Tri-County Aging Consortium

Year Ended September 30, 2018

Financial Statements and Single Audit Act Compliance

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TRI-COUNTY AGING CONSORTIUM

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INDEPENDENT AUDITORS' REPORT

March 29, 2019

Board of Directors
Tri-County Aging Consortium
Lansing, Michigan

Report on the Financial Statements

We have audited the accompanying basic financial statements of the governmental activities, each major fund and the remaining fund information of the *Tri-County Aging Consortium* (the "Consortium"), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Consortium's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Independent Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Tri-County Aging Consortium as of September 30, 2018, and the respective changes in financial position and budgetary comparison for the general fund and the major special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Consortium's basic financial statements. The schedule of revenues, expenditures and changes in fund balance - grants special revenue fund - by program and the schedule of funding service categories by source are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of revenues, expenditures and changes in fund balance - grants special revenue fund - by program is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of revenues, expenditures and changes in fund balance - grants special revenue fund - by program is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The schedule of funded service categories by source has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards,* we have also issued our report dated March 29, 2019, on our consideration of the Consortium's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Consortium's internal control over financial reporting and compliance.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of Tri-County Aging Consortium (the "Consortium"), we offer our readers of the financial statements this narrative overview and analysis of the financial activities of the Consortium for the fiscal year ended September 30, 2018.

Financial Highlights

· Total net position	$	4,989,379
· Change in total net position		1,429,775
· Fund balances, governmental funds		4,884,558
· Change in fund balances, governmental funds		1,501,082
· Unassigned fund balance, general fund		588,315
· Change in fund balance, general fund		1,192

Overview of the Financial Statements

This discussion and analysis is intended to provide a basis of understanding the Consortium's basic financial statements. These statements comprise three components: (1) government-wide financial statements (2) fund financial statements, and (3) notes to the financial statements. Supplementary information is also provided for additional informational purposes.

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

The *statement of net position* presents information on all of the Consortium's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as *net position.* Over time, increases or decreases in net position may serve as an indicator of the Consortium's overall fiscal position.

The *statement of activities* presents information showing how the Consortium'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 past or future fiscal periods (for instance, depreciation expense associated with capital assets).

The statement of activities reports the costs of the services that the Consortium provides which are principally supported by state and federal grant revenues. The governmental activities of the Consortium include regional planning, coordination, contracting, and direct provision of services for clients through various programs that promote and preserve the independence and dignity of the aging population.

The government-wide financial statements include only the Consortium itself. The Consortium has no legally separate component units for which the Consortium is financially accountable.

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 Consortium, like other units of state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The activities of the Consortium are accounted for in governmental funds.

Governmental funds. *Governmental funds* are used to account for essentially the same function reported in the government-wide financial statements. However, unlike the government-wide financial statements, fund financial statements focus on *near-term inflows and outflows of spendable resources,* as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statement's it is useful to compare the information presented for the 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 fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the *governmental funds* and the government-wide statements.

The general fund and grants special revenue fund are considered to be major funds for financial reporting purposes.

The Consortium adopts an annual appropriated budget for its funds. Budgetary comparison statements have been provided herein for the general fund and grants special revenue fund to demonstrate compliance with those budgets.

The Consortium does not maintain any proprietary or fiduciary funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the Consortium's financial statements.

Required supplementary information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This is limited to management discussion and analysis and certain information for the pension plan.

Management's Discussion and Analysis

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Consortium, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $4,989,379 at the close of the most recent fiscal year.

	Net Position	
	2018	**2017**
Assets		
Current and other assets	$ 7,344,837	$ 6,045,127
Capital assets, net	89,173	111,636
Total assets	7,434,010	6,156,763
Deferred outflows of resources	399,786	732,800
Liabilities		
Other liabilities	2,309,792	2,911,537
Long-term debt	148,447	143,520
Total liabilities	2,458,239	3,055,057
Deferred inflows of resources	386,178	274,902
Net position		
Investment in capital assets	89,173	111,636
Restricted	69,680	69,080
Unrestricted	4,830,526	3,378,888
Total net position	$ 4,989,379	$ 3,559,604

	Change in Net Position	
	2018	2017
Revenues		
Program revenues:		
Charges for services	$ 320,381	$ 459,359
Operating grants and contributions	27,162,632	25,325,957
General revenues:		
Municipal appropriations	267,920	244,998
Investment earnings	7,645	28,871
Total revenue	27,758,578	26,059,185
Expenses		
Health and welfare	26,328,803	27,925,718
Change in net position	1,429,775	(1,866,533)
Net position, beginning of year	3,559,604	5,426,137
Net position, end of year	$ 4,989,379	$ 3,559,604

The change in net position is due primarily to an increase to the capitation rates from the Michigan Department of Health and Human Services for services provided to clients of the Waiver program.

The Consortium's reconciling items between modified accrual and full accrual accounting for government-wide reporting are minimal. As a result, the analysis of the Consortium's funds in the following section also serves as the government-wide financial analysis.

Financial Analysis of the Consortium's Funds

The general fund revenue was generally in line with budgeted amounts and expenditures were less than the amounts budgeted for fiscal year 2018. The general fund experienced an increase in fund balance of $1,192 largely due to cost reductions for occupancy expenditures during fiscal year 2018.

The grants special revenue fund experienced an increase in fund balance of $1,509,856 caused by a variety of factors. In fiscal year 2018, there was an increase in federal and state funding for the nutrition program in the amount of $97,849. The nutrition program staff continued new assessment measures for analyzing food insecurity resulting in less second meals. This targeted assessment successfully maintained a minimal no wait list for nutrition services. The newly formed evidence based program continues to grow as it moved in to it's second year of completion following a grant from the Michigan Health Endowment Fund. These programs were designed to support clients with diabetes education and fall prevention classes. Revenues for this program come from a variety of sources including Medicare reimbursement for clients that are eligible for a one time benefit to attend classes taught by Consortium staff and qualified contractors.

The Consortium received an increase from the Michigan Department of Health and Human Services for the Waiver program in the amount of $1,639,271 to bring the fiscal year total contract amount to $22,301,231. While there were prior year adjustments made and recorded in fiscal year 2018 that resulted in additional revenue for the Waiver program, the capitated rates continue to be adjusted each year. It is important to emphasize that the Waiver is a managed care program with a full risk contract. Reimbursement is based on a capitated basis encompassing six rate cells developed by an actuarial entity. Due to these factors, revenues can exceed expenditures for the year, as well as expenditures exceeding revenues as is the nature of a managed care system. The surplus in fund balance from fiscal year 2018 will be held for future years when expenditures could exceed revenues. Consortium management is involved in dialog with officials at the Michigan Department of Health and Human Services (MDHHS) regarding the capitated rate setting process. Overall, actual revenues were slightly under budgeted and expenditures were lower than budgeted for the Waiver program in fiscal year 2018. Several steps have been taken to reduce costs without compromising the safety of clients and quality. These include thorough reviews of all new plans of care, appropriate reduction in some services and there were reductions in reimbursement to in-home providers during fiscal year 2018. Also, the Consortium is continuing to meet with Medicaid staff at MDHHS to rectify how high cost/high needs clients are counted and reimbursed.

The Consortium and the MDHHS are still in the process of reconciling claims for fiscal years 2016, 2017, and 2018. The Consortium is monitoring the open claims for these fiscal years to ensure that a satisfactory resolution is obtained and management is confident that the outcome will be adequate and complete.

Capital Assets

The Consortium's investment in capital assets decreased during the year by $22,463 which is summarized below:

	Capital Assets (Net of Depreciation)	
	2018	**2017**
Capital assets being depreciated		
Vehicles	$ 24,482	$ 33,245
Equipment	64,691	78,391
Total capital assets being depreciated	$ 89,173	$ 111,636

For additional information on the Consortium's capital assets, see Note 4 in the notes to the financial statements.

Long-term Debt

The Consortium's long-term debt consists of unused vacation time. For additional information on the Consortium's long-term debt, see Note 6 in the notes to the financial statements.

Economic Factors and Future Budgets

Funding is determined at the federal and state levels and at this time looks promising. However, federal and state cuts in our funding could be made at any time and that would have a significant effect on the Consortium's financial position or operations.

Management's Discussion and Analysis

Requests for Information

This financial report is designed to provide a general overview of the Tri-County Aging Consortium's finances for all those with an interest in the Consortium's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, Tri-County Aging Consortium, 5303 S. Cedar St., Suite 1, Lansing, MI 48911.

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BASIC FINANCIAL STATEMENTS

TRI-COUNTY AGING CONSORTIUM

Statement of Net Position

September 30, 2018

	Governmental Activities
Assets	
Cash and cash equivalents	$ 4,776,980
Restricted cash and cash equivalents	104,905
Investments	814,443
Accounts receivable	53,354
Due from other governments	1,572,700
Prepaid items	22,455
Capital assets being depreciated, net	89,173
Total assets	7,434,010
Deferred outflows of resources	
Deferred pension amounts	399,786
Liabilities	
Accounts payable	1,637,317
Accrued payroll	86,342
Unearned revenue	59,418
Long-term debt:	
Due within one year	59,378
Due in more than one year	89,069
Net pension liability (due in more than one year)	526,715
Total liabilities	2,458,239
Deferred inflows of resources	
Deferred pension amounts	386,178
Net position	
Investment in capital assets	89,173
Restricted for -	
Permanent corpus	69,680
Unrestricted	4,830,526
Total net position	$ 4,989,379

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

TRI-COUNTY AGING CONSORTIUM

Statement of Activities

For the Year Ended September 30, 2018

Functions / Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue
Governmental activities				
Health and welfare	$ 26,328,803	$ 320,381	$ 27,162,632	$ 1,154,210
General revenues				
Unrestricted municipal appropriations				267,920
Unrestricted investment earnings				7,645
Total general revenues				275,565
Change in net position				1,429,775
Net position, beginning of year				3,559,604
Net position, end of year				$ 4,989,379

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

TRI-COUNTY AGING CONSORTIUM

Balance Sheet
Governmental Funds
September 30, 2018

	General Fund	Grants Special Revenue Fund	Nonmajor Capital Projects Fund	Total Governmental Funds
Assets				
Cash and cash equivalents	$ 333,308	$ 4,404,031	$ 39,641	$ 4,776,980
Restricted cash and cash equivalents	-	-	104,905	104,905
Investments	666,357	-	148,086	814,443
Accounts receivable	5,728	47,626	-	53,354
Due from other funds	-	927	-	927
Due from other governments	-	1,572,700	-	1,572,700
Prepaid items	19,783	2,672	-	22,455
Total assets	$ 1,025,176	$ 6,027,956	$ 292,632	$ 7,345,764
Liabilities				
Accounts payable	$ 4,435	$ 1,632,882	$ -	$ 1,637,317
Due to other funds	927	-	-	927
Accrued payroll	22,147	64,195	-	86,342
Unearned revenue	51,161	8,257	-	59,418
Total liabilities	78,670	1,705,334	-	1,784,004
Deferred inflows of resources				
Unavailable waiver revenue	-	677,202	-	677,202
Fund balances				
Nonspendable	19,783	2,672	69,680	92,135
Committed	-	3,642,748	-	3,642,748
Assigned	338,408	-	222,952	561,360
Unassigned	588,315	-	-	588,315
Total fund balances	946,506	3,645,420	292,632	4,884,558
Total liabilities, deferred inflows of resources and fund balances	$ 1,025,176	$ 6,027,956	$ 292,632	$ 7,345,764

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

TRI-COUNTY AGING CONSORTIUM

Reconciliation

Fund Balances for Governmental Funds
to Net Position of Governmental Activities
September 30, 2018

Fund balances - total governmental funds	$ 4,884,558
Amounts reported for *governmental activities* in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources, and therefore are not reported in the fund financial statements.	
Capital assets being depreciated, net	89,173
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 of resources in the governmental funds, and thus are not included in fund balance.	
Unavailable waiver revenue	677,202
Certain liabilities are not due and payable in the current period, and therefore are not reported in the fund financial statements.	
Net pension liability	(526,715)
Deferred outflows of resources related to the net pension liability	399,786
Deferred inflows of resources related to the net pension liability	(386,178)
Compensated absences	(148,447)
Net position of governmental activities	$ 4,989,379

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

TRI-COUNTY AGING CONSORTIUM

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended September 30, 2018

	General Fund	Grants Special Revenue Fund	Nonmajor Capital Projects Fund	Total Governmental Funds
Revenues				
Intergovernmental:				
Federal	$ -	$ 1,929,544	$ -	$ 1,929,544
State	-	1,578,398	-	1,578,398
Medicaid waiver program	-	22,527,905	-	22,527,905
Local grants	319,722	493,507	-	813,229
Municipal appropriations	267,920	-	-	267,920
Contributions	81,693	255,180	-	336,873
Program revenues	-	320,381	-	320,381
Interest	6,955	-	690	7,645
Total revenues	676,290	27,104,915	690	27,781,895
Expenditures				
Health and welfare	392,599	25,877,558	10,656	26,280,813
Revenues over (under) expenditures	283,691	1,227,357	(9,966)	1,501,082
Other financing sources (uses)				
Transfers in	-	282,499	-	282,499
Transfers out	(282,499)	-	-	(282,499)
Total other financing sources (uses)	(282,499)	282,499	-	-
Net change in fund balances	1,192	1,509,856	(9,966)	1,501,082
Fund balances, beginning of year	945,314	2,135,564	302,598	3,383,476
Fund balances, end of year	$ 946,506	$ 3,645,420	$ 292,632	$ 4,884,558

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

TRI-COUNTY AGING CONSORTIUM

Reconciliation

Net Changes in Fund Balances of Governmental Funds
to Change in Net Position of Governmental Activities
For the Year Ended September 30, 2018

Net change in fund balances - total governmental funds	$ 1,501,082
Amounts reported for *governmental activities* in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(22,463)
Revenues in the statement of activities that do not provide current resources are not reported as revenues in funds, but rather deferred to subsequent fiscal years.	
Change in unavailable waiver revenue	(23,317)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Change in the accrual for compensated absences	(4,927)
Change in net pension liability and related deferred amounts	(46,722)
Change in net other postemployment benefits obligation	26,122
Change in net position of governmental activities	$ 1,429,775

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

TRI-COUNTY AGING CONSORTIUM

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund
For the Year Ended September 30, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Local grants	$ 412,157	$ 359,131	$ 319,722	$ (39,409)
Municipal appropriations:				
City of Lansing	75,000	75,000	101,027	26,027
City of East Lansing	14,758	14,758	14,758	-
Ingham County	65,600	65,600	65,600	-
Clinton County	38,721	38,721	29,041	(9,680)
Eaton County	57,496	57,496	57,494	(2)
Contributions	-	-	81,693	81,693
Interest	17,750	6,575	6,955	380
Total revenues	681,482	617,281	676,290	59,009
Expenditures				
Health and welfare:				
Salaries and wages	131,757	131,757	166,036	34,279
Fringe benefits	34,528	42,553	75,278	32,725
Operating expenditures	250,957	243,902	119,377	(124,525)
Professional services	40,500	31,640	30,332	(1,308)
Travel and training	5,100	2,110	1,576	(534)
Total expenditures	462,842	451,962	392,599	(59,363)
Revenues over expenditures	218,640	165,319	283,691	118,372
Other financing uses				
Transfers in	36,360	92,966	-	(92,966)
Transfers out	-	-	(282,499)	(282,499)
Total other financing sources (uses)	36,360	92,966	(282,499)	(375,465)
Net change in fund balance	255,000	258,285	1,192	(257,093)
Fund balance, beginning of year	945,314	945,314	945,314	-
Fund balance, end of year	$ 1,200,314	$ 1,203,599	$ 946,506	$ (257,093)

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

TRI-COUNTY AGING CONSORTIUM

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Grants Special Revenue Fund

For the Year Ended September 30, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental:				
Federal	$ 1,390,184	$ 1,498,900	$ 1,929,544	$ 430,644
State	1,512,323	1,544,263	1,578,398	34,135
Medicaid waiver program	21,643,891	22,517,144	22,527,905	10,761
Local grants	663,638	727,363	493,507	(233,856)
Contributions	42,500	33,000	255,180	222,180
Program revenues	726,207	658,871	320,381	(338,490)
Interest	12,216	4,435	-	(4,435)
Total revenues	25,990,959	26,983,976	27,104,915	120,939
Expenditures				
Health and welfare:				
Salaries and wages	3,454,436	3,336,368	3,374,672	38,304
Fringe benefits	1,378,089	1,306,160	1,340,560	34,400
Operating expenditures	1,826,413	1,868,451	1,973,089	104,638
Professional services	50,060	89,456	128,876	39,420
Subcontractor expenditures	20,072,944	20,201,752	18,931,316	(1,270,436)
Travel and training	143,376	169,003	129,045	(39,958)
Total expenditures	26,925,318	26,971,190	25,877,558	(1,093,632)
Revenues over (under) expenditures	(934,359)	12,786	1,227,357	1,214,571
Other financing sources				
Transfers in	-	-	282,499	282,499
Transfers out	(36,360)	(92,966)	-	92,966
Total other financing sources (uses)	(36,360)	(92,966)	282,499	375,465
Net change in fund balance	(970,719)	(80,180)	1,509,856	1,590,036
Fund balance, beginning of year	2,135,564	2,135,564	2,135,564	-
Fund balance, end of year	$ 1,164,845	$ 2,055,384	$ 3,645,420	$ 1,590,036

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

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NOTES TO FINANCIAL STATEMENTS

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the *Tri-County Aging Consortium* (the "Consortium"), conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies.

The Tri-County Aging Consortium is the designated Area Agency on Aging (AAA) for Region VI of Michigan (Ingham, Clinton and Eaton Counties). As an AAA, the Consortium is responsible for regional planning and coordination of services for older people. This designation dates back to April 1974, when the first Area Plan for this region was approved by the State of Michigan Office of Services to the Aging.

The Consortium began in 1972 when a grant from the State Commission on Aging was awarded to the Lansing Planning Department to conduct a needs survey for Lansing elderly. As a result of this research, the Lansing City Council created a Senior Citizens Department in January 1974. Later that year, the Department secured the necessary two thirds approval of the Boards of Commissioners of Ingham, Clinton and Eaton Counties to apply for designation as an Area Agency on Aging under the Older Americans Act.

The Consortium Board, the policy-making body for the Consortium, was established under the Urban Cooperation Act of 1967. The Consortium's twelve-member Board features the combined input and representation from the Lansing Mayor's Office, Lansing City Council, East Lansing City Council, and the Boards of Commissioners of Ingham, Clinton and Eaton Counties. Each of the governmental bodies contributes local funds which finance a portion of the Consortium's activities. The Consortium then pursues other funding sources to bring tax dollars back into the region for the purpose of providing services to senior citizens.

Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements are exclusive presentations of the financial condition and results of operations of the Tri-County Aging Consortium. The Consortium has determined that no entities should be consolidated in the financial statements as component units. The criteria for including a component unit include significant operational or financial relationships with the government.

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 activities of the primary government. Governmental activities are supported by charges for services and intergovernmental revenues.

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. Internally dedicated resources are reported as *general revenues* rather than as program revenues.

Separate financial statements are provided for the governmental funds. Major 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.* Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period except for expenditure-driven grants which must be collected within one year. 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 not expected to be paid in the current year and claims and judgments, are recorded only when payment is due.

State and federal grant revenue 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. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Consortium 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 *grants special revenue fund* reports grant program revenues and expenditures of federal and state grant monies primarily passed through the Offices on Services to the Aging (OSA).

Additionally, the Consortium reports the following fund types:

The *capital projects fund* accounts for the acquisition of capital assets or construction of major capital projects.

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

Deposits and Investments

The Consortium's cash and cash equivalents include amounts in demand deposit accounts, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition. Investments are stated at fair value.

In addition, the Consortium's restricted cash and cash equivalents represents amounts held in an endowment at the Capital Region Community Foundation. These funds may be requested by the Consortium at any time, except for the permanent corpus portion of the funds. The fund balance for that portion of the endowment has been appropriately reported as nonspendable.

Notes to Financial Statements

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans).

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

Prepaid Items

Payments made to vendors for services that will benefit future periods are recorded as prepaid items.

Capital Assets

Capital assets, which include leasehold improvements, vehicles, and equipment, are reported in the government-wide statements. Capital assets are defined by the Consortium as assets with an initial, individual cost of more than $5,000 with an estimated life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition cost at the date of donation.

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

Depreciation is recorded over the estimated useful lives (ranging from six to ten years) of the assets, using the straight-line method, as follows:

Assets	Years
Leasehold improvements	15
Vehicles	6
Equipment	10

Deferred Outflows of Resources

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

Compensated Absences

It is the Consortium's policy to permit employees to accumulate earned but unused vacation time, subject to varying amounts based on length of service. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Deferred Inflows of Resources

The Consortium reports certain receivables in governmental funds that are not due and collectible soon enough to meet the criteria for revenue recognition under the current financial resources method of accounting. These amounts have been reported as "deferred inflows of resources" in the fund financial statements, but are recognized when earned, regardless of the timing of collection, in the government-wide statements. In addition, the Consortium reports deferred inflows of resources for the difference between expected and actual experience within its pension plan.

Fund Balances

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

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

Pensions

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

Use of Estimates

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

Notes to Financial Statements

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

All governmental funds are under formal budgetary control. Budgets shown in the financial statements are adopted on a basis consistent with generally accepted accounting principles (GAAP), which is the modified accrual basis used to reflect actual results, and consist only of those amounts contained in the formal budget approved or as amended by the Consortium Board. Budgets for the general and special revenue fund are adopted on a functional basis.

Excess of Expenditures over Budget

Expenditures in the statements of revenues, expenditures, and changes in fund balance - budget to actual have been presented at a level of detail greater than the level of legal budgetary control.

During the year ended September 30, 2018, the Consortium incurred expenditures in certain budgetary funds which were in excess of the amounts budgeted, as follows:

	Final Budget	Actual Expenditures	Budget Variance
General fund			
Transfers out	$ -	$ 282,499	$ 282,499

3. DEPOSITS AND INVESTMENTS

A reconciliation of cash and investments as shown on the statement of net position follows:

Statement of net position	
Cash and cash equivalents	$ 4,776,980
Restricted cash and cash equivalents	104,905
Investments	814,443
Total	$ 5,696,328
Deposits and investments	
Bank deposits (checking accounts and savings accounts)	$ 4,776,680
Endowment	104,905
Investments	814,443
Cash on hand	300
Total	$ 5,696,328

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Consortium's deposits may not be returned. State law does not require and the Consortium does not have a policy for deposit custodial credit risk. As of year end, $4,600,580 of the Consortium's bank balance of $4,880,973 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk – Investments. Following is a summary of the Consortium's investments as of September 30, 2018:

U.S. agencies	$	50,328
U.S. treasury notes		764,115
Total	$	814,443

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Consortium will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the Consortium does not have a policy for investment custodial credit risk. None of the Consortium's investments were exposed to custodial credit risk at year end.

Credit Risk. As of September 30, 2018, all of the Consortium's investments in securities of U.S. agencies and U.S. treasuries were rated Aaa by Moody's. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments in the accounting policies. The Consortium's investment policy does not have specific limits in excess of state law on investment credit risk.

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the accounting policies. The Consortium'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. As the September 30, 2018 maturities for the Consortium's investments in the debt securities were as follows:

		Investment Maturities (fair value by years)		
	Fair Value	**Less Than 1**	**1-5**	**6-10**
U.S. agencies	$ 50,328	$ 50,328	$ -	$ -
U.S. treasury notes	764,115	70,108	492,413	201,594
	$ 814,443	$ 120,436	$ 492,413	$ 201,594

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 in the accounting policies. The Consortium's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year end are reported above.

Fair Value. The Consortium categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. These levels are determined by the Consortium's investment manager, and are determined at the fund level based on a review of the investment's class, structure, and what kind of securities are held in the funds. The investment manager will request the information from the fund manager, if necessary.

The Consortium's recurring fair value measurements as of September 30, 2018 were related to its investments in U.S. agencies and U.S. treasury notes. The U.S. agencies are valued using significant other observable inputs of the underlying securities and bonds (Level 2 inputs), and the U.S. treasury notes are valued using quoted prices in active markets for identical assets (Level 1 inputs).

4. CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2018 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets being depreciated:				
Leasehold improvements	$ 142,677	$ -	$ -	$ 142,677
Vehicles	136,434	-	-	136,434
Equipment	388,459	-	-	388,459
Total capital assets being depreciated	667,570	-	-	667,570
Less accumulated depreciation:				
Leasehold improvements	(142,677)	-	-	(142,677)
Vehicles	(103,189)	(8,763)	-	(111,952)
Equipment	(310,068)	(13,700)	-	(323,768)
Total accumulated depreciation	(555,934)	(22,463)	-	(578,397)
Total capital assets being depreciated, net	$ 111,636	$ (22,463)	$ -	$ 89,173

5. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

At September 30, 2018, interfund receivables and payables consisted of the following:

	Due from Other Funds	Due to Other Funds
General fund	$ -	$ 927
Grants special revenue fund	927	-
	$ 927	$ 927

These interfund balances resulted primarily from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Notes to Financial Statements

Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds have been eliminated. For the year ending September 30, 2018, interfund transfers consisted of the following:

Transfer out	Transfers In Grants Special Revenue Fund
General fund	$ 282,499

6. LONG-TERM DEBT

The following is a summary of the changes in long-term debt of the Consortium for the year ended September 30, 2018:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Compensated absences	$ 143,520	$ 33,792	$ (28,865)	$ 148,447	$ 59,378

7. PENSION PLAN

General Information About the Plan

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

Benefits Provided. Pension benefits are calculated as final average compensation (based on a 5 year period) with a multiplier of 2%. Participants are considered to be fully vested in the plan after 10 years. Normal retirement age is 60 with early retirement at age 55 with 25 years of service. The employer may establish contribution rates to be paid by its covered employees. Currently, active members are not required to contribute to the plan.

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

Inactive employees or beneficiaries currently receiving benefits	58
Inactive employees entitled to but not yet receiving benefits	20
Active employees	92
Total membership	170

Notes to Financial Statements

Contributions. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employer contributions were $250,517 for the year ended September 30, 2018.

Net Pension Liability. The Consortium's net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

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

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

Although no specific price inflation assumptions are needed for the valuation, the 3.75% long-term wage inflation assumption would be consistent with a price inflation of 2.5%.

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

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

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Global equity	55.50%	6.15%	3.42%
Global fixed income	18.50%	1.26%	0.23%
Real assets	13.50%	7.22%	0.97%
Diversifying strategies	12.50%	5.00%	0.63%
	100.00%		
Inflation			2.50%
Administrative expenses netted above			0.25%
Investment rate of return			8.00%

Discount Rate. The discount rate used to measure the total pension liability as of December 31, 2017 was 8.00%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

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

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at December 31, 2016	$ 8,888,392	$ 7,964,109	$ 924,283
Changes for the year:			
Service cost	284,237	-	284,237
Interest	706,464	-	706,464
Differences between expected and actual experience	33,059	-	33,059
Employer contributions	-	337,721	(337,721)
Employee contributions	-	35,427	(35,427)
Net investment income	-	1,065,022	(1,065,022)
Benefit payments, including refunds of employee contributions	(399,430)	(399,430)	-
Administrative expense	-	(16,842)	16,842
Net changes	624,330	1,021,898	(397,568)
Balances at December 31, 2017	$ 9,512,722	$ 8,986,007	$ 526,715

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the Consortium, calculated using the discount rate of 8.00%, as well as what the Consortium's net pension liability would be if it were calculated using a discount rate that is 1% lower (7.00%) or 1% higher (9.00%) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Consortium's net pension liability	$ 1,583,061	$ 526,715	$ (372,063)

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

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

For the year ended September 30, 2018, the Consortium recognized pension expense of $392,992. The Consortium reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows of Resources
Difference between expected and actual experience	$ 26,447	$ 202,307	$ (175,860)
Changes in assumptions	180,208	-	180,208
Net difference between projected and actual earnings on pension plan investments	-	183,871	(183,871)
	206,655	386,178	(179,523)
Contributions subsequent to measurement date	193,131	-	193,131
Total	$ 399,786	$ 386,178	$ 13,608

The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending September 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended September 30,	Amount
2018	$ 56,281
2019	30,321
2020	(186,814)
2021	(79,311)
Total	$ (179,523)

Payable to the Pension Plan. At September 30, 2018, there were no amounts outstanding by the Consortium for contributions to the pension plan required for the year ended September 30, 2018.

8. POSTEMPLOYMENT HEALTH CARE BENEFITS

The Consortium makes medical, prescription, and dental coverage available to certain retired employees. Retirees are responsible for paying 100% of the related premiums. Substantially all of the Consortium's employees are eligible for these benefits if they meet the vesting requirement of ten (10) years of service. While these benefits do not represent a direct cost to the Consortium, the benefits are available to retired employees at the same rates as current employees, therefore an implicit rate subsidy is being provided. This benefit is provided under authority of the Board of Directors of the Tri-County Aging Consortium. Any changes to the obligations of plan members or the employer would require approval of the Board of Directors.

The Consortium has evaluated the potenital liability and effect of the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions,* in the current year and has determined it to be immaterial.

9. FUND BALANCES - GOVERNMENTAL FUNDS

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

	General Fund	Grant Special Revenue Fund	Nonmajor Capital Projects Fund	Total
Nonspendable:				
Prepaid items	$ 19,783	$ 2,672	$ -	$ 22,455
Permanent corpus	-	-	69,680	69,680
Total nonspendable	19,783	2,672	69,680	92,135
Committed for:				
HBCS waiver	-	3,575,571	-	3,575,571
Medicaid/Medicare assistance	-	67,002	-	67,002
Other	-	175	-	175
Total committed	-	3,642,748	-	3,642,748
Assigned for:				
Friends of independence	308,408	-	-	308,408
Capital outlay	30,000	-	-	30,000
Capital campaign	-	-	222,952	222,952
Total assigned	338,408	-	222,952	561,360
Unassigned	588,315	-	-	588,315
Total fund balances	$ 946,506	$ 3,645,420	$ 292,632	$ 4,884,558

10. OPERATING LEASES

In prior years, the Consortium entered into a 20 year, non-cancelable long-term lease for the administration building requiring monthly payments of $13,605 through December 2017. On January 1, 2018, the Consortium renewed the lease agreement for an additional five years through December 2022. In addition to the minimum monthly payments, the lease calls for reimbursement to the lessor of monthly operating expenses which is recomputed each year based on actual costs, currently $15,595 to $18,590 per month. The following is a schedule of future minimum lease payments required under this lease as of September 30, 2018:

Year Ending September 30,	Amount
2019	$ 223,080
2020	223,080
2021	223,080
2022	223,080
2023	55,770
	$ 948,090

11. CONTINGENT LIABILITIES

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

12. RISK MANAGEMENT

The Consortium is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which they carry commercial insurance. The Consortium has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three years.

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REQUIRED SUPPLEMENTARY INFORMATION

TRI-COUNTY AGING CONSORTIUM

Required Supplementary Information

MERS Agent Multiple-Employer Defined Benefit Pension Plan

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

	Year Ended September 30,			
	2018	**2017**	**2016**	**2015**
Total pension liability				
Service cost	$ 284,237	$ 305,341	$ 283,247	$ 293,888
Interest	706,464	681,540	625,436	581,328
Differences between expected and actual experience	33,059	(285,593)	(77,380)	-
Changes of assumptions	-	-	450,517	-
Benefit payments, including refunds of employee contributions	(399,430)	(358,945)	(350,399)	(320,094)
Net change in total pension liability	624,330	342,343	931,421	555,122
Total pension liability, beginning of year	8,888,392	8,546,049	7,614,628	7,059,506
Total pension liability, end of year	9,512,722	8,888,392	8,546,049	7,614,628
Plan fiduciary net position				
Employer contributions	337,721	368,807	283,411	263,114
Employee contributions	35,427	-	35,531	23,334
Net investment income (loss)	1,065,022	823,433	(111,727)	438,821
Benefit payments, including refunds of employee contributions	(399,430)	(358,945)	(350,399)	(320,094)
Administrative expense	(16,842)	(16,238)	(16,137)	(16,148)
Net change in plan fiduciary net position	1,021,898	817,057	(159,321)	389,027
Plan fiduciary net position, beginning of year	7,964,109	7,147,052	7,306,373	6,917,346
Plan fiduciary net position, end of year	8,986,007	7,964,109	7,147,052	7,306,373
Consortium's net pension liability	$ 526,715	$ 924,283	$ 1,398,997	$ 308,255
Plan fiduciary net position as a percentage of total pension liability	94.5%	89.6%	83.6%	96.0%
Covered payroll	$ 3,315,387	$ 3,638,975	$ 3,480,095	$ 3,612,252
Consortium's net pension liability as a percentage of covered payroll	15.9%	25.4%	40.2%	8.5%

Notes:

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

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

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

TRI-COUNTY AGING CONSORTIUM

Required Supplementary Information
MERS Agent Multiple-Employer Defined Benefit Pension Plan

Schedule of the Net Pension Liability

Fiscal Year Ended September 30,	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as Percentage of Total Pension Liability	Covered Payroll	Net Pension Liability as Percentage of Covered Payroll
2015	$ 7,614,628	$ 7,306,373	$ 308,255	96.0%	$ 3,612,252	8.5%
2016	8,546,049	7,147,052	1,398,997	83.6%	3,480,095	40.2%
2017	8,888,392	7,964,109	924,283	89.6%	3,638,975	25.4%
2018	9,512,722	8,986,007	526,715	94.5%	3,315,387	15.9%

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

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

Required Supplementary Information

MERS Agent Multiple-Employer Defined Benefit Pension Plan

Schedule of Contributions

Fiscal Year Ending September 30,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as Percentage of Covered-Employee Payroll
2015	$ 286,134	$ 286,134	$ -	$ 3,599,973	7.9%
2016	246,191	246,191	-	3,740,817	6.6%
2017	245,572	245,572	-	3,554,559	6.9%
2018	250,517	250,517	-	3,426,150	7.3%

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

Notes to Schedule of Contributions

Valuation Date	Actuarially determined contribution rates are calculated as of the December 31 that is 21 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry-age normal
Amortization method	Level percent of payroll, closed
Remaining amortization period	23 years
Asset valuation method	5-year smooth market
Inflation	2.50%
Salary increases	3.75% in the long-term
Investment rate of return	7.75%, net of investment and administrative expense including inflation
Retirement age	Age-based table of rates that are specific to the type of eligibility condition. The Normal Retirement rates were first used for the December 31, 2015 actuarial valuations. The Early Retirement rates were first used for the December 31, 2015 actuarial valuations.
Mortality	2014 Group Annuity Mortality Table of a 50% Male and 50% Female blend. The mortality tables were first used for the December 31, 2015 actuarial valuations.

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TRI-COUNTY AGING CONSORTIUM

Schedule of Revenues, Expenditures, and Changes in Fund Balances

Grants Special Revenue Fund - By Program
For the Year Ended September 30, 2018

	Title III Administrative	Title III B Services	Title III C-1 Nutrition	Title III C-2 State Home Delivered Meals
Revenues				
Intergovernmental:				
Federal	$ 151,536	$ 393,794	$ 365,710	$ 697,448
State	25,931	-	9,081	453,974
Medicaid waiver program	-	-	-	-
Local grants	-	-	-	59,912
Contributions	-	-	-	249,660
Program revenues	-	-	84,956	204,292
Total revenues	177,467	393,794	459,747	1,665,286
Expenses				
Health and welfare:				
Salaries and wages	114,221	72,263	149,971	597,978
Fringe benefits	48,658	21,345	75,182	244,526
Operating expenditures	14,412	26	265,162	1,125,736
Professional services	-	1,406	5,478	27,413
Subcontractor expenditures	-	267,886	-	-
Travel and training	189	776	3,451	81,778
Total expenditures	177,480	363,702	499,244	2,077,431
Revenues over (under) expenditures	(13)	30,092	(39,497)	(412,145)
Other financing sources (uses)				
Transfers in	-	-	-	223,859
Transfers out	-	(30,092)	-	-
Total other financing sources (uses)	-	(30,092)	-	223,859
Net change in fund balances	(13)	-	(39,497)	(188,286)
Fund balances (deficit), beginning of year	(20)	-	(50,001)	(361,416)
Fund balances (deficit), end of year	$ (33)	$ -	$ (89,498)	$ (549,702)

Title III C-2 Supplemental Nutrition	Title III D Services	Crisis Management	HCBS Waiver	Alternative Care	Care Management
$ -	$ 29,948	$ -	$ -	$ -	$ -
-	-	-	-	134,946	215,913
-	-	-	22,527,905	-	-
398,658	-	-	6,500	-	-
-	-	4,942	-	-	-
-	6,323	-	-	-	-
398,658	36,271	4,942	22,534,405	134,946	215,913
33,059	-	-	2,032,374	-	125,354
18,101	-	-	788,781	-	47,965
199,873	-	5	230,769	-	21,857
-	-	-	84,074	-	5,186
-	36,271	67,474	17,769,718	134,946	31,974
-	-	-	33,311	-	3,849
251,033	36,271	67,479	20,939,027	134,946	236,185
147,625	-	(62,537)	1,595,378	-	(20,272)
-	-	63,115	-	-	20,650
-	-	-	(15,150)	-	-
-	-	63,115	(15,150)	-	20,650
147,625	-	578	1,580,228	-	378
406,819	1,566	4,415	1,995,343	-	52,417
$ 554,444	$ 1,566	$ 4,993	$ 3,575,571	$ -	$ 52,795

continued...

TRI-COUNTY AGING CONSORTIUM

Schedule of Revenues, Expenditures, and Changes in Fund Balances
Grants Special Revenue Fund - By Program
For the Year Ended September 30, 2018

	Respite	Medicare/ Medicaid Assistance	Title III-E Services	State In-Home Care
Revenues				
Intergovernmental:				
Federal	$ -	$ 77,928	$ 181,809	$ -
State	70,057	3,202	-	387,236
Medicaid waiver program	-	-	-	-
Local grants	-	-	-	-
Contributions	-	-	-	-
Program revenues	7,972	-	-	-
Total revenues	78,029	81,130	181,809	387,236
Expenses				
Health and welfare:				
Salaries and wages	-	36,787	93,744	-
Fringe benefits	-	18,631	38,910	-
Operating expenditures	-	30,650	55	-
Professional services	-	1,467	-	-
Subcontractor expenditures	78,029	-	35,132	359,413
Travel and training	-	635	668	-
Total expenditures	78,029	88,170	168,509	359,413
Revenues over (under) expenditures	-	(7,040)	13,300	27,823
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	(1,860)	(13,300)	(27,823)
Total other financing sources (uses)	-	(1,860)	(13,300)	(27,823)
Net change in fund balances	-	(8,900)	-	-
Fund balances (deficit), beginning of year	23	75,902	4,614	-
Fund balances (deficit), end of year	$ 23	$ 67,002	$ 4,614	$ -

	State Access Services	SAVVY Caregiver	Title VII-A Services	Title VII Elder Abuse	Evidence Based Programs	Merit Award Respite
	$ -	$ -	$ 13,900	$ 6,181	$ -	$ -
	27,105	-	-	-	68,742	124,573
	-	-	-	-	-	-
	-	-	-	-	28,437	-
	-	-	-	-	578	-
	-	-	-	-	15,177	1,661
	27,105	-	13,900	6,181	112,934	126,234
	18,772	-	-	-	56,252	-
	8,171	-	-	-	13,681	-
	7	-	-	-	68,739	11,212
	-	-	-	-	3,852	-
	-	-	13,900	6,181	-	115,022
	155	-	-	-	3,562	-
	27,105	-	13,900	6,181	146,086	126,234
	-	-	-	-	(33,152)	-
	-	-	-	-	51,100	-
	-	-	-	-	-	-
	-	-	-	-	51,100	-
	-	-	-	-	17,948	-
	(42)	(242)	-	309	5,891	1,257
	$ (42)	$ (242)	$ -	$ 309	$ 23,839	$ 1,257

continued...

TRI-COUNTY AGING CONSORTIUM

Schedule of Revenues, Expenditures, and Changes in Fund Balances

Grants Special Revenue Fund - By Program
For the Year Ended September 30, 2018

	State Aging Network	Information Referral FFI	State Caregiver	Developing Dementia Dexterity
Revenues				
Intergovernmental:				
Federal	$ -	$ -	$ -	$ 11,290
State	42,268	-	15,370	-
Medicaid waiver program	-	-	-	-
Local grants	-	-	-	-
Contributions	-	-	-	-
Program revenues	-	-	-	-
Total revenues	42,268	-	15,370	11,290
Expenses				
Health and welfare:				
Salaries and wages	31,752	7,399	-	4,746
Fringe benefits	10,178	4,802	-	1,629
Operating expenditures	32	4	-	4,550
Professional services	-	-	-	-
Subcontractor expenditures	-	-	15,370	-
Travel and training	306	-	-	365
Total expenditures	42,268	12,205	15,370	11,290
Revenues over (under) expenditures	-	(12,205)	-	-
Other financing sources (uses)				
Transfers in	-	12,000	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	12,000	-	-
Net change in fund balances	-	(205)	-	-
Fund balances (deficit), beginning of year	-	(3,093)	(1,257)	-
Fund balances (deficit), end of year	$ -	$ (3,298)	$ (1,257)	$ -

Other	Eliminations	Total
$ -	$ -	$ 1,929,544
-	-	1,578,398
-	-	22,527,905
-	-	493,507
-	-	255,180
-	-	320,381
-	-	27,104,915
-	-	3,374,672
-	-	1,340,560
-	-	1,973,089
-	-	128,876
-	-	18,931,316
-	-	129,045
-	-	25,877,558
-	-	1,227,357
-	(88,225)	282,499
-	88,225	-
-	-	282,499
-	-	1,509,856
3,079	-	2,135,564
$ 3,079	$ -	$ 3,645,420

concluded.

TRI-COUNTY AGING CONSORTIUM

Schedule of Funded Service Categories by Source

Year Ended September 30, 2018

Service category	Part B	Part C1	Part C2	Part D	Part E
Care Management	$ -	$ -	$ -	$ -	$ -
Personal Care	45,599	-	-	-	-
Homemaker	73,895	-	-	-	-
Home Delivered Meals	-	-	454,628	-	-
In Home Respite	-	-	-	-	24,915
Case Coordination & Support	5,500	-	-	-	-
Congregate Meals	-	305,005	-	-	-
Kinship Respite Care	-	-	-	-	9,497
Transportation	6,122	-	-	-	-
Legal Assistance	28,160	-	-	-	-
Information & Assistance	93,271	-	-	-	-
Adult Day Care	-	-	-	-	-
Elder Abuse Prevention	-	-	-	-	-
Volunteer Respite Care	-	-	-	-	-
Outreach	-	-	-	-	-
Caregiver Information & Asst	-	-	-	-	46,000
Caregiver Outreach	-	-	-	-	40,000
Caregiver Training	7,021	-	-	-	-
Disease Prev/Health	26,961	-	-	29,948	13,300
Program Development	78,197	-	-	-	-
Crisis Services for the Elderly (RSD)	7,292	-	-	-	-
Ombudsman	16,678	-	-	-	-
Options Counseling	5,098	-	-	-	48,097
Administration (AAA)	45,461	86,375	-	-	19,700
Total expended	$ 439,255	$ 391,380	$ 454,628	$ 29,948	$ 201,509

Unaudited

Part EAP	Part VII-A	NSIP	State Access	State In-Home	State Cong Meals	State Home Del Meals	State NHO
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	359,413	-	-	-
-	-	-	-	-	-	-	-
-	-	242,820	-	-	-	453,974	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	60,705	-	-	9,081	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
6,181	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	27,105	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	27,823	-	-	-
-	13,900	-	-	-	-	-	18,678
-	-	-	-	-	-	-	-
-	-	-	-	-	-	19,448	-
$ 6,181	$ 13,900	$ 303,525	$ 27,105	$ 387,236	$ 9,081	$ 473,422	$ 18,678

continued...

TRI-COUNTY AGING CONSORTIUM

Schedule of Funded Service Categories by Source

Year Ended September 30, 2018

Service category	State Alt Care	State MSO	State Caregiver Support	State Care Mgmt	State Merit Award
Care Management	$ -	$ -	$ -	$ 215,913	$ -
Personal Care	-	-	-	-	-
Homemaker	106,783	-	-	-	-
Home Delivered Meals	-	-	-	-	-
In Home Respite	-	-	15,370	-	42,561
Case Coordination & Support	-	-	-	-	-
Congregate Meals	-	-	-	-	-
Kinship Respite Care	-	-	-	-	-
Transportation	-	-	-	-	-
Legal Assistance	-	-	-	-	-
Information & Assistance	-	-	-	-	-
Adult Day Care	-	-	-	-	70,800
Elder Abuse Prevention	-	-	-	-	-
Volunteer Respite Care	-	-	-	-	-
Outreach	-	-	-	-	-
Caregiver Information & Asst	-	-	-	-	-
Caregiver Outreach	-	-	-	-	-
Caregiver Training	-	-	-	-	-
Disease Prev/Health	-	-	-	-	-
Program Development	-	-	-	-	-
Crisis Services for the Elderly (RSD)	-	-	-	-	-
Ombudsman	-	9,485	-	-	-
Options Counseling	-	-	-	-	-
Administration (AAA)	6,483	-	-	-	11,212
Total expended	$ 113,266	$ 9,485	$ 15,370	$ 215,913	$ 124,573

Unaudited

State Respite Care	State Aging Nt Serv	Program Income	Cash Match	In-kind Match	Total
$ -	$ -	$ -	$ -	$ -	$ 215,913
-	-	-	-	5,067	410,079
-	-	-	-	8,211	188,889
-	-	197,916	-	63,279	1,412,617
17,490	-	-	-	2,768	103,104
-	15,508	-	-	611	21,619
-	-	82,836	-	38,370	495,997
-	-	-	-	1,056	10,553
-	-	-	-	992	7,114
-	-	-	2,966	-	31,126
-	26,760	-	-	10,363	130,394
46,089	-	9,633	-	-	126,522
-	-	-	-	-	6,181
6,478	-	-	-	-	6,478
-	-	-	-	-	27,105
-	-	-	-	5,111	51,111
-	-	-	-	4,444	44,444
-	-	-	-	780	7,801
-	-	6,323	-	7,804	84,336
-	-	-	-	8,689	86,886
-	-	-	-	835	35,950
-	-	-	6,527	-	65,268
-	-	-	-	5,911	59,106
-	-	-	-	-	188,679
$ 70,057	$ 42,268	$ 296,708	$ 9,493	$ 164,291	$ 3,817,272

concluded.

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SINGLE AUDIT ACT COMPLIANCE

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INDEPENDENT AUDITORS' REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

March 29, 2019

Board of Directors
Tri-County Aging Consortium
Lansing, Michigan

We have audited, the financial statements of the governmental activities, each major fund and the remaining fund information of the *Tri-County Aging Consortium* (the "Consortium"), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Consortium's basic financial statements. We have issued our report thereon dated March 29, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Rehmann Robson LLC

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TRI-COUNTY AGING CONSORTIUM

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2018

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
U.S. Department of Health and Human Services				
Title VII Elder Abuse Prevention	93.041	MDHHS	20180430	$ 6,181
Title VII-A Long Term Care -				
Ombudsman Services for Older Individual	93.042	MDHHS	20180430	13,900
Title III-D In-Home Services	93.043	MDHHS	20180430	29,948
Aging Cluster:				
Title III-B Special Programs for the Aging:				
Administration	93.044	MDHHS	20180430	45,461
Regular	93.044	MDHHS	20180430	393,794
Title III-C Special Programs for the Aging:				
Administration	93.045	MDHHS	20180430	86,375
Congregate Meals	93.045	MDHHS	20180430	305,005
Home Delivered Meals	93.045	MDHHS	20180430	454,628
Title III Nutrition Services Incentive Program:				
Congregate Meals	93.053	MDHHS	20180430	60,705
Home Delivered Meals	93.053	MDHHS	20180430	242,820
Total Aging Cluster				1,588,788
Demonstrations and Evaluations (HCFA Research):				
Senior Medicare Patrol Grant (SMP) - 2018	93.048	MMAP	90SAPG0010-01-00	9,136
Developing Dementia Dexterity (DDD)	93.051	MDHHS	20180430	11,290
Title III-E Special Programs for the Aging:				
Administration	93.052	MDHHS	20180430	19,700
National Family Caregiver Support	93.052	MDHHS	20180430	181,809
				201,509
Medicare Improvements for Patients and Providers Act	93.071	MMAP	1701MIMIAA	16,000
Michigan Medicare/Medicaid Assistance Program	93.071	MDHHS	20180430	34,053
				50,053
Demonstrations and Evaluations (HCFA Research) -				
Centers for Medicare and Medicaid Services	93.324	MMAP	90SAPG0010-02-00	18,739
Total Expenditures of Federal Awards				$ 1,929,544

The accompanying notes are an integral part of this schedule.

Notes to Schedule of Expenditures of Federal Awards

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of the Tri-County Aging Consortium (the "Consortium") under programs of the federal government for the year ended September 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Consortium, it is not intended to and does not present the financial position or changes in net position of the Consortium.

2. SUMMARY OF SIGNIFICANT POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting, which is described in Note 1 to the financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

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

3. PASS-THROUGH AGENCIES

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

Acronym	Pass-through Agency Name
MDHHS	Michigan Department of Health and Human Services
MMAP	Michigan Medicare/Medicaid Assistance Program

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

March 29, 2019

Board of Directors
Tri-County Aging Consortium
Lansing, Michigan

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statements contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the remaining fund information of the *Tri-County Aging Consortium* (the "Consortium"), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Consortium's basic financial statements, and have issued our report thereon dated March 29, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Consortium'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 Consortium's internal control. Accordingly, we do not express an opinion on the effectiveness of the Consortium'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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as item 2018-001 that we consider to be a significant deficiency.

Compliance and Other Matters

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

Tri-County Aging Consortium's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results 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.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

March 29, 2019

Board of Directors
Tri-County Aging Consortium
Lansing, Michigan

Report on Compliance for the Major Federal Program

We have audited the compliance of the *Tri-County Aging Consortium* (the "Consortium") with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Consortium's major federal program for the year ended September 30, 2018. The Consortium's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Independent Auditors' Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, the Consortium complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2018.

Report on Internal Control Over Compliance

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

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

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

Purpose of this Report

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

Rehmann Robson LLC

Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2018

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

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

Internal control over financial reporting:

Material weakness(es) identified?	____ yes	X no
Significant deficiency(ies) identified?	X yes	____ none reported
Noncompliance material to financial statements noted?	____ yes	X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	____ yes	X no
Significant deficiency(ies) identified?	____ yes	X none reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	____ yes	X no

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

CFDA Number	Name of Federal Program or Cluster	Type of Report
93.044, 93.045 and 93.053	Aging Cluster	Unmodified

Dollar threshold used to distinguish between Type A and Type B programs: $ 750,000

Auditee qualified as low-risk auditee?	____ yes	X no

Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2018

SECTION II – FINANCIAL STATEMENT FINDINGS

2018-001 – Significant Audit Adjustments

Finding Type. Significant Deficiency in Internal Control over Financial Reporting

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

Condition. During our audit, we identified and proposed adjustments (which were approved and posted by management) to adjust the Consortium's general ledger to the appropriate balances. Adjustments were necessary to correct fund balance and to adjust for entries that were inappropriately posted in prior years during the current year.

Cause. This condition was caused by an error in the accounting system not properly closing out the prior year and management not properly reconciling each fund in preparation for the audit.

Effect. As a result of this condition, the Consortium's accounting records were initially misstated by amounts significant to the financial statements.

Recommendation. Management has already taken appropriate corrective action by reviewing and approving the proposed audit adjustments. Additionally, management has recently initiated revisions to its reconciliation processes to appropriately detect discrepancies that were previously undetected. We recommend that management continue its implementation of this revised reconciliation process to ensure that unreconciled variances are appropriately identified and corrected on a timely basis and prior to the audit.

View of Responsible Officials. Management is reviewing the process for closing out the fiscal year in order to prevent this issue in future fiscal years. The recently implemented reconciliation steps will be included in this process to ensure all accounts are balanced.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

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Summary Schedule of Prior Audit Findings
For the Year Ended September 30, 2018

None reported.

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