

County of Hillsdale, Michigan

BASIC FINANCIAL STATEMENTS

December 31, 2015

COUNTY OF HILLSDALE, MICHIGAN

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, of the County of Hillsdale, Michigan, as of and for the year ending December 31, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Hillsdale County Road Commission, which represents 94 percent, 95 percent, and 97 percent, respectively, of the assets, net position, and revenue of the discretely presented component units; the Hillsdale County Medical Care Facility, which represents 71 percent, 78 percent, and 93 percent, respectively, of the assets, net position, and revenue of the business-type activities; and the Hillsdale County Park Commission, which represents .1 percent, .1 percent, and 2 percent, respectively, of the assets, net position, and revenue of the governmental activities. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Road Commission, Medical Care Facility, and Park Commission, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Hillsdale County Medical Care Facility were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Hillsdale, Michigan, as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress and budgetary comparison information on pages 4 through 7, page 51 through 54, and pages 55 through 59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2015 on our consideration of the County of Hillsdale, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 of Hillsdale, Michigan's internal control over financial reporting and compliance.

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

June 30, 2016

Management's Discussion and Analysis

Management's Discussion and Analysis

Using this Annual Report

The following discussion and analysis of the financial performance for County of Hillsdale ("County") provides an overview of the County's financial activities for the fiscal year ended December 31, 2015. Please read it in conjunction with the County's financial statements which follow this section.

Financial Highlights

- The general fund reported an increase in fund balance of \$198,946 over 2014 mainly due to decreased Health Insurance Expenditures.
- Property tax revenue remained relatively flat from 2014 to 2015, for the third straight year.
- The Medical Care Facility reported an increase in net position of \$1,633,200. This was primarily due to a gain from the termination of postemployment health plan benefits, totaling \$1,388,819.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County of Hillsdale's basic financial statements. These statements are comprised of five components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements, 4) required supplementary information, 5) other information.

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

The *statement of net position* presents information on all of the County of Hillsdale's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between the two reported as *net position*. Over time, changes in net position may serve as a useful indicator of whether the financial position of the County of Hillsdale is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County of Hillsdale, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund financial statements report the County's operations in more detail than the government-wide financial statements. These statements present a short-term view and tell how taxpayer resources were spent during the year. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds. Most of the County's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the County's general governmental operations and the basic services it provides.

COUNTY OF HILLSDALE, MICHIGAN

Management's Discussion and Analysis

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

Proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Internal service funds are an accounting device used to accumulate and allocate workers compensation costs internally among the County's various functions. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County of Hillsdale's own programs. The basis of accounting used for fiduciary funds is much like that used for proprietary funds.

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

Government-Wide Financial Analysis

The Statement of Net Position and the Statement of Activities report information about the County as a whole and about its activities in a way that helps explain the condition of the County. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. In a condensed format, the table below shows a comparison of the net position of the County as of the end of the current and prior year.

	Hillsdale County Net Position					
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Assets						
Current and other assets	\$ 10,266,805	\$ 7,504,167	\$ 9,035,817	\$ 8,602,373	\$ 19,302,622	\$ 16,106,540
Capital assets, net	6,183,858	5,811,404	11,192,520	11,760,279	17,376,378	17,571,683
Total assets	16,450,663	13,315,571	20,228,337	20,362,652	36,679,000	33,678,223
Deferred outflows						
Deferred loss on advance refunding	397,096	4,233	-	-	397,096	4,233
Liabilities						
Long-term liabilities	12,402,862	9,082,168	4,110,726	4,650,588	16,513,588	13,732,756
Other liabilities	4,162,445	2,630,201	1,557,627	3,255,261	5,720,072	5,885,462
Total liabilities	16,565,307	11,712,369	5,668,353	7,905,849	22,233,660	19,618,218
Deferred inflows	2,447,175	2,232,566	744,294	728,497	3,191,469	2,961,063
Net position:						
Net investment in capital assets	(3,028,528)	(2,844,191)	9,881,794	9,909,691	6,853,266	7,065,500
Restricted	2,574,909	1,567,311	303,737	320,256	2,878,646	1,887,567
Unrestricted	(1,711,104)	651,749	3,630,159	1,498,359	1,919,055	2,150,108
Total net position	\$ (2,164,723)	\$ (625,131)	\$ 13,815,690	\$ 11,728,306	\$ 11,650,967	\$ 11,103,175

The County's combined net position increased 26.8% from a year ago - increasing from \$11,103,175 to \$14,080,286. Governmental activities experienced an increase in net position of \$889,725 (142%). Business-type activities experienced an increase of \$2,087,386 in net position (17.8%).

COUNTY OF HILLSDALE, MICHIGAN

Management's Discussion and Analysis

The following table shows the changes in net position of the County during the current and prior year:

	Hillsdale County Changes in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Program revenues:						
Charges for services	\$ 2,805,894	\$ 2,351,156	\$ 19,055,608	\$ 16,853,325	\$ 21,861,502	\$ 19,204,481
Operating grants and contributions	3,441,144	3,008,774	2,912,534	2,945,684	6,353,678	5,954,458
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Property taxes	8,404,813	8,353,038	-	-	8,404,813	8,353,038
State shared revenue	937,068	809,024	-	-	937,068	809,024
Unrestricted investment earnings	70,961	60,837	-	-	70,961	60,837
Other Revenue	2,767,882	767,460	-	-	2,767,882	767,460
Total revenues	18,427,762	15,350,289	21,968,142	19,799,009	40,395,904	35,149,298
Expenses:						
Legislative	73,683	64,642	-	-	73,683	64,642
Judicial	1,773,401	1,842,534	-	-	1,773,401	1,842,534
General government	2,947,826	2,933,017	-	-	2,947,826	2,933,017
Public safety	4,284,560	4,214,674	-	-	4,284,560	4,214,674
Public works	24,118	23,838	-	-	24,118	23,838
Health and welfare	4,136,631	3,665,018	-	-	4,136,631	3,665,018
Recreation and cultural	62,679	70,290	-	-	62,679	70,290
Other governmental activities	3,635,180	2,459,357	-	-	3,635,180	2,459,357
Interest on long-term debt	151,633	164,587	-	-	151,633	164,587
Principal Expense	1,166,000	305,000	-	-	1,166,000	305,000
Medical Care Facility	-	-	18,800,000	18,749,742	18,800,000	18,749,742
Delinquent tax collections/forfeitures	-	-	175,436	390,540	175,436	390,540
Building inspections	-	-	330,226	308,889	330,226	308,889
Geographic information services	-	-	12,922	12,952	12,922	12,952
Board of Public Works	-	-	1,481	30,320	1,481	30,320
Total expenses	18,255,711	15,742,957	19,320,065	19,492,443	37,575,776	35,235,400
Change in net position, before transfers	172,051	(392,668)	2,648,077	306,566	2,820,128	(86,102)
Transfers	722,396	800,021	(722,396)	(800,021)	-	-
Change in net position	894,447	407,353	1,925,681	(493,455)	2,820,128	(86,102)
Net position:						
Beginning of year, as restated	(3,059,170)	(1,242,388)	11,890,009	12,221,761	8,830,839	10,979,373
Prior Period Adjustment	-	209,904	-	-	-	209,904
End of year	\$ (2,164,723)	\$ (625,131)	\$ 13,815,690	\$ 11,728,306	\$ 11,650,967	\$ 11,103,175

Governmental Activities

Total governmental revenues increased by \$3,077,473 the largest contributing factor was the increase in the other revenue line. Governmental expenses increased 15.3%, largely due to an increase in Principal Payments.

Business-Type Activities

The county's business-type activities consist primarily of the Medical Care Facility fund. Medical Care Facility revenue increased \$741,823 and expenses increased \$71,126. The year's net position of \$1,633,200 is an improvement over the \$443,628 deficit in the prior year. The improvement is the result of increased revenue, as well as a sizeable gain from eliminating postemployment health plan benefits.

Management's Discussion and Analysis

Financial Analysis of the County's Funds

The fund financial statements provide detailed information about the most significant funds, not the County as a whole. The County board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The County's major governmental funds for 2015 include the general fund, the senior citizens fund, and the senior center debt service fund.

The general fund pays for most of the county's governmental services. The most significant are public safety, general government, and judicial, which incurred expenditures of \$2,884,179, \$2,639,966, \$1,759,378, respectively. Some of these services are partially supported by state and federal grants, with the remaining cost funded by general revenue sources of the general fund.

The senior citizens fund is used to account for the collection of property tax collections and disbursements for county-wide senior services pursuant to contractual arrangement.

The senior center debt service fund was used to account for principal and interest payments on the 2005 senior center bond issue. Lease payments received from the senior center cover these bond payments.

Major proprietary funds for the year include the medical care facility fund, 2013 delinquent tax revolving fund and the 2014 delinquent tax revolving fund.

General Fund Budgetary Highlights

Revenue was increased from 2014 to 2015 by \$165,014, but still fell short of the amended budget by \$153,573. Expenditures were well under budget mostly due to health insurance expenditures

Over the course of the year, the Board of Commissioners amended the 2015 budget to take into account various unexpected events during the year. All of these amendments were fairly minor.

Capital Asset and Debt Administration

At the end of the fiscal year 2015, the County had approximately \$17,376,379 (net of depreciation) invested in a broad range of capital assets, including land, buildings, vehicles, equipment, etc. Details of the County's capital assets are contained in the notes to the financial statements. The major increase for the year included the construction in progress of the Senior Center building addition.

The County continues to pay down debt obligations related to capital investments. At December 31, 2015, debt related to capital assets of governmental activities totaled \$9,212,386. Debt related to business-type activities totaled \$4,110,726, of this \$1,310,726 relates to Medical Care Facility capital assets, and \$2,800,000 relates to delinquent tax notes for 2013 and 2014.

Economic Factors and Next Year's Budgets and Rates

The County's 2015 taxable value was up 2.2% from 2014 values, and a 1.0% increase is expected in 2016. The residential housing market continues to improve, but agricultural land values have levelled off after several years of growth. Unemployment locally and statewide continues to decline. Although there are signs of Michigan economy improving, the County must continue to be prudent in its revenue estimates and spending decisions.

Contacting the County's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the County Treasurer's office or the Finance office at 29 North Howell Street, Hillsdale.

Basic Financial Statements

COUNTY OF HILLSDALE, MICHIGAN

Statement of Net Position

December 31, 2015

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments	\$ 3,934,119	\$ 2,631,165	\$ 6,565,284	\$ 1,899,394
Internal balances	(156,000)	156,000	-	-
Receivables, net	6,435,573	6,009,850	12,445,423	1,674,162
Prepaid items and other assets	53,113	238,802	291,915	1,217,805
Capital assets not being depreciated	773,800	-	773,800	5,477,576
Capital assets being depreciated, net	5,410,058	11,192,520	16,602,578	22,745,985
Total assets	16,450,663	20,228,337	36,679,000	33,014,922
Deferred outflow of resources				
Pension Investment Experience and Contributions	397,096	-	397,096	-
Liabilities				
Accounts payable and accrued expenses	1,892,707	1,479,627	3,372,334	4,931,353
Unearned revenue	2,466	-	2,466	25
Other post employment benefits	2,267,272	78,000	2,345,272	-
Long-term liabilities:				
Due within one year	999,608	2,616,863	3,616,471	291,143
Due in more than one year	11,403,254	1,493,863	12,897,117	1,043,996
Total liabilities	16,565,307	5,668,353	22,233,660	6,266,517
Deferred inflow of resources	2,447,175	744,294	3,191,469	-
Net position				
Net investment in capital assets	(3,028,528)	9,881,794	6,853,266	27,571,730
Restricted for:				
Debt service	705,249	-	705,249	-
Endowments and trusts	3,122	-	3,122	-
Other purposes	1,866,538	303,737	2,170,275	701,150
Unrestricted	(1,711,104)	3,630,159	1,919,055	(1,524,475)
Total net position	\$ (2,164,723)	\$ 13,815,690	\$ 11,650,967	\$ 26,748,405

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

COUNTY OF HILLSDALE, MICHIGAN

Statement of Activities

Year Ended December 31, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities:					
Legislative	\$ 73,683	\$ -	\$ -	\$ -	\$ (73,683)
Judicial	1,773,401	744,707	1,001,068	-	(27,626)
General government	2,947,826	472,695	441,092	-	(2,034,039)
Public safety	4,284,560	1,273,691	500,137	-	(2,510,732)
Public works	24,118	-	-	-	(24,118)
Health and welfare	4,136,631	297,931	1,007,263	-	(2,831,437)
Recreation and cultural	62,679	9,882	31,467	-	(21,330)
Other governmental activities	3,635,180	6,988	460,117	-	(3,168,075)
Interest on long-term debt	151,633	-	-	-	(151,633)
Principal	1,166,000	-	-	-	(1,166,000)
Total governmental activities	18,255,711	2,805,894	3,441,144	-	(12,008,673)
Business-type activities:					
Medical Care Facility	18,800,000	17,620,885	2,894,300	-	1,715,185
Delinquent tax collections/forfeitures	175,436	895,359	15,531	-	735,454
Building inspections	330,226	532,744	2,703	-	205,221
Geographic information services	12,922	6,620	-	-	(6,302)
Board of Public Works	1,481	-	-	-	(1,481)
Total business-type activities	19,320,065	19,055,608	2,912,534	-	2,648,077
Total primary government	\$ 37,575,776	\$ 21,861,502	\$ 6,353,678	\$ -	\$ (9,360,596)
Component units					
County Drains	\$ 267,827	\$ -	\$ 303,223	\$ -	\$ 35,396
County Roads	8,150,057	713,196	7,984,598	1,550,000	2,097,737
Total component units	\$ 8,417,884	\$ 713,196	\$ 8,287,821	\$ 1,550,000	\$ 2,133,133

continued...

COUNTY OF HILLSDALE, MICHIGAN

Statement of Activities (Continued)

Year Ended December 31, 2015

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Changes in net position				
Net (expense) revenue	\$ (12,008,673)	\$ 2,648,077	\$ (9,360,596)	\$ 2,133,133
General revenues:				
Property taxes	8,404,813	-	8,404,813	-
State shared revenue	937,068	-	937,068	-
Unrestricted investment earnings	70,961	-	70,961	11,862
Other revenue	2,767,882	-	2,767,882	95,691
Transfers - internal activities	722,396	(722,396)	-	-
Total general revenues and transfers	12,903,120	(722,396)	12,180,724	107,553
Change in net position	894,447	1,925,681	2,820,128	2,240,686
Net position (deficit), beginning of year - as restated	(3,059,170)	11,890,009	8,830,839	24,507,719
Net position (deficit), end of year	\$ (2,164,723)	\$ 13,815,690	\$ 11,650,967	\$ 26,748,405

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

COUNTY OF HILLSDALE, MICHIGAN

Balance Sheet - Governmental Funds

December 31, 2015

	General	Senior Citizen	Senior Center Debt Service	Nonmajor Funds	Totals
Assets					
Cash and investments	\$ 1,006,138	\$ 15,720	\$ 819,680	\$ 2,041,337	\$ 3,882,875
Taxes receivable	925,971	1,242,962	-	1,010,482	3,179,415
Accounts receivable	159,367	-	27,096	131,829	318,292
Leases receivable	-	-	2,625,000	-	2,625,000
Due from other governments	4,898	-	-	-	4,898
Prepaid expenditures	50,913	-	-	2,200	53,113
Advance to component unit	307,968	-	-	-	307,968
Total assets	\$ 2,455,255	\$ 1,258,682	\$ 3,471,776	\$ 3,185,848	\$ 10,371,561
Liabilities					
Accounts payable	\$ 70,408	\$ -	\$ 1,442,157	\$ 120,125	\$ 1,632,690
Unearned revenue	-	-	-	2,466	2,466
Accrued expenditures	59,748	-	-	24,015	83,763
Due to other funds	156,000	-	-	-	156,000
Total liabilities	286,156	-	1,442,157	146,606	1,874,919
Deferred inflows of resources	720,565	1,242,962	1,325,000	1,010,482	4,299,009
Fund balances					
Nonspendable	350,427	-	-	4,346	354,773
Restricted	-	15,720	704,619	1,851,448	2,571,787
Assigned	-	-	-	170,382	170,382
Unassigned	1,098,107	-	-	2,584	1,100,691
Total fund balances	1,448,534	15,720	704,619	2,028,760	4,197,633
Total liabilities, deferred inflows of resources and fund balances	\$ 2,455,255	\$ 1,258,682	\$ 3,471,776	\$ 3,185,848	\$ 10,371,561

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

COUNTY OF HILLSDALE, MICHIGAN

Reconciliation

Fund Balances for Governmental Funds
to Net Position of Governmental Activities
December 31, 2015

Fund balances - total governmental funds	\$ 4,197,633
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources, and therefore not reported in the funds.	
Capital assets not being depreciated	773,800
Capital assets being depreciated, net	5,410,058
Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets, such as certain receivables, are offset by deferred inflows in the governmental funds.	
Long-term receivables included in deferred inflows of resources	1,851,834
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.	
Net position of governmental activities accounted for in the internal service fund	(63,181)
Certain liabilities, such as bonds payable, are not due and payable in the current period, and therefore are not reported in the funds.	
Bonds and leases payable	(11,961,594)
Compensated absences	(441,268)
Deferred loss on advance refunding	397,096
Other post employment benefits	(2,267,272)
Accrued interest on long-term liabilities	(61,829)
Net position (deficit) of governmental activities	<u>\$ (2,164,723)</u>

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

COUNTY OF HILLSDALE, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

Year Ended December 31, 2015

	General	Senior Citizen	Senior Center Debt Service	Nonmajor Funds	Totals
Revenues					
Taxes and special assessments	\$ 6,154,487	\$ 1,227,653	\$ -	\$ 1,022,673	\$ 8,404,813
Intergovernmental	2,129,723	-	-	197,142	2,326,865
Licenses and permits	68,345	-	-	-	68,345
Contributions	-	-	148,536	254,272	402,808
Fines and forfeits	369,953	-	-	76,832	446,785
Charges for services	813,819	-	-	1,176,674	1,990,493
Reimbursements and refunds	716,141	-	-	193,768	909,909
Interest and rentals	503,942	-	2,762	1,220,720	1,727,424
Other revenue	-	-	11,492	823,728	835,220
Total revenues	10,756,410	1,227,653	162,790	4,965,809	17,112,662
Expenditures					
Current:					
Legislative	73,683	-	-	-	73,683
Judicial	1,759,378	-	-	14,023	1,773,401
General government	2,639,966	-	-	25,574	2,665,540
Public safety	2,884,179	-	-	1,277,410	4,161,589
Public works	24,118	-	-	-	24,118
Health and welfare	716,363	1,230,003	-	2,016,899	3,963,265
Recreation and cultural	-	-	-	59,291	59,291
Other	2,061,566	-	-	-	2,061,566
Capital outlay	96,536	-	617,795	54,795	769,126
Capital lease	55,054	-	-	-	55,054
Debt service:					
Principal	-	-	70,000	1,839,396	1,909,396
Interest	2,776	-	85,701	317,130	405,607
Total expenditures	10,313,619	1,230,003	773,496	5,604,518	17,921,636
Revenue over (under) expenditures	442,791	(2,350)	(610,706)	(638,709)	(808,974)
Other financing sources (uses)					
Proceeds from issuance of debt	55,242	-	1,315,100	-	1,370,342
Transfers in	640,411	-	-	987,378	1,627,789
Transfers out	(943,101)	-	-	(292)	(943,393)
Total other financing sources (uses)	(247,448)	-	1,315,100	987,086	2,054,738
Net change in fund balances	195,343	(2,350)	704,394	348,377	1,245,764
Fund balances, beginning of year	1,253,191	18,070	225	1,680,383	2,951,869
Fund balances (deficit), end of year	\$ 1,448,534	\$ 15,720	\$ 704,619	\$ 2,028,760	\$ 4,197,633

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

COUNTY OF HILLSDALE, MICHIGAN

Reconciliation

Net Changes in Fund Balances of Governmental Funds
to Change in Net Position of Governmental Activities
Year Ended December 31, 2015

Net change in fund balances - total governmental funds	\$ 1,245,764
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay	765,737
Depreciation expense	(393,283)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long term-liabilities.	
Capital lease proceeds	(55,241)
Principal payments on bonds	743,396
Principal payments on capital leases	55,054
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Change in accrued interest on bonds and refunding loss	(4,233)
Change in the accrual of compensated absences	(14,695)
Change in the accrual of other post employment benefits	(1,986)
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities:	
Net operating income from governmental activities accounted for in the internal service fund	(128,016)
Transfers received in governmental internal service funds	38,000
Change in net position of governmental activities	<u>\$ 894,447</u>

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

COUNTY OF HILLSDALE, MICHIGAN

Statement of Net Position

Proprietary Funds
December 31, 2015

	Business-type Activities - Enterprise Funds				Internal Service
	Medical Care Facility	2014 Delinquent Tax Revolving	Nonmajor Funds	Totals	Self Insurance
Assets					
Current assets:					
Cash and investments	\$ 561,843	\$ 729,160	\$ 1,340,162	\$ 2,631,165	\$ 51,244
Taxes receivable	744,294	1,094,879	834,382	2,673,555	-
Accounts receivable	1,664,550	345,000	15,522	2,025,072	-
Due from other funds	-	-	491,000	491,000	-
Advances to other funds	-	-	107,725	107,725	-
Interfund receivable	-	-	11,966	11,966	-
Interest receivable	-	160,004	709,319	869,323	-
Prepays	-	-	2,078	2,078	-
Other assets	236,724	-	-	236,724	-
Total current assets	3,207,411	2,329,043	3,512,154	9,048,608	51,244
Noncurrent assets:					
Leases receivable, net of current portion	-	-	(825)	(825)	-
Capital assets being depreciated, net	11,176,418	-	16,102	11,192,520	-
Total assets	14,383,829	2,329,043	3,527,431	20,240,303	51,244
Liabilities					
Current liabilities:					
Accounts payable	308,718	-	2,802	311,520	114,425
Accrued liabilities	1,161,075	-	1,691	1,162,766	-
Interfund payable	-	-	11,966	11,966	-
Due to other governments	-	-	5,341	5,341	-
Current portion of long-term debt	566,863	1,300,000	750,000	2,616,863	-
Total current liabilities	2,036,656	1,300,000	771,800	4,108,456	114,425
Long-term liabilities:					
Due in more than one year	743,863	750,000	-	1,493,863	-
Other post employment benefits	78,000	-	-	78,000	-
Total long-term liabilities	821,863	750,000	-	1,571,863	-
Total liabilities	2,858,519	2,050,000	771,800	5,680,319	114,425
Deferred inflows of resources					
Property taxes levied for the subsequent year	744,294	-	-	744,294	-
Net position					
Net investment in capital assets	9,865,692	-	16,102	9,881,794	-
Restricted by statute	-	-	303,737	303,737	-
Unrestricted (deficit)	915,324	279,043	2,435,792	3,630,159	(63,181)
Total net position (deficit)	\$ 10,781,016	\$ 279,043	\$ 2,755,631	\$ 13,815,690	\$ (63,181)

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

COUNTY OF HILLSDALE, MICHIGAN

Statement of Revenues, Expenses and Changes in Net Position

Proprietary Funds

Year Ended December 31, 2015

	Business-type Activities - Enterprise Funds				Internal Service
	Medical Care Facility	2014 Delinquent Tax Revolving	Nonmajor Funds	Totals	Self Insurance
Operating revenues					
Charges for services	\$ 16,232,066	\$ 115,281	\$ 515,430	\$ 16,862,777	\$ -
Refunds and reimbursements	-	-	3,975	3,975	-
Other operating revenue	2,150,220	6,164	400,180	2,556,564	-
Total operating revenues	18,382,286	121,445	919,585	19,423,316	-
Operating expenses					
Depreciation expense	562,370	-	6,132	568,502	-
Cost of services	18,192,002	26,396	478,412	18,696,810	128,016
Total operating expenses	18,754,372	26,396	484,544	19,265,312	128,016
Operating income (loss)	(372,086)	95,049	435,041	158,004	(128,016)
Nonoperating revenues (expenses)					
Property tax revenue	739,865	-	-	739,865	-
Contributions	1,923	-	-	1,923	-
Interest and rentals	2,292	190,195	221,732	414,219	-
Interest expense	(45,628)	(6,201)	(2,924)	(54,753)	-
Total nonoperating revenues	698,452	183,994	218,808	1,101,254	-
Income (loss) before transfers	326,366	279,043	653,849	1,259,258	(128,016)
Transfers in (out)					
Transfers in	-	-	-	-	38,000
Transfers out	(81,985)	-	(640,411)	(722,396)	-
Total transfers	(81,985)	-	(640,411)	(722,396)	38,000
Change in net position before Special Item	244,381	279,043	13,438	536,862	(90,016)
Special Item- Gain on termination of OPEB health plan benefits	1,388,819	-	-	1,388,819	-
Change in Net Position - Total	1,633,200	279,043	13,438	1,925,681	-
Net position (deficit), beginning of year	9,147,816	-	2,580,606	11,728,422	26,835
Prior Period Adjustment	-	-	161,587	161,587	-
Net position (deficit), end of year	\$ 10,781,016	\$ 279,043	\$ 2,755,631	\$ 13,815,690	\$ (63,181)

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

COUNTY OF HILLSDALE, MICHIGAN

Statement of Cash Flows

Proprietary Funds

Year Ended December 31, 2015

	Business-type Activities - Enterprise Funds				Internal Service
	Medical Care Facility	2014 Delinquent Tax Revolving	Nonmajor Funds	Totals	Self Insurance
Cash flows from operating activities					
Cash received from customers	\$ 16,539,299	\$ 121,445	\$ 2,037,121	\$ 18,697,865	\$ -
Cash received from quality assurance supplement	2,129,721	-	-	2,129,721	-
Other operating receipts	20,499	-	-	20,499	-
Cash payments to suppliers and employees for goods and services	(18,595,121)	(1,626,279)	(2,526,590)	(22,747,990)	(79,140)
Net cash provided by (used in) operating activities	94,398	(1,504,834)	(489,469)	(1,899,905)	(79,140)
Cash flows from noncapital financing activities					
Property tax and other nonoperating revenue	807,438	-	-	807,438	-
Transfers in	-	-	-	-	38,000
Transfers out	(81,985)	-	(640,411)	(722,396)	-
Net cash provided by (used in) non-capital financing activities	725,453	-	(640,411)	85,042	38,000
Cash flows from capital and related financing activities					
Purchase of capital assets	(743)	-	-	(743)	-
Interest payments	(45,628)	(6,201)	(2,926)	(54,755)	-
Principal payments	(539,862)	(400,000)	158,877	(780,985)	-
Proceeds from long-term debt	-	2,450,000	-	2,450,000	-
Net cash provided by (used in) capital and related financing activities	(586,233)	2,043,799	155,951	1,613,517	-
Cash flows from investing activities					
Interest and rental earnings	2,292	190,195	221,732	414,219	-
Net cash provided by investing activities	2,292	190,195	221,732	414,219	-
Net increase (decrease) in cash and cash equivalents	235,910	729,160	(752,197)	212,873	(41,140)
Cash equivalents, beginning of year	325,933	-	2,092,359	2,418,292	92,384
Cash equivalents, end of year	\$ 561,843	\$ 729,160	\$ 1,340,162	\$ 2,631,165	\$ 51,244

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

COUNTY OF HILLSDALE, MICHIGAN

Statement of Cash Flows

Proprietary Funds

Year Ended December 31, 2015

	Business-type Activities - Enterprise Funds				Internal Service
	Medical Care Facility	2014 Delinquent Tax Revolving	Nonmajor Funds	Totals	Self Insurance
Cash flows from operating activities					
Operating income (loss)	\$ (372,086)	\$ 95,049	\$ 435,041	\$ 158,004	\$ (128,016)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	562,370	-	6,132	568,502	-
Changes in assets and liabilities:					
Taxes receivable	-	(1,094,879)	1,185,030	90,151	-
Accounts receivable	272,724	(345,000)	(135,646)	(207,922)	-
Advances to other funds	-	-	(107,725)	(107,725)	-
Lease receivable	34,509	-	-	34,509	-
Interest receivable	-	(160,004)	175,877	15,873	-
Prepays	(26,150)	-	(10)	(26,160)	-
Accounts payable	62,644	-	(2,048,168)	(1,985,524)	48,876
Accrued expenses	(439,613)	-	-	(439,613)	-
Net cash provided by (used in) operating activities	\$ 94,398	\$ (1,504,834)	\$ (489,469)	\$ (1,899,905)	\$ (79,140)

Non-cash transactions

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

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

COUNTY OF HILLSDALE, MICHIGAN

Statement of Fiduciary Net Position

December 31, 2015

	Agency Funds
Assets	
Cash and investments	\$ 1,096,299
	<hr/>
Liabilities	
Due to other governments	247,360
Undistributed receipts	848,939
	<hr/>
Total liabilities	\$ 1,096,299
	<hr/>

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

Component Units

COUNTY OF HILLSDALE, MICHIGAN

Combining Statement of Net Position

Discretely Presented Component Units

December 31, 2015

	Drain Commission	Road Commission	Total
Assets			
Cash and investments	\$ 759,664	\$ 1,139,730	\$ 1,899,394
Special assessments receivable	309,550	-	309,550
Receivables, net	-	1,364,612	1,364,612
Prepaid items and other assets	-	1,217,805	1,217,805
Capital assets:			
Capital assets not being depreciated	-	5,477,576	5,477,576
Capital assets being depreciated, net	821,156	21,924,829	22,745,985
Total assets	<u>1,890,370</u>	<u>31,124,552</u>	<u>33,014,922</u>
Liabilities			
Accounts payable and accrued expenses	-	4,514,004	4,514,004
Unearned revenue	-	25	25
Advances from primary government	307,761	109,588	417,349
Long-term liabilities:			
Due within one year	90,500	200,643	291,143
Due in more than one year	153,500	890,496	1,043,996
Total liabilities	<u>551,761</u>	<u>5,714,756</u>	<u>6,266,517</u>
Net position			
Net investment in capital assets	821,156	26,750,574	27,571,730
Restricted	-	701,150	701,150
Unrestricted	517,453	(2,041,928)	(1,524,475)
Total net position	<u>\$ 1,338,609</u>	<u>\$ 25,409,796</u>	<u>\$ 26,748,405</u>

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

COUNTY OF HILLSDALE, MICHIGAN

Combining Statement of Activities

Discretely Presented Component Units

Year Ended December 31, 2015

	Drain Commission	Road Commission	Total
Expenses			
County Drains	\$ 267,827	\$ -	\$ 267,827
County Roads	-	8,150,057	8,150,057
Total expenses	<u>267,827</u>	<u>8,150,057</u>	<u>8,417,884</u>
Program revenues			
Charges for services	-	713,196	713,196
Capital grants and contributions	-	1,550,000	1,550,000
Operating grants and contributions	303,223	7,984,598	8,287,821
Total program revenues	<u>303,223</u>	<u>10,247,794</u>	<u>10,551,017</u>
Net revenue (expense)	<u>35,396</u>	<u>2,097,737</u>	<u>2,133,133</u>
General revenues			
Unrestricted investment earnings	938	10,924	11,862
Other revenue	-	95,691	95,691
Total general revenues	<u>938</u>	<u>106,615</u>	<u>107,553</u>
Change in net position	<u>36,334</u>	<u>2,204,352</u>	<u>2,240,686</u>
Net position, beginning of year	<u>1,302,275</u>	<u>23,205,444</u>	<u>24,507,719</u>
Net position, end of year	<u>\$ 1,338,609</u>	<u>\$ 25,409,796</u>	<u>\$ 26,748,405</u>

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

Notes to Financial Statements

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Hillsdale County, Michigan (the "County" or "government") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing U.S. governmental accounting and financial reporting principles. The more significant of the County's accounting policies are described below.

Reporting Entity

As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government.

Blended Component Unit

Hillsdale County Medical Care Facility - provides skilled long term care to residents of the County and is not considered legally separate from the County; therefore, it has been included in the County's basic financial statements as an Enterprise Fund. The complete financial statements may be obtained by contacting:

Hillsdale County Medical Care Facility
140 W. Mechanic Street
Hillsdale, MI 49242
(517) 439 9341

Hillsdale County Building Authority - is governed by a five-member board appointed by the Hillsdale County Board of Commissioners. Although it is legally separate from Hillsdale County, the Building Authority is reported as if it were part of the primary government because its sole purpose is to finance and construct the County's public buildings.

Hillsdale Department of Public Works - Pursuant to Act 185 of 1957 (MCL 123.732, as amended) the County entered into a program of water supply and sanitary sewer facility construction. The Department of Public Works is under the general control of the County Board of Commissioners and under the immediate control of a Board of Public Works which includes the County Drain Commissioner. The Board of Public Works is considered an agency of the County. The Board manages water supply and sanitary sewer system construction projects that are bonded by the County. Bonds issued are authorized by an ordinance or a resolution approved by the Board of Public Works and adopted by the County Board of Commissioners.

Discretely Presented Component Units

Hillsdale County Road Commission - is established pursuant to the County Road Law (MCL 224.1), is governed by an elected three member Board of County Road Commissioners. The Road Commission may not issue debt or levy a tax without the approval of the County Board of Commissioners. If approval is granted, Road Commission taxes are levied under the taxing authority of the County, as approved by the County electors, and would be included as a part of the County total tax levy as well as reported in the County Road Fund.

Notes to Financial Statements

The Hillsdale County Road Commission has a separately issued audit report. Complete financial statements of the component unit can be obtained from its respective administrative offices or from the Clerk's Office:

Hillsdale County Road Commission
1919 Hudson Road
Hillsdale, Michigan 49242

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

Related Organization

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

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

It is governed by a twelve (12) member board, including four (4) from Hillsdale County and eight (8) from Jackson County. The County's accountability does not extend beyond this representation and making these appointments. The board may borrow money and issue bonds pursuant to Section 205 of Act 258 of 1974, as amended (MCL 330.1205). LifeWays indemnifies and holds harmless the participating counties from all claims and liabilities. Hillsdale County's appropriation to LifeWays for the calendar year ended December 31, 2015, was \$274,000.

Branch Hillsdale St Joseph District I Health Department - Hillsdale County participates jointly with Branch and St. Joseph Counties in the operation of the Branch, Hillsdale, St. Joseph District I Health Department. All of the financial operations of the District Health Department are recorded in the records of Branch County. It is governed by a seven (7) member board, two (2) from Hillsdale County, two (2) from Branch County, and three (3) from St. Joseph County. The funding formula approved by the members of the county boards of commissioners is based pro rata on each county's population. The current funding formula approved by the District Health Board requires Hillsdale, Branch and St. Joseph Counties to provide 30.1, 29.6, and 40.3 percent, respectively. Hillsdale County's appropriation to the District Health Department for the calendar year ended December 31, 2015, was \$206,360.

Government-wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period or within one year for reimbursement-based grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment

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

Notes to Financial Statements

The County reports the following major governmental funds:

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

The *senior citizens special revenue fund* is used to account for the collection of property tax and disbursements for county-wide senior services pursuant to contractual services.

The *Senior Center debt service fund* is used to account for financial resources to refund the debt of the Senior Citizens Center.

The County reports the following major proprietary funds:

The medical care *facility fund* accounts for the operation of the County's long-term adult care facility.

The 2014 *delinquent tax revolving fund* accounts for the annual purchase of delinquent real property taxes from each of the local taxing units within the county, and the ultimate collection from the property owners of the delinquent taxes with penalty and interest.

Additionally, the County reports the following fund types:

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

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

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

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

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

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

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

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

Notes to Financial Statements

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

Assets, Liabilities and Equity

Cash and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are stated at fair value and consist of commercial paper and certificates of deposit with original maturities of greater than 90 days.

State statutes authorize the County to deposit in the accounts of federally insured banks, credit unions and savings and loan associations and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as "interfund receivables/payable". Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Receivables consist of accounts receivable related to charges for services and amounts due from governmental units for various financial assistance programs and State shared revenues. The County has established allowances for doubtful accounts to estimate uncollectible accounts receivable in the child care, health and rehabilitation services facility funds and district health department component unit. The County utilizes the direct write-off method for all other funds as past experience indicates the write-off of accounts receivable for these funds are immaterial and do not warrant the use of allowance accounts.

Advances between funds or component units are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

Inventories

The cost of inventory items in the primary government for all funds is recorded as an expenditure at the time of purchase. Inventories of the health and rehabilitation services facility and jail commissary funds consist of medical supplies and miscellaneous hygiene and consumer products, respectively, which are stated at the lower of first-in, first-out (FIFO) or market.

Prepays

Certain payments to vendors (particularly for insurance coverage) reflect costs that are applicable to a future period and are recorded as prepaid items.

Notes to Financial Statements

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. Infrastructure for the Road Commission and Drain Commission component units has been capitalized back to 1980.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

Capital assets of the primary government and Drain Commission component unit are depreciated using the straight-line method over the following estimated useful lives:

	Years
Building and improvements	10-50
Equipment	10-25
Vehicles	5-10
Infrastructure - drains	50

Capital assets of the Road Commission component unit are depreciated as follows:

	Years
Buildings and improvements	40
Equipment	4-8
Infrastructure	8-50

Compensated Absences

In accordance with County personnel policies and/or contracts negotiated with the various employee groups of the County, upon termination of employment, individual employees have vested rights to receive payment or unused vacation and sick leave under formulas and conditions specified in the respective personnel policies and/or contracts. Vacation pay that has matured, such as due to employee resignations or retirements, is reported as an expenditure and a fund liability of the governmental fund that will pay it for employees retiring.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the fiduciary net position of the Pension Plan and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Notes to Financial Statements

Long-term Obligations

In the government wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long term obligations are reported as liabilities in the applicable governmental activities, business type activities, or proprietary fund type statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

Deferred inflows of resources

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

Fund Equity

Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Restricted fund balance is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the County Commissioners. A formal resolution of the County Commissioners is required to establish, modify, or rescind a fund balance commitment.

The County Commissioners can also give authority to management to assign fund balance but has not yet done so; assigned fund balances are neither restricted nor committed. Unassigned fund balance is the residual classification for the general fund.

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

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the reporting period. Actual results could differ from those estimates.

COUNTY OF HILLSDALE, MICHIGAN

Notes to Financial Statements

2. BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and special revenue funds. All annual appropriations lapse at year-end.

The Finance Committee receives the preliminary budget requests from departmental heads in September. A proposed operating budget for the fiscal year beginning the following January 1 is submitted to the Board of Commissioners in October. Public hearings are conducted to obtain taxpayer comments. The budget is formally adopted by resolution at the December Board of Commissioners' meeting. Any revisions to the budget must be approved by the Board of Commissioners. Formal budgetary integration is employed as a management control device for the General and Special Revenue Funds. Budgeted amounts are as originally adopted or as amended by the Board of Commissioners during the year.

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

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

3. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

State statutes provide that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended December 31, 2015, the County incurred expenditures in excess of the amount appropriated as follows:

	Amended Budget Budget	Actual	Variance
General fund:			
Judicial:			
District court	\$ 480,050	\$ 481,410	\$ 1,360
General government:			
Elections	99,677	101,362	1,685
Prosecutor	445,389	448,389	3,000
Capital Outlay	90,000	96,536	6,536
Capital lease	14,000	55,054	41,054
Interest	-	2,776	2,776
Other financing sources -			
Proceeds from capital lease	42,000	55,242	13,242
Senior citizens special revenue fund -			
Health and welfare	1,212,000	1,230,003	18,003

COUNTY OF HILLSDALE, MICHIGAN

Notes to Financial Statements

4. CASH AND INVESTMENTS

Summary of Deposit and Investment Balances

Following is a reconciliation of deposit and investment balances as of December 31, 2015:

	Primary Government	Component Units	Totals
Financial statements			
Statement of net assets -			
Cash and investments	\$ 6,565,284	\$ 1,899,394	\$ 8,464,678
Statement of fiduciary assets and liabilities -			
Cash and investments	1,096,299	-	1,096,299
Total	\$ 7,661,583	\$ 1,899,394	\$ 9,560,977
Cash and investments			
Bank deposits (checking accounts, savings accounts and certificates of deposits)			\$ 4,624,612
Investments in securities, mutual funds and similar vehicles:			
Treasurer's pool			4,932,479
Cash on hand			3,886
Total			\$ 9,560,977

County's Cash and Investment Pool

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the list of authorized investments above. The County's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At year end, maturities of the County's debt securities were as follows:

	Investment Maturities (fair value by years)				
	Total Fair	Less than 1	1-5	6-10	More than 10
U.S. Agencies	549,550	-	-	299,550	250,000
Municipal bonds	220,000	-	100,000	120,000	-
Total	769,550	-	100,000	419,550	250,000

Custodial Credit Risk - Deposits. For deposits, custodial credit risk is the risk, that in the event of a bank failure, the County's deposits may not be returned to the government. As of December 31, 2015, \$852,250 of the County's total balance of \$4,624,612 was exposed to custodial credit risk as it was uninsured and uncollateralized.

The County's investment policy requires that only those banks or savings and loan institutions that are members of the FDIC or FSLIC will be considered for depository purposes, but recognizes that it is impractical to insure all bank deposits due to the limitations of depository insurance. As a result, the County evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

COUNTY OF HILLSDALE, MICHIGAN

Notes to Financial Statements

Custodial Credit Risk - Investments. Following is a summary of the Treasurer's investment pool holdings as of December 31, 2015:

U.S. agencies	\$ 549,550
Michigan municipal bonds and notes	220,000
Certificates of Deposit	2,094,407
Money market funds	<u>2,068,522</u>
Total	<u>\$ 4,932,479</u>

Investments are exposed to custodial credit risk if the securities are uninsured, unregistered or held by a counterparty or its agent but not in the government's name. In accordance with the County's investment policy, all investments are held in the name of the County and are evidenced by a safekeeping receipt confirmation, and thus not exposed to custodial credit risk.

Credit Risk. As of December 31, 2015, all of the County's investments in securities of U.S. agencies were rated AAA by Standard & Poor's (S&P). All of the County's investments in money market funds are rated AAA by S&P. The County's investment in Michigan municipal bonds and notes are rated in the top tier by at least one rating agency.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The County's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year-end are reported above.

5. RECEIVABLES

Receivables as of December 31, 2015 are summarized as follows:

	Governmental Activities	Business-type Activities	Component Units
Property taxes	\$ 3,179,415	\$ 2,673,555	\$ -
Accounts receivable	318,292	2,025,072	1,364,612
Advances from other funds	-	107,725	-
Due From other Funds	-	335,000	-
Special assessments	-	-	309,550
Due from other governments	4,898	-	-
Advances to component unit	307,968	-	-
Leases receivable	2,625,000	(825)	-
Interest receivable	-	869,323	-
	<u>\$ 6,435,573</u>	<u>\$ 6,009,850</u>	<u>\$ 1,674,162</u>

Of the amounts reported for receivables above, leases receivable in the amount of \$2,370,000 are not expected to be collected within one year.

COUNTY OF HILLSDALE, MICHIGAN

Notes to Financial Statements

6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund receivables and payables at December 31, 2015 is as follows:

	Receivable	Payable
General fund	\$ -	\$ 156,000
Nonmajor governmental funds	156,000	-
	<u>\$ 156,000</u>	<u>\$ 156,000</u>

Interfund receivables/payables represent short-term working capital loans for funds with negative balances in the County's cash and investment pool at year-end.

For the year ended December 31, 2015, interfund transfers consisted of the following:

	Transfers In	Transfers Out
General fund	\$ 640,411	\$ 943,101
Senior Citizens debt service	-	-
Nonmajor governmental funds	987,378	292
Internal service fund	38,000	-
Medical Care Facility	-	81,985
Nonmajor enterprise funds	-	640,411
	<u>\$ 1,665,789</u>	<u>\$ 1,665,789</u>

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

7. DEFICIT FUND BALANCE

A fund balance deficit existed in the following funds as indicated:

Self Insurance Fund	\$ 63,181
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The County plans to recover this deficit with transfers from the general fund.

COUNTY OF HILLSDALE, MICHIGAN

Notes to Financial Statements

8. CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2015 was as follows:

	Beginning Balance	Additions	Transfers	Disposals	Ending Balance
Governmental activities					
Capital assets not being depreciated					
Land	\$ 130,005	\$ 26,000	\$ -	\$ -	\$ 156,005
Construction in progress	-	617,795	-	-	617,795
Total capital assets not being depreciated	130,005	643,795	-	-	773,800
Capital assets being depreciated:					
Buildings and improvements	8,506,637	11,942	-	-	8,518,579
Vehicles and equipment	3,189,301	110,000	-	(23,473)	3,275,828
Total capital assets being depreciated	11,695,938	121,942	-	(23,473)	11,794,407
Less accumulated depreciation for:					
Buildings and improvements	(3,886,001)	(209,026)	-	-	(4,095,027)
Vehicles and equipment	(2,128,538)	(184,257)	-	23,473	(2,289,322)
Total accumulated depreciation	(6,014,539)	(393,283)	-	23,473	(6,384,349)
Total capital assets being depreciated, net	5,681,399	(271,341)	-	-	5,410,058
Governmental activities capital assets, net	\$ 5,811,404	\$ 372,454	\$ -	\$ -	\$ 6,183,858

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

General Government	\$ 230,547
Public Safety	142,948
Health and Welfare	4,707
Recreation and Culture	15,081
Total	\$ 393,283

COUNTY OF HILLSDALE, MICHIGAN

Notes to Financial Statements

	Beginning Balance	Additions	Transfers	Disposals	Ending Balance
Business-type activities					
Capital assets being depreciated:					
Land improvements	\$ 29,524	\$ -	\$ -	\$ -	\$ 29,524
Buildings and improvements	17,326,957	-	-	-	17,326,957
Vehicles and equipment	1,097,345	743	-	-	1,098,088
Total capital assets being depreciated	18,453,826	743	-	-	18,454,569
Less accumulated depreciation for:					
Land improvements	(29,524)	-	-	-	(29,524)
Buildings and improvements	(5,848,188)	(479,561)	-	-	(6,327,749)
Vehicles and equipment	(815,835)	(88,941)	-	-	(904,776)
Total accumulated depreciation	(6,693,547)	(568,502)	-	-	(7,262,049)
Total capital assets being depreciated, net	11,760,279	(567,759)	-	-	11,192,520
Business-type activities capital assets, net	\$ 11,760,279	\$ (567,759)	\$ -	\$ -	\$ 11,192,520

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

Medical Care Facility	\$ 562,370
Building Inspection Fund	6,132
Total	\$ 568,502

COUNTY OF HILLSDALE, MICHIGAN

Notes to Financial Statements

	Beginning Balance	Additions	Disposals	Ending Balance
Component unit - Road Commission				
Capital assets not being depreciated:				
Land	\$ 64,634	\$ -	\$ -	\$ 64,634
Land improvements	5,395,660	17,282	-	5,412,942
Total capital assets not being depreciated	5,460,294	17,282	-	5,477,576
Capital assets being depreciated:				
Buildings and improvements	2,105,263	15,106	-	2,120,369
Equipment	6,975,127	949,597	(138,036)	7,786,688
Infrastructure	51,940,821	3,623,915	-	55,564,736
Depletable assets	56,200	-	(1,500)	54,700
Total capital assets being depreciated	61,077,411	4,588,618	(139,536)	65,526,493
Less accumulated depreciation for:				
Buildings and improvements	(1,027,352)	(61,165)	-	(1,088,517)
Equipment	(6,379,567)	(233,767)	137,992	(6,475,342)
Infrastructure	(34,451,562)	(1,534,087)	-	(35,985,649)
Depletable assets	(53,652)	(4)	1,500	(52,156)
Total accumulated depreciation	(41,912,133)	(1,829,023)	139,492	(43,601,664)
Total capital assets being depreciated, net	19,165,278	2,759,595	(44)	21,924,829
Capital assets, net	\$ 24,625,572	\$ 2,776,877	\$ (44)	\$ 27,402,405

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

Total Depreciation Expense - Public Works	<u>\$ 1,829,023</u>
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Component unit - Drainage District

Capital assets being depreciated -				
Buildings	\$ 135,000	\$ -	\$ -	\$ 135,000
Equipment	960,209	54,400	(17,715)	996,894
Infrastructure	458,635	170,058	-	628,693
Total capital assets being depreciated	1,553,844	224,458	(17,715)	1,760,587
Less accumulated depreciation for -				
Buildings	(86,400)	(5,400)	-	(91,800)
Equipment	(703,946)	(51,994)	15,228	(740,712)
Infrastructure	(97,746)	(9,173)	-	(106,919)
Total accumulated depreciation	(888,092)	(66,567)	15,228	(939,431)
Capital assets, net	\$ 665,752	\$ 157,891	\$ (2,487)	\$ 821,156

Depreciation expense was charged to Public Works in the amount of \$66,567.

COUNTY OF HILLSDALE, MICHIGAN

Notes to Financial Statements

9. PAYABLES

Accounts payable and accrued liabilities as of December 31, 2015 are summarized as follows:

	Governmental Activities	Business-type Activities	Components Units
Accounts payable	\$ 1,747,115	\$ 311,520	\$ 4,514,004
Accrued liabilities	83,763	1,162,766	-
Due to other governments	-	5,341	-
Advances from other funds	-	-	-
Advances from primary government	-	-	417,349
Accrued interest payable	61,829	-	-
	<u>\$ 1,892,707</u>	<u>\$ 1,479,627</u>	<u>\$ 4,931,353</u>

10. LONG-TERM DEBT

General obligation bonds. The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the County. These bonds are typically issued as 10-20 year serial bonds with varying amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

Purpose	Interest Rates	Maturity Date	Amount of Original Issue	Amount Outstanding
Governmental activities				
2015 Cap. Impr. Sr Ctr. Refunding	.70%-2.70%	2025	\$ 2,140,000	\$ 1,325,000
2015 MCF Refunding	2.74%	2026	8,000,000	5,690,000
2012 Building Authority - Refunding	0.85%-1.50%	2016	766,000	163,000
2015 Senior Center Capital Debt	.75%-2.45%	2023	1,300,000	1,300,000
				<u>\$ 8,478,000</u>
Business-type activities				
2012 Building Authority - MCF Refunding	1.00%-1.70%	2018	\$ 995,000	\$ 523,000
2010 Medical Care Facility	1.7%	2017	2,100,000	680,000
Sprinkler system upgrade	1.5%	2017	215,450	107,726
				<u>\$ 1,310,726</u>

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

Year Ending December 31,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2016	788,000	244,120	566,863	8,737
2017	695,000	191,795	562,863	5,277
2018	730,000	177,268	181,000	1,539
2019	760,000	161,250	-	-
2020	790,000	143,617	-	-
2021-2026	4,715,000	423,877	-	-
	<u>\$ 8,478,000</u>	<u>\$ 1,341,927</u>	<u>\$ 1,310,726</u>	<u>\$ 15,553</u>

COUNTY OF HILLSDALE, MICHIGAN

Notes to Financial Statements

During 2015, Hillsdale County advance refunded a portion of the 2005 Senior Center Capital Improvement Bond, and the 2006 Medical Care Facility Capital Improvement Bond. As a result the Senior Center Capital Improvement refunded bond totals \$1,325,000 for 10 years at a gross savings of \$136,683 and an economic gain of \$113,138. The Medical Care Facility capital improvement refunded bond totals \$5,755,000 for 11 years at a gross savings of \$433,131 and an economic gain of \$323,754.

By statute, the government's legal debt limit is restricted to 10% of the equalized value of property in the County. At December 31, 2015, the County's legal debt limit was \$170,870,680.

Installment obligations. The government has entered into several long-term installment payment agreements for the upgrade of its facilities and software. Installment obligations currently outstanding are

Purpose	Interest Rates	Maturity Date	Amount of Original Issue	Amount Outstanding
Governmental activities				
Energy Efficiency Improvements - Sheriff's Annex Project	4.38%	2018	\$ 774,200	\$ 235,548
	1.50%	2020	680,000	445,000
				<u>\$ 680,548</u>

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

Year Ending December 31,	Governmental Activities	
	Principal	Interest
2016	176,169	17,080
2017	180,206	11,769
2018	139,173	5,740
2019	90,000	2,775
2020	95,000	1,425
2021-2026	-	-
	<u>\$ 680,548</u>	<u>\$ 38,789</u>

Capital lease. The government has entered into several lease agreements for financing the acquisition of vehicles. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2015 were as follows:

Year Ending December 31,	Governmental Activities
2016	\$ 38,131
2017	<u>19,319</u>
Total minimum lease payments	57,450
Less amount representing interest	<u>(3,612)</u>
Present value of minimum lease payments	<u>\$ 53,839</u>

COUNTY OF HILLSDALE, MICHIGAN

Notes to Financial Statements

Delinquent tax notes. The government issues general obligation limited tax notes to finance the purchase of delinquent real property taxes receivable from each taxing district in the County. These notes are reported in the proprietary funds (i.e., delinquent tax revolving enterprise fund) as they are expected to be repaid from proprietary fund revenues. Principal and interest payments are predicated upon actual collections of delinquent property taxes, which are subject to collection over a period not to exceed three years. Delinquent tax notes outstanding at December 31, 2015, are as follows:

Purpose	Interest Rates	Maturity Date	Amount of Original Issue	Amount Outstanding
Business-type activities				
2012 Delinquent Tax Revolving Notes	0.45%-0.80%	2014	2,750,000	\$ -
2013 Delinquent Tax Revolving Notes	0.45%-1.00%	2015	2,450,000	750,000
2014 Delinquent Tax Revolving Notes	.45%-1.00%	2016	2,450,000	2,050,000
				<u>\$ 2,800,000</u>

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

Year Ending December 31,	Business-type Activities	
	Principal	Interest
2016	\$ 2,050,000	\$ 18,025
2017	750,000	5,200
	<u>\$ 2,800,000</u>	<u>\$ 23,225</u>

Changes in long-term debt. Long-term debt activity for the year ended December 31, 2015 was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Primary Government:					
Governmental activities					
General obligation bonds	\$ 7,751,000	\$ 1,300,000	\$ (573,000)	\$ 8,478,000	\$ 788,000
Capital leases	53,651	55,242	(55,054)	53,839	35,439
Installment contracts	850,944	-	(170,397)	680,547	176,169
Compensated absences	426,573	31,301	(16,605)	441,268	-
Net Pension Liability	2,434,037	315,171	-	2,749,208	-
	<u>\$ 9,082,168</u>	<u>\$ 1,386,542</u>	<u>\$ (815,056)</u>	<u>\$ 12,402,862</u>	<u>\$ 999,608</u>
Business-type activities					
General obligation bonds	\$ 1,850,588	\$ -	\$ (539,862)	\$ 1,310,726	\$ 566,863
Delinquent tax notes	2,800,000	-	-	2,800,000	2,050,000
	<u>\$ 4,650,588</u>	<u>\$ -</u>	<u>\$ (539,862)</u>	<u>\$ 4,110,726</u>	<u>\$ 2,616,863</u>

COUNTY OF HILLSDALE, MICHIGAN

Notes to Financial Statements

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Component Units:					
Drains					
Hoops #90	100,000	-	(20,000)	\$ 80,000	20,000
Hopkins #72	137,000	-	(38,000)	\$ 99,000	32,500
Chandler #186	97,500	-	(32,500)	\$ 65,000	38,000
Road Commission					
Installment lease payable	\$ -	\$ 725,000	\$ (73,169)	\$ 651,831	\$ 178,678
Compensated absences	414,510	126,820	(102,022)	439,308	21,965
	<u>\$ 749,010</u>	<u>\$ 851,820</u>	<u>\$ (265,691)</u>	<u>\$ 1,335,139</u>	<u>\$ 291,143</u>

For the governmental activities, compensated absences, net pension benefit obligations and net other postemployment benefit obligations, if any, are generally liquidated by the general fund.

11. RISK MANAGEMENT / SELF-INSURANCE PROGRAMS

The County is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The County has purchased commercial insurance for employee medical benefit claims, participates in the Michigan Municipal Risk Management Authority (risk pool) for claims relating to property loss, torts, errors and omissions, and personal injuries, and participates in a risk pool at Employer's Reinsurance Corporation for claims relating to workers' compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Risk Management Authority (risk pool) program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority, and the Authority uses the premiums to pay claims up to the retention limits, the ultimate liability for those claims remains with the County. As of December 31, 2015, the County estimates that its funds on deposit with the Authority are sufficient to cover any outstanding claims. Accordingly, no liability has been

Workers' Compensation. The government maintains a self insurance program for workers' compensation coverage which is accounted for in an internal service fund (i.e., the Self Insurance fund). The program is administered by a third party administrator who conducts safety inspections and provides claims review and processing services. Premiums are paid into the internal service fund by all other funds based on payrolls and job classifications and are available to pay claims, claim reserves, excess coverage and administrative

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. An excess coverage insurance policy covers individual claims in excess of \$350,000 subject to an annual aggregate limit of \$768,232. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Changes in the balances of claims liabilities during the past two years are as follows:

Notes to Financial Statements

Changes in the balances of estimated liabilities during the past two years are as follows:

	2015	2014
Workers compensation		
Estimated liability, January 1	\$ 51,097	\$ 107,096
Estimated claims incurred, including changes in estimates	146,759	1,315
Claim payments	<u>(128,016)</u>	<u>(57,314)</u>
Estimated liability, December 31	<u><u>\$ 69,840</u></u>	<u><u>\$ 51,097</u></u>

Road Commission. The Road Commission is a member of the Michigan County Road Commission Self-Insurance Pool (“Pool”) established pursuant to the laws of the State of Michigan which authorizes contracts between municipal corporations (interlocal agreements) to form group self-insurance pools, and to prescribe conditions to the performance of these contracts.

The Michigan County Road Commission Self-Insurance Pool was established for the purpose of making a self-insurance pooling program available for Michigan County Road Commissions, which includes, but is not limited to, general liability coverages, auto liability coverages, property insurance coverages, stop loss insurance protection, claims administration, and risk management and loss control services pursuant to Michigan Public Act 138 of 1982.

The Hillsdale County Road Commission pays an annual premium to the Pool for property (buildings and grounds) coverage, automobile liability, errors or omissions liability and bodily injury, property damage and personal injury liability. The agreement for the formation of the Pool provides that the Pool will be self-sustaining through member premiums and will purchase both specific and aggregate stop-loss insurance to the limits determined necessary by the Pool Board.

The Road Commission is also self-insured for workers’ compensation as a member of the County Road Association Worker’s Compensation Fund.

In the past three years, there have been no reductions in coverages, nor have settlements exceeded coverages. Management of the Road Commission believes that losses, if any, in excess of Insurance Pool coverages would not be material to the financial position of the Road Commission.

The Road Commission continues to carry commercial insurance for employee health and accident insurance.

12. CONTINGENT LIABILITIES

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

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the County’s counsel that resolution of these matters will not have a material adverse effect on the financial condition of the County.

Notes to Financial Statements

LifeWays. The Michigan Department of Community Health (MDCH) has indicated that the County is partially responsible for \$3,299,285 owed to Lifeways, the mental health authority for Jackson and Hillsdale Counties. Hillsdale County has entered into agreement to pay \$80,000 per year for 10 years to account for their portion of the \$3,299,285 owed to Lifeways. The first payment will be in the 2015 fiscal year.

13. PROPERTY TAXES

County General Fund property taxes are levied on July 1 of each year (the lien date) and are due in full by September 14, though they do not become delinquent until March 1 of the following year. For levies other than the General Fund, the lien date is December 1.

Property taxes are levied on the assessed taxable value of the property as established by local units, accepted by the County and equalized under State statute at approximately 50 percent of the current estimated market value. In March 1994, Michigan voters approved Proposal A, which limits annual increases in assessed values to the lesser of 5% or the rate of inflation with assessed value reverting to 50% of true cash value when the property is sold.

For the ambulance, senior services and Medical Care Facility, the assessed and taxable value of real and personal property for the December 1, 2014 levy, for which revenue was recognized in fiscal 2015, was \$1,264,752,145. For the general fund, the assessed and taxable value of real and personal property for the July 1, 2015 levy, for which revenue was recognized in fiscal 2015, was \$1,292,177,928. The general operating tax rate for this levy was at the maximum rate of 4.9552 mills, as adjusted by the Headlee Amendment to the State of Michigan Constitution. The County also had a voter approved tax of .4000 mills for ambulance services, .9968 mills for senior services, .6000 for Medical Care Facility operating, and .4000 mills for the Medical Care Facility debt service.

By agreement with various taxing authorities, the County purchases at face value the real property taxes returned delinquent each March 1 and records a corresponding delinquent taxes receivable.

14. DEFINED BENEFIT PENSION PLANS - Primary Government

Employees of the Sheriff Department, except the Sheriff and Under sheriff, are eligible to participate in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer, defined benefit pension plan. The System is administered by the MERS retirement board. MERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. A publicly available financial report that includes financial statements and required supplementary information for MERS may be obtained by writing to the Municipal Employees Retirement System of Michigan, 1134 Municipal Way, Lansing, MI 48917, or by calling (800) 767-6377.

The County is required to contribute at an actuarially determined rate; the current rate for the County is 7.5% to 8% of annual covered payroll for each employee group. All participating employees are required to contribute between 2% and 10% percent of their annual salary. The contribution requirements of the County are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members are established and may be amended by the County Board of Commissioners, depending on the MERS contribution program adopted by the County. However, if the MERS funding requirement for the employer's portion exceeds the amount per the labor contracts then the employees are required to fund the difference.

COUNTY OF HILLSDALE, MICHIGAN

Notes to Financial Statements

02- Sheriff Patrol: Open Division

	2015 Valuation	2014 Valuation
Benefit Multiplier:	2.00% Multiplier (no max)	2.00% Multiplier (no max)
Normal Retirement Age:	60	60
Vesting:	10 Years	10 Years
Early Retirement (Unreduced):	55/25	55/25
Early Retirement (Reduced):	50/25	50/25
	55/15	55/15
Final Average Compensation:	5 Years	5 Years
Employee Contributions:	12.78%	11.33%
Act 88:	No	No

20- Sheriff Sergeant: Open Division

	2015 Valuation	2014 Valuation
Benefit Multiplier:	2.00% Multiplier (no max)	2.00% Multiplier (no max)
Normal Retirement Age:	60	60
Vesting:	10 Years	10 Years
Early Retirement (Unreduced):	55/25	55/25
Early Retirement (Reduced):	50/25	50/25
	55/15	55/15
Final Average Compensation:	5 Years	5 Years
Employee Contributions:	19.31%	14.07%
Act 88:	No	No

Employees Covered by Benefit Terms. As of December 1, 2015, the following employees were covered by

Inactive employees or beneficiaries currently receiving benefits:	15
Inactive employees entitled to but not yet receiving benefits:	4
Active Employees:	35
Total Employee	54

Funding Policy: The obligation to contribute to and maintain the system for these employees was established by negotiation with the County's competitive bargaining unit and personnel policy, which require employees to contribute to the plan. The County is required to contribute at an actuarially determined rate.

The contribution rate as a percentage of payroll at December 31, 2015 is as follows:

Sheriff Patrol	7.50%
Sheriff Sergeant	8.00%

Net Pension Liability. As of December 31, 2014, the date of the most recent actuarial valuation, the Plan was 0 percent funded. The actuarial accrued liability for benefits was \$676,764, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$676,764. The covered payroll (annual payroll of the active employees covered by the Plan) was unavailable.

Notes to Financial Statements

Actuarial Assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 to 4.0 percent
Salary Increases	4.5 percent, average, including inflation
Investment rate of return	7.75 percent

Although no specific price inflation assumptions are needed for the valuation, the 4.5% long-term wage inflation assumption would be consistent with a price inflation of 3% - 4%.

Mortality rates used were based on the 1994 Group Annuity Mortality Table of a 50% Male and 50% Female blend. For disabled retirees, the regular mortality table is used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study in 2008. (MERS Retirement Board is currently conducting an actuarial experience study covering the period from January 1, 2009, through December 31, 2013.)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	57.5%	5.02%
Global Fixed Income	20.0%	2.18%
Real Assets	12.5%	4.23%
Diversifying Strategies	10.0%	6.56%

Discount Rate. The discount rate used to measure the total pension liability is 8.25% for 2015 and will be 8.0% in 2016 and thereafter. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

COUNTY OF HILLSDALE, MICHIGAN

Notes to Financial Statements

<i>Changes in Net Pension Liability:</i>	<i>Total Pension Liability</i>	<i>Plan Fiduciary Net Position</i>	<i>Net Pension Liability</i>
Balances at December 31, 2014	6,774,257	4,340,220	2,434,037
Service Cost:	192,609		192,609
Interest:	537,668		537,668
Difference between expected and actual experience	(160,971)		(160,971)
Changes in assumptions	356,118		356,118
Benefit Changes	(41,623)		(41,623)
Employer Contributions		138,180	(138,180)
Employee Contributions		212,788	(212,788)
Net Investment Income		234,464	(234,464)
Benefit payments, including employee refunds	(299,424)	(299,424)	-
Administrative expense			
Other Changes	16,802		16,802
Net Changes	601,179	286,008	315,171
Balances as of December 31, 2015	7,375,436	4,626,228	2,749,208

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the County, calculated using the discount rate of 8.00% , as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

	1% Decrease 7.00%	Current Rate 8.00%	1% Increase 9.00%
Change in net pension liability	\$ 3,748,468	\$ 2,749,208	\$ 1,930,342

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued MERS financial report.

For the year ended December 31, 2015, the County recognized pension expense of \$194,230. At December 31, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience		\$ 137,975
Changes in assumptions	\$ 305,244	
Difference in expected and actual returns	\$ 91,852	
Total	\$ 397,096	\$ 137,975

COUNTY OF HILLSDALE, MICHIGAN

Notes to Financial Statements

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

Year Ended December 31:	Outflows	Inflows
2016	73,837	22,996
2017	73,837	22,996
2018	73,837	22,996
2019	73,837	22,996
2020	50,874	22,996
2021	50,874	22,996
<u>Annual Pension Cost</u>	<u>397,096</u>	<u>137,975</u>

During the year ended December 31, 2015, the County's contributions totaling \$138,880 were made in accordance with contribution requirement determined by an actuarial valuation of the plan as of December 31, 2013. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5 percent based on an age-related scale to reflect merit, longevity, and promotional salary increases. The unfunded actuarial liability is amortized as a level percent of payroll on a closed basis. The remaining amortization period is 26 years.

15. DEFINED BENEFIT PENSION PLANS - Road Commission

The Road Commission's defined benefit pension plan provides retirement and disability benefits, and death benefits to plan members and beneficiaries. The Road Commission participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the Retirement Board of MERS. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 1134 Municipal Way, Lansing, Michigan 48917, or by calling (800) 767-6377.

The Road Commission is required to contribute at an actuarially determined rate; the current employer's contribution rate of annual covered payroll is 7.17% for Association members and 23.2% for non-Association members. The contribution requirements of the Road Commission are established by Act No. 427 of the Public Acts of 1984, as amended, and may be amended by the Retirement Board of MERS. The contribution requirements of plan members, if any, are established and may be amended by the Road Commission. In addition, Road Commission Association employees are currently required to contribute 5.3% of annual compensation, and non-Association employees are required to contribute 9.9% of annual compensation.

Notes to Financial Statements

For the year ended December 31, 2015, the Road Commission’s annual pension cost of \$267,997 for MERS was equal to the Road Commission’s required and actual contributions. The required contribution was determined using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increase of 4.5% per year compounded annually, attributable to inflation, and (c) additional projected salary increases of 0.0% to 4.5% per year, depending on age, attributable to seniority/merit. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment to reflect fair value. The Road Commission’s unfunded actuarial accrued liability as of December 31, 2015, the date of the latest actuarial valuation, is being amortized as a level percentage of projected payroll on an open basis over 30 years.

Three-year trend information for annual pension costs is as follows:

Three-Year Trend Information			
Year Ended September 30,	Annual Pension Cost	Percentage Contributed	Net Pension Obligation
2013	210,524	100%	-
2014	231,743	100%	-
2015	267,997	100%	-

The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment to reflect fair value. The unfunded actuarial liability is being amortized as a level percentage of projected payroll on an open basis over 26 years.

Funded Status and Funding Progress. As of December 31, 2015, the date of the most recent actuarial valuation, the Plan was 58.5 percent funded. The actuarial accrued liability for benefits was \$10,469,942, and the actuarial value of assets was \$6,123,270, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,346,672. The covered payroll (annual payroll of the active employees covered by the Plan) was \$1,952,007 and the ratio of the UAAL to the covered payroll was 223 percent.

The schedules of funding progress, presented as required supplementary information following the notes to the financial statements, present 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.

16. DEFINED CONTRIBUTION PENSION PLAN - PRIMARY GOVERNMENT

The County provides pension benefits to all of its full time employees (except for the Sheriff’s Department) through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by the Hillsdale County Retirement Fund, the County contributes 6.5 percent for all the general County employees’ gross earnings and 4 percent for all Medical Care Facility employees. Employees contribute 2-10 percent of earnings. In accordance with these requirements, the County contributed \$275,627 for the year ended December 31, 2015 and employees contributed \$157,452.

The Hillsdale County Board of Commissioners established both plans and may amend them and the related contribution requirements, subject to the County’s various collective bargaining agreements. The plans are administered and the assets are in the custody of third-party insurance companies

COUNTY OF HILLSDALE, MICHIGAN

Notes to Financial Statements

17. POSTEMPLOYMENT HEALTH CARE BENEFITS - PRIMARY GOVERNMENT

Plan Description. The Hillsdale County Sheriff's Department participates in a defined benefit postretirement plan sponsored by Hillsdale County that provides postretirement medical benefits to retirees. Substantially all employees may become eligible for the benefits if they reach normal retirement age while working at the Sheriff's department. The County is required to pay 50% of the postretirement obligation to be paid from the County's General Fund, until the retiree reaches the age of 65, at which point the retiree is eligible for Medicare, and the county's obligation ends.

Funding Policy. The County has no obligation to make contributions in advance until the premiums are due for payment (in other words, this may be financed on a pay as you go basis). Covered members are required to contribute 50% of their health insurance cost.

Funding Progress. For the year ended December 31, 2015, the County has estimated the cost of providing retiree healthcare benefits through actuarial valuations as of December 31, 2015. The valuation computes an annual required contribution, which represent a level funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. This valuation's computed contribution and actual funding are summarized as follows for the year ended December 31, 2015:

Annual OPEB Cost and Net OPEB Obligation. For the year ended December 31, 2015, the components of the County's annual OPEB (other postemployment benefit) cost for the year, the amount actually contributed to the Plan, and changes in the County's net OPEB obligation to the Plan were as follows:

Annual required Contribution	\$ 70,301
Interest on net OPEB Obligation	90,611
Adjustment to annual required contribution	(142,859)
Annual OPEB cost	18,053
Contributions made	<u>(16,067)</u>
Increase in net OPEB Obligation	1,986
Net OPEB obligation, beginning of year	<u>2,265,286</u>
Net OPEB Obligation, end of year	<u><u>\$ 2,267,272</u></u>

The County's annual OPEB costs, the percentage of annual OPEB costs contributed to the Plan, and the net OPEB obligation as of December 31, 2015, and the preceding two years, were as follows:

Year Ended	Three-Year Trend Information		
	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 529,638	2%	\$ 1,730,513
2013	535,509	2%	2,254,404
2014	17,170	37%	2,265,286
2015	18,053	89%	2,267,272

Notes to Financial Statements

Funded Status and Funding Progress. As of December 31, 2014, the date of the most recent actuarial valuation, the Plan was 0 percent funded. The actuarial accrued liability for benefits was \$676,764, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$676,764. The covered payroll (annual payroll of the active employees covered by the Plan) was unavailable.

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. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. 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. Significant methods and assumptions were as follows:

Actuarial valuation date	December 31, 2014
Actuarial cost method	Projected Unit Credit
Amortization method	Level Dollar, closed
Remaining amortization period	25 years
Asset valuation method	Not Applicable
Actuarial assumptions:	
Investment rate of return	-- 4.0%
Projected salary increases	Not Applicable
Healthcare inflation rate	9.0% initially; 5.0% ultimately

18. POSTEMPLOYMENT HEALTH CARE BENEFITS - Medical Care Facility

Plan Description. The Facility participated in a defined benefit postemployment plan sponsored by Hillsdale County that provided postemployment medical benefits to retirees until 2012. Prior to 2012, substantially all employees may become eligible for benefits if they reach normal retirement age while working at the Facility. In 2012 the Facility froze the plan to new beneficiaries and froze the accumulation proceeds. The postretirement obligation is expected to be paid from the Facility's General Fund.

Funding Policy. The facility has no obligation to make contributions in advance of when premiums are due for payment as this may be funded on a pay-as-you-go basis.

Funding Progress. For the year ended December 31, 2015, the Facility has estimate the cost of providing retiree healthcare benefits through actuarial valuations as of December 31, 2015. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The valuation's computed contribution and actual funding are summarized as follows for the year ended December 31, 2015:

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	2015'	2014'	2013'
Annual OPEB cost	\$ (1,700,300)	\$ 105,855	133,136
Contributions made	(120,884)	(108,671)	(133,136)
Change in net OPEB Obligation	(1,821,184)	(2,816)	-
Net OPEB obligation, Beginning of year	1,821,184	1,824,000	1,824,000
Net OPEB obligation, end of year	\$ -	\$ 1,821,184	\$ 1,824,000

The County's annual OPEB costs, the percentage of annual OPEB costs contributed to the Plan, and the net OPEB obligation as of December 31, 2015, and the preceding two years, were as follows:

Three-Year Trend Information			
Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 133,136	100.0%	\$ 1,824,000
2014	105,855	103.0%	1,821,184
2015	(1,700,300)	7.1%	-

Funded Status and Funding Progress. The plan was terminated during the year ended December 31, 2015.

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. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements in the separately issued Road Commission report, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. 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. Significant methods and assumptions were as follows:

Actuarial valuation date	December 31, 2014
Actuarial cost method	Entry age
Amortization method	Level percent of payroll
Remaining amortization period	25 years
Asset valuation method	5-year smoothing
Actuarial assumptions:	
Investment rate of return	4.0%
Projected salary increases	4.5%
Healthcare inflation rate	4.0% initially; 0.0% ultimately

COUNTY OF HILLSDALE, MICHIGAN

Notes to Financial Statements

19. NET INVESTMENT IN CAPITAL ASSETS

	Governmental activities	Business-type activities
Capital assets not being depreciated	\$ 773,800	\$ -
Capital assets being depreciated, net	5,410,058	11,192,520
Total capital assets	<u>6,183,858</u>	<u>11,192,520</u>
Capital related bonds	(8,478,000)	(1,310,726)
Installment contracts	(680,547)	-
Capital leases	<u>(53,839)</u>	<u>-</u>
Total net investment in capital assets	<u>\$ (3,028,528)</u>	<u>\$ 9,881,794</u>

20. PRIOR PERIOD ADJUSTMENTS

The Following prior period adjustments were made during the year, which was a result of a correction of accounts payable in taxes receivable.

	Governmental activities	Fund Balance
Fund Balance/Net position, Beginning	\$ (3,059,170)	\$ 1,253,191
Correction of Accounts Payable	-	-
Fund Balance/Net position, as Restated	<u>(3,059,170)</u>	<u>1,253,191</u>
2015 Change in Fund Balance/Net position	894,447	195,343
2015 Fund Balance/Net Position, Ending	<u>\$ (2,164,723)</u>	<u>\$ 1,448,534</u>

Required Supplementary Information

COUNTY OF HILLSDALE, MICHIGAN

Required Supplementary Information

Pension Plan - Primary government

Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
12/31/2007	2,178,561	4,537,379	2,358,818	48%	1,877,268	126%
12/31/2008	2,489,784	4,940,140	2,450,356	50%	1,936,111	127%
12/31/2009	2,871,817	5,108,360	2,236,543	56%	1,940,559	115%
12/31/2010	3,237,600	5,414,160	2,176,560	60%	1,911,857	114%
12/31/2011	3,320,888	6,221,286	2,900,398	53%	1,846,043	157%
12/31/2012	3,797,643	6,221,286	2,423,643	61%	1,770,958	137%
12/31/2013	4,010,764	6,530,902	2,520,138	61%	1,788,185	141%
12/31/2014	4,340,220	6,984,418	2,644,198	62%	1,845,178	143%
12/31/2015	4,626,228	7,607,345	2,981,117	61%	1,799,823	166%

Schedule of Employer Contributions		
Year Ended December 31,	Annual Required Contributions	Percentage Contributed
2008	152,988	100.0%
2009	155,251	100.0%
2010	148,325	100.0%
2011	142,511	100.0%
2012	145,110	100.0%
2013	155,967	100.0%
2014	135,240	100.0%
2015	138,180	100.0%

Pension Plan - Road Commission

Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
12/31/2008	5,163,465	7,574,337	2,410,872	68%	1,888,047	128%
12/31/2009	5,443,077	7,590,341	2,147,264	72%	1,772,509	121%
12/31/2010	5,714,830	7,972,096	2,257,266	72%	1,733,507	130%
12/31/2011	5,959,968	8,330,567	2,370,599	72%	1,786,673	133%
12/31/2012	6,187,113	8,869,735	2,682,622	70%	1,724,235	156%
12/31/2013	6,476,801	9,482,324	3,005,523	68%	1,719,443	175%
12/31/2015	6,123,270	10,469,942	4,346,672	58%	1,952,007	223%

COUNTY OF HILLSDALE, MICHIGAN

Required Supplementary Information

Schedule of Employer Contributions		
Year Ended December 31,	Annual Required Contributions	Percentage Contributed
2009	165,547	100.0%
2010	160,479	100.0%
2011	155,124	100.0%
2012	177,854	100.0%
2013	210,524	100.0%
2014	231,743	100.0%
2014	267,997	100.0%

Retiree Health Care Plan - Primary government

Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
12/31/2009	\$ -	\$ 3,954,168	\$ 3,954,168	0.0%	n/a	n/a
12/31/2011	-	4,739,727	4,739,727	0.0%	n/a	n/a
12/31/2014	-	676,764	676,764	0.0%	n/a	n/a
12/31/2015	-	676,764	676,764	0.0%	n/a	n/a

Schedule of Employer Contributions		
Year Ended December 31,	Annual Required Contributions	Percentage Contributed
2011	512,460	3.1%
2012	552,523	2.0%
2013	570,228	2.0%
2014	65,752	9.6%
2015	70,301	2.4%

COUNTY OF HILLSDALE, MICHIGAN

Required Supplementary Information

Schedule of Funding Progress

Total Pension Liability	
Service Cost	192,609
Interest	537,668
Benefit payments, including refund of member contributions	(299,424)
Other Changes	170,326
	<hr/>
Net Change in Total Pension Liability	601,179
Total Pension Liability - Beginning	6,774,257
	<hr/>
Total Pension Liability - Ending	7,375,436
	<hr/> <hr/>
Plan fiduciary net position	
Contributions - employer	138,180
Contributions - employee	212,788
Net investment income	234,464
Benefit payments, including refunds of member contributions	(299,424)
Administrative expense	
Net Change in plan fiduciary net position	286,008
Total plan fiduciary net position - Beginning	4,340,220
Total plan fiduciary net position - Ending	4,626,228
County's net pension liability - ending	2,749,208
Plan fiduciary net position as a percentage of the total pension liability	63%
Covered - Employee Payroll	1,799,823
County's net pension liability as a percentage of covered-employee payroll	65%
Annual money-weighted rate of return, net investment expense	4%
Actuarially determined contribution	147,900
Contributions in relation to the actuarially determined contribution	(138,180)
Contribution deficiency (excess)	9,720
Covered - employee payroll	1,799,823
Contributions as a percentage of covered-employee payroll	8%

COUNTY OF HILLSDALE, MICHIGAN

Required Supplementary Information

Retiree Health Care Plan - Medical Care Facility

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
12/31/2011	-	6,823,328	6,823,328	0.0%	n/a	n/a
12/31/2012	-	2,662,056	2,662,056	0.0%	n/a	n/a
12/31/2013	-	2,662,056	2,662,056	0.0%	n/a	n/a
12/31/2014	-	2,360,423	2,360,423	0.0%	n/a	n/a
12/31/2015		N/A	N/A			

COUNTY OF HILLSDALE, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - General Fund

Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Actual over (under) Final Budget
Revenues				
Property taxes	\$ 6,230,000	\$ 6,310,000	\$ 6,154,487	\$ (155,513)
Intergovernmental:				
State revenue sharing	938,000	938,000	937,068	(932)
Juvenile Officer's Grant	28,000	28,000	11,824	(16,176)
Judges Salaries Grant	231,367	231,367	231,367	-
Juror Compensation Grant	3,000	3,000	1,316	(1,684)
Liquor Tax	178,000	191,250	199,857	8,607
Secondary Road Patrol Grant	71,000	71,000	60,272	(10,728)
Marine Safety Grant	11,000	11,000	10,140	(860)
Emergency Management Grant	7,000	7,000	9,170	2,170
Drunk Driving Grant	12,000	12,000	8,058	(3,942)
Cigarette Tax Distribution	3,000	3,000	-	(3,000)
Prosecutor - Cooperative Reimbursement Program	50,000	50,000	51,829	1,829
FOC - Cooperative Reimbursement Program	215,000	215,000	186,936	(28,064)
FOC - Other	62,000	62,000	114,462	52,462
Survey and Remonumentation Grant	59,894	59,894	55,590	(4,304)
State court equity funding	190,000	190,000	205,128	15,128
Elections	40,000	40,000	46,617	6,617
Other intergovernmental revenue	500	500	89	(411)
Total intergovernmental	2,099,761	2,113,011	2,129,723	16,712
Licenses and permits:				
Dog licenses	54,000	54,000	47,265	(6,735)
Other licenses and permits	31,000	31,000	21,080	(9,920)
Total licenses and permits	85,000	85,000	68,345	(16,655)
Fines and forfeits:				
Ordinance fines and costs	210,000	310,000	336,917	26,917
Bond forfeitures	12,200	27,200	33,036	5,836
Total fines and forfeits	222,200	337,200	369,953	32,753
Charges for services:				
Circuit Court	46,300	46,300	46,753	453
District Court	84,500	116,500	113,805	(2,695)
Friend of the Court	78,600	98,600	103,111	4,511
Probate/Family Court	17,100	17,100	15,201	(1,899)
Clerk	57,000	57,000	59,849	2,849
Register of deeds	273,000	273,000	274,865	1,865
Sheriff	58,400	68,400	63,752	(4,648)
Equalization	58,000	58,000	60,406	2,406
Other charges for services	85,200	88,200	76,077	(12,123)
Total charges for services	758,100	823,100	813,819	(9,281)

continued...

COUNTY OF HILLSDALE, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - General Fund

Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Actual over (under) Final Budget
Revenues (continued)				
Interest and rentals:				
Interest revenue	\$ 70,000	\$ 70,000	\$ 68,193	\$ (1,807)
Rents	434,883	434,883	435,749	866
Total interest and rentals	<u>504,883</u>	<u>504,883</u>	<u>503,942</u>	<u>(941)</u>
Other revenue/reimbursements -				
Reimbursements and refunds	<u>678,189</u>	<u>736,789</u>	<u>716,141</u>	<u>(20,648)</u>
Total revenues	<u>10,578,133</u>	<u>10,909,983</u>	<u>10,756,410</u>	<u>(153,573)</u>
Expenditures				
Legislative -				
Board of Commissioners	<u>76,316</u>	<u>76,316</u>	<u>73,683</u>	<u>(2,633)</u>
Judicial:				
Circuit Court	166,256	166,256	155,520	(10,736)
District Court	480,050	480,050	481,410	1,360
Friend of the Court	352,269	352,269	338,010	(14,259)
Law Library	5,000	5,000	751	(4,249)
Jury Commission	2,624	2,624	592	(2,032)
Probate Court	547,982	547,982	546,608	(1,374)
Family/Juvenile Court	225,000	240,000	236,487	(3,513)
Total judicial	<u>1,779,181</u>	<u>1,794,181</u>	<u>1,759,378</u>	<u>(34,803)</u>
General government:				
Elections	82,677	99,677	101,362	1,685
Clerk	224,812	224,812	218,354	(6,458)
Register of deeds	147,953	147,953	145,156	(2,797)
Planning	1,200	1,200	83	(1,117)
Equalization	215,859	215,859	215,845	(14)
Information technology	290,439	290,439	289,445	(994)
Prosecutor	438,389	445,389	448,389	3,000
Survey & Remonumentation	59,894	55,783	55,590	(193)
Treasurer	217,090	217,090	217,092	2
Finance	56,465	56,465	55,739	(726)
MSU Extension	187,331	187,331	183,421	(3,910)
Courthouse and grounds	362,434	366,434	342,446	(23,988)
FOC Building	27,555	27,555	20,375	(7,180)
DHS Building	153,682	139,682	127,564	(12,118)
Drain Commissioner	203,082	203,082	187,937	(15,145)
Bus Garage	16,785	20,785	15,068	(5,717)
Office building	13,600	19,600	16,100	(3,500)
Total general government	<u>2,699,248</u>	<u>2,719,137</u>	<u>2,639,966</u>	<u>(79,171)</u>

continued...

COUNTY OF HILLSDALE, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - General Fund

Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Actual over (under) Final Budget
Expenditures (continued)				
Public safety:				
Sheriff's Department	\$ 1,846,036	\$ 1,846,036	\$ 1,819,962	\$ (26,074)
Secondary Road Patrol Grant	80,745	80,745	65,890	(14,855)
Marine Patrol	17,025	17,025	11,131	(5,894)
Jail Operation	869,273	892,273	892,075	(198)
Emergency Preparedness	48,018	48,018	44,022	(3,996)
Animal control	60,779	60,779	51,099	(9,680)
Total public safety	<u>2,921,876</u>	<u>2,944,876</u>	<u>2,884,179</u>	<u>(60,697)</u>
Public works -				
Board of Public Works	23,671	24,671	24,118	(553)
Health and welfare:				
Health Department	140,575	140,575	133,073	(7,502)
Medical Examiner	45,148	45,148	35,824	(9,324)
Veteran's Burial	12,000	12,000	8,485	(3,515)
Veteran's Affairs Office	59,428	59,428	58,621	(807)
District Health Department	231,360	231,360	206,360	(25,000)
Mental Health Authority	274,000	274,000	274,000	-
Total health and welfare	<u>762,511</u>	<u>762,511</u>	<u>716,363</u>	<u>(46,148)</u>
Other:				
Employee Benefits	1,353,500	1,353,500	1,266,974	(86,526)
Property/Liability Insurance	254,910	264,910	264,144	(766)
Other	419,700	437,200	400,171	(37,029)
Appropriations	113,079	135,079	130,277	(4,802)
Total other	<u>2,141,189</u>	<u>2,190,689</u>	<u>2,061,566</u>	<u>(129,123)</u>
Capital outlay	90,000	90,000	96,536	6,536
Capital lease	14,000	14,000	55,054	41,054
Debt service:				
Interest	-	-	2,776	2,776
	-	-	2,776	2,776
Total expenditures	<u>10,507,991</u>	<u>10,616,380</u>	<u>10,313,619</u>	<u>(302,761)</u>
Revenues over (under) expenditures	70,141	293,602	442,791	149,189

continued...

COUNTY OF HILLSDALE, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - General Fund
 Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Actual over (under) Final Budget
Other financing sources (uses)				
Proceeds from capital lease	\$ 42,000	\$ 42,000	\$ 55,242	\$ 13,242
Transfers in	681,530	681,530	640,411	(41,119)
Transfers out	(982,105)	(982,105)	(943,101)	(39,004)
Total other financing sources (uses)	<u>(258,575)</u>	<u>(258,575)</u>	<u>(247,448)</u>	<u>11,127</u>
Net change in fund balances	(188,434)	35,027	195,343	160,316
Fund balances, beginning of year	<u>1,253,191</u>	<u>1,253,191</u>	<u>1,253,191</u>	<u>-</u>
Fund balances (deficit), end of year	<u><u>\$ 1,064,757</u></u>	<u><u>\$ 1,288,218</u></u>	<u><u>\$ 1,448,534</u></u>	<u><u>\$ 160,316</u></u>

COUNTY OF HILLSDALE, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - Senior Citizen Special Revenue Fund

Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Actual over (under) Final Budget
Revenues				
Property tax revenue	\$ 1,212,000	\$ 1,212,000	\$ 1,227,653	\$ 15,653
Expenditures				
Health and welfare	1,212,000	1,212,000	1,230,003	18,003
Revenues over expenditures	-	-	(2,350)	(2,350)
Fund balances, beginning of year	18,070	18,070	18,070	-
Fund balances, end of year	\$ 18,070	\$ 18,070	\$ 15,720	\$ (2,350)

COUNTY OF HILLSDALE, MICHIGAN

Combining Balance Sheet - Nonmajor Governmental Funds

December 31, 2015

	Special Revenue									
	Parks	Ambulance	Tobacco and Alcohol Diversion	Pros. Atty. Offender Diversion	E-911 Emergency	Concealed Pistols Permit	Friend of the Court	Register of Deeds Automation	Drug Forfeiture	Law Enforcement Training
Assets										
Cash and investments	\$ 10,254	\$ 18,052	\$ 15,282	\$ 61,119	\$ 831,960	\$ 12,246	\$ 138,072	\$ 233,664	\$ 39,693	\$ 824
Taxes receivable	-	498,780	-	-	-	-	-	-	-	-
Accounts receivable	2,355	-	-	-	88,826	218	-	115	-	-
Due from other funds	-	-	-	-	-	-	-	-	-	-
Leases receivable	-	-	-	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	-	-	-	-
Prepaid expenditures	-	-	-	-	1,224	-	-	-	-	-
Interest receivable	-	-	-	-	-	-	-	-	-	-
Total assets	\$ 12,609	\$ 516,832	\$ 15,282	\$ 61,119	\$ 922,010	\$ 12,464	\$ 138,072	\$ 233,779	\$ 39,693	\$ 824
Liabilities										
Accounts payable	\$ 5,233	\$ -	\$ -	\$ 25	\$ 3,210	\$ -	\$ -	\$ 7,193	\$ -	\$ -
Unearned revenue	2,466	-	-	-	-	-	-	-	-	-
Accrued liabilities	2,493	-	-	-	12,455	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-	-	-
Interfund payable	-	-	-	-	-	-	-	-	-	-
Total liabilities	10,192	-	-	25	15,665	-	-	7,193	-	-
Deferred inflows of resources										
Taxes levied for subsequent periods	-	498,780	-	-	-	-	-	-	-	-
Fund balances										
Nonspendable	-	-	-	-	1,224	-	-	-	-	-
Restricted	-	18,052	-	-	905,121	12,464	138,072	226,586	39,693	824
Assigned	2,417	-	15,282	61,094	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
Total fund balances	2,417	18,052	15,282	61,094	906,345	12,464	138,072	226,586	39,693	824
Total liabilities, deferred inflows of resources and fund balances	\$ 12,609	\$ 516,832	\$ 15,282	\$ 61,119	\$ 922,010	\$ 12,464	\$ 138,072	\$ 233,779	\$ 39,693	\$ 824

COUNTY OF HILLSDALE, MICHIGAN

Combining Balance Sheet - Nonmajor Governmental Funds

December 31, 2015

	Special Revenue								
	County Law Library	Child Abuse	Department of Human Services	Department of Human Services Child Care	Probate Child Care	Soldiers' and Sailors' Relief	Veterans' Trust	Homeland Security	GIS/Mapping Technology
Assets									
Cash and investments	\$ 8,053	\$ 63,321	\$ 34,875	\$ 79,380	\$ 171,072	\$ 19,418	\$ 2,105	\$ (19,827)	\$ 9,025
Taxes receivable	-	-	-	-	-	-	-	-	-
Accounts receivable	-	-	-	-	10,239	-	-	22,591	275
Due from other funds	-	-	-	-	-	-	-	-	-
Leases receivable	-	-	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	-	-	-
Prepaid expenditures	-	-	976	-	-	-	-	-	-
Interest receivable	-	-	-	-	-	-	-	-	-
Total assets	\$ 8,053	\$ 63,321	\$ 35,851	\$ 79,380	\$ 181,311	\$ 19,418	\$ 2,105	\$ 2,764	\$ 9,300
Liabilities									
Accounts payable	\$ 601	\$ -	\$ -	\$ 9,300	\$ 94,119	\$ -	\$ -	\$ 180	\$ -
Unearned revenue	-	-	-	-	-	-	-	-	-
Accrued liabilities	-	-	-	-	8,282	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-	-
Interfund payable	-	-	-	-	-	-	-	-	-
Total liabilities	601	-	-	9,300	102,401	-	-	180	-
Deferred inflows of resources									
Taxes levied for subsequent periods	-	-	-	-	-	-	-	-	-
Fund balances									
Nonspendable	-	-	-	-	-	-	-	-	-
Restricted	7,452	63,321	35,851	70,080	78,910	19,418	2,105	-	-
Assigned	-	-	-	-	-	-	-	-	9,300
Unassigned	-	-	-	-	-	-	-	2,584	-
Total fund balances	7,452	63,321	35,851	70,080	78,910	19,418	2,105	2,584	9,300
Total liabilities, deferred inflows of resources and fund balances	\$ 8,053	\$ 63,321	\$ 35,851	\$ 79,380	\$ 181,311	\$ 19,418	\$ 2,105	\$ 2,764	\$ 9,300

(continued...)

COUNTY OF HILLSDALE, MICHIGAN

Combining Balance Sheet - Nonmajor Governmental Funds

December 31, 2015

	Special Revenue		Debt Service					Capital Projects	
	Drug Offender	Veterans' Scholarship	Court House	Court House Annex	Medical Care Facility Debt Service	Medical Care Facility Small House	DHS Building Authority Debt Service	Improvement	Medical Care Facility
Assets									
Cash and investments	\$ 114,528	\$ 3,861	\$ 25	\$ -	\$ 75,816	\$ 720	\$ 630	\$ 74,578	\$ 984
Taxes receivable	-	-	-	-	511,702	-	-	-	-
Accounts receivable	7,210	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-	-
Leases receivable	-	-	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	-	-	-
Prepaid expenditures	-	-	-	-	-	-	-	-	-
Interest receivable	-	-	-	-	-	-	-	-	-
Total assets	\$ 121,738	\$ 3,861	\$ 25	\$ -	\$ 587,518	\$ 720	\$ 630	\$ 74,578	\$ 984
Liabilities									
Accounts payable	\$ 264	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unearned revenue	-	-	-	-	-	-	-	-	-
Accrued liabilities	785	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-	-
Interfund payable	-	-	-	-	-	-	-	-	-
Total liabilities	1,049	-	-	-	-	-	-	-	-
Deferred inflows of resources									
Taxes levied for subsequent periods	-	-	-	-	511,702	-	-	-	-
Fund balances									
Nonspendable	-	-	-	-	-	-	-	-	-
Restricted	120,689	3,861	25	-	75,816	720	630	-	-
Assigned	-	-	-	-	-	-	-	74,578	984
Unassigned	-	-	-	-	-	-	-	-	-
Total fund balances	120,689	3,861	25	-	75,816	720	630	74,578	984
Total liabilities, deferred inflows of resources and fund balances	\$ 121,738	\$ 3,861	\$ 25	\$ -	\$ 587,518	\$ 720	\$ 630	\$ 74,578	\$ 984

(continued...)

COUNTY OF HILLSDALE, MICHIGAN

Combining Balance Sheet - Nonmajor Governmental Funds

December 31, 2015

			Permanent Funds			Total
	DHS Building Authority	CH Building Authority	Cemetery Trust	MCF Endowment	Carl Gilmore Trust	
Assets						
Cash and investments	\$ 6,727	\$ 31,758	\$ -	\$ 3,122	\$ -	\$ 2,041,337
Taxes receivable	-	-	-	-	-	1,010,482
Accounts receivable	-	-	-	-	-	131,829
Due from other funds	-	-	-	-	-	-
Leases receivable	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-
Prepaid expenditures	-	-	-	-	-	2,200
Interest receivable	-	-	-	-	-	-
Total assets	\$ 6,727	\$ 31,758	\$ -	\$ 3,122	\$ -	\$ 3,185,848
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 120,125
Unearned revenue	-	-	-	-	-	2,466
Accrued liabilities	-	-	-	-	-	24,015
Due to other funds	-	-	-	-	-	-
Interfund payable	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	146,606
Deferred inflows of resources						
Taxes levied for subsequent periods	-	-	-	-	-	1,010,482
Fund balances						
Nonspendable	-	-	-	3,122	-	4,346
Restricted	-	31,758	-	-	-	1,851,448
Assigned	6,727	-	-	-	-	170,382
Unassigned	-	-	-	-	-	2,584
Total fund balances	6,727	31,758	-	3,122	-	2,028,760
Total liabilities, deferred inflows of resources and fund balances	\$ 6,727	\$ 31,758	\$ -	\$ 3,122	\$ -	\$ 3,185,848

COUNTY OF HILLSDALE, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds
Year Ended December 31, 2015

	Special Revenue									
	Parks	Ambulance	Tobacco and Alcohol Diversion	Pros. Atty. Offender Diversion	E-911 Emergency	Concealed Pistols Permit	Friend of the Court	Register of Deeds Automation	Drug Forfeiture	Law Enforcement Training
Revenues										
Property taxes	\$ -	\$ 489,300	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	9,858	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	3,623	37,208	-	-	36,001	-	-	-
Charges for services	9,882	-	-	-	1,154,328	12,464	-	-	-	-
Refunds and reimbursements	-	-	-	-	47,380	-	-	-	-	-
Interest and rentals	48	-	-	-	2,316	-	-	-	-	-
Other revenue	27,729	-	-	-	14,459	-	19,158	45,425	60,903	5,547
Total revenues	37,659	499,158	3,623	37,208	1,218,483	12,464	55,159	45,425	60,903	5,547
Expenditures										
Current:										
Judicial	-	-	-	-	-	-	3,840	-	-	-
General government	-	-	-	-	-	-	-	21,928	-	-
Public safety	-	-	-	125	1,091,653	-	-	-	34,362	6,823
Health and welfare	-	505,659	-	-	-	-	-	-	-	-
Recreation and culture	58,313	978	-	-	-	-	-	-	-	-
Capital outlay	3,388	-	-	-	39,464	-	-	-	-	-
Debt service										
Principal	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-
Total expenditures	61,701	506,637	-	125	1,131,117	-	3,840	21,928	34,362	6,823
Revenues over (under) expenditures	(24,042)	(7,479)	3,623	37,083	87,366	12,464	51,319	23,497	26,541	(1,276)
Other financing sources (uses)										
Transfers in	25,050	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	25,050	-	-	-	-	-	-	-	-	-
Net changes in fund balances	1,008	(7,479)	3,623	37,083	87,366	12,464	51,319	23,497	26,541	(1,276)
Fund balances (deficit), beginning of year	1,409	25,531	11,659	24,011	818,979	-	86,753	203,089	13,152	2,100
Fund balances (deficit), end of year	\$ 2,417	\$ 18,052	\$ 15,282	\$ 61,094	\$ 906,345	\$ 12,464	\$ 138,072	\$ 226,586	\$ 39,693	\$ 824

COUNTY OF HILLSDALE, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds
Year Ended December 31, 2015

	Special Revenue								
	County Law Library	Child Abuse	Department of Human Services	Department of Human Services Child Care	Probate Child Care	Soldiers' and Sailors' Relief	Veterans' Trust	Homeland Security	GIS/Mapping Technology
Revenues									
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-	-	-	37,151	-
Contributions	-	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-
Refunds and reimbursements	-	-	-	-	142,793	-	-	-	-
Interest and rentals	-	-	-	-	123	-	-	-	-
Other revenue	12,500	20,332	60	111,489	495,579	238	8,220	-	1,939
Total revenues	12,500	20,332	60	111,489	638,495	238	8,220	37,151	1,939
Expenditures									
Current:									
Judicial	10,183	-	-	-	-	-	-	-	-
General government	-	-	-	-	-	-	-	-	900
Public safety	-	1,262	-	-	-	-	-	22,591	-
Health and welfare	-	-	43,363	211,665	1,143,444	105,320	6,698	-	-
Recreation and culture	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-
Debt service									
Principal	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-
Total expenditures	10,183	1,262	43,363	211,665	1,143,444	105,320	6,698	22,591	900
Revenues over (under) expenditures	2,317	19,070	(43,303)	(100,176)	(504,949)	(105,082)	1,522	14,560	1,039
Other financing sources (uses)									
Transfers in	-	-	50,000	110,000	470,000	126,717	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	50,000	110,000	470,000	126,717	-	-	-
Net changes in fund balances	2,317	19,070	6,697	9,824	(34,949)	21,635	1,522	14,560	1,039
Fund balances (deficit), beginning of year	5,135	44,251	29,154	60,256	113,859	(2,217)	583	(11,976)	8,261
Fund balances (deficit), end of year	\$ 7,452	\$ 63,321	\$ 35,851	\$ 70,080	\$ 78,910	\$ 19,418	\$ 2,105	\$ 2,584	\$ 9,300

(continued...)

COUNTY OF HILLSDALE, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds
Year Ended December 31, 2015

	Special Revenue		Debt Service				Capital Projects		
	Drug Offender	Veterans' Scholarship	Court House	Court House Annex	Medical Care Facility Debt Service	Medical Care Facility Small House	DHS Building Authority Debt Service	Improvement	Medical Care Facility
Revenues									
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 533,373	\$ -	\$ -	\$ -	\$ -
Intergovernmental	150,133	-	-	-	-	-	-	-	-
Contributions	-	3,690	-	87,875	-	-	162,707	-	-
Fines and forfeits	-	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-
Refunds and reimbursements	3,595	-	-	-	-	-	-	-	-
Interest and rentals	-	-	-	-	175,598	1,042,173	1	424	-
Other revenue	150	-	-	-	-	-	-	-	-
Total revenues	153,878	3,690	-	87,875	708,971	1,042,173	162,708	424	-
Expenditures									
Current:									
Judicial	-	-	-	-	-	-	-	-	-
General government	-	-	-	-	-	-	-	2,749	-
Public safety	120,594	-	-	-	-	-	-	-	-
Health and welfare	-	750	-	-	-	-	-	-	-
Recreation and culture	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	11,943	-
Debt service									
Principal	-	-	90,396	80,000	511,000	1,000,000	158,000	-	-
Interest	-	-	11,205	7,875	251,194	42,173	4,683	-	-
Total expenditures	120,594	750	101,601	87,875	762,194	1,042,173	162,683	14,692	-
Revenues over (under) expenditures	33,284	2,940	(101,601)	-	(53,223)	-	25	(14,268)	-
Other financing sources (uses)									
Transfers in	22,000	-	101,626	-	81,985	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	22,000	-	101,626	-	81,985	-	-	-	-
Net changes in fund balances	55,284	2,940	25	-	28,762	-	25	(14,268)	-
Fund balances (deficit), beginning of year	65,405	921	-	-	47,054	720	605	88,846	984
Fund balances (deficit), end of year	\$ 120,689	\$ 3,861	\$ 25	\$ -	\$ 75,816	\$ 720	\$ 630	\$ 74,578	\$ 984

(continued...)

COUNTY OF HILLSDALE, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds
Year Ended December 31, 2015

			Permanent	Permanent Funds		Total
	DHS Building Authority	CH Building Authority	Cemetery Trust	MCF Endowment	Carl Gilmore Trust	
Revenues						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,022,673
Intergovernmental	-	-	-	-	-	197,142
Contributions	-	-	-	-	-	254,272
Fines and forfeits	-	-	-	-	-	76,832
Charges for services	-	-	-	-	-	1,176,674
Refunds and reimbursements	-	-	-	-	-	193,768
Interest and rentals	5	24	-	8	-	1,220,720
Other revenue	-	-	-	-	-	823,728
Total revenues	5	24	-	8	-	4,965,809
Expenditures						
Current:						
Judicial	-	-	-	-	-	14,023
General government	-	-	-	-	(3)	25,574
Public safety	-	-	-	-	-	1,277,410
Health and welfare	-	-	-	-	-	2,016,899
Recreation and culture	-	-	-	-	-	59,291
Capital outlay	-	-	-	-	-	54,795
Debt service						
Principal	-	-	-	-	-	1,839,396
Interest	-	-	-	-	-	317,130
Total expenditures	-	-	-	-	(3)	5,604,518
Revenues over (under) expenditures	5	24	-	8	3	(638,709)
Other financing sources (uses)						
Transfers in	-	-	-	-	-	987,378
Transfers out	-	-	(242)	-	(50)	(292)
Total other financing sources (uses)	-	-	(242)	-	(50)	987,086
Net changes in fund balances	5	24	(242)	8	(47)	348,377
Fund balances (deficit), beginning of year	6,722	31,734	242	3,114	47	1,680,383
Fund balances (deficit), end of year	\$ 6,727	\$ 31,758	\$ -	\$ 3,122	\$ -	\$ 2,028,760

COUNTY OF HILLSDALE, MICHIGAN

Combining Statement of Net Position

Nonmajor Enterprise Funds

December 31, 2015

	2003 Delinquent Tax Revolving	2004 Delinquent Tax Revolving	2005 Delinquent Tax Revolving	2006 Delinquent Tax Revolving	2007 Delinquent Tax Revolving	2008 Delinquent Tax Revolving	2009 Delinquent Tax Revolving	2010 Delinquent Tax Revolving	2011 Delinquent Tax Revolving
Assets									
Current assets:									
Cash and investments	\$ -	\$ 355	\$ 955	\$ 566	\$ 872	\$ 1,373	\$ 60,264	\$ 28,994	\$ 77,842
Taxes receivable	-	560	3,222	7,920	20,134	39,045	55,095	78,976	105,285
Accounts receivable	-	-	-	-	-	920	2,430	1,563	3,379
Due from other funds	-	-	-	-	-	-	-	-	-
Advances from other funds	-	-	-	-	-	-	-	-	107,725
Interfund receivable	-	-	-	-	-	-	-	11,966	-
Interest receivable	-	1,386	6,382	15,268	23,694	51,720	73,128	87,820	87,876
Prepays	-	-	-	-	-	-	-	1,500	-
Total current assets	-	2,301	10,559	23,754	44,700	93,058	190,917	210,819	382,107
Noncurrent assets:									
Leases receivable, net of current portion	-	-	-	-	-	-	-	-	-
Capital assets	-	-	-	-	-	-	-	-	-
Total assets	-	2,301	10,559	23,754	44,700	93,058	190,917	210,819	382,107
Liabilities									
Accounts payable	-	-	-	-	550	-	-	-	-
Accrued liabilities	-	-	-	430	-	-	-	-	-
Interfund payable	-	-	-	-	-	-	11,966	-	-
Due to other governments	-	-	110	-	510	750	1,030	1,060	1,667
Current portion of long-term debt	-	-	-	-	-	-	-	-	-
Total current liabilities	-	-	110	430	1,060	750	12,996	1,060	1,667
Total liabilities	-	-	110	430	1,060	750	12,996	1,060	1,667
Net position									
Net investment in capital assets	-	-	-	-	-	-	-	-	-
Restricted by statute	-	-	-	-	-	-	12,630	-	132,194
Unrestricted (deficit)	-	2,301	10,449	23,324	43,640	92,308	165,291	209,759	248,246
Total net position	\$ -	\$ 2,301	\$ 10,449	\$ 23,324	\$ 43,640	\$ 92,308	\$ 177,921	\$ 209,759	\$ 380,440

(continued...)

COUNTY OF HILLSDALE, MICHIGAN

Combining Statement of Net Position

Nonmajor Enterprise Funds

December 31, 2015

	2012 Delinquent Tax Revolving	2013 Delinquent Tax Revolving	Building Inspection	Geographic Information Systems	BPW #2 Townships of Jefferson and Pittsford	BPW #1 City of Litchfield	BPW #6 Village of Jonesville	Total
Assets								
Current assets:								
Cash and investments	\$ 170,608	\$ 365,176	\$ 620,563	\$ 12,594	\$ -	\$ -	\$ -	\$ 1,340,162
Taxes receivable	127,170	396,975	-	-	-	-	-	834,382
Accounts receivable	2,370	4,860	-	-	-	-	-	15,522
Due from other funds	-	335,000	156,000	-	-	-	-	491,000
Advances from other funds	-	-	-	-	-	-	-	107,725
Interfund receivable	-	-	-	-	-	-	-	11,966
Interest receivable	92,350	268,870	-	-	-	825	-	709,319
Prepays	368	-	135	75	-	-	-	2,078
Total current assets	392,866	1,370,881	776,698	12,669	-	825	-	3,512,154
Noncurrent assets:								
Leases receivable, net of current portion	-	-	-	-	-	(825)	-	(825)
Capital assets	-	-	16,102	-	-	-	-	16,102
Total assets	392,866	1,370,881	792,800	12,669	-	-	-	3,527,431
Liabilities								
Accounts payable	-	390	1,862	-	-	-	-	2,802
Accrued liabilities	-	-	1,261	-	-	-	-	1,691
Interfund payable	-	-	-	-	-	-	-	11,966
Due to other governments	214	-	-	-	-	-	-	5,341
Current portion of bonds payable	-	750,000	-	-	-	-	-	750,000
Total current liabilities	214	750,390	3,123	-	-	-	-	771,800
Total liabilities	214	750,390	3,123	-	-	-	-	771,800
Net position								
Net investment in capital assets	-	-	16,102	-	-	-	-	16,102
Restricted by statute	158,913	-	-	-	-	-	-	303,737
Unrestricted (deficit)	233,739	620,491	773,575	12,669	-	-	-	2,435,792
Total net position	\$ 392,652	\$ 620,491	\$ 789,677	\$ 12,669	\$ -	\$ -	\$ -	\$ 2,755,631

COUNTY OF HILLSDALE, MICHIGAN

Combining Statement of Revenues, Expenses and Changes in Net Position

Nonmajor Enterprise Funds
Year Ended December 31, 2015

	2003 Delinquent Tax Revolving	2004 Delinquent Tax Revolving	2005 Delinquent Tax Revolving	2006 Delinquent Tax Revolving	2007 Delinquent Tax Revolving	2008 Delinquent Tax Revolving	2009 Delinquent Tax Revolving	2010 Delinquent Tax Revolving	2011 Delinquent Tax Revolving
Operating revenues									
Charges for services	\$ 1,519	\$ 298	\$ 685	\$ (571)	\$ -	\$ -	\$ -	\$ (235)	\$ 5,534
Refunds and reimbursements	-	-	-	-	-	-	-	-	-
Other operating revenue	-	-	-	-	-	-	124	300	(1,162)
Total operating revenues	1,519	298	685	(571)	-	-	124	65	4,372
Operating expenses									
Depreciation	-	-	-	-	-	-	-	-	-
Cost of services	-	-	-	10	1,594	588	(748)	13,742	11,261
Total operating expenses	-	-	-	10	1,594	588	(748)	13,742	11,261
Operating income (loss)	1,519	298	685	(581)	(1,594)	(588)	872	(13,677)	(6,889)
Non-operating revenues (expenses)									
Interest revenue	1,196	889	6,134	(3,329)	(6,773)	3,019	16,832	23,224	22,217
Interest expense	-	-	-	-	-	-	-	-	2
Total non-operating revenues (expenses)	1,196	889	6,134	(3,329)	(6,773)	3,019	16,832	23,224	22,219
Income (loss) before transfers	2,715	1,187	6,819	(3,910)	(8,367)	2,431	17,704	9,547	15,330
Transfers									
Transfers out	(6,881)	-	-	(1,000)	(12,000)	(26,000)	(15,000)	(189,530)	-
Change in net position	(4,166)	1,187	6,819	(4,910)	(20,367)	(23,569)	2,704	(179,983)	15,330
Net position (deficit), beginning of year	4,166	1,114	3,630	28,234	64,007	115,877	175,217	389,742	203,523
Prior Period Adjustment	-	161,587							
Net position (deficit), end of year	\$ -	\$ 2,301	\$ 10,449	\$ 23,324	\$ 43,640	\$ 92,308	\$ 177,921	\$ 209,759	\$ 380,440

(continued...)

COUNTY OF HILLSDALE, MICHIGAN

Combining Statement of Revenues, Expenses and Changes in Net Position

Nonmajor Enterprise Funds
Year Ended December 31, 2015

	2012 Delinquent Tax Revolving	2013 Delinquent Tax Revolving	Building Inspection	Geographic Information Systems	BPW #2 Townships of Jefferson and Pittsford	BPW #1 City of Litchfield	BPW #6 Village of Jonesville	Total
Operating revenues								
Charges for services	\$ (18,950)	\$ (10,050)	\$ 530,580	\$ 6,620	\$ -	\$ -	\$ -	\$ 515,430
Refunds and reimbursements	-	-	3,975	-	-	-	-	3,975
Other operating revenue	189,301	210,725	892	-	-	-	-	400,180
Total operating revenues	170,351	200,675	535,447	6,620	-	-	-	919,585
Operating expenses								
Depreciation	-	-	6,132	-	-	-	-	6,132
Cost of services	80,983	32,485	324,094	12,922	-	1,445	36	478,412
Total operating expenses	80,983	32,485	330,226	12,922	-	1,445	36	484,544
Operating income (loss)	89,368	168,190	205,221	(6,302)	-	(1,445)	(36)	435,041
Non-operating revenues (expenses)								
Interest revenue	-	158,323	-	-	-	-	-	221,732
Interest expense	(2,926)	-	-	-	-	-	-	(2,924)
Total non-operating revenues (expenses)	(2,926)	158,323	-	-	-	-	-	218,808
Income (loss) before transfers	86,442	326,513	205,221	(6,302)	-	(1,445)	(36)	653,849
Transfers								
Transfers out	(390,000)	-	-	-	-	-	-	(640,411)
Change in net position	(303,558)	326,513	205,221	(6,302)	-	(1,445)	(36)	13,438
Net position, beginning of year	696,210	293,978	584,456	18,971	-	1,445	36	2,580,606
Prior Period Adjustment	-	-	-	-	-	-	-	161,587
Net position, end of year	\$ 392,652	\$ 620,491	\$ 789,677	\$ 12,669	\$ -	\$ -	\$ -	\$ 2,755,631

COUNTY OF HILLSDALE, MICHIGAN

Combining Statement of Cash Flows
 Nonmajor Enterprise Funds
 Year Ended December 31, 2015

	2003 Delinquent Tax Revolving	2004 Delinquent Tax Revolving	2005 Delinquent Tax Revolving	2006 Delinquent Tax Revolving	2007 Delinquent Tax Revolving	2008 Delinquent Tax Revolving	2009 Delinquent Tax Revolving	2010 Delinquent Tax Revolving	2011 Delinquent Tax Revolving
Cash flows from operating activities									
Cash received from customers	\$ 5,103	\$ (889)	\$ (5,435)	\$ 4,665	\$ 21,206	\$ 23,882	\$ 35,867	\$ 35,391	\$ 97,562
Cash payments to suppliers for goods and services	-	-	-	(10)	(1,564)	(598)	718	(14,137)	(9,906)
Net cash provided by (used in) operating activities	<u>5,103</u>	<u>(889)</u>	<u>(5,435)</u>	<u>4,655</u>	<u>19,642</u>	<u>23,284</u>	<u>36,585</u>	<u>21,254</u>	<u>87,656</u>
Cash flows from non-capital financing activities									
Transfers out	(6,881)	-	-	(1,000)	(12,000)	(26,000)	(15,000)	(189,530)	-
Cash flows from capital and related financing activities									
Interest payments	-	-	-	-	-	-	-	-	2
Principal payments	-	-	-	-	-	-	-	-	158,877
Net cash provided by (used in) capital and related financing activities	<u>-</u>	<u>158,879</u>							
Cash flows from investing activities									
Interest received	1,196	889	6,134	(3,329)	(6,773)	3,019	16,832	23,224	22,217
Total cash provided by (used in) investing activities	<u>1,196</u>	<u>889</u>	<u>6,134</u>	<u>(3,329)</u>	<u>(6,773)</u>	<u>3,019</u>	<u>16,832</u>	<u>23,224</u>	<u>22,217</u>
Net change in cash and cash equivalents	<u>(582)</u>	<u>-</u>	<u>699</u>	<u>326</u>	<u>869</u>	<u>303</u>	<u>38,417</u>	<u>(145,052)</u>	<u>268,752</u>
Cash and cash equivalents, beginning of year	582	355	256	240	3	1,070	21,847	174,046	(190,910)
Cash and cash equivalents, end of year	<u>\$ -</u>	<u>\$ 355</u>	<u>\$ 955</u>	<u>\$ 566</u>	<u>\$ 872</u>	<u>\$ 1,373</u>	<u>\$ 60,264</u>	<u>\$ 28,994</u>	<u>\$ 77,842</u>
Cash flows from operating activities									
Operating income (loss)	\$ 1,519	\$ 298	\$ 685	\$ (581)	\$ (1,594)	\$ (588)	\$ 872	\$ (13,677)	\$ (6,889)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:									
Depreciation	-	-	-	-	-	-	-	-	-
(Increase) decrease in:									
Taxes receivable	3,584	-	263	549	5,156	12,326	25,691	27,702	31,256
Accounts receivable	-	-	-	-	-	50	60	220	161,877
Advances to other funds	-	-	-	-	-	-	-	-	(107,725)
Interest receivable	-	(1,187)	(6,383)	4,687	16,050	11,506	9,992	7,404	7,782
Prepays	-	-	-	-	-	-	-	-	-
Accounts payable	-	-	-	-	30	(10)	(30)	(395)	1,355
Net cash provided by (used in) operating activities	<u>\$ 5,103</u>	<u>\$ (889)</u>	<u>\$ (5,435)</u>	<u>\$ 4,655</u>	<u>\$ 19,642</u>	<u>\$ 23,284</u>	<u>\$ 36,585</u>	<u>\$ 21,254</u>	<u>\$ 87,656</u>

(continued...)

COUNTY OF HILLSDALE, MICHIGAN

Combining Statement of Cash Flows
 Nonmajor Enterprise Funds
 Year Ended December 31, 2015

	2012 Delinquent Tax Revolving	2013 Delinquent Tax Revolving	Building Inspection	Geographic Information Systems	BPW #2 Townships of Jefferson and Pittsford	BPW #1 City of Litchfield	BPW #6 Village of Jonesville	Total
Cash flows from operating activities								
Cash received from customers	\$ 673,592	\$ 564,434	\$ 574,448	\$ 6,620	\$ -	\$ 675	\$ -	\$ 2,037,121
Cash payments to suppliers for goods and services	(832,339)	(1,332,095)	(322,256)	(12,922)	-	(1,445)	(36)	(2,526,590)
Net cash provided by (used in) operating activities	(158,747)	(767,661)	252,192	(6,302)	-	(770)	(36)	(489,469)
Cash flows from non-capital financing activities								
Transfers out	(390,000)	-	-	-	-	-	-	(640,411)
Cash flows from capital and related financing activities								
Interest payments	(2,928)	-	-	-	-	-	-	(2,926)
Principal payments	-	-	-	-	-	-	-	158,877
Net cash provided by (used in) capital and related financing activities	(2,928)	-	-	-	-	-	-	155,951
Cash flows from investing activities								
Interest received	-	158,323	-	-	-	-	-	221,732
Total cash provided from investing activities	-	158,323	-	-	-	-	-	221,732
Net change in cash and cash equivalents	(551,675)	(609,338)	252,192	(6,302)	-	(770)	(36)	(752,197)
Cash and cash equivalents, beginning of year	722,283	974,514	368,371	18,896	-	770	36	2,092,359
Cash and cash equivalents, end of year	\$ 170,608	\$ 365,176	\$ 620,563	\$ 12,594	\$ -	\$ -	\$ -	\$ 1,340,162
Cash flows from operating activities								
Operating income (loss)	\$ 89,368	\$ 168,190	\$ 205,221	\$ (6,302)	\$ -	\$ (1,445)	\$ (36)	\$ 435,041
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:								
Depreciation	-	-	6,132	-	-	-	-	6,132
(Increase) decrease in:								
Taxes receivable	291,003	787,500	-	-	-	-	-	1,185,030
Accounts receivable	3,006	(339,860)	39,001	-	-	-	-	(135,646)
Advances from other funds	-	-	-	-	-	-	-	(107,725)
Interest receivable	209,232	(83,881)	-	-	-	675	-	175,877
Prepays	-	-	(10)	-	-	-	-	(10)
Accounts payable	(751,356)	(1,299,610)	1,848	-	-	-	-	(2,048,168)
Net cash provided by (used in) operating activities	\$ (158,747)	\$ (767,661)	\$ 252,192	\$ (6,302)	\$ -	\$ (770)	\$ (36)	\$ (489,469)

COUNTY OF HILLSDALE, MICHIGAN

Combining Statement of Fiduciary Assets and Liabilities

Agency Funds
December 31, 2015

	Trust & Agency	Land Policy Education	Library Penal Fines	Employee Benefit Trust	Sheriff Department Retirement	District Court	Community Development Block Grant	Total
Assets								
Cash and investments	\$ 769,865	\$ 14,956	\$ 108,319	\$ 100	\$ 44,323	\$ 115,822	\$ 42,914	\$ 1,096,299
Liabilities								
Due to other governments	247,360	-	-	-	-	-	-	247,360
Undistributed receipts	522,505	14,956	108,319	100	44,323	115,822	42,914	848,939
Total liabilities	\$ 769,865	\$ 14,956	\$ 108,319	\$ 100	\$ 44,323	\$ 115,822	\$ 42,914	\$ 1,096,299

COUNTY OF HILLSDALE, MICHIGAN

Statement of Net Position / Governmental Funds Balance Sheet

Drain Commission Component Unit

December 31, 2015

	Debt Service	Capital Projects		
	Drain Construction Debt	Drain Special Assessment	Drain Revolving	Lake Level Special Assessment
Assets				
Cash and investments	\$ 318	\$ 363,969	\$ 4,036	\$ 74,498
Accounts receivable	-	-	-	-
Special assessments receivable	-	284,550	-	25,000
Prepays	-	-	-	-
Due from other funds	-	-	285,452	(1,750)
Capital assets, net	-	-	-	-
Total assets	\$ 318	\$ 648,519	\$ 289,488	\$ 97,748
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	216,258	-	-
Long-term Liabilities:	-	-	289,488	-
Advances from primary government				
Due within one year	-	-	-	-
Due in more than one year	-	-	-	-
Total liabilities	-	216,258	289,488	-
Deferred inflows of resources				
Unavailable revenue - special assessments	-	284,550	-	25,000
Fund balances				
Unassigned	318	147,711	-	72,748
Total liabilities, deferred inflows of resources and fund balances	\$ 318	\$ 648,519	\$ 289,488	\$ 97,748
Net position				
Net investment in capital assets				
Unrestricted				
Total net position				

COUNTY OF HILLSDALE, MICHIGAN

Statement of Net Position / Governmental Funds Balance Sheet

Drain Commission Component Unit
December 31, 2015

Capital Projects			Internal Service		Statement of Net Position
Lake Level Revolving	Drain Construction	Total	Drain Equipment Revolving	Adjustments	
\$ 13,013	\$ 191,768	\$ 647,602	\$ 112,062	\$ -	\$ 759,664
-	-	-	-	-	-
-	-	309,550	-	-	309,550
-	-	-	-	-	-
5,467	-	289,169	-	(289,169)	-
-	-	-	350,226	470,930	821,156
<u>\$ 18,480</u>	<u>\$ 191,768</u>	<u>\$ 1,246,321</u>	<u>\$ 462,288</u>	<u>181,761</u>	<u>1,890,370</u>
\$ -	\$ -	\$ -	\$ (207)		(207)
-	-	216,258	72,911	(289,169)	-
18,480	-	307,968	-	-	307,968
-	-	-	-	90,500	90,500
-	-	-	-	153,500	153,500
<u>18,480</u>	<u>-</u>	<u>524,226</u>	<u>72,704</u>	<u>(289,169)</u>	<u>307,761</u>
<u>-</u>	<u>-</u>	<u>309,550</u>	<u>-</u>	<u>(309,550)</u>	<u>-</u>
<u>-</u>	<u>191,768</u>	<u>412,545</u>	<u>389,584</u>	<u>(802,129)</u>	<u>-</u>
<u>\$ 18,480</u>	<u>\$ 191,768</u>	<u>\$ 1,246,321</u>	<u>\$ 462,288</u>		
				821,156	821,156
				\$ 517,453	517,453
				\$ 1,338,609	\$ 1,338,609

COUNTY OF HILLSDALE, MICHIGAN

Reconciliation

Fund Balances for Governmental Funds
To Net Position of Governmental Activities
Drain Commission Component Unit
December 31, 2015

Fund balances - governmental funds	\$ 802,129
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.	470,930
Certain liabilities, such as installment loans, are not due and payable in the current period, and therefore are not reported in the funds.	(244,000)
Other long-term assets are not available to pay current year expenditures and, therefore, are not recorded in the funds. Deferred inflows on long-term special assessments receivable	<u>309,550</u>
Net position of governmental activities	<u>\$ 1,338,609</u>

COUNTY OF HILLSDALE, MICHIGAN

Statement of Activities / Governmental Funds Revenues, Expenditures, and Changes in Fund Balances Drain Commission Component Unit Year Ended December 31, 2015

	Debt Service	Capital Projects		
	Drain Construction Debt	Drain Special Assessment	Drain Revolving	Lake Level Special Assessment
Revenues				
Interest revenue	\$ 1	\$ 775	\$ -	\$ 46
Equipment rentals	-	-	-	-
Other revenue	-	288,856	-	25,000
Total revenues	1	289,631	-	25,046
Expenditures/Expenses				
Public works	-	327,096	-	18,450
Depreciation	-	-	-	-
Total expenditures/expenses	-	327,096	-	18,450
Net change in fund balances/ change in net position	1	(37,465)	-	6,596
Fund balances / net position, beginning of year	317	185,176	-	66,152
Fund balances / net position, end of year	\$ 318	\$ 147,711	\$ -	\$ 72,748

COUNTY OF HILLSDALE, MICHIGAN

Statement of Activities / Governmental Funds Revenues, Expenditures, and Changes in Fund Balances Drain Commission Component Unit Year Ended December 31, 2015

Capital Projects				Internal Service		
Lake Level Revolving	Drain Construction	Total		Drain Equipment Revolving	Adjustments	Statement of Activities
\$ -	\$ 36	\$ 858		\$ 80	\$ -	\$ 938
-	-	-		-	-	-
-	320,000	633,856		-	(330,633)	303,223
-	320,036	634,714		80	(330,633)	304,161
-	179,186	524,732		(1)	(308,243)	216,488
-	-	-		-	51,339	51,339
-	179,186	524,732		(1)	(256,904)	267,827
-	140,850	109,982		81	(73,729)	36,334
-	50,918	302,563		389,503	610,209	1,302,275
\$ -	\$ 191,768	\$ 412,545		\$ 389,584	\$ 536,480	\$ 1,338,609

COUNTY OF HILLSDALE, MICHIGAN

Statement of Net Position / Governmental Funds Balance Sheet

Drain Commission Component Unit

Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balance to the Statement of Activities
Year Ended December 31, 2015

Net change in fund balance - Governmental funds	\$ 109,982
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Deduct - depreciation expense	(51,339)
Add - capital assets purchased	308,243
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year.	
	(330,633)
Internal service funds are used by management to charge the costs of certain activities, such as equipment purchases, to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities:	
Net operating loss from governmental activities accounted for in the internal service fund	<u>81</u>
Change in net position of governmental activities	<u><u>\$ 36,334</u></u>

Other Information

Report on Compliance

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Hillsdale, Michigan, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County of Hillsdale, Michigan's basic financial statements and have issued our report thereon dated June 30, 2016. Our report includes a reference to other auditors who audited the financial statements of the Hillsdale County Road Commission, the Hillsdale County Medical Care Facility and the Hillsdale County Park Commission as described in or report on the County of Hillsdale, Michigan's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Hillsdale County Medical Care Facility were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies listed as 2015-001 and 2015-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Hillsdale's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2015-001 and 2015-002.

County of Hillsdale, Michigan's Response to Findings

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

Purpose of this Report

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

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

June 30, 2016

SIGNIFICANT DEFICIENCY - INTERNAL CONTROL AND NONCOMPLIANCE WITH STATE STATUTES

Excess Expenditures Over Appropriations

Finding 2015-001

Criteria: The expenditures of funds in excess of appropriations are contrary to the provisions of Public Act 621 of 1978, Section 18(1), as amended, the Uniform Budgeting and Accounting Act..

Condition: Our examination of procedures used by the County to adopt and maintain operating budgets for the County's budgetary funds revealed instance of noncompliance (See Note 3)

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

Cause: Failure to amend the budget for the General Fund during the year.

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

- *Corrective Action Planned:*
Management has agreed to correct the problem by monitoring the budgets more closely and performing budget amendments on a timely basis.
- *Contact Person(s) Responsible for Correction:*
Mark E. Wiley, Chairman of the Board
- *Anticipated Completion Date:*
Immediately

SIGNIFICANT DEFICIENCY - INTERNAL CONTROL AND NONCOMPLIANCE WITH STATE STATUTES

Deficit Fund Balances

Finding 2015-002

Criteria: Public Act 275 requires that a deficit reduction plan be submitted to the State of Michigan within (90) days of the end of the fiscal year.

Condition: As of December 31, 2014 the County has accumulated fund balance deficits as noted in Note 7.

Effect: The County is not in compliance with Public Act 275.

Cause: Failure to implement a deficit reduction plan when required.

Recommendation: We recommend that the individual responsible for general ledger maintenance review the general ledger on a monthly basis to determine if any funds have a deficit fund balance and to implement a deficit reduction plan when required.

- *Corrective Action Planned:*
Management will review the deficit and prepare an appropriate deficit elimination immediately.
- *Contact Person(s) Responsible for Correction:*
Mark E. Wiley, Chairman of the Board
- *Anticipated Completion Date:*
Immediately

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Hillsdale, Michigan for the year ended December 31, 2015, and have issued our report thereon dated June 30, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in our engagement letter dated May 9, 2016, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the County of Hillsdale, Michigan. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Generally accepted accounting principles provide for certain required supplementary information (RSI) to supplement the basic financial statements. Our responsibility with respect to the management's discussion and analysis, schedule of funding progress, and budgetary comparison schedules, which supplement(s) the basic financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI will not be audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we will not express an opinion or provide any assurance on the RSI.

We have been engaged to report on combining fund financial statements, which accompany the financial statements but are not RSI. Our responsibility for this other information, as described by professional standards, is to evaluate the presentation of the other information in relation to the financial statements as a whole and to report on whether the other information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our letter about planning matters dated on May 9, 2016.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the County of Hillsdale, Michigan are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the depreciation expense is based on estimated lives. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.
- Management's estimate of the allowance for uncollectible accounts receivable is based on past experience and future expectations for collection of various account balances and has been determined to be \$0.
- Management's estimate of the Annual Required Contribution for OPEB Obligations and pension benefits were based on various assumptions regarding life expectancies, inflation, premium increases, and investment rates.

The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreement with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 30, 2015.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Comments and Recommendations

Credit Cards (Prior Year)

During testing of credit cards, it was noted that sales tax is being paid on purchases (Wal-Mart, hotels, etc.) although the County is tax exempt. It was also noted that several purchases (Wal-Mart slips) were not approved. It is recommended that the County follow their credit card policy and only make purchases on the County credit card that are approved as well as ensure that they are not incorrectly charged sales tax.

Status: Corrected.

Policies (Prior Year)

The County does not currently have the following policies in place: ACH/EFT Banking, Conflict of Interest and GASB#54. It is recommended that the County adopt proper policies in order to provide the applicable guidelines to follow and ensure sound accounting procedures.

Status: Uncorrected.

Compensated Absences (Prior Year)

The County does not currently factor in the employer portion of FICA taxes when preparing the amount of compensated absences. It is recommended that the County begin to factor in this expense when preparing this calculation.

It was also noted that the policy for non-union employee sick time payout is silent on whether or not these hours are paid out upon termination or retirement; however the County is using 100% of sick time in the calculation for accrued sick time liability at year end. It is recommended that the County update its policy to reflect this.

Status: Uncorrected.

Uniform Chart of Accounts (Prior Year)

During the audit, it was noted that several of the Special Revenue funds only utilize the revenue and expense control accounts. It is recommended, that the County review the State of Michigan's Uniform Chart of Accounts and update the County's chart of accounts to provide greater financial detail such as type of revenue (taxes or grants) and type of expense (personel or supplies) and capital outlay accounts.

Status: Uncorrected.

Inmate Trust Account (Prior Year)

Currently the inmate monies are recorded in a separate bank account; however the amounts are not recorded in a fund of the County's general ledger. We recommend that the County's general ledger be updated to include fund 764 "Inmate Trust" and that the bank account and subsidiary listing of inmate account balances be reconciled on a monthly basis

Status: Uncorrected.

Delinquent Tax Revolving Funds (Prior Year)

The County currently has nine years of delinquent revolving tax funds open. Most counties utilize a prior year delinquent tax fund to account for delinquent tax funds that have gone to tax sale. We recommend that the County review the necessity of these funds and reduce the number of delinquent tax revolving funds if practical.

Status: The County Treasurer prefers to leave each tax fund intact until bankruptcies relating to each tax year are totally resolved.

Trust and Agency Funds (Prior Year)

During testing of the trust and agency funds it was noted that there were several stale balances in various accounts. It is recommended that these accounts be reconciled.

Status: Uncorrected.

Inmate Trust Account (Prior Year)

During examination of the Inmate Trust account it was noted that disbursement checks written to vendors were withdrawn out of the Trust and Agency Fund, which is a violation of the State Chart of Accounts. It is recommended that the Inmate Trust funds be segregated and vendor checks should be written from a Jail Commissary fund.

Status: Uncorrected.

Bank Reconciliations (Prior Year)

Bank reconciliations were not performed in a timely fashion during 2013 and 2014 years. It is recommended that the County follow the monthly bank reconciliation requirement outlined in the Accounting Procedures Manual for Local Units of Government in Michigan.

Status: Corrected.

Lawful Expenditures (Prior Year)

During the audit it was noted that purchases that fall under the category of Unlawful Expenditures by a Governmental Unit have been board approved. These expenditures include office refreshments. It is recommended that the County review the aforementioned listing and follow these guidelines.

Status: Corrected.

Pension Reporting (Prior Year)

In June 2012, the Governmental Accounting Standards Board (GASB) approved a pair of related Statements that implement substantial changes to the accounting and financial reporting of pensions by state and local governments and pension plans. Statement No. 67, *Financial Reporting for Pension Plans* and Statement No. 68, *Accounting and Financial Reporting for Pensions*, establishes new accounting and financial reporting requirements. These requirements include a provision for reporting net pension liabilities on the accrual based statement of net position and measuring investments at fair value as well as additional footnote and required supplementary information disclosures.

The Board and Management should review the procedures for implementation of these new standards effective in fiscal 2015 and assess the impact on the local unit of government's financial reporting.

Implemented during 2015.

Uniform Administrative Requirements (Prior Year)

During December 2013, the Office of Management and Budget released its final version of the *"Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards."* The guidance is applicable to federal grants and cooperative agreements and provides a comprehensive consolidation and revision of OMB Circulars which currently govern Federal and some non-Federal entities. The guidance combines A-110 and A-102 into a single set of administrative rules, combines A-21, A-87 and A-122 into a single set of consolidated cost principles and revises the language of A-133. This publication is designed to provide a single document which will serve as a "one-stop shop" for financial assistance regulatory requirements for all awarding agencies. The new requirements will be effective and applicable for audits of years beginning on or after December 26, 2014.

Implemented during 2015.

Revisions Related to Single Audit Requirements (Prior Year)

The Office of Management and Budget set forth new consolidated audit standards for entities receiving Federal financial assistance awards and replaces OMB Circular A-133. The changes within the final guidance primarily combine the guidance in OMB A-133 and A-50 on audit follow-up. The guidance reflects a movement to focus these audits and oversight efforts on higher dollar, higher risk awards and focus oversight on improper payments, waste, fraud, and abuse.

Most significantly, the threshold triggering a single audit or program-specific audit requirements is increased to \$750,000 or more in annual Federal awards. These requirements apply equally to recipients and sub-recipients under Federal programs. The final guidelines incorporate an exception to these audit requirements for non-U.S.-based entities expending Federal awards.

Further, the final guidance increases the minimum threshold for reporting questioned costs from \$10,000 to \$25,000 to focus on the audit findings presenting the greatest risk. OMB believes this will eliminate smaller-dollar audit findings, which require utilization of resources for follow-up audits that are unlikely to indicate significant weaknesses in internal controls.

These changes necessitate a careful review and analysis of an organization's current business practices. Although OMB has raised certain thresholds for audit and materiality, it has also improved mechanisms of oversight related to mandatory disclosures, pre-award review of risks, standards for financial and program management, sub-recipient monitoring, and remedies for noncompliance. The revisions are effective for audits of years beginning on or after December 26, 2014.

Implemented during 2015.

Inmate Trust

It was noted during our testing of the inmate trust account that documentation of year end inmate balances could not be verified. We recommend that a running balance be kept of inmate funds and be reconciled to the bank statement on a monthly basis to ensure accuracy.

Accounts Receivable

It was noted during our examination of account receivable that in multiple accounts had immaterial stale balances remaining from prior year. We recommend that stale balance be examined and removed if deemed no longer assets of the county.

Fair Value of Investments

The Governmental Accounting Standards Board has issued final guidance on accounting and financial reporting issues related to fair value measurements, which primarily apply to investments made by state and local governments. GASB Statement No. 72 - *Fair Value Measurement and Application* defines fair value and describes how fair value should be determined and recorded, what assets and liabilities should be measured by fair value and presented in the government's statement of net position or balance sheet and required disclosures of fair value in the footnotes to the financial statements. Management should be aware of the requirements and valuation techniques as applicable to the governmental entity. The statement is effective for periods beginning after June 15, 2015.

Other Postemployment Benefits

In June 2015, the Governmental Accounting Standards Board issued Statement Number 74 - "Financial Reporting for Postemployment Benefits other than Pensions." The standard addresses how to measure long-term liabilities and annual costs of Other Postemployment Benefits (OPEB) for the purposes of reporting them in the financial statements. The standard does not apply to how a governmental unit should fund future OPEB payments, however. The standard makes significant changes which will increase the liability and may adjust annual OPEB expense as well. A net OPEB liability will be reported in the employer's statement of net position which could amount to a significant increase than past amounts reported. The OPEB expense will also be significantly more volatile, since there will likely be two sets of calculations for expense and funding. Additionally, changes in methods and assumptions used in the actuarial calculations, more extensive footnote disclosures and required supplementary information will be needed.

The standard is effective for fiscal years beginning after June 15, 2016. We encourage the Board and management to review the provisions of this new standard and anticipate its effect on the financial reporting process.

Other Matters

We applied certain limited procedures to the management's discussion and analysis and budgetary comparison schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquires of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and our knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining fund financial statements, which accompany the financial statements but are not RSI. With respect to this other information, we made certain inquires of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the other information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Conclusion

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

This information is intended solely for the use of the Board of Commissioners, management, federal awarding agencies, pass-through entities and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

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

June 30, 2016