

Shiawassee  
County, Michigan



Year Ended  
December 31,  
2017

Financial  
Statements

# SHIAWASSEE COUNTY, MICHIGAN

## Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	5
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	15
Statement of Activities	16
Fund Financial Statements	
Balance Sheet - Governmental Funds	18
Reconciliation of Fund Balances of Governmental Funds to Net Position of Governmental Activities	20
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	21
Reconciliation of Net Changes in Fund Balances of Governmental Funds to Change in Net Position of Governmental Activities	23
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	
General Fund	24
Health Department	27
Statement of Net Position - Proprietary Funds	28
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	29
Statement of Cash Flows - Proprietary Funds	30
Statement of Assets and Liabilities - Fiduciary Funds	31
Combining Statement of Net Position - Discretely Presented Component Units	33
Combining Statement of Activities - Discretely Presented Component Units	35
Notes to Financial Statements	38
Required Supplementary Information	
MERS Agent Multiple - Employer Defined Benefit Pension Plan - Primary Government and Component Units (except for Road Commission and Council on Aging)	
Schedule of Changes in the Net Pension Liability and Related Ratios	80
Schedule of the Net Pension Liability	81
Schedule of Contributions	82
MERS Agent Multiple - Employer Defined Benefit Pension Plan - Council on Aging	
Schedule of Changes in the Net Pension Liability and Related Ratios	83
Schedule of the Net Pension Liability	84
Schedule of Contributions	85
Single Employer Defined Benefit Other Postemployment Benefit Plan	
Schedules of Funding Progress	86
Schedules of Employer Contributions	86

# SHIAWASSEE COUNTY, MICHIGAN

## Table of Contents

	<u>Page</u>
Combining and Individual Fund Financial Statements and Schedules	
Nonmajor Governmental Funds	
Combining Balance Sheet	88
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	89
Combining Balance Sheet - Nonmajor Special Revenue Funds	90
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds	96
Combining Balance Sheet - Nonmajor Capital Project Funds	102
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Project Funds	103
Agency Funds	
Combining Statement of Fiduciary Assets and Liabilities	104
Component Units	
Medical Care Facility	
Statement of Net Position	105
Statement of Revenues, Expenses and Changes in Fund Net Position	106
Statement of Cash Flows	107
Drainage Districts	
Combining Balance Sheet	108
Reconciliation of Fund Balances to Net Position	110
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	111
Reconciliation of Change in Fund Balances to the Change in Net Position	113
Airport	
Balance Sheet - Governmental Funds	114
Reconciliation of Fund Balance to Net Position	115
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	116
Reconciliation of Change in Fund Balance to the Change in Net Position	117

## INDEPENDENT AUDITORS' REPORT

August 15, 2018

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, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

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

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

#### *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	47%	58%	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, 2017, 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.

### *Restatement of Beginning Equity*

As discussed in Note 19 to the financial statements, beginning net position/fund balance of governmental activities, business-type activities, general fund, delinquent tax revolving enterprise fund and drainage district component unit were restated to correct errors in recognizing revenue and liabilities in the proper year. 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 and the introductory and statistical sections 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 August 15, 2018, 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, 2017. 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	\$ (6,012,463)
· Change in total net position	21,759
· Fund balances, governmental funds	7,430,771
· Change in fund balances, governmental funds	435,050
· Unassigned fund balance, general fund	2,090,625
· Change in fund balance, general fund	200,927
· Installment debt outstanding	15,668,174
· Change in installment debt	(1,400,205)

### 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, and 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 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 \$6,012,463 at the close of the most recent fiscal year.

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Assets</b>						
Current and other assets	\$ 25,696,566	\$ 26,604,713	\$ 9,154,605	\$ 9,215,024	\$ 34,851,171	\$ 35,819,737
Capital assets, net	6,895,154	5,581,365	6,761	11,193	6,901,915	5,592,558
	<u>32,591,720</u>	<u>32,186,078</u>	<u>9,161,366</u>	<u>9,226,217</u>	<u>41,753,086</u>	<u>41,412,295</u>
Deferred outflows of resources	5,420,465	7,654,265	-	-	5,420,465	7,654,265
<b>Liabilities</b>						
Long-term liabilities	16,035,618	17,502,845	-	-	16,035,618	17,502,845
Net pension liability	32,638,876	33,042,340	-	-	32,638,876	33,042,340
Other liabilities	3,686,794	3,988,027	58,874	-	3,745,668	3,988,027
	<u>52,361,288</u>	<u>54,533,212</u>	<u>58,874</u>	<u>-</u>	<u>52,420,162</u>	<u>54,533,212</u>
Deferred inflows of resources	765,852	567,570	-	-	765,852	567,570
<b>Net position</b>						
Net investment in capital assets	6,757,155	4,727,986	6,761	11,193	6,763,916	4,739,179
Restricted	4,181,127	3,954,950	-	-	4,181,127	3,954,950
Unrestricted (deficit)	<u>(26,053,237)</u>	<u>(23,943,375)</u>	<u>9,095,731</u>	<u>9,215,024</u>	<u>(16,957,506)</u>	<u>(14,728,351)</u>
<b>Total net position</b>	<u>\$ (15,114,955)</u>	<u>\$ (15,260,439)</u>	<u>\$ 9,102,492</u>	<u>\$ 9,226,217</u>	<u>\$ (6,012,463)</u>	<u>\$ (6,034,222)</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 (\$6,763,916). 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 (\$4,181,127) 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 \$16,957,506.

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 net position in the governmental activities, which is mainly attributable to the net pension liability.

The government's net position decreased by \$21,759 during the current fiscal year. This decrease was the result of an increase in governmental activities of \$145,484 and a decrease in business-type activities of \$123,725.

# 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	
	2017	2016	2017	2016	2017	2016
<b>Program revenues</b>						
Charges for services	\$ 4,594,011	\$ 4,669,183	\$ 547,952	\$ 923,281	\$ 5,141,963	\$ 5,592,464
Operating grants	6,433,114	4,723,749	-	-	6,433,114	4,723,749
<b>General revenues</b>						
Taxes	10,057,723	9,083,200	-	-	10,057,723	9,083,200
State shared revenues	1,698,891	1,636,965	-	-	1,698,891	1,636,965
Unrestricted investment earnings	60,185	19,836	48,753	49,655	108,938	69,491
Other	-	320,179	-	-	-	320,179
<b>Total revenues</b>	<b>22,843,924</b>	<b>20,453,112</b>	<b>596,705</b>	<b>972,936</b>	<b>23,440,629</b>	<b>21,426,048</b>
<b>Expenses</b>						
General government	10,513,429	8,961,137	-	-	10,513,429	8,961,137
Public safety	6,942,583	7,471,710	-	-	6,942,583	7,471,710
Public works	296,339	94,804	-	-	296,339	94,804
Health and welfare	4,651,772	5,141,505	-	-	4,651,772	5,141,505
Recreation and culture	14,553	28,198	-	-	14,553	28,198
Community development	346,434	397,048	-	-	346,434	397,048
Interest on long-term debt	503,330	225,677	-	-	503,330	225,677
Jail commissary	-	-	150,430	142,334	150,430	142,334
<b>Total expenses</b>	<b>23,268,440</b>	<b>22,320,079</b>	<b>150,430</b>	<b>142,334</b>	<b>23,418,870</b>	<b>22,462,413</b>
Change in net position, before transfers	(424,516)	(1,866,967)	446,275	830,602	21,759	(1,036,365)
Transfers	570,000	560,808	(570,000)	(560,808)	-	-
<b>Change in net position</b>	<b>145,484</b>	<b>(1,306,159)</b>	<b>(123,725)</b>	<b>269,794</b>	<b>21,759</b>	<b>(1,036,365)</b>
<b>Net position:</b>						
Beginning of year, as restated	(15,260,439)	(13,954,280)	9,226,217	8,956,423	(6,034,222)	(4,997,857)
<b>End of year</b>	<b>\$ (15,114,955)</b>	<b>\$ (15,260,439)</b>	<b>\$ 9,102,492</b>	<b>\$ 9,226,217</b>	<b>\$ (6,012,463)</b>	<b>\$ (6,034,222)</b>

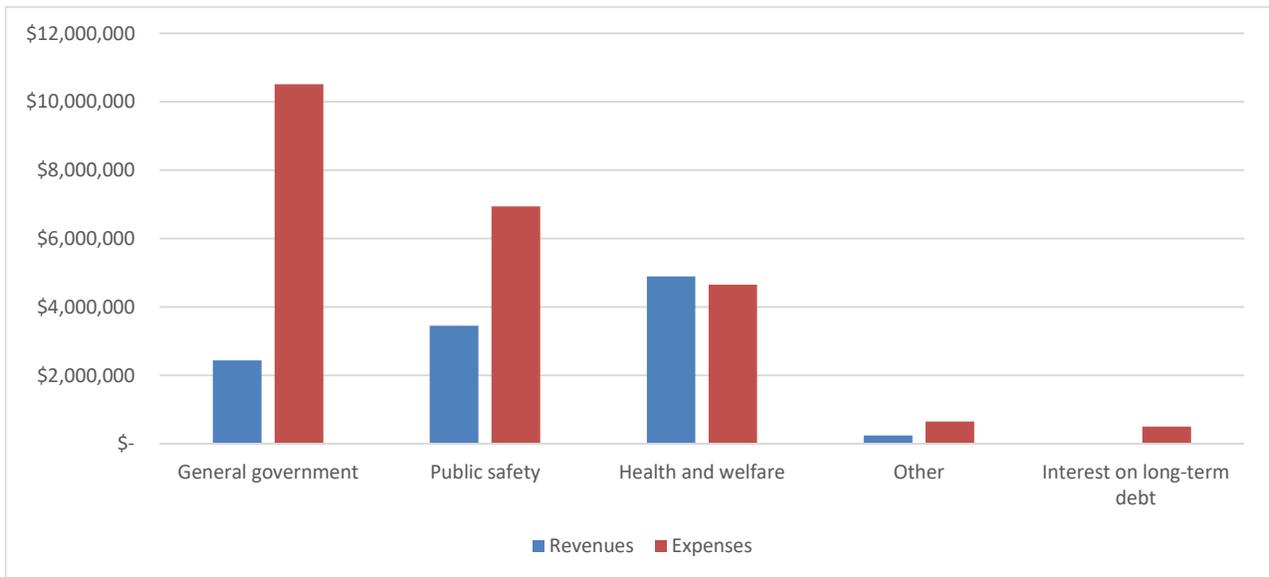
# SHIAWASSEE COUNTY, MICHIGAN

## Management's Discussion and Analysis

*Governmental activities.* The County had an increase in governmental activities net position totaling \$145,484 in fiscal year 2017. This was mainly due to the increase in property tax revenue for veterans' related services as a result of a mileage increase that was not spent during 2017, which allowed the County to maintain or increase expenses in various areas and still allow the County to add net position. Further, operating grants increased \$1,709,365, which is due to the local contribution from the Medical Care Facility in the amount of \$1,462,820 related to debt payments on bonds.

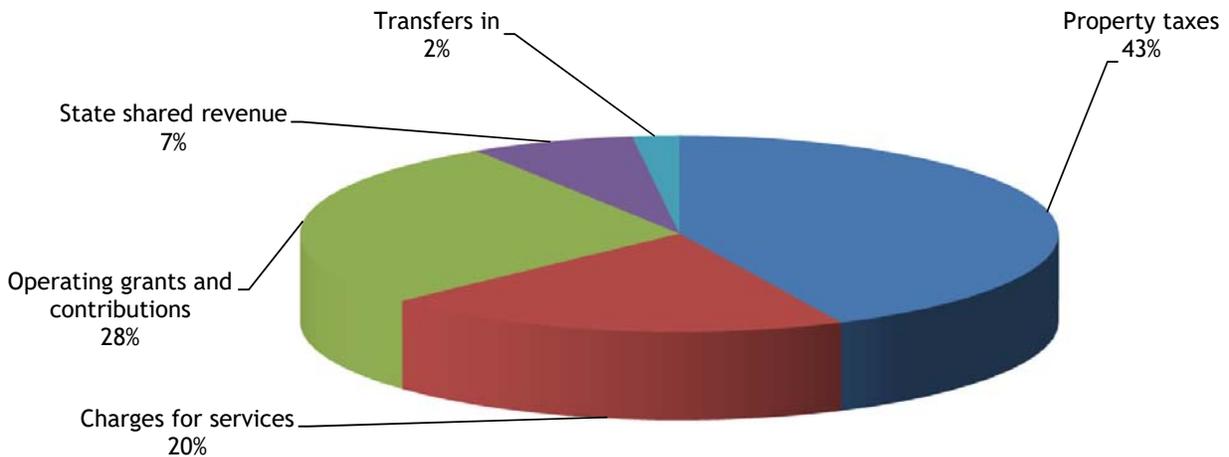
**Governmental Activities.** The following chart presents program revenues and expenses of the governmental activities for the fiscal year:

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



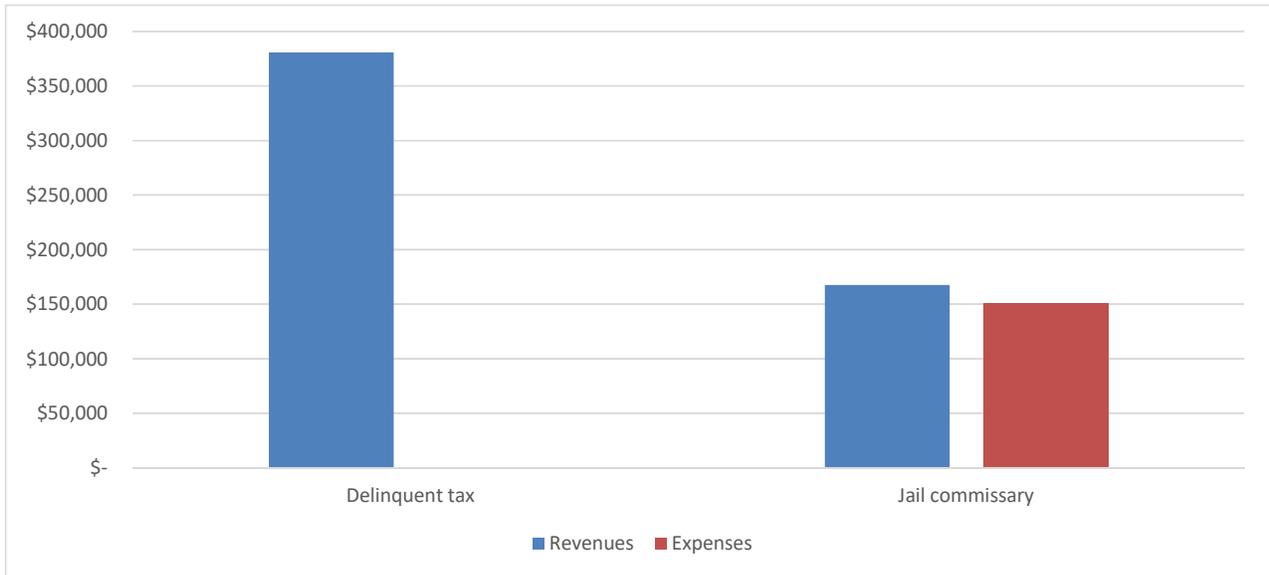
# SHIAWASSEE COUNTY, MICHIGAN

## Management's Discussion and Analysis

*Business-type Activities.* Business-type activities decreased the County's net position by \$123,725. This change was the result of less interest and penalties revenue being collected through the delinquent tax process yet the County utilized a similar amount of net position to transfer to governmental activities in 2017. This combination of less revenues and similar transfers caused a reduction in net position.

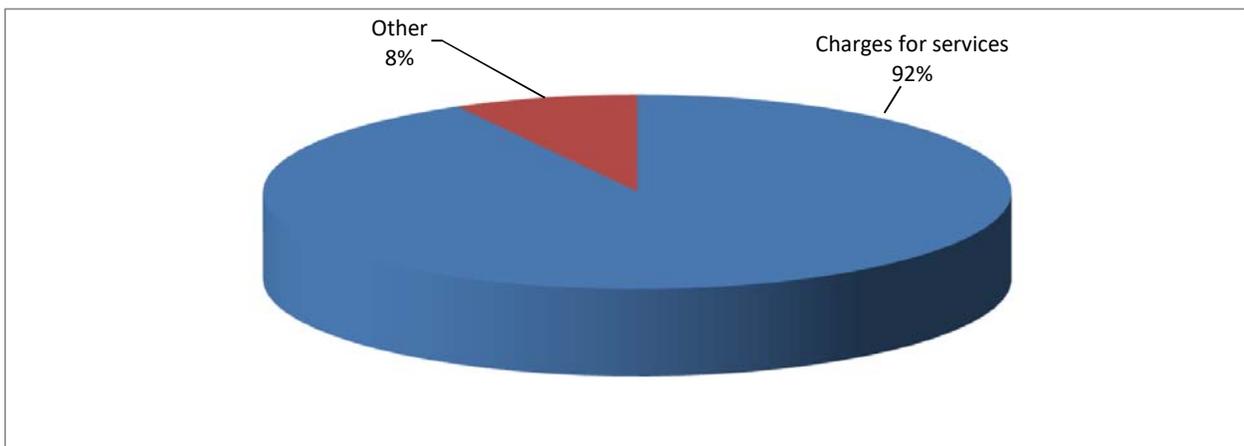
**Business-type Activities.** The following chart presents program revenues and expenses of the business-type activities for the fiscal year:

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



# SHIAWASSEE COUNTY, MICHIGAN

## Management's Discussion and Analysis

### 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.

**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 \$7,430,771, an increase of \$435,050 over the prior year. Approximately 39 percent (\$2,888,773) of total fund balance constitutes unassigned, assigned, or committed fund balance, which is available for spending at the government's discretion. The remainder of fund balance is restricted 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.

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 \$2,090,625 while total fund balance was \$3,009,812. 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 13 percent of total general fund expenditures and transfers out.

The general fund had an increase of \$200,927 in the current fiscal year. This was mainly the result of an increase in tax revenue of approximately \$870,000 from increased taxable value on a mileage rate increase from 5.1146 to 5.5544 mills. This increase in revenues allowed the County to maintain or increase expenditures in various areas such as public safety, and still allow the County to add fund balance.

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 \$1,187,059 which is consistent with the prior year balance.

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.

### General Fund Budgetary Highlights

General fund revenues and other financing sources were less than the budgetary estimates by \$435,576. This variance was due to the Cooperative Reimbursement grant coming in at approximately \$170,000 less than expected and also other revenues that were budgeted to be recognized were not realized.

# SHIAWASSEE COUNTY, MICHIGAN

## Management's Discussion and Analysis

General fund expenditures were less than the budgetary estimates by \$1,369,932. This was the result of general government collectively being under budget almost \$700,000 with a majority of that being substantial expenditures under budget across all the County courts (approximately \$300,000) and courthouse and grounds under budget due to lower utility costs (approximately \$170,000). Other expenditures were also under budget approximately \$340,000 due to less pension expenditures being reflected in the general fund and public safety, including the Sheriff's department, being under budget over \$260,000.

During the current year, the original expenditure budget was amended upward by a net of \$1,062,286, which was due to mainly accommodate what was expected to be additional pension costs of approximately \$600,000 and sheriff related expenditures of approximately \$500,000.

### 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 \$6,901,915 (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, four gators, two bulldozers, and two skid steers were purchased for public safety at a total cost of \$174,291.
- Work in progress for the 911 central dispatch building renovations began in 2017 and at year end had a cost of \$737,677.
- Heating, ventilation, and air conditioning (HVAC) units in the jail were replaced at a cost of \$79,823.
- Voting machines and software were purchased at a cost of \$247,345.

	Capital Assets (Net of Depreciation)					
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 668,840	\$ 615,000	\$ -	\$ -	\$ 668,840	\$ 615,000
Construction in process	918,599	180,922	-	-	918,599	180,922
Land improvements	15,536	21,119	-	-	15,536	21,119
Buildings and improvements	3,690,380	3,846,683	-	-	3,690,380	3,846,683
Equipment	1,096,002	680,889	6,761	11,193	1,102,763	692,082
Vehicles	505,797	236,752	-	-	505,797	236,752
<b>Total capital assets, net</b>	<b>\$ 6,895,154</b>	<b>\$ 5,581,365</b>	<b>\$ 6,761</b>	<b>\$ 11,193</b>	<b>\$ 6,901,915</b>	<b>\$ 5,592,558</b>

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

**Debt Administration.** At the end of the current fiscal year, the County had total debt outstanding of \$16,035,618. Of this amount, \$15,668,174 comprises debt backed by the full faith and credit of the government. The remainder of the County's debt represents compensated absences.

# SHIAWASSEE COUNTY, MICHIGAN

## Management's Discussion and Analysis

	Long-term Debt					
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Installment purchases and capital leases	\$ 137,999	\$ 173,379	\$ -	\$ -	\$ 137,999	\$ 173,379
Bonds:						
Capital improvement	12,460,175	13,680,000			12,460,175	13,680,000
General obligation	3,070,000	3,215,000	-	-	3,070,000	3,215,000
Compensated absences	367,444	434,466	-	-	367,444	434,466
<b>Total long-term debt</b>	<b>\$ 16,035,618</b>	<b>\$ 17,502,845</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 16,035,618</b>	<b>\$ 17,502,845</b>

The County's total governmental activity debt decreased by \$1,467,227 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 \$1,894,470. 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 2018 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

### 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, 2017

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Totals	
<b>Assets</b>				
Cash and cash equivalents	\$ 6,552,498	\$ 2,870,396	\$ 9,422,894	\$ 15,198,662
Investments	1,078,656	3,538,485	4,617,141	669,989
Receivables, net	16,223,553	4,157,248	20,380,801	9,030,982
Internal balances	1,411,524	(1,411,524)	-	-
Other assets	260,335	-	260,335	950,063
Advance to component unit	170,000	-	170,000	-
Capital assets not being depreciated	1,587,439	-	1,587,439	29,364,935
Capital assets being depreciated, net	5,307,715	6,761	5,314,476	48,337,981
<b>Total assets</b>	<b>32,591,720</b>	<b>9,161,366</b>	<b>41,753,086</b>	<b>103,552,612</b>
<b>Deferred outflows of resources</b>				
Deferred pension amounts	5,420,465	-	5,420,465	5,882,753
<b>Liabilities</b>				
Accounts payable and accrued liabilities	1,117,141	58,874	1,176,015	2,177,125
Short-term notes payable	-	-	-	150,000
Unearned revenue	1,793,464	-	1,793,464	4,457
Advance from primary government	-	-	-	170,000
Advance from other governmental units	-	-	-	531,088
<b>Long-term liabilities:</b>				
Due within one year	1,834,683	-	1,834,683	2,167,732
Due in more than one year	14,200,935	-	14,200,935	12,346,674
Net pension liability	32,638,876	-	32,638,876	12,192,397
Net other postemployment benefit obligation	776,189	-	776,189	2,846,172
<b>Total liabilities</b>	<b>52,361,288</b>	<b>58,874</b>	<b>52,420,162</b>	<b>32,585,645</b>
<b>Deferred inflows of resources</b>				
Taxes levied for subsequent year	459,950	-	459,950	4,148,400
Deferred pension amounts	305,902	-	305,902	480,333
<b>Total deferred inflows of resources</b>	<b>765,852</b>	<b>-</b>	<b>765,852</b>	<b>4,628,733</b>
<b>Net position</b>				
Net investment in capital assets	6,757,155	6,761	6,763,916	63,973,271
<b>Restricted for:</b>				
Central dispatch	1,192,183	-	1,192,183	-
Veterans activities	553,533	-	553,533	-
MAGNET	215,769	-	215,769	-
Sheriff collection	148,598	-	148,598	-
Register of Deeds automation	143,524	-	143,524	-
Drunk driving enforcement	142,407	-	142,407	-
Health department	1,187,059	-	1,187,059	-
Other	598,054	-	598,054	2,359,096
Unrestricted (deficit)	(26,053,237)	9,095,731	(16,957,506)	5,888,620
<b>Total net position</b>	<b>\$ (15,114,955)</b>	<b>\$ 9,102,492</b>	<b>\$ (6,012,463)</b>	<b>\$ 72,220,987</b>

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

# SHIAWASSEE COUNTY, MICHIGAN

## Statement of Activities

For the Year Ended December 31, 2017

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenues
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary government</b>					
Governmental activities:					
General government	\$ 10,513,429	\$ 754,170	\$ 1,682,293	\$ -	\$ (8,076,966)
Public safety	6,942,583	3,090,421	362,416	-	(3,489,746)
Public works	296,339	-	-	-	(296,339)
Health and welfare	4,651,772	504,603	4,388,405	-	241,236
Recreation and culture	14,553	1,240	-	-	(13,313)
Community development	346,434	243,577	-	-	(102,857)
Interest on long-term debt	503,330	-	-	-	(503,330)
<b>Total governmental activities</b>	<b>23,268,440</b>	<b>4,594,011</b>	<b>6,433,114</b>	<b>-</b>	<b>(12,241,315)</b>
Business-type activities:					
Delinquent tax	-	380,541	-	-	380,541
Commissary	150,430	167,411	-	-	16,981
<b>Total business-type activities</b>	<b>150,430</b>	<b>547,952</b>	<b>-</b>	<b>-</b>	<b>397,522</b>
<b>Total primary government</b>	<b>\$ 23,418,870</b>	<b>\$ 5,141,963</b>	<b>\$ 6,433,114</b>	<b>\$ -</b>	<b>\$ (11,843,793)</b>
<b>Component units</b>					
Road commission	\$ 12,669,512	\$ 1,879,139	\$ 8,300,282	\$ 2,621,193	\$ 131,102
Medical care facility	19,058,456	15,874,911	-	-	(3,183,545)
Drainage districts	1,107,751	449,417	76,653	-	(581,681)
County airport	297,157	237,850	24,795	-	(34,512)
Council on aging	1,239,953	117,221	522,269	-	(600,463)
<b>Total component units</b>	<b>\$ 34,372,829</b>	<b>\$ 18,558,538</b>	<b>\$ 8,923,999</b>	<b>\$ 2,621,193</b>	<b>\$ (4,269,099)</b>

continued...

# SHIAWASSEE COUNTY, MICHIGAN

## Statement of Activities

For the Year Ended December 31, 2017

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Totals	
Changes in net position				
Net (expense) revenues	\$ (12,241,315)	\$ 397,522	\$ (11,843,793)	\$ (4,269,099)
General revenues:				
Property taxes	10,057,723	-	10,057,723	4,065,073
State shared revenues	1,698,891	-	1,698,891	-
Unrestricted investment earnings	60,185	48,753	108,938	35,221
Other	-	-	-	34,885
Transfers - internal activities	570,000	(570,000)	-	-
Total general revenues and transfers	12,386,799	(521,247)	11,865,552	4,135,179
Change in net position	145,484	(123,725)	21,759	(133,920)
Net position, beginning of year, as restated	(15,260,439)	9,226,217	(6,034,222)	72,354,907
Net position, end of year	\$ (15,114,955)	\$ 9,102,492	\$ (6,012,463)	\$ 72,220,987

concluded.

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

# SHIAWASSEE COUNTY, MICHIGAN

## Balance Sheet

Governmental Funds

December 31, 2017

	General	Health Department Special Revenue Fund	Medical Care Facility Debt Service
<b>Assets</b>			
Cash and cash equivalents	\$ 1,320,529	\$ 2,966,701	\$ -
Investments	484,534	-	-
Receivables:			
Accounts receivable, net	-	105,835	-
Taxes receivable	-	-	-
Leases receivable	-	-	11,846,961
Due from other governments	158,185	-	-
Due from other funds	1,486,280	-	-
Inventories	-	54,964	-
Prepays	190,871	-	-
Advances to component unit	170,000	-	-
<b>Total assets</b>	<b>\$ 3,810,399</b>	<b>\$ 3,127,500</b>	<b>\$ 11,846,961</b>
<b>Liabilities</b>			
Accounts payable	\$ 315,152	\$ 101,956	\$ -
Accrued liabilities	485,435	45,021	-
Due to other funds	-	-	-
Unearned revenue	-	1,793,464	-
<b>Total liabilities</b>	<b>800,587</b>	<b>1,940,441</b>	<b>-</b>
<b>Deferred inflows of resources</b>			
Taxes levied for subsequent year	-	-	-
Unavailable revenue	-	-	11,846,961
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>11,846,961</b>
<b>Fund balances</b>			
Nonspendable	360,871	54,964	-
Restricted	-	1,132,095	-
Committed	558,316	-	-
Unassigned	2,090,625	-	-
<b>Total fund balances</b>	<b>3,009,812</b>	<b>1,187,059</b>	<b>-</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 3,810,399</b>	<b>\$ 3,127,500</b>	<b>\$ 11,846,961</b>

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



Mental Health Debt Service	Nonmajor Governmental Funds	Totals
\$ -	\$ 2,265,268	\$ 6,552,498
-	594,122	1,078,656
6,753	485,592	598,180
-	451,982	451,982
3,108,820	-	14,955,781
-	59,425	217,610
-	-	1,486,280
-	-	54,964
-	14,500	205,371
-	-	170,000
<u>\$ 3,115,573</u>	<u>\$ 3,870,889</u>	<u>\$ 25,771,322</u>
\$ -	\$ 76,354	\$ 493,462
-	32,682	563,138
6,753	68,003	74,756
-	-	1,793,464
<u>6,753</u>	<u>177,039</u>	<u>2,924,820</u>
-	459,950	459,950
3,108,820	-	14,955,781
<u>3,108,820</u>	<u>459,950</u>	<u>15,415,731</u>
-	14,500	430,335
-	2,979,568	4,111,663
-	239,832	798,148
-	-	2,090,625
<u>-</u>	<u>3,233,900</u>	<u>7,430,771</u>
<u>\$ 3,115,573</u>	<u>\$ 3,870,889</u>	<u>\$ 25,771,322</u>

# SHIAWASSEE COUNTY, MICHIGAN

## Reconciliation

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

Fund balances - total governmental funds	\$ 7,430,771
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	1,587,439
Capital assets being depreciated, net	5,307,715
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	14,955,781
Certain pension-related amounts, such as the net pension liability and 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 OPEB obligation	(776,189)
Net pension liability	(32,638,876)
Deferred inflows related to the net pension liability	(305,902)
Deferred outflows related to the net pension liability	5,420,465
Long-term liabilities and related deferred outflows are not due and payable in the current period and therefore are not reported in the funds.	
Bonds payable	(15,668,174)
Accrued interest on bonds payable	(60,541)
Compensated absences	(367,444)
Net position of governmental activities	<u>\$ (15,114,955)</u>

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, 2017

	General	Health Department Special Revenue Fund	Medical Care Facility Debt Service
<b>Revenues</b>			
Taxes and special assessments	\$ 9,487,237	\$ -	\$ -
Licenses and permits	107,262	299,980	-
Intergovernmental	3,353,507	1,989,304	1,462,820
Charges for services	2,371,899	75,981	-
Fines and forfeitures	111,627	-	-
Interest and rents	56,884	65	-
Other revenues	164,882	-	-
<b>Total revenues</b>	<b>15,653,298</b>	<b>2,365,330</b>	<b>1,462,820</b>
<b>Expenditures</b>			
Current:			
General government	7,504,426	-	-
Public safety	5,393,811	-	-
Public works	70,125	-	-
Health and welfare	436,831	2,583,326	-
Recreation and culture	11,568	-	-
Community development	143,184	-	-
Other	1,192,631	-	-
Debt service:			
Principal	124,158	-	1,164,825
Interest	-	-	297,995
Capital outlay	-	-	-
<b>Total expenditures</b>	<b>14,876,734</b>	<b>2,583,326</b>	<b>1,462,820</b>
<b>Revenues over (under) expenditures</b>	<b>776,564</b>	<b>(217,996)</b>	<b>-</b>
<b>Other financing sources (uses)</b>			
Loan proceeds	88,778	-	-
Transfers in	641,000	245,625	-
Transfers out	(1,305,415)	-	-
<b>Total other financing sources (uses)</b>	<b>(575,637)</b>	<b>245,625</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>200,927</b>	<b>27,629</b>	<b>-</b>
<b>Fund balances, beginning of year, as restated</b>	<b>2,808,885</b>	<b>1,159,430</b>	<b>-</b>
<b>Fund balances, end of year</b>	<b>\$ 3,009,812</b>	<b>\$ 1,187,059</b>	<b>\$ -</b>

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



Mental Health Debt Service	Nonmajor Governmental Funds	Totals
\$ -	\$ 570,486	\$ 10,057,723
-	-	407,242
306,470	739,704	7,851,805
-	2,900,565	5,348,445
-	13,475	125,102
-	3,446	60,395
-	114,863	279,745
<u>306,470</u>	<u>4,342,539</u>	<u>24,130,457</u>
-	131,178	7,635,604
-	2,636,408	8,030,219
-	-	70,125
-	1,649,148	4,669,305
-	322,423	333,991
-	-	143,184
-	-	1,192,631
145,000	55,000	1,488,983
161,470	43,865	503,330
-	286,813	286,813
<u>306,470</u>	<u>5,124,835</u>	<u>24,354,185</u>
-	(782,296)	(223,728)
-	-	88,778
-	1,398,064	2,284,689
-	(409,274)	(1,714,689)
<u>-</u>	<u>988,790</u>	<u>658,778</u>
-	206,494	435,050
-	3,027,406	6,995,721
<u>\$ -</u>	<u>\$ 3,233,900</u>	<u>\$ 7,430,771</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, 2017

Net change in fund balances - total governmental funds	\$ 435,050
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	1,930,706
Donated capital assets	26,000
Depreciation expense	(642,917)
Revenues in the statement of activities that do not provide current financial resources are not reported	
Change in deferred lease receivable	(1,312,533)
Debt proceeds provide current financial resources to governmental funds in the period issued, but issuing	
Principal payments on long-term liabilities	1,488,983
Loan proceeds	(88,778)
Some expenses reported in the statement of activities do not require the use of current financial	
Change in net OPEB obligation	378,189
Change in net pension liability and related deferred amounts	(2,136,238)
Change in the accrual for compensated absences	67,022
Change in net position of governmental activities	<u>\$ 145,484</u>

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, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Taxes:				
Current and delinquent	\$ 9,446,803	\$ 9,446,803	\$ 9,460,370	\$ 13,567
Mobile home park	10,750	10,750	8,788	(1,962)
Other	17,875	17,875	18,079	204
Total taxes	<u>9,475,428</u>	<u>9,475,428</u>	<u>9,487,237</u>	<u>11,809</u>
Licenses and permits:				
Dog and kennel	<u>104,000</u>	<u>104,000</u>	<u>107,262</u>	<u>3,262</u>
Intergovernmental:				
Cooperative reimbursement	794,690	833,653	664,734	(168,919)
Juvenile grant	27,317	27,317	6,669	(20,648)
Sheriff - road patrol	86,281	86,281	85,281	(1,000)
Revenue sharing	1,455,422	1,694,525	1,698,891	4,366
Liquor license	12,500	12,500	13,020	520
Convention facility tax	88,710	88,710	91,054	2,344
Victim's rights	80,691	80,691	81,891	1,200
Drivers license restoration	500	500	551	51
Probate court judge	148,500	148,500	127,084	(21,416)
Circuit court judge	45,724	45,724	45,724	-
District court judge	91,500	91,500	91,448	(52)
Drug court	40,000	40,000	5,058	(34,942)
Diverted felons	25,000	30,000	78,690	48,690
Jury fee reimbursement	-	-	8,560	8,560
PA 345 - remonumentation	64,000	43,619	48,301	4,682
Court equity	305,000	305,000	276,836	(28,164)
Emergency management	54,687	54,687	29,715	(24,972)
Total intergovernmental	<u>3,320,522</u>	<u>3,583,207</u>	<u>3,353,507</u>	<u>(229,700)</u>
Charges for services:				
Sheriff	45,500	84,500	65,004	(19,496)
Treasurer	17,000	17,000	11,482	(5,518)
Equalization	78,500	78,500	85,463	6,963
Friend of the court	212,500	212,500	156,774	(55,726)
District court	640,500	640,500	685,054	44,554
Circuit court	236,000	236,000	159,572	(76,428)
Probation - juvenile	35,500	35,500	57,436	21,936
Clerk	119,250	119,250	119,600	350
Register of deeds	368,000	368,494	532,498	164,004
Probate court	20,000	20,000	22,781	2,781
Community development	39,000	39,000	25,135	(13,865)
Care of prisoners	365,500	365,500	447,455	81,955
Other	5,220	5,220	3,645	(1,575)
Total charges for services	<u>2,182,470</u>	<u>2,221,964</u>	<u>2,371,899</u>	<u>149,935</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, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues (concluded)</b>				
Fines and forfeitures:				
Bond forfeitures	\$ 7,000	\$ 7,000	\$ 6,980	\$ (20)
Ordinance fines and costs	130,000	130,000	104,647	(25,353)
Total fines and forfeitures	<u>137,000</u>	<u>137,000</u>	<u>111,627</u>	<u>(25,373)</u>
Interest and rents:				
Interest	5,100	30,100	56,674	26,574
Rents	350	350	210	(140)
Total interest and rents	<u>5,450</u>	<u>30,450</u>	<u>56,884</u>	<u>26,434</u>
Other revenues:				
Contributions	15,500	16,000	16,129	129
Reimbursements - indirect costs	81,000	81,000	77,532	(3,468)
Reimbursements - other	800	800	16,168	15,368
Bond and insurance recoveries	-	10,000	13,076	3,076
Other	329,700	408,025	41,977	(366,048)
Total other revenues	<u>427,000</u>	<u>515,825</u>	<u>164,882</u>	<u>(350,943)</u>
Total revenues	<u>15,651,870</u>	<u>16,067,874</u>	<u>15,653,298</u>	<u>(414,576)</u>
<b>Expenditures</b>				
Current:				
General government:				
Board of Commissioners	135,747	135,747	125,195	(10,552)
Circuit court	671,920	679,820	560,918	(118,902)
District court	1,094,189	1,094,189	1,056,848	(37,341)
Friend of court	733,217	772,180	697,546	(74,634)
Probate - juvenile division	578,827	585,827	522,615	(63,212)
Probate - estate division	358,446	362,446	364,440	1,994
Circuit court - probation/parole	15,500	15,500	3,445	(12,055)
County Administrator	212,496	315,180	269,535	(45,645)
Elections	65,389	68,315	102,344	34,029
Clerk	389,861	410,139	393,914	(16,225)
Equalization	240,749	240,749	239,224	(1,525)
Prosecuting attorney	897,494	897,494	890,557	(6,937)
Jury board	33,658	33,658	39,172	5,514
Register of deeds	277,221	270,405	260,027	(10,378)
Survey and remonumentation	78,270	63,459	63,253	(206)
Technology services	304,756	304,756	239,007	(65,749)
Treasurer	308,183	308,183	282,564	(25,619)
Postage	54,500	54,500	47,186	(7,314)
Courthouse and grounds	912,344	912,344	741,809	(170,535)
Drain commissioner	316,106	316,106	298,079	(18,027)
Telephone	98,250	98,250	72,303	(25,947)
Professional services	132,877	251,598	227,467	(24,131)
Airport	6,978	6,978	6,978	-
Other	1,000	-	-	-
Total general government	<u>7,917,978</u>	<u>8,197,823</u>	<u>7,504,426</u>	<u>(693,397)</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, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures (concluded)				
Current (concluded):				
Public safety:				
Sheriff	\$ 2,242,077	\$ 2,711,077	\$ 2,598,879	\$ (112,198)
Secondary road patrol	153,789	153,789	87,206	(66,583)
Security	228,047	223,047	181,740	(41,307)
Jail	2,665,987	2,491,987	2,452,652	(39,335)
Animal control	74,939	74,939	73,334	(1,605)
Total public safety	<u>5,364,839</u>	<u>5,654,839</u>	<u>5,393,811</u>	<u>(261,028)</u>
Public works:				
Drain at large	122,000	70,125	70,125	-
Health and welfare:				
Medical examiner	144,400	144,400	133,949	(10,451)
Mental health services	200,000	200,000	200,000	-
Emergency services	133,284	133,284	102,882	(30,402)
Total health and welfare	<u>477,684</u>	<u>477,684</u>	<u>436,831</u>	<u>(40,853)</u>
Recreation and culture - parks	40,802	40,802	11,568	(29,234)
Community and economic development	187,475	187,475	143,184	(44,291)
Other:				
Insurance and bonds	748,000	1,306,316	1,080,099	(226,217)
Other	156,795	156,795	112,532	(44,263)
Total other	<u>904,795</u>	<u>1,463,111</u>	<u>1,192,631</u>	<u>(270,480)</u>
Debt service:				
Principal	168,635	154,635	124,158	(30,477)
Interest	172	172	-	(172)
Total debt service	<u>168,807</u>	<u>154,807</u>	<u>124,158</u>	<u>(30,649)</u>
Total expenditures	<u>15,184,380</u>	<u>16,246,666</u>	<u>14,876,734</u>	<u>(1,369,932)</u>
Revenues over expenditures	<u>467,490</u>	<u>(178,792)</u>	<u>776,564</u>	<u>955,356</u>
Other financing sources (uses)				
Loan proceeds	-	-	88,778	88,778
Transfers in	662,000	662,000	641,000	(21,000)
Transfers out	(1,345,390)	(1,687,293)	(1,305,415)	381,878
Total other financing sources (uses)	<u>(683,390)</u>	<u>(1,025,293)</u>	<u>(575,637)</u>	<u>449,656</u>
Net change in fund balance	(215,900)	(1,204,085)	200,927	1,405,012
Fund balance, beginning of year, as restated	2,808,885	2,808,885	2,808,885	-
Fund balance, end of year	<u>\$ 2,592,985</u>	<u>\$ 1,604,800</u>	<u>\$ 3,009,812</u>	<u>\$ 1,405,012</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, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Intergovernmental	\$ 1,762,758	\$ 1,762,758	\$ 1,989,304	\$ 226,546
Charges for services	65,000	65,000	75,981	10,981
Licenses and permits	316,000	316,000	299,980	(16,020)
Interest	100	100	65	(35)
<b>Total revenues</b>	<b>2,143,858</b>	<b>2,143,858</b>	<b>2,365,330</b>	<b>221,472</b>
<b>Expenditures</b>				
Current:				
Health and welfare	2,389,123	2,389,123	2,583,326	194,203
<b>Revenues over (under) expenditures</b>	<b>(245,265)</b>	<b>(245,265)</b>	<b>(217,996)</b>	<b>27,269</b>
<b>Other financing sources (uses)</b>				
Transfers in	246,265	246,265	245,625	(640)
Transfers out	(40,000)	(40,000)	-	40,000
<b>Total other financing sources (uses)</b>	<b>206,265</b>	<b>206,265</b>	<b>245,625</b>	<b>39,360</b>
<b>Net change in fund balance</b>	<b>(39,000)</b>	<b>(39,000)</b>	<b>27,629</b>	<b>66,629</b>
<b>Fund balance, beginning of year</b>	<b>1,159,430</b>	<b>1,159,430</b>	<b>1,159,430</b>	<b>-</b>
<b>Fund balance, end of year</b>	<b>\$ 1,120,430</b>	<b>\$ 1,120,430</b>	<b>\$ 1,187,059</b>	<b>\$ 66,629</b>

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

# SHIAWASSEE COUNTY, MICHIGAN

## Statement of Net Position Proprietary Funds December 31, 2017

	Business-type Activities - Enterprise Funds		
	Delinquent Tax Revolving	Jail Commissary - Nonmajor	Totals
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 2,705,620	\$ 164,776	\$ 2,870,396
Investments	3,538,485	-	3,538,485
Receivables:			
Accounts	542,477	11,482	553,959
Delinquent taxes	3,603,289	-	3,603,289
Total current assets	<u>10,389,871</u>	<u>176,258</u>	<u>10,566,129</u>
Noncurrent assets:			
Capital assets being depreciated, net	-	6,761	6,761
Total assets	<u>10,389,871</u>	<u>183,019</u>	<u>10,572,890</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	38	58,836	58,874
Due to other funds	1,411,524	-	1,411,524
Total liabilities (all current)	<u>1,411,562</u>	<u>58,836</u>	<u>1,470,398</u>
<b>Net position</b>			
Investment in capital assets	-	6,761	6,761
Unrestricted	8,978,309	117,422	9,095,731
Total net position	<u>\$ 8,978,309</u>	<u>\$ 124,183</u>	<u>\$ 9,102,492</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, 2017

	Business-type Activities - Enterprise Funds		
	Delinquent Tax Revolving	Jail Commissary - Nonmajor	Totals
Operating revenues			
Charges for services	\$ -	\$ 167,411	\$ 167,411
Interest and penalties on delinquent taxes	380,541	-	380,541
<b>Total operating revenues</b>	<b>380,541</b>	<b>167,411</b>	<b>547,952</b>
Operating expenses			
Other	-	145,998	145,998
Depreciation	-	4,432	4,432
<b>Total operating expenses</b>	<b>-</b>	<b>150,430</b>	<b>150,430</b>
Operating income	380,541	16,981	397,522
Nonoperating revenues			
Interest revenue	48,753	-	48,753
Income before transfers	429,294	16,981	446,275
Transfers out	(570,000)	-	(570,000)
Change in net position	(140,706)	16,981	(123,725)
Net position, beginning of year, as restated	9,119,015	107,202	9,226,217
<b>Net position, end of year</b>	<b>\$ 8,978,309</b>	<b>\$ 124,183</b>	<b>\$ 9,102,492</b>

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, 2017

	Business-type Activities - Enterprise Funds		
	Delinquent Tax Revolving	Jail Commissary - Nonmajor	Totals
Cash flows from operating activities			
Cash received from customers	\$ 907,482	\$ 155,929	\$ 1,063,411
Cash payments for goods and services	-	(87,162)	(87,162)
Net cash provided by operating activities	<u>907,482</u>	<u>68,767</u>	<u>976,249</u>
Cash flows from noncapital financing activities			
Transfers out	<u>(570,000)</u>	<u>-</u>	<u>(570,000)</u>
Cash flows from investing activities			
Interest and dividends received	48,753	-	48,753
Purchases of investments	<u>(716,726)</u>	<u>-</u>	<u>(716,726)</u>
Net cash used in investing activities	<u>(667,973)</u>	<u>-</u>	<u>(667,973)</u>
Net change in cash and cash equivalents	(330,491)	68,767	(261,724)
Cash and cash equivalents, beginning of year	<u>3,036,111</u>	<u>96,009</u>	<u>3,132,120</u>
Cash and cash equivalents, end of year	<u>\$ 2,705,620</u>	<u>\$ 164,776</u>	<u>\$ 2,870,396</u>
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 380,541	\$ 16,981	\$ 397,522
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	-	4,432	4,432
Change in operating assets and liabilities that provided (used) cash:			
Accounts receivable	144,990	(11,482)	133,508
Taxes receivable	(123,640)	-	(123,640)
Accounts payable	38	58,836	58,874
Due to other funds	<u>505,553</u>	<u>-</u>	<u>505,553</u>
Net cash provided by operating activities	<u>\$ 907,482</u>	<u>\$ 68,767</u>	<u>\$ 976,249</u>

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

# SHIAWASSEE COUNTY, MICHIGAN

## Statement of Assets and Liabilities

Fiduciary Funds  
December 31, 2017

	Agency Funds
<b>Assets</b>	
Cash and cash equivalents	<u>\$ 2,241,878</u>
<b>Liabilities</b>	
Undistributed receipts	<u>\$ 2,241,878</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, 2017

	Road Commission	Medical Care Facility	Drainage District
<b>Assets</b>			
Cash and cash equivalents	\$ 3,545,666	\$ 8,709,224	\$ 2,421,402
Investments	523,464	-	-
Receivables, net	1,467,724	5,148,172	1,556,102
Other assets	584,086	361,650	-
Capital assets not being depreciated	4,807,051	24,557,884	-
Capital assets being depreciated, net	38,940,043	1,591,504	5,828,314
<b>Total assets</b>	<b>49,868,034</b>	<b>40,368,434</b>	<b>9,805,818</b>
<b>Deferred outflows of resources</b>			
Deferred pension amounts	2,008,824	3,787,411	-
<b>Liabilities</b>			
Accounts payable and accrued liabilities	247,295	1,698,984	164,898
Short-term notes payable	-	-	150,000
Unearned revenue	-	-	4,457
Advance from primary government	-	-	170,000
Advance from other governmental units	531,088	-	-
Long-term debt:			
Due within one year	207,037	1,770,695	190,000
Due in more than one year	-	10,642,204	1,704,470
Net pension liability	5,671,175	6,215,885	-
Net other postemployment benefit obligation	2,784,042	62,130	-
<b>Total liabilities</b>	<b>9,440,637</b>	<b>20,389,898</b>	<b>2,383,825</b>
<b>Deferred inflows of resources</b>			
Taxes levied for subsequent year	-	3,399,641	-
Deferred pension amounts	336,087	125,678	-
<b>Total deferred inflows of resources</b>	<b>336,087</b>	<b>3,525,319</b>	<b>-</b>
<b>Net position</b>			
Net investment in capital assets	43,747,094	14,314,213	3,933,844
Restricted:			
Debt service	-	-	367,153
Capital improvements	-	-	1,991,943
Unrestricted (deficit)	(1,646,960)	5,926,415	1,129,053
<b>Total net position</b>	<b>\$ 42,100,134</b>	<b>\$ 20,240,628</b>	<b>\$ 7,421,993</b>

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



County Airport	Council on Aging	Totals
\$ 28,310	\$ 494,060	\$ 15,198,662
-	146,525	669,989
38,815	820,169	9,030,982
4,327	-	950,063
-	-	29,364,935
1,815,549	162,571	48,337,981
<u>1,887,001</u>	<u>1,623,325</u>	<u>103,552,612</u>
-	86,518	5,882,753
991	64,957	2,177,125
-	-	150,000
-	-	4,457
-	-	170,000
-	-	531,088
-	-	2,167,732
-	-	12,346,674
-	305,337	12,192,397
-	-	2,846,172
<u>991</u>	<u>370,294</u>	<u>32,585,645</u>
-	748,759	4,148,400
-	18,568	480,333
-	767,327	4,628,733
1,815,549	162,571	63,973,271
-	-	367,153
-	-	1,991,943
70,461	409,651	5,888,620
<u>\$ 1,886,010</u>	<u>\$ 572,222</u>	<u>\$ 72,220,987</u>

# SHIAWASSEE COUNTY, MICHIGAN

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

	Road Commission	Medical Care Facility	Drainage District
Expenses			
Road Commission	\$ 12,669,512	\$ -	\$ -
Medical Care Facility	-	19,058,456	-
Drainage Districts	-	-	1,107,751
County Airport	-	-	-
Council on Aging	-	-	-
<b>Total expenses</b>	<b>12,669,512</b>	<b>19,058,456</b>	<b>1,107,751</b>
Program revenues			
Charges for services	1,879,139	15,874,911	449,417
Operating grants and contributions	8,300,282	-	76,653
Capital grants and contributions	2,621,193	-	-
<b>Total program revenues</b>	<b>12,800,614</b>	<b>15,874,911</b>	<b>526,070</b>
<b>Net program revenue (expense)</b>	<b>131,102</b>	<b>(3,183,545)</b>	<b>(581,681)</b>
General revenues			
Property taxes	-	3,343,387	-
Unrestricted investment earnings	15,026	16,904	3,282
Other	34,885	-	-
<b>Total general revenues</b>	<b>49,911</b>	<b>3,360,291</b>	<b>3,282</b>
<b>Change in net position</b>	<b>181,013</b>	<b>176,746</b>	<b>(578,399)</b>
<b>Net position, beginning of year, as restated</b>	<b>41,919,121</b>	<b>20,063,882</b>	<b>8,000,392</b>
<b>Net position, end of year</b>	<b>\$ 42,100,134</b>	<b>\$ 20,240,628</b>	<b>\$ 7,421,993</b>

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



County Airport	Council on Aging	Totals
\$ -	\$ -	\$ 12,669,512
-	-	19,058,456
-	-	1,107,751
297,157	-	297,157
-	1,239,953	1,239,953
<u>297,157</u>	<u>1,239,953</u>	<u>34,372,829</u>
237,850	117,221	18,558,538
24,795	522,269	8,923,999
-	-	2,621,193
<u>262,645</u>	<u>639,490</u>	<u>30,103,730</u>
<u>(34,512)</u>	<u>(600,463)</u>	<u>(4,269,099)</u>
-	721,686	4,065,073
9	-	35,221
-	-	34,885
<u>9</u>	<u>721,686</u>	<u>4,135,179</u>
<u>(34,503)</u>	<u>121,223</u>	<u>(133,920)</u>
<u>1,920,513</u>	<u>450,999</u>	<u>72,354,907</u>
<u>\$ 1,886,010</u>	<u>\$ 572,222</u>	<u>\$ 72,220,987</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:

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.

# SHIAWASSEE COUNTY, MICHIGAN

## Notes to Financial Statements

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

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, 2017, 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.

### *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.

# SHIAWASSEE COUNTY, MICHIGAN

## Notes to Financial Statements

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.

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.

# SHIAWASSEE COUNTY, MICHIGAN

## Notes to Financial Statements

*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.

*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.

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.

# SHIAWASSEE COUNTY, MICHIGAN

## Notes to Financial Statements

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.

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.

# SHIAWASSEE COUNTY, MICHIGAN

## Notes to Financial Statements

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.

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.

# SHIAWASSEE COUNTY, MICHIGAN

## Notes to Financial Statements

### *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 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

# SHIAWASSEE COUNTY, MICHIGAN

## Notes to Financial Statements

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 earnings on pension plan investments and for pension contributions subsequent to the measurement date.

### *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.

### *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.

# SHIAWASSEE COUNTY, MICHIGAN

## Notes to Financial Statements

### *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.

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.

# SHIAWASSEE COUNTY, MICHIGAN

## Notes to Financial Statements

### *Pensions*

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the 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.
- 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.

# SHIAWASSEE COUNTY, MICHIGAN

## Notes to Financial Statements

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 September 30, 2017, 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			
Probate - estate division	\$ 362,446	\$ 364,440	\$ 1,994
Elections	68,315	102,344	34,029
Jury board	33,658	39,172	5,514
Health Department fund			
Health and welfare	2,389,123	2,583,326	194,203

### 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, 2017:

	Primary Government	Component Units	Totals
Statement of net position			
Cash and cash equivalents	\$ 9,422,894	\$ 15,198,662	\$ 24,621,556
Investments	4,617,141	669,989	5,287,130
Statement of assets and liabilities			
Agency funds:			
Cash and cash equivalents	2,241,878	-	2,241,878
<b>Total</b>	<b>\$ 16,281,913</b>	<b>\$ 15,868,651</b>	<b>\$ 32,150,564</b>

	Totals
Deposits and investments	
Bank deposits:	
Checking and savings accounts	\$ 26,839,264
Certificates of deposit, due within one year	5,140,605
Investments:	
Mortgage-backed securities	18,503
Mutual funds	123,275
Money market	4,747
Cash on hand	24,170
<b>Total</b>	<b>\$ 32,150,564</b>

*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, \$28,405,636 of the County's bank balance of \$32,255,977 was exposed to custodial credit risk because it was uninsured and uncollateralized.

# SHIAWASSEE COUNTY, MICHIGAN

## Notes to Financial Statements

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.

*Custodial Credit Risk - Investments.* As of December 31, 2017, the Council on Aging component unit investments consisted of the investments listed above. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the County does not have a policy for investment custodial credit risk. On the investments listed above, there is no custodial credit risk, as these investments are uncategorized as to credit risk.

*Credit Risk.* State law limits investments to specific government securities, certificates of deposit and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments in the summary of significant accounting policies. The County's investment policy does not have specific limits in excess of state law on investment credit risk. As of December 31, 2017, the asset-backed securities are rated Aaa and Baa, respectively, by Moody's.

*Interest Rate Risk.* State law limits the allowable investments and the maturities of some of the allowable investments as identified in the summary of significant accounting policies. The County's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The asset-backed securities had a carrying amount equal to its fair value of \$18,503 at year end. The maturity dates on these investments are greater than 10 years.

*Concentration of Credit Risk.* Concentration of credit risk is the risk of loss attributed to the magnitude of the County's investment in a single issuer. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments in the summary of significant accounting policies. The County's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year end are reported above.

*Fair Value Measurement.* The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on valuation inputs used to measure the fair value of assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The investments held by the County at year end that were subject to fair value measurement were the mutual funds and asset-backed securities. The mutual funds are classified as Level 1 in the fair value hierarchy because they are regularly traded on an open market. The asset-backed securities are classified as Level 2 in the fair value hierarchy because they are valued using a matrix pricing technique.

# 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	\$ 598,180	\$ 553,959	\$ 2,234,333
Taxes receivable	451,982	3,603,289	4,057,703
Special assessments receivable	-	-	1,058,997
Due from other governments	217,610	-	2,039,783
Leases receivable	14,955,781	-	-
Allowance for doubtful accounts	-	-	(359,834)
	<u>\$ 16,223,553</u>	<u>\$ 4,157,248</u>	<u>\$ 9,030,982</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. 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	\$ 14,955,781
Taxes levied for subsequent year	459,950
Totals	<u>\$ 15,415,731</u>

### 5. OTHER ASSETS

Other assets consisted of the following amounts at December 31, 2017:

	Governmental Activities	Business-type Activities	Component Units
Inventories	\$ 54,964	\$ -	\$ 588,413
Prepays	205,371	-	361,650
Totals	<u>\$ 260,335</u>	<u>\$ -</u>	<u>\$ 950,063</u>

# SHIAWASSEE COUNTY, MICHIGAN

## Notes to Financial Statements

### 6. CAPITAL ASSETS

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

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
<b>Governmental activities</b>					
Capital assets, not being depreciated:					
Land	\$ 615,000	\$ 3,840	\$ -	\$ 50,000	\$ 668,840
Construction in process	180,922	737,677	-	-	918,599
	<u>795,922</u>	<u>741,517</u>	<u>-</u>	<u>50,000</u>	<u>1,587,439</u>
Capital assets, being depreciated:					
Land improvements	131,038	-	-	-	131,038
Buildings and improvements	7,263,756	93,824	(69,130)	(50,000)	7,238,450
Equipment	4,236,624	725,384	(32,332)	-	4,929,676
Vehicles	1,065,969	395,981	(224,290)	-	1,237,660
	<u>12,697,387</u>	<u>1,215,189</u>	<u>(325,752)</u>	<u>(50,000)</u>	<u>13,536,824</u>
Less accumulated depreciation for:					
Land improvements	(109,919)	(5,583)	-	-	(115,502)
Buildings and improvements	(3,417,073)	(200,127)	69,130	-	(3,548,070)
Equipment	(3,555,735)	(310,271)	32,332	-	(3,833,674)
Vehicles	(829,217)	(126,936)	224,290	-	(731,863)
	<u>(7,911,944)</u>	<u>(642,917)</u>	<u>325,752</u>	<u>-</u>	<u>(8,229,109)</u>
Total capital assets being depreciated, net	<u>4,785,443</u>	<u>572,272</u>	<u>-</u>	<u>(50,000)</u>	<u>5,307,715</u>
Governmental activities capital assets, net	<u>\$ 5,581,365</u>	<u>\$ 1,313,789</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,895,154</u>
<b>Business-type activities</b>					
Capital assets, being depreciated:					
Equipment	\$ 34,550	\$ -	\$ -	\$ -	\$ 34,550
Less accumulated depreciated for:					
Equipment	(23,357)	(4,432)	-	-	(27,789)
Business-type activities capital assets, net	<u>\$ 11,193</u>	<u>\$ (4,432)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,761</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	\$ 304,660
Public safety	335,272
Recreation and culture	2,985
	<u>642,917</u>

Total depreciation expense - governmental activities \$ 642,917

Depreciation of business-type activities by function:

Jail commissary	<u>\$ 4,432</u>
-----------------	-----------------

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
<b>Road Commission Component Unit</b>					
Capital assets, not being depreciated:					
Land and improvements	\$ 595,381	\$ -	\$ -	\$ -	\$ 595,381
Infrastructure and improvements	4,424,759	30,179	(243,268)	-	4,211,670
Construction in process	252,867	-	(252,867)	-	-
	<u>5,273,007</u>	<u>30,179</u>	<u>(496,135)</u>	<u>-</u>	<u>4,807,051</u>
Capital assets, being depreciated:					
Buildings and improvements	3,022,605	204,245	-	-	3,226,850
Machinery and equipment	8,088,869	733,605	(12,066)	-	8,810,408
Office and computer equipment	114,261	71,939	(22,035)	-	164,165
Infrastructure - roads	52,444,111	2,019,768	(3,800,816)	-	50,663,063
Infrastructure - bridges	22,246,499	601,425	-	-	22,847,924
Land improvements	427,722	-	-	-	427,722
Depletable assets	153,402	-	-	-	153,402
	<u>86,497,469</u>	<u>3,630,982</u>	<u>(3,834,917)</u>	<u>-</u>	<u>86,293,534</u>
Less accumulated depreciation for:					
Buildings and improvements	(1,820,976)	(109,923)	-	-	(1,930,899)
Machinery and equipment	(5,747,711)	(830,496)	12,066	-	(6,566,141)
Office and computer equipment	(95,357)	(14,895)	22,035	-	(88,217)
Infrastructure - roads	(30,947,911)	(2,833,349)	3,800,816	-	(29,980,444)
Infrastructure - bridges	(8,073,443)	(475,401)	-	-	(8,548,844)
Land improvements	(30,524)	(55,020)	-	-	(85,544)
Depletable assets	(153,402)	-	-	-	(153,402)
	<u>(46,869,324)</u>	<u>(4,319,084)</u>	<u>3,834,917</u>	<u>-</u>	<u>(47,353,491)</u>

# SHIAWASSEE COUNTY, MICHIGAN

## Notes to Financial Statements

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Total capital assets being depreciated, net	\$ 39,628,145	\$ (688,102)	\$ -	\$ -	\$ 38,940,043
Road Commission capital assets, net	\$ 44,901,152	\$ (657,923)	\$ (496,135)	\$ -	\$ 43,747,094
<b>Medical Care Facility Component Unit</b>					
Capital assets, not being depreciated:					
Land	\$ 969,977	\$ -	\$ -	\$ -	\$ 969,977
Construction in process	5,319,207	18,268,700	-	-	23,587,907
	<u>6,289,184</u>	<u>18,268,700</u>	<u>-</u>	<u>-</u>	<u>24,557,884</u>
Capital assets, being depreciated:					
Land improvements	107,760	-	-	-	107,760
Buildings and improvements	5,393,807	4,998	-	-	5,398,805
Equipment and furniture	2,170,643	-	-	-	2,170,643
	<u>7,672,210</u>	<u>4,998</u>	<u>-</u>	<u>-</u>	<u>7,677,208</u>
Less accumulated depreciated:					
Land improvements	(72,190)	(6,171)	-	-	(78,361)
Buildings and improvements	(4,146,426)	(206,310)	-	-	(4,352,736)
Equipment and furniture	(1,502,121)	(152,486)	-	-	(1,654,607)
	<u>(5,720,737)</u>	<u>(364,967)</u>	<u>-</u>	<u>-</u>	<u>(6,085,704)</u>
Total capital assets being depreciated, net	<u>1,951,473</u>	<u>(359,969)</u>	<u>-</u>	<u>-</u>	<u>1,591,504</u>
Medical Care Facility capital assets, net	<u>\$ 8,240,657</u>	<u>\$ 17,908,731</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,149,388</u>
<b>Drainage Districts Component Unit</b>					
Capital assets, being depreciated:					
Infrastructure - drains	\$ 10,902,577	\$ -	\$ -	\$ -	\$ 10,902,577
Less accumulated depreciation for:					
Infrastructure - drains	(4,846,265)	(227,998)	-	-	(5,074,263)
Drainage Districts capital assets, net	<u>\$ 6,056,312</u>	<u>\$ (227,998)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,828,314</u>

# SHIAWASSEE COUNTY, MICHIGAN

## Notes to Financial Statements

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
<b>County Airport Component Unit</b>					
Capital assets, being depreciated:					
Land improvements	\$ 2,348,588	\$ 23,969	\$ -	\$ -	\$ 2,372,557
Buildings and improvements	102,619	-	-	-	102,619
Equipment	114,958	-	-	-	114,958
Vehicles	63,764	-	-	-	63,764
	<u>2,629,929</u>	<u>23,969</u>	<u>-</u>	<u>-</u>	<u>2,653,898</u>
Less accumulated depreciated for:					
Land improvements	(608,651)	(63,722)	-	-	(672,373)
Buildings and improvements	(66,330)	(2,126)	-	-	(68,456)
Equipment	(33,602)	(6,534)	-	-	(40,136)
Vehicles	(51,008)	(6,376)	-	-	(57,384)
	<u>(759,591)</u>	<u>(78,758)</u>	<u>-</u>	<u>-</u>	<u>(838,349)</u>
<b>County Airport capital assets, net</b>	<u>\$ 1,870,338</u>	<u>\$ (54,789)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,815,549</u>
<b>Council on Aging Component Unit</b>					
Capital assets, being depreciated:					
Buildings	\$ 212,858	\$ 47,706	\$ -	\$ -	\$ 260,564
Equipment	57,388	-	-	-	57,388
	<u>270,246</u>	<u>47,706</u>	<u>-</u>	<u>-</u>	<u>317,952</u>
Less accumulated depreciated for:					
Buildings	(98,654)	(12,690)	-	-	(111,344)
Equipment	(39,365)	(4,672)	-	-	(44,037)
	<u>(138,019)</u>	<u>(17,362)</u>	<u>-</u>	<u>-</u>	<u>(155,381)</u>
<b>Council on Aging capital assets, net</b>	<u>\$ 132,227</u>	<u>\$ 30,344</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 162,571</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	\$ 493,462	\$ 58,874	\$ 722,890
Accrued liabilities	563,138	-	1,339,354
Accrued interest payable	60,541	-	112,987
Other	-	-	1,894
<b>Total</b>	<u>\$ 1,117,141</u>	<u>\$ 58,874</u>	<u>\$ 2,177,125</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	\$ 1,486,280	\$ -
Mental health debt service fund	-	6,753
Nonmajor governmental funds	-	68,003
Delinquent tax revolving fund	-	1,411,524
<b>Total</b>	<b>\$ 1,486,280</b>	<b>\$ 1,486,280</b>

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, 2017, interfund transfers consisted of the following:

	Transfers In			Total
	General Fund	Health Department Fund	Nonmajor Governmental Funds	
Transfers out				
General fund	\$ -	\$ 245,625	\$ 1,059,790	\$ 1,305,415
Nonmajor governmental funds	71,000	-	338,274	409,274
Delinquent tax revolving fund	570,000	-	-	570,000
<b>Total</b>	<b>\$ 641,000</b>	<b>\$ 245,625</b>	<b>\$ 1,398,064</b>	<b>\$ 2,284,689</b>

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, 2017, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Installment purchase agreements	\$ 123,379	\$ -	\$ (50,167)	\$ 73,212	\$ 48,808
Capital leases	50,000	88,778	(73,991)	64,787	20,460
Capital improvement bonds	13,680,000	-	(1,219,825)	12,460,175	1,247,971
General obligation bonds	3,215,000	-	(145,000)	3,070,000	150,000
Total installment debt	17,068,379	88,778	(1,488,983)	15,668,174	1,467,239
Compensated absences	434,466	699,721	(766,743)	367,444	367,444
	<u>\$ 17,502,845</u>	<u>\$ 788,499</u>	<u>\$ (2,255,726)</u>	<u>\$ 16,035,618</u>	<u>\$ 1,834,683</u>

\$246,761 Zero interest installment purchase agreement, dated June 25, 2014, due in semi-annual installments of \$24,404 through June 30, 2019. \$ 73,212

\$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%. 64,787

\$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%. 11,835,175

\$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%-7.25% payable semi-annually. 625,000

\$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. 3,070,000

\$ 15,668,174

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
2018	\$ 1,467,239	\$ 465,501	\$ 1,932,740
2019	1,477,777	426,332	1,904,109
2020	1,494,072	385,967	1,880,039
2021	1,511,557	344,200	1,855,757
2022	1,547,524	301,279	1,848,803
2023-2027	6,955,005	830,362	7,785,367
2028-2032	1,215,000	183,872	1,398,872
	<u>\$ 15,668,174</u>	<u>\$ 2,937,513</u>	<u>\$ 18,605,687</u>

Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
----------------------	-----------	------------	-------------------	------------------------

### Medical Care Facility Component Unit

\$13,000,000 capital lease payable -  
due to Shiawassee County, dated  
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%

\$ 13,000,000	\$ -	\$ (1,164,825)	\$ 11,835,175	\$ 1,192,971
Compensated absences	600,796	679,011	(702,083)	577,724
	<u>\$ 13,600,796</u>	<u>\$ 679,011</u>	<u>\$ (1,866,908)</u>	<u>\$ 12,412,899</u>
				<u>\$ 1,770,695</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
2018	\$ 1,192,971	\$ 269,849	\$ 1,462,820
2019	1,221,798	241,022	1,462,820
2020	1,251,321	211,499	1,462,820
2021	1,281,557	181,263	1,462,820
2022	1,312,524	150,296	1,462,820
2023-2026	5,575,004	276,276	5,851,280
	<u>\$ 11,835,175</u>	<u>\$ 1,330,205</u>	<u>\$ 13,165,380</u>

# SHIAWASSEE COUNTY, MICHIGAN

## Notes to Financial Statements

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Drainage District Component Unit</b>					
Drain bonds and notes	\$ 1,734,470	\$ 400,000	\$ (240,000)	\$ 1,894,470	\$ 190,000
\$2,265,000 Owasso Drain Bonds, Series 2004, dated December 1, 2004, due in annual installments of \$125,000 through June 1, 2025, with interest ranging from 3.90 percent to 4.35 percent, payable semi-annually.					\$ 1,000,000
\$850,000 Byron Water Project Bonds, dated January 6, 2006, due in annual installments ranging from \$39,470 to \$50,000 through October 1, 2026, with interest of 2.125 percent, payable semi-annually.					414,470
\$270,000 Henderson Drain Bonds, Series 1996, dated April 1, 1996, due in annual installments ranging from \$15,000 to \$20,000 through June 1, 2021, with interest of 6.50 percent, payable semi-annually.					80,000
\$400,000 Looking Glass River Drain Note, dated June 1, 2017, due in annual installments of \$190,000 to \$210,000 beginning in 2019, with interest charged at 1.67% payable annually beginning in 2018.					400,000
					<u>\$ 1,894,470</u>

Year Ending December 31,	Drainage District		
	Principal	Interest	Total
2018	\$ 190,000	\$ 61,313	\$ 251,313
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
2023-2027	<u>564,470</u>	<u>34,042</u>	<u>598,512</u>
	<u>\$ 1,894,470</u>	<u>\$ 243,005</u>	<u>\$ 2,137,475</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, 2017, is reported in the financial statements under the caption short-term notes payable. This note was initially due June 2017; however during 2017 it was extended until 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	\$ 200,096	\$ 248,234	\$ (241,293)	\$ 207,037	\$ 207,037

## 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](http://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, 2016, plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	383
Inactive employees entitled to but not yet receiving benefits	135
Active employees	416
Total membership	934

# 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, 2017, employer contributions ranged from 0.27% to 52.13% 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, 2017, members contribute 1% to 5% of their annual salary, depending on the division.

*Actuarial Assumptions.* The total pension liability in the December 31, 2016 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. This experience study resulted in the following assumptions changes (1) mortality table was adjusted to reflect longer lifetimes, (2) assumed annual rate of return was lowered from 8.00% to 7.75%, and (3) asset smoothing period was reduced from 10 years to 5 years.

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

Asset Class	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, 2016 was 8.0% (down from 8.25% in 2015). 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, 2015	\$ 110,334,898	\$ 64,176,292	\$ 46,158,606
Changes for the year:			
Service cost	1,216,965	-	1,216,965
Interest	8,594,908	-	8,594,908
Changes in benefits	(73,164)	-	(73,164)
Difference between expected and actual experience	(575,440)	-	(575,440)
Employer contributions	-	9,357,581	(9,357,581)
Employee contributions	-	121,618	(121,618)
Net investment income	-	7,126,783	(7,126,783)
Benefit payments, including refunds of employee contributions	(7,014,085)	(7,014,085)	-
Administrative expense	-	(140,853)	140,853
Other changes	(1,985)	-	(1,985)
Net changes	2,147,199	9,451,044	(7,303,845)
Balances at December 31, 2016	\$ 112,482,097	\$ 73,627,336	\$ 38,854,761

The net pension liability is allocated as follows:

Primary government	\$ 32,638,876
Medical Care Facility component unit	6,215,885
	<u>\$ 38,854,761</u>

*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	\$ 51,169,829	\$ 38,854,761	\$ 28,440,950

# SHIAWASSEE COUNTY, MICHIGAN

## Notes to Financial Statements

*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, 2017, the County recognized pension expense of \$7,069,843. 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	\$ 334,369	\$ 431,580	\$ (97,211)
Differences in assumptions	2,752,231	-	2,752,231
Net difference between projected and actual earnings on pension plan investments	2,830,545	-	2,830,545
	<u>5,917,145</u>	<u>431,580</u>	<u>5,485,565</u>
Contributions subsequent to the measurement date	3,290,731	-	3,290,731
	<u>9,207,876</u>	<u>431,580</u>	<u>8,776,296</u>
Total	\$ 9,207,876	\$ 431,580	\$ 8,776,296

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

Primary government	\$ 5,420,465	\$ 305,902	\$ 5,114,563
Medical Care Facility component unit	3,787,411	125,678	3,661,733
	<u>9,207,876</u>	<u>431,580</u>	<u>8,776,296</u>

The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the total pension liability for the year ending December 31, 2018. 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
2018	\$ 2,540,959
2019	2,540,958
2020	783,589
2021	<u>(379,941)</u>
Total	<u>\$ 5,485,565</u>

*Payable to the Pension Plan.* At December 31, 2017, the County reported a payable of \$284,364 for the outstanding amount of contributions to the pension plan required for the year ended December 31, 2017.

# SHIAWASSEE COUNTY, MICHIGAN

## Notes to Financial Statements

### Council on Aging Component Unit

*Plan Description.* The Council on Aging (the "Council") 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](http://www.mersofmich.com).

*Funding policy.* The plan provides that the employer contribute amounts necessary to fund the actuarially determined benefits. The Council 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 10 years of service. Participants may elect normal retirement at age 60 or early retirement at 50 with 25 years of services of at age 55 with 15 years of service, with a reduced benefit.

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

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

Inactive employees or beneficiaries currently receiving benefits	9
Inactive employees entitled to but not yet receiving benefits	-
Active employees	<u>5</u>
Total membership	<u><u>14</u></u>

*Contributions.* The Council is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. For the year ended December 31, 2017, employer contributions were 11.06% of annual payroll. In addition, the employer may establish contribution rates to be paid by its covered employees. For the year ended December 31, 2017, member contribution are 6.0%.

*Actuarial Assumptions.* The total pension liability in the December 31, 2016 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%.

# SHIAWASSEE COUNTY, MICHIGAN

## Notes to Financial Statements

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. This experience study resulted in the following assumptions changes (1) mortality table was adjusted to reflect longer lifetimes (2) assumed annual rate of return was lowered from 8.00% to 7.75% (3) asset smoothing period was reduced from 10 years to 5 years.

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

Asset Class	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>

*Discount Rate.* The discount rate used to measure the total pension liability as of December 31, 2016 was 8.0% (down from 8.25% in 2015). 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.

# SHIAWASSEE COUNTY, MICHIGAN

## Notes to Financial Statements

### *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, 2015	\$ 844,053	\$ 509,643	\$ 334,410
Changes for the year:			
Service cost	10,748	-	10,748
Interest	64,623	-	64,623
Changes in benefits	(3,334)	-	(3,334)
Difference between expected and actual experience	(24,758)	-	(24,758)
Employer contributions	-	16,778	(16,778)
Employee contributions	-	6,038	(6,038)
Net investment income	-	54,618	(54,618)
Benefit payments, including refunds of employee contributions	(83,281)	(83,281)	-
Administrative expense	-	(1,082)	1,082
Net changes	(36,002)	(6,929)	(29,073)
Balances at December 31, 2016	\$ 808,051	\$ 502,714	\$ 305,337

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate.* The following presents the net pension liability of the Council, calculated using the discount rate of 8.0%, as well as what the Council'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%)
Council's net pension liability	\$ 375,844	\$ 305,337	\$ 244,220

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

# SHIAWASSEE COUNTY, MICHIGAN

## Notes to Financial Statements

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

For the year ended December 31, 2017, the Council recognized pension expense of \$50,835. The Council 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	\$ 19,033	\$ 18,568	\$ 465
Differences in assumptions	19,247	-	19,247
Net difference between projected and actual earnings on pension plan investments	22,361	-	22,361
	<u>60,641</u>	<u>18,568</u>	<u>42,073</u>
Contributions subsequent to the measurement date	25,877	-	25,877
	<u>25,877</u>	<u>-</u>	<u>25,877</u>
Total	<u>\$ 86,518</u>	<u>\$ 18,568</u>	<u>\$ 67,950</u>

The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the total pension liability for the year ending December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended December 31,	Amount
2018	\$ 22,064
2019	22,065
2020	1,204
2021	(3,260)
Total	<u>\$ 42,073</u>

Payable to the Pension Plan. At December 31, 2017, the Council reported a payable of \$2,297 for the outstanding amount of contributions to the pension plan required for the year ended December 31, 2017.

### *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.

# SHIAWASSEE COUNTY, MICHIGAN

## Notes to Financial Statements

### 11. OTHER POSTEMPLOYMENT BENEFITS

*Primary Government and Component Units (except for Road Commission, Medical Care Facility and Airport)*

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. 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, 2017 was \$189,010.

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.

*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 2017 to the RHFV and paid an additional \$490,517 in actual current premiums of the retirees. Administrative costs of the plan are paid for by the County.

The County’s annual OPEB cost and net OPEB obligation for the current year were as follows:

Annual required contribution	\$ 308,128
Interest on net OPEB obligation	46,175
Adjustment to annual required contribution	<u>(82,456)</u>
Annual OPEB cost	271,847
Contributions made	<u>(650,036)</u>
Decrease in net OPEB obligation	(378,189)
Net OPEB obligation, beginning of year	<u>1,154,378</u>
Net OPEB obligation, end of year	<u><u>\$ 776,189</u></u>

Three-Year Trend Information			
Fiscal Year Ending	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation
12/31/2017	\$ 271,847	239%	\$ 776,189
12/31/2016	309,761	61%	1,154,378
12/31/2015	420,811	58%	1,032,626

# SHIAWASSEE COUNTY, MICHIGAN

## Notes to Financial Statements

*Funded Status and Funding Progress.* As of December 31, 2015, the most recent actuarial valuation date under GASB 45, the Plan was 1 percent funded. The actuarial accrued liability for benefits was \$3,056,911, and the actuarial value of assets was \$23,653, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,033,258.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress, presented as required supplementary information following the notes to financial statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

Assumptions below were determined as part of the latest actuarial valuation stated December 31, 2015.

Actuarial cost method	Individual entry age
Amortization method	Level percent of payroll
Remaining amortization period	Closed 15 year period
Asset valuation method	Market value
Investment rate of return	4%
	9% grading down to 4% 10 years after the valuation date
Health care trend rates	
Mortality tables	RP2000 Mortality Combined Healthier Tables Projected 2 years with U.S. Projection Scale BB
Projected salary increases	4.0% to 17.0% including base as well as merit and seniority

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.

### *Medical Care Facility Component Unit*

Shiawassee County Medical Care Facility provides health and vision coverage for retirees as other postemployment benefits (OPEB) to all applicable employees, in accordance with the union agreements and/or personnel policies. Full cost retiree contribution is required; however, the includes an implicit employer subsidy. The plan does not issue a separate stand-alone financial statement.

*Funding Policy.* The Medical Care Facility has no obligation to make contributions in advance of when the premiums are due for payment (i.e., may be financed on a “pay-as-you-go” basis). The only current contributions being made are to pay the actual current premiums of the retirees. Administrative costs of the plan are paid for by the Medical Care Facility.

# SHIAWASSEE COUNTY, MICHIGAN

## Notes to Financial Statements

The Medical Care Facility annual OPEB cost and net OPEB obligation for the current year were as follows:

Annual required contribution	\$ 30,427
Interest on net OPEB obligation	3,695
Adjustment to annual required contribution	<u>(6,598)</u>
Annual OPEB cost	27,524
Contributions made	<u>(57,771)</u>
Decrease in net OPEB obligation	(30,247)
Net OPEB obligation, beginning of year	<u>92,377</u>
Net OPEB obligation, end of year	<u><u>\$ 62,130</u></u>

Three-Year Trend Information			
Fiscal Year Ending	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation
12/31/2017	\$ 27,524	210%	\$ 62,130
12/31/2016	30,429	111%	92,377
12/31/2015	36,508	52%	95,831

*Funded Status and Funding Progress.* As of December 31, 2015, the most recent actuarial valuation date under GASB 45, the actuarial accrued liability for benefits was \$279,159 resulting in an unfunded actuarial accrued liability (UAAL) of \$279,159.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress, presented as required supplementary information following the notes to financial statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

# SHIAWASSEE COUNTY, MICHIGAN

## Notes to Financial Statements

Assumptions below were determined as part of the latest actuarial valuation stated December 31, 2015.

Actuarial cost method	Individual entry age
Amortization method	Level percent of payroll
Remaining amortization period	Closed 15 year period
Asset valuation method	Market value
Investment rate of return	4%
Health care trend rates	9% grading down to 4% 10 years after the valuation
Mortality tables	RP2000 Mortality Combined Healthier Tables Projected 2 years with U.S. Projection Scale BB
Projected salary increases	4.0% to 17.0% including base as well as merit and seniority

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

### *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.

## 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.

# SHIAWASSEE COUNTY, MICHIGAN

## Notes to Financial Statements

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.

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.

# SHIAWASSEE COUNTY, MICHIGAN

## Notes to Financial Statements

At December 31, 2017, the County had funds on deposit of \$731,053 with the Authority and an estimated liability for reported claims and legal fees of \$353,356.

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, 2017 and 2016, are as follows:

	2017	2016
Claims liability, beginning of year	\$ 75,991	\$ 189,626
Claims incurred, including changes in estimates	225,116	16,187
Claims payments and adjustments	<u>(154,196)</u>	<u>(129,822)</u>
Claims liability, end of year	<u>\$ 146,911</u>	<u>\$ 75,991</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.

## 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.

# SHIAWASSEE COUNTY, MICHIGAN

## Notes to Financial Statements

The County's Summer 2017 ad valorem taxes were levied and collectible on July 1, 2017. 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 2017 tax levy for general operating purposes has been recognized as revenue in the current fiscal year in the general fund. The 2017 adjusted taxable value of Shiawassee County amounted to approximately \$1,700,000,000 on which ad valorem taxes levied for County general operating purposes consisted of 5.5544 mills. The 2016 tax levy was recognized as revenue in the special revenue fund and component units. The 2016 adjusted taxable value of Shiawassee County amounted to approximately \$1,700,000,000 on which the Council on Aging levied 0.4300 mills, the Veterans Relief Fund levied 0.0900 mills, the Veteran Services Fund levied 0.2000 mills, the MSU Extension Fund levied 0.0500 mills, and the Medical Care Facility levied 2.0000 mills.

By resolution of the Board of Commissioners and agreement with various taxing authorities, the County purchased at face value the real property taxes receivable returned delinquent on March 1, 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, 2017, the federal aid received and expended by the Road Commission was \$690,958 for contracted projects. The Road Commission did not receive any federal aid for negotiated projects during the year ended December 31, 2017.

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
<b>Nonspendable</b>				
Advances	\$ 170,000	\$ -	\$ -	\$ 170,000
Inventories	-	54,964	-	54,964
Prepays	190,871	-	14,500	205,371
	<u>360,871</u>	<u>54,964</u>	<u>14,500</u>	<u>430,335</u>
<b>Restricted</b>				
MSU Extension	-	-	15,000	15,000
Family counseling	-	-	73,885	73,885
Friend of the Court	-	-	92,690	92,690
Central dispatch	-	-	1,192,183	1,192,183
Drunk driving enforcement	-	-	142,407	142,407
Waste management	-	-	91,659	91,659
Animal control	-	-	21,230	21,230
Housing rehabilitation	-	-	67,841	67,841
Sheriff collection	-	-	148,598	148,598
Register of Deeds				
Automation	-	-	143,524	143,524
Local correction training	-	-	21,428	21,428
Drug forfeiture	-	-	6,778	6,778
Local law enforcement	-	-	2,072	2,072
Law library	-	-	2,087	2,087
Child care	-	-	63,135	63,135
Drug court	-	-	1	1
Veterans	-	-	539,033	539,033
MAGNET	-	-	215,769	215,769
Concealed pistol licensing	-	-	53,486	53,486
Swift and Sure program	-	-	237	237
Health department	-	1,132,095	-	1,132,095
Capital improvement	-	-	80,577	80,577
Jail improvements	-	-	5,948	5,948
	<u>-</u>	<u>1,132,095</u>	<u>2,979,568</u>	<u>4,111,663</u>

# SHIAWASSEE COUNTY, MICHIGAN

## Notes to Financial Statements

	General	Health Department	Nonmajor Governmental Funds	Total
<b>Committed</b>				
Budget stabilization	\$ 482,548	\$ -	\$ -	\$ 482,548
Retirement unfunded liability	398,797	-	-	398,797
Retiree healthcare	159,519	-	-	159,519
Prosecutor	-	-	85,807	85,807
Farmland preservation	-	-	1,448	1,448
Building code	-	-	89,324	89,324
Emergency management	-	-	24,009	24,009
Sheriff posse	-	-	13,171	13,171
REACH	-	-	6,252	6,252
Social welfare	-	-	8,718	8,718
Cigarette tax	-	-	157	157
Riverhaven	-	-	10,946	10,946
	<u>558,316</u>	<u>-</u>	<u>239,832</u>	<u>798,148</u>
<b>Unassigned</b>	<u>2,090,625</u>	<u>-</u>	<u>-</u>	<u>2,090,625</u>
<b>Total fund balances - governmental funds</b>	<u>\$ 3,009,812</u>	<u>\$ 1,187,059</u>	<u>\$ 3,233,900</u>	<u>\$ 7,430,771</u>

# 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	\$ 1,192,183	\$ -	\$ -
Veterans activities	553,533	-	-
MAGNET	215,769	-	-
Sheriff collection	148,598	-	-
Register of Deeds automation	143,524	-	-
Drunk driving enforcement	142,407	-	-
Health department	1,187,059	-	-
Other:			
MSU Extension	15,000	-	-
Family counseling	73,885	-	-
Friend of the Court	92,690	-	-
Waste management	91,659	-	-
Animal control	21,230	-	-
Housing rehabilitation	67,841	-	-
Local correction training	21,428	-	-
Drug forfeiture	6,778	-	-
Local law enforcement	2,072	-	-
Law library	2,087	-	-
Child care	63,135	-	-
Drug court	1	-	-
Concealed pistol licensing	53,486	-	-
Swift and Sure program	237	-	-
Capital improvement	80,577	-	1,991,943
Jail improvements	5,948	-	-
Debt service	-	-	367,153
	<u>\$ 4,181,127</u>	<u>\$ -</u>	<u>\$ 2,359,096</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	\$ 1,587,439	\$ -	\$ 29,364,935
Capital assets being depreciated, net	5,307,715	6,761	48,337,981
Total capital assets	<u>6,895,154</u>	<u>6,761</u>	<u>77,702,916</u>
Related debt:			
Bonds and notes payable	15,668,174	-	13,729,645
Amounts under leases receivable	(15,530,175)	-	-
Total related debt	<u>137,999</u>	<u>-</u>	<u>13,729,645</u>
	<u>\$ 6,757,155</u>	<u>\$ 6,761</u>	<u>\$ 63,973,271</u>

# SHIAWASSEE COUNTY, MICHIGAN

## Notes to Financial Statements

### 18. CONTINGENT LIABILITIES

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, 2017, the Medical Care Facility had an outstanding commitment of \$3,663,961 related to the Pleasant View Building project.

### 19. RESTATEMENTS

The governmental activities beginning net position was decreased by \$482,247 to correctly state unearned revenue that was inadvertently recorded as revenue in the governmental activities in the prior year. The impact on the December 31, 2016 statement of activities would have been a decrease in operating grants and contributions of \$482,247.

The governmental activities and general fund beginning net position/fund balance were decreased by \$75,991 to correctly state the liability for claims incurred but not reported (IBNR) related to the County's self-insurance program.

Beginning net position of the delinquent tax revolving enterprise fund and business-type activities was increased by \$684,235 to properly recognize revenue related to unrecorded interest and fees accrued on delinquent taxes receivable. The impact on the December 31, 2016 statement of activities was not considered significant.

Beginning fund balance / net position in the drainage districts component unit was decreased by \$183,672 to properly state payables for the prior year that were inadvertently not recorded. The impact on the December 31, 2016 statement of revenues expenditures and changes in fund balance / statement of activities would have been an increase in expenditures / expenses of \$183,672.



## 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 and Council on Aging)

### Schedule of Changes in County's Net Pension Liability and Related Ratios

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

#### 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 and Council on Aging)

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
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.

# SHIAWASSEE COUNTY, MICHIGAN

## Required Supplementary Information

MERS Agent Multiple-Employer Defined Benefit Pension Plan

Primary Government and Component Units (except for Road Commission and Council on Aging)

### 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
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

MERS Agent Multiple-Employer Defined Benefit Pension Plan  
Council on Aging Component Unit

### Schedule of Changes in County's Net Pension Liability and Related Ratios

	Year Ended December 31,		
	2017	2016	2015
<b>Total pension liability</b>			
Service cost	\$ 10,748	\$ 9,490	\$ 9,053
Interest	64,623	61,073	60,849
Differences between expected and actual experience	(24,758)	38,065	-
Changes in benefit terms	(3,334)	-	-
Changes of assumptions	-	38,493	-
Benefit payments, including refunds of employee contributions	(83,281)	(77,220)	(57,583)
Other	-	1	-
<b>Net change in total pension liability</b>	<b>(36,002)</b>	<b>69,902</b>	<b>12,319</b>
<b>Total pension liability, beginning of year</b>	<b>844,053</b>	<b>774,151</b>	<b>761,832</b>
<b>Total pension liability, end of year</b>	<b>808,051</b>	<b>844,053</b>	<b>774,151</b>
<b>Plan fiduciary net position</b>			
Employer contributions	16,778	9,055	10,499
Employee contributions	6,038	5,668	6,605
Net investment income (loss)	54,618	(7,948)	36,642
Benefit payments, including refunds of employee contributions	(83,281)	(77,220)	(57,583)
Administrative expense	(1,082)	(1,212)	(1,335)
<b>Net change in plan fiduciary net position</b>	<b>(6,929)</b>	<b>(71,657)</b>	<b>(5,172)</b>
<b>Plan fiduciary net position, beginning of year</b>	<b>509,643</b>	<b>581,300</b>	<b>586,472</b>
<b>Plan fiduciary net position, end of year</b>	<b>502,714</b>	<b>509,643</b>	<b>581,300</b>
<b>County's net pension liability</b>	<b>\$ 305,337</b>	<b>\$ 334,410</b>	<b>\$ 192,851</b>
<b>Plan fiduciary net position as a percentage of total pension liability</b>	<b>62.2%</b>	<b>60.4%</b>	<b>75.1%</b>
<b>Covered payroll</b>	<b>\$ 150,960</b>	<b>\$ 140,794</b>	<b>\$ 134,317</b>
<b>County's net pension liability as a percentage of covered payroll</b>	<b>202.3%</b>	<b>237.5%</b>	<b>143.6%</b>

#### 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  
 Council on Aging Component Unit

Schedule of the Net Pension Liability

Fiscal Year Ended September 30,	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
2017	\$ 808,051	\$ 502,714	\$ 305,337	62.2%	\$ 150,960	202.26%
2016	844,053	509,643	334,410	60.4%	140,794	237.52%
2015	774,151	581,300	192,851	75.1%	134,317	143.58%

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.

# SHIAWASSEE COUNTY, MICHIGAN

## Required Supplementary Information

MERS Agent Multiple-Employer Defined Benefit Pension Plan  
Council on Aging Component Unit

### Schedule of Contributions

Fiscal Year Ending September 30,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as Percentage of Covered Payroll
2017	\$ 21,009	\$ 25,877	\$ 4,868	\$ 178,444	14.5%
2016	16,732	16,732	-	151,281	11.1%
2015	8,595	8,595	-	134,506	6.4%

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.

COUNTY OF SAGINAW, MICHIGAN

**Required Supplementary Information**

Single Employer Defined Benefit Other Postemployment Benefit Plan (under GASB 45)

*Primary Government and Component Units (Except for Road Commission and Medical Care Facility)*

Schedule of Funding Progress						
Actuarial Valuation Date December 31,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
2015	\$ 23,653	\$ 3,056,911	\$ 3,033,258	1%	Unavailable	N/A
2013	-	4,078,765	4,078,765	0%	Unavailable	N/A
2011	-	4,196,432	4,196,432	0%	Unavailable	N/A

Schedule of Employer Contributions		
Year Ended December 31,	Annual Required Contribution	Percentage Contributed
2017	\$ 308,128	211%
2016	309,761	61%
2015	420,811	58%

*Medical Care Facility*

Schedule of Funding Progress						
Actuarial Valuation Date December 31,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
2015	\$ -	\$ 279,159	279,159	0%	Unavailable	N/A
2013	-	352,231	352,231	0%	Unavailable	N/A
2011	-	503,527	503,527	0%	Unavailable	N/A

Schedule of Employer Contributions		
Year Ended December 31,	Annual Required Contribution	Percentage Contributed
2017	\$ 30,427	190%
2016	30,429	111%
2015	36,508	52%

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

# SHIAWASSEE COUNTY, MICHIGAN

## Combining Balance Sheet Nonmajor Governmental Funds December 31, 2017

	Special Revenue Funds	Equipment Acquisition Debt Service Fund	Capital Project Funds	Totals
<b>Assets</b>				
Cash and cash equivalents	\$ 2,178,743	\$ -	\$ 86,525	\$ 2,265,268
Investments	594,122	-	-	594,122
Receivables:				
Accounts receivable, net	485,592	-	-	485,592
Taxes	451,982	-	-	451,982
Due from other governments	59,425	-	-	59,425
Prepays	14,500	-	-	14,500
<b>Total assets</b>	<b>\$ 3,784,364</b>	<b>\$ -</b>	<b>\$ 86,525</b>	<b>\$ 3,870,889</b>
<b>Liabilities</b>				
Accounts payable	\$ 76,354	\$ -	\$ -	\$ 76,354
Accrued liabilities	32,682	-	-	32,682
Due to other funds	68,003	-	-	68,003
<b>Total liabilities</b>	<b>177,039</b>	<b>-</b>	<b>-</b>	<b>177,039</b>
<b>Deferred inflows of resources</b>				
Taxes levied for subsequent year	459,950	-	-	459,950
<b>Fund balances</b>				
Nonspendable	14,500	-	-	14,500
Restricted	2,893,043	-	86,525	2,979,568
Committed	239,832	-	-	239,832
<b>Total fund balances</b>	<b>3,147,375</b>	<b>-</b>	<b>86,525</b>	<b>3,233,900</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 3,784,364</b>	<b>\$ -</b>	<b>\$ 86,525</b>	<b>\$ 3,870,889</b>

# SHIAWASSEE COUNTY, MICHIGAN

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

Nonmajor Governmental Funds

For the Year Ended December 31, 2017

	Special Revenue Funds	Equipment Acquisition Debt Service Fund	Capital Project Funds	Totals
<b>Revenues</b>				
Taxes	\$ 570,486	\$ -	\$ -	\$ 570,486
Intergovernmental	722,998	-	16,706	739,704
Charges for services	2,900,565	-	-	2,900,565
Fines and forfeits	13,475	-	-	13,475
Interest	3,446	-	-	3,446
Other revenues	62,243	-	52,620	114,863
<b>Total revenues</b>	<b>4,273,213</b>	<b>-</b>	<b>69,326</b>	<b>4,342,539</b>
<b>Expenditures</b>				
Current expenditures:				
General government	131,178	-	-	131,178
Public safety	2,636,408	-	-	2,636,408
Health and welfare	1,649,148	-	-	1,649,148
Community development	322,423	-	-	322,423
Debt service:				
Principal	-	55,000	-	55,000
Interest	-	43,865	-	43,865
Capital outlay	-	-	286,813	286,813
<b>Total expenditures</b>	<b>4,739,157</b>	<b>98,865</b>	<b>286,813</b>	<b>5,124,835</b>
Revenues over (under) expenditures	(465,944)	(98,865)	(217,487)	(782,296)
<b>Other financing sources (uses)</b>				
Transfers in	1,199,684	98,865	99,515	1,398,064
Transfers out	(409,274)	-	-	(409,274)
<b>Total other financing sources (uses)</b>	<b>790,410</b>	<b>98,865</b>	<b>99,515</b>	<b>988,790</b>
Net change in fund balances	324,466	-	(117,972)	206,494
Fund balances, beginning of year	2,822,909	-	204,497	3,027,406
Fund balances, end of year	\$ 3,147,375	\$ -	\$ 86,525	\$ 3,233,900

# SHIAWASSEE COUNTY, MICHIGAN

## Combining Balance Sheet

Nonmajor Special Revenue Funds

December 31, 2017

	MSU Extension	Family Counseling	Friend of the Court	Central Dispatch	Drunk Driving
<b>Assets</b>					
Cash and cash equivalents	\$ 18,263	\$ 73,885	\$ 92,579	\$ 530,958	\$ 31,900
Investments	-	-	-	256,781	110,507
Receivables:					
Accounts receivable, net	-	-	-	480,645	-
Taxes	129,016	-	-	-	-
Due from other governments	-	-	-	-	-
Prepays	-	-	-	-	-
<b>Total assets</b>	<b>\$ 147,279</b>	<b>\$ 73,885</b>	<b>\$ 92,579</b>	<b>\$ 1,268,384</b>	<b>\$ 142,407</b>
<b>Liabilities</b>					
Accounts payable	\$ 3,263	\$ -	\$ -	\$ 49,145	\$ -
Accrued liabilities	-	-	(111)	27,056	-
Due to other funds	-	-	-	-	-
<b>Total liabilities</b>	<b>3,263</b>	<b>-</b>	<b>(111)</b>	<b>76,201</b>	<b>-</b>
<b>Deferred inflows of resources</b>					
Taxes levied for subsequent year	129,016	-	-	-	-
<b>Fund balances</b>					
Nonspendable	-	-	-	-	-
Restricted	15,000	73,885	92,690	1,192,183	142,407
Committed	-	-	-	-	-
<b>Total fund balances</b>	<b>15,000</b>	<b>73,885</b>	<b>92,690</b>	<b>1,192,183</b>	<b>142,407</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 147,279</b>	<b>\$ 73,885</b>	<b>\$ 92,579</b>	<b>\$ 1,268,384</b>	<b>\$ 142,407</b>

Prosecutor's Fees	Waste Management	Farmland Preservation	Animal Control Donations	Building Code	Housing Rehabilitation	Sheriff Collection
\$ 80,572	\$ 91,659	\$ 1,448	\$ 21,230	\$ 103,553	\$ 67,841	\$ 148,666
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 80,572</u>	<u>\$ 91,659</u>	<u>\$ 1,448</u>	<u>\$ 21,230</u>	<u>\$ 103,553</u>	<u>\$ 67,841</u>	<u>\$ 148,666</u>
\$ -	\$ -	\$ -	\$ -	\$ 11,710	\$ -	\$ 68
-	-	-	-	2,519	-	-
-	-	-	-	-	-	-
-	-	-	-	14,229	-	68
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	91,659	-	21,230	-	67,841	148,598
80,572	-	1,448	-	89,324	-	-
<u>80,572</u>	<u>91,659</u>	<u>1,448</u>	<u>21,230</u>	<u>89,324</u>	<u>67,841</u>	<u>148,598</u>
<u>\$ 80,572</u>	<u>\$ 91,659</u>	<u>\$ 1,448</u>	<u>\$ 21,230</u>	<u>\$ 103,553</u>	<u>\$ 67,841</u>	<u>\$ 148,666</u>

continued...

# SHIAWASSEE COUNTY, MICHIGAN

## Combining Balance Sheet Nonmajor Special Revenue Funds December 31, 2017

	Register of Deeds Automation	Emergency Management	Sheriff Posse	Local Correction Officer's Training	Drug Forfeiture
<b>Assets</b>					
Cash and cash equivalents	\$ 83,422	\$ 24,009	\$ 13,171	\$ 21,548	\$ 6,778
Investments	60,102	-	-	-	-
Receivables:					
Accounts receivable, net	-	-	-	-	-
Taxes	-	-	-	-	-
Due from other governments	-	-	-	-	-
Prepays	-	-	-	-	-
<b>Total assets</b>	<b>\$ 143,524</b>	<b>\$ 24,009</b>	<b>\$ 13,171</b>	<b>\$ 21,548</b>	<b>\$ 6,778</b>
<b>Liabilities</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ 120	\$ -
Accrued liabilities	-	-	-	-	-
Due to other funds	-	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>120</b>	<b>-</b>
<b>Deferred inflows of resources</b>					
Taxes levied for subsequent year	-	-	-	-	-
<b>Fund balances</b>					
Nonspendable	-	-	-	-	-
Restricted	143,524	-	-	21,428	6,778
Committed	-	24,009	13,171	-	-
<b>Total fund balances</b>	<b>143,524</b>	<b>24,009</b>	<b>13,171</b>	<b>21,428</b>	<b>6,778</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 143,524</b>	<b>\$ 24,009</b>	<b>\$ 13,171</b>	<b>\$ 21,548</b>	<b>\$ 6,778</b>

Prosecutor's Assets	Local Law Enforcement	Law Library	REACH	Social Welfare - DHS	Child Care - DHS	Child Care
\$ 5,235	\$ 2,072	\$ 2,126	\$ 6,027	\$ 8,718	\$ 73,724	\$ 5,008
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	59,425
-	-	-	-	-	-	-
<u>\$ 5,235</u>	<u>\$ 2,072</u>	<u>\$ 2,126</u>	<u>\$ 6,027</u>	<u>\$ 8,718</u>	<u>\$ 73,724</u>	<u>\$ 64,433</u>
\$ -	\$ -	\$ 39	\$ -	\$ -	\$ 10,589	\$ 362
-	-	-	(225)	-	-	777
-	-	-	-	-	-	63,293
-	-	39	(225)	-	10,589	64,432
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	2,072	2,087	-	-	63,135	1
5,235	-	-	6,252	8,718	-	-
<u>5,235</u>	<u>2,072</u>	<u>2,087</u>	<u>6,252</u>	<u>8,718</u>	<u>63,135</u>	<u>1</u>
<u>\$ 5,235</u>	<u>\$ 2,072</u>	<u>\$ 2,126</u>	<u>\$ 6,027</u>	<u>\$ 8,718</u>	<u>\$ 73,724</u>	<u>\$ 64,433</u>

continued...

# SHIAWASSEE COUNTY, MICHIGAN

## Combining Balance Sheet Nonmajor Special Revenue Funds December 31, 2017

	Veterans' Relief	Veterans' Services	Veterans' Trust	Cigarette Tax	Riverhaven
<b>Assets</b>					
Cash and cash equivalents	\$ 337,892	\$ 212,850	\$ -	\$ 140	\$ 10,946
Investments	-	-	-	-	-
Receivables:					
Accounts receivable, net	-	-	-	-	-
Taxes	101,989	220,977	-	-	-
Due from other governments	-	-	-	-	-
Prepays	-	14,500	-	-	-
<b>Total assets</b>	<b>\$ 439,881</b>	<b>\$ 448,327</b>	<b>\$ -</b>	<b>\$ 140</b>	<b>\$ 10,946</b>
<b>Liabilities</b>					
Accounts payable	\$ -	\$ 1,058	\$ -	\$ -	\$ -
Accrued liabilities	-	2,683	-	(17)	-
Due to other funds	-	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>3,741</b>	<b>-</b>	<b>(17)</b>	<b>-</b>
<b>Deferred inflows of resources</b>					
Taxes levied for subsequent year	104,578	226,356	-	-	-
<b>Fund balances</b>					
Nonspendable	-	14,500	-	-	-
Restricted	335,303	203,730	-	-	-
Committed	-	-	-	157	10,946
<b>Total fund balances</b>	<b>335,303</b>	<b>218,230</b>	<b>-</b>	<b>157</b>	<b>10,946</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 439,881</b>	<b>\$ 448,327</b>	<b>\$ -</b>	<b>\$ 140</b>	<b>\$ 10,946</b>

MAGNET	Concealed Pistol Licensing	Swift and Sure	Highway Safety Planning	Totals
\$ 49,037	\$ 53,486	\$ -	\$ -	\$ 2,178,743
166,732	-	-	-	594,122
-	-	4,947	-	485,592
-	-	-	-	451,982
-	-	-	-	59,425
-	-	-	-	14,500
<u>\$ 215,769</u>	<u>\$ 53,486</u>	<u>\$ 4,947</u>	<u>\$ -</u>	<u>\$ 3,784,364</u>
\$ -	\$ -	\$ -	\$ -	\$ 76,354
-	-	-	-	32,682
-	-	4,710	-	68,003
-	-	4,710	-	177,039
-	-	-	-	459,950
-	-	-	-	14,500
215,769	53,486	237	-	2,893,043
-	-	-	-	239,832
<u>215,769</u>	<u>53,486</u>	<u>237</u>	<u>-</u>	<u>3,147,375</u>
<u>\$ 215,769</u>	<u>\$ 53,486</u>	<u>\$ 4,947</u>	<u>\$ -</u>	<u>\$ 3,784,364</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, 2017

	MSU Extension	Family Counseling	Friend of the Court	Central Dispatch	Drunk Driving
<b>Revenues</b>					
Taxes	\$ 83,783	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	19,605	-	17,058
Charges for services	-	-	23,797	2,361,586	-
Fines and forfeits	-	6,975	-	-	-
Interest	-	-	28	386	166
Other revenues	-	-	-	3,909	-
<b>Total revenues</b>	<b>83,783</b>	<b>6,975</b>	<b>43,430</b>	<b>2,365,881</b>	<b>17,224</b>
<b>Expenditures</b>					
Current:					
General government	-	448	20,841	-	-
Public safety	-	-	-	2,409,963	5,419
Health and welfare	-	-	-	-	-
Community and economic development	146,882	-	-	-	-
<b>Total expenditures</b>	<b>146,882</b>	<b>448</b>	<b>20,841</b>	<b>2,409,963</b>	<b>5,419</b>
Revenues over (under) expenditures	(63,099)	6,527	22,589	(44,082)	11,805
<b>Other financing sources (uses)</b>					
Transfers in	76,297	-	-	-	-
Transfers out	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>76,297</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>13,198</b>	<b>6,527</b>	<b>22,589</b>	<b>(44,082)</b>	<b>11,805</b>
Fund balances, beginning of year	1,802	67,358	70,101	1,236,265	130,602
<b>Fund balances, end of year</b>	<b>\$ 15,000</b>	<b>\$ 73,885</b>	<b>\$ 92,690</b>	<b>\$ 1,192,183</b>	<b>\$ 142,407</b>

Prosecutor's Fees	Waste Management	Farmland Preservation	Animal Control Donations	Building Code	Housing Rehabilitation	Sheriff Collection
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	212,759	1,190
-	75,000	-	-	218,442	53,642	34,395
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	75,000	-	-	218,442	266,401	35,585
-	-	-	-	-	-	-
8,396	-	-	-	-	-	14,547
-	31,649	-	-	-	219,120	-
-	-	-	-	175,541	-	-
8,396	31,649	-	-	175,541	219,120	14,547
(8,396)	43,351	-	-	42,901	47,281	21,038
-	-	-	-	-	-	-
-	-	-	-	(31,000)	-	-
-	-	-	-	(31,000)	-	-
(8,396)	43,351	-	-	11,901	47,281	21,038
88,968	48,308	1,448	21,230	77,423	20,560	127,560
<u>\$ 80,572</u>	<u>\$ 91,659</u>	<u>\$ 1,448</u>	<u>\$ 21,230</u>	<u>\$ 89,324</u>	<u>\$ 67,841</u>	<u>\$ 148,598</u>

continued...

# SHIAWASSEE COUNTY, MICHIGAN

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

Nonmajor Special Revenue Funds

For the Year Ended December 31, 2017

	Register of Deeds Automation	Emergency Management	Sheriff Posse	Local Correction Officer's Training	Drug Forfeiture
<b>Revenues</b>					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-
Charges for services	60,455	-	7,930	19,786	702
Fines and forfeits	-	-	-	-	-
Interest	90	-	-	-	-
Other revenues	-	500	-	-	-
<b>Total revenues</b>	<b>60,545</b>	<b>500</b>	<b>7,930</b>	<b>19,786</b>	<b>702</b>
<b>Expenditures</b>					
Current:					
General government	58,240	-	-	-	-
Public safety	-	2,982	6,061	20,146	969
Health and welfare	-	-	-	-	-
Community and economic development	-	-	-	-	-
<b>Total expenditures</b>	<b>58,240</b>	<b>2,982</b>	<b>6,061</b>	<b>20,146</b>	<b>969</b>
Revenues over (under) expenditures	2,305	(2,482)	1,869	(360)	(267)
<b>Other financing sources (uses)</b>					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>2,305</b>	<b>(2,482)</b>	<b>1,869</b>	<b>(360)</b>	<b>(267)</b>
Fund balances, beginning of year	141,219	26,491	11,302	21,788	7,045
<b>Fund balances, end of year</b>	<b>\$ 143,524</b>	<b>\$ 24,009</b>	<b>\$ 13,171</b>	<b>\$ 21,428</b>	<b>\$ 6,778</b>

Prosecutor's Assets	Local Law Enforcement	Law Library	REACH	Social Welfare - DHS	Child Care - DHS	Drug Court
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	35,867	-	-	-	-	308,284
444	-	-	-	-	-	-
-	-	6,500	-	-	-	-
-	-	-	-	-	-	-
-	-	-	500	-	2,882	50,796
<u>444</u>	<u>35,867</u>	<u>6,500</u>	<u>500</u>	<u>-</u>	<u>2,882</u>	<u>359,080</u>
445	36,755	14,449	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	3,811	445,521	685,246
-	-	-	-	-	-	-
<u>445</u>	<u>36,755</u>	<u>14,449</u>	<u>-</u>	<u>3,811</u>	<u>445,521</u>	<u>685,246</u>
(1)	(888)	(7,949)	500	(3,811)	(442,639)	(326,166)
-	-	8,750	-	5,000	505,774	603,863
-	-	-	-	-	-	(338,274)
-	-	8,750	-	5,000	505,774	265,589
(1)	(888)	801	500	1,189	63,135	(60,577)
<u>5,236</u>	<u>2,960</u>	<u>1,286</u>	<u>5,752</u>	<u>7,529</u>	<u>-</u>	<u>60,578</u>
<u>\$ 5,235</u>	<u>\$ 2,072</u>	<u>\$ 2,087</u>	<u>\$ 6,252</u>	<u>\$ 8,718</u>	<u>\$ 63,135</u>	<u>\$ 1</u>

continued...

# SHIAWASSEE COUNTY, MICHIGAN

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

Nonmajor Special Revenue Funds

For the Year Ended December 31, 2017

	Veterans' Relief	Veterans' Services	Veterans' Trust	Cigarette Tax	Riverhaven
<b>Revenues</b>					
Taxes	\$ 150,984	\$ 335,719	\$ -	\$ -	\$ -
Intergovernmental	-	69	2,302	-	18,848
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Interest	-	-	-	-	-
Other revenues	3,656	-	-	-	-
<b>Total revenues</b>	<b>154,640</b>	<b>335,788</b>	<b>2,302</b>	<b>-</b>	<b>18,848</b>
<b>Expenditures</b>					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Health and welfare	63,162	182,387	2,771	-	15,481
Community and economic development	-	-	-	-	-
<b>Total expenditures</b>	<b>63,162</b>	<b>182,387</b>	<b>2,771</b>	<b>-</b>	<b>15,481</b>
<b>Revenues over (under) expenditures</b>	<b>91,478</b>	<b>153,401</b>	<b>(469)</b>	<b>-</b>	<b>3,367</b>
<b>Other financing sources (uses)</b>					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>91,478</b>	<b>153,401</b>	<b>(469)</b>	<b>-</b>	<b>3,367</b>
<b>Fund balances, beginning of year</b>	<b>243,825</b>	<b>64,829</b>	<b>469</b>	<b>157</b>	<b>7,579</b>
<b>Fund balances, end of year</b>	<b>\$ 335,303</b>	<b>\$ 218,230</b>	<b>\$ -</b>	<b>\$ 157</b>	<b>\$ 10,946</b>

MAGNET	Concealed Pistol Licensing	Swift and Sure	Highway Safety Planning	Totals
\$ -	\$ -	\$ -	\$ -	\$ 570,486
48,995	-	10,795	47,226	722,998
3,265	41,121	-	-	2,900,565
-	-	-	-	13,475
2,776	-	-	-	3,446
-	-	-	-	62,243
<u>55,036</u>	<u>41,121</u>	<u>10,795</u>	<u>47,226</u>	<u>4,273,213</u>
-	-	-	-	131,178
109,848	293	10,558	47,226	2,636,408
-	-	-	-	1,649,148
-	-	-	-	322,423
<u>109,848</u>	<u>293</u>	<u>10,558</u>	<u>47,226</u>	<u>4,739,157</u>
<u>(54,812)</u>	<u>40,828</u>	<u>237</u>	<u>-</u>	<u>(465,944)</u>
-	-	-	-	1,199,684
-	(40,000)	-	-	(409,274)
-	(40,000)	-	-	790,410
<u>(54,812)</u>	<u>828</u>	<u>237</u>	<u>-</u>	<u>324,466</u>
<u>270,581</u>	<u>52,658</u>	<u>-</u>	<u>-</u>	<u>2,822,909</u>
<u>\$ 215,769</u>	<u>\$ 53,486</u>	<u>\$ 237</u>	<u>\$ -</u>	<u>\$ 3,147,375</u>

concluded.

# SHIAWASSEE COUNTY, MICHIGAN

## Combining Balance Sheet Nonmajor Capital Project Funds December 31, 2017

	Capital Improvements	Jail Improvements	Totals
Assets			
Cash and cash equivalents	\$ 80,577	\$ 5,948	\$ 86,525
Fund balances			
Restricted	\$ 80,577	\$ 5,948	\$ 86,525

# SHIAWASSEE COUNTY, MICHIGAN

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

Nonmajor Capital Project Funds

For the Year Ended December 31, 2017

	Capital Improvements	Jail Improvements	Totals
Revenues			
Intergovernmental	\$ 16,706	\$ -	\$ 16,706
Other revenue	19,715	32,905	52,620
Total revenues	36,421	32,905	69,326
Expenditures			
Capital outlay	215,686	71,127	286,813
Revenues over (under) expenditures	(179,265)	(38,222)	(217,487)
Other financing sources (uses)			
Transfers in	99,515	-	99,515
Net change in fund balances	(79,750)	(38,222)	(117,972)
Fund balances, beginning of year	160,327	44,170	204,497
Fund balances, end of year	\$ 80,577	\$ 5,948	\$ 86,525

SHIAWASSEE COUNTY, MICHIGAN

Combining Statement of Fiduciary Assets and Liabilities

Agency Funds  
December 31, 2017

	Trust and Agency	Economic Development	Library Penal Fines	Totals
<b>Assets</b>				
Cash and cash equivalents	<u>\$ 2,205,544</u>	<u>\$ 3,127</u>	<u>\$ 33,207</u>	<u>\$ 2,241,878</u>
<b>Liabilities</b>				
Undistributed receipts	<u>\$ 2,205,544</u>	<u>\$ 3,127</u>	<u>\$ 33,207</u>	<u>\$ 2,241,878</u>

# SHIAWASSEE COUNTY, MICHIGAN

## Statement of Net Position

Medical Care Facility  
December 31, 2017

### Assets

#### Current assets:

Cash and cash equivalents	\$ 8,709,224
Receivables:	
Accounts	1,821,392
Taxes	3,326,780
Prepays	361,650
Total current assets	<u>14,219,046</u>

#### Noncurrent assets:

Capital assets not being depreciated	24,557,884
Capital assets being depreciated, net	1,591,504
Total noncurrent assets	<u>26,149,388</u>

Total assets	<u>40,368,434</u>
--------------	-------------------

### Deferred outflows of resources

Deferred pension amounts	<u>3,787,411</u>
--------------------------	------------------

### Liabilities

#### Current liabilities:

Accounts payable	378,246
Accrued liabilities	1,308,952
Accrued interest	11,786
Compensated absences	577,724
Current portion of long-term debt	1,192,971
Total current liabilities	<u>3,469,679</u>

#### Noncurrent liabilities:

Long-term debt, net of current portion	10,642,204
Net pension liability	6,215,885
Net other postemployment benefits obligation	62,130
Total noncurrent liabilities	<u>16,920,219</u>

Total liabilities	<u>20,389,898</u>
-------------------	-------------------

### Deferred inflows of resources

Taxes levied for subsequent year	3,399,641
Deferred pension amounts	125,678

Total deferred inflows of resources	<u>3,525,319</u>
-------------------------------------	------------------

### Net position

Investment in capital assets	14,314,213
Unrestricted	5,926,415

Total net position	<u>\$ 20,240,628</u>
--------------------	----------------------

# SHIAWASSEE COUNTY, MICHIGAN

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

Medical Care Facility

For the Year Ended December 31, 2017

Operating revenues	
Charges for services	\$ 14,529,423
Quality assurance supplement	<u>1,345,488</u>
Total operating revenues	<u>15,874,911</u>
Operating expenses	
Personal services and fringes	14,172,180
Operating supplies	1,331,528
Contracted services	818,809
Provider tax	925,487
Depreciation	364,967
Other	<u>1,148,650</u>
Total operating expenses	<u>18,761,621</u>
Operating loss	<u>(2,886,710)</u>
Nonoperating revenues (expenses)	
Property taxes	3,343,387
Interest revenue	16,904
Interest expense	<u>(296,835)</u>
Total nonoperating revenues (expenses)	<u>3,063,456</u>
Change in net position	176,746
Net position, beginning of year	<u>20,063,882</u>
Net position, end of year	<u>\$ 20,240,628</u>

# SHIAWASSEE COUNTY, MICHIGAN

## Statement of Cash Flows

Medical Care Facility

For the Year Ended December 31, 2017

Cash flows from operating activities	
Cash received from customers	\$ 14,380,231
Cash received from quality assurance supplement	1,476,343
Cash payments for goods and services	(4,054,645)
Cash payments to employees	<u>(12,603,429)</u>
Net cash used in operating activities	<u>(801,500)</u>
Cash flows from noncapital related financing activities	
Property taxes	<u>3,044,237</u>
Cash flows from capital related financing activities	
Purchases of capital assets	(18,273,698)
Principal paid on long-term debt	(1,164,825)
Interest paid on long-term debt	<u>(297,995)</u>
Net cash used in capital related financing activities	<u>(19,736,518)</u>
Cash flows from investing activities	
Interest received	<u>16,904</u>
Net change in cash and cash equivalents	(17,476,877)
Cash and cash equivalents, beginning of year	<u>26,186,101</u>
Cash and cash equivalents, end of year	<u>\$ 8,709,224</u>
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	\$ (2,886,710)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation expense	364,967
Change in operating assets and liabilities that provided (used) cash:	
Accounts receivable	(18,337)
Prepays	(60,440)
Accounts payable	(81,608)
Accrued liabilities	282,100
Compensated absences	(23,072)
Change in net pension liability and deferred amounts	1,651,847
Change in other postemployment obligation	<u>(30,247)</u>
Net cash used in operating activities	<u>\$ (801,500)</u>

# SHIAWASSEE COUNTY, MICHIGAN

## Combining Balance Sheet Drainage Districts December 31, 2017

	Debt Service Funds		
	Drain Debt	Henderson Drain Debt	Byron Water Project Debt
<b>Assets</b>			
Cash and cash equivalents	\$ 250,097	\$ -	\$ -
Special assessments receivable	756,094	-	-
Due from other governments	-	80,433	416,672
Due from other funds	-	-	-
Advances to other funds	-	-	-
<b>Total assets</b>	<b>\$ 1,006,191</b>	<b>\$ 80,433</b>	<b>\$ 416,672</b>
<b>Liabilities</b>			
Accounts payable	\$ -	\$ -	\$ -
Short-term note payable	-	-	-
Due to other funds	-	-	-
Advances from other funds	-	-	-
Advances from primary government	-	-	-
Unearned revenue	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Deferred inflows of resources</b>			
Unavailable revenue	631,948	80,433	416,672
<b>Fund balances</b>			
Restricted:			
Debt service	374,243	-	-
Capital projects	-	-	-
<b>Total fund balances</b>	<b>374,243</b>	<b>-</b>	<b>-</b>
<b>Total liabilities deferred inflows of resources and fund balances</b>	<b>\$ 1,006,191</b>	<b>\$ 80,433</b>	<b>\$ 416,672</b>

Capital Projects					
Lake Level	Regular Drain	Revolving Drain	Revolving Drain Maintenance	Drain Equipment Revolving	Totals
\$ 587	\$ 1,948,695	\$ 76,958	\$ 11,884	\$ 133,181	\$ 2,421,402
-	302,903	-	-	-	1,058,997
-	-	-	-	-	497,105
-	-	172,444	-	21,484	193,928
-	30,725	-	-	-	30,725
<u>\$ 587</u>	<u>\$ 2,282,323</u>	<u>\$ 249,402</u>	<u>\$ 11,884</u>	<u>\$ 154,665</u>	<u>\$ 4,202,157</u>
\$ -	\$ 144,308	\$ -	\$ -	\$ 13,500	\$ 157,808
-	150,000	-	-	-	150,000
-	193,928	-	-	-	193,928
-	-	30,725	-	-	30,725
-	-	170,000	-	-	170,000
-	4,457	-	-	-	4,457
-	492,693	200,725	-	13,500	706,918
-	-	-	-	-	1,129,053
-	-	-	-	-	374,243
587	1,789,630	48,677	11,884	141,165	1,991,943
587	1,789,630	48,677	11,884	141,165	2,366,186
<u>\$ 587</u>	<u>\$ 2,282,323</u>	<u>\$ 249,402</u>	<u>\$ 11,884</u>	<u>\$ 154,665</u>	<u>\$ 4,202,157</u>

# SHIAWASSEE COUNTY, MICHIGAN

## Reconciliation

Fund Balances of the Drains Component Unit  
to Net Position of the Drains Component Unit  
December 31, 2017

Fund balances - drain component unit	\$ 2,366,186
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets being depreciated, net	5,828,314
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 long-term receivables	1,129,053
Long-term liabilities and related deferred outflows are not due and payable in the current period and therefore are not reported in the funds.	
Bonds and notes payable	(1,894,470)
Accrued interest on bonds and notes payable	<u>(7,090)</u>
Net position of drains component unit	<u>\$ 7,421,993</u>

SHIAWASSEE COUNTY, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Drainage Districts

For the Year Ended December 31, 2017

	Debt Service Funds		
	Drain Debt	Henderson Drain Debt	Byron Water Project Debt
Revenues			
Special assessments	\$ 163,920	\$ -	\$ -
Interest	374	-	-
Other	-	21,088	54,764
	<hr/>	<hr/>	<hr/>
Total revenues	164,294	21,088	54,764
Expenditures			
Current:			
Public works	-	-	-
Debt service:			
Principal	180,000	15,000	45,000
Interest and fiscal charges	45,920	6,088	9,764
Capital outlay	-	-	-
	<hr/>	<hr/>	<hr/>
Total expenditures	225,920	21,088	54,764
Revenues over (under) expenditures	<hr/> <u>(61,626)</u>	<hr/> <u>-</u>	<hr/> <u>-</u>
Other financing sources (uses)			
Issuance of debt	-	-	-
Transfers in	-	-	-
Transfers out	(29,810)	-	-
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	(29,810)	-	-
Net change in fund balances	<hr/> <u>(91,436)</u>	<hr/> <u>-</u>	<hr/> <u>-</u>
Fund balances, beginning of year, as restated	<hr/> <u>465,679</u>	<hr/> <u>-</u>	<hr/> <u>-</u>
Fund balances, end of year	<hr/> <u>\$ 374,243</u>	<hr/> <u>\$ -</u>	<hr/> <u>\$ -</u>

Capital Project Funds					
Lake Level	Regular Drain	Revolving Drain	Revolving Drain Maintenance	Drain Equipment Revolving	Totals
\$ -	\$ 472,515	\$ -	\$ -	\$ -	\$ 636,435
-	2,786	-	122	-	3,282
800	-	1	-	-	76,653
800	475,301	1	122	-	716,370
1,081	-	-	-	89,754	90,835
-	-	-	-	-	240,000
-	-	-	-	-	61,772
-	727,146	-	-	-	727,146
1,081	727,146	-	-	89,754	1,119,753
(281)	(251,845)	1	122	(89,754)	(403,383)
-	400,000	-	-	-	400,000
-	29,810	-	-	81,915	111,725
-	(81,915)	-	-	-	(111,725)
-	347,895	-	-	81,915	400,000
(281)	96,050	1	122	(7,839)	(3,383)
868	1,693,580	48,676	11,762	149,004	2,369,569
\$ 587	\$ 1,789,630	\$ 48,677	\$ 11,884	\$ 141,165	\$ 2,366,186

# SHIAWASSEE COUNTY, MICHIGAN

## Reconciliation

Net Changes in Fund Balances of the Drains Component Unit  
to Change in Net Position of the Drains Component Unit  
For the Year Ended December 31, 2017

Net change in fund balances - drains component unit	\$ (3,383)
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	(187,018)
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.	
Issuance of long-term debt	(400,000)
Principal payments on long-term liabilities	<u>240,000</u>
Change in net position of drains component unit	<u>\$ (578,399)</u>

# SHIAWASSEE COUNTY, MICHIGAN

## Combining Balance Sheet County Airport December 31, 2017

Assets	
Cash and cash equivalents	\$ 28,310
Accounts receivable	38,815
Inventory	<u>4,327</u>
Total assets	<u>\$ 71,452</u>
Liabilities	
Accounts payable	\$ 974
Accrued liabilities	<u>17</u>
Total liabilities	<u>991</u>
Fund balances	
Nonspendable:	
Inventory	4,327
Unrestricted	<u>66,134</u>
Total fund balances	<u>70,461</u>
Total liabilities and fund balances	<u>\$ 71,452</u>

# SHIAWASSEE COUNTY, MICHIGAN

## Reconciliation

Fund Balances of the County Airport Component Unit  
to Net Position of the County Airport Component Unit  
December 31, 2017

Fund balances - county airport component unit	\$ 70,461
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>1,815,549</u>
Net position of county airport component unit	<u>\$ 1,886,010</u>

# SHIAWASSEE COUNTY, MICHIGAN

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances County Airport For the Year Ended December 31, 2017

Revenues	
Intergovernmental	\$ 24,795
Charges for services	237,850
Interest	9
	<hr/>
Total revenues	262,654
Expenditures	
Current:	
Public works	242,368
	<hr/>
Net change in fund balance	20,286
Fund balance, beginning of year	50,175
	<hr/>
Fund balance, end of year	<u>\$ 70,461</u>

# SHIAWASSEE COUNTY, MICHIGAN

## Reconciliation

Net Changes in Fund Balances of the County Airport Component Unit  
to Change in Net Position of the County Airport Component Unit  
For the Year Ended December 31, 2017

Net change in fund balances - county airport component unit	\$	20,286
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		23,969
Depreciation expense		<u>(78,758)</u>
Change in net position of county airport component unit	\$	<u><u>(34,503)</u></u>