

Shiawassee County, Michigan

FINANCIAL STATEMENTS

December 31, 2016

Shiawassee County, Michigan

December 31, 2016

BOARD OF COMMISSIONERS

Hartmann Aue	Commissioner
John Horvath	Commissioner
Gary Holzhausen	Commissioner
Les L. Schneider	Commissioner
Jeremy R. Root	Commissioner
Jeffrey R. Bartz	Commissioner
John Plowman	Commissioner

ADMINISTRATION AND OTHER OFFICIALS

Patricia Fitnich	Financial Administrator
Thomas W. Dwyer	Treasurer
Lauri L. Braid	Clerk
Lori Kimble	Register of Deeds
Anthony Newman	Drain Commissioner
Deana M. Finnegan	Prosecuting Attorney
George R. Braidwood II	Sheriff
William R. Wascher	Surveyor

Shiawassee County, Michigan

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Shiawassee County
Corunna, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Shiawassee County, Michigan (the County), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Shiawassee County, Michigan, as of December 31, 2016, 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.

Changes in Accounting Principles

As discussed in Note S to the financial statements, the County implemented GASB Statement No. 72, *Fair Value Measurement and Application*, during the year. As a result, this statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. Our opinions are not modified with respect to this matter.

Also as discussed in Note S to the financial statements, the County implemented GASB Statement No. 77, *Tax Abatement Disclosures*, during the year. As a result, this statement improves financial reporting through the disclosure of information about the nature and magnitude of tax abatements that were previously not consistently or comprehensively reported to the public. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the pension and retired employees healthcare plan schedules, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires 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's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates 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 other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report July 31, 2017, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

July 31, 2017

Shiawassee County

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of Shiawassee County, we offer this narrative overview and analysis of the financial activities of the County, including limited information pertaining to the separately audited Road Commission for the year ended December 31, 2016. For more detailed information, the Road Commission's separately issued financial statements may be obtained from their administrative offices.

Financial Highlights

- The liabilities of the County primary government exceeded its assets at the close of the fiscal year by approximately \$6.1 million (*negative total net position*). Of this amount, there was a deficit of approximately \$14.9 million in unrestricted net position.
- The primary government's total net position decreased by approximately \$554,120 in the fiscal year ending December 31, 2016.
- As of the close of the fiscal year, the County's governmental funds reported combined ending fund balances of approximately \$7.07 million, an increase of approximately \$1,359,384 or 24 percent. Of this total, \$1,713,571 or 24.2 percent is *available for spending (unassigned fund balance)*.
- At the end of the fiscal year, unassigned fund balance for the General Fund was \$1,713,571, an amount equal to 12 percent of total General Fund expenditures and transfers.
- The County's primary government total long-term debt increased by a net of \$12,642,592 during the current fiscal year mainly due to an issuance of \$13 million in bonds on behalf of the Medical Care Facility, a Component Unit of the County.

Overview of the Financial Statements

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

Government-wide financial statements. The *government-wide financial statements* are designed to provide 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's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position indicate whether the financial position of the County 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.

Both of the government-wide financial statements distinguish functions of Shiawassee County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) and from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, public safety, public works, health and welfare, community and economic development, recreation and cultural and other functions. The business-type activities primarily represent the administration of the delinquent property tax system and the jail commissary.

The government-wide financial statements include not only the County itself (known as the *primary government*), but also five (5) legally separate entities: the Shiawassee County Road Commission, the Shiawassee County Medical Care Facility, the Shiawassee County Airport, the Drainage Districts, and the Shiawassee Council on Aging. Financial information for the *component units* is reported separately from the financial information presented for the primary government itself.

Shiawassee County

Management's Discussion and Analysis

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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year.

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. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Health Department, Medical Care Facility Debt Service, and Mental Health Debt Service funds, each of which is considered to be a major fund. Data from the nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The County adopts an annual appropriated budget for its General and special revenue funds. Budgetary comparison schedules have been provided herein to demonstrate compliance with the County General and Health Department funds budgets.

Proprietary funds. The County maintains one type of proprietary fund: enterprise funds. *Enterprise funds* report the same functions as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for the Delinquent Tax Revolving Fund which is considered to be a major fund. Data from the single nonmajor enterprise fund is also presented.

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's own programs.

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.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain other supplementary information, including combining statements of the nonmajor governmental and enterprise funds.

Shiawassee County Management's Discussion and Analysis

Government-wide Financial Analysis

Statement of Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 26,604,713	\$ 11,850,964	\$ 8,530,789	\$ 8,256,962	\$ 35,135,502	\$ 20,107,926
Capital assets	5,581,365	5,763,114	11,193	15,625	5,592,558	5,778,739
Total Assets	32,186,078	17,614,078	8,541,982	8,272,587	40,728,060	25,886,665
Deferred outflows of resources	7,654,265	2,360,719	-	-	7,654,265	2,360,719
Current liabilities	4,173,512	2,423,386	-	399	4,173,512	2,423,785
Noncurrent liabilities	49,801,464	30,970,957	-	-	49,801,464	30,970,957
Total Liabilities	53,974,976	33,394,343	-	399	53,974,976	33,394,742
Deferred inflows of resources	567,570	458,743	-	-	567,570	458,743
Net Position						
Net investment in capital assets	4,727,986	4,692,327	11,193	15,625	4,739,179	4,707,952
Restricted	3,954,950	3,185,779	-	-	3,954,950	3,185,779
Unrestricted	(23,385,139)	(21,756,395)	8,530,789	8,256,563	(14,854,350)	(13,499,832)
	<u>\$ (14,702,203)</u>	<u>\$ (13,878,289)</u>	<u>\$ 8,541,982</u>	<u>\$ 8,272,188</u>	<u>\$ (6,160,221)</u>	<u>\$ (5,606,101)</u>

As noted previously, net position serves over time as a useful indicator of a government's financial position. In the case of Shiawassee County, liabilities exceeded assets by approximately \$6.2 million at the close of the year. This is a decrease of approximately \$550,000 over the prior year.

The primary government's net position includes approximately \$4.7 million in capital assets comprised of land, buildings, vehicles, and equipment less any outstanding related debt used to acquire those assets. The County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

Certain other limitations on the use of net position apply due primarily to legal restrictions. The restricted net position totals approximately \$3.9 million. The remaining balance of unrestricted net position is a deficit of \$14.9 million.

The largest factor in the increase of liabilities over assets is the result of the 225% increase in net deferred outflows of resources for future pension benefits and other post-retirement benefits. Despite this increase, net position for the total primary government only decreased by 10%.

The Restricted fund balance was partially increased by \$717,834 set aside to pay down the liabilities for future pension and other post-retirement benefits based on a Board of Commissioners policy established in 2015.

Shiawassee County Management's Discussion and Analysis

Statement of Activities

	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Revenues						
Program revenues						
Charges for services	\$ 4,669,183	\$ 4,533,266	\$ 923,281	\$ 498,871	\$ 5,592,464	\$ 5,032,137
Operating grants and contributions	5,205,994	4,655,807	-	-	5,205,994	4,655,807
General revenues						
Property taxes	9,083,200	9,139,351	-	-	9,083,200	9,139,351
State shared revenue	1,636,965	1,438,828	-	-	1,636,965	1,438,828
Investment earnings	19,836	6,996	49,655	58,022	69,491	65,018
Miscellaneous	320,179	256,522	-	-	320,179	256,522
Transfers	560,808	531,565	(560,808)	(531,565)	-0-	-0-
Total revenues	21,496,165	20,562,335	412,128	25,328	21,908,293	20,587,663
Expenses						
General government	8,504,222	8,120,317	-	-	8,504,222	8,120,317
Public safety	7,471,710	6,910,738	-	-	7,471,710	6,910,738
Public works	94,804	108,169	-	-	94,804	108,169
Health & welfare	5,141,505	4,359,130	-	-	5,141,505	4,359,130
Community & Economic development	397,048	376,562	-	-	397,048	376,562
Recreation & culture	28,198	10,571	-	-	28,198	10,571
Other and interest	682,592	846,529	142,334	115,742	824,926	962,271
Total expenses	22,320,079	20,732,016	142,334	115,742	22,462,413	20,847,758
Change in net position	(823,914)	(169,681)	269,794	(90,414)	(554,120)	(260,095)
Net position - beginning	(13,878,289)	(13,708,608)	8,272,188	8,362,602	(5,606,101)	(5,346,006)
Net position - ending	<u><u>\$(14,702,203)</u></u>	<u><u>\$(13,878,289)</u></u>	<u><u>\$ 8,541,982</u></u>	<u><u>\$ 8,272,188</u></u>	<u><u>\$ (6,160,221)</u></u>	<u><u>\$ (5,606,101)</u></u>

The preceding table shows that the net position of governmental activities decreased by approximately \$824,000 during 2016 as compared to a decrease of approximately \$170,000 in the prior year.

Business-type Activities

Net position of the County's business-type activities increased by approximately \$270,000. Net position of the Delinquent Tax Revolving activities increased by approximately \$274,000 and other activities decreased by approximately \$5,000.

Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of approximately \$7 million. This represents an increase of approximately \$1,360,000 in comparison with the prior year.

\$1,713,571 or 24.2 percent of total fund balance constitutes *unassigned*, which is available for spending. The Government Financial Officers Association recommends a fund balance between 15% and 25% as an adequate reserve.

Shiawassee County

Management's Discussion and Analysis

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, the total fund balance was approximately \$2.9 million, while the unassigned fund balance of the General Fund was approximately \$1.7 million, an amount equal to 12 percent of total General Fund expenditures and other financing uses. This level of General Fund unassigned fund balance is low compared with recognized benchmarks that governments should strive to maintain.

The fund balance of the County's General Fund increased by approximately \$600,000 during the current fiscal year, in comparison with the approximately \$800,000 increase in the General Fund balance reported during the prior year. This increase is due largely to various expenditure decreases such as additions to sheriff road patrol, capital outlay, and veterans related expenditures getting moved to their own fund in 2015.

The Health Department Fund, which is used to report activities related to various personal and environmental health services provided to County residents, has a total fund balance of approximately \$1,159,000. This is an increase of approximately \$284,000 from the fund balance reported during the prior year.

The Medical Care Facility Debt Service Fund, which is used to account for the financial resources related to the repayment of general obligation bonds issued by the County on behalf of the Medical Care Facility, has no fund balance as it reports a receivable from the Medical Care Facility equal to the current accrued interest and outstanding principal on these bonds.

The Mental Health Debt Service Fund, which is used to account for the financial resources related to the repayment of general obligation bonds issued by the County on behalf of the Mental Health Authority, has no fund balance as it reports a receivable from the Mental Health Authority equal to the current accrued interest and outstanding principal on these bonds.

General Fund Budgetary Highlights

The original General Fund expenditure and other financing uses budget of \$15.4 million was approximately \$15.8 million after revisions; however, actual expenditures and other financing uses totaled approximately \$14.8 million. Expenditure savings came from several departments as noted above. Actual revenues and other financing sources came in at approximately \$15.4 million.

Capital Asset and Debt Administration

Capital Assets - At the end 2016 the County had invested \$5,592,558 in primary government capital assets and \$16,299,534 for the component units (excluding the Road Commission, see separately issued financial statements), net of accumulated depreciation, in a broad range of capital assets (see table below). Accumulated depreciation was \$7,935,301 for the primary government. Depreciation charges for the fiscal year totaled \$536,141 for the primary government and \$708,709 for the component units (excluding the Road Commission, see separately issued financial statements).

	Governmental Activities	Business-type Activities	Component Units	Total
Land and improvements, net	\$ 636,119	\$ -	\$ 2,745,484	\$ 3,381,603
Buildings, net	3,846,683	-	1,397,874	5,244,557
Equipment, net	680,889	11,193	767,901	1,459,983
Vehicles, net	236,752	-	12,756	249,508
Drains, net	-	-	6,056,312	6,056,312
Construction in progress	180,922	-	5,319,207	5,500,129
Capital assets, net	\$ 5,581,365	\$ 11,193	\$ 16,299,534	\$ 21,892,092

A more detailed discussion of the County's capital assets is presented in Note F to the financial statements.

Shiawassee County

Management's Discussion and Analysis

Long-term Debt - As of December 31, 2016, the County had \$17,502,845 in long-term obligations outstanding for the primary government. This level of net obligation is \$12,761,700 more than the obligation recorded as of December 31, 2015. The County issued \$13,000,000 in Capital Improvement Bonds in December 2016 for the construction of a new Medical Care Facility. The bonds will be repaid by the Medical Care Facility. In addition, the County uses its full faith and credit (as a secondary obligator), to back the Drainage District component unit debt. All drain debt is payable out of assessments against the drainage districts or by contractual agreements with local units of government. The following table excludes the County Road Commission.

Outstanding Debt as of December 31, 2016:

	<u>Jan. 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Dec. 31, 2016</u>
Primary Government				
Governmental Activities				
Long-term obligations payable	\$ 4,741,145	\$13,559,798	\$ 798,098	\$ 17,502,845
Component Units				
Drainage Districts	<u>1,969,470</u>	<u>-</u>	<u>235,000</u>	<u>1,734,470</u>
Total Reporting Entity	<u>\$6,710,615</u>	<u>\$13,559,798</u>	<u>\$1,033,098</u>	<u>\$ 19,237,315</u>
Debt Limit (10% of SEV)				<u>\$169,832,644</u>
Available Statutory Debt Limit				<u>\$150,595,329</u>

A more detailed discussion of the County's long-term debt obligations is presented in Note G to the financial statements.

Limitations on Debt:

State statute limits the County's debt obligations to 10 percent of the current state equalized value (SEV). The County's SEV as of December 31, 2016, was \$1.698 billion; therefore, the County's debt limitation was over \$169 million. The county remains well below its legal debt limit by over \$150 million.

SHIAWASSEE COUNTY GOVERNMENT ECONOMIC OUTLOOK:

- The County is working to reduce the rate of growth of the retirement liability. The County has implemented some cost sharing with employees. They have also implemented a bridged benefit with four of the eight County employee bargaining units, with another one currently in negotiations, and with the intent of bringing the others on board. The County plans to continue reducing future costs for retirement and post-retirement benefits in order to manage the existing pension obligation and retiree health care liabilities, and to ensure our fiscal sustainability in the future.
- Projections of property tax revenue and the recovery of this revenue stream still appears very slow. This is a tremendous concern as property tax revenue represents over 50% of the general fund revenue. The County had a millage renewal on the ballot in November of 2016, which was approved by voters. The County's millage has not increased since 1968, while taxable values have not appreciably recovered from the Great Recession and funding requirements for legacy expenses have increased exponentially.

Shiawassee County

Management's Discussion and Analysis

- The County Board of Commissioners adopted a General Fund budget surplus policy on December 17, 2015. This policy, commencing with the 2015 fiscal year, allocates any current year increase in fund balance between restoration of deficits in governmental funds, payment toward the unfunded retirement liability, payment toward the liability for retiree health care, contribution to the budget stabilization fund, with the remainder going to unrestricted reserves. This allocation of a current year increase in fund balance alters the available vs restricted fund balance profile as the County goes forward. The intention is to begin a plan to reduce long term legacy liabilities, and to provide a buffer against future unanticipated impacts on the General Fund. The amount set aside to pay down these liabilities based on the 2015 audited fund balance is \$717,834.
- The County incurred law enforcement staffing reductions after the year ending 2014. The 2016 budget maintains the majority of those reductions, but with some alterations.

These factors were considered in adopting the budget for 2017. The County continues to look for ways to increase efficiencies and reduce the cost of doing business.

CONTACTING THE COUNTY

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If there are questions about this report, or a need for additional information, contact the Shiawassee County Commissioners' Office at (989) 743-2433.

BASIC FINANCIAL STATEMENTS

Shiawassee County, Michigan
STATEMENT OF NET POSITION

December 31, 2016

	Primary Government		Total	Component Units
	Governmental Activities	Business-type Activities		
ASSETS				
Current assets				
Cash and cash equivalents	\$ 7,116,161	\$ 3,132,120	\$ 10,248,281	\$ 31,260,812
Receivables	967,027	3,482,881	4,449,908	6,890,450
Internal balances	905,971	(905,971)	-0-	-
Due from other governmental units	1,965,447	-	1,965,447	1,335,059
Prepays	170,477	-	170,477	321,210
Inventories	240,596	-	240,596	614,545
Total current assets	11,365,679	5,709,030	17,074,709	40,422,076
Noncurrent assets				
Investments	163,859	2,821,759	2,985,618	657,905
Noncurrent portion of due from other governmental units	14,905,175	-	14,905,175	494,470
Advance to other governmental units	170,000	-	170,000	-
Capital assets not being depreciated	795,922	-	795,922	11,562,191
Capital assets, net of accumulated depreciation	4,785,443	11,193	4,796,636	49,638,495
Total noncurrent assets	20,820,399	2,832,952	23,653,351	62,353,061
TOTAL ASSETS	32,186,078	8,541,982	40,728,060	102,775,137
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources related to pensions	7,654,265	-	7,654,265	16,859,779
LIABILITIES				
Current liabilities				
Accounts payable	706,683	-	706,683	737,812
Accrued liabilities	352,628	-	352,628	1,707,664
Accrued interest payable	60,541	-	60,541	20,036
Unearned revenue	1,155,561	-	1,155,561	1,100
Short-term note payable	-	-	-0-	150,000
Current portion of compensated absences	434,466	-	434,466	200,096
Current portion of long-term debt	1,463,633	-	1,463,633	1,404,825
Total current liabilities	4,173,512	-0-	4,173,512	4,221,533
Noncurrent liabilities				
Advances from other governmental units	-	-	-0-	660,253
Net pension liability	33,042,340	-	33,042,340	21,870,196
Net other post-employment benefits obligation	1,154,378	-	1,154,378	2,805,101
Noncurrent portion of long-term debt	15,604,746	-	15,604,746	13,329,645
Total noncurrent liabilities	49,801,464	-0-	49,801,464	38,665,195
TOTAL LIABILITIES	53,974,976	-0-	53,974,976	42,886,728
DEFERRED INFLOWS OF RESOURCES				
Property taxes levied for subsequent year	567,570	-	567,570	4,209,609
NET POSITION				
Net investment in capital assets	4,727,986	11,193	4,739,179	53,731,502
Restricted for				
Public safety	1,849,459	-	1,849,459	-
Medical care activities	-	-	-0-	11,401,593
Capital improvement	204,497	-	204,497	9,559,979
Debt service	-	-	-0-	458,589
Other purposes	1,900,994	-	1,900,994	368,947
Unrestricted	(23,385,139)	8,530,789	(14,854,350)	(2,982,031)
TOTAL NET POSITION	\$ (14,702,203)	\$ 8,541,982	\$ (6,160,221)	\$ 72,538,579

See accompanying notes to financial statements.

Shiawassee County, Michigan

STATEMENT OF ACTIVITIES

Year Ended December 31, 2016

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities								
General government	\$ 8,504,222	\$ 1,952,070	\$ 1,558,185	\$ -	\$ (4,993,967)	\$ -	\$ (4,993,967)	\$ -
Public safety	7,471,710	2,342,762	511,589	-	(4,617,359)	-	(4,617,359)	-
Public works	94,804	18,750	57,250	-	(18,804)	-	(18,804)	-
Health and welfare	5,141,505	354,161	3,078,970	-	(1,708,374)	-	(1,708,374)	-
Community and economic development	397,048	-	-	-	(397,048)	-	(397,048)	-
Recreation and culture	28,198	1,440	-	-	(26,758)	-	(26,758)	-
Other	456,915	-	-	-	(456,915)	-	(456,915)	-
Interest on long-term debt	225,677	-	-	-	(225,677)	-	(225,677)	-
Total governmental activities	22,320,079	4,669,183	5,205,994	-0-	(12,444,902)	-0-	(12,444,902)	-0-
Business-type activities								
Delinquent tax	-	785,566	-	-	-	785,566	785,566	-
Other	142,334	137,715	-	-	-	(4,619)	(4,619)	-
Total business-type activities	142,334	923,281	-0-	-0-	-0-	780,947	780,947	-0-
Total primary government	<u>\$ 22,462,413</u>	<u>\$ 5,592,464</u>	<u>\$ 5,205,994</u>	<u>\$ -0-</u>	(12,444,902)	780,947	(11,663,955)	-0-
Component units								
Road Commission	\$ 10,715,282	\$ 1,439,019	\$ 8,294,730	\$ 720,747	-	-	-0-	(260,786)
Medical Care Facility	18,524,916	16,448,015	-	-	-	-	-0-	(2,076,901)
Drainage Districts	771,104	-	-	699,891	-	-	-0-	(71,213)
County Airport	300,417	163,494	16,705	-	-	-	-0-	(120,218)
Council on Aging	1,155,504	123,038	471,866	-	-	-	-0-	(560,600)
Total component units	<u>\$ 31,467,223</u>	<u>\$ 18,173,566</u>	<u>\$ 8,783,301</u>	<u>\$ 1,420,638</u>	-0-	-0-	-0-	(3,089,718)
General revenues								
Property taxes					9,083,200	-	9,083,200	3,914,990
State shared revenue					1,636,965	-	1,636,965	-
Investment earnings					19,836	49,655	69,491	28,688
Miscellaneous					320,179	-	320,179	26,565
Transfers					560,808	(560,808)	-0-	-
Total general revenues and transfers					11,620,988	(511,153)	11,109,835	3,970,243
Change in net position					(823,914)	269,794	(554,120)	880,525
Net position, beginning of the year					<u>(13,878,289)</u>	<u>8,272,188</u>	<u>(5,606,101)</u>	<u>71,658,054</u>
Net position, end of the year					<u>\$ (14,702,203)</u>	<u>\$ 8,541,982</u>	<u>\$ (6,160,221)</u>	<u>\$ 72,538,579</u>

See accompanying notes to financial statements.

Shiawassee County, Michigan

Governmental Funds

BALANCE SHEET

December 31, 2016

	General	Health Department	Medical Care Facility Debt Service
ASSETS			
Cash and cash equivalents	\$ 1,771,382	\$ 2,796,160	\$ -
Investments	-	-	-
Receivables	-	46,487	-
Inventories	-	52,940	-
Prepays	170,477	-	-
Due from other funds	916,330	-	-
Due from other governmental units			
Federal/State	301,428	38,433	-
Local	-	-	13,012,946
Advances to other governmental units	170,000	-	-
	<u>3,329,617</u>	<u>2,934,020</u>	<u>13,012,946</u>
TOTAL ASSETS	\$ 3,329,617	\$ 2,934,020	\$ 13,012,946
LIABILITIES			
Accounts payable	\$ 175,321	\$ 76,374	\$ -
Accrued liabilities	269,420	50,049	-
Unearned revenue	-	1,155,561	-
Due to other funds	-	10,359	-
	<u>444,741</u>	<u>1,292,343</u>	<u>-0-</u>
TOTAL LIABILITIES	444,741	1,292,343	-0-
DEFERRED INFLOWS OF RESOURCES			
Property taxes levied for subsequent year	-	-	-
Long-term receivables	-	482,247	13,012,946
	<u>-0-</u>	<u>482,247</u>	<u>13,012,946</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	-0-	482,247	13,012,946
FUND BALANCES			
Nonspendable	340,477	-	-
Restricted	-	1,159,430	-
Committed	830,828	-	-
Unassigned	1,713,571	-	-
	<u>2,884,876</u>	<u>1,159,430</u>	<u>-0-</u>
TOTAL FUND BALANCES	2,884,876	1,159,430	-0-
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 3,329,617	\$ 2,934,020	\$ 13,012,946

See accompanying notes to financial statements.

Mental Health Debt Service	Nonmajor Governmental Funds	Total
\$ -	\$ 2,548,619	\$ 7,116,161
-	163,859	163,859
-	920,540	967,027
-	187,656	240,596
-	-	170,477
-	-	916,330
-	262,447	602,308
3,255,368	-	16,268,314
-	-	170,000
<u>\$ 3,255,368</u>	<u>\$ 4,083,121</u>	<u>\$ 26,615,072</u>
\$ -	\$ 454,988	\$ 706,683
-	33,159	352,628
-	-	1,155,561
-	-	10,359
-0-	488,147	2,225,231
-	567,570	567,570
3,255,368	-	16,750,561
3,255,368	567,570	17,318,131
-	-	340,477
-	2,795,520	3,954,950
-	231,884	1,062,712
-	-	1,713,571
-0-	3,027,404	7,071,710
<u>\$ 3,255,368</u>	<u>\$ 4,083,121</u>	<u>\$ 26,615,072</u>

Shiawassee County, Michigan

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
SHEET TO THE STATEMENT OF NET POSITION

December 31, 2016

Total fund balance - governmental funds **\$ 7,071,710**

Amounts reported for the governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 13,493,309	
Accumulated depreciation is	<u>(7,911,944)</u>	
Capital assets, net		5,581,365

Long-term receivables are not available to pay for current period expenditures and are therefore reported as deferred inflows of resources in the funds.	16,750,561
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Governmental funds report actual pension expenditures for the year, whereas the governmental activities will recognize the net pension liability as of the measurement date. Pension contributions subsequent to the measurement date will be deferred in the statement of net position. In addition, resources related to changes of assumptions, differences between expected and actual experience, and differences between projected and actual pension plan investment earnings will be deferred over time in the government-wide financial statements. These amounts consist of:

Deferred outflows of resources related to pensions	7,654,265
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet. Long-term liabilities at year-end consist of:

Direct County obligations	17,068,379	
Accrued interest payable	60,541	
Net other post-employment benefits obligation	1,154,378	
Net pension liability	33,042,340	
Compensated absences	<u>434,466</u>	
		<u>(51,760,104)</u>

Net position of governmental activities **\$(14,702,203)**

Shiawassee County, Michigan

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

December 31, 2016

	General	Health Department	Medical Care Facility Debt Service
REVENUES			
Taxes	\$ 8,620,727	\$ -	\$ -
Licenses and permits	105,740	264,676	-
Intergovernmental			
Federal/State	3,470,019	1,996,489	-
Local	-	-	-
Charges for services	2,004,665	65,637	-
Fines and forfeits	128,851	-	-
Interest and rents	22,152	58	-
Other	479,038	-	-
	<u>14,831,192</u>	<u>2,326,860</u>	<u>-0-</u>
EXPENDITURES			
Current			
General government	7,403,650	-	-
Public safety	4,945,133	-	-
Public works	85,250	-	-
Health and welfare	453,863	2,299,472	-
Community and economic development	123,135	-	-
Recreation and culture	25,213	-	-
Other	456,915	-	-
Debt service	167,408	-	-
	<u>13,660,567</u>	<u>2,299,472</u>	<u>-0-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,170,625	27,388	-0-
OTHER FINANCING SOURCES (USES)			
Debt proceeds	-	-	-
Payments to other governmental units	-	-	-
Transfers in	560,808	256,265	-
Transfers out	(1,158,893)	-	-
	<u>(598,085)</u>	<u>256,265</u>	<u>-0-</u>
NET CHANGE IN FUND BALANCES	572,540	283,653	-0-
Fund balances, beginning of year	<u>2,312,336</u>	<u>875,777</u>	<u>-</u>
Fund balances, end of year	<u>\$ 2,884,876</u>	<u>\$ 1,159,430</u>	<u>\$ -0-</u>

See accompanying notes to financial statements.

Mental Health Debt Service	Nonmajor Governmental Funds	Total
\$ -	\$ 462,590	\$ 9,083,317
-	-	370,416
3,800	1,019,833	6,490,141
303,670	54,518	358,188
-	2,074,759	4,145,061
-	13,415	142,266
-	3,283	25,493
-	69,625	548,663
<u>307,470</u>	<u>3,698,023</u>	<u>21,163,545</u>
-	124,621	7,528,271
-	1,731,764	6,676,897
-	-	85,250
-	1,870,022	4,623,357
-	273,913	397,048
-	-	25,213
-	-	456,915
<u>307,470</u>	<u>97,140</u>	<u>572,018</u>
<u>307,470</u>	<u>4,097,460</u>	<u>20,364,969</u>
-0-	(399,437)	798,576
-	13,000,000	13,000,000
-	(13,000,000)	(13,000,000)
-	970,101	1,787,174
-	(67,473)	(1,226,366)
<u>-0-</u>	<u>902,628</u>	<u>560,808</u>
-0-	503,191	1,359,384
-	2,524,213	5,712,326
<u>\$ -0-</u>	<u>\$ 3,027,404</u>	<u>\$ 7,071,710</u>

Shiawassee County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended December 31, 2016

Net change in fund balances - total governmental funds **\$ 1,359,384**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 349,960	
Depreciation expense	<u>(531,709)</u>	
Excess of depreciation expense over capital outlay		(181,749)

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

(Decrease) in long-term receivables		(228,188)
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Certain transactions related to long-term debt are reported as expenditures or other financing sources/uses in governmental funds, but are reflected as increases or decreases of the applicable assets or liabilities in the statement of net position. In the current year, these amounts consist of:

Debt proceeds	(13,000,000)	
Payments to other governmental units	13,000,000	
Debt principal retirements	<u>357,408</u>	
		357,408

Some items 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. These activities consist of:

Increase in deferred outflows of resources related to pensions	5,293,546	
(Increase) in net pension liability	(7,172,388)	
(Increase) in accrued interest payable	(11,067)	
(Increase) in net other post-employment benefits obligation	(121,752)	
(Increase) in compensated absences	<u>(119,108)</u>	
		<u>(2,130,769)</u>

Change in net position of governmental activities **\$ (823,914)**

Shiawassee County, Michigan
Proprietary Funds
STATEMENT OF NET POSITION
December 31, 2016

	Business-type Activities		
	Delinquent Tax Revolving	Nonmajor Enterprise Fund (Jail Commissary)	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 3,036,111	\$ 96,009	\$ 3,132,120
Accounts receivable	3,232	-	3,232
Delinquent taxes receivable	3,479,649	-	3,479,649
Total current assets	6,518,992	96,009	6,615,001
Noncurrent assets			
Investments	2,821,759	-	2,821,759
Capital assets being depreciated, net	-	11,193	11,193
Total noncurrent assets	2,821,759	11,193	2,832,952
TOTAL ASSETS	9,340,751	107,202	9,447,953
LIABILITIES			
Current liabilities			
Due to other funds	905,971	-	905,971
NET POSITION			
Net investment in capital assets	-	11,193	11,193
Unrestricted	8,434,780	96,009	8,530,789
TOTAL NET POSITION	\$ 8,434,780	\$ 107,202	\$ 8,541,982

See accompanying notes to financial statements.

Shiawassee County, Michigan

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Year Ended December 31, 2016

	Business-type Activities		
	Delinquent Tax Revolving	Nonmajor Enterprise Fund (Jail Commissary)	Total
OPERATING REVENUES			
Interest and penalties on delinquent taxes	\$ 785,566	\$ -	\$ 785,566
Charges for services	-	137,715	137,715
TOTAL OPERATING REVENUES	785,566	137,715	923,281
OPERATING EXPENSES			
Depreciation	-	4,432	4,432
Other operating expenses	-	137,902	137,902
TOTAL OPERATING EXPENSES	-0-	142,334	142,334
OPERATING INCOME (LOSS)	785,566	(4,619)	780,947
NONOPERATING REVENUES			
Interest revenue	49,655	-	49,655
INCOME BEFORE TRANSFERS	835,221	(4,619)	830,602
TRANSFERS			
Transfers out	(560,808)	-	(560,808)
CHANGE IN NET POSITION	274,413	(4,619)	269,794
Net position, beginning of year	8,160,367	111,821	8,272,188
Net position, end of year	\$ 8,434,780	\$ 107,202	\$ 8,541,982

See accompanying notes to financial statements.

Shiawassee County, Michigan

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended December 31, 2016

	Business-type Activities		
	Delinquent Tax Revolving	Nonmajor Enterprise Fund (Jail Commissary)	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 830,146	\$ 137,715	\$ 967,861
Cash paid to other funds	54,062	-	54,062
Cash paid to suppliers and others	-	(138,229)	(138,229)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	884,208	(514)	883,694
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers out	(560,808)	-	(560,808)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	(49,130)	-	(49,130)
Interest received	49,655	-	49,655
NET CASH PROVIDED BY INVESTING ACTIVITIES	525	-0-	525
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	323,925	(514)	323,411
Cash and cash equivalents, beginning of year	2,712,186	96,523	2,808,709
Cash and cash equivalents, end of year	<u>\$ 3,036,111</u>	<u>\$ 96,009</u>	<u>\$ 3,132,120</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ 785,566	\$ (4,619)	\$ 780,947
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation	-	4,432	4,432
Decrease in receivables	44,580	-	44,580
Increase in due to other funds	54,062	-	54,062
(Decrease) in accounts payable	-	(327)	(327)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 884,208	\$ (514)	\$ 883,694

See accompanying notes to financial statements.

Shiawassee County, Michigan

Fiduciary Funds

STATEMENT OF ASSETS AND LIABILITIES

December 31, 2016

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	<u>\$ 2,814,321</u>
LIABILITIES	
Undistributed collections payable	\$ 1,884,421
Due to other governmental units	
Federal/State	218,815
Local	361,377
Due to individuals and agencies	<u>349,708</u>
TOTAL LIABILITIES	<u>\$ 2,814,321</u>

See accompanying notes to financial statements.

Shiawassee County, Michigan

Component Units

COMBINING STATEMENT OF NET POSITION

December 31, 2016

	Road Commission	Medical Care Facility	Drainage Districts
ASSETS			
Current assets			
Cash and cash equivalents	\$ 2,418,366	\$ 26,186,101	\$ 2,243,320
Receivables			
Accounts	3,669	1,803,055	-
Taxes	-	2,971,228	-
Special assessments	-	-	1,389,038
Prepays	-	301,210	-
Due from other governmental units	1,236,296	-	62,956
Inventories	604,156	-	-
	<u>4,262,487</u>	<u>31,261,594</u>	<u>3,695,314</u>
Total current assets			
Noncurrent assets			
Investments	515,055	-	-
Noncurrent portion of due from other governmental units	-	-	494,470
Capital assets not being depreciated	5,273,007	6,289,184	-
Capital assets, net of accumulated depreciation	39,628,145	1,951,473	6,056,312
	<u>45,416,207</u>	<u>8,240,657</u>	<u>6,550,782</u>
Total noncurrent assets			
	<u>49,678,694</u>	<u>39,502,251</u>	<u>10,246,096</u>
TOTAL ASSETS			
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions	4,523,883	12,213,961	-
LIABILITIES			
Current liabilities			
Accounts payable	236,851	459,854	472
Accrued liabilities	75,452	1,627,648	-
Accrued interest payable	-	12,946	7,090
Unearned revenue	-	-	-
Short-term note payable	-	-	150,000
Current portion of compensated absences	200,096	-	-
Current portion of long-term debt	-	1,164,825	240,000
	<u>512,399</u>	<u>3,265,273</u>	<u>397,562</u>
Total current liabilities			
Noncurrent liabilities			
Advances from other governmental units	490,253	-	170,000
Net pension liability	8,419,520	13,116,266	-
Net other post-employment benefits obligation	2,712,724	92,377	-
Noncurrent portion of long-term debt	-	11,835,175	1,494,470
	<u>11,622,497</u>	<u>25,043,818</u>	<u>1,664,470</u>
Total noncurrent liabilities			
	<u>12,134,896</u>	<u>28,309,091</u>	<u>2,062,032</u>
TOTAL LIABILITIES			
DEFERRED INFLOWS OF RESOURCES			
Property taxes levied for subsequent year	148,560	3,343,239	-
NET POSITION			
Net investment in capital assets	44,901,152	1,951,473	4,876,312
Restricted for medical care activities	-	11,401,593	-
Restricted for debt service	-	-	458,589
Restricted for capital improvements	-	6,710,816	2,849,163
Restricted for airport operations	-	-	-
Restricted for aging programs	-	-	-
Unrestricted	(2,982,031)	-	-
	<u>\$ 41,919,121</u>	<u>\$ 20,063,882</u>	<u>\$ 8,184,064</u>
TOTAL NET POSITION			

See accompanying notes to financial statements.

<u>County Airport</u>	<u>Council on Aging</u>	<u>Total Component Units</u>
\$ 7,727	\$ 405,298	\$ 31,260,812
41,813	-	1,848,537
-	681,647	3,652,875
-	-	1,389,038
-	20,000	321,210
-	35,807	1,335,059
<u>10,389</u>	<u>-</u>	<u>614,545</u>
59,929	1,142,752	40,422,076
-	142,850	657,905
-	-	494,470
-	-	11,562,191
<u>1,870,338</u>	<u>132,227</u>	<u>49,638,495</u>
<u>1,870,338</u>	<u>275,077</u>	<u>62,353,061</u>
1,930,267	1,417,829	102,775,137
-	121,935	16,859,779
7,847	32,788	737,812
807	3,757	1,707,664
-	-	20,036
1,100	-	1,100
-	-	150,000
-	-	200,096
<u>-</u>	<u>-</u>	<u>1,404,825</u>
9,754	36,545	4,221,533
-	-	660,253
-	334,410	21,870,196
-	-	2,805,101
<u>-</u>	<u>-</u>	<u>13,329,645</u>
<u>-0-</u>	<u>334,410</u>	<u>38,665,195</u>
9,754	370,955	42,886,728
<u>-</u>	<u>717,810</u>	<u>4,209,609</u>
1,870,338	132,227	53,731,502
-	-	11,401,593
-	-	458,589
-	-	9,559,979
50,175	-	50,175
-	318,772	318,772
<u>-</u>	<u>-</u>	<u>(2,982,031)</u>
<u>\$ 1,920,513</u>	<u>\$ 450,999</u>	<u>\$ 72,538,579</u>

Shiawassee County, Michigan

Component Units

COMBINING STATEMENT OF ACTIVITIES

Year Ended December 31, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position					
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Road Commission	Medical Care Facility	Drainage District	County Airport	Council on Aging	Total
Road Commission	\$ 10,715,282	\$ 1,439,019	\$ 8,294,730	\$ 720,747	\$ (260,786)	\$ -	\$ -	\$ -	\$ -	\$ (260,786)
Medical Care Facility	18,524,916	16,448,015	-	-	-	(2,076,901)	-	-	-	(2,076,901)
Drainage Districts	771,104	-	-	699,891	-	-	(71,213)	-	-	(71,213)
County Airport	300,417	163,494	16,705	-	-	-	-	(120,218)	-	(120,218)
Council on Aging	1,155,504	123,038	471,866	-	-	-	-	-	(560,600)	(560,600)
TOTALS	\$ 31,467,223	\$ 18,173,566	\$ 8,783,301	\$ 1,420,638	(260,786)	(2,076,901)	(71,213)	(120,218)	(560,600)	(3,089,718)
General revenues										
Investment earnings					14,329	9,593	2,402	6	2,358	28,688
Property taxes					-	3,325,487	-	-	589,503	3,914,990
Miscellaneous					3,038	-	-	-	23,527	26,565
Total general revenues					17,367	3,335,080	2,402	6	615,388	3,970,243
CHANGE IN NET POSITION					(243,419)	1,258,179	(68,811)	(120,212)	54,788	880,525
Net position, beginning of year					42,162,540	18,805,703	8,252,875	2,040,725	396,211	71,658,054
Net position, end of year					<u>\$ 41,919,121</u>	<u>\$ 20,063,882</u>	<u>\$ 8,184,064</u>	<u>\$ 1,920,513</u>	<u>\$ 450,999</u>	<u>\$ 72,538,579</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Shiawassee, Michigan was incorporated in 1822 and covers an area of approximately 541 square miles with the County seat located in the City of Corunna. The County operates under an elected Board of Commissioners and provides services to its approximately 70,000 residents in many areas including law enforcement, administration of justice, community enrichment and development, and human services.

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

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements present the financial activities of Shiawassee County (primary government) and its component units. The component units described in Sections 2 and 3 are included in the County's reporting entity because of the significance of their operational or financial relationship with the County. Blended component units, although legally separate entities are, in substance, part of the County's operations, 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 County.

2. Blended Component Units

The Shiawassee County Building Authority is governed by a three (3) member Board appointed by the County Board of Commissioners. Its sole purpose is to finance and construct the County's public buildings. It is reported in Fiduciary fund category. The Shiawassee County Building Authority currently does not have any active projects in the County.

The Shiawassee County Economic Development Corporation (EDC) was established to provide community and economic development services. The EDC administered a significant amount of economic development grant money that was received by the County in the past. Currently the EDC does not have any active projects in the County.

3. Discretely Presented Component Units

These component units are reported in a separate column to emphasize that, while legally separate, Shiawassee County remains financially accountable for these entities, or the nature and significance of the relationship between these entities and Shiawassee County is such that exclusion of these entities would render the financial statements misleading or incomplete. The entities are reflected as discretely presented component units in accordance with applicable GASB standards.

The Shiawassee County Road Commission is responsible for the maintenance and construction of the County road system. The Road Commission operations are financed primarily from the State distribution of gas and weight taxes, Federal financial assistance, and contributions from other local government units within the County. The three (3) Board Members of the Road Commission are elected. This component unit is audited individually and complete financial statements may be obtained from the Road Commission's administrative office.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Discretely Presented Component Units - continued

Pleasant View (the Shiawassee County Medical Care Facility) is a long-term medical care unit owned and operated by Shiawassee County. It is governed by the Shiawassee County Department of Human Services Board. This Board consists of three (3) members, two (2) of whom are appointed by the Shiawassee County Board of Commissioners, and one (1) appointed by the Michigan Governor. The Shiawassee County Medical Care Facility is not audited separately.

The Shiawassee County Council on Aging is a non-profit corporation responsible for planning and coordinating services for senior citizens solely within Shiawassee County. The Board is composed of thirteen (13) members, of which two (2) are County Commissioners. The Shiawassee Council on Aging is fiscally dependent on Shiawassee County and due to the nature and significance of its relationship with the County the Council on Aging is reported as a discretely presented component unit. The Council on Aging is not audited separately.

The Shiawassee County Drainage Districts come under the jurisdiction of the Shiawassee County Drain Commissioner. This includes planning, developing, and maintaining surface water drainage systems. A complete file of finance, construction, and maintenance is maintained for each of the drains. The Drain Commissioner has authority to spend up to \$5,000 per mile on drain maintenance and may borrow up to \$300,000 from any source to provide for maintenance of a drain without Board of Commissioner approval and without going through the Municipal Finance Division, State of Michigan. The Drain Commissioner has authority to levy special assessments on properties benefiting from maintenance. The Drainage Districts are financially accountable to and fiscally dependent on the County because bond issuances greater than \$300,000 require County authorization and are backed by the full faith and credit of the County. The Drainage Districts are not audited separately.

The County Airport is classified as a joint venture with another governmental unit. The details related to this joint venture agreement are disclosed below.

4. Joint Venture

The County participates in the following activity, which is considered to be a joint venture in relation to the County due to the formation of an organization by contractual agreement between two (2) or more participants that maintain joint control, financial interest, and financial responsibility.

Airport Board - Shiawassee County, along with the Cities of Owosso and Corunna and Owosso and Caledonia Townships have entered into an agreement which created the Shiawassee Airport Board. The Airport Board is composed of one (1) member from each of the member municipalities. The Airport is expected to be self-sufficient but based on a "10 Year Funding Model" approved by the Board each participating municipality shall make a direct appropriation to cover operations and development costs. The percentage share for the funding model for each municipality is Shiawassee County and the City of Owosso 33%, Owosso and Caledonia Townships 13%, and the City of Corunna 8%.

The financial activities of the Airport Board are reported in the County's audited financial statements as a discretely presented component unit due to the County being responsible for the receipt and disbursement of the Board's funds. This relationship makes the Board fiscally dependent on the County. The Airport Board is not audited separately.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Jointly Governed Organizations

The County participates in the following activities, which are considered to be jointly governed organizations in relation to the County due to there being no on-going financial interest or responsibility.

Genesee-Lapeer-Shiawassee Planning Commission - Shiawassee County, in conjunction with two (2) other Counties, has entered into an agreement which created the Genesee-Lapeer-Shiawassee Planning Commission. This organization's Board is composed of 16 members, of which one (1) is appointed by Shiawassee County. The County has no ongoing financial responsibility.

Genesee-Shiawassee Workforce Development Board - Shiawassee County, in conjunction with two (2) other municipalities, has entered into an agreement which created the Genesee-Shiawassee Workforce Development Board. This organization's Board is composed of 35 members, of which five (5) are appointed by Shiawassee County. The County has no ongoing financial responsibility other than the potential liability related to inappropriate use of funds.

Valley Area Agency on Aging - Shiawassee County, in conjunction with the counties of Lapeer and Genesee and the City of Flint, which administers grant revenue for the Shiawassee Council on Aging, created the Valley Area Agency on Aging. The Board is composed of 21 members of which five (5) are appointed by Shiawassee County. The County has no ongoing financial responsibility. The Organization provides comprehensive services to senior citizens residing in the member counties.

6. Related Organizations

The Shiawassee County Community Mental Health Authority - The Shiawassee County Community Mental Health Authority operates under the provisions of PA 258 of 1974, as amended. The Authority provides funding for services in the area of mental illness, development disabilities, and other related mental health needs for the residents of the County of Shiawassee. For the year ended December 31, 2016, the County's contribution to Mental Health Services was \$200,000. In a prior year, the County issued bonds on behalf of the Mental Health Authority. These bonds are general obligation limited tax bonds of the County but there is a contractual agreement between the Authority and the County obligating the Authority to pay the County the amounts of the annual bond principal and interest obligations as they come due until the bonds are paid off.

7. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities (the government-wide financial statements) present information for the primary government and its component units as a whole. All nonfiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide financial statements). For the most part, interfund activity has been eliminated in the preparation of 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.

The statement of activities presents the direct functional expenses of the primary government and its component units and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

7. Basis of Presentation - continued

FUND FINANCIAL STATEMENTS

The fund financial statements present the County's individual major funds and aggregated nonmajor funds. 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.

The County reports the following major governmental funds:

- a. The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Health Department Fund is used to report activities related to various personal and environmental health services provided to County residents. These activities are financed primarily by Federal and State grants, user charges, and other local revenues restricted to use on health and welfare related activities.
- c. The Medical Care Facility Debt Service Fund is used to account for the restricted financial resources related to the repayment of general obligation bonds issued by the County on behalf of the Medical Care Facility.
- d. The Mental Health Debt Service Fund is used to account for the restricted financial resources related to the repayment of general obligation bonds issued by the County on behalf of the Mental Health Authority.

The County reports the following major enterprise fund:

- a. The Delinquent Tax Revolving Fund accounts for money advanced by the County to other local taxing units and various county funds to pay for their delinquent real property taxes. Revenues are generated by the collection of the delinquent real property taxes, penalties, and interest.

The County also reports agency funds to account for assets held by the County as an agent for other governments, private organizations, or individuals. Agency funds are, by nature, custodial; therefore, operation results are not measured. The County's agency funds are the Trust and Agency, Senior Transportation, Economic Development, and Library Penal Fine fiduciary funds.

8. Measurement Focus

The government-wide and proprietary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide financial statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance.

There is no measurement focus for fiduciary funds since assets equal liabilities.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

9. Basis of Accounting

Basis of accounting refers to when revenues and expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is sixty (60) days. Revenues that are considered measurable but not available are recorded as receivable and deferred inflows of resources. Significant revenues susceptible to accrual are property taxes, special assessments, and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

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 are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

If/when both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

10. Cash and Cash Equivalents

The County pools cash resources of various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest bearing securities and disclosed as part of the County's investments. Cash equivalents consist of temporary investments in certificates of deposit, money market accounts, and mutual funds with a maturity from date of purchase of 90 days or less.

11. Investments

Investments during the year consisted of securities and certificates of deposit with original maturities of greater than 90 days. Investments are recorded at market (fair) value in accordance with GASB 72, *Fair Value Measurement and Application*.

12. Receivables

Receivables consist of amounts due from governmental units for various financial assistance programs and accounts receivable related to charges for services, special assessments, and notes and leases receivable made in connection with various programs.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

13. Inventories

PRIMARY GOVERNMENT AND COMPONENT UNITS (EXCEPT ROAD COMMISSION)

Inventories are stated at cost on a first in/first out basis. Inventory consists of vaccines received from the State of Michigan. Donated vaccine inventory is stated at fair value as of the date of donation. Vaccine inventories on hand at year-end have been reported as unearned revenue.

ROAD COMMISSION - COMPONENT UNIT

Inventory of road materials and equipment parts are recognized using the consumption method (inventory is recorded as an expenditure when it is used). Inventory is stated at average cost.

14. Capital Assets

PRIMARY GOVERNMENT AND COMPONENT UNITS (EXCEPT ROAD COMMISSION)

Capital assets are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities and component unit columns. Capital assets are those with an initial individual cost of \$1,000 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their acquisition value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Land improvements	15 - 20 years
Buildings and improvements	30 - 50 years
Office and computer equipment	3 - 7 years
Vehicles	3 - 5 years
Drain infrastructure	60 years

ROAD COMMISSION - COMPONENT UNIT

Capital assets are reported under governmental activities within the operating fund in the government-wide financial statements. Capital assets are defined by the Commission as assets with an initial individual cost of more than \$200 and an estimated useful life in excess of two (2) years. Such assets are recorded at historical costs or estimated historical cost. Donated capital assets are recorded at an estimated fair market value at the date of donation.

GASB Statement No. 34 required major networks and major subsystems of infrastructure assets acquired, donated, constructed, or substantially rehabilitated, for fiscal years ending after June 30, 1980, be inventoried and capitalized.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

14. Capital Assets - continued

ROAD COMMISSION - COMPONENT UNIT - CONTINUED

Depreciation is computed on the sum-of-the-years'-digits method for road equipment and straight-line method for all other capital assets. The depreciation rates are designed to amortize the cost of the assets over their estimated useful lives as follows:

Buildings	30 - 50 years
Road equipment	5 - 8 years
Shop equipment	10 years
Sign shop	10 years
Engineering equipment	4 - 10 years
Office equipment	4 - 10 years
Infrastructure - roads	5 - 30 years
Infrastructure - bridges	12 - 50 years
Land improvements	10 years

15. Advances to Other Funds/Component Units (i.e., Other Governmental Units)

Long-term advances from certain funds to other funds or other governmental units (i.e., component units) are made to finance new activities during their initial operations and to finance capital acquisitions. For the governmental fund types, fund balance is nonspendable for the amount of advances made to reflect the fund balance not currently available for expenditure.

16. Interfund Transactions

During the course of normal operations, the County has numerous transactions between funds and component units including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers or operating expenditures. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

17. Unearned Revenue

The County reports unearned revenue in connection with funds that have been received but not yet earned.

18. Deferred Outflows/Inflows of Resources

In addition to assets, the balance sheet and 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 fund balance/net position that applies to a future period and will not be recognized as an outflow of resources (expenditure/expense) until then.

In addition to liabilities, the balance sheet and the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of fund balance/net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until then.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

18. Deferred Outflows/Inflows of Resources - continued

The County has only one type of item that qualifies for reporting as a deferred inflow of resources. Certain types of unavailable revenue are reported in the statement of net position and the governmental funds balance sheet. The statement of net position reports unavailable revenues related to the property taxes levied for the subsequent year. The governmental funds balance sheet reports unavailable revenues related to taxes levied for the subsequent year and certain long-term receivables collected subsequent to 60 days after year-end. These amounts are deferred and recognized as inflows of resources in the period that the amounts become available.

The County also reports deferred outflows of resources which correspond to the County's net pension liability and are related to differences between projected and actual pension plan investment earnings, differences in assumptions, differences in experience, and contributions made subsequent to the measurement date. These amounts are deferred and recognized as an outflow of resources in the period to which they apply.

19. Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in a Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

20. Compensated Absences

In accordance with County personnel policies and/or contracts negotiated with the various employee groups of the County, individual employees have vested rights upon termination of employment to receive payment for unused compensated absences under formulas and conditions specified in the respective personnel policies and/or contracts.

Vested compensated absences earned as of December 31, 2016, including related payroll taxes, are recorded in the government-wide financial statements.

21. Net Pension Liability

The net pension liability is deemed to be a noncurrent liability and is recognized in the government-wide financial statements.

22. Budgets and Budgetary Accounting

Budgets are to be adopted on a basis consistent with the modified accrual basis used to reflect actual results in the Fund financial statements. This basis is consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are to be adopted for all required governmental fund types.

The County employs the following procedures in establishing budgets:

- a. Prior to September 7, the County departments, in conjunction with the Administrator's office, prepare and submit their proposed operating budgets to the finance committee for the fiscal year commencing the following January 1. The operating budgets include proposed expenditures and resources to finance them.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

22. Budgets and Budgetary Accounting - continued

- b. A Public Hearing is held to obtain taxpayers' comments.
- c. Prior to December 31, the budgets are legally enacted through passage of an annual budget resolution.
- d. The budgets are legally adopted at the activity level for the General fund and the fund level for the Special Revenue funds. Budgetary transfers between funds and amendments to total fund budgets are not permitted without Board approval. For control purposes, all funds' budgets are maintained at the activity and account level. The Financial Administrator is authorized to transfer budget amounts between accounts.
- e. The County does not employ encumbrance accounting as an extension of formula budgetary integration in the governmental funds. All unexpended appropriations lapse at year-end.
- f. Applicable budgeted amounts are reported as originally adopted or as amended by the Board of Commissioners during the year. Individual amendments were not material in relation to the original appropriations that were adopted.

23. Tax Abatements

The County's tax revenues have been reduced by tax abatements throughout the County. Management has determined these amounts to be immaterial to the financial statements.

24. Comparative Data

Comparative data for the year has not been presented in the accompanying financial statements since the inclusion of comparative data would make the statements unduly complex and difficult to read.

25. Federal Programs

Federal Programs are accounted for in the funds to which the programs pertain. The County has not integrated its Single Audit Reports and financial data as part of the financial statements. The Single Audit Reports and financial data will be issued under separate cover as supplementary information to the financial statements.

NOTE B: DEPOSITS AND INVESTMENTS

The County utilizes various pooled cash accounts and investments for approximately thirty-five (35) funds. The County's pooled cash accounts consist of a common checking and money market accounts.

The County's pooled cash accounts and investments are utilized by the General Fund, Special Revenue Funds, Capital Project Funds, Debt Service Funds, Enterprise Funds, Trust and Agency Funds, and the Component Unit Funds. Each fund's portion of these pooled accounts is included in the cash and cash equivalents caption on the applicable balance sheet or statement of net position.

The other funds of the County utilize separate savings and interest bearing checking accounts. In addition, certificates of deposit, uncategorized pooled investments, and U.S. Government Securities are held separately by several of the County's funds.

Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE B: DEPOSITS AND INVESTMENTS - CONTINUED

In accordance with Michigan Compiled Laws, the County is authorized to invest in the following investment vehicles:

- a. Bonds and other direct obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 6 of 1855 PA 105, MCL 21.146.
- c. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
- d. United States government or Federal agency obligation repurchase agreements.
- e. Bankers acceptances of United States banks.
- f. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

As of December 31, 2016, the carrying amounts and bank balance for each type of bank account are as follows:

<u>ACCOUNT TYPE</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
PRIMARY GOVERNMENT		
Checking	\$ 8,630,039	\$ 8,651,556
Savings accounts	1,596,404	1,596,404
Certificates of deposit	<u>2,985,618</u>	<u>2,985,618</u>
Total primary government	13,212,061	13,233,578
COMPONENT UNITS		
Checking	23,701,122	31,852,049
Savings accounts	7,570,579	6,865,893
Certificates of deposit	<u>515,055</u>	<u>515,055</u>
Total component units	31,786,756	39,232,997
FIDUCIARY FUNDS		
Checking	2,410,874	2,449,873
Savings accounts	<u>397,932</u>	<u>397,734</u>
Total fiduciary funds	<u>2,808,806</u>	<u>2,847,607</u>
TOTAL REPORTING ENTITY	<u><u>\$ 47,807,623</u></u>	<u><u>\$ 55,314,182</u></u>

Deposits of the County are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the County. As December 31, 2016, the primary government and component unit accounts were insured by the Federal Deposit Insurance Corporation (FDIC) or Federal Savings and Loan Insurance Corporation (FSLIC) for \$2,548,532 and the amount of \$52,765,650 was uninsured and uncollateralized.

Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE B: DEPOSITS AND INVESTMENTS - CONTINUED

Due to significantly higher cash flow at certain periods during the year, the amount the County held as cash and cash equivalents increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy is also established which requires an entity to maximize the use of observable and minimize the use of unobservable and minimize the use of unobservable inputs.

There are three (3) levels of inputs that may be used to measure fair value:

- Level 1: Quoted prices in active markets for identical securities.
- Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk, and others.
- Level 3: Prices determined using significant unobservable inputs. Unobservable inputs may be used in situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period). Unobservable inputs reflect the organization's own assumptions about the factors market participants would use in pricing an investment, and would be based on the best information available.

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying financial statements, as well as the general classification of such instruments pursuant to the valuation hierarchy.

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

	Fair Value Measurements			Total	Moody's/ S&P Rating	Weighted Average Maturity
	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3			
PRIMARY GOVERNMENT						
Mutual funds	\$ 3,280	\$ -	\$ -	\$ 3,280	N/A	N/A
COMPONENT UNITS						
Mutual funds	108,722	-	-	108,722	N/A	N/A
Countrywide Home Loan Mortgage Corporation	6,075	-	-	6,075	Baa	19 years
Federal Home Loan Mortgage	16,396	-	-	16,396	Aaa	16 years
TOTAL COMPONENT UNITS	131,193	-0-	-0-	131,193		
TOTAL REPORTING ENTITY	\$ 134,473	\$ -0-	\$ -0-	\$ 134,473		

Portfolio investments are assigned a level based upon the observability of the inputs which are significant to the overall valuation. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The Government Agency Bonds are valued using quoted prices in active markets.

Shiawassee County, Michigan
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE B: DEPOSITS AND INVESTMENTS - CONTINUED

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As December 31, 2016, rating information on the County's investments is presented above.

Interest Rate Risk

The County will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by designing its portfolio with the objective of obtaining a rate of return through the budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio.

Concentration of Credit Risk

The County will minimize a concentration of credit risk, which is the risk of loss attributed to the magnitude of the County's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the combined balance sheet based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as December 31, 2016:

	Primary Government	Component Units	Fiduciary Funds	Reporting Entity
Cash and cash equivalents	\$ 10,248,281	\$ 31,260,812	\$ 2,814,321	\$ 44,323,414
Investments - noncurrent	2,985,618	657,905	-	3,643,523
	\$ 13,233,899	\$ 31,918,717	\$ 2,814,321	\$ 47,966,937

The primary government cash and cash equivalents caption on the combined balance sheet include \$18,558 in imprest cash. The component unit cash and cash equivalents caption include \$768 in imprest cash. The fiduciary funds cash and cash equivalents caption include \$5,515 in imprest cash.

NOTE C: INTERFUND RECEIVABLES AND PAYABLES

The following schedule details interfund receivables and payables related to the primary government December 31, 2016:

Due to General Fund from:	
Delinquent Tax Revolving Fund	\$ 905,971
Health Department Fund	10,359
	\$ 916,330

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE D: ADVANCES RECEIVABLE AND PAYABLE

The following schedule details advances receivable and payable between the primary government and other governmental units (i.e., the Drainage District component unit) December 31, 2016:

Advance from General Fund to:	
Component Unit - Drainage District	<u>\$ 170,000</u>

The advances from the General Fund to Drainage Districts were made for working capital and are reflected in the financial statements as Advances To/From Other Governmental Units in accordance with GASB 34.

NOTE E: INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental and internal service funds, enterprise funds, and component units have been eliminated.

Transfers to General Fund from:	
Delinquent Tax Revolving Fund	<u>\$ 560,808</u>
Transfer to Health Department Fund from:	
General Fund	<u>\$ 256,265</u>
Transfers to nonmajor governmental funds from:	
General Fund	\$ 902,628
Nonmajor governmental funds	<u>67,473</u>
	<u>\$ 970,101</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.

NOTE F: CAPITAL ASSETS

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

PRIMARY GOVERNMENT

	Balance Jan. 1, 2016	Additions	Deletions	Balance Dec. 31, 2016
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 615,000	\$ -	\$ -	\$ 615,000
Construction in progress	-	180,922	-	180,922
	<u>615,000</u>	<u>180,922</u>	<u>-0-</u>	<u>795,922</u>
Subtotal	615,000	180,922	-0-	795,922

Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE F: CAPITAL ASSETS - CONTINUED

PRIMARY GOVERNMENT - CONTINUED

	Balance Jan. 1, 2016	Additions	Deletions	Balance Dec. 31, 2016
Governmental Activities - Continued				
Capital assets being depreciated				
Land improvements	\$ 131,038	\$ -	\$ -	\$ 131,038
Building and improvements	7,238,032	25,724	-	7,263,756
Office and computer equipment	4,236,624	-	-	4,236,624
Vehicles	958,824	143,314	(36,169)	1,065,969
Subtotal	12,564,518	169,038	(36,169)	12,697,387
Less accumulated depreciation				
Land improvements	(104,336)	(5,583)	-	(109,919)
Building and improvements	(3,246,821)	(170,252)	-	(3,417,073)
Office and computer equipment	(3,264,512)	(291,223)	-	(3,555,735)
Vehicles	(800,735)	(64,651)	36,169	(829,217)
Subtotal	(7,416,404)	(531,709)	36,169	(7,911,944)
Net capital assets being depreciated	5,148,114	(362,671)	-0-	4,785,443
Capital assets, net	<u>\$ 5,763,114</u>	<u>\$ (181,749)</u>	<u>\$ -0-</u>	<u>\$ 5,581,365</u>
Business-type Activities				
Capital assets being depreciated				
Office and computer equipment	\$ 34,550	\$ -	\$ -	\$ 34,550
Less accumulated depreciation				
Office and computer equipment	(18,925)	(4,432)	-	(23,357)
Capital assets, net	<u>\$ 15,625</u>	<u>\$ (4,432)</u>	<u>\$ -0-</u>	<u>\$ 11,193</u>

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

Governmental Activities	
General government	\$ 269,455
Public safety	259,269
Recreation and culture	2,985
	<u>531,709</u>
Business-type Activities	
Jail Commissary	4,432
	<u>\$ 536,141</u>

Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE F: CAPITAL ASSETS - CONTINUED

COMPONENT UNITS

	Balance Jan. 1, 2016	Additions/ Reclassifications	Deletions/ Reclassifications	Balance Dec. 31, 2016
Component Unit - Road Commission				
Capital assets not being depreciated				
Land and land improvements	\$ 595,381	\$ -	\$ -	\$ 595,381
Infrastructure and improvements	4,312,817	299,354	(187,412)	4,424,759
Construction in progress	509,655	239,754	(496,542)	252,867
Subtotal	5,417,853	539,108	(683,954)	5,273,007
Capital assets being depreciated/depleted				
Buildings and improvements	3,022,605	-	-	3,022,605
Machinery and equipment	7,555,693	1,409,663	(876,487)	8,088,869
Office and computer equipment	103,705	10,556	-	114,261
Infrastructure - roads	53,234,089	1,862,064	(2,652,042)	52,444,111
Infrastructure - bridges	21,486,124	760,375	-	22,246,499
Land improvements	-	427,722	-	427,722
Depletable assets	153,402	-	-	153,402
Subtotal	85,555,618	4,470,380	(3,528,529)	86,497,469
Less accumulated depreciation/depletion				
Buildings and improvements	(1,728,056)	(92,920)	-	(1,820,976)
Machinery and equipment	(5,907,348)	(716,850)	876,487	(5,747,711)
Office and computer equipment	(89,088)	(6,269)	-	(95,357)
Infrastructure - roads	(30,694,000)	(2,905,953)	2,652,042	(30,947,911)
Infrastructure - bridges	(7,609,093)	(464,350)	-	(8,073,443)
Land improvements	-	(30,524)	-	(30,524)
Depletable assets	(153,402)	-	-	(153,402)
Subtotal	(46,180,987)	(4,216,866)	3,528,529	(46,869,324)
Net capital assets being depreciated/depleted	39,374,631	253,514	-0-	39,628,145
Capital assets, net	\$ 44,792,484	\$ 792,622	\$ (683,954)	\$ 44,901,152
Component Unit - Medical Care Facility				
Capital assets not being depreciated				
Land	\$ -	\$ 969,977	\$ -	\$ 969,977
Construction in progress	602,902	4,716,305	-	5,319,207
Subtotal	602,902	5,686,282	-0-	6,289,184
Capital assets being depreciated				
Land Improvements	107,760	-	-	107,760
Building Improvements	5,413,101	23,261	(42,555)	5,393,807
Office and computer equipment	1,990,416	256,748	(76,521)	2,170,643
Subtotal	7,511,277	280,009	(119,076)	7,672,210

Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE F: CAPITAL ASSETS - CONTINUED

COMPONENT UNITS - CONTINUED

	Balance Jan. 1, 2016	Additions/ Reclassifications	Deletions/ Reclassifications	Balance Dec. 31, 2016
Component Unit - Medical Care Facility - Continued				
Less accumulated depreciation for:				
Land Improvements	\$ (65,485)	\$ (6,705)	\$ -	\$ (72,190)
Building Improvements	(3,942,665)	(212,348)	8,587	(4,146,426)
Office and computer equipment	(1,408,715)	(168,884)	75,478	(1,502,121)
Subtotal	<u>(5,416,865)</u>	<u>(387,937)</u>	<u>84,065</u>	<u>(5,720,737)</u>
Net capital assets being depreciated	<u>2,094,412</u>	<u>(107,928)</u>	<u>(35,011)</u>	<u>1,951,473</u>
Capital assets, net	<u>\$ 2,697,314</u>	<u>\$ 5,578,354</u>	<u>\$ (35,011)</u>	<u>\$ 8,240,657</u>
Component Unit - Drainage Districts				
Capital assets being depreciated				
Infrastructure - drains	\$ 10,902,577	\$ -	\$ -	\$ 10,902,577
Less accumulated depreciation				
Infrastructure - drains	<u>(4,621,413)</u>	<u>(224,852)</u>	<u>-</u>	<u>(4,846,265)</u>
Capital assets, net	<u>\$ 6,281,164</u>	<u>\$ (224,852)</u>	<u>\$ -0-</u>	<u>\$ 6,056,312</u>
Component Unit - County Airport				
Capital assets being depreciated				
Land improvements	\$ 2,348,588	\$ -	\$ -	\$ 2,348,588
Building and improvements	102,619	-	-	102,619
Office and computer equipment	114,958	-	-	114,958
Vehicles	<u>63,764</u>	<u>-</u>	<u>-</u>	<u>63,764</u>
Subtotal	2,629,929	-0-	-0-	2,629,929
Less accumulated depreciation				
Land improvements	(545,079)	(63,572)	-	(608,651)
Building and improvements	(64,204)	(2,126)	-	(66,330)
Office and computer equipment	(27,068)	(6,534)	-	(33,602)
Vehicles	<u>(44,632)</u>	<u>(6,376)</u>	<u>-</u>	<u>(51,008)</u>
Subtotal	<u>(680,983)</u>	<u>(78,608)</u>	<u>-0-</u>	<u>(759,591)</u>
Capital assets, net	<u>\$ 1,948,946</u>	<u>\$ (78,608)</u>	<u>\$ -0-</u>	<u>\$ 1,870,338</u>

Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE F: CAPITAL ASSETS - CONTINUED

COMPONENT UNITS - CONTINUED

	Balance Jan. 1, 2016	Additions/ Reclassifications	Deletions/ Reclassifications	Balance Dec. 31, 2016
Component Unit - Council on Aging				
Capital assets being depreciated				
Buildings	\$ 206,325	\$ 6,533	\$ -	\$ 212,858
Equipment	60,981	8,704	(12,297)	57,388
Subtotal	267,306	15,237	(12,297)	270,246
Less accumulated depreciation				
Buildings	(88,412)	(10,242)	-	(98,654)
Equipment	(44,592)	(7,004)	12,231	(39,365)
Subtotal	(133,004)	(17,246)	12,231	(138,019)
Capital assets, net	<u>\$ 134,302</u>	<u>\$ (2,009)</u>	<u>\$ (66)</u>	<u>\$ 132,227</u>

The current year depreciation expense in the Council on Aging Component Unit of \$17,246 has been adjusted by \$66 for the disposal of capital assets during the year, in accordance with GASB Statement No. 34 implementation guide which states that immaterial losses may be handled as an adjustment to the current period's depreciation expense.

NOTE G: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portions) of the County for the year ended December 31, 2016:

	Balance Jan. 1, 2016	Additions	Deletions	Balance Dec. 31, 2016	Amount Due Within One Year
PRIMARY GOVERNMENT					
Governmental Activities					
Installment Purchase Agreements	\$ 206,829	\$ -	\$ 83,450	\$ 123,379	\$ 48,808
Capital Leases	133,958	-	83,958	50,000	50,000
Capital Improvement Bonds	730,000	13,000,000	50,000	13,680,000	1,219,825
General Obligation Bonds	3,355,000	-	140,000	3,215,000	145,000
Compensated Absences	315,358	559,798	440,690	434,466	434,466
TOTAL PRIMARY GOVERNMENT	4,741,145	13,559,798	798,098	17,502,845	1,898,099
COMPONENT UNITS					
Road Commission					
Compensated Absences	198,293	265,266	263,463	200,096	200,096
Medical Care Facility					
Contracted obligation payable	-	13,000,000	-	13,000,000	1,164,825
Drainage Districts					
Drain bonds and notes	1,969,470	-	235,000	1,734,470	240,000
TOTAL COMPONENT UNITS	2,167,763	13,265,266	498,463	14,934,566	1,604,921
TOTAL REPORTING ENTITY	<u>\$ 6,908,908</u>	<u>\$ 26,825,064</u>	<u>\$ 1,296,561</u>	<u>\$ 32,437,411</u>	<u>\$ 3,503,020</u>

Shiawassee County, Michigan
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE G: LONG-TERM DEBT - CONTINUED

Significant details regarding outstanding long-term debt (including current portion) are presented below:

PRIMARY GOVERNMENT

Installment Purchase Agreements

\$246,761 Installment Purchase Agreement, dated June 25, 2014, due in semi-annual installments of \$24,404 through June 30, 2019.	<u>\$ 123,379</u>
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Capital Leases

\$867,080 City of Corunna lease for the James P. Capitan Center - Hoschner Building, dated March 1, 2007, due in an annual installment of \$50,000 on March 1, 2017.	<u>\$ 50,000</u>
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Capital Improvement Bonds

\$880,000 Capital Improvement Bonds dated September 23, 2010, due in annual installments ranging from \$55,000 to \$75,000 through November 1, 2027, with interest ranging from 4.90 percent to 7.25 percent payable semi-annually.	\$ 680,000
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\$13,000,000 Capital Improvement Bonds, dated December 15, 2016, due in monthly installments ranging from \$96,010 to \$121,659 through December 15, 2026, with interest of 2.39%, payable monthly.	<u>13,000,000</u>
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\$13,680,000

General Obligation Bonds

\$1,210,000 General Obligation Limited Tax Capital Improvement Bonds dated July 8, 2010, due in annual installments from \$40,000 to \$100,000 through April 28, 2032, with interest of 6.0% payable semi-annually.	\$ 1,005,000
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\$2,790,000 General Obligation Limited Tax Capital Improvement Bonds dated July 8, 2010 due in annual installments from \$105,000 to \$185,000 through April 28, 2032, with interest of 4.0% payable annually.	<u>2,210,000</u>
--	------------------

\$ 3,215,000

Compensated Absences

In accordance with County personnel policies and/or contracts negotiated with various employee groups of the County, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in their respective personnel policies and/or contracts.

The dollar amount of these vested rights including related payroll taxes, amounted to \$143,231 and \$291,235 for vacation and sick, respectively, at December 31, 2016, for a total of \$434,466. Of this amount, \$434,466 has been recorded as a current liability, based on past usage history.

Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE G: LONG-TERM DEBT - CONTINUED

COMPONENT UNIT - ROAD COMMISSION

Compensated Absences

In accordance with Road Commission personnel policies and/or contracts negotiated with various employee groups of the Road Commission, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in their respective personnel policies and/or contracts.

Accumulated vacation and sick leave and related payroll taxes represents a liability to the Road Commission, which is presented as current liability in the current year because management estimates that usage in any given year will be the same percentage as the usage of the outstanding balance from the previous year.

COMPONENT UNIT - MEDICAL CARE FACILITY

Contractual obligation with Shiawassee County

\$13,000,000 Contractual obligation dated December 15, 2016, due in monthly installments ranging from \$96,010 to \$121,659 through December 15, 2026, with interest of 2.39%, payable monthly. \$13,000,000

COMPONENT UNIT - DRAINAGE DISTRICTS

Drain Bonds and Notes

\$2,265,000 Owosso Drain Bonds, Series 2004, dated December 1, 2004, due in annual installments of \$125,000 through June 1, 2025, with interest ranging from 3.90 percent to 4.35 percent, payable semi-annually. \$ 1,125,000

\$850,000 Byron Water Project Bonds, dated January 6, 2006, due in annual installments ranging from \$39,470 to \$50,000 through October 1, 2026, with interest of 2.125 percent, payable semi-annually. 459,470

\$270,000 Henderson Drain Bonds, Series 1996, dated April 1, 1996, due in annual installments ranging from \$15,000 to \$20,000 through June 1, 2021, with interest of 6.50 percent, payable semi-annually. 95,000

\$385,000 McCrea Drain Bonds, Series 2010, dated June 30, 2010, due in an annual installment of \$55,000 on June 30, 2017, with interest of 2.83 percent. 55,000

\$ 1,734,470

Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE G: LONG-TERM DEBT - CONTINUED

The annual requirements to pay the debt principal and interest outstanding for the following long-term debt are as follows:

PRIMARY GOVERNMENT

Year Ending December 31,	Installment Purchase Agreements		Capital Leases	
	Principal	Interest	Principal	Interest
2017	\$ 48,808	\$ -	\$ 50,000	\$ -
2018	48,808	-	-	-
2019	25,763	-	-	-
	<u>\$ 123,379</u>	<u>\$ -0-</u>	<u>\$ 50,000</u>	<u>\$ -0-</u>

Year Ending December 31,	Capital Improvement Bonds		General Obligation Bonds	
	Principal	Interest	Principal	Interest
2017	\$ 1,219,825	\$ 341,360	\$ 145,000	\$ 161,470
2018	1,247,971	310,519	150,000	155,280
2019	1,276,798	278,722	155,000	148,900
2020	1,311,321	246,064	160,000	142,245
2021	1,341,557	212,258	170,000	135,400
2022-2026	7,207,528	522,103	990,000	543,389
2027-2031	75,000	5,438	1,275,000	258,157
2032	-	-	170,000	9,191
	<u>\$ 13,680,000</u>	<u>\$ 1,916,464</u>	<u>\$ 3,215,000</u>	<u>\$ 1,554,032</u>

COMPONENT UNITS

Year Ending December 31,	Drainage District Bonds and Notes		Medical Care Facility Contractual Obligations	
	Principal	Interest	Principal	Interest
2017	\$ 240,000	\$ 61,070	\$ 1,164,825	\$ 297,995
2018	190,000	52,482	1,192,971	269,849
2019	190,000	45,226	1,221,798	241,022
2020	190,000	37,939	1,251,321	211,499
2021	190,000	30,557	1,281,557	181,263
2022-2026	734,470	57,775	6,887,528	426,572
	<u>\$ 1,734,470</u>	<u>\$ 285,049</u>	<u>\$ 13,000,000</u>	<u>\$ 1,628,200</u>

NOTE H: SHORT-TERM NOTE

On January 6, 2016, the County issued a short-term Drainage District Note in the amount of \$150,000 for the purpose of financing work on the Maple River Intercounty Drain. This short-term note, which had an outstanding balance of \$150,000 at December 31, 2016, are reported in the financial statements under the caption short-term notes payable. The outstanding balance was paid in June 2017.

Shiawassee County, Michigan
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE I: EMPLOYEE RETIREMENT SYSTEM

PRIMARY GOVERNMENT AND COMPONENT UNITS (EXCEPT ROAD COMMISSION AND COUNCIL ON AGING)

The County participates in the Michigan Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan's Legislature under Public Act 135 of 1945 and administered by a nine (9) member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing MERS website at www.mersofmich.com. The information presented in this section includes detailed information related to the primary government and the component units (except the Road Commission and Council on Aging).

Summary of Significant Accounting Policies

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees Retirement System of Michigan and additions to/deductions from MERS' 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.

Benefits Provided

Benefits provided include plans with multipliers ranging from 1.50% to 2.50%.

Vesting periods range from 6 to 10 years.

Normal retirement age is 60 with unreduced early retirement at 50 with 25 years of service or at age 55 with 20 or 25 years of service, depending on division. A reduced benefit is available at age 50 with 25 years or service, or at age 55 with 15 years of service, depending on division.

Final average compensation is calculated on 3 to 5 years. Member contributions range from 0.00% to 5.00%.

Benefit terms, within the parameters established by MERS, are generally established and amended by authority of the County Board of Commissioners, generally after negotiations of these terms with the affected unions. Benefit terms may be subjected to binding arbitration in certain circumstances.

At the December 31, 2015, valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	362
Inactive employees entitled to but not yet receiving benefits	136
Active employees	<u>403</u>
	<u><u>901</u></u>

Contributions

The County 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. The employer may establish contribution rates to be paid by its covered employees.

Employer contributions range from 10.61% to 43.94% based on annual payroll.

Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE I: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

PRIMARY GOVERNMENT AND COMPONENT UNITS (EXCEPT ROAD COMMISSION AND COUNCIL ON AGING) - CONTINUED

Net Pension Liability

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

Changes in the net pension liability during the measurement year were as follows:

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at December 31, 2014	\$ 101,929,727	\$ 69,082,458	\$ 32,847,269
Service cost	1,244,481	-	1,244,481
Interest on total pension liability	8,185,675	-	8,185,675
Changes in benefits	(534,877)	-	(534,877)
Difference between expected and actual experience	668,741	-	668,741
Changes in assumptions	5,504,463	-	5,504,463
Employer contributions	-	2,790,160	(2,790,160)
Employee contributions	-	114,009	(114,009)
Net investment income	-	(998,834)	998,834
Benefit payments, including employee refunds	(6,663,314)	(6,663,314)	-0-
Administrative expense	-	(148,187)	148,187
Other changes	2	-	2
Net changes	8,405,171	(4,906,166)	13,311,337
Balances at December 31, 2015	<u>\$ 110,334,898</u>	<u>\$ 64,176,292</u>	<u>\$ 46,158,606</u>

Pension Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2016, the County recognized pension expenses of \$6,456,095. The County reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in experience	\$ 501,555	\$ -
Differences in assumptions	4,128,347	-
Net difference between projected and actual earnings on pension plan investments	5,871,770	-
Contributions subsequent to the measurement date*	9,366,554	-
Total	<u>\$ 19,868,226</u>	<u>\$ -0-</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE I: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

PRIMARY GOVERNMENT AND COMPONENT UNITS (EXCEPT ROAD COMMISSION AND COUNCIL ON AGING) - CONTINUED

Pension Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - continued

- * The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending December 31, 2017.

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

<u>Year Ending December 31,</u>	<u>Pension Expense</u>
2017	\$ 3,064,761
2018	3,064,761
2019	3,064,758
2020	1,307,392

Actuarial Assumptions

The total pension liability in the December 31, 2015, annual 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 plus a percentage based on age related scale to reflect merit, longevity, and promotional pay increases.

Investment rate of return: 7.5%, net of investment expenses, including inflation.

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: 1. the RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105%, 2. the RP-2014 Employee Mortality Tables, and 3. the RP-2014 Juvenile Mortality Tables. The mortality table used to project the mortality experience of disabled plan members is a 50% Male - 50% Female blend of the RP-2014 Disabled Retiree Mortality Tables.

The actuarial assumptions used in valuation were based on the results of the 2009-2013 Five-Year Experience Study.

Discount Rate

The discount rate used to measure the total pension liability is 8%. 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.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE I: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

PRIMARY GOVERNMENT AND COMPONENT UNITS (EXCEPT ROAD COMMISSION AND COUNCIL ON AGING) - CONTINUED

Projected Cash Flows

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.

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	57.5%	8.52%
Global Fixed Income	20.0%	5.68%
Real Assets	12.5%	7.73%
Diversifying Strategies	10.0%	10.06%

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 rates of 8%, as well as what the employer's net pension liability would be using a discount rate that is 1% lower (7%) or 1% higher (9%) than the current rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Net pension liability	<u>\$ 58,491,797</u>	<u>\$ 46,158,606</u>	<u>\$ 35,738,572</u>

COMPONENT UNIT - ROAD COMMISSION

The Shiawassee County Road Commission has a separate retirement plan from the County (Primary Government). Separate accounts are maintained by MERS for this component unit. Details applicable to the Road Commission's pension plan is readily available in their separately issued financial statements for their year ended December 31, 2016 and are not duplicated herein accordance with GASB Statement No. 61. It appears actuarially determined contribution requirements have been met for the Commission's year presented within these audited financial statements.

COMPONENT UNIT - COUNCIL ON AGING

The Council participates in the Michigan Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan's Legislature under Public Act 135 of 1945 and administered by a nine (9) member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing MERS website at www.mersofmich.com.

Shiawassee County, Michigan
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE I: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

COMPONENT UNIT - COUNCIL ON AGING - CONTINUED

Summary of Significant Accounting Policies

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees Retirement System of Michigan and additions to/deductions from MERS' 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.

Benefits Provided

Benefits provided with a multiplier of 1.50%.

Vesting period of 10 years.

Normal retirement age is 60. A reduced benefit is available at age 50 with 25 years of service, or at age 55 with 15 years of service.

Final average compensation is calculated on 5 years. Member contributions are 4.00%.

Benefit terms, within the parameters established by MERS, are generally established and amended by authority of the Board of Directors. Benefit terms may be subjected to binding arbitration in certain circumstances.

At the December 31, 2015, valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	10
Active employees	<u>5</u>
	<u><u>15</u></u>

Contributions

The Council 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. The employer may establish contribution rates to be paid by its covered employees.

Employer contributions were 11.06% based on annual payroll.

Net Pension Liability

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

Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE I: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

COMPONENT UNIT - COUNCIL ON AGING - CONTINUED

Net Pension Liability - continued

Changes in the net pension liability during the measurement year were as follows:

<u>Changes in Net Pension Liability</u>	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at December 31, 2014	\$ 774,151	\$ 581,300	\$ 192,851
Service cost	9,490	-	9,490
Interest on total pension liability	61,073	-	61,073
Changes in benefits	-	-	-
Difference between expected and actual experience	38,065		38,065
Changes in assumptions	38,493		38,493
Employer contributions	-	9,055	(9,055)
Employee contributions	-	5,668	(5,668)
Net investment income	-	(7,948)	7,948
Benefit payments, including employee refunds	(77,220)	(77,220)	-0-
Administrative expense	-	(1,212)	1,212
Other changes	1	-	1
Net changes	69,902	(71,657)	141,559
Balances at December 31, 2015	<u>\$ 844,053</u>	<u>\$ 509,643</u>	<u>\$ 334,410</u>

Pension Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2016, the Council recognized pension expenses of \$52,294. The Council reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in experience	\$ 28,549	\$ -
Differences in assumptions	28,870	-
Net difference between projected and actual earnings on pension plan investments	47,784	-
Contributions subsequent to the measurement date *	16,732	-
Total	<u>\$ 121,935</u>	<u>\$ -0-</u>

* The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending December 31, 2017.

Shiawassee County, Michigan
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE I: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

COMPONENT UNIT - COUNCIL ON AGING - CONTINUED

Pension Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - continued

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

<u>Year Ending December 31,</u>	<u>Pension Expense</u>
2017	\$ 31,516
2018	31,516
2019	31,517
2020	10,654

Actuarial Assumptions

The total pension liability in the December 31, 2015, annual 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 plus a percentage based on age related scale to reflect merit, longevity, and promotional pay increases.

Investment rate of return: 7.5%, net of investment expenses, including inflation.

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: 1. the RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105%, 2. the RP-2014 Employee Mortality Tables, and 3. the RP-2014 Juvenile Mortality Tables. The mortality table used to project the mortality experience of disabled plan members is a 50% Male - 50% Female blend of the RP-2014 Disabled Retiree Mortality Tables.

The actuarial assumptions used in valuation were based on the results of the 2009-2013 Five-Year Experience Study.

Discount Rate

The discount rate used to measure the total pension liability is 8%. 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.

Projected Cash Flows

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.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE I: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

COMPONENT UNIT - COUNCIL ON AGING - CONTINUED

Projected Cash Flows - 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	57.5%	8.52%
Global Fixed Income	20.0%	5.68%
Real Assets	12.5%	7.73%
Diversifying Strategies	10.0%	10.06%

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Council, calculated using the discount rates of 8%, as well as what the employer's net pension liability would be using a discount rate that is 1% lower (7%) or 1% higher (9%) than the current rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Net pension liability	<u>\$ 406,483</u>	<u>\$ 334,410</u>	<u>\$ 271,891</u>

NOTE J: RISK MANAGEMENT

PRIMARY GOVERNMENT AND COMPONENT UNITS (EXCEPT ROAD COMMISSION)

The County is a voluntary member of the Michigan Municipal Risk Management Authority which is organized under Public Act 138 of 1982, as amended as a governmental group self-insurance pool. Public Act 138 authorizes local units of government to exercise jointly any power, privilege, or authority which each might exercise separately.

The administration of the Authority is directed by a nine (9) member Board of Directors composed of municipal representatives from the membership elected by the membership. The Board establishes the general policy of the Authority, creates and publishes rules to be followed by the Manager and Board, and is empowered with the authority to impose sanctions or terminate membership. The County, by resolution of the County Board of Commissioners, has designated a representative to the Authority to be responsible for the execution of all loss control measures, to ensure the payment of all annual and supplementary or other payment requirements, to ensure the filing of all required reports, and to act as a liaison between the County and the Authority.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE J: RISK MANAGEMENT - CONTINUED

PRIMARY GOVERNMENT AND COMPONENT UNITS (EXCEPT ROAD COMMISSION) - CONTINUED

The Authority provides risk management, underwriting, reinsurance, and claim services with member contributions allocated to meet these obligations. The Authority administers a risk management fund providing Shiawassee County with loss protection for general and auto liability, motor vehicle physical damage, property and crime damage. Under most circumstances, the County's maximum loss per occurrence is limited as follows:

<u>Type of Risk</u>	<u>Maximum Retention Per Occurrence</u>
General and auto liability	\$ 100,000
Motor vehicle physical damage/vehicle	15,000
Property coverage	\$ 1,000 deductible

The Authority has established a Retained Risk Program to pay losses incurred by members that exceed individual retention levels and are not covered under existing reinsurance agreements. Losses incurred within the established limits are general obligations of the Authority. In the event that losses are incurred in excess of the resources available, the Authority as a whole (i.e., all constituent municipalities) is liable for the excess. The Authority may authorize dividends to individual members in the event that the members and individual fund balance is determined to be sufficient to do so.

Liability insurance claims are expensed as incurred. The liability is determined by the Michigan Municipal Risk Management Authority management based on an actuarial study performed using historical data and available insurance industry statistics. The liability includes a reserve for reported claims, and reported legal expenses as well as incurred but not reported claims.

The Authority has reserved fund balance to pay losses incurred by members that exceed individual retention levels and are not covered under existing reinsurance agreements. Losses incurred within the established limits are general obligations of the Authority. In the event that Shiawassee County incurs a loss in excess of the resources available, the Authority as a whole (i.e., all constituent municipalities) is liable for the excess. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The County has not been informed of any special assessments being required.

In addition, the Authority has accumulated resources to create and fund an internal Stop Loss Program. The Stop Loss Program was initiated to eliminate the need to purchase aggregate reinsurance for aggregate losses paid in excess of \$210,000, net of reinsurance recoveries for any one member in any one year. Aggregate paid losses in excess of \$210,000 net of reinsurance recoveries are paid entirely from the Internal Stop Loss Program. If at any time the Stop Loss Program is insufficient to fund Shiawassee County's losses, the remaining liability shall become the responsibility of the Authority as a whole.

At December 31, 2016, the County had funds on deposit of \$504,158 with the Authority and an estimated liability for reported claims and legal fees of \$79,365.

The County is self-insured for workers' compensation up to \$450,000 for each loss up to an aggregate amount of \$1,000,000. The County is insured for the amount of claims in excess of such limitation to an aggregate maximum of \$5,000,000 for each occurrence. The County is insured for these aggregate claims in excess of the self-insurance amounts by commercial insurance that provides the excess workers' compensation coverage.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE J: RISK MANAGEMENT - CONTINUED

COMPONENT UNIT - ROAD COMMISSION

The Road Commission participates in a pool, the Michigan County Road Commission Self-Insurance Pool, with other municipalities, for claims relating to general liability, trunkline, excess liability, auto liability, directors' and officers' liability, errors and omissions and physical damage. The pool is organized under Public Act 138 of 1982, as amended as a governmental group property and casualty self-insurance pool. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to a special assessment to make up the deficiency. The Road Commission has not been informed of any special assessments being required.

The Road Commission participates in the County Road Association Self-Insurance Fund (CRASIF) for workers' compensation insurance and has full statutory coverage for workers' disability compensation and employers' liability as granted by the State of Michigan under Chapter 6, Section 418.611 of the Workers' Disability Compensation Act. The Commission has no liability for additional assessments based on the claims filed against the fund nor do they have rights to dividends.

NOTE K: CONTINGENT LIABILITIES

PRIMARY GOVERNMENT AND COMPONENT UNITS (EXCEPT ROAD COMMISSION)

The County participates in a number of Federal and State assisted grant programs which are subject to compliance audits. The Single Audit of the Federal Programs and the periodic program compliance audits of many of the State programs have not yet been completed or final resolution has not been received. Accordingly, the County's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

The Michigan Department of Environmental Quality (MDEQ) identified the County as one of the potentially responsible parties for the contamination of a landfill used by the County and has named the County in an action filed seeking to recover the MDEQ's past service costs and oversight costs. The parties entered into a consent order calling for the County to make certain settlement payments as detailed in a consent order on behalf of the parties involved. The County authorized its chairperson to execute the consent order on behalf of the County upon finalization of the order and the recommendation of counsel. The County has made certain payments under this consent order. The County does not expect the remaining settlement payments to be material to the County as a whole.

There are various other legal actions pending against the County. Due to the inconclusive nature of many of the actions, it is not possible for legal counsel to determine the probable outcome or a reasonable estimate of the County's potential liability, if any. Those actions for which a reasonable estimate can be determined of the County's potential liability and that would not be covered by insurance and reserves, if any, could be material to the County.

COMPONENT UNIT - ROAD COMMISSION

The Commission participates in a number of Federal and State assisted grant programs which are subject to compliance audits. The programs and the periodic program compliance audits of many of the programs have not yet been conducted, completed, or resolved. Accordingly, the Commission's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the Commission expects such amounts, if any, to be immaterial.

Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE L: PROPERTY TAXES AND TAXES RECEIVABLE

Certain County property taxes are levied either on December 1 or July 1 on the taxable valuation of property located in the County as of the preceding December 31.

The County's Summer 2016 ad valorem taxes were levied and collectible on July 1, 2016. It is the County's policy to recognize revenues from the tax levy in the year when the proceeds of the levy are budgeted and made available for the financing of County operations. As a result, the County's Summer 2016 tax levy has been recognized as revenue in the current fiscal year. The 2016 adjusted taxable value of Shiawassee County amounted to approximately \$1,669,000,000 on which ad valorem taxes levied for County general operating purposes consisted of 5.1146 mills. The 2015 adjusted taxable value of Shiawassee County amounted to approximately \$1,672,000,000 on which the Council on Aging levied .3500 mills, the Veterans Relief Fund levied .0900 mills, the Veteran Services Fund levied .1350 mills, the MSU Extension Fund levied 0.0500 mills, and the Medical Care Facility levied 2.0000 mills.

By resolution of the Board of Commissioners and agreement with various taxing authorities, the County purchased at face value the real property taxes receivable returned delinquent on March 1, 2016. Subsequent collections of delinquent taxes receivable, plus interest thereon and investment earnings, are used to repay the funds distributed by the Delinquent Tax Revolving Fund. This activity is accounted for in the Delinquent Tax Revolving (Enterprise) Fund.

NOTE M: RESTRICTED NET POSITION

Restrictions of net position shown in the Government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the various restrictions of net position as of December 31, 2016:

PRIMARY GOVERNMENT	
Governmental Activities	
Public safety	
Central dispatch	\$ 1,236,265
Local correction training	21,788
Drug forfeiture	7,045
Drunk driving	130,602
Sheriff collection	127,560
Local law enforcement	2,960
Concealed pistol	52,658
MAGNET	<u>270,581</u>
	<u>\$ 1,849,459</u>
Capital improvement	<u>\$ 204,497</u>

Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE M: RESTRICTED NET POSITION - CONTINUED

PRIMARY GOVERNMENT - CONTINUED

Governmental Activities - continued

Other purposes

Family counseling	\$ 67,358
Friend of the Court	70,101
Waste management	48,308
Animal control donations	21,230
Housing rehabilitation	20,560
Law library	1,286
Childcare	60,578
Veterans	309,123
MSU Extension	1,802
Health department	1,159,430
Register of Deeds automation	141,218

\$ 1,900,994

COMPONENT UNITS

Medical Care Facility

Medical care activities	\$ 11,401,593
Capital improvements	6,710,816

\$ 18,112,409

Drainage Districts

Debt service	\$ 458,589
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Capital improvements	\$ 2,849,163
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County Airport

Airport operations	\$ 50,175
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Council on Aging

Aging programs	\$ 318,772
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NOTE N: FLEXIBLE BENEFITS PLAN

PRIMARY GOVERNMENT AND COMPONENT UNITS (EXCEPT ROAD COMMISSION)

In May 2002, the County implemented a flexible benefits cafeteria plan established under Section 125 of the Internal Revenue Code. The plan is available to all employees who have completed 30 days of full-time employment with the County, normally work not less than 20 hours per week for the County, and normally are scheduled to work at least five months during the plan year. The plan permits them to reduce their salary and put these amounts into a flexible benefits account up to certain limits. The plan allows the employee to reduce their salary and apply it to dependent care benefits, medical expense reimbursement benefits or medical benefits. A participating employee may elect instead a cash alternative to supplement salary compensation in lieu of a nontaxable health benefit. An employee's elected cash alternative will be considered a taxable benefit under the Flexible Benefit Plan.

The plan is administered by the County.

Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE O: OTHER POST-EMPLOYMENT BENEFITS

PRIMARY GOVERNMENT AND COMPONENT UNITS (EXCEPT ROAD COMMISSION, MEDICAL CARE FACILITY, AND AIRPORT)

In addition to providing pension benefits, the County provides certain other post-employment benefits (OPEB) such as health care benefits in accordance with union agreements and/or personnel policies to employees who have retired. The County has a self-insured health program which pays for claims (less deductible and co-pay) in accordance with the group that the employee retired from. For most retirees this is for the ages 60 to 65. Full cost retiree contribution is required. For some Sheriff Department retirees, the age is 55, and single subscriber health insurance is provided at full cost to the County with some stipulations. At the age of Medicare eligibility, all retirees must contribute to the program in order to continue coverage. The pay as you go system of funding is used for the county portion of expense paid through the general fund and the central dispatch fund. In 2014, the County established an OPEB trust with MERS of Michigan. No withdrawals have been made by the county. Currently, nineteen (19) retirees meet the full cost eligibility requirements. Thirty-three (33) retirees have continued on the county health plan at their own cost. Expenditures for post-employment health care benefits are recognized when claims are paid. During the year, expenditures of \$94,005 were recognized for post-employment health care for those eligible retirees for health insurance paid at the full cost by the County. The following are the Governmental Accounting Standards Board Statement No. 45 required disclosures and these disclosures have been implemented prospectively by the County.

The plan does not issue a separate stand-alone financial statement.

Funding Policy

The County has no obligation to make contributions in advance of when the insurance premiums are due for payment (i.e., may be financed on a “pay-as-you-go” basis). The only current contributions being made are to pay the actual current premiums of the retirees. That amount was less than the annual required contribution and is reflected in the schedule that follows. Administrative costs of the plan are paid for by the County.

Funding Progress

For the year ended December 31, 2016, the County has determined an estimated cost of providing retiree post-employment benefits through an actuarial valuation as of December 31, 2015. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to cover the amortization of any unfunded actuarial liabilities from the past, over a period not to exceed 30 years.

The County’s computed contribution and actual funding is summarized as follows:

Annual required contribution (ARC)	\$ 296,277
Interest on net OPEB obligation	41,305
Adjustment to annual required contribution	<u>(27,821)</u>
Annual OPEB cost (expense)	309,761
Amounts contributed:	
Payments of current premiums (Gross of employee reimbursement)	<u>188,009</u>
Increase in net OPEB obligation	121,752
OPEB obligation - Beginning of year	<u>1,032,626</u>
OPEB obligation - End of year	<u><u>\$ 1,154,378</u></u>

Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE O: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

PRIMARY GOVERNMENT AND COMPONENT UNITS (EXCEPT ROAD COMMISSION, MEDICAL CARE FACILITY, AND AIRPORT) - CONTINUED

Funding Progress - continued

The annual OPEB cost, the percentage contributed to the plan, and the net OPEB obligation for the fiscal years ended December 31, were as follows:

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Annual OPEB cost	\$ 414,128	\$ 420,811	\$ 309,761
Percentage contributed	67.60%	58.40%	60.69%
Net OPEB obligation	857,576	1,032,626	1,154,378

The current funding progress of the plan as of the applicable December 31 year end is as follows:

	<u>2011</u>	<u>2013</u>	<u>2015</u>
Actuarial value of assets	\$ -	\$ -	\$ 23,653
Actuarial accrued liability (AAL)	4,196,432	4,078,765	3,056,911
Unfunded AAL (UAAL)	4,196,432	4,078,765	3,033,258
Funded ratio	0%	0%	0.8%

This trend information was obtained from the most recently issued actuarial reports.

Information related to funding progress with multiyear trend information indicating whether the actuarial value of plan assets is increasing or decreasing over time relative to the AAL for benefits is not presented since there currently are no plan assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of potential occurrences of certain events in the future. Examples include assumption about future employment, mortality, healthcare costs trends, inflation, etc. Amounts determined regarding the funded status of the plan and the annual required contributions of the County are subject to constant changes and modifications as actual results are compared with past expectations and new estimates and assumptions are made about the future.

Projections of retiree benefits for financial reporting purposes are based on current plan activities as it is handled by the County and the benefits are received by the eligible plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the County and plan members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2015, actuarial valuation, the individual entry age normal actuarial cost method was used. The actuarial assumptions include a 4 percent a year rate of investment return, compounded annually net after investment expense, which is the expected long-term investment returns on plan assets, and a base payroll growth rate of 4 percent. There were also merit and seniority salary rate increase assumptions taken into consideration and those are detailed in the actuarial study and are based on age. There was also an inflationary rate assumption factored into the calculation. Per the actuarial study the assumed rate ranges from 9 percent in the short-term to 4 percent in the long-term for health care related costs. The UAAL is being amortized as a level percentage of active member payroll over a period of 15 years. A 30-year amortization period for unfunded actuarial accrued liabilities is the maximum period that complies with GASB requirements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE O: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

COMPONENT UNIT - ROAD COMMISSION

In addition to the pension benefits, the Shiawassee County Road Commission provides hospitalization and medical coverage insurance benefits to all applicable employees who retire after January 1, 1975 in accordance with the union agreements and/or personnel policies. The Road Commission's obligation is calculated on the alternative measurement method and payments are made on an ongoing basis. Details applicable to the Road Commission plan are available in their separately issued financial statements.

COMPONENT UNIT - MEDICAL CARE FACILITY

Plan Description

Shiawassee County Medical Care Facility provides health and vision coverage for retirees as other post-employment benefits (OPEB) to all applicable employees, in accordance with the union agreements and/or personnel policies. Full cost retiree contribution is required. The following are the Governmental Accounting Standards Board Statement No. 45 required disclosures and these disclosures have been implemented prospectively by the Facility.

The plan does not issue a separate stand-alone financial statement.

Funding Policy

The Medical Care Facility has no obligation to make contributions in advance of when the premiums are due for payment (i.e., may be financed on a "pay-as-you-go" basis). The only current contributions being made are to pay the actual current premiums of the retirees. That amount was less than the annual required contribution and is reflected in the schedule that follows. Administrative costs of the plan are paid for by the Medical Care Facility.

Funding Progress

For the year ended December 31, 2016, the Medical Care Facility has determined an estimated cost of providing post-employment benefits through an actuarial valuation as of December 31, 2015. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to cover the amortization of any unfunded actuarial liabilities from the past, over a period not to exceed 30 years.

The Medical Care Facility's computed contribution and actual funding is summarized as follows:

Annual required contribution	\$ 29,257
Interest on net OPEB obligation	3,833
Adjustment to annual required contribution	<u>(2,661)</u>
Annual OPEB cost (expense)	30,429
Contributions made	<u>(33,883)</u>
Increase in net OPEB obligation	(3,454)
Net OPEB obligation - Beginning of year	<u>95,831</u>
Net OPEB obligation - End of year	<u><u>\$ 92,377</u></u>

Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE O: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

COMPONENT UNIT - MEDICAL CARE FACILITY - CONTINUED

Funding Progress - continued

The annual OPEB cost, the percentage contributed to the plan, and the net OPEB obligation for the fiscal years ended December 31, were as follows:

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Annual OPEB cost	\$ 36,000	\$ 36,508	\$ 30,429
Percentage contributed	94.28%	51.91%	111.35%
Net OPEB obligation	\$ 78,273	\$ 95,831	\$ 92,377

The current funding progress of the plan as of December 31, the most recent valuation date, is as follows:

	<u>2011</u>	<u>2013</u>	<u>2015</u>
Actuarial value of assets	\$ -	\$ -	\$ -
Actuarial accrued liability (AAL)	503,527	352,231	279,159
Unfunded AAL (UAAL)	(503,527)	(352,231)	(279,159)
Funded ratio	0%	0%	0%

Information related to funding progress with multiyear trend information indicating whether the actuarial value of plan assets is increasing or decreasing over time relative to the AAL for benefits is not presented since there currently are no plan assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of potential occurrences of certain events in the future. Examples include assumption about future employment, mortality, healthcare costs trends, inflation, etc. Amounts determined regarding the funded status of the plan and the annual required contributions of the Commission are subject to constant changes and modifications as actual results are compared with past expectations and new estimates and assumptions are made about the future.

Projections of retiree benefits for financial reporting purposes are based on current plan activities as it is handled by the Commission and the benefits are received by the eligible plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the Commission and plan members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2015, actuarial valuation, the individual entry age normal actuarial cost method was used. The actuarial assumptions include a 4.5 percent a year rate of investment return, compounded annually net after investment expense, which is the expected long-term investment returns on plan assets, and a base payroll growth rate of 4.5 percent. There were also merit and seniority salary rate increase assumptions taken into consideration and those are detailed in the actuarial study and are based on age. There was also an inflationary rate assumption factored into the calculation. Per the actuarial study the assumed rate ranges from 9.0 percent in the short-term to 4 percent in the long-term for health care related costs. The UAAL is being amortized as a level percentage of active member payroll over a period of 15 years. A 30-year amortization period for unfunded actuarial accrued liabilities is the maximum period that complies with GASB requirements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE P: DETAILS OF FUND BALANCE CLASSIFICATIONS

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in the governmental funds. The following are the five classifications of fund balance under this standard:

Nonspendable - assets that are not available in a spendable form such as inventory, prepaid expenditures, and long-term receivables not expected to be converted to cash in the near term. It also includes funds that are legally or contractually required to be maintained intact such as the corpus of a permanent fund or foundation.

Restricted - amounts that are required by external parties to be used for a specific purpose. Constraints are externally imposed by creditors, grantors, contributors or laws, regulations or enabling legislation.

Committed - amounts constrained on use imposed by formal action of the government's highest level of decision making authority (i.e., Board, Council, etc.).

Assigned - amounts intended to be used for specific purposes. This is determined by the governing body, the budget or finance committee or a delegated municipality official.

Unassigned - all other resources; the remaining fund balance after non-spendable, restrictions, commitments, and assignments. This class only occurs in the General Fund, except for cases of negative fund balances. Negative fund balances are always reported as unassigned, no matter which fund the deficit occurs in.

Fund Balance Classification Policies and Procedures

For committed fund balance, Shiawassee County's highest level of decision-making authority is the Board of Commissioners. The formal action that is required to be taken to establish (and modify or rescind) a fund balance commitment is Board Resolution.

For assigned fund balance, Board of Commissioners has not approved a policy indicating who is authorized to assign amounts to a specific purpose. As a result, this authority is retained by the Board of Commissioners.

Shiawassee County has not adopted a policy that defines the order of usage for fund balance amounts classified as restricted, committed, assigned, or unassigned.

	General Fund	Health Department	Nonmajor Governmental Funds	Total
Fund Balances				
Nonspendable				
Advances	\$ 170,000	\$ -	\$ -	\$ 170,000
Prepays	170,477	-	-	170,477
Restricted				
MSU Extension - com/econ dev.	-	-	1,802	1,802
Family Counseling activities	-	-	67,358	67,358
Friend of the Court activities	-	-	70,101	70,101
Central Dispatch - public safety	-	-	1,236,265	1,236,265
Drunk Driving - public safety	-	-	130,602	130,602
Waste Management activities	-	-	48,308	48,308
Animal Control - capital outlay	-	-	21,230	21,230
Housing Rehabilitation - health & welfare	-	-	20,560	20,560
Sheriff Collection - public safety	-	-	127,560	127,560

Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE P: DETAILS OF FUND BALANCE CLASSIFICATIONS - CONTINUED

	General Fund	Health Department	Nonmajor Governmental Funds	Total
Fund Balances - Continued				
Restricted - continued				
Register of Deeds activities	\$ -	\$ -	\$ 141,218	\$ 141,218
Local Correction Training - public safety	-	-	21,788	21,788
Drug Forfeiture - public safety	-	-	7,045	7,045
Local Law Enforcement - public safety	-	-	2,960	2,960
Law Library activities	-	-	1,286	1,286
Child Care - Probate - health & welfare	-	-	60,578	60,578
Veterans Relief - health & welfare	-	-	243,825	243,825
Veterans Trust - health & welfare	-	-	469	469
Veterans Services - health & welfare	-	-	64,829	64,829
MAGNET	-	-	270,581	270,581
Concealed Pistol Licensing	-	-	52,658	52,658
Health department activities	-	1,159,430	-	1,159,430
Capital improvements	-	-	160,327	160,327
Jail Fund - capital outlay	-	-	44,170	44,170
Committed				
Budget Stabilization	272,512	-	-	272,512
Retirement unfunded liability	398,797	-	-	398,797
Retirees healthcare	159,519	-	-	159,519
Prosecutor's activities	-	-	88,968	88,968
Farmland Preservation activities	-	-	1,448	1,448
Building Code activities	-	-	77,423	77,423
Emergency Management activities	-	-	26,491	26,491
Sheriff Posse activities	-	-	11,301	11,301
Prosecutor's capital outlay activities	-	-	5,236	5,236
REACH - health & welfare	-	-	5,752	5,752
Social Welfare - DHS - health & welfare	-	-	7,529	7,529
Cigarette Tax - health & welfare	-	-	157	157
Riverhaven - health & welfare	-	-	7,579	7,579
Unassigned	1,713,571	-	-	1,713,571
 TOTAL FUND BALANCES	 <u>\$ 2,884,876</u>	 <u>\$ 1,159,430</u>	 <u>\$ 3,027,404</u>	 <u>\$ 7,071,710</u>

NOTE Q: FEDERAL FINANCIAL ASSISTANCE

COMPONENT UNIT - ROAD COMMISSION

The Michigan Department of Transportation (MDOT) requires that road commissions report all Federal and State grants pertaining to their county. During the year ended December 31, 2016, the Federal aid received and expended by the Road Commission was \$746,860 for contracted projects and \$0 for negotiated projects. Contracted projects are defined as projects performed by private contractors paid for and administered by MDOT (they are included in MDOT's single audit). Negotiated projects are projects where the road commission administers the grant and either performs the work or contracts it out. The Road Commission would be subject to single audit requirements if it expended \$750,000 or more for negotiated projects.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE R: RELATED PARTY TRANSACTIONS

COMPONENT UNIT - ROAD COMMISSION

The Road Commission engages in business transactions with three (3) vendors, Stechschulte Gas & Oil Co., D&D Truck & Trailer, and Constine Gravel Company, which are owned and operated by various family members of one of the Road Commissioners. These transactions are made in the normal course of business and amounted to \$169,253 for the year ended December 31, 2016. The Road Commissioner related to the above parties abstained from voting on all contracts related to these vendors.

NOTE S: CHANGES IN ACCOUNTING PRINCIPLES

GASB Statement No. 72, *Fair Value Measurement and Application*, was implemented during the year. This statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

GASB Statement No. 77, *Tax Abatement Disclosures*, was implemented during the year. The statement improves financial reporting through the disclosure of information about the nature and magnitude of tax abatements that are not consistently or comprehensively reported to the public.

NOTE T: UPCOMING ACCOUNTING PRONOUNCEMENTS

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The statement follows the framework for financial reporting of defined benefit OPEB plans in Statement No. 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position. The statement requires more extensive note disclosures and RSI related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments. The County is currently evaluating the impact this standard will have on the financial statements when adopted during the 2017 year.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The statement requires governments providing other postemployment benefits (OPEB) to recognize their unfunded OPEB obligation as a liability for the first time, and to more comprehensibly and comparably measure the annual costs of OPEB benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The County is currently evaluating the impact this standard will have on the financial statements when adopted during the 2018 year.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14*. The statement amends the blending requirements for the financial statement presentation of component units of all state and local governments and requires the blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The County is currently evaluating the impact this standard will have on the financial statements when adopted during the 2017 fiscal year.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE T: UPCOMING ACCOUNTING PRONOUNCEMENTS - CONTINUED

In March 2016, the GASB issued Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The County is currently evaluating the impact this standard will have on the financial statements when adopted during the 2018 year.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The County is currently evaluating the impact this standard will have on the financial statements when adopted during the 2019 year.

REQUIRED SUPPLEMENTARY INFORMATION

Shiawassee County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE
(NON-GAAP BASIS)

Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
REVENUES				
Taxes				
Current and delinquent property taxes	\$ 8,583,012	\$ 8,583,012	\$ 8,595,567	\$ 12,555
Mobile home park taxes	11,000	11,000	8,043	(2,957)
Other tax revenue	17,550	17,550	17,117	(433)
Total taxes	8,611,562	8,611,562	8,620,727	9,165
Licenses and permits				
Dog and kennel licenses	110,000	110,000	103,930	(6,070)
Other licenses and permits	1,500	1,500	1,810	310
Total licenses and permits	111,500	111,500	105,740	(5,760)
Intergovernmental - Federal/State				
Cooperative reimbursement				
Prosecuting attorney	174,690	394,690	140,727	(253,963)
Friend of the court	481,109	481,109	440,517	(40,592)
Juvenile grant	27,317	27,317	20,488	(6,829)
Juvenile in home grant	-	-	2,636	2,636
ADC Maintenance incentive	193,001	193,001	200,334	7,333
Sheriff - justice	1,000	1,000	-	(1,000)
Sheriff - road patrol	85,281	85,281	85,281	-0-
Revenue Sharing	1,441,355	1,632,738	1,636,966	4,228
Liquor license	12,600	12,600	13,881	1,281
Convention facility liquor tax	88,710	88,710	91,788	3,078
Victims' rights	80,691	80,691	80,691	-0-
Drivers license restoration	500	-	17,314	17,314
Probate court judge	148,500	148,500	149,125	625
Circuit court judge	45,724	45,724	45,724	-0-
District court judge	91,448	91,448	91,448	-0-
Drug court	-	24,000	23,592	(408)
Diverted felons	42,500	42,500	41,515	(985)
Jury fee reimbursement	10,000	10,000	5,820	(4,180)
PA 345 - remonumentation	65,000	62,346	62,368	22
Court equity	305,000	305,000	287,401	(17,599)
Emergency management	108,497	108,497	32,403	(76,094)
Total intergovernmental - Federal/State	3,402,923	3,835,152	3,470,019	(365,133)

Shiawassee County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE
(NON-GAAP BASIS) - CONTINUED

Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
REVENUES - CONTINUED				
Charges for services				
Sheriff	\$ 45,500	\$ 45,500	\$ 35,842	\$ (9,658)
Treasurer fees	15,000	15,000	16,872	1,872
Equalization	78,500	83,500	91,369	7,869
Friend of the court service fees	67,500	67,500	65,685	(1,815)
District court	696,250	696,250	624,534	(71,716)
Circuit court	238,500	300,500	190,955	(109,545)
Probation - juvenile	35,500	35,500	28,129	(7,371)
Clerk	109,500	118,525	129,203	10,678
Register of deeds	367,000	367,000	407,003	40,003
Probate court	20,000	20,000	27,355	7,355
Community development	24,000	24,000	28,065	4,065
Landfill agreement	-	88,426	-	(88,426)
Care of prisoners	365,500	365,500	357,630	(7,870)
Other charges and services	3,720	4,120	2,023	(2,097)
Total charges for services	2,066,470	2,231,321	2,004,665	(226,656)
Fines and forfeits				
Bond forfeitures	5,000	5,000	8,271	3,271
Ordinance fines and costs	115,000	115,000	120,580	5,580
Total fines and forfeits	120,000	120,000	128,851	8,851
Interest and rents				
Interest	5,500	5,500	16,359	10,859
Rents	300	300	5,775	5,475
Total interest and rents	5,800	5,800	22,134	16,334
Other				
Contributions	14,500	16,500	16,218	(282)
Reimbursements - indirect costs	81,000	78,000	55,829	(22,171)
Reimbursements - other	25,800	68,800	78,485	9,685
Bond or insurance recoveries	-	18,000	18,647	647
Other	328,642	328,642	309,859	(18,783)
Total other	449,942	509,942	479,038	(30,904)
TOTAL REVENUES	14,768,197	15,425,277	14,831,174	(594,103)

Shiawassee County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE
(NON-GAAP BASIS) - CONTINUED

Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
EXPENDITURES				
Current				
General government				
Board of Commissioners	\$ 121,961	\$ 126,960	\$ 130,093	\$ (3,133)
Circuit court	576,657	600,657	596,687	3,970
District court	1,073,797	1,083,997	1,006,073	77,924
Friend of court	833,448	833,448	755,269	78,179
Probate - juvenile division	578,188	592,188	548,895	43,293
Probate - estate division	357,997	357,997	362,128	(4,131)
Circuit court - probation/parole	3,500	3,500	3,556	(56)
County Administrator	172,301	141,514	135,617	5,897
Elections	146,545	171,545	154,633	16,912
Clerk	414,477	423,502	404,805	18,697
Equalization	235,728	240,728	251,868	(11,140)
Prosecuting Attorney	841,817	842,217	829,099	13,118
Jury	32,158	34,658	7,950	26,708
Register of Deeds	265,701	265,701	263,305	2,396
County survey and remonumentation	80,000	68,406	64,055	4,351
Technology services	232,880	197,820	136,869	60,951
Treasurer	308,372	308,372	286,101	22,271
Postage	54,500	54,500	51,540	2,960
Courthouse and grounds	880,330	912,080	762,877	149,203
Drain commissioner	311,783	360,459	357,594	2,865
Telephone	98,250	105,250	99,100	6,150
Professional services	168,227	280,594	187,741	92,853
Airport	6,978	6,978	6,978	-0-
Other	1,000	1,000	817	183
Total general government	7,796,595	8,014,071	7,403,650	610,421
Public safety				
Sheriff	2,076,616	2,076,616	2,039,593	37,023
Security	192,510	192,510	183,517	8,993
Secondary road patrol	112,440	112,440	110,871	1,569
Jail	2,706,060	2,687,060	2,545,934	141,126
Animal control	74,590	74,590	65,218	9,372
Total public safety	5,162,216	5,143,216	4,945,133	198,083

Shiawassee County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE
(NON-GAAP BASIS) - CONTINUED

Year Ended December 31, 2016

	Budgeted Amounts		Actual	Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES - CONTINUED				
Current				
Public works				
Drains at large	\$ 122,000	\$ 122,000	\$ 85,250	\$ 36,750
Health and welfare				
Medical examiner	145,145	145,145	154,694	(9,549)
Mental health	200,000	200,000	200,000	-0-
Emergency services	149,666	162,104	99,169	62,935
Total health and welfare	494,811	507,249	453,863	53,386
Community and economic development				
Community development and strategic planning	127,463	133,463	123,135	10,328
Recreation and culture				
Parks	10,850	24,276	25,213	(937)
Other				
Insurance and bonds	468,000	502,000	331,512	170,488
Other	88,795	93,795	125,403	(31,608)
Total other	556,795	595,795	456,915	138,880
Debt service	168,807	168,807	167,408	1,399
TOTAL EXPENDITURES	14,439,537	14,708,877	13,660,567	1,048,310
EXCESS OF REVENUES OVER EXPENDITURES	328,660	716,400	1,170,607	454,207

Shiawassee County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE
(NON-GAAP BASIS) - CONTINUED

Year Ended December 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 568,308	\$ 568,308	\$ 560,808	\$ (7,500)
Transfers out	<u>(933,117)</u>	<u>(1,087,379)</u>	<u>(1,168,893)</u>	<u>(81,514)</u>
 TOTAL OTHER FINANCING SOURCES (USES)	 <u>(364,809)</u>	 <u>(519,071)</u>	 <u>(608,085)</u>	 <u>(89,014)</u>
 Net change in fund balance (Budgetary basis)	 <u>\$ (36,149)</u>	 <u>\$ 197,329</u>	 562,522	 <u>\$ 365,193</u>
 Budgetary perspective difference			<u>10,018</u>	
 Net change in fund balance (GAAP basis)			<u>\$ 572,540</u>	

Shiawassee County, Michigan

Health Department Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
REVENUES				
Licenses and permits	\$ 232,543	\$ 232,543	\$ 264,676	\$ 32,133
Intergovernmental	1,787,540	1,787,540	1,996,489	208,949
Charges for services	65,617	65,617	65,637	20
Interest	25	25	58	33
TOTAL REVENUES	2,085,725	2,085,725	2,326,860	241,135
EXPENDITURES				
Current				
Health and welfare	2,332,190	2,332,190	2,299,472	32,718
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(246,465)	(246,465)	27,388	273,853
OTHER FINANCING SOURCES				
Transfers in	246,465	246,465	256,265	9,800
NET CHANGE IN FUND BALANCE	-0-	-0-	283,653	283,653
Fund balance, beginning of year	875,777	875,777	875,777	-0-
Fund balance, end of year	\$ 875,777	\$ 875,777	\$ 1,159,430	\$ 283,653

Shiawassee County, Michigan

County Employee Retirement System

SCHEDULE OF CHANGES IN EMPLOYER'S NET PENSION LIABILITY AND RELATED RATIOS

Last Two Measurement Dates (ultimately ten years will be displayed)

(Amounts were determined as of 12/31 of each year)

	<u>2014</u>	<u>2015</u>
Total Pension Liability		
Service cost	\$ 1,235,573	\$ 1,244,481
Interest	7,960,464	8,185,675
Changes of benefit terms	-	(534,877)
Difference between expected and actual experience	-	668,741
Changes of assumptions	-	5,504,463
Benefit payments including employee refunds	(6,278,026)	(6,663,314)
Other	2	2
	<u>2,918,013</u>	<u>8,405,171</u>
Net Change in Total Pension Liability	2,918,013	8,405,171
Total Pension Liability, beginning	<u>99,011,714</u>	<u>101,929,727</u>
Total Pension Liability, ending	<u>\$ 101,929,727</u>	<u>\$ 110,334,898</u>
Plan Fiduciary Net Position		
Contributions - employer	\$ 2,843,770	\$ 2,790,160
Contributions - employee	126,482	114,009
Net investment income	4,254,444	(998,834)
Benefit payments including employee refunds	(6,278,026)	(6,663,314)
Administrative expense	(155,702)	(148,187)
	<u>790,968</u>	<u>(4,906,166)</u>
Net Change in Plan Fiduciary Net Position	790,968	(4,906,166)
Plan Fiduciary Net Position, beginning	<u>68,291,490</u>	<u>69,082,458</u>
Plan Fiduciary Net Position, ending	<u>\$ 69,082,458</u>	<u>\$ 64,176,292</u>
County's Net Pension Liability	<u>\$ 32,847,269</u>	<u>\$ 46,158,606</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	68%	58%
Covered employee payroll	\$ 15,377,682	\$ 15,711,326
County's Net Pension Liability as a percentage of covered employee payroll	214%	294%

Shiawassee County, Michigan

County Employee Retirement System

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Last Two Fiscal Years (ultimately ten years will be displayed)

(Amounts were determined as of 12/31 of each year)

	<u>2015</u>	<u>2016</u>
Actuarially determined contributions	\$ 2,793,052	\$ 2,866,554
Contributions in relation to the actuarially determined contribution	<u>2,793,052</u>	<u>9,366,554</u>
Contribution deficiency (excess)	<u>\$ -0-</u>	<u>\$ (6,500,000)</u>
Covered employee payroll	\$ 15,752,068	\$ 15,398,379
Contributions as a percentage of covered employee payroll	18%	61%

Shiawassee County, Michigan

Council On Aging Pension Plan

SCHEDULE OF CHANGES IN EMPLOYER'S NET PENSION LIABILITY AND RELATED RATIOS

Last Two Measurement Dates (ultimately ten years will be displayed)

(Amounts were determined as of 12/31 of each year)

	<u>2014</u>	<u>2015</u>
Total Pension Liability		
Service cost	\$ 9,053	\$ 9,490
Interest	60,849	61,073
Difference between expected and actual experience	-	38,065
Changes of assumptions	-	38,493
Benefit payments including employee refunds	(57,583)	(77,220)
Other	-	1
	<u>12,319</u>	<u>69,902</u>
Net Change in Total Pension Liability		
	12,319	69,902
Total Pension Liability, beginning	<u>761,832</u>	<u>774,151</u>
Total Pension Liability, ending	<u>\$ 774,151</u>	<u>\$ 844,053</u>
Plan Fiduciary Net Position		
Contributions - employer	\$ 10,499	\$ 9,055
Contributions - employee	6,605	5,668
Net investment income	36,642	(7,948)
Benefit payments including employee refunds	(57,583)	(77,220)
Administrative expense	(1,335)	(1,212)
	<u>(5,172)</u>	<u>(71,657)</u>
Net Change in Plan Fiduciary Net Position		
	(5,172)	(71,657)
Plan Fiduciary Net Position, beginning	<u>586,472</u>	<u>581,300</u>
Plan Fiduciary Net Position, ending	<u>\$ 581,300</u>	<u>\$ 509,643</u>
Council's Net Pension Liability	<u>\$ 192,851</u>	<u>\$ 334,410</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	75%	60%
Covered employee payroll	\$ 134,317	\$ 140,794
Council's Net Pension Liability as a percentage of covered employee payroll	144%	238%

Shiawassee County, Michigan

Council On Aging Pension Plan

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Last Two Fiscal Years (ultimately ten years will be displayed)

(Amounts were determined as of 12/31 of each year)

	<u>2015</u>	<u>2016</u>
Actuarially determined contributions	\$ 8,595	\$ 16,732
Contributions in relation to the actuarially determined contribution	<u>8,595</u>	<u>16,732</u>
Contribution deficiency (excess)	<u>\$ -0-</u>	<u>\$ -0-</u>
Covered employee payroll	\$ 134,506	\$ 151,281
Contributions as a percentage of covered employee payroll	6%	11%

Shiawassee County, Michigan

Retired Employees Healthcare Plans

SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

Year Ended December 31, 2016

PRIMARY GOVERNMENT AND COMPONENT UNITS (EXCEPT ROAD COMMISSION AND MEDICAL CARE FACILITY)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll
12/31/2015	\$ 23,653	\$ 3,056,911	\$ (3,033,258)	0.8%	unavailable	N/A
12/31/2013	-	4,078,765	(4,078,765)	0%	unavailable	N/A
12/31/2011	-	4,196,432	(4,196,432)	0%	unavailable	N/A

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended December 31,	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation/ Benefit
2016	\$ 309,761	61%	\$ 1,154,378
2015	420,811	58%	1,032,626
2014	414,128	68%	857,576

MEDICAL CARE FACILITY

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll
12/31/2015	\$ -	\$ 279,159	\$ (279,159)	0%	unavailable	N/A
12/31/2013	-	352,231	(352,231)	0%	unavailable	N/A
12/31/2011	-	503,527	(503,527)	0%	unavailable	N/A

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended December 31,	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation/ Benefit
2016	\$ 30,429	111%	\$ 92,377
2015	36,508	52%	95,831
2014	36,000	94%	78,273

Shiawassee County, Michigan

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended December 31, 2016

NOTE A: BUDGETARY/GAAP RECONCILIATION

Shiawassee County budgets the activities of the Budget Stabilization Fund separately from the General Fund. For financial reporting purposes and the GAAP-basis basic financial statements, however, this fund is combined with the General Fund as required by GASB statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The budgetary perspective difference shown on the Budgetary Comparison Schedule (Non-GAAP basis) reconciles the change in fund balance to the GAAP-basis basic financial statements and the details related to these amounts are as follows:

Net change in fund balance (budgetary basis)	\$ 562,522
To adjust for revenues generated related to various activities accounted for in another fund - interest revenue	18
To remove the transfer out from the budgetary basis schedule - General Fund to Budget Stabilization Fund	<u>10,000</u>
Net change in fund balance (GAAP Basis)	<u><u>\$ 572,540</u></u>

NOTE B: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

In the required supplementary information to the financial statements, the County's budgeted expenditures in the General Fund and Special Revenue Funds have been shown at the functional classification level. The approved budgets of the County have been adopted at the activity level for the General Fund and the total expenditure level for the Special Revenue Funds.

During the year ended December 31, 2016, the County incurred expenditures in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
Primary Government			
General Fund			
Recreation and culture	\$ 24,276	\$ 25,213	\$ 937
Transfers out	1,087,379	1,168,893	81,514
MSU Extension	87,560	87,644	84
Sheriff Posse	13,500	19,414	5,914
Child Care-DHS	355,000	365,518	10,518
Veterans Trust	14,900	15,333	433

OTHER SUPPLEMENTARY INFORMATION

Shiawassee County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

December 31, 2016

	Special				
	MSU Extension	Family Counseling	Friend of the Court	Central Dispatch	Drunk Driving
ASSETS					
Cash and cash equivalents	\$ 6,171	\$ 67,358	\$ 70,101	\$ 870,553	\$ 130,602
Investments	-	-	-	-	-
Receivables	79,220	-	-	380,968	-
Prepays	-	-	-	187,656	-
Due from other governmental units - Federal/State	-	-	-	-	-
TOTAL ASSETS	\$ 85,391	\$ 67,358	\$ 70,101	\$ 1,439,177	\$ 130,602
LIABILITIES					
Accounts payable	\$ 123	\$ -	\$ -	\$ 188,135	\$ -
Accrued liabilities	-	-	-	14,777	-
TOTAL LIABILITIES	123	-0-	-0-	202,912	-0-
DEFERRED INFLOWS OF RESOURCES					
Property taxes levied for subsequent year	83,466	-	-	-	-
FUND BALANCES					
Restricted	1,802	67,358	70,101	1,236,265	130,602
Committed	-	-	-	-	-
TOTAL FUND BALANCES	1,802	67,358	70,101	1,236,265	130,602
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 85,391	\$ 67,358	\$ 70,101	\$ 1,439,177	\$ 130,602

Revenue

Prosecutor's Fees	Waste Management	Farmland Preservation	Animal Control Donations	Building Code	Housing Rehabilitation	Sheriff Collection
\$ 88,968	48,308	\$ 1,448	\$ 21,230	\$ 88,021	\$ 20,560	\$ 127,816
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 88,968</u>	<u>\$ 48,308</u>	<u>\$ 1,448</u>	<u>\$ 21,230</u>	<u>\$ 88,021</u>	<u>\$ 20,560</u>	<u>\$ 127,816</u>
\$ -	\$ -	\$ -	\$ -	\$ 8,436	\$ -	256
-	-	-	-	2,162	-	-
-0-	-0-	-0-	-0-	10,598	-0-	256
-	-	-	-	-	-	-
-	48,308	-	21,230	-	20,560	127,560
88,968	-	1,448	-	77,423	-	-
<u>88,968</u>	<u>48,308</u>	<u>1,448</u>	<u>21,230</u>	<u>77,423</u>	<u>20,560</u>	<u>127,560</u>
<u>\$ 88,968</u>	<u>\$ 48,308</u>	<u>\$ 1,448</u>	<u>\$ 21,230</u>	<u>\$ 88,021</u>	<u>\$ 20,560</u>	<u>\$ 127,816</u>

Shiawassee County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

December 31, 2016

	Special				
	Register of Deeds Automation	Emergency Management	Sheriff Posse	Local Correction Training	Drug Forfeiture
ASSETS					
Cash and cash equivalents	\$ 168,837	\$ 26,540	\$ 10,991	\$ 22,441	\$ 7,045
Investments	-	-	-	-	-
Receivables	-	-	310	-	-
Prepays	-	-	-	-	-
Due from other governmental units - Federal/State	-	-	-	-	-
TOTAL ASSETS	\$ 168,837	\$ 26,540	\$ 11,301	\$ 22,441	\$ 7,045
LIABILITIES					
Accounts payable	\$ 27,619	\$ 49	\$ -	\$ 653	\$ -
Accrued liabilities	-	-	-	-	-
TOTAL LIABILITIES	27,619	49	-0-	653	-0-
DEFERRED INFLOWS OF RESOURCES					
Property taxes levied for subsequent year	-	-	-	-	-
FUND BALANCES					
Restricted	141,218	-	-	21,788	7,045
Committed	-	26,491	11,301	-	-
TOTAL FUND BALANCES	141,218	26,491	11,301	21,788	7,045
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 168,837	\$ 26,540	\$ 11,301	\$ 22,441	\$ 7,045

Revenue

Prosecutor's Assets	Local Law Enforcement	Law Library	REACH	Social Welfare-DHS	Child Care - Probate	Child Care-DHS
\$ 5,236	\$ 2,960	\$ 2,577	\$ 5,752	\$ 7,529	\$ 5,008	\$ 32,453
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	262,447	-
<u>\$ 5,236</u>	<u>\$ 2,960</u>	<u>\$ 2,577</u>	<u>\$ 5,752</u>	<u>\$ 7,529</u>	<u>\$ 267,455</u>	<u>\$ 32,453</u>
\$ -	\$ -	\$ 1,291	\$ -	\$ -	\$ 195,504	\$ 32,453
-	-	-	-	-	11,373	-
-0-	-0-	1,291	-0-	-0-	206,877	32,453
-	-	-	-	-	-	-
-	2,960	1,286	-	-	60,578	-
5,236	-	-	5,752	7,529	-	-
<u>5,236</u>	<u>2,960</u>	<u>1,286</u>	<u>5,752</u>	<u>7,529</u>	<u>60,578</u>	<u>-0-</u>
<u>\$ 5,236</u>	<u>\$ 2,960</u>	<u>\$ 2,577</u>	<u>\$ 5,752</u>	<u>\$ 7,529</u>	<u>\$ 267,455</u>	<u>\$ 32,453</u>

Shiawassee County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

December 31, 2016

	Special				
	Veterans Relief	Veterans Services	Veterans Trust	Cigarette Tax	Riverhaven
ASSETS					
Cash and cash equivalents	\$ 251,463	\$ 86,284	\$ 469	\$ 140	\$ 7,979
Investments	-	-	-	-	-
Receivables	142,670	317,257	-	17	-
Prepays	-	-	-	-	-
Due from other governmental units - Federal/State	-	-	-	-	-
TOTAL ASSETS	\$ 394,133	\$ 403,541	\$ 469	\$ 157	\$ 7,979
LIABILITIES					
Accounts payable	\$ 69	\$ -	\$ -	\$ -	\$ 400
Accrued liabilities	-	4,847	-	-	-
TOTAL LIABILITIES	69	4,847	-0-	-0-	400
DEFERRED INFLOWS OF RESOURCES					
Property taxes levied for subsequent year	150,239	333,865	-	-	-
FUND BALANCES					
Restricted	243,825	64,829	469	-	-
Committed	-	-	-	157	7,579
TOTAL FUND BALANCES	243,825	64,829	469	157	7,579
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 394,133	\$ 403,541	\$ 469	\$ 157	\$ 7,979

Revenue		Debt Service	Capital Projects			Total
MAGNET	Concealed Pistol Licensing	Equipment Acquisition Debt Service	Capital Improvements	Jail Fund	Medical Care Facility Capital Projects	
\$ 106,624	\$ 52,658	\$ -	\$ 160,327	\$ 44,170	\$ -	\$ 2,548,619
163,859	-	-	-	-	-	163,859
98	-	-	-	-	-	920,540
-	-	-	-	-	-	187,656
-	-	-	-	-	-	262,447
<u>\$ 270,581</u>	<u>\$ 52,658</u>	<u>\$ -0-</u>	<u>\$ 160,327</u>	<u>\$ 44,170</u>	<u>\$ -0-</u>	<u>\$ 4,083,121</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 454,988
-	-	-	-	-	-	33,159
-0-	-0-	-0-	-0-	-0-	-0-	488,147
-	-	-	-	-	-	567,570
270,581	52,658	-	160,327	44,170	-	2,795,520
-	-	-	-	-	-	231,884
<u>270,581</u>	<u>52,658</u>	<u>-0-</u>	<u>160,327</u>	<u>44,170</u>	<u>-0-</u>	<u>3,027,404</u>
<u>\$ 270,581</u>	<u>\$ 52,658</u>	<u>\$ -0-</u>	<u>\$ 160,327</u>	<u>\$ 44,170</u>	<u>\$ -0-</u>	<u>\$ 4,083,121</u>

Shiawassee County, Michigan

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

Year Ended December 31, 2016

	MSU Extension	Family Counseling	Special Friend of the Court	Central Dispatch	Drunk Driving
REVENUES					
Taxes	\$ 84,021	\$ -	\$ -	\$ -	\$ -
Intergovernmental					
Federal/State	-	-	32,881	-	-
Local	-	-	-	10,185	-
Charges for services	-	-	28,333	1,611,174	-
Fines and forfeits	-	6,915	-	-	-
Interest and rents	-	-	26	299	86
Other	-	-	-	3,901	-
TOTAL REVENUES	84,021	6,915	61,240	1,625,559	86
EXPENDITURES					
Current					
General government	-	8,366	10,727	-	-
Public safety	-	-	-	1,351,483	19,691
Health and welfare	-	-	-	-	-
Community and economic development	87,644	-	-	-	-
Debt service	-	-	-	-	-
TOTAL EXPENDITURES	87,644	8,366	10,727	1,351,483	19,691
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(3,623)	(1,451)	50,513	274,076	(19,605)
OTHER FINANCING SOURCES (USES)					
Debt proceeds	-	-	-	-	-
Payments to other governmental units	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-0-	-0-	-0-	-0-	-0-
NET CHANGE IN FUND BALANCES	(3,623)	(1,451)	50,513	274,076	(19,605)
Fund balances, beginning of year	5,425	68,809	19,588	962,189	150,207
Fund balances, end of year	<u>\$ 1,802</u>	<u>\$ 67,358</u>	<u>\$ 70,101</u>	<u>\$ 1,236,265</u>	<u>\$ 130,602</u>

Revenue						
Prosecutor's Fees	Waste Management	Farmland Preservation	Animal Control Donations	Building Code	Housing Rehabilitation	Sheriff Collection
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	56,250	-	-	-	102,292	946
-	-	-	-	-	-	-
-	18,750	-	-	211,716	48,961	4,082
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	1,000	-	-	-	-	-
-0-	76,000	-0-	-0-	211,716	151,253	5,028
-	-	-	-	-	-	-
-	-	-	-	-	-	8,374
-	27,692	-	-	-	160,901	-
-	-	-	-	186,269	-	-
-	-	-	-	-	-	-
-0-	27,692	-0-	-0-	186,269	160,901	8,374
-0-	48,308	-0-	-0-	25,447	(9,648)	(3,346)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-0-	-0-	-0-	-0-	-0-	-0-	-0-
-0-	48,308	-0-	-0-	25,447	(9,648)	(3,346)
88,968	-	1,448	21,230	51,976	30,208	130,906
\$ 88,968	\$ 48,308	\$ 1,448	\$ 21,230	\$ 77,423	\$ 20,560	\$ 127,560

Shiawassee County, Michigan

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - CONTINUED

Year Ended December 31, 2016

	Special				
	Register of Deeds Automation	Emergency Management	Sheriff Posse	Local Correction Training	Drug Forfeiture
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental					
Federal/State	-	2,859	-	-	-
Local	-	-	-	-	-
Charges for services	57,895	-	17,599	21,588	500
Fines and forfeits	-	-	-	-	-
Interest and rents	47	-	-	-	-
Other	-	3,349	-	-	-
TOTAL REVENUES	57,942	6,208	17,599	21,588	500
EXPENDITURES					
Current					
General government	80,523	-	-	-	-
Public safety	-	5,392	19,414	12,772	1,032
Health and welfare	-	-	-	-	-
Community and economic development	-	-	-	-	-
Debt service	-	-	-	-	-
TOTAL EXPENDITURES	80,523	5,392	19,414	12,772	1,032
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(22,581)	816	(1,815)	8,816	(532)
OTHER FINANCING SOURCES (USES)					
Debt proceeds	-	-	-	-	-
Payments to other governmental units	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-0-	-0-	-0-	-0-	-0-
NET CHANGE IN FUND BALANCES	(22,581)	816	(1,815)	8,816	(532)
Fund balances, beginning of year	163,799	25,675	13,116	12,972	7,577
Fund balances, end of year	<u>\$ 141,218</u>	<u>\$ 26,491</u>	<u>\$ 11,301</u>	<u>\$ 21,788</u>	<u>\$ 7,045</u>

Revenue

Prosecutor's Assets	Local Law Enforcement	Law Library	REACH	Social Welfare-DHS	Child Care - Probate	Child Care-DHS
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	35,685	-	-	-	746,001	267
-	-	-	-	-	-	-
3,292	-	-	-	-	-	-
-	-	6,500	-	-	-	-
-	-	-	-	-	-	-
-	-	-	841	4	23,007	9,443
3,292	35,685	6,500	841	4	769,008	9,710
10,789	-	14,216	-	-	-	-
-	35,685	-	-	-	-	-
-	-	-	231	4,187	987,933	365,518
-	-	-	-	-	-	-
-	-	-	-	-	-	-
10,789	35,685	14,216	231	4,187	987,933	365,518
(7,497)	-0-	(7,716)	610	(4,183)	(218,925)	(355,808)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	8,750	-	5,000	320,000	311,587
-	-	-	-	-	(67,473)	-
-0-	-0-	8,750	-0-	5,000	252,527	311,587
(7,497)	-0-	1,034	610	817	33,602	(44,221)
12,733	2,960	252	5,142	6,712	26,976	44,221
\$ 5,236	\$ 2,960	\$ 1,286	\$ 5,752	\$ 7,529	\$ 60,578	\$ -0-

Shiawassee County, Michigan

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - CONTINUED

Year Ended December 31, 2016

	Special				
	Veterans Relief	Veterans Services	Veterans Trust	Cigarette Tax	Riverhaven
REVENUES					
Taxes	\$ 151,392	\$ 227,177	\$ -	\$ -	\$ -
Intergovernmental					
Federal/State	-	-	15,708	-	14,750
Local	-	-	-	-	-
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Interest and rents	-	-	-	-	-
Other	999	-	-	-	-
	<u>152,391</u>	<u>227,177</u>	<u>15,708</u>	<u>-0-</u>	<u>14,750</u>
TOTAL REVENUES	152,391	227,177	15,708	-0-	14,750
EXPENDITURES					
Current					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Health and welfare	92,803	199,969	15,333	-	15,455
Community and economic development	-	-	-	-	-
Debt service	-	-	-	-	-
	<u>92,803</u>	<u>199,969</u>	<u>15,333</u>	<u>-0-</u>	<u>15,455</u>
TOTAL EXPENDITURES	92,803	199,969	15,333	-0-	15,455
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	59,588	27,208	375	-0-	(705)
OTHER FINANCING SOURCES (USES)					
Debt proceeds	-	-	-	-	-
Payments to other governmental units	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
TOTAL OTHER FINANCING SOURCES (USES)	-0-	-0-	-0-	-0-	-0-
NET CHANGE IN FUND BALANCES	59,588	27,208	375	-0-	(705)
Fund balances, beginning of year	184,237	37,621	94	157	8,284
Fund balances, end of year	<u>\$ 243,825</u>	<u>\$ 64,829</u>	<u>\$ 469</u>	<u>\$ 157</u>	<u>\$ 7,579</u>

Revenue		Debt Service	Capital Projects				
MAGNET	Concealed Pistol Licensing	Equipment Acquisition Debt Service	Capital Improvements	Jail Fund	Medical Care Facility Capital Projects	Total	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 462,590
12,194	-	-	-	-	-	-	1,019,833
44,333	-	-	-	-	-	-	54,518
9,091	41,778	-	-	-	-	-	2,074,759
-	-	-	-	-	-	-	13,415
2,825	-	-	-	-	-	-	3,283
27,081	-	-	-	-	-	-	69,625
95,524	41,778	-0-	-0-	-0-	-0-	-0-	3,698,023
-	-	-	-	-	-	-	124,621
119,916	6,191	-	102,998	48,816	-	-	1,731,764
-	-	-	-	-	-	-	1,870,022
-	-	-	-	-	-	-	273,913
-	-	97,140	-	-	-	-	97,140
119,916	6,191	97,140	102,998	48,816	-0-	-0-	4,097,460
(24,392)	35,587	(97,140)	(102,998)	(48,816)	-0-	-0-	(399,437)
-	-	-	-	-	13,000,000	-	13,000,000
-	-	-	-	-	(13,000,000)	-	(13,000,000)
-	-	97,140	202,624	25,000	-	-	970,101
-	-	-	-	-	-	-	(67,473)
-0-	-0-	97,140	202,624	25,000	-0-	-0-	902,628
(24,392)	35,587	-0-	99,626	(23,816)	-0-	-0-	503,191
294,973	17,071	-	60,701	67,986	-	-	2,524,213
\$ 270,581	\$ 52,658	\$ -0-	\$ 160,327	\$ 44,170	\$ -0-	\$ -0-	\$ 3,027,404

Shiawassee County, Michigan

Agency Funds

COMBINING STATEMENT OF ASSETS AND LIABILITIES

December 31, 2016

	<u>Trust and Agency</u>	<u>Senior Transportation</u>	<u>Economic Development</u>
ASSETS			
Cash and cash equivalents	<u>\$ 2,747,914</u>	<u>\$ 32,788</u>	<u>\$ 3,127</u>
LIABILITIES			
Undistributed collections payable	\$ 1,853,929	\$ -	\$ -
Due to other governmental units			
Federal/State	218,815	-	-
Local	358,250	-	3,127
Due to individuals and agencies	<u>316,920</u>	<u>32,788</u>	<u>-</u>
TOTAL LIABILITIES	<u>\$ 2,747,914</u>	<u>\$ 32,788</u>	<u>\$ 3,127</u>

<u>Library Penal Fine</u>	<u>Total</u>
<u>\$ 30,492</u>	<u>\$ 2,814,321</u>
\$ 30,492	\$ 1,884,421
-	218,815
-	361,377
<u>-</u>	<u>349,708</u>
<u>\$ 30,492</u>	<u>\$ 2,814,321</u>

Shiawassee County, Michigan

Component Unit Fund

STATEMENT OF NET POSITION - MEDICAL CARE FACILITY

December 31, 2016

ASSETS

Current assets

Cash and cash equivalents	\$ 26,186,101
Accounts receivable	1,803,055
Taxes receivable	2,971,228
Prepays	<u>301,210</u>

Total current assets 31,261,594

Noncurrent assets

Capital assets, not being depreciated	6,289,184
Capital assets, net of accumulated depreciation	<u>1,951,473</u>

Total noncurrent assets 8,240,657

TOTAL ASSETS 39,502,251

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources related to pensions	12,213,961
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LIABILITIES

Current liabilities

Accounts payable	459,854
Accrued liabilities	1,627,648
Accrued interest payable	12,946
Current portion of long-term debt	<u>1,164,825</u>

Total current liabilities 3,265,273

Noncurrent liabilities

Net pension liability	13,116,266
Net other post-employment benefits obligation	92,377
Noncurrent portion of long-term debt	<u>11,835,175</u>

Total noncurrent liabilities 25,043,818

TOTAL LIABILITIES 28,309,091

DEFERRED INFLOWS OF RESOURCES

Property taxes levied for subsequent year	<u>3,343,239</u>
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NET POSITION

Net investment in capital assets	1,951,473
Restricted for capital projects	6,710,816
Restricted for medical care activities	<u>11,401,593</u>

TOTAL NET POSITION \$ 20,063,882

Shiawassee County, Michigan

Component Unit Fund

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
MEDICAL CARE FACILITY

Year Ended December 31, 2016

OPERATING REVENUES	
Charges for services	\$ 15,277,360
Quality assurance supplement	<u>1,170,655</u>
TOTAL OPERATING REVENUES	16,448,015
OPERATING EXPENSES	
Personal services and fringes	13,815,956
Operating supplies	1,419,941
Contracted services	1,169,328
Depreciation	387,937
Provider tax	821,482
Other operating expenses	<u>862,315</u>
TOTAL OPERATING EXPENSES	<u>18,476,959</u>
OPERATING (LOSS)	(2,028,944)
NONOPERATING REVENUES (EXPENSES)	
Interest revenue	9,593
Property taxes	3,325,487
Interest expense	(12,946)
Loss on disposal of assets	<u>(35,011)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>3,287,123</u>
CHANGE IN NET POSITION	1,258,179
Net position, beginning of year	<u>18,805,703</u>
Net position, end of year	<u><u>\$ 20,063,882</u></u>

Shiawassee County, Michigan

Component Unit Fund

STATEMENT OF CASH FLOWS - MEDICAL CARE FACILITY

Year Ended December 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	\$ 17,172,339
Cash received from quality assurance supplement	1,170,655
Cash paid to suppliers and others	(4,422,309)
Cash paid for employee services and fringes	<u>(17,988,762)</u>
NET CASH (USED) BY OPERATING ACTIVITIES	(4,068,077)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Capital purchases	(5,966,291)
Notes payable proceeds	<u>13,000,000</u>
NET CASH PROVIDED BY CAPITAL FINANCING ACTIVITIES	7,033,709
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Property taxes collected	3,291,978
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>9,593</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,267,203
Cash and cash equivalents, beginning of year	<u>19,918,898</u>
Cash and cash equivalents, end of year	<u><u>\$ 26,186,101</u></u>
Reconciliation of operating (loss) to net cash (used) by operating activities	
Operating (loss)	\$ (2,028,944)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities	
Depreciation	387,937
Decrease in receivables	1,894,979
(Increase) in prepaids	(82,030)
(Increase) in deferred outflows of resources related to pensions	(10,925,359)
(Decrease) in accounts payable	(67,213)
(Decrease) in net OPEB obligation	(3,454)
Increase in accrued liabilities	617,058
Increase in net pension liability	<u>6,138,949</u>
NET CASH (USED) BY OPERATING ACTIVITIES	<u><u>\$ (4,068,077)</u></u>

Shiawassee County, Michigan

Component Unit Fund

COMBINING BALANCE SHEET - DRAINAGE DISTRICTS

December 31, 2016

	Debt Service		
	Drain Debt	Henderson Debt	Byron Water Project
ASSETS			
Cash and cash equivalents	\$ 326,385	\$ -	\$ -
Special assessments receivable	876,311	-	-
Due from other governmental units - Local	-	95,515	461,911
Due from other funds	-	-	-
Advances to other funds	-	-	-
TOTAL ASSETS	\$ 1,202,696	\$ 95,515	\$ 461,911
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Short-term note payable	-	-	-
Due to other funds	-	-	-
Advances from other funds	-	-	-
Advances from other governmental units	-	-	-
TOTAL LIABILITIES	-0-	-0-	-0-
DEFERRED INFLOWS OF RESOURCES			
Long-term receivables	737,017	95,515	461,911
FUND BALANCES			
Nonspendable			
Advances to other funds	-	-	-
Restricted for debt service	465,679	-	-
Restricted for capital expenditures	-	-	-
TOTAL FUND BALANCES	465,679	-0-	-0-
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 1,202,696	\$ 95,515	\$ 461,911

Capital Projects

Lake Level	Regular Drain	Revolving Drain	Revolving Drain Maintenance	Drain Equipment Revolving	Total
\$ 1,268	\$ 1,710,413	\$ 65,729	\$ 11,762	\$ 127,763	\$ 2,243,320
-	329,055	183,672	-	-	1,389,038
-	-	-	-	-	557,426
-	-	-	-	21,484	21,484
-	30,725	-	-	-	30,725
<u>\$ 1,268</u>	<u>\$ 2,070,193</u>	<u>\$ 249,401</u>	<u>\$ 11,762</u>	<u>\$ 149,247</u>	<u>\$ 4,241,993</u>
-	229	-	-	243	472
-	150,000	-	-	-	150,000
-	21,484	-	-	-	21,484
-	-	30,725	-	-	30,725
-	-	170,000	-	-	170,000
-0-	171,713	200,725	-0-	243	372,681
400	21,228	-	-	-	1,316,071
-	30,725	-	-	-	30,725
-	-	-	-	-	465,679
<u>868</u>	<u>1,846,527</u>	<u>48,676</u>	<u>11,762</u>	<u>149,004</u>	<u>2,056,837</u>
<u>868</u>	<u>1,877,252</u>	<u>48,676</u>	<u>11,762</u>	<u>149,004</u>	<u>2,553,241</u>
<u>\$ 1,268</u>	<u>\$ 2,070,193</u>	<u>\$ 249,401</u>	<u>\$ 11,762</u>	<u>\$ 149,247</u>	<u>\$ 4,241,993</u>

Shiawassee County, Michigan

Component Unit Fund

RECONCILIATION OF THE COMBINING BALANCE SHEET TO THE
STATEMENT OF NET POSITION - DRAINAGE DISTRICTS

December 31, 2016

Total fund balance - governmental funds \$ 2,553,241

Amounts reported for the governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 10,902,577	
Accumulated depreciation is	<u>(4,846,265)</u>	
Capital assets, net		6,056,312

Long-term receivables are not available to pay for current period expenditures and are therefore reported as deferred inflows of resources in the funds.		1,316,071
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Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.
Long-term liabilities at year-end consist of:

Long-term obligations	1,734,470	
Accrued interest payable	<u>7,090</u>	
		<u>(1,741,560)</u>

Net position of governmental activities \$ 8,184,064

Shiawassee County, Michigan

Component Unit Fund

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - DRAINAGE DISTRICTS

Year Ended December 31, 2016

	Debt Service		
	Drain Debt	Henderson Debt	Byron Water Project
REVENUES			
Intergovernmental - local	\$ -	\$ 22,063	\$ 50,614
Interest	239	-	-
Other	202,016	-	-
TOTAL REVENUES	202,255	22,063	50,614
EXPENDITURES			
Current			
Public works	-	-	-
Debt service	232,296	22,063	50,614
TOTAL EXPENDITURES	232,296	22,063	50,614
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(30,041)	-0-	-0-
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-0-	-0-	-0-
NET CHANGE IN FUND BALANCES	(30,041)	-0-	-0-
Fund balances, beginning of year	495,720	-	-
Fund balances, end of year	\$ 465,679	\$ -0-	\$ -0-

Capital Projects

Lake Level	Regular Drain	Revolving Drain	Revolving Drain Maintenance	Drain Equipment Revolving	Total
\$ -	\$ -	\$ 48,676	\$ -	\$ 463	\$ 121,816
-	2,084	-	79	-	2,402
-	598,867	-	-	-	800,883
-0-	600,951	48,676	79	463	925,101
-	395,824	-	-	81,405	477,229
-	-	-	-	-	304,973
-0-	395,824	-0-	-0-	81,405	782,202
-0-	205,127	48,676	79	(80,942)	142,899
-	-	-	-	89,049	89,049
-	(89,049)	-	-	-	(89,049)
-0-	(89,049)	-0-	-0-	89,049	-0-
-0-	116,078	48,676	79	8,107	142,899
868	1,761,174	-	11,683	140,897	2,410,342
<u>\$ 868</u>	<u>\$ 1,877,252</u>	<u>\$ 48,676</u>	<u>\$ 11,762</u>	<u>\$ 149,004</u>	<u>\$ 2,553,241</u>

Shiawassee County, Michigan

Component Unit Fund

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES - DRAINAGE DISTRICTS

Year Ended December 31, 2016

Net change in fund balances - total governmental funds \$ 142,899

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Depreciation expense (224,852)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. In the current period, these amounts consist of:

(Decrease) in long-term receivables (222,808)

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Debt principal retirements 235,000

Some items 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. These activities consist of:

Decrease in accrued interest payable 950

Change in net position of governmental activities \$ (68,811)

Shiawassee County, Michigan

Component Unit Fund

BALANCE SHEET - COUNTY AIRPORT

December 31, 2016

ASSETS	
Cash and cash equivalents	\$ 7,727
Accounts receivable	41,813
Inventories	<u>10,389</u>
TOTAL ASSETS	<u>\$ 59,929</u>
LIABILITIES	
Accounts payable	\$ 7,847
Accrued liabilities	807
Unearned revenue	<u>1,100</u>
TOTAL LIABILITIES	9,754
FUND BALANCE	
Nonspendable	
Inventories	10,389
Restricted for airport operations	<u>39,786</u>
TOTAL FUND BALANCE	<u>50,175</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 59,929</u>

Shiawassee County, Michigan

Component Unit Fund

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT
OF NET POSITION - COUNTY AIRPORT

December 31, 2016

Total fund balance - governmental fund \$ 50,175

Amounts reported for the governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 2,629,929	
Accumulated depreciation is	<u>(759,591)</u>	
Capital assets, net		<u>1,870,338</u>
Net position of governmental activities		<u><u>\$ 1,920,513</u></u>

Shiawassee County, Michigan

Component Unit Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - COUNTY AIRPORT

Year Ended December 31, 2016

REVENUES	
Intergovernmental - Local	\$ 16,705
Charges for services	123,493
Interest and rents	<u>40,007</u>
TOTAL REVENUES	180,205
EXPENDITURES	
Current	
Public works	<u>221,809</u>
NET CHANGE IN FUND BALANCE	(41,604)
Fund balance, beginning of year	<u>91,779</u>
Fund balance, end of year	<u><u>\$ 50,175</u></u>

Shiawassee County, Michigan

Component Unit Fund

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES - COUNTY AIRPORT

Year Ended December 31, 2016

Net change in fund balance - governmental fund \$ (41,604)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Depreciation expense (78,608)

Change in net position of governmental activities \$ (120,212)

Shiawassee County, Michigan

Component Unit Fund

BALANCE SHEET - COUNCIL ON AGING

December 31, 2016

ASSETS

Cash and cash equivalents	\$ 405,298
Investments	142,850
Taxes receivable	681,647
Due from other governmental units	35,807
Prepays	<u>20,000</u>

TOTAL ASSETS \$ 1,285,602

LIABILITIES

Accounts payable	\$ 32,788
Accrued liabilities	<u>3,757</u>

TOTAL LIABILITIES 36,545

DEFERRED INFLOWS OF RESOURCES

Property taxes levied for subsequent year	717,810
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FUND BALANCE

Restricted for aging programs	<u>531,247</u>
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TOTAL LIABILITIES, DEFERRED INFLOWS
OF RESOURCES, AND FUND BALANCE \$ 1,285,602

Shiawassee County, Michigan

Component Unit Fund

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT
OF NET POSITION - COUNCIL ON AGING

December 31, 2016

Total fund balance - governmental fund \$ 531,247

Amounts reported for the governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 270,246	
Accumulated depreciation is	<u>(138,019)</u>	
Capital assets, net		132,227

Governmental funds report actual pension expenditures for the fiscal year, whereas the governmental activities will recognize the net pension liability as of the measurement date. Pension contributions subsequent to the measurement date will be deferred in the statement of net position. In addition, resources related to changes of assumptions, differences between expected and actual experience, and differences between projected and actual pension plan investment earnings will be deferred over time in the government-wide financial statements. These amounts consist of:

Deferred outflows of resources related to pensions		121,935
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Fund Balance Sheet. Long-term liabilities at year-end consist of:

Net pension liability		<u>(334,410)</u>
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Net position of governmental activities \$ 450,999

Shiawassee County, Michigan

Component Unit Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - COUNCIL ON AGING

Year Ended December 31, 2016

REVENUES	
Taxes	\$ 589,503
Intergovernmental	471,866
Charges for services	123,038
Interest	2,358
Other	<u>23,527</u>
TOTAL REVENUES	1,210,292
EXPENDITURES	
Current	
Health and welfare	<u>1,118,327</u>
NET CHANGE IN FUND BALANCE	91,965
Fund balance, beginning of year	<u>439,282</u>
Fund balance, end of year	<u><u>\$ 531,247</u></u>

Shiawassee County, Michigan

Component Unit Fund

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES - COUNCIL ON AGING

Year Ended December 31, 2016

Net change in fund balance - governmental fund \$ 91,965

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, this amount is:

Capital outlay	\$ 15,237	
Depreciation expense	<u>(17,312)</u>	
Excess of capital outlay over depreciation expense		(2,075)

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. These activities consist of:

(Increase) in net pension liability	(141,559)	
Increase in deferred outflows of resources related to pensions	<u>106,457</u>	
		<u>(35,102)</u>

Change in net position of governmental activities \$ 54,788