
	<u>\$ 2,850,000</u>	<u>\$ 71,350</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	\$ 20,000
Hopkins #72	2.15%	2018	190,000	-
Hacket #240	2.15%	2026	320,000	256,000
Boyd #118	2.15%	2023	235,000	167,858
Luke #238	2.15%	2022	189,500	144,500
				<u>\$ 588,358</u>

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

Year Ending December 31,	Component Unit - Drain Notes	
	Principal	Interest
2019	123,471	15,952
2020	103,471	12,419
2021	103,471	9,875
2022	96,371	7,364
2023	65,571	3,845
2024-2028	<u>96,003</u>	<u>4,692</u>
	<u>\$ 588,358</u>	<u>\$ 54,147</u>

**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%.

# COUNTY OF HILLSDALE, MICHIGAN

## Notes to Financial Statements

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

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

Year Ending December 31,	Component Unit - Road Commission Notes		
	Principal	Interest	Total
2019	108,319	499	108,818
	<u>\$ 108,319</u>	<u>\$ 499</u>	<u>\$ 108,818</u>

*Changes in long-term debt.* Long-term debt activity for the year ended December 31, 2018 was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
<b>Primary Government:</b>					
<b>Governmental activities</b>					
General obligation bonds	\$ 7,560,000		\$ (730,000)	\$ 6,830,000	\$ 760,000
Capital leases	58,725	75,070	(63,010)	70,785	45,762
Installment contracts	689,173		(174,172)	515,001	130,000
Compensated absences	484,388	43,383	(70,460)	457,311	-
Net Pension Liability	3,207,454	496,490	(14,720)	3,689,224	-
	<u>\$ 11,999,740</u>	<u>\$ 614,943</u>	<u>\$ (1,052,362)</u>	<u>\$ 11,562,321</u>	<u>\$ 935,762</u>
<b>Business-type activities</b>					
General obligation bonds	\$ 181,000	\$ -	\$ (181,000)	\$ -	\$ -
Delinquent tax notes	2,800,000	2,400,000	(2,350,000)	2,850,000	2,100,000
	<u>\$ 2,981,000</u>	<u>\$ 2,400,000</u>	<u>\$ (2,531,000)</u>	<u>\$ 2,850,000</u>	<u>\$ 2,100,000</u>
<b>Component Units:</b>					
<b>Drains</b>					
Hoops #90	\$ 40,000		\$ (20,000)	\$ 20,000	\$ 20,000
Hopkins #72	23,000		(23,000)	-	-
Chandler #186	-			-	-
Hackett #240	288,000		(32,000)	256,000	32,000
Boyd #118	201,429		(33,571)	167,858	33,571
Luke #238	-	144,500		144,500	37,900
<b>Road Commission</b>					
Installment lease payable	291,994		(183,675)	108,319	108,319
Compensated absences	390,063	86,740	(95,361)	381,442	19,072
	<u>\$ 1,234,486</u>	<u>\$ 231,240</u>	<u>\$ (387,607)</u>	<u>\$ 1,078,119</u>	<u>\$ 250,862</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

### 10. 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, 2018, 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:

	2018	2017
<b>Workers compensation</b>		
Estimated liability, January 1	\$ 25,331	\$ 68,313
Estimated claims incurred, including changes in estimates	28,426	48,466
Claim payments	<u>(53,757)</u>	<u>(91,448)</u>
<b>Estimated liability, December 31</b>	<u>\$ -</u>	<u>\$ 25,331</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.

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.

# COUNTY OF HILLSDALE, MICHIGAN

## Notes to Financial Statements

### 11. 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.

### 12. 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, 2017 levy, for which revenue was recognized in fiscal 2018, was \$1,283,614,692. For the general fund, the assessed and taxable value of real and personal property for the July 1, 2018 levy, for which revenue was recognized in fiscal 2018, was \$1,327,089,571. 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.

### 13. 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 9% 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.



# COUNTY OF HILLSDALE, MICHIGAN

## Notes to Financial Statements

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

#### 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, 2018, the following employees were covered by the benefit terms:

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

**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, 2018 is as follows:

Sheriff Patrol	9.00%
Sheriff Sergeant	9.00%

Actuarial Assumptions. The total pension liability in the December 31, 2018 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

# COUNTY OF HILLSDALE, MICHIGAN

## Notes to Financial Statements

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

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 inflation 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 2017.

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.

#### Changes in Net Pension Liability:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2017	\$ 8,329,456	\$ 5,122,002	\$ 3,207,454
Service Cost:	203,621	-	203,621
Interest:	653,908	-	653,908
Difference between expected and actual experience	7,711	-	7,711
Changes in assumptions	-	-	-
Benefit Changes	(60,862)	-	(60,862)
Employer Contributions	-	314,432	(314,432)
Employee Contributions	-	254,856	(254,856)
Net Investment Income	-	(199,104)	199,104
Benefit payments, including employee refunds	(514,830)	(514,830)	-
Administrative expense	-	(9,846)	9,846
Other Changes	37,730	-	37,730
Net Changes	327,278	(154,492)	481,770
Balances as of December 31, 2018	\$ 8,656,734	\$ 4,967,510	\$ 3,689,224

# COUNTY OF HILLSDALE, MICHIGAN

## Notes to Financial Statements

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

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 7.00%	Current Rate 8.00%	1% Increase 9.00%
Change in net pension liability	\$ 4,784,609	\$ 3,689,224	\$ 2,781,408

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, 2018, the County recognized pension expense of \$1,199,759. At December 31, 2018, 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	\$ -	\$ 160,874
Changes in assumptions	677,025	-
Difference in expected and actual returns	-	-
Total	<u>\$ 677,025</u>	<u>\$ 160,874</u>

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 December 31:	Outflows	Inflows
2019	173,877	(46,142)
2020	150,914	(46,142)
2021	177,327	(46,142)
2022	174,907	(23,146)
2023	-	9,393
2024	-	(8,695)
	<u>677,025</u>	<u>(160,874)</u>

#### Annual Pension Cost

During the year ended December 31, 2018, the County's contributions totaling \$314,432 were made in accordance with contribution requirement determined by an actuarial valuation of the plan as of December 31, 2017. 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.

Notes to Financial Statements

14. 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, 2018, plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	40
Inactive employees entitled to but not yet receiving benefits	1
Active employees	43
<b>Total membership</b>	<b>84</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 \$983,226 for the year ended December 31, 2018.

*Net Pension Liability.* The Road Commission's net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017.

*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%
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%.

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.

# COUNTY OF HILLSDALE, MICHIGAN

## Notes to Financial Statements

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

The actuarial assumptions used in the valuation were based on the results of the most recent actuarial experience study of 2009-2013.

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	Rate of Return
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>0.25%</u>
<b>Investment rate of return</b>			<u><b>8.00%</b></u>

*Discount Rate.* The discount rate used to measure the total pension liability was 8.00%. 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.

#### Changes in Net Pension Liability

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

	Liability	Position	(a) - (b)
Balances at December 31, 2017	\$ 11,541,724	\$ 7,298,802	\$ 4,242,922
Changes for the year:			
Service cost	210,415	-	210,415
Interest	903,437	-	903,437
Differences between expected and actual experience	(6,750)	-	(6,750)
Changes in assumptions	-	-	-
Employer contributions	-	983,226	(983,226)
Employee contributions	-	139,234	(139,234)
Net investment income	-	(306,824)	306,824
Benefit payments, including refunds of employee contributions	(707,944)	(707,944)	-
Administrative expense	-	(14,478)	14,478
Other changes	(24,191)	-	(24,191)
Net changes	<u>374,967</u>	<u>93,214</u>	<u>281,753</u>
<b>Balances at December 31, 2018</b>	<u><b>\$ 11,916,691</b></u>	<u><b>\$ 7,392,016</b></u>	<u><b>\$ 4,524,675</b></u>

# COUNTY OF HILLSDALE, MICHIGAN

## Notes to Financial Statements

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

*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 8.00%, 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 (7.00%) or 1% higher (9.00%) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Road Commission's net pension liability	\$ 5,717,501	\$ 4,524,675	\$ 3,494,978

*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, 2018 the Road Commission recognized pension expense of \$652,658. 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	\$ -	\$ 138,370	\$ (138,370)
Changes in assumptions	147,412	-	147,412
Net difference between projected and actual earnings on pension plan investments	442,945	-	442,945
<b>Total</b>	<b>\$ 590,357</b>	<b>\$ 138,370</b>	<b>\$ 451,987</b>

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

December 31,	Amount
2019	\$ 134,461
2020	24,856
2021	111,325
2022	181,345
<b>Total</b>	<b>\$ 451,987</b>

*Payable to the Pension Plan.* At December 31, 2018, the Road Commission had \$51,081 in contributions payable to the pension plan.

# COUNTY OF HILLSDALE, MICHIGAN

## Notes to Financial Statements

### 15. 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 \$288,994 for the year ended December 31, 2018 and employees contributed \$174,730.

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

### 16. 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.

**Employees Covered by Benefit Terms.**

As of Actuarial date 6/7/2018

Inactive Plan Members	2
Active Plan Members	34
Total Participants	36

**Total OPEB Liability and Net OPEB Liability.**

The County's total OPEB liability of \$1,581,723 was measured as of December 31, 2018.

The County has contributed zero funds towards funding this liability as the County has used a pay-as-you-go approach to their OPEB costs. That is, benefit payments will be made from general operating funds. The plan has no legally required reserves

**Actuarial Methods**

Cost Method	Entry Age Normal (level percentage of compensation)
Asset Valuation Method	Not Applicable; plan is not pre-funded

**Actuarial assumptions and other inputs.**

Inflation	Implicit in expected payroll increases
Salary Increases	1.00%
Investment rate of return	N/A; Plan is not pre-funded
Utilization	60% of eligible employees will elect coverage at retirement.
20-year Aa Municipal bond rate	3.51%
Mortality	As set forth in IRS Regulations for 2018 (1.430(h)(3)) for Non-annuitants, separately for males and females as well as annuitants and Non-annuitants. Based on RP-2000 Tables wish Scale AA

**Discount Rate**

The discount rate used to measure the total OPEB liability was 3.51%. Because the plan does not have a dedicated OPEB trust, there are not assets projected to be sufficient to make projected future benefit payments of current plan members. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits. From the year that benefit payments were not projected to be covered by the projected assets (the "depletion date"), projected benefits were discounted at a discount rate reflecting a 20-year AA/Aa tax exempt municipal bond yield. A single equivalent discount rate that yields the same present value of benefits is calculated. This discount rate is used to determine the Total OPEB Liability. December 31, 2017 is the first year of potential compliance with GASB 75, so there is no required discount rate change to disclose.

# COUNTY OF HILLSDALE, MICHIGAN

## Notes to Financial Statements

### 16. POSTEMPLOYMENT HEALTH CARE BENEFITS - PRIMARY GOVERNMENT (Continued)

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at January 1 2018	\$ 952,190	\$ -	\$ 952,190
Changes during the Year			
Service Cost	35,316	-	35,316
Interest	34,315	-	34,315
Experience (Gains)/Losses	9,801	-	9,801
Change in plan terms	-	-	-
Change in Actuarial assumptions	569,855	-	569,855
Contributions to OPEB Trust	-	-	-
Benefits paid from Operating Funds	-	-	-
Net Investment Income	-	-	-
Benefit Payments	(19,754)	-	(19,754)
Administrative Expenses	-	-	-
Other Changes	-	-	-
Total Changes	629,533	-	629,533
Balance at December 31, 2018	<u>\$ 1,581,723</u>	<u>\$ -</u>	<u>\$ 1,581,723</u>

Sensitivity of the total OPEB liability to changes in the discount rate.

The following presents the net OPEB liability of the County, calculated using trend and discount rates 1% higher and lower than base assumptions:

<u>Trend</u>	1% Decrease	Current Rate	1% Increase
Total OPEB Liability	1,382,954	1,581,723	1,817,818
Plan Fiduciary Net Position	-	-	-
Net OPEB Liability	1,382,954	1,581,723	1,817,818
<u>Discount</u>	1% Decrease	Current Rate	1% Increase
Total OPEB Liability	1,781,537	1,581,723	1,407,427
Plan Fiduciary Net Position	-	-	-
Net OPEB Liability	1,781,537	1,581,723	1,407,427

For the year ended December 31, 2018, the County recognized an OPEB expense as follows:

Service Cost	35,316
Interest on Total OPEB Liability	34,315
Experience (Gains)/Losses	668
Changes of Assumptions	38,845
<b>Total OPEB Expense</b>	<b>109,144</b>

Deferred Inflows and Outflows of Resources Related to OPEB Plan

	Deferred Outflows	Deferred Inflows
Experience (Gains)/Losses	9,133	-
Changes of Assumptions	531,010	-
Investment Earnings (Gains)/Losses	-	-
<b>Total</b>	<b>540,143</b>	<b>-</b>



# COUNTY OF HILLSDALE, MICHIGAN

## Notes to Financial Statements

### 17. NET INVESTMENT IN CAPITAL ASSETS

	Governmental activities	Business-type activities
Capital assets not being depreciated	\$ 193,565	\$ -
Capital assets being depreciated, net	7,682,934	10,079,781
Total capital assets	<u>7,876,499</u>	<u>10,079,781</u>
Capital related bonds	(6,830,000)	-
Installment contracts	(515,001)	-
Capital leases	<u>(70,785)</u>	<u>-</u>
Total net investment in capital assets	<u>\$ 460,713</u>	<u>\$ 10,079,781</u>

### 18. RESTATEMENT

The restatement of the beginning net position/fund balance for the General Fund in the amount of \$2,889 was to correct an error in accounts payable.

## **Required Supplementary Information**

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COUNTY OF HILLSDALE, MICHIGAN

Required Supplementary Information

Schedule of Changes in the Net Pension Liability and Related Ratios

	2015	2016	2017	2018
<b>Total pension liability</b>				
Service cost	\$ 192,609	\$ 198,793	\$ 196,805	\$ 203,621
Interest	537,668	595,086	618,638	653,908
Benefit payments, including refund of member contributions	(299,424)	(315,192)	(448,312)	(514,830)
Other changes	170,326	17,024	91,178	(15,421)
<b>Net change in total pension liability</b>	601,179	495,711	458,309	327,278
<b>Total pension liability - beginning</b>	6,774,257	7,375,436	7,871,147	8,329,456
<b>Total pension liability - ending</b>	<u>\$ 7,375,436</u>	<u>\$ 7,871,147</u>	<u>\$ 8,329,456</u>	<u>\$ 8,656,734</u>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ 138,180	\$ 137,998	\$ 144,608	\$ 314,432
Contributions - employee	212,788	218,671	252,676	254,856
Net investment income	234,464	469,826	605,974	(199,104)
Benefit payments, including refunds of member contributions	(299,424)	(315,192)	(448,312)	(514,830)
Administrative expense	-	(9,261)	(9,587)	(9,846)
Other changes	-	(551,627)	-	-
<b>Net change in plan fiduciary net position</b>	286,008	(49,585)	545,359	(154,492)
<b>Plan fiduciary net position - beginning</b>	4,340,220	4,626,228	4,576,643	5,122,002
<b>Plan fiduciary net position - ending</b>	<u>\$ 4,626,228</u>	<u>\$ 4,576,643</u>	<u>\$ 5,122,002</u>	<u>\$ 4,967,510</u>
<b>County's net pension liability - ending</b>	<u>\$ 2,749,208</u>	<u>\$ 3,294,504</u>	<u>\$ 3,207,454</u>	<u>\$ 3,689,224</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	63%	58%	61%	57%
<b>Covered - employee payroll</b>	\$ 1,799,823	\$ 1,799,823	\$ 1,753,157	\$ 1,770,578
<b>County's net pension liability as a percentage of covered-employee payroll</b>	153%	183%	183%	208%
<b>Annual money-weighted rate of return, net investment expense</b>	4%	4%	4%	4%
Actuarially determined contribution	\$ 138,180	\$ 137,998	\$ 144,608	\$ 169,824
Contributions in relation to the actuarially determined contribution	(138,180)	(137,998)	(144,608)	(314,432)
Contribution deficiency (excess)	-	-	-	(144,608)
Covered - employee payroll	1,799,823	1,753,157	1,753,157	1,770,578
Contributions as a percent of covered covered - employee payroll	-8%	-8%	-8%	-18%

# COUNTY OF HILLSDALE, MICHIGAN

## Required Supplementary Information

### Retiree Health Care Plan - Primary government

Total OPEB Liability - Beginning of Year	952,190
Service Cost	35,316
Interest	34,315
Experience (Gains)/Losses	9,801
Change in Actuarial Assumptions	569,855
Benefit Payments	(19,754)
Total OPEB Liability - End of Year	<u>1,581,723</u>

Plan fiduciary net Position	
Contributions - employer	19,754
Net Investment Income	-
Benefit Payments	(19,754)
Administrative Expense	-
Net Change in Plan fiduciary net Position	<u>-</u>

Plan fiduciary net Position - Beginning of Year	<u>-</u>
Plan fiduciary net Position - End of Year	<u>-</u>

Net OPEB Liability - End of Year 1,581,723

Plan fiduciary net Position as a percentage of total OPEB Liability 0.00%

#### Covered Payroll

Net OPEB liability as a percentage of covered payroll

#### Schedule of Employer Contributions

Service Cost	36,556
Amortization of unfunded liability	118,084
Actuarially determined employer contribution	154,640
Employer contribution (benefit payments)	(19,754)
Contribution deficiency/(excess)	134,886

#### Covered Payroll

ADC as a percentage of payroll

#### Key Assumptions:

Inflation	Implicit in expected payroll increases
Salary	1.00%
Investment rate of return	N/A; Plan is not pre-funded
Utilization	60% of eligible employees will elect coverage at
20-year Aa Municipal bond rate	3.51%
Mortality	As set forth in IRS Regulations for 2018 (1.430(h)(3)) for

# COUNTY OF HILLSDALE, MICHIGAN

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

Budget and Actual - General Fund

Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Actual over (under) Final Budget
<b>Revenues</b>				
Property taxes	\$ 6,553,000	\$ 6,568,000	\$ 6,542,133	\$ (25,867)
<b>Intergovernmental:</b>				
State revenue sharing	956,875	956,875	958,837	1,962
Personal Property Tax Reimbursement	175,000	287,665	69,080	(218,585)
Juvenile Officer's Grant	28,000	28,000	40,976	12,976
Judges Salaries Grant	237,005	237,005	237,742	737
Juror Compensation Grant	4,000	4,000	4,191	191
Liquor Tax	106,500	106,500	106,282	(218)
Secondary Road Patrol Grant	60,000	70,000	62,914	(7,086)
Marine Safety Grant	10,000	10,000	11,479	1,479
Emergency Management Grant	8,000	8,000	9,094	1,094
Drunk Driving Grant	10,000	10,000	12,336	2,336
Cigarette Tax Distribution	-	-	-	-
Prosecutor - Cooperative Reimbursement Program	70,000	70,000	80,641	10,641
FOC - Cooperative Reimbursement Program	200,000	237,000	241,798	4,798
FOC - Other	90,000	90,000	111,027	21,027
Survey and Remonumentation Grant	36,700	54,046	79,701	25,655
State court equity funding	190,000	190,000	235,909	45,909
Elections	65,000	65,000	88,184	23,184
Other intergovernmental revenue	17,516	19,016	17,100	(1,916)
<b>Total intergovernmental</b>	<b>2,264,596</b>	<b>2,443,107</b>	<b>2,367,291</b>	<b>(75,816)</b>
<b>Licenses and permits:</b>				
Dog licenses	46,000	46,000	47,038	1,038
Other licenses and permits	20,000	20,000	1,880	(18,120)
<b>Total licenses and permits</b>	<b>66,000</b>	<b>66,000</b>	<b>48,918</b>	<b>(17,082)</b>
<b>Fines and forfeits:</b>				
Ordinance fines and costs	272,000	272,000	266,416	(5,584)
Bond forfeitures	35,700	35,700	55,508	19,808
<b>Total fines and forfeits</b>	<b>307,700</b>	<b>307,700</b>	<b>321,924</b>	<b>14,224</b>
<b>Charges for services:</b>				
Circuit Court	44,500	44,500	36,084	(8,416)
District Court	89,500	89,500	102,457	12,957
Friend of the Court	82,700	82,700	88,947	6,247
Probate/Family Court	134,100	134,100	140,803	6,703
Clerk	67,500	67,500	71,541	4,041
Register of deeds	375,000	390,665	374,300	(16,365)
Sheriff	80,420	80,420	76,210	(4,210)
Equalization	69,000	69,000	64,192	(4,808)
Other charges for services	83,600	83,600	87,822	4,222
<b>Total charges for services</b>	<b>1,026,320</b>	<b>1,041,985</b>	<b>1,042,356</b>	<b>371</b>

continued...

# COUNTY OF HILLSDALE, MICHIGAN

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

Budget and Actual - General Fund

Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Actual over (under) Final Budget
<b>Revenues (continued)</b>				
Interest and rentals:				
Interest revenue	60,000	60,000	37,163	(22,837)
Rents	280,600	293,600	217,867	(75,733)
Total interest and rentals	<u>340,600</u>	<u>353,600</u>	<u>255,030</u>	<u>(98,570)</u>
Other revenue/reimbursements -				
Reimbursements and refunds	<u>819,450</u>	<u>819,450</u>	<u>790,712</u>	<u>(28,738)</u>
<b>Total revenues</b>	<u>11,377,666</u>	<u>11,599,842</u>	<u>11,368,364</u>	<u>(231,478)</u>
<b>Expenditures</b>				
Legislative -				
Board of Commissioners	<u>72,375</u>	<u>226,375</u>	<u>225,325</u>	<u>(1,050)</u>
Judicial:				
Circuit Court	151,924	151,924	155,598	3,674
District Court	478,635	432,619	432,619	-
Friend of the Court	364,598	364,598	360,755	(3,843)
Jury Commission	2,509	2,509	1,458	(1,051)
Probate Court	549,083	556,083	558,017	1,934
Family/Juvenile Court	265,000	300,000	248,597	(51,403)
Total judicial	<u>1,811,749</u>	<u>1,807,733</u>	<u>1,757,044</u>	<u>(50,689)</u>
General government:				
Elections	161,947	161,947	161,506	(441)
Clerk	249,181	249,181	244,724	(4,457)
Register of deeds	145,538	145,538	142,659	(2,879)
Planning	640	640	-	(640)
Equalization	235,548	235,548	228,414	(7,134)
Information technology	301,213	301,213	295,252	(5,961)
Prosecutor	462,530	465,530	467,816	2,286
Survey & Remonumentation	36,700	54,376	54,376	-
Treasurer	225,575	225,575	223,435	(2,140)
Finance	61,069	61,069	60,524	(545)
MSU Extension	188,327	191,327	190,712	(615)
Courthouse and grounds	398,853	398,853	398,853	-
FOC Building	28,350	28,350	24,001	(4,349)
DHS Building	131,725	136,725	130,858	(5,867)
Drain Commissioner	237,910	202,910	201,561	(1,349)
Bus Garage	14,000	14,000	14,000	-
Office building	21,150	21,150	19,002	(2,148)
Total general government	<u>2,900,256</u>	<u>2,893,932</u>	<u>2,857,693</u>	<u>(36,239)</u>

continued...

# COUNTY OF HILLSDALE, MICHIGAN

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

Budget and Actual - General Fund

Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Actual over (under) Final Budget
<b>Expenditures (continued)</b>				
Public safety:				
Sheriff's Department	1,884,807	1,861,256	1,809,220	(52,036)
Secondary Road Patrol Grant	80,627	90,627	72,736	(17,891)
Marine Patrol	13,500	13,500	12,208	(1,292)
Narcotics enforcement	17,266	18,766	18,717	(49)
Jail Operation	955,202	955,202	954,420	(782)
Emergency Preparedness	47,131	47,131	43,502	(3,629)
Animal control	56,832	56,832	56,142	(690)
Total public safety	<u>3,055,365</u>	<u>3,043,314</u>	<u>2,966,945</u>	<u>(76,369)</u>
Public works -				
Board of Public Works	25,209	25,209	25,001	(208)
Health and welfare:				
Health Department	147,065	147,065	119,738	(27,327)
Medical Examiner	73,750	130,250	123,012	(7,238)
Veteran's Burial	13,000	16,000	13,624	(2,376)
Veteran's Affairs Office	63,944	63,944	47,727	(16,217)
District Health Department	228,000	228,000	228,000	-
Mental Health Authority	274,000	274,000	274,000	-
Total health and welfare	<u>799,759</u>	<u>859,259</u>	<u>806,101</u>	<u>(53,158)</u>
Other:				
Employee Benefits	1,656,900	1,589,400	1,546,126	(43,274)
Property/Liability Insurance	290,000	270,000	252,346	(17,654)
Other	204,405	246,905	233,676	(13,229)
Appropriations	92,279	92,279	91,171	(1,108)
Total other	<u>2,243,584</u>	<u>2,198,584</u>	<u>2,123,319</u>	<u>(75,265)</u>
Capital outlay	94,153	149,720	149,720	-
Debt service:				
Interest	3,000	3,000	2,733	(267)
	<u>3,000</u>	<u>3,000</u>	<u>2,733</u>	<u>(267)</u>
<b>Total expenditures</b>	<u>11,005,450</u>	<u>11,207,126</u>	<u>10,913,881</u>	<u>(293,245)</u>
Revenues over (under) expenditures	<u>372,216</u>	<u>392,716</u>	<u>454,483</u>	<u>61,767</u>

continued...

# COUNTY OF HILLSDALE, MICHIGAN

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

Budget and Actual - General Fund

Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Actual over (under) Final Budget
<b>Other financing sources (uses)</b>				
Proceeds from capital lease	42,000	42,000	-	(42,000)
Transfers in	673,130	673,130	632,130	(41,000)
Transfers out	(1,114,862)	(1,285,362)	(1,181,206)	104,156
<b>Total other financing sources (uses)</b>	<u>(399,732)</u>	<u>(570,232)</u>	<u>(549,076)</u>	<u>(187,156)</u>
<b>Net change in fund balances</b>	(27,516)	(177,516)	(94,593)	82,923
Fund balances, beginning of year	1,501,038	1,501,038	1,501,038	-
Prior Period Adjustment	(2,889)	(2,889)	(2,889)	-
<b>Fund balances (deficit), end of year</b>	<u>\$ 1,470,633</u>	<u>\$ 1,320,633</u>	<u>\$ 1,403,556</u>	<u>\$ 82,923</u>



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

Budget and Actual - Senior Citizen Special Revenue Fund

Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Actual over (under) Final Budget
<b>Revenues</b>				
Property tax revenue	\$ 1,278,737	\$ 1,278,737	\$ 1,260,077	\$ (18,660)
<b>Expenditures</b>				
Health and welfare	1,278,737	1,278,737	1,255,826	(22,911)
Revenues over expenditures	-	-	4,251	4,251
Fund balances, beginning of year	22,694	22,694	22,694	-
<b>Fund balances, end of year</b>	<u>\$ 22,694</u>	<u>\$ 22,694</u>	<u>\$ 26,945</u>	<u>\$ 4,251</u>

## **Other Information**

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COUNTY OF HILLSDALE, MICHIGAN

**Combining Balance Sheet - Nonmajor Governmental Funds**  
December 31, 2018

	Special Revenue Funds									
	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	\$ 21,731	\$ 1,397	\$ 5,432	\$ 7,377	\$ 263,972	\$ 65,584	\$ 281,483	\$ 201,571	\$ 17,623	\$ 3,716
Taxes receivable	-	517,176	-	-	-	-	-	-	-	-
Accounts receivable	389	-	-	-	262,831	-	-	-	-	-
Prepaid expenditures	(4,751)	-	-	-	-	-	-	-	-	-
Interest receivable	10,406	-	-	-	-	-	-	-	-	-
<b>Total assets</b>	<u>\$ 27,775</u>	<u>\$ 518,573</u>	<u>\$ 5,432</u>	<u>\$ 7,377</u>	<u>\$ 526,803</u>	<u>\$ 65,584</u>	<u>\$ 281,483</u>	<u>\$ 201,571</u>	<u>\$ 17,623</u>	<u>\$ 3,716</u>
<b>Liabilities</b>										
Accounts payable	\$ 16,702	\$ -	\$ -	\$ -	\$ 1,824	\$ -	\$ -	\$ -	\$ 49	\$ -
Unearned revenue	2,080	-	-	-	-	-	-	-	-	-
Accrued liabilities	(4,961)	-	-	-	18,835	-	-	-	-	-
<b>Total liabilities</b>	<u>13,821</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,659</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>49</u>	<u>-</u>
<b>Deferred inflows of resources</b>										
Taxes levied for subsequent periods	-	517,176	-	-	-	-	-	-	-	-
<b>Fund balances</b>										
Nonspendable	-	-	-	-	-	-	-	-	-	-
Restricted	-	1,397	-	-	506,144	65,584	281,483	201,571	17,574	3,716
Assigned	13,954	-	5,432	7,377	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
<b>Total fund balances</b>	<u>13,954</u>	<u>1,397</u>	<u>5,432</u>	<u>7,377</u>	<u>506,144</u>	<u>65,584</u>	<u>281,483</u>	<u>201,571</u>	<u>17,574</u>	<u>3,716</u>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<u>\$ 27,775</u>	<u>\$ 518,573</u>	<u>\$ 5,432</u>	<u>\$ 7,377</u>	<u>\$ 526,803</u>	<u>\$ 65,584</u>	<u>\$ 281,483</u>	<u>\$ 201,571</u>	<u>\$ 17,623</u>	<u>\$ 3,716</u>

(continued...)

COUNTY OF HILLSDALE, MICHIGAN

Combining Balance Sheet - Nonmajor Governmental Funds

December 31, 2018

	Special Revenue Funds									
	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	\$ 18,608	\$ 34,541	\$ 16,749	\$ 12,931	\$ 125,295	\$ 15,498	\$ -	\$ 10,789	\$ -	\$ 48,885
Taxes receivable	-	-	-	-	-	-	-	-	-	-
Accounts receivable	-	7,517	-	-	50,047	-	-	-	8,000	-
Prepaid expenditures	-	-	-	-	-	-	-	-	-	-
Interest receivable	-	-	-	-	-	-	-	-	-	-
<b>Total assets</b>	<u>\$ 18,608</u>	<u>\$ 42,058</u>	<u>\$ 16,749</u>	<u>\$ 12,931</u>	<u>\$ 175,342</u>	<u>\$ 15,498</u>	<u>\$ -</u>	<u>\$ 10,789</u>	<u>\$ 8,000</u>	<u>\$ 48,885</u>
<b>Liabilities</b>										
Accounts payable	\$ 1,475	\$ 134	\$ -	\$ 12,524	\$ 30,726	\$ 3,679	\$ -	\$ -	\$ 4,979	\$ -
Unearned revenue	-	-	-	-	-	-	-	-	-	-
Accrued liabilities	-	-	-	-	10,850	-	-	-	-	-
<b>Total liabilities</b>	<u>1,475</u>	<u>134</u>	<u>-</u>	<u>12,524</u>	<u>41,576</u>	<u>3,679</u>	<u>-</u>	<u>-</u>	<u>4,979</u>	<u>-</u>
<b>Deferred inflows of resources</b>										
Taxes levied for subsequent periods	-	-	-	-	-	-	-	-	-	-
<b>Fund balances</b>										
Nonspendable	-	-	-	-	-	-	-	-	-	-
Restricted	17,133	41,924	16,749	407	133,766	11,819	-	10,789	-	-
Assigned	-	-	-	-	-	-	-	-	3,021	48,885
Unassigned	-	-	-	-	-	-	-	-	-	-
<b>Total fund balances</b>	<u>17,133</u>	<u>41,924</u>	<u>16,749</u>	<u>407</u>	<u>133,766</u>	<u>11,819</u>	<u>-</u>	<u>10,789</u>	<u>3,021</u>	<u>48,885</u>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<u>\$ 18,608</u>	<u>\$ 42,058</u>	<u>\$ 16,749</u>	<u>\$ 12,931</u>	<u>\$ 175,342</u>	<u>\$ 15,498</u>	<u>\$ -</u>	<u>\$ 10,789</u>	<u>\$ 8,000</u>	<u>\$ 48,885</u>

(continued...)

COUNTY OF HILLSDALE, MICHIGAN

Combining Balance Sheet - Nonmajor Governmental Funds

December 31, 2018

	Special Revenue Funds			Debt Service Funds						Capital Project Fund
	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	\$ 74,964	\$ 110,030	\$ 10,931	\$ 25	\$ -	\$ 1,094	\$ 720	\$ -	\$ 1,488	\$ 212,317
Taxes receivable	-	-	-	-	-	525,527	-	-	-	-
Accounts receivable	29,123	50,480	-	-	-	-	-	-	-	17,646
Prepaid expenditures	-	-	-	-	-	-	-	-	-	-
Interest receivable	-	-	-	-	-	-	-	-	-	-
<b>Total assets</b>	<u>\$ 104,087</u>	<u>\$ 160,510</u>	<u>\$ 10,931</u>	<u>\$ 25</u>	<u>\$ -</u>	<u>\$ 526,621</u>	<u>\$ 720</u>	<u>\$ -</u>	<u>\$ 1,488</u>	<u>\$ 229,963</u>
<b>Liabilities</b>										
Accounts payable	\$ 1,151	\$ 7,340	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unearned revenue	-	-	-	-	-	-	-	-	-	-
Accrued liabilities	-	-	-	-	-	-	-	-	-	-
<b>Total liabilities</b>	<u>1,151</u>	<u>7,340</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Deferred inflows of resources</b>										
Taxes levied for subsequent periods	-	-	-	-	-	525,527	-	-	-	-
<b>Fund balances</b>										
Nonspendable	-	-	-	-	-	-	-	-	-	-
Restricted	102,936	153,170	10,931	25	-	1,094	720	-	1,488	-
Assigned	-	-	-	-	-	-	-	-	-	229,963
Unassigned	-	-	-	-	-	-	-	-	-	-
<b>Total fund balances</b>	<u>102,936</u>	<u>153,170</u>	<u>10,931</u>	<u>25</u>	<u>-</u>	<u>1,094</u>	<u>720</u>	<u>-</u>	<u>1,488</u>	<u>229,963</u>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<u>\$ 104,087</u>	<u>\$ 160,510</u>	<u>\$ 10,931</u>	<u>\$ 25</u>	<u>\$ -</u>	<u>\$ 526,621</u>	<u>\$ 720</u>	<u>\$ -</u>	<u>\$ 1,488</u>	<u>\$ 229,963</u>

(continued...)

COUNTY OF HILLSDALE, MICHIGAN

**Combining Balance Sheet - Nonmajor Governmental Funds**

December 31, 2018

	Capital Project Funds					Permanent Fund	Total
	County Office Building	Medical Care Facility	DHS Building Authority	CH Building Authority	E911 Construction Fund	MCF Endowment	
<b>Assets</b>							
Cash and investments	\$ -	\$ 984	\$ -	\$ 12,770	\$ -	\$ 3,191	\$ 1,581,696
Taxes receivable	-	-	-	-	-	-	1,042,703
Accounts receivable	-	-	-	-	-	-	426,033
Prepaid expenditures	-	-	-	-	-	-	(4,751)
Interest receivable	-	-	-	-	-	-	10,406
<b>Total assets</b>	<u>\$ -</u>	<u>\$ 984</u>	<u>\$ -</u>	<u>\$ 12,770</u>	<u>\$ -</u>	<u>\$ 3,191</u>	<u>\$ 3,056,087</u>
<b>Liabilities</b>							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 80,583
Unearned revenue	-	-	-	-	-	-	2,080
Accrued liabilities	-	-	-	-	-	-	24,724
<b>Total liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>107,387</u>
<b>Deferred inflows of resources</b>							
Taxes levied for subsequent periods	-	-	-	-	-	-	1,042,703
<b>Fund balances</b>							
Nonspendable	-	-	-	-	-	3,191	3,191
Restricted	-	-	-	12,770	-	-	1,593,190
Assigned	-	984	-	-	-	-	309,616
Unassigned	-	-	-	-	-	-	-
<b>Total fund balances</b>	<u>-</u>	<u>984</u>	<u>-</u>	<u>12,770</u>	<u>-</u>	<u>3,191</u>	<u>1,905,997</u>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<u>\$ -</u>	<u>\$ 984</u>	<u>\$ -</u>	<u>\$ 12,770</u>	<u>\$ -</u>	<u>\$ 3,191</u>	<u>\$ 3,056,087</u>

COUNTY OF HILLSDALE, MICHIGAN

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
 Nonmajor Governmental Funds  
 Year Ended December 31, 2018

	Special Revenue Funds									
	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	\$ -	\$ 503,591	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	1,480	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	645	4,125	-	-	19,720	-	-	-
Charges for services	21,480	-	-	-	1,174,358	25,690	-	-	-	-
Refunds and reimbursements	-	-	-	-	37,266	-	-	-	-	-
Interest and rentals	210	-	-	-	41	-	-	-	-	-
Other revenue	80,857	-	-	-	20,182	-	14,289	46,535	3,700	4,229
<b>Total revenues</b>	<b>102,547</b>	<b>505,071</b>	<b>645</b>	<b>4,125</b>	<b>1,231,847</b>	<b>25,690</b>	<b>34,009</b>	<b>46,535</b>	<b>3,700</b>	<b>4,229</b>
<b>Expenditures</b>										
Current:										
Judicial	-	-	-	-	-	-	396	-	-	-
General government	-	-	-	-	-	-	-	25,986	-	-
Public safety	-	-	-	1,975	1,177,579	8,551	-	-	3,315	3,592
Health and welfare	-	512,570	-	-	-	-	-	-	-	-
Recreation and culture	104,205	708	-	-	-	-	-	-	-	-
Capital outlay	14,479	-	-	-	-	-	-	-	-	-
Debt service										
Principal	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>118,684</b>	<b>513,278</b>	<b>-</b>	<b>1,975</b>	<b>1,177,579</b>	<b>8,551</b>	<b>396</b>	<b>25,986</b>	<b>3,315</b>	<b>3,592</b>
Revenues over (under) expenditures	(16,137)	(8,207)	645	2,150	54,268	17,139	33,613	20,549	385	637
<b>Other financing sources (uses)</b>										
Transfers in	25,000	-	-	-	-	-	170,000	-	39	-
Transfers out	-	-	-	-	(40,758)	-	-	(49,370)	(39)	-
<b>Total other financing sources (uses)</b>	<b>25,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(40,758)</b>	<b>-</b>	<b>170,000</b>	<b>(49,370)</b>	<b>-</b>	<b>-</b>
<b>Net changes in fund balances</b>	<b>8,863</b>	<b>(8,207)</b>	<b>645</b>	<b>2,150</b>	<b>13,510</b>	<b>17,139</b>	<b>203,613</b>	<b>(28,821)</b>	<b>385</b>	<b>637</b>
Fund balances (deficit), beginning of year	5,091	9,604	4,787	5,227	492,634	48,445	77,870	230,392	17,189	3,079
<b>Fund balances (deficit), end of year</b>	<b>\$ 13,954</b>	<b>\$ 1,397</b>	<b>\$ 5,432</b>	<b>\$ 7,377</b>	<b>\$ 506,144</b>	<b>\$ 65,584</b>	<b>\$ 281,483</b>	<b>\$ 201,571</b>	<b>\$ 17,574</b>	<b>\$ 3,716</b>

(continued...)

COUNTY OF HILLSDALE, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds  
Year Ended December 31, 2018

	Special Revenue Funds									
	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	-	-	-	-	-	-	-	-	28,964	-
Contributions	-	-	-	-	-	-	-	\$ 13,872	-	-
Fines and forfeits	-	-	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-	-
Refunds and reimbursements	-	-	-	-	125,308	-	-	-	-	-
Interest and rentals	-	-	-	-	562	-	-	-	-	-
Other revenue	17,796	55,943	-	146,211	579,474	-	-	-	-	83,938
<b>Total revenues</b>	<b>17,796</b>	<b>55,943</b>	<b>-</b>	<b>146,211</b>	<b>705,344</b>	<b>-</b>	<b>-</b>	<b>13,872</b>	<b>28,964</b>	<b>83,938</b>
<b>Expenditures</b>										
Current:										
Judicial	10,211	-	-	-	-	-	-	-	-	-
General government	-	-	-	-	-	-	-	-	-	40,874
Public safety	-	37,188	-	-	-	-	-	-	26,815	-
Health and welfare	-	-	31,853	236,804	1,106,602	125,764	-	8,240	-	-
Recreation and culture	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-	-
Debt service										
Principal	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>10,211</b>	<b>37,188</b>	<b>31,853</b>	<b>236,804</b>	<b>1,106,602</b>	<b>125,764</b>	<b>-</b>	<b>8,240</b>	<b>26,815</b>	<b>40,874</b>
Revenues over (under) expenditures	7,585	18,755	(31,853)	(90,593)	(401,258)	(125,764)	-	5,632	2,149	43,064
<b>Other financing sources (uses)</b>										
Transfers in	-	-	35,000	91,000	490,000	126,802	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>35,000</b>	<b>91,000</b>	<b>490,000</b>	<b>126,802</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net changes in fund balances</b>	<b>7,585</b>	<b>18,755</b>	<b>3,147</b>	<b>407</b>	<b>88,742</b>	<b>1,038</b>	<b>-</b>	<b>5,632</b>	<b>2,149</b>	<b>43,064</b>
Fund balances (deficit), beginning of year	9,548	23,169	13,602	-	45,024	10,781	-	5,157	872	5,821
<b>Fund balances (deficit), end of year</b>	<b>\$ 17,133</b>	<b>\$ 41,924</b>	<b>\$ 16,749</b>	<b>\$ 407</b>	<b>\$ 133,766</b>	<b>\$ 11,819</b>	<b>\$ -</b>	<b>\$ 10,789</b>	<b>\$ 3,021</b>	<b>\$ 48,885</b>

(continued...)



COUNTY OF HILLSDALE, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 Nonmajor Governmental Funds  
 Year Ended December 31, 2018

	Special Revenue Funds			Debt Service Funds					Capital Projects Fund	
	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 417,679	\$ -	\$ -	\$ -	\$ -
Intergovernmental	92,524	108,452	-	-	-	-	-	-	-	-
Contributions	-	-	14,135	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-	-
Refunds and reimbursements	4,858	348	-	-	-	-	-	-	-	-
Interest and rentals	-	-	-	-	-	182,547	-	-	-	237
Other revenue	-	93,395	-	-	-	-	-	-	-	58,709
<b>Total revenues</b>	<b>97,382</b>	<b>202,195</b>	<b>14,135</b>	<b>-</b>	<b>-</b>	<b>600,226</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>58,946</b>
<b>Expenditures</b>										
Current:										
Judicial	-	-	-	-	-	-	-	-	-	-
General government	-	-	-	-	-	-	-	-	-	-
Public safety	139,983	158,929	-	-	-	-	-	-	-	-
Health and welfare	-	-	6,032	-	-	-	-	-	-	-
Recreation and culture	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-	210,387
Debt service										
Principal	-	-	-	49,172	90,000	631,000	-	-	-	-
Interest	-	-	-	1,616	4,125	137,443	-	-	10,500	(17,959)
<b>Total expenditures</b>	<b>139,983</b>	<b>158,929</b>	<b>6,032</b>	<b>50,788</b>	<b>94,125</b>	<b>768,443</b>	<b>-</b>	<b>-</b>	<b>10,500</b>	<b>192,428</b>
Revenues over (under) expenditures	(42,601)	43,266	8,103	(50,788)	(94,125)	(168,217)	-	-	(10,500)	(133,482)
<b>Other financing sources (uses)</b>										
Transfers in	20,000	106,673	-	50,788	94,125	87,735	-	-	11,000	488,598
Transfers out	-	(106,673)	-	-	-	-	-	-	-	(284,255)
<b>Total other financing sources (uses)</b>	<b>20,000</b>	<b>-</b>	<b>-</b>	<b>50,788</b>	<b>94,125</b>	<b>87,735</b>	<b>-</b>	<b>-</b>	<b>11,000</b>	<b>204,343</b>
<b>Net changes in fund balances</b>	<b>(22,601)</b>	<b>43,266</b>	<b>8,103</b>	<b>-</b>	<b>-</b>	<b>(80,482)</b>	<b>-</b>	<b>-</b>	<b>500</b>	<b>70,861</b>
Fund balances (deficit), beginning of year	125,537	109,904	2,828	25	-	81,576	720	-	988	159,102
<b>Fund balances (deficit), end of year</b>	<b>\$ 102,936</b>	<b>\$ 153,170</b>	<b>\$ 10,931</b>	<b>\$ 25</b>	<b>\$ -</b>	<b>\$ 1,094</b>	<b>\$ 720</b>	<b>\$ -</b>	<b>\$ 1,488</b>	<b>\$ 229,963</b>

(continued...)

COUNTY OF HILLSDALE, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds  
Year Ended December 31, 2018

	Capital Project Funds					Permanent Fund	Total
	County Office Building	Medical Care Facility	DHS Building Authority	CH Building Authority	E911 Construction Fund	MCF Endowment	
<b>Revenues</b>							
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 921,270
Intergovernmental	-	-	-	-	-	-	231,420
Contributions	-	-	-	-	-	-	28,007
Fines and forfeits	-	-	-	-	-	-	24,490
Charges for services	-	-	-	-	-	-	1,221,528
Refunds and reimbursements	-	-	-	-	-	-	167,780
Interest and rentals	-	-	3	15	-	36	183,651
Other revenue	540	-	-	-	-	-	1,205,798
<b>Total revenues</b>	<b>540</b>	<b>-</b>	<b>3</b>	<b>15</b>	<b>-</b>	<b>36</b>	<b>3,983,944</b>
<b>Expenditures</b>							
Current:							
Judicial	-	-	-	-	-	-	10,607
General government	-	-	6,742	-	-	-	73,602
Public safety	-	-	-	-	-	-	1,557,927
Health and welfare	-	-	-	-	-	-	2,027,865
Recreation and culture	-	-	-	-	-	-	104,913
Capital outlay	160,656	-	-	-	-	-	385,522
Debt service							
Principal	-	-	-	-	35,000	-	805,172
Interest	-	-	-	-	5,758	-	141,483
<b>Total expenditures</b>	<b>160,656</b>	<b>-</b>	<b>6,742</b>	<b>-</b>	<b>40,758</b>	<b>-</b>	<b>5,107,091</b>
Revenues over (under) expenditures	(160,116)	-	(6,739)	15	(40,758)	36	(1,123,147)
<b>Other financing sources (uses)</b>							
Transfers in	-	-	-	-	40,758	-	1,837,518
Transfers out	-	-	-	(6,350)	-	-	(487,445)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(6,350)</b>	<b>40,758</b>	<b>-</b>	<b>1,350,073</b>
<b>Net changes in fund balances</b>	<b>(160,116)</b>	<b>-</b>	<b>(6,739)</b>	<b>(6,335)</b>	<b>-</b>	<b>36</b>	<b>226,926</b>
Fund balances (deficit), beginning of year	160,116	984	6,739	19,105	-	3,155	1,679,071
<b>Fund balances (deficit), end of year</b>	<b>\$ -</b>	<b>\$ 984</b>	<b>\$ -</b>	<b>\$ 12,770</b>	<b>\$ -</b>	<b>\$ 3,191</b>	<b>\$ 1,905,997</b>

COUNTY OF HILLSDALE, MICHIGAN

**Combining Statement of Net Position**

Nonmajor Enterprise Funds  
December 31, 2018

	2005 Delinquent Tax Revolving	2006 Delinquent Tax Revolving	2007 Delinquent Tax Revolving	2008 Delinquent Tax Revolving	2009 Delinquent Tax Revolving	2010 Delinquent Tax Revolving	2011 Delinquent Tax Revolving
<b>Assets</b>							
Current assets:							
Cash and investments	\$ 828	\$ 385	\$ 2,021	\$ 3,471	\$ 14,846	\$ 2,567	\$ 2,800
Taxes receivable	2,370	5,390	8,160	12,463	20,579	30,678	34,680
Accounts receivable	-	-	-	850	2,300	1,313	3,040
Interest receivable	19,648	21,621	38,794	42,694	44,737	54,783	46,212
Prepays	-	-	-	-	-	1,500	-
<b>Total current assets</b>	<b>22,846</b>	<b>27,396</b>	<b>48,975</b>	<b>59,478</b>	<b>82,462</b>	<b>90,841</b>	<b>86,732</b>
Noncurrent assets:							
Capital assets	-	-	-	-	-	-	-
<b>Total assets</b>	<b>22,846</b>	<b>27,396</b>	<b>48,975</b>	<b>59,478</b>	<b>82,462</b>	<b>90,841</b>	<b>86,732</b>
<b>Liabilities</b>							
Accounts payable	-	-	590	-	11,966	-	-
Accrued liabilities	-	340	-	-	-	-	-
Interfund payable	-	-	-	-	-	-	-
Due to other governments	40	-	440	790	760	(2,180)	1,667
<b>Total liabilities</b>	<b>40</b>	<b>340</b>	<b>1,030</b>	<b>790</b>	<b>12,726</b>	<b>(2,180)</b>	<b>1,667</b>
<b>Net position</b>							
Net investment in capital assets	-	-	-	-	-	-	-
Unrestricted (deficit)	22,806	27,056	47,945	58,688	69,736	93,021	85,065
<b>Total net position</b>	<b>\$ 22,806</b>	<b>\$ 27,056</b>	<b>\$ 47,945</b>	<b>\$ 58,688</b>	<b>\$ 69,736</b>	<b>\$ 93,021</b>	<b>\$ 85,065</b>

COUNTY OF HILLSDALE, MICHIGAN

**Combining Statement of Net Position**

Nonmajor Enterprise Funds  
December 31, 2018

	2012 Delinquent Tax Revolving	2013 Delinquent Tax Revolving	2014 Delinquent Tax Revolving	2015 Delinquent Tax Revolving	Building Inspection	Geographic Information Systems	Total
<b>Assets</b>							
Current assets:							
Cash and investments	\$ 1,035	\$ 3,021	\$ 137,313	\$ 182,454	\$ 1,157,102	\$ 9,559	\$ 1,517,402
Taxes receivable	46,963	52,056	53,867	84,807	-	-	352,013
Accounts receivable	1,820	1,610	(5,643)	70,289	-	-	75,579
Interest receivable	51,933	48,698	42,421	-	-	-	411,541
Prepays	368	-	-	-	-	75	1,943
Total current assets	102,119	105,385	227,958	337,550	1,157,102	9,634	2,358,478
Noncurrent assets:							
Capital assets	-	-	-	-	25,360	-	25,360
<b>Total assets</b>	<b>102,119</b>	<b>105,385</b>	<b>227,958</b>	<b>337,550</b>	<b>1,182,462</b>	<b>9,634</b>	<b>2,383,838</b>
<b>Liabilities</b>							
Accounts payable	-	-	-	50	873	-	13,479
Accrued liabilities	-	-	-	-	1,522	-	1,862
Interfund payable	-	-	-	-	-	-	-
Due to other funds/governments	174	(650)	1,300	840	-	-	3,181
<b>Total liabilities</b>	<b>174</b>	<b>(650)</b>	<b>1,300</b>	<b>890</b>	<b>2,395</b>	<b>-</b>	<b>18,522</b>
<b>Net position</b>							
Net investment in capital assets	-	-	-	-	25,360	-	25,360
Unrestricted (deficit)	101,945	106,035	226,658	336,660	1,154,707	9,634	2,339,956
<b>Total net position</b>	<b>\$ 101,945</b>	<b>\$ 106,035</b>	<b>\$ 226,658</b>	<b>\$ 336,660</b>	<b>\$ 1,180,067</b>	<b>\$ 9,634</b>	<b>\$ 2,365,316</b>

# COUNTY OF HILLSDALE, MICHIGAN

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

Nonmajor Enterprise Funds  
Year Ended December 31, 2018

	2005 Delinquent Tax Revolving	2006 Delinquent Tax Revolving	2007 Delinquent Tax Revolving	2008 Delinquent Tax Revolving	2009 Delinquent Tax Revolving	2010 Delinquent Tax Revolving	2011 Delinquent Tax Revolving
<b>Operating revenues</b>							
Charges for services	\$ (40)	\$ -	\$ -	\$ -	\$ -	\$ (1,187)	\$ (1,287)
Refunds and reimbursements	-	-	-	-	-	-	-
Other operating revenue	-	-	-	-	60	120	-
<b>Total operating revenues</b>	<b>(40)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>60</b>	<b>(1,067)</b>	<b>(1,287)</b>
<b>Operating expenses</b>							
Depreciation	-	-	-	-	-	-	-
Cost of services	-	-	157	468	899	-	(120)
<b>Total operating expenses</b>	<b>-</b>	<b>-</b>	<b>157</b>	<b>468</b>	<b>899</b>	<b>-</b>	<b>(120)</b>
<b>Operating income (loss)</b>	<b>(40)</b>	<b>-</b>	<b>(157)</b>	<b>(468)</b>	<b>(839)</b>	<b>(1,067)</b>	<b>(1,167)</b>
<b>Non-operating revenues (expenses)</b>							
Interest revenue	1,452	1,728	2,721	1,813	191	2,620	1,809
Interest expense	-	-	-	-	-	-	-
<b>Total non-operating revenues (expenses)</b>	<b>1,452</b>	<b>1,728</b>	<b>2,721</b>	<b>1,813</b>	<b>191</b>	<b>2,620</b>	<b>1,809</b>
Income (loss) before transfers	1,412	1,728	2,564	1,345	(648)	1,553	642
<b>Transfers</b>							
Transfers out	-	(4,000)	(9,000)	(26,000)	(28,000)	(43,000)	(46,000)
<b>Change in net position</b>	<b>1,412</b>	<b>(2,272)</b>	<b>(6,436)</b>	<b>(24,655)</b>	<b>(28,648)</b>	<b>(41,447)</b>	<b>(45,358)</b>
Net position (deficit), beginning of year	21,394	29,328	54,381	83,343	98,384	134,468	130,423
<b>Net position (deficit), end of year</b>	<b>\$ 22,806</b>	<b>\$ 27,056</b>	<b>\$ 47,945</b>	<b>\$ 58,688</b>	<b>\$ 69,736</b>	<b>\$ 93,021</b>	<b>\$ 85,065</b>

# COUNTY OF HILLSDALE, MICHIGAN

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

Nonmajor Enterprise Funds  
Year Ended December 31, 2018

	2012 Delinquent Tax Revolving	2013 Delinquent Tax Revolving	2014 Delinquent Tax Revolving	2015 Delinquent Tax Revolving	Building Inspection	Geographic Information Systems	Total
<b>Operating revenues</b>							
Charges for services	\$ (2,090)	\$ (300)	\$ (1,612)	\$ 125,622	\$ 523,800	\$ 7,596	\$ 650,502
Refunds and reimbursements	-	-	-	-	2,090	-	2,090
Other operating revenue	3,625	(2,050)	315	-	893	-	2,963
<b>Total operating revenues</b>	<b>1,535</b>	<b>(2,350)</b>	<b>(1,297)</b>	<b>125,622</b>	<b>526,783</b>	<b>7,596</b>	<b>655,555</b>
<b>Operating expenses</b>							
Depreciation	-	-	-	-	12,715	-	12,715
Cost of services	-	4,393	718	83,523	376,248	13,312	479,598
<b>Total operating expenses</b>	<b>-</b>	<b>4,393</b>	<b>718</b>	<b>83,523</b>	<b>388,963</b>	<b>13,312</b>	<b>492,313</b>
<b>Operating income (loss)</b>	<b>1,535</b>	<b>(6,743)</b>	<b>(2,015)</b>	<b>42,099</b>	<b>137,820</b>	<b>(5,716)</b>	<b>163,242</b>
<b>Non-operating revenues (expenses)</b>							
Interest revenue	-	5,925	(6,320)	19,967	-	-	31,906
Interest expense	1	(1)	2	(4,962)	-	-	(4,960)
<b>Total non-operating revenues (expenses)</b>	<b>1</b>	<b>5,924</b>	<b>(6,318)</b>	<b>15,005</b>	<b>-</b>	<b>-</b>	<b>26,946</b>
Income (loss) before transfers	1,536	(819)	(8,333)	57,104	137,820	(5,716)	190,188
<b>Transfers</b>							
Transfers out	(130,000)	-	(16,130)	(330,000)	(154,973)	-	(787,103)
<b>Change in net position</b>	<b>(128,464)</b>	<b>(819)</b>	<b>(24,463)</b>	<b>(272,896)</b>	<b>(17,153)</b>	<b>(5,716)</b>	<b>(596,915)</b>
Net position, beginning of year	230,409	106,854	251,121	609,556	1,197,220	15,350	2,962,231
<b>Net position, end of year</b>	<b>\$ 101,945</b>	<b>\$ 106,035</b>	<b>\$ 226,658</b>	<b>\$ 336,660</b>	<b>\$ 1,180,067</b>	<b>\$ 9,634</b>	<b>\$ 2,365,316</b>

COUNTY OF HILLSDALE, MICHIGAN

Combining Statement of Cash Flows

Nonmajor Enterprise Funds  
Year Ended December 31, 2018

	2005 Delinquent Tax Revolving	2006 Delinquent Tax Revolving	2007 Delinquent Tax Revolving	2008 Delinquent Tax Revolving	2009 Delinquent Tax Revolving	2010 Delinquent Tax Revolving	2011 Delinquent Tax Revolving
<b>Cash flows from operating activities</b>							
Cash received from customers	\$ (803)	\$ (224)	\$ 3,902	\$ 13,545	\$ 15,623	\$ 28,207	\$ 35,130
Cash payments to suppliers for goods and services	(80)	(120)	(217)	(468)	(1,198)	(3,031)	120
<b>Net cash provided by (used in) operating activities</b>	<b>(883)</b>	<b>(344)</b>	<b>3,685</b>	<b>13,077</b>	<b>14,425</b>	<b>25,176</b>	<b>35,250</b>
<b>Cash flows from non-capital financing activities</b>							
Transfers out	-	(4,000)	(9,000)	(26,000)	(28,000)	(43,000)	(46,000)
<b>Cash flows from capital and related financing activities</b>							
Purchase of capital assets	-	-	-	-	-	-	-
Interest payments	-	-	-	-	-	-	-
Principal payments	-	-	-	-	-	-	-
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash flows from investing activities</b>							
Interest received	1,452	1,728	2,721	1,813	191	2,620	1,809
Amounts collected on leases receivable	-	-	-	-	-	-	-
<b>Total cash provided by (used in) investing activities</b>	<b>1,452</b>	<b>1,728</b>	<b>2,721</b>	<b>1,813</b>	<b>191</b>	<b>2,620</b>	<b>1,809</b>
<b>Net change in cash and cash equivalents</b>	<b>569</b>	<b>(2,616)</b>	<b>(2,594)</b>	<b>(11,110)</b>	<b>(13,384)</b>	<b>(15,204)</b>	<b>(8,941)</b>
Cash and cash equivalents, beginning of year	259	3,001	4,615	14,581	28,230	17,771	11,741
<b>Cash and cash equivalents, end of year</b>	<b>\$ 828</b>	<b>\$ 385</b>	<b>\$ 2,021</b>	<b>\$ 3,471</b>	<b>\$ 14,846</b>	<b>\$ 2,567</b>	<b>\$ 2,800</b>

(continued...)

COUNTY OF HILLSDALE, MICHIGAN

Combining Statement of Cash Flows

Nonmajor Enterprise Funds  
Year Ended December 31, 2018

	2005 Delinquent Tax Revolving	2006 Delinquent Tax Revolving	2007 Delinquent Tax Revolving	2008 Delinquent Tax Revolving	2009 Delinquent Tax Revolving	2010 Delinquent Tax Revolving	2011 Delinquent Tax Revolving
<b>Cash flows from operating activities</b>							
Operating income (loss)	\$ (40)	\$ -	\$ (157)	\$ (468)	\$ (839)	\$ (1,067)	\$ (1,167)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Depreciation	-	-	-	-	-	-	-
(Increase) decrease in:							
Taxes receivable	128	683	4,835	5,830	5,752	12,894	18,172
Accounts receivable	-	-	-	-	40	90	101
Interest receivable	(891)	(907)	(933)	7,715	9,772	16,289	18,145
Accounts payable	(80)	(120)	(60)	-	(299)	(3,031)	-
<b>Net cash provided by (used in) operating activities</b>	<b>\$ (883)</b>	<b>\$ (344)</b>	<b>\$ 3,685</b>	<b>\$ 13,077</b>	<b>\$ 14,425</b>	<b>\$ 25,176</b>	<b>\$ 35,250</b>

(continued...)

COUNTY OF HILLSDALE, MICHIGAN

Combining Statement of Cash Flows

Nonmajor Enterprise Funds  
Year Ended December 31, 2018

	2012 Delinquent Tax Revolving	2013 Delinquent Tax Revolving	2014 Delinquent Tax Revolving	2015 Delinquent Tax Revolving	Building Inspection	Geographic Information Systems	Total
<b>Cash flows from operating activities</b>							
Cash received from customers	\$ 34,387	\$ 36,651	\$ 62,547	\$ 626,567	\$ 591,946	\$ 7,670	\$ 1,455,148
Cash payments to suppliers for goods and services	(60)	(4,483)	(898)	(85,053)	(376,096)	(13,312)	(484,896)
<b>Net cash provided by (used in) operating activities</b>	<u>34,327</u>	<u>32,168</u>	<u>61,649</u>	<u>541,514</u>	<u>215,850</u>	<u>(5,642)</u>	<u>970,252</u>
<b>Cash flows from non-capital financing activities</b>							
Transfers out	(130,000)	-	(16,130)	(330,000)	(154,973)	-	(787,103)
<b>Cash flows from capital and related financing activities</b>							
Purchase of capital assets					6,532	-	6,532
Interest payments	(1)	(1)	2	(4,962)	-	-	(4,962)
Principal payments				(700,000)	-	-	(700,000)
<b>Net cash provided by (used in) capital and related financing activities</b>	<u>(1)</u>	<u>(1)</u>	<u>2</u>	<u>(704,962)</u>	<u>6,532</u>	<u>-</u>	<u>(698,430)</u>
<b>Cash flows from investing activities</b>							
Interest received	-	5,925	(6,320)	19,967	-	-	31,906
Amounts collected on leases receivable	-	-	-	-	-	-	-
<b>Total cash provided from investing activities</b>	<u>-</u>	<u>5,925</u>	<u>(6,320)</u>	<u>19,967</u>	<u>-</u>	<u>-</u>	<u>31,906</u>
<b>Net change in cash and cash equivalents</b>	<u>(95,674)</u>	<u>38,092</u>	<u>39,201</u>	<u>(473,481)</u>	<u>67,409</u>	<u>(5,642)</u>	<u>(483,375)</u>
Cash and cash equivalents, beginning of year	96,709	(35,071)	98,112	655,935	1,089,693	15,201	2,000,777
<b>Cash and cash equivalents, end of year</b>	<u>\$ 1,035</u>	<u>\$ 3,021</u>	<u>\$ 137,313</u>	<u>\$ 182,454</u>	<u>\$ 1,157,102</u>	<u>\$ 9,559</u>	<u>\$ 1,517,402</u>

COUNTY OF HILLSDALE, MICHIGAN

Combining Statement of Cash Flows

Nonmajor Enterprise Funds  
Year Ended December 31, 2018

	2012 Delinquent Tax Revolving	2013 Delinquent Tax Revolving	2014 Delinquent Tax Revolving	2015 Delinquent Tax Revolving	Building Inspection	Geographic Information Systems	Total
<b>Cash flows from operating activities</b>							
Operating income (loss)	\$ 1,535	\$ (6,743)	\$ (2,015)	\$ 42,099	\$ 137,820	\$ (5,716)	\$ 163,242
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Depreciation	-	-	-	-	12,715	-	12,715
(Increase) decrease in:							
Taxes receivable	20,377	23,583	32,928	283,825	-	-	409,007
Accounts receivable	170	160	209	8,393	65,163	74	74,400
Interest receivable	12,305	15,258	30,706	208,727	-	-	316,186
Accounts payable	(60)	(90)	(180)	(1,530)	152	-	(5,298)
<b>Net cash provided by (used in) operating activities</b>	<u>\$ 34,327</u>	<u>\$ 32,168</u>	<u>\$ 61,649</u>	<u>\$ 541,514</u>	<u>\$ 215,850</u>	<u>\$ (5,642)</u>	<u>\$ 970,252</u>



COUNTY OF HILLSDALE, MICHIGAN

**Combining Statement of Fiduciary Assets and Liabilities**

Agency Funds  
December 31, 2018

	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	\$ 1,007,346	\$ -	\$ 73,793	\$ 363	\$ 34,109	\$ -	\$ 21,830	\$ 1,137,441
<b>Liabilities</b>								
Due to other governments	541,718	-	-	-	-	-	-	541,718
Undistributed receipts	465,628	-	73,793	363	34,109	-	21,830	595,723
<b>Total liabilities</b>	<b>\$ 1,007,346</b>	<b>\$ -</b>	<b>\$ 73,793</b>	<b>\$ 363</b>	<b>\$ 34,109</b>	<b>\$ -</b>	<b>\$ 21,830</b>	<b>\$ 1,137,441</b>

COUNTY OF HILLSDALE, MICHIGAN

Statement of Net Position / Governmental Funds Balance Sheet

Drain Commission Component Unit  
December 31, 2018

	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	\$ 444,377	\$ 110,409	\$ 63,546	\$ 12,900	\$ 56,249	\$ 687,799	\$ 128,445	\$ -	\$ 816,244
Accounts receivable	-	-	-	-	-	-	-	207	-	207
Special assessments receivable	-	555,494	-	50,000	-	-	605,494	-	-	605,494
Due from other funds	-	-	279,079	(7,252)	5,580	-	277,407	-	(277,407)	-
Capital assets, net	-	-	-	-	-	-	-	350,226	435,178	785,404
<b>Total assets</b>	<u>\$ 318</u>	<u>\$ 999,871</u>	<u>\$ 389,488</u>	<u>\$ 106,294</u>	<u>\$ 18,480</u>	<u>\$ 56,249</u>	<u>\$ 1,570,700</u>	<u>\$ 478,878</u>	<u>157,771</u>	<u>2,207,349</u>
<b>Liabilities</b>										
Due to other funds	\$ -	\$ 189,618	\$ -	\$ -	\$ -	\$ -	\$ 189,618	\$ 87,789	(277,407)	-
Long Term Liabilities	-	-	389,488	-	18,480	-	407,968	-	-	407,968
<b>Total liabilities</b>	<u>-</u>	<u>189,618</u>	<u>389,488</u>	<u>-</u>	<u>18,480</u>	<u>-</u>	<u>597,586</u>	<u>87,789</u>	<u>(277,407)</u>	<u>407,968</u>
<b>Deferred inflows of resources</b>										
Unavailable revenue - special assessments	-	555,494	-	50,000	-	-	605,494	-	(605,494)	0
<b>Fund balances</b>										
Unassigned	318	254,759	-	56,294	-	56,249	367,620	391,089	(758,709)	-
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<u>\$ 318</u>	<u>\$ 999,871</u>	<u>\$ 389,488</u>	<u>\$ 106,294</u>	<u>\$ 18,480</u>	<u>\$ 56,249</u>	<u>\$ 1,570,700</u>	<u>\$ 478,878</u>		
<b>Net position</b>										
Net investment in capital assets									785,404	785,404
Unrestricted									425,620	425,620
<b>Total net position</b>									<u>\$ 1,211,024</u>	<u>\$ 1,211,024</u>

# COUNTY OF HILLSDALE, MICHIGAN

## Reconciliation

Fund Balances for Governmental Funds  
To Net Position of Governmental Activities  
Drain Commission Component Unit  
December 31, 2018

<b>Fund balances - governmental funds</b>	\$ 758,709
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.	435,178
Long-term liability used in governmental activities are not financial resources and therefore are not reported in funds.	(588,358)
Other long-term assets are not available to pay current year expenditures and, therefore, are not recorded in the funds.	
Deferred inflows on long-term special assessments receivable	<u>605,495</u>
<b>Net position of governmental activities</b>	<u><u>\$ 1,211,024</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, 2018

	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	\$ -	\$ 3,439	\$ -	\$ 381	\$ -	\$ 41	\$ 3,861	\$ 1,184	\$ -	\$ 5,045
Equipment rentals	-	-	-	-	-	-	-	-	-	-
Other revenue	-	660,386	-	15,002	-	-	675,388	-	120,885	796,273
<b>Total revenues</b>	-	663,825	-	15,383	-	41	679,249	1,184	120,885	801,318
<b>Expenditures/Expenses</b>										
Public works	-	623,421	-	10,908	-	-	634,329	-	102,866	737,195
Depreciation	-	-	-	-	-	-	-	-	(59,899)	(59,899)
<b>Total expenditures/expenses</b>	-	623,421	-	10,908	-	-	634,329	-	42,967	677,296
<b>Net change in fund balances/ change in net position</b>	-	40,404	-	4,475	-	41	44,920	1,184	77,918	124,022
Fund balances / net position, beginning of year	318	214,355	-	51,819	-	56,208	322,700	389,905	374,397	1,087,002
<b>Fund balances / net position, end of year</b>	\$ 318	\$ 254,759	\$ -	\$ 56,294	\$ -	\$ 56,249	\$ 367,620	\$ 391,089	\$ 452,315	\$ 1,211,024

# 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, 2018

Net change in fund balance - Governmental funds	\$ 44,920
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.	
Deduct - depreciation expense	(73,975)
Add - capital assets purchased	66,937
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year.	
	120,885
Note proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of note principal is an expenditure in the governmental funds, but the repayment reduces long term-liabilities.	
Note proceeds / payments	(35,929)
Internal service funds are used by management to charge the costs of certain activities, such as equipment purchases, to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities:	
Net operating loss from governmental activities accounted for in the internal service fund	<u>1,184</u>
<b>Change in net position of governmental activities</b>	<b><u><u>\$ 124,022</u></u></b>

# **Report on Compliance**

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

**KINROSS OFFICE**

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**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, 2018, 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 26, 2019. Our report includes a reference to other auditors who audited the financial statements of the Hillsdale County Road Commission and the Hillsdale County Medical Care Facility 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 26, 2019





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

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SUE A. BOWLBY, CPA, PRINCIPAL  
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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, 2018, and have issued our report thereon dated June 26, 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 29, 2019, 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 29, 2019.

### **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. One new accounting policy regarding GASB Statement No. 75 was 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 26, 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: Partially corrected. - The Board adopted a GASB 54 policy in early 2019.

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: In process of updating policy.

#### **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: Working towards implementation.

#### **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: Corrected.

#### **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: Corrected.

#### **Payroll (Prior Year)**

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.

Status: Corrected.

### **Disbursements (Prior Year)**

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

Status: Corrected.

### **Credit Cards (Prior Year)**

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.

Status: Corrected

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.

Status: Uncorrected

### **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.

Status: The Board adopted a policy in early 2019.

### **Inactive Funds (Prior Year)**

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.

Status: Uncorrected.

### **Trust and Agency Funds (Prior Year)**

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.

Status: Uncorrected.

#### **Long Outstanding Checks (Prior Year)**

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.

Status: Uncorrected.

#### **Intrusion Testing**

In our review of IT security control, it was noted that the county has not had an intrusion test performed in ten year. We recommend that in the ever-changing IT risk environment that the county consider performing an intrusion test to ensure the county IT controls.

#### **Accounts Payable**

It was noted during our review of accounts payable that the amount recorded in ledger for accounts payable and expense did not agree to the actual amount paid to vendor. We recommend that the county review all accounts payable booking to ensure the amounts booked reflect the actual amount expended.

#### **GASB 83 - Certain Asset Retirement Obligations**

*Effective 06/15/2019 (your FY 2019)*

This statement addresses accounting and financial reporting for certain asset retirement obligations--legally enforceable liabilities associated with the retirement of tangible capital assets.

#### **GASB 84 - Fiduciary Activities**

*Effective 12/15/2019 (your FY 2019)*

This standard establishes new criteria for determining how to report fiduciary activities in governmental financial statements. The focus is on whether the government is controlling the assets, and who the beneficiaries are. Under this revised standard, certain activities previously reported in agency funds may be reclassified in future periods.

Due to the number of specific factors to consider, management should assess the degree to which this standard may impact the County.

### **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 payments 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 inquiries 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 26, 2019