



County of Otsego, Michigan

BASIC FINANCIAL STATEMENTS

December 31, 2020

OTSEGO COUNTY, MICHIGAN

ORGANIZATION

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COUNTY ADMINISTRATOR	RACHEL FRISCH
FINANCE DIRECTOR	MEL MAIER
COUNTY TREASURER	DIANN M AXFORD
COUNTY CLERK	SUSAN I. DEFEYTER

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR’S REPORT	1
MANAGEMENT’S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
Statement of Net Position	10
Statement of Activities	11
Fund Financial Statements:	
Balance Sheet – Governmental Funds	12
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	13
Reconciliation of Governmental Funds:	
Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities	14
Proprietary Funds:	
Statement of Net Position	15
Statement of Revenues, Expenses, and Changes in Net Position	16
Statement of Cash Flows	17
Fiduciary Funds:	
Statement of Fiduciary Net Position	18
Statement of Changes in Fiduciary Net Position	19
COMPONENT UNIT FINANCIAL STATEMENTS:	
Statement of Net Position	20
Statement of Activities	21
NOTES TO FINANCIAL STATEMENTS	22
REQUIRED SUPPLEMENTARY INFORMATION:	
Employee Retirement and Benefit Systems:	
Schedule of Changes in Pension Liability	65
Schedule of Employer Contributions	66
Schedule of Changes in OPEB Liability and Related Rations	67
Budgetary Comparison Schedules – Major Funds:	
General Fund.....	68
Housing Commission	70
Library	71

TABLE OF CONTENTS (Continued)

OTHER INFORMATION:

Combining Balance Sheet – General Funds	72
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – General Funds.....	73
Combining Balance Sheet – Nonmajor Governmental Funds	74
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Governmental Funds	79
Combining Statement of Net Position – Internal Service Funds.....	84
Combining Statement of Revenues, Expenses, and Changes in Net Position – Internal Service Funds	85
Combining Statement of Cash Flows – Internal Service Funds.....	86
Combining Statement of Net Position – Nonmajor Enterprise Funds	87
Combining Statement of Revenues, Expenses, and Changes in Net Position – Nonmajor Enterprise Funds.....	88
Combining Statement of Cash Flows – Nonmajor Enterprise Funds	89

REPORTS ON COMPLIANCE:

Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	90
Independent Auditor’s Report on Compliance for each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	92
Schedule of Expenditures of Federal Awards	94
Notes to Schedule of Expenditures of Federal Awards	96
Schedule of Findings and Questioned Costs:	
Section I – Summary of Auditor’s Results.....	97
Section II – Financial Statement Findings.....	98
Section III – Federal Award Findings	99
Summary Schedule of Prior Audit Findings:	
Section III – Federal Award Findings	100



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Commissioners
County of Otsego, Michigan
225 W. Main St.
Gaylord, MI 49735

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Otsego, Michigan, as of and for the year ending December 31, 2020, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Otsego Commission on Aging, which represents 2 percent, 2 percent, and 12 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Otsego Commission on Aging are based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the County Commission on Aging were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Honorable Chairman and Members
of the Board of Commissioners
County of Otsego, Michigan

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

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

Opinions

In our opinion, based on our report and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Otsego, Michigan, as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, employee retirement and benefits systems and budgetary comparison schedules on pages 4 through 9, pages 65 through 67, and pages 68 through 71 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

Honorable Chairman and Members
of the Board of Commissioners
County of Otsego, Michigan

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2021 on our consideration of the County of Otsego, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the County of Otsego, Michigan's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of Otsego, Michigan's internal control over financial reporting and compliance.



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

June 29, 2021

Management's Discussion and Analysis

As managers of the County of Otsego, Michigan, we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended December 31, 2020. We encourage readers to consider the information presented here, in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

Financial Highlights

- Net position for the County was reported at \$36,129,723 for 2019 and was \$37,576,435 for 2020, an increase of 4.0%. For 2020, net position for our business-type activities was \$15,460,793 or 41.1% of total net position, while net position in our governmental activities was \$22,115,642 or 58.9% of total net position.
- At December 31, 2020, Otsego County's governmental funds report a combined fund balance of \$15,639,943 compared to \$14,443,927 in 2019.
- At December 31, 2020, the fund balance for the general fund was \$6,159,950 with \$53,458 nonspendable for prepaid and inventory items.

Overview of the Financial Statements

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

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

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

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include Legislative, Judicial, General Government, Public Safety, Public Works, Health and Welfare, and Culture and Recreation. The business-type activities of the County include the Otsego County Bus System, Delinquent Tax Revolving, and Airport.

The government-wide financial statements include not only the County itself (known as the *primary government*), but also legally separate component units for which the County is financially accountable. Component Units include the Otsego County Road Commission, Otsego/Leelanau District Health Department, Otsego Transportation Authority, and Otsego Economic Development Corporation. Financial information for component units are reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 10-11 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

The County maintains many individual funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General, Housing Commission, Library, and Library Construction Millage Capital Project, each of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these Nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The County adopts an annual appropriated budget for its general and special revenue funds.

The governmental fund financial statements can be found on pages 12-14 of this report.

Proprietary funds. Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Services for which the County charges customers a fee are generally reported in proprietary funds. The Otsego County Bus System, Delinquent Tax Revolving, Tax Foreclosure and Airport are reported as major proprietary funds.

The proprietary fund financial statements can be found on pages 15-17 of this report.

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

The fiduciary fund financial statements can be found on pages 18-19 of this report.

Notes to the financial statements. The notes provide additional information that is essential to fully understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-64 of this report.

Required Supplementary Information. Required supplementary information related to the County’s pension and OPEB can be found on pages 65-67 and budgetary comparison information related to the County’s major governmental funds can be found on pages 68-71 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain other information. This includes the combining major and nonmajor fund financial statements. Combining major and nonmajor fund financial statements can be found on pages 72-89 of this report.

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 Otsego County, net position exceeded liabilities by \$37,576,435 at the close of the most recent fiscal year.

**Otsego County
Net Position**

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current Assets	\$ 20,984,215	\$ 20,634,182	\$ 10,311,105	\$ 9,730,422	\$ 31,295,320	\$ 30,364,604
Capital Assets	13,431,511	13,895,652	5,627,174	6,288,362	19,058,685	20,184,014
Total Assets	34,415,726	34,529,834	15,938,279	16,018,784	50,354,005	50,548,618
Deferred Outflows of Resources	1,705,709	1,925,948	84,749	216,690	1,790,458	2,142,638
Current Liabilities	1,635,037	1,612,330	280,166	759,319	1,915,203	2,371,649
Noncurrent Liabilities	10,247,156	10,588,166	219,142	648,838	10,466,298	11,237,004
Total Liabilities	11,882,193	12,200,496	499,308	1,408,157	12,381,501	13,608,653
Deferred Inflows of Resources	2,123,600	2,841,532	62,927	111,348	2,186,527	2,952,880
Net Position						
Net Investment in Capital Assets	12,644,493	12,485,124	5,627,174	6,288,362	18,271,667	18,773,486
Restricted	7,382,558	4,959,069	-	-	7,382,558	4,959,069
Unrestricted	2,088,591	3,969,561	9,833,619	8,427,607	11,922,210	12,397,168
Total Net Position	\$ 22,115,642	\$ 21,413,754	\$ 15,460,793	\$ 14,715,969	\$ 37,576,435	\$ 36,129,723

A large portion of the County’s net position reflects its investment in capital assets (e.g., land, buildings, equipment and construction in progress); less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay the debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

In addition to the net position invested in capital assets, certain other restrictions on use of net position apply due primarily to legal guidelines. The restricted net position total was \$7,382,558. The remaining balance of unrestricted net position of \$11,922,210 may be used to meet the government’s ongoing obligations to citizens and creditors.

**Otsego County
Changes in Net Position**

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Program Revenues						
Charges for Services	\$ 3,481,781	\$ 4,052,788	\$ 1,484,541	\$ 1,821,615	\$ 4,966,322	\$ 5,874,403
Operating Grants and Contributions	2,579,822	2,500,752	858,712	749,122	3,438,534	3,249,874
Capital Grants and Contributions	-	-	-	433,510	-	433,510
General Revenues						
Property Taxes	8,319,954	8,671,663	782,728	316,488	9,102,682	8,988,151
State Revenue Sharing	565,696	505,934	-	-	565,696	505,934
Investment Earnings	262,275	365,247	306,265	444,969	568,540	810,216
Other Revenue	461,988	140,930	400,895	236,823	862,883	377,753
Total Revenues	15,671,516	16,237,314	3,833,141	4,002,527	19,504,657	20,239,841
Program Expenses						
Legislative	279,851	214,752	-	-	279,851	214,752
Judicial	2,768,499	2,753,529	-	-	2,768,499	2,753,529
General Government	2,566,783	2,504,971	-	-	2,566,783	2,504,971
Public Safety	4,847,703	4,754,551	-	-	4,847,703	4,754,551
Public Works	326,483	342,058	-	-	326,483	342,058
Health and Welfare	1,064,373	1,229,255	-	-	1,064,373	1,229,255
Community and Economic Development	263,439	232,533	-	-	263,439	232,533
Recreation and Culture	2,078,757	1,996,987	-	-	2,078,757	1,996,987
Interest Expense - Unallocated	21,615	56,450	-	-	21,615	56,450
Other Expenses	414,340	386,339	-	-	414,340	386,339
Delinquent Tax Collection	-	-	219,371	201,547	219,371	201,547
Bus System	-	-	922,834	1,474,473	922,834	1,474,473
Airport	-	-	1,417,969	1,683,312	1,417,969	1,683,312
Other Expenses	-	-	366,370	415,718	366,370	415,718
Total Expenses	14,631,843	14,471,425	2,926,544	3,775,050	17,558,387	18,246,475
Excess (Deficiency)						
Before Transfers	1,039,673	1,765,889	906,597	227,477	1,946,270	1,993,366
Transfers	161,773	491,800	(161,773)	(491,800)	-	-
Changes in Net Position	1,201,446	2,257,689	744,824	(264,323)	1,946,270	1,993,366
Net Position - Beginning (As Restated See Note 15)	20,914,196	19,156,065	14,715,969	14,980,292	35,630,165	34,136,357
Net Position - Ending	\$ 22,115,642	\$ 21,413,754	\$ 15,460,793	\$ 14,715,969	\$ 37,576,435	\$ 36,129,723

Financial Analysis of the Government Funds

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

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

The County’s general fund is the chief operating fund of the County. The County’s ending fund balance for the general fund was \$6,159,950.

General Fund Budgetary Highlights

The General Fund realized \$148,049 less in revenues than anticipated for the fiscal year. The General Fund operations also expended \$769,120 less than appropriated. Operating Transfers In were higher than budgeted and resulted in a net budget variance of \$222,053.

All of the General Fund services departments expended less than the budgeted amount for departmental operations in 2020. Elected Officials and Department Heads continue to exhibit diligence across the board of keeping within budget parameters or identifying problems before they occur.

Over the course of the year the County Board amended the General Fund budget to reflect adjustments in revenues and expenditures that developed in the year.

Capital Assets and Debt Administration

Capital Assets:

At December 31, 2020 the County had \$19,058,685 invested in a range of assets. This includes a net decrease of \$518,704 from last year as depreciation and deletions exceed additions.

**Otsego County
Capital Assets
(net of depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 2,801,732	\$ 2,801,732	\$ 99,998	\$ 99,998	\$ 2,901,730	\$ 2,901,730
Construction in Progress	17,470	3,462,609	-	-	17,470	3,462,609
Buildings	8,865,568	5,763,792	1,108,012	1,111,845	9,973,580	6,875,637
Furniture & Fixtures	29,135	41,965	-	-	29,135	41,965
Equipment	1,368,476	1,487,499	80,753	104,378	1,449,229	1,591,877
Vehicles	334,960	321,888	565,108	682,033	900,068	1,003,921
Infrastructure	14,170	16,167	3,773,303	4,290,108	3,787,473	4,306,275
Total	\$ 13,431,511	\$ 13,895,652	\$ 5,627,174	\$ 6,288,362	\$ 19,058,685	\$ 20,184,014

Additional information on the County’s capital assets can be found in Note 4 on pages 35-38 of this report.

Debt Administration

At the end of fiscal year 2020, the County had outstanding bond debt in the amount of \$780,000. This was due to decreasing its bond debt in the amount of \$620,000. All bonds are backed by the County’s full faith and credit of the government. The remainder of the County’s debt is comprised of notes payable, vested employee benefits, and net pension liabilities.

Debt Administration

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Installment and Bond Debt	780,000	1,400,000	-	-	780,000	1,400,000
Premium on Bond Issuance	7,018	10,528	-	-	7,018	10,528
Compensated Absences	216,490	214,197	-	-	216,490	214,197
Total	\$ 1,003,508	\$ 1,624,725	\$ -	\$ -	\$ 1,003,508	\$ 1,624,725

Additional information on the County’s long-term debt can be found in Note 7 on pages 40-41 of this report.

Economic Factors and Next Year’s Budgets and Rates

The following factors were considered in preparing the County’s 2021 Budget:

- Property tax revenues are projected to increase approximately 2.0%.

Highlight of the 2020 budget is as follows:

- The cost of employee benefits continues to rise and will be monitored throughout the year.

Requests for Information

This financial report is designed to provide a general overview of the County’s finances for all those with an interest in the government’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Otsego County, 225 W Main, Gaylord, Michigan, 49735.

Basic Financial Statements

Statement of Net Position
December 31, 2020

	Primary Government		Totals	Component Units
	Governmental Activities	Business-type Activities		
ASSETS:				
Cash and Equivalents	\$ 11,420,095	\$ 3,982,904	\$ 15,402,999	\$ 7,953,798
Investments	4,602,358	5,194,353	9,796,711	400,390
Receivables:				
Taxes	2,466,489	769,053	3,235,542	2,510,878
Accounts	213,406	141,238	354,644	1,693,579
Interest	-	105,526	105,526	-
Loans	1,453,031	-	1,453,031	-
Due from Governmental Units	397,825	24,956	422,781	-
Inventories	18,470	18,930	37,400	976,807
Prepaid Items	138,806	4,145	142,951	124,207
Advance to Component Unit	273,735	70,000	343,735	-
Capital Assets Not Depreciated	2,819,202	99,998	2,919,200	12,744,322
Capital Assets (Net of Accumulated Depreciation)	10,612,309	5,527,176	16,139,485	25,849,878
TOTAL ASSETS	34,415,726	15,938,279	50,354,005	52,253,859
DEFERRED OUTFLOWS OF RECOURSES:				
Pension & OPEB Related Items	1,705,709	\$ 84,749	1,790,458	261,966
LIABILITIES:				
Accounts Payable	478,693	267,178	745,871	508,740
Accrued Liabilities	270,559	12,988	283,547	107,223
Advance from Government Units	-	-	-	524,641
Due to Governmental Units	25,953	-	25,953	220,171
Unearned Revenue	469,632	-	469,632	59,781
Interest Payable	5,200	-	5,200	-
Advance from Primary Government	-	-	-	343,735
Vested Employee Benefits - Due in more than one year	216,490	-	216,490	223,514
Bonds Payable - Due within one year	385,000	-	385,000	-
Bonds Payable - Due in more than one year	402,018	-	402,018	-
Net OPEB Liability - Due in more than one year	1,339,595	-	1,339,595	2,364,160
Net Pension Liability - Due in more than one year	8,289,053	219,142	8,508,195	3,451,083
Note Payable - Due within one year	-	-	-	276,971
Note Payable - Due in more than one year	-	-	-	303,976
TOTAL LIABILITIES	11,882,193	499,308	12,381,501	8,383,995
DEFERRED INFLOWS OF RESOURCES:				
Pension & OPEB Related Items	21,591	62,927	84,518	704,997
Taxes Levied for a Subsequent Period	2,102,009	-	2,102,009	2,510,878
TOTAL DEFERRED OUTFLOWS	2,123,600	62,927	2,186,527	3,215,875
NET POSITION:				
Net Investment in Capital Assets	12,644,493	5,627,174	18,271,667	38,259,553
Restricted	7,382,558	-	7,382,558	1,525,170
Unrestricted	2,088,591	9,833,619	11,922,210	1,131,232
TOTAL NET POSITION	\$ 22,115,642	\$ 15,460,793	\$ 37,576,435	\$ 40,915,955

County of Otsego, Michigan

Statement of Activities For the Year Ended December 31, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Totals	
Primary Government:								
Governmental Activities:								
Legislative	\$ 279,851	\$ -	\$ -	\$ -	\$ (279,851)	\$ -	\$ (279,851)	\$ -
Judicial	2,768,499	503,170	1,347,946	-	(917,383)	-	(917,383)	-
General Government	2,566,783	575,260	287,316	-	(1,704,207)	-	(1,704,207)	-
Public Safety	4,847,703	1,547,985	559,330	-	(2,740,388)	-	(2,740,388)	-
Public Works	326,483	2,281	-	-	(324,202)	-	(324,202)	-
Health and Welfare	1,064,373	41,115	281,857	-	(741,401)	-	(741,401)	-
Community/Economic Development	263,439	721	-	-	(262,718)	-	(262,718)	-
Recreation and Culture	2,078,757	811,249	103,373	-	(1,164,135)	-	(1,164,135)	-
Other	414,340	-	-	-	(414,340)	-	(414,340)	-
Interest - Unallocated	21,615	-	-	-	(21,615)	-	(21,615)	-
Total Governmental Activities	<u>14,631,843</u>	<u>3,481,781</u>	<u>2,579,822</u>	<u>-</u>	<u>(8,570,240)</u>	<u>-</u>	<u>(8,570,240)</u>	<u>-</u>
Business-type Activities:								
Delinquent Tax Collection	219,371	314,770	56	-	-	95,455	95,455	-
Tax Foreclosure	218,373	121,727	56	-	-	(96,590)	(96,590)	-
Airport	1,417,969	715,838	30,056	-	-	(672,075)	(672,075)	-
Public Transit	922,834	193,956	828,461	-	-	99,583	99,583	-
Non-Major Enterprise Funds	147,997	138,250	83	-	-	(9,664)	(9,664)	-
Total Business-type Activities	<u>2,926,544</u>	<u>1,484,541</u>	<u>858,712</u>	<u>-</u>	<u>-</u>	<u>(583,291)</u>	<u>(583,291)</u>	<u>-</u>
Total Primary Government	<u>\$ 17,558,387</u>	<u>\$ 4,966,322</u>	<u>\$ 3,438,534</u>	<u>\$ -</u>	<u>(8,570,240)</u>	<u>(583,291)</u>	<u>(9,153,531)</u>	<u>-</u>
Component Units:								
Road Commission	\$ 6,124,753	\$ 2,285,263	\$ 5,013,263	\$ 2,065,256				3,239,029
Ambulance	2,763,586	2,084,988	123,241	-				(555,357)
Commission on Aging 9/30/2019	1,960,618	64,223	517,671	-				(1,378,724)
Sportsplex	835,460	423,400	-	-				(412,060)
Total Component Units	<u>11,684,417</u>	<u>4,857,874</u>	<u>5,654,175</u>	<u>2,065,256</u>				<u>892,888</u>
Total	<u>\$ 29,242,804</u>	<u>\$ 9,824,196</u>	<u>\$ 9,092,709</u>	<u>\$ 2,065,256</u>				
General Revenues and Transfers:								
Taxes					8,319,954	782,728	9,102,682	3,784,729
State Revenue Sharing					565,696	-	565,696	
Investment Earnings					262,275	306,265	568,540	21,382
Transfers					161,773	(161,773)	-	-
Other					461,988	400,895	862,883	221,747
Total General Revenues and Transfers					<u>9,771,686</u>	<u>1,328,115</u>	<u>11,099,801</u>	<u>4,027,858</u>
Changes in Net Position					<u>1,201,446</u>	<u>744,824</u>	<u>1,946,270</u>	<u>4,920,746</u>
Net Position - Beginning (As Restated See Note 15)					<u>20,914,196</u>	<u>14,715,969</u>	<u>35,630,165</u>	<u>35,995,209</u>
Net Position - Ending					<u>\$ 22,115,642</u>	<u>\$ 15,460,793</u>	<u>\$ 37,576,435</u>	<u>\$ 40,915,955</u>

See accompanying notes to financial statements.

County of Otsego, Michigan

Balance Sheet Governmental Funds December 31, 2020

	General	Housing Commission	Library	Library Construction Millage Capital Project Fund	Nonmajor Governmental	Total Governmental Funds
ASSETS:						
Cash and Equivalents - Unrestricted	\$ 5,146,245	\$ 129,636	\$ 92,116	\$ 6,621	\$ 5,717,505	\$ 11,092,123
Investments - Unrestricted	835,298	-	717,394	-	2,889,927	4,442,619
Receivables:						
Taxes	364,480	-	532,894	498,226	1,070,889	2,466,489
Accounts	28,165	56	-	-	172,771	200,992
Loans	-	1,453,031	-	-	-	1,453,031
Advance to Other Funds	-	-	-	-	273,735	273,735
Due from Governmental Units	302,811	-	-	-	95,014	397,825
Inventories	16,176	-	-	-	-	16,176
Prepaid Items	37,282	97	-	-	32,626	70,005
TOTAL ASSETS	\$ 6,730,457	\$ 1,582,820	\$ 1,342,404	\$ 504,847	\$ 10,252,467	\$ 20,412,995
LIABILITIES:						
Accounts Payable	\$ 295,696	\$ 14,834	\$ 13,755	\$ -	\$ 131,924	\$ 456,209
Due to Other Governmental Units	-	-	-	-	25,953	25,953
Accrued Liabilities	202,624	213	-	-	63,381	266,218
Unearned Revenue	72,187	-	-	-	397,445	469,632
TOTAL LIABILITIES	570,507	15,047	13,755	-	618,703	1,218,012
DEFERRED INFLOWS OF RESOURCES:						
Unavailable Resources	-	1,453,031	-	-	-	1,453,031
Taxes Levied for a Subsequent Period	-	-	532,894	498,226	1,070,889	2,102,009
TOTAL DEFERRED INFLOW OF RESOURCES	-	1,453,031	532,894	498,226	1,070,889	3,555,040
FUND BALANCES:						
Nonspendable	53,458	97	-	-	32,626	86,181
Restricted	-	114,645	795,755	-	6,472,158	7,382,558
Committed	-	-	-	6,621	2,058,091	2,064,712
Assigned	1,046,706	-	-	-	-	1,046,706
Unassigned	5,059,786	-	-	-	-	5,059,786
TOTAL FUND BALANCES	6,159,950	114,742	795,755	6,621	8,562,875	15,639,943
TOTAL LIABILITIES, INFLOWS OF RESOURCES AND FUND BALANCES	\$ 6,730,457	\$ 1,582,820	\$ 1,342,404	\$ 504,847	\$ 10,252,467	
Reconciliation to amounts reported for governmental activities in the statement of net position:						
Capital Assets used by Governmental Activities						13,431,511
Long-term Debt Payable for Governmental Activities						(787,018)
Accrued Interest Payable						(5,200)
Vested Employee Benefits						(216,490)
Pension Liability and Deferred Items						(6,604,935)
OPEB Liability and Deferred Items						(1,339,595)
Deferred Revenue Recognized as Current Revenue						1,453,031
Internal Service Funds						544,395
Net position of governmental activities						\$ 22,115,642

**Statement of Revenues, Expenditures, and
Changes in Fund Balance - Governmental Funds
For the Year Ended December 31, 2020**

	General	Housing Commission	Library	Library Construction Millage Capital Project Fund	Nonmajor Governmental	Total Governmental Funds
REVENUES:						
Taxes	\$ 5,444,915	\$ -	\$ 511,683	\$ 486,072	\$ 1,877,284	\$ 8,319,954
Licenses and Permits	43,727	-	-	-	-	43,727
Federal Sources	567,797	138,611	13,250	-	452,308	1,171,966
State Sources	1,232,044	-	44,901	-	627,152	1,904,097
Local Sources	36,068	1,436	-	-	35,000	72,504
Charges for Services	999,707	-	-	-	1,528,885	2,528,592
Fines and Forfeits	12,260	-	152,140	-	345	164,745
Interest and Rentals	158,288	44	15,923	707	85,434	260,396
Other Revenue	622,000	14,241	49,072	-	519,892	1,205,205
TOTAL REVENUES	9,116,806	154,332	786,969	486,779	5,126,300	15,671,186
EXPENDITURES:						
Legislative	279,851	-	-	-	-	279,851
Judicial	1,925,594	-	-	-	787,898	2,713,492
General Government	1,654,506	-	-	-	574,071	2,228,577
Public Safety	2,725,884	-	-	-	1,882,222	4,608,106
Public Works	4,512	-	-	-	321,971	326,483
Health and Welfare	646,640	-	-	-	409,013	1,055,653
Community/Economic Development	116,501	143,557	-	-	-	260,058
Recreation and Culture	-	-	711,857	-	1,059,369	1,771,226
Other Expenditures	414,340	-	-	-	-	414,340
Capital Outlay	-	-	-	-	334,107	334,107
Debt Service	-	-	-	-	647,550	647,550
TOTAL EXPENDITURES	7,767,828	143,557	711,857	-	6,016,201	14,639,443
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	1,348,978	10,775	75,112	486,779	(889,901)	1,031,743
OTHER FINANCING SOURCES (USES):						
Transfers In	250,460	97,462	-	-	1,768,956	2,116,878
Transfers Out	(730,563)	(98,008)	-	(486,750)	(637,284)	(1,952,605)
Total Other Financing Sources (Uses)	(480,103)	(546)	-	(486,750)	1,131,672	164,273
NET CHANGE IN FUND BALANCE	868,875	10,229	75,112	29	241,771	1,196,016
FUND BALANCES BEGINNING OF YEAR (As Restated See Note 15)	5,291,075	104,513	720,643	6,592	8,321,104	14,443,927
FUND BALANCES END OF YEAR	\$ 6,159,950	\$ 114,742	\$ 795,755	\$ 6,621	\$ 8,562,875	\$ 15,639,943

**Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balance of Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2020**

Net changes in fund balances - total governmental funds \$ 1,196,016

The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation and loss on disposal, (\$798,248) exceeded by capital outlay, \$334,107. (464,141)

Repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.

Principal repayments:	
Recognition of Bond Premium	3,510
Bonds Payable	620,000

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred until the following year.

Change in unavailable revenue (7,016)

Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the following net changes:

Vested employee benefits	(2,293)
Accrued Interest Payable	2,425
OPEB Liability & Related Deferred Items	(124,646)
Pension Liability & Related Deferred Items	(89,063)

Internal service fund activity 66,654

Changes in net position of governmental activities \$ 1,201,446

**Statement of Net Position
Proprietary Funds
December 31, 2020**

	Business-type Activities - Enterprise Funds					Governmental	
	Major					Activities	
	Delinquent Tax Fund	Tax Foreclosure Fund	Airport	Bus System 9/30/2020	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
ASSETS:							
Current Assets:							
Cash and Equivalents	\$ 2,078,760	\$ 1,361,158	\$ 13,381	\$ 237,234	\$ 292,371	\$ 3,982,904	\$ 327,972
Investments	3,812,990	937,292	-	444,071	-	5,194,353	159,739
Taxes Receivable	769,053	-	-	-	-	769,053	-
Interest Receivable	105,526	-	-	-	-	105,526	-
Accounts Receivable	118	56	53,533	64,800	22,731	141,238	12,414
Due from Governmental Units	-	-	-	24,956	-	24,956	-
Advances to Component Units	70,000	-	-	-	-	70,000	-
Prepaid Items	194	194	194	-	3,563	4,145	68,801
Inventory	-	-	18,930	-	-	18,930	2,294
Total Current Assets	6,836,641	2,298,700	86,038	771,061	318,665	10,311,105	571,220
Noncurrent Assets:							
Capital Assets (Not Depreciated)	-	-	-	99,998	-	99,998	-
Capital Assets (Net of Accumulated Depreciation)	-	-	4,689,559	800,737	36,880	5,527,176	-
Total Noncurrent Assets	-	-	4,689,559	900,735	36,880	5,627,174	-
TOTAL ASSETS	6,836,641	2,298,700	4,775,597	1,671,796	355,545	15,938,279	571,220
DEFERRED OUTFLOWS OF RESOURCES:							
Pension Related Items	-	-	-	84,749	-	84,749	-
LIABILITIES:							
Current Liabilities:							
Accounts Payable	4,494	113,617	29,409	102,811	16,847	267,178	22,484
Accrued Liabilities	4,054	4,092	4,842	-	-	12,988	4,341
Total Current Liabilities	8,548	117,709	34,251	102,811	16,847	280,166	26,825
Noncurrent Liabilities:							
Net Pension Liability	-	-	-	219,142	-	219,142	-
TOTAL LIABILITIES	8,548	117,709	34,251	321,953	16,847	499,308	26,825
Deferred Inflow of Resources							
Pension Related Items	-	-	-	62,927	-	62,927	-
NET POSITION:							
Net Investment in Capital Assets	-	-	4,689,559	900,735	36,880	5,627,174	-
Unrestricted	6,828,093	2,180,991	51,787	470,930	301,818	9,833,619	544,395
TOTAL NET POSITION	\$ 6,828,093	\$ 2,180,991	\$ 4,741,346	\$ 1,371,665	\$ 338,698	\$ 15,460,793	\$ 544,395

**Statement of Revenues, Expenses, and
Changes in Net Position - Proprietary Funds
For the Year Ended December 31, 2020**

	Business-type Activities - Enterprise Funds					Governmental	
	Major					Activities	
	Delinquent Tax Fund	Tax Foreclosure Fund	Airport	Bus System 9/30/2020	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
OPERATING REVENUES:							
Charges for Services	\$ 36,537	\$ 121,727	\$ 715,838	\$ 193,956	\$ 138,250	\$ 1,206,308	\$ 2,394,074
Interest on Delinquent Taxes	278,233	-	-	-	-	278,233	-
Other Revenues	-	-	23,656	-	-	23,656	-
TOTAL REVENUES	314,770	121,727	739,494	193,956	138,250	1,508,197	2,394,074
OPERATING EXPENSES:							
Salaries, Wages, and Fringe Benefits	87,668	88,943	151,734	505,451	-	833,796	1,830,743
Contractual Services	84,858	-	170,342	-	-	255,200	273,702
Materials and Supplies	7,305	3,541	358,712	-	63,895	433,453	12,035
Equipment Repair and Maintenance	-	-	-	-	-	-	4,218
Utilities	-	-	-	-	-	-	199,441
Depreciation	-	-	592,221	160,942	12,301	765,464	-
Other Expenses	39,540	125,889	144,960	256,441	71,801	638,631	12,127
TOTAL EXPENSES	219,371	218,373	1,417,969	922,834	147,997	2,926,544	2,332,266
OPERATING INCOME (LOSS)	95,399	(96,646)	(678,475)	(728,878)	(9,747)	(1,418,347)	61,808
NON-OPERATING REVENUES (EXPENSES):							
State Grants	-	-	-	386,235	-	386,235	-
Federal Grants	56	56	30,056	442,226	83	472,477	3,967
Interest Earned on Investments	226,477	78,132	1,568	-	88	306,265	1,879
Property Taxes Levied	-	-	-	782,728	-	782,728	-
Other	-	352,327	-	27,912	(3,000)	377,239	1,500
TOTAL NONOPERATING REVENUES (EXPENSES)	226,533	430,515	31,624	1,639,101	(2,829)	2,324,944	7,346
INCOME (LOSS) BEFORE INTERFUND TRANSFERS	321,932	333,869	(646,851)	910,223	(12,576)	906,597	69,154
INTERFUND TRANSFERS:							
Transfers In	-	-	90,000	-	17,000	107,000	-
Transfers Out	(268,773)	-	-	-	-	(268,773)	(2,500)
CHANGES IN NET POSITION	53,159	333,869	(556,851)	910,223	4,424	744,824	66,654
NET POSITION, BEGINNING OF YEAR	6,774,934	1,847,122	5,298,197	461,442	334,274	14,715,969	477,741
NET POSITION, END OF YEAR	\$ 6,828,093	\$ 2,180,991	\$ 4,741,346	\$ 1,371,665	\$ 338,698	\$ 15,460,793	\$ 544,395

**Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2020**

	Business-type Activities - Enterprise Funds						Governmental
	Major						Activities
	Delinquent Tax Fund	Tax Foreclosure Fund	Airport	Bus System 9/30/2020	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:							
Receipts from Customers	\$ 39,100	\$ 132,976	\$ 732,967	\$ 135,242	\$ 129,513	\$ 1,169,798	\$ 2,390,993
Interest on Delinquent Taxes	318,033	-	-	-	-	318,033	-
Net Delinquent Taxes Collected (Purchased)	187,872	-	-	-	-	187,872	-
Payments to Suppliers	(61,101)	(29,480)	(712,252)	(256,441)	(126,397)	(1,185,671)	(500,958)
Payments to Employees for Services and Benefits	(85,205)	(86,443)	(151,082)	(1,267,913)	-	(1,590,643)	(1,820,277)
Net Cash Provided (Used) by Operating Activities	398,699	17,053	(130,367)	(1,389,112)	3,116	(1,100,611)	69,758
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:							
State Grants	-	-	30,056	259,450	-	289,506	-
Federal Grants	56	56	-	405,995	-	406,107	-
Property Tax	-	-	-	782,060	-	782,060	-
Other	-	352,327	-	27,912	(2,917)	377,322	5,467
Transfers In	-	-	90,000	-	17,000	107,000	-
Transfers Out	(268,773)	-	-	-	-	(268,773)	(2,500)
Net Cash Provided (Used) by Noncapital and Related Financing Activities	(268,717)	352,383	120,056	1,475,417	14,083	1,693,222	2,967
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:							
Acquisition of Capital Assets	-	-	-	(104,276)	-	(104,276)	-
Federal Capital Grant	-	-	-	104,276	-	104,276	-
Net Cash Provided (Used) by Capital and Related Financing Activities	-	-	-	-	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES:							
Net Sale or (Purchase) of Investments	360,246	656,061	-	(444,071)	-	572,236	(21,845)
Interest Earnings	226,477	78,132	1,568	-	88	306,265	1,879
Net Cash Provided (Used) by Investing Activities	586,723	734,193	1,568	(444,071)	88	878,501	(19,966)
Net Increase (Decrease) in Cash and Equivalents	716,705	1,103,629	(8,743)	(357,766)	17,287	1,471,112	52,759
Balances - Beginning of the Year	1,362,055	257,529	22,124	595,000	275,084	2,511,792	275,213
Balances - End of the Year	\$ 2,078,760	\$ 1,361,158	\$ 13,381	\$ 237,234	\$ 292,371	\$ 3,982,904	\$ 327,972
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:							
Operating Income (Loss)	\$ 95,399	\$ (96,646)	\$ (678,475)	\$ (728,878)	\$ (9,747)	\$ (1,418,347)	\$ 61,808
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:							
Depreciation Expense	-	-	592,221	160,942	12,301	765,464	-
Change in Assets and Liabilities:							
Taxes Receivable	187,872	-	-	-	-	187,872	-
Interest Receivable	39,800	-	-	-	-	39,800	-
Accounts Receivable	2,563	11,249	(6,527)	(58,714)	(8,543)	(59,972)	(3,081)
Interfund Advances, Payables, & Receivables	85,000	-	(9,111)	-	-	75,889	-
Prepaid Items	(194)	(194)	(194)	-	(1,726)	(2,308)	9,767
Inventory	-	-	9,535	-	-	9,535	(1,969)
Accounts Payable	(14,204)	100,144	(38,468)	(416,286)	10,831	(357,983)	1,543
Accrued Liabilities	2,463	2,500	652	-	-	5,615	1,690
Change in Pension Liability and Deferred Amounts	-	-	-	(346,176)	-	(346,176)	-
Net Cash Provided (Used) by Operating Activities	\$ 398,699	\$ 17,053	\$ (130,367)	\$ (1,389,112)	\$ 3,116	\$ (1,100,611)	\$ 69,758

**Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2020**

	General Agency Fund	Library Penal Fines	Michigan Municipal Risk Management Authority	Total
ASSETS:				
Cash and Equivalents	\$ 1,313,012	\$ 99,992	\$ 395,668	\$ 1,808,672
Taxes for Other Governments	1,296,182	-	-	1,296,182
TOTAL ASSETS	\$ 2,609,194	\$ 99,992	\$ 395,668	\$ 3,104,854
LIABILITIES:				
Undistributed Tax Collections	\$ 2,133,477	\$ -	\$ -	\$ 2,133,477
Due to Other Governments	329,216	-	-	329,216
Bonds, Restitutions and Payables to Others	146,501	99,992	-	246,493
TOTAL LIABILITIES	2,609,194	99,992	-	2,709,186
Net Position				
Restricted	\$ -	\$ -	\$ 395,668	\$ 395,668

**Statement of Changes of Fiduciary Net Position
Fiduciary Funds
December 31, 2020**

	General Agency Fund	Library Penal Fines	Michigan Municipal Risk Management Authority	Total
ADDITIONS:				
Contributions				
Members	\$ -	\$ -	\$ 50,000	\$ 50,000
Interest	-	-	9,253	9,253
Taxes Collected for Other Governments	24,743,928	-	-	24,743,928
Fees and Fines Collected on behalf of Other Governments	2,442,362	145,244	-	2,587,606
Fees and Fines Collected on behalf of Other Agencies	82,757	-	-	82,757
Collections from or On Behalf of Inmates	218,976	-	-	218,976
Gifts and Bequests	20,964	-	-	20,964
TOTAL ADDITIONS	<u>27,508,987</u>	<u>145,244</u>	<u>59,253</u>	<u>27,713,484</u>
DEDUCTIONS:				
Payment of Taxes to Other Governments	24,724,127	-	-	24,724,127
Payments to Other Agencies	50,647	-	-	50,647
Fees and Fines Remitted to Other Units of Government	2,441,732	-	-	2,441,732
Fees and Fines Remitted to Other Agencies	76,587	145,244	-	221,831
Payments on Behalf of Inmates	201,805	-	-	201,805
Bonds, Restitutions, and Payables to Others	-	-	47,022	47,022
Beneficiary Payments to Individuals	14,089	-	-	14,089
TOTAL DEDUCTIONS	<u>27,508,987</u>	<u>145,244</u>	<u>47,022</u>	<u>27,701,253</u>
Change in Net Position	-	-	12,231	12,231
Net Position, Beginning of Year	-	-	383,437	383,437
Net Position, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 395,668</u>	<u>\$ 395,668</u>

Component Units

County of Otsego, Michigan

Statement of Net Position Component Units December 31, 2020

	Road Commission	Ambulance Corporation	Commission on Aging 9/30/2020	Sportsplex	Totals
ASSETS:					
Cash and Equivalents	\$ 6,573,397	\$ 190,717	\$ 1,175,401	\$ 14,283	\$ 7,953,798
Investments	-	337,191	-	63,199	400,390
Receivables:					
Taxes	1,139,922	1,037,690	-	333,266	2,510,878
Accounts (Net of Allowance)	1,242,429	389,848	16,950	44,352	1,693,579
Inventories	967,874	-	1,469	7,464	976,807
Prepaid Items	124,207	-	-	-	124,207
Capital Assets (Not Depreciated)	12,744,322	-	-	-	12,744,322
Capital Assets (Net of Accumulated Depreciation)	24,359,503	1,490,375	-	-	25,849,878
TOTAL ASSETS	47,151,654	3,445,821	1,193,820	462,564	52,253,859
DEFERRED OUTFLOWS OF RESOURCES					
Pension & OPEB Related Items	261,966	-	-	-	261,966
LIABILITIES:					
Accounts Payable	488,154	3,696	15,153	1,737	508,740
Accrued Liabilities	61,921	5,305	38,037	1,960	107,223
Due to Governmental Units	220,171	-	-	-	220,171
Advance from Governmental Units	524,641	-	-	-	524,641
Unearned Revenues	-	-	43,076	16,705	59,781
Installment Notes Payable - Due within one year	30,671	-	246,300	-	276,971
Installment Notes Payable - Due in more than one year	303,976	-	-	-	303,976
Advance from Primary Government	-	343,735	-	-	343,735
Net Pension Liabilities- Due in more than one year	3,451,083	-	-	-	3,451,083
(OPEB) Liabilities - Due in more than one year	2,364,160	-	-	-	2,364,160
Vested Employee Benefits - Due in more than one year	223,514	-	-	-	223,514
TOTAL LIABILITIES	7,668,291	352,736	342,566	20,402	8,383,995
DEFERRED INFLOWS OF RESOURCES:					
Pension & OPEB Related Items	704,997	-	-	-	704,997
Taxes Levied for a Subsequent Period	1,139,922	1,037,690	-	333,266	2,510,878
Total Deferred Inflows of Resources	1,844,919	1,037,690	-	333,266	3,215,875
NET POSITION:					
Net Investment in Capital Assets	36,769,178	1,490,375	-	-	38,259,553
Restricted for Ambulance and Emergency Services	-	565,020	-	-	565,020
Restricted for Sportsplex	-	-	-	108,896	108,896
Restricted for Commission on Aging	-	-	851,254	-	851,254
Unrestricted	1,131,232	-	-	-	1,131,232
TOTAL NET POSITION	\$ 37,900,410	\$ 2,055,395	\$ 851,254	\$ 108,896	\$ 40,915,955

County of Otsego, Michigan

Statement of Activities Component Units For the Year Ended December 31, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position				
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Road Commission	Ambulance Corporation	Commission on Aging 9/30/2020	Sportsplex	Total
Road Commission:									
Public Works	\$ 6,124,753	\$ 2,285,263	\$ 5,013,263	\$ 2,065,256	\$ 3,239,029	\$ -	\$ -	\$ -	\$ 3,239,029
Ambulance Corporation:									
Health and Welfare	2,763,586	2,084,988	123,241	-	-	(555,357)	-	-	(555,357)
Commission on Aging 9/30/2020:									
Health and Welfare	1,960,618	64,223	517,671	-	-	-	(1,378,724)	-	(1,378,724)
Sportsplex:									
Recreation and Culture	835,460	423,400	-	-	-	-	-	(412,060)	(412,060)
Total Component Units	<u>\$ 11,684,417</u>	<u>\$ 4,857,874</u>	<u>\$ 5,654,175</u>	<u>\$ 2,065,256</u>	<u>3,239,029</u>	<u>(555,357)</u>	<u>(1,378,724)</u>	<u>(412,060)</u>	<u>892,888</u>
General Revenues:									
Property Tax					1,126,797	1,014,181	1,318,744	325,007	3,784,729
Investment Earnings					-	9,844	6,131	5,407	21,382
Other					95,279	13,525	110,658	2,285	221,747
Total General Revenues					<u>1,222,076</u>	<u>1,037,550</u>	<u>1,435,533</u>	<u>332,699</u>	<u>4,027,858</u>
Changes in Net Position					4,461,105	482,193	56,809	(79,361)	4,920,746
Net Position - Beginning					33,439,305	1,573,202	794,445	188,257	35,995,209
Net Position - Ending					<u>\$ 37,900,410</u>	<u>\$ 2,055,395</u>	<u>\$ 851,254</u>	<u>\$ 108,896</u>	<u>\$ 40,915,955</u>

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Otsego County (the "County" or the "Government") was organized in 1840 and covers an area of approximately 527 square miles divided into nine Townships, one village, and one city. The County seat is located in the City of Gaylord. The County operates under an elected board of commissioners (nine members) with an appointed County Administrator who assists with day-to-day operations. The County provides services to its more than 24,000 residents in many areas including law enforcement, administration of justice, community enrichment, economic development, and human services.

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

A – Reporting Entity:

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

Blended Component Units

Otsego County Building Authority (the "Building Authority") - The Building Authority is governed by a three-member board appointed by the County Board of Commissioners. Although it is legally separate from the County, the Building Authority is reported as if it were part of the primary government because its sole purpose is to finance and construct the County's public buildings. The financial statements of the Otsego County Building Authority are reported in the County's Debt Service Fund and Capital Projects Funds as presented in this report.

Discretely Presented Component Units

The component unit's column in the government-wide financial statements include the financial data of the other component units of the County. The following is a summary of the component units:

Otsego County Road Commission (the "Road Commission") - The Road Commission which is established pursuant to the County Road Law (MCL 224.1) is governed by a three-member Board of County Road Commissioners elected biannually to serve a six-year term. The Road Commission is responsible for the maintenance and construction of the County road system. It may not issue debt without the County's approval and the tax levy is subject to the County Board of Commissioners' approval. If approval is granted, Road Commission taxes are levied under the taxing authority of the County, as approved by the County electors, and would be included as part of the County's total tax levy as well as reported in the County Road Fund.

Otsego County Ambulance Corporation, Inc. (the "Ambulance Corporation") - The Ambulance Corporation, a nonprofit corporation which was established pursuant to the provisions of Public Act 327 of 1931, as amended, and Public Act 284 of 1972, has an agreement with Otsego County to provide ambulance service in and about Otsego County. A nine-member board governs the Ambulance Corporation. The Ambulance Corporation may not issue debt without the County's approval and a tax levy is subject to the County Board of Commissioners' approval. If approval is granted, the Ambulance Corporation's taxes are levied under the taxing authority of the County, as approved by the County electors, and would be included as part of the County's total tax levy as well as in the Ambulance Corporation Fund. All assets are in the name of the County.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Otsego County Commission on Aging (the "Commission") - The Commission is legally separable and administered by an advisory Board of Directors (the "Board") with twelve members. The Commission may not issue debt and the tax levy is subject to the County Board of Commissioners' approval. The Commission's taxes are levied under the taxing authority of the County, as approved by the County electors, and is included as part of the County's total tax levy as well as reported in the Commission on Aging Fund.

Otsego County Sportsplex (the "Sportsplex") - The Sportsplex, a nonprofit corporation that was established pursuant to the provisions of Public Act 162 of 1982, has an agreement with Otsego County to operate and maintain a recreational and sports complex for Otsego County. The agreement was amended on December 15, 2015 and expires on December 15, 2030. The sports complex was constructed during 1995 and opened in early 1996. The Sportsplex is operated by a Board of Directors, which consist of between seven and fifteen members. Members recommended by the Sportsplex Board of Directors and forwarded to the County Board of Commissioners for review and approval. The Sportsplex may not issue debt without the County's approval and the tax levy is subject to the County Board of Commissioners' approval. The Sportsplex taxes are levied under the taxing authority of the County, as approved by the County electors and are included as part of the County's total tax levy recorded in the County's Sportsplex Fund. The County Board of Commissioners also approves the budget and fee charges. Although this is a nonprofit corporation, the activities fit the description of a governmental special revenue fund type and, accordingly, are reported as a component unit in this report.

Complete financial statements of the individual component units can be obtained from their respective administrative offices as listed below or from the County Clerk's Office at 225 West Main Street, Gaylord, MI 49735.

Administrative Offices

Otsego County Sportsplex
1250 Gornick Avenue
Gaylord, MI 49735

Otsego County Road Commission
Industrial Park, PO Box 537
Gaylord, MI 49735

Otsego County Ambulance Corporation, Inc.
100 McLouth, PO Box 642
Gaylord, MI 49735

Otsego County Commission on Aging
120 Grandview Boulevard
Gaylord, MI 49735

Joint Ventures

Health Department of Northwest Michigan - The Health Department of Norwest Michigan (formerly known as the Northwest Michigan Community Health Agency) (the Department) is a Michigan municipal body, crated under Act 368 of the Public Acts of 1978. The Department is a component unit of the County of Charlevoix, Michigan which is funded through agreements with the State of Michigan, local appropriations and charges for services rendered.

Otsego County's appropriation to the Health Agency recorded in the General fund in 2020 was \$245,083.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Joint Ventures (Continued)

Financial information as of September 30, 2020 (the most recent audited financial statements) is as follows:

Assets	\$	8,008,244
Deferred outflows of resources		390,033
Liabilities		4,430,593
Deferred inflows of resources		22,858
Net position		3,944,826
Change in net position		822,287
Participant payments		
Total participant payments		1,091,994
County of Otsego		245,083
County of Otsego percentage of total		22%

Michigan Technical Education Center - Kirtland Community College, a community college district established pursuant to the provisions of Public Act 331 of 1996, obtained funding through the Michigan Economic Development Corporation ("MEDC") to construct and equip Michigan Technical Education Center ("M-TEC"), an educational facility in Otsego County. On December 7, 1999, the electors of the County authorized a tax levy not to exceed .6464 mills for a period of twenty years for the purpose of generating funds to operate the facility. The facility provides vocational, technical, job skills, or workforce development programs and services. Pursuant to the operating agreement, Kirtland established an advisory board (which includes representatives of the County) and is to report its preliminary, final, and amended M-TEC budgets to the County's board. Financial records for M-TEC are recorded and maintained by the Kirtland Community College and are audited separately.

M-TEC is used in conjunction with and occupied by the University Center established and operated by the University Center of Gaylord, a non-profit corporation.

North Country Community Mental Health Authority (the "CMH Authority") - The CMH Authority consists of the counties of Antrim, Charlevoix, Cheboygan, Emmet, Kalkaska, and Otsego. Financial records for the CMH Authority are recorded and maintained by the Authority and audited separately.

The funding formula for the community mental health operations and services is in accordance with an agreement approved by each county. The current agreement provides that each county will pay at an agreed upon rate. The Otsego County 2020 local match, recorded in the General fund, was \$94,003.

Otsego County University Center (the "Facility") - Effective January 1, 2017, management of the Facility transferred to Kirtland Community College (the "College"). The terms of the agreement between the County and the College are effective January 1, 2017, through December 31, 2020, which will automatically be extended unless otherwise modified. The Governance Advisory Board (the "GAB") serves as citizen input on the operations of the Facility under the College's management. Membership of the GAB will consist of 16 to 20 members, of which, 2 will be members from the Otsego County Board of Commissioners or the County Administrator and the remaining members shall represent a broad variety of interests in Otsego County to include but not limited to those banking and financial services, medical, manufacturing, independent business owners and education. Further information regarding the Facility's operation is presented in a separately issued College report.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Component Unit and Enterprise Fund with Different Fiscal Year Ends

The financial information presented in this report is for the year ended December 31, 2020, except for the following component unit and enterprise fund:

Fund	Fund Presentation	Fiscal Year End
Commission on Aging	Component Unit	September 30, 2020
Bus System	Enterprise Fund	September 30, 2020

B – Government-Wide and Fund Financial Statements

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

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

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

C – Measurement Focus, Basis of Accounting and Financial Statement Presentation:

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. A 60-day availability period is used for revenue recognition for all governmental fund revenues, except for expenditure-driven grants, which must be collected within one year, and property taxes. Property taxes for the County, levied and payable within the current fiscal year, are fully recognized inasmuch as any uncollected taxes are settled with the Delinquent Tax Revolving fund not later than March 1 of the following fiscal year. While this schedule exceeds the normal availability period for property taxes of 60 days, management believes that fully recognizing property taxes in the year they are intended to finance better reflects the matching concept of generally accepted accounting principles. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

Under the term of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

The 2020 taxable valuation of the County of Otsego totaled \$1,328,134,092, on which ad valorem taxes levied consisted of 4.0502 mills for General Operations, 0.3000 mills for Animal Control Operations, 1.0000 mills for Commission on Aging, 0.7800 mills for EMS Operations, 0.6000 mills for Transportation authority, 0.2500 mills for Park and Recreation Operations, 1.0000 mills for County Roads, 0.4000 & 0.3750 mills for the Library Operations and Construction, 0.2500 mills for County Recycling Operations, 0.2500 mills for Sportsplex Operations, and 0.9800 mills for M-Tec/UC Center of Gaylord Operations. These amounts are recognized in the respective General, Special Revenue, Debt Service, Component Units and Enterprise Fund financial statements as tax revenue, with the exception of the M-Tec/UC Center of Gaylord levy as this is run through the agency funds.

The County reports the following major governmental funds:

General Fund

This is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Housing Commission Fund

This fund accounts for grant revenue and contributions restricted for the improvement of housing within the County.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Library Fund

This fund accounts for grant revenue, taxes, charges for service, and contributions restricted for the maintenance and operations of library operations run by the County.

The Library Construction Millage Fund

This fund accounts for and reports for the tax revenue collections and distributions related to the millage for the construction of the library building.

The county reports the following major proprietary funds:

The Delinquent Tax Revolving Fund

This fund accounts for the purchase of and subsequent collection of delinquent taxes.

The Tax Foreclosure Fund

This fund accounts for the activities and proceeds of the activities related to the sales of home foreclosed on within the county related to unpaid taxes.

The Airport Fund

This fund accounts for the financial activity of the Gaylord Regional Airport.

The Bus System Fund

This fund accounts for the operation of the public transit system.

Additionally, the County reports the following fund types:

Special Revenue Funds

The special revenue funds account for revenue sources that are legally restricted to expenditures for specific purposes (not including major capital projects).

Capital Project Fund

The capital project fund is used to account for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Enterprise Funds

These funds account for the County's business-type operations that provide services to residents of the County for a fee.

Internal Service Funds

These funds account for operations that provide building and ground services, administration, and health insurance to other departments of the County on a cost-reimbursement basis

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Agency Funds

Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's tax collection function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for tax collections. Operating expenses for proprietary funds include the cost of sales and services, and administrative expenses. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

D - Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance

Bank Deposits and Investments – Deposits and investments are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income from all funds is allocated to each fund based on the average cash balances. Deposits are recorded at cost.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st and July 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

The accounts receivable for the Ambulance Corporation component unit is presented net of allowance for doubtful accounts of \$407,000.

Inventories and Prepaid Items – All inventories, including the cost of supplies, are expensed when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets – Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant, and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 years
Bus Operating Facility	12 - 20 years
Shop Equipment & Furniture	3 - 10 years
Vehicles	3 - 7 years
Equipment	3 - 10 years
Infrastructure	20 years

Vested Employee Benefits Payable – County General Employees - It is the County's policy to permit employees to accumulate earned but unused sick pay for the library employees and vacation pay benefits for all of the employees with certain limitations which vary among employee classification. Vacation and sick pay are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee retirements.

Long-Term Obligations – In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums

and discounts, are deferred and amortized over the life of the bonds using the straight-line basis. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expense when incurred.

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

Deferred Outflows of Resources – In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has pension and OPEB items that qualify for reporting in this category.

Deferred Inflows of Resources – In addition to liabilities, the statement of net position and governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has pension and OPEB items and taxes levied for a subsequent period that qualify for reporting in this category.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions and OPEB – For purposes of measuring the net pension liability, OPEB obligation, deferred outflows of resources and deferred inflows of resources, and expense information about the fiduciary net position of the Plans and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported. 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.

Fund Balance Classification – The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The County has classified Prepaid Items as being Nonspendable as these items are not expected to be converted to cash within the next year. The County has \$86,181 in Nonspendable fund balance.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The County has restricted \$7,382,558 for fund and/or debt specific purposes.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the County. These amounts cannot be used for any other purpose unless the County removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The County has committed \$2,064,712 for special fund purposes.
- Assigned: This classification includes amounts that are constrained by the County's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the County through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.
- Unassigned: This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The County would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

Unearned Revenues – Unearned revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund Transfers – During the course of normal operations, the County has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. The classification of amounts recorded as subsidies, advances, or equity contributions is determined by County management.

Use of Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, outflows, liabilities and inflows and disclosure of contingent assets and liabilities at the date of the reporting period. Actual results could differ from those estimates. Significant estimates of the County include management's estimate of the useful lives of depreciable capital assets, management's estimate of the accrued compensated absences, management's estimate of the allowance for uncollectible receivable balances and the assumptions used in the actuarial valuations of the pension and other postemployment benefit plans. The County utilizes various investment instruments which are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Grants and other Intergovernmental Revenues - Federal grants and assistance awards for all governmental type funds are recorded as federal sources in accordance with the terms of the representative grants.

Budget Stabilization Arrangement - The Otsego County Board of Commissioners has established a Budget Stabilization arrangement for the following purposes: to preserve current levels of services provided by the County's general fund, to cover potential general fund deficits, to cover potential expenses arising due to a natural disaster, and to assist with the County's cash flow during the fiscal year, in accordance with Public Act 30 of 1978. The Board appropriates funds as available and as deemed necessary during the budget process. Assigned fund balance of the general fund includes \$1,018,170 related to this stabilization arrangement.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information – Annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles.

Budgets and Budgetary Control – The County follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Each December, after receiving input from the individual departments, Administration and the County Budget and Finance Committee prepare a proposed operating budget for the fiscal period commencing January 1st and lapses on December 31st. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to January 1, the budget is legally enacted through a resolution passed by the Board of Commissioners.
- d. Budgetary control is exercised at the departmental level of the General Fund and Special Revenue Funds. Any revisions that alter the total expenditures of any department or fund (i.e., budget amendments) require approval by the Board of Commissioners. Such amendments are made in accordance with the procedures prescribed under Public Act 621 of 1978.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

- e. The budget and approved appropriations lapse at the end of the fiscal year.
- f. The County does not record encumbrances in the accounting records during the year as normal practice and, therefore, no outstanding encumbrances exist at year end.

Budgeted amounts are as originally adopted or amended by the Board of Commissioners during the year. Individual amendments were not material in relation to the original appropriations which were amended. The modified accrual basis of accounting is used for budgetary purposes.

The General Fund revenue budget was adopted on the basis of activities or programs financed by the General Fund.

Michigan Public Act 621 of 1978 (the Budgeting Act) requires that budgets be adopted for Governmental Funds. U.S. generally accepted accounting principles require that the financial statements present budgetary comparisons for the Governmental Fund Types for which budgets were legally adopted. The original budget adopted for the General fund was modified throughout the year through various budget amendments.

The budget document presents information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the department level.

NOTE 3 - DEPOSITS AND INVESTMENTS

At year end, the County’s deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Units</u>
Cash Equivalents - Unrestricted	\$ 11,420,095	\$ 3,982,904	\$ 15,402,999	\$ 1,808,672	\$ 7,953,798
Investments	<u>4,602,358</u>	<u>5,914,353</u>	<u>9,796,711</u>	-	<u>400,390</u>
Total	<u>\$ 16,022,453</u>	<u>\$ 9,177,257</u>	<u>\$ 25,199,710</u>	<u>\$ 1,808,672</u>	<u>\$ 8,354,188</u>

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Units</u>
Bank Deposits (checking and savings accounts, and money markets)	\$ 11,406,123	\$ 1,808,672	\$ 7,951,406
Investments	9,796,711	-	400,390
Petty Cash and Cash on Hand	<u>13,972</u>	-	<u>2,392</u>
Total	<u>\$ 25,199,710</u>	<u>\$ 1,808,672</u>	<u>\$ 8,354,188</u>

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

	Fair Value	Maturities in Years			
		Less Than 1	1 – 5	6 – 10	More Than 10
Investments:					
CD's*	\$ 1,225,000	\$ 1,225,000	\$ -	\$ -	\$ -
Governmental					
Fixed Income	8,528,016	-	249,949	800,382	7,477,685
Money Market*	43,695	43,695	-	-	-
Total Investments	\$ 9,796,711	\$ 1,268,695	\$ 249,949	\$ 800,382	\$ 7,477,685

Interest rate risk. The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The County has no investment policy that would further limit its investment choices. The County had investments in the following funds at December 31, 2020:

Fund Name	Ticker/CUSIP	S&P Rating
Governmental Fixed Income	multiple	AAA+
CD's	N/A	N/A

Custodial credit risk. Investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or securities that are in the possession of an outside party.

Custodial deposit credit risk. Custodial deposit credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned. State law does not require and the County does not have a policy for deposit custodial credit risk. As of year-end, \$16,069,890 of the County's bank balance of \$17,696,345 was exposed to credit risk because it was uninsured and uncollateralized. Money market accounts are not rated investments and are not subject to custodial credit risk.

Fair value measurement. The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on 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. Investments that are measured at fair value using the net asset value per share (or equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the measurements required judgement and considers factors specific to each asset or liability.

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

The County has the following fair value measurements as of December 31, 2020:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Governmental Fixed Income	\$ 8,528,016	\$ -	\$ 8,528,016	\$ -
Total	<u>\$ 8,528,016</u>	<u>\$ -</u>	<u>\$ 8,528,016</u>	<u>\$ -</u>

*CD's, and Money Market accounts are exempt from classification in the fair value hierarchy.

Statutory Authority:

An act (PA 152) to amend 1943 PA 20, entitled “An act relative to the investment of funds of public corporations of the state; and to validate certain investments,” by amending section 1 (MCL 129.91), as amended by 2009 PA 21.

Except as provided in section 5, the governing body by resolution may authorize its investment officer to invest the funds of that public corporation in one or more of the following:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, or depository receipts of a financial institution, but only if the financial institution complies with subsection (2); certificates of deposit obtained through a financial institution as provided in subsection (5); or deposit accounts of a financial institution as provided in subsection (6).
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in subdivision (a).
- e. Bankers’ acceptances of United States banks.
- f. Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, 15 USC 80a-1 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of any of the following:
 - (i) The purchase of securities on a when-issued or delayed delivery basis.
 - (ii) The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the value of the securities loaned.
 - (iii) The limited ability to borrow and pledge a like portion of the portfolio’s assets for temporary or emergency purposes.
- h. Obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the urban cooperation act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, MCL 129.111 to 129.118.

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

The County’s deposits and investment policy are in accordance with statutory authority.

These deposits are in various financial institutions in varying amounts. All accounts are in the name of the County and specific funds. They are recorded in County records at cost. Interest is recorded when the deposits mature or is credited to the applicable account.

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the primary government for the current year was as follows:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Adjustments/ Deductions</u>	<u>Ending Balances</u>
Governmental Activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 2,801,732	\$ -	\$ -	\$ 2,801,732
Construction in Progress	<u>3,462,609</u>	<u>17,470</u>	<u>(3,462,609)</u>	<u>17,470</u>
Subtotal	<u>6,264,341</u>	<u>17,470</u>	<u>(3,462,609)</u>	<u>2,819,202</u>
<i>Capital assets being depreciated:</i>				
Buildings	17,950,009	135,441	3,462,609	21,548,059
Leasehold Improvements	24,854	-	-	24,854
Furniture & Fixtures	895,452	-	-	895,452
Equipment:				
Data Handling	2,026,681	-	-	2,026,681
Other Equipment	2,637,503	36,149	-	2,673,652
Vehicles	1,939,829	145,047	-	2,084,876
Infrastructure	<u>37,130</u>	<u>-</u>	<u>-</u>	<u>37,130</u>
Subtotal	<u>25,511,458</u>	<u>316,637</u>	<u>3,462,609</u>	<u>29,290,704</u>
<i>Less accumulated depreciation for:</i>				
Buildings	(12,186,217)	(496,275)	-	(12,682,492)
Leasehold improvements	(24,854)	-	-	(24,854)
Furniture & Fixtures	(853,487)	(12,830)	-	(866,317)
Equipment:				
Data Handling	(1,843,515)	(52,146)	-	(1,895,661)
Other Equipment	(1,333,170)	(103,026)	-	(1,436,196)
Vehicles	(1,617,941)	(131,974)	-	(1,749,915)
Infrastructure	<u>(20,963)</u>	<u>(1,997)</u>	<u>-</u>	<u>(22,960)</u>
Subtotal	<u>(17,880,147)</u>	<u>(798,248)</u>	<u>-</u>	<u>(18,678,395)</u>
Net Capital Assets Being Depreciated	<u>7,631,311</u>	<u>(481,611)</u>	<u>3,462,609</u>	<u>10,612,309</u>
Capital Assets – Net	<u>\$ 13,895,652</u>	<u>\$ (464,141)</u>	<u>\$ -</u>	<u>\$ 13,431,511</u>

NOTE 4 - CAPITAL ASSETS (Continued)

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

Governmental Activities:	
General Government	\$ 313,817
Judicial	14,688
Public Safety	153,067
Recreation and Culture	<u>316,676</u>
Total Governmental Activities	<u>\$ 798,248</u>

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Adjustments/ Deductions</u>	<u>Ending Balances</u>
Business-type Activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 99,998	\$ -	\$ -	\$ 99,998
<i>Capital assets being depreciated:</i>				
Buildings	2,641,858	104,276	-	2,746,134
Furniture & Fixtures	6,000	-	-	6,000
Vehicles	2,436,955	-	-	2,436,955
Equipment	392,227	-	-	392,227
Infrastructure	<u>12,779,602</u>	<u>-</u>	<u>-</u>	<u>12,779,602</u>
Subtotal	<u>18,256,642</u>	<u>104,276</u>	<u>-</u>	<u>18,360,918</u>
<i>Less accumulated depreciation for:</i>				
Buildings	(1,530,013)	(108,109)	-	(1,638,122)
Furniture & Fixtures	(6,000)	-	-	(6,000)
Vehicles	(1,754,922)	(116,925)	-	(1,871,847)
Equipment	(287,849)	(23,625)	-	(311,474)
Infrastructure	<u>(8,489,494)</u>	<u>(516,805)</u>	<u>-</u>	<u>(9,006,299)</u>
Subtotal	<u>(12,068,278)</u>	<u>(765,464)</u>	<u>-</u>	<u>(12,833,742)</u>
Net Capital Assets Being Depreciated	<u>6,188,364</u>	<u>(661,188)</u>	<u>-</u>	<u>5,527,176</u>
Capital Assets – Net	<u>\$ 6,288,362</u>	<u>\$ (661,188)</u>	<u>\$ -</u>	<u>\$ 5,627,174</u>

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

Business-type Activities:	
Bus System 9/30/2020	\$ 160,942
Airport	592,221
University Center Metropolitan Area Network	<u>12,301</u>
Total Business-Type Activities	<u>\$ 765,464</u>

NOTE 4 - CAPITAL ASSETS (Continued)

OTSEGO COUNTY AMBULANCE CORPORATION

Capital asset activity of the Otsego County Ambulance Corporation for the current year was as follows:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Adjustments/ Deductions</u>	<u>Ending Balances</u>
<i>Capital Assets Being Depreciated:</i>				
Buildings	\$ 1,600,544	\$ -	\$ -	\$ 1,600,544
Other Equipment	698,745	-	-	698,745
Vehicles	<u>2,467,381</u>	<u>205,600</u>	<u>-</u>	<u>2,672,981</u>
Subtotal	<u>4,766,670</u>	<u>205,600</u>	<u>-</u>	<u>4,972,270</u>
<i>Less Accumulated Depreciation:</i>				
Buildings	(807,088)	(64,022)	-	(871,110)
Other Equipment	(635,645)	(14,330)	-	(649,975)
Vehicles	<u>(1,791,176)</u>	<u>(169,635)</u>	<u>-</u>	<u>(1,960,811)</u>
Subtotal	<u>(3,233,909)</u>	<u>(247,987)</u>	<u>-</u>	<u>(3,481,896)</u>
Net Capital Assets Being Depreciated	<u>1,532,761</u>	<u>(42,387)</u>	<u>-</u>	<u>1,490,374</u>
Total Net Capital Assets	<u>\$ 1,532,761</u>	<u>\$ (42,387)</u>	<u>\$ -</u>	<u>\$ 1,490,374</u>

OTSEGO COUNTY ROAD COMMISSION

Capital asset activity of the Otsego County Road Commission for the current year was as follows:

	<u>Beginning Balances 01/01/20</u>	<u>Additions</u>	<u>Adjustments/ Deductions</u>	<u>Ending Balances 12/31/20</u>
<i>Capital Assets Not Being Depreciated</i>				
Land	\$ 125,501	\$ -	\$ -	\$ 125,501
Land Improvements – Infrastructure	<u>12,333,272</u>	<u>285,549</u>	<u>-</u>	<u>12,618,821</u>
Subtotal	<u>12,458,773</u>	<u>285,549</u>	<u>-</u>	<u>12,744,322</u>
<i>Capital Assets Being Depreciated</i>				
Buildings	3,936,130	-	-	3,936,130
Road Equipment	8,064,358	538,691	245,199	8,357,850
Shop Equipment	106,679	-	-	106,679
Office Equipment	46,846	-	-	46,846
Engineers' Equipment	13,562	-	-	13,562
Yard and Storage Equipment	1,800	-	-	1,800
Traffic Signals	49,557	-	-	49,557
Infrastructure – Bridges	1,112,301	175,252	-	1,287,553
Infrastructure – Roads	<u>35,947,697</u>	<u>1,604,455</u>	<u>2,123,962</u>	<u>35,428,190</u>
Subtotal	<u>49,278,930</u>	<u>2,318,398</u>	<u>2,369,161</u>	<u>49,228,167</u>

NOTE 4 - CAPITAL ASSETS (Continued)

	Beginning Balances 01/01/20	Additions	Adjustments/ Deductions	Ending Balances 12/31/20
<i>Less Accumulated Depreciation</i>				
Buildings	2,065,550	87,241	-	2,152,791
Road Equipment	6,661,717	610,876	203,483	7,069,110
Shop Equipment	105,667	885	-	106,552
Office Equipment	37,951	3,286	-	41,237
Engineers' Equipment	13,562	-	-	13,562
Yard and Storage Equipment	1,800	-	-	1,800
Traffic Signals	46,036	320	-	46,356
Infrastructure – Bridges	360,648	24,558	-	385,206
Infrastructure – Roads	15,455,942	1,720,070	2,123,962	15,052,050
Subtotal	<u>24,748,873</u>	<u>2,447,236</u>	<u>2,327,445</u>	<u>24,868,664</u>
Net Capital Assets Being Depreciated	<u>24,530,057</u>	<u>(128,838)</u>	<u>(41,716)</u>	<u>24,359,503</u>
Capital Assets - Net	<u>\$ 36,988,830</u>	<u>\$ 156,711</u>	<u>\$ (41,716)</u>	<u>\$ 37,103,825</u>

OTSEGO COUNTY COMMISSION ON AGING

Capital asset activity of the Otsego County Commission on Aging for the current year was as follows:

	Beginning Balances	Additions	Adjustments/ Deductions	Ending Balances
<i>Capital assets being depreciated:</i>				
Leasehold Improvements & Equipment	\$ 140,189	\$ -	\$ -	\$ 140,189
<i>Less accumulated depreciation</i>	<u>(140,189)</u>	<u>-</u>	<u>-</u>	<u>(140,189)</u>
Net Capital Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 5 - RECEIVABLES

	Governmental Activities	Business-type Activities	Component Units
Accounts	\$ 213,406	\$ 141,238	\$ 2,100,579
Less: Allowance for uncollectible accounts	-	-	(407,000)
Property taxes	2,466,489	769,053	2,510,878
Due from other governments	397,825	-	-
Loans	1,453,031	-	-
Interest	-	105,526	-
Totals	<u>\$ 4,530,751</u>	<u>\$ 1,015,817</u>	<u>\$ 4,204,457</u>

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, & TRANSFERS

The composition of interfund balances as of December 31, 2020, was as follows:

These balances resulted 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.

Advances to and from component units

	Advance to Component Unit	Advance From Primary Government
Public Improvement Capital Project Fund	\$ 273,735	\$ -
Delinquent Tax Revolving Fund	70,000	-
Ambulance	-	343,735
	<u>\$ 343,735</u>	<u>\$ 343,735</u>

For the year ended December 31, 2020, interfund transfers consisted of the following:

	Transfers In	Transfers Out
General Fund	\$ 250,460	\$ 730,563
Housing Commission	97,462	98,008
Library Construction Mill.	-	486,750
Nonmajor Governmental Funds	1,768,956	637,284
Delinquent Tax Fund	-	268,773
Internal Service Funds	-	2,500
Airport	90,000	-
Nonmajor Enterprise Funds	17,000	-
	<u>\$ 2,223,878</u>	<u>\$ 2,223,878</u>

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

NOTE 7 - LONG-TERM DEBT

Changes in Long-term Debt. Long-term liability activity for the year ended December 31, 2020, was as follows:

	<u>Interest Rate</u>	<u>Principal Matures</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:							
Otsego County Building Authority Series 2017 Bonds, maturing serially in annual installments ranging from \$360,000 to \$395,000.	1.75-2.0%	2022	\$ 1,160,000	\$ -	\$ (380,000)	\$ 780,000	\$ 385,000
Otsego County Building Authority Series 2010 Bonds, maturing serially in annual installments ranging from \$20,000 to \$240,000.	2.0-4.0%	2020	<u>240,000</u>	<u>-</u>	<u>(240,000)</u>	<u>-</u>	<u>-</u>
Total Installment Debt			1,400,000	-	(620,000)	780,000	385,000
Premium on Bond Issuance			10,528	-	(3,510)	7,018	3,510
Accrued Compensated Absences			<u>214,197</u>	<u>444,769</u>	<u>(442,476)</u>	<u>216,490</u>	<u>-</u>
Total Governmental Activities Debt			<u>\$ 1,624,725</u>	<u>\$ 444,769</u>	<u>\$ (1,065,986)</u>	<u>\$ 1,003,508</u>	<u>\$ 388,510</u>

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

<u>Year End December 31</u>	<u>Bonds Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2020	\$ 385,000	\$ 15,600
2021	<u>395,000</u>	<u>7,900</u>
Total	<u>\$ 780,000</u>	<u>\$ 23,500</u>

Vested Employee Benefits – Governmental Activities

Substantially all County employees are entitled to certain vacation and sick pay benefits that accrue and vest under various parameters including individual labor contracts. Accrued benefits for all governmental fund types are reported as long-term debt.

NOTE 7 - LONG-TERM DEBT (Continued)

OTSEGO COUNTY ROAD COMMISSION

The long-term debt of the Road Commission is summarized as follows:

	<u>Balance</u> <u>01/01/20</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/20</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Installment payable secured by equipment, payable in monthly installments of \$28,859 including interest of 3.32%, due 2025.	\$ -	\$ 232,990	\$ 28,859	\$ 204,131	\$ 22,082
Installment payable secured by equipment, payable in monthly installments of \$1,748 including interest of 2.19%, due 2020.	167,545	-	167,545	-	-
Installment payable secured by equipment, payable in monthly installments of \$113 including interest of 2.69%, due 2020.	94,713	-	94,713	-	-
Installment payable secured by equipment, payable in annual installments of \$14,122 including interest of 4.18%, due 2023.	<u>140,551</u>	<u> </u>	<u>10,035</u>	<u>130,516</u>	<u>8,589</u>
Subtotal	402,809	232,990	301,152	334,647	<u>\$ 30,671</u>
Vested Employee Benefits (1)	<u>254,330</u>	<u> </u>	<u>30,816</u>	<u>223,514</u>	
TOTAL LONG-TERM DEBT	<u>\$ 657,139</u>	<u>\$ 232,990</u>	<u>\$ 331,968</u>	<u>\$ 558,161</u>	

(1) Net increase.

<u>Year End December 31</u>	<u>Installments Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$ 30,671	\$ 12,311
2022	144,743	11,214
2023	23,573	5,286
2024	<u>135,660</u>	<u>4,504</u>
Total	<u>\$ 334,647</u>	<u>\$ 33,315</u>

NOTE 8 - RISK MANAGEMENT

Primary Government

The County is exposed to risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The government manages its risk exposures and provides certain employee benefits through a combination of self-insurance programs, risk management pools and commercial insurance and excess coverage policies. The following is a summary of these self-insurance programs and risk management pool participation.

The County participates in the Michigan Municipal Risk Management Authority (MMRMA) for general and automobile liability, motor vehicle physical damage, and property damage coverages. The MMRMA was established in January 1980, pursuant to laws of the State of Michigan, which authorize local units of government to jointly exercise any power, privilege or authority which each might exercise separately. The purpose of the Authority is to provide cooperative and comprehensive risk financing and risk control services. The MMRMA provides risk management, underwriting, reinsurance and claim review and processing services for all member governments pursuant to its charter.

The County makes annual contributions to MMRMA based on actuarial studies using historical data and insurance industry statistics. These contributions are paid from the General Fund using premiums paid into it by other funds of the government. Such contributions that are received by MMRMA are allocated between its general and member retention funds. Economic resources in the MMRMA's General Fund are expended for reinsurance coverage, claim payments and certain general and administrative costs, whereas resources in the member retention funds are used for loss payments and defense costs up to the members' self-insurance retention limits along with certain other member-specific costs.

Accordingly, because contributions to the member retention fund are essentially recognized as revenue by MMRMA to the extent of expenditures, the government records an asset and a related liability, equal to the loss reserves estimated by MMRMA, for its portion of the unexpended member retention fund in the Michigan Municipal Risk Agency Fund. At December 31, 2020, the balance of the County's member retention was \$395,668.

Changes in the balances of claims liabilities are as follows:

	Fiscal Year Ended December 31,	
	2020	2019
Estimated liability, beginning of year	\$ 30,526	\$ 17,188
Receipts	60,019	61,019
Estimated claims incurred	(44,369)	(44,501)
Claim payments	(2,653)	(3,180)
Estimated liability, end of year	\$ 43,523	\$ 30,256

Coverage	Self-Insured Retention
Liability	\$75,000
Vehicle Physical Damage	\$15,000 per vehicle
\$1,000 Member Deductible	\$30,000 per occurrence
Property and crime	
\$1,000 deductible per occurrence	10% of the next \$100,000
Employee Benefits	Commercial Insurance Provider

NOTE 8 - RISK MANAGEMENT (Continued)

Workers' Compensation

The County is a member of the Michigan Counties Workers' Compensation Fund. Full statutory coverage for workers' disability compensation and employers' liability is guaranteed by the fund for Michigan operations through authority granted by the State of Michigan under Chapter 6, Section 418.611, Paragraph (2) of the Workers' Disability Compensation Act of 1969, as amended.

At December 31, 2020 there were no claims that exceeded insurance coverage. The County had no significant reduction in insurance coverage from previous years.

Component Unit - Road Commission

The Road Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Road Commission was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The Road Commission joined together with other Road Commissions and created a public entity risk pool currently operating as a common risk management and insurance program. The Road Commission pays an annual premium to the pool for its general insurance coverage. The agreement provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$1,000 (\$2,000 for errors and omissions) for each insured event. The maximum limit of liability for each occurrence is \$10,500,000.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The Road Commission is unable to provide an estimate of the amounts of additional assessments.

The Road Commission from time to time is named as a defendant in accident claims and lawsuits requesting damages of various amounts, the majority of which do not state a specific maximum. Insurance coverage related to these claims and lawsuits, if any, is categorized under the general liability insurance program. It is the opinion of management and legal counsel that reasonable estimates of the Road Commission's current liability for these matters, if any, have been recorded.

There are non-accident liability and condemnation lawsuits sometimes pending against the Road Commission claiming amounts for damages and relief without stated limitations. It is the opinion of management and legal counsel that reasonable estimates of the Road Commission's current liability for these matters, if any, have been recorded.

Component Unit - Ambulance Corporation

The Ambulance Corporation is exposed to risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Ambulance Corporation's general liability, property, and vehicle insurance is included in the County's plan. Additional vehicle insurance, health insurance, and workers' compensation is obtained through commercial insurance providers.

At December 31, 2020, there were no claims that exceeded insurance coverage. The Ambulance Corporation did not have any significant reduction in insurance coverage from previous years.

NOTE 8 - RISK MANAGEMENT (Continued)

Component Unit - Commission on Aging

The Commission on Aging has insurance coverage provided by independent insurance companies for property, general liability, fire, workers' compensation and employee bond coverage. The Commission on Aging liability is normally limited to the deductible.

Component Unit - Sportsplex

The Sportsplex is exposed to risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Health insurance and workers' compensation is obtained through commercial insurance providers.

At December 31, 2020, there were no claims that exceeded insurance coverage. The Sportsplex did not have any significant reduction in insurance coverage from previous years.

NOTE 9 - TAX ABATEMENTS

Industrial Facilities Exemption

Municipalities within the County's boundaries entered into property tax abatement agreements with local businesses under the Plant Rehabilitation and Industrial Development Districts Act, known as the Industrial Facilities Exemption (IFT) PA 198 of 1974, as amended. The purpose of the exemption is to provide a tax incentive to manufacturers to enable renovation and expansion of aging facilities, assist in the building of new facilities, and to promote the establishment of high-tech facilities. IFT on such properties have resulted in an abatement of property taxes which reduced the property taxes collected by Otsego County and its component units as follows:

City of Gaylord Tax Abatements: For the year ended December 31, 2020, Otsego County property taxes were reduced by \$11,317 under this program.

Bagley Township Tax Abatements: For the year ended December 31, 2020, Otsego County property taxes were reduced by \$7,257 under this program.

Corwith Township Tax Abatements: For the year ended December 31, 2020, Otsego County property taxes were reduced by \$1,494 under this program.

Livingston Township Tax Abatements: For the year ended December 31, 2020, Otsego County property taxes were reduced by \$1,204 under this program.

Commercial Facilities Exemption

Municipalities within the County's boundaries entered into property tax abatement agreements with local businesses under the Commercial Redevelopment Act, known as the Commercial Facilities Exemption (CFT) PA 255 of 1978, as amended. The purpose of the exemption is to provide a tax incentive to businesses to establish themselves in the designated commercial redevelopment district. CFT on such properties have resulted in an abatement of property taxes which reduced the property taxes collected by Otsego County and its component units as follows:

City of Gaylord Tax Abatements: For the year ended December 31, 2020, Otsego County property taxes were reduced by \$3,234 under this program.

NOTE 9 - TAX ABATEMENTS (Continued)

Brownfield Redevelopment Financing

Municipalities within the County's boundaries entered into property tax abatement agreements with local businesses under the Brownfield Redevelopment Financing Act, PA 381 of 1996, as amended. The purpose of the exemption is to provide a tax incentive to businesses to establish themselves in a Brownfield Redevelopment Zone to promote the revitalization, redevelopment, and reuse of certain property that had been deemed obsolete due to blight, environmental matters, or being tax reverted. The cost to clean up the property to make it usable was initially paid for by the State of Michigan under the Brownfield provisions, creating a loan to be repaid over a 20-year period. Once the property sold, the owner's taxes were abated to be used toward loan repayment, which reduced the property taxes collected by Otsego County and its component units as follows:

City of Gaylord Tax Abatements: For the year ended December 31, 2020, Otsego County property taxes were reduced by \$700 under this program.

NOTE 10 - CONTINGENT LIABILITIES

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

NOTE 11 - OPERATING LEASES

Lease Commitments - Commission on Aging Discretely Presented Component Unit

The Commission on Aging leases office and activity space from Alpine Alten Zimmer. The future rent payments will approximate \$28,000 per year, with a rent increase not to exceed 1% per year through December 31, 2029.

The Commission on Aging has entered into a sublease with Northwest Michigan Community Health Agency to rent the space commonly known as "Otsego Haus". The sublease terms require monthly payments of \$1,620, or \$19,440 annually, and is renewable on a month-to-month basis.

NOTE 12 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

PRIMARY GOVERNMENT

General Information about the Pension Plan

Plan Description. The employer's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The employer participates in the Municipal Employees Retirement System (MERS) of Michigan. 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. 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.

NOTE 12 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

01 – GnrI Non Union: Closed to new hires	
	<u>2019 Valuation</u>
Benefit Multiplier:	2.25% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	-
Early Retirement (Reduced):	50/25 55/15
Final Average Compensation:	5 years
Employee Contributions:	2.00%
DC Plan for New Hires:	1/1/2020
Act 88:	No
07 – Library NonUnion: Open Division	
	<u>2019 Valuation</u>
Benefit Multiplier:	2.00% Multiplier (no max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	-
Early Retirement (Reduced):	50/25 55/15
Final Average Compensation:	5 years
Employee Contributions	0.00%
Act 88:	No
10 – GnrI Local 214 Bus: Closed to new hires	
	<u>2019 Valuation</u>
Benefit Multiplier:	2.25% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	-
Early Retirement (Reduced):	50/25 55/15
Final Average Compensation:	5 years
Employee Contributions:	1.00%
DC Plan for New Hires:	1/1/2020
Act 88:	No
11 – POAM: Closed to new hires, linked to Division HC	
	<u>2019 Valuation</u>
Benefit Multiplier:	2.25% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	-
Early Retirement (Reduced):	50/25 55/15
Final Average Compensation:	5 years
Employee Contributions	2.00%
Act 88:	No

NOTE 12 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

13 – Elected/Appt Spvs: Closed to new hires

	<u>2019 Valuation</u>
Benefit Multiplier:	2.50% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	8 Years
Early Retirement (Unreduced):	55/30
Early Retirement (Reduced):	50/25 55/15
Final Average Compensation:	5 years
Employee Contributions:	2.00%
DC Plan for New Hires:	1/1/2020
Act 88:	No

14 – 46th Trial Court: Closed to new hires

	<u>2019 Valuation</u>
Benefit Multiplier:	2.25% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	-
Early Retirement (Reduced):	50/25 55/15
Final Average Compensation:	5 years
Employee Contributions:	2.00%
DC Plan for New Hires:	1/1/2020
Act 88:	No

16 – Gnrl Local 214 Clerical: Closed to new hires

	<u>2019 Valuation</u>
Benefit Multiplier:	2.25% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	55/30
Early Retirement (Reduced):	50/25 55/15
Final Average Compensation:	5 years
Employee Contributions:	2.00%
DC Plan for New Hires:	1/1/2020
Act 88:	No

17 – 87-A Judge/FOC pre 9/1/14: Closed to new hires

	<u>2019 Valuation</u>
Benefit Multiplier:	2.50% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	8 Years
Early Retirement (Unreduced):	55/30
Early Retirement (Reduced):	50/25 55/15
Final Average Compensation:	5 years
Employee Contributions:	0.00%
Act 88:	No

NOTE 12 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

20 – Sheriff Union: Closed to new hires, linked to Division HG	
	<u>2019 Valuation</u>
Benefit Multiplier:	2.50% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	55/15
Early Retirement (Reduced):	50/25
Final Average Compensation:	5 years
Employee Contributions	0.00%
Act 88:	No
21 – Sheriff Un New Hires after 6/1/10: Closed to new hires, Linked to Division HG	
	<u>2019 Valuation</u>
Benefit Multiplier:	2.50% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	55/15
Early Retirement (Reduced):	50/25
Final Average Compensation:	5 years
Employee Contributions	4.00%
Act 88:	No
70 – Library Director: Open Division	
	<u>2019 Valuation</u>
Benefit Multiplier:	2.50% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	8 Years
Early Retirement (Unreduced):	55/30
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	5 years
Employee Contributions	0.00%
Act 88:	No
HA – Elected Apptd Spvs af 1/1/09: Closed to new hires	
	<u>2019 Valuation</u>
Benefit Multiplier:	1.25% Multiplier (no max)
Normal Retirement Age:	60
Vesting:	6 Years
Early Retirement (Unreduced):	-
Early Retirement (Reduced):	-
Final Average Compensation:	3 years
Employee Contributions:	0.00%
DC Plan for New Hires:	1/1/2020
Act 88:	No

HB – General Non Union after 1/1/09: Closed to new hires

	<u>2019 Valuation</u>
Benefit Multiplier:	1.25% Multiplier (no max)
Normal Retirement Age:	60
Vesting:	6 Years
Early Retirement (Unreduced):	-
Early Retirement (Reduced):	-
Final Average Compensation:	3 years
Employee Contributions:	0.00%
DC Plan for New Hires:	1/1/2020
Act 88:	No

HC – POAM hired after 1/1/11: Open Division, linked to Division 11

	<u>2019 Valuation</u>
Benefit Multiplier:	1.25% Multiplier (no max)
Normal Retirement Age:	60
Vesting:	6 Years
Early Retirement (Unreduced):	-
Early Retirement (Reduced):	-
Final Average Compensation:	3 years
Employee Contributions	0.00%
Act 88:	No

HD – 46th Trial Ct hired af 6/1/11: Closed to new hires

	<u>2019 Valuation</u>
Benefit Multiplier:	1.25% Multiplier (no max)
Normal Retirement Age:	60
Vesting:	6 Years
Early Retirement (Unreduced):	-
Early Retirement (Reduced):	-
Final Average Compensation:	3 years
Employee Contributions:	0.00%
DC Plan for New Hires:	1/1/2020
Act 88:	No

HE – Clerical Loc#214 af 1/1/2012: Closed to new hires

	<u>2019 Valuation</u>
Benefit Multiplier:	1.25% Multiplier (no max)
Normal Retirement Age:	60
Vesting:	6 Years
Early Retirement (Unreduced):	-
Early Retirement (Reduced):	-
Final Average Compensation:	3 years
Employee Contributions:	0.00%
DC Plan for New Hires:	1/1/2020
Act 88:	No

HF – Tmstrs Bus hired af 1/1/2011: Closed to new hires	
	<u>2019 Valuation</u>
Benefit Multiplier:	1.25% Multiplier (no max)
Normal Retirement Age:	60
Vesting:	6 Years
Early Retirement (Unreduced):	-
Early Retirement (Reduced):	-
Final Average Compensation:	3 years
Employee Contributions:	0.00%
DC Plan for New Hires:	1/1/2020
Act 88:	No

HG – All FT POLC on/aftr 1/1/16: Open Division, linked to Divisions 20, 21	
	<u>2019 Valuation</u>
Benefit Multiplier:	1.50% Multiplier (no max)
Normal Retirement Age:	60
Vesting:	6 Years
Early Retirement (Unreduced):	55/25
Early Retirement (Reduced):	-
Final Average Compensation:	3 years
Employee Contributions	0.00%
Act 88:	No

Employees Covered by Benefit Terms

At December 31, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	110
Inactive employees entitled to but not yet receiving benefits	56
Active employees	<u>108</u>
	274

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the County’s competitive bargaining unit and personnel policy, which require employees to contribute to the plan. The County is required to contribute on a monthly basis at an actuarially determined rate for each division follows:

01	\$	8,983	21	\$	853
07	\$	1,627	70	\$	365
10	\$	5,611	HA	\$	3,402
11	\$	3,413	HB	\$	3,402
13	\$	25,641	HC	\$	1,257
14	\$	9,590	HD	\$	1,670
16	\$	4,264	HE	\$	785
17	\$	2,340	HF	\$	1,312
20	\$	10,374	HG	\$	780

NOTE 12 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Net Pension Liability

The County’s net pension liability was measured as of December 31, 2019, 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, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.50% in the long-term
Investment rate of return	7.75%, net of investment and administrative expense including inflation

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	60.00%	6.15%
Global Fixed Income	20.00%	1.26%
Private Investment	20.00%	6.56%

Discount Rate. The discount rate used to measure the total pension liability is 7.60%. 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.

NOTE 12 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Changes in the Net Pension Liability:

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balances at December 31, 2018	\$ 23,380,803	\$ 14,365,948	\$ 9,014,855
Service cost	388,399	-	388,399
Interest on total pension liability	1,749,783	-	1,749,783
Changes in benefits	(386,275)	-	(386,275)
Difference between expected and actual experience	(65,132)	-	(65,132)
Changes in assumptions	746,482	-	746,482
Employer contributions	-	1,062,073	(1,062,073)
Employee contributions	-	49,203	(49,203)
Net investment income	-	1,942,926	(1,942,926)
Benefit payments, including employee refunds	(1,384,939)	(1,384,939)	-
Other	80,821	-	80,821
Administrative expense	-	(33,464)	33,464
Net changes	<u>1,129,139</u>	<u>1,635,799</u>	<u>(506,660)</u>
Balances as of December 31, 2019	<u>\$ 24,509,942</u>	<u>\$ 16,001,747</u>	<u>\$ 8,508,195</u>

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the County, calculated using the discount rate of 7.60%, as well as what the County’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.60%) or 1-percentage-point higher (8.60%) than the current rate:

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
County’s net pension liability	\$11,227,927	\$8,495,904	\$(2,089,623)

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

NOTE 12 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

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

For the year ended December 31, 2020, the County recognized pension expense of \$1,413,208. At December 31, 2020, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 9,448	\$ 84,518
Changes in assumptions	559,861	-
Net difference between projected and actual earnings on pension plan investments	11,925	-
Contributions subsequent to the measurement date	1,209,224	-
Total	\$ 1,790,458	\$ 84,518

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

Year Ended December 31:

2021	\$	96,654
2022		215,657
2023		357,980
2024		(173,575)

OTSEGO COUNTY ROAD COMMISSION

Description of Plan and Plan Assets

The Road Commission is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement and service retirement to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.50% times the final compensation (FAC). The most recent period of which actuarial data was available was for year ended December 31, 2019.

NOTE 12 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

General Information about the Pension Plan

Plan Description. The employer’s defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The employer participates in the Municipal Employees Retirement System (MERS) of Michigan. 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. 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.

01 – General: Closed Division

	<u>2019 Valuation</u>
Benefit Multiplier:	2.50% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	55/25
Early Retirement (Reduced):	50/25 55/15
Final Average Compensation:	5 years
Employee Contributions:	4.0%
Act 88:	Yes (Adopted 11/23/1970)

02 – General: Open Division

	<u>2019 Valuation</u>
Benefit Multiplier:	2.00% Multiplier (no max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	-
Early Retirement (Reduced):	50/25 55/15
Final Average Compensation:	5 years
Employee Contributions:	4.0%
Act 88:	Yes (Adopted 11/23/1970)

NonUnion: Open Division

	<u>2019 Valuation</u>
Benefit Multiplier:	2.50% Multiplier (no max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	55/25
Early Retirement (Reduced):	50/25 55/15
Final Average Compensation:	5 years
Employee Contributions:	4.0%
Act 88:	Yes (Adopted 11/23/1970)

NOTE 12 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Employees Covered by Benefit Terms

At December 31, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	49
Inactive employees entitled to but not yet receiving benefits	9
Active employees	<u>31</u> 89

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Road Commission’s competitive bargaining unit and personnel policy, which require employees to contribute to the plan. The Road Commission is required to contribute at an actuarially determined fixed rate for 2020 of \$15,456 of nonunion payroll and \$30,606 of general employees.

Net Pension Liability

The Road Commission’s net pension liability was measured as of December 31, 2020, 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, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 %
Salary increases	3.50 %
Investment rate of return	7.75 %, net of interest and administrative expense including inflation

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

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study of January 1, 2009, through December 31, 2013.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	60.00%	6.15%
Global Fixed Income	20.00%	1.26%
Private Investments	20.00%	6.56%

NOTE 12 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Discount Rate. The discount rate used to measure the total pension liability is 7.60%. 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 the Net Pension Liability:

	Increases (Decreases)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2019	\$ 12,916,236	\$ 8,521,841	\$ 4,394,395
Service cost	190,564	-	190,564
Interest on total pension liability	957,184	-	957,184
Changes in benefits	(19,628)	-	(19,628)
Difference between expected and actual experience	16,447	-	16,447
Changes in assumptions	382,467	-	382,467
Employer contributions	-	1,152,526	(1,152,526)
Employee contributions	-	205,038	(205,038)
Net investment income	-	1,161,479	(1,161,479)
Benefit payments, including employee refunds	(883,983)	(883,983)	-
Administrative expense	-	(17,891)	17,891
Other changes	30,806	-	30,806
Net changes	673,857	1,617,169	(943,312)
Balances as of December 31, 2020	\$ 13,590,093	\$ 10,139,010	\$ 3,451,083

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

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
Road Commission’s net pension liability	\$4,888,087	\$3,451,083	\$2,224,861

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

NOTE 12 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

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

For the year ended December 31, 2020, the Road Commission recognized pension expense of \$434,003. At December 31, 2020, the Road Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Change in benefits	\$ -	\$ 13,085
Difference between expected and actual experience	-	51,417
Changes in assumptions	254,798	-
Net difference between projected and actual earnings on pension plan investments	-	462,306
Total	<u>\$ 254,798</u>	<u>\$ 526,808</u>

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

<u>Year Ended December 31:</u>	
2021	\$ (92,277)
2022	113,703
2023	(189,580)
2024	(103,676)

NOTE 13 - DEFERRED COMPENSATION PLANS

Primary Government

Otsego County offers its employees a deferred compensation plan created in accordance with IRC Section 457. Effective January 1, 1997, the assets of the plan were held in a trust, custodial account or annuity contract described in IRC Section 457(g) for the exclusive benefit for the participants (employees) and their beneficiaries. The custodial account is held by the custodian for the exclusive benefit of the participants and beneficiaries of these Section 457 plans and the assets may not be diverted to any other use. The administrator (Nationwide Retirement Solutions) is an agent of the employer. The Administrator provides direction to the custodian, from time to time, regarding the investment of the funds held in the account, transfer of assets to or from the account and all other matters. GASB 32 does not require inclusion of the deferred compensation balances in a trust and agency fund.

NOTE 13 - DEFERRED COMPENSATION PLANS (Continued)

Commission on Aging

The Otsego County Commission on Aging offers its employees a deferred compensation plan created in accordance with IRC Section 457. The plan, available to all employees, permits them to defer a portion of their current earnings until the employee's termination, retirement, death, or unforeseeable emergency.

The Commission's liability to each participant is equal to the participant's deferred compensation adjusted by an amount equal to the investment performance in a related assets account. Investments are managed by a trustee, and investment decisions are made by individual employees. The Commission, through Otsego County, provides the duty of due care that would be required of an ordinary prudent investor.

Component Unit - Sportsplex

The Otsego County Sportsplex offers its employees a Saving Incentive Match Plan for Employees (SIMPLE plan) Individual Retirement Account (IRA) in accordance with IRC Section 408(p). The plan, available to Sportsplex employees earning at least \$5,000 in annual compensation, permits them to defer a portion of their current salary until future years. The deferred compensation is not available to the employees until termination, retirement, death, or unforeseeable emergency. The employer matches employee contributions up to 3% of the employee's elected salary contribution.

NOTE 14 - OTHER POST EMPLOYMENT BENEFITS PLAN

PRIMARY GOVERNMENT

Plan Description. Otsego County administers a single-employer defined benefit healthcare plan (the "Plan"). The plan provides healthcare benefits for eligible employees upon retirement, through the County's group health insurance plan, which covers both active and retired members. The benefits are provided under the collective bargaining agreement for union employees and by personnel policies for nonunion employees. At December 31, 2019, the date of the last plan valuation, the County's healthcare plan covered 20 members of which 2 were active plan members and 18 were retirees receiving benefits.

Funding policy. Contribution requirements also are negotiated between the County and employees. The County contributes 80% of the cost of current-year premiums for eligible retired plan members. For fiscal year 2020, the County contributed \$74,500 to the plan.

Employees Covered by Benefit Terms

As of December 31, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	18
Inactive employees entitled to but not yet receiving benefits	-
Active employees	<u>2</u>
 Total participants covered by OPEB Plan	 <u>20</u>

Total OPEB Liability and Trust Assets - The County's total OPEB liability of \$1,339,595 was measured as of December 31, 2019, and was determined by an actuarial valuation as of that date.

NOTE 14 - OTHER POST EMPLOYMENT BENEFITS PLAN (Continued)

As of December 31, 2020, there was \$0 in assets in the County’s OPEB trust as the County is treating this a pay-as-you-go plan.

Actuarial assumptions and other inputs - The total OPEB liability was determined by an actuarial valuation as of December 31, 2019 and the following actuarial assumptions, applies to all periods included in the measurement:

Inflation	Included in investment rate
Salary Increases	2.0%
Investment rate of return	NA
20-year Aa Municipal bond rate	3.26%
Mortality	Public General and Police, Headcount-weighted 2010 Employee and Healthy Retiree with MP-2019 Mortality Improvement Scale

Discount Rate - The discount rate used to measure the total OPEB liability was 3.26%. Because the plan does not have a dedicated OPEB trust, there are not assets projected to be sufficient to make projected future benefit payments of current plan members. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits. From the year that benefit payments are not projected to be covered by the projects assets (“the depletion date”), projected benefits were discounted at a discount rate that reflects a 20-year AA/Aa tax-exempt municipal bond yield. A single equivalent discount rate that yields the same present value of benefits is calculated. This discount rate is used to determine the Total OPEB Liability. The discount rate used as of December 31, 2019 was 3.16%.

	Increases (Decreases)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2019	\$ 1,220,934	\$ -	\$ 1,220,934
Service cost	4,303	-	4,303
Interest	38,728	-	38,728
Change in plan term	-	-	-
Difference between expected and actual experience Assumptions	(10,186)	-	(10,186)
Employer contributions	-	74,500	(74,500)
Net investment income	-	-	-
Benefit Payments	(74,500)	(74,500)	-
Administrative expense	-	-	-
Net changes	118,661	-	118,661
Balances as of December 31, 2020	\$ 1,339,595	\$ -	\$ 1,339,595

NOTE 14 - OTHER POST EMPLOYMENT BENEFITS PLAN (Continued)

Net OPEB Liability – Discount and Trend Rate Sensitivities – The following presents the net OPEB Liability (NOL) of the Road Commission, calculated using trend and discount rates 1% higher and lower than base assumptions:

	<u>1% Decrease</u>	<u>Discount Current Rate</u>	<u>1% Increase</u>
Net OPEB Liability	\$1,487,465	\$1,339,595	\$1,215,533

	<u>1% Decrease</u>	<u>Trend Current Rate</u>	<u>1% Increase</u>
Net OPEB Liability	\$1,204,829	\$1,339,595	\$1,497,748

OPEB Expense - Components of County’s OPEB Expense for the fiscal year ending December 31, 2020 are as follows:

	<u>12/31/2020</u>
Service Cost	\$ 4,303
Interest on Total OPEB Liability	38,728
Experience (Gains)/Losses	(10,186)
Changes of Assumptions	166,301
Changes in Plan Terms	-
Other Changes in Fiduciary Net Position	<u>-</u>
Total OPEB Expense	<u>\$ 199,146</u>

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

<u>Year Ended December 31:</u>		
2021	\$	-
2022		-
2023		-
2024		-
2025		-

NOTE 14 - OTHER POST EMPLOYMENT BENEFITS PLAN (Continued)

OTSEGO COUNTY ROAD COMMISSION

The Otsego County Road Commission provides hospitalization and medical coverage for eligible retirees and their spouses through the Road Commission’s group health insurance plan, which covers both active and retired members. The following are the Governmental Accounting Standards Board Statement 74 and 75 required disclosures which have been implemented prospectively by the Road Commission.

- Employees hired prior to December 31, 2008, and retire with 20 years of employment and age 55 years, or greater, will receive health insurance comparable to that provided to the current employees until age 65 years and supplemental health insurance for the employee and spouse for their lifetimes.

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

Funding Policy - Contribution requirements also are negotiated between the Commission and employees. The Commission contributes 100% of the cost for eligible plan members. For fiscal year 2020, the Commission contributed \$1,056,959 to the plan.

Employees Covered by Benefit Terms

As of December 31, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	34
Inactive employees entitled to but not yet receiving benefits	-
Active employees	<u>15</u>
Total participants covered by OPEB Plan	<u><u>49</u></u>

Total OPEB Liability and Trust Assets - The Road Commission’s total OPEB liability of \$4,516,347 was measured as of December 31, 2020, and was determined by an actuarial valuation as of that date.

As of December 31, 2020, there was \$2,152,187 in assets in the Road Commission’s OPEB trust.

Actuarial assumptions and other inputs - The total OPEB liability was determined by an actuarial valuation as of December 31, 2020 and the following actuarial assumptions, applies to all periods included in the measurement:

Inflation	Included in investment rate of return
Salary Increases	3.00%
Investment rate of return	7.00%
Mortality	2010 Public General Employees and Healthy Retirees, with MP-209 mortality improvement.
20 year Aa Municipality Bond rate	1.93%

NOTE 14 - OTHER POST EMPLOYMENT BENEFITS PLAN (Continued)

The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return (expected returns, net of retirement plan investment expense 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 rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the retirement plan’s target asset allocation are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Global Equity	64.00%	8.00%
Global Fixed Income	26.00%	5.50%
Real Assets	5.00%	6.20%
Diversifying Strategies	5.00%	2.75%

The sum of each target allocation times its long-term expected rate is 7.0%.

Discount Rate - The discount rate used to measure the total OPEB liability was 3.87%. The projection of cash flows used to determine the discount rate assumed that Employer contributions of \$400,000 will be made until 40% funded. Based on those assumptions, the retirement plan’s fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits. From the year that benefit payments were not projected to be covered by the projected assets (the “depletion date”), projected benefits were discounted at a discount rate reflecting the 20-year AA/Aa tax-exempt bond yield. A single equivalent discount rate that yields the same present value of benefits is calculated. This discount rate is used to determine the Total OPEB Liability.

	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
Balances at December 31, 2019	\$ 5,650,645	\$ 1,117,717	\$ 4,532,928
Change in assumptions	73,071	-	73,071
Service cost	250,107	-	250,107
Interest	(1,440,437)	-	(1,440,437)
Experience (Gains)/Losses	239,912	-	239,912
Contributions to OPEB Trust	-	800,008	(800,008)
Contributions paid from operations	-	256,951	(256,951)
Net investment income	-	242,288	(242,288)
Benefit payments	(256,951)	(256,951)	-
Administrative expense	-	(7,826)	7,826
Net changes	(1,134,298)	1,034,470	(2,168,768)
Balances as December 31, 2020	\$ 4,516,347	\$ 2,152,187	\$ 2,364,160

NOTE 14 - OTHER POST EMPLOYMENT BENEFITS PLAN (Continued)

Net OPEB Liability – Discount and Trend Rate Sensitivities – The following presents the net OPEB Liability (NOL) of the Road Commission, calculated using trend and discount rates 1% higher and lower than base assumptions:

Discount

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Net OPEB Liability	\$ 2,754,927	\$ 2,364,160	\$ 2,025,257

Trend

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Net OPEB Liability	\$ 2,024,839	\$ 2,364,160	\$ 2,749,338

OPEB Expense – Components of Road Commission’s OPEB Expense for the fiscal year ending December 31, 2020 are as follows:

Changes in Assumptions	\$ 73,071
Service Cost	250,107
Interest on Total OPEB Liability	(1,398,483)
Experience Losses	232,924
Projected Earnings on OPEB Plan Investments	(105,966)
Investment Earnings (Gains)/Losses	(33,162)
Administrative Expenses	<u>7,826</u>
Total OPEB Expense	<u>\$ (973,683)</u>

Deferred Outflows and Inflows of Resources Related to OPEB Plan

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Experience (Gains)/Losses	\$ -	\$ 41,954
Changes of Assumptions	6,988	-
Investment Earnings (Gains)/Losses	<u>-</u>	<u>136,235</u>
Total	<u>\$ 6,988</u>	<u>\$ 178,189</u>

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

Year Ended December 31:

2021	\$ (68,128)
2022	(33,163)
2023	(42,644)
2024	(27,266)

NOTE 15- RESTATEMENT

	<u>Governmental Net Position</u>	<u>Budge Stabilization Fund</u>
Beginning net position as previously stated at January 1, 2020	\$ 21,413,754	\$ 1,503,077
To recognize accumulated MERS payments	<u>(499,558)</u>	<u>(449,558)</u>
Beginning net position as restated at January 1, 2020	<u>\$ 20,914,196</u>	<u>\$ 1,003,519</u>

Required Supplementary Information

County of Otsego, Michigan

Required Supplementary Information Employee Retirement and Benefit Systems Schedule of Changes in Pension Liability Year Ended December 31, 2020

	For MERS Years Ending 12/31					
	2019	2018	2017	2016	2015	2014
Total pension liability						
Service cost	\$ 388,399	\$ 370,158	\$ 336,412	\$ 349,718	\$ 348,000	\$ 338,932
Interest	1,749,783	1,767,809	1,719,681	1,696,843	1,543,901	1,479,439
Changes in benefits	(386,275)	391	(91,145)	(10,695)	-	-
Difference between expected and actual experience	(65,132)	11,745	(48,394)	(503,144)	724,207	-
Changes in assumptions	746,482	-	-	-	1,036,885	-
Benefit payments, including refund of member contributions	(1,384,939)	(1,392,250)	(1,271,380)	(1,209,751)	(1,104,777)	(978,368)
Other changes	80,821	14,309	(54)	-	-	-
Net change in total pension liability	1,129,139	772,162	645,120	322,971	2,548,216	840,003
Total pension liability - beginning	23,380,803	22,608,641	21,963,521	21,640,550	19,092,334	18,252,331
Total pension liability - ending	<u>\$ 24,509,942</u>	<u>\$ 23,380,803</u>	<u>\$ 22,608,641</u>	<u>\$ 21,963,521</u>	<u>\$ 21,640,550</u>	<u>\$ 19,092,334</u>
Plan fiduciary net position						
Contributions - employer	\$ 1,062,073	\$ 1,128,063	\$ 1,096,794	\$ 865,641	\$ 693,476	\$ 640,433
Contributions - employee	49,203	46,517	30,679	7,937	5,905	3,630
Net investment income	1,942,926	(598,116)	1,806,557	1,422,497	(195,083)	800,044
Benefit payments, including refunds of member contributions	(1,384,939)	(1,392,250)	(1,271,380)	(1,209,751)	(1,104,777)	(978,368)
Administrative expense	(33,464)	(29,330)	(28,580)	(28,053)	(28,591)	(29,357)
Other changes	-	(12,290)	(57)	-	-	-
Net change in plan fiduciary net position	1,635,799	(857,406)	1,634,013	1,058,271	(629,070)	436,382
Plan fiduciary net position - beginning	14,365,948	15,223,354	13,589,341	12,531,070	13,160,140	12,723,758
Plan fiduciary net position - ending	<u>\$ 16,001,747</u>	<u>\$ 14,365,948</u>	<u>\$ 15,223,354</u>	<u>\$ 13,589,341</u>	<u>\$ 12,531,070</u>	<u>\$ 13,160,140</u>
County's net pension liability - ending	<u>\$ 8,508,195</u>	<u>\$ 9,014,855</u>	<u>\$ 7,385,287</u>	<u>\$ 8,374,180</u>	<u>\$ 9,109,480</u>	<u>\$ 5,932,194</u>
Plan fiduciary net position as a percentage of the total pension liability	65.3%	61.4%	67.3%	61.9%	57.9%	68.9%
Covered - employee payroll	\$ 5,065,928	\$ 4,741,881	\$ 4,575,021	\$ 4,547,735	\$ 4,390,047	\$ 4,188,926
County's net pension liability as a percentage of covered-employee payroll	167.9%	190.1%	161.4%	184.1%	207.5%	141.6%

Note: Amounts presented on financial statements are determined as of December 31st of the preceding year.

**Required Supplementary Information
Employee Retirement and Benefit Systems
Schedule of Employer Contributions
For the Year Ended December 31, 2020**

	For MERS Years Ending 12/31									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 959,573	\$ 878,063	\$ 934,199	\$ 856,396	\$ 715,641	\$ 693,477	\$ 640,433	\$ 727,962	\$ 705,702	\$ 565,476
Contributions in relation to the actuarially determined contribution	<u>(1,062,073)</u>	<u>(1,128,063)</u>	<u>(1,184,199)</u>	<u>(1,106,396)</u>	<u>(865,641)</u>	<u>(693,477)</u>	<u>(640,433)</u>	<u>(727,962)</u>	<u>(705,702)</u>	<u>(565,476)</u>
Contribution deficiency (excess)	<u>\$ (102,500)</u>	<u>\$ (250,000)</u>	<u>\$ (250,000)</u>	<u>\$ (250,000)</u>	<u>\$ (150,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered - employee payroll	\$ 5,065,928	\$ 4,741,881	\$ 4,401,566	\$ 4,575,021	\$ 4,547,735	\$ 4,390,047	\$ 4,188,926	\$ 4,080,889	\$ 4,014,917	\$ 4,400,424
Contributions as a percentage of covered-employee payroll	21%	24%	27%	24%	19%	16%	15%	18%	18%	13%

Notes to Schedule:

Actuarially determined contribution rates are calculated as of December 31st, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closec
Remaining amortization period	19 years
Asset valuation method	10-years smoothed market
Inflation	2.50%
Salary increases	3.00% in the long-term
Investment rate of return	7.35%, net of investment and administrative expense
Retirement age	60 years
Mortality	Assumptions were based on the RP-2014 Group Annuity Mortality Table - Blended 50% Male / 50% Female

Required Supplementary Information
Employee Retirement and Benefit Systems
Schedule of Changes in OPEB Liability and Related Ratios
Year Ended December 31, 2020

	2020	2019	2018
Total OPEB Liability - Beginning of Year	\$ 1,220,934	\$ 1,930,701	\$ 1,848,952
Service cost	4,303	48,184	46,710
Interest	38,728	60,282	58,758
Change in Plan Term	-	(510,178)	-
Assumption changes and differences between actual and expected experience	150,130	(236,836)	48,727
Benefit payments	(74,500)	(71,219)	(72,446)
OPEB Liability - End of Year	1,339,595	1,220,934	1,930,701
Plan fiduciary net position			
Contributions - employer	74,500	71,219	72,446
Net investment income	-	-	-
Benefits payments, including refunds of member contributions	(74,500)	(71,219)	(72,446)
Administrative expense	-	-	-
Net change in plan fiduciary net position	-	-	-
Plan fiduciary net position - Beginning of Year	-	-	-
Plan fiduciary net position - End of Year	-	-	-
Net OPEB liability - End of Year	\$ 1,339,595	\$ 1,220,934	\$ 1,930,701
Plan fiduciary net position as a percentage of the total OPEB liability	42.9%	42.9%	42.9%
Covered Payroll	\$ 59,734	\$ 1,259,742	\$ 4,401,556
Net OPEB liability as a percentage of covered payroll	2242.6%	33.1%	33.1%
Schedule of Employer Contributions			
Actuarially determined employer contribution	88,495	155,657	155,520
Employer contribution	(74,500)	(71,219)	(72,446)
Contribution deficiency/(excess)	13,995	84,438	83,074
Covered Payroll	\$ 59,734	\$ 4,401,556	\$ 4,401,556
ADC as percentage of covered payroll	148.1%	11.2%	11.2%

Notes to Schedule:

Actuarially determined contribution rates are calculated as of December 31, 2020

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Discount rate	1.93%, 20 year Aa Municipal Band Rate
Salary increases	2.0%, average
Investment rate of return	NA (pay-as-you-go plan)
Healthcare cost trend rate	8.25% in 2020 graded down .25% per year to 4.5%
Mortality rate	Police: PublicSafety 2010 Employee and Healthly Retiree, Headcount weighted with RP-2019 Improvement Scale

**Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes and Penalties	\$ 5,479,681	\$ 5,479,681	\$ 5,444,915	\$ (34,766)
Licenses and Permits	52,200	53,745	43,727	(10,018)
Federal Sources	170,493	307,313	567,797	260,484
State Sources	1,471,915	1,487,599	1,232,044	(255,555)
Local Contributions	25,500	25,500	36,068	10,568
Charges for Services	1,051,465	1,067,425	999,707	(67,718)
Fines and Forfeits	12,050	12,050	12,260	210
Interest and Rentals	202,000	202,000	158,288	(43,712)
Other Revenues	570,533	629,542	622,000	(7,542)
TOTAL REVENUES	9,035,837	9,264,855	9,116,806	(148,049)
EXPENDITURES:				
Legislative:				
Board of Commissioners	224,487	296,205	279,851	16,354
Judicial:				
Circuit Court	1,163,757	1,192,792	936,758	256,034
Lien Fees	15,500	15,500	15,119	381
Drug Court	198,376	197,445	104,034	93,411
RDSS Transport	15,000	15,000	234	14,766
District Court	5,000	5,263	3,863	1,400
Jury Commission	59,500	59,500	20,264	39,236
Probate Court	196,970	196,970	192,168	4,802
Probation/Parole	1,500	1,500	1,118	382
Prosecuting Attorney	688,764	699,306	651,310	47,996
Family Counseling	4,000	4,000	726	3,274
Total Judicial	2,348,367	2,387,276	1,925,594	461,682
General Government:				
Administrative Services	262,823	253,253	251,214	2,039
Building and Grounds	368,522	368,522	368,522	-
Clerk and Register of Deeds	366,467	384,947	336,537	48,410
Audit Services	15,000	15,000	14,112	888
IT Department	105,548	105,548	91,304	14,244
Equalization	215,233	215,233	183,263	31,970
Treasurer	118,943	118,943	118,746	197
Cooperative Extension	62,058	62,118	61,980	138
Elections	33,200	48,540	48,161	379
Legal Defense	30,000	50,000	49,446	554
Human Resources	86,544	86,544	86,544	-
Surveyor	200	200	200	-
Soil Conservation	-	4,000	4,000	-
Survey and Remonumentation	40,477	40,477	40,477	-
Total General Government	1,705,015	1,753,325	1,654,506	98,819
Public Safety:				
Sheriff	1,244,728	1,255,226	1,213,633	41,593
Civil Division	89,105	89,105	86,208	2,897
Justice Training	3,000	3,000	-	3,000
Marine Safety	8,960	8,960	6,703	2,257
Motorcycle Safety Education	52,000	52,000	36,706	15,294
Snowmobile	10,970	10,970	10,477	493
Secondary Road Patrol	102,941	103,941	100,275	3,666
ORV	9,470	14,407	14,407	-
School Resource Officer	71,100	40,790	33,270	7,520
Jail	1,113,694	1,196,636	1,194,205	2,431
Emergency Services	30,000	30,000	30,000	-
Total Public Safety	2,735,968	2,805,035	2,725,884	79,151

**Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Public Works:				
Drains	6,000	6,122	4,512	1,610
Health And Welfare:				
Communicable Diseases	500	500	500	-
Medical Examiner	89,954	89,954	64,133	25,821
District Health	245,083	245,083	245,083	-
Mental Health	108,003	108,003	94,003	14,000
Soldiers and Sailors Relief	5,000	5,000	2,077	2,923
Veterans' Burial	6,650	6,650	5,180	1,470
Veterans' Affairs	144,291	158,782	149,364	9,418
Substance Abuse	85,107	86,300	86,300	-
Total Health and Welfare	684,588	700,272	646,640	53,632
Community and Economic Development:				
Planning and Zoning	114,091	116,503	116,501	2
Capital Outlay	14,000	14,000	-	14,000
Other Expenditures:				
Appropriations	23,500	23,500	23,500	-
Bonds and Insurance	221,755	230,546	230,546	-
Retiree Insurance	57,060	57,351	57,351	-
Additional Pension Contribution	56,609	56,609	56,609	-
Other	125,600	91,814	46,334	45,480
Total Other Expenditures	484,524	459,820	414,340	45,480
TOTAL EXPENDITURES	8,317,040	8,538,558	7,767,828	769,120
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	718,797	726,297	1,348,978	622,681
OTHER FINANCING SOURCES (USES):				
Transfers In	42,300	62,300	250,460	188,160
Transfers Out	(710,617)	(764,456)	(730,563)	33,893
Total Other Financing Sources (Uses)	(668,317)	(702,156)	(480,103)	222,053
NET CHANGE IN FUND BALANCES	<u>\$ 50,480</u>	<u>\$ 24,141</u>	868,875	<u>\$ 844,734</u>
FUND BALANCES BEGINNING OF YEAR (As Restated See Note 15)			5,291,075	
FUND BALANCES END OF YEAR			<u>\$ 6,159,950</u>	

**Required Supplementary Information
Budgetary Comparison Schedule
Housing Commission Fund
For the Year Ended December 31, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Federal Sources	\$ 123,500	\$ 138,500	\$ 138,611	\$ 111
Local Sources	35,000	35,000	1,436	(33,564)
Interest and Rentals	200	200	44	(156)
Other Revenues	8,550	8,550	14,241	5,691
TOTAL REVENUES	<u>167,250</u>	<u>182,250</u>	<u>154,332</u>	<u>(27,918)</u>
EXPENDITURES:				
Community and Economic Development	177,250	160,050	143,557	16,493
TOTAL EXPENDITURES	<u>177,250</u>	<u>160,050</u>	<u>143,557</u>	<u>16,493</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	<u>(10,000)</u>	<u>22,200</u>	<u>10,775</u>	<u>(11,425)</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	71,300	71,300	97,462	26,162
Transfers Out	(71,300)	(103,500)	(98,008)	5,492
Total Other Financing Sources (Uses)				
NET CHANGE IN FUND BALANCES	<u>\$ (10,000)</u>	<u>\$ (10,000)</u>	10,229	<u>\$ 20,229</u>
FUND BALANCES BEGINNING OF YEAR			<u>104,513</u>	
FUND BALANCES END OF YEAR			<u>\$ 114,742</u>	

**Required Supplementary Information
Budgetary Comparison Schedule
Library
For the Year Ended December 31, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes and Penalties	\$ 516,644	\$ 516,644	\$ 511,683	\$ (4,961)
Federal Sources	9,006	9,006	13,250	4,244
State Sources	33,469	33,469	44,901	11,432
Fines and Forfeits	163,500	163,500	152,140	(11,360)
Interest and Rentals	18,000	18,000	15,923	(2,077)
Other Revenues	25,350	25,350	49,072	23,722
TOTAL REVENUES	<u>765,969</u>	<u>765,969</u>	<u>786,969</u>	<u>21,000</u>
EXPENDITURES:				
Recreation & Culture	791,144	791,144	711,857	79,287
TOTAL EXPENDITURES	<u>791,144</u>	<u>791,144</u>	<u>711,857</u>	<u>79,287</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	<u>(25,175)</u>	<u>(25,175)</u>	<u>75,112</u>	<u>100,287</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	25,175	25,175	-	(25,175)
Total Other Financing Sources (Uses)				
NET CHANGE IN FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	<u>75,112</u>	<u>\$ 75,112</u>
FUND BALANCES BEGINNING OF YEAR			<u>720,643</u>	
FUND BALANCES END OF YEAR			<u>\$ 795,755</u>	

Other Information

County of Otsego, Michigan

Combining Balance Sheet General Fund December 31, 2020

	General	Budget Stabilization	Legal Defense	Soldiers and Sailors Relief	Totals
ASSETS:					
Cash and Equivalents	\$ 4,522,668	\$ 589,316	\$ 26,578	\$ 7,683	\$ 5,146,245
Investments	406,444	428,854	-	-	835,298
Receivables:					
Taxes	364,480	-	-	-	364,480
Accounts	28,165	-	-	-	28,165
Due from Other Governmental Units	302,811	-	-	-	302,811
Inventories	16,176	-	-	-	16,176
Prepaid Expense	37,282	-	-	-	37,282
TOTAL ASSETS	\$ 5,678,026	\$ 1,018,170	\$ 26,578	\$ 7,683	\$ 6,730,457
LIABILITIES:					
Accounts Payable	\$ 289,971	\$ -	\$ 5,725	\$ -	\$ 295,696
Accrued Liabilities	202,624	-	-	-	202,624
Unearned Revenue	72,187	-	-	-	72,187
TOTAL LIABILITIES	564,782	-	5,725	-	570,507
FUND BALANCES:					
Nonspendable	53,458	-	-	-	53,458
Assigned	-	1,018,170	20,853	7,683	1,046,706
Unassigned	5,059,786	-	-	-	5,059,786
TOTAL FUND BALANCES	5,113,244	1,018,170	20,853	7,683	6,159,950
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,678,026	\$ 1,018,170	\$ 26,578	\$ 7,683	\$ 6,730,457

**Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance - General Fund
For the Year Ended December 31, 2020**

	General	Budget Stabilization	Legal Defense	Soldiers and Sailors Relief	Totals
REVENUES:					
Taxes and Penalties	\$ 5,444,915	\$ -	\$ -	\$ -	\$ 5,444,915
Licenses and Permits	43,727	-	-	-	43,727
Federal Sources	567,797	-	-	-	567,797
State Sources	1,232,044	-	-	-	1,232,044
Local Sources	36,068	-	-	-	36,068
Charges for Services	999,707	-	-	-	999,707
Interest and Rentals	143,578	14,651	59	-	158,288
Fines and Forfeitures	12,260	-	-	-	12,260
Other Revenue	622,000	-	-	-	622,000
TOTAL REVENUES	9,102,096	14,651	59	-	9,116,806
EXPENDITURES:					
Legislative	279,851	-	-	-	279,851
Judicial	1,925,594	-	-	-	1,925,594
General Government	1,605,060	-	49,446	-	1,654,506
Public Safety	2,725,884	-	-	-	2,725,884
Public Works	4,512	-	-	-	4,512
Health and Welfare	644,563	-	-	2,077	646,640
Community/Economic Development	116,501	-	-	-	116,501
Debt Service	-	-	-	-	-
Other Expenditures	414,340	-	-	-	414,340
TOTAL EXPENDITURES	7,716,305	-	49,446	2,077	7,767,828
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	1,385,791	14,651	(49,387)	(2,077)	1,348,978
OTHER FINANCING SOURCES (USES):					
Transfers In	200,460	-	50,000	-	250,460
Transfers Out	(730,563)	-	-	-	(730,563)
Total Other Financing Sources (Uses)	(530,103)	-	50,000	-	(480,103)
NET CHANGE IN FUND BALANCES	855,688	14,651	613	(2,077)	868,875
FUND BALANCES BEGINNING OF YEAR (As Restated See Note 15)	4,257,556	1,003,519	20,240	9,760	5,291,075
FUND BALANCES END OF YEAR	\$ 5,113,244	\$ 1,018,170	\$ 20,853	\$ 7,683	\$ 6,159,950

See note 16 for explanation of the General Fund's fund balance restatement as the combined beginning balance is restated.

	Special Revenue Funds							
	Work Camp	Groen Nature Preserve	University Center	Friend of the Court	Animal Control	Animal Control Forfeited Funds	Recycling	Gypsy Moth Control
ASSETS:								
Cash and Equivalents	\$ 9,565	\$ 372,341	\$ 168,553	\$ 362,153	\$ 17,144	\$ 8,209	\$ 123,027	\$ 115,080
Investments	-	-	-	-	405,029	-	178,404	-
Taxes Receivable	-	-	4,689	-	399,711	-	332,639	-
Accounts Receivable	-	83	-	80	-	-	-	-
Advance to Component Units	-	-	-	-	-	-	-	-
Due from Other Governmental Units	14,708	-	-	58,340	932	-	-	-
Prepaid Items	97	-	-	9,392	290	-	-	-
TOTAL ASSETS	\$ 24,370	\$ 372,424	\$ 173,242	\$ 429,965	\$ 823,106	\$ 8,209	\$ 634,070	\$ 115,080
LIABILITIES:								
Accounts Payable	\$ 2,788	\$ 12,662	\$ -	\$ 17,211	\$ 8,576	\$ -	\$ 19,162	\$ -
Due to Other Governmental Units	-	-	-	-	-	-	-	-
Accrued Liabilities	2,481	2,747	-	29,572	9,677	-	-	-
Unearned Revenues	-	240,000	-	-	-	-	-	-
TOTAL LIABILITIES	5,269	255,409	-	46,783	18,253	-	19,162	-
DEFERRED INFLOWS OF RESOURCES								
Taxes Levied for a Subsequent Period	-	-	4,689	-	399,711	-	332,639	-
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	4,689	-	399,711	-	332,639	-
FUND BALANCES:								
Nonspendable	97	-	-	9,392	290	-	-	-
Restricted	-	117,015	168,553	-	404,852	8,209	282,269	115,080
Committed	19,004	-	-	373,790	-	-	-	-
TOTAL FUND BALANCES	19,101	117,015	168,553	383,182	405,142	8,209	282,269	115,080
TOTAL LIABILITIES, INFLOWS OF RESOURCES AND FUND BALANCES	\$ 24,370	\$ 372,424	\$ 173,242	\$ 429,965	\$ 823,106	\$ 8,209	\$ 634,070	\$ 115,080

	Special Revenue Funds						
	Brownfield Redevelopment Authority	Building Department	Register of Deeds Automation Fund	Emergency 911 Funds	Concealed Pistol Licensing	Local Officers Training	Law Library
ASSETS:							
Cash and Equivalents	\$ 253,042	\$ 659,613	\$ 123,559	\$ 117,523	\$ 49,089	\$ 30,881	\$ 21,368
Investments	95,603	325,346	-	-	-	-	-
Taxes Receivable	-	-	-	-	-	-	-
Accounts Receivable	-	8,322	-	118,799	52	-	-
Advance to Component Units	-	-	-	-	-	-	-
Due from Other Governmental Units	-	-	-	-	-	-	-
Prepaid Items	-	774	-	97	-	-	-
TOTAL ASSETS	\$ 348,645	\$ 994,055	\$ 123,559	\$ 236,419	\$ 49,141	\$ 30,881	\$ 21,368
LIABILITIES:							
Accounts Payable	\$ -	\$ 7,160	\$ 2,545	\$ 4,391	\$ -	\$ 1,640	\$ 965
Due to Other Governmental Units	-	-	-	-	-	-	-
Accrued Liabilities	-	7,289	-	-	-	-	-
Unearned Revenues	-	-	-	-	-	-	-
TOTAL LIABILITIES	-	14,449	2,545	4,391	-	1,640	965
DEFERRED INFLOWS OF RESOURCES							
Taxes Levied for a Subsequent Period	-	-	-	-	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	-	-	-	-	-
FUND BALANCES:							
Nonspendable	-	774	-	97	-	-	-
Restricted	348,645	978,832	121,014	231,931	49,141	29,241	20,403
Committed	-	-	-	-	-	-	-
TOTAL FUND BALANCES	348,645	979,606	121,014	232,028	49,141	29,241	20,403
TOTAL LIABILITIES, INFLOWS OF RESOURCES AND FUND BALANCES	\$ 348,645	\$ 994,055	\$ 123,559	\$ 236,419	\$ 49,141	\$ 30,881	\$ 21,368

**Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2020**

	Special Revenue Funds							Debt Service Fund
	Department of Human Services	Child Care Probate	Iron Belle Trail Maintenance	Michigan Indigent Defense	Equipment Revolving	Bradford Lake Dam	Park & Recreation	Debt Service
ASSETS:								
Cash and Equivalents	\$ 5,696	\$ 42,364	\$ 5,051	\$ 152,978	\$ 62,576	\$ 20,339	\$ 34,349	\$ -
Investments	5,000	-	-	-	-	-	403,347	-
Taxes Receivable	-	-	-	-	-	-	332,961	-
Accounts Receivable	-	-	-	-	-	-	685	-
Advance to Component Units	-	-	-	-	-	-	-	-
Due from Other Governmental Units	-	7,230	-	-	-	-	-	-
Prepaid Items	-	1,542	-	12,156	7,988	-	290	-
TOTAL ASSETS	\$ 10,696	\$ 51,136	\$ 5,051	\$ 165,134	\$ 70,564	\$ 20,339	\$ 771,632	\$ -
LIABILITIES:								
Accounts Payable	\$ -	\$ 2,656	\$ -	\$ 7,898	\$ 27,323	\$ -	\$ 9,408	\$ -
Due to Other Governmental Units	-	25,953	-	-	-	-	-	-
Accrued Liabilities	-	8,174	-	-	-	-	3,441	-
Unearned Revenues	-	-	2,500	-	-	-	110,620	-
TOTAL LIABILITIES	-	36,783	2,500	7,898	27,323	-	123,469	-
DEFERRED INFLOWS OF RESOURCES								
Taxes Levied for a Subsequent Period	-	-	-	-	-	-	332,961	-
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	-	-	-	-	332,961	-
FUND BALANCES:								
Nonspendable	-	1,542	-	12,156	7,988	-	290	-
Restricted	10,696	-	2,551	145,080	-	20,339	-	-
Committed	-	12,811	-	-	35,253	-	314,912	-
TOTAL FUND BALANCES	10,696	14,353	2,551	157,236	43,241	20,339	315,202	-
TOTAL LIABILITIES, INFLOWS OF RESOURCES AND FUND BALANCES	\$ 10,696	\$ 51,136	\$ 5,051	\$ 165,134	\$ 70,564	\$ 20,339	\$ 771,632	\$ -

Capital Project Funds

	Library Building	Public Improvements Capital Project	Court Restoration Building	Airport Construction	Green Capital Projects II	Green Nature Preserve Capital Projects	Sportsplex Building Maintenance	University Center Capital Projects Fund
ASSETS:								
Cash and Equivalents	\$ 19,632	\$ 685,964	\$ 80,934	\$ 241,108	\$ 66,178	\$ 227	\$ 87,426	\$ 772,078
Investments	-	865,135	-	-	-	-	552,485	59,578
Taxes Receivable	-	-	-	-	-	-	776	-
Accounts Receivable	-	44,750	-	-	-	-	-	-
Advance to Component Units	-	273,735	-	-	-	-	-	-
Due from Other Governmental Units	-	-	8,491	-	-	-	-	-
Prepaid Items	-	-	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 19,632</u>	<u>\$ 1,869,584</u>	<u>\$ 89,425</u>	<u>\$ 241,108</u>	<u>\$ 66,178</u>	<u>\$ 227</u>	<u>\$ 640,687</u>	<u>\$ 831,656</u>
LIABILITIES:								
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ 675	\$ -	\$ -	\$ -
Due to Other Governmental Units	-	-	-	-	-	-	-	-
Accrued Liabilities	-	-	-	-	-	-	-	-
Unearned Revenues	-	-	-	-	44,325	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES								
Taxes Levied for a Subsequent Period	-	-	-	-	-	-	776	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>776</u>	<u>-</u>
FUND BALANCES:								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	-	1,869,584	-	-	-	-	639,911	831,656
Committed	19,632	-	89,425	241,108	21,178	227	-	-
TOTAL FUND BALANCES	<u>19,632</u>	<u>1,869,584</u>	<u>89,425</u>	<u>241,108</u>	<u>21,178</u>	<u>227</u>	<u>639,911</u>	<u>831,656</u>
TOTAL LIABILITIES, INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 19,632</u>	<u>\$ 1,869,584</u>	<u>\$ 89,425</u>	<u>\$ 241,108</u>	<u>\$ 66,178</u>	<u>\$ 227</u>	<u>\$ 640,687</u>	<u>\$ 831,656</u>

Capital Project Funds								
	Library Capital Projects Bond Fund	Iron Belle Trail Capital Project	Trail Head Capital Project	Capital Projects	Facilities Planning Fund	EMS Building Capital Project Fund	Facilities Planning Fund	Total
ASSETS:								
Cash and Equivalents	\$ 5,751	\$ -	\$ 77,156	\$ 716,936	\$ 1,852	\$ 3,833	\$ 203,930	\$ 5,717,505
Investments	-	-	-	-	-	-	-	2,889,927
Taxes Receivable	-	-	-	-	-	113	-	1,070,889
Accounts Receivable	-	-	-	-	-	-	-	172,771
Advance to Component Units	-	-	-	-	-	-	-	273,735
Due from Other Governmental Units	-	-	-	5,313	-	-	-	95,014
Prepaid Items	-	-	-	-	-	-	-	32,626
TOTAL ASSETS	<u>\$ 5,751</u>	<u>\$ -</u>	<u>\$ 77,156</u>	<u>\$ 722,249</u>	<u>\$ 1,852</u>	<u>\$ 3,946</u>	<u>\$ 203,930</u>	<u>\$ 10,252,467</u>
LIABILITIES:								
Accounts Payable	\$ 5,750	\$ -	\$ -	\$ 1,114	\$ -	\$ -	\$ -	\$ 131,924
Due to Other Governmental Units	-	-	-	-	-	-	-	25,953
Accrued Liabilities	-	-	-	-	-	-	-	63,381
Unearned Revenues	-	-	-	-	-	-	-	397,445
TOTAL LIABILITIES	<u>5,750</u>	<u>-</u>	<u>-</u>	<u>1,114</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>618,703</u>
DEFERRED INFLOWS OF RESOURCES								
Taxes Levied for a Subsequent Period	-	-	-	-	-	113	-	1,070,889
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>113</u>	<u>-</u>	<u>1,070,889</u>
FUND BALANCES:								
Nonspendable	-	-	-	-	-	-	-	32,626
Restricted	-	-	77,156	-	-	-	-	6,472,158
Committed	1	-	-	721,135	1,852	3,833	203,930	2,058,091
TOTAL FUND BALANCES	<u>1</u>	<u>-</u>	<u>77,156</u>	<u>721,135</u>	<u>1,852</u>	<u>3,833</u>	<u>203,930</u>	<u>8,562,875</u>
TOTAL LIABILITIES, INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 5,751</u>	<u>\$ -</u>	<u>\$ 77,156</u>	<u>\$ 722,249</u>	<u>\$ 1,852</u>	<u>\$ 3,946</u>	<u>\$ 203,930</u>	<u>\$ 10,252,467</u>

**Combining Statement of Revenues, Expenditures,
and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2020**

	Special Revenue Funds							
	Work Camp	Groen Nature Preserve	University Center	Friend of the Court	Animal Control	Animal Control Forfeited Funds	Recycling	Gypsy Moth Control
REVENUES:								
Taxes and Penalties	\$ -	\$ -	\$ 724,145	\$ -	\$ 390,055	\$ -	\$ 326,305	\$ -
Federal Sources	31,451	83	-	342,638	139	-	-	-
State Sources	50	-	-	41,879	-	-	-	-
Local Sources	-	-	-	-	-	-	-	-
Charges for Services	80,458	-	-	40,565	36,785	-	-	-
Fines and Forfeits	-	-	-	-	345	-	-	-
Interest and Rentals	-	-	-	-	13,532	8	1,648	248
Other Revenues	141	334,400	5,062	-	22,776	-	2,281	-
TOTAL REVENUES	112,100	334,483	729,207	425,082	463,632	8	330,234	248
EXPENDITURES:								
Judicial	-	-	-	478,938	-	-	-	-
General Government	-	-	475,781	-	-	-	-	-
Public Safety	166,579	-	-	-	437,907	-	-	-
Public Works	-	-	-	-	-	-	306,081	-
Health And Welfare	-	-	-	-	-	-	-	-
Recreation and Culture	-	246,714	-	-	-	-	-	-
Capital Outlay	-	28,234	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	166,579	274,948	475,781	478,938	437,907	-	306,081	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	(54,479)	59,535	253,426	(53,856)	25,725	8	24,153	248
OTHER FINANCING SOURCES (USES):								
Transfers In	56,470	-	-	38,981	-	-	-	-
Transfers Out	-	-	(244,800)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	56,470	-	(244,800)	38,981	-	-	-	-
NET CHANGE IN FUND BALANCES	1,991	59,535	8,626	(14,875)	25,725	8	24,153	248
FUND BALANCES BEGINNING OF YEAR	17,110	57,480	159,927	398,057	379,417	8,201	258,116	114,832
FUND BALANCES END OF YEAR	\$ 19,101	\$ 117,015	\$ 168,553	\$ 383,182	\$ 405,142	\$ 8,209	\$ 282,269	\$ 115,080

**Combining Statement of Revenues, Expenditures,
and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2020**

	Special Revenue Funds						
	Brownfield Redevelopment Authority	Building Department	Register of Deeds Automation Fund	Emergency 911 Funds	Concealed Pistol Licensing	Local Officers Training	Law Library
REVENUES:							
Taxes and Penalties	\$ 109,250	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Sources	-	139	5,145	-	-	-	-
State Sources	-	-	-	151,536	-	-	-
Local Sources	-	-	-	-	-	-	-
Charges for Services	-	566,399	41,790	499,338	12,352	2,132	-
Fines and Forfeits	-	-	-	-	-	-	-
Interest and Rentals	475	10,921	-	232	-	-	-
Other Revenues	-	-	-	65,958	-	-	3,499
TOTAL REVENUES	109,725	577,459	46,935	717,064	12,352	2,132	3,499
EXPENDITURES:							
Judicial	-	-	-	-	-	-	4,111
General Government	-	-	30,704	-	-	-	-
Public Safety	-	551,960	-	710,413	11,224	4,139	-
Public Works	-	-	-	-	-	-	-
Health And Welfare	-	-	-	-	-	-	-
Recreation and Culture	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-
TOTAL EXPENDITURES	-	551,960	30,704	710,413	11,224	4,139	4,111
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	109,725	25,499	16,231	6,651	1,128	(2,007)	(612)
OTHER FINANCING SOURCES (USES):							
Transfers In	-	-	-	-	-	-	-
Transfers Out	-	(6,000)	-	(17,300)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	(6,000)	-	(17,300)	-	-	-
NET CHANGE IN FUND BALANCES	109,725	19,499	16,231	(10,649)	1,128	(2,007)	(612)
FUND BALANCES BEGINNING OF YEAR	238,920	960,107	104,783	242,677	48,013	31,248	21,015
FUND BALANCES END OF YEAR	\$ 348,645	\$ 979,606	\$ 121,014	\$ 232,028	\$ 49,141	\$ 29,241	\$ 20,403

**Combining Statement of Revenues, Expenditures,
and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2020**

	Special Revenue Funds							Debt Service Fund
	Department of Human Services	Child Care Probate	Iron Belle Trail Maintenance	Michigan Indigent Defense	Equipment Revolving	Bradford Lake Dam	Park & Recreation	Debt Service
REVENUES:								
Taxes and Penalties	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 325,015	\$ -
Federal Sources	-	93	-	-	47,536	-	139	-
State Sources	-	48,936	-	384,751	-	-	-	-
Local Sources	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	216,508	-
Fines and Forfeits	-	-	-	-	-	-	-	-
Interest and Rentals	76	-	-	94	65	66	12,650	-
Other Revenues	-	26,646	5,000	-	-	-	19,548	-
TOTAL REVENUES	76	75,675	5,000	384,845	47,601	66	573,860	-
EXPENDITURES:								
Judicial	-	-	-	262,720	-	-	-	-
General Government	-	-	-	-	49,460	-	-	-
Public Safety	-	-	-	-	-	-	-	-
Public Works	-	-	-	-	-	-	-	-
Health And Welfare	3,452	405,561	-	-	-	-	-	-
Recreation and Culture	-	-	4,949	-	-	-	435,566	-
Capital Outlay	-	-	-	-	145,046	-	97,404	-
Debt Service	-	-	-	-	-	-	-	647,550
TOTAL EXPENDITURES	3,452	405,561	4,949	262,720	194,506	-	532,970	647,550
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	(3,376)	(329,886)	51	122,125	(146,905)	66	40,890	(647,550)
OTHER FINANCING SOURCES (USES):								
Transfers In	-	330,000	2,500	81,773	115,273	-	-	647,550
Transfers Out	-	-	-	(58,114)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	330,000	2,500	23,659	115,273	-	-	647,550
NET CHANGE IN FUND BALANCES	(3,376)	114	2,551	145,784	(31,632)	66	40,890	-
FUND BALANCES BEGINNING OF YEAR	14,072	14,239	-	11,452	74,873	20,273	274,312	-
FUND BALANCES END OF YEAR	\$ 10,696	\$ 14,353	\$ 2,551	\$ 157,236	\$ 43,241	\$ 20,339	\$ 315,202	\$ -

**Combining Statement of Revenues, Expenditures,
and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2020**

	Capital Project Funds							
	Library Building	Public Improvements Capital Project	Court Restoration Building	Airport Construction	Geron Capital Projects II	Groen Nature Preserve Capital Projects	Sportsplex Building Maintenance	University Center Capital Projects Fund
REVENUES:								
Taxes and Penalties	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,456	\$ 58
Federal Sources	-	-	8,491	-	-	-	-	-
State Sources	-	-	-	-	-	-	-	-
Local Sources	-	-	-	-	-	-	-	-
Charges for Services	-	-	32,558	-	-	-	-	-
Fines and Forfeits	-	-	-	-	-	-	-	-
Interest and Rentals	15	23,412	-	-	126	2	16,193	4,994
Other Revenues	-	-	-	-	34,581	-	-	-
TOTAL REVENUES	15	23,412	41,049	-	34,707	2	18,649	5,052
EXPENDITURES:								
Judicial	-	-	42,129	-	-	-	-	-
General Government	-	-	12,042	-	-	-	-	-
Public Safety	-	-	-	-	-	-	-	-
Public Works	-	-	-	-	-	-	-	-
Health And Welfare	-	-	-	-	-	-	-	-
Recreation and Culture	-	-	-	-	5,546	-	15,246	-
Capital Outlay	-	-	-	-	23,840	-	-	-
Debt Service	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	-	-	54,171	-	29,386	-	15,246	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	15	23,412	(13,122)	-	5,321	2	3,403	5,052
OTHER FINANCING SOURCES (USES):								
Transfers In	-	-	-	50,000	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	50,000	-	-	-	-
NET CHANGE IN FUND BALANCES	15	23,412	(13,122)	50,000	5,321	2	3,403	5,052
FUND BALANCES BEGINNING OF YEAR	19,617	1,846,172	102,547	191,108	15,857	225	636,508	826,604
FUND BALANCES END OF YEAR	\$ 19,632	\$ 1,869,584	\$ 89,425	\$ 241,108	\$ 21,178	\$ 227	\$ 639,911	\$ 831,656

**Combining Statement of Revenues, Expenditures,
and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2020**

	Capital Project Funds							
	Library Capital Projects Bond Fund	Iron Belle Trail Capital Project	Trail Head Capital Projects	Capital Projects	Facilities Planning Fund	EMS Building Capital Project Fund	Capital Project Sinking Fund	Total
REVENUES:								
Taxes and Penalties	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,877,284
Federal Sources	-	-	10,000	6,454	-	-	-	452,308
State Sources	-	-	-	-	-	-	-	627,152
Local Sources	-	-	35,000	-	-	-	-	35,000
Charges for Services	-	-	-	-	-	-	-	1,528,885
Fines and Forfeits	-	-	-	-	-	-	-	345
Interest and Rentals	-	650	3	-	-	3	21	85,434
Other Revenues	-	-	-	-	-	-	-	519,892
TOTAL REVENUES	-	650	45,003	6,454	-	3	21	5,126,300
EXPENDITURES:								
Judicial	-	-	-	-	-	-	-	787,898
General Government	-	-	-	6,084	-	-	-	574,071
Public Safety	-	-	-	-	-	-	-	1,882,222
Public Works	-	-	-	2,282	13,608	-	-	321,971
Health And Welfare	-	-	-	-	-	-	-	409,013
Recreation and Culture	-	349,948	1,400	-	-	-	-	1,059,369
Capital Outlay	24,565	-	-	15,018	-	-	-	334,107
Debt Service	-	-	-	-	-	-	-	647,550
TOTAL EXPENDITURES	24,565	349,948	1,400	23,384	13,608	-	-	6,016,201
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	(24,565)	(349,298)	43,603	(16,930)	(13,608)	3	21	(889,901)
OTHER FINANCING SOURCES (USES):								
Transfers In	154,000	-	-	88,500	-	-	203,909	1,768,956
Transfers Out	(129,500)	(181,570)	-	-	-	-	-	(637,284)
TOTAL OTHER FINANCING SOURCES (USES)	24,500	(181,570)	-	88,500	-	-	203,909	1,131,672
NET CHANGE IN FUND BALANCES	(65)	(530,868)	43,603	71,570	(13,608)	3	203,930	241,771
FUND BALANCES BEGINNING OF YEAR	66	530,868	33,553	649,565	15,460	3,830	-	8,321,104
FUND BALANCES END OF YEAR	\$ 1	\$ -	\$ 77,156	\$ 721,135	\$ 1,852	\$ 3,833	\$ 203,930	\$ 8,562,875

**Combining Statement of Net Position
Internal Service Funds
December 31, 2020**

	Building and Grounds	Administrative Services	Health Care	Total
ASSETS:				
Cash and Equivalents	\$ 73,988	\$ 148,701	\$ 105,283	\$ 327,972
Investments	-	-	159,739	159,739
Accounts Receivable	10,159	298	1,957	12,414
Prepaid Items	97	767	67,937	68,801
Inventory	2,294	-	-	2,294
TOTAL ASSETS	<u>\$ 86,538</u>	<u>\$ 149,766</u>	<u>\$ 334,916</u>	<u>\$ 571,220</u>
LIABILITIES:				
Accounts Payable	\$ 21,840	\$ 604	\$ 40	\$ 22,484
Accrued Liabilities	-	4,341	-	4,341
TOTAL LIABILITIES	<u>21,840</u>	<u>4,945</u>	<u>40</u>	<u>26,825</u>
NET POSITION:				
Unrestricted	<u>64,698</u>	<u>144,821</u>	<u>334,876</u>	<u>544,395</u>
TOTAL NET POSITION	<u>64,698</u>	<u>144,821</u>	<u>334,876</u>	<u>544,395</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 86,538</u>	<u>\$ 149,766</u>	<u>\$ 334,916</u>	<u>\$ 571,220</u>

**Combining Statement of Revenues, Expenses, and Changes
in Net Position - Internal Service Funds
For the Year Ended December 31, 2020**

	Building and Grounds	Administrative Services	Health Care	Total
OPERATING REVENUES:				
Charges for Services	\$ 520,545	\$ 663,178	\$ 1,210,351	\$ 2,394,074
TOTAL OPERATING REVENUES	520,545	663,178	1,210,351	2,394,074
OPERATING EXPENSES:				
Salaries, Wages, and Fringe Benefits	16,856	640,198	1,173,689	1,830,743
Contractual Services	273,702	-	-	273,702
Materials and Supplies	4,244	7,663	128	12,035
Equipment Repair and Maintenance	3,568	650	-	4,218
Utilities	198,541	900	-	199,441
Other	4,139	7,988	-	12,127
TOTAL OPERATING EXPENSES	501,050	657,399	1,173,817	2,332,266
OPERATING INCOME (LOSS)	19,495	5,779	36,534	61,808
Non Operating Revenues (Expenses):				
Interest Earnings	-	-	1,879	1,879
Federal	2,452	1,515	-	3,967
Other	-	1,500	-	1,500
Total Non Operating Revenues (Expenses):	2,452	3,015	1,879	7,346
INCOME (LOSS) BEFORE TRANSFERS	21,947	8,794	38,413	69,154
Operating Transfers In(Out)	(2,500)	-	-	(2,500)
Changes in Net Position	19,447	8,794	38,413	66,654
Net Position Beginning of Year	45,251	136,027	296,463	477,741
Net Position End of Year	\$ 64,698	\$ 144,821	\$ 334,876	\$ 544,395

**Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended December 31, 2020**

	Building and Grounds	Administrative Services	Health Care	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from Customers	\$ 514,887	\$ 666,139	\$ 1,209,967	\$ 2,390,993
Payments to Suppliers	(478,867)	(22,091)	-	(500,958)
Payments to Employees for Services and Benefits	(16,856)	(638,508)	(1,164,913)	(1,820,277)
Net Cash Provided (Used) by Operating Activities	<u>19,164</u>	<u>5,540</u>	<u>45,054</u>	<u>69,758</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:				
Other Receipts	2,452	3,015	-	5,467
Operating Transfers In(Out)	(2,500)	-	-	(2,500)
Net Cash Provided (Used) by Noncapital and Related Financing Activities	<u>(48)</u>	<u>3,015</u>	<u>-</u>	<u>2,967</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest Earnings	-	-	1,879	1,879
Net Sale or (Purchase) of Investments	-	-	(21,845)	(21,845)
Net Cash Provided (Used) by Investing Activities	<u>-</u>	<u>-</u>	<u>(19,966)</u>	<u>(19,966)</u>
Net Increase (Decrease) in Cash and Equivalents	19,116	8,555	25,088	52,759
Balances - Beginning of the Year	<u>54,872</u>	<u>140,146</u>	<u>80,195</u>	<u>275,213</u>
Balances - End of the Year	<u><u>\$ 73,988</u></u>	<u><u>\$ 148,701</u></u>	<u><u>\$ 105,283</u></u>	<u><u>\$ 327,972</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ 19,495	\$ 5,779	\$ 36,534	\$ 61,808
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Change in Assets and Liabilities:				
Accounts Receivable	(5,658)	2,961	(384)	(3,081)
Due from Governmental Units	-	-	-	-
Prepaid Expense	(97)	(387)	10,251	9,767
Inventory	(2,294)	325	-	(1,969)
Accounts Payable	7,718	(4,828)	(1,347)	1,543
Accrued Liabilities	-	1,690	-	1,690
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 19,164</u></u>	<u><u>\$ 5,540</u></u>	<u><u>\$ 45,054</u></u>	<u><u>\$ 69,758</u></u>

County of Otsego, Michigan

Combining Statement of Net Position Nonmajor Enterprise Funds December 31, 2020

	Global Positioning System Fund	University Center Metropolitan Area Network	Airport Special Events	Advertising I-75 Sign Fund	Jail Commissary	Homestead Audit	Total
ASSETS:							
Current Assets							
Cash and Equivalents	\$ 86,644	\$ 138,706	\$ 52,280	\$ 1,827	\$ 1,617	\$ 11,297	\$ 292,371
Accounts Receivable	83	3,462	-	-	19,186	-	22,731
Prepaid Expense	194	3,369	-	-	-	-	3,563
Total Current Assets	<u>86,921</u>	<u>145,537</u>	<u>52,280</u>	<u>1,827</u>	<u>20,803</u>	<u>11,297</u>	<u>318,665</u>
Noncurrent Assets							
Capital Assets (Net of Accumulated Depreciation)	-	36,880	-	-	-	-	36,880
TOTAL ASSETS	<u>\$ 86,921</u>	<u>\$ 182,417</u>	<u>\$ 52,280</u>	<u>\$ 1,827</u>	<u>\$ 20,803</u>	<u>\$ 11,297</u>	<u>\$ 355,545</u>
LIABILITIES:							
Accounts Payable	\$ 8,000	\$ 689	\$ 2,250	\$ -	\$ 5,908	\$ -	\$ 16,847
TOTAL LIABILITIES	<u>8,000</u>	<u>689</u>	<u>2,250</u>	<u>-</u>	<u>5,908</u>	<u>-</u>	<u>16,847</u>
NET POSITION:							
Net Investment in Capital Assets	-	36,880	-	-	-	-	36,880
Unrestricted	78,921	144,848	50,030	1,827	14,895	11,297	301,818
TOTAL NET POSITION	<u>\$ 78,921</u>	<u>\$ 181,728</u>	<u>\$ 50,030</u>	<u>\$ 1,827</u>	<u>\$ 14,895</u>	<u>\$ 11,297</u>	<u>\$ 338,698</u>

County of Otsego, Michigan

Combining Statement of Revenues, Expenses, and Changes in Net Position - Nonmajor Enterprise Funds For the Year Ended December 31, 2020

	Global Positioning System Fund	University Center Metropolitan Area Network	Airport Special Events	Advertising I-75 Sign Fund	Jail Commissary	Homestead Audit	Total
OPERATING REVENUES:							
Charges for Services	\$ 6,100	\$ 87,324	\$ 574	\$ -	\$ 43,994	\$ 258	\$ 138,250
TOTAL OPERATING REVENUES	6,100	87,324	574	-	43,994	258	138,250
OPERATING EXPENSES:							
Materials and Supplies	25,182	-	9,086	-	29,627	-	63,895
Depreciation	-	12,301	-	-	-	-	12,301
Other Expenses	-	69,389	-	812	-	1,600	71,801
TOTAL OPERATING EXPENSES	25,182	81,690	9,086	812	29,627	1,600	147,997
OPERATING INCOME (LOSS)	(19,082)	5,634	(8,512)	(812)	14,367	(1,342)	(9,747)
NON OPERATING REVENUES (EXPENSES):							
Federal	83	-	-	-	-	-	83
Other	-	-	(3,000)	-	-	-	(3,000)
Interest Earnings	-	-	-	-	-	88	88
TOTAL NONOPERATING REVENUES (EXPENSES):	83	-	(3,000)	-	-	88	(2,829)
INCOME (LOSS) BEFORE TRANSFERS	(18,999)	5,634	(11,512)	(812)	14,367	(1,254)	(12,576)
Transfers In	17,000	-	-	-	-	-	17,000
Changes in Net Position	(1,999)	5,634	(11,512)	(812)	14,367	(1,254)	4,424
NET POSITION BEGINNING OF YEAR	80,920	176,094	61,542	2,639	528	12,551	334,274
NET POSITION END OF YEAR	\$ 78,921	\$ 181,728	\$ 50,030	\$ 1,827	\$ 14,895	\$ 11,297	\$ 338,698

County of Otsego, Michigan

Combining Statement of Cash Flows Nonmajor Enterprise Funds For the Year Ended December 31, 2020

	Global Positioning System Fund	University Center Metropolitan Area Network	Airport Special Events	Advertising I-75 Sign Fund	Jail Commissary	Homestead Audit	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:							
Receipts from Customers	\$ 14,186	\$ 86,687	\$ 3,574	\$ -	\$ 24,808	\$ 258	\$ 129,513
Payments to Suppliers	(21,182)	(70,741)	(7,410)	(812)	(24,652)	(1,600)	(126,397)
Net Cash Provided (Used) by Operating Activities	(6,996)	15,946	(3,836)	(812)	156	(1,342)	3,116
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:							
Other	83	-	(3,000)	-	-	-	(2,917)
Transfers In	17,000	-	-	-	-	-	17,000
Net Cash Provided (Used) by Noncapital and Related Financing Activities	17,083	-	(3,000)	-	-	-	14,083
CASH FLOWS FROM INVESTING ACTIVITIES:							
Interest Earnings	-	-	-	-	-	88	88
Net Cash Provided (Used) by Investing Activities	-	-	-	-	-	88	88
Net Increase (Decrease) in Cash and Equivalents	10,087	15,946	(6,836)	(812)	156	(1,254)	17,287
Balances - Beginning of the Year	76,557	122,760	59,116	2,639	1,461	12,551	275,084
Balances - End of the Year	<u>\$ 86,644</u>	<u>\$ 138,706</u>	<u>\$ 52,280</u>	<u>\$ 1,827</u>	<u>\$ 1,617</u>	<u>\$ 11,297</u>	<u>\$ 292,371</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:							
Operating Income (Loss)	\$ (19,082)	\$ 5,634	\$ (8,512)	\$ (812)	\$ 14,367	\$ (1,342)	\$ (9,747)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:							
Depreciation Expense	-	12,301	-	-	-	-	12,301
Change in Assets and Liabilities:							
Accounts Receivable	8,280	(637)	3,000	-	(19,186)	-	(8,543)
Prepaid Expenses	(194)	(1,532)	-	-	-	-	(1,726)
Accounts Payable	4,000	180	1,676	-	4,975	-	10,831
Net Cash Provided (Used) by Operating Activities	<u>\$ (6,996)</u>	<u>\$ 15,946</u>	<u>\$ (3,836)</u>	<u>\$ (812)</u>	<u>\$ 156</u>	<u>\$ (1,342)</u>	<u>\$ 3,116</u>

Reports on Compliance



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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**MEMBER AICPA
DIVISION FOR CPA FIRMS**

MEMBER MACPA

**OFFICES IN
MICHIGAN & WISCONSIN**

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

To the Board of Commissioners
County of Otsego, Michigan
225 W. Main St.
Gaylord, MI 49735

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Otsego, Michigan, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the County of Otsego, Michigan's basic financial statements and have issued our report thereon dated June 29, 2021. Our report includes a reference to other auditors who audited the financial statements of the Otsego County Commission on Aging as described in our report on the County of Otsego, Michigan's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Otsego Commission on Aging were not audited in accordance with *Governmental Auditing Standards*.

Internal Control Over Financial Reporting

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

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

To Chairman Root and the Board of Commissioners
Otsego County

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompany schedule of findings and questioned costs as items 2020-001 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Otsego, Michigan'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 instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

County of Otsego, Michigan's Response to Findings

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

Purpose of this Report

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



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

June 29, 2021



ANDERSON, TACKMAN & COMPANY, PLC
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MEMBER MACPA

**OFFICES IN
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

To Board of Commissioners
County of Otsego, Michigan
225 W. Main St.
Gaylord, MI 49735

Report on Compliance for Each Major Federal Program

We have audited the County of Otsego, Michigan's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County of Otsego, Michigan's major federal programs for the year ended December 31, 2020. The County of Otsego, Michigan's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The County of Otsego, Michigan's basic financial statements include the operations of the Otsego County Commission on Aging, which received \$216,781 in federal awards, which are not included in the County of Otsego, Michigan's schedule of expenditures of federal awards during the year ended December 31, 2020. Our audit, described below, did not include the operations of the Otsego County Commission on Aging because they were engaged by other auditors to perform a separate financial audit and it did not meet compliance requirements for a single audit in accordance with the Uniform Guidance, as expenditures of directly administered federal awards did not exceed \$750,000.

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.

Auditor's Responsibility

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

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

To Chairman Root and the Board of Commissioners
County of Otsego

Opinion on Each Major Federal Program

In our opinion, the County of Otsego, Michigan complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

Report on Internal Control Over Compliance

Management of the County of Otsego, Michigan is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County of Otsego, Michigan's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County of Otsego, Michigan'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 combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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.



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

June 29, 2021

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE:			
Direct Awards:			
Community Facility Loans and Grants	10.766		\$ 50,000
U.S. Department of Housing and Urban Development:			
Pass-through from the Michigan State Development Authority			
Community Development Block Grants/State Program and Non-Entitlement Grants in Hawaii	14.228	PI 2019 MEDC	26,464
	14.228	M-2017-0812	67,897
	14.228	CARES Act	106,854
	14.228	HPG PI	375
	14.228	PI 2020	43,820
Total U.S. Department of Housing and Urban Development			<u>245,410</u>
U.S. Department of Justice:			
Pass-through Michigan State Police			
Bulletproof Vest Partnership Program	16.607	N/A	2,831
Coronavirus Emergency Supplemental Funding Program	16.034	CESF-0244-2020	52,044
Total U.S. Department of Justice			<u>54,875</u>
U.S. Department of Transportation:			
Direct Awards:			
Airport Improvement Program	20.106	3-26-SBGP-117-2020	30,000
Pass-through the Michigan Department of Transportation			
Formula Grants for Rural Areas and Tribal Transit Programs	20.509	N/A	176,226
Formula Grants for Rural Areas and Tribal Transit Programs Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	20.509	CARES Act	159,955
	20.526	N/A	104,276
Subtotal MDOT			<u>440,457</u>
Pass-through the Michigan State Police			
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703		2,351
Total U.S. Department of Transportation			<u>472,808</u>
U.S. DEPARTMENT OF TREASURY:			
Pass-through from the Michigan Department of Treasury			
Public Safety and Public Health Payroll Reimbursement Program	21.019	N/A	323,240
First Responder Hazard Pay Premiums Program	21.019	N/A	55,000
Coronavirus Relief Local Governemnt Grants Program	21.019	N/A	186,724
Subtotal - MDT			<u>564,964</u>
Pass-through from the Michigan Occupational Safety			
Coronavirus Relief Fund	21.019	N/A	7,083
Total U.S. Department of Treasury			<u>572,047</u>
FEDERAL COMMUNICATION COMMISSION:			
Pass-through from the Michigna Department of Education			
Universal Service Fund	32.004	N/A	9,250
NATION ENDOWMENT FOR THE ARTS:			
Pass-through from the Michigna Department of Education			
Grants to States	45.310	N/A	4,000

See accompanying notes to scheduled of expenditures of federal awards.

**Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020**

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Direct Awards:			
PRF - General Distribution	93.498	N/A	<u>47,533</u>
Pass-through from the State of Michigan			
Department of Health and Human Services			
Child Support Enforcement	93.563	CSPA-13-69002	52,474
Child Support Enforcement	93.563	CSFOC13-69001	47,543
Child Support Enforcement	93.563	CSFOC17-69001	<u>286,350</u>
Subtotal - MDHHS			<u>386,367</u>
Pass-through NW Michigan Health Department			
Preventive Health and Health Services Block Grant	93.991	N/A	<u>10,000</u>
Total U.S. Department of Health and Human Services			<u>443,900</u>
U.S. DEPARTMENT OF HOMELAND SECURITY:			
Pass-through from the Michigan Department of Natural Resources			
Boating Safety Financial Assistance	97.012	N/A	<u>5,100</u>
Pass-through from the Michigan State Police			
Pre-Disaster Mitigation Program	97.042	N/A	<u>12,191</u>
Total U.S. Department of Homeland Security			<u>17,291</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 1,869,581</u></u>

See accompanying notes to scheduled of expenditures of federal awards.

NOTE A - BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the County of Shiawassee, Michigan under programs of the federal government for the year ended December 31, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County of Shiawassee, Michigan, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County of Shiawassee, Michigan.

NOTE B - COGNIZANT AGENCY:

The County has not been assigned a cognizant agency. Therefore, the County is under the general oversight of the U.S. Department of Health and Human Services which provided the greatest amount of direct federal funding to the County during 2020.

NOTE C - INDIRECT COST:

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

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued:	Unmodified
Internal control over financial reporting:	
· Material weaknesses identified?	Yes
· Significant deficiencies identified that are not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
· Material weaknesses identified?	No
· Significant deficiencies identified that are not considered to be material weaknesses?	No
Type of auditor’s report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Title 2 (CFR) part 200, Uniform Guidance?	No

Identification of Major Programs

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
21.019	Coronavirus Relief Programs
93.563	Child Support Enforcement Programs
Dollar threshold used to distinguish between types A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

Material Weakness

Bank Reconciliation Process

Finding 2020-001

Condition: The County is required to perform monthly reconciliations between the general ledger, and bank records as prescribed by the Michigan Department of Treasury Uniform Accounting Procedures Manual for Local Governments.

Criteria: Reconciliation of the cash balances recorded by the Treasurer were incomplete and had outstanding transactions related to cash accounts that were included in the reconciliation, though were not being recorded in the general ledger.

Effect: Noncompliance with applicable state requirements.

Cause: The current process of reconciling the cash accounts did not recognize the identified transactions in the general ledger.

Recommendation: The Otsego County Treasurer and the County must take steps to produce a complete bank reconciliation on a monthly basis for the identified transactions.

Management's Response – Corrective Action Plan: The County has already corrected the identified transactions and is in the process of implementing the necessary reconciliation procedures.

- *Contact Person(s) Responsible for Correction:*
Diann Axford, Otsego County Treasurer
Rachel Frisch, Otsego County Administrator

Section III – Federal Award Findings and Questioned Costs

NONE.

Section III – Federal Award Findings and Questioned Costs

NONE.



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COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Members of the Board of Commissioners
County of Otsego, Michigan
225 W. Main St.
Gaylord, MI 49735

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Otsego, Michigan for the year ended December 31, 2020, and have issued our report thereon dated June 29, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

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

As stated in our engagement letter dated March 10, 2021, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

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

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the County of Otsego, Michigan's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

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

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

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our letter about planning matters dated on March 10, 2021.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the County of Otsego, Michigan are described in Note 1 to the financial statements. One new accounting presentation change was adopted related to the presentation of fiduciary funds in relation to the adoption of GASB 84 and the application of existing policies were not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant have been recognized in the financial statements in the proper period.

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

- Management's estimate of the depreciation expense is based on estimated lives. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the vested employee benefits is based on current hourly rates and policies regarding payment of sick and vacation banks.
- Management's estimate of the allowance for uncollectible accounts receivable is based on past experience and future expectations for collection of various account balances and has been determined to be \$407,000.
- Management's estimate of the Annual Required Contribution and liabilities actuarial for OPEB Obligations and net pension liability was based on various assumptions regarding life expectancies, inflation, premium increases, and investment rates.

The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreement with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 29, 2021.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Comments and Recommendations

Cash Recording (Prior Year)

It was noted in our review of the county component unit cash balances that in one occurrence cash was recorded into the ledger as received, but they had not yet been distributed out of the agency fund per county practice until the following calendar year resulting in an over statement of year end cash balances. We recommend that cash only be recorded as received after distributions have been received, to ensure that the county does not overstate cash balances.

Status: Corrected

Cash Reconciliations (Prior Year)

In our review of cash balances, we noted that there were a few immaterial cash balances held at component unit balances that appeared to be stale accounts or lacked support. We recommend that the county perform a review of the cash held at component unit balances and adjust the accounts based on their findings.

Status: Corrected

Outstanding Checks (Prior Year)

We noted in our review of cash reconciliations that a few long outstanding checks were on the county books in relation to cash accounts held by the library and the Sportsplex. We recommend that the county review the Michigan Unclaimed Property Manual and follow its guidance to escheat or absorb these checks to clear them from the outstanding item listing.

Status: Corrected

Taxes Receivable (Prior Year)

It was noted in our review of the general operations tax receivable, that the county is currently only recording the amount related to the next year's tax settlement as a receivable at year end. Not the total amount of the tax levy left to be collected as the county revenue recognition policy requires. We recommend that the county begin recording the total amount of taxes left to be collected as of December 31, as revenue and receivable as of December 31 to ensure that the revenue is recorded in the year of the levy to be in compliance with county policy.

Status: In the process of being corrected

Cash Receipts (Prior Year)

It was noted in our review of cash that in one occurrence when a transfer was made from the pooled cash account to component unit bank account the transfer was noted recorded by the component unit 2020 as the transfer was for payroll to be paid in 2020. This caused a large unreconciled difference in cash balance as of 12/31/2019. We recommend that cash deposits and transfers be recorded into the ledger when they are received regardless of the timing of the related transaction to ensure accurate cash reconciliations.

Status: Corrected

Single Approach for Reporting Leases

The Governmental Accounting Standards Board (GASB) issued guidance that establishes a single approach to accounting for and reporting leases by state and local governments. The single approach is based on the principle that leases are financing of the right to use an underlying asset.

GASB Statement No. 87, *Leases*, provides guidance for lease contracts for nonfinancial assets – including vehicles heavy equipment, and buildings – but excludes nonexchange transactions, including donated assets, and leases of intangible assets.

Under the new Statement, a lessee government is required to recognize (1) a lease liability and (2) an intangible asset representing the lessee's right to use the leased asset. A lessor government is required to recognize (1) a lease receivable and (2) a deferred inflow of resources. A lessor will continue to report the leased asset in its financial statements.

A lease also will report the following in its financial statements:

- Amortization expense for using the lease asset (similar to depreciation) over the shorter of the term of the lease or the useful life of the underlying asset.
- Interest expense on the lease liability.
- Note disclosures about the lease, including a general description of the leasing arrangement, the amount of the lease assets recognized, and a schedule of future lease payments to be made.

Limited exceptions to the single-approach guidance are provided for:

- Short-term leases, defined as lasting a maximum of 12 months at inception, including any options to extend.
- Financial purchases.
- Certain regulated leases, such as between municipal airports and air carriers.

The full text of Statement 87 is available on the GASB website, www.gasb.org.

Other Matters

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

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

Conclusion

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

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



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

June 29, 2021