

Shiawassee
County, Michigan



Year Ended
December 31,
2018

Financial
Statements

SHIAWASSEE COUNTY, MICHIGAN

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INDEPENDENT AUDITORS' REPORT

July 31, 2019

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, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Independent Auditors' Responsibility

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

	Percent of Total Assets and Deferred Outflows	Percent of Total Net Position	Percent of Total Revenues
Shiawassee County Road Commission	51%	63%	38%

Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Shiawassee County Road Commission component unit are based on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Shiawassee County, Michigan, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the general fund and the major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Implementation of GASB Statement No. 75

As described in Note 19, the County and the Medical Care Facility component unit implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the current year. Accordingly, beginning net position was restated. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the schedules for the pension and postemployment benefit plans, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2019, on our consideration of Shiawassee County, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Rehmann Lobson LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

SHIAWASSEE COUNTY, MICHIGAN

Management's Discussion and Analysis

These financial statements are the responsibility of Shiawassee County's management. We offer readers this narrative overview and analysis for the fiscal year ended December 31, 2018. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

Financial Highlights

· Total net position	\$ (4,770,297)
· Change in total net position	359,766
· Fund balances, governmental funds	6,046,732
· Change in fund balances, governmental funds	(1,384,039)
· Unassigned fund balance, general fund	869,901
· Change in fund balance, general fund	(1,537,444)
· Installment debt outstanding	14,800,935
· Change in installment debt	(867,239)

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements, which comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements.

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

The *statement of net position* presents information on all of the County 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 may serve as a useful indicator of 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 (e.g., earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) or 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, recreation and culture and community development. The business-type activities of the County include delinquent tax collections, building inspections, recycling and concessions.

The government-wide financial statements include not only Shiawassee County (known as the *primary government*), but also legally separate *component units* for which the County is financially accountable. Financial information for the component units is reported separately from the financial information presented for the primary government itself.

SHIAWASSEE COUNTY, MICHIGAN

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. Shiawassee 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. Such information may be useful in evaluating a government's near term financing requirements.

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

Information for each of the County's individual governmental funds is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Health Department special revenue fund, the Medical Care Facility, and Mental Health debt service funds, which are considered to be the County's major governmental funds. Data from the other 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 comparisons statements or schedules have been provided herein for the general fund and major special revenue funds to demonstrate compliance with those budgets.

Proprietary Funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its delinquent tax operations (major fund) and jail commissary operations (nonmajor fund).

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. The accounting used for fiduciary funds is much like that used for proprietary funds.

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

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Required supplementary information includes this management's discussion and analysis and the schedules for the County's pension and other postemployment benefit plans.

The *combining statements* referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information.

SHIAWASSEE COUNTY, MICHIGAN

Management's Discussion and Analysis

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Shiawassee County, liabilities and deferred inflows exceeded assets and deferred outflows by \$4,770,297 at the close of the most recent fiscal year.

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Assets						
Current and other assets	\$ 25,704,536	\$ 25,696,566	\$ 10,241,279	\$ 9,154,605	\$ 35,945,815	\$ 34,851,171
Capital assets, net	8,042,703	6,895,154	2,845	6,761	8,045,548	6,901,915
	<u>33,747,239</u>	<u>32,591,720</u>	<u>10,244,124</u>	<u>9,161,366</u>	<u>43,991,363</u>	<u>41,753,086</u>
Deferred outflows of resources	4,081,828	5,420,465	-	-	4,081,828	5,420,465
Liabilities						
Long-term debt	15,205,391	16,035,618	-	-	15,205,391	16,035,618
Net pension and OPEB liabilities	31,861,875	32,638,876	-	-	31,861,875	32,638,876
Other liabilities	4,211,093	3,686,794	53,188	58,874	4,264,281	3,745,668
	<u>51,278,359</u>	<u>52,361,288</u>	<u>53,188</u>	<u>58,874</u>	<u>51,331,547</u>	<u>52,420,162</u>
Deferred inflows of resources	1,511,941	765,852	-	-	1,511,941	765,852
Net position						
Net investment in capital assets	7,373,972	6,757,155	2,845	6,761	7,376,817	6,763,916
Restricted	4,299,962	4,181,127	-	-	4,299,962	4,181,127
Unrestricted (deficit)	<u>(26,635,167)</u>	<u>(26,053,237)</u>	<u>10,188,091</u>	<u>9,095,731</u>	<u>(16,447,076)</u>	<u>(16,957,506)</u>
Total net position	<u>\$ (14,961,233)</u>	<u>\$ (15,114,955)</u>	<u>\$ 10,190,936</u>	<u>\$ 9,102,492</u>	<u>\$ (4,770,297)</u>	<u>\$ (6,012,463)</u>

One of the largest portions of the County's net position reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding (\$7,376,817). The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the County's net position (\$4,299,962) represents the resources that are subject to external restrictions on how they may be used. The County's unrestricted net position is a deficit of \$16,447,076.

At the end of the current fiscal year, the County is able to report positive balances in all categories of net position, with the exception of unrestricted and total net position in the governmental activities, which is mainly attributable to the net pension and OPEB liabilities.

The government's net position increased by \$359,766 during the current fiscal year. This decrease was the result of a decrease in governmental activities of \$728,678 and an increase in business-type activities of \$1,088,444.

SHIAWASSEE COUNTY, MICHIGAN

Management's Discussion and Analysis

The following condensed financial information was derived from the government-wide statement of activities and reflects how the County's net position changed during the fiscal year:

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Program revenues						
Charges for services	\$ 3,994,049	\$ 4,594,011	\$ 1,386,948	\$ 547,952	\$ 5,380,997	\$ 5,141,963
Operating grants	7,626,341	6,433,114	-	-	7,626,341	6,433,114
General revenues						
Taxes	11,008,629	10,057,723	-	-	11,008,629	10,057,723
State shared revenues	1,660,500	1,698,891	-	-	1,660,500	1,698,891
Unrestricted investment earnings	131,614	60,185	52,166	48,753	183,780	108,938
Total revenues	24,421,133	22,843,924	1,439,114	596,705	25,860,247	23,440,629
Expenses						
General government	9,737,889	10,513,429	-	-	9,737,889	10,513,429
Public safety	8,122,108	6,942,583	-	-	8,122,108	6,942,583
Public works	337,493	296,339	-	-	337,493	296,339
Health and welfare	6,166,685	4,651,772	-	-	6,166,685	4,651,772
Recreation and culture	15,517	14,553	-	-	15,517	14,553
Community development	313,581	346,434	-	-	313,581	346,434
Interest on long-term debt	456,538	503,330	-	-	456,538	503,330
Jail commissary	-	-	350,670	150,430	350,670	150,430
Total expenses	25,149,811	23,268,440	350,670	150,430	25,500,481	23,418,870
Change in net position, before transfers	(728,678)	(424,516)	1,088,444	446,275	359,766	21,759
Transfers	-	570,000	-	(570,000)	-	-
Change in net position	(728,678)	145,484	1,088,444	(123,725)	359,766	21,759
Net position:						
Beginning of year	(15,114,955)	(15,260,439)	9,102,492	9,226,217	(6,012,463)	(6,034,222)
Restatements	882,400	-	-	-	882,400	-
End of year	\$ (14,961,233)	\$ (15,114,955)	\$ 10,190,936	\$ 9,102,492	\$ (4,770,297)	\$ (6,012,463)

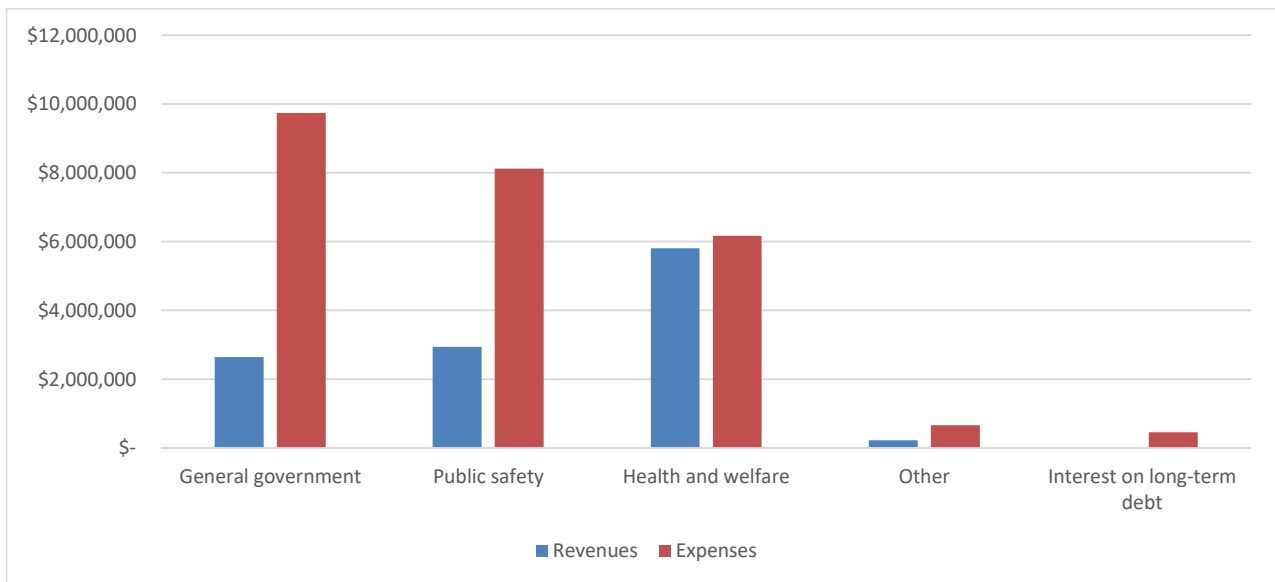
SHIAWASSEE COUNTY, MICHIGAN

Management's Discussion and Analysis

Governmental activities. The County had a decrease in governmental activities net position totaling \$728,678 in fiscal year 2018. This was mainly due to the increase in health and welfare expenses of \$1,514,913, which is mainly due to the current year increases to wages and benefits. Additionally, the revenue collected on behalf of the Council on Aging and passed through to that entity was recognized in a special revenue fund for 2018. For 2017, the Council on Aging entity was presented as a component unit but after management's assessment this entity no longer meets the criteria to be presented as a component unit. The increase in public safety expenses of \$1,179,525 was due to increases in wages, health, and retirement expenses, and also an increase in property liability insurance. Further, operating grants increased \$1,193,277 which is due to the revenue for the senior citizens not being recorded in the governmental activities.

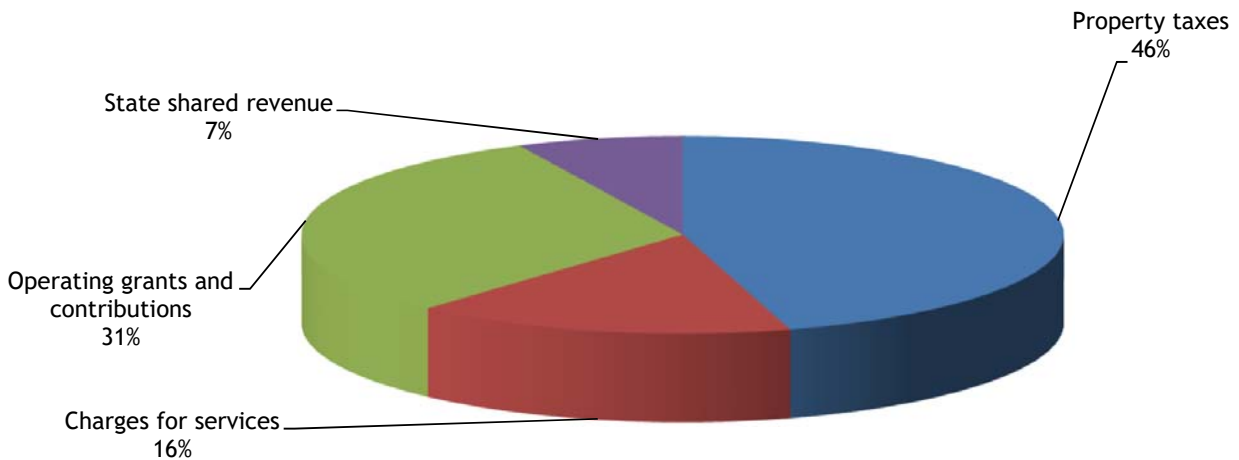
Governmental Activities. The following chart presents program revenues and expenses of the governmental activities for the fiscal year:

Governmental Activities - Program Revenues and Expenses



The following chart presents revenues by source for the governmental activities for the fiscal year:

Governmental Activities - Revenues by Source



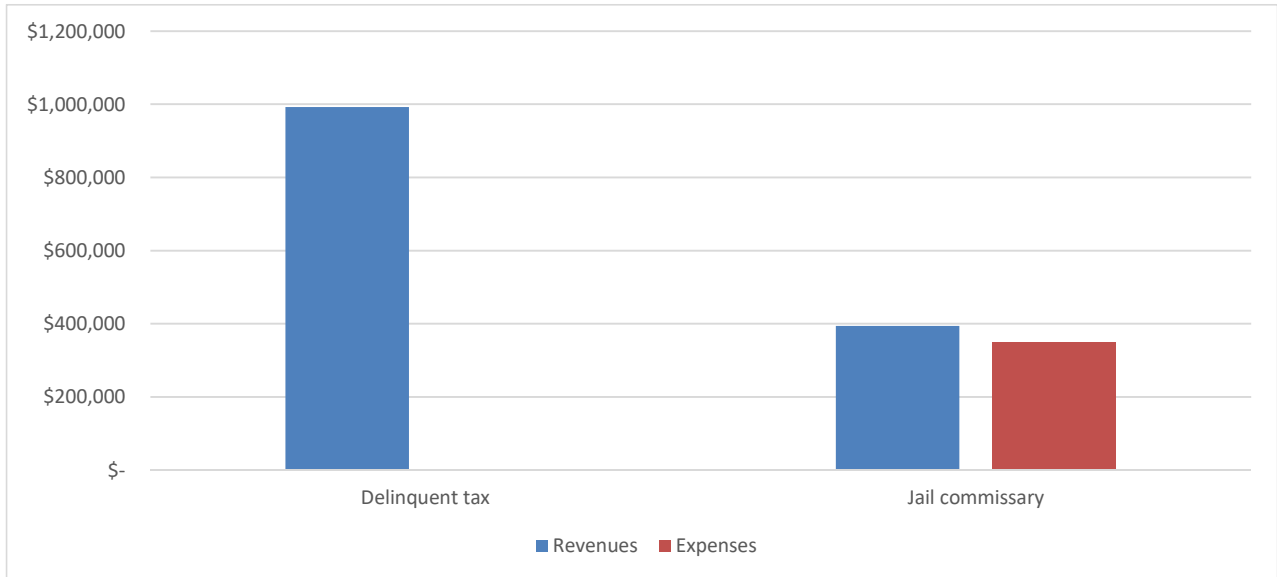
SHIAWASSEE COUNTY, MICHIGAN

Management's Discussion and Analysis

Business-type Activities. Business-type activities increased the County's net position by \$1,088,444. This change was mainly the result of an increase in charges for services of \$838,996 due to an increase in current year delinquent tax revenue compared to prior years.

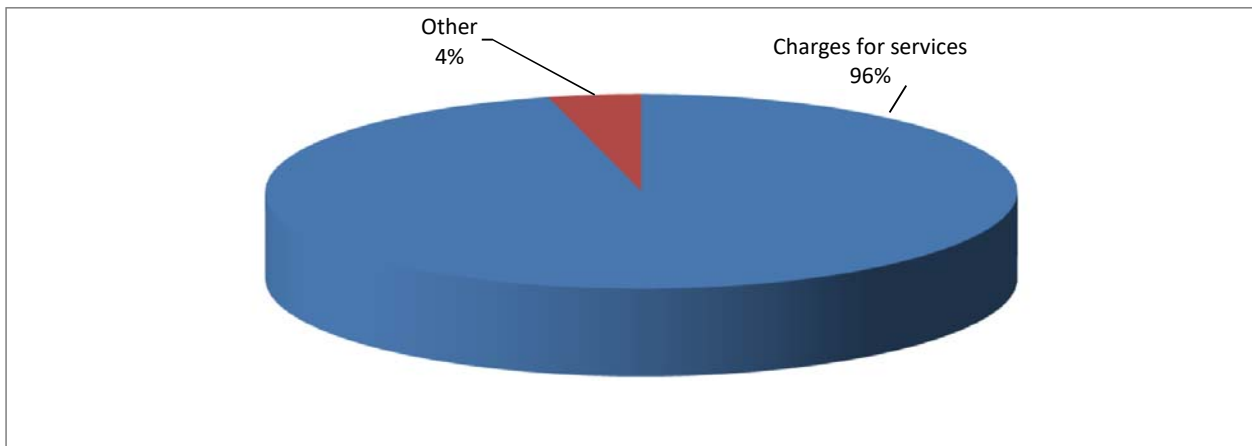
Business-type Activities. The following chart presents program revenues and expenses of the business-type activities for the fiscal year:

Business-type Activities - Program Revenues and Expenses



The following chart presents revenues by source for the business-type activities for the fiscal year:

Business-type Activities - Revenues by Source



Financial Analysis of the County's Funds

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

SHIAWASSEE COUNTY, MICHIGAN

Management's Discussion and Analysis

Governmental funds. The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$6,046,732, a decrease of \$1,384,039 over the prior year. Approximately 14 percent (\$869,901) of total fund balance constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is restricted, committed or nonspendable to indicate that it is not available for new spending because it has already been spent for items such as inventory and prepaid items, or is restricted for specific purposes by external third parties or requires formal board action.

The general fund is the chief operating fund of the County. At the end of the current fiscal year, unassigned fund balance of the general fund totaled \$869,901 while total fund balance was \$1,472,368. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 5 percent of total general fund expenditures and transfers out.

The general fund had a decrease of \$1,537,444 in the current fiscal year. This was mainly the result of the increase in general government expenditures in the amount of \$1,934,975, which includes an increase of professional services expenditures of \$565,054 due to an increase in contractual financial services due to a vacancy in the Finance Director position and an increase in County administrator expenditures of \$442,115 due to restructuring of the administration department. Public safety expenditures also increased \$714,696 from the previous year which can be attributed to an increase in wages and benefits. These increases are offset with a decrease in insurance and bond expenditures in the amount of \$752,064 due to a reallocation of insurance expenditures. Total revenue increased \$502,643 from the previous year related to an increase in revenue sharing and property taxes due to an increase in taxable value.

The Health Department special revenue fund, which is used to report activities related to various personal and environmental health services provided to County residents, fund balance was \$729,601 which decreased \$457,458 from the prior year balance. This decrease is due to increased expenditures for the completion of the building addition project.

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.

Proprietary funds. The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Delinquent Tax Revolving Fund

The delinquent tax revolving fund net position increased \$1,044,935, from \$8,978,309 to \$10,023,244. This increase was attributable to increases in the interest and penalties on delinquent taxes of approximately \$612,000 due to all delinquent tax funds being consolidated into one account during the year which included interest and penalties charged to several years of back taxes on multiple properties.

SHIAWASSEE COUNTY, MICHIGAN

Management's Discussion and Analysis

General Fund Budgetary Highlights

General fund revenues and other financing sources were less than the budgetary estimates by \$227,610. This variance was due to a decline in reimbursements and interfund transfers.

General fund expenditures and other financing uses were more than the budgetary estimates by \$1,147,920. This was the result of general government collectively being over budget almost \$755,000 with a majority of that being substantial expenditures over budget across all the County courts (approximately \$389,000) and County administrator over budget due to an increase in contract financial services along with an increase in property liability insurance (approximately \$407,000). Professional services were also over budget approximately \$614,000 due to unanticipated contributions for the unfunded MERS liability.

Capital Assets and Debt Administration

Capital Assets. The County's investment in capital assets for its governmental and business-type activities as of year end, amounted to \$8,045,548 (net of accumulated depreciation). This investment in capital assets includes land, building and improvements, machinery and equipment, and vehicles.

The significant capital asset events during the current fiscal year included the following:

- Three new vehicles and two new generators were purchased for public safety at a total cost of \$131,997.
- Work in progress for the 911 central dispatch building renovations that began in 2016 were finalized. The total increase in the building account was \$969,967.
- Work in progress for the health department building renovations began in 2018 and were completed in 2019. The total incurred in 2018 and presented as construction in process was \$876,320.

	Capital Assets (Net of Depreciation)					
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 668,840	\$ 668,840	\$ -	\$ -	\$ 668,840	\$ 668,840
Construction in process	1,242,708	918,599	-	-	1,242,708	918,599
Land improvements	24,988	15,536	-	-	24,988	15,536
Buildings and improvements	4,618,831	3,690,380	-	-	4,618,831	3,690,380
Equipment	981,617	1,096,002	2,845	6,761	984,462	1,102,763
Vehicles	505,719	505,797	-	-	505,719	505,797
Total capital assets, net	\$ 8,042,703	\$ 6,895,154	\$ 2,845	\$ 6,761	\$ 8,045,548	\$ 6,901,915

Additional information on the County's capital assets can be found in Note 6.

SHIAWASSEE COUNTY, MICHIGAN

Management's Discussion and Analysis

Debt Administration. At the end of the current fiscal year, the County had total debt outstanding of \$15,205,391. Of this amount, \$14,800,935 comprises debt backed by the full faith and credit of the government. The remainder of the County's debt represents compensated absences.

	Long-term Debt					
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Installment purchases and capital leases	\$ 668,731	\$ 137,999	\$ -	\$ -	\$ 668,731	\$ 137,999
Bonds:						
Capital improvement	11,212,204	12,460,175			11,212,204	12,460,175
General obligation	2,920,000	3,070,000	-	-	2,920,000	3,070,000
Compensated absences	404,456	367,444	-	-	404,456	367,444
Total long-term debt	\$ 15,205,391	\$ 16,035,618	\$ -	\$ -	\$ 15,205,391	\$ 16,035,618

The County's total governmental activity debt decreased by \$830,227 during the current fiscal year due largely to the normal pay-off on the general obligation bonds. The capital improvement and general obligation bonds were issued on behalf of the Shiawassee County Medical Care Facility and the Shiawassee County Community Mental Health Authority, respectively. These bonds are the responsibility and will be repaid by these entities; however, the County has pledged its full faith and credit.

In addition to the above debt obligations, the County has also pledged its full faith and credit on the Drainage District's outstanding bonds and notes payable of \$1,704,470. These debt obligations are payable out of assessments against the respective drainage districts or by contractual agreements with local units of government.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the County is significantly higher than the County's outstanding general obligation debt.

Additional information on the County's long-term debt can be found in Note 9.

Economic Condition and Outlook

The following factors were considered in preparing the County's budget for 2019 based on a variety of economic conditions and plans:

- Continued concern over the uncertainty of the State's economy and how it will impact future State revenue sharing
- Continued concern regarding County healthcare and costs for current employees and retirees in addition to the added costs of continued retirement related costs for current employees and the payment of our annual required contributions
- The ever increasing need for better technology which could be very costly to the County
- Continued monitoring of other capital improvement needs and the implementation of a systematic replacement plan of capital assets

SHIAWASSEE COUNTY, MICHIGAN

Management's Discussion and Analysis

Requests for Information

This financial report is designed to provide a general overview of the County's finances for all of those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Shiawassee County Commissioners' Office, 201 N. Shiawassee Street, Corunna, Michigan 48817 or (989) 743-2433.

BASIC FINANCIAL STATEMENTS

SHIAWASSEE COUNTY, MICHIGAN

Statement of Net Position

December 31, 2018

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Totals	
Assets				
Cash and cash equivalents	\$ 7,586,758	\$ 3,893,393	\$ 11,480,151	\$ 8,107,287
Investments	1,083,839	3,590,651	4,674,490	2,536,562
Receivables, net	15,089,739	4,277,651	19,367,390	9,513,517
Internal balances	1,520,416	(1,520,416)	-	-
Other assets	253,784	-	253,784	760,835
Advance to component unit	170,000	-	170,000	-
Capital assets not being depreciated	1,911,548	-	1,911,548	5,590,912
Capital assets being depreciated, net	6,131,155	2,845	6,134,000	73,372,960
Total assets	33,747,239	10,244,124	43,991,363	99,882,073
Deferred outflows of resources				
Deferred pension amounts	4,064,256	-	4,064,256	2,902,603
Deferred OPEB amounts	17,572	-	17,572	93,529
Total deferred inflows of resources	4,081,828	-	4,081,828	2,996,132
Liabilities				
Accounts payable and accrued liabilities	2,014,250	53,188	2,067,438	1,390,510
Short-term notes payable	-	-	-	150,000
Unearned revenue	2,196,843	-	2,196,843	-
Advance from primary government	-	-	-	170,000
Advance from other governmental units	-	-	-	491,470
Long-term debt:				
Due within one year	1,933,233	-	1,933,233	2,762,873
Due in more than one year	13,272,158	-	13,272,158	10,744,876
Net pension liability, due in more than one year	30,907,772	-	30,907,772	8,542,223
Net OPEB liability, due in more than one year	954,103	-	954,103	959,467
Total liabilities	51,278,359	53,188	51,331,547	25,211,419
Deferred inflows of resources				
Property taxes levied for subsequent period	695,588	-	695,588	3,518,531
Deferred pension amounts	816,353	-	816,353	1,454,483
Total deferred inflows of resources	1,511,941	-	1,511,941	4,973,014
Net position				
Net investment in capital assets	7,373,972	2,845	7,376,817	66,617,198
Restricted for:				
Central dispatch	1,298,471	-	1,298,471	-
Veterans activities	563,284	-	563,284	-
Mid-Michigan area group narcotics enforcement team (MAGNET)	227,131	-	227,131	-
Sheriff collection	137,989	-	137,989	-
Register of Deeds automation	172,634	-	172,634	-
Drunk driving enforcement	134,468	-	134,468	-
Health department	729,601	-	729,601	-
Senior Citizens	287,067	-	287,067	-
Other	749,317	-	749,317	2,647,788
Unrestricted (deficit)	(26,635,167)	10,188,091	(16,160,009)	3,428,786
Total net position	\$ (14,961,233)	\$ 10,190,936	\$ (4,770,297)	\$ 72,693,772

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

SHIAWASSEE COUNTY, MICHIGAN

Statement of Activities

For the Year Ended December 31, 2018

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenues
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities:					
General government	\$ 9,737,889	\$ 761,121	\$ 1,885,576	\$ -	\$ (7,091,192)
Public safety	8,122,108	2,531,112	410,002	-	(5,180,994)
Public works	337,493	-	-	-	(337,493)
Health and welfare	6,166,685	476,333	5,330,763	-	(359,589)
Recreation and culture	15,517	1,544	-	-	(13,973)
Community development	313,581	223,939	-	-	(89,642)
Interest on long-term debt	456,538	-	-	-	(456,538)
Total governmental activities	25,149,811	3,994,049	7,626,341	-	(13,529,421)
Business-type activities:					
Delinquent tax	-	992,769	-	-	992,769
Commissary	350,670	394,179	-	-	43,509
Total business-type activities	350,670	1,386,948	-	-	1,036,278
Total primary government	\$ 25,500,481	\$ 5,380,997	\$ 7,626,341	\$ -	\$ (12,493,143)
Component units					
Road commission	\$ 10,802,264	\$ 1,521,438	\$ 7,021,497	\$ 5,676,982	\$ 3,417,653
Medical care facility	24,765,791	18,305,042	-	-	(6,460,749)
Drainage districts	894,965	862,257	102,036	-	69,328
County airport	309,688	237,234	22,203	-	(50,251)
Total component units	\$ 36,772,708	\$ 20,925,971	\$ 7,145,736	\$ 5,676,982	\$ (3,024,019)

continued...

SHIAWASSEE COUNTY, MICHIGAN

Statement of Activities

For the Year Ended December 31, 2018

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Totals	
Changes in net position				
Net (expense) revenues	\$ (13,529,421)	\$ 1,036,278	\$ (12,493,143)	\$ (3,024,019)
General revenues:				
Property taxes	11,008,629	-	11,008,629	3,638,990
State shared revenues	1,660,500	-	1,660,500	-
Unrestricted investment earnings	131,614	52,166	183,780	33,414
Other	-	-	-	63,078
Total general revenues	12,800,743	52,166	12,852,909	3,735,482
Change in net position	(728,678)	1,088,444	359,766	711,463
Net position, beginning of year, as restated	(14,232,555)	9,102,492	(5,130,063)	71,982,309
Net position, end of year	\$ (14,961,233)	\$ 10,190,936	\$ (4,770,297)	\$ 72,693,772

concluded.

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

SHIAWASSEE COUNTY, MICHIGAN

Balance Sheet

Governmental Funds

December 31, 2018

	General	Health Department Special Revenue	Medical Care Facility Debt Service
Assets			
Cash and cash equivalents	\$ 65,334	\$ 2,840,326	\$ -
Investments	486,018	-	-
Receivables:			
Accounts, net	-	92,049	-
Taxes	-	-	-
Leases	-	-	10,655,072
Due from other governments	260,226	-	-
Due from other funds	1,630,271	-	-
Inventories	-	64,587	-
Prepays	189,197	-	-
Advances to component unit	170,000	-	-
Total assets	\$ 2,801,046	\$ 2,996,962	\$ 10,655,072
Liabilities			
Accounts payable	\$ 580,388	\$ 413,752	\$ -
Accrued liabilities	748,290	39,422	-
Due to other funds	-	-	-
Unearned revenue	-	1,814,187	-
Total liabilities	1,328,678	2,267,361	-
Deferred inflows of resources			
Property taxes levied for subsequent period	-	-	-
Unavailable revenue	-	-	10,655,072
Total deferred inflows of resources	-	-	10,655,072
Fund balances			
Nonspendable	359,197	64,587	-
Restricted	-	665,014	-
Committed	243,270	-	-
Unassigned	869,901	-	-
Total fund balances	1,472,368	729,601	-
Total liabilities, deferred inflows of resources and fund balances	\$ 2,801,046	\$ 2,996,962	\$ 10,655,072

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



Mental Health Debt Service	Nonmajor Governmental Funds	Totals
\$ -	\$ 3,496,023	\$ 6,401,683
-	597,821	1,083,839
6,753	284,714	383,516
-	661,621	661,621
2,957,225	-	13,612,297
-	172,079	432,305
-	80,984	1,711,255
-	-	64,587
-	-	189,197
-	-	170,000
<u>\$ 2,963,978</u>	<u>\$ 5,293,242</u>	<u>\$ 24,710,300</u>
\$ -	\$ 133,219	\$ 1,127,359
-	52,930	840,642
6,753	184,086	190,839
-	382,656	2,196,843
<u>6,753</u>	<u>752,891</u>	<u>4,355,683</u>
-	695,588	695,588
2,957,225	-	13,612,297
<u>2,957,225</u>	<u>695,588</u>	<u>14,307,885</u>
-	-	423,784
-	3,570,361	4,235,375
-	274,402	517,672
-	-	869,901
<u>-</u>	<u>3,844,763</u>	<u>6,046,732</u>
<u>\$ 2,963,978</u>	<u>\$ 5,293,242</u>	<u>\$ 24,710,300</u>

SHIAWASSEE COUNTY, MICHIGAN

Reconciliation

Fund Balances of Governmental Funds
to Net Position of Governmental Activities
December 31, 2018

Fund balances - total governmental funds \$ 6,046,732

Amounts reported for *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 in the funds.

Capital assets not being depreciated	1,911,548
Capital assets being depreciated, net	6,131,155

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current expenditures. Those assets (i.e., receivables) are offset by deferred inflows of resources in the governmental funds and, therefore, are not included in fund balance.

Deferred lease receivable	13,612,297
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Certain pension and other postemployment benefit amounts, such as the net pension and OPEB liabilities and related deferred amounts are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the funds.

Net pension liability	(30,907,772)
Deferred inflows related to the net pension liability	(816,353)
Deferred outflows related to the net pension liability	4,064,256
Net OPEB liability	(954,103)
Deferred outflows related to the net OPEB liability	17,572

Internal service funds are used by management to charge the costs of certain equipment maintenance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.

	1,185,075
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Long-term debt balances are not due and payable in the current period and therefore are not reported in the funds.

Bonds payable	(14,800,935)
Accrued interest on bonds payable	(46,249)
Compensated absences	(404,456)

Net position of governmental activities	<u>\$ (14,961,233)</u>
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The accompanying notes are an integral part of these basic financial statements.

SHIAWASSEE COUNTY, MICHIGAN

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

	General	Health Department Special Revenue Fund	Medical Care Facility Debt Service
Revenues			
Taxes and special assessments	\$ 9,818,273	\$ -	\$ -
Licenses and permits	110,214	325,463	-
Intergovernmental	3,467,213	1,906,778	1,462,820
Charges for services	2,312,111	67,658	-
Fines and forfeitures	95,836	-	-
Interest and rents	129,207	139	-
Other revenues	223,087	-	-
Total revenues	16,155,941	2,300,038	1,462,820
Expenditures			
Current:			
General government	9,439,401	-	-
Public safety	6,108,507	-	-
Health and welfare	528,324	3,574,496	-
Recreation and culture	86,755	-	-
Community development	122,949	-	-
Other	436,718	-	-
Debt service:			
Principal	69,268	-	1,192,971
Interest	3,531	-	269,849
Capital outlay	-	-	-
Total expenditures	16,795,453	3,574,496	1,462,820
Revenues over (under) expenditures	(639,512)	(1,274,458)	-
Other financing sources (uses)			
Loan proceeds	-	600,000	-
Transfers in	43,873	217,000	-
Transfers out	(941,805)	-	-
Total other financing sources (uses)	(897,932)	817,000	-
Net change in fund balances	(1,537,444)	(457,458)	-
Fund balances, beginning of year	3,009,812	1,187,059	-
Fund balances, end of year	\$ 1,472,368	\$ 729,601	\$ -

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



Mental Health Debt Service	Nonmajor Governmental Funds	Totals
\$ -	\$ 1,190,356	\$ 11,008,629
-	-	435,677
305,280	1,829,857	8,971,948
-	2,411,632	4,791,401
-	13,102	108,938
-	3,738	133,084
-	91,853	314,940
<u>305,280</u>	<u>5,540,538</u>	<u>25,764,617</u>
-	88,145	9,527,546
-	2,137,827	8,246,334
-	2,995,483	7,098,303
-	288,508	375,263
-	-	122,949
-	-	436,718
150,000	55,000	1,467,239
155,280	42,170	470,830
-	3,474	3,474
<u>305,280</u>	<u>5,610,607</u>	<u>27,748,656</u>
-	(70,069)	(1,984,039)
-	-	600,000
-	1,212,794	1,473,667
-	(531,862)	(1,473,667)
<u>-</u>	<u>680,932</u>	<u>600,000</u>
-	610,863	(1,384,039)
-	3,233,900	7,430,771
<u>\$ -</u>	<u>\$ 3,844,763</u>	<u>\$ 6,046,732</u>

SHIAWASSEE COUNTY, MICHIGAN

Reconciliation

Net Changes in Fund Balances of Governmental Funds
to Change in Net Position of Governmental Activities
For the Year Ended December 31, 2018

Net change in fund balances - total governmental funds \$ (1,384,039)

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

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital assets purchased/constructed	1,659,330
Depreciation expense	(508,973)
Loss on sale of capital assets	(2,808)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to subsequent fiscal years.

Change in deferred lease receivable	(1,343,484)
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Internal service funds are used by management to charge the costs of certain equipment maintenance to individual funds. The net change in the net position of the internal service funds is reported with governmental activities.

Net operating loss from governmental internal service funds	(24,312)
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Debt proceeds provide current financial resources to governmental funds in the period issued, but issuing

Principal payments on long-term liabilities	1,467,239
Loan proceeds	(600,000)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Change in accrued interest payable on long-term debt	14,292
Change in net OPEB liability and related deferred amounts	166,645
Change in net pension liability and related deferred amounts	(135,556)
Change in the accrual for compensated absences	(37,012)

Change in net position of governmental activities	<u>\$ (728,678)</u>
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The accompanying notes are an integral part of these basic financial statements.

SHIAWASSEE COUNTY, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - General Fund
For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes:				
Current and delinquent	\$ 9,611,559	\$ 9,611,559	\$ 9,789,963	\$ 178,404
Mobile home park	10,000	10,000	9,640	(360)
Other	17,850	17,850	18,670	820
Total taxes	<u>9,639,409</u>	<u>9,639,409</u>	<u>9,818,273</u>	<u>178,864</u>
Licenses and permits:				
Dog and kennel	<u>104,000</u>	<u>104,000</u>	<u>110,214</u>	<u>6,214</u>
Intergovernmental:				
Cooperative reimbursement	794,690	794,690	760,112	(34,578)
Sheriff - road patrol	76,281	76,281	76,111	(170)
Revenue sharing	1,659,577	1,659,577	1,660,500	923
Liquor license	12,500	12,500	13,149	649
Convention facility tax	88,710	88,710	95,923	7,213
Victim's rights	80,691	80,691	85,935	5,244
Drivers license restoration	500	500	12,534	12,034
Probate court judge	156,693	156,693	181,144	24,451
Circuit court judge	45,724	45,724	45,724	-
District court judge	91,500	91,500	91,448	(52)
Diverted felons	30,000	30,000	48,260	18,260
Jury fee reimbursement	5,000	5,000	11,990	6,990
PA 345 - remonumentation	43,619	43,619	47,844	4,225
Court equity	305,000	305,000	289,612	(15,388)
Emergency management	54,687	54,687	46,927	(7,760)
Total intergovernmental	<u>3,445,172</u>	<u>3,445,172</u>	<u>3,467,213</u>	<u>22,041</u>
Charges for services:				
Sheriff	45,000	72,667	51,727	(20,940)
Treasurer	17,000	17,000	12,244	(4,756)
Equalization	78,500	78,500	65,420	(13,080)
Friend of the court	222,000	222,000	155,500	(66,500)
District court	661,500	661,500	664,411	2,911
Circuit court	275,000	275,000	178,570	(96,430)
Probation - juvenile	62,817	62,817	78,945	16,128
Clerk	113,000	113,000	136,314	23,314
Register of deeds	404,000	404,000	532,324	128,324
Probate court	20,000	20,000	26,539	6,539
Community development	35,000	35,000	27,570	(7,430)
Care of prisoners	378,000	378,000	378,778	778
Other	5,220	5,220	3,769	(1,451)
Total charges for services	<u>2,317,037</u>	<u>2,344,704</u>	<u>2,312,111</u>	<u>(32,593)</u>

continued...

SHIAWASSEE COUNTY, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - General Fund
For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues (concluded)				
Fines and forfeitures:				
Bond forfeitures	\$ 7,000	\$ 7,000	\$ 10,200	\$ 3,200
Ordinance fines and costs	130,000	130,000	85,636	(44,364)
Total fines and forfeitures	<u>137,000</u>	<u>137,000</u>	<u>95,836</u>	<u>(41,164)</u>
Interest and rents:				
Interest	10,000	10,000	127,737	117,737
Rents	350	350	1,470	1,120
Total interest and rents	<u>10,350</u>	<u>10,350</u>	<u>129,207</u>	<u>118,857</u>
Other revenues:				
Contributions	16,000	16,000	12,500	(3,500)
Reimbursements - indirect costs	81,000	81,000	101,508	20,508
Reimbursements - other	26,700	26,700	69,315	42,615
Bond and insurance recoveries	-	-	10,468	10,468
Other	430,000	430,000	29,296	(400,704)
Total other revenues	<u>553,700</u>	<u>553,700</u>	<u>223,087</u>	<u>(330,613)</u>
Total revenues	<u>16,206,668</u>	<u>16,234,335</u>	<u>16,155,941</u>	<u>(78,394)</u>
Expenditures				
Current:				
General government:				
Board of Commissioners	804,376	804,376	182,642	(621,734)
Circuit court	692,359	692,359	654,539	(37,820)
District court	1,091,499	1,091,499	1,137,258	45,759
Friend of court	396,232	396,232	794,110	397,878
Probate - juvenile division	630,561	630,561	620,963	(9,598)
Probate - estate division	378,395	378,395	383,128	4,733
Circuit court - probation/parole	15,500	15,500	3,607	(11,893)
County Administrator	304,289	304,289	711,650	407,361
Elections	137,318	186,414	152,637	(33,777)
Clerk	432,495	424,688	426,608	1,920
Equalization	243,604	243,604	228,213	(15,391)
Prosecuting attorney	964,693	964,693	969,184	4,491
Jury board	32,750	32,750	14,690	(18,060)
Register of deeds	294,588	295,752	283,243	(12,509)
Survey and remonumentation	65,275	65,275	72,779	7,504
Technology services	277,506	277,506	289,888	12,382
Treasurer	343,116	343,116	320,065	(23,051)
Courthouse and grounds	867,008	865,418	977,038	111,620
Drain commissioner	331,422	334,012	317,415	(16,597)
Professional services	179,500	178,500	792,521	614,021
Airport	6,678	6,678	6,978	300
Other	154,414	153,250	100,245	(53,005)
Total general government	<u>8,643,578</u>	<u>8,684,867</u>	<u>9,439,401</u>	<u>754,534</u>

continued...

SHIAWASSEE COUNTY, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - General Fund
For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures (concluded)				
Current (concluded):				
Public safety:				
Sheriff	\$ 2,459,154	\$ 2,566,503	\$ 3,399,739	\$ 833,236
Secondary road patrol	103,663	103,663	83,185	(20,478)
Security	287,752	287,752	238,302	(49,450)
Jail	2,617,223	2,617,223	2,300,557	(316,666)
Animal control	76,737	76,737	86,724	9,987
Total public safety	<u>5,544,529</u>	<u>5,651,878</u>	<u>6,108,507</u>	<u>456,629</u>
Health and welfare:				
Medical examiner	171,947	171,947	166,775	(5,172)
Mental health services	200,000	200,000	200,000	-
Emergency services	87,261	87,261	161,549	74,288
Total health and welfare	<u>459,208</u>	<u>459,208</u>	<u>528,324</u>	<u>69,116</u>
Recreation and culture - parks	<u>16,613</u>	<u>16,613</u>	<u>86,755</u>	<u>70,142</u>
Community and economic development	<u>159,950</u>	<u>159,950</u>	<u>122,949</u>	<u>(37,001)</u>
Other:				
Insurance and bonds	470,414	470,414	328,035	(142,379)
Other	155,795	155,795	108,683	(47,112)
Total other	<u>626,209</u>	<u>626,209</u>	<u>436,718</u>	<u>(189,491)</u>
Debt service:				
Principal	48,808	48,808	69,268	20,460
Interest	-	-	3,531	3,531
Total debt service	<u>48,808</u>	<u>48,808</u>	<u>72,799</u>	<u>23,991</u>
Total expenditures	<u>15,498,895</u>	<u>15,647,533</u>	<u>16,795,453</u>	<u>1,147,920</u>
Revenues over (under) expenditures	<u>707,773</u>	<u>586,802</u>	<u>(639,512)</u>	<u>(1,226,314)</u>
Other financing sources (uses)				
Transfers in	142,000	193,089	43,873	(149,216)
Transfers out	(877,750)	(928,839)	(941,805)	(12,966)
Total other financing sources (uses)	<u>(735,750)</u>	<u>(735,750)</u>	<u>(897,932)</u>	<u>(162,182)</u>
Net change in fund balance	(27,977)	(148,948)	(1,537,444)	(1,388,496)
Fund balance, beginning of year	<u>3,009,812</u>	<u>3,009,812</u>	<u>3,009,812</u>	<u>-</u>
Fund balance, end of year	<u>\$ 2,981,835</u>	<u>\$ 2,860,864</u>	<u>\$ 1,472,368</u>	<u>\$ (1,388,496)</u>

concluded.

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

SHIAWASSEE COUNTY, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - Health Department
For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental	\$ -	\$ -	\$ 1,906,778	\$ 1,906,778
Charges for services	2,662,805	2,662,805	67,658	(2,595,147)
Licenses and permits	-	-	325,463	325,463
Interest	-	-	139	139
Total revenues	2,662,805	2,662,805	2,300,038	(362,767)
Expenditures				
Current:				
Health and welfare	2,668,849	2,668,849	3,574,496	905,647
Revenues under expenditures	(6,044)	(6,044)	(1,274,458)	(1,268,414)
Other financing sources (uses)				
Loan proceeds	-	-	600,000	600,000
Transfers in	-	-	217,000	217,000
Transfers out	(20,000)	(20,000)	-	20,000
Total other financing sources (uses)	(20,000)	(20,000)	817,000	837,000
Net change in fund balance	(26,044)	(26,044)	(457,458)	(431,414)
Fund balance, beginning of year	1,187,059	1,187,059	1,187,059	-
Fund balance, end of year	\$ 1,161,015	\$ 1,161,015	\$ 729,601	\$ (431,414)

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

SHIAWASSEE COUNTY, MICHIGAN

Statement of Net Position Proprietary Funds December 31, 2018

	Business-type Activities - Enterprise Funds			Governmental Activities
	Delinquent Tax Revolving	Jail Commissary - Nonmajor	Totals	Internal Service Fund - Self Insurance
Assets				
Current assets:				
Cash and cash equivalents	\$ 3,716,782	\$ 176,611	\$ 3,893,393	\$ 1,185,075
Investments	3,590,651	-	3,590,651	-
Receivables:				
Accounts	460,131	8,340	468,471	-
Delinquent taxes	3,809,180	-	3,809,180	-
Total current assets	<u>11,576,744</u>	<u>184,951</u>	<u>11,761,695</u>	<u>1,185,075</u>
Noncurrent assets:				
Capital assets being depreciated, net	-	2,845	2,845	-
Total assets	<u>11,576,744</u>	<u>187,796</u>	<u>11,764,540</u>	<u>1,185,075</u>
Liabilities				
Current liabilities:				
Accounts payable	33,084	20,104	53,188	-
Due to other funds	1,520,416	-	1,520,416	-
Total liabilities (all current)	<u>1,553,500</u>	<u>20,104</u>	<u>1,573,604</u>	<u>-</u>
Net position				
Investment in capital assets	-	2,845	2,845	-
Unrestricted	10,023,244	164,847	10,188,091	1,185,075
Total net position	<u>\$ 10,023,244</u>	<u>\$ 167,692</u>	<u>\$ 10,190,936</u>	<u>\$ 1,185,075</u>

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

SHIAWASSEE COUNTY, MICHIGAN

Statement of Revenues, Expenses and Changes in Fund Net Position Proprietary Funds For the Year Ended December 31, 2018

	Business-type Activities - Enterprise Funds			Governmental Activities
	Delinquent Tax Revolving	Jail Commissary - Nonmajor	Totals	Internal Service Fund - Self Insurance
Operating revenues				
Charges for services	\$ -	\$ 394,179	\$ 394,179	\$ 2,840,176
Interest and penalties on delinquent taxes	992,769	-	992,769	-
Total operating revenues	992,769	394,179	1,386,948	2,840,176
Operating expenses				
Personnel services	-	-	-	2,864,488
Other	-	346,754	346,754	-
Depreciation	-	3,916	3,916	-
Total operating expenses	-	350,670	350,670	2,864,488
Operating income (loss)	992,769	43,509	1,036,278	(24,312)
Nonoperating revenues				
Interest revenue	52,166	-	52,166	-
Change in net position	1,044,935	43,509	1,088,444	(24,312)
Net position, beginning of year	8,978,309	124,183	9,102,492	1,209,387
Net position, end of year	\$ 10,023,244	\$ 167,692	\$ 10,190,936	\$ 1,185,075

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

SHIAWASSEE COUNTY, MICHIGAN

Statement of Cash Flows

Proprietary Funds

For the Year Ended December 31, 2018

	Business-type Activities - Enterprise Funds			Governmental Activities
	Delinquent Tax Revolving	Jail Commissary - Nonmajor	Totals	Internal Service Fund - Self Insurance
Cash flows from operating activities				
Cash received from customers	\$ 1,011,162	\$ 397,321	\$ 1,408,483	\$ 2,840,176
Cash payments for goods and services	-	(385,486)	(385,486)	(2,864,488)
Net cash provided by (used in) operating activities	1,011,162	11,835	1,022,997	(24,312)
Cash flows from investing activities				
Interest and dividends received	52,166	-	52,166	-
Purchases of investments	(52,166)	-	(52,166)	-
Net cash provided by investing activities	-	-	-	-
Net change in cash and cash equivalents	1,011,162	11,835	1,022,997	(24,312)
Cash and cash equivalents, beginning of year	2,705,620	164,776	2,870,396	1,209,387
Cash and cash equivalents, end of year	\$ 3,716,782	\$ 176,611	\$ 3,893,393	\$ 1,185,075
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities				
Operating income (loss)	\$ 992,769	\$ 43,509	\$ 1,036,278	\$ (24,312)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation expense	-	3,916	3,916	-
Change in operating assets and liabilities that provided (used) cash:				
Accounts receivable	82,346	3,142	85,488	-
Taxes receivable	(205,891)	-	(205,891)	-
Accounts payable	33,046	(38,732)	(5,686)	-
Due to other funds	108,892	-	108,892	-
Net cash provided by (used in) operating activities	\$ 1,011,162	\$ 11,835	\$ 1,022,997	\$ (24,312)

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

SHIAWASSEE COUNTY, MICHIGAN

Statement of Assets and Liabilities

Fiduciary Funds
December 31, 2018

	Agency Funds
Assets	
Cash and cash equivalents	<u>\$ 1,089,279</u>
Liabilities	
Undistributed receipts	<u>\$ 1,089,279</u>

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

COMPONENT UNITS

SHIAWASSEE COUNTY, MICHIGAN

Combining Statement of Net Position Discretely Presented Component Units December 31, 2018

	Road Commission	Medical Care Facility	Drainage District
Assets			
Cash and cash equivalents	\$ 1,400,747	\$ 4,344,635	\$ 2,311,922
Investments	2,536,562	-	-
Receivables, net	1,818,207	6,006,170	1,656,487
Other assets	410,970	344,427	-
Capital assets not being depreciated	4,589,993	1,000,919	-
Capital assets being depreciated, net	40,662,448	25,359,775	5,600,316
Total assets	51,418,927	37,055,926	9,568,725
Deferred outflows of resources			
Deferred pension amounts	1,360,917	1,541,686	-
Deferred OPEB amounts	93,529	-	-
Total deferred outflows of resources	1,454,446	1,541,686	-
Liabilities			
Accounts payable and accrued liabilities	322,133	1,018,626	47,024
Short-term notes payable	-	-	150,000
Unearned revenue	-	-	-
Advance from primary government	-	-	170,000
Advance from other governmental units	491,470	-	-
Long-term debt:			
Due within one year	269,581	2,113,292	380,000
Due in more than one year	-	9,420,406	1,324,470
Net pension liability, due in more than one year	4,433,425	4,108,798	-
Net OPEB liability, due in more than one year	754,189	205,278	-
Total liabilities	6,270,798	16,866,400	2,071,494
Deferred inflows of resources			
Taxes levied for subsequent year	-	3,518,531	-
Deferred pension amounts	540,263	914,220	-
Total deferred inflows of resources	540,263	4,432,751	-
Net position			
Net investment in capital assets	45,252,441	15,718,490	3,895,846
Restricted:			
Debt service	-	-	275,472
Capital improvements	-	-	2,372,316
Unrestricted	809,871	1,579,971	953,597
Total net position	\$ 46,062,312	\$ 17,298,461	\$ 7,497,231

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



County Airport	Totals
\$ 49,983	\$ 8,107,287
-	2,536,562
32,653	9,513,517
5,438	760,835
-	5,590,912
<u>1,750,421</u>	<u>73,372,960</u>
<u>1,838,495</u>	<u>99,882,073</u>
-	2,902,603
-	<u>93,529</u>
-	<u>2,996,132</u>
2,727	1,390,510
-	150,000
-	-
-	170,000
-	491,470
-	2,762,873
-	10,744,876
-	8,542,223
-	<u>959,467</u>
<u>2,727</u>	<u>25,211,419</u>
-	3,518,531
-	<u>1,454,483</u>
-	<u>4,973,014</u>
1,750,421	66,617,198
-	275,472
-	2,372,316
<u>85,347</u>	<u>3,428,786</u>
<u>\$ 1,835,768</u>	<u>\$ 72,693,772</u>

SHIAWASSEE COUNTY, MICHIGAN

Combining Statement of Activities Discretely Presented Component Units For the Year Ended December 31, 2018

	Road Commission	Medical Care Facility	Drainage District
Expenses			
Road Commission	\$ 10,802,264	\$ -	\$ -
Medical Care Facility	-	24,765,791	-
Drainage Districts	-	-	894,965
County Airport	-	-	-
Total expenses	10,802,264	24,765,791	894,965
Program revenues			
Charges for services	1,521,438	18,305,042	862,257
Operating grants and contributions	7,021,497	-	102,036
Capital grants and contributions	5,676,982	-	-
Total program revenues	14,219,917	18,305,042	964,293
Net program revenue (expense)	3,417,653	(6,460,749)	69,328
General revenues			
Property taxes	-	3,638,990	-
Unrestricted investment earnings	21,425	6,070	5,910
Other	63,078	-	-
Total general revenues	84,503	3,645,060	5,910
Change in net position	3,502,156	(2,815,689)	75,238
Net position, beginning of year, as restated	42,560,156	20,114,150	7,421,993
Net position, end of year	\$ 46,062,312	\$ 17,298,461	\$ 7,497,231

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



County Airport	Totals
\$ -	\$ 10,802,264
-	24,765,791
-	894,965
<u>309,688</u>	<u>309,688</u>
<u>309,688</u>	<u>36,772,708</u>
237,234	20,925,971
22,203	7,145,736
-	<u>5,676,982</u>
<u>259,437</u>	<u>33,748,689</u>
<u>(50,251)</u>	<u>(3,024,019)</u>
-	3,638,990
9	33,414
-	<u>63,078</u>
<u>9</u>	<u>3,735,482</u>
(50,242)	711,463
<u>1,886,010</u>	<u>71,982,309</u>
<u>\$ 1,835,768</u>	<u>\$ 72,693,772</u>

NOTES TO FINANCIAL STATEMENTS

SHIAWASSEE COUNTY, MICHIGAN

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Shiawassee County, Michigan (the “County”) was incorporated in 1822 and covers an area of 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 or 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 state and local governments. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The County’s more significant accounting policies are described below.

Reporting Entity

As required by generally accepted accounting principles, these financial statements present the County and its component units, entities for which the County is considered to be financially accountable. The financial data of the component units are included in the County’s reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Unit

A blended component unit is a legally separate entity from the County but is so intertwined with the County that it is, in substance, the same as the County. It is reported as part of the County and its financial data is combined with data of the appropriate funds. The County has one blended component unit, the Building Authority. This component unit provides services primarily to benefit the County. The blended unit is described as follows:

The Building Authority (the “Authority”) to finance and construct the County’s public buildings. The Shiawassee County Building Authority currently does not have any active projects in the County.

The Economic Development Corporation (the “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.

Discretely Presented Component Units

Discretely presented component units are entities that are legally separate from the County but for which the County is financially accountable, or their relationship with the County is such that exclusion would cause the County’s financial statements to be misleading or incomplete. The discretely presented component units are as follows:

SHIAWASSEE COUNTY, MICHIGAN

Notes to Financial Statements

The Shiawassee County Road Commission (the "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 Road Commission is governed by a three member Board of County Road Commissioners elected by Shiawassee County voters. A copy of the Road Commission's separately issued audited financial statements can be obtained at its administrative offices.

The Shiawassee County Medical Care Facility (Pleasant View) is governed by the Shiawassee County Department of Human Services Board. This board consists of three members, two of whom are appointed by the County Board of Commissioners and one appointed by the Michigan governor. The County Human Services Board approves the Facility's budget and submits a copy to the County Board of Commissioners. The medical care facility does not issue separate audited financial statements.

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 do not issue separate audited financial statements.

Shiawassee County Airport - 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 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 does not issue separate audited financial statements.

Jointly Governed Organizations

Genesee-Lapeer-Shiawassee Planning Commission - Shiawassee County, in conjunction with two 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 is appointed by Shiawassee County. The County has no ongoing financial responsibility.

Genesee-Shiawassee Workforce Development Board - Shiawassee County, in conjunction with two 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 are appointed by Shiawassee County. The County has no ongoing financial responsibility other than the potential liability related to inappropriate use of funds.

SHIAWASSEE COUNTY, MICHIGAN

Notes to Financial Statements

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 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.

Related Organizations

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, 2018, 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.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

SHIAWASSEE COUNTY, MICHIGAN

Notes to Financial Statements

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Agency funds, a type of fiduciary fund, are unlike all other types of funds, reporting only assets and liabilities. Therefore, agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

Governmental funds are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Under this method, revenues are recognized when measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The County considers all revenues reported in the governmental funds to be available if they are collected within 60 days after year-end, except reimbursement-based grants that use a one year collection period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, intergovernmental revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and as such have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the County.

The County reports the following major governmental funds:

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

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.

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.

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.

SHIAWASSEE COUNTY, MICHIGAN

Notes to Financial Statements

The County reports the following major enterprise fund:

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.

Additionally, the County reports the following fund types:

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects that comprise, or are expected to comprise a substantial portion of the fund's total reported inflows.

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

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

Internal service funds account for operations that provide services to other departments or agencies of the County on a cost-reimbursement basis. This includes self-insurance services.

Agency funds account for resources held in a trustee or agent capacity for the benefit of other governments or individuals.

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's enterprise and internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of the sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Nonexchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

SHIAWASSEE COUNTY, MICHIGAN

Notes to Financial Statements

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

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

Deposits and Investments

The 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 balances in the pooled cash accounts are available to meet current operating requirements. Cash in excess of current requirements is invested in various interest bearing securities (generally certificate of deposits) and disclosed as part of the County's investments. Cash equivalents consist of temporary investments in various instruments with a maturity from date of purchase of 90 days or less.

The County's pooled cash and investments are utilized by the general fund and most of the special revenue funds, capital project funds, debt service fund, enterprise funds, agency funds, and component units. Each fund's portion of these pooled accounts is included in the cash and cash equivalents caption in the applicable balance sheet/statement of net position. Certain funds of the County utilize separate savings and interest bearing checking accounts. In addition, certificates of deposit are separately held by several of the County's funds.

State statutes authorize the County to invest in:

- Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- Bankers' acceptances of United States banks.
- Obligations of the State of Michigan and its political subdivisions, that, at the time of purchase are rated as investment grade by at least one standard rating service.
- Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

SHIAWASSEE COUNTY, MICHIGAN

Notes to Financial Statements

Investments are stated at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. Investments that do not have established market values are reported at estimated fair value. Cash deposits are reported at carrying amounts, which reasonably approximates fair value.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Property taxes receivable in governmental funds represent amounts due from taxpayers on the July 1 and December 1 tax levies in the general fund and other governmental funds, respectively. Any amounts outstanding on the July 1 levy on March 1 (excluding personal property taxes) are purchased by the delinquent tax revolving fund through the settlement process.

Property taxes receivable in the delinquent tax revolving fund represent unpaid balances from the previous years' levies for the County itself as well as other local taxing authorities in the County's geographical region. The County is responsible for pursuing and administering collection of these balances and coordinating the forfeiture and foreclosure activities for the related parcels. This process takes place over a 3-year period. Interest at 1% per month (increased to 1.5% after 12 months, retroactive to the date of delinquency) and administrative fees at 4% are accrued in accordance with State statute. No amounts have been included in an allowance for uncollectible balances, as the structure of the Delinquent Tax Revolving fund has been designed to make the fund whole either through the eventual auction of the foreclosed parcels or through chargebacks to the local taxing authorities initially levying the taxes.

Amounts due from other governments include amounts due from grantors for specific programs and capital projects. Program grants and capital grants for capital assets are recorded as receivables and revenues at the time reimbursable project costs are incurred. Amounts received in advance of project costs being incurred are reported as unearned revenue.

Inventories and Prepaids

Inventories consist of food and office supplies in the primary government and road materials and equipment parts in the Road Commission component unit. Inventories are reported at cost using the first-in/first-out method and are recorded as expenditures when consumed (consumption method). Nonspendable fund balances have been recorded to indicate that inventories are not currently available, spendable components of fund balance.

SHIAWASSEE COUNTY, MICHIGAN

Notes to Financial Statements

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaids in both the government-wide and fund financial statements. Nonspendable fund balances have been recorded in the applicable governmental funds to indicate the prepaids are not a currently available or spendable component of fund balance.

Leases Receivable

Primary Government

Shiawassee County has entered into contracts with the Shiawassee County Medical Care Facility component unit and the Shiawassee County Community Mental Health Authority for the purposes of constructing and/or improving buildings and the financing of the same through the issuance of bonds. The agreements specify that the County enter into lease agreements for the buildings with the other entities. The County in turn leases the building to the ultimate user and that lease is at a rate sufficient to retire the bonds and pay all other necessary and proper expenses of the project. The future minimum lease payments to be received under each lease agreement are equal to the outstanding principal and interest on the bond issue. Once all the bonds have been retired, the County shall convey to the medical care facility and mental health authority all of its rights, title, and interest in the project.

The aggregate future lease payments necessary for retirement of outstanding bond principal have been recorded as a lease receivable. Unavailable revenue is shown on the balance sheet in the same amount as the lease receivable as revenue is not recognized until lease payments are received. There is no provision for any contingent rentals in the lease.

Capital Assets

Primary Government and Component Units (except for the Road Commission component unit)

Capital assets include land, buildings and improvements, equipment, vehicles, drain infrastructure, and other assets and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements. Capital assets are those with an initial individual cost of \$5,000 or more (\$50,000 for drain infrastructure) and an estimated useful life of more than two years. Capital assets are stated at historical cost or estimated historical cost where actual cost information is not available. Donated capital assets are recorded at their estimated acquisition cost as of the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the asset constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

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

SHIAWASSEE COUNTY, MICHIGAN

Notes to Financial Statements

Shiawassee County Road Commission Component Unit

Capital assets, which include property, equipment, and infrastructure assets (i.e., roads, bridges, and similar items), are reported in the government-wide financial statements (statement of net position and statement of activities). Capital assets are defined by the Road Commission as assets with an initial individual cost of more than \$200 and an estimated life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition cost at the date donated.

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:

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

The County reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its fair value. If it is determined that an impairment loss has occurred the asset is written down to its net realizable value and a current charge to income is recognized.

Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The County reports deferred outflows of resources for the net difference between projected and actual investment returns and for contributions subsequent to the measurement date for its pension and OPEB plans.

Compensated Absences

County employees are permitted to accumulate earned but unused vacation and sick time benefits, subject to certain limitations, according to personnel contracts. All vested benefits are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

Unearned Revenue

Unearned revenue consists of amounts received prior to the delivery of goods/service or expenditure on allowable costs.

SHIAWASSEE COUNTY, MICHIGAN

Notes to Financial Statements

Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, are deferred and amortized over the life of the bonds using the straight-line basis. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expense when incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Inflows of Resources

In addition to liabilities, the statement of financial 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 net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds also report unavailable revenues, which arise only under a modified accrual basis of accounting that are reported as deferred inflows of resources. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The County also reports deferred inflows related to the pension plan in the statements of net position. A deferred inflow related to the pension plan results when there is a change in total pension liability due to benefit changes, differences between expected and actual experience, changes in actuarial assumptions, or differences between expected and actual investment returns.

Fund Balances

Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. *Committed fund balance* is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the County Board of Commissioners. A formal resolution of the County Board is required to establish, modify, or rescind a fund balance commitment. The County reports *assigned fund balance* for amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. The County Board has not delegated the authority to assign fund balance. Unassigned fund balance is the residual classification for the general fund.

SHIAWASSEE COUNTY, MICHIGAN

Notes to Financial Statements

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

Interfund Transactions

During the course of normal operations, the County has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers. The amounts recorded as subsidies or advances are determined by the County. Balances outstanding at year-end are reported as due to/from other funds. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements. Internal service funds are used to record charges for services to all County departments and funds as transfers or operating revenue. All County funds record these payments to the internal service funds as transfers or operating expenditures/expenses.

Pensions and OPEB

For purposes of measuring the net pension and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the fiduciary net position of the Plan and additions to/deductions from the plan fiduciary net position have been determined on the same basis as they are reported by the Plan. 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.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. BUDGETARY INFORMATION

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:

- 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.
- A Public Hearing is held to obtain taxpayers' comments.
- Prior to December 31, the budgets are legally enacted through passage of an annual budget resolution.

SHIAWASSEE COUNTY, MICHIGAN

Notes to Financial Statements

- 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.
- 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.
- 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.

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended December 31, 2018, the County incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	Total Appropriations	Amount of Expenditures	Budget Variance
General fund			
General government:			
District court	\$ 1,091,499	\$ 1,137,258	\$ 45,759
Friend of court	396,232	794,110	397,878
Probate - estate division	378,395	383,128	4,733
County Administrator	304,289	711,650	407,361
Clerk	424,688	426,608	1,920
Prosecuting attorney	964,693	969,184	4,491
Survey and remonumentation	65,275	72,779	7,504
Technology services	277,506	289,888	12,382
Courthouse and grounds	865,418	977,038	111,620
Professional services	178,500	792,521	614,021
Airport	6,678	6,978	300
Public safety:			
Sheriff	2,566,503	3,399,739	833,236
Animal control	76,737	86,724	9,987
Health and welfare:			
Emergency services	87,261	161,549	74,288
Recreation and culture - parks	16,613	86,755	70,142
Debt service	48,808	72,799	23,991
Transfers out	928,839	941,805	12,966
Health Department fund			
Health and welfare	2,668,849	3,574,496	905,647

SHIAWASSEE COUNTY, MICHIGAN

Notes to Financial Statements

3. DEPOSITS AND INVESTMENTS

Following is a reconciliation of deposit and investment balances for the primary government and component units cash and investments as of December 31, 2018:

	Primary Government	Component Units	Totals
Statement of net position			
Cash and cash equivalents	\$ 11,480,151	\$ 8,107,287	\$ 19,587,438
Investments	4,674,490	2,536,562	7,211,052
Statement of assets and liabilities			
Agency funds:			
Cash and cash equivalents	1,089,279	-	1,089,279
Total	\$ 17,243,920	\$ 10,643,849	\$ 27,887,769
			Totals
Deposits and investments			
Bank deposits:			
Checking and savings accounts			\$ 20,652,547
Certificates of deposit, due within one year			7,211,052
Cash on hand			24,170
Total			\$ 27,887,769

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned. State law does not require and the County does not have a policy for deposit custodial credit risk. As of year-end, \$23,326,019 of the County's bank balance of \$25,379,757 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The County's investment policy does not specifically address this risk, although the County believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the County evaluates each financial institution with which it deposits County funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

SHIAWASSEE COUNTY, MICHIGAN

Notes to Financial Statements

4. RECEIVABLES AND DEFERRED INFLOWS OF RESOURCES

Receivables are comprised of the following:

	Governmental Activities	Business-type Activities	Component Units
Accounts receivable	\$ 383,516	\$ 468,471	\$ 3,098,630
Taxes receivable	661,621	3,809,180	3,388,885
Special assessments receivable	-	-	1,224,729
Leases receivable	13,612,297	-	-
Due from other governments	432,305	-	2,241,273
Allowance for doubtful accounts	-	-	(440,000)
	<u>\$ 15,089,739</u>	<u>\$ 4,277,651</u>	<u>\$ 9,513,517</u>
Amount not expected to be collected within one year	<u>\$ 13,562,204</u>	<u>\$ -</u>	<u>\$ 639,189</u>

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or are taxes levied that are intended to be used for the subsequent year. At the end of the current fiscal year, the various components of deferred inflows of resources reported in governmental funds were as follows:

Governmental funds	
Leases receivable	\$ 13,612,297
Property taxes levied for subsequent period	<u>695,588</u>
Totals	<u>\$ 14,307,885</u>

5. OTHER ASSETS

Other assets consisted of the following amounts at December 31, 2018:

	Governmental Activities	Business-type Activities	Component Units
Inventories	\$ 64,587	\$ -	\$ 416,408
Prepays	189,197	-	344,427
Totals	<u>\$ 253,784</u>	<u>\$ -</u>	<u>\$ 760,835</u>

SHIAWASSEE COUNTY, MICHIGAN

Notes to Financial Statements

6. CAPITAL ASSETS

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

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental activities					
Capital assets, not being depreciated:					
Land	\$ 668,840	\$ -	\$ -	\$ -	\$ 668,840
Construction in process	918,599	1,242,708	-	(918,599)	1,242,708
	<u>1,587,439</u>	<u>1,242,708</u>	<u>-</u>	<u>(918,599)</u>	<u>1,911,548</u>
Capital assets, being depreciated:					
Land improvements	131,038	15,800	-	-	146,838
Buildings and improvements	7,238,450	193,451	-	918,599	8,350,500
Equipment	4,929,676	86,240	-	-	5,015,916
Vehicles	1,237,660	121,131	-	(28,080)	1,330,711
	<u>13,536,824</u>	<u>416,622</u>	<u>-</u>	<u>890,519</u>	<u>14,843,965</u>
Less accumulated depreciation for:					
Land improvements	(115,502)	(6,348)	-	-	(121,850)
Buildings and improvements	(3,548,070)	(183,599)	-	-	(3,731,669)
Equipment	(3,833,674)	(200,625)	-	-	(4,034,299)
Vehicles	(731,863)	(118,401)	-	25,272	(824,992)
	<u>(8,229,109)</u>	<u>(508,973)</u>	<u>-</u>	<u>25,272</u>	<u>(8,712,810)</u>
Total capital assets being depreciated, net	<u>5,307,715</u>	<u>(92,351)</u>	<u>-</u>	<u>915,791</u>	<u>6,131,155</u>
Governmental activities capital assets, net	<u>\$ 6,895,154</u>	<u>\$ 1,150,357</u>	<u>\$ -</u>	<u>\$ (2,808)</u>	<u>\$ 8,042,703</u>
Business-type activities					
Capital assets, being depreciated:					
Equipment	\$ 34,550	\$ -	\$ -	\$ -	\$ 34,550
Less accumulated depreciation for:					
Equipment	(27,789)	(3,916)	-	-	(31,705)
Business-type activities capital assets, net	<u>\$ 6,761</u>	<u>\$ (3,916)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,845</u>

SHIAWASSEE COUNTY, MICHIGAN

Notes to Financial Statements

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

Depreciation of governmental activities by function:

General government	\$ 268,881
Public safety	237,107
Recreation and culture	<u>2,985</u>

Total depreciation expense - governmental activities \$ 508,973

Depreciation of business-type activities by function:

Jail commissary	<u><u>\$ 3,916</u></u>
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	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Road Commission Component Unit					
Capital assets, not being depreciated:					
Land and improvements	\$ 595,381	\$ 2,264	\$ -	\$ -	\$ 597,645
Infrastructure and improvements	4,211,670	25,667	(244,989)	-	3,992,348
	<u>4,807,051</u>	<u>27,931</u>	<u>(244,989)</u>	<u>-</u>	<u>4,589,993</u>
Capital assets, being depreciated:					
Buildings and improvements	3,226,850	100,390	-	-	3,327,240
Equipment	8,974,573	726,527	(270,268)	-	9,430,832
Infrastructure	73,510,987	5,676,982	(3,747,986)	-	75,439,983
Land improvements	427,722	-	-	-	427,722
Depletable assets	153,402	-	-	-	153,402
	<u>86,293,534</u>	<u>6,503,899</u>	<u>(4,018,254)</u>	<u>-</u>	<u>88,779,179</u>
Less accumulated depreciation for:					
Buildings and improvements	(1,930,899)	(376,761)	-	-	(2,307,660)
Equipment	(6,654,358)	(957,160)	268,744	-	(7,342,774)
Infrastructure	(38,529,288)	(3,403,276)	3,747,986	-	(38,184,578)
Land improvements	(85,544)	(42,773)	-	-	(128,317)
Depletable assets	(153,402)	-	-	-	(153,402)
	<u>(47,353,491)</u>	<u>(4,779,970)</u>	<u>4,016,730</u>	<u>-</u>	<u>(48,116,731)</u>
Total capital assets being depreciated, net	<u>38,940,043</u>	<u>1,723,929</u>	<u>(1,524)</u>	<u>-</u>	<u>40,662,448</u>
Road Commission capital assets, net	<u><u>\$ 43,747,094</u></u>	<u><u>\$ 1,751,860</u></u>	<u><u>\$ (246,513)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 45,252,441</u></u>

SHIAWASSEE COUNTY, MICHIGAN

Notes to Financial Statements

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Medical Care Facility Component Unit					
Capital assets, not being depreciated:					
Land	\$ 969,977	\$ 30,942	\$ -	\$ -	\$ 1,000,919
Construction in process	23,587,907	-	-	(23,587,907)	-
	<u>24,557,884</u>	<u>30,942</u>	<u>-</u>	<u>(23,587,907)</u>	<u>1,000,919</u>
Capital assets, being depreciated:					
Land improvements	107,760	1,659,975	(107,760)	-	1,659,975
Buildings and improvements	5,398,805	-	(5,398,505)	23,195,996	23,196,296
Equipment and furniture	2,170,643	1,657,688	(1,071,780)	391,911	3,148,462
	<u>7,677,208</u>	<u>3,317,663</u>	<u>(6,578,045)</u>	<u>23,587,907</u>	<u>28,004,733</u>
Less accumulated depreciated:					
Land improvements	(78,361)	(96,636)	78,061	-	(96,936)
Buildings and improvements	(4,352,736)	(1,518,100)	4,371,072	-	(1,499,764)
Equipment and furniture	(1,654,607)	(230,591)	836,940	-	(1,048,258)
	<u>(6,085,704)</u>	<u>(1,845,327)</u>	<u>5,286,073</u>	<u>-</u>	<u>(2,644,958)</u>
Total capital assets being depreciated, net	<u>1,591,504</u>	<u>1,472,336</u>	<u>(1,291,972)</u>	<u>23,587,907</u>	<u>25,359,775</u>
Medical Care Facility capital assets, net	<u>\$ 26,149,388</u>	<u>\$ 1,503,278</u>	<u>\$ (1,291,972)</u>	<u>\$ -</u>	<u>\$ 26,360,694</u>
Drainage Districts Component Unit					
Capital assets, being depreciated:					
Infrastructure - drains	\$ 10,902,577	\$ -	\$ -	\$ -	\$ 10,902,577
Less accumulated depreciation for:					
Infrastructure - drains	(5,074,263)	(227,998)	-	-	(5,302,261)
Drainage Districts capital assets, net	<u>\$ 5,828,314</u>	<u>\$ (227,998)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,600,316</u>

SHIAWASSEE COUNTY, MICHIGAN

Notes to Financial Statements

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
County Airport Component Unit					
Capital assets, being depreciated:					
Land improvements	\$ 2,372,557	\$ 10,266	\$ -	\$ -	\$ 2,382,823
Buildings and improvements	102,619	-	-	-	102,619
Equipment	114,958	-	-	-	114,958
Vehicles	63,764	-	-	-	63,764
	<u>2,653,898</u>	<u>10,266</u>	<u>-</u>	<u>-</u>	<u>2,664,164</u>
Less accumulated depreciation for:					
Land improvements	(672,373)	(64,172)	-	-	(736,545)
Buildings and improvements	(68,456)	(2,126)	-	-	(70,582)
Equipment	(40,136)	(2,720)	-	-	(42,856)
Vehicles	(57,384)	(6,376)	-	-	(63,760)
	<u>(838,349)</u>	<u>(75,394)</u>	<u>-</u>	<u>-</u>	<u>(913,743)</u>
County Airport capital assets, net	<u>\$ 1,815,549</u>	<u>\$ (65,128)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,750,421</u>

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are comprised of the following:

	Governmental Activities	Business-type Activities	Component Units
Accounts payable	\$ 1,127,359	\$ 53,188	\$ 283,949
Accrued liabilities	840,642	-	1,089,397
Accrued interest payable	46,249	-	17,164
	<u>\$ 2,014,250</u>	<u>\$ 53,188</u>	<u>\$ 1,390,510</u>
Total	<u>\$ 2,014,250</u>	<u>\$ 53,188</u>	<u>\$ 1,390,510</u>

SHIAWASSEE COUNTY, MICHIGAN

Notes to Financial Statements

8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances at year end, was as follows:

	Due from Other Funds	Due to Other Funds
General fund	\$ 1,630,271	\$ -
Mental health debt service fund	-	6,753
Nonmajor governmental funds	80,984	184,086
Delinquent tax revolving fund	-	1,520,416
Total	\$ 1,711,255	\$ 1,711,255

The above balances generally resulted from a time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

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

	Transfers In			Total
	General Fund	Health Department Fund	Nonmajor Governmental Funds	
Transfers out				
General fund	\$ 43,873	\$ 217,000	\$ 680,932	\$ 941,805
Nonmajor governmental funds	-	-	531,862	531,862
Total	\$ 43,873	\$ 217,000	\$ 1,212,794	\$ 1,473,667

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.

SHIAWASSEE COUNTY, MICHIGAN

Notes to Financial Statements

9. LONG-TERM DEBT

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Installment purchase agreements	\$ 73,212	\$ 600,000	\$ (48,808)	\$ 624,404	\$ 75,404
Capital leases	64,787	-	(20,460)	44,327	21,575
Capital improvement bonds	12,460,175	-	(1,247,971)	11,212,204	1,276,798
General obligation bonds	3,070,000	-	(150,000)	2,920,000	155,000
Total installment debt	15,668,174	600,000	(1,467,239)	14,800,935	1,528,777
Compensated absences	367,444	37,012	-	404,456	404,456
	<u>\$ 16,035,618</u>	<u>\$ 637,012</u>	<u>\$ (1,467,239)</u>	<u>\$ 15,205,391</u>	<u>\$ 1,933,233</u>

\$246,761 Zero interest installment purchase agreement, dated June 25, 2014, due in semi-annual installments of \$24,404 through June 30, 2019. \$ 24,404

\$600,000 Health Department installment purchase agreement, dated December 3, 2018, due in annual principal and interest payments ranging from \$71,214 to \$74,750, including interest charged at 4.07% through October 1, 2028. 600,000

\$88,778 Ford Motor Credit capital lease, dated April 20, 2017, due in annual installments of \$23,991 through April 20, 2020 including interest charged at 5.45%. 44,327

\$13,000,000 capital improvement bonds dated December 15, 2016, due in monthly installments \$121,902 through December 15, 2026 including interest charged at 2.39%. 10,642,204

\$880,000 capital improvement bonds dated September 23, 2010, due in annual installments ranging from \$55,000 to \$75,000 through November 1, 2027 plus interest ranging from 4.90% to 7.25% payable semi-annually. 570,000

\$4,000,000 general obligation limited tax capital improvement bonds, dated July 8, 2010, due in annual installments ranging from \$145,000 to \$285,000 through April 28, 2032 plus interest ranging from 4.00% to 6.00% payable semi-annually. 2,920,000

\$ 14,800,935

For the governmental activities, compensated absences are normally liquidated by the fund in which the individual employees are budgeted.

SHIAWASSEE COUNTY, MICHIGAN

Notes to Financial Statements

Debt service requirements to maturity for all installment debt of the primary government are as follows:

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2019	\$ 1,528,777	\$ 450,252	\$ 1,979,029
2020	1,494,072	411,893	1,905,965
2021	1,511,557	367,886	1,879,443
2022	1,547,524	322,621	1,870,145
2023	1,589,239	276,225	1,865,464
2024-2028	5,914,766	689,709	6,604,475
2029-2032	1,215,000	124,633	1,339,633
	<u>\$ 14,800,935</u>	<u>\$ 2,643,219</u>	<u>\$ 17,444,154</u>

Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
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Medical Care Facility Component Unit

\$13,000,000 capital lease payable -
due to Shiawassee County, dated
December 15, 2016, due in monthly
installments ranging from
\$96,010 to \$121,659 through
December 15, 2026, with
interest charged at 2.39%

	\$ 11,835,175	\$ -	\$ (1,192,971)	\$ 10,642,204	\$ 1,221,798
Compensated absences	<u>577,724</u>	<u>994,385</u>	<u>(680,615)</u>	<u>891,494</u>	<u>891,494</u>
	<u>\$ 12,412,899</u>	<u>\$ 994,385</u>	<u>\$ (1,873,586)</u>	<u>\$ 11,533,698</u>	<u>\$ 2,113,292</u>

Debt service requirements to maturity for all installment debt of the medical care facility are as follows:

Year Ending December 31,	Medical Care Facility		
	Principal	Interest	Total
2019	\$ 1,221,798	\$ 261,236	\$ 1,483,034
2020	1,251,321	233,843	1,485,164
2021	1,281,557	201,491	1,483,048
2022	1,312,524	168,326	1,480,850
2023	1,344,239	132,332	1,476,571
2024-2026	4,230,765	198,843	4,429,608
	<u>\$ 10,642,204</u>	<u>\$ 1,196,071</u>	<u>\$ 11,838,275</u>

SHIAWASSEE COUNTY, MICHIGAN

Notes to Financial Statements

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Drainage District Component Unit					
Drain bonds and notes	\$ 1,894,470	\$ -	\$ (190,000)	\$ 1,704,470	\$ 380,000
\$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% to 4.35%, payable semi-annually.					\$ 875,000
\$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%, payable semi-annually.					369,470
\$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%, payable semi-annually.					60,000
\$400,000 Looking Glass River Drain Note, dated June 1, 2017, due in annual installments of \$190,000 to \$210,000 beginning in 2019 through 2020, with interest charged at 1.67%, payable annually, beginning in 2018.					400,000
					<u>\$ 1,704,470</u>

Year Ending December 31,	Drainage District		
	Principal	Interest	Total
2019	\$ 380,000	\$ 51,906	\$ 431,906
2020	400,000	41,455	441,455
2021	190,000	30,557	220,557
2022	170,000	23,732	193,732
2023	175,000	17,495	192,495
2023-2026	<u>389,470</u>	<u>16,547</u>	<u>406,017</u>
	<u>\$ 1,704,470</u>	<u>\$ 181,692</u>	<u>\$ 1,886,162</u>

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, 2018, is reported in the financial statements under the caption short-term notes payable. This note matures on June 1, 2019.

Road Commission Component Unit - 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.

SHIAWASSEE COUNTY, MICHIGAN

Notes to Financial Statements

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.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences	\$ 207,037	\$ 317,924	\$ (255,380)	\$ 269,581	\$ 269,581

10. MERS DEFINED BENEFIT PENSION PLAN

Primary Government and Medical Care Facility Component Unit

Plan Description. The County participates in the Michigan Municipal Employees' Retirement System (MERS) which is an agent multiple-employer public employee retirement system that is administered by the Retirement Board of MERS. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine-member Retirement Board. Public Act 427 of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at www.mersofmich.com.

Funding policy. The plan provides that the employer contribute amounts necessary to fund the actuarially determined benefits. The County makes employer contributions in accordance with funding requirements determined by MERS' actuary. Benefit provisions and contribution obligations have been established by union contract.

Benefits provided. The plan provides for vesting of benefits after 6 to 10 years of service, depending on employee group. Participants may elect normal retirement at age 60 with unreduced early retirement at 50 with 25 years of services of at age 55 with 20 or 25 years of service, depending on employee group. The plan also provides for early retirement at age 50 with 25 or more years of service.

Participants are entitled to a retirement benefit equal to the credited service at the time of membership termination multiplied by 1.5% to 2.5% of the member's final average compensation (FAC) depending on the employee group. Final average compensation is calculated based on 3 to 5 years.

Employees Covered by Benefit Terms. As December 31, 2017, the date of the latest actuarial valuation, plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	388
Inactive employees entitled to but not yet receiving benefits	134
Active employees	<u>434</u>
Total membership	<u><u>956</u></u>

SHIAWASSEE COUNTY, MICHIGAN

Notes to Financial Statements

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. For the year ended December 31, 2018, employer contributions ranged from 0.86% to 32.29% of annual payroll depending on division/bargaining unit. In addition, the employer may establish contribution rates to be paid by its covered employees. For the year ended December 31, 2018, members were required to contribute 1% to 5% of their annual salary, depending on the division.

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

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

Although no specific price inflation assumptions are needed for the valuation, the long-term annual rate of price inflation implicit in the 3.75% base wage inflation is 2.5%.

Mortality rates used were based on the RP-2014 Group Annuity Mortality Table of a 50% Male and 50% Female blend.

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

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Global equity	57.50%	5.02%	2.89%
Global fixed income	20.00%	2.18%	0.44%
Real assets	12.50%	4.23%	0.53%
Diversifying strategies	10.00%	6.56%	0.64%
	<u>100.00%</u>		
Inflation			3.25%
Administrative expenses netted above			<u>0.25%</u>
Investment rate of return			<u>8.00%</u>

SHIAWASSEE COUNTY, MICHIGAN

Notes to Financial Statements

Discount Rate. The discount rate used to measure the total pension liability as of December 31, 2017 was 8.0%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

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

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at December 31, 2016	\$ 112,482,097	\$ 73,627,336	\$ 38,854,761
Changes for the year:			
Service cost	1,275,875	-	1,275,875
Interest	8,751,039	-	8,751,039
Changes in benefits	(152,295)	-	(152,295)
Difference between expected and actual experience	67,318	-	67,318
Employer contributions	-	4,165,513	(4,165,513)
Employee contributions	-	213,033	(213,033)
Net investment income	-	9,551,774	(9,551,774)
Benefit payments, including refunds of employee contributions	(7,464,071)	(7,464,071)	-
Administrative expense	-	(151,443)	151,443
Other changes	(1,251)	-	(1,251)
Net changes	<u>2,476,615</u>	<u>6,314,806</u>	<u>(3,838,191)</u>
Balances at December 31, 2017	<u>\$ 114,958,712</u>	<u>\$ 79,942,142</u>	<u>\$ 35,016,570</u>

The net pension liability is allocated as follows:

Primary government	\$ 30,907,772
Medical Care Facility component unit	<u>4,108,798</u>
	<u>\$ 35,016,570</u>

Changes in benefits. In 2018, amounts reported as changes in benefits resulted in primarily from adjusting the classification of several groups of workers to reduce legacy costs.

SHIAWASSEE COUNTY, MICHIGAN

Notes to Financial Statements

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the County, calculated using the discount rate of 8.0%, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1% lower (7.0%) or 1% higher (9.0%) than the current rate:

	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
County's net pension liability	\$ 47,491,476	\$ 35,016,570	\$ 20,088,745

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

Pension Expense, Deferred Inflows of Resources, and Deferred Outflows of Resources Related to Pensions

For the year ended December 31, 2018, the County recognized pension expense of \$5,802,950. The County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Difference between expected and actual experience	\$ 364,394	\$ 386,748	\$ (22,354)
Differences in assumptions	1,376,115	-	1,376,115
Net difference between projected and actual earnings on pension plan investments	-	1,343,825	(1,343,825)
	1,740,509	1,730,573	9,936
Contributions subsequent to the measurement date	3,865,433	-	3,865,433
Total	<u>\$ 5,605,942</u>	<u>\$ 1,730,573</u>	<u>\$ 3,875,369</u>

The deferred outflows and deferred inflows of resources are allocated as follows:

Primary government	\$ 4,064,256	\$ 816,353	\$ 3,247,903
Medical Care Facility component unit	1,541,686	914,220	627,466
	<u>\$ 5,605,942</u>	<u>\$ 1,730,573</u>	<u>\$ 3,875,369</u>

SHIAWASSEE COUNTY, MICHIGAN

Notes to Financial Statements

The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the total pension liability for the year ending December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension will be recognized in pension expense as follows:

Year Ended December 31,	Amount
2019	\$ 1,799,571
2020	42,218
2021	(1,121,331)
2022	<u>(710,522)</u>
Total	<u>\$ 9,936</u>

Payable to the Pension Plan. At December 31, 2018, the County reported a payable of \$374,074 for the outstanding amount of contributions to the pension plan required for the year ended December 31, 2018.

Road Commission Component Unit

The Shiawassee County Road Commission has a separate MERS retirement plan. Separate accounts are maintained by MERS for this component unit. Details applicable to this individual plan are available in the Road Commission's separately issued financial statements.

11. OTHER POSTEMPLOYMENT BENEFITS

Primary Government and Medical Care Facility Component Unit

In addition to providing pension benefits, the County provides certain other postemployment 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 (except for certain sheriff department retirees); however, the Plan includes an implicit employer subsidy. 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 began participating in the MERS of Michigan Retiree Healthcare Funding Vehicle (RHFV) plan. The balance in the RHFV plan at December 31, 2018 was \$178,149.

Currently, 52 active employees meet the full cost eligibility requirements. Eleven active are currently receiving benefits. Expenditures for postemployment health care benefits are recognized when claims are paid. The plan does not issue a separate stand-alone financial statement.

SHIAWASSEE COUNTY, MICHIGAN

Notes to Financial Statements

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 County contributed \$159,519 during 2018 to the RHFV and paid an additional \$88,638 in actual current premiums of the retirees. The only current contributions being made by the Medical Care Facility are to pay the actual current premiums of the retirees. Administrative costs of the plan are paid for by the County and Medical Care Facility.

At December 31, 2018, the date of the latest actuarial valuation, participants in the plan consisted of:

Retirees and beneficiaries currently receiving benefits	59
Inactive, nonretired members	3
Active employees	<u>334</u>
Total	<u><u>396</u></u>

Changes in Net OPEB Liability

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

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at December 31, 2017	\$ 1,324,825	\$ 29,491	\$ 1,295,334
Changes for the year:			
Service cost	51,717	-	51,717
Interest	49,626	-	49,626
Employer contributions	-	248,157	(248,157)
Net investment loss	-	(10,431)	10,431
Benefit payments, including refunds of employee contributions	(88,638)	(88,638)	-
Administrative expense	-	(430)	430
Net changes	<u>12,705</u>	<u>148,658</u>	<u>(135,953)</u>
Balances at December 31, 2018	<u>\$ 1,337,530</u>	<u>\$ 178,149</u>	<u>\$ 1,159,381</u>
The net OPEB liability is allocated as follows:			
Primary government			\$ 954,103
Medical Care Facility component unit			<u>205,278</u>
			<u>\$ 1,159,381</u>

SHIAWASSEE COUNTY, MICHIGAN

Notes to Financial Statements

The County's net OPEB liability was measured as of December 31, 2018, and the total OPEB liability was determined by an actual valuation as of December 31, 2018. The following actuarial assumptions were applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Individual entry age
Amortization method	Level percent of payroll
Remaining amortization period	Closed 15 year period
Asset valuation method	Market value (not applicable to the Medical Care Facility component unit as the plan is not pre-funded)
Investment rate of return	Blended rate of 3.74%
Health care trend rates	County: Pre-65 - Initial trend of 8.5% (7.0% post-65) graded down 0.25% per year to an ultimate rate of 4.5% ; Medical Care Facility: Pre-65 - 8.5% graded to 4.5% over 16 years
Mortality tables	County: Police, Sheriffs - Public Safety 2010 Employee and Healthy Retiree, headcount weighted with MP-2018 improvement; All others and Medical Care Facility - Public General 2010 Employee and Healthy Retiree, headcount weighted with MP-2018 improvement
Projected salary increases	3.50%

Rates of price inflation are not specifically used in the actuarial valuation. However, a price inflation rate of 2%-3% would be consistent with other assumptions in the actuarial report.

Investments

Investment Policy. The OPEB Plan's policy in regard to the allocation of invested assets is established and may be amended by the Board of Commissioners. The investment policy has been formulated based on consideration of a wide range of policies and describes the prudent investment processes that the Board deems appropriate. The OPEB Plan's asset allocation policy is shown below.

Rate of Return. For the year ended December 31, 2018, the annual money-weighted rate of return on investments, net of investment expense, was -5.77 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

SHIAWASSEE COUNTY, MICHIGAN

Notes to Financial Statements

The long-term expected rate of return on OPEB Plan investments was determined using a forward looking estimate of capital market returns model for each investment major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and investment expenses. The target allocation and best estimates of arithmetic real rates of return for each asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Global equity	55.5%	6.15%	3.41%
Global fixed income	18.5%	1.26%	0.23%
Real assets	13.5%	7.22%	0.98%
Diversifying strategies	12.5%	5.00%	0.63%
	<u>100.0%</u>		
Inflation			<u>2.50%</u>
Investment rate of return			<u>7.75%</u>

Discount Rate. The blended discount rate used to measure the total OPEB liability was 3.74% for the County and 3.64% for the Medical Care Facility. The projection of cash flows used to determine the discount rate assumed that County contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB Plan’s fiduciary net position was projected to be exhausted in the year 2018. Therefore, the discount rate represents a blend of the single equivalent rate resulting from discounting the long-term expected rate of return on OPEB Plan investments until 2018, and discounting with the 20-year AA municipal index bond rate of 3.45% thereafter.

SHIAWASSEE COUNTY, MICHIGAN

Notes to Financial Statements

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate. The following presents the net OPEB liability of the County, calculated using the discount rate of 3.74%, as well as what the County's net OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.74%) or 1% higher (4.74%) than the current rate:

	1% Decrease (2.74%)	Current Discount Rate (3.74%)	1% Increase (4.74%)
County's net OPEB liability	\$ 1,061,267	\$ 954,103	\$ 856,997

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the total OPEB liability of the Medical Care Facility, calculated using the discount rate of 3.64%, as well as what the Facility's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.64%) or 1% higher (4.64%) than the current rate:

	1% Decrease (2.64%)	Current Discount Rate (3.64%)	1% Increase (4.64%)
Medical Care Facility's total OPEB liability	\$ 219,621	\$ 205,278	\$ 192,111

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following presents the net OPEB liability of the County and Medical Care Facility, calculated using the healthcare cost trend rate of 8.50% (post-65 7.00%) reducing each year until an ultimate rate of 4.50% is achieved, as well as what the County and Facility's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1% lower or 1% higher than the current rate:

	1% Decrease (pre-65 7.50% and post-65 6.00%)	Current Trend Rate (pre-65 8.50% and post- 65 7.00%)	1% Increase (pre-65 9.50% and post-65 8.00%)
County's net OPEB liability	\$ 833,521	\$ 954,103	\$ 1,093,949
Medical Care Facility's net net OPEB liability	187,952	205,278	225,616

OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2018, the County and Medical Care Facility recognized OPEB expense of \$77,962 and \$16,670, respectively. The County reported deferred outflow of resources related to the difference between projected and actual earnings on OPEB plan investments in the amount of \$17,572.

SHIAWASSEE COUNTY, MICHIGAN

Notes to Financial Statements

OPEB-related deferred outflows of resources will be recognized in OPEB expense as follows:

Year Ended December 31,	Amount
2019	\$ 4,393
2020	4,393
2021	4,393
2022	<u>4,393</u>
	<u>\$ 17,572</u>

Road Commission Component Unit

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 its separately issued financial statements.

12. FLEXIBLE BENEFITS PLAN

Primary Government and Component Units (except for 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

13. RISK MANAGEMENT

Primary Government and Component Units (except for Road Commission)

The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County is a member of the Michigan Municipal Risk Management Authority (the "Authority"), which is organized under Public Act 138 of 1982 for the risks of loss, including property, casualty loss, and general liability.

The administration of the Authority is directed by a nine 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.

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:

Type of Risk	Maximum Retention per Occurrence
General and automobile liability	\$ 100,000
Motor vehicle physical damage	15,000
Property coverage deductible	1,000

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.

The Authority has reserves 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.

SHIAWASSEE COUNTY, MICHIGAN

Notes to Financial Statements

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.

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.

At December 31, 2018, the County had funds on deposit of \$927,342 with the Authority and an estimated liability for reported claims and legal fees of \$125,207.

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.

Changes in the estimated claims liabilities for workers' compensation claims for the years ended December 31, 2018 and 2017, are as follows:

	2018	2017
Claims liability, beginning of year	\$ 146,911	\$ 75,991
Claims incurred, including changes in estimates	455,143	225,116
Claims payments and adjustments	<u>(209,367)</u>	<u>(154,196)</u>
Claims liability, end of year	<u>\$ 392,687</u>	<u>\$ 146,911</u>

Road Commission Component Unit

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.

SHIAWASSEE COUNTY, MICHIGAN

Notes to Financial Statements

14. PROPERTY TAXES AND TAXES RECEIVABLE

The County property tax is levied each December 1 and July 1 on the taxable valuation of property located in the County as of the preceding December 31. Unpaid property taxes are considered to be delinquent as of March 1 of the year after the tax was levied.

The County's Summer 2018 ad valorem taxes were levied and collectible on July 1, 2018. 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 2018 tax levy for general operating purposes has been recognized as revenue in the current fiscal year in the general fund. The 2018 adjusted taxable value of Shiawassee County amounted to approximately \$1,800,000,000 on which ad valorem taxes levied for County general operating purposes consisted of 5.5405 mills. The 2017 tax levy was recognized as revenue in the special revenue fund and component units. The 2017 adjusted taxable value of Shiawassee County amounted to approximately \$1,730,000,000 on which the Veterans Relief Fund levied 0.0600 mills, the Veteran Services Fund levied 0.1300 mills, the MSU Extension Fund levied 0.0759 mills, and the Medical Care Facility levied 1.9998 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, 2017. 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.

15. FEDERAL FINANCIAL ASSISTANCE - ROAD COMMISSION COMPONENT UNIT

It is required by the Michigan Department of Transportation (MDOT) that all road commissions report total federal financial assistance for highway research, planning, and construction pertaining to their counties. During the year ended December 31, 2018, the federal aid received and expended by the Road Commission was \$826,282 for contracted projects. The Road Commission did not receive any federal aid for negotiated projects during the year ended December 31, 2018.

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 commissions perform the work and would be subject to single audit requirements if they expended \$750,000 or more.

SHIAWASSEE COUNTY, MICHIGAN

Notes to Financial Statements

16. FUND BALANCE

The County classifies fund balances based primarily on the extent to which it is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Detailed information on fund balances of governmental funds is as follows:

	General	Health Department	Nonmajor Governmental Funds	Total
Nonspendable				
Advances	\$ 170,000	\$ -	\$ -	\$ 170,000
Inventories	-	64,587	-	64,587
Prepays	189,197	-	-	189,197
	<u>359,197</u>	<u>64,587</u>	<u>-</u>	<u>423,784</u>
Restricted				
MSU Extension	-	-	69,559	69,559
Family counseling	-	-	67,579	67,579
Friend of the Court	-	-	109,478	109,478
Central dispatch	-	-	1,298,471	1,298,471
Drunk driving enforcement	-	-	134,468	134,468
Waste management	-	-	140,063	140,063
Animal control	-	-	21,230	21,230
Housing rehabilitation	-	-	42,049	42,049
Sheriff collection	-	-	137,989	137,989
Register of Deeds				
Automation	-	-	172,634	172,634
Local correction training	-	-	24,585	24,585
Drug forfeiture	-	-	13,970	13,970
Local law enforcement	-	-	214	214
Child care	-	-	75,161	75,161
Drug court	-	-	-	-
Veterans	-	-	563,284	563,284
MAGNET	-	-	227,131	227,131
Concealed pistol licensing	-	-	95,495	95,495
Swift and Sure program	-	-	238	238
Seniors	-	-	287,067	287,067
Health department	-	665,014	-	665,014
Capital improvement	-	-	87,222	87,222
Jail improvements	-	-	2,474	2,474
	<u>-</u>	<u>665,014</u>	<u>3,570,361</u>	<u>4,235,375</u>

continued....

SHIAWASSEE COUNTY, MICHIGAN

Notes to Financial Statements

	General	Health Department	Nonmajor Governmental Funds	Total
Committed				
Budget stabilization	\$ 243,270	\$ -	\$ -	\$ 243,270
Prosecutor	-	-	139,906	139,906
Farmland preservation	-	-	1,448	1,448
Building code	-	-	72,284	72,284
Emergency management	-	-	24,009	24,009
Sheriff posse	-	-	10,082	10,082
REACH	-	-	6,572	6,572
Social welfare	-	-	9,684	9,684
Cigarette tax	-	-	157	157
Riverhaven	-	-	10,260	10,260
	<u>243,270</u>	<u>-</u>	<u>274,402</u>	<u>517,672</u>
Unassigned	<u>869,901</u>	<u>-</u>	<u>-</u>	<u>869,901</u>
Total fund balances - governmental funds	<u>\$ 1,472,368</u>	<u>\$ 729,601</u>	<u>\$ 3,844,763</u>	<u>\$ 6,046,732</u>

continued.

SHIAWASSEE COUNTY, MICHIGAN

Notes to Financial Statements

17. NET POSITION

The composition of the County's restricted net position as of year end was as follows:

	Governmental Activities	Business-type Activities	Component Units
Restricted for:			
Central dispatch	\$ 1,298,471	\$ -	\$ -
Veterans activities	563,284	-	-
MAGNET	227,131	-	-
Sheriff collection	137,989	-	-
Register of Deeds automation	172,634	-	-
Drunk driving enforcement	134,468	-	-
Health department	729,601	-	-
Senior Citizens	287,067	-	-
Other:			
MSU Extension	69,559	-	-
Family counseling	67,579	-	-
Friend of the Court	109,478	-	-
Waste management	140,063	-	-
Animal control	21,230	-	-
Housing rehabilitation	42,049	-	-
Local correction training	24,585	-	-
Drug forfeiture	13,970	-	-
Local law enforcement	214	-	-
Child care	75,161	-	-
Concealed pistol licensing	95,495	-	-
Swift and Sure program	238	-	-
Capital improvement	87,222	-	2,372,316
Jail improvements	2,474	-	-
Debt service	-	-	275,472
	<u>\$ 4,299,962</u>	<u>\$ -</u>	<u>\$ 2,647,788</u>

Net Investment in Capital Assets

The composition of the County's net investment in capital assets as of year end, was as follows:

	Governmental Activities	Business-type Activities	Component Units
Capital assets:			
Capital assets not being depreciated	\$ 1,911,548	\$ -	\$ 5,590,912
Capital assets being depreciated, net	6,131,155	2,845	73,372,960
Total capital assets	<u>8,042,703</u>	<u>2,845</u>	<u>78,963,872</u>
Related debt:			
Bonds and notes payable	14,800,935	-	12,346,674
Amounts under leases receivable	(14,132,204)	-	-
Total related debt	<u>668,731</u>	<u>-</u>	<u>12,346,674</u>
	<u>\$ 7,373,972</u>	<u>\$ 2,845</u>	<u>\$ 66,617,198</u>

SHIAWASSEE COUNTY, MICHIGAN

Notes to Financial Statements

18. CONTINGENT LIABILITIES AND COMMITMENTS

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the County and its attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the County.

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.

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

As of December 31, 2018, the Health Department had an outstanding commitment of \$365,150 related to the Capital Center Building project.

As of December 31, 2018, the County had an outstanding commitment of approximately \$432,000 related to the new building project to move the Drain Commission and Buildings and Grounds Department and a commitment of approximately \$182,000 for the installation and conversion of the accounting system.

19. RESTATEMENTS

The governmental activities beginning net position was increased by \$1,209,387 due to the reclassification of the County's self insurance agency fund to an internal service fund.

The County implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting of Postemployment Benefits Other Than Pensions*, during the current year. The implementation of this new standard includes the recognition of the net OPEB liability under GASB 75 at the beginning of the year and the elimination of the net other postemployment benefits obligation under GASB 45. The net adjustment reduced the beginning net position of the governmental activities and the medical care facility component unit by \$326,987 and \$126,478, respectively. The road commission component unit beginning net position was increased by \$460,022.

20. SUBSEQUENT EVENTS

Subsequent to year end, the County determined that the method it used to allocate pension contributions made to the Municipal Employees Retirement System (MERS) from 2014 through 2018 between the general fund and central dispatch special revenue fund was not consistent with its intent. After a detailed analysis was performed, the County determined to appropriate approximately \$450,000 as a transfer from the general fund to the central dispatch special revenue fund in 2019 to reimburse it for prior pension contributions.



REQUIRED SUPPLEMENTARY INFORMATION

SHIAWASSEE COUNTY, MICHIGAN

Required Supplementary Information

MERS Agent Multiple-Employer Defined Benefit Pension Plan
 Primary Government and Component Units (except for Road Commission)

Schedule of Changes in the Net Pension Liability and Related Ratios

	Year Ended December 31,			
	2018	2017	2016	2015
Total pension liability				
Service cost	\$ 1,275,875	\$ 1,216,965	\$ 1,244,481	\$ 1,235,573
Interest	8,751,039	8,594,908	8,185,675	7,960,464
Differences between expected and actual experience	67,318	(575,440)	668,741	-
Changes in benefit terms	(152,295)	(73,164)	(534,877)	-
Changes of assumptions	-	-	5,504,463	-
Benefit payments, including refunds of employee contributions	(7,464,071)	(7,014,085)	(6,663,314)	(6,278,026)
Other	(1,251)	(1,985)	2	2
Net change in total pension liability	2,476,615	2,147,199	8,405,171	2,918,013
Total pension liability, beginning of year	112,482,097	110,334,898	101,929,727	99,011,714
Total pension liability, end of year	114,958,712	112,482,097	110,334,898	101,929,727
Plan fiduciary net position				
Employer contributions	4,165,513	9,357,581	2,790,160	2,843,770
Employee contributions	213,033	121,618	114,009	126,482
Net investment income (loss)	9,551,774	7,126,783	(998,834)	4,254,444
Benefit payments, including refunds of employee contributions	(7,464,071)	(7,014,085)	(6,663,314)	(6,278,026)
Administrative expense	(151,443)	(140,853)	(148,187)	(155,702)
Net change in plan fiduciary net position	6,314,806	9,451,044	(4,906,166)	790,968
Plan fiduciary net position, beginning of year	73,627,336	64,176,292	69,082,458	68,291,490
Plan fiduciary net position, end of year	79,942,142	73,627,336	64,176,292	69,082,458
County's net pension liability	\$ 35,016,570	\$ 38,854,761	\$ 46,158,606	\$ 32,847,269
Plan fiduciary net position as a percentage of total pension liability	69.5%	65.5%	58.2%	67.8%
Covered payroll	\$ 16,737,071	\$ 15,925,192	\$ 15,711,326	\$ 15,377,682
County's net pension liability as a percentage of covered payroll	209.2%	244.0%	293.8%	213.6%

Notes:

The amounts presented for each fiscal year were determined as of December 31 of the preceding year.

GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

SHIAWASSEE COUNTY, MICHIGAN

Required Supplementary Information

MERS Agent Multiple-Employer Defined Benefit Pension Plan
 Primary Government and Component Units (except for Road Commission)

Schedule of the Net Pension Liability

Fiscal Year Ended December 31,	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as Percentage of Total Pension Liability	Covered Payroll	Net Pension Liability as Percentage of Covered Payroll
2018	\$ 114,958,712	\$ 79,942,142	\$ 35,016,570	69.5%	\$ 16,737,071	209.22%
2017	112,482,097	73,627,336	38,854,761	65.5%	15,925,192	243.98%
2016	110,334,898	64,176,292	46,158,606	58.2%	15,711,326	293.79%
2015	101,929,727	69,082,458	32,847,269	67.8%	15,377,682	213.60%

The amounts presented for each fiscal year were determined as of December 31 of the preceding year.

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Changes in assumptions. In 2016, amounts reported as changes in assumptions resulted in primarily from adjustments to the mortality table to reflect longer lifetimes, decreases in the assumed rate of return and changes in asset smoothing.

Changes in benefits. In 2016, 2017, and 2018, amounts reported as changes in benefits resulted in primarily from adjusting the classification of several groups of workers to reduce legacy costs.

SHIAWASSEE COUNTY, MICHIGAN

Required Supplementary Information

MERS Agent Multiple-Employer Defined Benefit Pension Plan
 Primary Government and Component Units (except for Road Commission)

Schedule of Contributions

Fiscal Year Ending December 31,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as Percentage of Covered Payroll
2018	\$ 4,445,226	\$ 4,445,226	-	\$ 18,109,310	24.5%
2017	3,299,672	3,299,672	-	16,374,620	20.2%
2016	2,866,554	9,366,554	(6,500,000)	15,398,379	60.8%
2015	2,793,052	2,793,052	-	15,752,068	17.7%

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Notes to Schedule of Contributions

Valuation Date Actuarially determined contribution rates are calculated as of December 31, which is 24 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry-age normal cost method
Amortization method	Level percent of payroll, closed
Remaining amortization period	22 years
Asset valuation method	Open; 5-year smooth market
Inflation	2.50%
Salary increases	3.75% long-term wage inflation plus 3.75% to 14.75% based on age-related scale to reflect merit, longevity and promotional pay increases.
Investment rate of return	7.75%
Retirement age	Age-based table of rates that are specific to the type of eligibility condition. The Normal Retirement rates were first used for the December 31, 2015 actuarial valuation. The Early Retirement rates were first used for the December 31, 2015 actuarial valuation.
Mortality	50% Male - 50% Female blend of the RP-2014 Group Annuitant Mortality Tables with rates multiplied by 105%. For disabled retirees, the 50% Male - 50% Female blend of the RP-2014 Disabled Retiree Mortality Tables.

SHIAWASSEE COUNTY, MICHIGAN

Required Supplementary Information Single Employer Defined Benefit Other Postemployment Benefit Plan Primary Government and Component Units (except for Road Commission)

Schedule of Changes in the Net OPEB Liability and Related Ratios

	Year Ended December 31, 2018
Total OPEB liability	
Service cost	\$ 51,717
Interest	49,626
Benefit payments, including refunds of employee contributions	(88,638)
Net change in total OPEB liability	<u>12,705</u>
Total OPEB liability, beginning of year	<u>1,324,825</u>
Total OPEB liability, end of year	<u>1,337,530</u>
Plan fiduciary net position	
Employer contributions	248,157
Net investment income (loss)	(10,431)
Benefit payments, including refunds of employee contributions	(88,638)
Administrative expense	(430)
Net change in plan fiduciary net position	<u>148,658</u>
Plan fiduciary net position, beginning of year	<u>29,491</u>
Plan fiduciary net position, end of year	<u>178,149</u>
County's net OPEB liability	<u>\$ 1,159,381</u>
Plan fiduciary net position as a percentage of total OPEB liability	13.3%
Covered payroll	\$ 8,233,450
County's net OPEB liability as a percentage of covered payroll	14.1%

Notes:

The amounts presented for each fiscal year were determined as of December 31 of the current year.

GASB 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

SHIAWASSEE COUNTY, MICHIGAN

Required Supplementary Information
 Single Employer Defined Benefit Other Postemployment Benefit Plan
 Primary Government and Component Units (except for Road Commission)

Schedule of the Net OPEB Liability

Fiscal Year Ended December 31,	Total OPEB Liability	Plan Net Position	Net OPEB Liability	Plan Net Position as Percentage of Total OPEB Liability	Covered Payroll	Net OPEB Liability as Percentage of Covered Payroll
2018	\$ 1,337,530	\$ 178,149	\$ 1,159,381	13.3%	\$ 8,233,450	14.1%

The amounts presented for each fiscal year were determined as of December 31 of the current year.

Note: GASB 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

SHIAWASSEE COUNTY, MICHIGAN

Required Supplementary Information

Single Employer Defined Benefit Other Postemployment Benefit Plan
 Primary Government and Component Units (except for Road Commission)

Schedule of Contributions

Fiscal Year Ending December 31,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as Percentage of Covered Payroll
2018	\$ 155,411	\$ 248,157	\$ (92,746)	\$ 6,547,134	3.8%

Note: GASB 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Notes to Schedule of Contributions

Valuation Date Actuarially determined contribution rates are calculated as of December 31, which is 24 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry-age normal
Amortization method	Level percent
Remaining amortization period	30 years
Asset valuation method	Market value (not applicable to the Medical Care Facility component unit as the plan is not pre-funded)

Actuarial assumptions:

Price inflation	2.0-3.0%
Salary increases	3.5%
Investment rate of return	Blended rate of 3.74%
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition

Mortality County: Police, Sheriffs - Public Safety 2010 Employee and Healthy Retiree, headcount weighted with MP-2018 improvement; All others and Medical Care Facility - Public General 2010 Employee and Healthy Retiree, headcount weighted with MP-2018 improvement

Healthcare trend rates County: Pre-65 - Initial trend of 8.5% (7.0% post-65) graded down 0.25% per year to an ultimate rate of 4.5% ; Medical Care Facility: Pre-65 - 8.5% graded to 4.5% over 16 years

**COMBINING AND INDIVIDUAL FUND FINANCIAL
STATEMENTS AND SCHEDULES**

SHIAWASSEE COUNTY, MICHIGAN

Combining Balance Sheet Nonmajor Governmental Funds December 31, 2018

	Special Revenue Funds	Equipment Acquisition Debt Service Fund	Capital Project Funds	Totals
Assets				
Cash and cash equivalents	\$ 3,406,327	\$ -	\$ 89,696	\$ 3,496,023
Investments	597,821	-	-	597,821
Receivables:				
Accounts	284,714	-	-	284,714
Taxes	661,621	-	-	661,621
Due from other governments	172,079	-	-	172,079
Due from other funds	80,984	-	-	80,984
Total assets	\$ 5,203,546	\$ -	\$ 89,696	\$ 5,293,242
Liabilities				
Accounts payable	\$ 133,219	\$ -	\$ -	\$ 133,219
Accrued liabilities	52,930	-	-	52,930
Due to other funds	184,086	-	-	184,086
Unearned revenue	382,656	-	-	382,656
Total liabilities	752,891	-	-	752,891
Deferred inflows of resources				
Property taxes levied for subsequent period	695,588	-	-	695,588
Fund balances				
Restricted	3,480,665	-	89,696	3,570,361
Committed	274,402	-	-	274,402
Total fund balances	3,755,067	-	89,696	3,844,763
Total liabilities, deferred inflows of resources and fund balances	\$ 5,203,546	\$ -	\$ 89,696	\$ 5,293,242

SHIAWASSEE COUNTY, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended December 31, 2018

	Special Revenue Funds	Equipment Acquisition Debt Service Fund	Capital Project Funds	Totals
Revenues				
Taxes	\$ 1,190,356	\$ -	\$ -	\$ 1,190,356
Intergovernmental	1,829,857	-	-	1,829,857
Charges for services	2,411,632	-	-	2,411,632
Fines and forfeits	13,102	-	-	13,102
Interest	3,738	-	-	3,738
Other revenues	85,208	-	6,645	91,853
Total revenues	5,533,893	-	6,645	5,540,538
Expenditures				
Current expenditures:				
General government	88,145	-	-	88,145
Public safety	2,137,827	-	-	2,137,827
Health and welfare	2,995,483	-	-	2,995,483
Community development	288,508	-	-	288,508
Debt service:				
Principal	-	55,000	-	55,000
Interest	-	42,170	-	42,170
Capital outlay	-	-	3,474	3,474
Total expenditures	5,509,963	97,170	3,474	5,610,607
Revenues over (under) expenditures	23,930	(97,170)	3,171	(70,069)
Other financing sources (uses)				
Transfers in	1,115,624	97,170	-	1,212,794
Transfers out	(531,862)	-	-	(531,862)
Total other financing sources (uses)	583,762	97,170	-	680,932
Net change in fund balances	607,692	-	3,171	610,863
Fund balances, beginning of year	3,147,375	-	86,525	3,233,900
Fund balances, end of year	\$ 3,755,067	\$ -	\$ 89,696	\$ 3,844,763

SHIAWASSEE COUNTY, MICHIGAN

Combining Balance Sheet
 Nonmajor Special Revenue Funds
 December 31, 2018

	MSU Extension	Family Counseling	Friend of the Court	Central Dispatch	Drunk Driving
Assets					
Cash and cash equivalents	\$ 74,335	\$ 67,579	\$ 109,629	\$ 793,842	\$ 24,040
Investments	-	-	-	257,246	110,707
Receivables:					
Accounts receivable, net	-	-	-	284,247	-
Taxes	133,524	-	-	-	-
Due from other governments	-	-	-	-	-
Due from other funds	-	-	-	-	-
Total assets	\$ 207,859	\$ 67,579	\$ 109,629	\$ 1,335,335	\$ 134,747
Liabilities					
Accounts payable	\$ 4,776	\$ -	\$ 151	\$ 5,349	\$ 279
Accrued liabilities	-	-	-	31,515	-
Due to other funds	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Total liabilities	4,776	-	151	36,864	279
Deferred inflows of resources					
Taxes levied for subsequent year	133,524	-	-	-	-
Fund balances					
Restricted	69,559	67,579	109,478	1,298,471	134,468
Committed	-	-	-	-	-
Total fund balances	69,559	67,579	109,478	1,298,471	134,468
Total liabilities, deferred inflows of resources and fund balances	\$ 207,859	\$ 67,579	\$ 109,629	\$ 1,335,335	\$ 134,747



Prosecutor's Fees	Waste Management	Farmland Preservation	Animal Control Donations	Building Code	Housing Rehabilitation	Sheriff Collection
\$ 77,875	\$ 140,063	\$ 1,448	\$ 21,230	\$ 83,600	\$ 42,049	\$ 138,236
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 77,875</u>	<u>\$ 140,063</u>	<u>\$ 1,448</u>	<u>\$ 21,230</u>	<u>\$ 83,600</u>	<u>\$ 42,049</u>	<u>\$ 138,236</u>
\$ -	\$ -	\$ -	\$ -	\$ 8,497	\$ -	\$ 247
-	-	-	-	2,819	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	11,316	-	247
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	140,063	-	21,230	-	42,049	137,989
<u>77,875</u>	<u>-</u>	<u>1,448</u>	<u>-</u>	<u>72,284</u>	<u>-</u>	<u>-</u>
<u>77,875</u>	<u>140,063</u>	<u>1,448</u>	<u>21,230</u>	<u>72,284</u>	<u>42,049</u>	<u>137,989</u>
<u>\$ 77,875</u>	<u>\$ 140,063</u>	<u>\$ 1,448</u>	<u>\$ 21,230</u>	<u>\$ 83,600</u>	<u>\$ 42,049</u>	<u>\$ 138,236</u>

continued...

SHIAWASSEE COUNTY, MICHIGAN

Combining Balance Sheet
 Nonmajor Special Revenue Funds
 December 31, 2018

	Register of Deeds Automation	Emergency Management	Sheriff Posse	Local Correction Officer's Training	Drug Forfeiture
Assets					
Cash and cash equivalents	\$ 113,528	\$ 24,009	\$ 10,606	\$ 24,705	\$ 13,970
Investments	60,211	-	-	-	-
Receivables:					
Accounts receivable, net	-	-	-	-	-
Taxes	-	-	-	-	-
Due from other governments	-	-	-	-	-
Due from other funds	-	-	-	-	-
Total assets	\$ 173,739	\$ 24,009	\$ 10,606	\$ 24,705	\$ 13,970
Liabilities					
Accounts payable	\$ 1,105	\$ -	\$ 524	\$ 120	\$ -
Accrued liabilities	-	-	-	-	-
Due to other funds	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Total liabilities	1,105	-	524	120	-
Deferred inflows of resources					
Taxes levied for subsequent year	-	-	-	-	-
Fund balances					
Restricted	172,634	-	-	24,585	13,970
Committed	-	24,009	10,082	-	-
Total fund balances	172,634	24,009	10,082	24,585	13,970
Total liabilities, deferred inflows of resources and fund balances	\$ 173,739	\$ 24,009	\$ 10,606	\$ 24,705	\$ 13,970



Prosecutor's Assets	Local Law Enforcement	Law Library	REACH	Social Welfare - DHS	Child Care - DHS	Child Care
\$ 62,631	\$ 214	\$ 392	\$ 6,122	\$ 9,768	\$ -	\$ 26,044
-	-	-	-	-	-	-
-	-	-	450	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	151,416
-	-	-	-	-	80,984	-
<u>\$ 62,631</u>	<u>\$ 214</u>	<u>\$ 392</u>	<u>\$ 6,572</u>	<u>\$ 9,768</u>	<u>\$ 80,984</u>	<u>\$ 177,460</u>
\$ 600	\$ -	\$ 392	\$ -	\$ 84	\$ 5,823	\$ 1,391
-	-	-	-	-	-	9,874
-	-	-	-	-	-	166,195
-	-	-	-	-	-	-
<u>600</u>	<u>-</u>	<u>392</u>	<u>-</u>	<u>84</u>	<u>5,823</u>	<u>177,460</u>
-	-	-	-	-	-	-
-	214	-	-	-	75,161	-
<u>62,031</u>	<u>-</u>	<u>-</u>	<u>6,572</u>	<u>9,684</u>	<u>-</u>	<u>-</u>
<u>62,031</u>	<u>214</u>	<u>-</u>	<u>6,572</u>	<u>9,684</u>	<u>75,161</u>	<u>-</u>
<u>\$ 62,631</u>	<u>\$ 214</u>	<u>\$ 392</u>	<u>\$ 6,572</u>	<u>\$ 9,768</u>	<u>\$ 80,984</u>	<u>\$ 177,460</u>

continued...

SHIAWASSEE COUNTY, MICHIGAN

Combining Balance Sheet
 Nonmajor Special Revenue Funds
 December 31, 2018

	Veterans' Relief	Veterans' Services	Cigarette Tax	Riverhaven	MAGNET
Assets					
Cash and cash equivalents	\$ 338,864	\$ 249,876	\$ 140	\$ 11,735	\$ 57,474
Investments	-	-	-	-	169,657
Receivables:					
Accounts receivable, net	-	-	17	-	-
Taxes	176,385	351,712	-	-	-
Due from other governments	-	-	-	-	-
Due from other funds	-	-	-	-	-
Total assets	\$ 515,249	\$ 601,588	\$ 157	\$ 11,735	\$ 227,131
Liabilities					
Accounts payable	\$ 506	\$ 14,169	\$ -	\$ 1,475	\$ -
Accrued liabilities	-	4,290	-	-	-
Due to other funds	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Total liabilities	506	18,459	-	1,475	-
Deferred inflows of resources					
Taxes levied for subsequent year	182,876	351,712	-	-	-
Fund balances					
Restricted	331,867	231,417	-	-	227,131
Committed	-	-	157	10,260	-
Total fund balances	331,867	231,417	157	10,260	227,131
Total liabilities, deferred inflows of resources and fund balances	\$ 515,249	\$ 601,588	\$ 157	\$ 11,735	\$ 227,131

Concealed Pistol Licensing	Swift and Sure	Indigent Defense	CMH Court Grant	Senior Citizens	Drug Court	Highway Safety Planning	Totals
\$ 96,072	\$ 682	\$ 389,870	\$ -	\$ 395,699	\$ -	\$ -	\$ 3,406,327
-	-	-	-	-	-	-	597,821
-	-	-	-	-	-	-	284,714
-	-	-	-	-	-	-	661,621
-	6,690	-	-	-	8,155	5,818	172,079
-	-	-	-	-	-	-	80,984
<u>\$ 96,072</u>	<u>\$ 7,372</u>	<u>\$ 389,870</u>	<u>\$ -</u>	<u>\$ 395,699</u>	<u>\$ 8,155</u>	<u>\$ 5,818</u>	<u>\$ 5,203,546</u>
\$ 577	\$ 1,927	\$ 3,631	\$ -	\$ 81,156	\$ 353	\$ 87	\$ 133,219
-	-	3,583	-	-	-	849	52,930
-	5,207	-	-	-	7,802	4,882	184,086
-	-	382,656	-	-	-	-	382,656
<u>577</u>	<u>7,134</u>	<u>389,870</u>	<u>-</u>	<u>81,156</u>	<u>8,155</u>	<u>5,818</u>	<u>752,891</u>
-	-	-	-	27,476	-	-	695,588
95,495	238	-	-	287,067	-	-	3,480,665
-	-	-	-	-	-	-	274,402
<u>95,495</u>	<u>238</u>	<u>-</u>	<u>-</u>	<u>287,067</u>	<u>-</u>	<u>-</u>	<u>3,755,067</u>
<u>\$ 96,072</u>	<u>\$ 7,372</u>	<u>\$ 389,870</u>	<u>\$ -</u>	<u>\$ 395,699</u>	<u>\$ 8,155</u>	<u>\$ 5,818</u>	<u>\$ 5,203,546</u>

concluded.

SHIAWASSEE COUNTY, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Special Revenue Funds
For the Year Ended December 31, 2018

	MSU Extension	Family Counseling	Friend of the Court	Central Dispatch	Drunk Driving
Revenues					
Taxes	\$ 129,658	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	20,476	-	-
Charges for services	-	-	27,888	1,860,950	-
Fines and forfeits	-	6,484	-	-	-
Interest	-	-	40	465	200
Other revenues	-	-	-	-	-
Total revenues	129,658	6,484	48,404	1,861,415	200
Expenditures					
Current:					
General government	-	12,790	31,616	-	-
Public safety	-	-	-	1,755,127	8,139
Health and welfare	-	-	-	-	-
Community and economic development	75,099	-	-	-	-
Total expenditures	75,099	12,790	31,616	1,755,127	8,139
Revenues over (under) expenditures	54,559	(6,306)	16,788	106,288	(7,939)
Other financing sources (uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balances	54,559	(6,306)	16,788	106,288	(7,939)
Fund balances, beginning of year	15,000	73,885	92,690	1,192,183	142,407
Fund balances, end of year	\$ 69,559	\$ 67,579	\$ 109,478	\$ 1,298,471	\$ 134,468

Prosecutor's Fees	Waste Management	Farmland Preservation	Animal Control Donations	Building Code	Housing Rehabilitation	Sheriff Collection
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	30,649	2,231
-	75,000	-	-	196,369	8,212	20,776
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	1,024	-	-	-	-	-
-	76,024	-	-	196,369	38,861	23,007
-	-	-	-	-	-	-
2,697	-	-	-	-	-	33,616
-	27,620	-	-	-	64,653	-
-	-	-	-	213,409	-	-
2,697	27,620	-	-	213,409	64,653	33,616
(2,697)	48,404	-	-	(17,040)	(25,792)	(10,609)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(2,697)	48,404	-	-	(17,040)	(25,792)	(10,609)
80,572	91,659	1,448	21,230	89,324	67,841	148,598
\$ 77,875	\$ 140,063	\$ 1,448	\$ 21,230	\$ 72,284	\$ 42,049	\$ 137,989

continued...

SHIAWASSEE COUNTY, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Special Revenue Funds
For the Year Ended December 31, 2018

	Register of Deeds Automation	Emergency Management	Sheriff Posse	Local Correction Officer's Training	Drug Forfeiture
Revenues					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-
Charges for services	58,115	-	7,218	17,760	12,279
Fines and forfeits	-	-	-	-	-
Interest	109	-	-	-	-
Other revenues	-	-	-	-	-
Total revenues	58,224	-	7,218	17,760	12,279
Expenditures					
Current:					
General government	29,114	-	-	-	-
Public safety	-	-	10,307	14,603	5,087
Health and welfare	-	-	-	-	-
Community and economic development	-	-	-	-	-
Total expenditures	29,114	-	10,307	14,603	5,087
Revenues over (under) expenditures	29,110	-	(3,089)	3,157	7,192
Other financing sources (uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balances	29,110	-	(3,089)	3,157	7,192
Fund balances, beginning of year	143,524	24,009	13,171	21,428	6,778
Fund balances, end of year	\$ 172,634	\$ 24,009	\$ 10,082	\$ 24,585	\$ 13,970

Prosecutor's Assets	Local Law Enforcement	Law Library	REACH	Social Welfare - DHS	Child Care - DHS	Drug Court
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	48,004	-	-	-	-	658,741
57,395	-	-	-	-	-	-
-	-	6,618	-	-	-	-
-	-	-	-	-	-	-
-	-	-	320	-	2,755	79,363
<u>57,395</u>	<u>48,004</u>	<u>6,618</u>	<u>320</u>	<u>-</u>	<u>2,755</u>	<u>738,104</u>
599	-	14,026	-	-	-	-
-	49,862	-	-	-	-	-
-	-	-	-	4,034	690,091	608,072
-	-	-	-	-	-	-
<u>599</u>	<u>49,862</u>	<u>14,026</u>	<u>-</u>	<u>4,034</u>	<u>690,091</u>	<u>608,072</u>
<u>56,796</u>	<u>(1,858)</u>	<u>(7,408)</u>	<u>320</u>	<u>(4,034)</u>	<u>(687,336)</u>	<u>130,032</u>
-	-	5,321	-	5,000	699,362	401,829
-	-	-	-	-	-	(531,862)
-	-	5,321	-	5,000	699,362	(130,033)
56,796	(1,858)	(2,087)	320	966	12,026	(1)
5,235	2,072	2,087	6,252	8,718	63,135	1
<u>\$ 62,031</u>	<u>\$ 214</u>	<u>\$ -</u>	<u>\$ 6,572</u>	<u>\$ 9,684</u>	<u>\$ 75,161</u>	<u>\$ -</u>

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SHIAWASSEE COUNTY, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Special Revenue Funds
For the Year Ended December 31, 2018

	Veterans' Relief	Veterans' Services	Cigarette Tax	Riverhaven	MAGNET
Revenues					
Taxes	\$ 102,614	\$ 222,393	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	13,415	82,660
Charges for services	-	-	-	-	24,898
Fines and forfeits	-	-	-	-	-
Interest	-	-	-	-	2,924
Other revenues	1,000	35	-	-	711
Total revenues	103,614	222,428	-	13,415	111,193
Expenditures					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	99,831
Health and welfare	107,050	209,241	-	14,101	-
Community and economic development	-	-	-	-	-
Total expenditures	107,050	209,241	-	14,101	99,831
Revenues over (under) expenditures	(3,436)	13,187	-	(686)	11,362
Other financing sources (uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balances	(3,436)	13,187	-	(686)	11,362
Fund balances, beginning of year	335,303	218,230	157	10,946	215,769
Fund balances, end of year	\$ 331,867	\$ 231,417	\$ 157	\$ 10,260	\$ 227,131

Concealed Pistol Licensing	Swift and Sure	Indigent Defense	CMH Court Grant	Senior Citizens	Drug Court	Highway Safety Planning	Totals
\$ -	\$ -	\$ -	\$ -	\$ 735,691	\$ -	\$ -	\$ 1,190,356
-	38,230	18,464	-	821,656	27,435	67,896	1,829,857
44,772	-	-	-	-	-	-	2,411,632
-	-	-	-	-	-	-	13,102
-	-	-	-	-	-	-	3,738
-	-	-	-	-	-	-	85,208
<u>44,772</u>	<u>38,230</u>	<u>18,464</u>	<u>-</u>	<u>1,557,347</u>	<u>27,435</u>	<u>67,896</u>	<u>5,533,893</u>
-	-	-	-	-	-	-	88,145
2,763	41,079	18,464	-	-	28,356	67,896	2,137,827
-	-	-	341	1,270,280	-	-	2,995,483
-	-	-	-	-	-	-	288,508
<u>2,763</u>	<u>41,079</u>	<u>18,464</u>	<u>341</u>	<u>1,270,280</u>	<u>28,356</u>	<u>67,896</u>	<u>5,509,963</u>
<u>42,009</u>	<u>(2,849)</u>	<u>-</u>	<u>(341)</u>	<u>287,067</u>	<u>(921)</u>	<u>-</u>	<u>23,930</u>
-	2,850	-	341	-	921	-	1,115,624
-	-	-	-	-	-	-	(531,862)
-	<u>2,850</u>	<u>-</u>	<u>341</u>	<u>-</u>	<u>921</u>	<u>-</u>	<u>583,762</u>
42,009	1	-	-	287,067	-	-	607,692
<u>53,486</u>	<u>237</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,147,375</u>
<u>\$ 95,495</u>	<u>\$ 238</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 287,067</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,755,067</u>

concluded.

SHIAWASSEE COUNTY, MICHIGAN

Combining Balance Sheet Nonmajor Capital Project Funds December 31, 2018

	Capital Improvements	Jail Improvements	Totals
Assets			
Cash and cash equivalents	\$ 87,222	\$ 2,474	\$ 89,696
Fund balances			
Restricted	\$ 87,222	\$ 2,474	\$ 89,696

SHIAWASSEE COUNTY, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Capital Project Funds
 For the Year Ended December 31, 2018

	Capital Improvements	Jail Improvements	Totals
Revenues			
Other revenue	\$ 6,645	\$ -	\$ 6,645
Expenditures			
Capital outlay	-	3,474	3,474
Net change in fund balances	6,645	(3,474)	3,171
Fund balances, beginning of year	80,577	5,948	86,525
Fund balances, end of year	\$ 87,222	\$ 2,474	\$ 89,696

SHIAWASSEE COUNTY, MICHIGAN

Combining Statement of Fiduciary Assets and Liabilities

Agency Funds
December 31, 2018

	Trust and Agency	Economic Development	Library Penal Fines	Totals
Assets				
Cash and cash equivalents	\$ 1,049,499	\$ 3,127	\$ 36,653	\$ 1,089,279
Liabilities				
Undistributed receipts	\$ 1,049,499	\$ 3,127	\$ 36,653	\$ 1,089,279

SHIAWASSEE COUNTY, MICHIGAN

Statement of Net Position

Medical Care Facility

December 31, 2018

Assets

Current assets:

Cash and cash equivalents \$ 4,344,635

Receivables:

Accounts 2,617,285

Taxes 3,388,885

Prepays 344,427

Total current assets 10,695,232

Noncurrent assets:

Capital assets not being depreciated 1,000,919

Capital assets being depreciated, net 25,359,775

Total noncurrent assets 26,360,694

Total assets 37,055,926

Deferred outflows of resources

Deferred pension amounts 1,541,686

Liabilities

Current liabilities:

Accounts payable 178,121

Accrued liabilities 829,907

Accrued interest 10,598

Compensated absences 891,494

Current portion of long-term debt 1,221,798

Total current liabilities 3,131,918

Noncurrent liabilities:

Long-term debt, net of current portion 9,420,406

Net pension liability 4,108,798

Total OPEB liability 205,278

Total noncurrent liabilities 13,734,482

Total liabilities 16,866,400

Deferred inflows of resources

Property taxes levied for subsequent period 3,518,531

Deferred pension amounts 914,220

Total deferred inflows of resources 4,432,751

Net position

Net investment in capital assets 15,718,490

Unrestricted 1,579,971

Total net position \$ 17,298,461

SHIAWASSEE COUNTY, MICHIGAN

Statement of Revenues, Expenses and Changes in Fund Net Position Medical Care Facility For the Year Ended December 31, 2018

Operating revenues	
Charges for services	\$ 16,390,560
Quality assurance supplement	<u>1,914,482</u>
Total operating revenues	<u>18,305,042</u>
Operating expenses	
Personal services and fringes	15,872,180
Operating supplies	1,783,765
Contracted services	1,256,516
Provider tax	873,750
Depreciation	1,845,327
Other	<u>1,592,043</u>
Total operating expenses	<u>23,223,581</u>
Operating loss	<u>(4,918,539)</u>
Nonoperating revenues (expenses)	
Property taxes	3,638,990
Interest revenue	6,070
Interest expense	(268,661)
Loss on sale of capital assets	<u>(1,273,549)</u>
Total nonoperating revenues (expenses)	<u>2,102,850</u>
Change in net position	(2,815,689)
Net position, beginning of year, as restated	<u>20,114,150</u>
Net position, end of year	<u>\$ 17,298,461</u>

SHIAWASSEE COUNTY, MICHIGAN

Statement of Cash Flows

Medical Care Facility

For the Year Ended December 31, 2018

Cash flows from operating activities	
Cash received from customers	\$ 15,184,000
Cash received from quality assurance supplement	2,325,149
Cash payments for goods and services	(6,405,925)
Cash payments to employees	<u>(14,376,656)</u>
Net cash used in operating activities	<u>(3,273,432)</u>
Cash flows from noncapital related financing activities	
Property taxes	<u>3,695,775</u>
Cash flows from capital related financing activities	
Purchases of capital assets	(3,348,605)
Gain (loss) on sale of capital assets	18,423
Principal paid on long-term debt	(1,192,971)
Interest paid on long-term debt	<u>(269,849)</u>
Net cash used in capital related financing activities	<u>(4,793,002)</u>
Cash flows from investing activities	
Interest received	<u>6,070</u>
Net change in cash and cash equivalents	(4,364,589)
Cash and cash equivalents, beginning of year	<u>8,709,224</u>
Cash and cash equivalents, end of year	<u>\$ 4,344,635</u>
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	\$ (4,918,539)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation expense	1,845,327
Change in operating assets and liabilities that provided (used) cash:	
Accounts receivable	(795,893)
Prepays	17,223
Deferred outflows of resources related to pension	2,245,725
Accounts payable	(200,125)
Accrued liabilities	(479,045)
Compensated absences	313,770
Net pension liability	(2,107,087)
Deferred inflows of resources related to pension	788,542
Total OPEB liability	<u>16,670</u>
Net cash used in operating activities	<u>\$ (3,273,432)</u>

SHIAWASSEE COUNTY, MICHIGAN

Combining Balance Sheet

Governmental Funds

Drainage Districts

December 31, 2018

	Debt Service Funds		
	Drain Debt	Henderson Drain Debt	Byron Water Project Debt
Assets			
Cash and cash equivalents	\$ 172,134	\$ 250	\$ -
Special assessments receivable	627,036	-	-
Due from other governments	-	60,325	371,433
Due from other funds	-	-	-
Advances to other funds	-	-	-
Total assets	<u>\$ 799,170</u>	<u>\$ 60,575</u>	<u>\$ 371,433</u>
Liabilities			
Accounts payable	\$ -	\$ -	\$ -
Short-term note payable	-	-	-
Due to other funds	-	-	-
Advances from other funds	-	-	-
Advances from primary government	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources			
Unavailable revenue	<u>517,382</u>	<u>60,325</u>	<u>371,433</u>
Fund balances			
Restricted:			
Debt service	281,788	250	-
Capital projects	-	-	-
Total fund balances	<u>281,788</u>	<u>250</u>	<u>-</u>
Total liabilities deferred inflows of resources and fund balances	<u>\$ 799,170</u>	<u>\$ 60,575</u>	<u>\$ 371,433</u>

Capital Projects					
Lake Level	Regular Drain	Revolving Drain	Revolving Drain Maintenance	Drain Equipment Revolving	Totals
\$ 987	\$ 1,924,552	\$ 47,985	\$ 12,094	\$ 153,920	\$ 2,311,922
-	597,693	-	-	-	1,224,729
-	-	-	-	-	431,758
-	-	201,723	-	21,484	223,207
-	30,725	-	-	-	30,725
<u>\$ 987</u>	<u>\$ 2,552,970</u>	<u>\$ 249,708</u>	<u>\$ 12,094</u>	<u>\$ 175,404</u>	<u>\$ 4,222,341</u>
\$ -	\$ 1,434	\$ 37,614	\$ -	\$ 1,410	\$ 40,458
-	150,000	-	-	-	150,000
-	223,207	-	-	-	223,207
-	-	30,725	-	-	30,725
-	-	170,000	-	-	170,000
-	374,641	238,339	-	1,410	614,390
-	4,457	-	-	-	953,597
-	-	-	-	-	282,038
987	2,173,872	11,369	12,094	173,994	2,372,316
987	2,173,872	11,369	12,094	173,994	2,654,354
<u>\$ 987</u>	<u>\$ 2,552,970</u>	<u>\$ 249,708</u>	<u>\$ 12,094</u>	<u>\$ 175,404</u>	<u>\$ 4,222,341</u>

SHIAWASSEE COUNTY, MICHIGAN

Reconciliation

Fund Balances of the Governmental Funds of the Drains Component Unit
to Net Position of the Drains Component Unit
December 31, 2018

Fund balances governmental funds - drain component unit	\$ 2,654,354
<p>Amounts reported for <i>governmental activities</i> in the statement of net position are different because:</p>	
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.</p>	
Capital assets being depreciated, net	5,600,316
<p>Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current expenditures. Those assets (i.e., receivables) are offset by deferred inflows of resources in the governmental funds and, therefore, are not included in fund balance.</p>	
Deferred long-term receivables	953,597
<p>Long-term liabilities and related deferred outflows are not due and payable in the current period and therefore are not reported in the funds.</p>	
Bonds and notes payable	(1,704,470)
Accrued interest on bonds and notes payable	(6,566)
	<hr/>
Net position of drains component unit	<u><u>\$ 7,497,231</u></u>

SHIAWASSEE COUNTY, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

Drainage Districts

For the Year Ended December 31, 2018

	Debt Service Funds		
	Drain Debt	Henderson Drain Debt	Byron Water Project Debt
Revenues			
Special assessments	\$ 126,804	\$ -	\$ -
Interest	334	-	-
Other	-	25,050	53,807
Total revenues	127,138	25,050	53,807
Expenditures			
Current:			
Public works	-	-	-
Debt service:			
Principal	125,000	20,000	45,000
Interest and fiscal charges	39,774	4,800	8,807
Capital outlay	-	-	-
Total expenditures	164,774	24,800	53,807
Revenues over (under) expenditures	(37,636)	250	-
Other financing sources (uses)			
Transfers in	-	-	-
Transfers out	(54,819)	-	-
Total other financing sources (uses)	(54,819)	-	-
Net change in fund balances	(92,455)	250	-
Fund balances, beginning of year	374,243	-	-
Fund balances, end of year	\$ 281,788	\$ 250	\$ -

Capital Project Funds					
Lake Level	Regular Drain	Revolving Drain	Revolving Drain Maintenance	Drain Equipment Revolving	Totals
\$ -	\$ 910,909	\$ -	\$ -	\$ -	\$ 1,037,713
-	5,366	-	210	-	5,910
400	-	1	-	22,778	102,036
400	916,275	1	210	22,778	1,145,659
-	455,531	37,309	-	121,270	614,110
-	-	-	-	-	190,000
-	-	-	-	-	53,381
-	-	-	-	-	-
-	455,531	37,309	-	121,270	857,491
400	460,744	(37,308)	210	(98,492)	288,168
-	54,819	-	-	131,321	186,140
-	(131,321)	-	-	-	(186,140)
-	(76,502)	-	-	131,321	-
400	384,242	(37,308)	210	32,829	288,168
587	1,789,630	48,677	11,884	141,165	2,366,186
\$ 987	\$ 2,173,872	\$ 11,369	\$ 12,094	\$ 173,994	\$ 2,654,354

SHIAWASSEE COUNTY, MICHIGAN

Reconciliation

Net Changes in Fund Balances of the Governmental Funds of the Drains Component Unit to Change in Net Position of the Drains Component Unit
For the Year Ended December 31, 2018

Net change in fund balances governmental funds - drains component unit	\$ 288,168
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Depreciation expense	(227,998)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to subsequent fiscal years.	
Change in deferred long-term receivables	(175,456)
Debt proceeds provide current financial resources to governmental funds in the period issued, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the funds, but the repayment reduces long-term liabilities in the statement of net position.	
Principal payments on long-term liabilities	190,000
Change in accrued interest payable on long-term liabilities	524
Change in net position of drains component unit	<u>\$ 75,238</u>

SHIAWASSEE COUNTY, MICHIGAN

Balance Sheet

Governmental Fund

County Airport

December 31, 2018

Assets

Cash and cash equivalents	\$	49,983
Accounts receivable		32,653
Inventory		5,438

Total assets \$ 88,074

Liabilities

Accounts payable	\$	1,590
Accrued liabilities		1,137

Total liabilities 2,727

Fund balance

Nonspendable:		
Inventory		5,438
Unassigned		79,909

Total fund balance 85,347

Total liabilities and fund balance \$ 88,074

SHIAWASSEE COUNTY, MICHIGAN

■ Reconciliation

Fund Balances of the Governmental Fund of the County Airport Component Unit
to Net Position of the County Airport Component Unit
December 31, 2018

Fund balance governmental fund - county airport component unit	\$ 85,347
Amounts reported for <i>governmental activities</i> in the statement of net position are different	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets being depreciated, net	<u>1,750,421</u>
Net position of county airport component unit	<u><u>\$ 1,835,768</u></u>

SHIAWASSEE COUNTY, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Fund

County Airport

For the Year Ended December 31, 2018

Revenues	
Intergovernmental	\$ 22,203
Charges for services	237,234
Interest	9
	<hr/>
Total revenues	259,446
Expenditures	
Current:	
Public works	244,560
	<hr/>
Net change in fund balance	14,886
Fund balance, beginning of year	70,461
	<hr/>
Fund balance, end of year	\$ 85,347
	<hr/> <hr/>

SHIAWASSEE COUNTY, MICHIGAN

Reconciliation

Net Changes in Fund Balances of the Governmental Fund of the County Airport Component Unit
to Change in Net Position of the County Airport Component Unit
For the Year Ended December 31, 2018

Net change in fund balance governmental fund - county airport component unit	\$ 14,886
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Capital assets purchased/constructed	10,266
Depreciation expense	<u>(75,394)</u>
Change in net position of county airport component unit	<u>\$ (50,242)</u>

Shiawassee
County,
Michigan



Year Ended
December 31,
2018

Single Audit Act
Compliance

SHIAWASSEE COUNTY, MICHIGAN

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Independent Auditors' Report on the Schedule of Expenditures of Federal Awards
Required by the Uniform Guidance

July 31, 2019

Board of Commissioners
of Shiawassee County, Michigan
Corunna, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of *Shiawassee County, Michigan* (the "County") as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated July 31, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the basic financial statements. Such 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. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



SHIAWASSEE COUNTY, MICHIGAN

Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2018

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
U.S. Department of Agriculture				
Supplemental Nutrition Program for Women, Infants, and Children (WIC):				
FY 17-18 Resident	10.557	MDHHS	20180093	\$ 261,937
FY 17-18 Breastfeeding	10.557	MDHHS	20180093	44,613
FY 18-19 Resident	10.557	MDHHS	20180093	87,312
FY 18-19 Breastfeeding	10.557	MDHHS	20180093	<u>13,998</u>
Total U.S. Department of Agriculture				<u>407,860</u>
U.S. Department of Housing and Urban Development				
Community Development - States Program	14.228	MEDC	MSC20140814HOA	<u>30,649</u>
U.S. Department of Justice				
Byrne Justice Assistance Grant	16.738	MSP	JAG-72282-3-18-BJA18	<u>37,000</u>
U.S. Department of Transportation				
Highway Safety Cluster - Alcohol Impaired Driving Countermeasures Incentive Program:				
17-18	20.601	MSCAO	SCAO-18-10739	<u>67,048</u>
Environmental Protection Agency				
Drinking Water State Revolving Fund Cluster - Capitalization Grants for Drinking Water State Revolving Funds -				
17-18	66.468	MDEQ	FS975487-16	<u>500</u>
U.S. Department of Health and Human Services				
Public Health Emergency Preparedness:				
FY 17-18 Pandemic Flu / Bioterrorism	93.069	MDHHS	20171135	85,622
FY 18-19 Pandemic Flu / Bioterrorism	93.069	MDHHS	-n/a-	<u>28,860</u>
				<u>114,482</u>
Immunization Cooperative Agreements:				
Immunization - Vaccines (noncash)	93.268	MDHHS	-n/a-	65,799
FY 17-18 Immunization - IAP	93.268	MDHHS	20170251	4,748
FY 18-19 Immunization - IAP	93.268	MDHHS	-n/a-	<u>1,389</u>
				<u>71,936</u>
PPHF Capacity Building Assistance				
FY 17-18 Immunization - IAP	93.539	MDHHS	20170251	21,875
FY 18-19 Immunization - IAP	93.539	MDHHS	-n/a-	<u>6,326</u>
				<u>28,201</u>
Child Support Enforcement (Title IV-D)				
Friend of the Court	93.563	MDHHS	CS/FOC-17-78001	502,000
Prosecuting Attorney	93.563	MDHHS	CS/PA-17-78002	145,139
Title IV-D Incentive Payments FY 2018	93.563	MDHHS	-n/a-	<u>112,973</u>
				<u>760,112</u>

continued...

SHIAWASSEE COUNTY, MICHIGAN

Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2018

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
U.S. Department of Health and Human Services (continued)				
Medicaid Cluster:				
Medical Assistance Program:				
FY 17-18 Medicaid Outreach	93.778	MDHHS	-n/a-	\$ 29,229
FY 17-18 CSHCS Medicaid Outreach	93.778	MDHHS	-n/a-	15,101
FY 18-19 CSHCS Outreach and Advocacy	93.778	MDHHS	-n/a-	5,000
				<u>49,330</u>
Maternal and Child Health Services Block Grant:				
FY 17-18 Local MCH	93.994	MDHHS	20171135	7,796
FY 18-19 Local MCH	93.994	MDHHS	-n/a-	10,274
				<u>18,070</u>
Total U.S. Department of Health and Human Services				<u>1,042,131</u>
U.S. Department of Homeland Security				
Hazardous Material Emergency Preparedness Planning Program				
FY 17-18 HMEP	20.703	MSP	HM-HMP-0558-16-01-00	2,196
FY 18-19 HMEP	20.703	MSP	HM-HMP-0558-16-01-00	9,205
				<u>11,401</u>
Pre-Disaster Mitigation Program	97.042	MSP	EMC-2017-EP-0002	<u>17,598</u>
Homeland Security Grant Program:				
2017 HSGP - Planning	97.067	MSP	EMC-2017-EP-001	<u>12,412</u>
Total U.S. Department of Homeland Security				<u>41,411</u>
Total Expenditures of Federal Awards				<u>\$ 1,626,599</u> concluded

See notes to schedule of expenditures of federal awards.

SHIAWASSEE COUNTY, MICHIGAN

Notes to Schedule of Expenditures of Federal Awards

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of Shiawassee County, Michigan (the “County”) under programs of the federal government for the year ended December 31, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position or cash flows of the County.

The County’s reporting entity is defined in Note 1 of the County’s basic financial statements. The County’s financial statements include the operations of the Shiawassee County Road Commission, a discretely-presented component unit, which received federal awards that are not included in the Schedule for the year ended December 31, 2018, as the entity was separately audited.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting, which is described in Note 1 to the County’s financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

For purposes of charging indirect costs to federal awards, the County has not elected to use the 10 percent de minimis cost rate as permitted by §200.414 of the Uniform Guidance.

3. PASS-THROUGH AGENCIES

The County receives certain federal grants as subawards from non-federal entities. Pass-through entities, where applicable, have been identified in the Schedule with an abbreviation, defined as follows:

Pass-through Agency Abbreviation	Pass-through Agency Name
MDEQ	Michigan Department of Environmental Quality
MDHHS	Michigan Department of Health and Human Services
MEDC	Michigan Economic Development Corporation
MSP	Michigan Department of State Police
MSCAO	Michigan State Court Administrative Office



**Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

July 31, 2019

Board of Commissioners
of Shiawassee County, Michigan
Corunna, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of *Shiawassee County, Michigan* (the "County"), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated July 31, 2019. Our report includes a reference to other auditors who audited the financial statements of Shiawassee County Road Commission, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2018-001, -002, -003 and -004 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2018-005 to be a significant deficiency.

Compliance and Other Matters

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

Shiawassee County’s Response to Findings

The County’s responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The County’s responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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



**Independent Auditors' Report on Compliance for Each Major Federal Program
and on Internal Control over Compliance Required by the Uniform Guidance**

July 31, 2019

Board of Commissioners
of Shiawassee County, Michigan
Corunna, Michigan

Report on Compliance for Each Major Federal Program

We have audited the compliance of *Shiawassee County, Michigan* (the "County") with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the County's major federal program for the year ended December 31, 2018. The County's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

The County's basic financial statements include the operations of the Shiawassee County Road Commission, which received \$826,282 in contracted federal awards, and which is not included in the schedule of expenditures of federal awards for the year ended December 31, 2018. Our audit, described below, did not include the operations of the Shiawassee County Road Commission because it arranged for a separate audit.

Management's Responsibility

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

Independent Auditors' Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended December 31, 2018.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2018-006. Our opinion on the major federal program is not modified with respect to this matter.

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

Report on Internal Control Over Compliance

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

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

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

Purpose of this Report

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

Rehmann Lobson LLC

SHIAWASSEE COUNTY, MICHIGAN

Schedule of Findings and Questioned Costs For the Year Ended December 31, 2018

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified? x yes no

Significant deficiency(ies) identified? x yes none reported

Noncompliance material to financial statements noted? yes x no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes x no

Significant deficiency(ies) identified? yes x none reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

 x yes no

Identification of major programs and type of auditors' report issued on compliance for each major program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Type of Report</u>
93.563	Child Support Enforcement	Unmodified

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

 yes X no

SHIAWASSEE COUNTY, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2018

SECTION II - FINANCIAL STATEMENT FINDINGS

2018-001 - Material Audit Adjustments (Repeated from Prior Year)

Finding Type. Material Weakness in Internal Control over Financial Reporting.

Criteria. All governments are required to prepare financial statements in accordance with generally accepted accounting principals (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting.)

Condition. As is the case with many smaller and medium sized entities, the County has historically relied on its independent auditors to assist in identifying certain adjustments that are necessary for the financial statements to be in conformance with GAAP as part of its external financial reporting process. Adjustments were necessary in order to present certain accounts in accordance with GAAP. The material adjustments that were proposed by the auditor and corrected by management were as follows: (1) overstatement of interest and administrative fees for delinquent taxes receivable in the delinquent tax revolving fund; (2) proper recording of additional capital assets in governmental activities; (3) understatement of accounts payable in drains component unit and non-major special revenue funds; (4) proper recording of debt proceeds for the Health Department; (5) various adjustments to reconcile cash that impacted most opinion units; (6) understatement of accrued payroll in most opinion units; (7) overstatement of beginning equity for the Health Department.

Cause. The County did not identify certain adjustments that were necessary for the financial statements to be presented in accordance with GAAP.

Effect. As a result of this condition, the County's financial information was initially misstated by amounts that were deemed to be quantitatively material to most opinion units. Correcting entries were subsequently posted by management to the County's records and the appropriate balances are presented in the audited financial statements.

Recommendation. For the adjustments, we recommend an individual review year-end balances in the general ledger and agree or reconcile to supporting documentation and schedules and record adjustments as needed, to ensure everything is recorded properly and completely.

View of Responsible Officials. General Ledger accounts will be closely monitored to assure that there are no material misstatements in the future and all material adjustments are made prior to the commencement of the audit process. Any journal entries that are necessary will be made on a monthly basis upon reconciling financial statements and immediately posted to the general ledger.

SHIAWASSEE COUNTY, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2018

2018-002 - Bank Reconciliations (Repeated from Prior Year)

Finding Type. Material Weakness in Internal Control over Financial Reporting.

Criteria. The State of Michigan has set a requirement that bank reconciliations should be completed within six weeks of each month end and also at year end. This is also an important part of ensuring effective control over the County's assets.

Condition. During our audit, several errors within the bank reconciliation process as well as reconciliations not being performed timely or at all for some accounts.

Cause. Management did not perform bank reconciliations for all bank and investment accounts maintained by the County, in a timely fashion or there were unresolved differences in the completed reconciliations.

Effect. As a result of this condition, the County has not complied with the State of Michigan requirements related to timely completion of bank reconciliations for certain bank and investment accounts.

Recommendation. We recommend that the County develop a written policy for complying with the State of Michigan's bank reconciliation policy and communicate this policy to all County employees that are responsible for performing bank and investment reconciliations.

View of Responsible Officials. Bank reconciliations will be completed within one month of the close of the prior month end and a report will be provided to the County Finance Committee on a monthly basis reflecting the status of the reconciliation process.

SHIAWASSEE COUNTY, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2018

2018-003 - Control of Bank Accounts (Repeated from Prior Year)

Finding Type. Material Weakness in Internal Control over Financial Reporting.

Criteria. The State of Michigan requires that all cash and investment accounts be under the control of the local unit treasurer. No other individual may hold cash of the local unit, or open up a bank account to hold local unit cash or investments.

Condition. During our audit, we identified several bank accounts that are not under the control of the County treasurer.

Cause. Over the past several years, the County has not established effective policies and procedures related to the opening of bank accounts and who has the authority to open an account to hold County funds.

Effect. As a result of this condition, the County is not in compliance with the State's regulations that require all bank and investment accounts be under the control of the County treasurer.

Recommendation. Management should establish strong internal controls around opening bank accounts and establish and communicate to all departments of the County who has the authority to open bank and investment accounts to hold County funds.

View of Responsible Officials. The County Treasurer will assure that all the bank accounts are readily accessible and under the control of that office or in the office of their designee. The County will properly monitor all of the accounts and have them available for audit purposes and a report will be provided to the County Finance Committee on a monthly basis documenting all accounts have been properly reviewed and reconciled each month in preparation for future audits. This will assure that only accounts authorized by the County Treasurer will be allowed to bear the County's EIN.

SHIAWASSEE COUNTY, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2018

2018-004 - Delinquent Annual Financial Report (Repeated from Prior Year)

Finding Type. Material Weakness in Internal Control over Financial Reporting.

Criteria. Michigan Public Act 2 of 1968 requires that the annual financial report shall be filed within six (6) months after the end of the fiscal year of the local unit.

Condition. For the year ended December 31, 2018, the audited financial statements are approximately a month delinquent to the State of Michigan.

Cause. The County was delinquent in providing financial information, including the necessary OPEB plan valuations, which was a new requirement this year in order for the County to comply and implement GASB 75, to complete the audit due to a change in key personnel.

Effect. The County will be required to file the "long form" for any borrowing requiring State approval for the next fiscal year. Additional costs are associated with filing the long form as opposed to filing the Qualifying Statement. In addition, for financial information to be beneficial to the users of the financial statements it needs to be timely, when the audit is submitted so late it becomes less relevant.

Recommendation. We recommend the County assure that the audit is completed timely but not any later than six (6) months subsequent to the fiscal year end.

View of Responsible Officials. The County will assure that they are appropriately prepared, and the financial systems adjusted adequately so that the audit can be conducted, and the audited financial statements can be issued and submitted to the State of Michigan with six (6) months after year end going forward.

SHIAWASSEE COUNTY, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2018

2018-005 - Account Reconciliations between Opinion Units

Finding Type. Significant Deficiency in Internal Control over Financial Reporting.

Criteria. Management is responsible for maintaining its accounting records in accordance with generally accepted accounting principles (GAAP).

Condition. During our audit, we identified County cash balances held by the Treasurer for the Health Department and Medical Care Facility did not reconcile with the balances reported in the entity's separate general ledgers for the Health Department and the Medical Care Facility.

Cause. Management did not perform account reconciliations for account balances held for others and reported on the County's general ledger.

Effect. As a result of this condition, the County's financial information was initially misstated by amounts that were deemed to be significant. Correcting entries were subsequently posted by management to the County's records and the appropriate balances are presented in the audited financial statements.

Recommendation. We recommend an individual reconcile the information held by the County for all related entities that maintain a separate general ledger system and record adjustments as necessary, to ensure everything is recorded properly and completely in each general ledger system.

View of Responsible Officials. The County Finance Director in conjunction with the Treasurer's office and the applicable Entity that maintains a separate general ledger for their accounting records will reconcile between the County's general ledger and the decentralized general ledger(s) on a monthly basis and connect any differences in a timely fashion.

SHIAWASSEE COUNTY, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2018

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2018-006 - Written Policies Required by the Uniform Grant Guidance

Finding Type. Immaterial noncompliance (Cash Management and Allowable Costs/Cost Principles)

Federal programs:

Pass-through Michigan Department of Health and Human Services -

- Child Support Enforcement (CFDA# 93.563); U.S. Department of Health and Human Services; All project numbers

Criteria. The Uniform Grant Guidance requires a non-federal entity that has expended federal awards for a grant awarded on or after December 26, 2014 to have written policies pertaining to: 1) Payments (draws of federal funds and how to minimize the time lapsing between the receipt of federal funds and the disbursement to contractors/employees/subrecipients); 2) Determining the allowability of costs charged to federal programs; 3) Compensation (personnel and benefits policy); and 4) Travel costs (including mileage and per diems).

Condition. Although the County has processes in place to cover these areas, there are no formal written policies in place covering payments and allowability of costs.

Cause. This condition appears to be the result of a time lag in identifying the requirement and developing a plan for compliance.

Effect. As a result of this condition, the County did not fully comply with the Uniform Guidance applicable to the above noted grants.

Questioned Costs. No costs have been questioned as a result of this finding.

Recommendation. We are aware that the County is evaluating options using internal and external resources to take corrective action. We recommend that the County proceed with its selected option as soon as practical, but no later than the end of fiscal year 2019.

View of Responsible Officials. The County will begin to develop and work the written policies related to payments, allowability of costs, compensation, and travel costs through the County Board of Commissioner's approval process so that they are in place before the next audit. The County will assure these written policies that are put in place are in compliance with Uniform Guidance.



SHIAWASSEE COUNTY, MICHIGAN

Summary Schedule of Prior Audit Findings

For the Year Ended December 31, 2018

Finding 2017-001 - Material Audit Adjustments

The audit identified the need for substantial adjustments to the County's accounting records, which impacted a variety of funds and financial statement areas that collectively had a material effect on the County's financial statements. This matter was repeated as finding 2018-001.

Finding 2017-002 - Material Prior Period Adjustments

The audit identified the need for material prior period adjustments to the County's accounting records, which impacted a variety of fund and financial statement areas that collectively has a material effect on the County's financial statements. This matter was corrected in 2018.

Finding 2017-003 - Bank Reconciliations

The audit noted that the bank reconciliations were not being completed and reviewed in a timely manner, as well as reconciliations not being performed at all for some accounts. This matter was repeated as finding 2018-002.

Finding 2017-004 - Control of Bank Accounts

The audit noted several bank accounts that are not under the control of the County Treasurer. This matter was repeated at finding 2018-003.

Finding 2017-005 - Delinquent Annual Financial Report

The County failed to timely file its annual audited financial statements which are due to the State of Michigan six (6) months subsequent to the fiscal year end. This matter was repeated at finding 2018-004.

Finding 2017-006 - Written Policies Required by the Uniform Grant Guidance

The County failed to comply with the Uniform Guidance as there are no formal written policies in place covering payments, procurement, and allowability of costs. This matter was repeated at finding 2018-006.





Shiawassee County

July 31, 2019

Community Engagement and Finance Division
Michigan Department of Treasury
Lansing, Michigan 48909

The County offers the following as its corrective action plan to the Schedule of Findings and Questioned Costs and Auditing Procedures Report for the December 31, 2018 Audit dated July 31, 2019.

CORRECTIVE ACTION PLAN

2018-001 Material Audit Adjustments

County personnel responsible for resolution: Finance Director with oversight by the County Finance Committee

Corrective Action Response: General Ledger accounts will be closely monitored to assure that there are no material misstatements in the future and all material adjustments are made prior to the commencement of the audit process. Any journal entries that are necessary will be made on a monthly basis upon reconciling financial statements and immediately posted to the general ledger.

Anticipated completion date: December 31, 2019

2018-002 Bank Reconciliations

County personnel responsible for resolution: Finance Director with assistance from the County Treasurer with oversight by the County Finance Committee

Correction Action Response: Bank reconciliations will be completed within one month of the close of the prior month end and a report will be provided to the County Finance Committee on a monthly basis reflecting the status of the reconciliation process.

Anticipated completion date: December 31, 2019

2018-003 Control of Bank Accounts

County personnel responsible for resolution: Finance Director with assistance from the County Treasurer with oversight by the County Finance Committee

Corrective Action Response: The County Treasurer will assure that all the bank accounts are readily accessible and under the control of that office or in the office of their designee. The County will properly monitor all of the accounts and have them available for audit purposes and a report will be provided to the County Finance Committee on a monthly basis documenting all accounts have been properly reviewed and reconciled each month in preparation for future audits. This will assure that only accounts authorized by the County Treasurer will be allowed to bear the County's EIN.

Anticipated completion date: December 31, 2019

2018-004 Delinquent Annual Financial Report

County Personnel responsible for resolution: Finance Director with oversight by the County Finance Committee

Corrective Action Response: The County will assure that they are appropriately prepared, and the financial systems adjusted adequately so that the audit can be conducted, and the audited financial statements can be issued and submitted to the State of Michigan with six (6) months after year end going forward.

Anticipated completion date: December 31, 2019

2018-005 Account Reconciliations Between Opinion Units

County Personnel responsible for resolution: Finance Director with assistance from the County Treasurer and oversight by the County Finance Committee

Corrective Action Response: The County Finance Director in conjunction with the Treasurer's office and the applicable Entity that maintains a separate general ledger for their accounting records will reconcile between the County's general ledger and the decentralized general ledger(s) on a monthly basis and connect any differences in a timely fashion.

Anticipated completion date: December 31, 2019

2018-006 Written Policies Required by the Uniform Grant Guidance

County Personnel responsible for resolution: Finance Director with oversight by the County Finance Committee

Corrective Action Response: The County will begin to develop and work the written policies related to payments, allowability of costs, compensation, and travel costs through the County Board of Commissioner's approval process so that they are in place before the next audit. The County will assure these written policies that are put in place are in compliance with Uniform Guidance.

Anticipated completion date: December 31, 2019

Michael Herendeen,
Shiawassee County Coordinator