

County of Hillsdale, Michigan

BASIC FINANCIAL STATEMENTS

December 31, 2019

COUNTY OF HILLSDALE, MICHIGAN

BOARD OF COMMISSIONERS

Mark E. Wiley
Chairman

Julie Games
Vice Chairman

Namrata Carolan

Bruce Caswell

Ruth Brown

OTHER OFFICIALS

Marney M. Kast
Clerk/Executive Secretary

Bambi L. Somerlott
Register of Deeds

Stephenie Kyser
Treasurer

Timothy J. Parker
Sheriff

Matt Word
Drain Commissioner

Neal A. Brady
Prosecuting Attorney

Derek Ringman
Finance Director

TABLE OF CONTENTS

| | <u>Page</u> |
|--|--------------------|
| INDEPENDENT AUDITOR’S REPORT | 1 |
| MANAGEMENT’S DISCUSSION AND ANALYSIS | 4 |
| BASIC FINANCIAL STATEMENTS: | |
| Government-Wide Financial Statements: | |
| Statement of Net Position | 8 |
| Statement of Activities | 9 |
| Fund Financial Statements: | |
| Balance Sheet - Governmental Funds | 11 |
| Reconciliation of Governmental Funds | |
| Balance Sheet to the Statement of Net Position | 12 |
| Statement of Revenues, Expenditures, and | |
| Changes in Fund Balance - Governmental Funds | 13 |
| Reconciliation of Governmental Funds | |
| Statement of Revenues, Expenditures, and Changes | |
| in Fund Balances to the Statement of Activities | 14 |
| Proprietary Funds: | |
| Statement of Net Position | 15 |
| Statement of Revenues, Expenses, and Changes in Net Position | 16 |
| Statement of Cash Flows | 17 |
| Fiduciary Funds: | |
| Statement of Fiduciary Net Position | 19 |
| COMPONENT UNITS: | |
| Financial Statements: | |
| Combining Statement of Net Position | 20 |
| Combining Statement of Activities | 21 |
| NOTES TO FINANCIAL STATEMENTS | 22 |

REQUIRED SUPPLEMENTARY INFORMATION:

Employee Retirement and Benefit Systems:

Pension:

Schedule of Changes in the Net Pension Liability and Related Ratios 49
Schedule of Contributions..... 49

Other Post-Employment Benefits (OPEB):

Schedule of Changes in the OPEB Liability and Related Ratios 50

Major Funds:

Budgetary Comparison Schedule - General Fund 51
Budgetary Comparison Schedule - Senior Citizens Special Revenue Fund 55

OTHER INFORMATION:

Combining Balance Sheet - Nonmajor Governmental Funds 56

Combining Statement of Revenues, Expenditures, and Changes in
Fund Balance - Nonmajor Governmental Funds..... 60

Combining Statement of Net Position - Nonmajor Enterprise Funds..... 64

Combining Statement of Revenues, Expenses, and Changes in
Net Position - Nonmajor Enterprise Funds 66

Combining Statement of Cash Flows - Nonmajor Enterprise Funds 68

Combining Statement of Fiduciary Funds - Assets and Liabilities 70

Combining Statement of Net Position/Balance Sheet -
Drain Commission - Component Unit..... 71

Reconciliation of Governmental Funds

Balance Sheet to the Statement of Net Position - Drain Commission - Component Unit..... 72

Combining Statement of Revenues, Expenditures,
and Changes in Fund Balance/Net Assets - Drain Commission - Component Unit 73

Reconciliation of Governmental Funds

Statement of Revenues, Expenditures, and Changes in
in Fund Balances to the Statement of Activities - Drain Commission - Component Unit 74

REPORTS ON COMPLIANCE:

Independent Auditor’s Report on Internal Control Over Financial
Reporting and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance
with *Government Auditing Standards*..... 75

Independent Auditor’s Report on Compliance for Each Major Program
and on Internal Control Over Compliance Required by
the Uniform Guidance 77

Schedule of Expenditures of Federal Awards 79

Notes to Schedule of Expenditures of Federal Awards 80

Schedule of Findings and Questioned Costs 81

Schedule of Prior Year Audit Findings 84



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

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

PHILLIP J. WOLF, CPA
LESLIE BOHN, CPA
TORI KRUISE, CPA

**MEMBER AICPA
DIVISION FOR CPA FIRMS**

MEMBER MACPA

**OFFICES IN
MICHIGAN & WISCONSIN**

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information, of the County of Hillsdale, Michigan, as of and for the year ending December 31, 2019, 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, 97 percent, and 92 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, 79 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 unit, each major fund, and the aggregate remaining fund information of the County of Hillsdale, Michigan, as of December 31, 2019, 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, employee retirement and benefits systems 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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining nonmajor fund financial statements and the schedule of expenditures of federal awards 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 and the schedule of expenditures of federal awards 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 July 31, 2020 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

July 31, 2020

Management's Discussion and Analysis

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, 2019. 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 \$120,118 from year end 2018 to 2019. This was driven by an increase in workman's compensation claims in 2019. 2019 workman's compensation expenses (premiums and claims) cost the county about \$110,000 more than was budgeted.
- General Fund Property tax revenue increased by \$262,681 in 2019 compared to 2018.
- The Medical Care Facility reported an increase in net position of \$598,480.

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, 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

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 | |
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Assets | | | | | | |
| Current and other assets | \$ 10,330,545 | \$ 8,376,842 | \$ 14,475,113 | \$ 12,309,311 | \$ 24,805,658 | \$ 20,686,153 |
| Capital assets, net | 7,905,579 | 7,876,499 | 9,689,927 | 10,079,781 | 17,595,506 | 17,956,280 |
| Total assets | 18,236,124 | 16,253,341 | 24,165,040 | 22,389,092 | 42,401,164 | 38,642,433 |
| Deferred outflows | | | | | | |
| Deferred loss on advance refunding | 279,279 | 677,025 | - | - | 279,279 | 677,025 |
| Liabilities | | | | | | |
| Long-term liabilities | 11,965,531 | 13,144,044 | 3,100,000 | 2,850,000 | 15,065,531 | 15,994,044 |
| Other liabilities | 2,205,458 | 1,264,621 | 2,391,040 | 1,879,106 | 4,596,498 | 3,143,727 |
| Total liabilities | 14,170,989 | 14,408,665 | 5,491,040 | 4,729,106 | 19,662,029 | 19,137,771 |
| Deferred inflows | | | | | | |
| Deferred inflow from Pension | 219,514 | 160,874 | - | - | 219,514 | 160,874 |
| Deferred inflow of resources | 2,312,770 | 1,587,940 | 803,144 | 771,980 | 3,115,914 | 2,359,920 |
| Total Deferred Inflows | 2,532,284 | 1,748,814 | 803,144 | 771,980 | 3,335,428 | 2,520,794 |
| Net position: | | | | | | |
| Net investment in capital assets | 1,375,188 | 460,713 | 9,689,927 | 10,079,781 | 11,065,115 | 10,540,494 |
| Restricted | 2,276,815 | 1,631,370 | 462,857 | - | 2,739,672 | 1,631,370 |
| Unrestricted | (1,839,873) | (1,319,196) | 7,718,072 | 6,808,225 | 5,878,199 | 5,489,029 |
| Total net position | \$ 1,812,130 | \$ 772,887 | \$ 17,870,856 | \$ 16,888,006 | \$ 19,682,986 | \$ 17,660,893 |

COUNTY OF HILLSDALE, MICHIGAN

Management's Discussion and Analysis

The County's combined net position increased 11.5% from a year ago - increasing from \$17,660,893 to \$19,699,026. Governmental activities experienced an increase in net position of \$1,055,283. Business-type activities experienced an increase of \$982,850 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 | |
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Program revenues: | | | | | | |
| Charges for services | \$ 2,693,692 | \$ 2,745,341 | \$ 19,013,113 | \$ 18,901,482 | \$ 21,706,805 | \$ 21,646,823 |
| Operating grants and contributions | 4,130,526 | 4,064,646 | 3,841,418 | 3,750,601 | 7,971,944 | 7,815,247 |
| General revenues: | | | | | | |
| Property taxes | 9,817,780 | 8,723,480 | - | - | 9,817,780 | 8,723,480 |
| State shared revenue | 967,598 | 958,837 | - | - | 967,598 | 958,837 |
| Personal Property Tax Reimbursement | 139,265 | 69,080 | - | - | 139,265 | 69,080 |
| Unrestricted investment earnings | 58,924 | 37,165 | - | - | 58,924 | 37,165 |
| Other Revenue | 331,926 | 335,776 | - | - | 331,926 | 335,776 |
| Total revenues | 18,139,711 | 16,934,325 | 22,854,531 | 22,652,083 | 40,994,242 | 39,586,408 |
| Expenses: | | | | | | |
| Legislative | 90,671 | 225,325 | - | - | 90,671 | 225,325 |
| Judicial | 1,773,997 | 1,767,651 | - | - | 1,773,997 | 1,767,651 |
| General government | 3,614,958 | 3,240,795 | - | - | 3,614,958 | 3,240,795 |
| Public safety | 4,913,012 | 3,973,864 | - | - | 4,913,012 | 3,973,864 |
| Public works | 25,852 | 25,001 | - | - | 25,852 | 25,001 |
| Health and welfare | 5,187,888 | 4,068,724 | - | - | 5,187,888 | 4,068,724 |
| Recreation and cultural | 69,469 | 119,392 | - | - | 69,469 | 119,392 |
| Other governmental activities | 2,479,622 | 2,594,976 | - | - | 2,479,622 | 2,594,976 |
| Interest on long-term debt | 56,359 | 48,060 | - | - | 56,359 | 48,060 |
| Medical Care Facility | - | - | 20,855,905 | 20,070,770 | 20,855,905 | 20,070,770 |
| Delinquent tax collections/forfeitures | - | - | 236,567 | 174,566 | 236,567 | 174,566 |
| Building inspections | - | - | 405,482 | 388,963 | 405,482 | 388,963 |
| Geographic information services | - | - | 13,385 | 13,312 | 13,385 | 13,312 |
| Total expenses | 18,211,828 | 16,063,788 | 21,511,339 | 20,647,611 | 39,723,167 | 36,711,399 |
| Change in net position, | | | | | | |
| before transfers | (72,117) | 870,537 | 1,343,192 | 2,004,472 | 1,271,075 | 2,875,009 |
| Transfers | 715,267 | 874,838 | (715,267) | (874,838) | - | - |
| Change in net position | 643,150 | 1,745,375 | 627,925 | 1,129,634 | 1,271,075 | 2,875,009 |
| Net position: | | | | | | |
| Beginning of year | 772,887 | (969,599) | 16,888,006 | 15,758,372 | 17,660,893 | 14,788,773 |
| Prior Period Adjustment | 396,093 | (2,889) | 354,925 | - | 751,018 | (2,889) |
| End of year | \$ 1,812,130 | \$ 772,887 | \$ 17,870,856 | \$ 16,888,006 | \$ 19,682,986 | \$ 17,660,893 |

Governmental Activities

Total governmental revenues increased by \$885,386. The majority of this increase is from property tax revenue. The county had a new mental health millage in 2019. Governmental expenses had an increase of 11.3%

COUNTY OF HILLSDALE, MICHIGAN

Management's Discussion and Analysis

Business-Type Activities

The county's business-type activities consist primarily of the Medical Care Facility fund. Medical Care Facility revenue increased \$302,890 and expenses increased \$782,937. Despite the increase in expenses, the Medical Care Facility still saw an increase in net position of \$598,480.

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 2019 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 \$3,095,155, \$2,996,862, and \$1,767,466, 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 2017 and 2018 delinquent tax revolving

Capital Asset and Debt Administration

At the end of the fiscal year 2019, the County had approximately \$17,595,506 (net of depreciation) invested in a broad range of capital assets, including land, buildings, vehicles, equipment, etc. Details of the County's capital assets are contained in the notes to the financial statements.

The County continues to pay down debt obligations related to capital investments. At December 31, 2019, debt related to capital assets of governmental activities totaled \$6,530,391. Debt related to business-type activities totaled \$3,100,000, this relates to delinquent tax notes for 2017 and 2018.

Economic Factors and Next Year's Budgets and Rates

The County's 2019 taxable value was a little higher than 2018 values, and a 2.0% increase is expected in 2020. Due to the Covid-19 pandemic, state revenue sharing allocations could be reduced, as well as general revenue sources for the county. There are State and Federal reimbursement opportunities for the county to address increased expenditures due to the Covid-19 pandemic response from the county, such as personal protective equipment and increased over time hours.

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

COUNTY OF HILLSDALE, MICHIGAN

Statement of Net Position

December 31, 2019

| | Primary Government | | | Component Units |
|---------------------------------------|-------------------------|--------------------------|----------------------|----------------------|
| | Governmental Activities | Business-type Activities | Total | |
| Assets | | | | |
| Cash and investments | \$ 1,823,778 | \$ 9,031,385 | \$ 10,855,163 | \$ 3,873,322 |
| Internal balances | 352,863 | - | 352,863 | - |
| Receivables, net | 7,957,513 | 5,119,511 | 13,077,024 | 1,955,325 |
| Prepaid items and other assets | 196,391 | 324,217 | 520,608 | 661,277 |
| Capital assets not being depreciated | 251,435 | - | 251,435 | 5,555,606 |
| Capital assets being depreciated, net | 7,654,144 | 9,689,927 | 17,344,071 | 23,042,163 |
| Total assets | 18,236,124 | 24,165,040 | 42,401,164 | 35,087,693 |
| Deferred outflow of resources | | | | |
| Deferred outflow from Pension | 279,279 | - | 279,279 | 37,633 |
| Liabilities | | | | |
| Accounts payable and accrued expenses | 2,203,592 | 2,391,040 | 4,594,632 | 910,981 |
| Unearned revenue | 1,866 | - | 1,866 | - |
| Long-term liabilities: | | | | |
| Other post employment benefits | 1,685,183 | - | 1,685,183 | - |
| Due within one year | 974,385 | 2,250,000 | 3,224,385 | 123,200 |
| Due in more than one year | 6,030,222 | 850,000 | 6,880,222 | 1,006,266 |
| Net Pension Liability | 3,275,741 | - | 3,275,741 | 3,553,505 |
| Total liabilities | 14,170,989 | 5,491,040 | 19,662,029 | 5,593,952 |
| Deferred inflow from Pension | 219,514 | - | 219,514 | 300,013 |
| Deferred inflow of resources | 2,312,770 | 803,144 | 3,115,914 | - |
| Total Deferred Inflows | 2,532,284 | 803,144 | 3,335,428 | 300,013 |
| Net position | | | | |
| Net investment in capital assets | 1,375,188 | 9,689,927 | 11,065,115 | 28,597,769 |
| Restricted for: | | | | |
| Endowments and trusts | 3,241 | - | 3,241 | - |
| Other purposes | 2,273,574 | 462,857 | 2,736,431 | 4,144,429 |
| Unrestricted | (1,839,873) | 7,718,072 | 5,878,199 | (3,510,837) |
| Total net position | \$ 1,812,130 | \$ 17,870,856 | \$ 19,682,986 | \$ 29,231,361 |

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

COUNTY OF HILLSDALE, MICHIGAN

Statement of Activities

Year Ended December 31, 2019

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue |
|--|----------------------|----------------------|------------------------------------|----------------------------------|------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | |
| Primary government | | | | | |
| Governmental activities: | | | | | |
| Legislative | \$ 90,671 | \$ - | \$ - | \$ - | \$ (90,671) |
| Judicial | 1,773,997 | 694,670 | 1,114,916 | - | 35,589 |
| General government | 3,614,958 | 620,475 | 583,647 | - | (2,410,836) |
| Public safety | 4,913,012 | 1,270,191 | 762,706 | - | (2,880,115) |
| Public works | 25,852 | - | - | - | (25,852) |
| Health and welfare | 5,187,888 | 93,340 | 1,097,397 | - | (3,997,151) |
| Recreation and cultural | 69,469 | - | 39,363 | - | (30,106) |
| Other governmental activities | 2,479,622 | 15,016 | 532,497 | - | (1,932,109) |
| Interest on long-term debt | 56,359 | - | - | - | (56,359) |
| Total governmental activities | 18,211,828 | 2,693,692 | 4,130,526 | - | (11,387,610) |
| Business-type activities: | | | | | |
| Medical Care Facility | 20,855,905 | 17,700,712 | 3,839,811 | - | 684,618 |
| Delinquent tax collections/forfeitures | 236,567 | 794,954 | (284) | - | 558,103 |
| Building inspections | 405,482 | 511,286 | 1,891 | - | 107,695 |
| Geographic information services | 13,385 | 6,161 | - | - | (7,224) |
| Total business-type activities | 21,511,339 | 19,013,113 | 3,841,418 | - | 1,343,192 |
| Total primary government | \$ 39,723,167 | \$ 21,706,805 | \$ 7,971,944 | \$ - | \$ (10,044,418) |
| Component units | | | | | |
| County Drains | \$ 1,005,428 | \$ 792,927 | \$ 6,680 | \$ - | \$ (205,821) |
| County Roads | 8,135,672 | 720,793 | 8,996,124 | - | 1,581,245 |
| Total component units | \$ 9,141,100 | \$ 1,513,720 | \$ 9,002,804 | \$ - | \$ 1,375,424 |

continued...

COUNTY OF HILLSDALE, MICHIGAN

Statement of Activities (Continued)

Year Ended December 31, 2019

| | Primary Government | | | Component Units |
|--|----------------------------|-----------------------------|----------------------|----------------------|
| | Governmental Activities | Business-type Activities | Total | |
| Changes in net position | | | | |
| Net (expense) revenue | \$ (11,387,610) | \$ 1,343,192 | \$ (10,044,418) | \$ 1,375,424 |
| General revenues: | | | | |
| Property taxes | 9,817,780 | - | 9,817,780 | - |
| State shared revenue | 967,598 | - | 967,598 | - |
| Personal Property Tax Reimbursement | 139,265 | - | 139,265 | - |
| Unrestricted investment earnings | 58,924 | - | 58,924 | 50,698 |
| Other revenue | 331,926 | - | 331,926 | 49,109 |
| Transfers - internal activities | 715,267 | (715,267) | - | - |
| Total general revenues and transfers | 12,030,760 | (715,267) | 11,315,493 | 99,807 |
| Change in net position | 643,150 | 627,925 | 1,271,075 | 1,475,231 |
| Net position (deficit), beginning of year | 772,887 | 16,888,006 | 17,660,893 | 27,756,130 |
| Prior Period Adjustment | 396,093 | 354,925 | 751,018 | - |
| Net position (deficit), end of year | <u>\$ 1,812,130</u> | <u>\$ 17,870,856</u> | <u>\$ 19,682,986</u> | <u>\$ 29,231,361</u> |

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

COUNTY OF HILLSDALE, MICHIGAN

Balance Sheet - Governmental Funds

December 31, 2019

| | General | Senior Citizen | Senior Center Debt Service | Nonmajor Funds | Totals |
|---|---------------------|---------------------|----------------------------|---------------------|---------------------|
| Assets | | | | | |
| Cash and investments | \$ 284,408 | \$ 13,195 | \$ 8,044 | \$ 1,479,293 | \$ 1,784,940 |
| Taxes receivable | 682,902 | 1,326,684 | - | 1,872,637 | 3,882,223 |
| Accounts receivable | 244,818 | - | - | 1,356,231 | 1,601,049 |
| Leases receivable | - | - | 1,535,000 | - | 1,535,000 |
| Due from other governments | 30,273 | - | - | 352,863 | 383,136 |
| Prepaid expenditures | 190,411 | - | - | 5,980 | 196,391 |
| Advance to component unit | 587,968 | - | - | - | 587,968 |
| Interest receivable | - | - | - | 1,000 | 1,000 |
| Total assets | \$ 2,020,780 | \$ 1,339,879 | \$ 1,543,044 | \$ 5,068,004 | \$ 9,971,707 |
| Liabilities | | | | | |
| Accounts payable | \$ 161,869 | \$ - | \$ 690,000 | \$ 774,014 | \$ 1,625,883 |
| Unearned revenue | - | - | - | 1,866 | 1,866 |
| Accrued expenditures | 140,434 | - | - | 28,193 | 168,627 |
| Total liabilities | 302,303 | - | 690,000 | 804,073 | 1,796,376 |
| Deferred inflows of resources | 440,164 | 1,326,684 | 845,000 | 1,872,637 | 4,484,485 |
| Fund balances | | | | | |
| Nonspendable | 769,925 | - | - | 7,670 | 777,595 |
| Restricted | - | 13,195 | 8,044 | 2,252,335 | 2,273,574 |
| Assigned | - | - | - | 131,289 | 131,289 |
| Unassigned | 508,388 | - | - | - | 508,388 |
| Total fund balances | 1,278,313 | 13,195 | 8,044 | 2,391,294 | 3,690,846 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 2,020,780 | \$ 1,339,879 | \$ 1,543,044 | \$ 5,068,004 | \$ 9,971,707 |

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, 2019

| | |
|--|---------------------|
| Fund balances - total governmental funds | \$ 3,690,846 |
| 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 | 251,435 |
| Capital assets being depreciated, net | 7,654,144 |
| 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 | 11,585 |
| 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 | (6,530,391) |
| Net Pension Liability | (3,275,741) |
| Compensated absences | (474,216) |
| Deferred Outflow Pension Liability | 279,279 |
| Deferred Inflow Pension Liability | (219,514) |
| Other post employment benefits | (1,685,183) |
| Accrued interest on long-term liabilities | (61,829) |
| Net position (deficit) of governmental activities | \$ 1,812,130 |

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, 2019

| | General | Senior Citizen | Senior Center Debt Service | Nonmajor Funds | Totals |
|---|---------------------|------------------|----------------------------|---------------------|---------------------|
| Revenues | | | | | |
| Taxes and special assessments | \$ 6,804,814 | \$ 1,297,850 | \$ - | \$ 1,715,116 | \$ 9,817,780 |
| Intergovernmental | 2,396,059 | 28,907 | - | 237,766 | 2,662,732 |
| Licenses and permits | 61,168 | - | - | - | 61,168 |
| Contributions | - | - | 145,311 | 11,750 | 157,061 |
| Fines and forfeits | 257,553 | - | - | 21,109 | 278,662 |
| Charges for services | 1,078,967 | - | - | 1,181,499 | 2,260,466 |
| Reimbursements and refunds | 727,277 | - | - | 164,049 | 891,326 |
| Interest and rentals | 292,173 | - | - | 1,026 | 293,199 |
| Other revenue | - | - | 177,365 | 1,218,012 | 1,395,377 |
| Total revenues | 11,618,011 | 1,326,757 | 322,676 | 4,550,327 | 17,817,771 |
| Expenditures | | | | | |
| Current: | | | | | |
| Legislative | 90,671 | - | - | - | 90,671 |
| Judicial | 1,767,466 | - | - | 19,131 | 1,786,597 |
| General government | 2,996,862 | - | - | 417,635 | 3,414,497 |
| Public safety | 3,095,155 | - | - | 1,523,421 | 4,618,576 |
| Public works | 25,852 | - | - | - | 25,852 |
| Health and welfare | 769,265 | 1,340,507 | - | 2,643,411 | 4,753,183 |
| Recreation and cultural | - | - | - | 59,649 | 59,649 |
| Other | 2,203,223 | - | - | - | 2,203,223 |
| Capital outlay | 123,778 | - | - | 285,862 | 409,640 |
| Debt service: | | | | | |
| Principal | - | - | 285,000 | 605,000 | 890,000 |
| Interest | - | - | 37,676 | 142,257 | 179,933 |
| Total expenditures | 11,072,272 | 1,340,507 | 322,676 | 5,696,366 | 18,431,821 |
| Revenue over (under) expenditures | 545,739 | (13,750) | - | (1,146,039) | (614,050) |
| Other financing sources (uses) | | | | | |
| Transfers in | 689,018 | - | - | 1,354,519 | 2,043,537 |
| Transfers out | (1,354,875) | - | - | (124,401) | (1,479,276) |
| Total other financing sources (uses) | (665,857) | - | - | 1,230,118 | 564,261 |
| Net change in fund balances | (120,118) | (13,750) | - | 84,079 | (49,789) |
| Fund balances, beginning of year | 1,403,556 | 26,945 | 8,044 | 1,905,997 | 3,344,542 |
| Prior Period Adjustment | (5,125) | - | - | 401,218 | 396,093 |
| Fund balances (deficit), end of year | \$ 1,278,313 | \$ 13,195 | \$ 8,044 | \$ 2,391,294 | \$ 3,690,846 |

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, 2019

Net change in fund balances - total governmental funds \$ (49,789)

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 | 399,820 |
| Depreciation expense | (370,740) |

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 | (78,130) |
| Principal payments on bonds | 890,000 |
| Principal payments on capital leases | 73,525 |

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 | (16,905) |
| Change in the accrual of other post employment benefits | (103,460) |
| Change in Pension Obligation | 413,483 |
| Change in deferred Inflows from Pension | (58,640) |
| Change in deferred Outflows from Pension | (397,746) |

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 | (209,274) |
| Transfers received in governmental internal service funds | 151,006 |

Change in net position of governmental activities \$ 643,150

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

COUNTY OF HILLSDALE, MICHIGAN

Statement of Net Position

Proprietary Funds
December 31, 2019

| | Business-type Activities - Enterprise Funds | | | | | Internal Service |
|---|---|-------------------------------|-------------------------------|---------------------|----------------------|------------------|
| | Medical Care Facility | 2017 Delinquent Tax Revolving | 2018 Delinquent Tax Revolving | Nonmajor Funds | Totals | Self Insurance |
| Assets | | | | | | |
| Current assets: | | | | | | |
| Cash and investments | \$ 5,019,749 | \$ 718,729 | \$ 1,369,663 | \$ 1,923,244 | \$ 9,031,385 | \$ 38,838 |
| Taxes receivable | 803,144 | 516,508 | - | 563,182 | 1,882,834 | - |
| Accounts receivable | 1,567,980 | 12,580 | 1,308,747 | 75,760 | 2,965,067 | 320,000 |
| Interest receivable | - | - | - | 271,610 | 271,610 | - |
| Prepays | - | - | - | 3,003 | 3,003 | - |
| Other assets | 321,214 | - | - | - | 321,214 | - |
| Total current assets | 7,712,087 | 1,247,817 | 2,678,410 | 2,836,799 | 14,475,113 | 358,838 |
| Noncurrent assets: | | | | | | |
| Capital assets being depreciated, net | 9,655,684 | - | - | 34,243 | 9,689,927 | - |
| Total assets | 17,367,771 | 1,247,817 | 2,678,410 | 2,871,042 | 24,165,040 | 358,838 |
| Liabilities | | | | | | |
| Current liabilities: | | | | | | |
| Accounts payable | 714,008 | 5,097 | - | 3,460 | 722,565 | 347,253 |
| Capital Lease Obligation 1 Year | 8,801 | - | - | - | 8,801 | - |
| Capital Lease Obligation | 37,969 | - | - | - | 37,969 | - |
| Accrued liabilities | 1,615,503 | - | - | 2,900 | 1,618,403 | - |
| Due to other governments | - | - | - | 3,302 | 3,302 | - |
| Current portion of long-term debt | - | 1,300,000 | 1,300,000 | - | 2,600,000 | - |
| Total current liabilities | 2,376,281 | 1,305,097 | 1,300,000 | 9,662 | 4,991,040 | 347,253 |
| Long-term liabilities: | | | | | | |
| Due in more than one year | - | (550,000) | 1,050,000 | - | 500,000 | - |
| Total long-term liabilities | - | (550,000) | 1,050,000 | - | 500,000 | - |
| Total liabilities | 2,376,281 | 755,097 | 2,350,000 | 9,662 | 5,491,040 | 347,253 |
| Deferred inflows of resources | | | | | | |
| Property taxes levied for the subsequent year | 803,144 | - | - | - | 803,144 | - |
| Net position | | | | | | |
| Net investment in capital assets | 9,655,684 | - | - | 34,243 | 9,689,927 | - |
| Restricted by statute | - | - | - | 462,857 | 462,857 | - |
| Unrestricted | 4,532,662 | 492,720 | 328,410 | 2,364,280 | 7,718,072 | 11,585 |
| Total net position | \$ 14,188,346 | \$ 492,720 | \$ 328,410 | \$ 2,861,380 | \$ 17,870,856 | \$ 11,585 |

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, 2019

| | Business-type Activities - Enterprise Funds | | | | Internal Service | |
|---|---|-------------------------------|-------------------------------|---------------------|----------------------|------------------|
| | Medical Care Facility | 2017 Delinquent Tax Revolving | 2018 Delinquent Tax Revolving | Nonmajor Funds | Totals | Self Insurance |
| Operating revenues | | | | | | |
| Charges for services | \$ 17,709,542 | \$ 139,236 | \$ 171,769 | \$ 543,397 | \$ 18,563,944 | \$ - |
| Refunds and reimbursements | - | - | - | 1,891 | 1,891 | - |
| Other operating revenue | 2,982,021 | - | - | 15,500 | 2,997,521 | 321,940 |
| Total operating revenues | 20,691,563 | 139,236 | 171,769 | 560,788 | 21,563,356 | 321,940 |
| Operating expenses | | | | | | |
| Depreciation expense | 555,932 | - | - | 11,645 | 567,577 | - |
| Cost of services | 20,298,346 | 74,934 | 47,500 | 521,354 | 20,942,134 | 531,214 |
| Total operating expenses | 20,854,278 | 74,934 | 47,500 | 532,999 | 21,509,711 | 531,214 |
| Operating income (loss) | (162,715) | 64,302 | 124,269 | 27,789 | 53,645 | (209,274) |
| Nonoperating revenues (expenses) | | | | | | |
| Property tax revenue | 805,415 | - | - | - | 805,415 | - |
| Contributions | 2,654 | - | - | - | 2,654 | - |
| Interest and rentals | 49,721 | 136,764 | 204,141 | 101,310 | 491,936 | - |
| Interest expense | (1,627) | 1 | - | (2) | (1,628) | - |
| Total nonoperating revenues | 856,163 | 136,765 | 204,141 | 101,308 | 1,298,377 | - |
| Income (loss) before transfers | 693,448 | 201,067 | 328,410 | 129,097 | 1,352,022 | (209,274) |
| Transfers in (out) | | | | | | |
| Transfers in | - | - | - | - | - | 151,006 |
| Transfers out | (86,138) | - | - | (629,129) | (715,267) | - |
| Total transfers | (86,138) | - | - | (629,129) | (715,267) | 151,006 |
| Change in Net Position - Total | 598,480 | 201,067 | 328,410 | (500,032) | 627,925 | (58,268) |
| Net position, beginning of year | 13,589,866 | 291,653 | - | 3,006,487 | 16,888,006 | 69,853 |
| Prior Period Adjustment | - | - | - | 354,925 | 354,925 | - |
| Net position, end of year | \$ 14,188,346 | \$ 492,720 | \$ 328,410 | \$ 2,861,380 | \$ 17,870,856 | \$ 11,585 |

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, 2019

| | Business-type Activities - Enterprise Funds | | | | | Internal Service |
|--|---|-------------------------------|-------------------------------|---------------------|---------------------|------------------|
| | Medical Care Facility | 2017 Delinquent Tax Revolving | 2018 Delinquent Tax Revolving | Nonmajor Funds | Totals | Self Insurance |
| Cash flows from operating activities | | | | | | |
| Cash received from customers | \$ 18,007,640 | \$ 848,191 | \$ 171,769 | \$ 1,208,034 | \$ 20,235,634 | \$ 1,940 |
| Cash received from quality assurance supplement | 2,617,075 | - | - | - | 2,617,075 | - |
| Other operating receipts | 364,946 | - | - | - | 364,946 | - |
| Cash payments to suppliers and employees for goods and services | (19,899,632) | (69,837) | (1,356,247) | (533,639) | (21,859,355) | (183,961) |
| Net cash provided by (used in) operating activities | 1,090,029 | 778,354 | (1,184,478) | 674,395 | 1,358,300 | (182,021) |
| Cash flows from noncapital financing activities | | | | | | |
| Property tax and other nonoperating revenue | 812,348 | - | - | - | 812,348 | - |
| Transfers in | - | - | - | - | - | 151,006 |
| Transfers out | (86,138) | - | - | (629,129) | (715,267) | - |
| Net cash provided by (used in) non-capital financing activities | 726,210 | - | - | (629,129) | 97,081 | 151,006 |
| Cash flows from capital and related financing activities | | | | | | |
| Purchase of capital assets | (119,255) | - | - | (20,528) | (139,783) | - |
| Interest payments | (1,627) | 1 | - | (1) | (1,627) | - |
| Principal payments | - | (1,300,000) | (350,000) | (800,000) | (2,450,000) | - |
| Proceeds from long-term debt | - | - | 2,700,000 | - | 2,700,000 | - |
| Net cash provided by (used in) capital and related financing activities | (120,882) | (1,299,999) | 2,350,000 | (820,529) | 108,590 | - |
| Cash flows from investing activities | | | | | | |
| Interest and rental earnings | 49,721 | 136,764 | 204,141 | 101,308 | 491,934 | - |
| Net cash provided by investing activities | 49,721 | 136,764 | 204,141 | 101,308 | 491,934 | - |
| Net increase (decrease) in cash and cash equivalents | 1,745,078 | (384,881) | 1,369,663 | (673,955) | 2,055,905 | (31,015) |
| Cash equivalents, beginning of year | 3,274,671 | 1,103,610 | - | 2,597,199 | 6,975,480 | 69,853 |
| Cash equivalents, end of year | \$ 5,019,749 | \$ 718,729 | \$ 1,369,663 | \$ 1,923,244 | \$ 9,031,385 | \$ 38,838 |

Continued...

COUNTY OF HILLSDALE, MICHIGAN

Statement of Cash Flows

Proprietary Funds
Year Ended December 31, 2019

| | Business-type Activities - Enterprise Funds | | | | | Internal Service |
|--|---|-------------------------------|-------------------------------|-------------------|---------------------|---------------------|
| | Medical Care Facility | 2017 Delinquent Tax Revolving | 2018 Delinquent Tax Revolving | Nonmajor Funds | Totals | Self Insurance |
| Cash flows from operating activities | | | | | | |
| Operating income (loss) | \$ (162,715) | \$ 64,302 | \$ 124,269 | \$ 27,789 | \$ 53,645 | \$ (209,274) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | | | | | |
| Depreciation | 555,932 | - | - | 11,645 | 567,577 | - |
| Changes in assets and liabilities: | | | | | | |
| Taxes receivable | - | 720,428 | - | 493,046 | 1,213,474 | - |
| Accounts receivable | 296,610 | 1,107 | (1,131,116) | 10,290 | (823,109) | (320,000) |
| Lease receivable | 1,488 | - | - | - | 1,488 | - |
| Interest receivable | - | (12,580) | (177,631) | 143,910 | (46,301) | - |
| Interfund receivable | - | - | - | - | - | - |
| Prepays | (68,274) | - | - | (1,135) | (69,409) | - |
| Accounts payable | 18,475 | 5,097 | - | (11,150) | 12,422 | 347,253 |
| Accrued expenses | 448,513 | - | - | - | 448,513 | - |
| Net cash provided by (used in) operating activities | \$ 1,090,029 | \$ 778,354 | \$ (1,184,478) | \$ 674,395 | \$ 1,358,300 | \$ (182,021) |

Non-cash transactions

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

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

COUNTY OF HILLSDALE, MICHIGAN

Statement of Fiduciary Net Position

December 31, 2019

| | Agency Funds |
|--------------------------|-----------------|
| Assets | |
| Cash and investments | \$ 1,345,854 |
| Liabilities | |
| Due to other governments | 599,084 |
| Undistributed receipts | 746,770 |
| Total liabilities | \$ 1,345,854 |

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

Component Units

COUNTY OF HILLSDALE, MICHIGAN

Combining Statement of Net Position

Discretely Presented Component Units

December 31, 2019

| | Drain Commission | Road Commission | Total |
|---------------------------------------|---------------------|----------------------|----------------------|
| Assets | | | |
| Cash and investments | \$ 1,064,295 | \$ 2,809,027 | \$ 3,873,322 |
| Special assessments receivable | 530,052 | - | 530,052 |
| Receivables, net | - | 1,425,273 | 1,425,273 |
| Prepaid items and other assets | - | 661,277 | 661,277 |
| Capital assets: | | | |
| Capital assets not being depreciated | - | 5,555,606 | 5,555,606 |
| Capital assets being depreciated, net | 733,504 | 22,308,659 | 23,042,163 |
| Total assets | 2,327,851 | 32,759,842 | 35,087,693 |
| Deferred Outflows of Resources | | | |
| Deferred pension amounts | - | 37,633 | 37,633 |
| Liabilities | | | |
| Accounts payable and accrued expenses | (207) | 155,938 | 155,731 |
| Advances from primary government | 587,968 | 167,282 | 755,250 |
| Long-term liabilities: | | | |
| Due within one year | 103,471 | 19,729 | 123,200 |
| Due in more than one year | 631,416 | 374,850 | 1,006,266 |
| Net Pension Liability | | 3,553,505 | 3,553,505 |
| Total liabilities | 1,322,648 | 4,271,304 | 5,593,952 |
| Deferred Inflows of Resources | | | |
| Deferred pension amounts | - | 300,013 | 300,013 |
| Net position | | | |
| Net investment in capital assets | 733,504 | 27,864,265 | 28,597,769 |
| Restricted | - | 4,144,429 | 4,144,429 |
| Unrestricted | 271,699 | (3,782,536) | (3,510,837) |
| Total net position | \$ 1,005,203 | \$ 28,226,158 | \$ 29,231,361 |

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, 2019

| | Drain Commission | Road Commission | Total |
|------------------------------------|---------------------|----------------------|----------------------|
| Expenses | | | |
| County Drains | \$ 1,005,428 | \$ - | \$ 1,005,428 |
| County Roads | - | 8,135,672 | 8,135,672 |
| Total expenses | <u>1,005,428</u> | <u>8,135,672</u> | <u>9,141,100</u> |
| Program revenues | | | |
| Charges for services | 792,927 | 720,793 | 1,513,720 |
| Operating grants and contributions | 6,680 | 8,996,124 | 9,002,804 |
| Total program revenues | <u>799,607</u> | <u>9,716,917</u> | <u>10,516,524</u> |
| Net revenue (expense) | <u>(205,821)</u> | <u>1,581,245</u> | <u>1,375,424</u> |
| General revenues | | | |
| Unrestricted investment earnings | - | 50,698 | 50,698 |
| Other revenue | - | 49,109 | 49,109 |
| Total general revenues | <u>-</u> | <u>99,807</u> | <u>99,807</u> |
| Change in net position | (205,821) | 1,681,052 | 1,475,231 |
| Net position, beginning of year | <u>1,211,024</u> | <u>26,545,106</u> | <u>27,756,130</u> |
| Net position, end of year | <u>\$ 1,005,203</u> | <u>\$ 28,226,158</u> | <u>\$ 29,231,361</u> |

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

Notes to Financial Statements

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

COUNTY OF HILLSDALE, MICHIGAN

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Related Organization

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

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

It is governed by a twelve (12) member board, including four (4) from Hillsdale County and eight (8) from Jackson County. The County's accountability does not extend beyond this representation and making these appointments. The board may borrow money and issue bonds pursuant to Section 205 of Act 258 of 1974, as amended (MCL 330.1205). LifeWays indemnifies and holds harmless the participating counties from all claims and liabilities. Hillsdale County's appropriation to LifeWays for the calendar year ended December 31, 2019, 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, 2019, was \$249,890.

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 2017 and 2018 *delinquent tax revolving fund* accounts for the annual purchase of delinquent real property taxes from each of the local taxing units within the county, and the ultimate collection from the property owners of the delinquent taxes with penalty and interest.

Additionally, the County reports the following fund types:

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

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

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

COUNTY OF HILLSDALE, MICHIGAN

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Internal service funds account for the insurance activity of the County provided to other departments and funds on a cost reimbursement basis.

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions 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.

COUNTY OF HILLSDALE, MICHIGAN

Notes to Financial Statements

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 outflows of resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has pension items that qualify for reporting in this category.

Deferred inflows of resources

In addition to liabilities, the statement of net position and governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The government has two types of items that qualify for reporting in this category. The governmental funds report unavailable revenues, which arises only under a modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In addition, deferred inflows of resources are reported in the government-wide and governmental fund financial statements for property taxes levied during the year that were intended to finance future periods.

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 County violated provisions of the Act In the Senior Citizens Fund as indicated on page 55.

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

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

3. CASH AND INVESTMENTS

Summary of Deposit and Investment Balances

Following is a reconciliation of deposit and investment balances as of December 31, 2019:

| | Primary Government | Component Units | Totals |
|---|-----------------------|---------------------|----------------------|
| Financial statements | | | |
| Statement of net assets - | | | |
| Cash and investments | \$ 10,855,163 | \$ 3,873,322 | \$ 14,728,485 |
| Statement of fiduciary assets and liabilities - | | | |
| Cash and investments | 1,345,854 | - | 1,345,854 |
| Total | \$ 12,201,017 | \$ 3,873,322 | \$ 16,074,339 |
| Cash and investments | | | |
| Bank deposits (checking accounts, savings accounts and certificates of deposits) | | | \$ 12,812,105 |
| Investments in securities, mutual funds and similar vehicles: | | | |
| Treasurer's pool | | | 3,256,344 |
| Cash on hand | | | 5,890 |
| Total | | | \$ 16,074,339 |

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 | \$ 284,116 | \$ - | \$ 284,116 | \$ - | \$ - |
| Municipal bonds | 783,549 | - | 783,549 | - | - |
| Total | \$ 1,067,665 | \$ - | \$ 1,067,665 | \$ - | \$ - |

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, 2019, \$4,453,504 of the County's total balance of \$16,074,214 is 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, 2019:

| | |
|------------------------------------|----------------------|
| U.S. agencies | \$ 284,116 |
| Michigan municipal bonds and notes | 783,549 |
| Certificates of Deposit | 5,112,782 |
| Money market funds | 9,893,892 |
| Total | \$ 16,074,339 |

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, 2019, 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, 2019:

| | Total | Level 1 | Level 2 | Level 3 |
|-----------------|------------|------------|---------|---------|
| Municipal Bonds | \$ 783,549 | \$ 783,549 | \$ - | \$ - |

COUNTY OF HILLSDALE, MICHIGAN

Notes to Financial Statements

4. RECEIVABLES

Receivables as of December 31, 2019 are summarized as follows:

| | Governmental Activities | Business-type Activities | Component Units |
|----------------------------|----------------------------|-----------------------------|---------------------|
| Property taxes | \$ 3,882,223 | \$ 1,882,834 | \$ - |
| Accounts receivable | 1,921,049 | 2,965,067 | 1,425,273 |
| Special assessments | - | - | 530,052 |
| Due from other governments | 383,136 | - | - |
| Advances to component unit | 587,968 | - | - |
| Leases receivable | 1,535,000 | - | - |
| Interest receivable | 1,000 | 271,610 | - |
| | <u>\$ 8,310,376</u> | <u>\$ 5,119,511</u> | <u>\$ 1,955,325</u> |

Of the amounts reported for receivables above, leases receivable in the amount of \$1,240,000 are not expected to be collected within one year.

5. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

For the year ended December 31, 2019, interfund transfers consisted of the following:

| | Transfers In | Transfers Out |
|------------------------------|---------------------|---------------------|
| General fund | \$ 689,018 | \$ 1,354,875 |
| Senior Citizens debt service | - | - |
| Nonmajor governmental funds | 1,354,519 | 124,401 |
| Internal service fund | 151,006 | - |
| Medical Care Facility | - | 86,138 |
| Nonmajor enterprise funds | - | 629,129 |
| | <u>\$ 2,194,543</u> | <u>\$ 2,194,543</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, 2019.

| Contracted Entity | Program | Tax Abated | Gross Amount Abated |
|---------------------------------|---------|------------|---------------------|
| GAMPCO | IFT | Prop. Tax | 743.00 |
| PRECISION GAGE LLC | IFT | Prop. Tax | 2,500.00 |
| COBRA | IFT | Prop. Tax | 55.00 |
| FOUST ELECTRO MOLD INC | IFT | Prop. Tax | 82.00 |
| TI GROUP AUTOMOTIVE SYSTEMS LLC | IFT | Prop. Tax | 105.00 |
| DOW/DUPONT | IFT | Prop. Tax | 1,381.00 |
| ROSS DESIGN | IFT | Prop. Tax | 1,660.00 |
| CONAGRA FOODS INC | IFT | Prop. Tax | 8,934.00 |
| FAIRWAY PRODUCTS | IFT | Prop. Tax | 338.00 |
| HILLSDALE TERMINAL & TOOLS | IFT | Prop. Tax | 337.00 |
| NYLONCRAFT OF MICHIGAN INC | IFT | Prop. Tax | 2,764.00 |
| HORNET MANUFACTURING INC | IFT | Prop. Tax | 482.00 |
| | | | <u>19,381.00</u> |

COUNTY OF HILLSDALE, MICHIGAN

Notes to Financial Statements

7. CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2019 was as follows:

| | Beginning Balance | Additions | Transfers | Disposals | Ending Balance |
|--|---------------------|--------------------|-------------|------------------|---------------------|
| Governmental activities | | | | | |
| Capital assets not being depreciated | | | | | |
| Land | \$ 191,285 | | \$ - | \$ - | \$ 191,285 |
| Construction in progress | 2,280 | 57,870 | - | - | 60,150 |
| Total capital assets not being depreciated | 193,565 | 57,870 | - | - | 251,435 |
| Capital assets being depreciated: | | | | | |
| Buildings and improvements | 11,645,228 | 53,664 | - | - | 11,698,892 |
| Vehicles and equipment | 3,588,890 | 288,287 | - | - | 3,877,177 |
| Total capital assets being depreciated | 15,234,118 | 341,951 | - | - | 15,576,069 |
| Less accumulated depreciation for: | | | | | |
| Buildings and improvements | (4,812,145) | (221,338) | - | - | (5,033,483) |
| Vehicles and equipment | (2,739,039) | (236,742) | - | 87,339 | (2,888,442) |
| Total accumulated depreciation | (7,551,184) | (458,080) | - | 87,339 | (7,921,925) |
| Total capital assets being depreciated, net | 7,682,934 | (116,129) | - | 87,339 | 7,654,144 |
| Governmental activities capital assets, net | \$ 7,876,499 | \$ (58,259) | \$ - | \$ 87,339 | \$ 7,905,579 |

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

| | |
|--------------------|-------------------|
| General Government | \$ 270,896 |
| Public Safety | 186,371 |
| Health and Welfare | 813 |
| Total | \$ 458,080 |

COUNTY OF HILLSDALE, MICHIGAN

Notes to Financial Statements

7. CAPITAL ASSETS (Continued)

Capital assets activity for the year ended December 31, 2019 was as follows:

| | Beginning Balance | Additions | Transfers | Disposals | Ending Balance |
|---|----------------------|---------------------|-------------|--------------------|---------------------|
| Business-type activities | | | | | |
| Capital assets being depreciated: | | | | | |
| Land improvements | \$ 29,524 | \$ - | \$ - | \$ - | \$ 29,524 |
| Construction in Progress | 4,293 | - | - | (4,293) | - |
| Buildings and improvements | 17,601,919 | 68,478 | - | (27,009) | 17,643,388 |
| Vehicles and equipment | 1,070,732 | 122,175 | - | (254,043) | 938,864 |
| Total capital assets being depreciated | 18,706,468 | 190,653 | - | (285,345) | 18,611,776 |
| Less accumulated depreciation for: | | | | | |
| Land improvements | (29,524) | - | - | - | (29,524) |
| Buildings and improvements | (7,698,164) | (489,611) | - | 26,362 | (8,161,413) |
| Vehicles and equipment | (898,999) | (77,966) | - | 246,053 | (730,912) |
| Total accumulated depreciation | (8,626,687) | (567,577) | - | 272,415 | (8,921,849) |
| Total capital assets being depreciated, net | 10,079,781 | (376,924) | - | (12,930) | 9,689,927 |
| Business-type activities capital assets, net | \$ 10,079,781 | \$ (376,924) | \$ - | \$ (12,930) | \$ 9,689,927 |

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

| | |
|-----------------------|-------------------|
| Medical Care Facility | \$ 555,932 |
| Building Inspection | 11,645 |
| Total | \$ 567,577 |

COUNTY OF HILLSDALE, MICHIGAN

Notes to Financial Statements

7. CAPITAL ASSETS (Continued)

Capital assets activity for the year ended December 31, 2019 was as follows:

| | Beginning Balance | Additions | Transfers | Disposals | Ending Balance |
|--|----------------------|---------------------|-------------|-----------------|----------------------|
| Component unit - Road Commission | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land | \$ 64,634 | \$ - | \$ - | \$ - | \$ 64,634 |
| Land improvements | 5,465,911 | 25,061 | - | - | 5,490,972 |
| Total capital assets not being depreciated | 5,530,545 | 25,061 | - | - | 5,555,606 |
| Capital assets being depreciated: | | | | | |
| Buildings and improvements | 2,248,408 | 13,938 | (2,917) | - | 2,259,429 |
| Equipment | 8,799,865 | 1,412,949 | 2,917 | (1,081) | 10,214,650 |
| Infrastructure | 58,986,838 | 2,315,672 | - | (10,905) | 61,291,605 |
| Depletable assets | 54,700 | - | - | - | 54,700 |
| Total capital assets being depreciated | 70,089,811 | 3,742,559 | - | (11,986) | 73,820,384 |
| Less accumulated depreciation for: | | | | | |
| Buildings and improvements | (1,280,853) | (73,770) | 2,917 | - | (1,351,706) |
| Equipment | (7,215,058) | (606,336) | (2,917) | 1,081 | (7,823,230) |
| Infrastructure | (40,679,518) | (1,615,933) | - | 10,905 | (42,284,546) |
| Depletable assets | (52,227) | (16) | - | - | (52,243) |
| Total accumulated depreciation | (49,227,656) | (2,296,055) | - | 11,986 | (51,511,725) |
| Total capital assets being depreciated, net | 20,862,155 | 1,446,504 | - | - | 22,308,659 |
| Capital assets, net | \$ 26,392,700 | \$ 1,471,565 | \$ - | \$ - | \$ 27,864,265 |

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

Total Depreciation Expense - Public Works \$ 2,296,055

Capital assets activity for the year ended December 31, 2019 was as follows:

| | Beginning Balance | Additions | Transfers | Disposals | Ending Balance |
|---|--------------------|--------------------|-------------|-------------|--------------------|
| Component unit - Drainage District | | | | | |
| Capital assets being depreciated - | | | | | |
| Buildings | \$ 135,000 | \$ - | \$ - | \$ - | \$ 135,000 |
| Equipment | 1,108,582 | 17,965 | - | - | 1,126,547 |
| Infrastructure | 628,693 | - | - | - | 628,693 |
| Total capital assets being depreciated | 1,872,275 | 17,965 | - | - | 1,890,240 |
| Less accumulated depreciation for - | | | | | |
| Buildings | (102,612) | (5,400) | - | - | (108,012) |
| Equipment | (839,618) | (51,891) | - | - | (891,509) |
| Infrastructure | (144,641) | (12,574) | - | - | (157,215) |
| Total accumulated depreciation | (1,086,871) | (69,865) | - | - | (1,156,736) |
| Capital assets, net | \$ 785,404 | \$ (51,900) | \$ - | \$ - | \$ 733,504 |

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

Total Depreciation Expense - Public Works \$ 69,865

COUNTY OF HILLSDALE, MICHIGAN

Notes to Financial Statements

8. PAYABLES

Accounts payable and accrued liabilities as of December 31, 2019 are summarized as follows:

| | Governmental Activities | Business-type Activities | Components Units |
|----------------------------------|-------------------------|--------------------------|-------------------|
| Accounts payable | \$ 1,973,136 | \$ 722,565 | \$ 155,731 |
| Capital Lease Obligation | - | 46,770 | - |
| Accrued liabilities | 168,627 | 1,618,403 | - |
| Due to other governments | - | 3,302 | - |
| Advances from primary government | - | - | 755,250 |
| Accrued interest payable | 61,829 | - | - |
| | <u>\$ 2,203,592</u> | <u>\$ 2,391,040</u> | <u>\$ 910,981</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 |
|-----------------------------------|----------------|---------------|--------------------------|---------------------|
| Governmental activities | | | | |
| 2015 Cap. Impr. Sr Ctr. Refunding | .70%-2.70% | 2025 | \$ 2,140,000 | \$ 845,000 |
| 2015 MCF Refunding | 2.74% | 2026 | 5,755,000 | 4,035,000 |
| 2016 County Office Building | 2.10% | 2028 | 500,000 | 500,000 |
| 2015 Senior Center Capital Debt | .75%-2.45% | 2023 | 1,300,000 | 690,000 |
| | | | | <u>\$ 6,070,000</u> |

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

| Year Ending December 31, | Governmental Activities | |
|--------------------------|-------------------------|-------------------|
| | Principal | Interest |
| 2020 | \$ 790,000 | \$ 154,117 |
| 2021 | 880,000 | 134,947 |
| 2022 | 920,000 | 113,136 |
| 2023 | 955,000 | 89,761 |
| 2024-2028 | <u>2,525,000</u> | <u>134,857</u> |
| | <u>\$ 6,070,000</u> | <u>\$ 626,818</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, 2019, the County's legal debt limit was \$190,903,389

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 |
|--------------------------------|----------------|---------------|--------------------------|--------------------|
| Governmental activities | | | | |
| 2016 E-911 Central Dispatch | 1.70% | 2026 | \$ 400,000 | \$ 290,000 |
| Annex Project | 1.50% | 2020 | 680,000 | 95,000 |
| | | | | \$ 385,000 |

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

| Year Ending December 31, | Governmental Activities | |
|-----------------------------|-------------------------|-----------|
| | Principal | Interest |
| 2020 | \$ 135,000 | \$ 6,393 |
| 2021 | 40,000 | 4,468 |
| 2022 | 40,000 | 3,908 |
| 2023 | 40,000 | 3,287 |
| 2024-2026 | 130,000 | 5,442 |
| \$ 385,000 | | \$ 23,498 |

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, 2019 were as follows:

| Year Ending December 31, | Governmental Activities |
|---|----------------------------|
| 2020 | \$ 54,090 |
| 2021 | 27,762 |
| Total minimum lease payments 81,852 | |
| Less amount representing interest (6,460) | |
| Present value of minimum lease payments \$ 75,392 | |

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, 2019, are as follows:

| Purpose | Interest Rates | Maturity Date | Amount of Original Issue | Amount Outstanding |
|-------------------------------------|----------------|---------------|--------------------------|--------------------|
| Business-type activities | | | | |
| 2016 Delinquent Tax Revolving Notes | 0.95% | 2019 | \$ 2,450,000 | \$ - |
| 2017 Delinquent Tax Revolving Notes | 2.5%-3.1% | 2020 | 2,400,000 | 750,000 |
| 2018 Delinquent Tax Revolving Notes | 2.0%-2.4% | 2021 | 2,700,000 | 2,350,000 |
| | | | | \$ 3,100,000 |

COUNTY OF HILLSDALE, MICHIGAN

Notes to Financial Statements

9. LONG-TERM DEBT (Continued)

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

| Year Ending December 31, | Business-type Activities | |
|-----------------------------|--------------------------|------------------|
| | Principal | Interest |
| 2020 | \$ 2,350,000 | \$ 58,825 |
| 2021 | 750,000 | 14,888 |
| | <u>\$ 3,100,000</u> | <u>\$ 73,713</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 |
|--------------|----------------|---------------|-----------------------------|-----------------------|
| Drain | | | | |
| Hoops #90 | 2.15% | 2019 | \$ 100,000 | \$ - |
| Hacket #240 | 2.15% | 2026 | 320,000 | 224,000 |
| Boyd #118 | 2.15% | 2023 | 235,000 | 134,286 |
| Luke #238 | 2.15% | 2022 | 189,500 | 106,600 |
| Lindsey #238 | 2.15% | 2035 | 225,000 | 225,000 |
| | | | | <u>\$ 689,886</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 | 96,000 | 4,692 |
| | <u>\$ 588,355</u> | <u>\$ 54,147</u> |

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

There are no remaining requirements on this installment purchase agreement, and the road commission has no other outstanding installment agreements.

COUNTY OF HILLSDALE, MICHIGAN

Notes to Financial Statements

9. LONG-TERM DEBT (Continued)

Changes in long-term debt. Long-term debt activity for the year ended December 31, 2019 was as follows:

| | Beginning Balance | Additions | Deductions | Ending Balance | Due Within One Year |
|---------------------------------|----------------------|---------------------|-----------------------|----------------------|---------------------|
| Primary Government: | | | | | |
| Governmental activities | | | | | |
| General obligation bonds | \$ 6,830,000 | \$ - | \$ (760,000) | \$ 6,070,000 | \$ 790,000 |
| Capital leases | 70,785 | 78,130 | (73,525) | 75,390 | 49,385 |
| Installment contracts | 515,001 | - | (130,000) | 385,001 | 135,000 |
| Compensated absences | 457,311 | 22,359 | (5,454) | 474,216 | - |
| Net Pension Liability | 3,689,224 | 42,903 | (456,386) | 3,275,741 | - |
| | <u>\$ 11,562,321</u> | <u>\$ 143,392</u> | <u>\$ (1,425,365)</u> | <u>\$ 10,280,348</u> | <u>\$ 974,385</u> |
| Business-type activities | | | | | |
| General obligation bonds | \$ - | \$ - | \$ - | \$ - | \$ - |
| Delinquent tax notes | 2,850,000 | 2,700,000 | (2,450,000) | 3,100,000 | 2,250,000 |
| | <u>\$ 2,850,000</u> | <u>\$ 2,700,000</u> | <u>\$ (2,450,000)</u> | <u>\$ 3,100,000</u> | <u>\$ 2,250,000</u> |
| Component Units: | | | | | |
| Drains | | | | | |
| Hoops #90 | \$ 20,000 | \$ - | \$ (20,000) | \$ - | \$ - |
| Hopkins #72 | - | - | - | - | - |
| Chandler #186 | - | - | - | - | - |
| Hacket #240 | 256,000 | - | (32,000) | 224,000 | 32,000 |
| Boyd #118 | 167,857 | - | (33,570) | 134,287 | 33,571 |
| Lindsey | - | 225,000 | - | 225,000 | - |
| Luke #238 | 144,500 | 45,000 | (37,900) | 151,600 | 37,900 |
| Road Commission | | | | | |
| Installment lease payable | 108,319 | - | (108,319) | - | - |
| Compensated absences | 381,442 | 111,782 | (98,645) | 394,579 | 19,729 |
| | <u>\$ 1,078,118</u> | <u>\$ 381,782</u> | <u>\$ (330,434)</u> | <u>\$ 1,129,466</u> | <u>\$ 123,200</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, 2019, 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:

| | 2019 | 2018 |
|---|-------------------|-------------|
| Workers compensation | | |
| Estimated liability, January 1 | \$ - | \$ 25,331 |
| Estimated claims incurred, including changes in estimates | 520,000 | 28,426 |
| Claim payments | (183,960) | (53,757) |
| Estimated liability, December 31 | <u>\$ 336,040</u> | <u>\$ -</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, 2018 levy, for which revenue was recognized in fiscal 2019, was \$1,327,089,571. For the general fund, the assessed and taxable value of real and personal property for the July 1, 2019 levy, for which revenue was recognized in fiscal 2019, was \$1,365,891,226. The general operating tax rate for this levy was at the maximum rate of 4.9239 mills, as adjusted by the Headlee Amendment to the State of Michigan Constitution. The County also had a voter approved tax of .99410 mills for ambulance services, .99040 mills for senior services, .5965 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 10% of annual covered payroll for each employee group. All participating employees are required to contribute 14.04% 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 Supervisory & Non-Supervisory: Open Division

| | 2018 Valuation | 2017 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: | 14.81% | 14.86% |
| Act 88: | No | No |

Employees Covered by Benefit Terms. As of December 1, 2019, the following employees were covered by the benefit terms:

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

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, 2019 is as follows:

| | |
|------------------|--------|
| Sheriff Patrol | 10.00% |
| Sheriff Sergeant | 10.00% |

Actuarial Assumptions. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|--|
| Inflation | 2.5 Percent |
| Salary Increases | 3.00 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 2018.

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.

| <i>Changes in Net Pension Liability:</i> | <i>Total Pension Liability</i> | <i>Plan Fiduciary Net Position</i> | <i>Net Pension Liability</i> |
|---|--------------------------------|------------------------------------|------------------------------|
| Balances at December 31, 2018 | \$ 8,656,734 | \$ 4,967,510 | \$ 3,689,224 |
| Service Cost: | 211,620 | - | 211,620 |
| Interest: | 682,800 | - | 682,800 |
| Difference between expected and actual experience | 1,435 | - | 1,435 |
| Changes in assumptions | (122,246) | - | (122,246) |
| Benefit Changes | - | - | - |
| Employer Contributions | - | 184,549 | (184,549) |
| Employee Contributions | - | 263,244 | (263,244) |
| Net Investment Income | - | 676,479 | (676,479) |
| Benefit payments, including employee refunds | (455,089) | (455,089) | - |
| Administrative expense | - | (11,662) | 11,662 |
| Other Changes | (74,481) | - | (74,481) |
| Net Changes | 244,039 | 657,522 | (413,483) |
| Balances as of December 31, 2019 | \$ 8,900,773 | \$ 5,625,032 | \$ 3,275,741 |

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

| | 1% Decrease 7.00% | Current Rate 8.00% | 1% Increase 9.00% |
|---------------------------------|----------------------|-----------------------|----------------------|
| Change in net pension liability | \$ 4,351,128 | \$ 3,275,741 | \$ 2,380,005 |

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, 2019, the County recognized pension expense of \$1,038,202. At December 31, 2019, 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 | \$ - | \$ 219,514 |
| Changes in assumptions | 279,279 | - |
| Difference in expected and actual returns | - | - |
| Total | <u>\$ 279,279</u> | <u>\$ 219,514</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 |
|----------------------------|----------------|------------------|
| 2020 | 94,947 | (63,606) |
| 2021 | 121,360 | (63,606) |
| 2022 | 118,941 | (40,610) |
| 2023 | (55,967) | (8,070) |
| 2024 | - | (26,158) |
| 2025 | - | (17,464) |
| | <u>279,281</u> | <u>(219,514)</u> |
| <u>Annual Pension Cost</u> | | |

During the year ended December 31, 2019, the County's contributions totaling \$184,549 were made in accordance with contribution requirement determined by an actuarial valuation of the plan as of December 31, 2018. 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 7.75 percent and annual salary increases of 3.0 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 24 years.

COUNTY OF HILLSDALE, MICHIGAN

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.

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 6 years. Normal retirement age is 60 with early retirement at age 55 with 25 years of service.

Employees Covered by Benefit Terms. At December 31, 2019, plan membership consisted of the following:

| | |
|--|-----------|
| Inactive employees or beneficiaries currently receiving benefits | 41 |
| Inactive employees entitled to but not yet receiving benefits | 5 |
| Active employees | 38 |
| Total membership | 84 |

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. In addition, the employer may establish contribution rates to be paid by its covered employees.

Net Pension Liability. The Road Commission's net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018.

Actuarial Assumptions. The total pension liability in the December 31, 2019 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%.

The mortality table used to project the mortality experience of non-disabled plan members is a 50% male, 50% female blend of the following tables:

- The RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied
- The RP-2014 Employee Mortality Tables
- The RP-2014 Juvenile Mortality Tables

The mortality table used to project the mortality experience of disabled plan members is 50% male, 50% female blend of RP-2014 Disabled Retiree Mortality Tables

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

COUNTY OF HILLSDALE, MICHIGAN

Notes to Financial Statements

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

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 | Expected Money- Weighted Rate of Return |
|--------------------------------------|-------------------|--|---|
| Global equity | 55.50% | 6.15% | 3.41% |
| Global fixed income | 18.50% | 1.26% | 0.23% |
| Real assets | 13.50% | 7.22% | 0.98% |
| Diversifying strategies | 12.50% | 5.00% | 0.63% |
| | <u>100.00%</u> | | |
| Inflation | | | 2.50% |
| Administrative expenses netted above | | | <u>0.25%</u> |
| Investment rate of return | | | <u><u>8.00%</u></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

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, 2018 | \$ 11,916,691 | \$ 7,392,016 | \$ 4,524,675 |
| Changes for the year: | | | |
| Service cost | 196,023 | - | 196,023 |
| Interest | 932,241 | - | 932,241 |
| Differences between expected and actual experience | (373,332) | - | (373,332) |
| Changes in assumptions | - | - | - |
| Employer contributions | - | 564,666 | (564,666) |
| Employee contributions | - | 148,903 | (148,903) |
| Net investment income | - | 1,004,051 | (1,004,051) |
| Benefit payments, including refunds of employee contributions | (723,376) | (723,376) | - |
| Administrative expense | - | (17,259) | 17,259 |
| Other changes | (25,741) | - | (25,741) |
| Net changes | <u>5,815</u> | <u>976,985</u> | <u>(971,170)</u> |
| Balances at December 31, 2019 | <u>\$ 11,922,506</u> | <u>\$ 8,369,001</u> | <u>\$ 3,553,505</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 | \$ 4,741,289 | \$ 3,553,505 | \$ 2,528,826 |

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, 2019 the Road Commission recognized pension expense of \$307,863. 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 | \$ - | \$ 300,013 | \$ (300,013) |
| Net difference between projected and actual earnings on pension plan investments | 37,633 | - | 37,633 |
| Total | \$ 37,633 | \$ 300,013 | \$ (262,380) |

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

| December 31, | Amount |
|--------------|---------------------|
| 2020 | \$ (182,343) |
| 2021 | (95,872) |
| 2022 | 98,591 |
| 2023 | (82,756) |
| Total | \$ (262,380) |

Payable to the Pension Plan. At December 31, 2019, the Road Commission had \$45,552 in contributions payable to the pension plan.

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 \$311,920 for the year ended December 31, 2019 and employees contributed \$196,570.

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.

COUNTY OF HILLSDALE, MICHIGAN

Notes to Financial Statements

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 12/31/2019 | |
| Inactive Plan Members | 2 |
| Active Plan Members | 38 |
| Total Members | 40 |

Total OPEB Liability and Net OPEB Liability.

The County's total OPEB liability of \$1,685,183 was measured as of December 31, 2019.

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 | None; the plan is not pre-funded |
| Salary Increases | 3% (for purpose of allocating liability) |
| Investment rate of return | None; Plan is not pre-funded |
| Utilization | 60% of eligible employees will elect coverage at retirement. |
| 20-year Aa Municipal bond rate | 3.26% (S&P Municipal Bond 20-Year High Grade Rate Index) |
| Mortality | 2010 Public General Employees and Healthy Retirees, Headcount weighted |
| Improvement Scale | MP-2019 |

Discount Rate

The discount rate used to measure the total OPEB liability was 3.26%. 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.

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 2019 | \$ 1,581,723 | \$ - | \$ 1,581,723 |
| Changes during the Year | | | |
| Service Cost | 33,342 | - | 33,342 |
| Interest | 56,431 | - | 56,431 |
| Experience (Gains)/Losses | (249,277) | - | (249,277) |
| Change in plan terms | - | - | - |
| Change in Actuarial assumptions | 277,635 | - | 277,635 |
| Contributions to OPEB Trust | - | - | - |
| Benefits paid from Operating Funds | - | 14,671 | (14,671) |
| Net Investment Income | - | - | - |
| Benefit Payments | (14,671) | (14,671) | - |
| Administrative Expenses | - | - | - |
| Other Changes | - | - | - |
| Total Changes | 103,460 | - | 103,460 |
| Balance at December 31, 2019 | <u>\$ 1,685,183</u> | <u>\$ -</u> | <u>\$ 1,685,183</u> |

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

The following presents the net OPEB liability (NOL) 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 | 1,488,744 | 1,581,723 | 1,916,250 |
| Plan Fiduciary Net Position | - | - | - |
| Net OPEB Liability | 1,488,744 | 1,581,723 | 1,916,250 |
| <u>Discount</u> | 1% Decrease | Current Rate | 1% Increase |
| Total OPEB Liability | 1,866,072 | 1,685,183 | 1,522,770 |
| Plan Fiduciary Net Position | - | - | - |
| Net OPEB Liability | 1,866,072 | 1,685,183 | 1,522,770 |

For the year ended December 31, 2019, the County recognized an OPEB expense as follows:

| | |
|----------------------------------|---------------|
| Service Cost | 33,342 |
| Interest on Total OPEB Liability | 56,431 |
| Experience (Gains)/Losses | (27,821) |
| Changes of Assumptions | 30,986 |
| Total OPEB Expense | 92,938 |

Deferred Inflows and Outflows of Resources Related to OPEB Plan

| | Deferred Outflows | Deferred Inflows |
|------------------------------------|-------------------|------------------|
| Experience (Gains)/Losses | - | 221,456 |
| Changes of Assumptions | 246,649 | - |
| Investment Earnings (Gains)/Losses | - | - |
| Total | 246,649 | 221,456 |

COUNTY OF HILLSDALE, MICHIGAN

Notes to Financial Statements

17. NET INVESTMENT IN CAPITAL ASSETS

| | Governmental activities | Business-type activities |
|--|-------------------------|--------------------------|
| Capital assets not being depreciated | \$ 251,435 | \$ - |
| Capital assets being depreciated, net | 7,654,144 | 9,689,927 |
| Total capital assets | <u>7,905,579</u> | <u>9,689,927</u> |
| Capital related bonds | (6,070,000) | - |
| Installment contracts | (385,001) | - |
| Capital leases | <u>(75,390)</u> | <u>-</u> |
| Total net investment in capital assets | <u>\$ 1,375,188</u> | <u>\$ 9,689,927</u> |

18. RESTATEMENT

The restatement of the beginning net position/fund balance was made to the following funds for the following reasons:

General Fund

| | | |
|-----------|----------------|---|
| \$ | (2,195) | Correction of prior year expense from the Indigent Defense Fund |
| | (2,930) | Creation of prior year reserve for Family Counseling |
| <u>\$</u> | <u>(5,125)</u> | |

Park Fund

| | | |
|----|-------|--|
| \$ | 4,751 | Correction of prior year prepaid expense |
|----|-------|--|

Indigent Defense Fund

| | | |
|----|-------|---|
| \$ | 2,195 | Correction of prior year expense to the Indigent Defense Fund |
|----|-------|---|

MCF Debt Service Fund

| | | |
|-----------|----------------|--|
| \$ | 320,874 | Correction of underpayment of tax revenues recorded in the prior year |
| | 73,398 | Correction of accounts receivable related to the improper over distribution of local community stabilization fur |
| <u>\$</u> | <u>394,272</u> | |

2015 Delinquent Tax Revolving Fund

| | | |
|----|---------|--|
| \$ | 143,745 | Restatement of equity for corrections to receivables |
|----|---------|--|

2016 Delinquent Tax Revolving Fund

| | | |
|----|---------|--|
| \$ | 211,179 | Restatement of equity for corrections of receivables |
|----|---------|--|

19. SUBSEQUENT EVENT

The County has evaluated its December 31, 2019, financial statements for subsequent events through the date the financial statements were issued. As a result of the spread of the COVID19 coronavirus, economic uncertainties have arisen which are likely to negatively impact on charges for service as many of the services have been reduced or halted as a result of the pandemic. This factor may result in a reduction in fund balance and net position in the future periods. Other financial impacts could occur though such potential impacts are

Required Supplementary Information

COUNTY OF HILLSDALE, MICHIGAN

Required Supplementary Information

Schedule of Changes in the Net Pension Liability and Related Ratios

| | 2016 | 2017 | 2018 | 2019 |
|--|---------------------|---------------------|---------------------|---------------------|
| Total Pension Liability | | | | |
| Service Cost | \$ 198,793 | \$ 196,805 | \$ 203,621 | \$ 211,620 |
| Interest | 595,086 | 618,638 | 653,908 | 682,800 |
| Benefit payments, including refund of member contributions | (315,192) | (448,312) | (514,830) | (455,089) |
| Other Changes | 17,024 | 91,178 | (15,421) | (195,292) |
| Net Change in Total Pension Liability | 495,711 | 458,309 | 327,278 | 244,039 |
| Total Pension Liability - Beginning | 7,375,436 | 7,871,147 | 8,329,456 | 8,656,734 |
| Total Pension Liability - Ending | <u>\$ 7,871,147</u> | <u>\$ 8,329,456</u> | <u>\$ 8,656,734</u> | <u>\$ 8,900,773</u> |
| Plan fiduciary net position | | | | |
| Contributions - employer | \$ 137,998 | \$ 144,608 | \$ 314,432 | \$ 184,549 |
| Contributions - employee | 218,671 | 252,676 | 254,856 | 263,244 |
| Net investment income | 469,826 | 605,974 | (199,104) | 676,479 |
| Benefit payments, including refunds of member contributions | (315,192) | (448,312) | (514,830) | (455,089) |
| Administrative expense | (9,261) | (9,587) | (9,846) | (11,662) |
| Other Changes | (551,627) | - | - | - |
| Net Change in plan fiduciary net position | (49,585) | 545,359 | (154,492) | 657,522 |
| Total plan fiduciary net position - Beginning | 4,626,228 | 4,576,643 | 5,122,002 | 4,967,510 |
| Total plan fiduciary net position - Ending | <u>\$ 4,576,643</u> | <u>\$ 5,122,002</u> | <u>\$ 4,967,510</u> | <u>\$ 5,625,032</u> |
| County's net pension liability - Ending | <u>\$ 3,294,504</u> | <u>\$ 3,207,454</u> | <u>\$ 3,689,224</u> | <u>\$ 3,275,741</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 58% | 61% | 57% | 63% |
| Covered - Employee Payroll | \$ 1,799,823 | \$ 1,753,157 | \$ 1,770,578 | \$ 1,770,578 |
| County's net pension liability as a percentage of covered-employee payroll | 183% | 183% | 208% | 185% |
| Annual money-weighted rate of return, net investment expense | 4% | 4% | 4% | 4% |
| Actuarially determined contribution | \$ 137,998 | \$ 144,608 | \$ 169,824 | \$ 184,549 |
| Contributions in relation to the actuarially determined | (137,998) | (144,608) | (314,432) | (184,549) |
| Contribution deficiency (excess) | - | - | (144,608) | - |
| Covered - employee payroll | 1,799,823 | 1,753,157 | 1,770,578 | 1,770,578 |
| Contributions as a percentage of covered-employee payroll | -8% | -8% | -18% | -10% |

COUNTY OF HILLSDALE, MICHIGAN

Required Supplementary Information

Retiree Health Care Plan - Primary government

| | |
|---|---|
| Total OPEB Liability - Beginning of Year | \$ 1,581,723 |
| Service Cost | - |
| Service Cost | 33,342 |
| Interest | 56,431 |
| Experience (Gains)/Losses | (249,277) |
| Change in Actuarial Assumptions | 277,635 |
| Benefit Payments | (14,671) |
| Total OPEB Liability - End of Year | <u>\$ 1,685,183</u> |
| | |
| Plan fiduciary net Position | |
| Contributions - employer | \$ 14,671 |
| Net Investment Income | - |
| Benefit Payments | (14,671) |
| Administrative Expense | - |
| Net Change in Plan fiduciary net Position | <u>-</u> |
| | |
| Plan fiduciary net Position - Beginning of Year | - |
| Plan fiduciary net Position - End of Year | <u>\$ -</u> |
| | |
| Net OPEB Liability - End of Year | \$ 1,685,183 |
| | |
| Plan fiduciary net Position as a percentage of total OPEB Liability | 0.00% |
| | |
| Covered Payroll | 130,954 |
| Net OPEB liability as a percentage of covered payroll | 1287% |
| | |
| Schedule of Employer Contributions | |
| Service Cost | 33,342 |
| Amortization of unfunded liability | 176,208 |
| Actuarially determined employer contribution | 216,905 |
| Employer contribution (benefit payments) | (14,671) |
| Contribution deficiency/(excess) | 202,234 |
| | |
| Covered Payroll | 130,954 |
| ADC as a percentage of payroll | 166% |
| | |
| 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 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 with Scale AA |

COUNTY OF HILLSDALE, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - General Fund
Year Ended December 31, 2019

| | Original Budget | Final Budget | Actual | Actual over (under) Final Budget |
|--|-----------------|--------------|--------------|----------------------------------|
| Revenues | | | | |
| Property taxes | \$ 6,760,084 | \$ 6,760,084 | \$ 6,804,814 | \$ 44,730 |
| Intergovernmental: | | | | |
| State revenue sharing | 961,821 | 961,821 | 967,598 | 5,777 |
| Personal Property Tax Reimbursement | 280,000 | 280,000 | 139,265 | (140,735) |
| Juvenile Officer's Grant | 28,000 | 28,000 | 27,317 | (683) |
| Judges Salaries Grant | 239,805 | 239,805 | 240,668 | 863 |
| Juror Compensation Grant | 2,000 | 2,000 | 6,776 | 4,776 |
| Liquor Tax | 104,183 | 104,183 | 109,587 | 5,404 |
| Secondary Road Patrol Grant | 100,000 | 100,000 | 91,287 | (8,713) |
| Marine Safety Grant | 10,000 | 10,000 | 11,613 | 1,613 |
| Emergency Management Grant | 8,000 | 8,000 | 9,347 | 1,347 |
| Drunk Driving Grant | 12,000 | 12,000 | 6,935 | (5,065) |
| Prosecutor - Cooperative Reimbursement Program | 72,500 | 72,500 | 79,180 | 6,680 |
| FOC - Cooperative Reimbursement Program | 320,000 | 320,000 | 262,285 | (57,715) |
| FOC - Other | 97,500 | 97,500 | 112,334 | 14,834 |
| Survey and Remonumentation Grant | 36,700 | 50,850 | 69,879 | 19,029 |
| State court equity funding | 190,000 | 190,000 | 202,359 | 12,359 |
| Elections | 30,000 | 30,000 | 43,394 | 13,394 |
| Other intergovernmental revenue | 17,366 | 17,366 | 16,235 | (1,131) |
| Total intergovernmental | 2,509,875 | 2,524,025 | 2,396,059 | (127,966) |
| Licenses and permits: | | | | |
| Dog licenses | 46,000 | 46,000 | 44,988 | (1,012) |
| Other licenses and permits | 17,500 | 17,500 | 16,180 | (1,320) |
| Total licenses and permits | 63,500 | 63,500 | 61,168 | (2,332) |
| Fines and forfeits: | | | | |
| Ordinance fines and costs | 265,000 | 265,000 | 212,865 | (52,135) |
| Bond forfeitures | 46,500 | 46,500 | 44,688 | (1,812) |
| Total fines and forfeits | 311,500 | 311,500 | 257,553 | (53,947) |
| Charges for services: | | | | |
| Circuit Court | 35,750 | 35,750 | 38,851 | 3,101 |
| District Court | 98,400 | 98,400 | 92,508 | (5,892) |
| Friend of the Court | 71,050 | 71,050 | 86,543 | 15,493 |
| Probate/Family Court | 133,600 | 133,600 | 126,925 | (6,675) |
| Clerk | 67,000 | 67,000 | 74,054 | 7,054 |
| Register of deeds | 385,000 | 407,000 | 415,713 | 8,713 |
| Sheriff | 79,750 | 79,750 | 85,447 | 5,697 |
| Equalization | 70,000 | 70,000 | 59,247 | (10,753) |
| Other charges for services | 93,350 | 93,350 | 99,679 | 6,329 |
| Total charges for services | 1,033,900 | 1,055,900 | 1,078,967 | 23,067 |

continued...

COUNTY OF HILLSDALE, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - General Fund
Year Ended December 31, 2019

| | Original Budget | Final Budget | Actual | Actual over (under) Final Budget |
|--------------------------------|-------------------|-------------------|-------------------|----------------------------------|
| Revenues (continued) | | | | |
| Interest and rentals: | | | | |
| Interest revenue | 60,000 | 105,000 | 58,924 | (46,076) |
| Rents | 223,125 | 223,125 | 233,249 | 10,124 |
| Total interest and rentals | 283,125 | 328,125 | 292,173 | (35,952) |
| Other revenue/reimbursements - | | | | |
| Reimbursements and refunds | 729,900 | 729,900 | 727,277 | (2,623) |
| Total revenues | 11,691,884 | 11,773,034 | 11,618,011 | (155,023) |
| Expenditures | | | | |
| Legislative - | | | | |
| Board of Commissioners | 72,472 | 90,672 | 90,671 | (1) |
| Judicial: | | | | |
| Circuit Court | 152,099 | 159,099 | 158,015 | (1,084) |
| District Court | 475,250 | 475,250 | 466,258 | (8,992) |
| Friend of the Court | 426,912 | 426,912 | 422,911 | (4,001) |
| Jury Commission | 2,509 | 2,509 | 1,893 | (616) |
| Probate Court | 612,904 | 594,904 | 583,864 | (11,040) |
| Family/Juvenile Court | 210,307 | 140,307 | 134,525 | (5,782) |
| Total judicial | 1,879,981 | 1,798,981 | 1,767,466 | (31,515) |
| General government: | | | | |
| Elections | 92,594 | 114,594 | 114,086 | (508) |
| Clerk | 256,131 | 264,131 | 257,697 | (6,434) |
| Register of deeds | 149,232 | 149,432 | 149,140 | (292) |
| Planning | 640 | 640 | - | (640) |
| Equalization | 260,959 | 260,959 | 251,634 | (9,325) |
| Information technology | 301,015 | 301,015 | 304,739 | 3,724 |
| Prosecutor | 476,310 | 484,310 | 483,973 | (337) |
| Survey & Remonumentation | 36,700 | 51,700 | 50,848 | (852) |
| Treasurer | 232,020 | 238,020 | 235,713 | (2,307) |
| Finance | 67,674 | 69,524 | 69,506 | (18) |
| MSU Extension | 192,813 | 195,813 | 195,103 | (710) |
| Courthouse and grounds | 439,513 | 449,513 | 440,892 | (8,621) |
| FOC Building | 25,745 | 25,745 | 19,668 | (6,077) |
| DHS Building | 136,175 | 140,175 | 137,665 | (2,510) |
| Drain Commissioner | 208,797 | 236,797 | 236,490 | (307) |
| Bus Garage | 16,200 | 16,200 | 14,710 | (1,490) |
| Office building | 26,300 | 40,300 | 34,998 | (5,302) |
| Total general government | 2,918,818 | 3,038,868 | 2,996,862 | (42,006) |

continued...

COUNTY OF HILLSDALE, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - General Fund
Year Ended December 31, 2019

| | Original Budget | Final Budget | Actual | Actual over (under) Final Budget |
|------------------------------------|-------------------|-------------------|-------------------|----------------------------------|
| Expenditures (continued) | | | | |
| Public safety: | | | | |
| Sheriff's Department | 1,949,415 | 1,949,415 | 1,851,372 | (98,043) |
| Secondary Road Patrol Grant | 111,114 | 111,114 | 79,162 | (31,952) |
| Marine Patrol | 13,500 | 13,500 | 12,296 | (1,204) |
| Narcotics enforcement | 17,266 | - | (1,705) | (1,705) |
| Jail Operation | 1,007,808 | 1,053,808 | 1,051,083 | (2,725) |
| Emergency Preparedness | 49,645 | 49,645 | 47,552 | (2,093) |
| Animal control | 56,561 | 56,561 | 55,395 | (1,166) |
| Total public safety | 3,205,309 | 3,234,043 | 3,095,155 | (138,888) |
| Public works - | | | | |
| Board of Public Works | 25,966 | 26,166 | 25,852 | (314) |
| Health and welfare: | | | | |
| Health Department | 105,510 | 105,510 | 84,356 | (21,154) |
| Medical Examiner | 121,336 | 121,336 | 104,488 | (16,848) |
| Veteran's Burial | 15,000 | 15,000 | 8,793 | (6,207) |
| Veteran's Affairs Office | 55,067 | 55,067 | 47,738 | (7,329) |
| District Health Department | 234,374 | 250,525 | 249,890 | (635) |
| Mental Health Authority | 274,000 | 274,000 | 274,000 | - |
| Total health and welfare | 805,287 | 821,438 | 769,265 | (52,173) |
| Other: | | | | |
| Employee Benefits | 1,614,676 | 1,609,620 | 1,606,382 | (3,238) |
| Property/Liability Insurance | 277,500 | 293,244 | 285,465 | (7,779) |
| Other | 295,101 | 214,063 | 213,143 | (920) |
| Appropriations | 99,233 | 99,233 | 98,233 | (1,000) |
| Total other | 2,286,510 | 2,216,160 | 2,203,223 | (12,937) |
| Capital outlay | 92,000 | 127,000 | 123,778 | (3,222) |
| Total expenditures | 11,286,343 | 11,353,329 | 11,072,272 | (281,057) |
| Revenues over (under) expenditures | 405,541 | 419,705 | 545,739 | 126,034 |

continued...

COUNTY OF HILLSDALE, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - General Fund
Year Ended December 31, 2019

| | Original Budget | Final Budget | Actual | Actual over (under) Final Budget |
|---|---------------------|---------------------|---------------------|--|
| Other financing sources (uses) | | | | |
| Proceeds from capital lease | 50,000 | 39,000 | - | (39,000) |
| Transfers in | 689,018 | 689,018 | 689,018 | - |
| Transfers out | (1,144,558) | (1,356,313) | (1,354,875) | (1,438) |
| Total other financing sources (uses) | <u>(405,540)</u> | <u>(628,295)</u> | <u>(665,857)</u> | <u>(37,562)</u> |
| Net change in fund balances | 1 | (208,590) | (120,118) | 88,472 |
| Fund balances, beginning of year | 1,403,556 | 1,403,556 | 1,403,556 | - |
| Prior Period Adjustment | (5,125) | (5,125) | (5,125) | - |
| Fund balances (deficit), end of year | <u>\$ 1,398,432</u> | <u>\$ 1,189,841</u> | <u>\$ 1,278,313</u> | <u>\$ 88,472</u> |

COUNTY OF HILLSDALE, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual - Senior Citizen Special Revenue Fund
 Year Ended December 31, 2019

| | Original Budget | Final Budget | Actual | Actual over (under) Final Budget |
|-----------------------------------|----------------------------|-------------------------|--------------------|---|
| Revenues | | | | |
| Property tax revenue | \$ 1,285,000 | \$ 1,285,000 | \$ 1,297,850 | \$ 12,850 |
| Expenditures | | | | |
| Health and welfare | 1,285,000 | 1,285,000 | 1,340,507 | 55,507 |
| Revenues over expenditures | - | - | (42,657) | (42,657) |
| Fund balances, beginning of year | 26,945 | 26,945 | 26,945 | - |
| Fund balances, end of year | \$ 26,945 | \$ 26,945 | \$ (15,712) | \$ (42,657) |

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

Other Information

COUNTY OF HILLSDALE, MICHIGAN

Combining Balance Sheet - Nonmajor Governmental Funds
December 31, 2019

| | Special Revenue | | | | | | | | | |
|---|------------------|---------------------|-------------------------------|--------------------------------|-------------------|--------------------------|---------------------|------------------------------|------------------|--------------------------|
| | Parks | Ambulance | Tobacco and Alcohol Diversion | Pros. Atty. Offender Diversion | E-911 Emergency | Concealed Pistols Permit | Friend of the Court | Register of Deeds Automation | Drug Forfeiture | Law Enforcement Training |
| Assets | | | | | | | | | | |
| Cash and investments | \$ 25,972 | \$ (7,141) | \$ 6,635 | \$ 9,372 | \$ 293,688 | \$ 80,708 | \$ 258,827 | \$ 210,558 | \$ 15,873 | \$ 2,800 |
| Taxes receivable | - | 1,331,744 | - | - | - | - | - | - | - | - |
| Accounts receivable | - | 41,570 | - | - | 255,566 | - | 3,474 | 105 | - | - |
| Due from other governments | - | - | - | - | - | - | - | - | - | - |
| Prepaid expenditures | - | - | - | - | 4,269 | - | - | - | - | - |
| Interest receivable | 1,000 | - | - | - | - | - | - | - | - | - |
| Total assets | \$ 26,972 | \$ 1,366,173 | \$ 6,635 | \$ 9,372 | \$ 553,523 | \$ 80,708 | \$ 262,301 | \$ 210,663 | \$ 15,873 | \$ 2,800 |
| Liabilities | | | | | | | | | | |
| Accounts payable | \$ 16,702 | \$ 34,429 | \$ - | \$ - | \$ 1,885 | \$ 179 | \$ - | \$ - | \$ - | \$ - |
| Unearned revenue | 1,866 | - | - | - | - | - | - | - | - | - |
| Accrued liabilities | (7,942) | - | - | - | 17,959 | - | - | - | - | - |
| Total liabilities | 10,626 | 34,429 | - | - | 19,844 | 179 | - | - | - | - |
| Deferred inflows of resources | | | | | | | | | | |
| Taxes levied for subsequent period | - | 1,331,744 | - | - | - | - | - | - | - | - |
| Fund balances | | | | | | | | | | |
| Nonspendable | - | - | - | - | 4,269 | - | - | - | - | - |
| Restricted | - | - | - | - | 529,410 | 80,529 | 262,301 | 210,663 | 15,873 | 2,800 |
| Assigned | 16,346 | - | 6,635 | 9,372 | - | - | - | - | - | - |
| Total fund balances | 16,346 | - | 6,635 | 9,372 | 533,679 | 80,529 | 262,301 | 210,663 | 15,873 | 2,800 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 26,972 | \$ 1,366,173 | \$ 6,635 | \$ 9,372 | \$ 553,523 | \$ 80,708 | \$ 262,301 | \$ 210,663 | \$ 15,873 | \$ 2,800 |

(continued...)

COUNTY OF HILLSDALE, MICHIGAN

Combining Balance Sheet - Nonmajor Governmental Funds

December 31, 2019

| | Special Revenue | | | | | | | | | |
|---|--------------------|---------------------|------------------|-----------------|------------------|------------------------------|---|--------------------|-------------------------------|-------------------------|
| | County Law Library | Inmate House Arrest | Restoration Fund | Byrne Jag Grant | Child Abuse | Department of Human Services | Department of Human Services Child Care | Probate Child Care | Soldiers' and Sailors' Relief | Veterans' Service Grant |
| Assets | | | | | | | | | | |
| Cash and investments | \$ 18,001 | \$ 3,327 | \$ 7,240 | \$ (52,627) | \$ 65,702 | \$ 16,095 | \$ 121,919 | \$ 168,396 | \$ 19,031 | \$ - |
| Taxes receivable | - | - | - | - | - | - | - | - | - | - |
| Accounts receivable | - | - | - | 52,628 | 2,589 | - | - | 65,357 | - | - |
| Due from other governments | - | - | - | - | - | - | - | - | - | - |
| Prepaid expenditures | - | - | - | - | - | 1,551 | - | 160 | - | - |
| Interest receivable | - | - | - | - | - | - | - | - | - | - |
| Total assets | <u>\$ 18,001</u> | <u>\$ 3,327</u> | <u>\$ 7,240</u> | <u>\$ 1</u> | <u>\$ 68,291</u> | <u>\$ 17,646</u> | <u>\$ 121,919</u> | <u>\$ 233,913</u> | <u>\$ 19,031</u> | <u>\$ -</u> |
| Liabilities | | | | | | | | | | |
| Accounts payable | \$ 1,515 | \$ 2,470 | \$ - | \$ - | \$ - | \$ 1,572 | \$ 433 | \$ 33,776 | \$ 215 | \$ - |
| Unearned revenue | - | - | - | - | - | - | - | - | - | - |
| Accrued liabilities | - | - | - | - | - | - | - | 18,176 | - | - |
| Total liabilities | <u>1,515</u> | <u>2,470</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,572</u> | <u>433</u> | <u>51,952</u> | <u>215</u> | <u>-</u> |
| Deferred inflows of resources | | | | | | | | | | |
| Taxes levied for subsequent period | - | - | - | - | - | - | - | - | - | - |
| Fund balances | | | | | | | | | | |
| Nonspendable | - | - | - | - | - | - | - | 160 | - | - |
| Restricted | 16,486 | 857 | 7,240 | 1 | 68,291 | 16,074 | 121,486 | 181,801 | 18,816 | - |
| Assigned | - | - | - | - | - | - | - | - | - | - |
| Total fund balances | <u>16,486</u> | <u>857</u> | <u>7,240</u> | <u>1</u> | <u>68,291</u> | <u>16,074</u> | <u>121,486</u> | <u>181,961</u> | <u>18,816</u> | <u>-</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 18,001</u> | <u>\$ 3,327</u> | <u>\$ 7,240</u> | <u>\$ 1</u> | <u>\$ 68,291</u> | <u>\$ 17,646</u> | <u>\$ 121,919</u> | <u>\$ 233,913</u> | <u>\$ 19,031</u> | <u>\$ -</u> |

(continued...)

COUNTY OF HILLSDALE, MICHIGAN

Combining Balance Sheet - Nonmajor Governmental Funds

December 31, 2019

| | Special Revenue | | | | | | | | | Debt Service |
|---|---------------------------|------------------------|-------------------|------------------------|------------------|-------------------|---------------------|-------------------------|-----------------------|--------------|
| | Veterans' Incentive Grant | Veterans' Respite Care | Homeland Security | GIS/Mapping Technology | Indigent Defense | Family Drug Court | District Drug Court | Community Mental Health | Veterans' Scholarship | Court House |
| Assets | | | | | | | | | | |
| Cash and investments | \$ 10,000 | \$ 6,356 | \$ 3,267 | \$ 4,204 | \$ (87,892) | \$ 87,777 | \$ 82,648 | \$ 8,310 | \$ 7,431 | \$ 25 |
| Taxes receivable | - | - | - | - | - | - | - | - | - | - |
| Accounts receivable | - | - | 494 | 368 | 95,390 | 34,932 | 47,566 | 665,148 | - | - |
| Due from other governments | - | - | - | - | - | - | - | - | - | - |
| Prepaid expenditures | - | - | - | - | - | - | - | - | - | - |
| Interest receivable | - | - | - | - | - | - | - | - | - | - |
| Total assets | <u>\$ 10,000</u> | <u>\$ 6,356</u> | <u>\$ 3,761</u> | <u>\$ 4,572</u> | <u>\$ 7,498</u> | <u>\$ 122,709</u> | <u>\$ 130,214</u> | <u>\$ 673,458</u> | <u>\$ 7,431</u> | <u>\$ 25</u> |
| Liabilities | | | | | | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 792 | \$ 4,137 | \$ 665,148 | \$ - | \$ - |
| Unearned revenue | - | - | - | - | - | - | - | - | - | - |
| Accrued liabilities | - | - | - | - | - | - | - | - | - | - |
| Total liabilities | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>792</u> | <u>4,137</u> | <u>665,148</u> | <u>-</u> | <u>-</u> |
| Deferred inflows of resources | | | | | | | | | | |
| Taxes levied for subsequent period | - | - | - | - | - | - | - | - | - | - |
| Fund balances | | | | | | | | | | |
| Nonspendable | - | - | - | - | - | - | - | - | - | - |
| Restricted | 10,000 | 6,356 | 3,761 | - | - | 121,917 | 126,077 | 8,310 | 7,431 | 25 |
| Assigned | - | - | - | 4,572 | 7,498 | - | - | - | - | - |
| Total fund balances | <u>10,000</u> | <u>6,356</u> | <u>3,761</u> | <u>4,572</u> | <u>7,498</u> | <u>121,917</u> | <u>126,077</u> | <u>8,310</u> | <u>7,431</u> | <u>25</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 10,000</u> | <u>\$ 6,356</u> | <u>\$ 3,761</u> | <u>\$ 4,572</u> | <u>\$ 7,498</u> | <u>\$ 122,709</u> | <u>\$ 130,214</u> | <u>\$ 673,458</u> | <u>\$ 7,431</u> | <u>\$ 25</u> |

(continued...)

COUNTY OF HILLSDALE, MICHIGAN

Combining Balance Sheet - Nonmajor Governmental Funds

December 31, 2019

| | Debt Service | | | | Capital Improvements | | | | Permanent Fund | |
|---|-------------------|------------------------------------|-----------------------------------|------------------------|----------------------|-----------------------|-----------------------|------------------------|-----------------|---------------------|
| | Court House Annex | Medical Care Facility Debt Service | Medical Care Facility Small House | County Office Building | Improvement | Medical Care Facility | CH Building Authority | E911 Construction Fund | MCF Endowment | Total |
| Assets | | | | | | | | | | |
| Cash and investments | \$ - | \$ 737 | \$ 720 | \$ 1,683 | \$ 78,996 | \$ 985 | \$ 6,429 | \$ - | \$ 3,241 | \$ 1,479,293 |
| Taxes receivable | - | 540,893 | - | - | - | - | - | - | - | 1,872,637 |
| Accounts receivable | - | 73,398 | - | - | 17,646 | - | - | - | - | 1,356,231 |
| Due from other governments | - | 352,863 | - | - | - | - | - | - | - | 352,863 |
| Prepaid expenditures | - | - | - | - | - | - | - | - | - | 5,980 |
| Interest receivable | - | - | - | - | - | - | - | - | - | 1,000 |
| Total assets | \$ - | \$ 967,891 | \$ 720 | \$ 1,683 | \$ 96,642 | \$ 985 | \$ 6,429 | \$ - | \$ 3,241 | \$ 5,068,004 |
| Liabilities | | | | | | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - | \$ 10,761 | \$ - | \$ - | \$ - | \$ - | \$ 774,014 |
| Unearned revenue | - | - | - | - | - | - | - | - | - | 1,866 |
| Accrued liabilities | - | - | - | - | - | - | - | - | - | 28,193 |
| Total liabilities | - | - | - | - | 10,761 | - | - | - | - | 804,073 |
| Deferred inflows of resources | | | | | | | | | | |
| Taxes levied for subsequent period | - | 540,893 | - | - | - | - | - | - | - | 1,872,637 |
| Fund balances | | | | | | | | | | |
| Nonspendable | - | - | - | - | - | - | - | - | 3,241 | 7,670 |
| Restricted | - | 426,998 | 720 | 1,683 | - | - | 6,429 | - | - | 2,252,335 |
| Assigned | - | - | - | - | 85,881 | 985 | - | - | - | 131,289 |
| Total fund balances | - | 426,998 | 720 | 1,683 | 85,881 | 985 | 6,429 | - | 3,241 | 2,391,294 |
| Total liabilities, deferred inflows of resources and fund balances | \$ - | \$ 967,891 | \$ 720 | \$ 1,683 | \$ 96,642 | \$ 985 | \$ 6,429 | \$ - | \$ 3,241 | \$ 5,068,004 |

COUNTY OF HILLSDALE, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds
Year Ended December 31, 2019

| | Special Revenue | | | | | | | | | |
|---|------------------|----------------|-------------------------------|--------------------------------|-------------------|--------------------------|---------------------|------------------------------|------------------|--------------------------|
| | Parks | Ambulance | Tobacco and Alcohol Diversion | Pros. Atty. Offender Diversion | E-911 Emergency | Concealed Pistols Permit | Friend of the Court | Register of Deeds Automation | Drug Forfeiture | Law Enforcement Training |
| Revenues | | | | | | | | | | |
| Property taxes | \$ - | \$ 520,348 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental | - | 16,139 | - | - | - | - | - | - | - | - |
| Contributions | - | - | - | - | - | - | - | - | - | - |
| Fines and forfeits | - | - | 1,203 | 1,995 | - | - | 17,911 | - | - | - |
| Charges for services | - | - | - | - | 1,157,461 | 24,038 | - | - | - | - |
| Refunds and reimbursements | - | - | - | - | 36,423 | - | - | - | - | - |
| Interest and rentals | 536 | - | - | - | 47 | - | - | - | - | - |
| Other revenue | 36,327 | - | - | - | 25,573 | - | 17,768 | 49,435 | 1,366 | 3,878 |
| Total revenues | 36,863 | 536,487 | 1,203 | 1,995 | 1,219,504 | 24,038 | 35,679 | 49,435 | 1,366 | 3,878 |
| Expenditures | | | | | | | | | | |
| Current: | | | | | | | | | | |
| Judicial | - | - | - | - | - | - | 1,861 | - | - | - |
| General government | - | - | - | - | - | - | - | 28,229 | - | - |
| Public safety | - | - | - | - | 1,146,561 | 2,205 | - | - | 3,067 | 4,794 |
| Health and welfare | - | 537,387 | - | - | - | - | - | - | - | - |
| Recreation and culture | 59,152 | 497 | - | - | - | - | - | - | - | - |
| Capital outlay | 9,820 | - | - | - | - | - | - | 10,614 | - | - |
| Debt service | | | | | | | | | | |
| Principal | - | - | - | - | - | - | - | - | - | - |
| Interest | - | - | - | - | - | - | - | - | - | - |
| Total expenditures | 68,972 | 537,884 | - | - | 1,146,561 | 2,205 | 1,861 | 38,843 | 3,067 | 4,794 |
| Revenues over (under) expenditures | (32,109) | (1,397) | 1,203 | 1,995 | 72,943 | 21,833 | 33,818 | 10,592 | (1,701) | (916) |
| Other financing sources (uses) | | | | | | | | | | |
| Transfers in | 29,750 | - | - | - | - | - | - | - | - | - |
| Transfers out | - | - | - | - | (45,408) | (6,888) | (53,000) | (1,500) | - | - |
| Total other financing sources (uses) | 29,750 | - | - | - | (45,408) | (6,888) | (53,000) | (1,500) | - | - |
| Net changes in fund balances | (2,359) | (1,397) | 1,203 | 1,995 | 27,535 | 14,945 | (19,182) | 9,092 | (1,701) | (916) |
| Fund balances (deficit), beginning of year | 13,954 | 1,397 | 5,432 | 7,377 | 506,144 | 65,584 | 281,483 | 201,571 | 17,574 | 3,716 |
| Prior Period Adjustment | 4,751 | - | - | - | - | - | - | - | - | - |
| Fund balances (deficit), end of year | \$ 16,346 | \$ - | \$ 6,635 | \$ 9,372 | \$ 533,679 | \$ 80,529 | \$ 262,301 | \$ 210,663 | \$ 15,873 | \$ 2,800 |

(continued...)

COUNTY OF HILLSDALE, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds
Year Ended December 31, 2019

| | Special Revenue | | | | | | | | | |
|---|--------------------|---------------------|------------------|-----------------|------------------|------------------------------|---|--------------------|-------------------------------|-------------------------|
| | County Law Library | Inmate House Arrest | Restoration Fund | Byrne Jag Grant | Child Abuse | Department of Human Services | Department of Human Services Child Care | Probate Child Care | Soldiers' and Sailors' Relief | Veterans' Service Grant |
| Revenues | | | | | | | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental | - | - | - | - | - | - | - | - | - | - |
| Contributions | - | - | - | - | - | - | - | - | - | - |
| Fines and forfeits | - | - | - | - | - | - | - | - | - | - |
| Charges for services | - | - | - | - | - | - | - | - | - | - |
| Refunds and reimbursements | - | - | - | - | - | - | - | 118,220 | - | - |
| Interest and rentals | - | - | - | - | - | - | - | 345 | - | - |
| Other revenue | 8,500 | 7,886 | 7,240 | 126,186 | 27,560 | - | 91,464 | 446,311 | 900 | 50,000 |
| Total revenues | 8,500 | 7,886 | 7,240 | 126,186 | 27,560 | - | 91,464 | 564,876 | 900 | 50,000 |
| Expenditures | | | | | | | | | | |
| Current: | | | | | | | | | | |
| Judicial | 8,545 | 7,632 | - | - | - | - | - | - | - | - |
| General government | - | - | - | - | - | - | - | - | - | - |
| Public safety | - | (1) | - | 15,268 | 1,193 | - | - | - | - | - |
| Health and welfare | - | - | - | - | - | 25,675 | 145,385 | 1,126,681 | 122,265 | 22,953 |
| Recreation and culture | - | - | - | - | - | - | - | - | - | - |
| Capital outlay | - | - | - | 110,917 | - | - | - | - | - | 29,684 |
| Debt service | | | | | | | | | | |
| Principal | - | - | - | - | - | - | - | - | - | - |
| Interest | - | - | - | - | - | - | - | - | - | - |
| Total expenditures | 8,545 | 7,631 | - | 126,185 | 1,193 | 25,675 | 145,385 | 1,126,681 | 122,265 | 52,637 |
| Revenues over (under) expenditures | (45) | 255 | 7,240 | 1 | 26,367 | (25,675) | (53,921) | (561,805) | (121,365) | (2,637) |
| Other financing sources (uses) | | | | | | | | | | |
| Transfers in | - | - | - | - | - | 25,000 | 175,000 | 610,000 | 128,362 | 2,637 |
| Transfers out | - | - | - | - | - | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | - | 25,000 | 175,000 | 610,000 | 128,362 | 2,637 |
| Net changes in fund balances | (45) | 255 | 7,240 | 1 | 26,367 | (675) | 121,079 | 48,195 | 6,997 | - |
| Fund balances (deficit), beginning of year | 16,531 | 602 | - | - | 41,924 | 16,749 | 407 | 133,766 | 11,819 | - |
| Prior Period Adjustment | - | - | - | - | - | - | - | - | - | - |
| Fund balances (deficit), end of year | \$ 16,486 | \$ 857 | \$ 7,240 | \$ 1 | \$ 68,291 | \$ 16,074 | \$ 121,486 | \$ 181,961 | \$ 18,816 | \$ - |

(continued...)

COUNTY OF HILLSDALE, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds
Year Ended December 31, 2019

| | Special Revenue | | | | | | | | | |
|---|---------------------------|------------------------|-------------------|------------------------|------------------|-------------------|---------------------|-------------------------|-----------------------|--------------|
| | Veterans' Incentive Grant | Veterans' Respite Care | Homeland Security | GIS/Mapping Technology | Indigent Defense | Family Drug Court | District Drug Court | Community Mental Health | Veterans' Scholarship | Court House |
| Revenues | | | | | | | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 650,738 | \$ - | \$ - |
| Intergovernmental | - | - | 9,332 | - | - | 144,514 | 67,781 | - | - | - |
| Contributions | - | 9,250 | - | - | - | - | - | - | 2,500 | - |
| Fines and forfeits | - | - | - | - | - | - | - | - | - | - |
| Charges for services | - | - | - | - | - | - | - | - | - | - |
| Refunds and reimbursements | - | - | - | - | 658 | 4,749 | 3,999 | - | - | - |
| Interest and rentals | - | - | - | - | - | - | - | - | - | - |
| Other revenue | 10,000 | - | - | 1,434 | 177,700 | 11,767 | 81,722 | 1,146 | - | - |
| Total revenues | 10,000 | 9,250 | 9,332 | 1,434 | 178,358 | 161,030 | 153,502 | 651,884 | 2,500 | - |
| Expenditures | | | | | | | | | | |
| Current: | | | | | | | | | | |
| Judicial | - | - | - | - | - | - | 901 | 192 | - | - |
| General government | - | - | - | 2,800 | 332,003 | - | - | - | - | - |
| Public safety | - | - | 8,592 | - | (1) | 162,049 | 179,694 | - | - | - |
| Health and welfare | - | 13,683 | - | - | - | - | - | 643,382 | 6,000 | - |
| Recreation and culture | - | - | - | - | - | - | - | - | - | - |
| Capital outlay | - | - | - | - | - | - | - | - | - | - |
| Debt service | | | | | | | | | | |
| Principal | - | - | - | - | - | - | - | - | - | - |
| Interest | - | - | - | - | - | - | - | - | - | - |
| Total expenditures | - | 13,683 | 8,592 | 2,800 | 332,002 | 162,049 | 180,595 | 643,574 | 6,000 | - |
| Revenues over (under) expenditures | 10,000 | (4,433) | 740 | (1,366) | (153,644) | (1,019) | (27,093) | 8,310 | (3,500) | - |
| Other financing sources (uses) | | | | | | | | | | |
| Transfers in | - | - | - | - | 116,000 | 20,000 | - | - | - | - |
| Transfers out | - | - | - | - | - | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | 116,000 | 20,000 | - | - | - | - |
| Net changes in fund balances | 10,000 | (4,433) | 740 | (1,366) | (37,644) | 18,981 | (27,093) | 8,310 | (3,500) | - |
| Fund balances (deficit), beginning of year | - | 10,789 | 3,021 | 5,938 | 42,947 | 102,936 | 153,170 | - | 10,931 | 25 |
| Prior Period Adjustment | - | - | - | - | 2,195 | - | - | - | - | - |
| Fund balances (deficit), end of year | \$ 10,000 | \$ 6,356 | \$ 3,761 | \$ 4,572 | \$ 7,498 | \$ 121,917 | \$ 126,077 | \$ 8,310 | \$ 7,431 | \$ 25 |

(continued...)

COUNTY OF HILLSDALE, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds
Year Ended December 31, 2019

| | Debt Service | | | | Capital Projects | | | | Permanent Funds | Total |
|---|-------------------|------------------------------------|-----------------------------------|------------------------|------------------|-----------------------|-----------------------|------------------------|-----------------|--------------|
| | Court House Annex | Medical Care Facility Debt Service | Medical Care Facility Small House | County Office Building | Improvement | Medical Care Facility | CH Building Authority | E911 Construction Fund | MCF Endowment | |
| Revenues | | | | | | | | | | |
| Property taxes | \$ - | \$ 544,030 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,715,116 |
| Intergovernmental | - | - | - | - | - | - | - | - | - | 237,766 |
| Contributions | - | - | - | - | - | - | - | - | - | 11,750 |
| Fines and forfeits | - | - | - | - | - | - | - | - | - | 21,109 |
| Charges for services | - | - | - | - | - | - | - | - | - | 1,181,499 |
| Refunds and reimbursements | - | - | - | - | - | - | - | - | - | 164,049 |
| Interest and rentals | - | 39 | - | - | - | - | 9 | - | 50 | 1,026 |
| Other revenue | - | - | - | - | 33,848 | 1 | - | - | - | 1,218,012 |
| Total revenues | - | 544,069 | - | - | 33,848 | 1 | 9 | - | 50 | 4,550,327 |
| Expenditures | | | | | | | | | | |
| Current: | | | | | | | | | | |
| Judicial | - | - | - | - | - | - | - | - | - | 19,131 |
| General government | - | - | - | - | 54,603 | - | - | - | - | 417,635 |
| Public safety | - | - | - | - | - | - | - | - | - | 1,523,421 |
| Health and welfare | - | - | - | - | - | - | - | - | - | 2,643,411 |
| Recreation and culture | - | - | - | - | - | - | - | - | - | 59,649 |
| Capital outlay | - | - | - | - | 124,827 | - | - | - | - | 285,862 |
| Debt service | | | | | | | | | | |
| Principal | 90,000 | 475,000 | - | - | - | - | - | 40,000 | - | 605,000 |
| Interest | 2,775 | 123,574 | - | 10,500 | - | - | - | 5,408 | - | 142,257 |
| Total expenditures | 92,775 | 598,574 | - | 10,500 | 179,430 | - | - | 45,408 | - | 5,696,366 |
| Revenues over (under) expenditures | (92,775) | (54,505) | - | (10,500) | (145,582) | 1 | 9 | (45,408) | 50 | (1,146,039) |
| Other financing sources (uses) | | | | | | | | | | |
| Transfers in | 92,775 | 86,137 | - | 10,695 | 12,755 | - | - | 45,408 | - | 1,354,519 |
| Transfers out | - | - | - | - | (11,255) | - | (6,350) | - | - | (124,401) |
| Total other financing sources (uses) | 92,775 | 86,137 | - | 10,695 | 1,500 | - | (6,350) | 45,408 | - | 1,230,118 |
| Net changes in fund balances | - | 31,632 | - | 195 | (144,082) | 1 | (6,341) | - | 50 | 84,079 |
| Fund balances (deficit), beginning of year | - | 1,094 | 720 | 1,488 | 229,963 | 984 | 12,770 | - | 3,191 | 1,905,997 |
| Prior Period Adjustment | - | 394,272 | - | - | - | - | - | - | - | 401,218 |
| Fund balances (deficit), end of year | \$ - | \$ 426,998 | \$ 720 | \$ 1,683 | \$ 85,881 | \$ 985 | \$ 6,429 | \$ - | \$ 3,241 | \$ 1,990,076 |

COUNTY OF HILLSDALE, MICHIGAN

Combining Statement of Net Position

Nonmajor Enterprise Funds

December 31, 2019

| | 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 | 2012 Delinquent Tax Revolving |
|---|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| Assets | | | | | | | | |
| Current assets: | | | | | | | | |
| Cash and investments | \$ - | \$ - | \$ 178 | \$ 663 | \$ 406 | \$ 1,556 | \$ 125 | \$ 871 |
| Taxes receivable | 2,370 | 5,246 | 6,548 | 8,048 | 10,590 | 14,607 | 13,565 | 21,611 |
| Accounts receivable | - | - | - | 840 | 2,280 | 1,233 | 2,950 | 1,720 |
| Interest receivable | 5,599 | 13,746 | 15,208 | 17,237 | 22,297 | 37,994 | 39,220 | 39,211 |
| Prepays | - | - | - | - | - | 1,500 | - | 368 |
| Total current assets | 7,969 | 18,992 | 21,934 | 26,788 | 35,573 | 56,890 | 55,860 | 63,781 |
| Noncurrent assets: | | | | | | | | |
| Leases receivable, net of current portion | - | - | - | - | - | - | - | - |
| Capital assets | - | - | - | - | - | - | - | - |
| Total assets | 7,969 | 18,992 | 21,934 | 26,788 | 35,573 | 56,890 | 55,860 | 63,781 |
| Liabilities | | | | | | | | |
| Accounts payable | - | - | 600 | - | - | - | - | - |
| Accrued liabilities | - | 340 | - | - | - | - | - | - |
| Due to other governments | 40 | - | 410 | 790 | 790 | (2,120) | 1,697 | 324 |
| Total liabilities | 40 | 340 | 1,010 | 790 | 790 | (2,120) | 1,697 | 324 |
| Net position | | | | | | | | |
| Net investment in capital assets | - | - | - | - | - | - | - | - |
| Restricted by statute | - | - | - | - | - | - | - | - |
| Unrestricted (deficit) | 7,929 | 18,652 | 20,924 | 25,998 | 34,783 | 59,010 | 54,163 | 63,457 |
| Total net position | \$ 7,929 | \$ 18,652 | \$ 20,924 | \$ 25,998 | \$ 34,783 | \$ 59,010 | \$ 54,163 | \$ 63,457 |

(continued...)

COUNTY OF HILLSDALE, MICHIGAN

Combining Statement of Net Position

Nonmajor Enterprise Funds

December 31, 2019

| | 2013 Delinquent Tax Revolving | 2014 Delinquent Tax Revolving | 2015 Delinquent Tax Revolving | 2016 Delinquent Tax Revolving | Building Inspection | Geographic Information Systems | Total |
|---|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|------------------------|--------------------------------------|---------------------|
| Assets | | | | | | | |
| Current assets: | | | | | | | |
| Cash and investments | \$ 38,563 | \$ 88,603 | \$ 119,031 | \$ 413,514 | \$ 1,257,324 | \$ 2,410 | \$ 1,923,244 |
| Taxes receivable | 32,509 | 29,822 | 43,707 | 374,559 | - | - | 563,182 |
| Accounts receivable | 1,490 | (5,743) | 65,680 | 5,310 | - | - | 75,760 |
| Interest receivable | 44,392 | 36,706 | - | - | - | - | 271,610 |
| Prepays | - | - | - | 1,000 | 135 | - | 3,003 |
| Total current assets | 116,954 | 149,388 | 228,418 | 794,383 | 1,257,459 | 2,410 | 2,836,799 |
| Noncurrent assets: | | | | | | | |
| Leases receivable, net of current portion | - | - | - | - | - | - | - |
| Capital assets | - | - | - | - | 34,243 | - | 34,243 |
| Total assets | 116,954 | 149,388 | 228,418 | 794,383 | 1,291,702 | 2,410 | 2,871,042 |
| Liabilities | | | | | | | |
| Accounts payable | - | - | - | 1,480 | 1,380 | - | 3,460 |
| Accrued liabilities | - | - | - | - | 2,560 | - | 2,900 |
| Due to other governments | (619) | 1,300 | 690 | - | - | - | 3,302 |
| Total liabilities | (619) | 1,300 | 690 | 1,480 | 3,940 | - | 9,662 |
| Net position | | | | | | | |
| Net investment in capital assets | - | - | - | - | 34,243 | - | 34,243 |
| Restricted by statute | 19,932 | 88,000 | 143,745 | 211,180 | - | - | 462,857 |
| Unrestricted (deficit) | 97,641 | 60,088 | 83,983 | 581,723 | 1,253,519 | 2,410 | 2,364,280 |
| Total net position | \$ 117,573 | \$ 148,088 | \$ 227,728 | \$ 792,903 | \$ 1,287,762 | \$ 2,410 | \$ 2,861,380 |

COUNTY OF HILLSDALE, MICHIGAN

Combining Statement of Revenues, Expenses and Changes in Net Position

Nonmajor Enterprise Funds
Year Ended December 31, 2019

| | 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 | 2012 Delinquent Tax Revolving |
|--|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| Operating revenues | | | | | | | | |
| Charges for services | \$ (909) | \$ (580) | \$ - | \$ - | \$ - | \$ 358 | \$ 2,405 | \$ 2,405 |
| Refunds and reimbursements | - | - | - | - | - | - | - | - |
| Other operating revenue | - | - | - | - | (4) | (342) | 512 | 11,107 |
| Total operating revenues | <u>(909)</u> | <u>(580)</u> | <u>-</u> | <u>-</u> | <u>(4)</u> | <u>16</u> | <u>2,917</u> | <u>13,512</u> |
| Operating expenses | | | | | | | | |
| Depreciation | - | - | - | - | - | - | - | - |
| Cost of services | - | (80) | 4,296 | 819 | 875 | 90 | (135) | - |
| Total operating expenses | <u>-</u> | <u>(80)</u> | <u>4,296</u> | <u>819</u> | <u>875</u> | <u>90</u> | <u>(135)</u> | <u>-</u> |
| Operating income (loss) | <u>(909)</u> | <u>(500)</u> | <u>(4,296)</u> | <u>(819)</u> | <u>(879)</u> | <u>(74)</u> | <u>3,052</u> | <u>13,512</u> |
| Non-operating revenues (expenses) | | | | | | | | |
| Interest revenue | (13,140) | (7,059) | (17,725) | (18,871) | (11,074) | 3,063 | 15,047 | - |
| Interest expense | - | - | - | - | - | - | (1) | - |
| Total non-operating revenues (expenses) | <u>(13,140)</u> | <u>(7,059)</u> | <u>(17,725)</u> | <u>(18,871)</u> | <u>(11,074)</u> | <u>3,063</u> | <u>15,046</u> | <u>-</u> |
| Income (loss) before transfers | (14,049) | (7,559) | (22,021) | (19,690) | (11,953) | 2,989 | 18,098 | 13,512 |
| Transfers | | | | | | | | |
| Transfers out | (828) | (845) | (5,000) | (13,000) | (23,000) | (37,000) | (49,000) | (52,000) |
| Change in net position | <u>(14,877)</u> | <u>(8,404)</u> | <u>(27,021)</u> | <u>(32,690)</u> | <u>(34,953)</u> | <u>(34,011)</u> | <u>(30,902)</u> | <u>(38,488)</u> |
| Net position, beginning of year | 22,806 | 27,056 | 47,945 | 58,688 | 69,736 | 93,021 | 85,065 | 101,945 |
| Prior Period Adjustment | - | - | - | - | - | - | - | - |
| Net position, end of year | <u>\$ 7,929</u> | <u>\$ 18,652</u> | <u>\$ 20,924</u> | <u>\$ 25,998</u> | <u>\$ 34,783</u> | <u>\$ 59,010</u> | <u>\$ 54,163</u> | <u>\$ 63,457</u> |

(continued...)

COUNTY OF HILLSDALE, MICHIGAN

Combining Statement of Revenues, Expenses and Changes in Net Position

Nonmajor Enterprise Funds
Year Ended December 31, 2019

| | 2013 Delinquent Tax Revolving | 2014 Delinquent Tax Revolving | 2015 Delinquent Tax Revolving | 2016 Delinquent Tax Revolving | Building Inspection | Geographic Information Systems | Total |
|--|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|------------------------|--------------------------------------|---------------------|
| Operating revenues | | | | | | | |
| Charges for services | \$ 1,299 | \$ 3,804 | \$ (133,679) | \$ 152,284 | \$ 509,849 | \$ 6,161 | \$ 543,397 |
| Refunds and reimbursements | - | - | - | - | 1,891 | - | 1,891 |
| Other operating revenue | 2,488 | 120 | - | 182 | 1,437 | - | 15,500 |
| Total operating revenues | 3,787 | 3,924 | (133,679) | 152,466 | 513,177 | 6,161 | 560,788 |
| Operating expenses | | | | | | | |
| Depreciation | - | - | - | - | 11,645 | - | 11,645 |
| Cost of services | 43 | 4,319 | 2,355 | 101,550 | 393,837 | 13,385 | 521,354 |
| Total operating expenses | 43 | 4,319 | 2,355 | 101,550 | 405,482 | 13,385 | 532,999 |
| Operating income (loss) | 3,744 | (395) | (136,034) | 50,916 | 107,695 | (7,224) | 27,789 |
| Non-operating revenues (expenses) | | | | | | | |
| Interest revenue | 7,794 | 8,825 | 17,812 | 116,638 | - | - | 101,310 |
| Interest expense | - | - | 1 | (2) | - | - | (2) |
| Total non-operating revenues (expenses) | 7,794 | 8,825 | 17,813 | 116,636 | - | - | 101,308 |
| Income (loss) before transfers | 11,538 | 8,430 | (118,221) | 167,552 | 107,695 | (7,224) | 129,097 |
| Transfers | | | | | | | |
| Transfers out | - | (87,000) | (134,456) | (227,000) | - | - | (629,129) |
| Change in net position | 11,538 | (78,570) | (252,677) | (59,448) | 107,695 | (7,224) | (500,032) |
| Net position, beginning of year | 106,035 | 226,658 | 336,660 | 641,171 | 1,180,067 | 9,634 | 3,006,487 |
| Prior Period Adjustment | - | - | 143,745 | 211,180 | - | - | 354,925 |
| Net position, end of year | \$ 117,573 | \$ 148,088 | \$ 227,728 | \$ 792,903 | \$ 1,287,762 | \$ 2,410 | \$ 2,861,380 |

COUNTY OF HILLSDALE, MICHIGAN

Combining Statement of Cash Flows

Nonmajor Enterprise Funds
Year Ended December 31, 2019

| | 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 | 2012 Delinquent Tax Revolving |
|--|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| Cash flows from operating activities | | | | | | | | |
| Cash received from customers | \$ 13,140 | \$ 7,439 | \$ 25,198 | \$ 29,882 | \$ 32,445 | \$ 32,956 | \$ 31,114 | \$ 51,686 |
| Cash payments to suppliers for goods and services | - | 80 | (4,316) | (819) | (12,811) | (30) | 165 | 150 |
| Net cash provided by (used in) operating activities | <u>13,140</u> | <u>7,519</u> | <u>20,882</u> | <u>29,063</u> | <u>19,634</u> | <u>32,926</u> | <u>31,279</u> | <u>51,836</u> |
| Cash flows from non-capital financing activities | | | | | | | | |
| Transfers out | (828) | (845) | (5,000) | (13,000) | (23,000) | (37,000) | (49,000) | (52,000) |
| Cash flows from capital and related financing activities | | | | | | | | |
| Purchase of capital assets | - | - | - | - | - | - | - | - |
| Interest payments | - | - | - | - | - | - | (1) | - |
| Principal payments | - | - | - | - | - | - | - | - |
| Net cash provided by (used in) capital and related financing activities | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(1)</u> | <u>-</u> |
| Cash flows from investing activities | | | | | | | | |
| Interest received | (13,140) | (7,059) | (17,725) | (18,871) | (11,074) | 3,063 | 15,047 | - |
| Amounts collected on leases receivable | - | - | - | - | - | - | - | - |
| Total cash provided by (used in) investing activities | <u>(13,140)</u> | <u>(7,059)</u> | <u>(17,725)</u> | <u>(18,871)</u> | <u>(11,074)</u> | <u>3,063</u> | <u>15,047</u> | <u>-</u> |
| Net change in cash and cash equivalents | <u>(828)</u> | <u>(385)</u> | <u>(1,843)</u> | <u>(2,808)</u> | <u>(14,440)</u> | <u>(1,011)</u> | <u>(2,675)</u> | <u>(164)</u> |
| Cash and cash equivalents, beginning of year | 828 | 385 | 2,021 | 3,471 | 14,846 | 2,567 | 2,800 | 1,035 |
| Cash and cash equivalents, end of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 178</u> | <u>\$ 663</u> | <u>\$ 406</u> | <u>\$ 1,556</u> | <u>\$ 125</u> | <u>\$ 871</u> |

COUNTY OF HILLSDALE, MICHIGAN

Combining Statement of Cash Flows

Nonmajor Enterprise Funds
Year Ended December 31, 2019

| | 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 | 2012 Delinquent Tax Revolving |
|--|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| Cash flows from operating activities | | | | | | | | |
| Operating income (loss) | \$ (909) | \$ (500) | \$ (4,296) | \$ (819) | \$ (879) | \$ (74) | \$ 3,052 | \$ 13,512 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | | | | | | | |
| Depreciation | - | - | - | - | - | - | - | - |
| (Increase) decrease in: | | | | | | | | |
| Taxes receivable | - | 144 | 1,612 | 4,415 | 9,989 | 16,071 | 21,115 | 25,352 |
| Accounts receivable | - | - | - | 10 | 20 | 80 | 90 | 100 |
| Interest receivable | 14,049 | 7,875 | 23,586 | 25,457 | 22,440 | 16,789 | 6,992 | 12,722 |
| Prepays | - | - | - | - | - | - | - | - |
| Accounts payable | - | - | (20) | - | (11,936) | 60 | 30 | 150 |
| Net cash provided by (used in) operating activities | <u>\$ 13,140</u> | <u>\$ 7,519</u> | <u>\$ 20,882</u> | <u>\$ 29,063</u> | <u>\$ 19,634</u> | <u>\$ 32,926</u> | <u>\$ 31,279</u> | <u>\$ 51,836</u> |

(continued...)

COUNTY OF HILLSDALE, MICHIGAN

Combining Statement of Cash Flows

Nonmajor Enterprise Funds
Year Ended December 31, 2019

| | 2013 Delinquent Tax Revolving | 2014 Delinquent Tax Revolving | 2015 Delinquent Tax Revolving | 2016 Delinquent Tax Revolving | Building Inspection | Geographic Information Systems | Total |
|--|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|------------------------|--------------------------------------|---------------------|
| Cash flows from operating activities | | | | | | | |
| Cash received from customers | \$ 27,760 | \$ 33,784 | \$ (87,970) | \$ 491,187 | \$ 513,177 | \$ 6,236 | \$ 1,208,034 |
| Cash payments to suppliers for goods and services | (12) | (4,319) | (2,505) | (103,410) | (392,427) | (13,385) | (533,639) |
| Net cash provided by (used in) operating activities | <u>27,748</u> | <u>29,465</u> | <u>(90,475)</u> | <u>387,777</u> | <u>120,750</u> | <u>(7,149)</u> | <u>674,395</u> |
| Cash flows from non-capital financing activities | | | | | | | |
| Transfers out | - | (87,000) | (134,456) | (227,000) | - | - | (629,129) |
| Cash flows from capital and related financing activities | | | | | | | |
| Purchase of capital assets | - | - | - | - | (20,528) | - | (20,528) |
| Interest payments | - | - | - | - | - | - | (1) |
| Principal payments | - | - | - | (800,000) | - | - | (800,000) |
| Net cash provided by (used in) capital and related financing activities | <u>-</u> | <u>-</u> | <u>-</u> | <u>(800,000)</u> | <u>(20,528)</u> | <u>-</u> | <u>(820,529)</u> |
| Cash flows from investing activities | | | | | | | |
| Interest received | 7,794 | 8,825 | 17,812 | 116,636 | - | - | 101,308 |
| Amounts collected on leases receivable | - | - | - | - | - | - | - |
| Total cash provided from investing activities | <u>7,794</u> | <u>8,825</u> | <u>17,812</u> | <u>116,636</u> | <u>-</u> | <u>-</u> | <u>101,308</u> |
| Net change in cash and cash equivalents | <u>35,542</u> | <u>(48,710)</u> | <u>(207,119)</u> | <u>(522,587)</u> | <u>100,222</u> | <u>(7,149)</u> | <u>(673,955)</u> |
| Cash and cash equivalents (as restated), beginning of year | 3,021 | 137,313 | 326,150 | 936,101 | 1,157,102 | 9,559 | 2,597,199 |
| Cash and cash equivalents, end of year | <u>\$ 38,563</u> | <u>\$ 88,603</u> | <u>\$ 119,031</u> | <u>\$ 413,514</u> | <u>\$ 1,257,324</u> | <u>\$ 2,410</u> | <u>\$ 1,923,244</u> |

COUNTY OF HILLSDALE, MICHIGAN

Combining Statement of Cash Flows

Nonmajor Enterprise Funds
Year Ended December 31, 2019

| | 2013 Delinquent Tax Revolving | 2014 Delinquent Tax Revolving | 2015 Delinquent Tax Revolving | 2016 Delinquent Tax Revolving | Building Inspection | Geographic Information Systems | Total |
|--|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|------------------------|--------------------------------------|-------------------|
| Cash flows from operating activities | | | | | | | |
| Operating income (loss) | \$ 3,744 | \$ (395) | \$ (136,034) | \$ 50,916 | \$ 107,695 | \$ (7,224) | \$ 27,789 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | | | | | | |
| Depreciation | - | - | - | - | 11,645 | - | 11,645 |
| (Increase) decrease in: | | | | | | | |
| Taxes receivable | 19,547 | 24,045 | 41,100 | 329,656 | - | - | 493,046 |
| Accounts receivable | 120 | 100 | 630 | 9,065 | - | 75 | 10,290 |
| Interest receivable | 4,306 | 5,715 | 3,979 | - | - | - | 143,910 |
| Prepays | - | - | - | (1,000) | (135) | - | (1,135) |
| Accounts payable | 31 | - | (150) | (860) | 1,545 | - | (11,150) |
| Net cash provided by (used in) operating activities | <u>\$ 27,748</u> | <u>\$ 29,465</u> | <u>\$ (90,475)</u> | <u>\$ 387,777</u> | <u>\$ 120,750</u> | <u>\$ (7,149)</u> | <u>\$ 674,395</u> |

COUNTY OF HILLSDALE, MICHIGAN

Combining Statement of Fiduciary Assets and Liabilities

Agency Funds
December 31, 2019

| | Trust & Agency | Land Policy Education | Library Penal Fines | Employee Benefit Trust | Sheriff Department Retirement | District Court | Inmate Trust | Community Development Block Grant | Total |
|--------------------------|---------------------|-----------------------|---------------------|------------------------|-------------------------------|-------------------|------------------|-----------------------------------|---------------------|
| Assets | | | | | | | | | |
| Cash and investments | \$ 1,016,525 | \$ - | \$ 59,833 | \$ 363 | \$ 40,129 | \$ 101,434 | \$ 68,340 | \$ 59,230 | \$ 1,345,854 |
| Liabilities | | | | | | | | | |
| Due to other governments | 599,084 | - | - | - | - | - | - | - | 599,084 |
| Undistributed receipts | 417,441 | - | 59,833 | 363 | 40,129 | 101,434 | 68,340 | 59,230 | 746,770 |
| Total liabilities | \$ 1,016,525 | \$ - | \$ 59,833 | \$ 363 | \$ 40,129 | \$ 101,434 | \$ 68,340 | \$ 59,230 | \$ 1,345,854 |

COUNTY OF HILLSDALE, MICHIGAN

Statement of Net Position / Governmental Funds Balance Sheet

Drain Commission Component Unit

December 31, 2019

| | Debt Service | Capital Projects | | | | Capital Projects | Internal Service | Adjustments | Statement of Net Position | |
|---|-------------------------|--------------------------|-------------------|-------------------------------|----------------------|--------------------|---------------------|-------------------|---------------------------|---------------------------|
| | Drain Construction Debt | Drain Special Assessment | Drain Revolving | Lake Level Special Assessment | Lake Level Revolving | Drain Construction | Total | | | Drain Equipment Revolving |
| Assets | | | | | | | | | | |
| Cash and investments | \$ 318 | \$ 624,293 | \$ 132,759 | \$ 82,652 | \$ 13,739 | \$ 41,890 | \$ 895,651 | \$ 168,644 | \$ - | \$ 1,064,295 |
| Accounts receivable | - | - | - | - | - | - | - | - | - | - |
| Special assessments receivable | - | 512,552 | - | 17,500 | - | - | 530,052 | - | - | 530,052 |
| Prepays | - | - | - | - | - | - | - | - | - | - |
| Due from other funds | - | - | 406,729 | (7,702) | 34,741 | - | 433,768 | - | (433,768) | - |
| Capital assets, net | - | - | - | - | - | - | - | 350,226 | 383,278 | 733,504 |
| Total assets | <u>\$ 318</u> | <u>\$ 1,136,845</u> | <u>\$ 539,488</u> | <u>\$ 92,450</u> | <u>\$ 48,480</u> | <u>\$ 41,890</u> | <u>\$ 1,859,471</u> | <u>\$ 518,870</u> | <u>(50,490)</u> | <u>2,327,851</u> |
| Liabilities | | | | | | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ (207) | \$ - | \$ (207) |
| Due to other funds | - | 307,553 | - | - | - | - | 307,553 | 126,215 | (433,768) | - |
| Long Term Liabilities | - | - | - | - | - | - | - | - | 734,887 | 734,887 |
| Advance to Primary Government | - | - | 539,488 | - | 48,480 | - | 587,968 | - | - | 587,968 |
| Total liabilities | <u>-</u> | <u>307,553</u> | <u>539,488</u> | <u>-</u> | <u>48,480</u> | <u>-</u> | <u>895,521</u> | <u>126,008</u> | <u>301,119</u> | <u>1,322,648</u> |
| Deferred inflows of resources | | | | | | | | | | |
| Unavailable revenue - special assessments | - | 512,552 | - | 17,500 | - | - | 530,052 | - | (530,052) | - |
| Fund balances | | | | | | | | | | |
| Unassigned | 318 | 316,740 | - | 74,950 | - | 41,890 | 433,898 | 392,862 | (826,760) | - |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 318</u> | <u>\$ 1,136,845</u> | <u>\$ 539,488</u> | <u>\$ 92,450</u> | <u>\$ 48,480</u> | <u>\$ 41,890</u> | <u>\$ 1,859,471</u> | <u>\$ 518,870</u> | | |
| Net position | | | | | | | | | | |
| Net investment in capital assets | | | | | | | | | 733,504 | 733,504 |
| Unrestricted | | | | | | | | | 271,699 | 271,699 |
| Total net position | | | | | | | | | <u>\$ 1,005,203</u> | <u>\$ 1,005,203</u> |

COUNTY OF HILLSDALE, MICHIGAN

Reconciliation

Fund Balances for Governmental Funds
To Net Position of Governmental Activities
Drain Commission Component Unit
December 31, 2019

| | |
|--|----------------------------|
| Fund balances - governmental funds | \$ 826,760 |
| 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. | 383,278 |
| Long-term liability used in governmental activities are not financial resources and therefore are not reported in funds. | (734,887) |
| 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>530,052</u> |
| Net position of governmental activities | <u><u>\$ 1,005,203</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, 2019

| | 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 | | |
| Revenues | | | | | | | | | | |
| Interest revenue | \$ - | \$ 4,061 | \$ - | \$ 790 | \$ - | \$ 56 | \$ 4,907 | \$ 1,773 | \$ - | \$ 6,680 |
| Other revenue | - | 818,370 | - | 50,000 | - | - | 868,370 | - | (75,443) | 792,927 |
| Total revenues | - | 822,431 | - | 50,790 | - | 56 | 873,277 | 1,773 | (75,443) | 799,607 |
| Expenditures/Expenses | | | | | | | | | | |
| Public works | - | 760,450 | - | 32,134 | - | 14,415 | 806,999 | - | 128,564 | 935,563 |
| Depreciation | - | - | - | - | - | - | - | - | 69,865 | 69,865 |
| Total expenditures/expenses | - | 760,450 | - | 32,134 | - | 14,415 | 806,999 | - | 198,429 | 1,005,428 |
| Net change in fund balances/ change in net position | - | 61,981 | - | 18,656 | - | (14,359) | 66,278 | 1,773 | (273,872) | (205,821) |
| Fund balances / net position, beginning of year | 318 | 254,759 | - | 56,294 | - | 56,249 | 367,620 | 391,089 | 452,315 | 1,211,024 |
| Fund balances / net position, end of year | \$ 318 | \$ 316,740 | \$ - | \$ 74,950 | \$ - | \$ 41,890 | \$ 433,898 | \$ 392,862 | \$ 178,443 | \$ 1,005,203 |

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, 2019

| | |
|---|-----------------------------------|
| Net change in fund balance - Governmental funds | \$ 66,278 |
| 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 | (69,865) |
| Add - capital assets purchased | 17,965 |
| Repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. Proceeds from bond issuance is an other financing source in governmental funds but increases the liability in the statement of net position. Discounts and deferred charges result in amortization of these costs for the statement of activities. | |
| | (146,529) |
| 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. | |
| | (75,443) |
| 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>1,773</u> |
| Change in net position of governmental activities | <u><u>\$ (205,821)</u></u> |

Reports on Compliance



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

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

PHILLIP J. WOLF, CPA
LESLIE BOHN, CPA
TORI KRUISE, CPA

**MEMBER AICPA
DIVISION FOR CPA FIRMS**

MEMBER MACPA

**OFFICES IN
MICHIGAN & WISCONSIN**

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Hillsdale, Michigan, as of and for the year ended December 31, 2019, 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 July 31, 2020. 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.

Members of the Board
County of Hillsdale, Michigan

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* and which is described in the accompanying schedule of findings and questioned costs as item 2019-001.

County of Hillsdale, Michigan's Response to Findings

The County of Hillsdale, Michigan's responses to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The County of Hillsdale, Michigan's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

July 31, 2020



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

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

PHILLIP J. WOLF, CPA
LESLIE BOHN, CPA
TORI KRUISE, CPA

**MEMBER AICPA
DIVISION FOR CPA FIRMS**

MEMBER MACPA

**OFFICES IN
MICHIGAN & WISCONSIN**

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited the County of Hillsdale, Michigan's, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County of Hillsdale, Michigan's major federal programs for the year ended December 31, 2019. The County of Hillsdale, Michigan's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The County of Hillsdale, Michigan's basic financial statements include the operations of the Hillsdale County Road Commission, which received \$890,250 in federal awards, which are not included in the County of Hillsdale, Michigan's schedule of expenditures of federal awards during the year ended December 31, 2019. Our audit, described below, did not include the operations of the Hillsdale County Road Commission because they were engaged by other auditors to perform a separate financial audit and it did meet compliance requirements for a single audit in accordance with the Uniform Guidance, as expenditures of directly administered federal awards did not exceed \$750,000.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on the compliance for each of the County of Hillsdale, Michigan's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County of Hillsdale, Michigan's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

To the Board of Commissioners
County of Hillsdale, Michigan

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County of Hillsdale, Michigan's compliance.

Opinion on Each Major Federal Program

In our opinion, the County of Hillsdale, Michigan complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

Report on Internal Control Over Compliance

Management of the County of Hillsdale, Michigan is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County of Hillsdale, Michigan's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County of Hillsdale, Michigan's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



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

July 31, 2020

HILLSDALE COUNTY, MICHIGAN

Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2019

| Federal/ Pass-through Grantor Program Title | Federal CFDA Number | Passed Through | Pass-through Grantor's Number | Federal Expenditures |
|---|---------------------|----------------|-------------------------------|----------------------|
| U.S. Department of Justice | | | | |
| District Drug Court | 16.585 | Direct | N/A | \$ 83,873 |
| Probate Family Treatment Drug Court | 16.585 | MSP | 2016-DC-BX-0046 | 117,907 |
| Byrne JAG State | 16.738 | MSP | JAG-73017 | <u>126,186</u> |
| Total U.S. Department of Justice | | | | <u>327,966</u> |
| U.S. Department of Health and Human Services | | | | |
| Child Support Enforcement: | | | | |
| IV-D Support Incentive | 93.563 | MDHS | N/A | 67,671 |
| Friend of the Court | 93.563 | MDHS | CSFOC17-30001 | 262,285 |
| Prosecuting Attorney | 93.563 | MDHS | CSPA17-30002 | <u>79,180</u> |
| Subtotal - CSE | | | | <u>409,136</u> |
| Child Abuse and Neglect - Title IV-E Funding | 93.658 | MDHS | PROFC17-30001 | <u>27,560</u> |
| Total U.S. Department of Health and Human Services | | | | <u>436,695</u> |
| U.S. Department of Transportation | | | | |
| Office of Highway Safety Planning | 20.601 | SCAO | 17339 | <u>36,203</u> |
| U.S. Department of Homeland Security | | | | |
| Boating Safety Financial Assistance | 97.012 | DNR | MS19-027 | 11,613 |
| Emergency Management Preparedness Grant | 97.042 | MSP | EMC-2019 EP-00004 | 9,347 |
| Homeland Security Grant Program | 97.067 | COI | N/A | <u>8,603</u> |
| Total U.S. Department of Homeland Security | | | | <u>29,564</u> |
| Total expenditures of federal awards | | | | <u>\$ 830,428</u> |

See accompanying notes to the schedule of expenditures of federal awards.

NOTE A - BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the County of Hillsdale, Michigan under programs of the federal government for the year ended December 31, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County of Hillsdale, Michigan, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County of Hillsdale, Michigan. All expenditures of federal awards from component units are included in the schedule except for the housing commission which issues a separate report that was not available.

NOTE B - COGNIZANT AGENCY:

The County has not been assigned a cognizant agency. Therefore, the County is under the general oversight of the U.S. Department of Justice which provided the greatest amount of direct federal funding to the County during 2019.

NOTE C - INDIRECT COST:

For purposes of charging indirect costs to federal awards, the County have elected to use the 10% de minimis cost rate as permitted by CFR Section 200.414 of the Uniform Guidance.

Section I - Summary of Auditor's Results

Financial Statements

| | |
|--|------------|
| Type of auditors' report issued: | Unmodified |
| Internal control over financial reporting: | |
| Material weaknesses identified? | No |
| Significant deficiencies identified that are not considered to be material weaknesses? | No |
| Noncompliance material to financial statements noted? | Yes |

Federal Awards

| | |
|--|------------|
| Internal control over major programs: | |
| Material weaknesses identified? | No |
| Significant deficiencies identified that are not considered to be material weaknesses? | No |
| Type of auditors' report issued on compliance for major programs: | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with Title 2 (CFR) part 200, Uniform Guidance? | No |

Identification of Major Programs

CFDA NUMBERS

Name of Federal Program or Cluster

| | |
|--|---------------------------|
| 93.563 | Child Support Enforcement |
| Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| Auditee qualified as low-risk auditee? | No |

Section II - Financial Statement Findings

Significant Deficiencies - Noncompliance with State Statutes

Excess Expenditures Over Appropriations

Finding 2019-001

Condition: Our examination of procedures used by the County to adopt and maintain operating budgets for the County’s budgetary fund revealed the following instance of noncompliance with the provisions of Public Act 2 of 1968, as amended, the Uniform Budgeting and Accounting Act.

During the fiscal year ended December 31, 2019, expenditures were incurred in excess of amounts appropriated in the amended budgets for the Senior Citizen Fund.

Criteria: The expenditures of funds in excess of appropriations are contrary to the provisions of Public Act 2 of 1968, as amended.

| | <u>Total Appropriations</u> | <u>Amount of Expenditures</u> | <u>Budget Variance</u> |
|---------------------|---------------------------------|-----------------------------------|----------------------------|
| Senior Citizen Fund | | | |
| Health and Welfare | \$ 1,285,000 | \$ 1,340,507 | \$ (55,507) |

Effect: The County has not complied with various State Statutes.

Cause: Failure to amend the budget for the Senior Citizen Fund during the year for accruals.

Recommendation: We recommend that the County personnel responsible for administering the activities of the various funds of the County, develop budgetary control procedures, which will assure that expenditures do not exceed amounts authorized in the General Appropriations Act, or amendments thereof.

Management’s Response - Corrective Action Plan: Management has agreed to correct the problem by monitoring the budgets more closely and performing budget amendments on a timely basis.

- *Contact Person(s) Responsible for Correction:*
Derek Ringman, Finance Director

Section III - Federal Award Findings and Questioned Costs

NONE.

Section III - Federal Award Findings and Questioned Costs

NONE.



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

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

PHILLIP J. WOLF, CPA
LESLIE BOHN, CPA
TORI KRUISE, CPA

**MEMBER AICPA
DIVISION FOR CPA FIRMS**

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 unit, each major fund, and the aggregate remaining fund information of the County of Hillsdale for the year ended December 31, 2019, and have issued our report thereon dated July 31, 2019. 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, *Government Auditing Standards* and the Uniform Guidance

As stated in our engagement letter dated July 17, 2020, 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.

In planning and performing our audit, we will consider the County of Hillsdale's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We will also consider internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance.

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 grants. However, providing an opinion on compliance with those provisions is not an objective of our audit. Also, in accordance with the Uniform Guidance, we will examine, on a test basis, evidence about the County of Hillsdale's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement applicable to each of its major federal programs for the purpose of expressing an opinion on the County of Hillsdale's compliance with those requirements. While our audit will provide a reasonable basis for our opinion, it will not provide a legal determination on the County of Hillsdale's compliance with those requirements.

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 the combining statements and schedule of expenditures of federal awards, 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 July 17, 2020.

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. There were no misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the 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 July 31, 2020

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: Corrected.

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.

Credit Cards (Prior Year)

It was 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 (Prior Year)

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: Corrected.

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: Corrected.

Intrusion Testing (Prior Year)

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.

Status: Uncorrected

Accounts Payable (Prior Year)

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.

Status: Uncorrected

Single Approach for Reporting Leases (Prior Year)

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.

This will be effective for the County's fiscal year ended December 31, 2020.

1099-MISC Compliance

It was noted during our review of 1099-MISC's that the county did not issued a few 1099-MISC's to qualified vendors. We recommend that the County review its 1099-MISC procedures to ensure that all vendors requiring a 1099-MISC are issued one and that a W-9 be on file for all vendors.

Tax Revenues

It was noted in our review of tax revenue that the County is currently holding tax revenues in agency funds for a significant period of time and not disbursing those funds to the County funds they are levied for, resulting in some cases, in an understatement of revenues within those funds. We recommend that the County only place tax revenues within agency funds if the taxes being collected is for an outside agency and that those funds be disbursed in a timely manner.

Local Community Stabilization Payments

It was noted in our examination of the local community stabilization revenues that the County has been distributing these funds to their funds and outside agencies based on an incorrect spread and not based on the States required distribution formula. We recommend that the county contact all effected groups and redistribute the funds to account for the disparity in prior amounts.

Year End Accruals

It was noted in our review of year end accruals that the County did not record all of the year-end accruals related to accounts receivable. We recommend that a year-end review of the post 60 days of year end receipts to ensure that all items are recorded in the proper period.

GASB 83 - Certain Asset Retirement Obligations
Effective 06/15/2020 (your FY 2020)

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 12/15/2020 (your FY 2020)

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.

State Chart of Accounts
Effective 9/30/2021 (your FY 2021)

The Uniform Chart of Accounts for Local Units of Government (Counties, Cities, Villages and Townships; and Authorities and Commissions established by counties, cities, villages and townships) has been developed by the Local Government Fiscal Accountability Division of the Michigan Department of Treasury with the assistance of the Michigan Committee on Governmental Accounting and Auditing. All local units of government in Michigan must use the Uniform Chart of Accounts. The new Chart of Accounts must be implemented for fiscal years ending Sept. 30, 2021, and thereafter. Early implementation, after the reviewed Chart of Accounts is issued on December 31, 2019, will be allowed and encouraged.

Other Matters

We applied certain limited procedures to the management's discussion and analysis, employee retirement and benefit systems 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 financial statements and schedule of expenditures of federal awards, which accompany the financial statements but are not RSI. With respect to this other information, we made certain inquires of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the other information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Conclusion

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

This information is intended solely for the use of the Board of Commissioners, federal awarding agencies, pass-through entities, and management 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

July 31, 2020